



**BEFORE THE
COMPETITION COMMISSION OF PAKISTAN**

FIRST PHASE REVIEW

**IN THE MATTER OF MERGER OF M/S. PAKARAB FERTILIZERS LIMITED
WITH AND INTO M/S. FATIMA FERTILIZER COMPANY LIMITED.**

CASE: 1367/Merger-CCP/2023

Commission



Rahat Kaunain Hassan
Chairperson

ORDER

1. On April 12, 2023 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. Fatima Fertilizer Company Limited ("FFCL" or "Merger Party 1") and M/s. Pakarab Fertilizers Limited ("PFL" or "Merger Party 2") whereby PFL will be merged with and into FFCL. All the requisite information/documentation pertaining to the application was completed on May 22, 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) For Merger Party 1: FFCL is a public listed company existing under the laws of Pakistan. The principal activity of the company is manufacturing, producing, buying, selling, importing and exporting fertilizers and chemicals. FFCL was set up as a joint venture between Arif Habib Group ("AHG") and Fatima Group ("FG"), as a Greenfield fertilizer complex. The company deals with fertilizers namely Urea, Calcium Ammonium Nitrate (CAN) and Nitro phosphate (NP). FFCL also imports and sells Di-Ammonium Phosphate (DAP) fertilizer in Pakistan.
- b) For Merger Party 2: PFL is a non-listed public company existing under the laws of Pakistan. The company was acquired by a consortium of AHG and FG in 2005 under the Government of Pakistan's privatization programme. PFL is principally engaged in the manufacturing and sale of chemical fertilizers. PFL also deals with fertilizers Urea, CAN and NP while it also imports and sells DAP fertilizer in Pakistan.
- c) Currently, FFCL and PFL are associate entities in Pakistan and have no parent-subsidary relation with their shareholders.

ii. As per the Application, PFL will be merged with and into FFCL according to the Scheme of Compromises, Arrangement and Reconstruction ("**Arrangement**") dated December 06, 2022. As per the Arrangement, FFCL shall issue non-voting Redeemable Class A & B shares (value of PKR /- each) to the shareholders of PFL and capital contributors. The total value of the shares that shall be issued is PKR /-.

iii. The reportable product market in this case has been identified as "**Production and Sale of Fertilizers – UREA, NP, CAN and DAP**" and the relevant geographic market is "**Pakistan**".

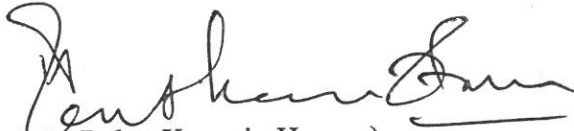
iv. Based on the information supplied, FFCL has a market share of % in the UREA segment while PFL has a mere %. For the DAP segment, FFCL holds % stake while PFL has %. Post-transaction, the market shares of PFL will be absorbed into FFCL.

v. Furthermore, the Merger Parties are currently the only providers of CAN and NP fertilizers in Pakistan. In the CAN segment, FFCL has a presence of % while PFL has %. Similarly, in the NP segment, FFCL share is % whereas PFL has a stake of %. Post-transaction, FFCL will solely provide these two variants.



3. The proposed transaction meets the presumption of dominance as determined under Section 2(1)(e) read with Section 3 of the Act. Accordingly, a Phase II review is hereby initiated under Section 11(6) of the Act to assess the compatibility of the proposed merger with Chapter II of the Act.

4. It is so ordered.


(Ms. Rahat Kaunain Hassan)

Chairperson



Islamabad the JUNE 1st, 2023.