

# ASIAN SPECIALTY CHEMICALS NEWSLETTER

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A Quarterly newsletter of developments in the chemicals industry

We hope you find the Asian Specialty Chemicals Newsletter informative.

The troubled chemical sector is consolidating fast, and the center of gravity of the industry is shifting to Asia.

BDA is an investment banking advisory firm which assists multinational clients to identify, assess and execute cross-border transactions involving Asia, including acquisitions, divestments, JVs, capital raising, and restructuring. We have offices and professional staff

throughout Asia, the Middle East, 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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## Australia

**Orica**, an Australian chemicals group, completed the spinoff of **DuluxGroup**, an Australian manufacturer and wholesaler of paints, to its shareholders, in a transaction valued at US\$806m.

*May 3, 2010*

**Rockwool International**, a Danish producer of stone wool, has agreed to acquire the Asian insulation business of **CSR Limited**, an Australian building materials manufacturer, for US\$109m.

*July 6, 2010*

## China

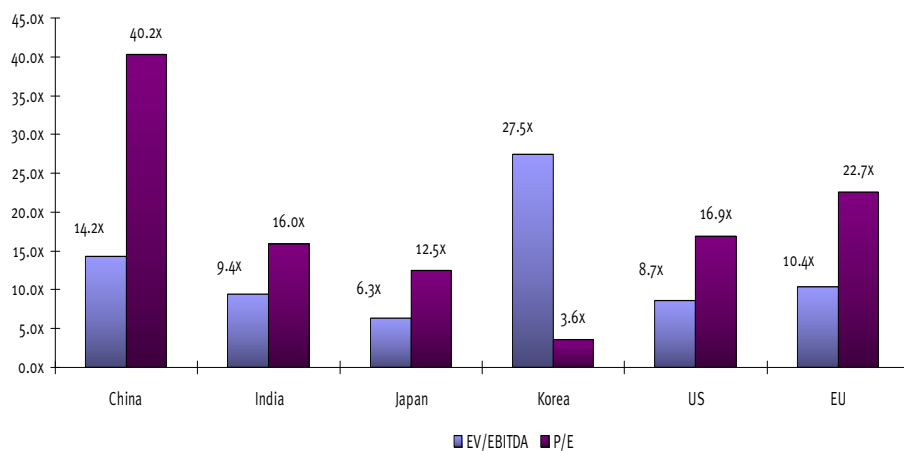
**Air Liquide**, a French producer of cryogenic liquids and gases, has signed a long-term contract with **Nanjing CEC Panda LCD Technology** to provide them with ultra high purity gases. Air Liquide will build a

Chemical Stock Indices for Selected Countries (12 months ending 10Sep10)



Source: Thomson Reuters, BDA

## Specialty Chemical Trading Multiples for Selected Countries (15Sep10)



Source: Thomson Reuters, BDA

nitrogen production facility to produce 84,000 tpa of nitrogen, with production set to come online in July 2011. *July 27, 2010*

**Air Products**, a US hydrogen fuel solutions provider, has signed a contract with **Pucheng Clean Energy** for the single largest onsite order of an air separation unit ever placed with an industrial gases company. The gases will be used in coal degasification projects and are due onstream in 2013. *July 21, 2010*

**AMEC**, a UK supplier of consultancy engineering services, has formed a chemical engineering JV with **Shanghai Zone Petrochemical Engineering (SZPE)**. AMEC has acquired 35% of SZPE with an option to acquire a further 15% on January 1, 2012. The JV will provide AMEC with the necessary licenses to undertake detailed engineering projects in China. *August 9, 2010*

**BASF**, the global chemicals company, will construct a dispersions plant at Huizhou. The facility will produce 100,000 tpa of

carboxylated styrene butadiene dispersions and acrylic dispersions. Production is scheduled to begin in Q1 2012. *August 16, 2010*

**China Anhua Group**, a Chinese mining company, has agreed to acquire 80% of **Xinjiang Potash Mine Resources**, a Chinese potash producer, from **Xinjiang International Industry**, a Chinese coal and coke producer, for US\$19m. *August 23, 2010*

**China Bluechemical**, a manufacturer of phosphate fertilizers, has agreed to acquire 80% of **Hegang Huahe Coal Chemical**, a Chinese producer of urea, phosphate fertilizers and chemical products, for US\$12m. *July 16, 2010*

**Liaoning Fangda Group**, a Chinese conglomerate with interests in chemicals, has agreed to acquire 55% of **Jin Hua Group Chlor-Alkali**, a Chinese manufacturer of basic chemical materials, for US\$34m. *August 3, 2010*

**Longxing Chemical**, a Chinese chemicals company, has agreed to acquire **Shahe Fine Chemical**, a Chinese producer of carbon black oil, from a private investor for US\$6m. *August 28, 2010*

**Nantong Xincheng Building Materials** has agreed to acquire 51% of **Jiangxi Synica Industrial**, an agrochemicals company, for US\$8m. *August 17, 2010*

**Shell Chemical** has restarted production at its 50:50 JV with **CNOOC** in Nanhai. The JV has the capacity to produce 250,000 tpa of propylene oxide and 700,000 tpa of styrene monomer. *August 24, 2010*

**Shenhua Coal Baotou Chemicals** has commenced production at its 300,000 tpa polypropylene (PP) plant in Inner Mongolia. The plant is based on **Dow Chemical's Unipol** PP technology and is the first plant in China to manufacture PP made from coal-generated olefins. *August 24, 2010*

**Sinochem** has signed a cooperation agreement with **Changda International**, a Chinese manufacturer of fertilizers, deicing agents, pharmaceutical intermediaries and flame retardants. Sinochem will export and resell Changda's products and import raw materials for Changda, and both companies will give each other priority in sales. *August 20, 2010*

**Solutia**, a US specialty chemicals company, will expand its operations in China to include the production of **Vistasolar** ethylene vinyl acetate at its Suzhou plant. Solutia will construct an additional building capable of housing several EVA production lines. *July 20, 2010*

**Uhde Inventa-Fischer**, a German polymer company, has signed a contract with **Hangzhou Handing Nylon Tech** to build a Nylon 6 polymerization plant. The facility will produce 47,000 tpa of textile grade Nylon 6 chips for use in Hangding's high-speed spinning plants.

*September 2, 2010*

**Wanhua Industrial Group**, a Chinese chemical company, has agreed to acquire Hungarian chemical firm **Borsodchem** for an undisclosed consideration.

*July 29, 2010*

**W.R. Grace** has begun operations in Chongqing producing cement additives and concrete admixtures, used to improve grinding efficiency, reduce production costs and enhance cement end quality. Establishing the plant is part of Grace's strategy of focusing on expansion in Western China.

*August 12, 2010*

## India

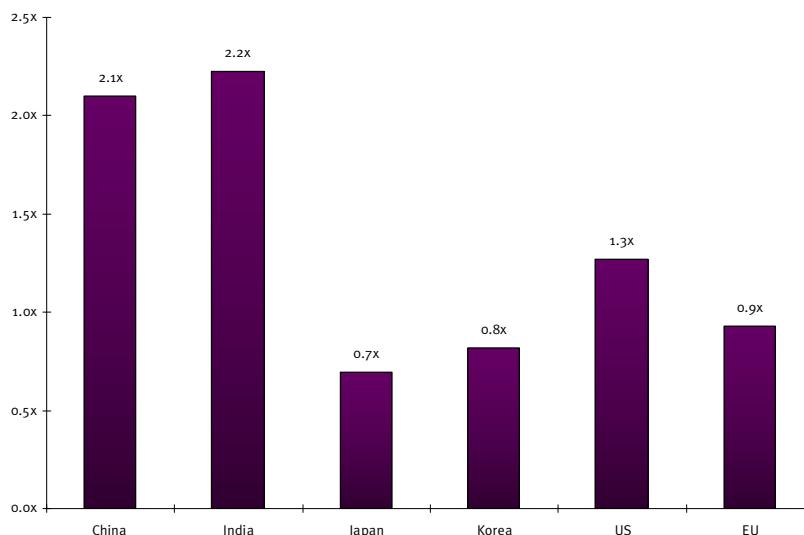
**Colorcon**, a US coatings company, has agreed to acquire Indian pharma excipients manufacturer **Pharmaceutical Coatings** for an undisclosed amount. The acquisition covers one facility in Goa.

*July 28, 2010*

**Dorf Ketal**, an Indian chemicals company, has acquired **Vertec**, a subsidiary of UK chemicals company **Johnson Matthey**, for US\$43m. *August 17, 2010*

**Ineos**, a US specialty chemicals company, has agreed to sell its global polyvinyl chloride film business to **Bilcare**, an Indian

### Specialty Chemical EV/Revenue for Selected Countries (15Sep10)



Source: Thomson Reuters, BDA

pharmaceutical research company, for US\$130m. *August 2, 2010*

**Hunstman Corp**, a US manufacturer and marketer of differentiated and commodity chemicals, has agreed to acquire the Gujarat chemicals business of **Laffans Petrochemicals**, for an undisclosed consideration. *July 31, 2010*

**Jubilant Organosys**, an Indian pharmaceutical custom research and manufacturing services company, has signed a long-term CRAMS contract with a leading company in the US. The contract is valued at US\$51m, though the name of the counterparty was not disclosed.

*August 24, 2010*

**Jubilant Organosys** will demerge the company's agriculture and performance polymer business (APP). The demerged APP business will form an independent entity called **Jubilant Industries**, and

**Jubilant Organosys** will be renamed **Jubilant Life Sciences**. *July 19, 2010*

## Indonesia

**Aneka Tambang**, an Indonesian state-owned mining company, has raised its interest from 65% to 80% in **Indonesia Chemical Alumina**, a chemical grade alumina manufacturer and a JV between Antam, **Showa Denko** and **Marubeni Corp**. The stake was acquired from Marubeni. *August 10, 2010*

**Nippon Shokubai**, a Japanese chemicals conglomerate, will build a 30,000 tpa superabsorbent polymers plant at its Cilegon, Indonesia manufacturing site. Nippon will invest US\$35m to build the plant which should begin commercial operations in 2013. *August 20, 2010*

## Japan

**Asahi Kasei Chemicals** will cease production of ammonia and benzene at its Mizushima site and procure these substances entirely from other suppliers in the future as part of its ongoing measures to strengthen its petrochemical operations.

*August 3, 2010*

**Mitsui Chemicals** and **Teijin**, two Japanese chemicals conglomerates, have agreed to merge their PET bottle-grade resin businesses into an 80:20 JV in order to reduce costs and compete more efficiently with imports from other Asian countries. The JV will be launched on in April 2011, subject to approval by Japan's FTC. *August 20, 2010*

**Ube Industries**, a Japanese chemical conglomerate, will invest US\$16m to expand its butadiene rubber facility in Chiba, from 95,000 tpa to 110,000 tpa. Ube is considering further investment in China and Japan to meet increasing Chinese demand for butadiene rubber.

*August 6, 2010*

## Korea

**Air Liquide**, a French producer of cryogenic liquids and gases, has completed the acquisition of **H-Plus SGS**, a private Korean supplier of carbon monoxide and hydrogen. Terms of the transaction were not disclosed. *July 8, 2010*

**Austem**, a Korean producer of steel wheels, body components, chassis components, and seat-related assemblies, has agreed to acquire 74% of **Khancera**, a Korean green materials producer, for US\$9m. *August 24, 2010*

**Chemtura**, a US specialty chemicals manufacturer, and **UP Chemical (Seoul)**, the Korean branch of the US chemicals company **UP Chemical**, have agreed to form a JV producing high-quality metal organic precursors for high-brightness LED applications to be sold across Asia.

*August 20, 2010*

**Dongbu Fine Chemicals**, a listed Korean agricultural chemical manufacturer, has agreed to merge with **Dongbu CNI**, its listed affiliate, via a share swap.

*August 7, 2010*

**Nepes**, a listed Korean semiconductor manufacturer, has agreed to acquire 42% of **Iridos**, a Korean producer of special colorings used in semiconductors, for US\$5m.

*July 22, 2010*

**Novolyte**, a US electrolyte materials company, has agreed to form a JV with **Foosung**, a Korean specialty lithium salt company, to produce lithium battery electrolytes. Foosung will supply technology and invest US\$30m into the JV, while Novolyte will contribute its energy storage business. *September 1, 2010*

**PolyOne**, a US chemicals conglomerate, has formed **PolyOne Korea**, to be headquartered in Seoul and extend the company's Asian coverage. *July 28, 2010*

## Malaysia

**BP**, the British Petroleum company, has agreed to sell its interests in its ethylene and polyethylene assets in Malaysia to its partner **Petronas**, a Malaysian oil and gas company. BP will sell its 15% of **Ethylene**

and its 60% of **Polyethylene Malaysia** to Petronas for US\$363m.

*September 1, 2010*

**Honam Petrochemical**, a Korean producer of petrochemicals and related products, has agreed to acquire **Titan Chemicals**, a Malaysian producer of olefins and polyolefins, for US\$1.2bn.

*July 16, 2010*

**PGEO Group**, a Malaysian producer of edible oils, has agreed to acquire 91% of **Natural Oleochemicals**, a Malaysian manufacturer and exporter of oleochemical products, for US\$140m.

*July 21, 2010*

## Thailand

**Brenntag**, a German distributor of specialty chemicals, has agreed to purchase **EAC Industrial Ingredients (Bangkok)**, a chemicals distributor active in South and Southeast Asia, for US\$197m.

*July 9, 2010*

**Thaioil Ethanol Co**, a wholly-owned subsidiary of **Sapsathaporn Co**, acquired 50% of **Sapthip Co**, a Thai producer and exporter of ethanol, and a wholly-owned subsidiary of Thai Oil PCL, for US\$21m.

*June 1, 2010*

## Singapore

**Lanxess**, a German specialty chemicals company, has finalized contracts for its US\$492m butyl rubber plant in Singapore. The 100,000 tpa plant is expected to begin production in 2013. *July 9, 2010*

**Tepan**, a US specialty chemicals manufacturer, has acquired **Peter Cremer's** methyl ester plant at Jurong Island. The plant has capacity of 100,000 tpa. Stepan plans to install a methyl ester fractionation facility at the site to supply itself and other companies. *July 9, 2010*

**Winasset**, a Korean operator of department stores, has acquired 39% of **GS Aromatics**, a Singaporean petrochemical company and a subsidiary of **GS Caltex Corp**, for US\$10m.

*August 4, 2010*

## Vietnam

**TNK-BP**, an Anglo-Russian oil firm, has signed a memorandum of understanding regarding two potential JVs with Vietnamese energy company, **PetroVietnam**. One is a geological research and hydrocarbon mining JV in Russia, while the other in Vietnam is currently undisclosed. *August 20, 2010*

*The stock indices and trading multiples graphs shown in this newsletter represent the ten largest publicly traded chemical companies (by market capitalization) in China, India, Japan, Korea, the EU and the US.*

### Asian Specialty Chemicals Transactions with Multiples for Selected Countries (12 months ending in 13May10)

Announce Date	Target Name	Target Country	Acquirer Name	Acquirer Country	Deal Value	Acquisition Type	EV / EBITDA	EV / Revenue	P/E
13-May-10	Yulrim Metal Co Ltd	Korea	Korea Resources Invest & Dvlp	Korea	\$2.7	-	-	3.2x	187.5x
13-May-10	Fumakilla Ltd	Japan	ST Corp	Japan	\$17.3	-	-	0.6x	33.6x
8-May-10	Guizhou Yihua Co Ltd	China	Yichang Wealth Invest Mgmt Co	China	\$50.1	-	-	0.8x	7.7x
29-Apr-10	Manasi Xinao Specialty Fiber	China	Jiangsu Aoyang Tech Co Ltd	China	\$26.4	-	-	2.2x	58.3x
28-Apr-10	Kyodo Chemical Co Ltd	Japan	Sakai Chemical Industry Co Ltd	Japan	\$2.0	-	-	0.3x	54.8x
20-Apr-10	Shenzhen Hongde Battery Co Ltd	China	Scud (Fujian) Electn Co Ltd	China	\$5.1	-	-	0.5x	4.1x
12-Mar-10	Taeyoungentec	Korea	SK Chemicals Co	Korea	\$33.1	25.0%	-	2.4x	35.9x
11-Feb-10	Sichuan Yongxiang Co Ltd	China	Tongwei Group Co Ltd	China	\$16.3	-	-	0.2x	35.9x
8-Jan-10	UPC Technology Corp	Taiwan	Lien Hwa Industrial Corp	Taiwan	\$47.1	-	80.4x	0.5x	-
2-Jan-10	Himadri Chem & Inds	India	Bain Capital India Investments	India	\$70.4	-	11.8x	4.3x	27.3x
29-Dec-09	Nufarm Ltd	Australia	Sumitomo Chemical Co	Japan	\$546.3	20.0%	12.3x	1.6x	39.9x
24-Dec-09	CNNC Hua Yuan Titanium Dioxide	China	Jiangsu GPRO Group	China	\$35.6	-	-	10.1x	-
9-Dec-09	Micro Inks Ltd	India	Michael Huber Munchen GmbH	Germany	\$85.4	25.0%	10.9x	1.3x	47.3x
8-Dec-09	Greenfield Chemical Holdings	Hong Kong	Hong Han Ltd	Hong Kong	\$37.9	51.3%	-	1.6x	144.0x
9-Nov-09	Rallis India	India	Tata Chemicals	India	\$19.0	7.6%	10.9x	1.5x	15.0x
22-Oct-09	Sodiff Advanced Materials Co	Korea	OCI	Korea	\$119.9	12.3%	13.5x	8.0x	28.3x
15-Sep-09	Sinoma Science & Tech	China	Investor Group	China	\$183.7	-	22.2x	3.7x	45.6x
14-Sep-09	NE Chemcat	Japan	Investor Group	Japan	\$83.8	14.4%	6.3x	0.6x	23.4x
7-Sep-09	Ciba India Ltd	India	BASF India Ltd	India	\$22.9	100.0%	5.9x	0.5x	11.2x
22-May-09	Pakistan PTA Ltd	Pakistan	KP Chemical Corp	Korea	\$12.0	75.0%	2.4x	0.1x	-
			<b>Median</b>		<b>\$34.3</b>	<b>25.0%</b>	<b>11.4x</b>	<b>1.4x</b>	<b>35.9x</b>

Source: Thomson Reuters, BDA

Business Development Asia is an investment banking firm which assists multinational companies in expanding their businesses in Asia through 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 listed.

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