



**BEFORE THE
COMPETITION COMMISSION OF PAKISTAN**

IN THE MATTER OF

FIRST PHASE REVIEW

**ACQUISITION OF SHARES OF JPL HOLDING PTE
LIMITED BY ABRAAJ JHIMPIR POWER CAYMAN LIMITED.**

CASE: 840/Merger-CCP/16

Commission

Ms. Vadiyya Khalil
Chairperson

Mr. Shahzad Ansar
Member



ORDER

I Background

- 1 On 9th September 2016, Abraaj Jhampir Power Cayman Limited ("Abraaj Jhampir") (the "Applicant"), submitted a pre-merger application (the "application") to the Commission, for the intended acquisition of shares of JPL Holdings Pte Limited ("JPL Holdings") (the "Target") by Abraaj Jhampir Power Cayman Limited (the "Acquirer"), along with the applicable processing fee and necessary information in accordance with the Competition (Merger Control) Regulations 2007 (the "Merger Regulations").

II Merger Parties

Acquirer

- 2 Abraaj Jhampir is a private limited company formed under the laws of Cayman Islands. It is a SPV formed for the purpose of execution of the proposed transaction. Abraaj Jhampir is a wholly owned subsidiary of Abraaj Group. Abraaj Group is an entity that has interest across different sectors and geographies. It is an investor operating in the growth markets of Asia, Africa and Latin America. The Group invests in private equity and businesses including health, energy, infrastructure and real estate. In Pakistani power market the Abraaj Group has interests in K-Electric, Karachi's integrated power utility company.

- 3 Abraaj Jhampir is a newly incorporated undertaking and has nil Turnover. However the proposed transaction will be managed by the Abraaj Group. The Turnover for 2014-15 for the Abraaj Group was USD (PKR @1USD=PKR104.80) the Total Assets for the above mentioned period for the Abraaj Group remained at USD @ 1USD=PKR 104.80).

Target

- 4 JPL Holding is a private limited company incorporated in Singapore. It is a holding company for a 50MW wind power project namely Jhampir Power (Private) Limited. JPL Holding is an indirect subsidiary of Burj Capital which is an investment firm registered in the Cayman Islands. Burj Capital focuses on activities in investment banking, gas, power generation, retail and agriculture sector. Burj Capital has investment interests in the power sector of Pakistan.
- 5 The Target has Nil Turnover in the year 2014-15 as it is a holding company for a project under development. The Total Assets for the above mentioned period remained at USD (PKR @1USD=PKR104.80).

III Transaction

6 This is a cross border merger in which Abraaj Jhampir intends to acquire 88% shares of JPL Holdings which will give Abraaj Jhampir indirect control of Jhampir Power (Private) Limited that is a wholly owned subsidiary of JPL



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Holdings. Jhampir Power (Private) Limited is setting up a 50MW wind power project in Sindh Pakistan. The value of transaction is USD {PKR (@ IUSD=PKR 104.80)}.

- 7 The transaction meets the notification thresholds prescribed in Regulation 4(2) (a) (b) (c) & (d) of the Merger Regulations, by having acquirer's assets valuing more than PKR 300 million and combined assets being more than PKR 1 billion and turnover of acquirer more than PKR 500 million and combined turnover being more than PKR 1 billion. The transaction value is PKR 100 million and percentage of shares to be acquired exceeds 10% of the total shareholding of the Target.

IV Relevant Market:

- 8 The Relevant Product Market in this case is "Power Generation". The country generates electricity through different means mainly thermal, hydel, nuclear and renewable energy. The power generation market has a mix of state owned enterprises and independent power producers (IPP's).
- 9 The Relevant Geographic market is Pakistan.

V Findings of the Phase I investigation on the competition assessment

- 10 The competition assessment in Phase I have resulted in the following findings:

- The proposed transaction involves acquisition of shares of the Target (JPL Holdings) by the Acquirer (Abraaj Jhampir) which will give the Acquirer indirect control of Jhampir Power (Private) Limited that is a owned subsidiary of the Target. Jhampir Power (Private) Limited is developing a 50MW wind power plant in the Jhampir wind corridor in Sindh, Pakistan. The Acquirer is a subsidiary of Abraaj Group that has presence in the Power market of Pakistan through its shareholding in K-Electric.
- The Target (through Jhampir Power Private Limited) and the Acquirer (through its Parent company's subsidiary i.e. K-Electric) operate in same relevant product market creating a horizontal relationship between the two.
- The relevant product and geographic market is a mix of state owned enterprises and IPP's. The market structure represents monopsony.¹ The power market is a regulated market with a single buyer i.e. National Transmission and Distribution Company (NTDC) while the prices are determined by National Energy and Power Regulatory Authority (NEPRA). Another regulator for the companies operating in the renewable energy segment is the Alternate Energy Development Board (AEDB) that was established in 2003 to facilitate, promote and encourage development of renewable energy. The relevant product and geographic market is also a high entry barrier market due to high cost of setting up a power plant and scarcity of suitable location for setting up a wind power project.



¹ A market structure that has only one buyer which interacts with multiple would-be sellers.

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- Pre-merger the Acquirer (Abraaj Jhampir) through its parent company's subsidiary i.e. K-Electric has installed capacity of 2,247 MW and a market share of 9.8% in the relevant product and geographic market while, the Target through its subsidiary Jhampir Power (Private) Limited has installed capacity of 50 MW and a market share of
- Post-merger the combined market share of both the entities will be which will be much below the presumption of dominance (prescribed limit of 40%). Post merger there will be no significant change in the market dynamics of the relevant product and geographic market. The transaction will result in an insignificant increase in the market power of the Acquirer in the relevant market.
- The proposed transaction will not hamper competition in the relevant market due to the existing dynamics of the relevant market that faces demand-supply gap due to a shortfall of 5000MW.
- The transaction is not likely to result in creation or strengthening of dominant position in the relevant market. The intended merger 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

- 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.

Vadiyya Khalil

Vadiyya Khalil
(Chairperson)

Shahzad Ansar

Shahzad Ansar
(Member)



Islamabad 21st December, 2016