



BEFORE THE
COMPETITION COMMISSION OF PAKISTAN

FIRST PHASE REVIEW

IN THE MATTER OF CORPORATE RESTRUCTURING OF M/S. GUL AHMED
TEXTILE MILLS LIMITED, M/S. IDEAS (PRIVATE) LIMITED, M/S. WORLDWIDE
DEVELOPERS (PRIVATE) LIMITED, M/S. GRAND INDUSTRIES (PRIVATE)
LIMITED AND M/S. GHAFOORIA INDUSTRIES (PRIVATE) LIMITED

CASE: 1204/Merger-CCP/21

Commission

Ms. Shaista Bano
Member

Ms. Bushra Naz Malik
Member



ORDER

1. On 13th July, 2021 the Competition Commission of Pakistan ("**Commission**") received a pre-merger application ("**Application**") of a proposed merger pursuant to Section 11 of the Competition Act, 2010 ("**Act**") read with Regulation 6 of the Competition (Merger Control) Regulations, 2016 ("**Merger Regulations**") from M/s. Gul Ahmed Textile Mills Limited ("**GATML**" or "**Merger Party 1**") , M/s. Ideas (Private) Limited ("**Ideas**" or "**Merger Party 2**") , M/s. Worldwide Developers (Private) Limited ("**WWDL**" or "**Merger Party 3**") , M/s. Grand Industries (Private) Limited ("**Grand**" or "**Merger Party 4**") and M/s. Ghafooria Industries (Private) Limited ("**Ghafooria**" or "**Merger 5**") (collectively as "**Gul Ahmed Group**") in accordance with the Scheme of Arrangement ("**Agreement**"). All requisite information/documentation pertaining to the application was completed on September 23, 2021.
2. The Commission has examined the Application as well as all the documents attached therewith, the market scenario, and made its observations on the basis of an independent research/investigation in the relevant market. The Phase I competition assessment of the intended transaction has resulted in the following findings:
 - i. The business activities of the undertakings concerned are:
 - a. For the Merger Party 1: carry on the business of a composite textile unit, and the manufacture and sale of textile products.
 - b. For the Merger Party 2: undertake the business of textile products
 - c. For the Merger Party 3: undertake the business of real estate and allied businesses.
 - d. For the Merger Party 4: undertake the business of textile products
 - e. For the Merger Party 5: business of Textiles and made-ups in both local and exports market
 - ii. Scheme of Merger:
 - a) GATML shall be split into two segments i.e. GATML Retail Undertaking and GATML Retained Undertaking. The GATML Retail Undertaking shall be carved out of GATML and merged with and into Ideas, against which shares of Ideas shall be issued to GATML, and Ideas shall become the wholly owned subsidiary of GATML.
 - b) WWDL, being the subsidiary of GATML, shall be merged with and into GATML, against the issuance of shares of GATML to the directors/shareholders of WWDL (excluding GATML), as a consequence of which, WWDL shall be dissolved without winding up.
 - c) Grand shall be split into three segments i.e Grand Demerged Undertaking 1, Grand Demerged Undertaking 2 and the Grand Retained Undertaking. The Grand Demerged Undertaking 1 shall be merged with and into GATML, while the Grand Demerged Undertaking 2 shall be merged with and into Ideas, against which shares of GATML shall be issued to Grand.
 - d) Ghafooria shall be split into two separate segments i.e. Ghafooria Demerged Undertaking and the Ghafooria Retained Undertaking. The Ghafooria Demerged Undertaking shall be merged with and into GATML, against the issuance of shares of GATML to Ghafooria.

Overall effect of the Scheme of Arrangement:



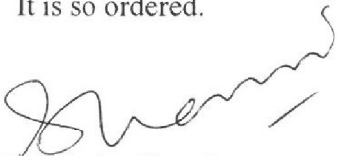
- a) GATML will continue to own and operate the GATML Retained Undertaking; furthermore, WWDL, the Grand Demerged Undertaking 1 and the Ghafooria Demerged Undertaking shall stand merged with and into GATML.
 - b) The GATML Retail Undertaking and the Grand Demerged Undertaking 2 shall stand merged with and into Ideas.
 - c) WWDL shall be dissolved without winding up.
 - d) Grand will continue to own and operate the Grand Retained Undertaking.
 - e) Ghafooria will continue to own and operate the Ghafooria Retained Undertaking.
 - f) Shares of GATML shall be issued to Grand, Ghafooria and the directors and shareholders of WWDL (excluding GATML).
 - g) Shares of Ideas shall be issued to GATML and Ideas shall become a wholly owned subsidiary of GATML.
- iv. WWDL, being the subsidiary of GATML, shall be merged with and into GATML. This is deemed exempt under regulation 5 (1) (ii) of the Competition (Merger Control) Regulations 2016 (“Merger Regulations”).
 - v. Pursuant to the Application, the transaction under consideration is an internal group restructuring between Gul Ahmed Group entities and will take place simultaneously. Hence, as per the applicant, there is no consideration amount as this transaction entails internal group re-structuring. Based on the number of shares issued the consideration amount can be estimated to be PKR 1,010,101,070 /- for a total of _____ shares issued.
 - vi. The relevant market, in this case, has been identified as “**Manufacture and Sale of textile products**” and the geographic market is “**Pakistan**”. As per the report from PACRA dated November 2020, the overall textile industry contributes approximately 11% to the GDP of the country, which amounted to a market size of approximately PKR 2,000,000,000 in FY20.
 - vii. Pre-transaction the overall estimated market share of GATML is 1.63%. Currently, Grand, Ghafooria and Ideas are not engaged in the relevant market. Hence their market share is nil.
 - viii. As per the Applicant it is intended that GATML shall be a manufacturing concern whereas Ideas will be involved in sales and marketing. Post-transaction the estimated market share of the GATML in the relevant market will reduce from _____% to _____%. Whereas, the market share of Ideas will increase from _____% to _____%. The market share of Grand and Ghafooria will remain nil.

In conclusion, the proposed transaction does not meet the presumption of dominance as determined under Section (2) (1) (e) read with Section 3 of the Act. The proposed transaction is hereby authorized under Section 31 (1) (d) (i) of the Act.



Handwritten signatures and initials.

4. It is so ordered.



(Ms. Shaista Bano)

Member



(Ms. Bushra Naz Malik)

Member



Islamabad the September 27th, 2021.