



**BEFORE THE
COMPETITION COMMISSION OF PAKISTAN**

IN THE MATTER OF

FIRST PHASE REVIEW

**ACQUISITION OF ~~XXXX~~ SHAREHOLDING IN M/S HASCOL
TERMINALS LIMITED BY M/S VTTI UAE BV**

CASE: 795/Merger-CCP/17

Commission

Ms. Vadiyya S. Khalil
Chairperson

Mr. Ikram Ul Haque Qureshi
Member



ORDER

I Background

- 1 On 1 June, 2017, M/s Hascol Terminals Limited ("HTL" or the "Target") through its authorized representative submitted a pre-merger application (the "Application"), notifying and seeking the approval of the Competition Commission of Pakistan (the "Commission") for the acquisition of [redacted] shareholding in HTL by M/s VTTI UAE B.V. ("VTTI" or the "Acquirer") from Mr. Mumtaz Hassan Khan ("Seller"). 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, 2016 (the "Merger Regulations"). The Commission's review of the proposed transaction is as under:

II Merger Parties

Acquirer

- 2 VTTI is a wholly owned subsidiary of VTTI Holdings B.V. which is in turn wholly owned by VTTI B.V. The Acquirer is engaged in the business of building, owning and operating oil storage and distribution terminals globally. The company was registered on August 2011 in Rotterdam, Netherlands. It comes under the umbrella of Vitol group of companies. VTTI currently neither has any presence or operations in Pakistan and nor does it hold any shareholding in any company in Pakistan. As per the consolidated financial statements for the year ended 31 December, 2015 of VTTI B.V. and its subsidiaries, the total assets of the group stood at USD [redacted] (approximately PKR [redacted]) while the total revenue was stated as USD [redacted] (approximately PKR [redacted]).

Target

- 3 HTL was incorporated in Pakistan on 30 May, 2016 under the Companies Ordinance 1984 (the "Ordinance") with an authorised share capital of PKR [redacted]. The company is currently engaged in the business of storage of imported and locally produced petroleum and related products and the development of oil storage terminal facilities. It is a subsidiary of M/s Hascol Petroleum Limited ("HPL"), which has a shareholding of [redacted] in the company. As per the audited consolidated financial statements for the year ended 31 December, 2016 of HPL and its subsidiaries, the total assets for the group were valued at PKR [redacted] while sales stood at PKR [redacted].

Seller

- 4 Mr. Mumtaz Hasan Khan is currently the Chairman & CEO of HPL and also the Chairman of Sigma motors (sole distributor of Land Rover vehicles in Pakistan). He is amongst the directors of the Target company i.e. HTL. He is a Trustee of the Foundation of Museum of Modern Art (FOMMA) located in Karachi and a member of the Expert Energy Group which prepared Pakistan's first Integrated Energy Plan in 2009.



VSC #

III Transaction

- 5 The proposed transaction entails the acquisition by VTTI of _____ shareholding in HTL from the Seller pursuant to the Share Purchase Agreement dated 3 January, 2017. ("SPA"). The value of the transaction is PKR _____
- 6 The transaction meets the notification thresholds as prescribed in Regulation 4(2)(a), (b) & (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 percentage of voting shares to be acquired also exceeds 10% of the total shareholding of the Target.

IV Relevant Market:

- 7 The relevant Product market in this case is the market for the "storage of petroleum and related products" which is a sub segment of the Midstream petroleum sector. The Midstream sector links the Upstream and Downstream petroleum sectors in the petroleum value chain. It includes resource transportation and storage. The Target is active in this market as it is engaged in the business of storage of imported and locally produced petroleum and related products and the development of oil storage terminal facilities.
- 8 The storage facility is located at a plot in Port Qasim, Karachi. Petroleum products imported at the oil terminal, handled by Fauji Oil Terminal and Distribution Company (FOTCO), would be stored directly to the facility via the FOTCO jetty. This facility will act as a common storage point by HTL and other OMC's. The petroleum products will then be transported through their respective distribution networks. In view of the foregoing, the conditions of competition being homogeneous throughout Pakistan, hence the relevant market extends throughout Pakistan.

V Findings of the Phase I investigation on the competition assessment

The competition assessment in Phase I has resulted in the following findings:

- 9 The proposed transaction would result in the acquisition of _____ shareholding of HTL by VTTI from Mr. Mumtaz Hasan Khan at a consideration of PKR _____
- 10 Although VTTI has no presence in the relevant market in Pakistan, the intended transaction gives rise to a horizontal relationship as both VTTI and HTL are engaged in the business of operating storage facilities for petroleum products. It is also pertinent to mention that Vitol Dubai Limited belongs to the ultimate parent of Vitol Group, Vitol Holding B.V. Vitol Dubai Limited currently owns _____ shareholding in HPL, the parent company of the Target. In light of the above, Vitol Dubai Limited currently owns indirect ownership in HTL.
- 11 The relevant market has a number of participants with the largest party identified by the merging parties as M/s Fauji Trans Terminal Limited, whose approximate market share is _____ while HPL has an estimated _____ share in the market in terms of storage capacity.




VSL #

- 12 The market is regulated by the Oil and Gas Regulatory Authority (OGRA) and companies willing to enter the market are required to obtain relevant licenses and permissions from OGRA.
- 13 Post-transaction, VTTI will achieve presence in the relevant market in Pakistan through its shareholding in HTL of up to . However, there will be no change in the market share of the Target in the relevant market as a consequence of the proposed transaction.
- 14 The proposed transaction does not meet the presumption of dominance as determined under Section (2) (1) (e) read with Section 3 of the Act.

VI Conclusion

- 15 In conclusion, there is no evidence suggesting that the proposed transaction is likely to substantially lessen competition through 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.
- 16 It is so ordered.


(Vadiyya S. Khalil)
Chairperson


(Ikram Ul Haque Qureshi)
Member



Islamabad, the 20th June, 2017.