



**COMPETITION COMMISSION OF INDIA**  
(Combination Registration No. C-2018/03/562)

25.04.2018

**Notice under Section 6 (2) of the Competition Act, 2002**  
**given by Tata Steel Limited**

**CORAM:**

Mr. Devender Kumar Sikri  
Chairperson

Mr. Sudhir Mital  
Member

Mr. U. C. Nahta  
Member

Mr. G. P. Mittal  
Member

**Legal representatives:** AZB & Partners

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

1. On 26.03.2018, the Competition Commission of India (“**Commission**”) received a notice under Section 6(2) of the Competition Act, 2002 (“**Act**”) given by Tata Steel Limited (“**TSL**” or the “**Acquirer**”) in relation to the acquisition of 75 per cent or more of the total equity share capital of Bhushan Steel Limited (“**BSL**”), by TSL either directly or indirectly through a wholly owned subsidiary (“**Proposed Combination**”). It has been submitted that BSL is presently undergoing insolvency



resolution proceedings initiated under the Insolvency and Bankruptcy Code, 2017 (**IBC**). Hereinafter, TSL and BSL are collectively referred to as the “**Parties**”.

2. The notice was filed pursuant to resolutions passed by the board of directors of TSL in meetings held on 18.12.2017 & 19.12.2017 and subsequent submission of a resolution plan by TSL to the insolvency resolution professional on 03.02.2018.
3. In terms of the provisions of Regulation 14 of the Competition Commission of India (Procedure in regard to the transaction of business relating to combinations) Regulations, 2011 (“**Combination Regulations**”), *vide* letter dated 10.04.2018, the Acquirer was required to provide certain information. The Acquirer filed its response on 12.04.2018. The Acquirer also made certain additional submissions on 10.04.2018, 12.04.2018, 16.04.2018 and 23.04.2018.
4. TSL is a public limited company, stated to be engaged in integrated steel manufacturing operations, ranging from mining to steel-making and further downstream processing. The annual crude steel capacity across Indian operations of TSL is stated to be nearly 13 million ton per annum (“**MTPA**”). BSL is also a public limited company and is similarly engaged in integrated steel manufacturing operations, including downstream processing. BSL’s current annual crude steel production capacity is stated to be 5.6 MTPA. It has also been submitted that BSL has not produced more than 3.6 MT during FY 2016-17.

#### ***A. Horizontal Overlaps***

5. It is noted from the information given in the notice that Parties overlap in the manufacture and sale of various finished flat carbon steel products in India. It has also been submitted that TSL is present in other products including ferro alloy minerals, TMT rebars in straight lengths, long carbon steel products, *etc.* However, BSL is not present in any of the product segments specified in this paragraph. Further, BSL manufactures and sells alloy billets; however, TSL is stated to be not engaged



in manufacturing or selling alloy billets. On the basis of these submissions, the Commission notes that Parties do not have any product overlaps in these segments.

6. As already stated, the Parties overlap in the manufacture and sale of various finished flat carbon steel products in India. It is noted that there are various stages in the production process of flat carbon steel products i.e. hot rolling, cold rolling and coating. As per the information given by the Acquirer, the finished product may be sold at each of these stages or be utilized for further processing in the next stage. Based on such segmentation, the Parties overlap in respect of following finished flat carbon steel products (**FCSPs**):

- i. Hot rolled coils and sheets (**HR-CS**) and plates (**HR-P**) (together, **HR-CSP**);
- ii. Cold rolled coils and sheets (**CR-CS**);
- iii. Surface coated products (**SCP**) (including galvanized products (**GP**) and colour coated products (**CCP**); and
- iv. Flat steel tubes and pipes (**T&P**) (including precision and non-precision T&Ps).

7. It is noted that technical characteristics, intended use, price levels, *etc.* for each of these products differ from each other. Therefore, the Commission is of the view that each of these product segments may constitute separate relevant product market. However, the exact definition of relevant market may be left open as the Proposed Combination does not give rise to competition concern irrespective of the manner in which the market is defined.

8. The Acquirer has submitted that market shares in the steel products industry can be analysed on several alternative parameters *i.e.* installed production capacity, gross production, production for sale, and domestic sales. Based on each of the said parameters, the Acquirer has provided separate estimates of market share of the Parties and their competitors in each of the product segments for the last three financial years. The Commission has assessed the Proposed Combination on all such parameters.



*I. Hot rolled coils, sheets and plates (HR-CSPs)*

9. It has been submitted that slabs, which are semi-finished steel products, are used as the primary raw material for the production of finished FCSPs. Slabs are processed in a hot rolling mill which leads to the production of HR-CS or HR-P. It has been submitted by the Acquire that a steel manufacturer may either use the slabs to manufacture HR-CS or HR-P without incurring any additional costs and therefore, the production of HR-P and HR-CS are highly substitutable from a supply side perspective. Hot rolled steel products are supplied to enterprises in various sectors such as, the automotive, manufacturing and infrastructure.
10. The combined market share of the Parties in the product segment HR-CSPs, based on any of the above-mentioned parameters, was less than 30 per cent for FY 2016-17. The combined market share of the Parties, based on installed production capacity, was [25-30] per cent (*i.e.* TSL [15-20] per cent and BSL [5-10] per cent). On the other hand, the combined market share of the Parties based on domestic sales was [20-25] per cent (TSL [15-20] per cent and BSL [5-10] per cent). The other significant competitors in this market are: (a) JSW Steel Ltd. (“**JSW**”) with a market share of [20-25] per cent based on installed production capacity and [20-25] per cent based on domestic sales; (b) Essar Steel India Limited (“**Essar**”) with a market share of [10-15] per cent based on installed production capacity as well as domestic sales; and (c) Steel Authority of India Limited (“**SAIL**”) with a market share of [10-15] per cent based on installed production capacity and [25-30] per cent based on domestic sales. Presence of other competitors like Jindal Steel & Power Limited (“**JSPL**”) and Bhushan Power & Steel Limited (“**BPSL**”) is also observed.
11. In the context of HR-Ps, the Acquirer has submitted that HR-Ps with thickness of above 25 mm are generally manufactured in a separate mill. HR-Ps manufactured by TSL and BSL are of a thickness ranging between 5 – 25 mm which are produced in the same hot rolling mill that is used to produce hot rolled coils and sheets (HR-CS). It has also been submitted that the Parties neither manufacture nor have the capability to manufacture HR-Ps of thickness above 25 mm. Accordingly, after excluding HR-Ps of thickness



above 25mm from the relevant market, the combined market share of the Parties increases from [20-25] per cent to [25-30] per cent (on the basis of domestic sales).

12. The Commission also notes that the industry-wide average capacity utilisation rate for HR-CSPs was [70-75] per cent in FY 2016-17 which has improved over FY 2014-15 to FY 2016-17 indicating that most of the competitors of the Parties are in a position to increase the production, if required. Further, based on the capacity addition data during FY 2014-15 to FY 2016-17, as submitted by the Acquirer, the Commission observed that approximately 10 per cent new capacity has been added in the HR-CSP segment during this period.
13. The Acquirer has also submitted that in the case of HR-CSP, import also provide competitive constrain to the Parties. In this regard, it is noted that Government of India imposed anti-dumping / safeguard duty on imports of certain flat steel products in 2016; however, despite these measures in FY 2016-2017, imports constituted approximately 9 per cent of the total sales of HR-CSP in India. Therefore, it appears that imports are a viable alternative for domestic customers who would switch over to imports if a price rise in domestic market takes place.

## *II. Cold rolled coils and sheets (CR-CS)*

14. As per the Acquirer, cold rolled steel refers to HR-CSs which is further processed in a cold-rolling mill. Cold rolled steel products can be sold in the open market or used as the primary raw material to manufacture surface coated products (SCP) and as the raw material to manufacture T&P. In the open market, CR-CS is sold to enterprises from various sectors, primarily for the manufacture of automotive components, construction, domestic appliances, *etc.* It is noted that apart from integrated steel producers that have the ability to process hot rolled steel into CR-CS, this segment is characterised by presence of secondary cold rollers that operate cold rolling mills after procuring and processing hot rolled steel to manufacture CR-CS.
15. The combined market share of the Parties in the product segment CR-CSs, based on any of the above-mentioned parameters, was less than 30 per cent for FY 2016-17. The



combined market share of the Parties, based on installed production capacity, was [15-20] per cent (*i.e.* TSL [10-15] per cent and BSL [5-10] per cent). On the other hand, the combined market share of the Parties based on domestic sales was [20-25] per cent (TSL [15-20] per cent and BSL [5-10] per cent). The other significant competitors in this market are: (a) JSW with a market share of [15-20] per cent based on installed production capacity as well as domestic sales; (b) Essar with a market share of [5-10] per cent based on installed production capacity as well as domestic sales; and (c) SAIL with a market share of [10-15] per cent based on installed production capacity and [5-10] per cent based on domestic sales. Presence of other competitors like JSPL, BPSL, POSCO, Indian Steel Corporation Limited (“**Indian Steel**”), Uttam Galva is also observed.

16. The Commission also notes that the industry-wide average capacity utilisation rate for CR-CS was [65-70] per cent in FY 2016-17 which has improved over FY 2014-15 to FY 2016-17 indicating that most of the competitors of the Parties are in a position to increase the production, if required. The Acquirer has also submitted that this segment has witnessed both new entry as well as expansion of existing capacity by entities such as Arcelor Mittal, Numetal Steel, Liberty House, *etc.*
17. The Acquirer has also submitted that in the case of cold rolled steel products also, import play a significant role in meeting the domestic demand of CR-CS products. In this regard, it is noted that despite imposition of trade remedy measures, imports constituted approximately 12 per cent of the total domestic consumption of CR-CS products in India in FY 2016-2017. Therefore, in this case also, imports appears to be a viable alternative for domestic customers.

### *III. Surface coated products (SCP)*

18. As per the Acquirer, the corrosion resistance of flat carbon steel products can be increased by coating it with zinc (galvanizing), other metals or by applying an organic topcoat. The Acquirer has given two product segments within SCPs *i.e.* Galvanized Products (GPs) and Color Coated Products (CCPs), which are as follows:



### *Galvanized Products (GP)*

19. The Acquirer has submitted that the coating of steel with zinc is called “galvanizing”. GPs are stated to be predominantly used for construction purposes as well as for sectors such as consumer durables; barrels, drums, containers; power and irrigation; etc. and as raw material for CCPs.
20. The combined market share of the Parties in the product segment GPs, based on any of the above-mentioned parameters, was less than 25 per cent for FY 2016-17. The combined market share of the Parties, based on installed production capacity, was [15-20] per cent (*i.e.* TSL [5-10] per cent and BSL [5-10] per cent). On the other hand, the combined market share of the Parties based on domestic sales was [15-20] per cent (*i.e.* TSL [10-15] per cent and BSL [5-10] per cent). The other significant competitors in this market are: (a) JSW with a market share of [20-25] per cent based on installed production capacity and [15-20] per cent based on domestic sales; (b) Essar with a market share of [10-15] per cent based on installed production capacity and [5-10] per cent based on domestic sales; and (c) BPSL with a market share of [5-10] per cent based on installed production capacity as well as domestic sales. Presence of other competitors like SAIL, Uttam Galva, POSCO, National Steel & Agro Industries Ltd. (“**National Steel**”), Asian Colour Coated Ispat Limited (“**ACCIL**”), *etc.* is also observed.
21. The Commission also notes that the industry-wide average capacity utilisation rate for galvanised products was [85-90] per cent in FY 2016-17 which has improved over FY 2014-15 to FY 2016-17 indicating that most of the competitors of the Parties are in a position to increase the production, if required.

### *Colour Coated Products (CCP)*

22. As per the Acquirer, colour coating usually refers to the application of liquid paint coat over galvanized coils and sheets in an automatic continuous process after pre-treatment. The combined market share of the Parties in the product segment CCPs, based on any of the above-mentioned parameters, was less than 20 per cent for FY 2016-17. The combined market share of the Parties, based on installed production capacity, was [15-



20] per cent (*i.e.* TSL [0-5] per cent and BSL [10-15] per cent). On the other hand, the combined market share of the Parties based on domestic sales was [15-20] per cent (*i.e.* TSL [5-10] per cent and BSL [5-10] per cent). The other significant competitors in this market are: (a) JSW with a market share of [25-30] per cent based on installed production capacity and [20-25] per cent based on domestic sales; (b) Essar with a market share of [10-15] per cent based on installed production capacity as well as domestic sales; and (c) BPSL with a market share of [5-10] per cent based on installed production capacity as well as domestic sales. Presence of other competitors like Uttam Galva, Indian Steel, National Steel, ACCIL, *etc.* is also observed.

23. The Commission also notes that the industry-wide average capacity utilisation rate for colour coated products was [75-80] per cent in FY 2016-17 which has improved over FY 2014-15 to FY 2016-17 indicating that most of the competitors of the Parties are in a position to increase the production, if required.
24. The Acquirer has also submitted that in the case of surface coated products, import play a significant role in meeting the domestic consumption despite excess capacity lying with the domestic steel producers. In this regard, it is noted that despite imposition of trade remedy measures, imports constituted approximately 8 per cent of the total domestic consumption of surface coated products in India in FY 2016-2017. Therefore, in this case also, imports appears to be a viable alternative for domestic customers.

#### *IV. Flat steel tubes and pipes (T&Ps)*

25. As per the Acquirer, hot rolled and cold rolled coils and sheets are used in the production of the T&Ps which are further used in a diverse set of industries, including automobile, construction and general engineering. The Acquirer has further segmented T&Ps in to two categories based on the sales to the end-consumers: (i) precision tubes, and (ii) non-precision tubes. Non-precision tubes are made in standard dimensions set by the manufacturer and are sold to consumers using a standard width. Precision tubes are customized to meet the precise requirements of the consumer.



### *Precision Tubes*

26. The combined market share of the Parties in the product segment precision tubes, based on any of the above-mentioned parameters, was less than 30 per cent for FY 2016-17. The combined market share of the Parties, based on installed production capacity, was [20-25] per cent (*i.e.* TSL [5-10] per cent and BSL [10-15] per cent). On the other hand, the combined market share of the Parties based on domestic sales was [25-30] per cent (*i.e.* TSL [5-10] per cent and BSL [15-20] per cent). The other significant competitors in this market are: (a) BPSL with a market share of [10-15] per cent based on installed production capacity as well as domestic sales; and (b) Tube Investment of India Ltd. with a market share of [15-20] per cent based on installed production capacity as well as domestic sales. Presence of other competitors like Avon Tubetech Pvt. Ltd, Indian Seamless Metal Tubes Ltd., *etc.* is also observed.

27. The Commission also notes that the industry-wide average capacity utilisation rate for precision tubes was [65-70] per cent in FY 2016-17 indicating that most of the competitors of the Parties are in a position to increase the production, if required. Further, based on the capacity addition data during FY 2014-15 to FY 2016-17, as submitted by the Acquirer, the Commission observed that approximately 10 per cent new capacity has been added in this segment during this period.

### *Non-precision Tubes*

28. In relation to non-precision tubes, the Acquirer has submitted that BSL manufactures API pipes that fall under the category of non-precision tubes. The API pipes manufactured by BSL are used specifically in the oil and gas sector. Whereas, TSL does not have the necessary infrastructure/facilities to manufacture (and does not have the ability to manufacture) conveyance pipes that can be used for oil and gas segment. Therefore, there is no overlap in the segment of non-precision tubes as API pipes (non-precision tubes) manufactured by BSL are not produced by TSL.

29. However, even if the non-precision tubes manufactured by the Parties are considered to be in the same market, the Parties do not have significant presence in the overall no-



precision tubes market. The combined market share of the Parties in the product segment non-precision tubes, based on any of the above-mentioned parameters, was less than [5-10] per cent for FY 2016-17. The other significant competitors in this market are: (a) BPSL with a market share of [0-5] per cent based on installed production capacity as well as domestic sales; and (b) APL Apollo Tubes Ltd. with a market share of [5-10] per cent based on installed production capacity and [10-15] per cent based on domestic sales.

30. The Commission also notes that the industry-wide average capacity utilisation rate for non-precision tubes products was approximately [45-50] per cent in FY 2016-17 indicating that most of the competitors of the Parties are in a position to increase the production, if required.
31. In view of the foregoing, the Commission is of the view that horizontal overlaps resulting from the Proposed Combination are not likely to result in any appreciable adverse effect on competition in any of the segments, as discussed above.

### ***B. Vertically related markets***

32. As already stated, both the Parties are large integrated steel producers and are active across the value chain in the flat steel products. Further, the finished product at the end of each of the stage in the production process of flat carbon steel products *i.e.* hot rolling, cold rolling and coating, may be sold either in the open market or utilized for further processing in the next stage. Accordingly, following vertically related markets are identified for competition analysis:

- i. Upstream segment of HR-CSP and downstream segment of (i) CR-CS; and (ii) Tubes and Pipes (T&P);*
- ii. Upstream segment of CR-CS and downstream segment of (i) surface coated products (SCP); and (ii) T&P; and*



iii. *Within SCP, upstream segment of galvanized products (GP) and downstream segment of colour-coated products (CCP)*

33. However, for reasons already discussed above, each of the above-mentioned markets is characterized by presence of significant competitors. Therefore, the Commission is of the view that post combination, TSL would not have the ability to foreclose the market for other competitors.

34. In addition, following two vertically related markets involving processed inputs / semi-finished steel are also identified for possibility of any vertical foreclosure:

i. *Upstream segment of hot metal/sponge iron and downstream segment of semi-finished slabs*

35. In the upstream segment relating to supply of sponge iron, it is noted that TSL has miniscule presence whereas BSL is not active in this upstream business segment of sponge iron as it consumes the same internally. On the other hand, in the downstream segment, both TSL and BSL manufacture semi-finished slabs but for their captive consumption only and are not present in the segment for sale of semi-finished slabs.

ii. *Upstream segment of semi-finished slabs and downstream segment of HR-CSP*

36. As already stated, in the upstream segment both TSL and BSL are using semi-finished slabs for captive consumption, and therefore, pre and post-combination, there would be no change in the competition dynamic. On the other hand, in the downstream segment, the combined market share of the Parties, based on any of the above-mentioned parameters, was less than 30 per cent for FY 2016-17. Further, the market is characterized by the presence of other integrated players such as Essar, SAIL, JSW, etc. Thus, the Proposed Combination is not likely to foreclose the market for other competitors.

37. Considering facts on record, details provided in the notice given under sub-section (2) of Section 6 of the Act and 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 an appreciable adverse effect on competition in India.

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