



**BEFORE THE
COMPETITION COMMISSION OF PAKISTAN**

IN THE MATTER OF

FIRST PHASE REVIEW

**ACQUISITION OF % SHAREHOLDING IN UNITED
ETHANOL INDUSTRIES LIMITED**

CASE: 825/Merger-CCP/2016

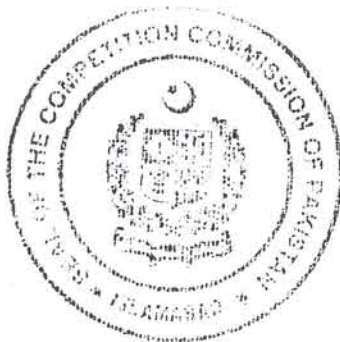
Commission

Ms. Vadiyya Khalil

Chairperson

Mr. Mueen Batlay

Member



ORDER

I. Background

1. The Competition Commission of Pakistan ("Commission") is in receipt of a pre-merger application ("Application") dated 2nd of August, 2016 (received by the Commission on the 3rd of August, 2016) sent by Mr. Deomal Essarani, Mr. Asha Ram, Mr. Tara Chand, Mr. Mahesh Kumar and Mr. Jugdesh Kumar (collectively "Acquirers"), notifying the Commission of an acquisition of 100% shares in M/s. United Ethanol Industries Limited ("Target") from existing shareholders of the Target, i.e., Mr. Ch. Bashir Ahmed, Mr. Muhammad Tahir Bashir, Ms. Sajida Bashir, Mr. Muhammad Shahid Bashir, Mrs. Safia Bashir, Mrs. Shumaila Bashir, Ms. Zahida Hammad, Ms. Tahira Bashir, Mr. Zahid Bashir, Mr. Khalid Mehmood, Mr. Ch. Nazir Ahmed Cheema, Mr. Mustansir Khalid, Mrs. Tanveer Begum, Mr. Zeeshan Ahmed, Mr. Adeel Khalid, Mr. Salman Ahmed, Ms. Maria Nazir and Ms. Javeria Nazir (collectively "Sellers"), pursuant to a Share Purchase Agreement.

II. Parties

Acquirers:

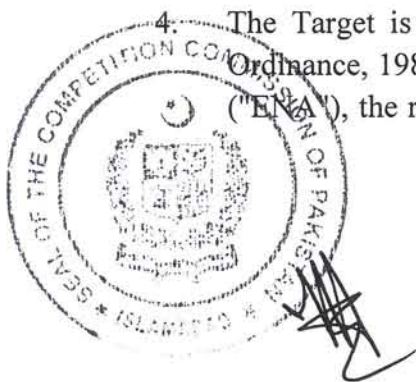
2. The Acquirers, i.e., Mr. Deomal Essarani, Mr. Asha Ram, Mr. Tara Chand, Mr. Mahesh Kumar and Mr. Jugdesh Kumar, are all individuals. There are no reportable turnovers or assets.

Sellers:

3. The Sellers, i.e., Mr. Ch. Bashir Ahmed, Mr. Muhammad Tahir Bashir, Ms. Sajida Bashir, Mr. Muhammad Shahid Bashir, Ms. Safia Bashir, Ms. Shumaila Bashir, Ms. Zahida Hammad, Ms. Tahira Bashir, Mr. Zahid Bashir, Mr. Khalid Mehmood, Mr. Ch. Nazir Ahmed Cheema, Mr. Mustansir Khalid, Tanveer Begum, Mr. Zeeshan Ahmed, Mr. Adeel Khalid, Mr. Salman Ahmed, Ms. Maria Nazir and Ms. Javeria Nazir are also individuals and hence have no reportable turnovers or assets.

Target:

4. The Target is an unlisted public limited company incorporated under the Companies Ordinance, 1984, and is engaged in the manufacturing and export of extra neutral alcohol ("ENAO"), the raw material for which is sugarcane molasses. The Target's plant is located



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in Sadiqabad, Rahim Yar Khan. Its market share in ENA is $\frac{1}{3}$ of the total market in Pakistan.

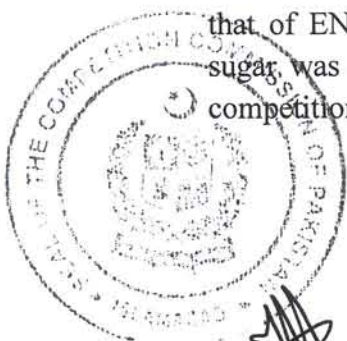
5. The Targets turnover for the financial year ended September 30th, 2015 was PKR 1000000000, whereas its assets remained PKR 500000000 for the same period.

III. Transaction

6. As per the Application, the Acquirers intend to acquire 10000000 shares in the Target from the Sellers.
7. The transaction value in this case is PKR 1000000000.
8. The transaction meets the thresholds as prescribed in Regulation 4 (2) (a), (b), (c) and (d) of the Merger Regulations as the assets of the Target are greater than one billion rupees, the annual turnover of the Target is greater than one billion rupees, the transaction relates to acquisition of shares of the value of more than 100 million rupees, and the percentage of shares to be acquired are more than 10%.

IV. The Relevant Market

9. The relevant product market in this case is that of the production and export of ENA, which is distilled from sugarcane molasses. It is generally used in the manufacture of cosmetics and liquors.
10. ENA manufactured by the Target is distributed and marketed across Pakistan, and the conditions of competition within Pakistan are sufficiently homogenous. The Commission, therefore, deems the relevant geographic market to be nationwide.
11. Whereas the Acquirers are not directly participants of the relevant product market, three of the Acquirers collectively hold approximately 100% shareholding in a sugar mill, namely Sindh Abadgar's Sugar Mills Limited, located at Deh Deenpur, Tando Muhammad Khan, Sindh. Its principal activity is the manufacture and sale of sugar. A by-product of the process by which sugar is manufactured is molasses, which is a key ingredient in the production of ENA.
12. While this may give rise to vertical integration between the production of molasses and that of ENA, Sindh Abadgar's Sugar Mill's share of the market for the production of sugar was a mere 10% of the Pakistani market. This does not represent a significant competition concern.



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13. Post transaction, the market position will remain the same.

V. Findings of the phase I investigation on Competition Assessment

13. The Acquirers and Sellers are all individuals, whereas the Target is engaged in the production and export of ENA. The Acquirers are not active in the relevant product market.

14. The transaction does not meet the presumption of dominance as determined under Section 2 (1) (e) read with Section 3 of the Competition Act, 2010.

15. 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.

16. It is so ordered.

Vadiyya Khalil

(Vadiyya Khalil)
Chairperson

Mueen Batlay

(Mueen Batlay)
Member



Islamabad ~~16~~ 22nd September 2016