



POWER CEMENT LIMITED

December 30, 2017

The General Manager
Pakistan Stock Exchange Limited
Stock Exchange Building
Stock Exchange Road
Karachi.



Dear Sir,

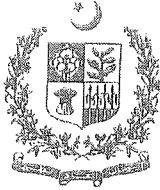
Subject: Issuance of Shares otherwise than Right.

We are pleased to enclose herewith the approval accorded by the Competition Commission of Pakistan for issuance of shares to M/s FLS, IFU and IIP by way of otherwise than right.

Yours Sincerely

Tahir Iqbal
CFO & Company Secretary

Encl: As above.



F. No: 908/Merger/CCP/2017
COMPETITION COMMISSION OF PAKISTAN
GOVERNMENT OF PAKISTAN

7th Floor, ISE Towers,
55 – B, Jinnah Avenue,
Islamabad
Tel: +92-51-9100291
Fax: +92-51-9100297
Email: asaeed@cc.gov.pk

December 28, 2017

Mr. Tahir Iqbal
CFO & Company Secretary

Arif Habib Centre, 23 MT Khan Road
Karachi – 74000
Tel: 021-32460717-19

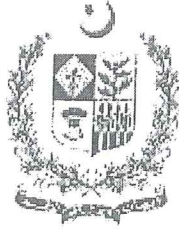
SUBJECT: **PRE-MERGER APPLICATION U/S 11 OF THE COMPETITION ACT, 2010 – IN THE MATTER OF ACQUISITION BY M/S FLSMIDTH, M/S INVESTMENT FUND FOR DEVELOPING COUNTRIES AND IFU INVESTMENT PARTNERS K/S OF APPROXIMATELY 9.84% SUBSCRIPTION SHARES IN M/S POWER CEMENT LIMITED**

Dear Sir,

I have been directed to send to you the enclosed certified copy of the order dated December 22, 2017 passed by the Competition Commission of Pakistan, for your information.

Sincerely,

Adnan Saeed Malik
Registrar



BEFORE THE
COMPETITION COMMISSION OF PAKISTAN

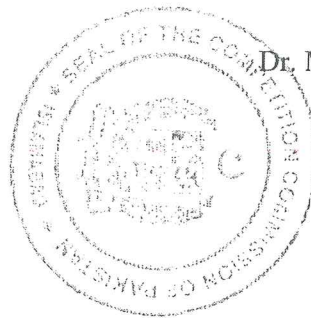
FIRST PHASE REVIEW

IN THE MATTER OF ACQUISITION BY M/S. FLSMIDTH, M/S. INVESTMENT FUND
FOR DEVELOPING COUNTRIES AND IFU INVESTMENT PARTNERS K/S OF
APPROXIMATELY 9.84% SUBSCRIPTION SHARES IN M/S. POWER CEMENT
LIMITED.

CASE: 908/Merger-CCP/17

Commission

Ms. Vadiyya Khalil
Chairperson



M. Saleem
22/12/17

Dr. Muhammad Saleem
Member

APPROVED BY THE CHAIRPERSON
22/12/17
Ms. Vadiyya Khalil
Chairperson

I. BACKGROUND

1. On the 6th of December 2017 the Competition Commission of Pakistan ("**Commission**") received a pre-merger application ("**Application**") regarding the acquisition of approximately 9.84% subscription shares in M/s. Power Cement Limited ("**Power Cement**" or "**Target**") collectively by M/s. FLSmidth A/S ("**FLS**"), M/s. Investment Fund for Developing Countries ("**IFU**") and IFU Investment Partners K/S ("**IIP**") (collectively "**Acquirers**") pursuant to a Share Subscription Agreement ("**Agreement**").

II. PARTIES

Acquirers

FLS:

2. FLS was incorporated under the laws of the Kingdom of Denmark as a limited liability company. It is a technology company engaged in the business of research and development of technology used in the cement and mineral industries.
3. Its specialties are in the use of alternative fuels, reducing emissions and waste, improving heat recovery, decreasing power consumption, minimizing water consumption, increasing plant capacity, availability and operating efficiency, and minimizing safety risks.
4. FLS's annual turnover related to sales in Pakistan in the financial year ending 31st December 2016 was DKK 459 million (approximately PKR 7.999 billion¹) whereas its annual turnover worldwide for the financial year ending 31st December 2016 was DKK 3.401 billion (approximately PKR 59.270 billion²). Its worldwide assets stood at DKK 9.016 billion (approximately PKR 157.124 billion³) for the same period.

IFU:

5. IFU was incorporated under the laws of the Kingdom of Denmark as a Danish foundation and limited liability entity acting as an agency of the Danish government. Its purpose is to promote sustainable investment in developing countries.
6. IFU generated, from its operating activities, a net revenue of DKK 51.117 million (approximately PKR 890.828 million⁴) in the financial year ended 31st December 2016, while its assets stood at DKK 3.125 billion (approximately PKR 54.461 billion⁵) for the same period.

¹ As on 19th December 2017

² Ibid

³ Ibid

⁴ Ibid

⁵ Ibid

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IIP:

7. IIP was incorporated under the laws of the Kingdom of Denmark as a limited partnership for the purpose of directly and indirectly investing in companies in developing countries.
8. IIP generated, from its operating activities, a net revenue of DKK 12.697 million (approximately PKR 221.273 million⁶) in the financial year ending 31st December 2016, whereas its assets stood at DKK 118.956 million (approximately PKR 2.073 billion⁷) for the same period.

Target

9. Power Cement is a public listed company incorporated in 1981 under the laws of Pakistan. It is engaged in the manufacturing, marketing and sale of cement. It is located in Jamshoro District, Sindh.
10. Power Cement generated a turnover of PKR 4.480 billion in the financial year ending 30th June 2017, whereas its assets stood at PKR 11.387 billion for the same period.

III. TRANSACTION

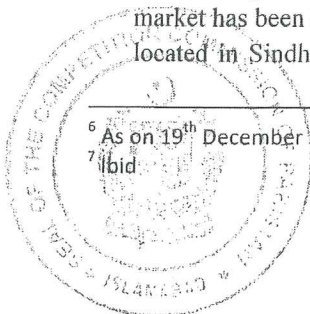
11. As per the Application, the Acquirers intend to acquire approximately 9.84% subscription shares in the Target. The consideration for this purchase is PKR 1,308,233,375/-, which is the transaction value in this case.
12. This transaction meets the thresholds as prescribed in Regulation 4 (2) (a), (b) and (c) of the Merger Regulations, as the combined assets of the undertakings are greater than PKR 1 billion, the combined annual turnover of the undertakings is greater than PKR 1 billion and the transaction value is greater than 100 million rupees.

IV. THE RELEVANT MARKET

13. One of the Acquirers, i.e., FLS is engaged in the business of research and development of technology used in the cement and mineral industries, while the remaining two Acquirers, i.e., IFU and IIP, are engaged in promoting sustainable development and investing in companies in developing countries, respectively. FLS currently has a 2.7% share in M/s. Maple Leaf Cement Factory Ltd.
14. As the Target is engaged in the manufacturing, marketing and sales of cement, the relevant product market has been identified as that of manufacturing, marketing and sale of cement. Since the Target is located in Sindh, and its sales are also to the southern region of Pakistan, where the conditions of

⁶ As on 19th December 2017

⁷ Ibid



APPROVED BY THE COMPETITION COMMISSION
ADDITIONAL COMMISSIONER
ISLAMABAD

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competition are sufficiently homogenous, the relevant geographic market has been identified as the southern region of Pakistan.

15. The Target's share of the relevant market is 10% on the basis of sales, and 8.97% on the basis of installed capacity. The market shares of the Target as compared to its largest competitors are as follows:

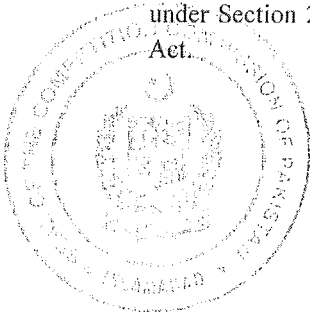
Sr. No	Company	Sales (Tons) (2016-2017)	Market Share (Sales) %	Installed Capacity (Tons)	Market Share (Installed Capacity) %
1.	Lucky Cement	2,720,563	42%	3,750,000	37.4%
2.	Attock Cement	1,582,238	24%	1,740,000	17.36%
3.	Dewan Cement	1,176,515	18%	3,087,000	30.79%
4.	Power Cement	630,342	10%	900,999	8.97%
5.	Thatta Cement	400,959	6%	547,500	5.46
6.	<i>Total</i>	5,510,617	100	10,024,500	99.98



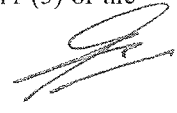
Source: Data supplied by Applicant

17. Post transaction, the Target's market share will remain unchanged.

V. FINDINGS OF THE PHASE I INVESTIGATION ON COMPETITION ASSESSMENT

18. As per the Application, the Acquirers intend to acquire approximately 9.84% subscription shares in the Target. One of the Acquirers, i.e., FLS is engaged in the business of research and development of technology used in the cement and mineral industries, while the remaining two Acquirers, i.e., IFU and IIP, are engaged in promoting sustainable development and investing in companies in developing countries, respectively. FLS currently has a 2.7% share in M/s. Maple Leaf Cement Factory Ltd.
19. The relevant product market in this case is that of the manufacturing, marketing and sale of cement, while the relevant geographic market is southern region of Pakistan.
20. The Target's share of the relevant market is 10% on the basis of sales, and 8.97% on the basis of installed capacity. This will remain unchanged post-transaction.
21. In view of the above, the intended merger does not meet the presumption of dominance as defined under Section 2 (1) (e) of the Competition Act, 2010 ("Act"), read with Section 3 and 11 (5) of the Act.



VI. CONCLUSION

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

23. It is so ordered.

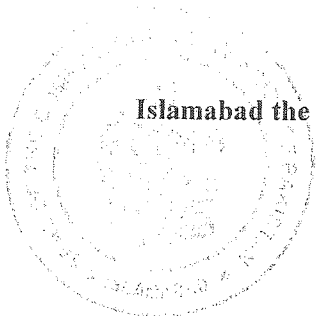
Vadiyya S. Khalil

(Vadiyya S. Khalil)
Chairperson

M. Saleem
22/12/17

(Dr. Muhammad Saleem)
Member

AS
22-12-2017



Islamabad the 22nd December 2017