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ASIAN SPECIALTY CHEMICALS NEWSLETTER

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INTRODUCTION

We hope you find *Asian Specialty Chemicals Newsletter* informative.

BDA is a corporate finance advisory firm which helps clients to identify and to execute acquisitions and JVs in Asia. BDA has offices in New York, Shanghai, Tokyo, Hong Kong, and Singapore and specifically focuses on the specialty chemicals industry.

If you think that BDA's services may be useful to you, please contact us in New York at (212) 265-5300, Singapore at (65) 533-8500 or via e-mail at erellie@bdallc.com.

Euan Rellie
Managing Director

CHINA/HK

Akzo Nobel of the Netherlands is to invest in a new powder coatings plant, which will be located at its JV operation **Akzo Nobel Chang Cheng Coatings (Beijing)**. The plant will manufacture Akzo Nobel's *Resicoat*® range of specialty fusion bonded epoxy (FBE) powder, which is used in anti-corrosion protection of steel pipes for the oil and gas industry. The project will tap into the growing Chinese market for steel pipe protection. Production is planned to start in Q4 2001. (September 25, 2001)

Bayer of Germany has established a 90:10 JV, **Bayer Polymers Shanghai**, with **Shanghai Chloralkali Chemical** to produce Bayer's trademark *Makrolon Polycarbonate*. The plant in Caojing, China will have an initial production capacity of 50,000tpa of heat-and-impact-resistant thermoplastics. Production will be doubled to 100,000tpa in the second phase of the project. Along with the polycarbonate plant, facilities for the production of bisphenol A and compounding products will be built. Total investment is estimated to be US\$450m. (August 14, 2001)

Clariant of Switzerland has opened a new organic pigments facility in Tianjin, China. The facility is owned by **Clariant Pigments Tianjin**, Clariant's JV with Chinese group **Bohai Chemical Industry**. The facility, which will use existing workshops for isolating, drying and packaging yellow and red azoic pigments, is fully computerized. Clariant Pigments Tianjin has also started construction on a related waste water treatment unit to comply with international standards. The unit represents an investment of US\$7m. (October 1, 2001)

Huntsman Tioxide, a subsidiary of US-based **Huntsman Corporation**, plans to construct a 50,000tpa titanium dioxide facility in China. The anticipated cost for the plant is approximately US\$75m-US\$100m. China is the biggest consumer of titanium dioxide outside of Japan. Huntsman is considering 12 sites for its investment, including Caojing, Changzhou and Taixing in Jiangsu province. The new facility is scheduled to start production in 2005. Huntsman Tioxide is a leading global producer of titanium dioxide pigments with a total production capacity of 570,000tpa. (August 20, 2001)

Mitsubishi Gas Chemical and **Polyplastics Co** of Japan and US-based **Ticona**, a subsidiary of **Celanese**, plan to establish a world-scale polyacetal plant in Nantong, China. The 60,000tpa plant will require investment cost of approximately US\$150m and is scheduled for completion sometime in 2004. Polyacetals have high-strength and lubricity properties and are used in the automotive, appliance, information technologies and consumer products industries. (August 1, 2001)

Mitsubishi Rayon and **Marubeni**, both of Japan, have formed a JV called **Nantong Rayon Chemical** to build a 40,000tpa acrylic resin plant in Jiangsu province, China. The US\$30m plant, which will become operational in 2003, will use a continuous polymerization process with a high conversion rate. (October 1, 2001)

Ningbo LG-Yongxing Chemical, a JV between Korea-based **LG Chemical** and China-based **Yongxing Chemical**, plans to invest US\$100m to build a 150,000tpa ABS plant and a 10,000tpa styrene acrylonitrile copolymer plant in Ningbo, China. Ningbo LG-Yongxing Chemical will have an ABS production capacity of 300,000tpa upon completion. (September 7, 2001)

INDIA

Akzo Nobel has increased its stake in **Centak Chemicals Ltd** to 93% through open offer for

publicly owned shares. Akzo Nobel initially had 40% in Centak and acquired an additional 35% from Century Textile and Century International earlier in July 2001. Akzo Nobel intends to take the company private through a second open offer. Centak was a JV between Akzo Nobel and the India-based **BK Birla** group. The company employs approximately 80 people and produces polymerization initiators (organic peroxides) for the plastics industry. (August 10, 2001)

Bayer Industries Private Ltd, a wholly owned subsidiary of Germany-based Bayer AG, bought out India-based **Chemplast Sanmar's** 49% stake in the JV company, **Bayer Sanmar Ltd**. The JV was established in 1996 and manufactures and markets thermoplastic polyurethane, with a capacity of 2,500tpa. The Sanmar Group has decided to sell its stake in Bayer Sanmar as thermoplastic polyurethanes were not its core business. (August 8, 2001)

Sun Chemical Group BV (SCGBV) proposes to acquire a 51% stake in **Coates of India Ltd (COIL)** from **Coates Brothers Plc, UK (CBP)**. The transaction will raise SCGBV's stake in COIL to 59%. SCGBV intends to increase its equity stake by buying 3,511,624 shares of COIL at Rs10 each through the Bombay Stock Exchange. (October 9, 2001)

INDONESIA

PT Amoco Mitsui Indonesia (AMI), a JV of **BP, Mitsui Chemicals** and **Mitsui & Co**, will debottleneck its purified terephthalic acid (PTA) plant at Merak, Indonesia, by 30,000tpa to 430,000tpa. Further expansion is planned to increase capacity at the site to 480,000tpa in 2003. 90% of PTA produced is sold in the domestic market. PT AMI has also begun a study for a new 500,000tpa PTA plant based on optimistic projections of growing domestic demand and a projected shortage of domestic production by 2004. (August 24, 2001)

BASF Coatings will start marketing its R-M® brand automotive refinish paints in Indonesia through an exclusive distribution agreement with Indonesia-based

PT Catur Warnaindah Sentosa. Under the R-M brand, BASF markets a comprehensive range of automotive refinishing paint systems, focusing on eco-efficient waterborne basecoats and high-solids paints. PT Catur Warnaindah Sentosa, an affiliate company of PT Catur Sentosa Adiprana, is one of the largest coatings, building material and related products distributors in Indonesia. (August 29, 2001)

Tosoh Corp and **Sumitomo Chemical** of Japan are expected to bid for **PT Sulfindo**, an Indonesian chloralkali manufacturer. **Thai Plastics and Chemicals** and two local investment banks are also expected to bid. Sale of Sulfindo is part of the restructuring program of the **Salim Group** which has total liabilities of US\$5bn. Sulfindo operates a 270,000tpa caustic soda unit and has a 75% stake in **Satomo Indovyl Monomer**, which manufactures 265,000tpa of ethylene dichloride and 100,000tpa of vinyl chloride monomer. Sulfindo also has a 50% stake in **Satomo Indovyl Polymer**, which operates a 85,000tpa PVC plant. (August 22, 2001)

JAPAN

Daikin Industries of Osaka, Japan, will invest US\$458m to expand the capacity of its fluorochemicals facility in Kashima, Japan, and build a new production facility in Jiangsu, China by 2003. The Kashima plant currently produces polytetrafluoroethylene (PTFE) and other fluorocarbon resins, whereas the Jiangsu plant will produce PTFE and fluorinated ethylene-PP copolymer. (August 8, 2001)

Kureha Chemical Industry of Japan plans to increase its *Fortron* polyphenylene sulfide (PPS) capacity from 5,400tpa to 6,000tpa at its Nishiki production plant in Japan. The firm also plans a second expansion project, which will increase PPS capacity to 10,000tpa through the introduction of new technologies as well as debottlenecking. PPS demand in Japan is expected to grow at an annual rate of 10% until 2006. The

company co-owns US-based **Fortron Industries** along with **Ticona**. Fortron Industries produces linear polymers that have flame resistant and dimensional stability properties. The firm's products can be used in fiber/monofilament, electrical/electronics and automotive applications. (August 17, 2001)

Nippon Paint Co and **Dainippon Ink and Chemicals Inc** will integrate their operations of manufacturing precoat for metal plates. The two companies will set up a JV for the integration possibly in January 2002. The plan reflects the companies' forecast that they will not be able to address falls in demand for precoat products and their prices separately. (September 26, 2001)

Showa Denko of Japan has scaled back its core soda and ammonia businesses in order to focus on strengthening its semiconductor gases and specialty chemicals businesses. The company plans to open a JV plant in Korea in 2002 and currently has semiconductor gas plants in China, Singapore and Taiwan. Its subsidiary **Nippon Polytech** is developing resist inks and is aiming for annual revenues of ¥10bn (US\$83.6m). Revenues from semiconductor gases are projected to be ¥74bn (US\$619m) in 2001 and ¥79bn (US\$661m) in 2002. (August 10, 2001)

Techno Polymer of Japan, a JV between **Mitsubishi Chemical** and **JSR Corp**, is negotiating the acquisition of **Kaneka's** heat-resistant ABS resins activities. Techno Polymer aims to finalize the deal by October 2002. The acquisition will boost the ABS resin output capacity of Techno Polymer to approximately 310,000tpa. Osaka-based Kaneka is the seventh largest ABS resin maker in Japan with a production capacity of 20,000tpa. (September 6, 2001)

KOREA

LG-Dow Polycarbonate, a 50:50 JV between Korea-based **LG Chemical** and **Dow Chemical** of the US, started production at its polycarbonate plant at Yosu,

Korea. The plant has initial production capacity of 65,000tpa and is expected to increase capacity to 130,000tpa by 2003. The JV has invested US\$200m into the factory and aims to generate annual sales of US\$350m. LG-Dow Polycarbonate took over Dow's polycarbonate market franchise in Asia Pacific, with the exception of Japan, in July 2001. (September 14, 2001)

LG MMA of Korea will construct a new 100,000tpa methyl methacrylate (MMA) production facility in Yosu, Korea. The US\$77m plant will be operational in 2003 and will double LG's existing MMA capacity. The new investment is in response to the increasing domestic demand for MMA in the information technology and electronics industries and the forecast shortage of local producers. (August 8, 2001)

SKC will merge with **SK Evertec**, a manufacturer of basic chemicals, before the end of 2001. Both companies are members of the Korean **SK Group**. SKC will focus on the manufacturing of information technology, electronics materials and fine chemicals going forward. SK Evertec is Korea's sole producer of propylene oxide, styrene monomer, propylene glycol and polyol, all of which are largely consumed by the automotive and electronics industries. SK Evertec reported W28.2bn (US\$21.7m) in net profit and revenues of W363.5bn (US\$280m) in FY 2000. (September 10, 2001)

MALAYSIA

DIC Epoxy (Malaysia) will expand its R&D activities related to specialty epoxy resins that are used in electronic materials. DIC Epoxy (Malaysia) currently has the capacity to produce 10,000tpa of highly brominated epoxy resins used in printed circuit boards and orthocresol novolac epoxy resins used as IC chip

encapsulants. DIC Epoxy (Malaysia) is a wholly owned subsidiary of Japan-based **Dainippon Ink and Chemicals**. (August 22, 2001)

Toray Industries of Japan will increase its ABS plastics capacity by 50,000tpa to 220,000tpa at **Toray Plastics (Malaysia)** in Penang. The expansion aims to meet growing annual demand for ABS plastics in China and Southeast Asia. These two markets are expected to account for almost half of world demand of 2.3 million tpa in 2005. (August 3, 2001)

WR Grace of the US will increase its production of silicas at its plant located in Kuantan, Malaysia. Production will be increased from the current capacity of 6,000tpa to more than 7,000tpa beginning in 2002. There have been increasing demand for silicas, used in the manufacturing of paints, coatings and plastics, in the Asia Pacific Region. The company currently exports 95% of its products from the Kuantan plant to other markets Asia, with the remaining 5% sold in the local market. (August 25, 2001)

PHILIPPINES

The **Chemical Industries of the Philippines Inc (Chemphil)** has developed a restructuring strategy that will rationalize its businesses in view of the difficult economic environment. The restructuring plan calls for the sale of certain assets and the spin-off of non-core businesses. Chemphil is a holding company for major corporations, primarily engaged in the manufacture and sale of industrial chemicals. Its subsidiaries and affiliates are also involved in chemical bulk storage, general insurance and the manufacture of personal care products. Chemphil is also an investment company, active in the real estate business and in agribusiness. (October 4, 2001)

SINGAPORE

Kuraray of Japan currently has a total capacity of 144,000tpa of polyvinyl alcohol (PVOH) and is considering expanding its PVOH plant in Singapore from 20,000tpa to 30,000tpa by 2004. Kuraray will also acquire **Clariant's** PVOH and polyvinyl butyral (PVB) business located in Germany for approximately ¥30bn (US\$251m). Kuraray will gain Clariant's plants in Hoechst-Sulzbach, Germany which has a capacity of 50,000tpa PVOH, 16,000tpa of PVB and plans to debottleneck the PVOH unit by 10,000tpa–20,000tpa. Clariant's PVOH business employs 250 and had sales of SFR200m (US\$124m) in FY2000. (August 3, 2001)

Mitsui Chemicals plans to build a third manufacturing plant on Jurong Island to produce its trademark resin modifier, *Tafmer*. Tafmer is primarily used to improve the performance of plastic and automotive products and packaging material. The new Tafmer plant will have a production capacity of 100,000tpa and will cost approximately US\$100m. Commercial production is expected to start in April 2003 and will bring Mitsui Chemical's total global Tafmer production capacity to 200,000tpa. 40% of the Tafmer produced in Singapore will be exported to neighboring Asian countries, while 25% will go to Japan and 35% to Europe and the US. (September 21, 2001)

Sumitomo Chemical Co and **Mitsui Chemicals Inc** of Japan plan to increase their capacity to produce high-performance resin materials at plants in Singapore. Sumitomo Chemical will invest ¥10bn (US\$82.5m) to build a production facility for the material from which acrylic-resin is derived, while Mitsui Chemicals intends to boost capacity at its existing phenol plant by 25% by 2002. The companies intend to integrate their operations in October 2003 and to make Singapore their petrochemical production hub. (October 15, 2001)

TAIWAN

Chimei-Asahi Corp, a 51:49 JV between **Chimei Corporation** of Taiwan and Japan-based **Asahi Kasei**, will complete its polycarbonate resin plant in Tainan, in November 2001. Initial capacity of 50,000tpa will be increased to 100,000tpa sometime in 2002 and subsequently to 250,000tpa. (August 22, 2001)

Shinkong Synthetic Fibers has started the construction of a NT\$700m (US\$21m) pure polybutylene terephthalate plant in Taiwan. The facility is expected to commence commercial production in July 2002 with production capacity of 60,000tpa–70,000tpa. The company currently has a production capacity of 10,000tpa pure PBT at its existing PET plant in Taiwan. (August 3, 2001)

THAILAND

Asahi Glass of Japan will acquire the 49.9% stake in its Thai JV **Thasco Chemical** held by its local partner, **Srifuengfung Panichewa Group**. Asahi Glass already holds a 45% equity stake in Thasco Chemical. It will pay ¥2.4bn (US\$19.4m) for the additional stake. Thasco Chemical manufactures chloralkali and has a production capacity of 260,000tpa. Asahi is considering increasing production capacity at Thasco Chemical by 50,000tpa. (September 1, 2001)

Shin-Etsu Chemical of Japan will spend ¥7bn (US\$58.5m) to build a new silicone polymer plant in Rayong, Thailand. Slated for completion in March 2003, the Thai plant will have an output capacity of 54,000tpa producing silicon fluid and silicone elastomer products. The plant will source its raw material, silicone monomer, from **Asia Silicones Monomer's** Thai operation, which is a JV between

US-based **General Electric** and **Shin-Etsu Chemical** and **Toshiba** of Japan. (August 16, 2001)

Ube Industries of Japan has increased its stake in **Thai Caprolactam** to 54% with the acquisition of additional 26.5% stake from **TPI Polene** in a US\$55m deal. TPI's stake will thus fall to 22.5%. Thai Caprolactam is Thailand's only caprolactam maker and has production capacity of 70,000tpa caprolactam and 280,000tpa ammonium sulfate at Rayong, Thailand. The company plans to expand its caprolactam capacity to 100,000tpa. (August 22, 2001)

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ABOUT BDA

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