



BEFORE THE  
COMPETITION COMMISSION OF PAKISTAN

IN THE MATTER OF FIRST PHASE REVIEW

ACQUISITION OF SHARES OF ESCORT INVESTMENT  
BANK LIMITED BY BAHRIA TOWN PRIVATE LIMITED

CASE: 888/MERGER-CCP/17

Commission:

Ms. Vadiyya S. Khalil

Chairperson



Mr. Ikram Ul Haque Qureshi

Member

## ORDER

### I Background

- 1 On 17 May 2017, Bahria Town (Private) Ltd ("BTPL" or the "Acquirer") submitted a pre-merger application (the "Application") to the Competition Commission of Pakistan (the "Commission") notifying and seeking clearance of the acquisition of shares of Escort Investment Bank Limited ("EIBL" or the "Target") by BTPL, along with the necessary documents/information pursuant to Section 11 of the Competition Act 2010 (the "Act") Regulation 6 of the Competition (Merger Control) Regulations 2016 (the "Merger Regulations").

The case is examined as under.

### II Merger Parties

#### Acquirer

- 2 BTPL was incorporated on 14 January 1997 under the Companies Ordinance 1984. The company is mainly engaged in the development of land for housing colonies, construction of villas/houses, apartments, buildings/high rise buildings and execution of projects through joint venture agreements. It has so far launched schemes of land development for residential and commercial purposes in different cities of the country.

- 3 The total turnover of BTPL for the year ended 30 June 2016 was PKR and value of its total assets remained PKR for the same period.

#### Target

- 4 EIBL is public listed company incorporated in Pakistan on 15 May 1995 under the provisions of Companies Ordinance 1984. The company started its commercial operations on 16 October 1996 and is licensed to carry on the business of deposit taking non-banking finance (Investment Financial Services) by the Securities and Exchange Commission of Pakistan.

- 5 The total turnover of EIBL for the year ended 30 June 2016 was approximately PKR and value of its total assets remained PKR for the same period.



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### III Transaction

6 BTPL intends to purchase (approx. ) ordinary shares of Rs. EIBL each, thereby acquiring controlling interest in the Company. At present, EIBL is bearing losses (which currently exceed PKR , and the book value of the company as on 30 June 2016 is in negative. Additionally there are various outstanding liabilities including outstanding payables of PKR plus to depositors. EIBL's NBFC license has been pending for renewal since 2014 due to failure to meet the minimum equity requirement applicable under the law. BTPL will inject substantial funds into EIBL, therefore, EIBL and BTPL have agreed to a consideration of PKR nly while BTPL will pay off liabilities to the depositors of EIBL.

7 The transaction meets the notification thresholds as prescribed in Regulation 4(2)(a)(b)(c)&(d) of the Merger Regulations, with the undertakings being merged having assets valuing more than PKR 300 million and the combined assets of the merging entities being more than PKR 1.0 billion while the turnover exceeding PKR 500 million and the combined turnover exceeding PKR 1.0 billion. The transaction value is also more than PKR 100 million and percentage of the voting shares to be acquired exceeds 10% of the total shareholding of the Target.

### IV Relevant Market

8 The Target is a regulated nonbanking finance company, therefore, the relevant product/services market, in this case, is the Investment Banking sector. In contrast to retail and corporate banking services, an NBFC provides investment-financial services to individuals, corporations, and governments. These services may include raising financial capital by underwriting or acting as the client's agent in the issuance of securities. An investment bank may also assist companies involved in mergers and acquisitions (M&A) and provide ancillary services such as market making, trading of derivatives and equity securities, and FICC (fixed income instruments, currencies, and commodities) services. The two main lines of business in investment banking are called the sell side and the buy side. The "sell side" involves trading securities for cash or for other securities, while the "buy side" involves the provision of advice to institutions that buy investment services.

9 The merging parties are active nationwide; hence the relevant geographic market is Pakistan.

### V Findings of the Phase I Competition Assessment

The Acquirer is primarily a leading real estate developer which deliver state-of-the-art housing communities across Pakistan while the Target is a listed NBF company engaged in providing investment-financial services across Pakistan.



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- 11 The relevant product and services market, in this case, is Investment Banking services across Pakistan. There are no horizontal or vertical overlaps between the business activities of merging entities. The transaction essentially envisages a conglomerate relationship between the merging parties.
- 12 The Acquirer does not hold shareholding in any of the major competitors of the Target and will be a new entrant in the relevant market. According to the merging parties, the transaction would enable the Acquirer to diversify its investment portfolio and equity injection in the Target which may enhance competition in the relevant market.
- 13 Considering the facts on record and details provided in the pre-merger application and on the basis of above competition assessment, the Commission is of the opinion that the intended acquisition is not likely to have appreciable adverse effect on the competition in the relevant market in Pakistan.
- 14 Post-acquisition, there will be no significant change in the Target's market share because of the intended acquisition. Moreover, the intended acquisition does not meet the presumption of dominant position as defined under Section 2(1)(e) read with Section 3 of the Act.

**VI Conclusion**

- 15 The intended acquisition is not likely to substantially lessen competition by creating or strengthening of a dominant position in the relevant market and therefore, the Commission, hereby authorizes the same under Section 31(1)(d)(i) of the Act.
- 16 It is so ordered.

*Vadiyya S. Khalil*

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Chairperson

*Ikram Ul Haque Qureshi*

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Member



ISLAMABAD, THE 11<sup>th</sup> JULY, 2017