

ChemChina-led consortium's German acquisition hailed by analysts

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By Cecily Liu(China Daily Europe)

China National Chemical Corp's acquisition of Germany's KraussMaffei for 925 million euros (\$1 billion) is being seen by analysts as a significant deal that will aid an accelerating trend of Chinese industrial upgrades through overseas acquisitions. China National Chemical Corp., known as ChemChina, announced on January 11 that it will acquire KraussMaffei from Canadian private-equity firm Onex Corp, although the transaction is still subject to regulatory approval. If successful, the deal will rank as the biggest outbound investment from China into Germany, according to data provider Dealogic.

KraussMaffei makes equipment that processes plastics and rubber. The acquisition will be led by a consortium headed by ChemChina, but also includes private-equity firm AGIC Capital and Chinese state fund Guoxin International Investment Corp.

Danae Kyriakopoulou, a senior economist at the Centre for Economics and Business Research, said the acquisition is "much more than just a financial deal".

For KraussMaffei, it represents new opportunities to spread its technology and products into the wider Chinese market and on ChemChina's side, it represents an opportunity to gather knowledge of Germany's high tech industries that can then be taken home as China seeks to move up the global value chain into more sophisticated production lines, Kyriakopoulou said. "Finally, the deal's additional significance is to provide a further piece of evidence to the claim that despite troubles at home, China's companies still have large piles of cash which are looking for returns. These are most likely found in European firms that are struggling to otherwise access capital for investment in today's economic situation in Europe," Kyriakopoulou said. The KraussMaffei deal fits into a trend of Chinese firms buying Germany's high technology industrial companies to upgrade their technology, which can be explained by China's strategy of achieving a structural shift from manufacturing focus to high value-added knowledge economy.

Last year ChemChina acquired a majority stake in Pirelli, the world's fifth-largest tire maker, in a 7.1 billion euro deal. In 2012, Chinese construction-equipment company Sany Heavy Industry Co. bought Putzmeister Holding, a maker of high-tech concrete pumps.

Zhang Ying, associate dean for China business and relations at Rotterdam School of Management at Erasmus University, said the KraussMaffei deal demonstrates that Chinese outbound acquisitions in recent years are becoming more wide-ranging, not only in terms of the scale and scope of acquisitions, but also in terms of the strategic target of Chinese firms on the value chain.

"ChemChina acquiring KraussMaffei can be seen as one of many keynote cases in upgrading Chinese firms' position in the global value chain," Zhang said.

Ren Jianxin, chairman of ChemChina, said that his consortium is investing in KraussMaffei's strong management team and technological expertise, which will help to benefit ChemChina's position in the chemical machinery business.

Ren added that he expects the growth in advanced manufacturing and lightweight components in China's automotive industry will continue, which will provide a huge development opportunity for the high-end plastic injection molding industry; ChemChina and KraussMaffei are well positioned to take advantage of this trend, he said.

To contact the reporter: cecily.liu@mail.chinadailyuk.com

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