

*Case No IV/M.738 -
Natwest / Schroder /
Sheffield*

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**REGULATION (EEC) No 4064/89
MERGER PROCEDURE**

Article 6(1)(b) NON-OPPOSITION
Date: 24/04/1996

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 24.04.1996

PUBLIC VERSION

MERGER PROCEDURE
ARTICLE 6(1)(b) DECISION

Registered with advice of delivery:

To the notifying parties

Dear Sirs,

**Subject: Case IV/M.738 - Natwest/Schroder/Sheffield Forgemasters
Your notification of 19 February 1996 pursuant to Article 4 of
Council Regulation No. 4064/89**

1. On 18 March 1996 the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation EC No. 4064/89 by which Natwest Ventures Ltd (Natwest) and Schroder Venture Managers (Guernsey) Ltd (Schroder) through a specially incorporated company, Impactmargin plc (Newco), will make an offer for all the shares of Sheffield Forgemasters Ltd (SFL). Natwest and Schroder will acquire within the meaning of Article 3(1)b control of SFL.
2. After examination of the notification, the Commission has concluded that the notified operation falls within the scope of Council regulation No 4064/89 and does not raise any serious doubts as to its compatibility with the common market and with the functioning of the EEA Agreement.

I. THE PARTIES

3. Natwest, a member of the NatWest Group, is a company which invests capital in private companies from NatWest Group funds and certain funds managed on behalf of external investors.
4. Schroder is a member of the Schroders Group. It provides advice and consultancy service to buy outs and venture capital funds.

5. Newco is a holding company set up by NatWest and Schroder specifically for the purpose of acquiring the shares of Sheffield Forgemasters Ltd (SFL).
6. SFL is a manufacturer of special steels and super alloy products. Its main customers are in the steel, oil and gas, defence, paper, aerospace, power generation, marine and railway industries.
7. All these companies are incorporated in the United Kingdom.

II. THE OPERATION

8. The proposed concentration involves the acquisition by Newco of the entire share capital of SFL. SFL will then become a 100% subsidiary of Newco.
9. A shareholders agreement provides that Natwest and Schroders each have the right to appoint an Investor Director.
10. The approval of both Investor Directors is required for all the significant decisions concerning Newco as a holding company and SFL.
11. The offer made to the current shareholders of SFL is a mixture of cash and shares in Newco. However, both Natwest and Schroder will each control at least 30% of the shares of Newco after the completion of the operation. SFL's current major shareholders have agreed to sell their shares to Newco.
12. The result of the operation will be the joint control of Newco by Natwest and Schroder and through Newco the joint control of SFL.

III COMMUNITY DIMENSION

13. The undertakings concerned have a combined aggregate worldwide turnover in excess of 5,000 million ECU. Each party has a Community-wide turnover in excess of 250 million ECU, but do not achieve more than two-thirds of their aggregate Community-wide turnover within one and the same Member State. The notified operation therefore has a Community dimension.

IV. COMPATIBILITY WITHIN THE COMMON MARKET

A. Relevant Product Market

14. Neither of the parents, Natwest or Schroders, nor any of the companies they control have any interest in the production of special steels or superalloys made by SFL. There are therefore no affected product markets.

B. Relevant Geographic Market

15. As there is no product overlap it is not necessary to consider the question of the relevant geographic market.

C. Assessment

16. SFL is engaged in steel making and in processing speciality metals for demanding engineering applications. Neither NatWest nor Schroder is involved in these sectors. They are financial institutions. There is therefore no overlap between the products and services provided by SFL and those provided by its parents and the notified operation will not strengthen or create a dominant position in the market for steel, speciality metals or financial services and, consequently, effective competition in these markets would not be impeded in the EEA area or any substantial part of that area.
17. Neither Natwest nor Schroder have control over any company that consumes a significant part of any of the products made by SFL. There are therefore no vertical integration issues arising from the operation.

V. CONCLUSION

18. For the above reasons, the Commission has decided not to oppose the notified operation and to declare it compatible with the common market and with the functioning of the EEA Agreement. This decision is adopted in application of Article 6(1)b of Council Regulation No. 4064/89.

For the Commission,