Ineos Group

The Ineos Group was founded in 1998 when Jim Ratcliffe led a £91 million management buyout of Inspec’s chemicals division. Jim is a qualified accountant who had previously worked for the US private equity house Advent. By 2007 Ineos had grown to become the world’s third largest petrochemical company. Jim’s strategy to achieve this was simple. He went out to buy undervalued subsidiaries from global oil and chemical giants, financed almost entirely by debt – high yield bonds and bank debt. The company has bought businesses from ICI, Dow Chemicals, Degussa, BASF, Cybec, BP and Norsk Hydro. It was Ineos’ purchase of BP’s petrochemical arm Innovene for £5.1 billion in 2006 that catapulted the company into the world rankings of the petrochemical industry. The deal quadrupled the company’s turnover and signalled a move away from specialist compounds to the simpler chemicals from which they are made. Following a £1.6 billion bond issue in 2006 to refinance the purchase of Innovene, Ineos continued its acquisition strategy with the £76 million purchase of BP’s German ethylene oxide business followed by the £460 million purchase of Norsk Hydro’s polymers business in 2007.

Ineos sees itself as a leading global manufacturer of petrochemicals, speciality chemicals and oil products. It comprises 18 businesses with 68 manufacturing sites in 17 countries. It believes its strengths lie in its:

- High quality, low cost production facilities
- Well located, well invested, large plants that allow it to benefit from economies of scale
- Experienced management
- Leading market positions that allow it to be the supplier of choice for many large customers
- Operating diversity in products, customers, geographic regions, applications and end-user markets.

By 2007 the company had a turnover of some £18 billion and had some 15,000 employees. It was ranked the largest private company by The Sunday Times – with a turnover three times that of its nearest rival, the John Lewis Partnership. The company currently plans to build a £60 million bio diesel plant at the former BP site at Grangemouth and at Antwerp as well as a £125 million phenol acetone plant in China. Jim Ratcliffe himself is a fairly low-profile entrepreneur, but he still owns about two thirds of the business, giving him a paper fortune of some £3.3 billion and placing him in the top ten wealthiest people in Britain in 2007, according to The Sunday Times Rich List.

Up-to-date information on Ineos Group can be found on their web site: www.ineos.com
Questions:

1. *What risks does Ineos face and how might they be reduced?*
2. *How secure is the personal fortune of Jim Ratcliffe and what steps might he take to secure it further?*