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Fair Competition  
For Greater Good

## COMPETITION COMMISSION OF INDIA

(Combination Registration No. C-2017/03/498)

09.06.2017

### Notice under sub-section (2) of Section 6 of the Competition Act, 2002 jointly filed by General Electric Company and Baker Hughes Incorporated

#### CORAM:

Mr. Devender Kumar Sikri  
Chairperson

Mr. S. L. Bunker  
Member

Mr. Sudhir Mital  
Member

Mr. Augustine Peter  
Member

Mr. U. C. Nahta  
Member

Mr. G. P. Mittal  
Member

**Legal representatives:** AZB & Partners and Shardul Amarchand Mangaldas & Co.

#### **Order under sub-section (1) of Section 31 of the Competition Act, 2002**

1. On 30.03.2017, the Competition Commission of India (“**Commission**”) received a notice under sub-section (2) of Section 6 of the Competition Act, 2002 (“**Act**”) jointly filed by General Electric Company (“**GE**”) and Baker Hughes Incorporated (“**BHI**”) (hereinafter, GE and BHI are collectively referred to as “**Parties**”). The notice has been filed pursuant to passing of Board Resolution by the Board of Directors of both GE and BHI, each dated 30.10.2016. Also, Transaction Agreement and Plan of Merger, dated 30.10.2016, as



amended on 27.03.2017, was signed between GE, BHI, Bear MergerSub Inc. (“**Merger Sub**”) and Bear Newco, Inc. (“**New BHI**”).

2. The proposed combination contemplates various steps leading to acquisition by GE of 62.5% equity shares of a newly-formed company, Newco LLC, that will comprise of GE’s oil and gas business (“**GE O&G**”) and BHI’s oilfield services and products business. Remaining 37.5% equity shares of Newco LLC would be held by BHI (“**Proposed Combination**”).
3. The notice, in relation to the Proposed Combination, was earlier filed with the Commission on 29.11.2016. The Commission considered the same and observed that it was lacking in important relevant information and therefore, not in accordance with the provisions of the Act and the Competition Commission of India (Procedure in regard to the transaction of business relating to combinations) Regulations, 2011 (“**Combination Regulations**”). Accordingly, by way of a letter dated 08.03.2017, Parties were directed to file a fresh notice with complete information. Subsequently, Parties filed the present notice on 30.03.2017.
4. In terms of Regulation 14 of Combination Regulations, *vide* letter dated 04.05.2017, the Parties were required to remove defects in the notice and provide certain information/document(s) by 09.05.2017. The Parties submitted the requisite information on 11.05.2017, after seeking extension of time.
5. GE, a public company incorporated in the United States, is listed on the New York Stock Exchange, the Boston Stock Exchange, the London Stock Exchange and Euronext Paris. GE’s primary global business units include GE Renewable Energy, GE Energy Connections, GE Power (which includes GE Water), GE O&G, GE Healthcare, GE Aviation *etc.* Out of these, the relevant business units with respect to the proposed combination are: (i) GE O&G –This unit of GE serves various segments of the oil and gas industry, from drilling, completion, production and oil field operations, to transportation through pipelines. It also delivers pipeline integrity solutions and a wide range of sensing, inspection and monitoring technologies; and (ii) GE Water –GE Water includes Chemicals and Monitoring Solutions (“**CMS**”) business and consists of downstream chemicals which are used by a variety of industries including refineries and the petrochemical industry for



process chemical treatment as well as the treatment of water and wastewater primarily targeted at asset protection, productivity and environmental compliance. In India, GE provides, *inter alia*, Measurement While Drilling (“**MWD**”) Tools, Artificial lifts, Cased Hole Wireline Logging (“**CHWL**”) tools and Downstream Process Chemicals (“**DPC**”) for use in oil and natural gas exploration and production industry.

6. BHI, a public company incorporated in the United States, is listed on the New York Stock Exchange and the Swiss Stock Exchange. BHI is a supplier of oilfield services (“**OFS**”) products, technology and systems to the worldwide oil and natural gas industry. It also provides industrial products and services in relation to the DPC. BHI’s business consists of two divisions: (i) Oilfield Operations, which comprises of drilling & evaluation segment, artificial lift, pressure pumping *etc.*; and (ii) Industrial Services, which includes DPC business and process and pipeline services businesses. In India, BHI is engaged in the provision of, *inter alia*, Casing services, Cementing, Directional Drilling (“**DD**”), MWD Services, (e) Logging While Drilling (“**LWD**”) Services, Artificial lifts, Pipeline and Process Services (“**PPS**”).
7. Given the complexity of the sector and to get better perspective of the dynamics of the sector, the Commission, in its meeting held on 16.05.2017, decided to seek information, under sub-regulation (3) of Regulation 19 of Combination Regulations, from competitors and customers of the Parties. Accordingly, on 19.05.2017, letters were issued to competitors and customers of the Parties. Further, in terms of Regulation 52 of the Competition Commission of India (General) Regulations, 2009 read with sub-section (3) of Section 36 of the Act, the Commission decided to engage and seek opinion of an expert on various aspects relating to substantive assessment of the case.
8. The Commission considered presence of the Parties in various segments in India and delineated the relevant product markets accordingly. In the instant case, international cooperation on a non-confidential basis was also carried out with few jurisdictions. The Commission observed that the activities of the Parties in India overlaps in the following relevant product markets:



8.1 *MWD tools*: GE sells MWD tools in India, which are manufactured outside India. BHI manufactures tools related to DD, MWD and/or LWD and it consumes in-house as well as sells to third parties on a global basis. Based on the submission of the Parties, the Commission noted that BHI has not sold any DD, LWD and / or MWD tools to third parties for the past few years in India and that market share of GE in MWD tools in India is 25-30 percent. The Commission also noted that competitors of GE in supply of MWD tools in India, namely, National Oilwell Varco (35-40 percent) and APS Technology (15-20 percent) would continue to provide competitive constraint to the Parties, post-combination.

8.2 *Artificial lifts – Electric Submersible Pump (“ESP”)*: The Commission noted that both GE and BHI sell different set of ESP systems, tailored for different conditions for use, within and outside India and that the Parties have combined market share of 10-15 percent in ESP segment in India as per the industry report shared by the Parties. The Commission also observed that the market share of the Parties based on their internal estimates is relatively high than that computed from the industry report. In this regard, the Commission noted the submission of the Parties that the industry report captures the total value of bidding opportunities for ESP systems in India, while the Parties only track a limited set of bidding opportunities. In this context, the Commission, based on the bidding data submitted by the Parties, observed that the Parties face competition from other significant competitors such as Schlumberger and Novomet in India as each of Novomet and Schlumberger was successful in securing contracts for ESP system in the recent past. Further, the Commission, based on the submissions of the Parties and inputs of the expert, observed that the ESP systems in India is an emerging market and generally, gas lifts have been used in India for pumping out oils from oil wells.

8.3 *Artificial lifts – Progressive cavity pumps (“PCP”)*: The Commission noted that both GE and BHI offer PCP systems in India and their combined market share is 5-10 percent. It has also been submitted that GE does not produce major elements of PCP system but only manufactures part of PCP systems which includes surface component. The Commission also noted that in the past three years only one of the party has recorded sale of PCP systems in any year. Moreover, there are major competitors (market share indicated along with) such as PCM Muscat LLC (50-55 percent),



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Weatherford (5-10 percent) *etc.* present in PCP systems in India which would provide competitive constraint to the Parties, post-combination.

- 8.4 *DPC business*: The Commission noted that there is horizontal overlap between the activities of the Parties in respect of DPC chemicals, which are used in refineries, petrochemical plants *etc.* and the combined market share of the Parties in this segment is 10-15 percent. The Commission further observed that there are other competitors (market share in India indicated along with), namely, Dorf Ketal (45-50 percent) and Nalco-Ecolab (15-20 percent) present in India, which would continue to provide competitive constraint to the Parties post-combination. In this context, the Commission observed that GE has entered into an agreement with Suez Environment S.A. (“**Suez**”) for divesting its Water business thus resulting in removal of existing horizontal overlap between the Parties in the said business segment.
- 8.5 *Pipeline Services*: The Commission noted that within Pipeline Services, the only overlap that arises between the Parties is with respect to in-line inspection (“**ILI**”) services. While activities of the Parties overlap in ILI services at global level, it has been submitted that BHI as well as GE did not offer ILI services in recent past in India. Also, there are global providers of ILI services in India, including Rosen, Lin Scan, NDT Global and TD Williamson.
- 8.6 *Sensors for ESP*: The Commission noted that the Parties manufacture and sell sensors used in ESP. However, none of the party has sold any sensors for ESP systems in India in the past few years.
9. With respect to the relevant geographic market, the Commission observed that the conditions of competition for supply and demand of above said tools and provision of OFS are uniform across India. Accordingly, relevant geographic market is India.
10. The Commission noted that there are existing as well as potential vertical relationship between activities of the Parties in India, as follows:
- 10.1 *MWD Tools supplied by GE and DD & MWD services / DD, MWD & LWD services provided by BHI*: Based on the submission of the Parties, the Commission noted that



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there exists potential vertical relationship between offerings of MWD tools by GE, with that of DD & MWD services and / or DD, MWD & LWD services provided by BHI, globally and in India.

10.1.1 With respect to MWD tools, the Commission observed that presently GE is not selling MWD tools to BHI globally (including India), thus, there does not exist any vertical relationship between the Parties. In relation to the potential vertical relationship, the Commission noted that the sales of MWD tools by GE in the past years are not significant enough to raise any vertical foreclosure concern in the future. The Commission, further, observed that entities with significant market shares for MWD tools in India are National Oilwell Varco (35-40 percent) and APS Technology (15-20 percent).

10.1.2 In relation to DD & MWD services / DD, MWD & LWD services, the Commission noted that contracts for DD, MWD or LWD services could be given separately or as associated services. The Commission noted that BHI is engaged in the provision of DD & MWD services (with market share of 20-25 percent in India)/ DD, MWD & LWD services (with market share of 20-25 percent in India). However, there are major competitors having sizeable market shares in the provision of DD & MWD and / or DD, MWD & LWD services in India, namely, Schlumberger (25-30 percent), Halliburton (20-25 percent). Other competitors present in this business segment in India are Weatherford (5-10 percent), Jindal (0-5 percent) and Newsco (0-5 percent).

10.1.3 As the market is competitive at both the level of, viz., MWD tools and DD & MWD services and / or DD, MWD & LWD services, the Commission observed that the above said potential vertical relationship is not likely to raise any competition concern in India.

10.2 *CHWL Tools supplied by GE and CHWL services provided by BHI:* The Commission also noted that there is a potential vertical relationship between CHWL tools offered by GE (through GE Sondex) and CHWL services offered by BHI. Market share of GE in CHWL tools in India is 55-60 percent. The competitors of GE (market share indicated



along with) engaged in the supply of CHWL tools in India are global players such as, Probe Technologies (10-15 percent), Spartek (5-10 percent), Hunting Titan (5-10 percent). It has been submitted that GE Sondex does not supply CHWL tools to BHI in India. The Commission further observed that BHI's activities in the provision of CHWL services in India are limited and BHI has not generated any revenue from the provision of CHWL services for the past few years. Further, it was also noted that BHI sources bulk of its CHWL tools from in-house sources and occasionally buys tools from third parties (including GE at global level, though not in India). In this context, the Commission further noted that at global level, players engaged in the business of CHWL tools (market share indicated along with) are GE (15-20 percent), Probe Technologies (15-20 percent), Spartek (10-15 percent), GoWell (10-15 percent), Hunting Titan (5-10 percent) and Wellspun (5-10 percent). Thus, suppliers present at global level will continue to supply CHWL tools to other CHWL service providers such as Halliburton, Schlumberger *etc.* present in India. Further, OFS providers like BHI, Schlumberger and Halliburton mostly manufacture CHWL tools for in-house consumption. In light of the same, the Commission observed that any attempt by the Parties to foreclose access to CHWL tools may lead customers to switch to competing suppliers.

11. The Commission also observed that OFS is a competitive business and that the contract rate for various services, wherever applicable, are negotiated as per prevailing market conditions. Further, major competitors of the Parties mostly manufacture tools in-house, which are required for provision of OFS. Moreover, the complementary product offerings of GE and BHI would allow them to compete effectively with other major players, such as, Halliburton and Schlumberger, in India.
12. Considering facts placed on record and the details provided in the notice given under sub-section (2) of Section 6 of the Act, opinion of the expert, responses received under sub-regulation (3) of Regulation 19 of the Combination Regulations and factors provided under 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. The Commission, hereby, approves the proposed combination under sub-section (1) of Section 31 of the Act.



13. This order shall stand revoked if, at any time, the information provided by the Parties is found to be incorrect.
14. The information provided by the Parties is confidential at this stage, in terms of and subject to the provisions of Section 57 of the Act.
15. The Secretary is directed to communicate to the Parties accordingly.