



COMPETITION COMMISSION OF INDIA
(Combination Registration No. C-2020/10/778)

27th November 2020

Notice under Section 6 (2) of the Competition Act, 2002 jointly filed by Electrosteel Castings Limited and Srikalahasthi Pipes Limited

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 19th October 2020, the Competition Commission of India (“**Commission**”) received a notice under Section 6(2) of the Competition Act, 2002 (“**Act**”), jointly filed by Electrosteel Castings Limited (“**ECL**”) and Srikalahasthi Pipes Limited (“**SPL**”). (Hereinafter, ECL and SPL are collectively referred to as the “**Parties**”). The notice has been filed pursuant to the approval of the scheme of amalgamation (**Scheme**) by the Board of Directors of ECL and SPL on 5th October 2020.
2. The proposed combination involves amalgamation of ECL and SPL, whereby SPL will amalgamate with and into ECL, with ECL as the surviving entity (“**Proposed Combination**”).



3. It is stated in the notice that the Parties belong to the Electrosteel Group and are controlled by the same Promoter Group¹. ECL along with the Promoter Group holds 48.15% shareholding in SPL. It is submitted by the Parties that the Proposed Combination is an internal restructuring within the Electrosteel Group and will not result in change in control of either ECL or SPL. Post the Proposed Combination, the combined entity will continue to be controlled by the same Promoter Group.
4. In terms of Regulation 14 of the Competition Commission of India (Procedure in regard to the transaction of business relating to combinations) Regulations, 2011 (“**Combination Regulations**”), a letter, dated 6th November 2020, was issued to the Parties for seeking certain information(s)/ clarification(s); response to the same was received on 11th November 2020.
5. ECL is a publicly listed water infrastructure company incorporated in India. It is stated in the notice that ECL is the ultimate holding company of the Electrosteel Group of Companies. It is engaged in the manufacturing and sale of (a) ductile iron pipes, (b) ductile iron fittings, and (c) cast iron pipes, as its core business. It is stated that ECL also produces (a) pig iron, (b) sponge iron, (c) metallurgical coke, (d) sinter, (e) ferro-silicon, and (f) power, which are used for captive consumption. It is also mentioned that any surplus production of these products is sold in the local market to third parties.
6. SPL (formerly, Lanco Industries Limited) is a publicly listed company, incorporated in India. It is also a part of the Electrosteel Group. It is primarily engaged in the manufacturing and sale of ductile iron pipes in India. Additionally, SPL also manufactures (a) pig iron, (b) cement, (c) lamcoke, (d) sinter, (e) ferro-silicon, and (f) power for captive consumption, any surplus production of which is sold in the local market to third parties.
7. It is stated in the notice that the business activities of the Parties horizontally overlap in the market for ductile iron pipes in India. Further, an overlap is also noted in products produced during the process of manufacturing ductile iron pipes such as (a) pig iron, (b)

¹ The common Promoter Group comprises the companies: (i) Murari Investment & Trading Company Ltd., (ii) G. K. & Sons Private Ltd., (iii) Uttam Commercial Company Ltd., and (iv) G. K. Investments Limited (**Promoter Group Entities**).



coke, (c) sinter, (d) ferro-silicon, and (e) power. As regards the overlapping products produced during the process of manufacturing ductile iron pipes, the Parties have submitted that sinter and power are captively consumed by SPL. Further, it is stated that these surplus products are not produced with the objective of monetisation or commercialisation by Parties. Only a miniscule surplus production of pig iron, coke and ferro-silicon is sold in the market.

8. Considering that the Proposed Combination is not likely to cause an appreciable adverse effect on competition in any of the possible alternative relevant markets, the Commission decided to leave the delineation of the relevant market open.
9. In relation to vertical relationship, the Parties have submitted that there are no existing vertical relationships or supply arrangements between Parties (including promoter group entities) as both ECL and SPL are not engaged in any activity relating to the production, supply, distribution, storage, sale and service or trade in products or provision of services which are at different stages or levels of the production chain. Further, it is noted that the potential vertical relationships due to the surplus sales of intermediate products produced by the Parties are miniscule and insignificant. Thus, the Parties do not have ability or incentive to foreclose the competition in the relevant markets.
10. Based on the information submitted by the Parties, it is noted that the pre-combination and post-combination market share of Electrosteel Group (through ECL and SPL) in the market for manufacture of ductile iron pipes is [30-35] per cent. Further, ductile iron pipes market is characterised by the presence of many established players such as Jindal Saw, Tata Metaliks, Jai Balaji, Rashmi Metaliks, Sathavahana Ispat, Electrotherm, *etc.* In relation to overlaps in (a) pig iron, (b) coke, and (d) ferro-silicon, it is noted that the presence of Parties is insignificant to raise any competition concern in these product segments in India.
11. Further, based on the submissions of the Parties, it is noted that both ECL and SPL are part of the Electrosteel Group and do not compete with each other and that the Proposed Combination will not result in the entry or elimination of any market player, the Commission noted that the competition dynamics in the market in which the Parties



operate will not change post-combination. Hence, the Proposed Combination is not likely to raise any competition concern in India.

12. Considering the facts on record, details provided in the notice given under sub-section (2) of Section 6 of the Act and assessment of the proposed combination 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 an 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.
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 shall be treated as confidential in terms of and subject to provisions of Section 57 of the Act.
15. The Secretary is directed to communicate to the Parties accordingly.