



COMPETITION COMMISSION OF INDIA

(Combination Registration No. C-2014/10/215)

24th February 2015

Notice under sub-section (2) of Section 6 of the Competition Act, 2002 given by ZF Friedrichshafen AG

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

1. On 13th October 2014, the Competition Commission of India ('**Commission**') received a notice under sub-section (2) of Section 6 of the Competition Act, 2002 ('**Act**') given by ZF Friedrichshafen AG ('**ZF**' or '**Acquirer**'), pursuant to an Agreement and Plan of Merger dated 15th September, 2014, entered into between TRW Automotive Holdings Corp. ('**TRW**' or '**Target Enterprise**'), ZF and MSNA Inc. ('**MSNA**') (ZF and TRW are collectively referred to as the '**Parties**').
2. The proposed combination relates to the acquisition of TRW by ZF through its indirect subsidiary MSNA, held by ZF through its wholly owned subsidiary ZF North America Inc. As stated in the notice, MSNA has been established solely for the purpose of the proposed combination and it is not engaged in any business operations currently.
3. As stated in the notice, ZF is a stock corporation, based in Friedrichshafen, Germany. ZF primarily operates via its wholly owned subsidiaries and joint ventures across various markets and segments of automotive components business, namely, (a) powertrain technology which consists of transmission, powertrain modules and die casting technologies for car and commercial vehicles; (b) chassis systems and components for car and commercial vehicles; (c) driveline for car and commercial vehicles (d) industrial technology which, *inter alia*, consists of marine propulsion systems, aviation technology and wind power technology; (e) steering systems for passenger cars and commercial vehicles; (f) electronic systems including electronic control units, switches,



sensors etc. In India, ZF operates through its various subsidiaries and joint ventures, *inter alia*, in the aforementioned segments of automotive components business.

4. TRW, headquartered in USA, is a manufacturer of automotive components focused mainly on automotive safety technologies. As stated in the notice, TRW is primarily engaged in the following business segments namely, (a) chassis systems and components; (b) steering systems; (c) safety technologies including advanced driver assistance systems, electronics (such as safety electronics), slip control, foundation brakes, occupant safety (such as airbags), etc. and (d) automotive components comprising body controls and fasteners. TRW is present in India through its various subsidiaries and joint ventures.

5. In terms of Regulation 14 of the Competition Commission of India (Procedure in regard to the transaction of business relating to combinations) Regulations, 2011 (hereinafter referred to as '**Combination Regulations**'), *vide* letter dated 24th October 2014, the Acquirer was required to remove defects and provide certain information/document(s). The Acquirer submitted its response on 4th November 2014 after seeking extension. As the response was incomplete in certain aspects, in terms of Regulation 14 of the Combination Regulations, the Acquirer was asked to provide certain information/document(s) *vide* letter dated 11th November 2014, which was issued in continuation to the Commission's communication dated 24th October 2014. The Acquirer submitted its response on 2nd December 2014 after seeking extensions in this regard. Further, *vide* letter dated 5th December 2014, the Acquirer was required to remove certain defects to which the Acquirer responded on 17th December 2014 after seeking extension. Further, *vide* letter dated 19th December 2014, the Acquirer was again required to remove certain defects to which the Acquirer responded on 29th December 2014 after seeking extension. Further, *vide* letter dated 1st January 2015, under Regulation 5 and Regulation 19 of the Combination Regulations, letter was sent to the Acquirer. The Acquirer submitted its response on 27th January 2015, after seeking extensions in this regard. Further, *vide* letter dated 13th February 2015, under Regulation 14 of Combination Regulations, a letter was sent to the



Acquirer to remove certain defects. The Acquirer submitted its response on 18th February 2015, after seeking an extension in this regard.

6. As per the information provided by the Acquirer, it is observed that the Parties have no overlap in the powertrain, driveline and safety technologies including electronics segments of automotive component business in India.
7. The Parties have horizontally and vertically overlapping businesses in the steering system products, and horizontally overlapping business in the chassis system products, in India. Further, as submitted by the Acquirer, the automotive clients of the Parties are primarily major international original equipment manufacturers ('OEMs'). Therefore, the Parties are mostly engaged in the production of aforementioned automotive components, which are manufactured in accordance with the specifications provided by the OEMs. In this regard it is also observed that the manufacturing process/plant for a particular segment of automotive components business can be generally used for production of automotive components of a specific vehicle type only. Therefore, the market for automotive components may also be delineated on the basis of type of vehicles such as heavy commercial vehicles, medium commercial vehicles, light commercial vehicles, compact & midsize cars and luxury cars.
8. In the instant case, therefore, the relevant product market may be broadly delineated as market for manufacturing of chassis and steering systems for certain types of vehicles, namely, heavy commercial vehicles, medium commercial vehicles, light commercial vehicle, compact & midsize cars and luxury cars, in India.
9. Further, it is observed that the Indian auto industry has, *inter alia*, generally evolved around three major regions namely, Mumbai – Pune – Nashik – Aurangabad; Chennai – Bangalore – Hosur; and Delhi – Gurgaon – Faridabad region, since the auto components industry in India is largely present in the form of clusters in these regions with OEMs as centres of growth. As both ZF and TRW have a broad presence in each of the aforesaid regions, the relevant



geographic market for the purpose of the proposed combination may be considered as the whole of India.

10. As per the information provided in the notice and other documents on record, in chassis technology segment though ZF has a market share between 10 to 15 percent and 30 to 35 percent in compact & midsize passenger cars and luxury cars segments respectively, the market share of TRW, in India, is negligible in the chassis technology segment of the automotive component business. Also, other players are present in the segment of chassis technology in India namely, Bharat Forge Limited, Amtek Auto Limited, Mahindra Forgings Limited and Bosch Chassis Systems India Limited etc.

11. Further, as regards the steering system segment of the automotive components, it is noted that the steering systems business of ZF is operated through a joint venture company namely, ZF Lenksysteme GmbH ('ZFLS'), which is a 50:50 joint venture between ZF and Robert Bosch GmbH ('Bosch'). As per the information provided in the notice and other documents on record, the market share of ZF in the steering system segments in heavy and medium commercial vehicles and luxury passenger cars segments in India is between 45 to 50 percent, 35 to 40 percent and 5 to 10 percent respectively. The market share of TRW in the said segment of automotive components business is between 30 to 35 percent, 10 to 15 percent and 15 to 20 percent respectively. ZF's presence in the steering business is primarily through ZFLS which is present in India through two entities, namely, ZF Lenksysteme India Private Limited and ZF Steering Gear India Limited. ZF also sources its steering system products from other suppliers for resale to the independent after market ('IAM') ('IAM Business'). However, as per the information in the notice and other documents on record, the sales made by ZF under this segment of business are insignificant. Further, as submitted by the Acquirer, through a separate share purchase and transfer agreement executed, *inter alia*, between ZF and Bosch on 15th September 2014, ZF has divested its entire stake in ZFLS to Bosch ('Bosch Transaction'). As stated by the Acquirer, as the divestment of ZF's share in ZFLS will remove the entire ZF's steering business other than the IAM business,



it will bring down the horizontal overlap between ZF and TRW in the said segment of the automotive component business, in India.

12. It is also noted in this regard that the Acquirer, vide letter dated 28th January 2015, has also given a commitment under the provisions of sub-regulation (2) of Regulation 19 of the Combination Regulations that ZF would divest its shares in ZFLS and would put in place appropriate measures to protect the independence of ZFLS pending completion of the sale, in accordance with the share purchase and transfer agreement, executed, *inter alia*, between ZF and Bosch. Further, the Acquirer has also submitted that the Bosch Transaction has received unconditional approval from all the competition authorities wherein the Bosch Transaction was notified. In this regard, the Acquirer, vide its letter dated 2nd February 2015, has informed that the Bosch has completed the acquisition of ZF's 50 percent share in ZFLS on 30th January 2015.
13. With respect to the vertical relationship between the Parties, it is observed that there is insignificant vertical relationship between the Parties in the steering system segment in India.
14. The Commission, in its meeting held on 6th January 2015, also decided to seek certain information, *inter alia*, from the competitors and the customers of ZF and/or TRW in India under the provisions of sub-regulation (3) of Regulation 19 of the Combination Regulations. From the information received in this regard and the submissions of the Acquirer, it is observed that there are other manufacturers including global players such as Mando India Steering Systems Pvt. Ltd., Rane (Madras) Limited, Rane NSK Steering Systems Limited etc. who are engaged in the manufacture of the steering systems in India. Further, it is observed that with the consummation of the Bosch Transaction, post combination ZF and TRW together would compete with Bosch in the steering system segment in India.
15. Considering the facts on record and the details provided in the notice, the Commission is of the opinion that the proposed combination is not likely to have an appreciable adverse effect on competition in India and, therefore, the Commission hereby approves the proposed combination under sub-section (1) of Section 31 of the Act.



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16. This approval is without prejudice to any other legal/statutory obligation as applicable.
17. This order shall stand revoked if, at any time, the information provided by the Acquirer is found to be incorrect.
18. The Secretary is directed to communicate to the Acquirer accordingly.