

FORM III

Details of combination under subsection (2) of Section 29 of the Competition Act, 2002

1. **The Competition Commission of India (“Commission”) is investigating into the combination between – Bharat Forge Limited (“BFL/Acquirer”) having its registered office at Mundhwa Pune Cantonment, Pune, Maharashtra, India, Pin - 411036 and AAM India Manufacturing Corporation Private Limited (“AAMCPL/Target”) having its registered office at Gat No. 787 & 788, Village Hunga, Taluka Parner, Ahmednagar, Maharashtra, India, Pin - 414301 (the “Proposed Transaction”).**
2. **The details of the combination in form of the summary, as provided by the parties to the combination under column 7.7. of Form II are as under:**
 - 2.1. The Proposed Transaction is an acquisition of one hundred per cent (100%) equity shareholding of the Target by BFL pursuant to the execution of a stock purchase agreement dated October 17, 2024.
 - 2.2. Prior to BFL acquiring the Target -
 - (a) American Axle & Manufacturing Holdings, Inc. (“AAM Holdco”), the ultimate parent company of the Target, will cause the Target to carve-out its (i) captive IT support and product engineering services (housed in Target’s ‘Pune Business Office’), and (ii) trading activity, i.e., components business division that purchases and exports vehicle components to group entities of AAM Holdco, and
 - (b) the e-axle assembly lines that are currently housed in AAM Auto Component (India) Private Limited (“AAM Auto”), another wholly owned subsidiary in India of AAM Holdco, will be acquired by, and re-located to, the Target.

2.3. The Proposed Transaction is an acquisition of shares, voting rights and complete control over the Target by BFL, in terms of Section 5(a)(i)(A) of the Competition Act, 2002.

2.4. **Areas of activities of the parties to the combination:**

2.4.1. BFL is a global provider of safety and critical forged components and solutions to various sectors including automotive, railways, defence, construction, mining, aerospace, marine, and oil & gas. BFL manufactures and supplies metal forging products including certain forged axle sub-components such as front axle beams ("FABs") in India and outside India.

2.4.2. Certain promoters of BFL, through BF Investments Ltd., have 48.99% and 35.52% equity shareholding in Meritor HVS (India) Limited ("MHVSIL") and Automotive Axles Limited ("AAL") (collectively referred to as "Affiliate JVs"), two joint ventures with Meritor Heavy Vehicle Systems, LLC (acquired by Cummins Inc. in 2022), in India.

2.4.3. Target is a company incorporated in India and is primarily engaged in the business of manufacture and sale of axles for commercial vehicles ("CVs") in India. Affiliate JVs are also engaged in the manufacture and sale of axles for CVs in India.

2.5. **Markets and segments identified by the Parties for undertaking competition assessment:**

2.5.1. At the horizontal level, the Affiliate JVs and the Target are present in the market for '*supply of axles for CVs in India*' and in the narrower segments for '*supply of axles for light commercial vehicles ("LCVs") in India*' and '*supply of axles for medium and heavy commercial vehicles ("MHCVs") in India*'.

- 2.5.2. A vertical relationship exists between BFL and Target for the '*supply of front axle beams ("FABs") for assembling axles for CVs in India*'.
- 2.5.3. A potential vertical relationship has been identified for the '*supply of forged axle sub-components (other than FABs) for assembling axles for CVs in India*'.
- 2.5.4. A complementary relationship exists between MHVSIL and Target for the '*supply of drum brakes for making composite assemblies of drum brakes and axles*'.
- 2.5.5. The relevant geographic market for the product markets and segments identified above is pan-India.

2.6. **Statement about rationale, objectives and strategy:**

- 2.6.1. The Indian CV industry has witnessed substantial growth, fuelled by increasing demand, increase in exports, and supportive government initiatives and schemes. Demand for CVs is expected to grow in emerging economies, including India, over the next few years and the Government of India has made significant efforts to leverage the 'China Plus One' supply chain disruption to make India the next manufacturing hub. These factors will ensure new entry in the market for the supply of axles for CVs in the near future. Further, disruption of the market by electric vehicles ("EVs"), along with liquified natural gas-based ("LNG") and hydrogen-based internal combustion engine ("ICE") vehicles, is also likely to pick up pace and alter market dynamics.
- 2.6.2. In the event the Proposed Transaction is approved and consummated, AAM Holdco will be exiting the CV axle business in India to focus on other business segments. Acquisition of Target's assets presents a valuable business proposition and will be a good value addition to BFL's overall portfolio. BFL will benefit from the Proposed Transaction, as it will be able to expand its customer base and manufacturing presence in India. As BFL is a homegrown forgings

manufacturer, the Proposed Transaction is also aligned with the Government of India's 'Make in India' initiative.

2.7. Information with reference to sub-section (4) of Section 20 of the Act:

- 2.7.1. Combined market share of the Affiliate JVs and Target in the '*market for supply of axles for CVs in India*' will be in the range of 10-15% (volume) and 15-20% (value) (based on sales for F.Y. 2023-24; market size computed by Deloitte in its report submitted with the notice filed with the Commission). In narrower segments, combined market shares of BFL and Target will be in the range of 5-10% (volume) and 0-5% (value) in the LCV segment and 20-25% (both volume and value) in the MHCV segment (based on sales figures for F.Y. 2023-24).
- 2.7.2. Major Original Equipment Manufacturers ("OEMs") such as Tata Motors Limited ("Tata Motors"), VE Commercial Vehicles Limited ("VECV") and Ashok Leyland Limited, which account for > 50% of the domestic CV market have in-house axle assembling capabilities which limits the total addressable market for third-party axle suppliers. Excluding captive production of axles by Tata Motors and VECV, since the two OEMs meet nearly their entire demand for axles through captive production, combined market shares of BFL and Target will be (a) 20-25% (volume) and 25-30% (value) in the market for axles for CVs in India; (b) 5-10% (volume and value) in the segment for axles for LCVs in India; and (c) 50-55% (volume and value) in the segment for axles for MHCVs in India.
- 2.7.3. Horizontal overlaps: The markets/ segments identified in relation to horizontal overlaps mentioned above have the following characteristics that are relevant for competition assessment:
- (a) In F.Y. 2023-24, Target's revenues in the MHCV segment were primarily from the sales made under a 'Built-to-Print' agreement where Target does

not have any pricing power as the customer owns axle designs; if these sales are excluded then BFL's incremental market share will be miniscule i.e., less than 5% (both by volume and value) in the segment for axles for MHCVs in India.

- (b) In-house CV axle assembly imposes significant competitive constraints, as the cost of switching to in-house production is insignificant compared to the overall sales of OEMs.
- (c) OEMs are large, sophisticated buyers with high countervailing buyer power because of their high-volume purchases, commoditised nature of axles, suppliers' dependence on designs, and technical specifications and proprietary materials provided by OEMs. Given this, OEMs can negotiate rates and contractual terms to their advantage.
- (d) Information symmetry and transparency for OEMs in the process for procuring axles since axle procurement is a bidding market.
- (e) OEMs have the ability to and, typically, multi-source axles, including from contract manufacturers.
- (f) Axles are intermediate products characterised by derived demand (dependent on the demand for CVs) and have no independent end-consumer demand; OEMs with in-house assembly may be able to generate certain cost benefits that they can partially / fully pass-on to end-consumers of CVs.
- (g) CV axle market is characterised by low barriers to entry, including low cost of setting up axle assembly lines.
- (h) Other global players present in the Indian axle market have significant financial wherewithal which ensures effective competition.

- (i) There is ongoing market disruption caused by fuel-cell electric vehicles and battery electric vehicles in the CV market on account of which the demand for e-axles is increasing and the demand for traditional axles is reducing.

2.7.4. Vertical relationships: The markets/ segments identified for the assessment of the existing and potential vertical relationships, i.e., supply of FABs and supply of forged axle sub-components (other than FABs), have the following characteristics that are relevant for competition assessment: Target is not a significant customer of BFL, CV axle forgings market is competitive and is characterised by the presence of several significant players, imports of FABs impose significant competitive constraints on domestic manufacturers, presence of excess capacity exists in the vehicle forging industry which imposes competitive constraints, and competitive constraints are also imposed by OEMs' multi-sourcing behaviour.

2.7.5. Complementary linkage: The markets/ segments identified for the assessment of the complementary linkage, have the following characteristics that are relevant for competition assessment: axles and brakes are parts of different systems of a vehicle and OEMs typically purchase axles and brakes separately, negligible demand by OEMs to purchase axles and brakes as a bundle, procurement process and purchase patterns of axles and brakes by OEMs are different, Target purchases brakes from MHVSIL only as a 'directed buy', i.e., the supplier (MHVSIL) is chosen by Target's customer, supply of drum brakes in India is a highly competitive segment, and market share of the Affiliate JVs is significantly lower than the largest drum brakes supplier in India.

3. **In order to determine whether the combination has or is likely to have an appreciable adverse effect on competition in the relevant market in India,**

the Commission invites comments/ objections/ suggestions in writing, from any person(s) adversely affected or likely to be affected by the combination, to submit in writing, as provided under subsection (3) of section 29 of the Act, to be addressed to the Secretary, Competition Commission of India, 10th Floor, NBCC Office Complex, Office Block – I, East Kidwai Nagar, New Delhi-110023, within ten days from the date of this publication.

- 4. The comments/objections/suggestions shall state:**
 - (a) name, address and contact details of the person(s) writing to the Commission, and**
 - (b) with supporting documents, how such a person(s) is adversely affected or is likely to be affected by the combination, keeping in view the relevant provisions of the Act/ factors provided under sub-section (4) of Section 20 of the Act.**

The Commission is not likely to consider unsubstantiated objections.