

**NEWSCLIPPING**

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**FAR EAST/ASIA**

# Emery advances with plans for growth

Emery Oleochemicals is one of the world's largest producers of oleochemicals. Two years since Dr Kongkrapan Intarajang was appointed group CEO, Serena Lim talks to him about the company's growth plans and the challenges it faces

It has been two years since Dr Kongkrapan Intarajang was appointed group CEO of Emery Oleochemicals in November 2009 and he believes that everything is going "according to plan" for the global oleochemicals producer, which he says is in the process of transforming itself from a product-orientated company to a market- and customer-orientated organisation.

Part of this transformation involves entering the home and personal wellness (HPW) sector, which he says is worth around US\$25bn worldwide.

"It's a natural evolution from oleochemicals because we are serving this market anyway," he said during an exclusive interview with OFI in London.

"We also see this market as being sustainable and less cyclical - bringing stability. In 2008/09 when we had the global financial crisis, the HPW market was still growing with GDP because, at the end of the day, people still have to wash and use these products every day."

He believes it is important for Emery Oleochemicals to be present in all of its three key markets - Europe, the USA and Asia - which are in different developmental phases.

"In the European and US markets, people are willing to pay a bit more for better quality and better properties. They are very important markets even if their growth rates are smaller. In Asia, consumption per capita is lower so there is



PHOTO: EMERY OLEOCHEMICALS OLEOCHEMICALS

DR KONGKRAPAN INTARAJANG (PICTURED) BELIEVES EMERY OLEOCHEMICALS HAS A NATURAL HEDGE IN ITS BUSINESS IF A GLOBAL RECESSION DOES OCCUR BECAUSE IT SERVES A VARIETY OF INDUSTRIES

more room to grow. It may take another 5-10 years for Asia to reach the same level of customer awareness as in the USA and Europe."

### New joint ventures

2011 was a good year for the oleochemicals industry with price increases for fatty alcohols, fatty acids and glycerine allowing for margin improvements. Emery Oleochemicals' business recovered to pre-recession levels in 2010, mainly driven by brisk downstream demand for higher value-added products supplying the automotive, construction and personal care industries.

And as part of its strategy to broaden its global

HPW footprint and products, Emery Oleochemicals announced two joint ventures last February - Emery Aekyung Sdn Bhd (with Korea's AK ChemTech), and ERCA Emery (with the Italian speciality company, the ERCA Group).

"I believe in collaboration. If you can find good players, you can accelerate your growth by 5-10 years," Dr Kongkrapan said.

AK ChemTech is an affiliate of the Aekyung Group, a leading player in the home and personal wellness market in Korea, with exports to Southeast Asia and Europe. Emery Oleochemicals will be the majority shareholder in the joint venture, and a new plant is being built in Malaysia which will produce speciality esters.

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"Everything is on track with the plant, which will start operations about two years from now," Dr Kongkrapan said.

The ERCA group encompasses the chemical businesses of a group of companies involved in producing and marketing speciality chemicals for the textile; tanning; home and personal care; paper and construction industries, as well as a wide range of intermediary chemicals. ERCA has production sites in Europe, Asia and Latin America and will begin commissioning a new ethoxylation plant in Moerdijk, the Netherlands in the second half of this year.

The plant is right next to Royal Dutch Shell, the world's third largest ethylene oxide (EO) producer. It will produce a wide range of ethoxylates, including premium-grade ethoxylates, which are used in a wide variety of biodegradable household cleaning products, including heavy duty liquid, power laundry detergents and all-purpose cleaners.

"For Emery Oleochemicals, home and personal care is a new sector and we are still quite small. But we believe the sector is large enough for a lot of players to exist. Our philosophy is to grow on specialities and strengthen our oleo basics to be competitive."

#### Adding value, not capacity

As such, there is no change in the strategy Dr Kongkrapan talked of two years ago (see *News head for Emery*, OFI March 2010) of adding value, rather than necessarily adding capacity.

The company's production capacity is 1M tonnes/year, equally split between its three main sites in Malaysia, Germany and the USA.

"Of course, in Asia, our capacity compared to players like Wilmar, IOI and KLK is relatively small. If you look at these companies, they are very well integrated with plantations. That's not the strength that we have. Our strength is our technology and market loyalty to customers."

"A lot of our products also serve a captive demand. Our fatty acids go into our derivatives. So our exposure to the external market is not that bad," Dr Kongkrapan said.

"If we were going out to the external market, capacity-on-scale and feedstock integration is important. That's why it's not our first priority. For now, we have enough basic oleo capacity and there are no plans to build a new plant."

"Of course, if there's a good acquisition, we'll still be on the look out. But we're not going to go ahead and do the same as our friends. We have a different strategy."

#### Global recession and over-capacity

This strategy, he believes, will help Emery Oleochemicals weather the storm if a global recession does occur.

"We believe we have some natural hedge in our business as we serve a variety of industries – HPW, the construction industry and plastics."

"In a worst-case situation like in 2008/09, the market will definitely slow down but, in the long run, it will pick up and come back."

The uncertainty of the global economy is one issue Dr Kongkrapan says is a challenge for the global oleochemicals industry. So is overcapacity.

"Overcapacity in Asia will continue for a while

## All about Emery Oleochemicals



EMERY OLEOCHEMICALS PRODUCES OLEOCHEMICALS BASED ON RENEWABLE OILS FOR A WIDE RANGE OF APPLICATIONS INCLUDING SOAPS, DETERGENTS, COSMETICS, PLASTIC ADDITIVES AND OILFIELD DRILLING CHEMICALS

Headquartered in Malaysia, Emery Oleochemicals is one of the world's largest oleochemical producers with a stated aim of producing high quality, natural-based chemicals. The company produces a wide range of oleochemical products derived from natural, renewable raw materials for use in a vast range of applications, including soaps and detergents, cosmetics, plastics additives and oilfield drilling chemicals.

Employing 1,100 people worldwide, Emery Oleochemicals' revenue totalled approximately US\$1bn in 2010. Through its expansion and growth plan, the company aims to broaden its portfolio into speciality chemicals as it continues to leverage its competitive advantages in size, scale, global footprint, vertical integration, intellectual property and technology. The company is projected to earn about US\$1.2bn in 2011 through its 1M tonnes/year production capacity, evenly split between the three regions it operates in; North America, Europe and Asia. Its production sites are located in Selangor, Malaysia; Düsseldorf and Loxstedt, Germany; and Toronto and Cincinnati, North America.

#### Parent companies

Tracing its some 170-year history to Cincinnati in 1840 when it began as Emery Candle Company, Emery Oleochemicals itself was formed in 2009 as a 50:50 joint venture between Malaysia's Sime Darby Plantation and Thailand's PTT Chemical International, a wholly-owned subsidiary and the international investment arm of PTT Global Chemical PLC. PTT Global Chemical Public Company Limited was founded in October 2011 through the amalgamation of PTT Chemical Public Company Limited and PTT Aromatics and Refining Public Company Limited to be the chemical flagship of PTT Group. This integration enables a total olefins and aromatics production capacity of 8.2M tonnes/year and petroleum production capacity of 280,000 barrels/day, making it Thailand's largest and Asia's leading integrated petrochemical and refining company.

Sime Darby Plantation is a wholly-owned subsidiary of Sime Darby Berhad. It is the world's largest plantation company managing about 874,000ha of landbank in Malaysia, Indonesia and Liberia, and accounts for about 6% of the worldwide palm oil production. With total revenue of US\$13.5bn and employing more than 91,000 personnel, Sime Darby Plantation's downstream business activities include edible oil refining, oils and fats products, oleochemicals and biodiesel. Alongside oil palm, it is also involved in agri-business activities and rubber cultivation.

#### Emery Oleochemicals' products

Emery Oleochemicals has one of the world's largest portfolios of oleochemical products, using naturally sourced feedstocks. Derived from renewable oils and fats such as palm oil, soyabean oil and tallow, its natural-based chemical solutions – loosely categorised as oleo basics and oleo speciality – are used in many applications such as foods and personal and home care, and in industrial applications such as coatings, inks, lubricants, agriculture and mining.

The company has recently intensified its efforts to broaden its portfolio in the high-value derivatives segment. Already known for its solutions in niche segments, some of its better known products are:

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► especially with fatty acids. The Indonesian tax regime also creates favourable conditions for people to invest further in Indonesia.

"We have a free market and everyone can build what they want. And this creates overcapacity. At the end of the day, things will come to an equilibrium, maybe through some consolidation or companies closing. That's natural.

"There is also the issue of uncertainty over feedstock in the USA and Europe related to bio-fuel, which always competes with oleochemicals for feedstock.

"Fuel is important but you burn it. Oleochemicals create added value and more sequential business. If you produce oleochemicals for cosmetics, for example, you create 10 to 20 or 30 times more value than the original feedstock.

"But oleochemicals have to find a way to co-exist with fuels. That's the challenge. I don't have a solution for this but I have solution for Emery Oleochemicals.

"We have to be able to create added value in our space so that we can afford to use whatever feedstocks are available to us. And we have to convince our customers and suppliers that we are here to stay. People have to look at us long term – that there cannot be a hit and run supply with us when prices are at a certain level."

#### Funding for the future

In terms of funding, Dr Kongkrapan says the company is in a strong financial position for the future.

"We have good owners who think long-term."

Emery Oleochemicals (formerly Cognis Oleochemicals Malaysia) is a joint venture formed in 2009 between Malaysia's Sime Darby Plantation and Thailand's PTT Chemical International, when PTT bought a 50% share of Cognis Oleochemicals Malaysia.

Most recently, PTT Chemical merged on 21 October 2011 with PTT Aromatics and Refining to form PTT Global Chemical, to create Southeast Asia's second-biggest petrochemical group by market value. PTT Global Chemical will be one of the largest subsidiaries of PTT and the flagship for all of PTT's chemical activities.

Emery Oleochemicals also plans to tap into the capital markets through an Islamic bond issuance of RM480M that is scheduled to take place early this year. Of the figure, RM416.2M will be pumped into expansion projects in Malaysia, while the remainder will go into R&D and other smaller projects.

"In order to grow our customer and product base, we have to invest. Much of our investments are focused in Asia. We still have a lot of room to borrow as our debt to equity ratio is not high and we feel this is the best way to fund because the liquidity is there and there is an appetite from the investing community."

The company spends 3% of its revenue from specialities on R&D and, apart from the new speciality esters for cosmetics, creams and shampoos which its joint venture with AK ChemTech will bring on board, the company has also identified green polymer additives as another key growth area.

A new green polymer additives production plant in Telok Panglima Garang, Malaysia, is expected to be commercialised soon, as well as a

► **Green polymer additives:** These are manufactured for all types of plastics including polyvinylchlorides, engineering plastics, polyolefins, polycarbonates, polyesters, polyamides, polyurethanes, polylactic acids, styrene polymers, synthetic rubbers and wood fibre composites, under its well-known brand, LOXIOL. Emery Oleochemicals' recent innovation in this area is in the production of renewable polyols used in the production of polyurethane. Other industries supported by its plastics additives solutions are lubricants, antistatic agents, anti-fogging agents, special plasticisers, release agents, slip/anti-blocking agents and viscosity regulators.

**Ozone acids:** These are found in lubricants, greases, coatings, hotmelt adhesives, nylons, engineering plastics and fibres, polyester fibres and films, plasticisers, urethane elastomers and elastomeric fibres, amongst other applications. Emery Oleochemicals is the world's largest producer of azelallic acid and manufactures this, and pelargonic acids, using its proprietary ozonolysis process. Azelallic acid is often used in the preparation of high-performance adhesives, films, fibres – and as a modifying agent in the production of co-polyester polymers – and is finding increasing application as a complexing agent for lithium complex greases. Pelargonic acid is used in the manufacture of specialised lubricants for industrial and transportation applications as well as a variety of other ester applications such as plasticisers. It can, additionally, be used as a derivative in the agrochemical segment.

**Oilfield and meology chemicals:** With their ester-based formulations, oilfield and meology chemicals have made oil exploration around the world much more efficient. Based on more than 30 years of research, this natural-based speciality chemical is marketed through the DEHYLUB brand name. Its ester quality offers compliance with EPA regulations, greater environmental protection and delivers outstanding safety and technical performance, even under extreme borehole and formation condition. Emery Oleochemicals' solutions in this segment are used in the carrier fluids, lubricants, meology additives, and cleaners and emulsifiers industries.

**Home and personal wellness:** This market segment is currently being supported by a wide range of oleo basics products, with further production innovations expected through Emery Oleochemicals' recent joint ventures, ERCA Emery and Emery Aekyung Sdn Bhd.

**Oleo basics:** The company's high performance (grades) products include fatty acids, fatty alcohols, glycerine, dimer and trimer acids, triacetin and methyl esters. These products are chiefly used in the making of metal soaps, rubber, home and personal care items like soap bars, fragrances, cosmetics and detergents; and many other items such as flavours, candles and wax, pharmaceuticals, textile and its auxiliaries, printing inks, plasticisers and antioxidants.



EMERY OLEOCHEMICALS'S FATTY ACIDS AND FATTY ALCOHOLS CAN BE FOUND IN A BROAD RANGE OF HOME AND PERSONAL CARE PRODUCTS

collaboration with Platinum Energy, the graphene nanofibres technology provider, in developing next generation plastic additives.

Emery Oleochemicals will have access to Platinum Energy's technology producing low-cost and high-purity graphene nanofibres and graphene nanotubes.

"We invest a lot in R&D – we have development centres in Germany, Cincinnati and Malaysia to provide fast reaction to customers in each region."

#### Time will tell

On a personal note, Dr Kongkrapan says it's too early for him to say what achievement he is most proud of.

"So far, everything has turned out quite well. We have a new organisation which is running well. We have a strong team and a strong brand. We know what we are doing. We have funding in place. We know what products and what markets we want to go into. So we are pretty much in control of our destiny for the things that we can control.

"But the challenges are the things that are not in our control. If we have a second recession, then it will definitely impact us. Maybe it will hold us back for a while or we slow down in some areas. But our overall aspiration of being a world leader in value-added natural-based chemicals would still be achievable."