




BEFORE THE
COMPETITION COMMISSION OF PAKISTAN


FIRST PHASE REVIEW

IN THE MATTER OF ACQUISITION BY M/S. ARCHROMA OPERATIONS
S.À.R.L. OF THE TEXTILE DYES AND CHEMICALS BUSINESS FROM
M/S. HUNTSMAN INTERNATIONAL LLC.

CASE: 1323/Merger-CCP/22

Commission


Ms. Rahat Kaunain Hassan
Chairperson


Mujtaba Ahmad Lodhi
Member

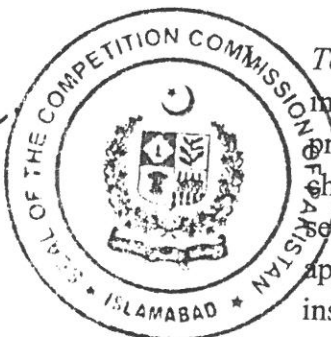


ORDER

1. On September 12, 2022 the Competition Commission of Pakistan ("**Commission**") received a pre-merger application ("**Application**") of a proposed acquisition pursuant to Section 11 of the Competition Act, 2010 ("**Act**") read with Regulation 6 of the Competition (Merger Control) Regulations, 2016 ("**Merger Regulations**") whereby M/s. Archroma Operations S.à.r.l. ("**Archroma**" or the "**Acquirer**") intends to purchase textile dyes and chemicals business, (known as the "**Textile Effects Division**", herein referred to as the "**Target**") from M/s. Huntsman International LLC ("**Huntsman International**" or "**Seller**") pursuant to an Equity and Asset Purchase Agreement (the "**SPA**").
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 concerned undertakings are:

- a. Acquirer: Archroma was incorporated on March 13, 2013 and is organised under the laws of Luxembourg. Archroma is a wholly-owned portfolio company of funds advised by SK Capital. SK Capital is a private investment firm focused on the specialty materials, chemicals and pharmaceutical sectors. SK Capital was founded in 2007 and is based in New York, USA, with an additional office in Miami, Florida, USA. Archroma is a manufacturer of dyes, pigments, emulsions and surface active chemicals used in the textile, paper, coatings, construction and adhesive industries. In Pakistan, Archroma operates through M/s. Archroma Pakistan Limited ("**APL**"). APL is active in the business of manufacture and sales of chemicals, dyestuffs, coating, adhesive and sealants.
- b. Target/Seller: Huntsman International is a Delaware limited liability company and was formed in 1999, certified by the Secretary of State of Delaware. It is a direct, wholly owned subsidiary of M/s. Huntsman Corporation ("**Huntsman**") and is the principal operating company of Huntsman. Huntsman is a global manufacturer of differentiated organic chemical products. It operates in four segments: Polyurethanes, Performance Products, Advanced Materials and Textile Effects. Huntsman is active in Pakistan, through its subsidiary M/s. Huntsman Textile Effects Pakistan (Private) Limited ("**HTEPPL**"), which was incorporated as a private limited company. HTEPPL is engaged in the supply of textile chemicals and textile dyes. The Transaction involves the transfer of HTEPPL to the Acquirer. The only segment which is relevant to the Transaction is Textile Effects (i.e. the Target).



Textile Effects – The Textile Effects business unit is a solutions provider in the wet processing of textiles across pre-treatment, coloration, printing and finishing, and provides a diverse portfolio of textile chemicals and dyes. Huntsman markets products to textile mills that serve customers in multiple end-markets, including consumer fashion apparel, sportswear, career and uniform apparel, automotive, home and institutional textiles and furnishings, carpet and other functional textiles.

- ii. As per the submitted application, Archroma will acquire the Target, which includes:
- a. % of the equity of a few subsidiaries of Huntsman, including HTEPPL,
 - b. % of the equity interests in M/s. Swathi Organics and Specialties Private Limited, a joint venture formed under the laws of India (the "Adinah India JV"), and
 - c. Assets and liabilities related to the Textile Effects Division in different jurisdictions (not in Pakistan).
- iii. The total consideration value for the Target is USD (equivalent to PKR 1 (-)), subject to adjustments in respect of net working capital, indebtedness (including pension liabilities) and cash.
- iv. The Target is involved in Pakistan with the following textile chemicals:
- a. De-sizing agents
 - b. Bleaching auxiliaries
 - c. Softening agents
 - d. Dyeing and printing auxiliaries
 - e. Optical brighteners
 - f. Finishing agents
 - g. Surfactants
- v. On the other hand, Archroma is active in Pakistan for the following textile chemicals.
- a. Sizing Agents
 - b. Bleaching auxiliaries
 - c. Dyeing and printing auxiliaries
 - d. Optical brighteners
 - e. Finishing agents
 - f. Surfactants
- vi. Additionally, the Target is involved in Pakistan with the following textile dyes:

- a. Basic dyes
- b. Disperse dyes
- c. Reactive dyes
- d. Vat dyes
- e. Premetallized acid dyes (metal-complex dyes)

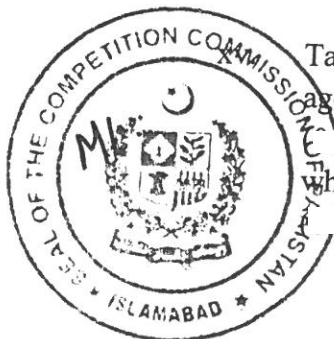
Moreover, Archroma is active in Pakistan with the following textile dyes:

- a. Acid dyes



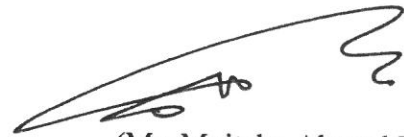
- b. Disperse dyes
 - c. Reactive dyes
 - d. Sulfur dyes
 - e. Textile pigments
- viii. Both the Acquirer and Target overlap in the manufacture and supply of textile chemicals and textile dyes for textile processing. Textile processing involves a process whereby fabric and base yarn is cleaned, prepared, colored and finished for use in goods such as clothing, household items, upholstery and various industrial products. The Parties supply textile chemicals and dyes for textile processing to customers that include textile mills and retailers.
- ix. Textile chemicals are used in yarn production and preparation, fabric formation, fabric finishing and other miscellaneous manufacturing operations. These can be used in various production steps to clean and prepare fabric and yarn, to support the coloration process, and to finish the materials.
- x. Textile dyes are water soluble or dispersible substances for staining or coloring textiles. There are different types of dyestuffs distinguished depending on the types of substrates to which dyes are applied, the physical and chemical nature of the dye and the application method used. In general, dyes have a lower light and color fastness than pigments but are easier to apply to certain products because they are soluble.
- xi. Archroma and the Target only overlap in Pakistan in the textile chemicals segments of sizing agents, bleaching auxiliaries, dyeing and printing auxiliaries, optical brighteners, finishing agents and surfactants.
- xii. Additionally, Archroma and the Target only overlap in Pakistan in the textile dyes segments of disperse dyes and reactive dyes.
- xiii. In light of the above, the reportable product markets in this case have been identified as **“Manufacture and supply of textile chemicals and textile dyes for textile processing”**, while the relevant geographic market is **“Pakistan”**.
- xiv. Archroma’s presence in the textile chemicals segment in Pakistan encompasses sizing agents (%), bleaching auxiliaries (%), dyeing and printing auxiliaries (%), optical brighteners (%), finishing agents (%) and surfactants (%) while for the textile dyes segments, its only products are disperse dyes (%) and reactive dyes (%).

Target’s presence in the textile chemicals segment in Pakistan pertains to sizing agents (< %), bleaching auxiliaries (...%), dyeing and printing auxiliaries (...%), optical brighteners (...%), finishing agents (...%) and surfactants (%) while for textile dyes segments, its market presence in relation to disperse dyes (...%) and reactive dyes (%).



- xvi. Post-transaction, the market share of Archroma in Pakistan will likely increase as all of the Target's operations will then be under the control of the Acquirer.
3. Ancillary restrictions have been reported in this transaction, which may require exemption under Section 5 of the Act, read with Regulation 4 of the Competition Commission (Exemption) Regulations 2020. This Order is without prejudice to any such requirements.
 4. The proposed transaction does not meet the presumption of dominance as determined under Section 2(1)(e) read with Section 3 of the Act. Hence, it is hereby authorized under Section 31(1)(d)(i) of the Act.
 5. In the subject transaction, matters which may fall outside the scope of the Commission's purview shall be handled in accordance with the relevant laws and regulations.
 6. It is so ordered.


(Ms. Rahat Kaunain Hassan)
Chairperson


(Mr. Mujtaba Ahmad Lodhi)
Member



Islamabad the October 12th, 2022.