

## Investors see opportunity in Oman

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Octal Holding is making its debut at SPE's Thermoforming Conference this week. The Salalah, Oman-based company, backed by U.S. private equity, is building a \$300 million integrated plant to manufacture PET resin and amorphous PET sheet.

AKRON, OHIO (Sept. 17, 11:25 a.m. EDT) -- With a \$300 million investment, a group of officials has bundled private equity money and a strategic position in Salalah, Oman, to hit the global packaging market with a large-scale, integrated PET resin and amorphous PET sheet plant that will be operating next year.

Octal Holding & Co. SAOC, along with U.S. arm Octal Inc. in Plano, Texas, will make its debut at the Society of Plastics Engineers' Thermoforming Conference, Sept. 16-19 in Cincinnati.

"We're investing \$300 million and we sort of consider this phase one," said Octal's chief operating officer, Joe Barenberg, in an Aug. 27 interview at *Plastics News'* offices in Akron. "We have the wherewithal to invest to whatever degree we need to."

The new plant will be up and running by the second quarter of 2008, he said. It's the economics of the operation that officials are emphasizing, where the PET resin production line is linked to the sheet manufacturing capacity. Octal is backed by investment from two U.S.-based private equity firms: Chemlink Capital Ltd. of New York and Pound Capital Ltd. of Stamford, Conn.

Some 30 percent of Octal's ownership is based in the Middle East, as required by Oman law.

Octal entered the market in late 2006 with 44 million pounds of sheet capacity. The company will add 22 million pounds of capacity to that this month. By May, Octal's site in Oman will have a new PET resin and APET sheet complex that will provide 661 million additional pounds of APET sheet capacity.

Octal is investing in proprietary technology and custom engineered production lines designed to hold to very strict tolerances for sheet thickness, which the firm touts as a potential cost-saving opportunity for its thermoforming customers.

"We've been able to produce within Octal's economic model a very, very high-quality product," said Bill Karszes, Octal's chief scientist and operations director, in a telephone interview. "From the resin manufacturing side and from the sheet manufacturing side, we scoured the world for technologies."

Octal is using technology that it claims allows it to maintain sheet thickness with less than 1 percent variation, which officials say is much more precise than APET sheet currently on the market. By keeping tighter tolerances, Octal says thermoformers can order thinner-gauge sheet, which allows them to save money and get higher yield.

ThyssenKrupp Technologies AG of Essen, Germany, supplied the sheet extrusion equipment for Octal's sheet production. An official there did not respond to a request for comment.

"It's going to work very well with Octal," said Mag Fouad, vice president of process technology with Fluor Corp. of Irving, Texas. Fouad served as a consultant for Octal in specifying vendors and technologies to be used in its Oman manufacturing facilities.

"We're telling everyone right now [this is] a unique product that doesn't exist in the Middle East at all," Fouad said recently by phone. "Nobody has thought about building a polyester plant and linking it to the sheet line. With Octal to come up with this concept, it's very unique and I think it's going to put them on the map right away.

"We're not building the same plant that everyone else is building. So it's going to get great attention from the community out there."

Octal officials pointed to several trends that they believe will support the company's growth, including general growth in packaging and environmental factors, including recyclability.

Blister packs for children's toys, for example, are being taken over by APET because of its clarity and rigidity, Karszes said. As consumers buy more prepackaged foods, big-box retailers are seeking more visually appealing packages that also perform to consumer standards. APET also is being used more for dairy products and in the cold-drink cup market.

"Our approach addresses the long-standing deficiencies that have hampered the large-scale expansion of APET as a packaging substrate," Barenberg said. "By mid-2008, Octal will have sales of \$500 million per annum as a base from which to double capacity within 20 months."

Octal's management team boasts pedigrees in packaging and plastics. Managing Director Nicholas Barakat has experience in investment and project development in the United States and the Middle East. He has worked for more than 20 years as a senior executive at International Paper Co. COO Barenberg has 15 years' experience in manufacturing, marketing and general management. He also was employed at International Paper.

Karszes is a chemical engineer whose background includes chemistry and manufacturing of polyester resins and extruded films. Sales Vice President John Maxwell has more than 20 years of experience in the plastic packaging sector, including time with sheet extruder Alcoa Kama.

"By the end of 2008, we will show that we can be a leader in the market and we'll be in a leadership position," Maxwell said. "This is an industry that's begging for large-scale leadership."

Octal selected Oman because the firm wanted a site that had fast and efficient global distribution. With its plant adjacent to Port of Salalah, deliveries of APET sheet can be made to any port in the world within 12-18 days.

Octal also has distribution, sales and customer service operations in the Dallas area for the United States; in London to serve the European market; and in Shanghai to serve customers in Asia.