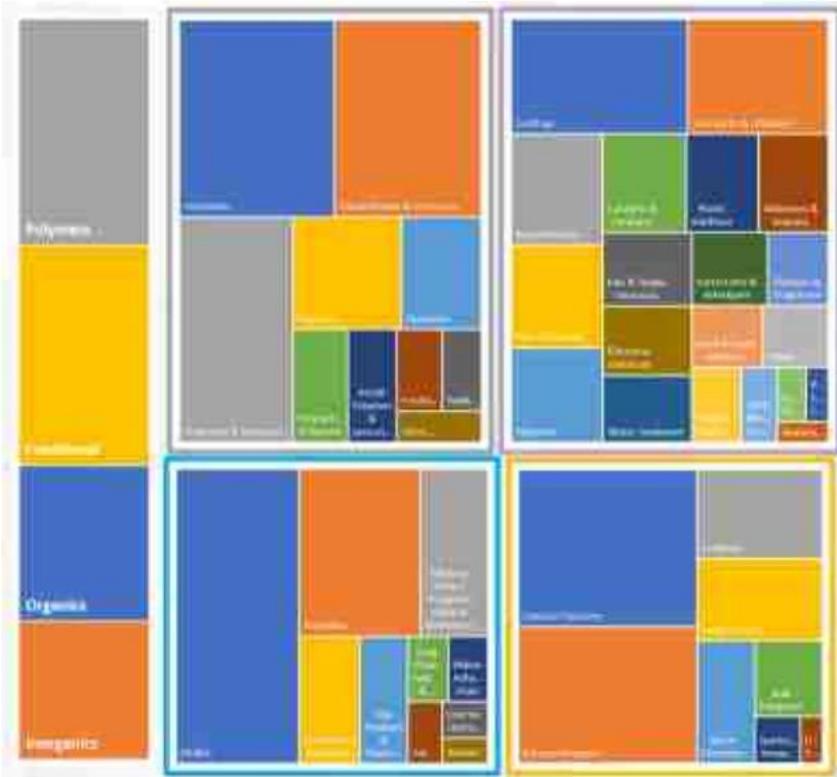


SECTOR IN FOCUS

Issue | September 2022

Chemicals



Deciphering the Chemical Industry



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 - 5 Key Trends
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- BIS issues performance standards for EV batteries amid safety concerns
- NITI Aayog moots PLI scheme for electrolyser and fuel cells
- The Chemical Industry Will Invest Over US\$7 Billion in Digital Technologies by the Start of The Next Decade
- Manali Petro inks pact with U.K.-based Econic Technologies to make eco-friendly polyols

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Deciphering the Chemical Industry

Almost all manufactured goods rely on the Chemical Industry. The industry is a crucial element of almost all value chains and

Execution

Challenges

There are over 80,000 commercially important chemicals.

Over 70% of feedstocks for chemicals come from Oil.

Broad Classification:

Polymers – are long chain molecules - plastics, polyesters, polyurethanes etc

Functional – Paints, agrochemicals, adhesives, detergents etc

Organics – contain C & H atoms and many form building blocks of many materials

Inorganics – do not contain C & H atoms and include fertilizers, salt, caustic soda etc.



Representation of chemical segments according to size and importance

Segments like Fuels, Pharmaceuticals etc are not considered here. Source : Primus Partners Analysis, The Valence Group

5 Key Factors changing the Chemical Industry

Execution Challenges

- 1. Crude Oil to Chemicals :** As the demand for fuels will start shrinking, the oil refiners will change their product mix to have more number of chemicals coming out of their Refinery / ancillary complex.
- 2. China factor :** China is dominant in Chemicals. It is investing in R&D as well as productivity and is cleaning up. Global customers want to de-risk their supply from China.
- 3. Environment, Recycling, Toxicity, Responsible care, Regulations :** These issues are increasingly becoming important and mainstream.
- 4. Digitization :** Digitization of R&D, production, supply chain etc. is improving quality, innovation and productivity in Chemicals
- 5. Glocalization :** Chemical value chains are heavily global trade dependant. At the same time, to de-risk, many countries are consciously promoting local production

Deciphering the Chemical Industry

Global Chemical Industry Overview

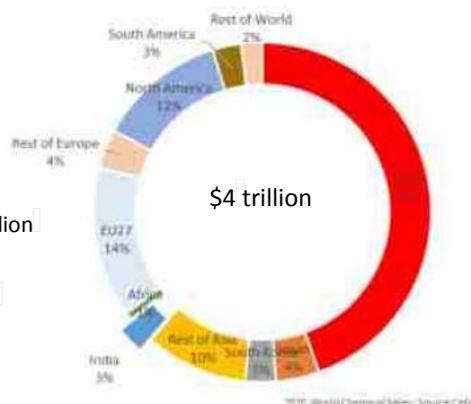
Export Challenges

Global Chemical Sales 2020 estimate \$4 trillion



- India is small, but important player in the global chemical trade and accounts to about 3% of global sales.
- China dominates the market with 44% of sales and even more in production. It outspends the rest of world in capital & R&D spending.

- The Global Chemical Sales were ~\$ 4 trillion, and are expected to grow to ~\$ 8 trillion by 2030. This represents about 4.7% of Global GDP of \$85 trillion.
- The global chemical supply chains went through multiple disruptions since 2020 owing to Covid, China and Ukraine factors



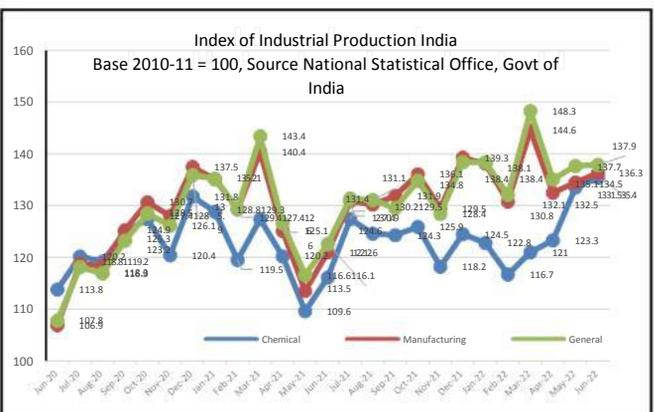
Source Cefic, Primus Partners Analysis

5 Factors for Policy Framework

The current Indian policy framework has yielded decent results with the Indian Chemical Industry getting competitive in many segments across the globe. To accelerate the growth of the industry, Primus Partners suggests 5 key points to aid devising and updating policy

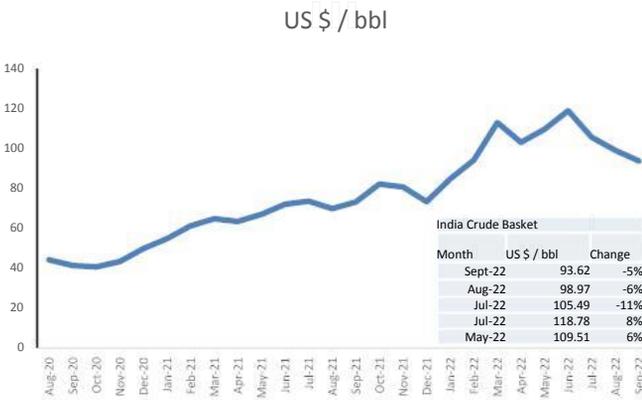
1. **Data:** The boundaries of what constitutes "Chemical" is not well defined e.g. is fuel, fertilizer or Pharma chemical? No holistic report is available for the chemical industry and its segments. Most reports are of specific segments like petrochemicals, agrochemicals etc. It is important to understand the segments, linkages, trends etc. to devise and update policy. Automobile industry for example has very good data both at OEM and ancillary level.
2. **Oil factor :** India is a net importer of crude oil. Oil forms the basic raw material for over 70% of chemicals. India's geography can be advantageous for many segments as it is close to middle east and is a big market.
3. **Environment, Recycling, Toxicity, Responsible care, Regulations :** Chemicals and chemical processes must be understood well to devise and update policy. China has many specific regulations that include camera / parameter monitoring by regulators, lists of banned and promoted processes etc.
4. **Industry participation and self regulation :** In order to make the industry sustainable and competitive, industry consultations and self regulation must be central to devising and updating policy
5. **Forward looking :** Upcoming regulations across the world, shifting customer preferences and supply chains, trends and predictions must be carefully studied to devise & update policies that will make and keep the industry competitive in the long run

2. India Specific Dashboard Sept 2022



PMI greater than 50 signifies an expansion of business activity. After a slight dip in July, the India Manufacturing PMI bounced back to 56.4 in July but fell back by 0.2 points in August. China PMI has stuck to 49 for the last few months. Both EU (49.7) and USA (51.3) The EU has shown decreasing trend in the last three months in their business activity as an impact of Russia-Ukraine war.

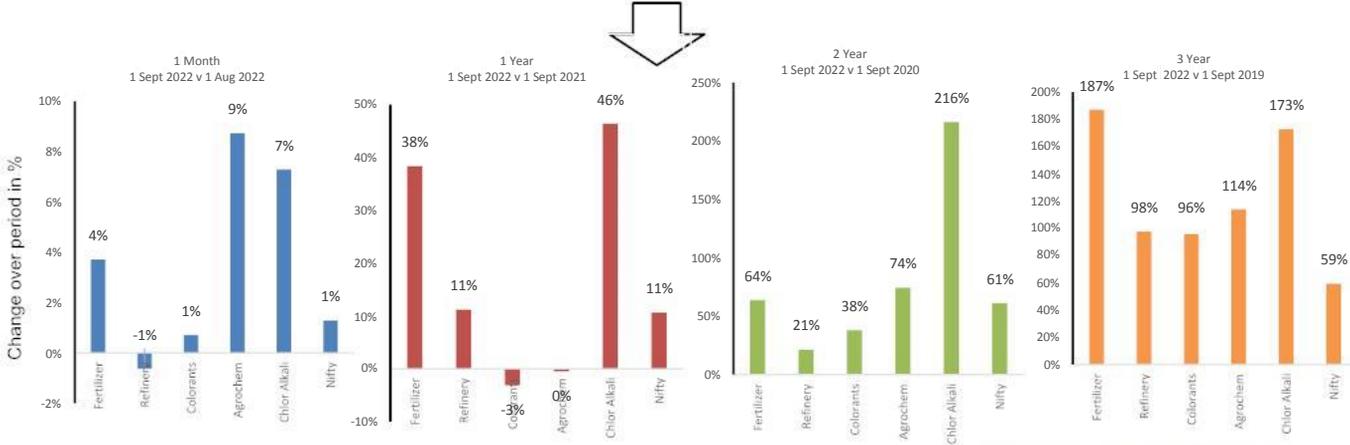
IIP figures are showing a rise in May and June 2022, after a slump in April 2022. The upward trend compared to the previous month are Manufacturing General (0%), Manufacturing (1%), Chemical (-1%).



After a continuous increase in **the Indian basket of Crude Oil** since April 2020, especially exorbitantly since the breakout of Russia-Ukraine War, we see a drop in the last three months. The month-on-month decrease in July was 11% , 6% in August and 5% in September 2022.

Chemical Stock Indexes :

The chemical indices have outperformed the Nifty across all time frames listed below. This is despite the many disruptions that the industry has witnessed over past 3 years. Primus Partners has taken a basket of stocks from different parts of chemical industry and created chemical stock indexes. Many of the companies are not pure play, and they have been weighted according to the portfolio.



3. News and Announcements

Policy News

BIS issues performance standards for EV batteries amid safety concerns

Jun 23, 2022

The standard "IS 17855: 2022" has been formulated for lithium-ion traction battery packs and systems of electrically-propelled road vehicles and it has been harmonized with ISO 12405-4: 2018. [Read more](#)

NITI Aayog moots PLI scheme for electrolyser and fuel cells

Apr 29, 2022

PLI schemes, originally announced last year, seek to create global manufacturing champions in India by removing sectoral disabilities and creating economies of scale to develop complete component ecosystems in India. [Read more](#)

Cabinet approves Amendments to the National Policy on Biofuels -2018

May 18, 2022

The existing National Policy on Biofuels came up during year 2018. This amendment proposal will pave the way for Make in India drive thereby leading to reduction in import of petroleum products by generation of more and more biofuels. [Read more](#)

Over 500 Bis Tech Textile Standards Developed, 40 More In Pipeline

Jun 13, 2022

India is expected to become a key market characterised by growing consumption due to its cost effectiveness, durability and versatility of technical textiles. [Read more](#)

Cabinet gives post facto approval to pact with International Renewable Energy Agency

Jun 29, 2022

According to the statement, the Agreement was signed in January 2022. The aim of the Agreement is to drive ambition, leadership and knowledge on green energy transitions based on renewable energy in India. [Read more](#) [Read more](#)

Govt launches three schemes for pharma sector MSMEs

Jul 2, 2022

The Pharmaceutical Technology Upgradation Assistance Scheme (PTUAS) would facilitate pharmaceutical MSMEs with proven track record to upgrade their technology. [Read more](#)

Industry News

Reliance Industries seeks new technologies to make cheaper green hydrogen

Jun 23, 2022

As part of the push, Reliance Industries also plans to bid for any production-linked incentives the government may offer to encourage the technology. [Read more](#)

Syngenta India gets approval to use drones to spray fungicide

Jul 5, 2022

The Central Insecticide Board has given its approval to seed and agri-solution major Syngenta India to use drones to spray its fungicide Amistar Top on the paddy crop. This fungicide is used to protect the crop against infections such as Blast & Sheath Blight. [Read more](#)

The Chemical Industry Will Invest Over US\$7 Billion in Digital Technologies by the Start of The Next Decade

Jun 29, 2022

According to a new analysis by global technology intelligence firm ABI Research, chemical manufacturer's investment into digital transformation will grow at a CAGR of 6% between 2022 and 2031, reaching US\$7.4 billion. [Read](#)

[more](#)

NTPC REL joins hands with GACL to set up India's first commercial-scale green ammonia project

Jul 07, 2022

The MoU envisages collaborating in the field of Renewable Energy, Green Methanol & Green Ammonia and mutually exploring the opportunities for the supply of 100 MW RE-RTC (Round The Clock) power. [Read more](#)

Honeywell and Navin Fluorine host opening ceremony of new plant in Dahej

Jul 13, 2022

Honeywell and Navin Fluorine, part of the Padmanabh Mafatlal Group, hosted an opening ceremony at a plant in Dahej, Gujarat, which has begun manufacturing Honeywell's Solstice® zD in India. [Read more](#)

Manali Petro inks pact with U.K.-based Eonic Technologies to make eco-friendly polyols

Jul 20, 2022

The pact will comprise a two-year demo scale-up at MPL plant 1, followed by industrial scale-up of the technology. [Read more](#)



Mr. Anurag Singh
Managing Director
Primus Partners



Nikhita Jindal
Sr Consultant,
Research,
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About Primus Partners

Primus Partners has been set up to partner with clients in 'navigating' India, by experts with decades of experience in doing so for large global firms. Set up on the principle of 'Idea Realization', it brings to bear 'experience in action'. 'Idea Realization'— a unique approach to examine futuristic ideas required for the growth of an organization or a sector or geography, from the perspective of assured on ground implementability.

Our core strength comes from our founding partners, who are goal-oriented, with extensive hands-on experience and subject-matter expertise, which is well recognized in the industry. Our core founders form a diverse cohort of leaders from both genders with experience across industries (Public Sector, Healthcare, Transport, Education, etc), and with varied specialization (engineers, lawyers, tax professionals, management, etc).



PASSION

for providing solutions to help clients achieve their goals

RESPECT

For all and alternate viewpoints

INTEGRITY

of thoughts and actions

MASTERY

of our chosen subject to drive innovative and insightful solutions

US

Representing the Primus collective, where each individual matters

STEWARDSHIP

for building a better tomorrow

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Delhi

Rear Block, Upper Ground Floor, ALPS Building, 56 Janpath, New Delhi – 110001

Jaipur

86/SP, 63, Behind Yes Bank, Pratap Nagar, Jaipur, 302033

Mumbai

601, 6th floor, Raheja Centre, Nariman point, Mumbai – 400021

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