

# MONTHLY SECTOR UPDATE

Issue | 05 | Oct 2020

## Chemicals



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- DPIIT shares 24 key sectors to boost manufacturing
- India to need 14 crackers by 2040 to meet growing demand

 Primus Partners India

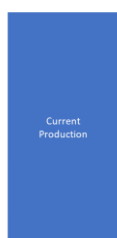
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# 1 Our Take



Production linked incentive(PLI)

Incremental Production



No incentive

PLI incentivises result rather than means

## Incentives for Impact

Incentives designed to help recipient take off from ground and soar in sky are good for the economy. The GOI is planning / already implemented incentives to help certain parts of the Chemical Industry. Production Linked Incentives (PLI) are now a favourite tool being used. This method incentivises incremental production for particular time to tide

The Government is working on several PLI schemes for chemical sector :

- INR6,940 crore scheme for key active pharmaceutical ingredients and key starting materials (already announced)
- INR15,000 crore scheme to promote manufacture of complex generics, biosimilars and high value medicines (in progress)
- INR25,000 crore scheme for 75 critical chemicals (in progress)

## Advantage of PLI

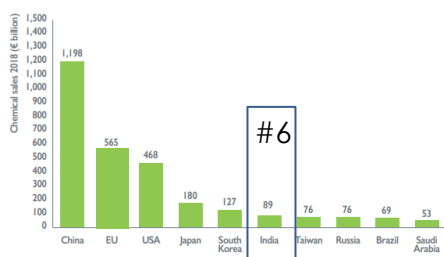
- They incentivise results, which pushes industry for results as opposed to capital subsidy that incentivises investment

## Disadvantage of PLI

- Monitoring mechanism must be strong and fool proof as well as easy. It is difficult to achieve all 3 together.

## Huge Potential in Chemicals

Chemical sales by country: top 10

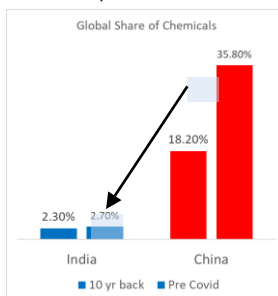


Source: Cefic, Chemdata International 2019

Urea specified chemical industry excludes pharmaceuticals  
Urea specified EU refers to EU28

## Global Chemical Sales

According to Cefic, the European Chemical Industry Council the global chemical industry sale was ~EUR3347 billion (approx. INR261 lac crore). India was at #6 at EUR89 billion (approx. INR7 lac crore).

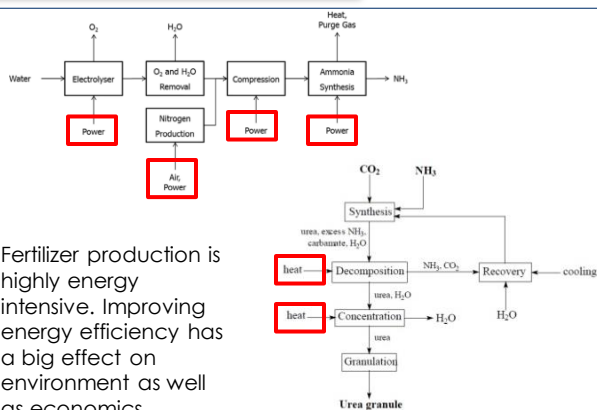


In past 10 years India did well by increasing its share but China's growth story is far more successful.

With the globe trying to find alternative sources of production as well as China focusing on environment, we have unique opportunity.

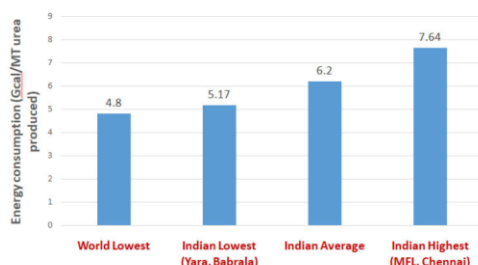
By taking 2-3% global market share away from China, we have opportunity of doubling our chemical industry

## Energy in Fertilizers



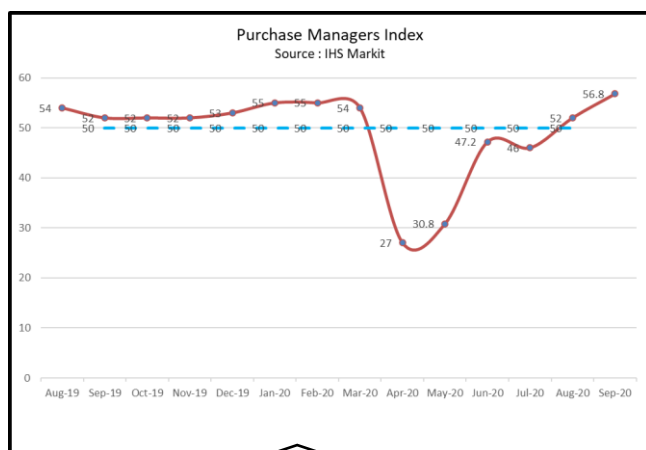
Fertilizer production is highly energy intensive. Improving energy efficiency has a big effect on environment as well as economics.

Fertilizer production is very energy intensive. The urea subsidy mechanism puts in clauses of maximum permissible energy use per ton & that has led to a lot of energy saving initiatives in Indian fertilizer companies. Lower energy consumption also means more profit.

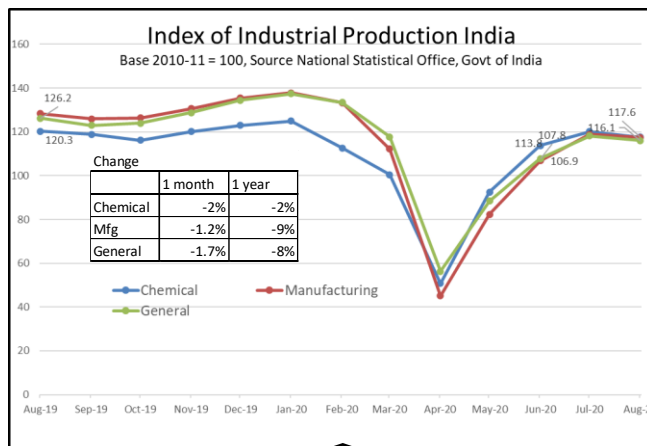


Energy consumption Goal / MT of urea  
Source : Grain by Grain – green rating of the fertilizer sector

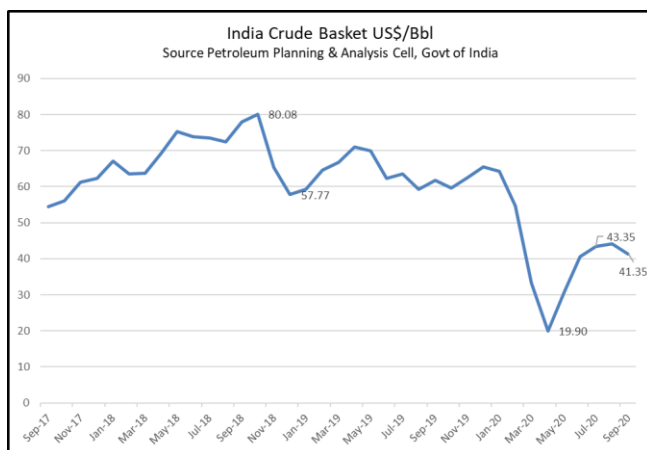
# 2 Dashboard October 2020



India Manufacturing Purchase Managers Index for September jumped to 56.8, signalling strong expansion in business activity. **PMI** was robust globally with China, US & EU reporting 53, 55.4 and 53.7 respectively. PMI above 50 indicates growth, below 50 indicates contraction of business activity.



**IIP** figures released on 12th October 2020 indicated production slowing down mildly in August 2020 compared to July. Chemical production has shown resilience compared to other sectors. Chemical production has shrunk 2% yoy, while the manufacturing is down 9% yoy.



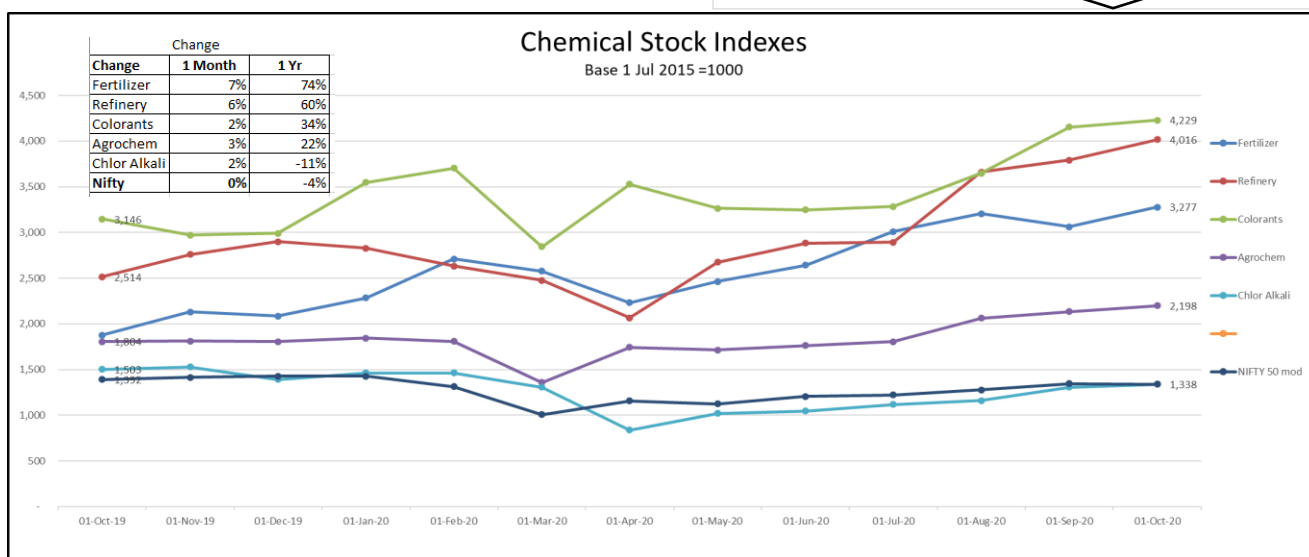
**The Indian basket of Crude Oil** After rising for 4 months in a row, the India Crude Oil Basket fell by 6% to \$41.35/bbl & oil was rangebound in \$40-45 range.

**Chemical Stock Indexes** : Valuation growth over past 5 years :

- Colorants index : 4.2x\*
- Refinery index : 4x
- Fertilizer index : 3.2x
- Agrochem index : 2.2x
- Chlor alkali index : 1.3x
- Nifty : 1.3x

\*INR100 invested in basket of 10 colorant stocks like Atul, Aarti, Sudarshan, Kiri, Bodal etc is now worth INR420 (+ dividends if any)

Chemical indexes have outperformed the Nifty on 1 month basis also.



# News and Announcements

## Major Sector Developments

**Dept of Fertilizers ranked 3rd among 65 ministries/depts in implementing central schemes** Oct 02, 2020

Department of Fertilizers under the Ministry of Chemicals and Fertilizers has been ranked 2nd amongst the 16 Economic Ministries / Departments and 3rd out of the 65 Ministries / Departments with a score 4.11 on a scale of 5 on Data Governance Quality Index (DGQI)," in a survey conducted by Niti Aayog

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**India probing alleged dumping of a chemical from China, Korea** Sept 24 , 2020

Cabot Sanmar Ltd. filed the application before the commerce ministry's investigation arm DGTR, seeking initiation of an anti-dumping probe concerning imports of 'Untreated Fumed Silica' from these two countries

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**Thermo Fisher to develop new sterile filling lines in Singapore** Oct 16, 2020

Thermo Fisher Scientific Inc announced plans to develop two new sterile filling lines in Singapore to extend capacity to the Asia-Pacific region for the development and manufacture of therapies and vaccines will be operationally by 2022 and could manufacture up to 30 million sterline per month

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**India to need 5 crackers by 2025 and additional 14 by 2040 to meet the growing demand: Gowda** Oct 15, 2020

The market size of chemicals and petrochemicals sectors in India is around 165 billion dollars and this is expected to grow to US\$ 300 billion by 2025, Sadananda Gowda, Minister for Chemicals and Fertilizers, Govt of India said while addressing the virtual Latin America & Caribbean session on 'Reimagining Distances', during LEADS 2020, organized by FICCI and added that this presents a huge opportunity in chemical sector India.

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**Government plans INR15,000-crore PLI scheme to boost local drug production** Sept 26, 2020

The scheme intends to promote indigenous manufacture of complex generics, biosimilars and high value-add medicines, to boost domestic drug production and cut dependence on costly imports

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**DPIIT shares list of 24 key sectors with ministries to work on plan to boost manufacturing** Sept 27,2020

DPIIT has sought response from the ministries on incentives and policy changes required in the 24 selected sectors

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## Key Players Updates

**TechnipFMC, McPhy to collaborate on green hydrogen projects** oct 16 , 2020

TechnipFMC's Technip Energies segment, a leading global engineering and construction services provider is going to collaborate with McPhy, a leading manufacturer and supplier of carbon-free hydrogen production for doing research and development jointly on hydrogen technology

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**Adani Green, Total JV acquires Essel Group's solar assets** Oct 15, 2020

Adani Green Energy Limited (AGEL) and Total SA (TOTAL) had formed a 50:50 joint venture for 2,148 MW

solar power assets in India with total INR310 crore in the JV for 50% stake in the new acquisition with Essel Group

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**Signet bags INR80 crore orders for supplying HDPE products** 14 October 2020

India based Signet industries Limited is engaged in manufacturing of infrastructure and irrigation pipes and products and wholesale trade of chemicals and plastics. has procured orders worth INR80 crore from various EPC contractors for supply of HDPE pipes for Various Projects [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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