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ASIAN SPECIALTY CHEMICALS NEWSLETTER

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A bimonthly newsletter of developments in the chemicals sector

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INTRODUCTION

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

BDA is a corporate finance advisory firm which helps multinational companies to identify and execute acquisitions, JVs and divestments in Asia. We focus on the specialty chemicals sector and are well placed to assist our clients.

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

Euan Rellie
Managing Director

CHINA/HK

Asahi Kasei Corp of Japan will acquire a 51% stake in a specialty plastic compounds manufacturer in China, a wholly owned unit of Japanese trading house **Nichimen Corp**. The acquisition of the controlling stake in **Wuxian Hamasaki Plastics Compounds Co** of Suzhou, in the Jiangsu Province, is designed to increase Asahi Kasei's production base for materials used in automobiles and household appliances and to improve its supply system for Japanese companies operating in China. Wuxian Hamasaki Plastics Compounds has a production capacity of 18,000tpa. (December 12, 2001)

Ciba Specialty Chemicals of Japan opened its textile chemicals plant and technical training center in Panyu, China, in Q4 2001, with a total investment of US$10m. This plant has three 6.3 cubic meter vessels with a capacity of 8,000tpa of textile effects chemicals. The company will add three more vessels to provide 4,000tpa of textile color chemicals, with construction starting before the end of 2001 and completion in Q3 2002. (December 3, 2001)

Eastman Chemical Co has closed its chemicals manufacturing plant in Hong Kong as part of an ongoing restructuring of the division. The Hong Kong plant closed on December 31, affecting 47 remaining workers. In recent months, the company had transferred some employees to other sites. The company will continue to operate fine chemicals manufacturing plants in Batesville, Arkansas, Llangefni, Wales, and Kingsport, UK. (January 15, 2002)

LG Chemical of Korea plans to expand its polyvinyl chloride plant in China by 100,000mtpa giving it a total capacity of 350,000mtpa. The plant is operated through its through its local subsidiary **Tianjin LG Dagu Chemical**. The company announced plans for another 300,000mtpa facility in Tianjin to be online by 2005. (December 1, 2001)

Mitsubishi Rayon of Japan will soon start a detailed feasibility study for its 50,000tpa acrylic fiber project in Ningbo, China. The project will be housed in the Ningbo Economic and Technical Development Zone. The company expects investment in the project to be around US$100m. Mitsubishi owns 55% of the equity of the project, with 10% each taken by Japanese **Marubeni Corp, Mitsubishi Corp** and **Itochu Corp**. (December 26, 2001)

The **Ministry of Foreign Trade and Economic Cooperation (MOFTEC)** will cut tariffs on a wide range of petrochemicals and promised progressive cutbacks for several years to come following China's admission to the World Trade Organization. MOFTEC announced most tariffs have come down by 2%, some as much as 7%. The Ministry plans to cut tariffs for polymers every year until 2008, by which time tariffs will be at 6.5% for PE, PP, PS, ABS, PVC and PTA. Mixed xylenes and styrene import duties will gradually be reduced every year until 2005 until they are at 2%. (January 3, 2002)

PTM Engineering Plastics will build a 60,000tpa polyacetal resin plant in Nantong, China. PTM is a JV between **Polyplastics**, **Ticona**, a subsidiary of German chemical major **Celanese AG**, and **Mitsubishi Gas Chemical Company** of Japan. Construction of the US$133m plant will commence Q2 2002, with completion scheduled for 2004. Polyplastics, a JV between Ticona and **Daicel Chemical Industries** of Japan produces high performance polymers. (January 25, 2002)

INDIA

Hindustan Lever Ltd (HLL) of India has signed an agreement with **ICI India Ltd** for the sale of its adhesive business, a unit of its Specialty Chemicals Division for Rup90m (US$1.9m). The acquisition will include the business assets and brands, but no manufacturing sites or employees. HLL is looking for partners for the three remaining specialty chemicals businesses of aromatic chemicals, functional biopolymers and industrial perfumes. (December 28, 2001)

Nalco Chemical India is planning to merge with its wholly owned subsidiary **Aqua Chemicals & Systems (ACS)** to cut losses and consolidate its leadership position in the water treatment and industrial specialty chemicals businesses. Nalco is a subsidiary of American specialty chemicals major **Nalco Chemical Company**, which is owned by French utility conglomerate **Suez Lyonnaise des Eaux SA**. Nalco also represents the business interest of **Nalco-Exxon** energy chemicals in India. Nalco has a total capacity of 11,000tpa of water-treatment chemicals, oil-field chemicals and process chemicals at its plant at Rishra in West Bengal. (January 19, 2002)

US-based **Schenectady International Incorporated (SII)** has bought **Herdillia Chemicals** of Mumbai, India. Herdillia had US$57m in 2000 sales and 600 employees. The company will be renamed **Schenectady Herdillia Limited**. SII's existing operations in India include plants in Rasal, Pune, Ankleshwar and Lote. (January 12, 2002)

INDONESIA

Chandra Asri of Indonesia is preparing to restart Indonesia's only naphtha cracker, located at Merak, West Java. Chandra Asri has an ethylene capacity of 520,000tpa and produces 280,000tpa of propylene. The cracker was shut down on December 30, 2001 because of a problem in its water supply system, the company's fourth unscheduled shutdown in one year. Chandra Asri's major customers such as **TriPolyta**, the country's largest polypropylene producer, and **Petrokimia Nusantara Interindo**, the largest PE producer in Indonesia, can expect to receive feedstock required to keep their plants operating at full capacity. (January 14, 2002)

Mitsubishi Corp and **Asahi Kasei**, both of Japan, have started test operations for their 500,000tpa ammonia JV, **Kaltim Parna Industris**. It is expected to start full commercial production in February 2002, with outputs of 40,000-45,000tpm reached by March 2002. Partners in the JV are Mitsubishi Corp (55%), Asahi Kasei (10%), and local partners including **Parna**. (January 9, 2002)

Tira Austenite of Indonesia plans to start constructing a 60,000tpa oleochemicals plant in West Java by Q2 2002. The company had initially planned to begin construction in November 2001 but was forced to delay because of a 20% drop in global demand for oleochemicals. Tira is now waiting for local and foreign banks to disburse loans totaling US$40m, while the project is expected to cost around US$50m. (January 17, 2002)

To submit stories to the *Asian Specialty Chemicals Newsletter* please contact Patrick Craig on (212) 265-5300 or pcraig@bdallc.com

JAPAN

Asahi Glass of Japan is to make a public offer to buy all the outstanding shares of Belgian glassmaker **Glaverbel S.A.** at €145/share (US$130/share). Asahi Glass currently holds 55% of Glaverbel, and plans to increase that share by purchasing an additional 35% stake. Asahi Glass will invest €470m (US$387m) for the 2.5 million shares. (December 20, 2001)

ATMI Japan, a wholly owned subsidiary of **ATMI Inc** of the US and **Nissan Chemical Industries Ltd** of Japan announced the signing of an agreement granting Nissan Chemical an exclusive right to manufacture, distribute, and sell certain ATMI wafer cleaning chemicals in Japan. ATMI and Nissan Chemical have cooperated for three years to introduce ATMI photolithography residue remover and wafer cleaning chemicals to Japanese semiconductor and micro-electromechanical systems device manufacturers. (December 3, 2001)

Chiyoda Corp of Japan has completed mechanical construction of **Mitsubishi Chemical's** 100,000tpa bisphenol A (BPA), located in Kurosaki, Kita-Kyushu City, Japan. The plant will run on Chiyoda's proprietary CT-BISA technology, which produces BPA suited for production of optical grade polycarbonate (PC). The Kurosaki plant will be the fourth in the world to utilize this technology, with a total investment of ¥9bn (US$68m). (January 24, 2002)

Sumitomo Chemical and **Mitsui Chemicals**, both of Japan, plan to establish their 50:50 JV polyolefins company, **Sumitomo Mitsui Polyolefin Co**, by April 2002. The merger was delayed in October after the Japan Fair Trade Commission (JFTC) disallowed it on several counts. Sumitomo Chemical and Mitsui Chemicals have now agreed to reduce by 50% their 500 polypropylene (PP) grades by 2005 to comply with the recommendations by JFTC. They have also agreed to have their marketing teams refrain from joining industrial associations and trade organizations, with a view to minimizing the chances of members of either company colluding to fix prices. The combined production capacity in Japan will total 741,000tpa of LdPE, 206,000tpa of hdPE and 937,000tpa of PP. The total merger of all of Sumitomo and Mitsui's chemical companies is scheduled to involve the creation of a holding company on Q4 2003, with the entire merger due to be completed by Q1 2004. (January 8, 2002)

KOREA

Samsung General Chemical of Korea has increased output from its polypropylene plant by 10% and linear low-density polyethylene plant by 30% at its Daesan plant due to increased demand from China. The increases follow tariff cuts by China and an increase in polymer prices. (January 14, 2002)

Schenectady International of the US has acquired **Kumho P & B** of Korea, a manufacturer of alkyphenols, for an undisclosed sum. The alkyphenols business generates US$8m in sales. The acquisition complements **Yuka-Schenectady (Tokyo)**, the company's 50-50 JV with **Mitsubishi Chemical** of Japan, which produces PTBP polymer-grade and octylphenol. The deal is expected to close by Q4 2002. (November 16, 2001)

MALAYSIA

Optimal Olefins, a JV between **Petronas** of Malaysia (64%), **Dow Chemicals** (24%) of the US and **Sasol** (12%) of South Africa is to begin production from its gas cracker plant in Kerteh, Malaysia. The ethane/propane-based cracker has the capacity to produce about 600,000tpa of ethylene and 90,000tpa of propylene. The cracker will feed downstream facilities, owned by **Optimal Glycol**, including a 385,00tpa ethylene oxide (EO) plant and a 360,000tpa monethylene glycol plant. The cracker and the Optimal Glycol plants will also provide feedstock downstream for **Optimal Chemical plants**, including an 85,000tpa ethoxylates plant, an 85,000tpa ethanolamines plant, a 60,000 glycol ehters plant, a 140,000tpa butanol plant, and a 50,000tpa butyl acetate plant.(December 31, 2001)

Sasol of South Africa will begin production at its low-density polyethylene unit in January 2002. The unit was commissioned at the end of Q4 2001, and is operated by **Petlin** of Malaysia, a 40:40:20 JV between Sasol Polymers, **Petronas** of Malaysia and Dutch group **DSM.** The ldPE plant uses DSM's tubular technology and has a capacity of 255,000tpa. (December 30, 2001)

SINGAPORE

Nagase Group of Japan will build a S$30m (US$16m) 20,000 sq m electronic chemicals plant in Tuas Singapore, with production expected to begin in July 2002. The new company, **Nagase FineChem Singapore**, will produce chemicals for the manufacture of liquid crystal display (LCD) semiconductors and electronic devices, with a production capacity of 8,000tpa. The company will also refine and recycle about 6,000tpa of used chemicals from the semiconductor industry. (December 17, 2001)

TAIWAN

China American Petrochemical Co (Capco) Taiwan's largest purified terephthalic acid (PTA) producer, will post 50% less profits for 2001 than forcasted. The company recorded a net loss in Q4 2001 and expects to also record a net loss in Q1 2002. Poor domestic demand, low PTA prices and the sluggish domestic economy are the main reasons for the company's poor performance. Capco's average operating rate in 2001 was less than 80%. The company sells most of the PTA that it produces domestically. Capco has five PTA lines in Lin-Yuan with a combined capacity of 1.42 million tpa. (January 17, 2002)

Formosa Chemicals & Fibre Corp of Taiwan has restarted its 240,000tpa linear-low density polyethylene (lldPE) line in Mailiao, Taiwan. FPC shut down the line in early January 2001 due to weak market demand and had reduced the operating rate of the line to 50% in December 2001 before the closure. The company will also issue NT$5bn ($143m) in corporate bonds in Q1 2002 to refinance other bonds and retain a portion as working capital. (January 24, 2002)

Formosa Chemicals &Fibre Corp of Taiwan will delay the commercial start up of its new 500,00 No3 purified terepthalic acid plant in Loong-der, if weak PTA markets do not improve by February. Mechanical completion of the plant was completed in December 2001, as scheduled. Commissioning activity is targeted to start in February 2002. (January 18,2002)

Nan Ya Plastics has delayed the restart of its 350,000tpa monoethylene glycol (MEG) plant at Mailiao, Taiwan, due to a technical problem. The plant was shut down on December 31, 2001 for a scheduled nineteen-day turnaround. (January 26, 2002)

Yung Chia Chemical Industries of Taiwan, which produces polypropylene (PP), posted increases in net sales for the year ended December 31 2001. December 2001 sales rose 5.3% to NT$40m ($1.2m), while net sales in 2001 increased by 0.2% to NT$5bn (US$14m) from NT$4.9bn in 2000. The company completed its PP expansion in Q2 2001, boosting capacity to 300,000tpa from 230,000tpa. The company operates two plants at Kaoshiung, Taiwan. (January 22, 2002)

THAILAND

National Petrochemical Co (NPC) of Thailand plans to construct a 250,000tpa high-density polyethylene (hdPE) plant in Mab Tab Phut Thailand. The company selected **Mitsui Chemicals** as its technology licensor for the hdPE project, which is due on stream 2003-2004. At present, NPC is only an ethane cracker operation with no integration downstream. Shareholders in NPC include Siam Cement of Thailand and its subsidiaries Thai Plastics and Chemicals and HMC Polymers.

Thai Olefins Co (TOC) of Thailand is expected to sign a final agreement with eight Thai banks and one financial institution for a loan totaling Bht18bn (US$419m). The funds will be used, in part, to pay for TOC's US$140m cracker expansion project that has been delayed for two years due to insufficient funds. TOC plans to expand the capacity of its 385,000tpa cracker in Map Ta Phut, Rayong, Thailand, to 700,000tpa. The expansion is due to be completed in Q1 2005. The rest of the loan will be used to pay back US$250m in outstanding loans by Q4 2002. (January 21,2002)

VIETNAM

AP Petrochemical Pte Ltd (APP) a subsidiary of **AP Oil International Ltd** of Singapore has obtained approval to set up a JV that will build a blending plant and storage terminal in Vietnam. APP will own 80% of **AP Petrochemical Co Ltd**, while **Tram Anh Industrial Manufacturing and Trading Co Ltd** of Vietnam will hold the remainder. Total investment for the project will be around S$9m (US$5m). The plant, which will be operational Q1 2003, will manufacture lubricant oils and specialty chemicals for Vietnam as well as for export to Cambodia, Laos and the Philippines. The bulk storage terminal will have a capacity of 12,000tpa, which can be expanded to over 22,000tpa. (December 7, 2001)

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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 and acquisitions. BDA helps clients to find local business and has senior advisors in Bangkok, Jakarta, Kuala Lumpur, Manila, Seoul, Shanghai, Taipei and Tokyo. For further information on BDA's services or on any of the articles in this newsletter, please contact Euan Rellie at erellie@bdallc.com.

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