



BEFORE THE
COMPETITION COMMISSION OF PAKISTAN

FIRST PHASE REVIEW

IN THE MATTER OF DEMERGER OF M/S. ALLIED RENTAL MODARBA AND
SUBSEQUENT MERGER OF THE DEMERGED SEGMENTS WITH AND INTO M/S.
ALLIED ENGINEERING AND MANAGEMENT COMPANY (PRIVATE) LIMITED
AND M/S. ALLIED TRANSPORT AND LOGISTICS (PRIVATE) LIMITED.

CASE: 1306/Merger-CCP/2022

Commission

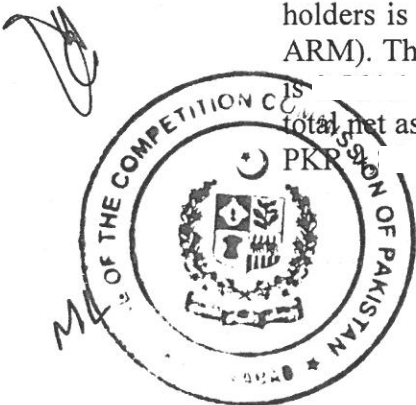
Ms. Rahat Kaunain Hassan
Chairperson




Mujtaba Ahmad Lodhi
Member

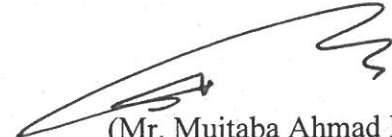
ORDER

1. On 13th July, 2022 the Competition Commission of Pakistan ("Commission") received a pre-merger application ("Application") of a proposed demerger and subsequent merger under Section 11 of the Competition Act, 2010 ("Act") read with Regulation 6 of the Competition (Merger Control) Regulations, 2016 ("Merger Regulations") whereby, M/s. Allied Rental Modaraba ("ARM") intends to demerge and split its two operational segments, which shall be merged into M/s. Allied Engineering and Management Company (Private) Limited ("AEMCL") and M/s. Allied Transport and Logistics (Private) Limited ("ATL"), respectively, in accordance with the Scheme of Arrangement ("Scheme"). All requisite information/documentation pertaining to the application was completed on 18th July, 2022.
2. The Commission has examined the Application as well as all the documents attached therewith and the information provided by the concerned undertaking(s). The Phase I competition assessment of the intended transaction has revealed the following facts:
 - i. The business activities of the undertakings concerned are:
 - a. For ARM: It is a perpetual Modaraba, i.e., a fund, having legal rights and obligations, managed by a modaraba company. It is primarily engaged in rental /Ijarah business and the operation and maintenance of Caterpillar and other equipment.
 - b. For AEMCL: its principal activity was to, initially, operate as a modaraba management company. However, through the subject transaction, its memorandum of association will be amended and it shall mainly handle rental operations by *inter alia* managing a rental fleet of equipment comprising of power generation equipment, material handling equipment and construction machinery.
 - c. For ATL: transport and logistics company, in particular, distribution of fast-moving consumer goods (food, beverages, etc.).
 - ii. As per the Scheme, ARM shall split into two business segments: (i) Rental Business Segment having net assets of PKR [REDACTED] and (ii) Logistics Business Segment having net assets worth PKR [REDACTED]. The Rental Business Segment of ARM will be transferred and merged into AEMCL and the Logistic Business Segment of ARM will be transferred and merged into ATL. Post-transaction ARM shall dissolve.
 - iii. As a consequence of the subject restructuring, the shares of AEMCL and ATL respectively shall be issued to ARM certificate holders in proportion of their holding, who will be new shareholders in AEMCL and ATL respectively. Therefore, the swap ratio for the shares of AEMCL to the previous ARM certificate holders is 0.2222 (0 share of AEMCL will be issued against 1 certificate of ARM). The swap ratio for shares of ATL to the previous ARM certificate holders is 0.7777 (0 share of ATL against 1 certificate of ARM). Thus, the value of total net assets of ARM being transferred to AEMCL and ATL are estimated to be [REDACTED] PKR [REDACTED] /-, which can be deemed to be the transaction value.



- iv. The relevant product markets in this case have been identified as “**Rental Services-Industrial Machinery and Equipment**” and “**Logistics and Transport**” and the relevant geographic market is “**Pakistan**”.
 - v. Both AEMCL and ATL will be new entrants in the relevant markets and are currently not active in the same, hence, as per the Applicant, the market share cannot be accurately determined.
3. The proposed transaction does not meet the presumption of dominance as determined under Section 2(1)(e) read with Section 3 of the Act. Hence, it is hereby authorized under Section 31(1)(d)(i) of the Act.
 4. In the subject transaction, matters which may fall outside the scope of the Commission’s purview shall be handled in accordance with the applicable laws.
 5. It is so ordered.


(Ms. Rahat Kaunain Hassan)
Chairperson


(Mr. Mujtaba Ahmad Lodhi)
Member



Islamabad the July 29th, 2022.