

**DECISION NO. 165**  
**of June 02, 2004**

**Regarding the authorization of the individual aid to be granted to**  
**S.C. URBIS ARMATURI SANITARE S.A. Bucuresti**

**THE PRESIDENT OF THE COMPETITION COUNCIL,**

**Based on :**

- 1.** The Decree no. 57/2004 regarding the appointment of the members of the Competition Council Plenum;
- 2.** The dispositions of the Competition Law no. 21/1996, published in the Official Gazette, Part I, no. 88 of April 30, 1996, with the subsequent amendments and completions;
- 3.** The dispositions of the Law no. 143/1999 on state aid, with the subsequent amendments and completions, published in the Official gazette, Part I, no. 370 of August 3, 1999;
- 4.** The Regulation regarding the organization, functioning and the procedure of the Competition Council published in Official Gazette no. 288, Part I, of April 01, 2004;
- 5.** The Regulation regarding the form, the content and other details of the notification of a state aid published in Official Gazette no. 125, Part I, of March 24, 2000;
- 6.** The Regulation regarding the state aid for rescuing and restructuring firms in difficulty, published in the Official Gazette Part I, no. 470 of July 02, 2002;
- 7.** The notification of the intention to grant state aid to S.C. URBIS ARMATURI SANITARE S.A. Bucuresti, submitted by the Authority for Privatization and Administration of the State's Allotment under Note no. VP<sub>3</sub>/461/29.04.2004, registered at the Competition Council as no. RS-AS 48/29.04.2004 that became effective on the date of 24.05.2004;
- 8.** The note of the Department for State Aid Authorization regarding the notified state aid.

**Based on the following :**

**1.** The individual state aid is granted to S.C. URBIS ARMATURI SANITARE S.A. Bucuresti based on the Law no. 137/2002 regarding some of the measures for the acceleration of the privatization, with the subsequent amendments and completions, GD no. 609/2003 for the approval of GO no. 86/2003 regarding the regulation of some fiscal measures and the GD no. 1233/2003 regarding the approval of the List of companies within the A.P.A.P.S. portfolio, benefiting from the extension of payment facilities provided at art. 18 from Law no. 137/2002 regarding some measures for the acceleration of the privatization.

**2.** The value of the state aid is ROL 35,000,000,000 and consists of :

- the adjournment for payment, until the last deadline of the schedule, for the exemption of 87% of the due amounts as of 31.12.2002 to the State budget, the budget of state social insurance and unemployment budget, including interest and penalties for delayed payment due as of 31.12.2002, as well as interest and penalties for delayed payment related to the employers's liabilities due and not paid as of 31.12.2002 to the National Unique Fond for Health Insurance;
- the adjournment for payment, until the last deadline of the schedule, for the exemption of 87% from the debt to A.P.A.P.S. representing due dividends as of 31.12.2001 and damages related to due dividends;
- exemption from the payment of 87% of the liabilities to the local budget of sector 6 Bucharest (debits, interest and penalties) due as of 31.12.2002

**3.** S.C. URBIS ARMATURI SANITARE S.A. also benefits of accomodations from payment consisting of payment rescheduling amounting to ROL 3,500,000,000. Because for the installments that must be paid adequate interests are paid at a higher rate than the NBR reference rate, these have not been included in the total amount of the state aid.

**4.** The state aid consisting in the exemption of the residual obligations will be effectively granted only after the payment of the last installment, respectively in December 2008.

**5.** The relevant market on which S.C. URBIS ARMATURI SANITARE S.A. operates is represented by the sanitary fittings market, and the geographical market is all the teritory of Romania.

**6.** The analysis of the notified measure was accomplished acording to the criterias of granting a state aid from the Regulation regarding State Aid for Rescuing and Restructuring firms in difficulty. S.C. URBIS ARMATURI SANITARE S.A. Bucuresti is a firm in difficulty because was confronted with a series of problems which influenced negative the production and the financial-economic activity, the analysis of the major indicators revealing the following: the reduction equity (by 21% in the 2002-2003 interval), the indebtedness degree in constant increase (from 33.74% in 2000 to 70.55%

in 2003 - the year of privatization), the descending evolution of the gross income (the 2003 loss represents 40% of the shareholders' equity) decreasing trend of the financial security (from 2.23 in 2000 to 1.07 in 2003), decreasing of financial ratios, decreasing of turnover (with 33.4% between 2002-2003), increasing of inventory (with 65% between 2000-2003).

**7.** The state aid is granted for the restructuring of S.C. URBIS ARMATURI SANITARE S.A. Bucuresti, at the privatization, because the firm needed financial restructuring for functioning at normal parameters of the production activity. Granting the state aid coupled with actions taken into account in the restructuring programme, namely the equity infusion, reduction and severe cost monitoring, improving the operating efficiency, reorganisation of the departments and improvement of marketing, investments provided for the production and environment protection will determine the increase of business efficiency at S.C. URBIS ARMATURI SANITARE S.A.

**8.** S.C. URBIS ARMATURI SANITARE S.A. has laid an ample restructuring programme that consists of measures regarding the technical and technological restructuring, environmental investments and financial restructuring, measures that require a financial effort estimated at ROL 51,492,400,000. With the exception of the financial restructuring which will be realized by the end of 2008, along with the effective granting of the state aid, the restructuring programme will be finalised by the end of 2004.

**9.** By implementing the restructuring programme the reinvigorating of the firm on long term is assured. Thus, the examination of the projected indicators reveals in 2008 compared to 2004, an estimated 43% increase in turnover, a 2.2 times increase in operational margin and 3.3 times increase in gross income, confirming the fact that the restructuring programme projections take into account neither a significant production nor a price increase, but rather a more efficient production process by improving the technological output following the modernization and acquisition of new equipment, as well as significant reductions in consumption and costs. Also, an improvement in ratios can be noticed: immediate liquidity, inventory turnover, timing of accounts receivables collection and for payment of debt, indebtedness ratio, return on assets, return on equity.

**10.** The state aid is limited at the minimum necessary strict and will be used only with the aim of restoring the viability of the firm not allowing the beneficiary, during the time of enforcing the restructuring plan, to extend its production capacity. Granting the aid provides for the economic recovery of the company, this way meeting the provisions of article 14 from the Regulation regarding State Aid for Rescuing and Restructuring firms in difficulty.

**11.** The cost of restructuring S.C. URBIS ARMATURI SANITARE S.A. raises to ROL 51,492,400,000 whilst the share of the company at the financing of the restructuring programme is ROL 16,492,400,000, representing 32% from the total financial effort.

**12.** The state aid is granted with the aim of restoring the viability of the company, whilst the company is among the few Romanian manufacturers left to compete on the market. The restructuring programme proposes in first instance the rational utilisation of the remainder of production capacity in view of reducing costs and increasing output, ensuring a consolidation in the financial independence of S.C. URBIS ARMATURI SANITARE S.A.

By granting the state aid and applying the restructuring programme, the structure of the relevant market is not contorted with anticompetitive effects, allowing the company to maintain its position on the sanitary fittings market and does not lead to an excess of liquidity in order to be used in aggressive activities of contorting the competition on the market without relation to the restructuring process surplus of liquidity.

**13.** S.C. URBIS ARMATURI SANITARE S.A. Bucuresti has never been granted restructuring state aid, meeting this way the provisions of article 18 from the Regulation regarding State Aid for Rescuing and Restructuring firms in difficulty which stipulates the fact that the state aid for restructuring must be granted once.

**14.** The information presented in the notification submitted to the Competition Council lead to the conclusion that the individual state aid which is to be granted to S.C. URBIS ARMATURI SANITARE S.A. is not able to significantly affect the normal competition environment and it does not affect the adequate compliance to the international treaties to which Romania is a party.

**15.** Based on article 13 par. (1) from the Law no. 143/1999 on state aid with the subsequent amendments and completions, the Competition Council will supervise constantly the granted aid, and if it is reached that the state aid affects the normal competition environment and the adequate compliance to the international treaties to which Romania is a party, the Competition Council will ask the state aid granter to take the adequate measures in order to eliminate the incompatibility with the the Law no. 143/1999 on state aid and the relevant international agreements.

## **DECIDES**

**Art. 1.** Based on art. 12 (2) c) corroborated with art. 14 (1) e) of Law no. 143/1999, with the subsequent amendments and completions, authorizes the individual state aid for restructuring, that shall be granted to S.C. URBIS ARMATURI SANITARE S.A. provided the company will not increase production capacity over that of the year 2003.

**Art. 2.** The value of the state aid to be granted is ROL 35,000,000,000.

**Art. 3.** This Decision becomes effective on the date of its communication

**Art. 4.** According to the dispositions of art. 24 of Law no. 143/1999, with the subsequent amendments and completions, the authorities that grant state aid shall submit to the Competition Council information regarding the authorized state aids, for their inventorying and monitoring them. The Authority for the Capitalization of State Assets

will submit to the Competition Council annual reports regarding the implementation of the restructuring plan. The first report will be submitted to the Competition Council within 6 months from issuing the current decision.

**Art. 5.** According to the provisions of art. 29 of Law no. 143/1999 on state aid with the subsequent amendments and completions, the present Decision may be attacked by the persons concerned at the Court of Appeal Bucharest, Contentious Administrative Section, within 30 days from the delivery.

**Art. 6.** This Decision shall be communicated by the General Secretariat within the Competition Council:

- to the Authority for the Capitalization of State Assets , str. Cpt. Av. Alexandru Serbanescu, nr. 50, sector 1, Bucuresti;
- to S.C. URBIS ARMATURI SANITARE S.A., Str.Preciziei no. 3, sector 6, cod postal 77562, Bucuresti.

**Art. 7** The General Secretariat and the Department for State Aid Authorization within the Competition Council shall supervise the execution of this Decision.

**PRESIDENT**

**MIHAI BERINDE**