




BEFORE THE
COMPETITION COMMISSION OF PAKISTAN

IN THE MATTER OF FIRST PHASE REVIEW
ACQUISITION OF SHARES OF ESCORTS CAPITAL LIMITED
BY BAHRIA TOWN PRIVATE LIMITED

CASE: 889/MERGER-CCP/17

Commission:

Ms. Vadiyya S. Khalil

Chairperson 



Ikram Ul Haque Qureshi

Member 

ORDER

I Background

- 1 On 17 May 2017, Bahria Town (Private) Ltd ("BTPL", the "Acquirer" or the "Applicant") submitted a pre-merger application (the "Application") to the Competition Commission of Pakistan (the "Commission") notifying and seeking clearance of the acquisition of _____ shares of Escort Capital Limited ("ECL" or the "Target") by BTPL, along with the necessary documents/ information pursuant to Section 11 of the Competition Act 2010 (the "Act") read with Regulation 6 of the Competition (Merger Control) Regulations 2016 (the "Merger Regulations").

II Merger Parties

Acquirer:

- 2 BTPL, a private company limited by shares, is mainly engaged in the development of land for housing colonies, construction of villas/houses, apartments, buildings/high rise buildings and execution of projects through joint venture agreements. It has so far launched schemes of land development for residential and commercial purposes in different cities of the country.
- 3 The total turnover of BTPL for the year ended 30 June 2016 was PKR _____ and the value of its total assets remained PKR _____ for the same period.

Target:

- 4 ECL, a public company limited by shares, is a licensed brokerage house and a wholly owned subsidiary of Escort Investment Bank Limited ("EIBL" or the "Seller"), which is a non-banking finance company.
- 5 ECL has incurred a loss amounting to approximately PKR _____ for the financial year ended 30 June 2016, which accumulates to a total loss of PKR _____. Its equity is negative by PKR _____ and its current liabilities exceed its current assets by PKR _____.



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Seller:

- 6 EIBL, a public listed company, commenced its operations in October 1996 and is licensed to carry on the business of deposit taking non-banking finance (investment financial services) by the Securities & Exchange Commission of Pakistan.
- 7 The total turnover of EIBL for the year ended 30 June 2016 was approximately PKR and the value of its total assets remained PKR for the same period.

III Transaction:

- 8 According to the Applicant and the draft Share Purchase Agreement between EIBL, BTPL, and the existing majority shareholders of EIBL, BTPL intends to purchase/acquire issued shares of ECL i.e. ordinary shares of Rs. each together with control of management and affairs of ECL from its existing parent company EIBL. The proposed transaction is envisaged to be undertaken in conjunction with the parallel acquisition of EIBL by BTPL by way of share purchase in cash. The Applicant has filed a separate application for the same. The aggregate sale price payable by BTPL to EIBL is PKR.
- 9 The transaction meets the notification thresholds as prescribed in Regulation 4(2)(a), (b), (c) and (d) of the Merger Regulations, with the undertakings being merged having combined assets valuing more than PKR one billion and the combined turnover exceeding PKR one billion. The transaction value is also more than 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 The Target is a licensed brokerage firm or brokerage. A brokerage is a licensed financial institution that facilitates the buying and selling of financial securities between a buyer and a seller. Brokerage firms mainly serve a clientele of investors who trade public stocks and other securities, usually through stock brokers i.e.



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brokerage's agents. The brokerage industry players mainly deal in selling information of financial products which includes market data as one of the key components and indicative as well as tradable prices of financial commodities such as equities, corporate and governmental bonds, currency and any other traded commodities on the capital market. Customers in the brokerage industry may be broadly classified into those engaged in "on-trading floor" activities and those engaged in "off-trading floor" activities on the sell-side (i.e. customers whose primary business is selling or trading financial products) and the buy-side (i.e. customers whose primary business is investing in financial products). Therefore, the relevant product or services market in the instant case is identified as that of all kinds of services provided by licensed brokerage houses. Furthermore, since brokerage service providers are licensed to provide their services across the country wherein the conditions of competition remain sufficiently homogeneous, hence the relevant geographic market is the whole of Pakistan.

V Findings of the Phase I Competition Assessment

- 11 The Acquirer is primarily a leading real estate developer which delivers state-of-the-art housing communities across Pakistan while the Target is a licensed brokerage house active in Pakistan. There are no horizontal or vertical overlaps between the business activities of the merging entities. The transaction essentially envisages a conglomerate relationship between the merging parties.
- 12 The acquisition is an integral part of a larger takeover transaction for the majority of shares and management control of EIBL. Vide its Order dated 11 July 2017, the Commission has cleared the acquisition of EIBL by BTPL without any conditions. The proposed transaction is being carried out as a parallel acquisition by BTPL of the majority shares and management control of EBIL over ECL.
- 13 The Acquirer does not hold shareholding in any of the major competitors of the Target and will be a new entrant in the relevant market. According to the merging parties, the acquisition will enhance growth in the securities brokerage sector of Pakistan and will contribute to the growth of the economy through job creation, enhancement of quality of services in the relevant market, by providing the required management strength to cater to effective working. Furthermore, the transaction will enable BTPL



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to diversify its business interests, beyond the real estate sector, into the financial sector.

- 14 Considering the facts on record and details provided in the pre-merger application and on the basis of above competition assessment, the Commission is of the opinion that the intended acquisition is not likely to have an appreciable adverse effect on competition in the relevant market in Pakistan.
- 15 Post-acquisition, there will be no significant change in the Target's market share. Moreover, the intended acquisition does not meet the presumption of a dominant position i.e. 40% share in the relevant as is provided under Section 2(1)(e) read with Section 3 of the Act.

VI Conclusion

- 16 The intended acquisition is not likely to substantially lessen competition by creating or strengthening of a dominant position in the relevant market and therefore, the Commission, hereby authorizes the same under Section 31(1)(d)(i) of the Act.
- 17 It is so ordered.



Vadiyya S. Khalil
Chairperson



Ikram Ul Haque Qureshi
Member



Islamabad, the August 7, 2017