



COMPETITION COMMISSION OF INDIA
(Combination Registration No. C-2015/04/266)



05.06.2015

Notice under section 6(2) of the Competition Act, 2002 given by

- **Sutlej Textiles and Industries Limited**

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

1. On 17th April 2015, the Competition Commission of India (“Commission”) received a notice under sub-section (2) of Section 6 of the Competition Act, 2002 (“Act”) given by Sutlej Textiles and Industries Limited (“**Sutlej Textiles**” or “**Acquirer**”).
2. The proposed combination relates to the acquisition of textile division (“**Birla Textile Mills or Target Division**”) of Chambal Fertilizers and Chemicals Limited (“**Chambal Fertilizers**”) by Sutlej Textiles, pursuant to the execution of a binding term sheet dated 21st March 2015.
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 24th April 2015, the Acquirer was required to remove defects and furnish certain information/document(s) by 30th April 2015. The Acquirer filed its response on the due date. As the response dated 30th April 2015 was incomplete, vide letter dated 15th May 2015, the Acquirer was again required to remove defects and furnish requisite information/document(s). The Acquirer filed its response on 20th May 2015, after seeking extension of time.
4. Sutlej Textiles is a public listed company incorporated under the Companies Act, 1956 and is engaged in the manufacture of yarn of various kinds such as those made out of natural fibre, synthetic fibre and a blend of natural and synthetic fibre. Sutlej Textiles is also engaged in the manufacture of home textiles including furnishing fabric, curtain fabric and upholstery fabric.



COMPETITION COMMISSION OF INDIA
(Combination Registration No. C-2015/04/266)



5. Chambal Fertilizers is a listed company incorporated under the Companies Act, 1956 and is engaged in the manufacture and sales of fertilizers, agricultural products, shipping and textiles. Chambal Fertilizers operates through three divisions namely, (i) fertilisers and agricultural products; (ii) shipping; and (iii) textiles. The Target Division is engaged in production and supply of cotton, synthetic, blended and acrylic yarn.
6. The proposed combination relates to the textile industry in India, in particular, to the market for manufacture, production and supply of yarn. There are two types of yarn i.e. spun yarn and filament yarn. Spun yarn is made out of staple fibre which can be both natural or synthetic fibre. Spun yarn is generally blended with other material and used for apparel including suiting and shirting etc. Filament yarn, on the other hand, consists of filament fibre either twisted or grouped together. Filament yarn can be reeled to be used as yarn itself. For example, in case of natural fibres, silk can be considered as filament yarn. As per the publicly available information, spun yarn can be categorised into three broad categories namely, hundred percent cotton yarn, blended yarn, and hundred percent non-cotton yarn.
7. It is noted that the activities of both Sulej Textiles and Target Division overlap in the relevant market for manufacture, production and supply of cotton yarn, blended yarn and hundred percent non-cotton yarn in India. The combined market shares of Sulej Textiles and the Target Division for the financial year 2013-14, in cotton yarn, blended yarn and hundred percent non-cotton yarn in India are 0.53 percent, 0.78 percent and 13.34 percent, respectively. In respect of cotton and blended yarn, it is noted that the combined market shares of the parties to the combination are insignificant and not likely to give rise to any competition concern. In the hundred percent non-cotton yarn category, it is noted that whereas Sulej Textiles has a market share of 10.95 percent, the Target Division has a market share of only 2.39 percent. Thus, post-combination incremental change would be less than 3 percent. It is also noted that there are a number of other players present in the yarn market in India, such as Vardhaman Textiles Limited,



COMPETITION COMMISSION OF INDIA
(Combination Registration No. C-2015/04/266)



KPR Mills Limited, RSWM Limited, Nahar Spinning Mills Limited and Trident Limited, etc.

8. As regards the vertical relationship between Sutlej Textiles and Chambal Fertilizers, it has been stated in the notice that Sutlej Textiles and Target Division have had small “need based” transactions, principally involving sale and purchase of yarn/fibre in the past, which, being insignificant in nature, are not likely to give rise to any competition concern in India.
9. Considering the facts on record and the details provided in the notice given under subsection (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 any 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.
10. This order shall stand revoked if, at any time, the information provided by the Acquirer is found to be incorrect.
11. The Secretary is directed to communicate to the Acquirer accordingly.