

**BEFORE THE
COMPETITION COMMISSION OF PAKISTAN**

IN THE MATTER OF

FIRST PHASE REVIEW

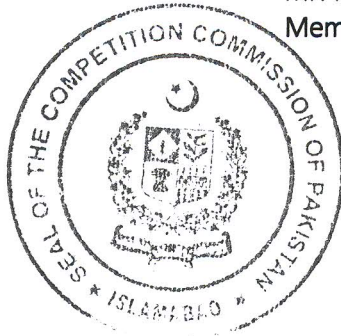
**ACQUISITION OF SHAREHOLDING OF M/S DAWLANCE
PRIVATE LIMITED BY M/S ARDUTCH B.V.**

CASE: 819/Merger-CCP/16

Commission

Ms. Vadiyya S. Khalil
Chairperson

Mr. Mueen Batlay
Member



ORDER

I Background

- 1 On 20th July 2016 Mr. Bashir Dawood and Ms. Maryam Dawood (collectively referred to as the "Sellers") through their authorized representative submitted a pre-merger application (the "Application"), notifying and seeking the approval of the Competition Commission of Pakistan (the "Commission") for the acquisition of _____ of paid up and issued share capital of Dawlance Private Limited ("DPL" or "Target") by Ardutch B.V ("Ardutch" or "Acquirer"). The Application was submitted along with the necessary information and applicable processing fee in accordance with the provisions of the Competition Act, 2010 (the "Act") and the Competition (Merger Control) Regulations, 2007 (the "Merger Regulations"). The Commission's review of the proposed transaction is as under:

II Merger Parties

Acquirer

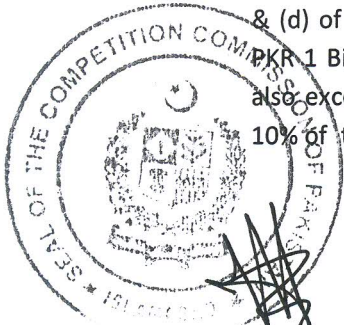
- 2 Ardutch was incorporated in Netherlands and acts as an investment holding company for its parent the Arçelik Group also based in Netherlands. Ardutch is engaged in acquiring and disposing of participants or other interests of the international subsidiaries of the Arçelik Group. Ardutch does not have any operational activity and its income is mostly dividends from subsidiaries. Total assets of Ardutch as on 31st December 2015 amounted to Euro _____ (approximately PKR _____) while its reported income was Euro _____ (approximately PKR _____) for the above mentioned period.

Target

- 3 DPL is a privately-owned company of white goods in Pakistan which was founded in Karachi in 1980. It has two manufacturing sites in Karachi and one in Hyderabad. The company has a significant foothold in white goods manufacturing domains and even exports some of its goods abroad. DPL is currently owned by Mr. Bashir Dawood and Ms. Maryam Dawood who collectively hold _____ shareholding in the Company. It is engaged in the business of manufacturing electrical home appliances for household use such as refrigerators, air conditioners, microwave ovens, deep-freezers and washing machines. Total assets of DPL as on 31st December 2015 stand at PKR _____ while its reported turnover for the above mentioned period is PKR _____

III Transaction

- 4 The proposed transaction entails the acquisition by the Acquirer of _____ shareholding in DPL from Mr. Bashir Dawood and Ms. Maryam Dawood. The value of the transaction is deemed to be US _____ (approximately PKR _____)
- 5 The transaction meets the notification thresholds as prescribed in Regulation 4(2)(a), (b), (c) & (d) of the Merger Regulations, with the combined assets of the parties being more than PKR 1 Billion and combined turnover being more than PKR 1 Billion. The transaction value also exceeds PKR 100 million and the percentage of voting shares to be acquired exceeds 10% of the total shareholding of the Target.



V

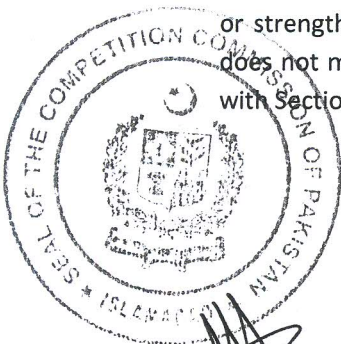
IV Relevant Market:

- 6 The Target is involved in the manufacturing of household appliances, mainly Refrigerators, Air conditioners, Microwave ovens and Washing machines. These products are all differentiated with distinct uses by the consumers.
- 7 In light of the above, the Commission has considered the relevant product markets to be of "Refrigerators", "Air conditioners", "Microwave ovens" and "Washing machines" which are in line with Section 2(1)(k) of the Act.
- 8 Since, DPL's products are distributed nationally, the Commission has therefore deemed the relevant geographic market to be all of Pakistan.

V Findings of the Phase I investigation on the competition assessment

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

- 9 The proposed transaction would result in acquisition of shareholding of DPL by Ardutch. Post-transaction, the Acquirer will achieve at least of the issued and paid-up share capital of DPL, hence complete controlling interest in the entity.
- 10 The proposed transaction is for the purposes of potential investment, expansion of products and entry into the Pakistani market.
- 11 The relevant product markets have a number of participants competing. DPL's market share is in Refrigerators market, share in Microwave Ovens market, share in Split ACs market and share in Washing Machines market.
- 12 Currently the Acquirer has no presence in the relevant product market in Pakistan, however Arçelik A.Ş. made limited indirect sales of OEM refrigerators in Pakistan valued at US (equivalent to PKR). In value terms, this measures up to market share and these refrigerators were not supplied under Arçelik A.Ş. own brand name, instead were re-branded and sold under another company's brand name.
- 13 Post-transaction, there will be no change in the market dynamics of the relevant market in Pakistan as the competition will not be affected by the intended acquisition.
- 14 Under paragraph 10 of the Application, the Merging Parties have informed the Commission of ancillary restrictions in the Agreement. In view of the foregoing, the merging parties are hereby directed to submit a separate application to the Commission for grant of exemption.
- 15 The proposed transaction relates to an acquisition and is not likely to result in the creation or strengthening of a dominant position in the relevant market. The intended Acquisition does not meet the presumption of dominance as determined under Section (2) (1) (e) read with Section 3 of the Act.



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VI Conclusion

16 In conclusion, there is no evidence that suggests a substantial lessening of competition by the creation or strengthening of a dominant position in the relevant market. The proposed transaction is hereby authorized under Section 31(1) (d) (i) of the Act.

17 It is so ordered.

Vadiya S. Khalil
(Vadiyya S. Khalil)
Chairperson

Mueen Batlay
(Mueen Batlay)
Member

