

COMPETITION COMMISSION OF INDIA

4th November, 2011

Combination Registration No.: C-2011/10/05

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

1. On 5th October, 2011, the Competition Commission of India (hereinafter referred to as the "**Commission**") received a notice of the proposed acquisition of BCL Springs Division of Bombay Burmah Trading Corporation Limited (hereinafter referred to as "**BBTCL**") by NHK Automotive Components India Private Limited (hereinafter referred to as "**NHK Automotive**"), a wholly owned subsidiary of the NHK Spring Co., Limited (hereinafter referred to as "**NHK Japan**") (hereinafter, NHK Automotive and NHK Japan are collectively referred to as "**Acquirer(s)**"), under sub-section (2) of Section 6 of the Competition Act, 2002 (hereinafter referred to as "**Act**").
2. The notice was filed pursuant to the execution of a Business Transfer Agreement dated 7th September, 2011 between NHK Automotive, BBTCL and NHK Japan (hereinafter referred to as "**Binding Agreement**").
3. In terms of Regulation 14 of the Competition Commission of India (Procedure in regard to the transaction of business relating to combinations) Regulation, 2011 (hereinafter referred to as "**Combination Regulations**"), on 11th October, 2011, the Acquirer(s) were required to provide certain information and document(s), which were furnished by them on 18th October, 2011.
4. The proposed combination relates to the acquisition of BCL Springs Division, a business division of BBTCL, by way of a slump sale and accordingly falls within the provisions of section 5(a)(i) of the Competition Act, 2002, on a going concern basis, by NHK Automotive, a wholly owned subsidiary of NHK Japan.
5. NHK Automotive was recently incorporated under the provisions of the Companies Act, 1956 for the purpose of the proposed combination. It has been stated by the Acquirer(s) that NHK Automotive currently does not have any business operations in India and also does not manufacture, sell or import any of NHK Japan's products in India.
6. NHK Japan is a public company incorporated in Japan and is listed on the Tokyo Stock Exchange. As per the details available on its website, NHK Japan operates in the businesses of automotive suspension springs, automotive seats, precision



spring and components, HDD suspensions and mechanical components, industrial machinery and equipment, and security products.

7. NHK Japan is present in India through its subsidiary, NHK Spring India Limited (hereinafter referred to as “NSI”), a joint venture between NHK Japan, Jamna Auto Industries Limited, India (hereinafter referred to as “JAI”) and Metal One Corporation, Japan, established for the purpose of manufacture and sale of coil springs used for automobile suspension, railways and other applications (excluding precision springs), stabilizer bars and torsion bars for automobiles in India. Currently, NHK Japan holds 93.5 per cent shares of NSI with the remaining shares held by JAI and Metal One Corporation. NSI was originally set up under a joint venture agreement in 1996, which was superseded and modified by subsequent agreements in 1997 and 2009. As stated in the notice, currently, NSI manufactures hot coil suspension springs and stabilizer bars, for passenger cars and utility vehicles in India and does not import any product from NHK Japan.
8. NHK Japan holds 5.89 per cent of equity stake in JAI. JAI is a public limited company incorporated under the provisions of the Companies Act, 1956 and is listed on the BSE Limited and the National Stock Exchange of India Limited. As per the details provided on its website and in the notice, JAI manufactures and supplies leaf springs, parabolic springs and air suspension and is the largest manufacturer of leaf and parabolic springs for commercial vehicles in India.
9. It has been stated in the notice that NHK Japan has a technical assistance agreement with Pricol Limited (hereinafter referred to as “Pricol”) in respect of manufacture and sale of chain tensioners in India. Pricol is a public limited company incorporated under the provisions of the Companies Act, 1956 and is listed on the BSE Limited and the National Stock Exchange of India Limited. Pricol is engaged in the manufacture of automotive instruments such as instrument clusters, dashboard meters, fuel sensors, oil pressure switches etc. Pricol imports flat coiled spiral springs from NHK Japan, which are used as a component in the manufacture of chain tensioners used in 2 wheeled vehicles.
10. NHK Japan has a technical license agreement with BBTCL in respect of precision wire springs used for automobile engines and transmissions, manufactured by the BCL Springs Division.
11. BBTCL, a leading concern of the Wadia group, is one of the oldest companies in India, and is listed on BSE Limited and the National Stock Exchange of India Limited. BBTCL is engaged in the businesses of plantations, food (biscuits and dairy products), textiles, chemicals, electronics and light engineering, healthcare, real estate etc. Amongst its many businesses, BBTCL is also engaged in the



manufacture, sale and distribution of various kinds of springs through its BCL Springs Division.

12. BCL Springs Division was originally set up as a division of the erstwhile Bombay Company Limited and has technical collaboration arrangement with NHK Japan since 1983. The Bombay Company Limited was merged with BBTCL in 1992 and after the merger, the BCL Springs Division became a division of BBTCL. The BCL Springs Division is engaged in the manufacture and sale of cold formed suspension springs and precision springs that are used in valves, fuel injector pumps, clutches and other automotive components. Some of the precision springs manufactured by BCL Springs Division are also used in consumer goods, cameras, door assemblies etc.
13. The proposed combination would transfer the BCL Springs Division of BBTCL to NHK Automotive, a group company of NHK Japan.
14. The proposed combination concerns manufacture and sale of various kinds of springs used for industrial application in automotive sector in India. A spring may be defined as a machine element which stores or absorbs energy caused by elastic deformation resulting from application of force and the stored energy is released when the applied force is removed¹. Generally, springs are classified on the basis of shape and industrial applications. On the basis of shape, springs may be classified as coil springs, flat springs and machined springs. On the basis of industrial applications, springs may be classified as springs for automotive industry, railway carriages and rolling stock, desktops, hard disks and laptops and, industrial machinery related products and others. The Acquirer(s) and the enterprise whose assets are being acquired are primarily and predominantly engaged in the manufacture and supply of various types of customized springs for industrial application in the automotive sector in India.
15. It has been stated in the notice that the Acquirer(s) and the enterprise whose assets are being acquired are not engaged in manufacturing identical or substitutable products to have any product overlaps. The notice differentiates the products of BCL Springs Division and NSI on the basis of production process and end use. The production processes of BCL Springs Division and NSI are distinguished as cold formed and hot formed process respectively. Cold formed process involves coiling, stress relieving, grinding, cold setting, phosphate and surface treatment. Hot formed process involves processing through heating and coiling, phosphate and powder coating. The key difference between the hot and cold formed processes is the stress relieving which takes place for the cold forming process and not for the hot forming process. The end use is differentiated on the basis of utility i.e. as suspension springs (used for

Japan Society of Spring Engineers, "Materials for Springs", Springer Verlag Berlin Heidelberg (2007).

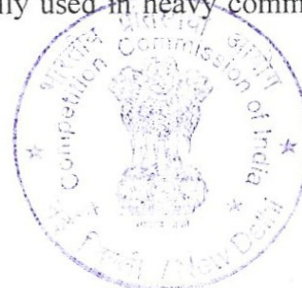


suspension in 2-3 wheeled vehicles, 4 wheeled passenger/utility vehicles and heavy vehicles) or precision springs (used as components for valves, chain tensioners, fuel injection etc.), and the nature of the vehicles using suspension springs i.e. 2-3 wheeled vehicles and 4 wheeled vehicles.

16. For the purpose of the proposed combination, the Acquirer(s) consider manufacture and/or supply of customized springs for industrial application in the automotive sector as the relevant product market and the territorial boundaries of India as the relevant geographic market.
17. The proposed combination primarily and predominantly concerns manufacture and supply of various types of customized springs for industrial application in the automotive sector. The automotive components sector in India, including the springs manufactured for automobiles, could be divided into components for original equipment manufacturers including original equipment supplied by them (hereinafter referred to as "OEMs") on the one hand, and the independent replacement after-market to meet the after-sales requirements and exports on the other hand. In the proposed combination, the business operations of the Acquirer(s) and the enterprise whose assets are being acquired, in India, predominantly pertain to manufacture and supply of various types of springs to the OEMs for industrial application in the automotive sector.
18. There are differences between the springs manufactured for OEMs and those manufactured for the independent replacement after-market. The manufacturers and customers/consumers of springs in the OEMs market and those in the independent replacement after-market are significantly different. While the OEMs market is characterised by co-operation between the spring manufacturers and the OEMs in respect of product specification, price, quality, performance, delivery schedule, new product development etc., the independent replacement after-market does not exhibit such co-operation. Further, the independent replacement after-market is fragmented with the presence of a considerable number of manufacturers across the country. Whereas, the manufacturers supplying springs to OEMs are comparatively less in number and generally have imported technology or have technical collaboration with the global manufacturers, which is one of the considerations for the OEMs to select a particular supplier of springs. OEMs generally invite spring manufacturers to submit proposals for producing and supplying springs and the automobile market for consumers for new vehicles is highly competitive. Further, the OEMs generally have supply arrangements with more than one vendor. These facts suggest that the OEMs may possess some kind of bargaining power vis-à-vis the manufacturers of springs. Therefore, it is not possible to integrate the springs supplied for OEMs and those supplied for the independent replacement after-market in single product market.

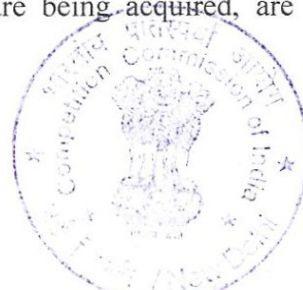


19. The springs manufactured and supplied by the Acquirer(s) and the enterprise whose assets are being acquired, in India, may broadly be classified as precision and suspension springs. The precision and suspension springs may be further distinguished on the basis of characteristics and end use.
20. The precision springs manufactured by BCL Springs Division are used in clutches, valves, fuel injector pumps and other automotive components etc. Neither NSI nor any other group company of NHK Japan manufactures and sells precision springs in India. NHK Japan also does not export precision springs to India other than the flat coiled spiral springs which are imported by Pricol and are used in the manufacture of chain tensioners used for 2 wheeled vehicles. Although the precision springs manufactured by the BCL Springs Division of BBTCL have different end use and characteristics, it is considered that it is not essential to define distinct and separate product markets in respect of different precision springs for the purpose of the present assessment, as neither NHK Japan nor any of its group company manufactures and/or supplies precision springs in India, so as to have any product overlap with the different types of precision springs manufactured and sold by BCL Springs Division
21. As regards the suspension springs, it has been stated that the BCL Springs Division and NSI adopt different process for manufacture of suspension springs. The springs of each of these companies are significantly different and are used in different categories of vehicles. Generally, the OEMs producing 2-3 wheeled vehicles and the OEMs producing 4 wheeled passenger/utility vehicles are not common. As explained earlier, NSI manufactures springs through hot formed process whereas, BCL Springs Division manufactures springs using the cold formed production process. The hot coiled suspension springs manufactured by NSI are heavier in nature and are used in 4-wheeled passenger/utility vehicles, whereas the cold formed suspension springs manufactured by BCL Springs Division are used in 2-3 wheeled vehicles. Moreover, the Acquirer(s) have stated that the BCL Springs Division does not and cannot manufacture suspension springs for 4 wheeled passenger/utility vehicles, as it lacks the capacity, technology and the expertise to manufacture the same. NSI manufactures hot coiled suspension springs that are used in 4 wheeled passenger cars and utility vehicles. Further, the price of cold formed suspension springs manufactured by the BCL Springs Division for 2-3 wheeled vehicles is stated to be between INR 20 and 200 whereas the price of the hot formed suspension springs manufactured by NSI for 4 wheeled vehicles ranges between INR 125 and 600 per piece.
22. As stated earlier, the characteristics, end use and price of different suspension springs manufactured and supplied by the BCL Springs Division and by NHK Japan or any of its group companies in India are different. JAI, in which NHK Japan has a non-controlling minority stake of 5.8 per cent, manufactures and supplies leaf and parabolic springs that are generally used in heavy commercial



vehicles. The Acquirer(s) and the BCL Springs Division do not manufacture or supply leaf or parabolic springs in India. Due to the differences in characteristics, end use and price, the suspension springs manufactured and supplied in India for use in 2-3 wheeled vehicles and 4 wheeled vehicles do not overlap with each other and therefore, the products of these companies constitute separate and distinct product markets. In view of the foregoing, the manufacture and supply of suspension springs to OEMs for use in 2-3 wheeled vehicles and the manufacture and supply of suspension springs to OEMs for use in 4 wheeled passenger/utility vehicles are considered to be distinct and separate relevant product markets for the purpose of the present assessment.

23. The territorial boundaries of India are considered to be the relevant geographic market as the precision springs, suspension springs for 2-3 wheeled vehicles and suspension springs for 4 wheeled passenger/utility vehicles used by OEMs are made available across India.
24. As stated earlier, unlike NSI, BCL Springs Division which is proposed to be acquired does not manufacture and/or supply suspension springs for 4 wheeled passenger/utility vehicles. The competitors of NSI in this market include Stumpp Schuele & Somappa Springs Private Limited, Coventry Coil-o-Matic (Haryana) Limited, Mubea Automotive India Private limited and Daewon India Auto Part Private Limited. The suspension springs manufactured and sold by BCL Springs Division are lighter in nature and are used only in 2-3 wheeled vehicles. Moreover, the Acquirer(s) have stated that the BCL Springs Division does not and cannot manufacture suspension springs for 4 wheeled passenger/utility vehicles as it does not have the technical capability, expertise and the plant and machinery for manufacture/production using the hot coiling process. It is observed that the Acquirer(s) and the enterprise whose assets are being acquired are also not engaged in different stages or levels of production in India, in respect of suspension springs for 4 wheeled passenger/utility vehicles. In view of the foregoing, the proposed combination is not likely to have an impact on the market for manufacture and supply of suspension springs to OEMs for use in 4 wheeled passenger/utility vehicles in India.
25. As regards the market for manufacture and/or supply of suspension springs for OEMs used in 2-3 wheeled vehicles, neither NSI nor any of the group companies of NHK Japan manufactures and/or supplies suspension springs for OEMs used in 2-3 wheeled vehicles in India. BCL Springs Division operates in this market and competes with other spring manufacturers such as Emkay Automobile Industries Limited, M&M Auto industries Limited, Sagar Springs Limited, Helical Springs (a unit of T.K. Precision Private Limited) and Suma Springs Private Limited. As per the details provided by the Acquirer(s), the share of BCL Springs Division in this market is less than 20 per cent. It is observed that the Acquirer(s) and the enterprise whose assets are being acquired, are also not



engaged in different stages or levels of production in India, in respect of suspension springs for 2-3 wheeled vehicles. In view of the foregoing, the proposed combination is not likely to have impact on the market for manufacture and supply of suspension springs to OEMs for use in 2-3 wheeled vehicles in India.

26. As regards the precision springs, NHK Japan does not manufacture and supply any precision springs in India including those manufactured and supplied by BCL Springs Division. BCL Springs Division imports technology from NHK Japan under a Technical License Agreement to provide know-how, advice and other expertise, including plant layout, determination of process flow, material selection, production conditions etc., in respect of precision wire springs used for automobile engine and transmission. Generally, such a technical collaboration is a preferred consideration for OEMs for selecting a supplier of springs. Some of the competitors of BCL Springs are also identified to have similar technical collaboration/assistance arrangement with overseas companies.
27. Based on the facts on record and the details provided in the notice filed under sub-section (2) of Section 6, the proposed combination is not likely to give raise to any adverse effect on competition.
28. Considering the facts on record and the details provided in the notice given under sub-section (2) of Section 6 of the Act and the assessment of the proposed combination after duly considering the relevant factors mentioned in the section 20(4) of the Competition Act, 2002, 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 proposed combination under sub-section (1) of Section 31 of the Act.
29. This approval is without prejudice to any other legal/statutory obligations as applicable.
30. This order shall stand revoked if, at any time, the information provided by the Acquirer(s) is found to be incorrect.



31. The Secretary is directed to communicate to the Acquirer(s) accordingly.



Certified True Copy

[Handwritten Signature]
ANIL K. VASHISHT
Office Manager
Competition Commission of India
New Delhi

8/11/11