

BEFORE THE
COMPETITION COMMISSION OF PAKISTAN

IN THE MATTER OF
FIRST PHASE REVIEW

ACQUISITION OF () OF DESCON CHEMICALS LIMITED BY A
CONSORTIUM COMPRISING NIMIR HOLDINGS PRIVATE LIMITED, TERRANOIVA LIMITED,
MR. SAEED-UZ-ZAMAN, MRS NUSRAT JAMIL AND MR. MUHAMMAD YAHYA KHAN.

CASE: 764/Merger-CCP/15

Commission

Ms. Vadiyya Khalil
Chairperson

Mr. Mueen Batlay
Member

Mr. Ikram Ul Haque Qureshi
Member



ORDER

I Background

1 On 23rd November 2015, a consortium comprising of: (i) Nimir Holding (Pvt) Limited (NHPL), (ii) Terranova Limited (TL), (iii) Mr. Saeed-uz-Zaman, (iv) Mrs Nusrat Jamil, and (v) Mr. Muhammad Yahaya Khan ("The Acquirers"), submitted a pre-merger application (the "application") to the Commission, for the intended acquisition of 5% shares of Descon Chemicals Limited ("The Target") by the Acquirers, along with the necessary information.

II Merger Parties

2 Acquirers

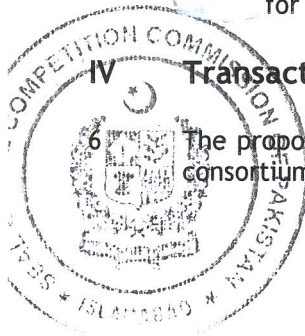
- i. Nimir Holding (Private) Limited (NHPL) is a private Limited company incorporated under the laws of Pakistan. It is a wholly owned subsidiary of Nimir Industrial Chemicals Limited (NICL). NHPL is not engaged in any business activity and has been setup solely for the purpose of acquiring the Target. Thus the turnover of NHPL is nil. While, NICL had total assets valuing PKR 2,227.7 million on 30th June 2015 and a turnover of PKR 1,227.7 million in the same period.
- ii. Terranova Limited (TL) was incorporated in Pakistan in 2010 as a Public Limited Company. The Company is engaged in business of agricultural products and related process. TL had total assets valuing PKR 1,227.7 Million on 30th June 2015 and its turnover remained at PKR 1,227.7 million for the same period.
- iii. Mr. Saeed-uz-Zaman, is a retired professional and is a non-executive director of NICL.
- iv. Mrs. Nusrat Jamil, is an individual.
- v. Mr. Muhammad Yahaya, is a private investor who make investments in the shares of listed companies.

III Target

- 3 DCL incorporated as a Public Limited Company in 1991 with the name of Nimir Resins Limited. The name of the company was changed to Descon Chemicals Limited after it entered into a scheme of arrangement for merger/amalgamation with Descon Chemicals (Private) Limited in 2010. The principal activity of the Company is to manufacture Textile Softeners, Polyester Resins, Coating & Emulsions, Pulp & Paper Chemicals and Adhesives and Graphics.
- 4 The line of business of DCL and the members of Consortium of Acquires is not same; however, the acquirer (i) NHPL is a wholly owned subsidiary of NICL. Two products produced by NICL: (a) Glycerin, and (b) Stearic acid are used by the Target as raw materials (inputs) to produce Textile Softeners.
- 5 DCL had total assets valuing PKR 1,227.7 million on 30th June 2015. Its turnover remained PKR 1,227.7 million for the above mentioned period.

IV Transaction

- 6 The proposed transaction involves acquisition of 5% shares of the target (DCL) by a consortium of acquirers. The acquirers include the following:



- a. NHPL acquiring _____ shares (____%)
- b. TL acquiring _____ shares (____%)
- c. Mr. Muhammad Yahya Khan acquiring _____ shares (____%)
- d. Mr. Saeed-uz-Zamnan acquiring _____ shares (____%)
- e. Mrs. Nusrat Jamil acquiring _____ shares (____%)

7 The transaction meets the notification thresholds prescribed in Regulation 4(2) (a)(b) & (d) of the Competition (Merger Control) Regulations 2007 by having combined assets being more than 1 Billion rupees and combined turnover being more than 1 Billion. The percentage of share to be acquired exceeds 10% of the total shareholding of the Target.

V Relevant Market
Relevant product market

8 The relevant market for the Acquirer consists in the production of Glycerin and _____% - both locally produced and imported) and Stearic Acid (____% - only produced locally). While, the Target is active in the market of Textile Softeners, Polyester Resins, Coating & Emulsions, Pulp & Paper Chemicals and Adhesives and Graphics. Hence the relevant market for this transaction is defined as the local production and sale of Textile Softeners.

Relevant geographic market

9 The relevant geographic market is Pakistan.

VI Findings of the Phase I investigation on the competition assessment

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

- a. The proposed transaction involves acquisition of _____% shares of DCL by the Acquirers. NICL, the parent company of the NHPL is mainly engaged in production and sale of Glycerin and Stearic Acid, whereas, other acquirer i.e. TL produces agricultural products.
- b. The Target is involved in the production of Textile Softners, Polyester Resins, Coating & Emulsions, Pulp & Paper Chemicals and Adhesives and Graphics. It buys Stearic Acid from NICL and uses it in the manufacturing of Textile Softeners. The market size of Textile Softeners in Pakistan is around 6,000 tons per annum. The market of Textile Softeners (both produced locally and imported) is primarily captured by different multinational companies such as Clariant and others.
- c. Currently, DCL's share in the Textile Softener's country-wide market is less than ____%. Therefore, the total quantity of Stearic Acid procured by DCL from NICL (for manufacturing Textile Softeners) in the preceding years was around _____% out of the total 9,000 Tons per annum.
- d. Post-acquisition NHL will acquire the DCL's Textile Softeners manufacturing capacity and is likely to enter in this market. However, DCL current's market share in the relevant market is negligible. On the other hand, NICL supplies its Stearic Acid to a wide range of producers of Textile Softeners, Cosmetics, Shoes, Tyers, Polish, Tradling, Soaps, Perfume tiles, cables, pencil, among others.
- e. The current transaction is a vertical integration. However, the Target has negligible market share in the relevant product market and it is unlikely that the Acquirer will have incentives or ability to foreclose the supply of Stearic Acid (a key input in multiple products) to its key customers and exclusively deal in Textile Softeners and the related sector. Nevertheless, the



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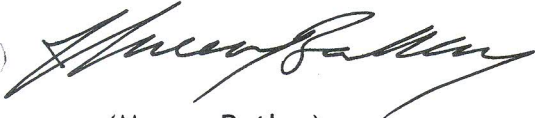
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Acquirer would be able to diversify their product portfolio and investment(s) and achieve synergies/specialty because of its prior experience of operating DCL business as is noted above.

- f. In addition, NICL has submitted a note of commitments that post-acquisition, there will be no impact on the supplies of its products to any of the existing customers. As such the acquisition will not lead either to input foreclosure or customer foreclosure.
- g. Thus, the intended merger does not meet the threshold or the presumption of dominance as are determined under section 2(1)(e) read with section 3 of the Competition Act 2010 (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.



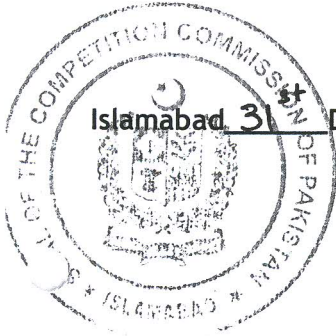
(Mueen Batlay)
Member



(Ikram Ul Haque Qureshi)
Member



(Vadiyya Khalil)
Chairperson



Islamabad, 31 December, 2015