



COMPETITION COMMISSION OF INDIA
(Combination Registration No. C-2020/06/752)

20th August, 2020

Notice under Section 6(2) of the Competition Act, 2002 filed by Siemens 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 23rd June, 2020, the Competition Commission of India (**Commission**) received a notice (**Notice**) under Section 6(2) of the Competition Act, 2002 (**Act**), filed by Siemens Limited (**Siemens**), in relation to its proposed acquisition of certain switchgear business of C&S Limited (**C&S**). Siemens India and C&S are collectively referred to as **Parties**. The Notice was given pursuant to execution of (i) Share Purchase Agreement (**SPA**); (ii) Business Transfer Agreement (**BTA**); (iii) Eta-com Share Transfer Agreement; (iv) Promoter Obligor Agreement (**PO Agreement**); and (v) Brand Labelling Arrangement (**BLA**); and (vi) Disclosure Letter, all executed *inter-alia* amongst parties between 22nd January, 2020 and 18th February, 2020.
2. The Commission *vide* its letter dated 28th July, 2020 issued under Regulation 14(3) of the Competition Commission of India (Procedure in regard to transaction of business relating to combinations) Regulations, 2011, required Siemens to remove



defects in the Notice and furnish certain information. In response, the Siemens filed its submission on 12th August, 2020.

3. Siemens is a subsidiary of Siemens AG. It focuses on the areas of power generation and distribution, intelligent infrastructure for buildings and distributed energy systems, and automation and digitalization in the process and manufacturing industries. Siemens also supplies smart mobility solutions for rail and road transport and infrastructure solutions for Smart Cities. It is further engaged in the business of manufacture, supply, design, installation and commissioning of railway signalling equipment consisting of trackside and on-board equipment.
4. C&S is engaged in manufacturing of a range of electrical switchgear, power protection and electrical distribution products which are used in numerous applications including power plants, major infrastructure installations, commercial and residential real estate buildings and infrastructure facilities. It owns eighteen manufacturing plants globally and four R&D centres. C&S has pan-India sales team which caters to its customers with support from warehouses and a dedicated logistics team. It also exports industrial switchgear products.
5. C&S is also engaged in electrical contracting business which performs turnkey solutions for industrial and commercial electrification, substations and power plants. In addition, C&S is also engaged in the design and execution of grid connected solar photo-voltaic power plants.
6. By way of the Proposed Combination, Siemens proposes to acquire the Identified Business of C&S, which primarily consist of low-voltage (LV) switchgear components and panels, LV and medium voltage (MV) power busbars as well as protection and metering devices businesses. The remaining business of C&S would be retained by the Promoters of C&S (Excluded Business). The Proposed Combination is envisaged to include the following steps:



- 6.1. Step 1: Carve out the Excluded Business from C&S and transfer of the same to an affiliate of the promoters such that only the Identified Business, is retained under C&S (Carve-out Transaction); and
 - 6.2. Step 2: Siemens India would acquire upto 100% of the issued and paid-up equity share capital of C&S from its promoters.
7. It is observed that Proposed Combination relates to markets for switchgears, which are the equipment used for controlling the flow of electricity or protection of electrical devices. These are used for switching, controlling or for carrying different electrical loads. Switchgears can be further classified based on the voltage of operation into High voltage (HV), MV and LV.
8. The Commission in the past had investigated the LV switchgear markets in Combination Registration No. C-2018/07/586 concerning acquisition of LV switch gear business of Larsen & Toubro Limited (L&T) by Schneider Electric India Pvt. Ltd. (Schneider). After a detailed investigation into the industry dynamics, evolution and consumer habits in LV switchgear markets, the Commission in its order¹ noted that *“Many of the Customer Respondents and Competitor Respondents confirmed that panel builders / electricians engaged in designing and assembling of LV panels prefer to use components of the same brand in designing a main switchboard or distribution switchboard or a final panel board. Some of the Customer Respondents have also stated that there are no technical constraints in mixing components of different brands in the same panel. However, the preference is for use of products of same brand in any specific switchboard due to commercial habit and better housing and coordination amongst the components...Given the preference and industry practice for use of same brand products, this case also merits competition assessment from the perspective of portfolio of the Combined Entity. Accordingly, it is considered appropriate to assess the Proposed Combination at the level of each overlapping*

¹ Order dated 18th April, 2019 in Combination Registration No. C-2018/07/586



product / component and the markets for clustered products.” Siemens has also submitted assessment at cluster level.

9. As per the notice, both Siemens and the Identified Business of C&S are engaged in supply of the following eighteen products in India: motor management relay (MMR), enclosed starter, switch disconnecter fuse (SDF), motor protection circuit breaker (MPCB), overload relay, contactor, air circuit breaker (ACB), moulded case circuit breaker (MCCB), busways power/ busbar trunking (BBT), Panel Accessories, LV Panels & Solutions, Metering Devices & Power Monitoring (MDPMs), Miniature Circuit Breaker (MCBs), Residual Current Device (RCDs), Fuses, Distribution Boards, Control & Signalling Device (CSDs), Digital Protective Relays/Numerical Relays & Fault Passage Indicators (DPRs & FPIs).
10. At the individual product levels, the Proposed Combination would result in a delta HHI of more than 150 in respect of seven products *viz.* SDF, MPCB, overload relays, contactors, MCCBs, fuses and CSDs, all of which are LV switchgears. It is observed that in each of the said products, except fuses, as well as the LV switchgear industry as a whole, features the presence of the larger player *viz.* Schneider, which is in the process of acquiring the LV switchgear business of L&T, another leading player in the industry. Further, the market share estimates furnished by Siemens suggest that the incremental market share in each of these products as well the clusters constituting main switch board, motor control centre, distribution board and APFC panel, are not such that the combined entity would achieve a market position of significance so as to influence the conditions of market(s) in its favour.
11. 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. The Commission however notes that the scope of non-compete covenants, as



envisaged in transaction documents/agreements, is not ancillary to the Proposed Combination.

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