



**BEFORE THE  
COMPETITION COMMISSION OF PAKISTAN**

**IN THE MATTER OF**

**FIRST PHASE REVIEW**

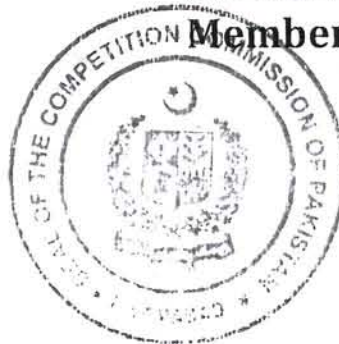
**ACQUISITION OF SHARES OF HYUNDAI NISHAT  
MOTORS (PRIVATE) LIMITED BY SOJITZ CORPORATION.**

**CASE: 878/Merger-CCP/17**

Commission

Ms. Vadiyya Khalil  
Chairperson

Mr. Ikram Ul Haque Qureshi  
Member



## ORDER

### I Background

- 1 On 31 March 2017, Hyundai Nishat Motors (Private) Limited ("Hyundai Nishat", or the "Target") through their legal advisor, submitted a pre-merger application (the "Application") with the Competition Commission of Pakistan (the "Commission"), for the intended acquisition of [redacted] of its shares by Sojitz Corporation ("Sojitz" or the "Acquirer"), along with the necessary information and processing fee, pursuant to Section 11(3) of the Competition Act 2010 (the "Act") read with Regulation 6 of the Competition (Merger Control) Regulations 2016 (the "Merger Regulations").

The case is examined as under:

### II Merger Parties

#### Acquirer

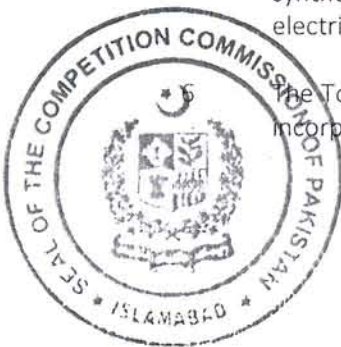
- 2 Sojitz is a company domiciled in Japan. The company with its subsidiaries form a Group which is an integrated trading company engaged in a wide range of business activities on a global basis. Its headquarters include business sections that handle merchandising, trading, product manufacturing, services, project planning and management, investment and financing activities both domestically and internationally.

- 3 The Total Assets of the Acquirer as on 31 March 2016, were Yen [redacted] [PKR [redacted] (@ 1YEN= PKR 0.947)] while the Turnover remained at Yen [redacted] (PKR [redacted]) for the above mentioned period. The Acquirers turnover in Pakistan, as on 31 March 2016, was Yen [redacted] (PKR [redacted]). The Acquirer's turnover in Pakistan was generated through supplying spare parts and supervising services to a power company and chemical products to customers.

#### Target

- 4 Hyundai Nishat is a recently incorporated private limited company formed under the laws of Pakistan. The company has been incorporated for the purpose of exploring investment opportunities in the automobile sector of Pakistan. The company would be involved in assembling, manufacturing and distribution of vehicles of Hyundai make in Pakistan.
- 5 Hyundai Nishat is a [redacted] owned subsidiary of Nishat Mills Limited (NML). NML is a company engaged in the business of textile manufacturing and of spinning combing weaving, bleaching, dyeing, printing, stitching, apparel, buying, selling and otherwise dealing in yarn, linen, cloth and other goods and fabrics made from raw cotton, synthetic fiber and cloth and to generate, accumulate, distribute supply and sell electricity.

The Total Assets and the Turnover of the Target are nil as the company is a recently incorporated entity and has not commenced business activity. However, the total



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Assets of the Target's parent company as on June 30 2016 were PKR 1,000 million while the Turnover remained at PKR 500 million for the above mentioned period.

### III Transaction

- 7 The proposed transaction envisages a conglomerate merger. The Acquirer in the proposed transaction is a multinational trading company which will acquire 75% shares (First Tranche 50%; Second Tranche 25%) of the Target from NML, the parent company of the Target. The transaction value of the proposed transaction is PKR 1,000 million.
- 8 The transaction meets the notification thresholds prescribed in Regulation 4(2)(a), (b) & (d) of the Merger Regulations, with the Acquirer's assets valuing more than PKR 300 million and turnover being more than PKR 500 million. The percentage of shares to be acquired also exceeds 10% of the total shareholding of the Target.

### IV Relevant Market:

- 9 The Target will be involved in manufacturing, assembling and distributing vehicles of Hyundai, therefore the product market in this case is defined as "passenger and light commercial vehicles automobile market". The relevant market can be further divided into Cars and Jeeps in the passenger category and into Pickups in light commercial vehicle's category. The auto industry in Pakistan has a small number of market participants with Honda Toyota Suzuki and Dewan present in the "Cars" segment, Toyota and Sigma in "Jeeps" category and Suzuki, Toyota, Dewan and Master in the "Pickups" category. The relevant market has an import segment as well in both the passenger and light commercial vehicle category.
- 10 The Target is inoperative and has no share in the relevant market at present, while the Acquirer is not engaged in business in the relevant market either.
- 11 The Relevant Geographic market is Pakistan.

### V Findings of the Phase I investigation on the competition assessment

- 12 The competition assessment in Phase I have resulted in the following findings:
- The proposed transaction involves acquisition of 75% shares of the Target by the Acquirer. The Acquirer is a commodity trading company that is not involved in the relevant product market in Pakistan while the Target is a non-operative automobile company. The transaction envisages a conglomerate merger between the parties.
  - The Target and the Acquirer have no share in the relevant market. Post transaction, there will be no change in the competitive market dynamics of the relevant market.
  - The relevant market will experience a new entry in shape of the Target. The inclusion of the Acquirer through the proposed transaction will add the experience of the Acquirer in distribution of vehicles to the Target.
  - The transaction is not likely to result in the creation or strengthening of a dominant position in the relevant market. The intended merger does not



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meet the presumption of dominance as determined under Section (2) (1) (e) read with Section 3 of the Act.

VI Conclusion

13 In conclusion, there is no evidence that suggests a substantial lessening of competition by creating 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.

14 It is so ordered.

*Vadiyya Khalil*

Vadiyya Khalil  
(Chairperson)

*Ikram Ul Haque Qureshi*

Ikram Ul Haque Qureshi  
(Member)



Islamabad *10th* May, 2017