



BEFORE THE
COMPETITION COMMISSION OF PAKISTAN

IN THE MATTER OF

FIRST PHASE REVIEW

PURCHASE OF ASSETS OF M/S ABDULLAH SUGAR MILLS LIMITED BY
M/S AL-ARABIA SUGAR MILLS LIMITED

CASE: 859/Merger-CCP/16

Commission

Ms. Vadiyya S. Khalil
Chairperson



Mr. Shahzad Ansar
Member

ORDER

I Background

- 1 On 26th December 2016 M/s. Al-Arabia Sugar Mills Limited ("AASML" or the "Acquirer") submitted a pre-merger application (the "Application"), notifying and seeking the approval of the Competition Commission of Pakistan (the "Commission") for the acquisition of assets of M/s. Abdullah Sugar Mills Limited ("ASML" 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 "Merger Regulations"). The Commission's review of the proposed transaction is as under:

II Merger Parties

Acquirer

- 2 AASML is a newly incorporated Public Unlisted Company registered on 18th November 2016 under the laws of Pakistan, having its registered office in Lahore, Pakistan. The company comes under the umbrella of Sharif Group of Companies which was established in 1939. The company will be involved in the manufacturing and sale of sugar and related products. The company has an associated company venturing in the same product market under the name of M/s Ramzan Sugar Mills limited, which is also a part of the same group of companies. Being a newly formed entity it has not yet commenced operations.

Target

- 3 ASML was incorporated as Public Limited Company on 13th March 1996 and is based in Lahore, Pakistan. The shares of the company are not listed on Pakistan Stock Exchange. The mill was designed and manufactured by Haseeb Waqas engineering. ASML belongs to the Haseeb Waqas Group of Companies which was established in late 1992. Also operating in the same product market is Haseeb Waqas Sugar Mills Limited, an associated company of the Target. The principal objective of the company is manufacturing and sale of sugar, ethanol and all kinds of iron and steel products including light and heavy machinery. The company currently has two sugar production units namely Depalpur and Shahpur. Its Shahpur unit which is subject to this transaction has been non-operational. As per the financial statements it only operated for _____ and produced _____ of sugar during the season 2014-15. The total assets of the company have been reported at _____ FY15 while reported turnover was _____ FY15.

III Transaction

- 4 The proposed transaction, ASML wishes to sell its sugar production unit located in Shahpur, by disposing off the assets, specifically land, building, plant and machinery to the Acquirer. The value of the transaction is considered to be _____. The total sale consideration is comprised of two components:

- i. Cash Component consisting of _____ payable to the seller in cash according to the agreement.



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ii. Non-Cash Component where the Acquirer will settle liabilities of the ASML. The debt is as follows:

- a) Lenders – up to-
- b) Sugar-Cane growers/suppliers for Shahpur Unit – up to.

5 The transaction meets the notification thresholds as prescribed in Regulation 4(2)(a), (b) and (c) of the Merger Regulations, with the combined assets of the parties being more than PKR 1 Billion and combined turnover being more than PKR 1 Billion. The transaction value also exceeds PKR 100 million.

IV Relevant Market:

6 The Target is involved in the manufacturing and sale of Sugar and its by-products. These products are all differentiated due to their distinct usage. For this reason, the relevant product market in this case has been identified as that of the manufacture and sale of sugar and its by-products.

7 Since the Target distributes sugar and its by-products countrywide, where the conditions of competition are sufficiently homogenous, therefore the relevant geographic market is Pakistan.

V Findings of the Phase I investigation on the competition assessment

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

8 The proposed transaction involves purchase of assets comprising of land, building, plant and machinery, by the Acquirer from the Target.

9 The proposed transaction is for the purposes of consolidating the financial position of ASML in order to lower the financial debt and as well as financial costs of the company. In addition, as the unit is non-operational, AASML intends to revive the operations of the unit.

10 The relevant product markets have a number of participants competing. ASML's market share is while AASML being a newly incorporated entity has none.

11 ASML has an associated company M/s. Haseeb Waqas Sugar Mills Limited also present in the reportable market having a share of while AASML's associated company M/s. Ramzan Sugar Mills limited has in terms of sugar produced.

12 Post-transaction, the market share of ASML is likely to remain at a similar level. However, AASML will be considered as a new entrant as it intends to revive the operations of the sugar unit in question. Ultimately, this will lead to an increased market share of Sharif Group of Companies in the relevant market.

13 As per a research published by The Pakistan Credit Rating Agency Limited ("PACRA"), market leader in terms of sugar produced (metric tonnes) is M/s. JDW Sugar Mills Limited, part of JDW Group, having a market share of followed by M/s. Hamza Sugar Mills Limited having a share of , M/s. Deharki Sugar Mills Private Limited, a subsidiary of M/s. JDW Sugar Mills Limited, attaining of the market and M/s. Tandlianwala Sugar Mills Limited also with share.



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14 The proposed transaction is horizontal in nature relating to the acquisition of assets and is not likely to result in the creation or strengthening of a dominant position in the relevant market. The intended Acquisition does not meet the presumption of dominance as determined under Section (2) (1) (e) read with Section 3 of the Act.

VI Conclusion

15 In conclusion, there is no evidence that suggests a substantial lessening of competition by the creation 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.

16 It is so ordered.

Vadiya S. Khalil

(Vadiya S. Khalil)
Chairperson

Shahzad Ansar

(Shahzad Ansar)
Member



3rd January 2017