



BEFORE THE  
COMPETITION COMMISSION OF PAKISTAN

PHASE II REVIEW

IN THE MATTER OF ACQUISITION OF % SHAREHOLDING OF M/S.  
AGRITECH LIMITED BY M/S. FAUJI FERTILIZER COMPANY LIMITED.

CASE: 1515/Merger-CCP/2025

Date of Hearing

26.11.2025

Bench

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Chairman

Ms. Bushra Naz Malik  
Member

On behalf of  
Fauji Fertilizer Company Limited

Mr. Syed Atif Ali  
Chief Financial Officer

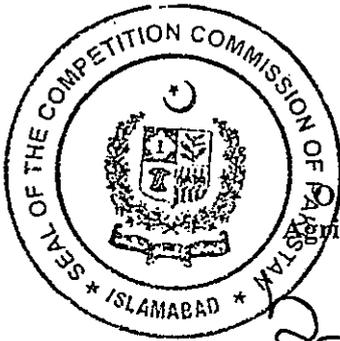
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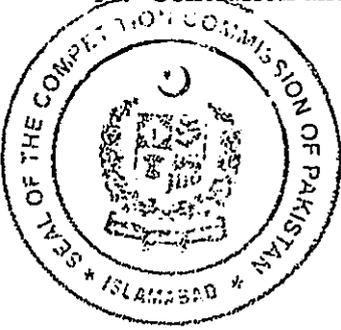
On behalf of  
Agritech Limited

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## ORDER

1. This Order concludes the Phase II review of the application in the matter of acquisition of 37.4% shareholding in Agritech Limited (**Target** or **AGL**) by Fauji Fertilizer Company Limited (**Acquirer** or **FFCL**) (hereafter collectively the **Merger Parties**) from the National Bank of Pakistan (**Seller 1**), Bank of Punjab (**Seller 2**), Fatima Fertilizer Company Limited (**Seller 3**) and other shareholders (hereafter collectively the **Sellers**) from the ready market of Pakistan Stock Exchange (**PSX**).

### 1. Background

2. On 20<sup>th</sup> January 2025, the Competition Commission of Pakistan (**Commission**) received a merger application (the **Application**) for the approval of acquisition of % shareholding of the Target by the Acquirer. The Application was made pursuant to Section 11 of the Competition Act, 2010 (the **Act**) read with Regulation 6 of the Competition (Merger Control) Regulations, 2016 (**Merger Regulations**). It was noted that the Application was submitted after the consummation of the transaction, triggering Section 11(12) of the Act.
3. The Commission issued the Phase I Order on 17<sup>th</sup> April 2025, wherein, it observed that there are concerns regarding substantial lessening of competition. Accordingly, a Phase II Review was initiated under Section 11(6) of the Act to assess whether the merger substantially lessens competition by creating or strengthening a dominant position in the relevant market.

### 2. Merger Parties

#### 2.1 Acquirer

4. FFCL is a public listed company, duly incorporated under the laws of the Islamic Republic of Pakistan on 8<sup>th</sup> May 1978. It is engaged in the business of manufacturing, purchasing and marketing of different type of fertilizers i.e. Urea, DAP, SOP, Zinc, and



## 2.2 Target

5. AGL is a public listed company, duly incorporated under the laws of the Islamic Republic of Pakistan on 15<sup>th</sup> December 1959. Its principal activities include the production and sale of Urea and granulated Single Super Phosphate (SSP) fertilizer.

## 3. Transaction

6. According to the Application, FFCL acquired \_\_\_\_\_ shares (representing \_\_\_\_\_ % shareholding) in the Target from the Sellers in the Negotiated Deal Market (NDM) and ready market of PSX for a total consideration of PKR \_\_\_\_\_ (the Transaction).

The share acquisition details are as follows:

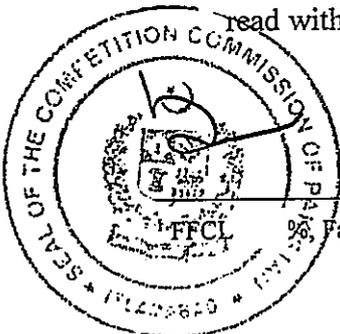
- (i) Seller 1 sold \_\_\_\_\_ shares ( \_\_\_\_\_ %) in NDM;
- (ii) Seller 2 sold \_\_\_\_\_ shares ( \_\_\_\_\_ %) in NDM;
- (iii) Seller 3 sold \_\_\_\_\_ shares ( \_\_\_\_\_ %) in NDM; and
- (iv) \_\_\_\_\_ shares ( \_\_\_\_\_ %) were acquired from ready market;

7. The Transaction was executed in phases through NDM i.e. on \_\_\_\_\_ with Seller 1; on \_\_\_\_\_ with Seller 2; and on \_\_\_\_\_ with Seller 3. Additional shares were acquired from the ready market of PSX beginning \_\_\_\_\_

8. On 30<sup>th</sup> April 2025, after the Phase I order, FFCL informed the Commission that AGL is in the process of converting its convertible preference shares issued under a 2012 agreement with certain investors into ordinary voting shares. As a result, FFCL's ordinary shareholding in AGL has risen from \_\_\_\_\_ % to approximately \_\_\_\_\_ %. Consequently, the total shareholding of the Fauji Group<sup>1</sup> in AGL is likely to exceed \_\_\_\_\_ % in aggregate.

## 4. Phase I Order

9. The Commission considered all the information presented by FFCL under Section 11(5) read with Section 31 of the Act and passed the Phase I Order.



\_\_\_\_\_ % Fauji Foundation \_\_\_\_\_ % and Askari Bank \_\_\_\_\_ % shareholding in AGL.

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10. The relevant product markets were identified as Urea and SSP while the relevant geographic market was declared as Pakistan (hereafter the **Relevant Market**).
11. According to the Application, FFCL held an estimated % share of the Urea market and % in SSP market. On the other hand, AGL held approximately % in Urea and % in the SSP market. Following the Transaction, the combined Urea market share increased to %, while AGL's dominance in SSP remained unchanged. This raised potential competition concerns due to increased market concentration.
12. Hence, the Commission determined that the Transaction meets the threshold for a dominant position under the law and initiated a Phase II review to assess its impact on market competition.

5. Hearing Phase II (26<sup>th</sup> November 2025)

13. As part of the Commission's Phase II review, an opportunity of hearing was provided to the Merger Parties. Representatives of FFCL and AGL attended the hearing on 26<sup>th</sup> November 2025.
14. In the hearing, the Bench directed the parties to explain the nature of the Transaction that took place between FFCL and AGL. In this regard, the Legal Advisor and Chief Financial Officer of FFCL reiterated the submissions already made in the Application filed with the Commission and the letter dated 30<sup>th</sup> April 2025.
15. After hearing the Merger Parties, the Bench expressed its views and concerns regarding the Transaction. Particularly, the Bench emphasized the strengthening of FFCL's dominant position in the fertilizer market (from its current market share of % to %) and the resultant risk of substantial lessening of competition in the market. The Bench informed the Merger Parties that in order to assess the Transaction and issue a decision, the Commission required further information.



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17. Additionally, FFCL was instructed to provide product portfolios and market shares for Urea and SSP over the last three years, including cost structures, pricing strategies, distribution networks, natural-gas allocations, BMR-related incentives, and SSP raw-material sourcing.
18. The Bench further directed the Merger Parties to provide evidence of the efficiencies expected from the Transaction and how these efficiencies will benefit the consumers, while also demonstrating how the acquisition contributes to improvements in production or distribution of goods, yields cost savings, enhances capacity utilization, or facilitates technology sharing, and how these efficiencies could not reasonably have been achieved by other means.
19. FFCL was also asked to demonstrate that the benefits of these efficiencies clearly outweigh any potential adverse effects on competition, supported by forward-looking projections, internal and external strategic analyses, and market research discussing impacts on output, costs, utilization rates, and access in the Urea and SSP markets.
20. Subsequently, on 09 December 2025, FFCL provided the response to the Bench's queries as enumerated in paragraphs 45 to 50 and 103 to 113 below.

## 5. Analysis – Phase II Review

### 5.1 Market overview

21. The Fertilizer sector is classified as the Large-Scale Manufacturing (LSM) segment of the country, although it is majorly driven by agriculture, particularly crops. Fertilizers are nutrients essential for the growth of plants and crops. The fertilizers are categorized into three categories according to their element (nutrient) as provided below:

21.1. Nitrogen (N): Increases the protein content of plants, gives them color and accelerates growth. It supports plants' rapid growth and encourages the healthy development of foliage and fruits. Urea and calcium ammonium nitrate (CAN) are fertilizers that are primarily based on nitrogen.

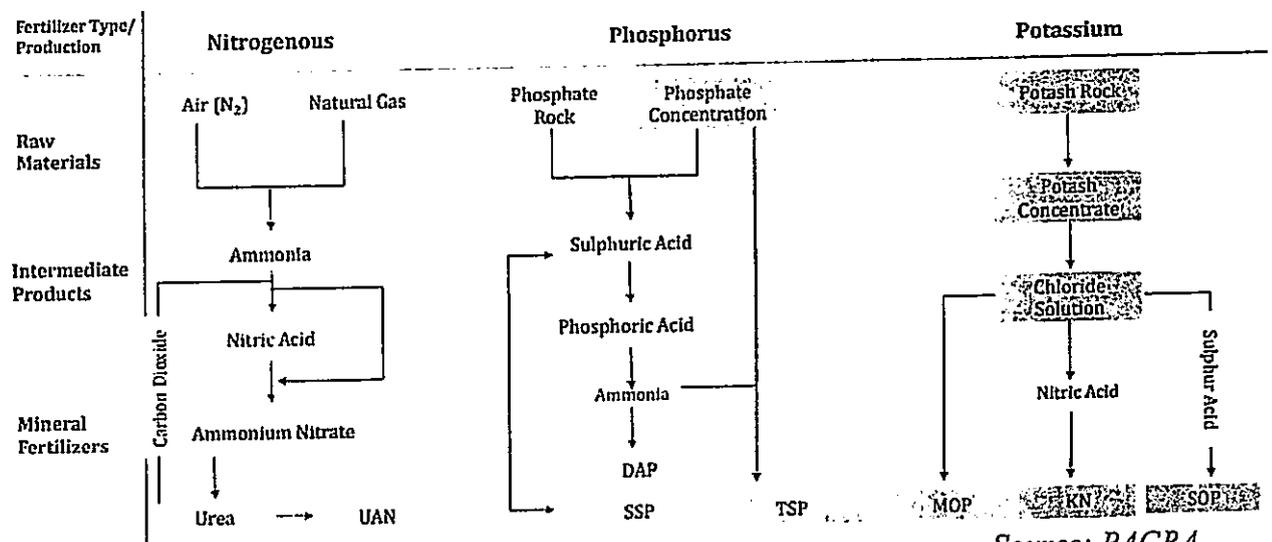
21.2. Phosphorous (P): Promotes strong, healthy root development and helps plants mature more rapidly and thus aids in blooming and seed formation. It is critical for the synthesis of energy regulating substances in plants. Single Superphosphate



(SSP), Diammonium Phosphate (DAP) and Triple Superphosphate (TSP) are fertilizers primarily based on phosphorus.

21.3. Potassium (K): Raises the resistance of plants to diseases and promotes growth from root to stack. It increases the plumpness of grains and seeds and provides winter hardiness to legumes and other crops. Muriate of Potash (MOP), Potassium Nitrate (KN), and Sulfate of Potash (SOP) are fertilizers primarily based on potassium.

### Production Process



Source: PACRA

22. These fertilizers come in a myriad of mixes and composition and are regularly used according to soil and weather conditions, crop type and the desired productivity. There are several types of fertilizers commonly used in Pakistan. FFCL produces Urea, DAP, SOP, Zinc, and Boron, whereas AGL produces Urea and SSP. Based on the production activities of the parties and the impact of the Transaction on the market, the characteristics of Urea and SSP are explained below:



Urea, a nitrogen-rich fertilizer ( % N), is widely used in Pakistan for crop production, particularly for wheat and rice, due to its affordability and effectiveness. Substitutes for

urea in Pakistan include Calcium Ammonium Nitrate (CAN) and Ammonium Sulfate (AS) and other Nitrogen-based fertilizers.<sup>2</sup>

### 5.2.1 Composition:

24. Urea is an organic compound with the chemical formula  $\text{CO}(\text{NH}_2)_2$ , also known as carbamide, with an impressive 46% nitrogen content. It boasts high water solubility (1,080 g/L at 20°C).<sup>3</sup>

### 5.2.2 Types:

25. There are two main types of urea: Prilled and Granular.<sup>4</sup> The key difference in these two are as follows<sup>5</sup>:

Feature	Prilled Urea	Granular Urea
Particle Shape	Spherical (prills)	Irregular (granules)
Size	Smaller	Larger
Dissolution Rate	Faster	Slower
Handling	More prone to breakage	More robust
Storage	Not easier to store	Easier to store
Application	Quick release	Slow release

### 5.2.3 Production:

26. Nitrogen fertilizers are produced by first synthesizing ammonia through the Haber-Bosch process, which combines nitrogen from air with hydrogen derived from natural gas under high temperature and pressure. Ammonia can then be converted into nitric acid to produce nitrate fertilizers, such as ammonium nitrate. Urea is produced by reacting ammonia with carbon dioxide. Urea and ammonium nitrate can also be dissolved in water to create a UAN (Urea-Ammonium Nitrate) solution, which is then granulated to produce granular urea.<sup>6</sup>



<sup>2</sup> [https://cc.gov.pk/assets/images/Downloads/assessment\\_studies/ccp\\_fertilizer\\_book\\_for\\_website.pdf](https://cc.gov.pk/assets/images/Downloads/assessment_studies/ccp_fertilizer_book_for_website.pdf)

<sup>3</sup> <https://echem-eg.com/2024/06/05/urea/>

<sup>4</sup> <https://docs.vis.com.pk/Sector%20Update%202024/Fertilizer-Report-2024.pdf>

<sup>5</sup> <https://www.greengubregroup.com/blogs/comparing-granular-urea-and-prilled-urea#:~:text=Granular%20Urea:%20Suitable%20for%20broadcasting,application%20and%20immediate%20nitrogen%20availability.>

<sup>7</sup> <https://docs.vis.com.pk/Sector%20Update%202024/Fertilizer-Report-2024.pdf>

#### 5.2.4 Availability in Pakistan:

27. Urea is the most widely available and commonly used fertilizer due to its high nitrogen content and relatively low cost. Several major fertilizer companies in Pakistan offer a range of urea-based products tailored to various agricultural needs.
28. FFCL produces "Sona Urea", its flagship product known for its high nitrogen concentration, along with "Neem Coated Urea," a value-added variant that helps reduce environmental impact.
29. AGL primarily produces agricultural-grade urea, sold under the brand name "Tara." It is manufactured as a solid fertilizer with a high nitrogen content of %.
30. Engro Fertilizer offers a variety of urea products, including standard "Engro Urea", "Engro Zabardast Urea" which contains % nitrogen and % zinc, and "Engro Ammonium Sulphate" that provides % ammoniacal nitrogen and % sulphur, enhancing both nitrogen and sulphur availability in soil.
31. Fatima Fertilizer markets "Urea Sarsabz" with % nitrogen content, while Agritech produces "Tara Urea," also containing % nitrogen.
32. Additionally, Maxim International, offers a specialized "Sulfur Coated Urea" containing % nitrogen, which provides a slow-release effect to improve nutrient uptake efficiency and reduce losses.

#### 5.3 Single Super Phosphate

33. Single Super Phosphate (SSP) is a widely used fertilizer in Pakistan, particularly for its affordability and suitability for alkaline soils. It provides phosphorus, sulfur, and calcium, along with micronutrients, to plants. Phosphorus based fertilizers promote seed and root development and plant maturation. They are produced from mined ores, phosphoric rock, which is treated with sulphuric acid to produce phosphoric acid, which in turn is treated with ammonia to produce Mono or Diammonium Phosphate (MAP/DAP) fertilizers.<sup>7</sup> While SSP is a common choice, alternatives include Triple Superphosphate (TSP) and other phosphorus and sulfur-containing fertilizers.<sup>8</sup>

<sup>7</sup> <https://dops.gov.pk/Sector%20Update%202024/Fertilizer-Report-2024.pdf>  
<sup>8</sup> <https://pbit.punjab.gov.pk/system/files/Fertilizer%20Sector%20Report%20.pdf>



### 5.3.1 Composition:

34. SSP is a mixture of monocalcium phosphate and calcium sulfate in grey to brownish colour, containing approximately % phosphorus (P<sub>2</sub>O<sub>5</sub>), % sulfur (S), and % calcium (Ca).<sup>9</sup>

### 5.3.2 Production:

35. SSP is produced using phosphate rock, which is grounded and blended. It is then reacted with sulfuric acid in a horizontal mixer. The resulting slurry drops into a den to partially cure before granulation. The granulation process forms granules which are screened and stored to fully cure before use.

### 5.3.3 Availability in Pakistan:

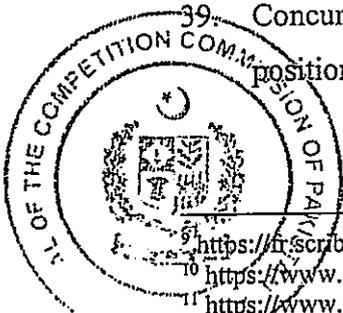
36. The main manufacturer of SSP in Pakistan is AGL which holds % of the market share and the other % is imported.

## 5.4 Regulatory Framework

37. The fertilizer market in Pakistan operates under a partially regulated framework, shaped by both government policies and oversight bodies. Although the Fertilizer Policy of 2001 officially deregulated urea pricing, allowing producers to set their own rates, the government continues to influence the market through subsidies, pricing mechanisms and competition enforcement.<sup>10</sup>

38. The Ministry of Industries and Production (MoIP) plays a key role in managing supply, demand, and the distribution of imported fertilizers, often through bodies like the National Fertilizer Marketing Limited (NFML). Furthermore, the Economic Coordination Committee (ECC) implements a basket pricing system that ensures parity between imported and locally produced urea, helping to stabilize the market.<sup>11</sup>

39. Concurrently, the Commission enforces competition laws to curb abuse of dominant position, entering into of prohibited agreements, and deceptive marketing. For instance,



<sup>9</sup> <https://fr.scribd.com/document/269886464/Lecture-35-pdf>

<sup>10</sup> <https://www.app.com.pk/business/ccp-conclude-its-inquiry-against-urea-manufacturers-fmpac/>

<sup>11</sup> <https://www.dawn.com/news/1804623/economic-coordination-committee-okays-mechanism-for-urea-pricing>

in June 2025, the CCP fined six major fertilizer manufacturers for jointly setting retail prices in violation of the Act, despite the industry's deregulated status.

40. These actions demonstrate that while the pricing of fertilizers like urea may not be directly controlled by the government, the market remains under significant regulatory scrutiny to ensure fair competition and safeguard consumer interests.

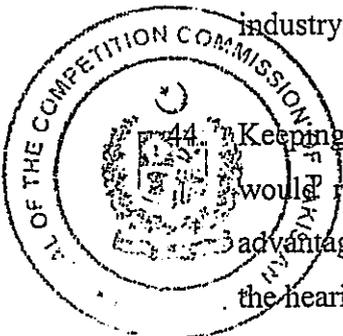
### 5.5 Fertilizer Policy, 2001

41. The Fertilizer Policy, 2001 (**Policy**), which came into effect on 01<sup>st</sup> July 2001, aimed to encourage investment in Pakistan's fertilizer sector and expand domestic production to meet local demand. The objective of the Policy was to reduce reliance on imports, stabilize supply, and keep fertilizer affordable for farmers. The Policy replaced the previous 1989 framework and introduced incentives for both new and existing fertilizer producers.

42. Under the Policy, new fertilizer plants were offered concessional feed-gas prices for up to ten years, tax and duty exemptions on imported raw materials and machinery, and permission to import second-hand equipment. The Policy also allowed selling prices to be determined by market forces, with the expectation that cost savings from these incentives would be passed on to farmers. Existing plants were subject to a gradual escalation of feed-gas prices to maintain competitiveness while ensuring returns for the state.

43. The intended impact of the Policy was to boost local production capacity, improve the stability of fertilizer supply, and support agricultural productivity. Over time, concerns arose that preferential treatment for new plants created market distortions affecting older facilities. These issues have prompted discussions about reviewing and updating the Policy to reflect changing energy economics and ensure fair competition within the industry.

44. Keeping the Policy in view, the Commission examined whether the proposed Transaction would result in any additional subsidies, tax exemptions, or provide a competitive advantage to the Merger Parties. Accordingly, the following questions were raised during the hearing:

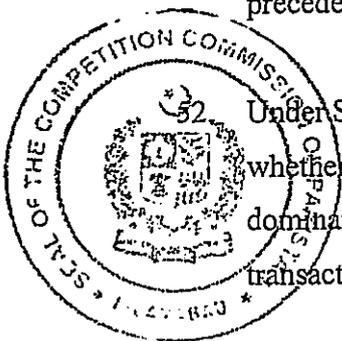


45. Whether gas allocation is provided to FFCL and AGL separately and exclusively, or can the allocated gas be utilized interchangeably between FFCL and AGL post-transaction? In case of the latter, would such an arrangement provide any competitive edge to FFCL and/or AGL in terms of production efficiency or cost savings?
46. FFCL responded that gas is supplied separately and independently to the each fertilizer producer which does not provide any competitive advantage to FFCL or AGL.
47. Whether the proposed Balancing, Modernization, and Replacement (BMR) program gives any concessions related to gas usage or other operational areas?
48. FFCL provided that no special gas incentives, preferential allocation, or operational concessions are available to FFCL or AGL under the proposed BMR program.
49. Is there any specific regulatory body or government ministry such as the Ministry of Industries, Ministry of Agriculture, or Ministry of Finance that is responsible for evaluating and approving the BMR initiative?
50. FFCL stated that the BMR process is an internal exercise conducted by each company and there is no external governmental approval, regulatory review, or ministerial oversight required for undertaking BMR.

## 6. Competition Assessment

51. Once relevant markets are identified, the Commission carries out a competition assessment of the said markets. The competition assessment of a merger requires a multidimensional approach that, *inter alia*, considers economic, financial, legal and market-specific factors to ensure that a transaction does not result in substantial lessening of competition. The Commission's assessment draws upon the Act, the Merger Regulations, relevant theories of harm, the relevant guidelines and if need be the precedents from competition authorities across international jurisdictions.

Under Section 11 of the Act, in the Phase II review process, the Commission shall assess whether the merger substantially lessens competition by creating or strengthening a dominant position in the relevant market and shall give its decision on the proposed transaction. If the Commission determines that the intended merger substantially lessens



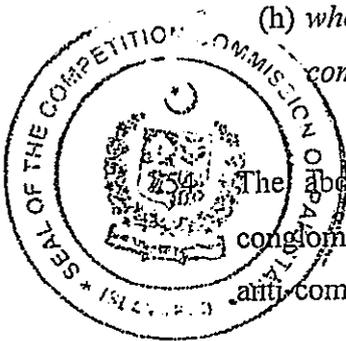
competition by creating or strengthening a dominant position, it may nonetheless approve the transaction, if the efficiencies provided in sub-Section (10) of Section 11 are substantiated. However, in case the Commission determines that the transaction under review does not qualify the efficiencies criteria specified above, it may, under sub-Section (11) of the Section 11 *ibid*:

- (a) *prohibit the consummation of the transaction;*
- (b) *approve such transaction subject to the conditions laid by the Commission in its order;*
- (c) *approve such transaction on the condition that the said undertakings enter into legally enforceable agreements specified by the Commission in its order.*

53. Regulation 10(2) of the Merger Regulations stipulates that in assessing whether a merger substantially lessens competition, *"the Commission shall assess the strength of competition in the relevant market, and the probability that the merger parties in the market after the merger will behave competitively or co-operatively"*, and shall take the following factors into account while doing so:

- (a) *the actual and potential level of import competition in the market;*
- (b) *the ease of entry into the market, including tariff and regulatory barriers;*
- (c) *the level and trends of concentration, and history of collusion, in the market;*
- (d) *the degree of countervailing power in the market;*
- (e) *the dynamic characteristics of the market, including growth, innovation, and product differentiation;*
- (f) *the nature and extent of vertical integration in the market;*
- (g) *whether the business or part of the business of a merger party or merger has failed or is likely to fail; and*
- (h) *whether the merger situation will result in the removal of an effective competitor."*

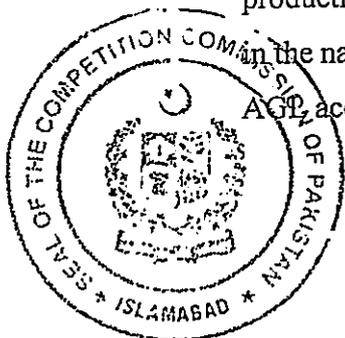
The above assessment approach includes examining the horizontal, vertical and conglomerate effects of the merger, assessing the market power and considering potential anti-competitive concerns in the relevant market.



55. Horizontal effects involve evaluating whether the merger will reduce competition between undertakings operating at the same level of the supply chain, while vertical effects consider whether the merger will allow the parties to leverage market power across other markets to stifle competition.
56. The assessment also addresses, *inter alia*, the benefits of the merger to consumers by examining the potential impact on prices, quality, innovation and choices.

## 7. Competition Analysis

57. In assessing the Transaction, the Bench considered whether the merger is likely to substantially lessen competition in accordance with Regulation 10 of the Merger Regulations. This involved an evaluation of the strength of competition in the relevant market(s) of Urea and SSP and the likelihood that the Merger Parties would behave co-operatively in a manner that may harm competition.
58. The Commission also assessed relevant theories of harm arising from the Transaction, including unilateral and coordinated effects, elimination of potential competitors, reduction in innovation, and the potential leveraging of market power. All factors relevant to competition, including those set out in sub-regulation (2) of Regulation 10 of the Merger Regulations were taken into account during the assessment.
59. The impact of the Transaction has been assessed while taking into account the present state of competition in the Urea and SSP markets of Pakistan with a focus on market concentration, demand and supply situation, countervailing buyer power, vertical integration and history of collusion.
60. It is important to note that prior to the Transaction, FFCL and AGL were active competitors in the urea market, operating within overlapping geographic areas, particularly in Northern Punjab and Khyber Pakhtunkhwa, where both are engaged in the production, marketing, and distribution of urea fertilizer. FFCL holds a leading position in the national urea market, with an estimated market share of approximately % , while AGL accounts for a smaller, yet regionally significant, share of around % .



61. In contrast, AGL holds a dominant and, in effect, monopolistic position in the market for SSP, with a market share of approximately %, whereas FFCL does not currently operate in this market segment.
62. In view of the foregoing, the Bench is of the view that the Transaction would result in a change in the competitive dynamics of the relevant Urea and SSP markets, including potential impacts on market concentration, pricing, supply conditions, and market entry. The Bench has therefore structured its assessment of the potential competitive effects arising from the proposed Transaction around the following key issues:

### 7.1 Level of Concentration

63. It is pertinent to mention that the urea market in Pakistan is highly concentrated (details are in Paragraphs 84 to 89), with four producers controlling nearly the entire domestic supply. FFCL is the largest player, holding a market share of approximately %. Engro Fertilizers Limited (EFL) accounts for %, Fatima Fertilizer Company Limited holds around %, and AGL maintains a smaller yet regionally significant share of %.
64. Although the market seems highly concentrated, the Bench, however, notes that AGL possesses !% market share of SSP and FFCL does not hold any market share, therefore, post-transaction, the market share of Merger Parties will remain the same in SSP. On the other hand, the combined market shares of the Merger Parties in Urea will be %, resulting in further strengthening of FFCL's dominance in the Urea market.

### 7.2 Demand and Supply Situation

65. Despite achieving self-sufficiency in the production capacity of urea, a shortage of indigenous gas creates a demand supply gap time and again which results in either the need to import urea at higher prices or use imported LNG to meet urea demand<sup>12</sup>. In this context, established producers such as FFCL and Engro enjoy enhanced market power, as buyers have limited alternatives and depend on timely domestic supply. Pre-Transaction, AGL operated as an independent competitor *albeit* with a low market share of 50%. However, post-Transaction, Merger Parties may align its pricing strategy, whether



[https://www.pacra.com/view/storage/app/PACRA%20Research%20-%20Fertilizers%20-%20Feb%2725\\_1740486056.pdf](https://www.pacra.com/view/storage/app/PACRA%20Research%20-%20Fertilizers%20-%20Feb%2725_1740486056.pdf)

through formal governance influence or informal coordination, resulting in upward pressure on prices, further affecting supply responsiveness.

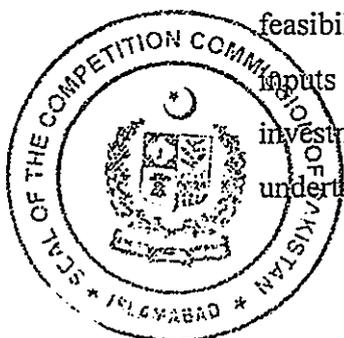
### 7.3 Entry Barriers

66. Significant barriers to entry further exacerbate above-mentioned concerns. Establishing a fertilizer production facility in Pakistan entails substantial capital investment. For instance, the EnVen urea plant of Engro Fertilizer in Daharki, which commenced operations in 2011, required approximately USD [redacted] for a production capacity of [redacted] metric tons per annum. Similarly, in 2003, the Federal Government approved two NFC fertilizer plants in Sindh with a combined investment of USD [redacted] including a urea plant in Ghotki ([redacted] tons per year) and an SSP plant in Jamshoro ([redacted] tons per year). These investments cover land acquisition, plant construction, specialized equipment, and compliance with environmental regulations.

67. These figures are over a decade old; considering inflation and depreciation of the PKR vs USD, the present-day outlay would likely exceed these amounts significantly. Such high upfront costs make it financially unviable for most new entrants to secure funding or reach profitability in the near to medium term, effectively insulating incumbents from new competition.

68. In addition to substantial capital requirements, access to natural gas, an essential feedstock for urea production, constitutes a further material barrier to entry. Incumbent producers benefit from established and, in several instances, preferential access to natural gas at subsidized tariff rates pursuant to existing government policies. By way of illustration, FFCL obtains natural gas from the proximate Mari gas field, which is jointly owned by the Government of Pakistan and the Fauji Foundation.

69. Conversely, prospective entrants encounter significant uncertainty with respect to securing a reliable and competitively priced supply of natural gas. This uncertainty materially elevates their projected operating costs and adversely affects the commercial feasibility of new production facilities. Such structural asymmetry in access to critical inputs substantially diminishes the contestability of the relevant market, deters new investment, and serves to further entrench the market position of incumbent undertakings.



#### 7.4 Countervailing Buyer Power

70. The degree of countervailing buyer power in the fertilizer market is minimal. The vast majority of fertilizer purchasers consist of fragmented, small-scale farmers and regional dealers who lack the bargaining power to influence pricing or supply terms. These buyers are highly dependent on timely and accessible fertilizer supply, particularly during critical cropping seasons, and typically operate as price takers.

#### Vertical integration

71. In parallel, the market is characterized by significant vertical integration. Major producers such as FFCL and Engro control multiple stages of the value chain from gas procurement and manufacturing to warehousing, distribution, and farmer outreach thereby limiting downstream market access for potential entrants. This integration enhances their ability to manage supply conditions and reinforces their market power. Consequently, the combination of weak buyer power and strong vertical integration further amplifies the risk that post-Transaction coordination between FFCL and AGL will suppress competitive dynamics.

#### 7.5 History of Collusion

72. Pakistan's urea sector has exhibited a consistent pattern of collusive conduct, indicating a high propensity for cartelization and potential abuse of dominant position. Over the years, the Commission has taken enforcement actions against major players in the industry for engaging in anti-competitive practices that distort market outcomes.

73. In a significant development in June 2025, the Commission imposed penalties amounting to PKR 375 million on six major urea manufacturers, including FFCL, Engro, Fatima, and AGL, as well as their trade association, the Fertilizer Manufacturers of Pakistan Advisory Council (FMPAC). The Commission concluded that these entities had collectively fixed urea prices by issuing a joint advertisement announcing a uniform retail price of PKR 1,768 per 50 kg bag, despite variances in production costs and operational structures. This conduct was found to be in violation of Sections 4(1) and 4(2)(a) of the Act. Additionally, in 2011, the Commission penalized both FFC and Engro for unreasonable price increases under Section 3 of the Act, reinforcing the sector's history of non-compliance with competition norms.



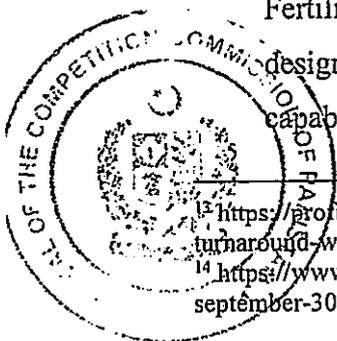
74. The recurrence of such conduct over time points to a structural inclination towards cartelization within the fertilizer sector. The oligopolistic market structure, limited number of effective competitors, and the role of trade associations in facilitating coordinated conduct heighten the risk of collusion. Coupled with high concentration levels, weak buyer power, significant vertical integration, and constrained regulatory oversight, the fertilizer market, particularly in urea, remains especially prone to anti-competitive practices. In the absence of effective structural safeguards or continued regulatory intervention, the likelihood of future collusion or abuse of dominant position remains substantial.
75. In the SSP market, AGL already holds a dominant share of approximately % . While FFCL is not currently active in the SSP market, the Transaction would result in it gaining strategic influence over this market through control of AGL. This could allow FFCL to leverage AGL's dominance in SSP to pursue broader strategic objectives, including bundling or cross-market coordination that may further suppress competitive dynamics in the fertilizer sector as a whole.
76. Given the high level of concentration, persistent supply constraints, and substantial structural barriers to entry, the Transaction is likely to materially alter the competitive landscape. The alignment of behaviour between two leading players would significantly reduce independent rivalry and create conditions that facilitate coordination, thereby adversely impacting pricing, supply, and the long-term contestability of the urea and SSP markets.

## 7.6 Impact on Innovation

77. The Transaction is likely to further weaken already limited innovation incentives in both the Urea and SSP sectors. In the urea market, innovation has mainly centred on production efficiency, improved logistics, and digitalized farmer support. Engro Fertilizers, for instance, has invested in energy-efficient technologies and modern plant designs<sup>13</sup>, while FFCL has focused on strengthening its distribution and outreach capabilities<sup>14</sup>. Although AGL has not been a major innovator, its independent presence

<sup>13</sup> <https://profit.pakistantoday.com.pk/2024/06/21/engro-fertilizers-completes-largest-ever-enven-plant-turnaround-with-investment-of-around-50-million/>

<sup>14</sup> <https://www.marketscreener.com/news/fauji-fertilizer-transmission-of-quarterly-report-quarter-ended-september-30-2025-ce7d5cddb989f02c>



still contributes competitive pressure that could eventually motivate technological upgrades or differentiated offerings. Aligning AGL's strategy with FFCL, however, would reduce incentives for either party to pursue innovations that could disrupt market stability or provoke competitive responses.

78. In the SSP market, where AGL already holds about % share, innovation is even more limited. Bringing this segment under FFCL's indirect control would further diminish incentives to improve product quality, environmental performance, or agronomic solutions. Any overlapping or potential R&D initiatives may be deprioritized in favour of market consolidation and price stability, especially in a sector with inelastic demand and minimal pressure to differentiate. As a result, the Transaction is likely to entrench the status quo and further reduce prospects for technological progress in both markets.

#### 7.7 Elimination of Potential Competition

79. The Transaction significantly reduces the likelihood that FFCL and AGL would compete more vigorously in the future. Prior to the Transaction, both firms operated as independent entities in the urea market, with overlapping geographic footprints and customer segments. This structural independence provided a basis for future rivalry through price competition, market expansion, and differentiated offerings. The acquisition of majority shareholding by FFCL removes this independence, creating a common strategic interest and reducing the incentive to undercut or outcompete one another.

80. In terms of expansion and innovation, the Transaction consolidates market power and may shift the strategic focus from competitive differentiation to coordination or stability. AGL, as a smaller player, had potential to grow through pricing strategies or product development. However, under FFCL's influence, such initiatives may be deprioritized to avoid internal market disruption. Innovation investments, whether formal or exploratory, are also less likely when the controlling shareholder has a commercial interest in protecting existing market dynamics and profitability.

Given the high market concentration, barriers to entry, and the importance of natural gas allocation, the Transaction effectively closes off one of the few remaining avenues for competitive tension within the industry. By reducing the potential for future rivalry



between FFCL and AGL, particularly in pricing, product development, and regional expansion, the Transaction entrenches existing market structures and dampens the competitive process over the long term.

#### 7.8 Potential for Strategic Alignment

82. The Transaction is likely to create conditions for strategic alignment and a reduction in competitive rivalry between FFCL and AGL, even without formal integration or joint operations. The acquisition of a majority stake by FFCL allows it to exert material influence over AGL's strategic direction, including decisions related to pricing, production, and market expansion. This influence, whether exercised through formal governance rights or informal commercial alignment, diminishes the likelihood that AGL will act independently in ways that could challenge FFCL's market position. The existence of a controlling shareholder inherently alters the incentives of the controlled entity, leading to a convergence of strategic interests.

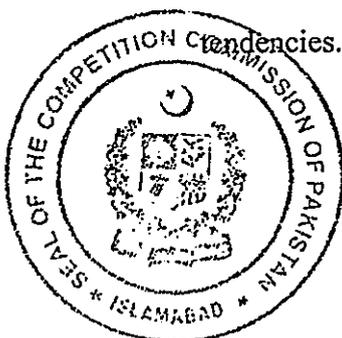
#### 7.9 Ability to Influence Market Dynamics

83. Presently both FFCL and AGL hold dominant positions in the relevant product markets of Urea and SSP, respectively. They already have the ability to influence strategic or competitive conduct in their respective markets. However, post-merger the existing ability will further rise in the market of Urea where they will collectively hold % market share and overall market concentration will also increase as elaborated below in the test of concentration.

#### 7.10 Test of Concentration Level

84. The Herfindahl-Hirschman Index (HHI) is a widely used measure of market concentration, which helps to assess the competitive dynamics within an industry or market. It is calculated by squaring the market share of each firm operating in the market and then summing these squared values. The HHI provides insights into the degree of concentration in a market, which can indicate the level of competition or monopolistic

tendencies.



85. The HHI calculation and analysis is as follow:

Urea				
Company	Pre-Transaction		Post-Transaction	
	Market Share (%)	Squared Share	Market Share (%)	Squared Share
FFCL				
AGL				
Engro				
Fatima Fertilizer				
National Fertilizer				
<b>Total HHI</b>				

86. The pre-transaction HHI stands at . Markets with an HHI greater than <sup>15</sup> are considered highly concentrated, and a change of more than points is a significant increase.

87. After FFCL acquired control of AGL, its share of the Urea market effectively increased to % ( % from FFCL + % from Agritech's market share). This has enhanced FFCL's influence in the Urea market significantly. This shift significantly alters the competitive landscape particularly in Northern Punjab and Khyber Pakhtunkhwa. The post-Transaction HHI rises to , reflecting an increase in delta of points.

SSP				
Company	Pre-Transaction		Post-Transaction	
	Market Share (%)	Squared Share	Market Share (%)	Squared Share
Agritech	%		%	
FFCL	-	-		
Private Importers	%		%	
<b>Total HHI</b>				

88. The pre-Transaction HHI for SSP is which is extremely concentrated. This is a near-monopoly, with Agritech controlling % of the market.



89. The post-Transaction HHI for SSP remains the same at \_\_\_\_\_ as FFCL essentially takes control of the SSP market through AGL. This results in no new competition in the SSP market post-transaction, maintaining the near-monopolistic status of the market.

#### 7.11 Commercial or Strategic Incentive

90. FFCL, together with its group companies, has already acquired \_\_\_\_\_ % shareholding in AGL and now seeks post-merger approval for a Transaction which will result in the group's aggregate shareholding exceeding \_\_\_\_\_. This will result in FFCL acquiring a position of joint or *de facto* control to the extent of voting rights, board representation, and other governance mechanisms.

91. While both entities are expected to continue operating as separate and independent businesses, the acquisition of majority shareholding by FFCL in a competing undertaking, particularly in a market already characterized by structural concentration, raises material concerns regarding the commercial and strategic incentive and ability of FFCL to influence AGL's market conduct in a manner that may substantially lessen competition.

92. FFCL is the largest producer of urea in Pakistan, with a market share of approximately \_\_\_\_\_. AGL, although comparatively smaller at the national level, holds a market share of approximately \_\_\_\_\_ and has a regionally significant presence in Northern Punjab and Khyber Pakhtunkhwa. These are the same regions where FFCL is also actively engaged in the distribution and sale of urea. Accordingly, both parties are active competitors in the relevant product and geographic market.

93. Following the Transaction, FFCL, by virtue of holding a majority shareholding in AGL, has a clear commercial incentive to ensure that AGL's conduct does not challenge or erode FFCL's existing dominant position in the urea market. This influence may be exercised either directly through formal governance rights or indirectly through the alignment of commercial strategies. Practical manifestations of such influence could include discouraging AGL from engaging in aggressive pricing, expansion into overlapping geographic regions, or undertaking marketing initiatives that would otherwise increase competitive pressure in the market.



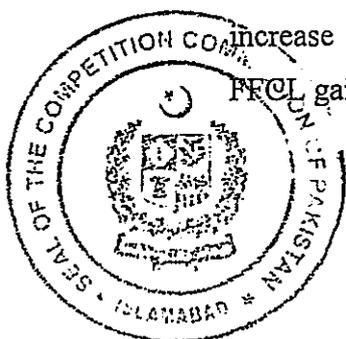
94. Furthermore, the perception in the market that FFCL and AGL are no longer fully independent competitors may itself reduce the likelihood of aggressive market conduct between them. FFCL's ability to influence AGL's operational policies including pricing, output, and distribution could result in the alignment of strategies that restrict competitive outcomes, particularly in areas of geographic overlap. This risk is amplified by the oligopolistic nature of the urea market, where coordinated effects may arise more readily. Accordingly, the Transaction establishes both the ability and the incentive for FFCL to influence AGL in ways that may substantially lessen competition.

95. In addition, the Transaction may have potential implications in the SSP market. While FFCL is not currently active in the SSP market, AGL holds a dominant position, with a market share estimated at %. Through the acquisition of majority shareholding, FFCL may gain access to commercially sensitive information and strategic influence over pricing and distribution in the SSP segment. This may allow FFCL to engage in conduct that strengthens its overall position in the fertilizer sector, including the use of bundling or other commercial strategies that may foreclose competitors or raise barriers to entry in adjacent markets.

96. In view of the above, the Transaction creates commercial and strategic incentives for both FFCL and AGL to influence their competitive conduct post-Transaction. As dominant players in their respective markets, they may have a mutual interest to align their behaviour, particularly as FFCL's majority shareholding will grant it material influence over AGL's strategic decisions. Such alignment has the potential to significantly reduce independent rivalry, facilitate coordination, and expand their combined market power beyond existing levels.

## 8. Concluding Remarks

97. In light of the foregoing analysis, the proposed Transaction is likely to substantially lessen competition in both the urea and SSP markets. The transaction would significantly increase market concentration, as evidenced by high HHI levels, and would result in FFCL gaining material influence over a direct competitor.



98. The structural features of the market including high entry barriers, limited countervailing buyer power, vertical integration, and a history of coordinated outcomes further exacerbate the risk of reduced rivalry.
99. Even in the absence of full integration, the alignment of strategic interests between FFCL and AGL would diminish incentives for independent competitive conduct, increasing the likelihood of unilateral or coordinated effects.
100. Taken together, the issues that have emerged from completion analysis as summarized in paragraphs 93 to 99 above strongly indicate that the Transaction would adversely affect competition in terms of pricing, supply conditions, market entry, and long-term innovation.

#### 9. Efficiencies

101. In view of the issues outlined above, the Bench also examined the potential efficiencies that the merger could bring to the relevant market, along with the efficiencies claimed by the Merger Parties, as such considerations constitute a central component of merger assessment. A merger has the potential to enhance competition, improve efficiency, and stimulate innovation, thereby contributing to overall economic development.
102. The Section 11(10) of the Act along with Regulation 15 of the Merger Regulations provide the basis for evaluating the efficiencies claimed by merger parties. This framework aligns with the accepted global competition and merger assessment processes, particularly those outlined by the European Commission's 2004 Merger Guidelines.

#### 10. Submission of FFCL

##### **Financially distressed position of AGL**

103. FFCL submitted that AGL has been in a precarious financial condition for more than a decade, during which it has struggled with escalating debt obligations and a persistent lack of financing required to sustain its business operations. As a result, the company has continued to incur losses and faces the risk of imminent financial failure. This adverse trajectory has only been temporarily mitigated through the restructuring of AGL's debt



pursuant to a scheme of arrangement with its creditors, which was sanctioned by the Lahore High Court in 2022 (**the Scheme**).

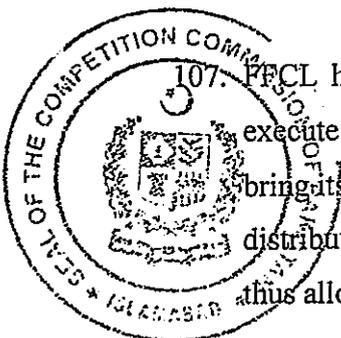
104. While the Scheme has deferred AGL's debt repayment obligations to a later date, the company lacks any viable prospects for obtaining additional financing or capital injection, making its continued operation uncertain. The lender banks, which were also significant shareholders in AGL and were represented on its Board of Directors, were not suitably positioned to manage the operations of a fertilizer company. Consequently, they welcomed FFCL's initiative to invest in and rehabilitate the failing entity. FFCL has since negotiated and acquired a substantial portion of AGL's debt from several of these banks, thereby easing AGL's overall debt burden. It was further informed that, as of December 2024, FFCL had acquired AGL's liabilities amounting to PKR \_\_\_\_\_ out of PKR \_\_\_\_\_

105. Moreover, the argument of financially distressed position of AGL is further substantiated by the observations of its external auditor, Grant Thornton Anjum Rahman, as reflected in the independent audit report forming an integral part of AGL's annual report for the period ended 31 December 2024. Although the auditor did not qualify its opinion in this regard, it highlighted a material uncertainty relating to AGL's ability to continue as a going concern. The auditor based his concerns on the fact that the current liabilities identified in AGL's annual report for the period ended 31 December 2024 exceeded its current assets by PKR \_\_\_\_\_ and its accumulated losses amounted to PKR \_\_\_\_\_

#### **FFCL's Distinct Ability to Undertake the Revival of AGL**

106. It is fairly evident that only another fertilizer company, equipped with the financial standing, technical and operational know-how to operate a fertilizer plant, and with access to a vast distribution network, could turn AGL around.

107. FFCL has the operational, technical and financial strength to invest in AGL and to execute the requisite balancing, modernization and replacement that is much needed to bring its fertilizer plant to produce at full capacity. Moreover, FFCL has access to a vast distribution network across the country which will become available to AGL's products, thus allowing for more efficient distribution of the same.



108. The stock market has also signalled market confidence in FFCL's timely intervention and investment in AGL, which is evident by the positive trajectory of AGL's share price on the PSX witnessing an increase of %.<sup>16</sup>

#### **Benefits for farmer and impact on economy**

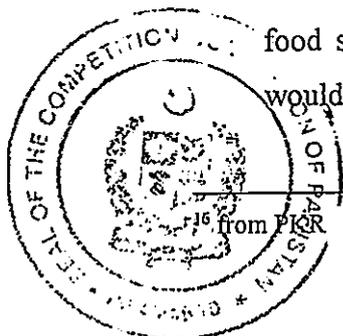
109. FFCL has access to a vast distribution network across the Country which will become available to AGL's products post acquisition by FFC, thus allowing for more efficient distribution of AGL's products for the farming community across the Country. Availability of product nation-wide will stabilize prices and eliminate any black marketing by informal channels.

110. In addition, with a view of ensuring availability of fertilizer and other agricultural inputs at affordable prices on their doorstep, FFCL has pioneered with opening of Sona Stores (including Green Agri Malls) and Sona centers (total 267) across the Country which will be operational by Q1'2026. Through these outlets, farmers will gain easier access to fertilizers at affordable prices plus value added services (financing, insurance, seeds, pesticides and tech-driven solutions) under one roof, lowering transaction costs and eliminating dependency of farmers on informal channels. This channel will be available to AGL as well.

111. FFCL's investment in AGL will ensure that AGL survives and thrives, as the company's failure would result in loss of its production which could lead to a significant shortfall in supply of urea in the market. Any shortfall in supply of urea will either be met with import of expensive urea or increase in prices of existing supplies to meet excess demand and-with both scenarios resulting in higher urea prices for consumers as well as loss of foreign exchange.

#### **10.1 Significance of AGL acquisition for National Economy**

112. Fertilizer is a critical input for the agriculture sector and essential for ensuring national food security. Domestic production of urea helps conserve foreign exchange, which would otherwise be spent on imports. AGL, despite an annual urea production capacity



on 30 August 2024 to PKR

on 11 September 2024.

of 433,000 tons, had been operating significantly below its potential due to financial constraints, thereby limiting its contribution to national supply.

113. Given current and near-term demand dynamics, uninterrupted and optimal operations of existing fertilizer plants are vital. FFCL's investment is expected to ensure that AGL continues its operations sustainably. Any failure of AGL would result in a substantial reduction in domestic urea supply, inevitably leading to either costly imports utilizing scared foreign exchange, or upward pressure on urea prices due to domestic production shortages, both of which would adversely impact farmers and the broader economy.

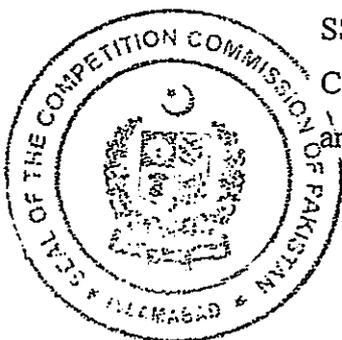
### **11. Conclusion and Decision**

114. In view of the efficiencies claimed, it appears that the only viable option is for FFCL to invest in AGL, and through FFCL's technical, operational and managerial expertise, revive AGL, so that its fertilizer plant can operate at optimal capacity. FFCL's vast distribution network will also benefit AGL products and allow for more efficient, effective and wider distribution of AGL's products. The consequence of FFCL's investment in AGL is likely to result in a reliable supply of urea in the market and price stability.

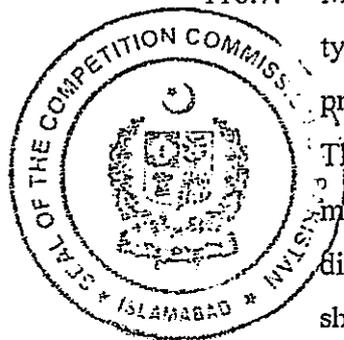
115. Pursuant to its statutory mandate provided in the Act, the Commission has undertaken a thorough assessment of the proposed Transaction in light of Section 11 of the 2010 Act and the Merger Regulations. It concludes that, although there is merit in the efficiency claims submitted, by FFCL, there remains a possibility that the Merger Parties, may abuse its dominant position in the relevant markets of Urea and SSP.

116. In view of the above, it is necessary that proportionate conditions, be imposed on the Merger Parties to offset any adverse competition impact arising out of this Transaction under Regulation 17 of the Merger Regulations, which are as follows

116.1. Merger Parties shall maintain transparency for any change in price of Urea and SSP. The Merger Parties shall, for a period of three years, intimate to the Commission any price escalation along with reasons for such price increase (if any) within seven days of such increase.



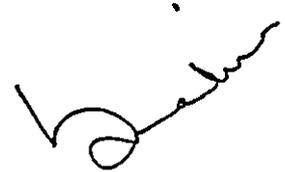
- 116.2. Merger Parties shall provide all information including cost audit as required by the Commission from time to time for purposes of the Act.
- 116.3. Merger Parties shall not impose any decision in relation to the production, supply and/or distribution of Urea and SSP, which may impede competition, i.e., *inter alia*, setting prices of products, setting territorial boundaries and/or client quotas, placing caps/limits on production capacity/quantities and/or limiting technical development.
- 116.4. The Merger Parties shall not apply any dissimilar conditions, such as preferential treatment, to the same types of transactions. They shall provide Urea and SSP to all downstream buyers and distributors on uniform, transparent, and non-discriminatory terms. Any variation in pricing, delivery schedules, or credit terms shall be objectively justified to the Commission as and when required by the Commission.
- 116.5. Merger Parties shall not impose any exclusive/restrictive conditions and/or enter into any agreements amongst its group companies and/or with rival undertakings which are anti-competitive in nature.
- 116.6. Merger Parties shall establish and operationalize a comprehensive competition compliance program applicable to senior management, pricing teams, and sales staff. This program shall include mandatory annual training on competition law, the adoption of written internal protocols governing pricing, communication, and participation in trade associations, and the implementation of procedures designed to prevent any form of coordination or exchange of competitively sensitive information with competitors.
- 116.7. Merger Parties are strictly prohibited from engaging in any form of bundling, tying, portfolio rebates, or coordinated commercial strategies between the SSP products of AGL and the urea products or any other fertilizer products of FFCL. The merged entity shall ensure that all pricing, discounting, distribution, and marketing decisions for SSP remain strictly independent and are not linked, directly or indirectly, with commercial strategies in the urea market i.e. a buyer shall not be bound/forced to mandatorily purchase Urea from FFCL and its distributors when such buyer's only requires SSP.



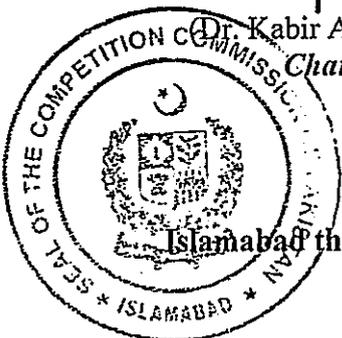
117. In terms of Section 11(13) of the Act, this approval is subject to review within one year. For the purposes of review, the following shall be considered a yardstick which may include but shall not be limited to the monitoring of: a) unexplained escalation in price levels of products other than Urea and SSP; b) tendency of price parallelism; c) changes in market share and levels of concentration; d) new investments made in BMR of AGL by FFCL, leading to enhancement of production capacity; and e) commitment to non-discriminatory behavior.
118. The Merger Parties shall file their commitment within four weeks from the date of issuance of this decision to comply with all the conditions stipulated herein above, in letter and in spirit and the clearance/approval given here under shall only be deemed effective upon the filing of the commitments.
119. Without prejudice to sub-Section (13) of Section 11, or any other provision of the Act and Merger Regulations (as amended from time to time), the Commission reserves the right to assess and review the effects of the subject Transaction on the relevant market on its own or upon application by any other concerned undertaking(s).
120. Subject to the conditions imposed in this Order, the proposed merger is hereby authorised under Section 31(1)(d)(i) of the Act.
121. Notwithstanding the above, matters which may, inter alia, fall outside the scope of the Commission's jurisdiction under the Act and the Merger Regulations shall remain subject to applicable laws, judicial orders and regulatory oversight.
122. It is so ordered.



Dr. Kabir Ahmed Sidhu  
Chairman



(Ms. Bushra Naz)  
Member



Islamabad the Dec 15<sup>th</sup>, 2025.