



COMPETITION COMMISSION OF INDIA
(Combination Registration No. C-2015/10/329)



30.12.2015

Notice under Section 6 (2) of the Competition Act, 2002 (“Act”) given by Baramati Speciality Steels Limited, Kalyani Investment Company Limited and KSL Holdings Private Limited.

CORAM:

Mr. Ashok Chawla
Chairperson

Mr. Sudhir Mital
Member

Mr. U.C. Nahta
Member

Mr. M.S. Sahoo
Member

Mr. G.P. Mittal
Member

Legal Representative: DSK Legal

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

1. On 20.10.2015, Baramati Speciality Steels Limited (“**BSSL**”), Kalyani Investment Company Limited (“**KICL**”) and KSL Holdings Private Limited (“**KSL Holdings**”) (BSSL, KICL and KSL Holdings collectively referred to as the “**Acquirers**”) filed a notice under sub-section (2) of Section 6 of the Act in relation to two transactions viz. the proposed acquisition of shares of Kalyani Carpenter Special Steels Private Limited (“**KCSSPL**” or “**Target 1**”) and the proposed acquisition of shares of Carpenter Kalyani Special Alloys Private Limited (“**CKSAPL**” or “**Target 2**”) (KCSSPL and CKSAPL collectively referred to as “**Targets**”) from Carpenter Technologies Mauritius Limited (“**CTM**” or “**Seller**”) pursuant to the execution of Share Sale & Purchase Agreement (“**SPA**”) entered into between Acquirers & Seller on 09.10.2015. Both, the Acquirers & the Targets, are part of the same group namely the Kalyani Group of Companies (“**Kalyani Group**”). Acquirers and Targets are collectively referred to as the “**Parties**”.



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2. 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**') vide letters dated 19.11.2015 and 08.12.2015, the Acquirers were required to remove certain defects and provide information/document(s) by 27.11.2015 and 21.12.2015 respectively. The Acquirers submitted their response on 26.11.2015 and 17.12.2015 respectively.
3. The proposed combination relates to two interconnected transactions viz. the proposed acquisition of 26% equity shares of KCSSPL by Acquirers from CTM and the proposed acquisition of 51% equity shares of CKSAPL by BSSL from CTM ("**Proposed Combination**")¹. The Acquirers have stated that Kalyani Group already holds 74% and 49% equity shares in KCSSPL and in CKSAPL, respectively, prior to the Proposed Combination.
4. The Proposed Combination falls under section 5(a) of the Act.
5. BSSL, an unlisted Indian public company, was established by Kalyani Group in 2011 with the objective of forward integration of its special steel business. Kalyani Group holds 100% shareholding in BSSL. It is engaged in the business of finishing operations (such as rolling, hardening, tempering, quenching, straitening, peeling, etc.) with respect to special steels. BSSL does not manufacture any products. The activities (finishing operations) are undertaken by BSSL only for the companies within the Kalyani Group i.e. KCSSPL and Kalyani Steels Ltd ("**KSL**"). To that extent, BSSL does not operate in the open market and has no sales of its own.
6. KICL, a listed Indian public company, is a core investment company. It is listed on Bombay Stock Exchange & National Stock Exchange. Kalyani Group holds 63.53% shareholding in KICL.
7. KSL Holdings, an unlisted Indian private company, is a core investment company. Kalyani Group holds 100% shareholding in KSL Holdings.
8. KCSSPL, an unlisted Indian company, is a joint venture between Kalyani Group (74 percent) and CTM (26 percent). KCSSPL is engaged in the manufacturing of special steels. It manufactures alloy steels of special grades (special steels) for different applications through electric arc furnace by using steel scrap, pig iron and direct reduced iron. CKSAPL is a joint venture between Kalyani Group (49 percent) and CTM (51 percent). CKSAPL is a non-operating entity.
9. Kalyani Group is a group of companies with high technology, engineering & manufacturing capabilities across several critical sectors such as Automotive, Oil & Gas,

¹ As submitted by the Acquirers in the notice and as per further submissions dated 17.12.2015 under Regulation 16 of the Combination Regulations.



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Power, Locomotive & Marine, Aerospace, Construction & Mining, etc. Kalyani Group is directly/indirectly controlled, owned, and promoted by Mr. Babasaheb Kalyani and his family members.

10. As per the information provided in the notice, market for special steels in India is quite competitive with several players competing with each other. The combined share of the Kalyani Group companies in the market for special steels in India is in the range of 0-10 percent. The combined share of top five players in the market for special steels in India is 27.33 percent. Rest 67.34 percent market share is distributed among other smaller players.
11. It is submitted by the Acquirers that in the pre-combination scenario, both KCSSPL and CKSAPL are under the joint-control of Kalyani Group (along with CTM). In the post-combination scenario, both KCSSPL and CKSAPL would come under the sole-control of Kalyani Group.
12. It is submitted by the Parties that they do not have any horizontal overlaps as such, yet another entity within the Kalyani Group namely KSL is engaged in the manufacturing of forging and engineering quality carbon alloy steels, which is essentially a type of special steel. As stated in the notice, both KCSSPL and KSL operate within the special steels sector, and both produce special steel products. As combined share of the Kalyani Group companies in the market for special steels in India is in the range of 0-10 percent and several other big players are operating in the relevant market, the existing horizontal overlaps are not significant enough to give rise to any appreciable adverse effect on competition in India.
13. It is stated in the notice that KCSSPL is engaged in the manufacturing of special steels. Such special steel needs to be processed further. BSSL is an entity which does this further processing of output of special steels of KCSSPL to manufacture the final product. Thus, KCSSPL and BSSL undertake different stages of activities within the same process of special steel manufacturing, and apart from the finishing activities job (which is done for captive consumption purposes only for companies within Kalyani Group), there is no other arrangement between the two. In view of this, there does not seem to be any anti-competitive concern with respect to the vertical arrangements in the instant case.
14. Considering the facts on record and the 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.



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15. This order shall stand revoked if, at any time, the information provided by the Parties is found to be incorrect.
16. The Secretary is directed to communicate to the Parties accordingly.