

MONTHLY SECTOR UPDATE

Issue | July 2020



Chemicals

“Chemistry is necessarily an experimental science: its conclusions are drawn from data, and its principles supported by evidence from facts.”

Michael Faraday

 Primus Partners India

 @partners_primus

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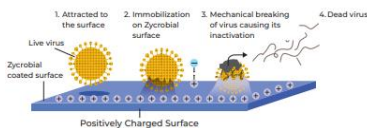
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1 Our Take

Indian Chemical Industry innovates to fight Covid-19 : retentive disinfectants by 2 Indian chemical companies



The disinfectant is sprayed on many types of surfaces & is effective more than 3 months, as long as it is kept clean.

In the fight against Covid-19, we hear a lot of news about drugs, test kits and vaccines being developed by Indian companies. We found 2 Indian chemical companies helping in war against Covid-19 by developing disinfectants that last for 3 months or more.

The long lasting disinfectants use silane (SiH4), quaternary ammonia compounds & silver chemistries. While the use of these chemistries have been established for decades, both Zydex Industries and Acme

mobility solutions have done significant innovation in formulating the disinfectant, establishing method of application and use, getting certifications and bringing it to customers at a much lower price point compared to international players.

They offer significant advantages in longer efficacy time, lower labour cost, less corrosion on surfaces they are applied to, lower toxicity etc.

Primus Partners has created index of 5 chemical sub sectors. 4 out of 5 have outperformed Nifty on 1-year basis



Primus Partners has created Chemical indexes based on stock price movement of Chemical stocks. Over 43 stocks have been analysed over 5 year period to create 5 indexes of Chemical Segments : Fertilizer, Refinery, Colorants, Agrochem & Chlor Alkali. Nifty moved from 11,118 on 1 Jul 2019 to 10,430 on 1 Jul 2020, a drop of 6%

4 of 5 chemical indexes actually showed significant growth and outperformed the market significantly. The only index that fell, was Chlor Alkali &

understandably so as the price of soda ash has crashed substantially over the same period.

The indexes are captured in the dashboard on next page.

Change of index over period of time

	1 year	1 month
Fertilizer	79%	2%
Refinery	45%	10%
Colorants	20%	0%
Agrochem	29%	2%
Chlor Alkali	-30%	1%
NIFTY 50	-6%	1%

Fertilizer Industry boosted by lower raw material (oil & gas) price and record sales during lockdown

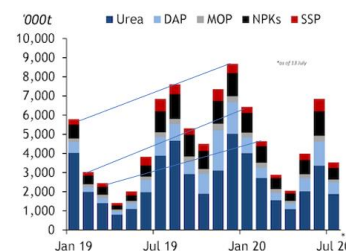


While sales are struggling in most categories, fertilizers are booming. The Jan to Jun sales were up 45% to 26.8 mill tons & Jul provisional figures are also encouraging. A normal monsoon is predicted and if all goes well, likelihood of a bumper crop this year is bright.

There has been a sharp fall in gas prices and according to CRISIL, the subsidy burden on Urea is likely to go down by Rs.12,000 cr. The govt. is likely to reimburse 'additional fixed cost'

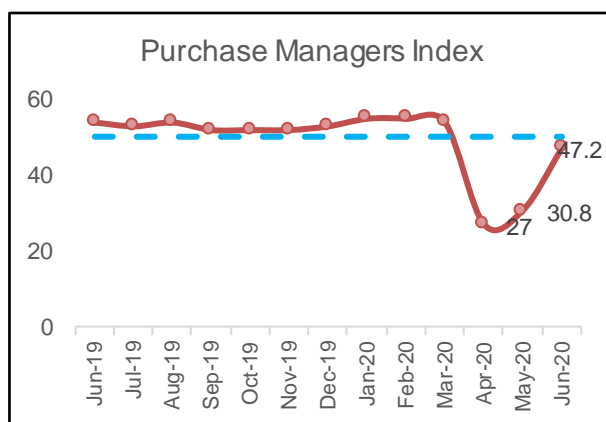
component of subsidy, improving the profitability of urea makers.

India Fertilizer Sale grew 45% y.o.y in Jan - Jun period



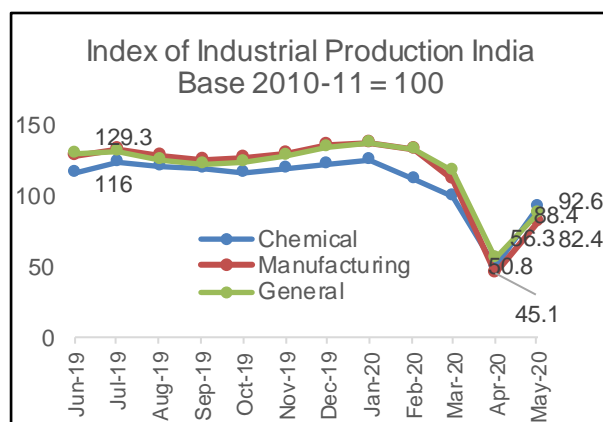
Source : Argus media

2 Dashboard



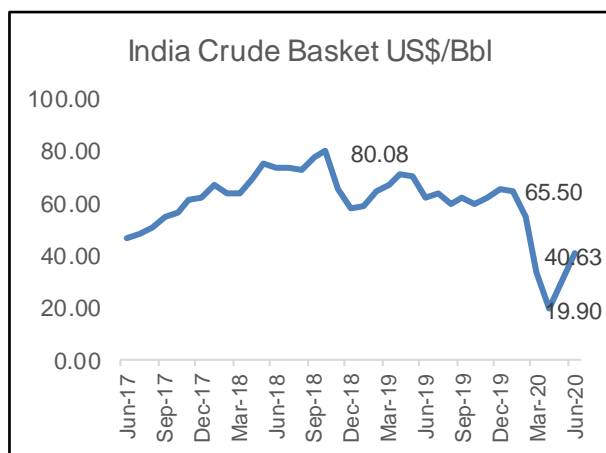
Source : IHS Markit

After 2 month of record low numbers, **PMI** jumped back to 47 in June. PMI measures expansion or contraction of business activity compared to last month, adjusted for seasonality. A score of 50 points means no change, above 50 means expansion, below 50 means contraction.



Source National Statistical Office, Govt of India

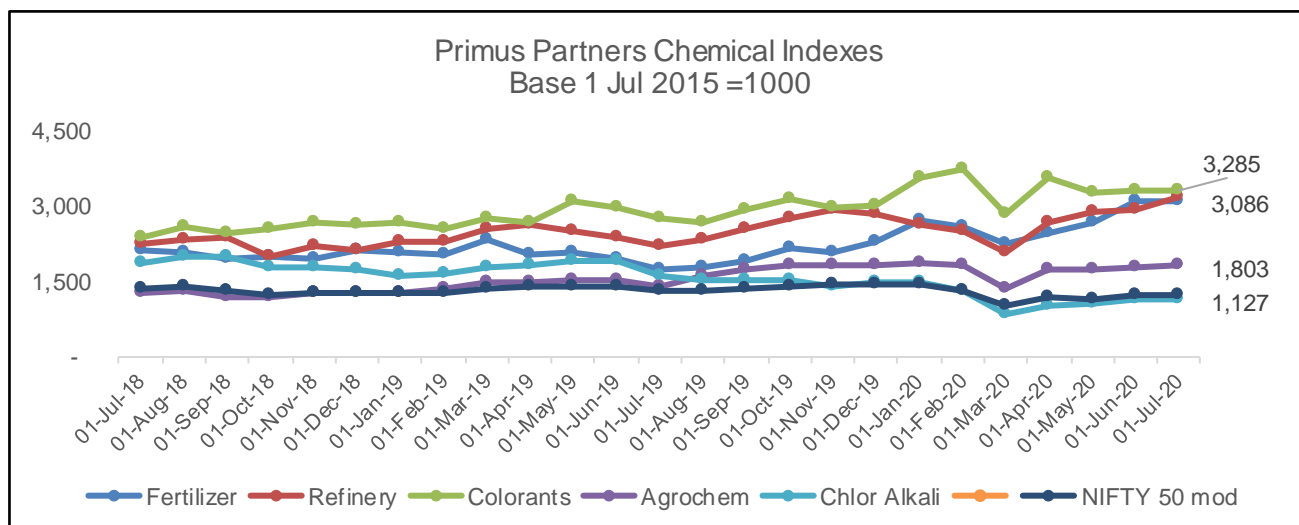
IIP figures released on 10 July indicated an improvement in May after sharp fall in Mar-Apr. The Chemical index has slightly outperformed the manufacturing and general index both over 1 month and 1 year period.



Source Petroleum Planning & Analysis Cell, Govt of India

The Indian basket of Crude Oil represents a derived basket comprising of Sour grade (Oman & Dubai average) and Sweet grade (Brent Dated) of Crude oil processed in Indian refineries in the ratio of 75.50 : 24.50 during 2018-19. While Crude has doubled over last two months, it remains quite below 1-year average.

Primus Partners Chemical Indexes have been created by analysing over 43 stocks over 5 year period. We have taken the base date as 1 July 2015 when the index has been set to 1000. The fertilizer index for 1 July 2020 is 3086 which means that the fertilizer stocks are on a weighted average 3.086 times the value compared to 1 July 2015. The weights have been adjusted to segment revenues in case of conglomerates having multiple businesses e.g. Reliance. There is high volatility right now, but in general the chemical stocks have outperformed the market.



2 Dashboard (contd.)

Analyzing the Primus Partners Dashboard : We have come out with dashboard to crisply present key data that effects the Chemical industry.

The Chemical industry is usually early up in the value chain and getting leading indicators to forecast demand are difficult. We have selected 2 sources to show the general activity at the customers.:

Purchase Managers Index - Purchasing Managers' Index (PMI™) data are compiled by IHS Markit for more than 40 economies worldwide. The monthly data are derived from surveys of senior executives at private sector companies and are available only via subscription. The PMI dataset features a headline number, which indicates the overall health of an economy, and sub-indices, which provide insights into other key economic drivers such as GDP, inflation, exports, capacity utilization, employment and inventories. The PMI data are used by financial and corporate professionals to better understand where economies and markets are headed, and to uncover opportunities.

Index of Industrial Production have been published since 1935 and are currently published by Govt. of India, Ministry of Statistics & Programme Implementation, National Statistical office. The Quick Estimates of Index of Industrial Production (IIP) are released on 12th of every month (or previous working day if

12th is a holiday) with a six weeks lag and compiled with data received from source agencies, who in turn receive the data from the producing factories/ establishments.

The Chemical Indexes show that the chemical industry has been outperforming the general index consistently over past 5 years.

A very large proportion of feedstocks of chemical industry are derived from crude. We have included The **Indian Basket of Crude Oil** represents a derived basket comprising of Sour grade (Oman & Dubai average) and Sweet grade (Brent Dated) of Crude oil processed in Indian refineries in the ratio of 75.50 : 24.50 during 2018-19. It is published by Petroleum Planning & Analysis Cell, Ministry of Petroleum & Natural Gas, Govt. of India.

Stock prices are one of leading indicators to the health and future of the sector. **Primus Partners Chemical Indexes** have been created to watch the movement of share price over time. Each index has a set of company stocks e.g. the Colorants index has Atul, Aarti, Sudarshan, Kiri, Bodal, Bhageria, Ultramarine, Vidhi, Sadhna, Shree Pushkar, Akshar Chem & Asahi Songwon. The index is weighted on market capitalization. For companies like Atul & Aarti where colorants are only a part of portfolio, their weights are adjusted to reflect the colorants parts of business.

3 News and Announcements

Key Sector Developments

Govt lifts export ban on hydroxychloroquine & hand sanitizers . June 2 & 11, 2020

India has lifted export ban on hydroxychloroquine, the anti-malarial drug touted by U.S. President Donald Trump as a potential "game changer" in the fight against the COVID-19 pandemic. [Read more](#)

The government on May 6 had prohibited the export of all alcohol-based hand sanitizers. "Alcohol-based hand sanitizers exported in any other form or packaging are free for exports, with immediate effect," DGFT said in the notification. [Read more](#)

Govt initiates consultation process for new science, technology and innovation policy, June 03 2020

The fifth S&T policy of the country is being formulated at a crucial juncture when India and the world are tackling the COVID-19 pandemic. As the crisis changes the world, the new policy with its decentralised manner of formation will reorient STI in

terms of priorities, sectoral focus, the way research is done, and technologies are developed and deployed for larger socio-economic welfare. The six-month process involves broad-based consultations with all stakeholders within and beyond the scientific ecosystem of the country, including academia, industry, government, global partners, young scientists and technologists, civic bodies and the general public. [Read more](#)

Implementation of draft order on insecticide ban put off by 45 days.

The Union Ministry of Agriculture and Farmers' Welfare has put off the implementation of its draft order on banning use of 27 different insecticides by 45 days from end June to middle August. [Read more](#)

Key Players Updates

Country's first gas trading platform launched, June 15, 2020

Union Petroleum Minister Dharmendra Pradhan inaugurated the country's first Indian Gas Exchange, a natural gas trading platform, owned by the Indian Energy Exchange (NSE: IEX). The platform is primarily aimed at enabling short-term trading of imported domestic gas. Prices are fixed by the government every six months. Imported LNG is mostly bought and sold long term, but there is some sold on the spot market too. [Read more](#)

Aarti Industries' Rs 4,000-crore contract with global firm cancelled, June 15, 2020

The contract was expected to generate revenue of about Rs 4,000 crore over the 10-year period. As a result, the compensation to ALL is estimated to be in the range of USD 120 million (Rs 913 crore) to USD 130 million (Rs 989 crore). "However, the change in the

strategy of the customer does not significantly undermine the inherent opportunity in this business," Rajendra Gogri, Chairman and Managing Director, at ALL said. [Read More](#)

Stiff Penalties for accidents : India's LG Polymers managing director and CEO Sunkey Jeong and 11 other officials were arrested by the Andhra Pradesh police over the 7 May fatal gas leak at the company's plant in Visa khapatnam. [Read more](#)

Reliance-Aramco deal delayed further State-controlled Saudi Aramco's planned purchase of a 20pc stake in Indian private-sector conglomerate Reliance Industries' (RIL) refining and petrochemical assets is facing further delays. [Read more](#)

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.

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 organisations.

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