



**BEFORE THE
COMPETITION COMMISSION OF PAKISTAN**

FIRST PHASE REVIEW

**IN THE MATTER OF MERGER OF M/S. KMI CHEMICALS (PRIVATE) LIMITED
WITH AND INTO M/S. KMI & SONS WOOD INDUSTRIES (PRIVATE) LIMITED**

CASE: 1532/Merger-CCP/2025



**Dr. Kabir Ahmed Sidhu
Chairman**

ORDER

1. On 10th April 2025, M/s. KMI & Sons Wood Industries (Private) Limited ("KMIS" or "Merger Party 1") submitted a pre-merger application ("Application") to the Competition Commission of Pakistan ("Commission") notifying the Commission of a proposed transaction whereby M/s. KMI Chemicals (Private) Limited ("KMIC" or "Merger Party 2") will merge with and into Merger Party 1 pursuant to the terms of a Scheme of Arrangement ("Agreement") dated 25th January 2025.
2. The Application was filed under Section 11 of the Competition Act, 2010 (the "Act") read with Regulation 6 of the Competition (Merger Control) Regulations, 2016 (the "Merger Regulations").

Merger Parties

Merger Party 1

3. KMIS was incorporated in Pakistan as a private limited company under the Companies Act, 2017 on 23rd May, 2019. Its registered office is located in the province of Punjab, Pakistan. The principal activity of the company is manufacturing and sale of wood based chipboard and its related products.

Merger Party 2

4. KMIC was incorporated in Pakistan as a private limited company under the Companies Act, 2017 on 21st January 2020. Its registered office is located in the province of Punjab, Pakistan. The principal activity of the company is to manufacture and sell drugs, phytochemicals and other heavy and light chemicals.

Transaction

5. Pursuant to the Agreement, the proposed transaction entails the complete merger of KMIC with and into KMIS. Upon effectiveness of the Agreement, all assets and liabilities of KMIC shall be transferred to, and vested in, KMIS in accordance with the terms of the Agreement. As consideration, KMIS shall issue and allot fully paid-up ordinary shares of PKR each for every one fully paid-up ordinary share of PKR held by the shareholders of KMIC. Accordingly, a total of ordinary shares of KMIS shall be issued to the shareholders of KMIC.



6. The total transaction value is PKR _____ and upon completion of the share allotment, the total issued, subscribed and paid-up capital, KMIS shall be PKR _____ divided into _____ ordinary shares of PKR _____ each (the "Transaction").

Phase-I Competition Assessment

Procedural Review

7. Based on the Application, the Commission conducted a Phase-I competition assessment of the Application, including supporting documentation, to evaluate compliance with the Act and Merger Regulations, particularly focusing on potential competitive concerns, including market dominance after the transaction is consummated.

Relevant Market

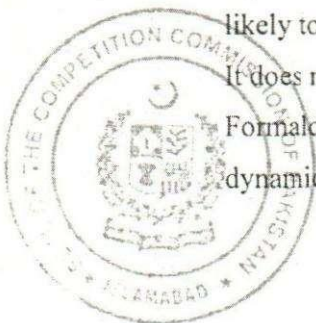
8. The relevant product market, in this case is "**Formaldehyde**", a strong-smelling gas commonly used in the production of industrial resins, particularly for wood products like particle board, medium density fiberboard, and plywood. The relevant geographic market is identified as "**Pakistan**".

Market Share

9. As stated in the Application, publicly available market data is currently limited; however, the Applicant has represented that KMIC holds a negligible market share of less than percent (%) in the relevant market. Consequently, the proposed merger will not result in any change in KMIC's market share, nor will it lead to an increase in market concentration.

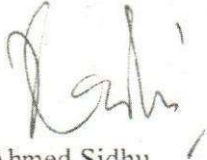
Competition Analysis

10. This merger represents a downstream integration, involving the acquisition of a supplier engaged in the manufacturing of formaldehyde, a key raw material for KMIS. Given the operational relationship between the merging entities and KMIS not being active in the relevant market, the transaction is classified as vertical in nature. The transaction is not likely to substantially lessen competition by creating or strengthen a dominant position. It does not create entry barriers, or enhance the market power of the resulting entity. The Formaldehyde market is likely to continue to operate under existing competitive dynamics post-transaction.

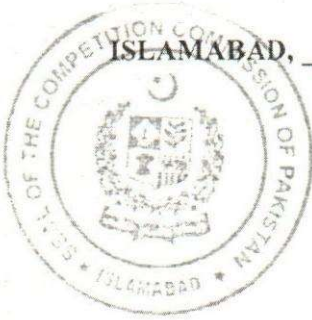


Determination

11. The Commission concludes that the proposed Transaction does not create or strengthen a dominant position in the relevant market, as defined under Section 2(1)(e) read with Section 11 of the Act and the Merger Regulations. The proposed Transaction is hereby authorized under Section 31(1)(d)(i) of the Act.
12. Notwithstanding the above, matters which may fall outside the scope of the Commission's purview, remain subject to applicable laws, judicial orders and the oversight of relevant regulatory bodies.
13. It is so ordered.



Dr. Kabir Ahmed Sidhu
Chairman



ISLAMABAD, 22nd MAY, 2025.