China Planning Merger of Sinochem, ChemChina

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China is planning to merge Sinochem Group and China National Chemical Corp. to create an oil-to-chemicals giant as part of the government overhaul of its state-owned enterprises, according to a person familiar with the matter.

Details of the deal, which would combine more than $100 billion of assets, weren't immediately clear and the plan's still subject to change, the person said, asking not to be identified because it hasn't been publicly announced. In response to the Bloomberg story, representatives from China National Chemical and Sinochem said "there is no such thing."

The merger would change the landscape of China's chemicals industry and add to the wave of consolidations the government has pushed under President Xi Jinping. More than $1 trillion of asset combinations have emerged since late 2014 amid the nation's biggest shake-up of state enterprises since the 1990s.

"These two are already mega on their own so combining them would create a super mega," said Iris Pang, a senior economist for Greater China at Natixis SA in Hong Kong. A merger could ease competition in the industry and help prices go higher, she said.

Listed units of the two closely held groups rose, with Sinochem International Corp. climbing by the 10 percent daily limit in Shanghai and Sinofert Holdings Ltd. rising 6 percent in Hong Kong. China National Chemical's Aeolus Tyre Co. rose 3.3 percent in Shanghai and Shenyang Chemical Industry Co. advanced 4.3 percent in Shenzhen.

It wasn't clear how the plan would affect China National Chemical, also known as ChemChina, and its proposed acquisition of Syngenta AG for a record $43 billion. Shares of Syngenta, the world's largest maker of agrochemicals, dropped as much as 2.2 percent in Zurich.

Both Sinochem and ChemChina are overseen by China's State-owned Assets Supervision and Administration Commission, which is the body in charge of government-controlled companies. Sasac didn't respond to a request for comment. If combined, the resulting conglomerate would have the ability to refine about 1 million barrels of crude a day. That would make it the third-largest refiner in the country after China Petroleum & Chemical Corp. and PetroChina Co., according to company websites and researcher Wood Mackenzie Ltd.

"This merger is a way of consolidating the smaller state-owned companies to rival the bigger companies like PetroChina and Sinopec," said Suresh Sivanandam, a senior manager of refining research at Wood Mackenzie in Singapore. "This is probably part of the government's energy reforms to consolidate smaller players and put them head to head with the bigger state refiners."

Sinochem Group, which used to be China's largest trading house, says it's now the country's biggest provider of raw materials for the agricultural industry -- think fertilizer, seeds and agrochemicals. It's also the fourth-largest state-owned oil company and controls more than 300 subsidiaries inside and outside China. The group also has real estate and financial service operations.

The company generated 381.2 billion yuan ($57 billion) in revenue last year but posted a loss of 346 million yuan, according to its annual report. Sinochem is led by Frank Ning, a seasoned SOE executive who was formerly chairman at food giant Cofco Corp.

ChemChina, headed by dealmaker Ren Jianxin, is China's largest chemicals firm with 140,000 employees, according to its website. Though the company boasted assets of 372.5 billion yuan ($55 billion) and sales of about 260 billion yuan in 2015, the company posted its fourth consecutive annual net loss.

The state-owned firm, which has businesses in agrochemicals, rubber tires and chemical equipment, has been in a buying spree in recent years. Before Syngenta, the Chinese company started its first overseas acquisition a decade ago when it bought France's Adisseo Group. After that, it did a series of overseas acquisitions including Elkem in Norway, Pirelli in Italy and KraussMaffei in Germany.

Sinochem and ChemChina had combined assets of about $110 billion last year. Though those are levels exceeding companies such as BASF SE by that measure, it would still fall short of companies such as France's Total SA.

"I see this as a strategy to create mega-sized state company that will be more competitive on the global stage, such as in overseas acquisition," Lin Boqiang, director of Xiamen University's energy economics research center, said by phone from the coastal city.