



COMPETITION COMMISSION OF INDIA
(Combination Registration No. C-2020/09/776)

12th November 2020

Notice under Section 6 (2) of the Competition Act, 2002 filed jointly by Sinochem Group Company Limited and China National Chemical Corporation 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 24th September 2020, the Competition Commission of India (**Commission**) received a notice under Section 6(2) of the Competition Act, 2002 (**Act**), jointly filed by Sinochem Group Company Limited (**Sinochem**) and China National Chemical Corporation Limited (**ChemChina**). Hereinafter, Sinochem and ChemChina are together referred to as **Parties**. Notice has been filed pursuant to the execution of a Strategic Restructuring Memorandum, *inter alia*, between Sinochem and ChemChina.
2. Sinochem and ChemChina are owned by Ad-hoc ministerial level organisation that supervises the investments of the Chinese government, *i.e.* China State-owned Assets Supervision and Administration Commission of the State Council (**Central**



- SASAC**). As per the laws applicable in China, Sinochem and ChemChina are regarded as independent economic entities with independent decision-making power and thus, belong to two independent economic groups.
3. The Proposed Combination is an internal restructuring of Sinochem and ChemChina. Central SASAC will incorporate a new holding company and transfer 100% shares of both Sinochem and ChemChina to the new company. Effectively, Sinochem and ChemChina will amalgamate into the new company and thus, would still belong to Central SASAC. The new company, as the sole shareholder of Sinochem and ChemChina, would exercise the shareholder's rights and assume the shareholder's obligations.
 4. In terms of Regulation 14(3) of the Competition Commission of India (Procedure in Regard to the transaction of Business relating to Combinations) Regulations, 2011, the Commission *vide* email dated 5th October 2020, required the parties to remove defects in the notice and furnish certain additional information. In response, the Parties filed their submission on 15th October 2020.
 5. Sinochem is a limited liability company incorporated under the laws of People's Republic of China (**PRC**) and wholly-owned by Central SASAC. Globally, its businesses are spread across energy, real estate, finance and chemical sectors. In India, it is directly or indirectly engaged in the sale of (a) crude oil; (b) natural rubber and rubber antioxidants; (c) a variety of chemicals, including agrochemicals; and (d) pharma and health products. In India, Sinochem operates through Sinochem India Company Pvt. Ltd. (**Sinochem India**) in the agrochemicals sector.
 6. ChemChina is also a limited liability company incorporated under the laws of PRC and wholly-owned by Central SASAC. Its business units are divided into oil and processing refined products, chemical equipment, tyre and rubber products, new chemical materials and specialty chemicals, R&D design and agrochemicals. In the agrochemicals sector, it is present through its subsidiary China National Agrochemical Corporation (**CNAC**). Earlier CNAC was engaged in the



agrochemical business through its subsidiaries *viz.*, Syngenta AG and Adama Ltd., which have been integrated into Syngenta Group.

7. In the agrochemical sector, ChemChina is present in India through Syngenta India Limited (**SYT-IN**) and Adama India Private Limited (**ADA-IN**). As per the order dated 16th May 2017 of the Commission in Case No. C-2016/08/424, SYT-IN and ADA-IN are required to operate as independent competing entities in India until 3rd January 2026. It has been submitted in the notice that the Proposed Combination would not alter this arrangement and SYT-IN would continue to operate independently of ADA-IN for the remaining period.
8. SYT-IN is engaged in the business of manufacture and sale of various agrochemicals including herbicides, insecticides and fungicides, and vegetable seeds. ADA-IN is also present in the business of sale of various agrochemicals including herbicide, insecticide, fungicide, and growth regulators. Both SYT-IN and ADA-IN sell active ingredients and formulated products in the agrochemicals sector in India.
9. The new company would be incorporated as a limited liability company under the laws of China and wholly-owned by Central SASAC. The Parties have contended that the Proposed Combination is not intended to affect the existing operations of Sinochem India and other Sinochem group companies, on the one hand, and SYT-IN, ADA-IN and other ChemChina group companies, on the other hand. It has also been submitted in the notice that the proposed combination is only an internal strategic restructuring of Sinochem and ChemChina in China without any plans to alter the business operations either in China or outside including India.
10. The overlaps arising from the Proposed Combination relate to sale of formulated crop protection products (**CPPs**) in India. Sinochem, SYT-IN and ADA-IN sell certain similar products in CPPs and more specifically in (i) herbicides; (ii) insecticides; (iii) fungicides; and (iv) bio-stimulants.



11. The Commission in the past¹ had examined combinations pertaining to agrochemicals markets and recognised the distinctive features of CPPs. It was observed that CPPs can be normally sub-divided based on crop (*e.g.*, brinjal, sugarcane, *etc.*) and class of pest (*i.e.* chewing/ sucking/ rasping insect, grassy weeds, *etc.*). In respect of herbicides, the Commission has acknowledged the distinction between selective and non-selective herbicides.
12. In each of the segments of overlap, except ‘herbicide-rice’, ‘herbicides-rice-pre emergent’, ‘herbicides-General weed control’, and ‘fungicides-rice-blast, sheath blight’, the market share of Sinochem is less than 3%. Thus, the incremental market share as a result of the combination would be insignificant and not likely to cause any appreciable adverse effect on competition. In the segments for herbicide rice, herbicides-rice-post emergent, herbicides-general weed control, and fungicides-rice-blast, sheath blight, the market shares of Sinochem range between 2-12%. These are fragmented markets with the presence of several other players. Further, in the segment for bio-stimulants, only Sinochem and SYN-IN are present in India. The market share of Sinochem is again less than 1% and insubstantial to cause material change in the market structure post-combination.
13. Considering the material on record including the details provided in the Notice and the assessment of the Proposed Combination based on 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. Notwithstanding this approval, the concerned party in C-2016/08/424 shall continue to ensure due compliance of the modifications ordered in terms of the order dated 16th May 2017.
14. This order shall stand revoked if, at any time, the information provided by the Parties is found to be incorrect.

¹ ChemChina/Syngenta (C-2016/08/424); Bayer/Monsanto (C-2017/08/523); Dow/DuPont (C-2016/05/400).



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15. The information provided in the notice shall be treated as confidential in terms of and subject to provisions of Section 57 of the Act.
16. The Secretary is directed to communicate to the Parties accordingly.