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## COMPETITION COMMISSION OF INDIA

(Combination Registration No. C-2014/06/180)

14.08.2014

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

- Mitsubishi Hitachi Metal Machinery, Inc. and
- Siemens Aktiengesellschaft

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

1. On 5<sup>th</sup> June 2014, the Competition Commission of India (hereinafter referred to as the “Commission”) received a notice under sub-section (2) of Section 6 of the Competition Act, 2002 (“Act”) filed by Mitsubishi-Hitachi Metals Machinery, Inc. (“MHMM”) and Siemens Aktiengesellschaft (“Siemens”).
2. The Proposed Combination relates to the formation of a joint venture (“JV”) by MHMM and Siemens that will focus on the business of metal plant building solutions and related services. MHMM and Siemens will respectively own 51 percent and 49 percent of the JV’s issued share capital in terms of the Framework Agreement and the Joint Venture Formation Agreement (“Agreements”), both executed on 6<sup>th</sup> May 2014, between Mitsubishi Heavy Industries (“MHI”), MHMM and Siemens.
3. In terms of Regulation 14 of the Competition Commission of India (Procedure in regard to transaction of business relating to combinations) Regulations, 2011 (“Combination Regulations”), vide letter dated 13<sup>th</sup> June, 2014, the parties to the combination were required to remove certain defects and provide information/document(s) latest by 23<sup>rd</sup> June, 2014. The parties submitted their final reply vide letter dated 24<sup>th</sup> June, 2014 after seeking extension in this regard.
4. In terms of Regulation 5 and 19 of Combination Regulations, the parties were asked to provide additional information vide letters dated 26<sup>th</sup> June 2014, 9<sup>th</sup> July 2014 and 18<sup>th</sup> July 2014. The parties submitted the required information on 8<sup>th</sup>



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July 2014, 16<sup>th</sup> July 2014 and 30<sup>th</sup> July 2014. The parties also submitted additional information on 1<sup>st</sup> August 2014.

5. As per information given in the notice, MHMM is a joint venture company established in the year 2000 by the combination of steel production and machinery divisions of MHI and Hitachi Limited (“**Hitachi**”). In India, MHMM operates through its subsidiaries namely, Mitsubishi-Hitachi Metals Machinery South Asia Private Limited and Concast (India) Limited. In terms of the Agreements, MHMM will contribute its metal plant building business to the proposed JV. Siemens, a publicly traded company organized under the laws of Germany, is engaged in various activities including energy, healthcare, infrastructure etc. In terms of the Agreements, Siemens would carve out its metal plant building business to be transferred to the proposed JV.
6. The metal plant building business consists of designing and installing of the production machinery in the metallurgical plants as well as related maintenance and support services. The process of metal plant building may be further classified in the segments such as mechanical and electrical metal plant building and mechanical and electrical plant maintenance and support services. The mechanical metal plant building involves the metallurgical processes of liquid phase and casting and rolling (C&R). The electrical metal plant building consists of a variety of processes and activities including general electrification of plants (electrics), automation and IT solutions.
7. As stated in the notice, in India, MHMM is actively engaged in the C&R stage of mechanical metal plant building and provides the mechanical plant maintenance and support services. Further, as stated in the notice, MHMM is not active in the electrical metal plant building and its maintenance and support services but is a reseller of electrical plant building equipment in India. Siemens offers both mechanical and electrical plant building solutions in India. It also provides the maintenance and support services for both mechanical and electrical metal plant building processes.
8. As regards the competition assessment of the proposed JV, the Commission looked into the market of metal plant building in the wider segments of mechanical and electrical plant building as well as in the narrower market in



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terms of processes comprising the mechanical and electrical plant building segments.

9. The parties have stated that the activities of the business to be combined are complementary with limited direct overlaps in India. As submitted by the parties, Siemens focusses on the upstream part of the metallurgical production chain and to some extent in the downstream continuous casting stage, whereas MHMM mainly focuses on the downstream metallurgical production chain, especially in cold rolling. The Commission considered the tendering data furnished by the parties and found that the parties are not close competitors in either the overall market(s) of mechanical or electrical plant building or in the processes comprising these market segments.
10. It is also observed that the market of metal plant building is characterized by the presence of suppliers such as SMS, Danieli, China Metallurgical Group (MCC) and others who generally supply solutions for the entire steel production range from iron making to the finishing lines and specialised products and other suppliers who being active in particular processes of the metal plant building may collaborate with other suppliers with complementary activities to offer more comprehensive solutions where a project involves processes that they themselves do not cover.
11. Considering the facts on record and the details provided in the notice given under sub-section (2) of section 6 of the Act and assessment of the proposed combination on the basis of factors stated 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 an appreciable adverse effect on competition in India, in the overall market(s) of mechanical or electrical plant building or in the processes comprising these segments and therefore, the Commission hereby approves the same under sub-section (1) of section 31 of the Act.
12. This approval is without prejudice to any other legal/statutory obligations as applicable.
13. This order shall stand revoked if, at any time, the information provided by the parties is found to be incorrect.



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14. The Secretary is directed to communicate to the parties accordingly.