



**BEFORE THE
COMPETITION COMMISSION OF PAKISTAN**

IN THE MATTER OF

FIRST PHASE REVIEW

**ACQUISITION OF SHARES OF ORIENT POWER COMPANY
PVT LIMITED BY MAHMOOD TEXTILE MILLS LIMITED**

CASE: 848/MERGER-CCP/16

Commission

Ms. Vadiyya Khalil
Chairperson

Mr. Shahzad Ansar
Member



ORDER

I Background

- 1 Mahmood Textile Mills Limited ("MTML" or "Acquirer") submitted a pre-merger application (the "Application") to the Competition Commission of Pakistan (the "Commission") dated 24 October, 2016 (received on 25, October 2016) notifying the acquisition of 1.44% shares of Orient Power Company Pvt Limited ("OPCPL" or "Target") by MTML, along with the necessary documents and a bank draft of Rs. _____ as processing fee applicable under Regulation 5 (6) of the Competition (Merger Control) Regulations, 2007 ("Merger Regulations").

The case is examined as under.

II Merger Parties

Acquirer

- 2 MTML was incorporated in Pakistan on 25 February, 1970 as a public company under the Companies Ordinance 1984. It is primarily engaged in the manufacturing and sales of yarn and grey cloth. The total turnover of MTML for the year ended 30 June, 2016 was PKR _____ and value of its total assets remained PKR _____ for the same period.

Target

- 3 OPCPL was incorporated on 16 June, 2003 under Companies Ordinance 1984. It is established to set up and operate 212.7 megawatt power generation plant at Balloki, for the generation and onward sales of electricity to National Transmission Dispatch Company Limited NTDC. The total turnover of OPCPL for the year ended on 30 June, 2016 was PKR _____ and value of its total assets remained PKR _____ for the same period.

III Transaction

- 4 In this transaction Acquirer desires to purchase _____ (6.0 Million) shares of Target, price agreed between parties is Rs _____ share with the consideration of PKR _____ as transaction value. MTML already possess _____ shares of OPCPL and now willing to purchase more shares. After purchasing the shares, the Acquirer's share holding in the Target would increase from _____ to _____

- 5 The transaction meets the notification thresholds prescribed in Regulation 4(2)(a)(b)(c)&(d) of the Merger Regulations, as acquirer's assets valuing more than PKR 300 million and combined assets of the merging entities being more than PKR 1.0 billion and turnover of acquirer more than PKR 500 million and combined turnover being more than PKR 1.0 billion. The transaction value also exceeds PKR 100 million. Percentage of the voting shares to be acquired exceeds 10% of the total shareholding of the target.



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IV Relevant Market:

- 6 -The relevant market in this case is Power Generation.
7 -The Relevant Geographic market is Pakistan.

V Findings of the Phase I investigation on the competition assessment

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

- The Acquirer is engaged primarily in the production, and sales of yarn, while the Target is power generation company involved in the generation and further sale of electricity.
- The relevant market in this case is power generation. The Acquirer is a textile mill, it already holds shareholding in the Target and wants increase of of its stakes in it, but beside its presence in the form of having shares of target still it is not in position to influence the market.
- Target and Acquirer both are Pakistan based local companies but operating in different market sectors, this transaction is not likely to distort the competition in the relevant market as both parties are engaged in different type of businesses.
- Both parties are engaged in the business dissimilar to each other's markets. Thus, post merger the market share of both the merging parties will remain the same.
- Post-merger the transaction does not meet the presumption of dominance as determined under Section 2(1)(e) read with Section 3 of the Competition Act 2010 (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.

Vadiya Khalil

(Vadiya Khalil)
Member

Shahzad Ansar

(Shahzad Ansar)
Member



Islamabad, the 25th, November 2016