



India: Performance of Chemical Industry

Quarterly Update: Q3 FY 2020 (Oct'2019 - Dec'2019)

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India's chemical industry is ranked the third largest in Asia and sixth largest globally with respect to output



Key Economic Indicators

6th

Largest economy in the world

~2 %

Contribution of Chemical Industry in GDP

14th

Largest chemicals export market globally

2+ Mn

Personnel employed in Indian chemical sector

3.3 %

CPI Rate in H1 FY20

6th

Largest Chemical Industry in the world (FY19)

USD 49 bn

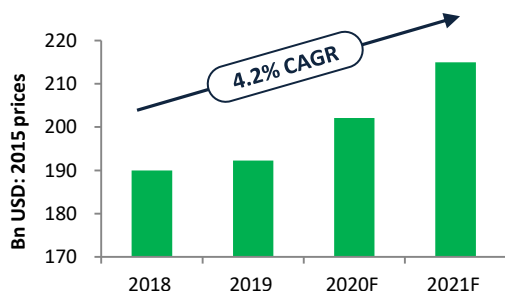
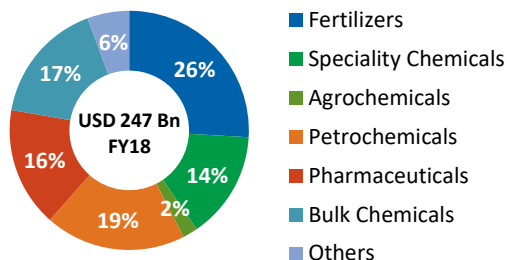
FDI in Indian Economy in 2019

4 %

Share in Total FDI Inflows (Apr-00 to Sep-19)

Note: FY 19 denotes financial year from April 2018 to March 2019

Gross Output

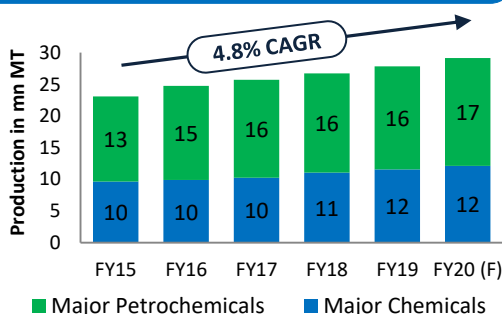


Source: Department of Chemicals and Petrochemicals, Govt of India

Industry Forecast

- Indian chemical industry expects to double its size to over USD 300 bn by 2025
- Demand is expected to grow at approximately 9% p.a. over the next 5 years
- Demand for specialty chemicals is expected to grow at 12% CAGR from FY19-22
- Agrochemicals market in India is expected to grow at 8% CAGR reaching USD 3.7 bn by FY22 and USD 4.7 bn by FY25

Source: Invest India, Govt, Industry Reports & Journals



Government Initiatives & Policies

- 100% FDI is allowed under automatic route in chemicals sector (except for certain hazardous chemicals)
- Reduction of Basic Customs Duty on:
 - Ethylene dichloride under HSN 29031500 reduced from 2% to 0%
 - Naphtha falling under HSN 2710 reduced from 5% to 4%
 - Methyloxirane (propylene oxide) under HSN 29102000 reduced from 7.5% to 5%
- Expected increase in demand for silicon and lithium-ion batteries to encourage investments in India by lithium and silicon manufacturers due to tax benefits on electric vehicles
- Govt plans to increase production of chemicals and petrochemicals in-house targeting a 9% growth rate

Budget 2020 Highlights

- USD 1.6 bn allocated under 'Jal Jeevan Mission' impacting PVC, vinyl and water treatment chemicals
- Scheme to encourage manufacture of electronics (boost in semiconductors etc.)
- National Textile Mission will help to increase production of specialty chemicals etc.

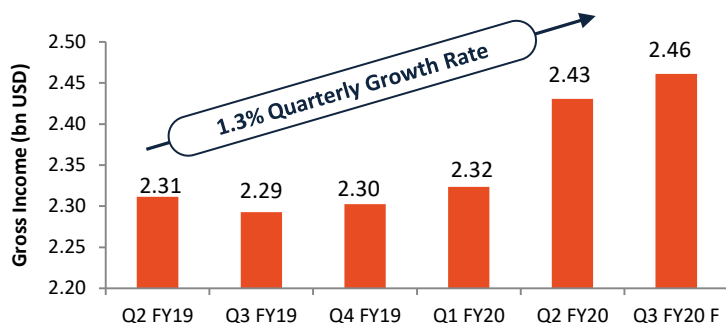
Upcoming Events

- 13th Annual India Chemical Industry Outlook Conference on 13 - 14 Feb '20 at Mumbai
- Surface & Coating Expo 2020 (SR) Southern Region on August 6-8, 2020 at Chennai
- 11th Biennial International Exhibition and Conference on 8-10 Oct '20 at Mumbai

Chemical Industry: Quarterly Update



Summary

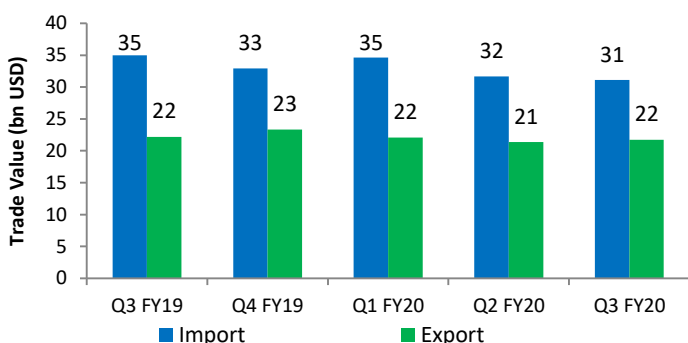


Source: Based on top 12 companies in chemical, petrochemical and pharma industry

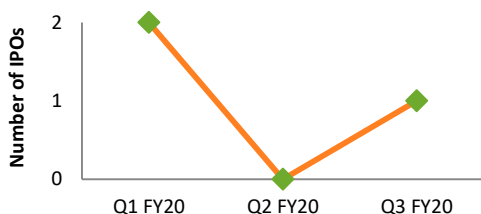
- 3% and 3.1% growth recorded YoY in petroleum products during December and November 2019 respectively
- Credit growth to India's chemical sector remains +2.4% YoY versus 6M avg. of 6.5% as of November 2019
- Volume growth remains strong in India at +9% YoY as of Q3 FY 20 as compared to falling growth in the U.S.A., Europe and China

International Trade

- 12.4% YoY decline in import volume of chemicals, petrochemicals and pharmaceuticals in Q3 FY 2020
- 3% and 3.1% growth recorded YoY in petroleum products during December and November 2019 respectively
- Pharmaceuticals comprised of 13% of total value of exports in Q3 FY20
- Chemical industry catered to 27.3% of total value of merchandise import and export in Q3 FY20



Notable Deals in Q3 FY20



- PI Industries completed the acquisition of Italian agrochemical company Isagro's India-based subsidiary, Isagro Asia
- Gowan acquires fenamidone and pencycuron from Bayer which has broad presence in Asia Pacific including India
- Fairfax India completes equity infusion in Sanmar Group, takes stake to 43%
- BASF India completes sale of stilbene based OBA BIZ to Archroma

Key Headlines

- BASF to double polymer dispersions capacity in India.
- UPL to acquire Chinese company, Yoloo Biotech.
- Cabinet approves extension/renewal of pharmaceuticals purchase policy. (Nov 2019)
- Reliance Industries limited and Adnoc sign agreement to explore development of Ethylene Dichloride facility in Ruwais

Capacity Addition

- Solvay starts operation of new polyethersulfone line in Panoli, Goa
- UPL Deepak Nitrite plans Isopropyl alcohol production at Dahej site
- USD 9.8 mn speciality chemicals intermediaries expansion project by Bharat Rasayan Limited Brl in Bharuch, Gujarat

Tecnova's Experience in Chemical Industry

- Market research and entry strategy for American and European adhesive manufacturers
- M&A, and distribution and pricing strategy for lubricant manufacturers from USA and Europe
- Market assessment and growth strategy formulation for U.S.A., Asia and Europe based paint and coating companies
- Due diligence and Greenfield strategy for bulk and speciality chemical companies from USA, Europe and Japan

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