

**BEFORE THE  
COMPETITION COMMISSION OF PAKISTAN**

**IN THE MATTER OF  
FIRST PHASE REVIEW**

**ACQUISITION OF SHARES OF RIKEN AUTOMOBILE  
PARTS (WUHAN) COMPANAY LIMITED BY KS  
KOLBENSCHMIDT, GMBH THROUGH KSPG (CHINA)  
INVESTMENT COMPANY LIMITED**

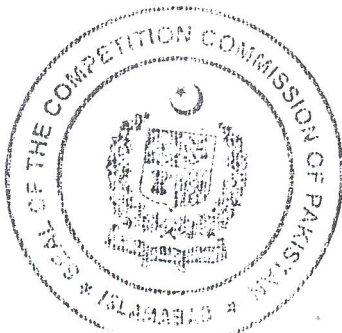
**CASE: 770/Merger-CCP/15**

Commission

Ms. Vadiyya Khalil  
Chairperson

Mr. Mueen Batlay  
Member

Mr. Ikram Ul Haque Qureshi  
Member



## ORDER

### I Background

- 1 On 7<sup>th</sup> December, the acquirer KS Kolbenschmidt GmbH ("KS"), submitted a pre-merger application (the "application") to the Commission, notifying the acquisition of shares of Riken Automobiles Parts (Wuhan) Company Limited ("the Target") by KS Kolbenschmidt GmbH ("KS") through its wholly owned subsidiary KSPG (China) Investment Company Limited ("KSPG China"), along with the necessary information.

### II Merger Parties

- 2 KSPG (China) Investment Company Limited ("KSPG China") is a SPV which is in process of being established in China for the purpose of this transaction. This is a 100% owned subsidiary of KSPG Malta Holdings that in turn is owned 80% by KSPG AG and 20% by Rheinmetall AG. KS Kolbenschmidt GmbH ("KS") is a subsidiary of KSPG AG. KSPG AG in turn, is a 100% owned subsidiary of Rheinmetall AG, the parent company of Rheinmetall group ("The acquirer group").
- 3 The acquirer i.e. KSPG China is being incorporated and thus has nil market share however the acquirer group had globally total assets amounting to [redacted] in 2014 the turnover for the same period remained at [redacted]. The Acquirer group through its relevant subsidiary has a turnover of [redacted] in the auto sector of Pakistan for the same period.

### III Target

- 4 Riken Automobiles Parts (Wuhan) Company Limited ("Riken Wuhan") is a wholly owned subsidiary of the Riken Corporation. Riken Corporation ("The target Group") is a Public Limited Company listed on the Tokyo Stock Exchange. Riken Corporation began operating its business in the Wuhan region of China under its subsidiary, Riken Wuhan. The principal activity of the company is to manufacture and market "Piston Rings" for Automobiles, motorcycles, construction equipment etc. Riken is one of the top 3 manufacturers of piston rings globally.
- 5 The global turnover for the year ending 31<sup>st</sup> March, 2015 was [redacted] while the total assets were [redacted]. The target group had a turnover of [redacted] in the auto sector of Pakistan for the same period.

### IV Transaction

- 6 The proposed transaction involves acquisition of [redacted] shares of the target by the acquirer group through its subsidiary KASPG China. After the proposed transaction the target will come under joint control of the acquirer group with [redacted] shares and the target group still holding [redacted] of shares. This is not a cash tender offer.



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7 The transaction meets the notification thresholds prescribed in Regulation 4(2) (a)(b)(c) & (d) by having combined assets being more than 1 Billion rupees and combined turnover being more than 1 Billion. The value of shares exceeding 100 Million and the percentage of share to be acquired exceeds 10% of the total shareholding of the target.

**V Relevant Market:**

8 The relevant market in this case is the "Piston Rings" market. Piston Rings are an automotive part used in combustion engines. The piston rings seal combustion gases as well as controlling the consumption of lubricating oil and enabling heat transfer. Generally there are three piston rings per cylinder in an internal combustion engine.

9 The Relevant Geographic market is Pakistan.

10 Market position in the relevant market is as under:

Global Piston Rings market	KSPG Global Market share (purchased from various piston rings manufacturers)	Riken Global Market share	Piston Rings market in Pakistan (in terms of Sales value)	KSPG market share in Pakistan (purchased from various piston rings manufacturers)	Riken Market share in Pakistan

**VI Findings of the Phase I investigation on the competition assessment**

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

- The proposed transaction involves acquisition of ... shares of Riken Wuhan by KSPG China Investment Company Limited. KSPG China is part of Rheinmetall AG (The acquirer group). After the proposed transaction the target will come under joint control with the acquirer group controlling ... shares and the target group still holding ... of shares. The acquirer group is not a manufacturer of the relevant product however; it is involved in selling the relevant product after purchasing from different manufacturers. Auto parts market in Pakistan is spread over a number of manufacturers and cottage producers catering to organized and un-organized sectors. In the Pakistani context the relevant product ("Piston rings") is sold to the independent aftermarket (IAM) by the acquirer group and the target group. The market share for the relevant product manufactured by Riken Corporation in Pakistan is estimated at ... While the market share for the acquirer group for the relevant product purchased from various piston rings manufacturers is estimated at ... Post-merger



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the market share of the Joint Venture company will not experience much change and is already much less than the prescribed limit of 40%. This acquisition is a business enhancing strategy on part of the acquirer group and the target group to enhance efficiency at the global level. Both the groups do not have any subsidiaries incorporated in Pakistan. The merger does not meet the presumption of dominance as determined under Section 3 of the Act.

**VII Conclusion**

11 In conclusion, there is no evidence that suggests a substantial lessening of competition by creating or strengthening of dominant position in the relevant market. The proposed transaction is hereby authorized under Section 31(1) (d) (i) of the Act.

12 It is so ordered.



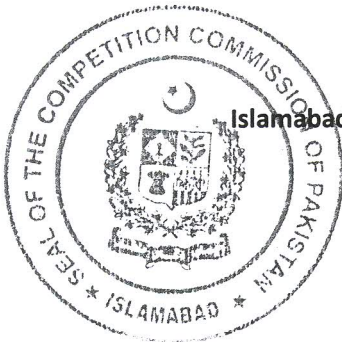
(Mueen Batlay)  
Member



(Ikram Ul Haque Qureshi)  
Member



(Vadiyya Khalil)  
Chairperson



Islamabad 29<sup>th</sup> Decemeber, 2015