

**BEFORE THE
COMPETITION COMMISSION OF PAKISTAN**

**IN THE MATTER OF
FIRST PHASE REVIEW**

**ACQUISITION OF SHARES OF ENGRO POWERGEN
THAR PRIVATE LIMITED BY CMEC THAR POWER INVESTMENTS
LIMITED**

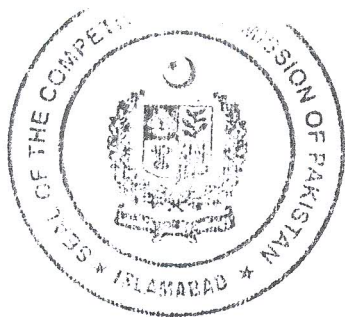
CASE: 768/Merger-CCP/15

Commission

Ms. Vadiyya Khalil
Chairperson

Mr. Mueen Batlay
Member

Mr. Ikram Ul Haque Qureshi
Member



ORDER

I Background

On 4th December 2015, the acquirer CMEC Thar Power Investments Limited ("CMEC Thar Power") submitted a pre-merger application (the "application") to the Commission, notifying the acquisition of [redacted] (%) shares of Engro Powergen Thar (Private) Limited ("the Target"), along with the necessary information.

II Merger Parties

2 Acquirer

CMEC Thar Power Investments Limited ("CMEC") is a company newly incorporated on 19th November 2015 in Dubai. It is a wholly owned subsidiary of China Everbest Development International Limited which is [redacted] owned by China Machinery Engineering Corporation. CMEC is an investment company, seeking out investment opportunities in the power sector in Pakistan. The target will be CMEC Thar Power's first invested company.

3 CMEC Thar Power was incorporated on 19 November 2015; therefore, it has nil turnover at present. The total assets of the acquirer's parent company, i.e. China Machinery Engineering Corporation, were RMB [redacted] (PKR [redacted]) as on 31st December 2014, while the turnover for the same period remained at RMB [redacted] (PKR [redacted]).

III Target

4 Engro Powergen Thar (Private) Limited ("the Target") is a private Limited Company incorporated in Pakistan in 2014. The company is a wholly owned subsidiary of Engro Powergen Limited which is in turn a wholly owned subsidiary of Engro Corporation Limited. It is a SPV formed for the purpose of development of 2x330 MW mine mouth Power Plant at Thar II, Sindh. Engro Powergen Thar (Private) limited is a subsidiary of Engro Corporation Limited. There is no turnover at present as the project is still under development.

5 The Target had total assets valuing PKR [redacted] on 31st December 2014. However, being inoperative unit, its turnover was 'nil'.



IV Transaction

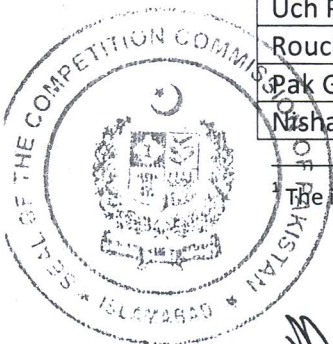
- 6 The proposed transaction involves acquisition of shares of the target by the acquirer (CMEC Thar Power). The shares to be acquired are in the form of ordinary shares to be bought at a consideration of USD and Preference shares to be bought at a consideration of USD. The total proposed transaction is estimated at PKR /-(USD). At present the Acquirer has no shareholding in the target, however, after the proposed transaction the total shareholding of the acquirer in the target will be CMEC Thar Power will have Directors out of Directors on the board of the target.
- 7 The transaction meets the notification thresholds prescribed in Regulation 4(2)(a) (b) (c) & (d) by having their combined assets more than 1 billion rupees their combined turnover more than 1 billion the transaction value exceeding 100 million and acquisition of shares exceeding 10% voting shares.

V Relevant Market:

- 8 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.
- 9 The Relevant Geographic market is Pakistan.
- 10 -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		
Kot Addu Power Company (KAPCO)		
Uch Power		
Rouch Power		
Pak Gen Power		
Nishat Power Plant		

¹The installed capacity includes HUBCO Narowal Plant(225MW).



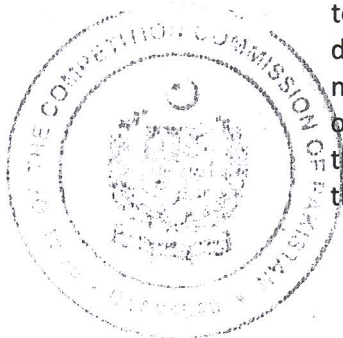
Others		
Sub Total IPPs Generation		
IPPs connected with KEL		
i. Tapal Energy Limited		
ii. Gul Ahmad Power Project		
CPPs/SPPs connected with KEL	203	
Engro Powergen Thar Private Limited	660 (to be added in national grid)	2.63% (projected market share on the basis of installed capacity)
Total Thermal 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		

Source: State of Industry Report 2014, NEPRA

VI Findings of the Phase I investigation on the competition assessment

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

- The proposed transaction involves acquisition of shares of the Target by the Acquirer. After the proposed transaction the total shareholding of the acquirer in the target will be 100%. Both the merger parties have no market share in the relevant market. The acquirer is an investment company whose intention is to make profits through this acquisition while the target is in the development stage of building a 2x330 MW Power Plant it has nil market share. Therefore, the transaction will not result in creation or strengthening of dominant position. The merger does not meet the presumption of dominance as determined under Section 3 of the Act.



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VII Conclusion

12 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.

13 It is so ordered.



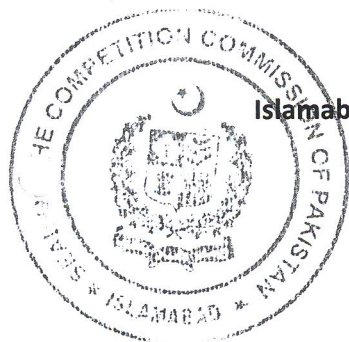
(Mueen Batlay)
Member



(Ikram Ul Haque Qureshi)
Member



(Vadiyya Khalil)
Chairperson



Islamabad 31st Decemeber, 2015