



BEFORE THE  
COMPETITION COMMISSION OF PAKISTAN


IN THE MATTER OF


FIRST PHASE REVIEW

INCREASE IN SHAREHOLDING OF M/S KINGSWAY FUND TO ATLEAST  
51% IN M/S MURREE BREWERY COMPANY LIMITED

CASE: 822/Merger-CCP/16

Commission

  
Ms. Vadiyya S. Khalil  
Chairperson

  
Mr. Shahzad Ansar  
Member



# ORDER

## I Background

1. On 6th September 2016 M/s Kingsway Fund (the "Acquirer") through their authorized representative submitted a pre-merger application (the "Application"), notifying and seeking the approval of the Competition Commission of Pakistan (the "Commission") for increasing their shareholding to \_\_\_\_\_ of issued share capital of M/s Murree Brewery Company Limited ("MBCL" or the "Target"). The Application was submitted along with the necessary information and applicable processing fee in accordance with the provisions of the Competition Act, 2010 (the "Act") and the Competition (Merger Control) Regulations, 2007 (the "Merger Regulations"). The Commission's review of the proposed transaction is as under:

## II Merger Parties

### Acquirer

2. Kingsway Fund is a Luxembourg domiciled specialized investment Fund having two sub funds Frontier Consumer and Frontier Consumer Extoba. The investment company has a variable share capital under the form of 'societe anonyme', incorporated under the laws of Luxembourg in May 2013. It is one of four funds managed by Kingsway Capital LLP.
3. Most of the sub-fund's exposure \_\_\_\_\_ is investment in countries such as Bangladesh, Pakistan, Egypt, Kenya and Tanzania. With regards to investment, Kingsway Fund (Frontier Consumer Franchises) has invested around \_\_\_\_\_ of its net assets in Pakistan while Kingsway Fund (Frontier Consumer Franchises EXToba) has invested \_\_\_\_\_ in different segments of the economy.
4. Kingsway Fund reported a total income of USD \_\_\_\_\_ (FY16) and net assets were valued at USD \_\_\_\_\_ (FY16).

### Target

5. MBCL was established in 1861 is the maker of Pakistan's only beer brand, Murree Beer. However, over the period of many years, the company then entered the non-alcoholic beverages segment. The company has two manufacturing units located in Rawalpindi, Punjab and Hattar, Khyber Pakhtunkhwa. MBCL is one of the oldest public companies of the South Asia and the oldest continuing industrial enterprise of Pakistan. It's among the top 25 performing public companies by the Pakistan Stock Exchange (PSX: MUREB).
6. The company is principally engaged in the manufacturing of Pakistan Made foreign Liquor, Alcoholic Beer, Non-Alcoholic Beer, Non-Alcoholic products which include juices in tetra packs in Rawalpindi and food products, juices, mineral water, glass bottles and Jars in Hattar. The product distribution of the company comprises of three divisions namely Liquor Division, Tops Division and Glass Division to carry out principle activities of the business.

7. Total assets of MBCL as on June 30, 2015 stand at PKR \_\_\_\_\_ while its reported turnover for the above mentioned period is PKR \_\_\_\_\_



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### III Transaction

8. The proposed transaction entails the acquisition by the Acquirer to increase its shareholding to [redacted] of the issued share capital of MBCL from the publicly traded stock from the current shareholding of [redacted]. The value of the current transaction (for [redacted] of shares) is estimated to be in excess of PKR [redacted].
9. The transaction meets the notification thresholds as prescribed in Regulation 4(2)(a), (b), (c) & (d) of the Merger Regulations, with the combined assets of the parties being more than PKR 1 Billion and combined turnover being more than PKR 1 Billion. The transaction value also exceeds PKR 100 million and the percentage of voting shares to be acquired exceeds 10% of the total shareholding of the Target.

### IV Relevant Market:

10. MBCL is involved in the manufacturing of alcoholic beverages, a sector occupied by 3 players, namely Mehran Distillery & Brewery Private Limited and Quetta Distillery Limited.
11. MBCL is also involved in the manufacturing and distribution of processed food & beverages consisting of juices, mineral water, concentrated squash drinks, malt drinks, tomato ketchups, jams and vinegar.
12. MBCL has a glass manufacturing division based in Hattar, KPK. This division is solely supplying glass products, glass bottles and jars of different sizes and design, to its sister divisions manufacturing liquor and non-alcoholic beverages.
13. In light of the above, the Commission has in this case identified three separate relevant markets as "Liquor", "Food & Beverage" and "Glass" markets with numerous players operating in Pakistan.
14. Since, MBCL's products are distributed countrywide, the Commission has therefore deemed the relevant geographic market to be all of Pakistan.

### V Findings of the Phase I investigation on the competition assessment

*The competition assessment in Phase I have resulted in the following finding:*

15. In the proposed transaction the Acquirer intends to increase its collective shareholding to [redacted]. Kingsway Fund has already sought clearance from the Commission for purchase of shares in the Target upto [redacted] shareholding on 29<sup>th</sup> September 2014. Since then, the Acquirer has purchased a further [redacted] shares equivalent to [redacted] shareholding in the Target. Now the Acquirer intends to further acquire [redacted] (estimated [redacted] shares) of the issued share capital of MBCL from the public.
16. The principle reason for the acquisition is for the Acquirer to generate capital gains by virtue of investment in the Target's share capital and on their sale. As per the application, the Applicant only seeks capital gains and has no intention whatsoever regarding acquisition of controlling interest in the target.
17. The relevant markets have a number of participants with varying market shares in different product segments. MCBL's estimated market share is greater than [redacted] in Liquor market, [redacted] share in Glass product market and [redacted] share in Food & Beverages market.
18. Post-transaction, there will be no change in the market dynamics of the relevant markets in Pakistan as the competition will not be affected by the intended acquisition.



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19. The proposed transaction relates to an acquisition and is not likely to result in the creation or strengthening of a dominant position in the relevant market. The intended acquisition does not meet the presumption of dominance as determined under Section (2) (1) (e) read with Section 3 of the Act.
20. MBCL has filed a complaint before the Commission regarding the non-compliance of the Acquirer and other certain undertakings with regards to Section 11(2) of the Act which relates to timely filing of merger applications. The Acquirer has filed the merger application before the Commission and the competition related issues raised therein regarding this transaction have been considered during the review.
21. The issue of whether the other undertakings mentioned in the complaint meet the thresholds and had to file merger review applications before the Commission or not is being considered and shall be dealt with in separate proceedings as per the provisions of the Act.

**VI Conclusion**

22. In conclusion, there is no evidence that suggests a substantial lessening of competition by the creation or strengthening of a dominant position in the relevant market. The proposed transaction is hereby authorized under Section 31(1) (d) (i) of the Act.
23. It is so ordered.

*Vadiyya Khalil*

(Vadiyya S. Khalil)  
Chairperson

*Shahzad Ansari*

(Shahzad Ansari)  
Member

