

Business Times - 22 Jul 2010

SINGAPORE INTERNATIONAL

EnGro's JVs paying off in five cities

IT first ventured into Shandong, China in 2003. Now, together with its local partner, Singapore-based EnGro supplies not just the province's capital Jinan but also four neighbouring cities with materials used to make concrete.

The company formerly known as Ssangyong Cement in July 2003 first tied up with its Chinese partner Jinan Luang Materials (JiGang, in short) to produce ground granulated blast-furnace slag - or GGBS, a fine powder derived from molten iron slag that is used with cement to make durable concrete structures.

To cope with 'overwhelming' local demand, EnGro Corp started another joint venture (JV) with JiGang in November 2005 to expand production.

The two joint ventures today have a GGBS production capacity of 1.8 million tonnes per year. This is enough for EnGro to meet demand from Jinan and four neighbouring cities: Laiwu, Dezhou, Liaocheng and Tai'an.

These cities have a combined population of more than 27 million people.

According to Tan Cheng Gay, EnGro's chairman and chief executive, the company's GGBS material (sold under the VCEM brand) is recognised in the market as being not only superior in building durable concrete structures but also environment-friendly because it leaves a smaller carbon footprint.

'As our GGBS plants recycle the slag - a by-product of the steel mills that produce GGBS - this offers the local government a solution that is in line with the 'recycle economy' focus of the Chinese government's 11th Five-Year Plan,' Mr Tan says.

EnGro was first drawn to Shandong because of its reputation as the top Chinese province for manufacturing, according to him.

Mr Tan also points out that the province is strategically located to serve part of the Bohai Rim Economic Region, a key economic development focus in China's 11th Five-Year Plan. EnGro was further attracted by Shandong's urbanisation and high economic growth.

Mr Tan sees a big demand for housing, education, medical care and other lifestyle products because of the Chinese migration trend towards cities - and Shandong's cities are among the favourites.

But he says Singapore companies wanting a piece of the action in Shandong must be able 'to react to the rapid pace of growth, which is a perpetual challenge to investors'.

'Companies should also be mindful of labour costs, raw materials and local competition,' Mr Tan says. 'This requires a nimble management team which can appreciate and understand the local marketplace and react in a timely manner.'

He suggests the ideal route to take is the joint-venture way. 'Form joint ventures with suitable local partners who can help contribute to the building of scale and with a mindset of

creating 'win-win' or 'win-win-win' results,' Mr Tan says.

The gentleman speaks from experience.

Copyright © 2010 Singapore Press Holdings Ltd. All rights reserved.