



BEFORE THE
COMPETITION COMMISSION OF PAKISTAN

FIRST PHASE REVIEW

IN THE MATTER OF MERGER OF M/S. SMS ELECTRONIC SAFETY SERVICE
(PVT) LIMITED WITH AND INTO M/S. SECURITY AND MANAGEMENT
SERVICES (PVT) LIMITED.

CASE: 1344/Merger-CCP/2022

Commission



Mrs. Rehat Kaunain Hassan
Chairperson

ORDER

1. On December 05, 2022 the Competition Commission of Pakistan ("Commission") received a pre-merger application ("Application") 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. SMS Electronic Safety Service (Pvt) Limited ("SMS-ESS" or "Merger Party 1") and M/s. Security and Management Services (Pvt) Limited ("SMS" or "Merger Party 2") whereby SMS-ESS will merge with and into SMS in accordance with the Scheme of Amalgamation ("Arrangement") dated June 16, 2022 whereby SMS will be the surviving entity. All requisite information/documentation pertaining to the Application was completed on March 15, 2023.
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. Merger Party 1: SMS-ESS is a private limited company incorporated under the laws of Pakistan and having its registered office in Karachi. SMS-ESS is engaged in the business of import, export, sell, install and maintenance of electronic security and alarm systems and products and allied services.
 - b. Merger Party 2: SMS is a private limited company incorporated under the laws of Pakistan and having its registered office in Karachi. SMS is *inter alia* engaged in the business of Security and Management Services including all related services. SMS is registered with the All Pakistan Security Agencies Association ("APSAA") which has more than members.
 - ii. As per the Application, on May 18, 2022 the Board of Directors of SMS & SMS-ESS had considered and approved the merger of SMS-ESS with and into SMS pursuant to the provisions of Section 284(2) and other relevant provisions of the Companies Act, 2017. Both of the Merger Parties are part of the Pathfinder Group's Security Services Division and have common directors namely, Abdul Hameed Quadri, Mr. Ikram ul Majeed Sehgal and Mrs. Shahnaz Sehgal. The Security Services Division also includes M/s. Facility Specialist & Multi Services (Pvt) Limited (FSMS), M/s. Wackenhut Pakistan (Pvt) Limited (WPPL) and M/s. Research & Collection Services (Pvt) Limited (RCS).
 - iii. According to the Arrangement, from the effective date of the merger, shares of SMS-ESS shall be canceled. The previous shareholders of SMS-ESS appearing in the register of shareholders as at June 30, 2022 shall get SMS shares in the ratio of of the shares previous held in SMS-ESS. Shareholders of SMS-ESS, together hold shares, thus shall receive shares of SMS as per the Arrangement. In light of the Arrangement, transaction value is deemed as PKR being the face value of shares being transferred.



iv. The relevant product market in this case has been identified as "Provision of Security Services, Products/Systems and other Allied Security Services" and the relevant geographic market is "Pakistan". The market is fragmented. The Applicant has submitted that the pre-requisites to enter the security market and security equipment segment include Incorporation Certificate under the Companies Act 2017, Operating licenses issued by Federal/provincial government and Social security registration.

- v. As per the submitted information, total number of registered companies in Pakistan is more than _____ which include more than _____ trained guards. Based on the information provided, presently SMS has _____ guards which translates into a market share of around _____ % market share. As per the application, market shares of SMS-ESS cannot be determined neither through data provided by the applicant nor available at open source as currently SMS-ESS does not provide guard service and only deals in security equipment.
- vi. Post-transaction, market position of SMS will only be enhanced to the extent of market position of SMS-ESS. The absorption of SMS-ESS would only result in an increased turnover by around _____ %, taking in revenue figures for the year ended June 30, 2021 (SMS PKR _____ – SMS-ESS PKR _____).
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, remain subject to applicable laws.
5. It is so ordered.


(Ms. Rahat Kaunain Hassan)

Chairperson

Islamabad the APRIL 3rd, 2023.

