

## Foundation Alert

### LOTCHEM: South Korean sponsor sells its share in LOTCHEM to Lucky Core Industries

#### Event

- Lotte Chemical Pakistan Limited (LOTCHEM PA) announced that its sponsor, LOTTE Chemical Corporation (LCC Korea) has sold its entire shareholding in LOTCHEM. As per Bloomberg, the LOTCHEM stake was sold to Lucky Core Industries.

#### Impact

- Lotte Chemical Pakistan Limited has notified that the Board of Directors of its sponsor, LOTTE Chemical Corporation (LCC Korea) has approved and authorized the sale of its entire 75.01% shareholding in LOTCHEM for the purpose of the optimization LCC Korea's business portfolio, subject to execution of a share purchase agreement, on such terms and conditions as may be specified, under a share purchase agreement.
- The sale of the stake will be subject to obtaining all regulatory and corporate approvals.
- Bloomberg reported that the stake was disposed to Lucky Core Industries for Won192.4bn (~US\$155.7mn) with scheduled date of disposal being Jan'26, 2023.
- As per SECP Substantial Acquisition of Voting Shares and Takeovers Regulation 2017, Luck Core Industries would have to make a public offer for the remaining 24.99% shares. FSL estimates the price of the public offer would be Rs29.7/sh (see below for calculation).
- The price for this public offer would be the highest of (1) negotiated weighted average price under share purchase agreement [FSL calculates this as Rs22.5/sh], (2) highest price paid by the acquirer during 6 months prior to the date of public announcement of offer, (3) weighted average share price during 6 months preceding the date of public announcement of offer [FSL calculates this as Rs29.7/sh], (4) weighted average share price during 4 weeks preceding the date of public announcement of intention [FSL calculates this as Rs25.7/sh] or (5) price based on "net asset value" carried out by a Chartered Accountant firm.
- LOTCHEM current book value stands at Rs13.9/sh with no revaluation gain booked on land and plant & machinery which are normally recorded at fair value before acquisition transaction.
- LOTCHEM current cash and short-term investments stand at Rs10.6bn (Rs7.0/sh) at the end of 1QCY23.

#### Outlook

- We have an underperform rating on LOTCHEM as it's receivables have increased by 2.6x YoY.

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**Recommendations definitions**

If	
Expected return >+10%	Outperform.
Expected return from -10% to +10%	Neutral.
Expected return <-10%	Underperform.