



BEFORE THE
COMPETITION COMMISSION OF PAKISTAN

FIRST PHASE REVIEW

IN THE MATTER OF ACQUISITION BY M/S. FLSMIDTH, M/S. INVESTMENT FUND
FOR DEVELOPING COUNTRIES AND IFU INVESTMENT PARTNERS K/S OF
APPROXIMATELY SUBSCRIPTION SHARES IN M/S. POWER CEMENT
LIMITED.

CASE: 908/Merger-CCP/17

Commission

Vadiyya Khalil

Ms. Vadiyya Khalil
Chairperson



M. Saleem
22/12/17

Dr. Muhammad Saleem
Member

I. BACKGROUND

1. On the 6th of December 2017 the Competition Commission of Pakistan ("**Commission**") received a pre-merger application ("**Application**") regarding the acquisition of approximately subscription shares in M/s. Power Cement Limited ("**Power Cement**" or "**Target**") collectively by M/s. FLSmidth A/S ("**FLS**"), M/s. Investment Fund for Developing Countries ("**IFU**") and IFU Investment Partners K/S ("**IIP**") (collectively "**Acquirers**") pursuant to a Share Subscription Agreement ("**Agreement**").

II. PARTIES

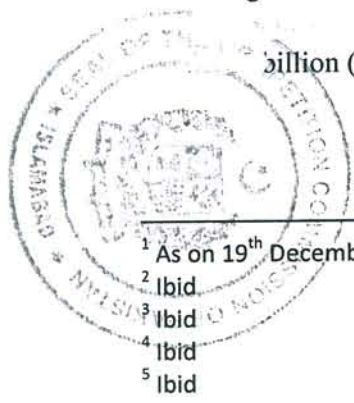
Acquirers

FLS:

2. FLS was incorporated under the laws of the Kingdom of Denmark as a limited liability company. It is a technology company engaged in the business of research and development of technology used in the cement and mineral industries.
3. Its specialties are in the use of alternative fuels, reducing emissions and waste, improving heat recovery, decreasing power consumption, minimizing water consumption, increasing plant capacity, availability and operating efficiency, and minimizing safety risks.
4. FLS's annual turnover related to sales in Pakistan in the financial year ending 31st December 2016 was _____ million (approximately _____ billion¹) whereas its annual turnover worldwide for the financial year ending 31st December 2016 was DKK 3.401 billion (approximately _____ billion²). Its worldwide assets stood at _____ billion (approximately _____ billion) for the same period.

IFU:

5. IFU was incorporated under the laws of the Kingdom of Denmark as a Danish foundation and limited liability entity acting as an agency of the Danish government. Its purpose is to promote sustainable investment in developing countries.
6. IFU generated, from its operating activities, a net revenue of _____ million (approximately _____ million) in the financial year ended 31st December 2016, while its assets stood at _____ billion (approximately PKR _____ billion⁵) for the same period.



¹ As on 19th December 2017
² Ibid
³ Ibid
⁴ Ibid
⁵ Ibid

IIP:

7. IIP was incorporated under the laws of the Kingdom of Denmark as a limited partnership for the purpose of directly and indirectly investing in companies in developing countries.
8. IIP generated, from its operating activities, a net revenue of . million (approximately PKR 118.956 million (approximately billion⁶) in the financial year ending 31st December 2016, whereas its assets stood at DKK 118.956 million (approximately billion⁷) for the same period.

Target

9. Power Cement is a public listed company incorporated in 1981 under the laws of Pakistan. It is engaged in the manufacturing, marketing and sale of cement. It is located in Jamshoro District, Sindh.
10. Power Cement generated a turnover of billion in the financial year ending 30th June 2017, whereas its assets stood at billion for the same period.

III. TRANSACTION

11. As per the Application, the Acquirers intend to acquire approximately subscription shares in the Target. The consideration for this purchase is , which is the transaction value in this case.
12. This transaction meets the thresholds as prescribed in Regulation 4 (2) (a), (b) and (c) of the Merger Regulations, as the combined assets of the undertakings are greater than PKR 1 billion, the combined annual turnover of the undertakings is greater than PKR 1 billion and the transaction value is greater than 100 million rupees.

IV. THE RELEVANT MARKET

13. One of the Acquirers, i.e., FLS is engaged in the business of research and development of technology used in the cement and mineral industries, while the remaining two Acquirers, i.e., IFU and IIP, are engaged in promoting sustainable development and investing in companies in developing countries, respectively. FLS currently has a share in M/s. Maple Leaf Cement Factory Ltd.
14. As the Target is engaged in the manufacturing, marketing and sales of cement, the relevant product market has been identified as that of manufacturing, marketing and sale of cement. Since the Target is located in Sindh, and its sales are also to the southern region of Pakistan, where the conditions of

⁶ As on 19th December 2017

⁷ Ibid



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competition are sufficiently homogenous, the relevant geographic market has been identified as the southern region of Pakistan.

15. The Target's share of the relevant market is 10% on the basis of sales, and 8.97% on the basis of installed capacity. The market shares of the Target as compared to its largest competitors are as follows:

Sr. No	Company	Sales (Tons) (2016-2017)	Market Share (Sales) %	Installed Capacity (Tons)	Market Share (Installed Capacity) %
1.	Lucky Cement				
2.	Attock Cement				
3.	Dewan Cement				
4.	Power Cement				
5.	Thatta Cement				
6.	<i>Total</i>				

Source: Data supplied by Applicant

17. Post transaction, the Target's market share will remain unchanged.

V. FINDINGS OF THE PHASE I INVESTIGATION ON COMPETITION ASSESSMENT

18. As per the Application, the Acquirers intend to acquire approximately subscription shares in the Target. One of the Acquirers, i.e., FLS is engaged in the business of research and development of technology used in the cement and mineral industries, while the remaining two Acquirers, i.e., IFU and IIP, are engaged in promoting sustainable development and investing in companies in developing countries, respectively. FLS currently has a share in M/s. Maple Leaf Cement Factory Ltd.

19. The relevant product market in this case is that of the manufacturing, marketing and sale of cement, while the relevant geographic market is southern region of Pakistan.

20. The Target's share of the relevant market is on the basis of sales, and on the basis of installed capacity. This will remain unchanged post-transaction.

21. In view of the above, the intended merger does not meet the presumption of dominance as defined under Section 2 (1) (e) of the Competition Act, 2010 ("Act"), read with Section 3 and 11 (5) of the Act.



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VI. CONCLUSION

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

23. It is so ordered.

Vadiyya S. Khalil

(Vadiyya S. Khalil)
Chairperson

M. Saleem
22/12/17

(Dr. Muhammad Saleem)
Member



Islamabad the 22nd December 2017