



BEFORE THE
COMPETITION COMMISSION OF PAKISTAN

IN THE MATTER OF

ACQUISITION OF ISSUED SHARE CAPITAL OF WARID TELECOM (PRIVATE)
LIMITED BY PAKISTAN MOBILE COMMUNICATIONS LIMITED AND AMALGAMATION
THEREOF

FIRST PHASE REVIEW

CASE: 773/Merger-CCP/15

Commission

Ms. Vadiyya Khalil
Chairperson

Mr. Shahzad Ansar
Member

Mr. Ikram Ul Haque Qureshi
Member



Handwritten signatures of Ms. Vadiyya Khalil, Mr. Shahzad Ansar, and Mr. Ikram Ul Haque Qureshi.

ORDER

I. Background

1. Pakistan Mobile Communications Limited and Warid Telecom (Private) Limited submitted a pre-merger application dated 15 December, 2015 ('**Application**') before the Competition Commission of Pakistan (the '**Commission**') pursuant to Section 11 (3) of the Competition Act, 2010 (the '**Act**'), read with Regulation 5 of the Competition (Merger Control) Regulations, 2007 (the '**CMCR**'). The application relates to the proposed acquisition of _____ issued share capital of Warid Telecom (Private) Limited by Pakistan Mobile Communications Limited, and amalgamation of the two thereafter. The parties made a presentation before the Commission on 31 December, 2015. The Commission's review of the intended merger is as follows.

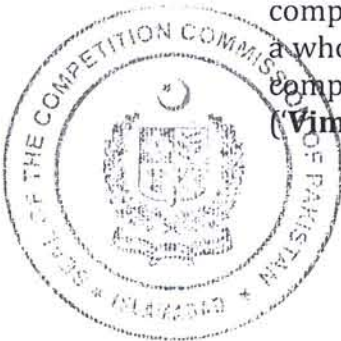
II. Parties

Merging Entities

2. The companies to be merged through the proposed transaction are as follows:
 - a. **Pakistan Mobile Communications Limited** ('PMCL'/'**Mobilink**'), which is a company incorporated in Pakistan under the Companies Ordinance, 1984, ('**Companies Ordinance**') with term finances listed on the Islamabad Stock Exchange Limited and Karachi Stock Exchange Limited. PMCL is engaged in the business of providing various telecommunication services in Pakistan including Azad Jammu and Kashmir (AJK) and Gilgit Baltistan (GB). PMCL's turnover for the year 2014 was PKR _____
 - b. **Warid Telecom (Private) Limited** ('**Warid**'), which is a company incorporated in Pakistan under the Companies Ordinance. Warid is engaged in the business of providing various telecommunication services in Pakistan including AJK and GB. Warid's turnover for the financial year ending June 2015 was PKR _____

Notifying Parties

3. The notifying parties to the Application are as follows:
 - a. **PMCL**: As described above.
 - b. **International Wireless Communications Pakistan Limited (IWCPL)**, is a company incorporated in Malta which owns _____ of PMCL shares. IWCPL is a wholly owned subsidiary of Global Telecom Holding S.A.E (GTH), which is a company incorporated in Egypt. GTH is a subsidiary of VimpelCom Limited ('**VimpelCom**'), a company incorporated in Bermuda. The remaining _____ of



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PMCL shares are held by Telecom Group Mobile Limited (TGML), a wholly owned subsidiary of IWCPL.

- c. **Warid Telecom Pakistan Limited LLC ('WTPL')**: A company incorporated in the United Arab Emirates. WTPL currently owns _____ of the issued shares of Warid. WTPL is not active in the telecommunications sector in Pakistan except through Warid.
- d. **Bank Alfalah Limited ('Bank Alfalah')**: A company incorporated in Pakistan under the Companies Ordinance. Bank Alfalah currently own _____ of the issued shares of Warid.

Other Parties

4. As previously established in the Commission's **Order In The Matter Of Acquisition of Wind Telecom S.p.A (Formerly Weather Investments S.p.A.) by VimpelCom Ltd¹**, ('VimpelCom Order') a key shareholder in VimpelCom is **Telenor ASA** which holds _____ of the economic interests and _____ of the voting rights in VimpelCom². The Telenor Group is also otherwise present in the telecommunications market in Pakistan through its wholly owned subsidiary, **Telenor Pakistan (Private) Limited ('Telenor Pakistan')**, which is a company registered in Pakistan and engaged in the business of providing various telecommunication services.

III. Transaction

5. As provided by the parties in the Application, the proposed transaction involves the acquisition of the entire issued share capital of Warid by IWCPL through Mobilink, in consideration for the issuance of up to _____ of the shares of Mobilink to the current shareholders of Warid. Upon sanction of the scheme of arrangement by the High Court, Mobilink will emerge as the surviving entity.
6. The proposed merger does not entail a cash tender offer. The value of the transaction is provided as PKR _____. The intended merger thus meets the notification thresholds prescribed under Regulation 4(2) (c) and (d) of the CMCR.

IV. Relevant Market

7. The relevant product market as reported by the notifying parties is that of retail mobile telecommunications. Retail mobile telecommunication market includes both voice and data services. The geographic market is that of the whole of Pakistan.



Available at http://www.cc.gov.pk/images/Downloads/vimpel_wind_telecom_merger.pdf
Through its wholly owned subsidiary Telenor East Holdings II AS.

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8. Other than the relevant market, there are other reportable markets in which the notifying or merger parties have presence through subsidiaries or associated companies. These include: LDI Fixed Line Telecommunications Market, Local Loop Market, Wholesale Domestic Leased Lines, Retail Broadband, and Mobile Financial Services/ Micro financing.

V. Dominance

9. The market shares of the merging entities are [redacted] and [redacted] for Mobilink and Warid respectively in terms of subscribers, which collectively at [redacted] after the proposed merger, will amount to the largest share in the relevant market.
10. In addition, it would be relevant to consider the market share of Telenor Pakistan, an associated company of VimpelCom, which currently stands at [redacted]. It appears that Telenor ASA may exercise joint control over Mobilink due to its shareholding in VimpelCom. Until such time as the Commission is completely satisfied that Telenor ASA does not exercise joint control over VimpelCom, the market share of Telenor (Pakistan) will be considered along with Mobilink and Warid's, which collectively will amount to [redacted] of the relevant market after the transaction is complete.
11. Even otherwise, as was observed by the Commission in the VimpelCom Order, the Act empowers the Commission to consider collective dominance. Several undertakings may be deemed to be collectively dominant if they are united by significant economic links. Telenor ASA's shareholding in VimpelCom indicates potentially significant economic links between Telenor Pakistan and Mobilink. Collectively, Telenor Pakistan and the merging parties hold [redacted] of the relevant market, thereby meeting the presumption of dominance as prescribed under the Act.

VI. Compatibility of Transaction with Chapter II of the Act

12. The proposed merger will lead to the elimination of one out of five existing players in the relevant market. This reduction is significant in a market that is already oligopolistic in nature. The transaction creates a heightened potential for tacit collusion and other coordinated effects which if realized can lead to a lessening of competition in the market. The Commission, therefore, has doubts as to the compatibility of the transaction with Chapter II of the Act and would like to further study the transaction in detail.
13. In addition, the merger review cannot be completed without necessarily hearing all parties including Telenor ASA and Telenor Pakistan. These parties must be heard by the Commission in order to come to a final conclusion regarding the effect of the transaction on competition in the relevant market.

14. Furthermore, the Commission needs to consider what effect the transaction will have on the other reportable markets apart from the relevant market, and the segments thereof, under consideration.



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VII. Conclusion

15. Upon review of the Application, and in view of the analysis of the proposed transaction, the Commission finds that the transaction meets the prescribed thresholds and the presumption of dominance, and that it has doubts regarding the compatibility of the transaction with Chapter II of the Act.
16. Accordingly, a Phase II review is hereby initiated under Section 11(6) of the Act.
17. Telenor ASA and Telenor Pakistan to be made parties to the proceedings in Phase II.
18. Registrar to the Commission is directed to send this order to Pakistan Telecommunication Authority for information.
19. Order accordingly.

Vadiyya Khalil

Vadiyya Khalil
Chairperson

Dr. Shahzad Ansar

Dr. Shahzad Ansar
Member

Ikram Ul Haque Qureshi

Ikram Ul Haque Qureshi
Member

Islamabad, 22 January, 2016

