



**BEFORE THE
COMPETITION COMMISSION OF PAKISTAN**

IN THE MATTER OF

FIRST PHASE REVIEW

**SUBSCRIPTION OF VOTING SHARES IN M/S PAK OMAN
MICROFINANCE BANK LIMITED BY M/S LOLC PRIVATE LIMITED**

CASE: 880/Merger-CCP/17

Commission

Ms. Vadiyya S. Khalil
Chairperson

Mr. Ikram Ul Haque Qureshi
Member



ORDER

I Background

1. On 10th April 2017 M/s Lanka Orix Leasing Company ("LOLC" or the "Acquirer") through their authorized representative submitted a pre-merger application (the "Application"), notifying and seeking the approval of the Competition Commission of Pakistan (the "Commission") for subscription of [redacted] voting shares in M/s Pak Oman Microfinance Bank Limited ("POMBL" or the "Target"). 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. ("LOLC"), a newly incorporated investment vehicle incorporated under the laws of Singapore, is wholly owned by Lanka Orix Leasing Company PLC ("Acquirer Parent") a publicly quoted company incorporated under the laws of Sri Lanka. The Acquirer Parent is at the head of the LOLC Group with its main business ventures in financial services, agriculture and plantations, renewable energy, leisure, construction, manufacturing and trading sectors with expansions into overseas investments. As a newly incorporated company, it has not generated any turnover yet, however, the global turnover of the LOLC Group for the year ended March 31, 2016 was LKR [redacted] /- approximately PKR [redacted] (1 PKR = 1.4031 LKR as of 31/03/2016).

Target

3. Pak Oman Microfinance Bank Ltd ("POMBL"), inaugurated on May 21, 2006, in Pakistan on a nationwide basis, has been jointly sponsored by the Sultanate of Oman and the Pak Oman Investment Company. The bank is offering a range of micro credit and micro savings products and services. It is a nationwide microfinance Bank with a paid-up capital of PKR [redacted].
4. Sponsors are Govt. Of Sultanate of Oman with shareholding of [redacted] and Pak Oman Investment company (a joint venture between Govt. Of Pakistan and Sultanate of Oman) with [redacted] shareholding. The Ministry of Commerce of the Sultanate of Oman holds only one share. The turnover of the Target for the year ended 2016 stands at PKR [redacted] /-.



V& H

III Transaction

5. In the proposed transaction the Acquirer intends to subscribe [redacted] voting shares in the Target resulting as an Acquisition. Currently, the paid-up capital of the Target is PKR [redacted]. The total subscription price of the transaction is PKR [redacted]. The Transaction will involve payment by the Acquirer of the subscription price to the Target by way of an inward remittance in foreign currency.
6. The transaction meets the notification thresholds as prescribed in Regulation 4(2)(a), (b), (c) & (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 transaction value also exceeds PKR 100 million and the percentage of voting shares to be acquired exceeds 10% of the total shareholding of the Target.

IV Relevant Market:

8. Microfinance is a means of providing financial assistance or services to lower income segment that otherwise would not qualify for a standard bank loan. In Pakistan, Institutions offering micro-finance services may be classified into four categories:
- Microfinance Banks (MFBs) which are licensed and regulated by the State Bank of Pakistan (SBP);
 - Microfinance Institutions (MFIs);
 - Rural Support Programmes (RSPs);
 - Other Microfinance Providers (Other MFPs).
9. The Commission has deemed the relevant product market to be of "Microfinance Banking" as POMBL is involved in lending of microcredit related products. The identified relevant product market is in line with Section 2(1)(k) of the Act.
10. Since, POMBL's network of branches is located across the country, the Commission has therefore deemed the relevant geographic market to be all of Pakistan since the conditions of competition are sufficiently homogenous nationwide.

V Findings of the Phase I investigation on the competition assessment

The competition assessment in Phase I have resulted in the following finding:

11. The proposed transaction would result in an acquisition comprising of investment by the Acquirer by way of subscription of voting shares in the Target. POMBL shall issue [redacted] new shares to the Acquirer representing [redacted] of the then paid-up capital of the Target.



VSG 9H

12. The target has a lower loan portfolio compared to its equity reserves, which has resulted in the proposed transaction as it seeks a viable strategic partner. The Acquirer Parent being a diversified group of companies has a focus in SME and microfinance. Current parents of the Target are confident that LOLC Group will be able to turn around POMBL into a vibrant microfinance institution.
13. In the relevant market, as per gross loan portfolio, Khushhali Bank Limited is the largest provider of microcredit with a market share of ... , followed by Tameer Microfinance Bank Limited ... and NRSP Bank ... while the Target only managed ... of the market.
14. Post- transaction the market share in the relevant product market will remain the same since, neither the Acquirer nor the Acquirer Parent are active in any activity in Pakistan which is similar to that of the Target. The proposed transaction involves an acquisition and is not likely to result in creation or strengthening of dominant position in the relevant market. The intended Acquisition 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 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 S. Khalil

(Vadiyya S. Khalil)
Chairperson

Ikram Ul Haque Qureshi

(Ikram Ul Haque Qureshi)
Member



Islamabad, May 18th, 2017.