



Press Statement

STATEMENT ISSUED BY MCC PTA India Corp. Private Limited (MCPI)

Kolkata, 27th July, 2016: Through this statement MCPI seeks to notify to all concerned that its parent Company Mitsubishi Chemical Corporation (MCC) signed a Share Purchase Agreement today with The Chatterjee Group in Tokyo envisaging sale of majority equity interest in MCPI, while retaining a minority portion of shares to facilitate technical and operational support on mutually advantageous terms, going forward. The details are as follows:

Resolution passed in the MCHC Board Meeting held today in Tokyo:

Mitsubishi Chemical Holdings Corporation (MCHC), the holding Company of Mitsubishi Chemical Corporation (MCC), in its Board meeting held today in Tokyo passed a resolution to transfer controlling equity interest of MCC's Purified Terephthalic Acid (PTA) manufacturing subsidiary in India, the MCC PTA India Corp. Pvt. Ltd. (MCPI). In the said resolution transfer of equity interest in MCC's China PTA and Poly Tetramethylene Ether Glycol (PTMG) businesses being carried out by Ningbo Mitsubishi Chemical Co. Ltd. (NMC) and MCC Advanced Polymers Ningbo Co. Ltd. (MAP) to another Company have also been authorized.

Reasons for Transfer of Equity Interest:

MCHC had given priority to its stated policy of "accelerated transformation to a high-performance and high-value-added business portfolio" as the growth strategy in its medium-term management plan called *APTSIS 15*, which covered the five-year period from fiscal 2011 to fiscal 2015. During this period it enhanced its business foundation with business portfolio reforms and expanded the scale of its business while pushing forward with structural reforms in the petrochemical business, which included restructuring ethylene production facilities. Now with the restructuring of the PTA business in India and China, and the PTMG business in China, MCHC seeks to complete the major issues of structural reforms centering round the petrochemical business, that were delineated in *APTSIS 15*. It could now focus on improvement of profitability through the growth of businesses in the Performance Products, Industrial Materials, and Health Care business domains, as laid out in the current medium-term management plan *APTSIS 20*.

MCC's PTA Business:

MCC has developed business operations for PTA, a raw material for polyester, in India, China, Indonesia, and Korea. In China's PTA business market environment, since 2012, supply has significantly exceeded demand. Further, production overcapacity continues because of extremely large-scale capital investment resulting from monetary easing by the Chinese government and aggressive industry invitations by local governments following the financial crisis of 2008. In addition, India was impacted by the market slowdown in China while increased competitive production facilities led to excessive supply, leading to a severe business environment that is much the same as the environment in China.

Moreover, in another significant development at Headquarters in Tokyo, pursuant to a decision taken by the holding company MCHC an initiative is under way to merge three of its major constituting companies namely the Mitsubishi Chemical Corporation, the Mitsubishi Plastics and the Mitsubishi Rayon, with a view to strengthening their businesses after merger. The merged entity would then focus on growth on high potential sectors and reduce exposure in commodity chemicals like PTA, which have been categorized as non-core businesses.

MCC's PTA Business in India through MCPI:

Mitsubishi Chemical Corporation (MCC) formed an Indian subsidiary MCPI in 1997 for production and sale of Purified Terephthalic Acid (PTA) from its plant at Haldia in West Bengal. With a total investment of around Rs



3,600 Crore in two phases MCPI now has an installed capacity of 1.27 Million Ton per annum. It has a turnover of around Rs 6,000 crore, the plant employs around 1,100 people. It has been supplying good quality PTA, the favoured raw material to the growing Polyester and Polyester Fiber industries in India.

However, owing to severe market conditions MCPI became a 'sick unit' in April 2013 and has subsequently been referred to BIFR. The main reason for the prolonged slowdown in PTA business, as has been stated above is the sudden build up of huge overcapacity in China since 2011 and resultant dumping in Indian market causing grave injury to domestic producers.

To face up to the challenges of this crisis MCC extended additional support to MCPI in the form of enhanced technical assistance, softer loans and focused management guidance to achieve stable production at 100% rate and improved economics in operation.

MCC is indeed grateful to the State Government for extending a Special State Incentive Package, providing infrastructural support and help in maintaining a rather peaceful IR environment. MCC's representatives in MCPI along with the full involvement of the skilful and competent national staff have raised their performance significantly to meet with the challenges of the unfolding crisis of the market.

As a result today MCPI is an efficient unit with considerably reduced cost of production, competitive enough to survive in a difficult market. The recent imposition of Anti Dumping Duty on imports from China, Taiwan, Iran, Malaysia and Indonesia along with steady growth of PTA demand in domestic arena have provided a hopeful scenario for future operations of the plant.

But MCPI's main problem is the substantial amount of debt it has incurred, the huge accumulated loss and its continuance as a 'sick unit' under BIFR. The only way we could help MCPI overcome this critical scenario is perhaps by infusing a large amount of additional capital to take it out of the fold of BIFR and to make it a zero debt company. This would enable it to mitigate its debt servicing and depreciation liability, factors that had been considerably affecting its profitability.

Transfer of MCC's majority Equity shares to the The Chatterjee Group:

Keeping the above in view the MCHC Board has approved the transfer of majority shares held by MCC in MCPI to Dr. Purnendu Chatterjee led The Chatterjee Group, while retaining a minority portion. The Chatterjee Group is led by Dr. Purnendu Chatterjee, who is successfully promoting several entities in India, including Haldia Petrochemicals Limited. MCC is desirous of continuing its association with MCPI by providing assistance in technology and operational matters on a mutually agreed format in future.

In addition MCC would be keen on sharing its experience with and lending technical expertise to The Chatterjee Group run Haldia Petrochemicals Ltd. located next door so that it could have the benefit of value addition in order to improve its economic performance. MCC would also like to contribute in similar fashion to the development of downstream chemical units that may be set up in the area in due course, to help emergence of a larger chemical complex in the Haldia region.

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