



Fair Competition
For Greater Good

COMPETITION COMMISSION OF INDIA
(Combination Registration No. C-2020/07/760)

11.08.2020

Notice u/s 6 (2) of the Competition Act, 2002 jointly filed by Honda Motor Co., Ltd., Keihin Corporation, Nissin Kogyo Co., Ltd., Showa Corporation, and Hitachi Automotive Systems, Ltd.

CORAM:

Mr. Ashok Kumar Gupta
Chairperson

Ms. Sangeeta Verma
Member

Mr. Bhagwant Singh Bishnoi
Member

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

1. On 21.07.2020, the Competition Commission of India (**Commission**) received a notice under Section 6(2) of the Competition Act, 2002 (**Act**) jointly filed by Honda Motor Co., Ltd. (**HAMCL**), Keihin Corporation (**KC**), Nissin Kogyo Co., Ltd. (**NKCL**), Showa Corporation (**SC**), and Hitachi Automotive Systems, Ltd. (**HIAMS**) pursuant to Agreement on Management Integration dated 30.10.2019 (**Management Agreement**) entered into amongst Hitachi Ltd (**HL**), HIAMS, HAMCL, SC, KC and NKCL. Hereinafter, HAMCL, KC, NKCL, SC and HIAMS are collectively referred to as "**Parties**" and individually as "**Party**".

Proposed Combination

2. The proposed combination relates to the formation of a joint venture between HAMCL and HL. Further, as on 31.03.2019, HAMCL holds 41.35%, 34.86% and 33.5% shareholding each in KC, NKCL, and SC, respectively. It has been stated that HL holds 100% shareholding in HIAMS.
3. It has been stated in the notice that in terms of the Management Agreement, HAMCL will



acquire 58.65%, 65.14% and 66.5% shares in KC, NKCL and SC respectively, such that KC, NKCL, and SC become wholly owned subsidiaries of HAMCL (**Step-1**). Further to Step-1, KC, NKCL and SC will individually be amalgamated into HIAMS, such that HIAMS will remain the sole surviving entity (**Step-2**). As consideration for Step 2, HAMCL will acquire 33.4% voting rights in the Integrated Company. The 66.6% voting rights of Integrated Company will be held by HL. Step 1 and Step 2 are jointly referred to as the “**Proposed Combination**”.

4. The proposed combination was first notified on 27.04.2020 (Comb. Regn. No. C-2020/04/742). The Commission through email dated 18.05.2020, sought certain information(s)/ clarification(s) in terms of Regulation 14 of Competition Commission of India (Procedure in regard to the transaction of business relating to combinations) Regulations, 2011 (“**Combination Regulations**”). In order to submit the response, Parties requested for extension of time till 12.06.2020, which was accepted by the Commission. Subsequently, the Parties vide their email dated 12.06.2020, submitted their request to withdraw the said notice and refile as per the Regulation 16(1) of the Combination Regulations. The request of the Parties was accepted by the Commission.
5. During the course of review of Proposed Combination certain information(s)/ clarification(s) were sought from the Parties from time to time.

Parties to the Proposed Combination

6. HAMCL is a limited liability, joint stock corporation incorporated in Japan. Globally, HAMCL’s business segments are the two-wheeled motor vehicle business operations, automobile business operations, financial services business operations, life creation business, and other business operations.
7. In India, HAMCL, through its subsidiaries, is stated to be engaged in the businesses of manufacture and sale of automobiles, two-wheeled motor vehicles, power products, customised auto-parts, provision of logistic services, provision of restaurant services, *etc.*
8. KC, an entity incorporated in Japan is *inter alia*, engaged in developing and manufacturing automobile components and systems such as control systems for electric vehicles, including power control units globally. It also produces HVAC systems and engine management systems for gasoline engine vehicles and natural gas vehicles, motorcycle carburetors, engine management parts, and electronic fuel injection (“**FI**”) systems.
9. In India, KC through Keihin India Manufacturing Private Limited (“**Keihin India**”) is engaged in research & development (“**R&D**”), manufacture and sale of engine management and other parts for automobiles. Keihin FIE Private Limited (“**Keihin FIE**”) is engaged in the manufacture and



sale of carburettors, engine management and other parts for two-wheeled motor vehicles.

10. NKCL is an entity incorporated in Japan and is stated to be *inter alia*, engaged in business of the manufacture and supply of integrated braking systems in automobiles using advanced aluminium casting techniques. In India, NKCL through Nissin Brake India Private Limited (“**Nissin India**”) is engaged in the manufacture and supply of parts comprising braking systems in automobiles and two-wheeled motor vehicles.
11. SC is an entity based in Japan, and stated to be *inter alia*, engaged globally in the business of motorcycle and hydraulic components, automotive components, drivetrain components, steering systems components, and motorcycle shock absorbers. In India, SC through Showa India Private Limited (“**Showa India**”) is engaged in the business of the manufacture and sale of shock absorbers for two-wheeled motor vehicles. Further, SC has 26% shareholding in Munjal Showa Limited (“**Munjal Showa**”) which is engaged in the business of manufacturing and selling gas springs and shock absorbers for automobiles and shock absorbers for two-wheeled motor vehicles.
12. HIAMS, incorporated in Japan, is stated to be engaged in the business of developing powertrain systems. It is also engaged in the business of developing vehicle electrification systems. In India, HIAMS through its subsidiaries is engaged in businesses related to transportation and automotive industry, industrial systems and machines etc.
13. HL is the parent company of the Hitachi Group of companies. HL is active in different sectors including information technology, energy, mobility, medical electronics, automotive systems, and construction machinery. Its product portfolio is stated to be consisting of a multitude of products and services, including: consulting, systems integration, control systems, ATMs, software, cloud services, energy solutions, power grid systems, industry and distribution systems, water and environment systems.

Identification of Overlaps and Relevant markets

14. With regard to the horizontal overlaps, HIAMS (through Foundation Brake Manufacturing Private Limited (“**FBL**”)) and NKCL (through Nissin India) have horizontally overlapping activities in India.
15. Further, Parties submitted that the relevant product market for assessing the Proposed Combination may be delineated as:
 - a. *Market for manufacture and sale of brake master cylinders for two-wheeled motor vehicles in India” (Relevant Market No. 1).*
 - b. *Market for manufacture and sale of calipers for two-wheeled motor vehicles in India*



- (“**Relevant Market No. 2**”).
- c. *Market for manufacture and sale of calipers for automobiles in India* (“**Relevant Market No. 3**”).
- d. *Market for manufacture and sale of hydraulic CBS for two-wheeled motor vehicles in India* (“**Relevant Market No. 4**”).
16. With regard to the vertical relationships it has been submitted by the Parties that in India there are existing vertical linkages between (i) HIAMS and HAMCL, (ii) KC and HAMCL, (iii) SC and HAMCL, (iv) NKCL and HAMCL, (v) HL and NKCL and (vi) HL and HAMCL.
17. It is observed that horizontal and vertical overlaps exist in the markets related to automobiles and two-wheeler vehicles, and their parts. The parts form the upstream market while the automobiles or two-wheelers form the downstream market. The downstream market for automobiles can be sub-segmented based on characteristics, customer preferences and price range etc. The two-wheeler vehicles can be segmented as scooters and motorbikes. However, the upstream market of parts is complex because of the highly technical nature with presence of specialised suppliers holding patents and licences. Hence, some parts may be sub-segmented based on demand side substitutability while some may not require further sub-segmentation.
18. For example, calipers for automobiles may be sub-segmented as fixed type or floating type. Further, they may also be segmented based on type of metal such as aluminium, steel or cast iron used for casting. Disc brake rotors may be sub-segmented as plain, slotted, or drilled, and drilled and slotted, or even a petal rotor/wave disc. Further, the size of the disc/rotor plays an important role in the efficiency of disc brake. Each type of disc brake has advantages and disadvantages and are used according to the customer needs of speed, or reliability, or longer mileage, or lesser maintenance cost etc.
19. Parties were asked to provide additional information(s) and supporting documents for their submissions in relation to the overlapping segments. Based on these information(s)/ and documents which indicated *inter alia* the similarities in the designs of the auto parts which the Parties manufacture, extent of customization in the supply, collaboration between OEMs and OES’, the exact delineation of the relevant markets is being left open since it appears that the proposed transaction is not likely to cause AAEC in India.

Competition Assessment of Horizontal Overlaps

20. It is noted that the combined market share of the Parties in the Relevant Market No. 1 and Relevant Market No. 2 is [25-30%] with increment market share of less than 1%. Further, there are other players such as Endurance [25-30%], Brembo [20-25%] and Hubei [15-20%] present in these markets.



21. The combined market share of the Parties in the Relevant Market No. 3 is [20-25%] with incremental market share of less than 5%. Further, there are other players such as Brakes India [50-55%], Mando [15-20%] and others. In relation to Relevant Market No.4, the combined market share of the Parties is [5-10%] with incremental market share of less than 1%. Further, there are other players such as Endurance [30-35%], Brembo [15-20%] and Hubei [10-15%], who will pose competitive constraints post the Proposed Combination.

(i) Vertical relationship between HIAMS and HAMCL in India

22. HIAMS (through FBL) manufactures calipers for automobiles in India and supplies the same to Honda Cars India. HIAMS (through HIAMS India) also manufactures Valve Timing Control (VTC) for petrol automobiles and supplies the same to Honda Cars India and Honda Trading Corporation India Private Limited. HAMCL (through Honda Cars India), manufactures automobiles which use calipers and VTCs.

23. Accordingly, vertical relationships between HIAMS and HAMCL are as under

S No.	Part Name	Party in the Upstream Market	Party in the Downstream Market
1.	Calipers for automobiles	HIAMS	HAMCL
2.	VTC for petrol automobiles	HIAMS	HAMCL

Competition Assessment of vertical relationship between HIAMS and HAMCL in the above identified segments

24. In the upstream market of calipers for automobiles, FBL has a market share of [15-20%] (by volume) and the combined market share of FBL and Nissin India is [20-25%]. The market share of other players such as Brakes India and Mando, are [50-55%] and [15-20%] respectively. In the downstream market for manufacture of automobiles, the market share of Honda Cars India is [0-5%] and there are other major competitors like Maruti Suzuki and Hyundai. Even in the narrower markets of automobiles based on price segments, Honda Cars India has market shares less than 10%.

25. In the upstream market of VTC for petrol automobiles, HIAMS India has a market share of [0-5%] (by volume) while Denso, and other players like Mikuni and BorgWarner have market shares of [55-60%], [10-15%] and [10-15%], respectively.

26. In the downstream market for manufacture of petrol automobiles, the market share of Honda Cars India is [5-10%] and the market is characterized with presence of several other players such as Maruti Suzuki, Hyundai, Mahindra, Toyota and Tata.



(ii) Vertical relationship between KC and HAMCL in India

27. It has been stated that KC (through Keihin India) supplies Engine Control Unit (**ECU**) for automobiles to Honda Cars India in India. ECU is a microcontroller that electronically controls an engine. Keihin India also supplies Electronic Control Throttle Body (**ECTB**) to Honda Cars India. ECTB is a device which uses electronic control to supply air to the engine. Further, Keihin India supplies EGR Valves to Honda Cars India in India. An EGR valve is used in automobiles to recirculate exhaust gas to the engine. Keihin Thermal Technology (Thailand) Co. Limited supplies evaporators for automobiles to Honda Cars India. The evaporator is a small radiator inside the dashboard that provides cold air for the air-conditioning system. KC supplies spool valve for automobiles to Honda Cars India.
28. Keihin FIE supplies ECUs, Injectors, fuel pumps, throttle bodies, carburettors for two-wheeled motor vehicles. Therefore, the vertical relationships are assessed based on the below mentioned markets:
- a. KC (directly and through Keihin India and Keihin Thermal Technology (Thailand) Co. Limited) is engaged in the **upstream markets** for manufacture and sale of the following products:
- i. ECU for automobiles;
 - ii. ECTB for automobiles;
 - iii. EGR Valve for automobiles;
 - iv. Evaporator for automobiles; and
 - v. Spool Valve for automobiles

HAMCL (through Honda Cars India Limited) is engaged in the **downstream market for manufacture and sale of automobiles,**

- b. KC (through Keihin FIE) is engaged in the **upstream markets** for manufacture and sale of the following products:
- i. ECU for two-wheeled motor vehicles;
 - ii. Injector for two-wheeled motor vehicles;
 - iii. Fuel pump module for two-wheeled motor vehicles;
 - iv. Throttle body for two-wheeled motor vehicles; and
 - v. Carburettor for two-wheeled motor vehicles.

HAMCL (through HMSI) is engaged in the **downstream market for manufacture and sale of two-wheeled motor vehicles.**



ii (a) Competition Assessment for automobile parts

29. KC's market share in upstream markets of ECUs, ECTBs, EGR valves, evaporators and spool valves for automobiles in India is less than 5% and there are other players present in each of the segments. HAMCL has a market share of less than 5% in the downstream market, and competitors like Maruti Suzuki and Hyundai which have higher market shares are present.

ii (b) Competition assessment for two-wheeler vehicle parts

30. KC is present in the markets for supply of two-wheeled motor vehicle components, namely, ECUs, injectors, fuel pump modules, throttle bodies, and carburetors in India. These segments have other players such as Bosch, Mikuni, Dellorto, Shinde Gen, etc., who exert competitive constraints on KC. Further, the market has two new entrants, namely Continental and Magneti Marelli, in the past five years. In relation to the downstream market, Hero MotoCorp has a market share of [35-40%] followed by HAMCL, TVS and Bajaj has market shares of [20-25%], [10-15%] and [10-15%] respectively. In addition, it has been submitted that HAMCL is by far the single biggest shareholder in KC and already exerts significant control over KC.

(iii) Vertical relationship between SC and HAMCL in India

31. It has been submitted that
- SC (through Munjal Showa) is engaged in the *upstream market for manufacture and sale of conventional dampers for automobiles*. HAMCL is engaged in the *downstream market for manufacture of automobiles*.
 - SC (through Munjal Showa and Showa India) is engaged in the *upstream market for manufacture and sale of shock absorbers for two-wheeled motor vehicles*. HAMCL is engaged in the *downstream market for manufacture of two-wheeled motor vehicles*.

iii (a) Competition assessment for automobile parts

32. In the upstream market of conventional damper for automobiles, SC has a market share of [5-10%], and there are other competitors like Tenneko, Gabriel and Mando with market shares of [35-40%], [20-25%] and [10-15%], respectively. In the downstream market for manufacture of automobiles, there are other major competitors like Maruti Suzuki and Hyundai.

iii (b) Competition assessment for two-wheeler vehicle parts

33. In the upstream market of shock absorbers for two-wheeled motor vehicles, SC has a market share of less than 5% through its subsidiary Showa India, and market share of [25-30%] through



its affiliate Munjal Showa. There are other competitors such as Endurance and Gabriel with market shares of [10-15%].

(iv) Vertical relationship between NKCL and HAMCL in India

34. The details of vertical relationship between NKCL and HAMCL are as follows:

- a. Nissin India is engaged in the upstream market for manufacture and sale of the following products for automobiles:
- i. calipers for automobiles;
 - ii. brake master cylinders for automobiles; and
 - iii. hydraulic clutch for manual transmission automobiles.

HAMCL is engaged in the downstream market for manufacture and sale of:

- i. automobiles; and
- ii. manual transmission automobiles.

- b. Nissin India is engaged in the upstream market for manufacture and sale of the following products for two-wheeled motor vehicles:
- i. calipers for two-wheeled motor vehicles;
 - ii. brake master cylinders for two-wheeled motor vehicles; and
 - iii. hydraulic CBS units for two-wheeled motor vehicles.

HAMCL is engaged in the downstream market for manufacture and sale of two-wheeled motor vehicles.

iv (a) Competition Assessment for automobile parts

35. In the upstream market of calipers for automobiles, brake master cylinder for automobiles, and hydraulic clutch for manual transmission automobiles, NKCL has a market share of less than 5%. Combined market share of NKCL (or Nissin India) and FBL in market of calipers for automobiles is [20-25%] and there are other players such as Brakes India, Mando and Continental in the markets of calipers for automobiles, brake master cylinder for automobiles. In the upstream market of hydraulic clutch for manual transmission automobiles, there are competitors such as players such as Brakes India, Mando and Schaeffler.
36. In the downstream market for manufacture of automobiles and manual transmission automobiles, the market share of Honda Cars India is less than 5%, and there are other players such as Maruti Suzuki and Hyundai.



iv (b) Competition Assessment for two-wheeler vehicle parts

37. In the upstream market of calipers and brake master cylinders for two-wheeled motor vehicles, NKCL (through Nissin India) has a market share of [25-30%] (by volume) and there are other players such as Endurance, Brembo Brakes and Hubei. Further, the supplies of calipers for two-wheeled motor vehicles by NKCL / Nissin India are captively consumed by HAMCL.
38. In the upstream market of hydraulic CBS for two-wheeled motor vehicles, NKCL (through Nissin India) has a market share of [5-10%] (by volume) and there are other players such as Endurance and Brembo Brakes.
39. In the downstream market for manufacture of two-wheeled motor vehicles with calipers and brake master cylinders, HAMCL's market share is [10-15%], and HAMCL's market share is [15-20%] in the downstream market for manufacture of two-wheeled motor vehicles with hydraulic CBS units. The other players such as Hero Motocorp has a market share of [35-40%] while TVS and Bajaj have market shares of [10-15%] and [10-15%] respectively.

(v) Vertical relationship between HL and HAMCL

40. HL (through Hitachi Metals India) manufactures and supplies Steering knuckles for automobiles to Honda Cars India. Therefore, HL (through Hitachi Metals India) is engaged in the **upstream market for manufacture and sale of steering knuckles for automobiles**; and HAMCL is engaged in **the downstream market for manufacture and sale of automobiles**.
41. In the upstream market of steering knuckles for automobiles, HL has a miniscule market share of less than 5% and there are other major players such as Sakthi with significantly higher market share. In the downstream market for manufacture of automobiles, the market share of HAMCL is [0-5%] and there are other players such as Maruti Suzuki and Hyundai.

(vi) Vertical relationship between HL and NKCL

42. HL (through HNV Castings) manufactures and supplies to Nissin India: (i) Caliper bodies for calipers for automobiles (ii) Brackets for calipers for automobiles NKCL manufactures calipers for automobiles (through NKCL) where caliper bodies and brackets are used as components in the manufacturing process of the end-product.
43. Accordingly,
 - (a) HL (through HNV Castings) is engaged in the **upstream markets** for:
 - i. *manufacture and sale of caliper bodies for calipers for automobiles*, and
 - ii. *manufacture and sale of brackets for calipers for automobiles*, and



(b) NKCL (through Nissin India) is engaged in the **downstream markets** for:

i. *manufacture and sale of calipers for automobiles*

44. In the upstream market of caliper bodies and brackets for calipers for automobiles, HNV Castings has market shares of approximately [15-20%] and [20-25%], respectively. In the downstream market of calipers for automobiles, NKCL has a market share of less than 5% and there are other players such as Brakes India with a market share of [50-55%] and Mando with a market share of [15-20%] and Continental with a market share of [5-10%]. The combined market share of NKCL (Nissin India) and FBL is [20-25%].

(vii) Vertical relationship concerning miscellaneous parts

45. There are also vertical overlaps between KC and HAMCL (through Honda India Power Products Limited (“**HIPP**”)) concerning some non-auto parts as mentioned below.

46. Keihin Thailand supplies carburettors for power products (namely, general purpose engines, water pumps and generators) to HIPP in India. Keihin Thailand supplies fuel pump module for generators to HIPP in India. HIPP procures carburettors for its general purpose engines from Keihin Thailand. HIPP procures carburettors for its water pump from Keihin Thailand. HIPP procures carburettors and fuel pump modules for its Inverter Series Generators from Keihin Thailand.

47. HIPP manufactures power products (namely, general purpose engines, water pumps, and generators) where (i) carburettors and (ii) fuel pump modules are used as components in the manufacturing process.

48. Accordingly, the vertical relationships are as below:

a) KC (Keihin Thailand) is engaged in the **upstream markets** for manufacture and sale of the following products:

- a) Fuel pump module for generators; and
- b) Carburettor for power products

b) HAMCL (through HIPP) is engaged in the **downstream market** for manufacture and sale of the following power products:

- a) General purpose engines;
- b) Water pumps; and
- c) Generators



Competition Assessment for Power products

Upstream Market

49. Upstream markets of carburettors and fuel pump modules for power products are highly fragmented. These components are used in all kinds of general purpose motor driven products. KC which imports the power product components from Thailand has insignificant presence in such a market. Parties also submitted that their own capacities in the market are very less.

Downstream Market

50. In terms of the downstream market for power products, the markets for the manufacture and sale of various power products namely, portable generators, water pumps, and general-purpose engines are fragmented.
51. With regard to portable generators, the market is characterized by players such as Kirloskar Oil Engines Limited, Mahindra Powerol Limited, Kohler Power India Private Limited, Greaves Cotton Limited, Atlas Copco (India) Limited, Himalayan Power Machine Manufacturing Co., Skyline Power Solutions Private Limited, Perfect House Private Limited, and Gastech Electronic Products Private Limited, etc.
52. As concerns water pumps, the market is fragmented and competitive with over 800 pump manufacturers operating across the country such as Kirloskar Brothers Limited, CRI Pumps Private Limited, Crompton Greaves Consumer Electrical Limited, KSB Pumps Limited, Sulzer Pumps India Limited, Texmo Industries, Wilo Mather and Platt Pumps Private Limited, Grundfos Pumps India Private Limited, Shakti Pumps India Limited, and WPIL Limited, among others.
53. The market for general purpose engines is characterized by several players such as TAFE Motors and Tractors Limited (TMTL), Cummins India Limited, Kirloskar Oil Engines Limited, Caterpillar India Private Limited, Ashok Leyland Limited, Kubota Corporation, etc.
54. Therefore, in relation to the likelihood of AAEC, various factors such as the presence of Parties in the markets of automobiles and two-wheeler vehicles and their parts including segments/ sub-segments identified above, and presence of other players in each of these segments/sub-segments, extent and nature of existing vertical relationships and the shareholding structure of the Parties, and other material on record do not suggest that the Proposed Combination is likely to cause to an appreciable adverse effect on competition in India.
55. Considering the facts on record and the details provided in the notice given under Section 6(2) of the Act and assessment of the Proposed Combination based on the factors stated in Section 20(4) of the Act, the Commission is of the opinion that the Proposed Combination is not likely to have



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any appreciable adverse effect on competition in India in any of the relevant market(s) and therefore, the Commission hereby approves the same under Section 31(1) of the Act.

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