



**COMPETITION COMMISSION OF INDIA**  
(Combination Registration No. C-2013/07/127)

**21.08. 2013**

**Notice u/s 6 (2) of the Competition Act, 2002 given by:**

The CIE Group Companies namely CIE Automotive S.A. (“**CIE**”), CIE Berriz, S.L., CIE Autometal S.A. (“**Autometal**”), Autometal S.A., Participaciones Internacionales Autometal, S.L.U. (“**PIA 1**”), Participaciones Internacionales Autometal, DOS, S.L. (“**PIA 2**”), Participaciones Internacionales Autometal Tres, S.L. (“**PIA 3**”), CIE Legazpi, S.A., CIE Galfor, S.A. and UAB CIE LT Forge and the Mahindra Group Companies (an Indian multinational group) namely Mahindra & Mahindra Limited (“**M&M**”), Mahindra Forgings Limited, Mahindra Composites Limited, Mahindra Hinoday Industries Limited (“**Mahindra Castings**”), Mahindra Investments (India) Private Limited, Mahindra Gears International Limited, Mahindra Ugine Steel Company Limited (“**MUSCO**”) and Mahindra Overseas Investment Company (Mauritius) Limited (“**MOICML**”).

**Order under Section 31(1) of the Competition Act, 2002**

1. On 12<sup>th</sup> July, 2013, the Competition Commission of India (hereinafter referred to as the “**Commission**”) received a notice relating to a proposed combination under sub-section (2) of Section 6 of the Competition Act, 2002 (hereinafter referred to as the “**Act**”) given by the CIE Group Companies and the Mahindra Group Companies.



2. In terms of Regulation 14 of Competition Commission of India (Procedure in regard to the transaction of business relating to combinations) Regulations, 2011 (“**Combination Regulations**”), on 16<sup>th</sup> July, 2013, the parties were required to remove certain defects and provide information/document(s). The reply of the parties was filed on 24<sup>th</sup> July, 2012. Thereafter, in terms of sub-regulation (2) of Regulation 19 and sub-regulation (4) of Regulation 5 of the Combination Regulations, on 26<sup>th</sup> July, 2013, the parties were required to furnish additional information/documents. The reply was filed on 12<sup>th</sup> August, 2013.
  
3. The notice relating to the proposed combination was given pursuant to execution of the following documents:
  - a. Implementation Agreement dated 15<sup>th</sup> June, 2013 entered into between the CIE Group Companies and the Mahindra Group Companies (hereinafter referred to as the “**Implementation Agreement**”);
  - b. Share Purchase Agreement dated 15<sup>th</sup> June, 2013 entered into between CIE, Autometal, PIA 2 and M&M (hereinafter referred to as the “**Forgings SPA**”);
  - c. Share Purchase Agreement dated 15<sup>th</sup> June, 2013 entered into between CIE, Autometal, PIA 2, M&M and Mahindra Holdings Limited (hereinafter referred to as the “**Composites SPA**”);
  - d. Share Purchase Agreement dated 15<sup>th</sup> June, 2013 entered into between CIE, Autometal, PIA 2 and M&M (hereinafter referred to as the “**Castings SPA**”);
  - e. Shareholders’ Agreement dated 15<sup>th</sup> June, 2013 entered into between PIA 2, M&M, Mahindra Forgings Limited, CIE and Autometal;



- f. Investment Agreement dated 15<sup>th</sup> June, 2013 entered into between CIE, MOICML and M&M (hereinafter referred to as “**Investment Agreement**”);
  - g. Brand License Agreement dated 15<sup>th</sup> June, 2013 between CIE and Mahindra Forgings Limited;
  - h. Brand License Agreement dated 15<sup>th</sup> June, 2013 between M&M and Mahindra Forgings Limited;
  - i. Brand license agreement dated 15<sup>th</sup> June, 2013 between M&M and Mahindra Composites Limited;
  - j. Board resolutions passed by the Board of Directors of each of Mahindra Forgings Limited, Mahindra Castings Limited, Mahindra Gears International Limited, Mahindra Investments (India) Private Limited, MUSCO and PIA 3 approving the Integrated Scheme under Sections 391 to 394 of the Companies Act, 1956 of amalgamation of Mahindra Castings, MUSCO, Mahindra Gears International Limited, Mahindra Investments (India) Private Limited and PIA 3 with Mahindra Forgings Limited; and
  - k. Board resolutions passed by the Board of Directors of each of Mahindra Composites Limited and Mahindra Forgings Limited approving the Composites Scheme under Sections 391 to 394 of the Companies Act, 1956 of amalgamation of Mahindra Composites with Mahindra Forgings Limited.
4. It has been stated in the notice that through the proposed combination, CIE would consolidate its European forgings businesses, as carried out by the CIE Group Companies, with the forgings, composites, castings, gears, stampings, and magnetics businesses of Mahindra Forgings Limited, Mahindra Composites Limited, Mahindra Castings, Mahindra Investments (India) Private Limited, Mahindra Gears International Limited and MUSCO, collectively defined in the notice as Mahindra



Systech Companies, into one entity through the following transactions constituting a series of steps which are inter-connected to each other:

**Step 1**

- (a) Acquisition of 48,529,500 equity shares of Mahindra Forgings Limited from M&M, representing 52.65 per cent of the issued and subscribed equity share capital, by PIA 2 in terms of the Forgings SPA;
- (b) Acquisition of 1,341,203 equity shares of Mahindra Composites Limited, representing 30.38 per cent of the issued, subscribed and paid up equity share capital, from M&M, and acquisition of 2,20,000 equity shares of Mahindra Composites Limited, representing 4.98 per cent of the issued, subscribed and paid up equity share capital, from Mahindra Holdings Limited, by PIA 2 in terms of the Composites SPA;
- (c) Acquisition of 30,254,052 equity shares of Mahindra Castings, from M&M, representing 64.96 per cent of the equity share capital, by PIA 2 in terms of the Castings SPA;
- (d) Open Offer by PIA 2 to acquire up to 26 per cent equity shares in Mahindra Forgings Limited, in terms of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (hereinafter referred to as the “**Takeover Regulations**”), following the execution of the Forgings SPA and the Implementation Agreement;
- (e) Open Offer by PIA 2 to acquire up to 26 per cent equity shares in Mahindra Composites Limited, in terms of the Takeover



Regulations, following the execution of the Composites SPA and the Implementation Agreement; and

- (f) Acquisition of 16,040,706 shares of CIE amounting to 13.5 per cent of the fully diluted equity share capital of CIE, by MOICML following the Investment Agreement.

**Step 2**

- (a) Amalgamation of Mahindra Castings, MUSCO, Mahindra Gears International Limited and Mahindra Investments (India) Private Limited and PIA 3 with Mahindra Forgings Limited in terms of the integrated scheme under Sections 391-394 of the Companies Act, 1956; and
- (b) Amalgamation of Mahindra Composites into Mahindra Forgings under Sections 391-394 of the Companies Act, 1956 in terms of the Composites Scheme.
5. It has been stated in the notice that pursuant to the implementation of the proposed combination, Mahindra Forgings Limited will be renamed as Mahindra CIE Automotive Limited (hereinafter referred to as “**Mahindra CIE**”). Further, as stated in the notice, post-combination, PIA 2 would hold at least 44.89 per cent but not more than 52.73 per cent stake in Mahindra CIE and M&M would hold 20.04 per cent, with the remainder to be held by the public.
6. The proposed combination falls under Section 5 of the Act.
7. As stated in the notice, the CIE Group Companies are, *inter-alia*, engaged in the business of manufacture and sale of auto-components using various technologies used in the auto-component sector such as



aluminum, forging, stamping, machining, plastics, castings and roof systems and manufacture more than 5000 different products world-wide using these technologies. It has also been stated that the CIE Group Companies have 70 plants distributed across 4 continents and 12 countries i.e. Brazil, Mexico, USA, Morocco, Spain, Portugal, France, Czech Republic, Romania, Lithuania, Russia and China. PIA 2 and PIA 3 are the companies incorporated under the laws of Spain which are directly or indirectly controlled by CIE. As stated in the notice, the CIE Group Companies do not have any presence in India either directly or indirectly. The CIE Group Companies do not manufacture, produce, sell or export any auto-components or products or services in India and are not engaged in any activity that either competes with or is vertically related to the business proposed to be acquired by way of the proposed combination. It has also been stated that the CIE Group Companies do not have any investments in Indian companies in the auto component sector in India.

8. M&M is a public limited company, belonging to the M&M Group, *inter-alia*, stated to be engaged in the automotive and agri-business, two wheeler industries, aerospace, steel, industrial equipment, real estate, energy, financial services, information technology, etc.
9. Mahindra Forgings Limited, a public limited company, is stated to be engaged in the business of manufacture and sale of components and parts, used in the automotive industry using forgings. Mahindra Composites Limited, a public limited company, is stated to be engaged in the business of composites for automotive and electrical switchgear applications. Mahindra Castings, a public limited company, is stated to be engaged in the business of manufacture and sale of components and parts used in the automotive industry, using castings. The principal business of Mahindra Investments (India) Private Limited, a private



limited company & Mahindra Gears International Limited, a company incorporated under the laws of Mauritius, is to act as an investment holding company. MUSCO, a public limited company, is stated to be engaged in the business of manufacture and sale of components and parts used in the automotive industry, using stampings. MOICML is a company incorporated in Mauritius and is engaged in the automotive business.

10. As per the publicly available information, the automotive components and parts which are used in all types of vehicles such as two-wheelers, passenger vehicles and commercial vehicles, generally comprise engine & engine parts including pistons, piston rings, engine valves, fuel injection systems, carburettors, cooling systems, power train components, etc.; transmission & steering parts including gears, wheels, steering systems, axles, clutches etc; suspension & braking parts including brakes, brake assemblies, shock absorbers, etc; equipments and parts including headlights, halogen bulbs, wiper motors, dashboard instruments and electrical parts including starter motors, spark plugs, etc. These components and parts used in the automotive industry are generally manufactured using various technologies such as forgings, composites, castings, metal stamping, machining, plastics, magnetics, etc.
11. The proposed combination relates to the auto components sector in which the companies supply their products for different vehicle segments. It is observed that the auto-components manufacturers are generally organized in a manner that some companies are involved in an integrated system being the key enablers to Original Equipment Manufacturers (hereinafter referred to as “OEMs”), whereas some intermediate level companies supply auto components and parts to the companies which supply their products to the OEMs, with the remaining being those companies which use traditional methods of manufacturing, with negligible IT systems and are



engaged in the supply of raw materials and single auto-components. It is also seen that in some cases OEMs themselves have their own integrated auto-components manufacturing facility.

12. As per the publicly available information, CIE has its footprint in the European Union, NAFTA countries (Canada, Mexico and United States of America), Brazil, Russia and China, whereas Mahindra Systech Companies are primarily present in India and the European Union. It has been stated that by consolidating their businesses together, the combined entity i.e. Mahindra CIE would get a global footprint with complementarity in geographies.
13. It is observed that the proposed combination does not contemplate combination of two existing players in the Indian auto-component manufacturing business. Further, pursuant to the proposed combination coming into effect, Mahindra & Mahindra would continue to be present as a shareholder of Mahindra CIE with 20.04 per cent of the equity share capital. Moreover, the CIE Group companies have no presence in the auto-component business in India and do not have any investments in Indian companies which are present in the auto-component business. Additionally, it is also observed that the technologies currently being used by the Mahindra Systech companies would continue to be utilized in Mahindra CIE after consolidation of the business of CIE and Mahindra Systech Companies, pursuant to the proposed combination.
14. Considering the facts on record and the details provided in the notice given under sub-section (2) of Section 6 of the Act and the assessment of the combination after considering the relevant factors mentioned in sub-section (4) of Section 20 of the Act, the Commission is of the opinion that the proposed combination is not likely to have appreciable adverse effect on competition in India and therefore, the Commission hereby





## COMPETITION COMMISSION OF INDIA



approves the proposed combination under sub-section (1) of Section 31 of the Act.

15. This approval is without prejudice to any other legal/statutory obligations as applicable.
16. This order shall stand revoked if, at any time, the information provided by the notifying parties is found to be incorrect.
17. The Secretary is directed to communicate to CIE Group Companies and Mahindra Group Companies accordingly.

(Ashok Chawla)  
Chairperson

(Geeta Gouri)  
Member

(Anurag Goel)  
Member

(M. L. Tayal)  
Member

(S. L. Bunker)  
Member