

**BEFORE THE  
COMPETITION COMMISSION OF PAKISTAN**

**IN THE MATTER OF**

**FIRST PHASE REVIEW**

**ACQUISITION OF        SHARES OF ENGRO POWERGEN THAR  
PRIVATE LIMITED BY LIBERTY MILLS LIMITED**

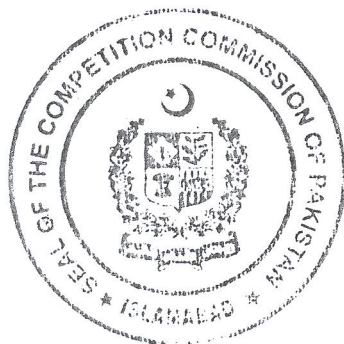
**CASE: 782/MERGER-CCP/16**

Commission

Ms. Vadiyya Khalil  
Chairperson

Mr. Shahzad Ansar  
Member

Mr. Ikram Ul Haque Qureshi  
Member



# ORDER

## I Background

- 1 Liberty Mills Limited ("LML" or the "Acquirer"), through its authorized representative, submitted a pre-merger application (the "Application") to the Competition Commission of Pakistan (the "Commission") dated 13 January 2016 (received on 16 January 2016), notifying the acquisition of \_\_\_\_\_ shares of Engro Powergen Thar (Private) Limited ("EPTPL" 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 2007 (the "Regulations"). The Commission's review of the intended Transaction is as under:

## II Merger Parties

### Acquirer

- 2 LML, a public unlisted company was incorporated under the laws of Pakistan in 1965. The principal commercial activity of LML is the manufacturing of textile related products. The total turnover of the Acquirer for the financial year ending on 30 June 2015 was PKR \_\_\_\_\_ and the value of its total assets remained PKR \_\_\_\_\_ for the same period.

### Target

- 3 EPTPL is a private limited company, incorporated under the laws of Pakistan in 2014. EPTPL is a wholly owned subsidiary of Engro Powergen Limited which in turn is a wholly owned subsidiary of Engro Corporation Limited. The Target has been established as a special purpose vehicle for the purposes of power generation through coal and subsequent sale of electricity. The Target is currently engaged in the development of a 2x330 MW mine mouth power plant at Thar Block II, Sindh. In this regard, Engro Coal Mining Company will supply 3.8 Million tons per annum of coal to EPTPL which will then be utilized as the primary fuel for production of electricity. Since EPTPL has been recently incorporated and the project is currently being developed, there is no turnover at present. The value of the total assets of the Target is approximately PKR \_\_\_\_\_ as at 31 December 2014.

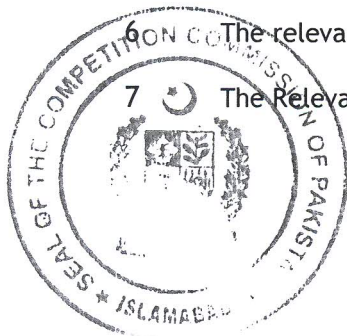
## III Transaction

- 4 LML intends to subscribe to up to \_\_\_\_\_ of the share capital of EPTPL. The value of the intended Transaction is USD \_\_\_\_\_ (approximately PKR \_\_\_\_\_).
- 5 The transaction meets the notification thresholds as prescribed in Regulation 4(2)(a), (b) & (c) of the Merger Regulations, with the Acquirer's assets valuing more than PKR 300 Million, combined assets of the merging entities being more than PKR 1 Billion, turnover of Acquirer being more than PKR 500 Million and combined turnover of the merging parties being more than PKR 1 Billion. The transaction value also exceeds PKR 100 Million.

## IV Relevant Market:

6 The relevant product market is the Power Generation market in the country.

7 The Relevant Geographic market is Pakistan.



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8 While the market share of the Target in the relevant market cannot be determined yet as it is still in the development stage, the approximate market shares<sup>1</sup> of the associated undertakings and group companies of the merging parties in the power generation market are as under:

- Liberty Power Tech Ltd: (group company of the Acquirer):
- Engro Powergen Qadirpur Ltd: (group company of the Target):
- Hub Power Company Ltd. (associated company of the Target - common directorship):

## V Findings of the Phase I investigation on the competition assessment


9 The competition assessment in Phase I has resulted in the following finding:

- a. The Acquirer is engaged in the business of manufacturing of textile related products while the Target is engaged in the development and establishment of a power plant to be run on coal for the purpose of power generation in Pakistan. Upon the proposed Transaction being concluded, the Acquirer will hold a maximum of up to shareholding in the Target, as a minority shareholder. Furthermore, there is no direct overlap in the commercial activities of the merging parties.
- b. The relevant product market is the power generation sector. The group companies of the merging parties cumulatively hold less than 10% of the market share in the relevant market in Pakistan.
- c. Therefore, the proposed Transaction will not result in the creation or strengthening of a dominant position and the intended merger does not meet the presumption of dominance as determined under Section 2(1)(e) read with Section 3 of the Act.

## VI Conclusion

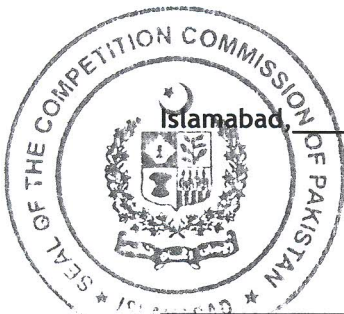
10 In conclusion, there is no evidence that suggests a substantial lessening of competition by creating or strengthening of a dominant position in the relevant market. The proposed Transaction is hereby authorized under Section 31(1)(d)(i) of the Act.

11 It is so ordered.

  
(Shahzad Ansar)  
Member

  
(Vadiyya Khalil)  
Chairperson

  
(Ikram Ul Haque Qureshi)  
Member



19<sup>th</sup>, February 2016

<sup>1</sup> Estimated market share values in the relevant market provided by the Applicant.