



BEFORE THE
COMPETITION COMMISSION OF PAKISTAN

EX POST FACTO FIRST PHASE REVIEW

IN THE MATTER OF JOINT VENTURE BETWEEN M/S. SERVICE INDUSTRIES
LIMITED, M/S. CHAOYANG LONG MARCH TYRE CO., LIMITED AND
MR. SHABIR AHMAD

CASE: 1240/Merger-CCP/21

Date of Hearing

November 26, 2021

Commission

ML.
Mr. Mujtaba Ahmad Lodhi
Member

SM
Ms. Shaista Bano
Member

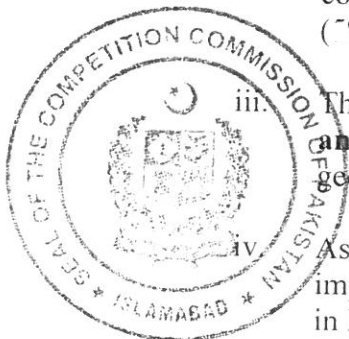
On behalf of
M/s. Service Industries Limited
M/s. Chaoyang Long March Tyre Co., Limited
M/s. Service Long March Tyres (Private) Limited
Mr. Shabir Ahmad

Mr. Rashid Sadiq
(RS Corporate Advisory)



ORDER

1. On July 27, 2021, M/s. Service Long March Tyres (Private) Limited (“**SLMTPL**” or “**Joint Venture Company**”) submitted a pre-merger application (the “**Application**”) to the Competition Commission of Pakistan (“**Commission**”) whereby M/s. Service Industries Limited (“**SIL**”), M/s. Chaoyang Long March Tyre Co., Limited (“**CLM**”), M/s. Service Global Footwear Limited (“**SGFL**”) and Mr. Shabir Ahmad intend to collectively acquire ordinary shares of SLMTPL.
 2. A transaction was detected during investigation of Case no. 1188/Merger-CCP/21 through Memorandum and Articles of Association of SLMTPL, where it was revealed that SLMTPL was incorporated by SIL, CLM and Mr. Shabir Ahmad, collectively as (“**Merger Parties**”) as part of a Joint Venture Agreement (“**Detected Transaction**”). The Merger Parties entered into a Joint Venture agreement on November 18, 2019. This was further verified by a Public Notice notified by SIL to Pakistan Stock Exchange.
 3. The Merger Parties consummated the Detected Transaction on January 07, 2020 by incorporating SLMTPL as a private limited company without seeking clearance from the Commission, whereby, action was taken against the Applicant under Section 11 (12) of the Act. Subsequently, a Hearing Notice was issued on November 22, 2021 having F. No: 1240/MERGER-CCP/2021 to the Applicant, for the, *prima facie*, violation of sub-section (1) to (4) of Section 11 of the Act read with Regulation 4 of the Merger Regulations. Two Member bench was formulated to conduct the hearing on November 26, 2021.
 4. During the Hearing, the Bench was of the view that the provision of Section 11 of the Act apply to the detected transaction and clearance is required for the creation of SLMTPL being formed via Joint Venture Agreement signed on November 18, 2019. Accordingly, an application was filed by the legal representative on January 3, 2022.
 5. The Commission has examined the Application as well as all the documents attached therewith, the market scenario, and made its observations on the basis of an independent research/investigation in the reportable market. The Phase I competition assessment of the detected transaction has resulted in the following findings:
 - i. The business activities of the undertakings concerned are:
 - a. For SIL: Purchase, manufacture and sale of footwear, tyres and tubes and technical rubber products
 - b. For CLM: Production of all steel truck radial tyres, duty truck tires, bus tyres, and other related products
 - c. For SLMTPL: Carry on business of manufacturing, sale, marketing, import and export of all steel radial truck, bus, light truck and off the road tyres.
 - d. For Mr. Shabir Ahmad: Chief Executive Officer of M/s. Myco Corporation which is the issuing collaborator for Longmarch in Pakistan and Afghanistan.
 - ii. Pursuant to the Agreement, The total project cost is estimated to be \$ (approximately PKR _____ as of 19/11/2019). The Merger Parties contributing equity in the ratio of SIL (51%), CLM (_____ %) and Mr. Shabir Ahmad (_____ %). The investment by CLM, according to its stake, will be from abroad.
 - iii. The reportable product market in this case has been identified as “**Manufacture and Sale of All Steel Radial tyres for Trucks and Buses**” and the relevant geographic market is “**Pakistan**”.
- As per the data submitted, All Steel Radial tyres of Truck and Bus are currently imported in the country and this Joint Venture Company will be the first company in Pakistan which will be manufacturing this category of tyres.



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6. This order is subject to the undertaking submitted to the Commission signed by the merger parties.
7. In conclusion, the transaction does not meet the presumption of dominance as determined under Section (2) (1) (e) read with Section 3 of the Act. The transaction is hereby authorized under Section 31 (1) (d) (i) of the Act, solely to the extent of competition concerns in the relevant market and subject to all statutory and regulatory approvals.
8. It is so ordered.



(Mr. Mujtaba Ahmad Lodhi)
Member



(Ms. Shaista Bano)
Member



Islamabad the JANUARY 18, 2022.