



**BEFORE THE
COMPETITION COMMISSION OF PAKISTAN**

IN THE MATTER OF

FIRST PHASE REVIEW

**JOINT VENTURE AGREEMENT BETWEEN HUB POWER
COMPANY LIMITED AND CHINA POWER
INTERNATIONAL HOLDING LIMITED**

CASE: 753/Merger-CCP/15

Commission

Ms. Vadiyya Khalil
Chairperson

Mr. Mueen Batlay
Member



Mr. Ikram Ul Haque Qureshi
Member

ORDER

I Background

- 1 On 17th October 2015, the Hub Power Company Limited, submitted a pre-merger application (the "application") to the Commission, notifying the Joint Venture agreement between the Hub Power Company Limited ("HUBCO") and China Power International (Pakistan) Investment Limited ("CPIL") ("Joint Venture Parties") to form a joint venture company by the name of China Power Hub Generation Company (Private) Limited ("JV Company") to construct, own and operate a 2x660MW Power plant in Balochistan, along with the necessary information as well as a cheque of Rs [redacted] as processing fee, applicable under Regulation 5(6) of the Competition (Merger Control) Regulations, 2007 (the "Regulations"). The case is examined as under:

II Joint Venture Parties

Party no 1

- 2 Hub Power Company Limited (HUBCO) is incorporated in Pakistan as a public limited company with its shares listed on the Karachi, Lahore and Islamabad Stock Exchanges and its Global Depository Receipts listed on the Luxembourg Stock Exchange. The principal activities of the Company are to develop, own, operate and maintain power stations. The company owns an oil-fired power station of 1,200 MW in Balochistan and a 214 MW oil-fired station at Narowal. The company also has [redacted] % controlling interest in Laraib Energy Limited which owns a hydel power station of 84 MW. HUBCO had a market power of [redacted] % in 2014 while its subsidiary Laraib Energy had a market power of [redacted] % in the same year.

- 3 HUBCO had total assets valuing PKR [redacted]. Its turnover remained at PKR [redacted] on June 30th 2015.

Party no 2

- 4 China Power International Holding Limited (China Power) is a Holding company that operates through its subsidiary China Power International Development Limited that develops, construct, own, operate and manage large power plants in the Peoples Republic of China. China Power International Holding Company is investing in the power sector of Pakistan as a part of the China-Pakistan Economic Corridor for electricity generation. China Power has no power project operating in Pakistan and has no market share in domestic market.

- 5 China Power had total assets valuing PKR [redacted] on 31st December 2014. Its turnover remained at PKR [redacted] for the same period.



JV Company

- 6 JV Parties, HUBCO and China Power have formed a Joint Venture Company by the name of China Power Hub Generation Company (Private) Limited ("JV Company") through their wholly owned subsidiaries HPHL and CPIL to construct, own and operate a 2x660 MW coal-fired power project within one facility along with a jetty and housing facilities in Balochistan. China Power through CPIL will own % shares of the JV Company while HUBCO will own % shares through HPHL.
- 7 The JV Company has been registered with SECP on 3rd September 2015. However, the merged entity has neither started construction nor operation of the project and therefore does not yet have a market share.

III Transaction

- 8 The proposed merger is in the form of a Joint Venture in which both the JV Parties have formed a JV Company through their wholly owned subsidiaries i.e. HPHL and CPIL with an initial investment of PKR and an estimated aggregate funding of USD. The aggregate funding shall consist of the Parties' equity and project debt, with the equity accounting for approximately % of the aggregate funding and balance to be provided in the form of Project debt.
- 9 The aggregate funding for the project is currently estimated at USD. HUBCO through HPHL intends to subscribe to shares of the JV Company for an amount equal to PKR /- which would constitute % of the initial paid-up capital of the JV Company. China Power, through CPIL, intends to subscribe shares of the JV Company for an amount equal to PKR which would constitute % of the initial paid up capital of the JV Company.
- 10 The transaction meets the notification thresholds prescribed in Regulation 4(2)(a)(b)(c)& (d) by having acquirer's assets valuing more than PKR 300 Million and combined assets being more than 1 Billion rupees and turnover of acquirer more than PKR 500 million and combined turnover being more than 1 Billion. The transaction value also exceeds 100 million and percentage of share to be acquired exceeds 10% of the total shareholding of the target.

IV Relevant Market:

- 11 The relevant market in this case is the power generation market in the country. The country has an installed capacity of 24,375 MW of electricity generation through different means mainly thermal, hydel, nuclear and renewable energy
- 12 The Relevant Geographic market is Pakistan.

- 13 Market position in the relevant market is as under:



Company Name	Installed Capacity(MW)	Market Share(%)
Thermal		
GENCO with PEPCO		
KEL		
Independent Power Plants (IPPs)		
HUBCO ¹ (JV Party)		
Kot Addu Power Company (KAPCO)		
Uch Power		
Rouch Power		
Pak Gen Power		
Nishat Power Plant		
Lalpir Power Limited		
Others		
Sub Total IPPs Generation		
IPPs connected with KEL		
CPPs/SPPs connected with KEL		
China Power International Holding Company (JV Party)		0
Total Thermal Generation		
Hydel Generation		
WAPDA Hydel		
IPPs Hydel		
Total Hydel Generation		
Nuclear		
CHASNAP (I&II)		
KANUPP		
Total Nuclear Generation		
Wind		
Wind Power Plant with PEPCO		
Total Wind Generation		
Grand Total		

V Findings of the Phase I investigation on the competition assessment

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

- The proposed transaction is a Joint Venture to construct, own and operate a 2x660 MW coal-fired power plant along with a jetty and housing facility in Balochistan. JV party no 1 i.e. HUBCO, is a major private sector market player in the relevant market. It enjoys % market share along with its subsidiary i.e. Laraib Energy. However, JV party no 2 i.e. China Power and



The installed capacity includes HUBCO Narowal Plant(225MW).

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JV Company subsequently formed has nil market share in Pakistani market as yet, therefore this merger in formation of a Joint venture will not create or strengthen dominant position in the relevant market . The merger does not meet the presumption of dominance as determined under Section 3 of the Act.

VI Conclusion

15 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.

16 It is so ordered.



(Mueen Batlay)
Member



(Ikram Ul Haque Qureshi)
Member



(Vadiyya Khalil)
Chairperson



Islamabad ^{24th} November, 2015.