




BEFORE THE
COMPETITION COMMISSION OF PAKISTAN
FIRST PHASE REVIEW

IN THE MATTER OF ACQUISITION OF % SHAREHOLDING IN M/S. LOTTE
CHEMICAL PAKISTAN LIMITED BY M/S. LUCKY CORE INDUSTRIES LIMITED
FROM LOTTE CHEMICAL CORPORATION.

CASE: 1354/Merger-CCP/2023

Commission




Ms. Rahat Kaunain Hassan
Chairperson

ORDER

1. On February 10, 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. Lucky Core Industries Limited ("LCIL" or "Acquirer") for the acquisition of % shareholding in M/s. Lotte Chemical Pakistan Limited ("LCPL" or "Target") by the Acquirer from M/s. Lotte Chemical Corporation ("LCC" or "Seller") pursuant to a Share Purchase Agreement ("SPA") which took place on January 26, 2023. All the requisite information/documentation pertaining to the application was completed on March 14, 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:

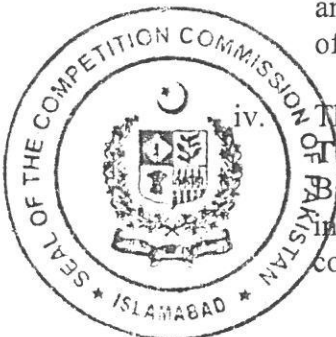
i. The business activities of the undertakings concerned are:

- a. For the Acquirer: LCIL is a public listed company, incorporated under the laws of Pakistan, involved in the business of Polyester Staple Fibre (PSF), Soda Ash, Chemicals, Pharmaceuticals, Nutraceuticals, Animal Health products and Agri-Sciences.
- b. For the Seller: LCC is a South Korea-based company engaged in the manufacture of an extensive range of petrochemical products, including plastics, synthetics, and basic chemicals, HDPE, PP and MEG, which are sold both in South Korea and in the overseas markets.
- c. For the Target: LCPL is a public listed company, incorporated under the laws of Pakistan. The Target is involved in the production of Purified Terephthalic Acid (PTA). PTA is the primary raw material for producing Polyester Staple Fibre (PSF), Polyester Filament Yarn (PFY), Polyester Film, and Polyethylene Terephthalate (PET) Chips & Resin. The Target, through the production of PTA, caters to the raw material demand of the Polyester and PET Industries in Pakistan.

ii. As per the Application, the shares of the Target being acquired by the Acquirer from the Seller are which comprises approximately % of the allotted and issued share capital of the Target. If the Acquirer elects to carry out the Acquisition through a Special Purpose Vehicle (SPV), the Acquirer will incorporate the SPV and inject funds therein, which will be used to acquire shares of the Target. The value of the transaction is PKR and this cash payment will be made to the Seller in terms of the SPA through official banking channels by the Acquirer.

iii. As per the Application, PTA is one of the raw materials for the production of PSF and is utilized by the Polyester Business of the Acquirer. The Target is a supplier of PTA to the Acquirer's Polyester business.

iv. The relevant product market in this case has been identified as "Purified Terephthalic Acid (PTA)" and the relevant geographic market is "Pakistan". Based on the supplied data, the Target is the sole manufacturer and supplier of PTA in Pakistan while an alternative source involves import of the chemical. The competitors of the Acquirer also source PTA from the Target.



- v. Post-transaction, LCIL will have control over the Target and be the sole supplier of PTA in Pakistan. This may allow the Acquirer to modify the prices and supply of the chemical in the market for other users of PTA.
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 MARCH 21st, 2023.

