

ASIAN SPECIALTY CHEMICALS NEWSLETTER

MARCH 2008, ISSUE 54

A Quarterly newsletter of developments in the chemicals sector

We hope you find the Asian Specialty Chemicals Newsletter informative.

BDA is an investment bank 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. 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

Astron Ltd, an Australian pigment company, signed an investment agreement for a 400,000 ton titanium China pigment products project with **Liaoning Yingkou Coastal Industrial**. Total investment is estimated to be US\$1bn. *January 29, 2008*

BASF outlined several initiatives for its Asia-Pacific plasticizers business, including expanding the capacity of its oxo-C4 facility in Nanjing, China, by 55,000 tpa to 305,000 tpa by Q4 2008. Asian demand for plasticizers is expected to grow by 4% - 5% per year through to 2015. *January 9, 2008*

BP has signed an LOI with **Sinopec** for the construction of an acetic acid facility by their JV, **Yaraco**

(Yangtze River Acetyls Co Ltd). This will increase Yaraco's capacity to 1 million tpa, up from 350,000 tpa. *February 4, 2008*

DSM has begun construction of a new waterborne acrylic resins facility Shandong Province, China. This US\$28m investment is a step towards DSM's goal of realizing US\$1.5bn in sales in China by 2010. *December 10, 2007*

DSM China will invest US\$20m in **Tianjin Green BioSciences Co Ltd** to construct China's largest PHA production base. Construction will start in Q2 2008 and should be completed at the beginning of 2009. The base will have capacity of

10,000 tpa of PHA, which is used in automobile manufacturing, and biological medicine. *March 7, 2008*

DuPont has started production at its new fluoropolymer facility in Changshu, Jiangsu province. The facility produces polytetrafluoroethylene (PTFE), which is used in aviation, apparel, automotive and other industries. *January 30, 2008*

DuPont opened a new performance coatings facility in the Jiading district of Shanghai. Plans for the new facility, which primarily will serve the Chinese automotive refinish market, were announced in Q2 2006. *January 10, 2008*

Huber Engineered Materials (HEM), part of **J.M. Huber Corp**, has agreed to buy the production assets of **Changzhou City Mingfan Fine Chemical Co Ltd (Mingfan)**, which serves the fast growing oral care sector in China. Huber announced it was building a new dental silica operation in China that is expected to generate 40,000 tpa of precipitated silica. *January 22, 2008*

Inabata & Co, a Japanese trading house and BDA client, is spending ¥250m (US\$2.3m) to increase its production capacity for synthetic resin compounds in China. It plans to install three new lines at one of its plants in Dongguan, lifting the total capacity across its three plants in the country - two in Dongguan and one in Dalian - by 6,000 tpa to 60,000 tpa. *February 7, 2008*

Invista and **Hong Kong Zhongshan Company Ltd** agreed to build the sixth-phase of a 7,000 tpa spandex project with an investment of US\$50m. The project will double spandex capacity to 14,000 tpa and should generate sales of more than US\$13m. *January 25, 2008*

Perstorp has acquired a production facility for Neo (Neopentyl glycol). The acquisition consolidates Perstorp's leading position in polyols and is a natural addition to the investment made last year in China. Sales for 2008 are expected to amount to US\$2bn. *January 11, 2008*

Qinghai Salt Lake Potash Co Ltd announced that the shareholders of its parent company approved plans to sell an 18.5% equity stake to **Sinochem Fertilizer Co Ltd**. *January 4, 2008*

Rhodia Group, a specialty chemicals maker, will build a facility in China to produce high-performance silica for domestic and foreign tire manufacturers. Construction will begin in 2009 in Qingdao, Shandong province for a capacity of 50,000 to 100,000 tpa. *December 19, 2007*

Rohm and Haas opened its new manufacturing facility in Guangdong. The company has invested US\$10m in this site. *January 8, 2008*

Saudi Aramco, Saudi Arabia's state-owned oil company, will take a 50% stake in a RMB12.5bn (US\$1.8bn) oil refinery that **Sinopec** is building. The refinery at Qingdao in Shandong province will start processing crude oil in early April 2008. Sinopec will hold the remaining 50% stake. *March 7, 2008*

Saudi Basic Industries Corp (Sabic) and **Sinopec** have set up a previously proposed petrochemical JV in Tianjin. The 50/50 JV will spend US\$1.7bn to construct facilities with capacities of 600,000 tpa for polyethylene (PE) and 400,000 tpa for ethylene glycol (EG). *February 13, 2008*

Sun Chemical Corp, a US based printing ink and pigment

manufacturer, and **Dainippon Ink & Chemicals (DIC)**, its Japanese parent, have agreed to acquire a 60% stake in **Nantong Shanjing Metallic Pigments Co Ltd**, the Chinese aluminum pigment manufacturer, for an undisclosed consideration. **BDA was the exclusive advisor to Sun Chemical and DIC on this transaction.** *February 7, 2008*

Ticona will build a 15,000 tpa compounding unit in the new Celanese complex in Nanjing. Scheduled to be operational in Q1 2009, the facility will produce compounds for Ticona's advanced engineering polymers: liquid crystal polymer (LCP), polyoxymethylene copolymer (POM), thermoplastic polyester (PBT), and thermoplastic polyester elastomer (TPC-ET). *February 6, 2008*

India

Apar Industries has completed the sale of its polymers business to France-based **Eliokem International**, an **AXA Private Equity** portfolio company and formerly part of BF Goodrich, which makes specialty chemicals. The agreement was signed in November 2007. **BDA acted as exclusive financial advisor to Apar Industries on this transaction.** *February 18, 2008*

Ashland announced plans to construct a global-scale manufacturing site for unsaturated

polyester resins in India, having purchased a 25-acre property in Jhagadia, Gujarat. *February 13, 2008*

Dainippon Ink and Chemicals (DIC) says it plans to build a printing ink production facility in a special economic zone in Dahej, India. DIC says it will invest ¥3.5bn (US\$33m) to build the facility. Capacity is expected to reach 30,000 tpa.

February 18, 2008

Lanxess will transfer its rubber chemicals unit from Thane to Jhagadia in the state of Gujarat. The company also plans to build an ion exchange resin facility at Jhagadia. The two projects will require an investment of US\$74m. *February 4, 2008*

Monsanto India Ltd, a subsidiary of US major **Monsanto**, has completed the sale of its pesticides subsidiaries to **Sinochem International**. Sinochem acquired some of Monsanto's non-core, butachlor and alachlor weed control businesses and certain other assets in Bangladesh, India, Pakistan, Philippines, Taiwan, Thailand, and Vietnam for US\$8.4m. With this divestment, Monsanto India will focus on its two core businesses of hybrid corn seed and **Roundup** herbicide. *February 6, 2008*

Rallis India Ltd plans to invest up to US\$500m to build two new facilities in India that will manufacture chemicals for the agricultural and industrial sectors. *January 18, 2008*

Reliance Industries Ltd is awaiting government approval for plans to build a coal-to-liquid facility in India with an investment cost of US\$8bn. The project will have an oil equivalent capacity of 80,000 barrels a day. *January 14, 2007*

South Asian Petrochem plans to invest US\$150m to set up a polyester unit in West Bengal. The unit will have 350,000 tpa polyester yarn and fibre capacity. *January 1, 2008*

Tata Chemicals Ltd, part of India's second-largest business group, agreed to buy US-based **General Chemical Industrial Products Inc** for US\$1bn, to become the world's second-largest maker of soda ash. Tata Chemicals will acquire a majority stake from **Harbinger Capital Partners**. General Chemical has capacity to produce 2.5 million tpa of natural soda ash, used to make glass and detergents, at its facility in Green River Basin, Wyoming. *January 31, 2008*

Indonesia

Lenzing Group will invest US\$156m to expand capacity of viscose fiber by 220,000 tpa, at its Purwakarta, Indonesia facility. *December 17, 2007*

Sinopec, China's largest refiner, will invest US\$5bn in an Indonesian biofuels program with local Indonesian partner, **PT Puri Usaha Kencana**. Sinopec will invest in processing plants in an integrated

project which will make use of palm oil and jatropha. The scale of this investment should enable Sinopec to boost sales in China where diesel shortages persist. *January 22, 2008*

Japan

Kuraray Co, a Japanese chemicals company that manufactures synthetic fiber, has agreed to acquire a 50% stake in **Poval Asia Pte Ltd**, a Singapore manufacturer and retailer of polyvinyl alcohol, from **Nippon Gohsei**. *Dec 19, 2007*

Kureha Corp will invest up to ¥6bn (US\$56m) to expand in stages its output capacities at home and in China of pitch-based carbon fiber and downstream products. The company is aiming to double sales in this segment to ¥12bn in 2012 with this and other capacity expansions already implemented over the last two years. *February 6, 2008*

Petrobras, Brazil's state-controlled oil company, has agreed to acquire **TonenGeneral's** 87.5% stake in the 100,000 b/d Nishihara refinery in Okinawa. Petrobras said it planned to use the terminal capacity to expand the commercialization of biofuels in Japan and elsewhere in Asia. The Nishihara terminal would complement Petrobras' trading of crude oil products in the Asian market, currently running at 100,000 barrels per day. *January 18, 2008*

Teijin Fibers Ltd and **Showa Shell Sekiyu KK** announced an agreement to establish a JV to sell paraxylene products. The new JV will enable Teijin Fibers to improve earnings from its polyester business and Showa Shell Sekiyu to expand its petrochemical business. *February 4, 2008*

Ube Industries Ltd, a Japanese chemicals, plastics and construction materials manufacturer, has agreed to acquire a 50% stake in **Kemira Ube Ltd Company**, the Japanese manufacturer of hydrogen peroxide, from **Kemira Oyj**, a Finnish chemicals maker, for an undisclosed consideration. *Dec 21, 2007*

Korea

Hansol Chemical, a Korean chemical company, has acquired a 90% stake in **Daeyoung Polymers Co Ltd**, a Korean specialty chemical company, for US\$12.2m. *December 12, 2007*

Malaysia

Reliance Industries (RIL) of India will pay US\$500m to acquire the Malaysian assets of **Hualon Corporation**. With Hualon's added capacity, RIL's polyester output will jump 25% to 2.5 million tpa. *December 12, 2007*

SGL Carbon AG said it will invest US\$280m in the expansion of its

Malaysian graphite electrode facility. The combined facility has an overall capacity for graphite electrodes and cathodes of 60,000 metric tons.

January 11, 2008

Middle East

Dow Chemical will form a 50/50 petrochemical JV with **Kuwait Petroleum subsidiary, Petrochemical Industries Co**. PIC will pay US\$9.5bn for a 50% stake in Dow's polyethylene (PE), ethylene, ethanolamines, polypropylene (PP), and polycarbonate (PC) businesses that will comprise the JV. The deal is expected to close by the end of 2008. *December 26, 2007*

General Chemical Soda Ash Partners (GCSAP), a subsidiary of **Tata Chemicals**, and **S&A Abahsain** of Saudi Arabia will form a JV to build a 1 million mt/year soda ash facility in Saudi Arabia. The JV expects to bring capacity online in two stages of 500,000 mt/year each, the first of which is expected to become operational in H2 2010 or early 2011. The date for startup of the second half has not yet been set. *February 25, 2008*

Singapore

Asahi Kasei Corp plans to set up a synthetic rubber facility in Singapore in Q4 2010 to meet growing demand for tires. The US\$185m facility is

expected to boost the company's synthetic rubber output capacity to 330,000 tpa. *February 25, 2008*

Lanxess, a German chemical company, will build a butyl rubber plant in Singapore with capacity of up to 100,000 tpa. Construction will begin in Q1 2009 and will be completed by the end of 2010. The plant will be in the Tembusu Cluster of Jurong Island in Singapore. The investment project is worth €400m (US\$614m) making it the largest ever in the history of Lanxess. *Feb 26, 2008*

Sherwin-Williams Co has signed an agreement to acquire the liquid coatings subsidiaries of Inchem Holdings International Ltd, which has sales of US\$30m. *February 11, 2008*

Thailand

Dow Chemical's JV with Siam Cement Group, SCG-Dow Group, will build a specialty elastomers facility at Mab Ta Phut to supply customers in Asia. The specialty elastomers train, which is expected to start operations in 2011, will receive feedstock from SCG-Dow Chemical's second JV olefin plant in Mab Ta Phut. *January 31, 2008*

Indorama Polymers PCL, a Thai PET maker, said its merchant banking parent **Beacon Global** will acquire a 90% stake in polyester producer **Tuntex Thailand** for US\$70m. The move will make Indorama the largest domestic PET resin manufacturer

and boost its capacity of purified terephthalic acid, a raw material for PET. *January 29, 2008*

SCG-Dow Group, a JV between **Dow Chemical** and **Siam Cement**, will build a specialty elastomer facility at Map Ta Phut, Thailand. The facility, which is due to begin operations in 2011, will use feedstock from an olefins complex that the JV is building at the same site. The olefins facility is due to come online in Q2 2010. *January 30, 2008*

Vietnam

Vinachem will invest US\$300m in building a DAP fertilizer facility with a capacity of 330,000 tpa. One possible location includes the northwestern city of Hai Phong or the northern mountainous region of the Lao Cai province. *January 10, 2008*

To submit stories to the Asian Specialty Chemicals Newsletter, please contact Leon Li in Shanghai at (86) 21-5407-5580 or email Lli@bdallc.com.

Business Development Asia is an investment bank which assists multinational companies in expanding their businesses in Asia through JVs, acquisitions, divestments and capital raising.

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