

PUBLIC INFORMATION DOCUMENT

NOTICE OF PROPOSED CHANGE IN CONTROL AND SUBSTANTIAL OWNERSHIP INTEREST OF WARID TELECOM (PRIVATE) LIMITED AND REQUEST FOR PERMISSION FOR MERGER BETWEEN PAKISTAN MOBILE COMMUNICATIONS LIMITED (MOBILINK), AND WARID TELECOM (PRIVATE) LIMITED (WARID)

15th April, 2016

Please provide your comments / input (if any) on the subject matter by 22nd April, 2016 to the Director General (Commercial Affairs), PTA Headquarters, F-5/1, Islamabad or by email at comments@pta.gov.pk

Background

On 15th December 2015, Pakistan Mobile Communications Limited (Mobilink), and Warid Telecom (Private) Limited (Warid) filed a notification of proposed change in substantial ownership interest of Warid, and the request for permission of merger between Mobilink and Warid before Pakistan Telecommunication Authority (PTA), under the existing statutory provisions.

The Parties

Pakistan Mobile Communications Limited (PMCL) "Mobilink"

Mobilink was granted license for mobile communication service in 1992 and was the first GSM operator in Pakistan. License of Mobilink was renewed in 2007 for next 15 years i.e. till July 2022 on the last auction winning price of USD 291 Million. Mobilink also holds license to provide telecommunication services in Azad Jammu & Kashmir (AJK) and Gilgit Baltistan (GB). Mobilink is providing 3G services to its subscribers after winning spectrum block of 10MHz in 2100MHz band during spectrum auction for Next Generation Mobile Services (NGMS) in 2014.

Mobilink also holds various subsidiaries in Pakistan such as LinkDotNet and Business & Communications Systems (Private) Limited while its parent company 'Global Telecom Holding SAE "GTH" (formerly Orascom Ltd)' also owns and controls Waseela Microfinance Bank Limited. Currently, Mobilink is the market leader with highest market share of 28.87% of subscribers in the mobile segment.

100% of the shares in Mobilink are owned by International Wireless Communications Pakistan Ltd (IWCPL), a company incorporated in Malta. IWCPL is wholly owned subsidiary of Global Telecom Holding S.A.E (GTH), which is an indirect subsidiary of VimpelCom Ltd. Moreover, Telenor Global owns 100% shares of Telenor Pakistan (a cellular mobile company operating in Pakistan) and also owns 33% share of VimpelCom. Therefore, indirectly VimpelCom has stakes in Telenor Pakistan and Mobilink. However, in this regard, PTA had instructed in March, 2011 that there will be no common Directors of Mobilink and its subsidiaries and Telenor Pakistan.

Warid Telecom (Private) Limited (Warid)

Warid was granted license for cellular operations in Pakistan in 2004 for 15 years i.e. till May 2019, as a result of GoP's Mobile Cellular Policy and open auction in 2004. Warid also holds license to provide telecommunication services in AJK and GB. In December 2014, Warid was allowed to provide advanced cellular mobile services using LTE technology in view of the technology neutral regime in Pakistan. Hence, Warid is providing LTE services by carving of existing spectrum in 1800MHz. Warid is also providing mobile financial services in collaboration with Bank Alfalah. Currently, Warid has lowest subscribers share (8.4%) in the cellular market.

91.24% of Warid's shares are held by Warid Telecom Pakistan Limited LLC (WTPL), a company incorporated in the United Arab Emirates, while 8.76% are held by Bank Alfalah Limited.

Transaction

IWCPL, PMCL, WTPL, Bank Alfalah and Warid have reached an agreement to merge PMCL and Warid subject to necessary regulatory approvals and all legal and procedural formalities. The proposed transaction shall be implemented in two steps:

Step 1:

Step 1 entails the acquisition of all of the issued and outstanding shares of Warid by PMCL, whereupon Warid shall become the wholly owned subsidiary of PMCL, and PMCL shall issue and allot shares to the Warid Group Shareholders, which shall comprise up to 15% of the issued and paid up shares of PMCL (the merged entity), upon completion of merger.

Step 2:

Step 2 entails the legal merger of Warid with PMCL through sanction of a Scheme of Arrangement in terms of sections 284 to 287 of the Companies Ordinance 1984 (the Ordinance). Such merger is to be effected through the sanction of Scheme of Arrangement under sections 284 to 287 of the Ordinance by the High Court. Upon such legal merger being effected, all the assets and liabilities of Warid (including but not limited to Warid's licenses, network, spectrum, towers, infrastructure etc.) shall stand transferred/assigned to PMCL.

Market Structure

Currently, cellular mobile segment of the telecom sector of Pakistan consists of 5 cellular mobile operators out of which 4 are offering 3G services and 2 are offering LTE services. The cellular segment is highly competitive and mature. Currently Mobilink is the dominant player in terms of shares in total cellular mobile subscriptions (28.87%). Warid has the smallest share in terms of subscribers (8.4%) among the five mobile operators. Merger of Mobilink and Warid will lead to their combined subscriber share of 37.27%.

Table – 1: Cellular Mobile Subscribers (As on 29th February 2016)		
	Total Subscribers	Market Share
Mobilink	37,481,812	28.87%
Telenor	36,015,783	27.74%
CMPak (Zong)	24,859,472	19.14%
Ufone	20,587,591	15.85%
Warid	10,907,011	8.40%
<i>Total Share of Mobilink and Warid (after merger)</i>	48,388,823	37.27%

Spectrum Holdings

Following table depicts the current spectrum holdings of the cellular mobile companies in Pakistan.

Operator	Spectrum			Total Spectrum
	900MHz	1800MHz	2100MHz	
Mobilink	2x7.6 MHz	2x6 MHz	2x10 MHz	2x23.6 MHz
Warid	2x4.8 MHz	2x8.8 MHz	---	2x13.6MHz
Telenor	2x4.8MHz	2x8.8 MHz	2x5MHz	2x18.6MHz
CMPak (Zong)	2x7.6 MHz	2x16 MHz	2x10 MHz	2x33.6MHz
Ufone	2x7.6 MHz	2x6 MHz	2x5MHz	2x18.6MHz

Network Coverage

Total number of cell sites of the cellular mobile companies in Pakistan is 41,135. Mobilink has the highest number of cell sites i.e. 9,904 (24.1% of the total cell sites) while Warid has the lowest number of cell sites i.e. 5,636 (13.7% of total cell sites) as on 31st December, 2015. The merger of Mobilink and Warid will lead to a combined total of 15,540 (37.8%) cell sites, out of which the merged company has plans to decommission some cell sites in order to improve network efficiency.

Operator	Number of BTS	Share (%)
Mobilink	9,904	24.1
CMPak	8,860	21.5
Telenor	8,403	20.4
Ufone	8,332	20.3
Warid	5,636	13.7
Total	41,135	100

Regulatory Framework

Pakistan Telecommunication (Re-organization) Act, 1996

Pakistan Telecommunication Authority under the provisions of the Pakistan Telecommunication (Re-organization) Act, 1996 (the Act) has the mandate to regulate the establishment, maintenance and operation of telecommunication systems and provision of telecommunication services, to protect the rights and interests of licensees and telecommunication users in Pakistan. Clause (f) of sub-section (2) of Section 5 of the Act empowers the Authority to regulate the transfer of licenses.

Cellular Mobile License

License clause 12.2.1 states "The Licensee shall notify the Authority of the occurrence of any act, agreement or transaction that to its knowledge, directly or indirectly, results in (a) acquisition by a person or a group acting in common of more than 10 per cent of the Voting Interests of the Licensee, or (b) disinvestment by a person or a group acting in common, having direct or indirect control of 10 per cent or more of the Voting Interest of the Licensee, of those Voting Interest to any other person or group of persons."