

# Competition panel may ask tyre firms to pay three times their profit

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The Competition Commission of India seems to be taking a cue from its European counterpart in imposition of punitive action on firms violating fair trade practices. Sources said the CCI is likely to impose "stringent" punishment on tyre manufacturers in a cartelisation case.

"The CCI has completed the hearing on tyre companies and order to this effect will be issued shortly. The Commission is modelling itself on the lines of European Competition Commission, which has strict punitive actions against companies found guilty of violating competitive trade practices," sources said.

The Director-General of the Commission, which acts as its investigating arm, has already submitted the report on the issue. Sources said the penalty on tyre companies could be approximately three times the profits earned.

"Major tyre manufacturers control as much as 95 per cent of the trade and are a strong lobby. The Commission wants to send a strong message that

the co-ordinated pricing behaviour is against fair trade and will elicit strict cohesive action. Such controlling tactics is detrimental to the consumers in particular and economy in general," they said.

Major players in the sector include MRF, JK Tyres, Birla. The Commission is also understood to be probing auto component companies on similar charges.

Meanwhile, the tyre industry said any penalty would hurt it. The Automotive Tyre Manufacturers Association declined to comment before the order was issued. However, ATMA Director-General, Rajiv Budhraj, said: "We deny all cartelisation charges. The tyre industry is showing sluggish growth and demand outlook is bearish. In such a scene, the penalty would be an added burden."

Cartelisation refers to a group of industry participants or group of people from the same trade who come together to discuss trading matters. Sources said limited number of manufacturers and the lack of pricing transparency are major reasons for indulging in cartels.