

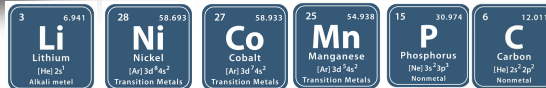
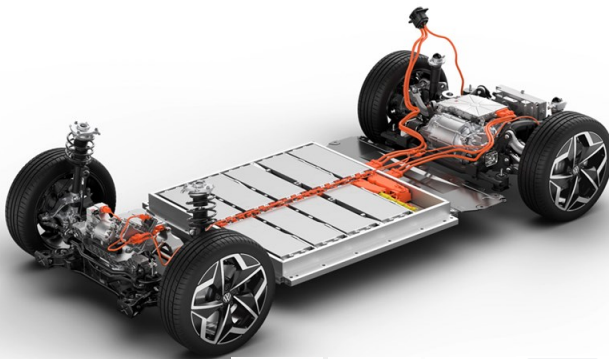
MONTHLY SECTOR UPDATE

Issue | Feb 2021

Chemicals



Budget



Specialty Chemicals for Batteries

 Primus Partners India

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1

Our Take

- Chemicals and India Budget 2021
- Specialty Chemicals for Batteries

2

Dashboard

- PMI
- IIP
- India crude basket
- Chemical Stock Price Indexes

3

News and Announcements

- Government of India overhauls cosmetics regulation.
- Grasim Industries to enter paints business, invest Rs 5,000 crore in 3 years.
- Strong fertilizer volume growth in FY21 likely as rabi sowing reaches record level.

1 Our Take



BCD - Basic Customs Duty Changes on some chemicals

- Denatured Ethyl Alcohol 0% to 5%
- Naptha 4% to 2%
- Carbon Black 5% to 7.5%
- Bisphenol A 0% to 7.5%
- Epichlorohydrin 2.5 to 7.5%

AIDC – Agriculture Infrastructure & Development Cess

AIDC has been introduced on crude palm oil, crude sunflower oil, crude sunflower oil etc. However reduction of BCD has counterbalanced the change.

2021 Budget Impact on Chemical Industry

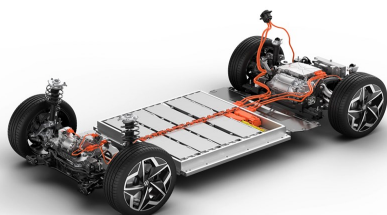
The Chemical industry was mostly untouched in the 2021 budget. The perception is that Covid-19 relatively less impacted the chemical industry, and there was a considerable export potential by replacing China made chemicals.

Basic customs duty changes have been generally in an upward direction to bring level playing field for the Indian Chemical industry. Another round of reorganisation of customs tariffs is expected by October.

Agriculture Infrastructure and Development Cess has been put on petrol, diesel, alcoholic beverages, import of gold, silver, crude palm oil, apples, fertilisers, cotton etc. However, the basic customs duty has been reduced to minimise the change.

The Pesticides and Formulators Association of India expressed its disappointment with the budget saying it does not offer anything for the agrochemical sector.

Continuation and steadiness of policy is a good thing. However, a push for the Chemical industry would have been well-timed with the China factor. PLI for chemicals was conspicuous by its absence.



Specialty Chemicals for Batteries

The global battery market size is above US\$110 billion and growing at a rate ~15 per cent*. The present requirements for batteries are diverse and many new technologies are being researched and commercialized.

The smallest battery is thinner than human hair, used to run miniscule electronic devices and the largest the size of couple of football fields having capacity of 800MWH providing power backup to a small city.

The wide variety of size, applications and chemistries of batteries mean many specialty chemicals need to be developed and produced. This is one area that is holding a lot of promise as well as disruption.

India Potential demand of some chemicals**

Specialty Chemical	Tons
Lithium nickel manganese cobalt oxide	35,000
High purity graphite	20,000
Lithium titanate	15,000
Lithium carbonate	17,000
PVDF	3,000

Wide variety of Applications

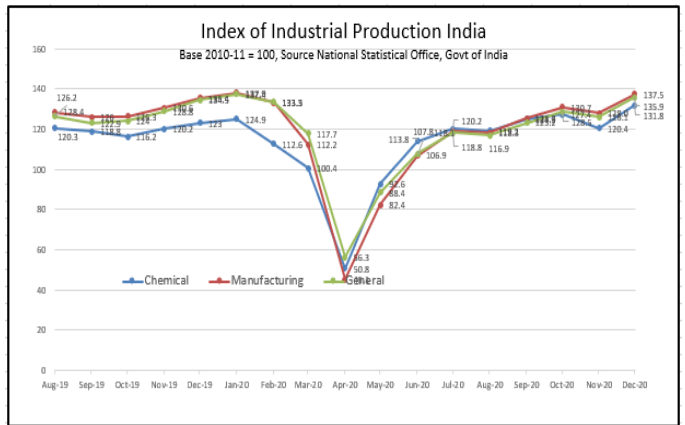
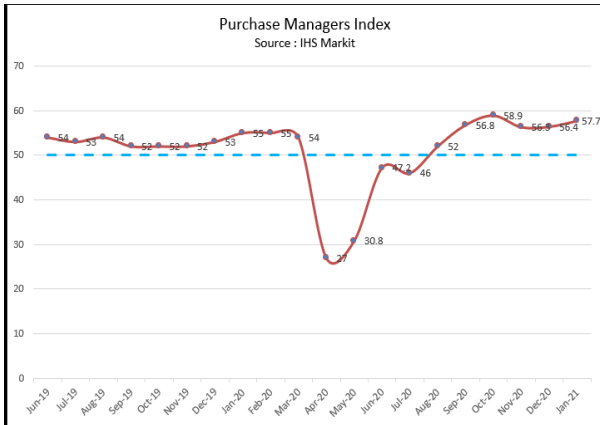
- Very small – medical devices, microelectronics
- Small – smart phones, laptops, consumer
- Medium – electric vehicles, UPS
- Large – electric trains, power backup
- Very Large – renewable energy banking

Wide variety of Chemistries

Lead acid, Nickel cadmium, Nickel metal hydride, Lithium ion, Lithium polymer etc.

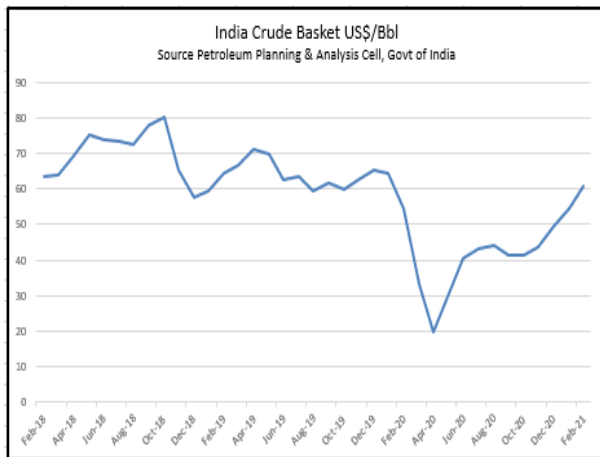
* Grandview research, Primus partners analysis ** Primus Partners analysis

2 Dashboard December 2020



India Manufacturing Purchase in Jan 2021 is growing and mark-up at 57.7, which indicates a sustained improvement in business conditions across the sector. It was stronger compared to EU (54.8) and China (51.3) but lower than US(59.1). PMI data greater than 50 signifies expansion of business activity.

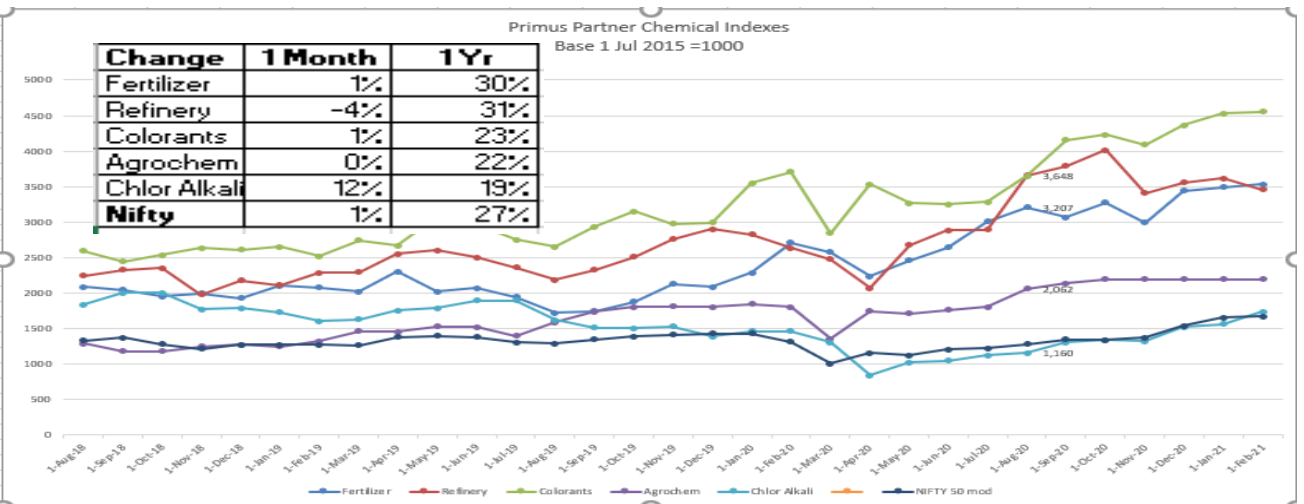
IIP figures released on 12th Feb 2021. It shows increased in Dec 2020. The General index is up by 1 per cent vs last Dec 2019, while up by 8 per cent over Nov 2020. The Chemical manufacturing index had shown up compared to Nov 2020 while sharp up around 7 per cent compared to Dec 2019



The Indian basket of Crude Oil kept its upward trend and moved sharply up 12 per cent on 1 Feb 2021 vs 1 Jan 2021. It stood at \$60.74 and convincingly broke the \$60 barrier. India crude basket was \$54.3 in Feb 2021, and current crude prices are 11 per cent higher compared to Feb 2020

Chemical Stock Indexes :

The Indian stock market and Nifty moved marginally up between 1 Jan 2020 and 1 Feb 2021. The IT and Auto stocks pulled the Nifty up higher. However, over a longer term period, the Chemical stock indexes have performed well in the general market. Market has moved significantly up since 1 Feb.



3. News and Announcements

Policy News

Government of India overhauls cosmetics regulation

Dec 15, 2020

The Ministry of Health and family welfare notified the cosmetic rule, 2020, with an aim to separate codify and apprise the rules relating to manufacturing, import, sale and distribution of cosmetics in India.

[Read More](#)

Govt plans to stop allocating local crude to oil refineries

Jan 07, 2020

The government of India, is preparing to abandon the current exercise of allotting locally-produced crude oil to various petroleum refineries, it would help to develop a free market for local refineries and end some of the current supply logistics problems, according to people familiar with the matter.

[Read More](#)

Yogendra Tripathi appointed as India's Chemicals & Petrochemicals Secretary

Jan 25, 2020

The Centre has appointed Mr. Yogendra Tripathi as a India's department of chemical and petroleum, Ministry of chemical and fertilizers. Mr. Yogendra Tripathy is a 1985 batch IAS officer of Karnataka cadre

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CropLife India Demands GST Rate Cut On Agrochemicals And Focus On R&D

Feb 15, 2021

CropLife India demand for slashing the GST rate on Agro chemical and focus on research & Development, it will help lower the prices of agrochemicals and benefit farmers

[Read more](#)

Domestic tailwinds to lift agrochemicals revenue growth to 12-14%: CRISIL

Nov 10, 2021

The Total revenues of the Rs 47,000 crore agrochemicals sector is expected to develop at 12-14 per cent in FY2021, following a sharp retrieval in offtake from the domestic agriculture sector and continuing healthy exports, according to a study by rating agency

[Read more](#)

Industry News

Grasim Industries to enter paints business, invest Rs 5,000 crore in 3 years

Jan 22, 2021

Grasim Industries, is planning to entered into the paints business, which is currently dominated by established players like Asian Paints and Nerolac. The company would invest around 5,000 crore over the next 3 years into the paint business

[Read more](#)

Strong fertilizer volume growth in FY21 likely as rabi sowing reaches record level: Report

Jan 27, 2021

Strong kharif production and healthy reservoir levels leading to record rabi sowing levels, fertilizer volume growth is expected to be strong this financial year

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Advent to buy controlling stake in ZCL at enterprise value of Rs 1,700 crore

Feb 08, 2020

Advent International private fund will acquire a controlling stake in pharmaceutical company ZCL Chemicals for an enterprise value of Rs 1,700 crore

[Read More](#)

Reliance Industries spins off oil-to-chemical business into new unit

Dec 02, 2020

Reliance has completed spin off the firm's chemical to Oil business into a new unit that will help to pursue progress with Strategic transformation of business

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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.

India is and will continue to be a complex opportunity. Private and Public sector need trusted advisory partners in order to tap into this opportunity. Primus Partners is your go-to trusted Advisory for both public and private sector organizations involved intricately with nation building, and the creation and growth of robust corporations as engines of progress.

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).

Primus Partners brings experience of working in more than 30 countries with private and public sector, including working with Government of India, building and leading large consulting teams at the leadership level, and creating one of the largest public sector consulting practice in India. They also represent 200 person years of experience in leading global and Indian consulting firms and the public sector.

The founding team is supported by a distinguished advisory board that includes experts with leadership experience across government, large corporate and notable civil society organizations.

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