



Fair Competition
For Greater Good

COMPETITION COMMISSION OF INDIA
(Combination Registration No. C-2016/09/434)

29th December, 2016

**Notice under sub-section (2) of Section 6 of the Competition Act, 2002 filed by
Emerson Electric Co.**

CORAM:

Mr. Devender Kumar Sikri
Chairperson

Mr. S. L. Bunker
Member

Mr. Sudhir Mital
Member

Mr. U. C. Nahta
Member

Legal Representative: Shradul Amarchand Mangaldas & Co.

Order under sub-section (1) of Section 31 of the Act

1. On 19th September 2016, the Competition Commission of India (“**Commission**”) received a notice under sub-section (2) of Section 6 of the Competition Act, 2002 (“**Act**”) filed by Emerson Electric Co. (“**Emerson**” or “**Acquirer**”). The notice was filed pursuant to a Share Purchase Agreement (“**SPA**”) executed between Emerson and Pentair Plc (“**Pentair**” or “**Seller**”) on 18th August, 2016. (Hereinafter, the Acquirer and the Target are together referred to as “**Parties**”).
2. The proposed combination relates to acquisition of the valves and controls business (“**Target Business**”) of Pentair Plc (“**Pentair**”) by Emerson. The proposed transaction requires Pentair to undertake an internal reorganization with the objective that all relevant assets and agreements



Fair Competition
For Greater Good

pertaining to the Target Business be reorganized in thirty-four principal holding entities (“**Principal Holding Companies**”), none of which are based in India. Subsequently, Emerson would acquire 100% shares of most of the Principal Holding Companies from Pentair. In India, as part of the re-organization, Pentair’s entire shareholding in Pentair Sanmar Limited, Pentair Valves & Controls India Private Limited, JCF Fluid Flow India Private Limited and Sakhi-Raimondi Valves India Private Limited will get transferred to the Principal Holding Companies.

3. Emerson, incorporated in Missouri, USA, is listed on the New York Stock Exchange and the Chicago Stock Exchange. It is a manufacturing and technology company engaged in the business of manufacturing devices / products for measurement, control and diagnostic of automated industrial processes such as oil and gas, refining, chemicals and power generation. Other businesses of Emerson include manufacturing of power generation equipment, commercial and industrial motors and drives, electrical distribution equipment, manufacturing, installation and maintenance of power systems for telecommunication networks, data centers and other applications. Emerson also supplies compressors, temperature sensors and controls, thermostats, flow controls and remote monitoring technology and services to all areas of the climate control industry.
4. Pentair, incorporated in Ireland, is a public limited company listed on the New York Stock Exchange. It is a global company engaged in manufacturing products and providing services and solutions in valves and controls, water quality systems, fluid process, thermal management and equipment protection. Further, Pentair designs, manufactures and provides services solutions for filtration, separation and other fluid management needs in agriculture, food and beverage processing, water supply and disposal and a variety of industrial applications. Pentair also designs, manufactures and services products that guard and protect sensitive electrical and electronic equipment.
5. 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 17th October, 2016, Acquirer was required to remove certain



Fair Competition
For Greater Good

defects and provide requisite information/document pertaining to, *inter alia*, delineation of the relevant market on the basis of end use and technical specifications. The requisite information was submitted on 17th November, 2016, after seeking extension of time. Additionally, Parties were required to submit certain other information *vide* letter dated 24th November, 2016, which was filed on 30th November, 2016.

6. The Commission observed that activities of the parties broadly overlap in manufacture and sale of the control valves, isolation valves and actuators.
7. Control valves are used to control conditions such as flow, pressure, temperature and liquid level by fully or partially opening or closing in response to signals received from controllers that compare a set-point to a process variable whose value is provided by sensors / control systems that monitor changes in such conditions. Based on their make and use, control valves can be further segmented into globe control valves and rotary control valves.
8. In India, in the control valve segment, Emerson has a market share of [20-25] per cent and Pentair has a market share of [0-5] per cent. The combined market share of the Parties is [20-25] per cent. Similarly, with respect to globe control valve and rotary control valve, market share of Emerson is around [25-30] percent and [5-10] percent, respectively. Further, Pentair is not present in globe control valves segment and it has insignificant market share in rotary control valve in India. It is stated in the notice that the Parties would face competition from other significant competitors, i.e., General Electric, MIL Controls Limited, Metso India Private Limited *etc.* each having market share in the range of [10-15] per cent in the control valves segment or its sub-segments. Thus, due to the insignificant incremental market shares and presence of competitors in the sub-segments of control valves, there seems to be no likelihood of any adverse effect on competition in India.
9. Isolation valves are used in a fluid handling system that stops the flow of process media to a given location, usually for maintenance or safety purposes. An isolation valve is sometimes referred to as an 'on-off' valve. Isolation valves can be broadly sub-segmented into gate



isolation valve, globe isolation valve, ball isolation valve, plug isolation valve, butterfly isolation valve, diaphragm isolation valve and knife gate isolation valve.

10. The Commission observed that in five sub-segments of isolation valves, namely, knife gate isolation valve, diaphragm isolation valve, gate isolation valve, globe isolation valve, plug isolation valve, in India, the Parties have a combined market share ranging from [0-5] per cent and the incremental market shares are also in the range of [0-5] percent. In ball isolation valve, market share of Emerson is [5-10] percent; however, incremental market share is insignificant. Further, there are competitors such as Larsen Toubro, Flowserve, Crane Co. *etc.* with sizeable market shares in the aforementioned sub-segments. Thus, due to insignificant incremental market shares and presence of competitors in the sub-segments of isolation valves, there seems to be no likelihood of any adverse effect on competition in India.
11. The Commission noted that in butterfly isolation valve, the market share of the Target i.e. Pentair is [35-40] percent in India, while that of the Acquirer i.e. Emerson is [0-5] percent; thus the combined market share of the Parties is relatively higher at [35-40] percent. However, the incremental market share of the combination is relatively low. Moreover, it has been submitted that butterfly isolation valve is used in places where light weight and low cost valves are required and finds extensive use in the water and waste-water segment. Furthermore, the Commission, based on the submission of the parties, observed that there is supply-side substitutability within isolation valve, thereby implying that manufacturer of isolation valve would be able to manufacture other types of isolation valve without incurring substantial cost. Also, there are other competitors (market share range indicated along with) present in this segment in India, namely, Larsen & Toubro [15-20] percent, Fouress [10-15] percent and Advance Valves [5-10] percent *etc.* which would provide competitive constraint to the Acquirer, post-combination.
12. Actuators are mechanical devices used to automate opening / closing of an isolation valves and can be sub-segmented broadly into pneumatic / hydraulic actuators and electric actuators. It has been submitted by Emerson that while pneumatic and hydraulic actuators are substitutable to



Fair Competition
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- some degree, electric actuators are not considered substitutable with either pneumatic or hydraulic actuators.
13. In the pneumatic / hydraulic and electric actuators segment in India, Emerson has market share of [5-10] percent and [0-5] percent, respectively while that of Pentair is [0-5] percent in each of the sub-segments of actuators. There are competitors in pneumatic / hydraulic actuators market such as Rotex [20-25] percent, Rotork Controls (India) Private Limited [5-10] percent, Ledeen-Cameron Manufacturing (India) Pvt. Ltd. [0-5] percent who would continue to pose competitive constraint to Emerson, post-combination. Similarly, in the electric actuator sub-segment, competitors such as, Auma India Private Limited [30-35] percent, Rotork Controls (India) Private Limited [25-30] percent, Limatorque India Pvt. Ltd. [15-20] percent *etc.* are present with sizeable market share.
 14. The Commission considered the presence of the parties and their competitors in the aforementioned product segments and sub-segments and decided that the relevant product market may be left open, as there are no appreciable adverse effect on competition in any market in India.
 15. In relation to the vertical relationship, based on the information submitted by the Parties, the Commission observed that Emerson and Pentair have procured control valves, isolation valves and actuators from each other. However, the aforementioned transactions between the Parties are marginal in value terms and not likely to raise any competition concern in India.
 16. The Commission also considered the conglomerate effect that may arise on account of the proposed combination as Emerson would have complementary product offerings, post-combination, which will enable Emerson to offer customers a more comprehensive and tailored product.
 17. Based on the submissions of Emerson, the Commission observed that there is supply-side substitutability within each of control valve and isolation valve, thereby implying that



Fair Competition
For Greater Good

manufacturer of either product segment would be able to manufacture the other sub-segment within either control valve or isolation valve without incurring substantial cost. Furthermore, Emerson would continue to face strong competition from existing, established and integrated competitors (providing a full range of products in the overall valve and actuators market), including Flowserve Corporation, IMI Plc, Metso Corporation and Weir group *etc.*, present in India. Thus, Emerson acquiring a broad portfolio of products is also not likely to raise competition concern in India.

18. Considering the facts on record and details provided in the notice given under sub-section (2) of Section 6 of the Act, assessment 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 appreciable adverse effect on competition in India and therefore, the Commission hereby approves the same under sub-section (1) of Section 31 of the Act.
19. This order shall stand revoked if, at any time, the information provided by the Acquirer is found to be incorrect.
20. The information provided by the Acquirer is confidential at this stage in terms of and subject to provisions of Section 57 of the Act.
21. The Secretary is directed to communicate to the Acquirer accordingly.