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HD **Orica mulls fate of chemical arm**

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EXPLOSIVES maker Orica says it is considering all options in a review of its $1.2 **billion**-a-year industrial chemicals business, including a complete exit, as the dour Australian manufacturing environment hits profits.

The review comes as Orica chief Ian Smith says reduced growth spending in the **mining** sector, whose business the **company** is increasingly targeting, could sow the seeds for another boom within two or three years.

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The industrial, or non-**mining**, chemicals group sits separate to the **firm**'s much bigger integrated-**mining** services division.

Its 2013 earnings before interest and tax of $92 **million** was less than half the chemicals profit recorded in 2011, with revenue of $1.2bn only having slipped 16 per cent in that time.

Mr Smith said an external appraisal of the chemicals business, whose operating assets are valued at $651m in Orica's books, was done last year. ``We're now using that information to assess how it sits within the **company**, where it sits within the **company**, whether we pursue a different direction with chemicals or whether we change the apportionment of capital towards chemicals, allowing it to grow at a faster pace,'' he said after Orica's annual meeting in Melbourne yesterday.

A **sale** of the unit was being considered along with the other options, he said.

The main earner of the chemicals business is supply of sulfuric and caustic asic to big industrial plants, including BlueScope Steel and **oil** refineries.

It also has a food and cosmetics business and a plastics business that supplies inserts for the car industry and plastics for National Broadband Network cables.

``The income and outcome for chemicals is really a reflection of what's going on in Australia from a general manufacturing viewpoint,'' Mr Smith said.

``The core is under some pressure because of what's happening with heavy industry around Australia, people have flagged certain refineries are going to be closing. In plastics we have to review how to position ourselves because the car industry is under pressure.''

But the food and cosmetics business was growing and was expanding into Asia, he said.

Mr Smith said **mining** services, which took in the rest of Orica's $6.9bn of revenue last year, continued to position the **company** to beat 2013's $602m profit.

After an unusually low-volume 2013, things had improved, he said.

``We're now back into normal pace waiting for the next boom, which I'm assured is only just around the corner in the next 12 to 24 months,'' the former Newcrest Mining and Rio Tinto executive told shareholders.

After the meeting, Mr Smith said the comments represented a bit of wishful thinking, but that widespread moves across the mining sector to slash capital spending over the past year would start to lead to supply shortages.

``You have the turning off of the (supply) tap and the fundamental point that China is still going to be growing and India is going to be growing,'' he said.

``With capital being turned off, you know that within 18 to 36 months, there's going to be a supply-demand flip over for some significant resource plays.''

The company's remuneration report and Mr Smith's bonus were comfortably approved, as was the re-election to the board of new chairman, Russell Caplan.

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