

GOVERNMENT OF PAKISTAN
INDUSTRIES & PRODUCTION DIVISION

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INQUIRY REPORT

Subject: IRREGULAR SALE OF SHARES OF SANOFI AVENTIS OF RS.867.264 MILLION- AUDIT PARA NO. 9.5.4.3 (2022-23) PERTAINING TO NATIONAL FERTILIZER CORPORATION (NFC), LAHORE

1. Preamble and Authorization: -

Principal Accounting Officer/Secretary Industries and Production Division vide Office Order No.9(39)/2018-Admn-I dated 25th June, 2025 (Annex-I) constituted an Inquiry Committee comprising the following officers to conduct an Inquiry to probe the matter regarding irregular sale of shares of Sanofi Aventis of Rs.867.264 Million: -

i)	Mr. Omer Manzoor Sheikh Deputy Secretary (A-II)	Chairman
ii)	Mr. Akhlaq Mahmood, Section Officer (PSD-II)	Member/ Secretary Committee

The contents of Audit Para along with latest DAC directions are reproduced as under (Annex-II):

AUDIT PARA	CONTENTS OF PARA	DAC directives
9.5.4.3	<p>IRREGULAR SALE OF SHARES OF SANOFI AVENTIS OF RS.867.264 MILLION</p> <p>As per Rule 5(7)(h) of the Public Sector Companies Corporate Governance Rules 2013, the Board shall be responsible to formulate significant policies regarding acquisition or disposal of fixed assets and investments.</p> <p>As per Rule 4 (3) of the Public Sector Companies Corporate Governance Rules 2013, "The chief executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Act and these rules. His responsibilities include implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.</p> <p>During the audit of NFC for the period 2019-22, it was noted that total 1,080,000 shares were transferred to NFC on liquidation of Federal Chemicals & Ceramics Corporation Pvt Limited in June 2003. In August 2011, a private broker M/s. Dossalani approached Chairman, NFC</p>	<p>DAC directive dated 20.01.2023: Management explained that decision was taken by BoG. Audit explained no justification was provided for sale of directorship shares by a private transaction with a private broker who directly approached NFC.</p> <p>DAC after detailed deliberations ordered to hold an inquiry at Ministry level. Para was kept pending.</p> <p>DAC directive dated 27.03.2025: DAC pended the para till finalization of inquiry at Ministry level.</p>

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instead of Managing Director, and offered to purchase of shares of Sanofi Aventis held by NFC. Ministry of Industries also intervened and directed to sale out the shares held by NFC. On these directions, a resolution was passed through circulation to BOD and out of total 1,080,000 shares, the management of NFC sold 824,300 shares at rate of Rs.160 per share to M/s Dossiani Securities Pvt Limited. It is pertinent to mention here that Chairman, NFC Board approached through a DO letter to the Ministry of Industries vide its letter No. NFC/DO/614/15 dated 24.08.2011 for clearance of sale of said shares by passing the BoD and the Managing Director who had all the power to run the company. Later on the share value of Sanofi Avantis was appreciated as the shares were being traded in stock market at the rate of Rs.1068 per share in June 2022. Similar kind of offer was received in 2022 from a private company, but the BOD refused to sale the current holding of 255700 shares of Sanofi Avantis on the plea that the company had been paying heavy dividends.

Due to lack of independent decision making, a very lucrative investment held by NFC was sold through a private transaction with a broker company instead of through some competitive process.

Audit was of the view that the management did not exercise due care and diligence which resulted into loss to the company. The capital gain loss was assessed to be Rs 748.464 million (Rs.160 share sale price less Rs.1068 per share current market price in June 2022 = Rs 908 x 824300 shares sold = Rs 748.464 million). Sanofi Aventis gave a dividend of Rs 10.800 million. Loss assessed on account of dividend receipts was Rs.118.800 million (10.800 million per year x 11 years since 2011= 118.800 million). Total loss assessed was Rs 867.264 million (Rs.748.464 + Rs.118.800). Audit asked for policy to sale of investments held by NFC in 2011, but nothing was available thus sale of shares of Sanofi Avantis was held irregular and without due diligence resulting into heavy losses to NFC.

Audit recommends to;

- i. Justify the sale of directorship shares of Sanofi Avantis directly to a private broker.
- ii. Refer the matter to investigation agencies for investigation through quarters concerned.

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2. Introduction of National Fertilizer Corporation (NFC)

NFC is owned by Government of Pakistan and was incorporated under section 32 of the Companies Ordinance 1984 as a commercial enterprise as private limited company in August, 1973. The Head Office of NFC is located at Lahore. The Corporation is administratively headed by a Chief Executive Officer who is assisted by General Managers responsible for Finance & Accounts, Personnel & Administration, Technical & Planning and Internal Audit Departments. After the privatization of fertilizer manufacturing plants in year 2006, the role of NFC has been of policy level. NFC has a subsidiary marketing company namely National Fertilizer Marketing Limited which is mandated to regulate, supply and manage distribution of imported urea.

3. Methodology of Inquiry/ Modus Operandi:

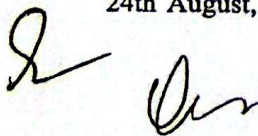
The Inquiry Committee requisitioned the following record/information from NFC and examined it thoroughly in the light of available record and rules applicable in the instant case:

- i) Copy of the Audit Para No 9.5.4.3 "Irregular sales of shares of Sanofi Aventis-Rs 867.264 million" and point to point version of NFC against the audit para.
- ii) Copy of the DAC directions, if any.
- iii) If any inquiry was conducted on this audit para at departmental level, copy of the inquiry report. Comprehensive brief/report Sales of Shares Of Sanofi Aventis - Rs 867.264 Million"
- iv) All relevant supporting documents.

4. Findings:



After scrutiny of record provided by NFC, following are findings of the case: -

- i) In 2002, Ministry of Industries & Production authorized the transfer of Federal Chemical & Ceramics Corporations (Pvt) Limited (FCCCL)'s share in RPR Pharma (Rhone-Poulence Rorer, Pakistan Private Limited) to NFC, vide MoIP's letter No.1(2)/2002/I&P/FCCCL dated 19th June, 2002 (Annexure-III).
- ii) As per record, 1,080,000 shares of Sanofi Aventis formerly known as RPR Pharma (Rhone-Poulence Rorer, Pakistan Private Limited) were transferred by FCCCL to NFC in the year 2002 at a book value of Rs.3.400 million (Rs.3.15 per share) (Annexure-IV)
- iii) On 24th August, 2011, NFC received an offer from M/s. Dossalani's Securities (Pvt.) Limited, stock broker of Lahore Stock Exchange for sale of 1,080,000 shares of Sanofi-Aventis at market price of Rs.150/- per share (Annexure-V).
- iv) The then Chairman-NFC / CEO-NFC viz. Muhammad Khalid Malik, vide DO letter dated 24th August, 2011 stated that the stock market is highly volatile and the value of shares is



unpredictable, therefore, he requested Secretary, Industries & Production for clearance for sale of 1,080,000 shares of Sanofi Aventis to M/s. Dossiani's Securities @ Rs.150/- per share endorsing its copy to Senior Minister for Industries & Production (Annexure-VI)

- v) Ministry of Industries & Production, vide its letter No.10-14/2011/IND/NFC dated 10th September, 2011 conveyed the approval of Senior Minister for Industries & Defence Production dated 8th September, 2011 to Chairman NFC for sale of shares of Sanofi Aventis Pakistan Limited held by NFC (Annexure-VII)
- vi) The matter for sale of shares of Sanofi Aventis to M/s. Dossiani Securities was placed before the Board of Directors (BoDs) of NFC in its 91st meeting held on 31st October, 2011. The Board decided that 1,080,000 shares of Sanofi-Aventis Pakistan Limited held by NFC be sold at price not less than Rs.160/- share and the Chairman and Secretary of the Corporation were authorized to sign the transfer deed of shares held by NFC in M.s Sanofi Aventis Pakistan limited (Annexure-VIII)
- vii) The decision of the Board was conveyed to M/s. Dossiani's Securities, vide NFC letter dated 9th December, 2011 with the direction that if they can offer a price of Rs.160/- per share net or above then we can proceed further (Annexure-IX)
- viii) M/s. Dossiani's Securities, vide their letter dated 12th December, 2011 informed that they are trying best to get a bid of target price of Rs.160/- per share as demanded by NFC for sale of 1080000 shares of Sanofi-Aventis @ Rs.160 /share. However, on the same day, M/s. Dossiani's Securities, vide their letter dated 12th December, 2011, offered NFC the price of Rs.160/(net) per share for 269,300 shares of M.S Sanofi Aventis (Annexure-X)
- ix) Subsequently, after completion of necessary formalities, the 824,300 shares were sold to M/s. Dossiani's Securities in two tranches. 269,300 shares in January 2012 and 555,000 in May 2012 @ Rs.160/- per share and accordingly sale proceeds of Rs.43,083,691.20 (Cheque No.1829606 dated 10.01.2012) and Rs.88,784,094/- (PO No.2674987 dated 10.05.2012) were received by NFC (Annexure-XI)
- x) The record provided by NFC reflects that in 2011, the shares of Sanofi Aventis were appearing in Annual Audited Accounts of NFC for the year 2010-2011 under Note-10.3 as "other long-term investments available for sale" (Annexure-XII)
- xi) As per record provided by NFC, during the period June 2011 to August 2011, the price of share of Sanofi Aventis at Karachi Stock Exchange remained between Rs.145/- to Rs.153/- per share (Annexure-XIII)
- xii) The shares of Sanofi Aventis were sold above the book value (Rs. 145-153/share) as well as market value at that time and NFC had not incurred any loss on sale of 824,300 shares.
- xiii) The record provided by NFC, reflects that the sale proceeds of 824,300 shares of i.e. Rs.131.888 million were invested by NFC in term deposit receipts with various bank along with other investments and earned a profit of Rs.179.857 million which is higher by Rs.61.057 million (Rs.179.857-Rs.118.800) (Annexure-XIV)
- xiv) The Commercial Auditors in Audit Para No. 9.5.4.3 titled "Irregular Sale of Shares of Sanofi Aventis - Rs. 867.24 Million" have calculated a notional loss of Rs. 867.24 million on the

basis of June, 2022 market price of Sanofi Aventis shares at Rs. 1068/- per share on the Pakistan Stock Exchange. This calculation, however, is not relevant or comparable to the actual market price of Sanofi Aventis shares at the time of their sale in 2012. Accordingly, the audit observation is based on an incorrect premise by linking the 2012 transaction to 2022 market rates.

- xv) The audit has calculated a notional loss of Rs. 118.800 million to NFC on account of dividend income that could have been received on 824,300 shares of Sanofi Aventis during the period 2012-2022. However, as per NFC's record, the Corporation actually earned a profit of Rs. 179.857 million over the same period by investing the sale proceeds of 824,300 Sanofi Aventis shares (amounting to Rs. 131.888 million) in banks. This clearly indicates that NFC's investment decision yielded higher financial returns as compared to the assumed dividend income.
- xvi) The record indicates that Ms. Zahida Alvi, the then General Manager (Finance)/Company Secretary, NFC, did not highlight the procedural lapse regarding the absence of a competitive bidding process in the sale of Sanofi Aventis shares before the competent authorities and the NFC Board. It is also observed that the Ministry, at that time, similarly failed to bring this lapse to the attention of NFC for consideration.
- xvii) It is further observed that prior to the promulgation of the Public Sector Companies (Corporate Governance) Rules, 2013, the Chairman NFC was both the Head of Department as well as Chairman of the NFC Board. In this capacity, Mr. Muhammad Khalid Malik, the then Chairman NFC, failed to ensure compliance with the requisite procedure of competitive bidding while transferring the shares of Sanofi Aventis, which reflects negligence in the discharge of his responsibilities as Head of Department.

5. Recommendations

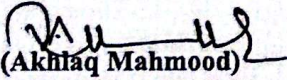
In view of above findings made on the basis of available record provided by NFC, it is recommended the said audit para may be placed before DAC for settlement on the following grounds: -

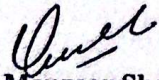
- i) The shares of Sanofi Aventis were sold to M/s. Dossiani Securities in 2011 on the terms and conditions (i.e. at price not less than Rs.160/- per share) decided by NFC Board of Directors (BoDs) in its 91st meeting held on 31st October, 2011 and the Chairman and Secretary of the Corporation were authorized to sign the transfer deed of shares held by NFC in M.s Sanofi Aventis Pakistan limited (Annex-VI)
- ii) The Audit's stance that NFC incurred a loss of Rs. 867.24 million on account of the sale of Sanofi Aventis shares, calculated on the basis of the 2022 market price of Rs. 1068/- per share and the assumed dividend income over the following ten years, is misconceived. This comparison is irrelevant, as the shares had already been sold in 2011; therefore, neither the subsequent market value in 2022 nor the hypothetical dividend stream can be applied retrospectively to that transaction.
- iii) The Audit has calculated a loss of Rs. 118.8 million to NFC on account of dividend income that could have been received on 824,300 shares of Sanofi Aventis during

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the period 2012–2022. However, as per NFC's record, a profit of Rs. 179.857 million was actually earned during the same period by investing the sale proceeds of 824,300 shares (Rs. 131.888 million) in banks. This return is higher by Rs. 61.057 million (Rs. 179.857 million – Rs. 118.800 million), clearly indicating that NFC's investment decision was financially more beneficial than the assumed dividend income (Annexure-XII).

- iv) The Audit's observation that the Chairman NFC approached a private broker, i.e. M/s Dossalani, for the sale of Sanofi Aventis shares is factually correct. However, it is pertinent to mention that the offer of shares to private brokers was duly endorsed and approved by the NFC Board in its 91st Meeting held on 31st October, 2011. (Annex-VI).
- v) As Ms. Zahida Alvi, General Manager (Finance)/Company Secretary NFC, and the then Chairman NFC and even the Ministry failed to highlight the procedural lapse of competitive bidding in the transfer of Sanofi Aventis shares before the competent authorities and the NFC Board, the lapse is acknowledged. However, since no actual financial loss was incurred, and both officers are no longer in service of NFC due to retirement/expiry of contract, it is recommended that a formal **displeasure** may be conveyed to concerned and para be settled on the basis of findings above.


(Akhlaq Mahmood)
Section Officer (PSD-II)
Member/
Secretary Committee
01-09-2025


(Omer Manzoor Shaikh)
Deputy Secretary (Admn-II)
Chairman
1-9-2025