



COMPETITION COMMISSION OF INDIA

(Combination Registration No. C-2020/05/746)

2nd September, 2020

Notice under Section 6 (2) of the Competition Act, 2002 filed by SABIC International Holdings B.V.

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 29th May, 2020, the Competition Commission of India (“**Commission**”) received a notice under Section 6(2) of the Competition Act, 2002 (“**Act**”), filed by SABIC International Holdings B.V. (“**SABIC BV/Acquirer**”). The notice was filed pursuant to the Board Resolution executed on 13th January, 2020 by the Acquirer. The proposed combination relates to the acquisition of additional 6.51% shareholding in Clariant AG (“**Clariant/Target**”) by the Acquirer (“**Proposed Combination**”). [Hereinafter, Acquirer and Target are collectively referred to as “**Parties**”]
2. According to submissions, Acquirer currently holds 24.99% of the share capital in Target. The acquisition of additional 6.51% shareholding in the Target is structured via an escrow mechanism. The Acquirer has already acquired the shares through purchase on the ‘SIX’ Swiss Exchange where the shares of the Target are publicly traded, and via



electronic trading platform(s). After the completion of the Proposed Combination, the total shareholding of the Acquirer in the Target will reach ~31.5%.

3. The Acquirer made additional voluntary submissions *vide* its emails dated 17th June, 2020 and 22nd June, 2020. Further, 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**”), Commission *vide* its letters dated 22nd June, 2020 and 5th August, 2020 sought certain information and clarifications regarding *inter alia* overlaps, agreements and market shares from the Acquirer. The complete response to the above was filed by the Acquirer on 21st August, 2020.
4. SABIC BV is a wholly owned affiliate of Saudi Basic Industries Corporation (“**SABIC**”) and is the holding company of SABIC's international operations, including SABIC’s investments in the specialties sector. SABIC is a listed joint stock company established by Royal Decree of the Kingdom of Saudi Arabia (“**KSA**”) and is listed on the Saudi Stock Exchange. As per submissions, the four product segments in which SABIC is mainly active are: petrochemicals, agri-nutrients, metals and specialties materials.
5. In India, SABIC has four subsidiaries namely, (i) SABIC India Private Limited (“**SIPL**”), (ii) SABIC Innovative Plastics India Private Limited (“**SIPI**”), (iii) SABIC Research & Technology Private Limited (“**SRTPL**”) and (iv) High Performance Plastics India Private Limited (“**HPPIPL**”). These subsidiaries are engaged *inter alia* in compounding of engineering plastics and polycarbonate film and sheets, captive research and development services etc. However, HPPIPL has been recently incorporated and is not yet operational.
6. Further, Saudi Arabian Oil Company (“**Saudi Aramco**”) is a joint stock company established in the KSA by virtue of Royal Decree. It is submitted that Saudi Aramco has proposed to buy 70% shareholding in SABIC from Public Investment Fund of Saudi



- Arabia¹. It is engaged in the exploration, production and marketing of crude oil and natural gas. It is also active in the production and marketing of refined products and petrochemicals. In India, Saudi Aramco is active in the supply of crude oil, base oil, liquefied petroleum gas, polymers, synthetic rubbers and other petrochemical products.
7. Target, a Swiss chemicals company, is the parent company of the Clariant Group and is listed on the 'SIX' Swiss Exchange. It is active in the production and distribution of specialty chemicals globally (it mainly produces organic specialty chemicals for different applications and industries). Clariant supplies its products to a variety of downstream sectors, including personal care, oil and mining, crop solutions and industrial applications.
 8. In India, Target is present *inter alia* through its subsidiaries (i) Clariant Chemicals (India) Limited ("CCIL") and (ii) Clariant India Limited ("CIL") and through its joint venture with Süd-Chemie India Private Limited. The Target operates in the business areas of: (i) care chemicals; (ii) natural resources; and (iii) catalysis, in India.
 9. It has been submitted in the Notice that while SABIC and Clariant are both active in the chemical sector and produce specialty chemicals, Clariant's products supplement SABIC's existing specialties business product portfolio. Based on these submissions, the Commission noted that the activities of the parties (including Saudi Aramco) exhibit horizontal overlaps in the broader segments of (i) non-ionic surfactants and (ii) Polyalkylene Glycol ("PAG"). It was further submitted that PAGs may be further subdivided into polyethylene glycol ("PEG"), polypropylene glycol ("PPG") and PAG-EO/PO. At a narrower level, the parties exhibit overlap only in the sub-segment of PEG.
 10. In the notice and information submitted, the Acquirer has not delineated the "non-ionic surfactants" category stating that bulk of non-ionic surfactants (~90%) are produced

¹ This transaction was notified to the Commission under Combination Registration No. C-2019/09/683 and was approved on 27th September, 2019. The Acquirer, *vide* its additional submission, informed that on 17th June, 2020, Saudi Aramco completed this acquisition.



through the process of alkoxylation and different types of non-ionic surfactants are interchangeable from the supply and demand side. From a supply-side perspective, non-ionic surfactants are produced in similar ways and costs for producers to switch between different non-ionic surfactants are low. From a demand-side perspective, customers may easily switch within different non-ionic surfactants with respect to their technical functionality. With regards to the delineation of the relevant geographic market, Acquirer has submitted that the relevant geographic market is worldwide / global. However, the Commission noted that as per reading of Section 6(1) of the Act, it may be seen that appreciable adverse effect on competition is to be determined within the relevant market in India. Accordingly, relevant geographic market may be delineated as India. Nevertheless, the Commission decided to leave the delineation of the relevant market open as it is observed that the Proposed Combination is not likely to cause an appreciable adverse effect on competition in any of the possible alternative relevant markets that could be delineated.

11. It was observed that the combined market share of the parties in the broad market segment of non-ionic surfactants is between [0-5%] by both volume and value. Further, the combined market share of the parties in the broad segment of PAG is between [5-10%] by volume and [0-5%] by value whereas in the narrower sub-segment of PEG it is between [5-10%] by both volume and value. The Commission also noted that there are a large number of players in India in each of the above-mentioned segment / sub-segments.
12. With regard to vertical relationships, it was stated that pursuant to pre-existing global supply arrangements, SABIC and Clariant supplied two products to each other. The Commission noted vertical relations between the Parties in two product segments viz. Linear Low Density Polyethylene (**LLDPE**) and Masterbatches.
 - i. Sale of LLDPE by SABIC to Clariant
 - ii. Sale of Masterbatches by Clariant to SABIC
13. The Commission observed that sales made by Acquirer and Target to each other is insignificant and there are several other players present in both these segments.



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Additionally, Clariant has also sold its entire Masterbatches business unit to PolyOne Corporation.

14. Considering the material on record including the details provided in the Notice and the 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 any appreciable adverse effect on competition in India. Therefore, the Commission approves the Proposed Combination under Section 31(1) of the Act. This order is, however, issued without prejudice to the proceedings under Section 43A of the Act.
15. This order shall stand revoked if, at any time, the information provided by the Acquirer is found to be incorrect.
16. The information provided by the Acquirer shall be treated as confidential in terms of and subject to provisions of Section 57 of the Act.
17. The Secretary is directed to communicate to the Acquirer accordingly.