

# MONTHLY SECTOR UPDATE

Issue | 04 | Sep 2020



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## Chemicals



 Primus Partners India

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# 1 Our Take

**Anti Dumping is likely to increase across many nations as they strive to revive their economies**



A large number of countries are taking steps to revive their industry amid the Covid disruption. Anti dumping is one such tool that supports the local industry while not costing the Government.

The WTO Agreement does not regulate the actions of companies engaged in "dumping". Its focus is on how governments can or cannot react to dumping. It disciplines anti-dumping actions, allowing these when there is genuine material harm to the domestic industry.

In India, there are a number of chemicals that are under investigation or extension like PTFE resin, 2 ethyl hexanol, choline chloride, phosphoric acid, caustic soda, sodium citrate, vitamin C etc. These would benefit from quick action.

## Impact of Anti-Dumping measures

### Benefits

- Helps counter unfair trade
- Helps local industry

### Harms

- Affects international trade
- Retaliation by affected nations

**Indian Investments in Petrochem – readying for the shifts**



The growth in Indian economy requires substantial investment in Petrochemicals for the next few years. AT Kearney estimates an investment of \$30 billion/ Rs 220,000 cr in the Indian Petrochemical industry over the next decade.

There are two fundamental shifts that are predicted to take place in refinery & petrochemical sector which will drive the nature of investments needed:

- Peak oil – Fuel demand will peak, before decreasing as more fuel efficient and electric vehicles come into the market, as well as with a shift towards renewable energy
- Crude oil to Chemicals – As a result, more chemicals and less fuel will be extracted from crude oil.

ONGC, IOC and other public sector companies had plans to invest Rs 98,521 cr in FY 21 just before start of pandemic. IOCL plans to invest over 200,000 cr over next 5-7 years over. RIL intends to invest Rs 70,000 cr to set up its crude to chemical projects in Jamnagar.

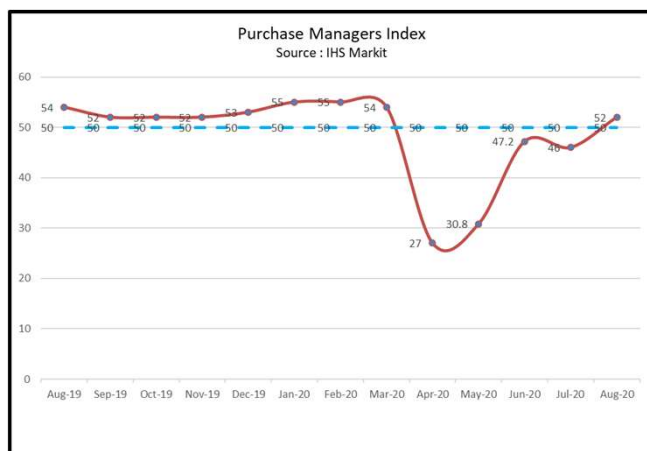
**Chemicals & Materials for Electric Vehicles**



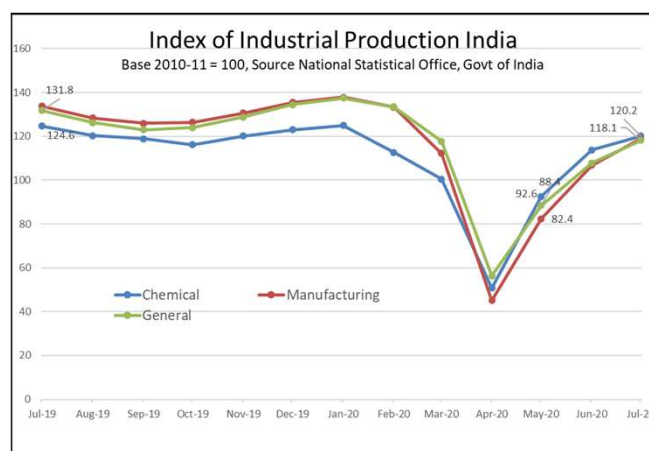
Electric Vehicles (EVs) are "Chemically Different" from traditional Internal Combustion Engine Vehicles (ICEV). A large chunk of "chemicals" used by traditional cars are fuel, fuel additives and lubricants. EVs, on the other hand, use batteries which consume a different set of chemicals. This will increase demand for lithium metal oxides, vanadium oxides, olivines, cobalt, nickel, lithium alloying materials, intermetallics, silicon, carbonaceous anodes, solvent based electrolytes containing chemicals like lithium bisoxalate borate, lithium hexafluorophosphate etc.

Weight reduction is more important for EV than ICEV. Therefore, demand for polymers, composites, polymer hybrid metal systems and materials that reduce weight will increase. Electronic components are becoming smaller in size and more compact; hence the use of traditional engineering polymers like polyamides will decrease, while more advanced polymers like PA66, polyphthalamide etc will gain importance.

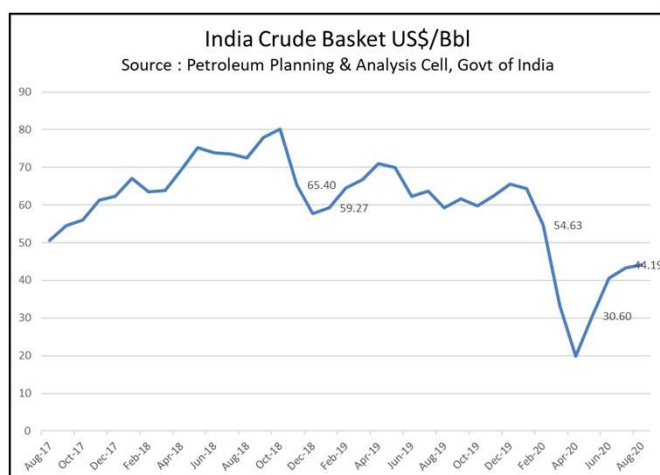
# 2 Dashboard



India Manufacturing Purchase Managers Index for August stood at 52, signalling expansion in business activity. China and US both were 53.1 indicating higher growth and Eurozone was at 51.

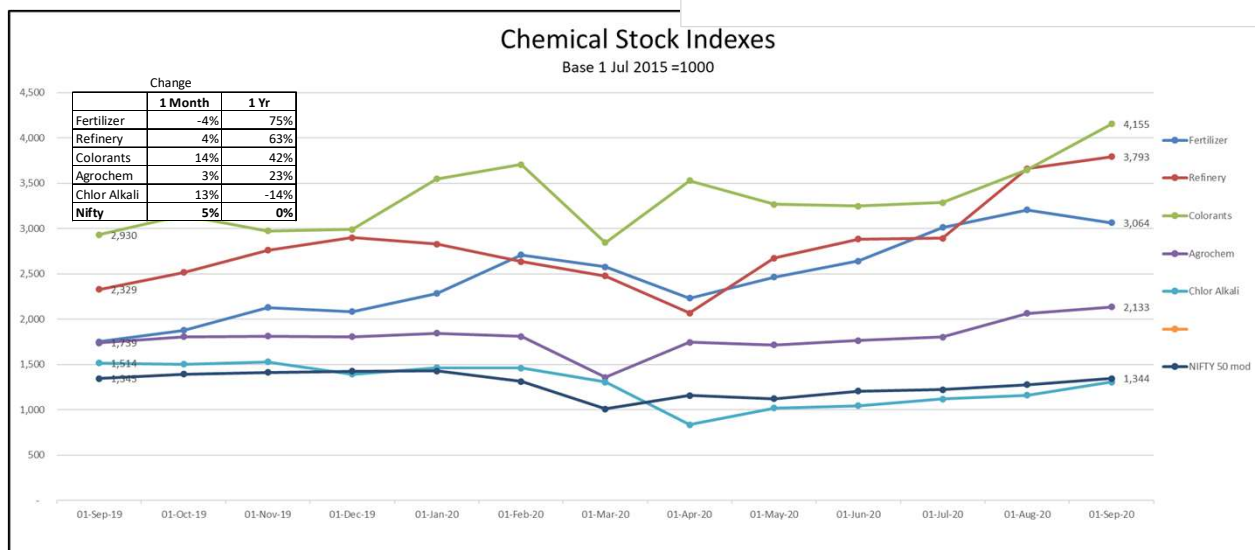


IIP figures released on 11th August indicated industrial activity resuming further in July. The Chemical, Manufacturing as well as General Index showed a YoY decline of -4%, -11% & -10%. However, considering month-over-month growth, the indices increased by 5.6%, 11.1% and 9.6%, respectively.



**The Indian basket of Crude Oil** continued its journey upwards by rising ~2% to \$44.19/bbl in August compared to July. Lower crude oil imports and lower prices have a positive impact on India's balance of payments.

**Chemical Stock Indexes** In general, over long term the chemical indexes are outperforming the Nifty by a huge margin. After a very strong growth, the fertilizer stocks fell marginally. Colorant stocks have shown consistent growth and grew strongly. The chlor alkali stocks started to gain as caustic soda prices have started firming up.



# News and Announcements

## Key Sector Developments

### **Profit Linked Incentive (PLI) Scheme for Chemicals in draft.** Sep 18, 2020

In order to reduce dependence on China for import of chemicals, a PLI scheme with an outlay of Rs 25,000 cr. over the next five years is in the draft stage. An incentive of up to 10% of production value is being proposed. This can be a game changer for the Chemical industry.

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### **Fertilizer minister reviews progress of three upcoming urea projects of HURL.** Aug 15, 2020

Shri D.V. Sadananda Gowda Hon'ble Minister (Chemicals & Fertilizers) reviewed the progress of three upcoming urea projects of HURL. It is expected that the projects would be commissioned by the end of next year having faced a five to six month delay due to the Covid-19 crisis. The three plants would have a combined capacity of 12.7 lakh MT.

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### **Exclusive R&D policy for pharma sector soon.** Aug 06, 2020

To make Indian Pharma sector at par with Europe and USA, the government is currently working on a R&D policy, announced by PD Vaghela, Secretary of Department of Pharmaceuticals.

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### **Fertilizer industry seeks overhaul of urea subsidy regime to make the country self-reliant.** Aug 05, 2020

The industry has urged the government to review existing cost based urea policy applicable to domestic players in operation. The pain points include pending subsidy dues of more than 40,000cr, changes in energy efficiency norms and uncertainty due to Covid 19

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### **Thyssenkrupp wins contract to build bioplastics plant in China.** Sep 18, 2020

The Plant would be capable of producing 30,000 tons / year of polylactide (PLA) and will be built in the South China. PLA is an ecofriendly plastic made from 100% renewable biomass.

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### **Thyssenkrupp inaugurates new engineering office in Pune.** Sep 19, 2020

Thyssenkrupp started in Pune in 1997 with 50 engineers and the new office is expected to have 1400 employees including 350 engineers. It would work towards Chemical Process & Technologies

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### **separate entity.** Sep 17, 2020

The new business is expected to be launched in December 2020 and targets to achieve revenue in excess of USD 25.5 billion by 2024. LG Chem is one of the leading players in the EV battery market.

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### **Saudi Aramco likely to pause refinery investments in India.** Sep 02, 2020

Due to the decline of oil prices Saudi Aramco is stalling its expansion plans both in domestic as well as international markets.

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**LG Chem to spin off battery business into a**



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'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).

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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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