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***Case No COMP/M.6962 - RENOVA INDUSTRIES /
SCHMOLZ & BICKENBACH***

Only the English text is available and authentic.

**REGULATION (EC) No 139/2004
MERGER PROCEDURE**

Article 6(1)(b) NON-OPPOSITION
Date: 19/12/2013

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EUROPEAN COMMISSION

Brussels, 19.12.2013
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In the published version of this decision, some information has been omitted pursuant to Article 17(2) of Council Regulation (EC) No 139/2004 concerning non-disclosure of business secrets and other confidential information. The omissions are shown thus [...]. Where possible the information omitted has been replaced by ranges of figures or a general description.

PUBLIC VERSION

MERGER PROCEDURE
ARTICLE 6(1)(b) DECISION

To the notifying party:

Dear Sir/Madam,

Subject: Case No COMP/M.6962 – RENOVA INDUSTRIES / SCHMOLZ & BICKENBACH
Commission decision pursuant to Article 6(1)(b) of Council Regulation No 139/2004¹

1. On 19 November 2013, the European Commission received a notification of a proposed concentration pursuant to Article 4 of the Merger Regulation, by which the undertaking Renova Industries Ltd. ('Renova', Bahamas) intends to acquire, through its wholly-owned indirect subsidiary Venetos Holding AG ('Venetos'), sole control within the meaning of Article 3(1)(b) of the Merger Regulation of the undertaking Schmolz + Bickenbach AG ('S+B', Switzerland) by way of a shareholders' agreement. Renova is hereinafter referred to as the 'Notifying Party' while Renova and S+B together are referred to as the 'Parties'.

¹ OJ L 24, 29.1.2004, p. 1 ('the Merger Regulation'). With effect from 1 December 2009, the Treaty on the Functioning of the European Union ('TFEU') has introduced certain changes, such as the replacement of 'Community' by 'Union' and 'common market' by 'internal market'. The terminology of the TFEU will be used throughout this decision.

1. THE PARTIES

2. Renova is a private business group that consists of asset management companies and direct portfolio investment funds owning and managing assets in metals, mining, machine building, construction development, energy, telecommunications, nanotechnologies, utilities and the financial sector in Russia, Europe, South Africa, and the US.
3. S+B is active in the manufacturing, processing and distribution of steel long products, including stainless steel and tool steel long products.

2. THE TRANSACTION AND CONCENTRATION

4. Renova, through its wholly-owned indirect subsidiary Venetos, has acquired a total of 25.51% of shares in S+B through a purchase of 25.29% of shares in S+B from Schmolz + Bickenbach GmbH & Co. KG ('S+B KG') and through a mandatory tender offer required by the Swiss takeover law. S+B KG has retained 15.17% of shares in S+B.
5. On 28 June 2013, Venetos and S+B KG entered into a shareholders' agreement that is intended to become effective following the reception of merger control approvals. [...].
6. Therefore, Renova intends to control 40.68% of shares in S+B due to the shareholders' agreement. Since the shareholders' meetings have been attended by shareholders representing a maximum of 63.4% of votes during the past three years, Renova would acquire *de facto* control of S+B by virtue of the shareholders' agreement.
7. In view of the above, the proposed transaction constitutes a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

3. EU DIMENSION

8. The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 000 million (Renova: [...]; S+B: EUR 3 581 million). Both undertakings have an EU-wide turnover in excess of EUR 250 million (Renova: [...]; S+B: [...]), but they do not achieve more than two-thirds of their aggregate EU-wide turnover within one and the same Member State. The proposed transaction therefore has an EU dimension pursuant to Article 1(2) of the Merger Regulation.

4. COMPETITIVE ASSESSMENT

9. The proposed transaction does not give rise to any horizontal overlaps between the Parties' activities.

10. However, the proposed transaction gives rise to vertically affected markets with respect to (i) the Notifying Party's production of silicomanganese upstream and S+B's production of stainless steel long products downstream; (ii) the Notifying Party's production of silicomanganese upstream and S+B's production of tool steel long products downstream, and (iii) S+B's production of stainless steel long products upstream and the Notifying Party's production of industrial pumps downstream.²

4.1. Relevant product markets

4.1.1. Stainless steel long products and tool steel long products (stainless bright bars and hot-work tool steel)

11. In previous decisions, the Commission has distinguished steel products based on the chemical composition of the steel (metallurgical characteristics) on the one hand and according to the physical shape of the product on the other.
12. Based on chemical composition, the Commission has distinguished three broad categories of steel products: (i) carbon steel, (ii) stainless steel and (iii) specialty steels (highly alloyed steel and electrical steel).³
13. *Carbon steel* is carbon-based steel containing no or very little amounts of alloying elements.
14. *Stainless steel* is defined as steel containing 10.5% or more of chromium and less than 1.2% of carbon.
15. *Specialty steels* are characterised by their high levels of purity, are generally more expensive than other steel products and have been designed for specific purposes. Specialty steels can be further divided into (i) engineering steel, (ii) high speed steel and (iii) tool steel. In addition, the Commission has also considered distinguishing among tool steel products between (i) cold-work steels, (ii) hot-work steels and (iii) plastic mould steels.⁴

² For the sake of completeness, it is noted that S+B sells minimal volumes of long steel products to the Notifying Party's subsidiaries active in the production of high speed filament spinning machines, compressor parts, steam turbine parts, gas turbine parts, dies and gauges for measurement.

³ COMP/M.6471 – *Outokumpu / Inoxum*, paragraphs 116–7; COMP/M.5211 – *Outokumpu / Sogepar*, paragraph 10; COMP/M.3778 – *Böhler-Uddeholm / Buderus*, paragraph 11; and COMP/ECSC 1351 – *Usinor/Arbed/AcerItalia*, paragraph 13.

⁴ COMP/M.3778 – *Böhler-Uddeholm / Buderus*, paragraph 17.

16. As to the physical shape, the Commission has held that long steel products constitute a distinct relevant product market, separate from flat products.⁵ In addition, the Commission has considered potential segmentations of long steel products between (i) ingots and billets, (ii) wire rod, (iii) hot rolled and forged bars, (iv) bright bars and (v) drawn wire.⁶
17. The Notifying Party generally agrees with the Commission's practice, albeit notes that certain steel products may not easily fit into a single category.
18. The proposed transaction only gives rise to vertical relationships with respect to stainless bright bars, a potential sub-segment of stainless steel long products, and hot-work tool steel, a potential sub-segment of tool steel long products. Hence, other types of steel products will not be considered further in this decision.
19. For the purposes of this decision, however, the exact product market definition can be left open as the proposed transaction does not raise serious doubts as to its compatibility with the internal market under any alternative product market definition.

4.1.2. *Silicomanganese*

20. Silicomanganese (SiMn) is a ferroalloy that is produced from manganese ore and is used in steel production in order to confer particular metallurgical and mechanical characteristics to the final product, such as hardening.
21. The Commission has previously left open whether the production and supply of silicomanganese constitutes a distinct relevant product market or whether it is part of a wider market consisting of all manganese ferroalloys.⁷
22. For the purposes of this decision, the exact product market definition can be left open as the proposed transaction does not raise serious doubts as to its compatibility with the internal market under any alternative product market definition.

⁵ COMP/M.6471 – *Outokumpu / Inoxum*, paragraph 128, and COMP/M.4137 – *Mittal / Arcelor*, paragraph 17.

⁶ See e.g. COMP/M.4211 – *Schmolz + Bickenbach/Ugitech*, paragraphs 10–3. See also COMP/M.5211 – *Outokumpu/Sogepar*.

⁷ COMP/M.5179 – *Eramet / Tinfos*, paragraph 17. In an earlier decision, the Commission had considered that there was limited substitutability between the various manganese alloys. See COMP/M.2413 – *BHP/Billiton*, paragraph 22.

4.1.3. Centrifugal industrial pumps

23. Industrial pumps are used for the transportation of liquid or semi-liquid substances within a given system. The Commission has in a previous decision considered whether industrial pumps could be distinguished according to the technical concept employed into (i) reciprocating pumps and (ii) centrifugal pumps, leaving the market definition eventually open.⁸ The Notifying Party is active in centrifugal pumps, through its control over Sulzer, but not in reciprocating pumps. S+B is not active in industrial pumps.
24. For the purposes of this decision, the exact product market definition can be left open as the proposed transaction does not raise serious doubts as to its compatibility with the internal market under any alternative product market definition.

4.2. Relevant geographic markets

4.2.1. Stainless steel long products and tool steel long products (stainless bright bars and hot-work tool steel)

25. In previous decisions, the Commission has considered that the relevant geographic market for stainless steel long products, of which stainless bright bars are a potential sub-segment, and tool steel long products, of which hot-work tool steel is a potential sub-segment, is EEA-wide or at least EEA-wide.⁹ The Notifying Party submits that the relevant geographic market is at least EEA-wide.
26. For the purposes of this decision, the exact geographic market definition can be left open as the proposed transaction does not raise serious doubts as to its compatibility with the internal market under any alternative geographic market definition.

4.2.2. Silicomanganese

27. In a previous decision, the Commission has considered that there are strong indications that the market is global, but has ultimately left the question open.¹⁰ The Notifying Party submits that the relevant geographic market is global.

⁸ Case No IV/M.121 – *Ingersoll-Rand / Dresser*, points 12–3. The Commission has also considered in previous cases whether specific pumps used in pulping constitute a relevant products market, but did not define separate product markets for such pumps. See M.4187 – *Metso / Aker Kvaerner*, paragraph 28, footnote 21, and M.1930 – *Ahlstrom / Andritz*, paragraphs 45–7.

⁹ E.g. COMP/M.4211– *Schmolz + Bickenbach / Ugitech*, paragraph 16, and COMP/M.3778 – *Böhler-Uddeholm / Buderus*, paragraphs 35–6.

¹⁰ COMP/M.5179 – *Eramet / Tinfos*, paragraph 22.

28. For the purposes of this decision, the exact geographic market definition can be left open as the proposed transaction does not raise serious doubts as to its compatibility with the internal market under any alternative geographic market definition.

4.2.3. Centrifugal industrial pumps

29. In a previous case, the Commission has considered the market for industrial pumps to be EC-wide.¹¹ The Notifying Party submits that the relevant geographic market is either EEA-wide or global.

30. For the purposes of this decision, the exact geographic market definition can be left open as the proposed transaction does not raise serious doubts as to its compatibility with the internal market under any alternative geographic market definition.

4.3. Assessment

31. The Notifying Party submits that the vertical relationships are marginal at best and do not give rise to competition concerns.

4.3.1. Silicomanganese and stainless steel long products (stainless bright bars)

32. Silicomanganese and stainless steel long products result in a vertically affected market only if stainless bright bars are considered a distinct market, separate from other stainless steel long products. In this potential market, S+B has a market share of [20-30]% in the EEA.¹² Other competitors present in the potential EEA market for stainless bright bars include Rodacciai Group ([10-20]%), Acciaierie Valbruna ([10-20]%) and Acerinox Group ([5-10]%).

33. As to the production and supply of silicomanganese, the Notifying Party's market share is approximately [0-5]% both at the worldwide and EEA-level. The total sales of silicomanganese by the Notifying Party to the EEA was approximately [...] (and [...] worldwide) whereas S+B purchased in total [...] of silicomanganese.

34. No substantiated concerns were raised during the Commission's market investigation as regards silicomanganese and stainless steel long products. Most respondents to the

¹¹ IV/M.121 – *Ingersoll-Rand / Dresser*, point 14.

¹² All market shares are the Notifying Party's best estimates for 2012.

Commission's market investigation did not foresee any impact on the market as a result of the proposed transaction.¹³

35. In view of the minor market share of the notifying Party in silicomanganese at the EEA and global levels, and of the presence of other significant competitors in the potential downstream market for stainless steel bright bars, any foreclosure or other competition concern related to the vertical relationship between the Notifying Party's activities in silicomanganese and S+B's activities in stainless steel long products appears unlikely.
36. In view of the above, it is concluded that the proposed transaction does not raise serious doubts as to its compatibility with the internal market with respect to silicomanganese and stainless steel long products.

4.3.2. Silicomanganese and tool steel long products (hot-work tool steel)

37. Silicomanganese and tool steel long products result in a vertically affected market only if hot-work tool steel is considered a distinct market, separate from other tool steels. In this potential market, S+B has a market share of [20-30]% in the EEA. Other competitors present in this potential market include Voestalpine Edelstahl ([20-30]%), Kind & Co. Edelstahlwerke ([5-10]%) and Metal Ravne ([5-10]%).¹⁴
38. As mentioned in paragraph 33 above, the Notifying Party's market share in the production and supply of silicomanganese is approximately [0-5]% both at the worldwide and EEA-level. The total sales of silicomanganese by the Notifying Party in the EEA was approximately [...] (and [...] worldwide) whereas S+B purchased in total [...] tonnes of silicomanganese.
39. No substantiated concerns were raised during the Commission's market investigation as regards silicomanganese and tool steel long products. Most respondents to the Commission's market investigation did not foresee any impact on the market as a result of the proposed transaction.¹⁵
40. In view of the minor market share of the notifying Party in silicomanganese at the EEA and global levels, and of the presence of other significant competitors in the potential

¹³ See replies to questions 6.1, 6.2, and 7 of the Commission's request for information pursuant to Article 11 of the Merger Regulation, sent on 21 November 2013.

¹⁴ The Notifying Party has only been able to provide market shares of competitors for the wider possible market for hot work tool steel, cold work tool steel and plastic mould tool steel combined. The Notifying Party however submits that the shares on the narrower possible segment for hot work tool steel would be comparable to these figures.

¹⁵ See replies to questions 6.4 and 7 of the Commission's request for information pursuant to Article 11 of the Merger Regulation, sent on 21 November 2013.

downstream market for hot-work tool steels, any foreclosure or other competition concern related to the vertical relationship between the Notifying Party's activities in silicomanganese and S+B's activities in tool steel long products appears unlikely.

41. In view of the above, it is concluded that the proposed transaction does not raise serious doubts as to its compatibility with the internal market with respect to silicomanganese and tool steel long products.

4.3.3. Stainless steel long products and centrifugal industrial pumps

42. Stainless steel long products and centrifugal industrial pumps result in a vertically affected market only if stainless bright bars are considered a distinct market, separate from other stainless steel long products. In this potential market, S+B has a market share of [20-30]% in the EEA. As mentioned above, other competitors present in this potential market include Rodacciai Group ([10-20]%), Acciaierie Valbruna ([10-20]%) and Acerinox Group ([5-10]%).
43. The Notifying Party's activities in the production of centrifugal industrial pumps stem from its control over Sulzer, which enjoys an EEA-wide market share of approximately [10-20]% and a worldwide market share of approximately [5-10]%. According to the Notifying Party, the top five worldwide producers, of which Sulzer is number four, account for slightly less than half of the total market.
44. No substantiated concerns were raised during the Commission's market investigation as regards stainless steel long products and centrifugal industrial pumps. Most respondents to the Commission's market investigation did not foresee any impact on the market as a result of the proposed transaction.¹⁶
45. In view of the limited presence of the notifying Party in centrifugal industrial pumps and the presence of other significant competitors in both the potential upstream market for stainless bright bars and the potential downstream markets for centrifugal pumps at EEA or global level, foreclosure and any other competition concerns related to the vertical relationship appear unlikely.
46. In view of the above, it is concluded that the proposed transaction does not raise serious doubts as to its compatibility with the internal market with respect to stainless steel long products and centrifugal industrial pumps.

¹⁶ See replies to questions 6.1, 6.2 and 7 of the Commission's requests for information pursuant to Article 11 of the Merger Regulation, sent on 21 November 2013.

5. CONCLUSION

47. For the above reasons, the European Commission has decided not to oppose the notified operation and to declare it compatible with the internal market and with the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of the Merger Regulation.

For the Commission

(signed)
Joaquín ALMUNIA
Vice-President