

# MONTHLY SECTOR UPDATE

Issue | Jan 2021

## Chemicals



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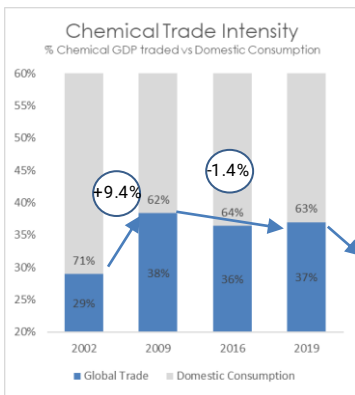
### News and Announcements

- Centre streamlines process to file for patented inventions on commercial scale
- 49 chemical products brought under 8-digit HSN classification
- India to see \$66 billion investment in gas infrastructure

 Primus Partners India

 @partners\_primus

# Our Take



Source World Economic Forum IAG, Primus Partners Analysis

The trade intensity in chemicals increased between 2002 and 2009 and has been steadily declining since.

## Trade Intensity in Chemicals

The global Chemical value chains are quite integrated with over 35 per cent of the Chemical GDP across the world is traded. The trade intensity steadily increased from 29 per cent to 38 per cent between 2002 and 2009. This period also saw China emerging as the largest trader and exporter of chemicals. The trade intensity has slightly declined from peak of 2009. With COVID-19 effects and negative sentiment towards sourcing from China, Primus Partners expects the trade intensity to drop.

There have been re-localization initiatives across countries when they found themselves vulnerable from the supply shocks from China. Localization incentives as well as trade interventions have been announced in US, France, Brazil, EU, India, Japan, Philippines for chemicals as well as pharma.

Many chemical value chains had become quite concentrated e.g. 75 per cent of polyester fibres, 85 per cent of ascorbic acid (Vitamin C), 90 per cent of 6-APA (a major precursor for penicillin) are produced in China. With source diversification, it might actually make the Chemical supply chains more resilient.



Refocus on Climate & Environment



Trade restrictions – tough stance may continue



Oil & Energy Diplomacy to balance shift to renewables & protect present investments

## Biden Admin impact on Chemical Industry

A lot of things are shaken up in the global chemical value chains due to COVID-19 Pandemic. USA has a large impact, and we try to analyse what impact change in Government in the USA would have:

Refocus on climate change and environment – Joe Biden has announced intention to return to the Paris Agreement and pledging US\$2 trillion to eliminate carbon emissions from Power. This has large negative consumption impact on oil & gas products, where US has become a major player. This may lead to increased oil and energy diplomacy. Oil & gas are major feedstocks for the chemical industry.

Many analysts believe that the Biden administration will maintain a tough stance on trade with China – which will have an impact on the Chemical industry. China is unlikely to sit quite. China has made significant changes and investments to modernize their chemical industry.



## Need to Improve Logistics for Chemical Industry Competitiveness

Logistics cost is a significant percentage of finished goods cost of many chemicals that are transported internationally. The customer is interested in total landed cost of goods. According to CII-Arthur D Little report India's logistic cost is 14 per cent of GDP compared to 8-10 per cent of US and Europe. Total time and cost for transport – including inland transport, waiting and at sea time, in most cases is far greater from India to an international destination compared to China.

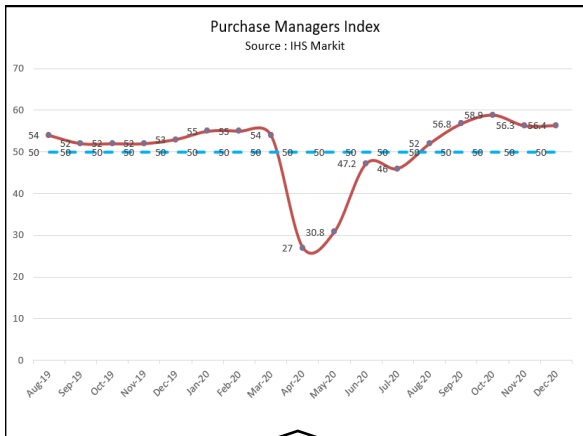
To be competitive, the chemical logistics will have to improve significantly. This not only requires investment in infrastructure, but also requires transformation of supply chain. Globally the supply chains are improving dramatically by adopting digitization, Industry 4.0 principles, agile networks, disruptive technologies, end-to-end visibility etc. Going green by adopting environmentally friendly technologies and practices is also a strong trend over and above improving efficiency.

Route	Total cost	Days
Inland - Nhava Sheva - Rotterdam - Inland	\$1200	43
Inland - Kandla - South Louisiana - Inland	\$1300	45
Inland - Nhava Sheva - Jebel Ali	\$450	18
Inland - Nhava Sheva - Busan - Inland	\$950	25
Inland - Tianjin - South Louisiana - Inland	\$350	33
Inland - Guangzhou - Rotterdam - Inland	\$350	34
Inland - Shenzhen - Busan - Inland	\$350	3
Inland - Tianjin - Jebel Ali	\$450	23

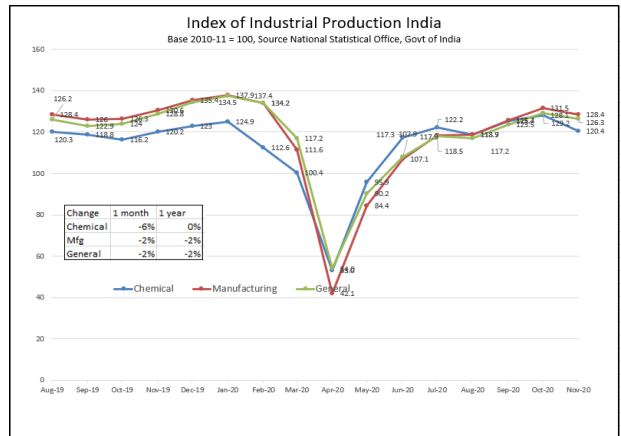
Indicative, not real data

Logistics from India takes longer and is costlier than China

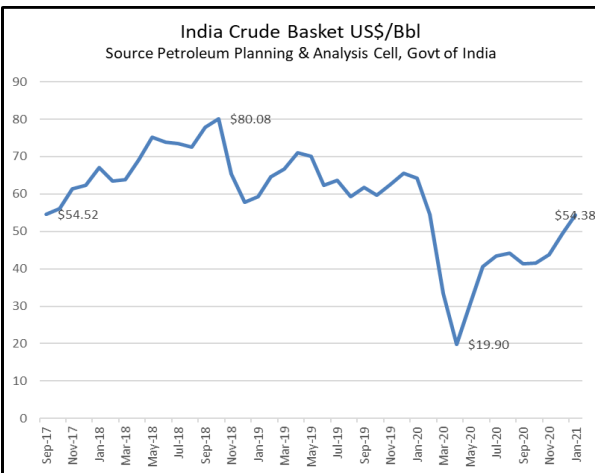
# Dashboard December 2020



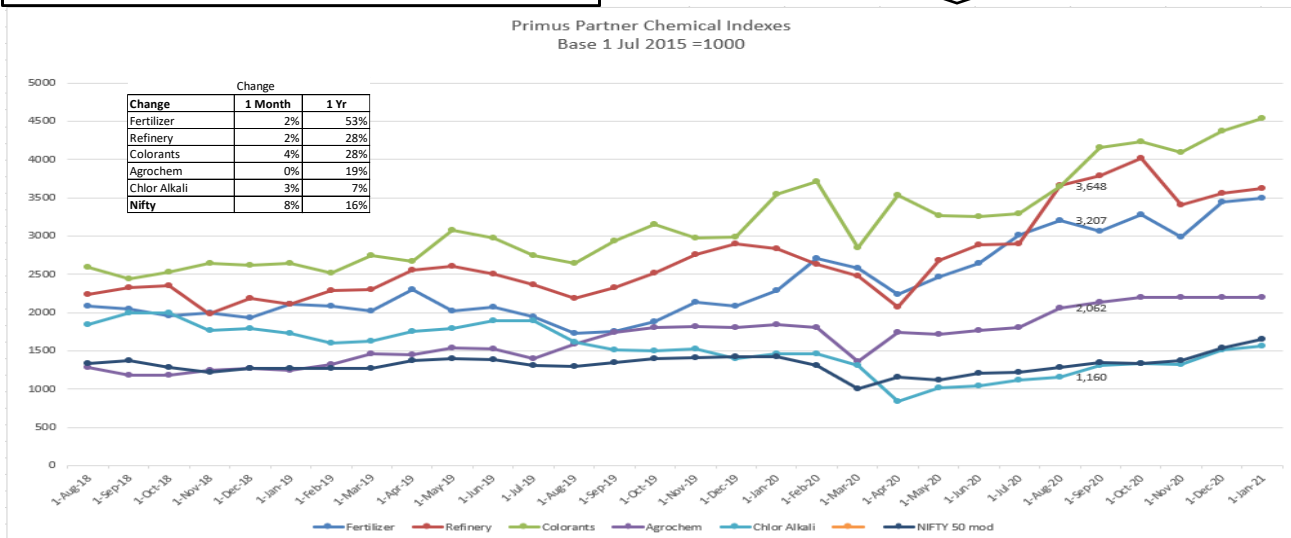
India Manufacturing Purchase in Dec 2020 remained steady at 56.4 indicating a sustained improvement in business conditions across the sector. It was stronger compared to EU (55.8) and China (53) but lower than US (57.1). PMI data greater than 50 signifies expansion of business activity.



IIP figures released on 12th Jan 2021. It shows a slightly declined in Nov 2020. The General index is down 2 per cent vs last Nov 2019 and over Oct 2020. The Chemical manufacturing index had shown slightly down compared to Oct 2020 while sharp down around 6 per cent compared to Nov 2019.



The Indian basket of Crude Oil kept its upward trend and moved sharply up 10 per cent on 1 Jan 2021 vs 1 Dec 2020. It stood at US\$54.38 and convincingly broke the US\$50 barrier. India crude basket was US\$64.3 in Jan 2020, and current crude prices are 15 per cent lower.



Chemical Stock Indexes  
The Indian stock market moved marginally up 2-4 per cent between 1 Dec 2020 and 1 Jan 2021 compared to Nifty that moved over 8 per cent. The IT and Pharma stocks pulled the Nifty up higher. However, over a longer term period, the Chemical stock indexes have outperformed the general market.

# News and Announcements

## Policy News

### Centre streamlines process to file for patented inventions on commercial scale

Oct 28, 2020

Government is ready to streamline the process to submit application, regarding patented invention (research and development) for commercial use in which Govt. also offering additional benefit to the patentee. [Read More](#)

### Industry highlights flaws in Pesticides Management bill, seek more scrutiny

Nov 29, 2020

Pesticide industry partner - Crop Care Federation of India (CCFI) has claimed that the Pesticides Management Bill 2020 has many drawbacks, and the proposed legislation should be sent to a select committee of Parliament [Read More](#)

### 49 chemical products brought under 8-digit HSN classification

Dec 02, 2020

The Central Board of Indirect Taxes and Customs (CBIC) has sanctioned eight-digit HSN classification for chemical-based products. [Read More](#)

### Zero Liquid Discharge: Centre examining options to balance industry, environment needs

Dec 26, 2020

The Centre is identifying many options of moving forward on the country's Zero Liquid Discharge (ZLD) policy to ensure that investment in emerging sectors such as semiconductors etc. [Read More](#)

### India to see \$66 billion investment in gas infrastructure

Govt. will see a massive investment about USD 66 billion in the building of gas infrastructure. Government also pushes for greater use of the cleaner fuel with a view to cutting down carbon emissions. [Read more](#)

### Centre invites public comments for introducing adoption of E20 fuel

Adoption of E20 fuel means blending of 20 per cent of ethanol with gasoline as an automotive fuel. It assumes significance in the wake of Transport Minister Nitin Gadkari stressing on promoting specifically E20 green fuel for the auto industry [Read more](#)

### Specialty Chemical segment would grow at least five times in the next 10 years

Dec 16, 2020

Chemical sector and the growth drivers in 2021: Soda ash demand, export markets, [Read more](#)

## Industry News

### US Gov't Takes Step Forward in Plan to Re-shore Drug Manufacturing

04 Nov, 2020

The Food and Drug administration has issued a list which representing 223 essential medicines as part of an executive order that directs the FDA and other agencies to develop strategies for acquiring the products on the list and accelerate domestic manufacturing in the US.. [Read More](#)

### Chemical Recycling: Status, Sustainability, and Environmental Impacts

Recycling of chemical creates pollution as well energy intensive and has a track record of technical failures. It

is tough for chemical recycling to be a viable solution in the short window of time left to solve the plastic problem, especially at the scale needed. [Read More](#)

### Agrochemical sector revenue to grow 12-14 pc in FY21: Report

Nov 10, 2020

The agrochemical sector's revenue is likely to grow 12-14 per cent in the ongoing financial year due to a sharp recovery in offtake from domestic agriculture sector and continuing healthy exports. [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 organizations.

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