

ASIA IS A BUSINESS IMPERATIVE... NOW MORE THAN EVER

ASIAN SPECIALTY CHEMICALS NEWSLETTER

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INTRODUCTION

The rapid growth of B2B ecommerce in Asia is having a significant impact on the chemical industry, evident in the proliferation of chemicals portals being launched in the region. In this issue we profile the key chemical portals in Asia.

We hope that 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. 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.

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CHINA/HK

Bayer AG of Germany plans to expand in China following Beijing's accession to the World Trade Organization (WTO). The company also plans to relocate its headquarters in China from Hong Kong to Shanghai. Bayer has invested US\$250m in China to date, including US\$10m in a Shanghai-based **polymer technology** center, which came onstream in Q2 2000. The company intends to invest a further US\$2.5bn and to double its sales in China by 2010. (May 25, 2000)

Honeywell Specialty Chemicals of the US has inaugurated **Honeywell Specialty Chemicals (Suzhou) Co Ltd**, a subsidiary which will produce **high wax, additives** and other chemical products for Asian markets. Slated for completion in Q4 2000, a new US\$16m facility is being built for the Jiangsu-based subsidiary. The industrial wax products, which will be sold under the *Astor* brand name in China, are used in the production of packaging materials, tires and rubber, telecommunications cable and personal care products, among others. (May 5, 2000)

Rohm & Haas of the US will bring onstream several new facilities in China by 2002. The company has completed construction of an **acrylic emulsion** plant in Beijing, an **ion exchange** resin plant in Shanghai and is in the process of building a **fungicide** facility in Nantong. The company is pursuing an aggressive growth strategy, which entails increasing its revenues to \$7.5bn, 25% of which will be accrued in Asia by 2002. (May 11, 2000)

INDIA

Ciba Specialty Chemicals (India) Ltd, a wholly-owned subsidiary of Swiss chemicals major **Ciba Specialty Chemicals** has acquired a 51% stake in **Diamond Dye-Chem Ltd (DDCL)** of India. DDCL manufactures **stilbenic whitener** used in detergents, paper and textiles. The acquisition involves the integration of DDCL's plants in Gujarat and Maharashtra. This is part of Ciba Specialty Chemicals India's plan to strengthen its whitener operations in Asia. (May 2, 2000)

Clariant India, a wholly owned subsidiary of **Clariant AG** of Germany is expanding its position in India. In Q2 2000, Clariant India acquired the Chennai-based subsidiary of **BTP**, a UK manufacturer of fine chemicals such as **biocides** and **leather chemicals**. Clariant has also commissioned a new masterbatches plant in Thane, Maharashtra with a capacity of 800tpa. (May 9, 2000)

Janus Capital Corp of the US has acquired nearly 60 million shares of Indian petrochemicals major **Reliance Industries Ltd** for US\$468m. The acquisition, which gives Janus 5.6% of Reliance's equity on the market, is approximately twice the volume of shares in Reliance's own buy-back plan. (May 26, 2000)

National Organic Chemical Industries Ltd (Nocil) has applied to the Indian Industry Ministry for an industrial license to establish a US\$1.5bn petrochemical complex in Thane, Maharashtra in conjunction with UK-based **Shell Chemicals Ltd** and its affiliates. The Nocil-Shell JV, in which Shell will hold a 49% stake, is dependent on Nocil being demerged into three independent companies. The petrochemical complex will produce ethylene, propylene, benzene, carbon black feedstock and other petrochemicals. It will come onstream by Q4 2003. (May 2, 2000)

Shasun Chemicals and Drugs, a leading Indian producer of pharmaceutical intermediates and active ingredients, has been granted a license by US-based

Eastman Chemicals to produce **hydroxypropylmethylcellulose phthalate (HPMCP)**, a pharmaceuticals excipient. The license will make Shasun Chemicals and Drugs the leading producer of HPMCP in India. (May 19, 2000)

INDONESIA

PT CMS Indonesia (CMS), a JV between **PT Mopoli Raya** of Indonesia, **Cho Yang Fine Chemical** and **Samsung Corp** of Korea, plans to expand its capacity for **ethylene bistearamide (EBS)** from 7,000tpa to 10,000tpa. The expansion, which is an attempt by CMS to meet growing demand from electronics manufacturers in Japan, Korea and Taiwan, is expected to be completed by Q4 2001. (May 12, 2000)

PT Cognis Indonesia, a subsidiary of Germany-based **Cognis**, will start production at its newly expanded **fatty alcohol sulfate** facility. Spun off by **Henkel AG** in 1999, Cognis invested US\$4m to expand production capacity at its plant from 2,000tpa to 10,000tpa to better serve domestic demand and to export to other Asian countries. Some of the output will also be used to produce sodium lauryl sulfate. (May 4, 2000)

PT Lautan Otsuka Chemical, a JV between **PT Lautan Luas** of Indonesia and **Otsuka Pharmaceutical Co** of Japan, will double capacity at its **azodicarbonamide (ADCA)** production facility. Located in West Java, the ADCA facility will have a new capacity of 13,000tpa. (May 29, 2000)

JAPAN

Asahi Chemical Industry (ACI) has acquired **Ciba Specialty Chemical's** 50% stake in **Asahi-Ciba Ltd**.

The JV, which produces 37,000tpa of **specialty epoxy resin**, will be renamed **Asahi Kasei Epoxy Co Ltd** in Q2 2000. ACI also intends to expand the scope of Asahi Kasei's operations to include new composite materials. (May 1, 2000)

Asahi Glass Co (AGC) and **DSM NV** of the Netherlands have agreed to manufacture and to market animal **cell-based proteins as pharmaceutical intermediates** to drug and chemical manufacturers in Japan. DSM technology will be used to manufacture the protein products, which the two firms hope will generate revenues of US\$9m by 2003. (May 5, 2000)

Ciba Specialty Chemicals expects its business in Japan to grow exponentially with its development of **specialty active chemicals**, which avoid chlorinated material, for the personal care sector. Japan currently accounts for the highest per capita spending on skin care products worldwide. Ciba hopes that its development of UV absorber, *Tinasorb*, and nanotope, *Tinaderm*, both active ingredients in skin care products, will enable it to expand in the Japanese market. (May 5, 2000)

Degussa Hüls of AG of Germany has acquired a further 30% stake in **Nippon Aerosil**, its **pyrogenic silicas** JV with **Mitsubishi Materials**. The US\$50m acquisition has raised Degussa Hüls' stake in Nippon Aerosil to 80%. (May 17, 2000)

DuPont of the US intends to develop **corn-based polymer** applications in Japan with local companies, **Toray Industries** and **Teijin Ltd**. Separately, on a recent visit to Japan, the CEO of DuPont stated that the company is considering acquiring firms in Japan. (May 25, 2000)

Eka Chemicals of the Netherlands has increased its stake from 50% to 80% in **NEN**, its **paper chemicals marketing** JV with **Nissan Chemical Industries** of Japan. A subsidiary of Dutch chemicals major, **Azko Nobel**, Eka Chemicals plans to gradually expand its product range in Japan and throughout the rest of Asia. (May 19, 2000)

Japanese chemical fiber companies will further de-emphasize their core fibre businesses and intensify diversification into specialty chemicals. While total sales from fiber and textiles account for more than a third of sales, Japanese fiber companies derive less than 10% of their operating profits from this business segment. Companies which are able to spin off new products in polymers and fine chemicals and further customize these products to the needs of the market will succeed. (May 29, 2000)

Nippon Roche, the Japanese subsidiary of **Roche** of Switzerland, will sell its **pharmaceutical intermediates** production facility in Fukuroi, Japan to **Mitsubishi Chemical**. Mitsubishi Chemical will continue the production of five Roche pharmaceutical intermediates at the Fukuroi facility. (April 16, 2000)

Rohm & Haas (R&H) has acquired the photoresist business of **Mitsubishi Chemical Corporation** of Japan. The transaction includes all rights and interests in Mitsubishi Chemical's **photoresist** business, including relationships with customers, intellectual property, manufacturing operations and research facilities. The business will be integrated into **Shipley Microelectronics**, a division of R&H's electronic materials group, by Q3 2000. (May 30, 2000)

KOREA

BASF of Germany plans to invest US\$374m over the next several years to increase its production of **fine chemicals** and precursors for plastics and fibers in Korea. The company aims to expand production capacity from 12,000tpa to 30,000tpa at its polyetherols facility in Ulsan. It has also commissioned the construction and expansion of facilities elsewhere in Korea for the manufacture of MDI, TDI and butanediol. (April 19, 2000)

Clariant of Switzerland and Korea-based **Songwon Industrial** intend to build a 5,000tpa **antioxidant**

plant in Ulsan. The two companies have been collaborating on the development and production of antioxidants for polymers since 1999. Scheduled to come onstream in Q1 2001, the new plant will raise joint production capacity of antioxidants to 15,000tpa. (May 3, 2000)

Novartis AG of Switzerland may relocate its agrochemical production hub in Asia from Iksan, Korea to elsewhere in the region due to labor unrest. Backed by the Korean Chemical and Textile Workers' Federation (KCTWF), workers at the company's Korean subsidiary, **Novartis Agro Korea (NAK)**, went on strike for two weeks to demand wage increases and union recognition. (May 27, 2000)

Singapore Power International has acquired **Samsung General Chemicals'** 33,000tpa water treatment facility in Daesan for US\$77m. It is a subsidiary of **Singapore Power (SP)**, which views the acquisition as a way to penetrate the Korean market in integrated utility services. (May 5, 2000)

MALAYSIA

Dialog Group Bhd of Malaysia, a specialty chemicals producer and petrochemicals engineering company, is seeking to grow its specialty chemical market share in the petroleum industry by 2002. The company hopes to market its specialty chemicals and polymers, which reduce friction in oil pipelines, to Asian companies that operate in the petroleum industry, particularly in China and the Philippines. (April 20, 2000)

Far East Consortium International Ltd (Fecil) of Hong Kong has acquired 18 million shares of agrochemical producer **Chemical Company of Malaysia Bhd (CCM)**. **Billion Victory Sdn Bhd**, a Malaysia-based company owned by Fecil's Executive Vice Chairman, executed the transaction. The acquisition has increased Fecil's stake in CCM to slightly over 10%. (May 18, 2000)

PHILIPPINES

Columbian Carbon Japan, a JV between US-based **Columbian Chemicals** and **DP Shokai** of Japan, has established a carbon black distribution facility in the Philippines. **Columbian Chemicals**, a subsidiary of the **Phelps Dodge Corporation** of the US, has increased its stake in **Columbian Carbon Japan** from 50% to 68%. (May 25, 2000)

SINGAPORE

Ascot of the UK, which has consolidated its specialty chemicals businesses into two divisions, is exploring the possibility of establishing an oleochemicals JV in Singapore by 2002. **Ascot's** decision to form a JV in Asia is motivated by its belief that the outsourcing market in specialty chemicals is underdeveloped in the region. (May 11, 2000)

Quincannon Associates, a US-based specialty chemicals and gas broker, has formed a JV, **SBQ Pte Ltd**, with international oil, gas and ship brokers **Simpson, Spence and Young (SSY)** and **Braemar, Burness Maritime Ltd (BBM)**. The JV was formed to capitalize on the logistics opportunities generated by the surge in chemical and gas production in Asia. (April 4, 2000)

TAIWAN

Bayer Taiwan, a subsidiary of German chemicals major **Bayer AG**, has completed integrating the polyols operations of **Lyondell Taiwan**, which has led to the formation of a new company, **Bayer Polyurethanes Taiwan Co Ltd**. The new company owns and manages a 40,000tpa polyols facility in Kaohsiung. (May 29, 2000)

Cookson of the UK will acquire **Achem Laminates**, the **printed circuit board (PCB) laminates** division of **Achem Technology Corporation**, for US\$134m. Achem Laminates, which has two manufacturing facilities in Taiwan, one in the China and a distribution center in Singapore, will be integrated with Cookson's Polyclad business. This will provide Polyclad with low-cost, modern facilities and enhance Cookson's laminate manufacturing capacity in the growing Asian electronics markets. Completion of the transaction, which is subject to regulatory approvals, is expected to occur in Q2 2000. (May 27, 2000)

Mitsubishi Gas Chemical of Japan plans to build a facility in Taiwan to produce **super high purity hydrogen peroxide** by Q4 2000. For environmental reasons and due to the high purity requirements of the electronics industry, Mitsubishi Gas Chemical anticipates increased captive consumption of hydrogen peroxide from 30% to 45% by 2005. (April 4, 2000)

THAILAND

Dainichiseika Color & Chemicals Manufacturing Co of Japan plans to rebuild the **resin compound** production facility of its wholly-owned Thai subsidiary, **Dainichi Color (Thailand) Ltd.** In an effort to raise efficiency and output, it will increase capacity at the facility in Pathumthani from 36,000tpa to 40,000tpa. (May 17, 2000)

JSR, JSR Elastomix, Shiraishi Calcium and Tokai Carbon of Japan have formed a JV, **Elastomix (Thailand) Co**, to produce **carbon masterbatch** (CBM) in Thailand. Production at a 9,000tpa facility in Rayong will begin in Q4 2000. The four Japanese companies, which already supply CBM to the Thai

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market, established the JV as demand for CBM in Thailand is expected to increase 50% from the current level of 10,000tpa. (April 27, 2000)

VIETNAM

Ultra-Tex, a Cambodian-Australian JV, which produces acrylic sealant, plans to expand into Vietnam to meet the demand for coatings in the construction and building industries. Ultra-Tex's sealant contains 46% acrylic copolymers and is resistant to acids, alkalis, oxidation and degradation by UV light. (May 31, 2000)

FOCUS

Chemicals portals in Asia

The burgeoning of B2B ecommerce in Asia has had a significant impact on the chemical industry in the region. The entire B2B ecommerce market in Asia was valued at US\$20.3bn in 1999 and is anticipated to increase to US\$1.9tr by 2004. As a result, chemical portals are being launched in rapid succession by well-established players and big Internet startups alike.

The success or failure of these portals will depend upon a distinction in the content and services provided. In **India**, despite a proliferation of chemical portals, ecommerce has yet to gain maximum potency. The majority of chemical portals are "posting and classifieds" sites, which have yet to resolve logistics, transport and payment issues for products sold online. Portals which efficiently provide these value-added services have greater chances at success. In **Japan**, firms such as **Marubeni Corp** aim to combine the efficiency of the Internet with person-to-person deal making, which is still preferred by numerous Japanese, rather than simply facilitating ecommerce.

The following paragraphs profile some of the key chemical portals in Asia:

ChemB.com (India) is a chemicals portal launched by Chem Bazaar Online Pvt Ltd. It claims to be the first and only B2B ecommerce site for the online buying and selling of all chemicals in India. The 30 major manufacturers which are registered on the site include **Bayer, Coastal Wartsila, ICI, Nocol, Reliance and Vam Organics**. **HDFC Bank** provides payment services for the portal, while **Transport Corporation of India** offers transport services.

ChemCross.com (Korea) is a chemical portal established by Asian companies from 6 countries. Headed by **Samsung Corp** of Korea, other shareholders in the portal include: **Hanwa Corp** and **Kohap Ltd** of Korea; **Mitsubishi Gas Chemical Company** and **Maruzen Petrochemical Co** of Japan; **Shanghai Petrochemical Co Ltd** and **Sinopec Yangzi Petrochemical Corp** of China; **Tuntex Petrochemicals** of Taiwan; **Cementhai Chemicals** of Thailand; and **Sinar Mas Group** of Indonesia. A total of US\$7m has been invested in this venture, with each participant contributing between US\$30,000 and US\$850,000. The portal, which will become operational in Q3 2000, will provide "one-stop services" for chemical purchasing, insurance, shipment and payment on the Internet.

Chemease.com (China) is an ecommerce website for chemical products. Established in Shanghai in Q2 2000, Chemease.com now has 1,000 registered members. It has teamed up with **Motorola** of the US to offer Wireless Access Protocol (WAP) service and with **China Chemical Network (CCN)** to enrich its content.

ChemicalWeekly.com (India) is a B2B portal launched by the Indian trade publication, **Chemical Weekly**. The site provides a chemical exchange, where companies can buy and sell products and services, and an online tracking system for imports and exports. It also provides news and information related to the chemical industry.

ChemNet.com (Taiwan) is a chemical database and information network operated by the state-owned Industry and Technology Research Institute (Itri). Itri intends to invest US\$6.5m to facilitate ChemNet with

ecommerce functions. Itri's investment will allow ChemNet to focus on enabling chemical B2B transactions and to help chemical firms in their supply chain management.

Chemround.com (Korea) is a chemical products trading portal, jointly established by leading Korean distributors of chemical products: **Hyundai, LG International** and **SK Global**. The portal was launched in Q1 2000 with paid-up capital of US\$5m. The products traded on the site include aromatics, various types of plastics and specialty chemicals. The portal will eventually expand its services to include logistics, insurance and certification.

EnplaNet.com (Japan) is an electronic marketing platform launched by the Japanese trading house, **Marubeni Corp**. It sells **resins** produced mainly by Japanese companies to end-users around the world. Announcements of the products available, including a list of specifications, are posted on the site and potential buyers are able to register their interest in certain products by emailing Marubeni, which brokers the transactions. Marubeni will soon add an auction feature to the website, enabling producers to sell excess domestic inventories. Marubeni hopes to build a global customer base of 10,000 and to help promote higher value-added Japanese resins.

SESAMi.com (Singapore), an online solutions provider, will launch a chemical portal for the Asian chemical industry by Q4 2000. **Eastman Chemical Asia Pacific Ltd Pte**, a wholly-owned subsidiary of US-based chemical major Eastman Chemical, will become the first tenant of the portal. SESAMi's ecommerce solutions will streamline and automate purchasing processes at Eastman's plants in Asia. In addition to signing up another 150 chemical companies as tenants by Q4 2000, SESAMi expects to play a significant role in preparing Singapore's **Jurong Island** chemical hub for ecommerce activity.

Worldchemnet.com (India) is a Mumbai-based chemical and pharmaceutical portal that aims to facilitate chemical trade on a global scale. It has more than 3,500 members from more than 60 countries. Established in Q3 1999, Worldchemnet provides a

complete range of ecommerce services and has real-time information on prices, product offerings and inquiries to professionals in the chemical industry. In addition to standard features such as classifieds and a chemical exchange, the site has a link to **Indiachemnet**, an India-specific ecommerce portal with an auction service.

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ABOUT BDA

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