



DETERMINATION OF MERGER NOTIFICATION M/10/044 -

Tata Chemicals/Cheshire Salt

Section 21 of the Competition Act 2002

Proposed acquisition by Tata Chemicals Limited of sole control of Cheshire Salt Holdings Limited

Dated 07 January 2011

Introduction

1. On 17 December 2010, in accordance with section 18 of the Competition Act 2002 ("the Act"), the Competition Authority (the "Authority") received a notification of a proposed acquisition whereby Tata Chemicals Limited ("Tata Chemicals") would acquire sole control of Cheshire Salt Holdings Limited ("Cheshire Salt") and its subsidiaries, principally British Salt Limited ("British Salt").

The Undertakings Involved

Tata Chemicals

2. Tata Chemicals manufactures chemicals, fertilisers and food additives globally. In Europe, Tata Chemical's only trading business is its wholly-owned subsidiary, Brunner Mond Group Limited ("Brunner Mond"). Tata Chemicals has no manufacturing operations in the State. Tata Chemicals sells into the State through Brunner Mond. Brunner Mond manufactures soda ash (sodium carbonate), sodium bicarbonate, calcium chloride and associated alkaline chemicals in the United Kingdom.
3. Soda ash is used as a raw material in a variety of sectors, including chemicals, fertilizers, detergents and glass. Sodium bicarbonate is a by-product of the manufacture of soda ash. It is used in a variety of applications, including pharmaceutical products, animal feedstuffs, and human nutrition. In its liquid form (which is the product that Brunner Mond manufactures), calcium chloride is used in oil exploration and alginate extraction in the food industry.
4. The largest shareholder in Tata Chemicals is Tata Sons Limited ("Tata Sons") which holds 31.38% of the shares of Tata Chemicals. Tata Sons also holds 31.32% of the shares of Tata Steel Limited ("Tata Steel"). The parties state in the notification that the relationship between Tata Sons and Tata Steel has been found to fall within the scope of Article 5(4) of the EC Merger Regulation.¹ The parties state that the turnover of at least Tata Chemicals and Tata Steel should therefore be taken into account for the purposes of determining jurisdiction under the Act.

¹ This was confirmed by the European Commission in a 2006 decision in Case No. COMP/M.4408 – Tata/Corus.

5. For the year ending 31 March 2010, Tata Chemicals' worldwide turnover was almost \$2 billion (€1.5 billion)². Tata Chemicals' turnover in the State for the same period was €[...].
6. For the year ending 31 March 2010, Tata Steel's worldwide turnover was almost \$22 billion (€16.5 billion)³. Tata Steel's turnover in the State for the same period was €[...].

Cheshire Salt

7. British Salt manufactures pure dried vacuum ("PDV") salt (i.e., sodium chloride) products which it sells in the United Kingdom and abroad. British Salt also develops salt cavities underground for the purpose of gas storage but this activity is only conducted in the United Kingdom. Vacuum salt can be divided into three categories of salt, each of which represents different stages of the vacuum salt production process:
 - Undried vacuum ("UV") salt contains 3% water and is used in the production of chlorine and caustic soda;
 - PDV salt has a moisture content of less than 0.1% and, as an ingredient in edible salt, is commonly used as a condiment and food preservative. Lower industrial grade PDV is used in other applications such as animal feed manufacture; and,
 - Compacted salt is PDV salt that has either been compressed into salt sheets and broken up to form granular salt or compressed into salt tablets. Compacted salt is used in water softening.
8. For the year ending 31 December 2009, Cheshire Salt's worldwide turnover was £42 million (€47 million)⁴. Cheshire Salt's turnover in the State for the same period was £[...] (€[...])⁵.

Rationale for the Proposed Acquisition

9. Tata Chemicals submits that the proposed acquisition will [...] and enable it to develop a complementary presence in the salt sector.
10. Cheshire Salt submits that the proposed acquisition will [...].

Third Party Submissions

11. No submissions were received.

Analysis

12. There is no horizontal overlap between the products manufactured by Brunner Mond and British Salt. The parties' products are not substitutable and are different both chemically and functionally. The parties informed the Authority that although sodium bicarbonate (manufactured by Brunner Mond) and PDV (manufactured by British Salt) can be used in the manufacture of animal feed, these compounds

² Based on average annual exchange rate of \$1 = €0.75 euro for 2010.

³ Based on average annual exchange rate of \$1 = €0.75 euro for 2010.

⁴ Based on exchange rate of €1 = £0.89.

⁵ Based on exchange rate of €1 = £0.89.

are chemically different and required by animals for different reasons.⁶ The parties informed the Authority that a deficiency in sodium bicarbonate cannot be made up by increasing the intake of PDV salt.

13. The proposed acquisition does not raise any vertical competition issues.
14. In light of the above, the Authority considers that the proposed acquisition will not raise any competition concerns in the State.

Ancillary Restraints

15. The Share Purchase Agreement contains [...] non-compete obligations on the sellers as well as obligations not to solicit employees of British Salt by the sellers which the parties state are directly related and necessary for the implementation of the proposed acquisition.
16. The Authority considers these restrictions to be directly related and necessary to the implementation of the proposed acquisition.

⁶ Sodium bicarbonate is used in ruminant animal feeds to assist the digestive system of cows and in poultry farming to reduce stress and increase the hardness of egg shells. PDV salt (sodium chloride) is used in animal feed preparation to assist animal nutrition and increase palatability.

DETERMINATION

The Competition Authority, in accordance with section 21(2)(a) of the Competition Act, 2002, has determined that, in its opinion, the result of the proposed acquisition whereby Tata Chemicals Limited would acquire Cheshire Salt Holdings Limited and its subsidiaries will not be to substantially lessen competition in markets for goods or services in the State, and accordingly, that the acquisition may be put into effect.

For the Competition Authority

Dr. Stanley Wong

Member of the Competition Authority