

Media Monitoring

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Observers see Itochu staying as a major shareholder due to synergies

FROM all indications, mainboard-listed marine fuel supplier Chemoil Energy is likely to stay publicly listed on the Singapore Exchange (SGX) - unlike home-grown Singapore Petroleum Company which was bought by oil giant PetroChina last year.

Swiss-headquartered commodity giant Glencore International, which completed its purchase of the founding Chandran family's 50.81 per cent of Chemoil late last month, said as much in subsidiary Singfuel Investment's Feb 26 announcement of a mandatory unconditional cash offer for the rest of Chemoil's shares.

Singfuel said: 'It is the current intention of the offeror to maintain the listing status of the company on SGX, following completion of the offer.'

The offer document is expected to go out around mid-March.

The other major shareholder of Chemoil is Japanese trader Itochu Group with 37.5 per cent. A free float accounts for the remaining 11.69 per cent.

In a conference call with the media last week to announce Chemoil's FY2009 results, chairman and CEO Mike Bandy said that it would be inappropriate for him to comment on what Itochu intends to do with its Chemoil stake.

But an industry observer noted: 'Glencore and Itochu share the same (trading) space and any talks between the two will likely be more strategic, like how to synergise some of their businesses where each may have its own respective strengths. It's like an arranged marriage, and the indications are that Glencore will like to keep Itochu on as a shareholder.'

Energy consultant Ong Eng Tong agrees that Itochu will want to stay on as a shareholder in Chemoil, which offers it oil storage space, including at the Helios Terminal on Jurong Island and in Los Angeles. Itochu apparently also has an officer in Chemoil's Monte Carlo office to conduct its Mediterranean business, he said.

In mid-2009, Itochu was reported to have taken 100,000-120,000 cubic metres of the 450,000 cu m Helios Terminal to store fuel oil as part of a joint venture with Chemoil.

'So there's a lot of synergy, and besides Itochu won't sell its Chemoil stake given Glencore's low offer price,' Mr Ong said.

Glencore has offered 35.52 US cents a share for the remaining Chemoil shares - the same as it paid for the Chandran family's stake. This values Chemoil at US\$459 million.

'Time will tell what will eventually happen to Chemoil,' the industry observer said, but if the percentage of Chemoil shares in public hands does fall below 10 per cent during the mandatory unconditional cash offer - causing a suspension of trading here - Glencore could then issue more shares to raise this above the 10 per cent cut-off.

Apart from maintaining Chemoil's public listing here, Glencore generally seems keen to raise its public profile and is reportedly considering an IPO in the second half of this year after the credit crisis last year and tumbling commodity prices threatened to curb its funding.

London reports cited Glencore saying last December that it sold as much as US\$2.2 billion of bonds to investors including BlackRock and the Government of Singapore Investment Corp, with the bonds convertible upon an IPO.