




**BEFORE THE
COMPETITION COMMISSION OF PAKISTAN**

**IN THE MATTER OF
FIRST PHASE REVIEW**

**ACQUISITION OF BASF IC BY AKZO NOBEL N.V
CASE: 807/Merger-CCP/16**

Commission

Mr. Shahzad Ansar 
Member

Mr. Ikram Ul Haque Qureshi
Member



ORDER

I Background

- 1 On 2nd May 2016, Akzo Nobel N.V. ("Akzo Nobel") (the "Acquirer"), submitted a pre-merger application (the "application") to the Commission, for the intended acquisition of BASF IC (the "Target") by Akzo Nobel, along with the applicable processing fee and necessary information in accordance with the Competition (Merger Control) Regulations 2007 (the "Merger Regulations").

II Merger Parties

2 Acquirer

Akzo Nobel is a public listed company incorporated in the Netherlands. It is engaged in the production of a wide range of paints, performance coatings and specialty chemicals. Akzo Nobel Pakistan Limited is a subsidiary of Akzo Nobel in Pakistan. It was incorporated in 2011 as a public unlisted company subsequent to demerger of Paints Business of ICI Pakistan Limited. The company is primarily involved in the manufacturing of paints and trading of specialty chemicals.

- 3 Total assets of Akzo Nobel for the year ended 31st December 2015 were _____ its turnover remained at _____ for the above mentioned period.

III Target

- 4 BASF IC is the industrial coating division of BASF SE and does not exist as a separate entity. It is BASF IC which is subject to acquisition in the proposed transaction. BASF IC is engaged in the worldwide businesses of developing, manufacturing, selling and distributing of industrial coating products. BASF Chemicals and Polymers Pakistan (Private) Limited is the subsidiary of BASF in Pakistan.

- 5 Worldwide Turnover of BASF IC for 2015 remained at _____, in Pakistan the Turnover of BASF IC remained _____.

IV Transaction

- 6 The proposed transaction involves acquisition of BASF IC (a division of BASF) by Akzo Nobel. As per the proposed transaction two dedicated coil coating production sites of BASF IC will be acquired by Akzo Nobel. Other five production sites of BASF IC that are used for industrial coating are exempt from this transaction, however Akzo Nobel will acquire the supply agreements with customers served from these sites and in addition other assets related to BASF IC (employee contracts, intellectual property rights etc). Five small mixing stations for coil coatings supply are also within the scope of the transaction. The proposed transaction is cash based and the value of transaction is estimated to be EUR 475 million (PKR 56,501 million).



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7 The transaction meets the notification thresholds prescribed in Regulation 4(2) (a) (b) & (c) of the Merger Regulations, by having acquirer's assets valuing more than PKR 300 million and combined assets being more than PKR 1 billion and turnover of acquirer more than PKR 500 million and combined turnover being more than PKR 1 billion. The transaction value also exceeds PKR 100 million.

V Relevant Market:

8 The relevant market on a broader level in this case is defined as "General Industrial Coatings". A coating is a covering that is applied to the surface of an object. Coatings for industrial products are applied to improve surface properties of the object such as appearance, adhesion, wet ability, corrosion resistance, wear resistance and scratch resistance. However on a narrower level the relevant product in which the Target (BASF IC) is active in Pakistan is Salcomix, in which the Acquirer has no presence in Pakistan. Thus, there is no overlapping in their products.

9 The Relevant Geographic market is Pakistan.

VI Findings of the Phase I investigation on the competition assessment

10 The competition assessment in Phase I have resulted in the following findings:

- The proposed transaction involves the acquisition of industrial coating business of BASF i.e. BASF IC by Akzo Nobel N.V. The intended merger is a global merger.
- Both the Acquirer and the Target compete at the global level however in the relevant geographic market the Acquirer operates through its subsidiary Akzo Nobel Pakistan which is active in decorative paints, performance coatings and specialty coatings but not in the relevant market i.e General Industrial Coatings.
- The Target BASF IC is active in the relevant geographic market with its Salcomix business. The Acquirer has a substitute for this product at the global level but it does not participate in the relevant geographic market.
- The subsidiary of the Target i.e. BASF Chemicals and Polymers Pakistan (Private) Limited also does not participate in the relevant geographic and product market.
- The merger parties deal with very different businesses and there is no overlapping in their business activities in Pakistan making the proposed transaction a conglomerate.
- Post merger there will be no change in the existing market dynamics.
- The intended merger does not meet the presumption of dominance as determined under Section (2) (1) (e) read with Section 3 of the Competition Act 2010 ("the Act").



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VII Conclusion

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



(Shahzad Ansar)
Member



(Ikram Ul Haque Qureshi)
Member



Islamabad 10th June, 2016