

# ASIAN SPECIALTY CHEMICALS NEWSLETTER

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## INTRODUCTION

We hope you find the *Asian Specialty Chemicals Newsletter* informative. We are proud to be publishing issue 50 of our newsletters. Readership has grown steadily since we began publishing them in 1998.

BDA is a corporate finance and advisory firm, which assists multinational clients to identify, assess and execute cross-border transactions involving Asia, including acquisitions, divestments, JVs and restructuring. We have offices and professional staff throughout Asia, and in the US and Europe.

If you think that BDA's services may be useful to you, please contact us at any one of our offices or email me at [erellie@bdallc.com](mailto:erellie@bdallc.com). Contact details for our offices are at the back of this newsletter. We look forward to speaking with you in the future.

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## China

Indian firm **Adita Birla Group** will establish a JV with **Hubei Jing Wei Chemical**, a viscose staple fibre manufacturer in China. The JV will raise Hubei Jing's current capacity of 30,000 tpa of viscose staple fibre to 60,000 tpa by December 2007. (December 11, 2006)

**BASF Catalysts**, a wholly owned subsidiary of **BASF**, has signed an agreement to acquire **Guilin REEcat Catalyst**, a motorcycle emissions-control catalyst manufacturer based in Guilin, China. Terms of the deal were not disclosed. The transaction is expected to be completed by the end of Q2 2007. (December 11, 2006)

**China's Assets Supervision and Administration Commission (SASAC)** has restructured and merged **China National Offshore Oil Corp (CNOOC)** and **China National Chemical Construction Corp (CNCCC)**. CNOOC will take over CNCCC to strengthen its downstream refining business, including fertilizers. CNCCC specializes in fertilizer and chemical production and has revenue of US\$513m. (February 8, 2007)

**Clariant**, the Swiss specialty chemicals maker, will increase its investments in China and India, from 2007 through 2008. Clariant is looking into investing in surfactants, ethoxylates and other performance chemicals in China. It also intends to synchronize its production in the areas of detergent, personal care, oil-drilling chemicals and specialty industrial chemicals. (January 4, 2007)

US-based **Columbian Chemicals** has acquired **Haihua Carbon Black** in eastern China for US\$4.6m (RMB36m). Haihua Carbon Black, a former unit of **Shandong Haihua Group**, has a capacity of 20,000 tpa at its Weifang plant which Columbian plans to triple. This deal marks Columbian's entry into the Chinese market. (February 19, 2007)

**Dow Corning** will establish a 75:25 silicones JV facility in Zhangjiagang with **Wacker Chemie**. The proposed facility will have a total capacity of 200,000 tpa of siloxane and fumed silica. Commissioning is slated for 2010. (December 31, 2006)

**Dow Corning** and **Dongjue Fine Chemical (Nanjing)** have dissolved their Chinese silicone rubber JV, **DC Dongjue Silicone Group**, in China. **Dongjue High Polymer Materials (Shanghai)** will remain a 100% owned subsidiary of Dow Corning while Dongjue Fine Chemical will operate as an independent entity. (January 16, 2007)

**Dragon Aromatics** has selected **Axens' ParamaX** technologies for its aromatics project in Xiamen, China. The plant is designed to maximise the production of paraxylene (PX) for polyester chips and fibre production, said Axens, a subsidiary of France's **IFP**. The plant will produce 800,000 tpa of PX, 160,000 tpa of orthoxylene (OX) and 228,000 tpa of benzene. It is scheduled to start up in 2009. (February 26, 2007)

**Heilongjiang Longxin Chemical** will build a 50,000 tpa methyl methacrylate (MMA) plant and a 40,000 tpa downstream polymethyl methacrylate (PMMA) unit in China. Commercial production will start in early 2009. (January 29, 2007)

**Huatai Group** will acquire three chemical plants and a thermoelectric facility from its parent company via a US\$3m share issue. The companies involved, **Dongying Xiefa Chemical**, **Huatai Paper Chemical**, **Huatai Fine Chemical**, and **Dongying Huatai Thermoelectric**, had net assets of US\$80m on September 30, 2006 and total debt of US\$50m. De-inking agents produced by the chemical firms will be used by Huatai in its

newspaper production line at Dongqing in Shandong, China. In addition, Huatai plans to supply caustic soda and hydrochloric acid to the US\$1bn titanium dioxide unit being built nearby by DuPont. (January 6, 2007)

**Ineos Fluor**, a leading UK fluorine chemical company, has formed a JV to produce anhydrous hydrogen fluoride with **Zhejiang Xing Teng Chemical** in Shangrao, Jiangxi. The JV will supply raw materials to its fluorochemicals plant in Mihara, Japan. The plant has a 40,000 tpa capacity and will be completed by Q4 2007. (January 22, 2007)

**Johnson Matthey** subsidiary **Davy Process Technology** and **Johnson Matthey Catalysts** will supply **Baotou Shenhua Coal Chemicals** with methanol technology and catalysts for its 1.83m tpa coal-based methanol project in Baotou, Inner Mongolia. Methanol output will be converted to olefins and finally to polyethylene (PE) and polypropylene (PP). The entire project is scheduled to start up in 2010. Baotou Shenhua is a JV led by Chinese coal major **Shenhua Group**, which is also considering a coal-to-olefins project with **Dow Chemical** in the Shaanxi province, and a methanol-to-polypropylene unit in Ningxia province. (February 19, 2007)

**Lubrizol Corp's** Specialty Chemical segment will invest US\$40m to build a facility in Songjiang, just outside of Shanghai. The new facility will be built on approximately 31,000 sq meters of recently acquired land adjacent to the company's existing TPU (thermoplastic polyurethane) plant in the Songjiang industrial zone. The company expects to begin construction in Q3 2007, and to complete it in Q4 2008. Personal care product ingredients like rheology modifiers, thickeners, and fixative polymers will also be manufactured at the new facility. (March 1, 2007)

**Perstorp** of Sweden formed a 51:49 JV with **Shandong Fufeng Chemical** in Zibo, Shandong Province to focus on trimethylolpropane (TMP) production. The plant produces 15,000 tpa of TMP, which will bolster the company's position as the largest producer in China. The plant is strategically

located next to **Sinopec Qilu**, an important supplier of raw materials for TMP. (January 29, 2007)

**PPG Industries**, the US paint maker, is building China's first resin plant in Zhangjiagang City, eastern China's Jiangsu Province. With a total investment of US\$60m, the plant is designed to yield 25,000 tpa of resins. Previously, MNCs like PPG relied on resin imports. The new resin plant will provide PPG faster and cheaper materials after its completion. (March 7, 2007)

**Rohm and Haas Company** formed a 51:49 JV with a Chinese company **Weihai Jinhong Polymer Company** in Weihai, Shandong province. The JV, which has yet to be approved by the Chinese authorities, will start operations during Q1 2007 and supply plastics additives and technical support to firms operating in the construction and polyvinyl chloride packaging sectors in China and other emerging markets. Rohm and Haas will invest in improving its production. (February 12, 2007)

**SABIC** may find another location for its US\$5bn cracker project planned for Dalian, northeast China, due to delays on approval from the Chinese government. SABIC has been waiting 18 months for approval, and will consider investing elsewhere should the delay continue. The proposed project will consist of a 1m tpa cracker for ethylene output as well as the downstream production of polyolefins, glycols and aromatics. (February 26, 2007)

**Stolthaven Terminals**, a wholly-owned subsidiary of **Stolt-Nielsen**, has signed an agreement with China's **CITIC Daxie Development** to set up a 50:50 JV chemical and oil products terminal on Daxie Island. The total estimated cost is \$44m. This deal follows one that was signed on June 2006 with the **Lingang Harbor Affairs Company** for a chemical terminal in Tianjin. The facility is due to open this year. (January 8, 2007)

**Ticona** will build a 20,000 tpa GUR ultra-high molecular-weight polyethylene (UHMW PE) project in Nanjing, China. The plant, located at parent company Celanese's integrated complex, will raise Ticona's global GUR UHMW PE capacity to 90,000 tpa when it starts operations in 2008. (February 26, 2007)

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## India

**Actavis**, the Iceland-based generic pharmaceutical producer, has acquired the bulk drugs division of the Chennai-based **Sanmar Speciality Chemicals** for US\$27m. The acquisition complements the existing manufacturing capabilities of Actavis in Chennai with access to 25 active pharmaceutical ingredients. Actavis acquired the tablets manufacturing firm **Grandix Pharmaceuticals** in December 2006 and the development firm **Lotus Laboratories** in February 2005. (February 14, 2007)

**Aditya Birla**, the world's leading producer of viscose fibres, may make a friendly takeover bid for its main rival, Austrian company **Lenzing**. The deal would increase Aditya Birla's share of the US\$2.2bn market from 20% to 38%. Neither group would comment on the rumours. Analysts value Lenzing at US\$2bn. (December 18, 2006)

Indian specialty chemicals major **Alkyl Amines Chemicals Limited (AACL)** has completed the planned expansion of its ethylamines facilities. A company official said ethylamines capacity was difficult to specify as it was flexible, adding that output had increased by 20% at its facilities in Patalganga, Maharashtra State. (February 13, 2007)

French chemical producer **Arkema** and India's **Essar Chemicals** plan to form a 50:50 JV for the production of acrylic acid (AA) and esters in Gujarat, India. It will use propylene feedstock from Essar's recently commissioned 10.5m tpa refinery which is scheduled to come on stream in 2010. The AA capacity is around 160,000 tpa, and the total project cost will be US\$200m to US\$300m. (January 29, 2007)

**Arrow Coated Products**, a mid-sized Indian packaging firm, is looking to acquire **Adept Polymers**, a subsidiary of the UK-based **Stanelco**, one of the leading packaging specialists

that make bio-degradable plastics. Arrow Coated has submitted a bid for Adept Polymers through its UK arm, Arrow Coated UK, and the process is likely to be finalised by April 2007. Arrow Coated has a marketing tie-up with Stanelco to market the latter's product in the Indian market. (March 5, 2007)

**Asian PPG Industries Ltd**, a JV between India's **Asian Paints** and **PPG Industries**, will invest US\$9m to set up an automotive paints plant in south India. The plant capacity is anticipated to be 2,500 tpa. Asian PPG also announced it has acquired **ICI India's** Advanced Refinish paints business for US\$12m. The business had sales of US\$11m in the year ending March 2006 and has a workforce of 60. The transaction will close by the end of March. (February 20, 2007)

**Eastman Chemical** and India's **Essar Chemicals** plan to build a 150,000 tpa oxo aldehyde and derivatives plant at Essar's Vadinar site in Gujarat, India. (February 12, 2007)

**ICI India** has sold its entire stake in **Quest International** to **Givaudari India** for US\$72.4m (INR3.2bn). It also expects to receive a further payment of US\$8m (INR350m) for various agreed adjustments in the next quarter. ICI India had a controlling interest in Quest International India, which was established in 2001 as a JV between the ICI Group and **Hindustan Lever Ltd (HLL)**. ICI India acquired HLL's 49% stake in May 2006. March 2, 2007

**Indian Farmers Fertiliser Cooperative (IFFCO)**, has signed a MoU with **Jordan Phosphates Mines (JPMC)** for a 52:48 JV phosphoric acid plant in Southern Jordan at an investment of US\$350m. The move is part of the company's plan to ensure feedstock and raw material supplies for its fertilizer plants. The plant will have a capacity of 1,500 tons of phosphoric acid a day. (February 2, 2007)

**The Murugappa Group** has bought the 25% stake held by **Indian Farmers Fertiliser Cooperative (IFFCO)** in **Godavari Fertilisers and Chemicals** for US\$27m. The deal values the company at US\$109m. **Coromandel Fertilisers**, a subsidiary of Murugappa, will buy 8 million shares from IFFCO

and seek to raise its stake to 90% later through an open offer for 20% from public shareholders. Murugappa is paying INR150 (US\$3.40) per share to IFFCO. Godavari Fertilisers was a 45:25 JV between Murugappa Group and IFFCO. (January 24, 2007)

**Reliance Industries Ltd (RIL)** will formally merge with **Indian Petrochemicals Ltd (IPCL)**, a company it acquired in 2002. The move will increase integration between the two companies with the merger ratio likely to be between 5:1 to 6:1, in favor of RIL shareholders. IPCL employs 13,000 and produces polymers, synthetic fiber, fiber intermediates, surfactants, commodity chemicals and catalysts. Reliance holds a 46.6% stake in IPCL and RIL officials claim that in fact, IPCL and its businesses are already considered part of the **Reliance Group**. (March 9, 2007)

**The governments of Russian and Indian** have formed a JV to build a 40,000 tpa titanium dioxide unit in Orissa province, India. 30,000 tpa of the unit's output will be exported to Russia. The JV, which will begin production within two years, will involve the Russian company **TeknoKhimholding** and the Indian company **Kerala Minerals and Metals**. (February 19, 2007)

**United Phosphorus**, an Indian agrochemicals company, has acquired the global propanil herbicide unit of **Dow AgroSciences** for US\$25m. The acquisition will enable the company to distribute propanil and related formulations worldwide. Dow AgroSciences generated revenues of US\$19m from propanil in 2005. (December 31, 2006)

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## Japan

**Dai Nippon Toryo** plans to establish partnerships with a paint producer in Ningbo, Zhejiang, China as well as a plastic coating company in New Delhi, India, as part of a continuing effort to develop its foreign business base. The Chinese collaboration

will develop emulsion paint applications for the construction market. The Indian partnership will begin market development for plastics coatings in India. Dai Nippon intends to expand its business in the construction market by targeting Japanese building material producers operating in China. In India, the company aims to strengthen its production and marketing framework in response to breakthroughs attained by major users in the construction and automobile markets. The company is also boosting its R&D activities in overseas markets, with the purchase of a laboratory for corrosion-proof coatings in Qingdao, Shangdong, China. (January 25, 2007)

**Mitsui Chemicals** announced it will acquire **Sekisui Chemical's** toner resin business on April 1 for US\$8.5m. Mitsui Chemicals will take over the sales rights and intellectual property, including design technology, of the toner resin business, as well as its customers, which consist mainly of copier and toner manufacturers. The acquirer also plans to bolster the segment's development capabilities. (March 9, 2007)

**Sumitomo Chemical** will sell its joint food wrap film operations to its partner chemical producer **Okura Industrial** for an undisclosed sum on April 2, 2007. Sumitomo Chemical and Okura Industrial set up **Nihon Ecowrap**, a 50:50 JV, in 1994 to produce and sell functional polyolefin food wrap films. After Okura Industrial takes over the operations, Nihon Ecowrap will be dissolved. (March 2, 2007)

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## Korea

**BASF** is considering quitting the styrenics business in Korea, local sources say. The company is a major producer of polystyrene (PS), expandable polystyrene (EPS), and acrylonitrile butadiene styrene (ABS) in Korea, where it has combined

capacity for 580,000 tpa. All of the plants are at Ulsan. BASF has not officially put its Korean styrenics business up for sale, but it would "consider any serious offer," one source says. (February 14, 2007)

**Chisso Fiber**, a major PP bicomponent fibre manufacturer, and **Daiwabo Polytech Co** have established a sales and production alliance. Chisso has a capacity of 37,000 tpa of PP bicomponent fibre while Daiwabo Polytech has 24,000 tpa of PP staple fibre. The move was driven by tough competition from polyester manufacturers and high raw material costs. (December 11, 2006)

**Dongbu Electronics** and **Dongbu Hannong Chemicals**, both publicly held Korean companies operating within The Dongbu Group, announced they will merge, effective May 1, 2007. The newly merged entity will provide comprehensive foundry services as well as advanced chemicals and materials, including those used in bioengineering, nanotechnology and semiconductor processing. (February 20, 2007)

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## Thailand

**Nippon Paint** increased its stake in the Thai JV **Nippon Paint (Thailand) Co** to 51% by acquiring an additional 11% stake from its Asian business partner, **The Wuthelam Group**. The share transfer was worth US\$12m. (January 25, 2007)

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## Vietnam

**Osaka Paint Vietnam Joint Venture Co** set up a JV solvent paint factory with the local **Tan Minh Hoa Trading & Producing Co** and two Japanese partners, **Hiyoko Paint** and **Saito Paint**, in Le Minh Xuan Industrial Park in HCMC's Binh Chanh District. The Vietnamese partner will hold a 55% stake in the JV. (February 6, 2007)

**Vinachem**, Vietnam's state chemical firm, has established a US\$432m JV with China's **Haun Qiu Co** to set up a coal-based urea facility in Ninh Binh Province, northern Vietnam. A development assistance loan package from the Chinese government is being applied by the companies to obtain 80% of the project's total investment capital. The total cost of the project is estimated at around US\$500m, with the company's funds and loans from the Vietnam Development Bank providing 20% of the amount. Construction is slated to commence in Q3 2007 while commissioning is slated for June 2010. (February 8, 2007)

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Euan Rellie, Managing Director

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### ABOUT BDA

Business Development Asia is a corporate finance advisory firm which assists multinational companies in expanding their businesses in Asia through JVs, acquisitions, divestments and capital raising. For further information on BDA's services or on any of the articles in this newsletter, please contact the offices below.

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