



Chemical Industry

QUARTERLY SECTOR UPDATE Oct 2023

IN THIS NEWSLETTER

01

Strengthening India's Foundations of Pharma

KSM and API

02

Investment Opportunities in Saudi Arabia for Chemicals

- Investment Focus
- Support Provided to Set-Up Business

03

Market Outlooks

- Indian Agrochemicals Industry
- Indian Plastic Market

04

Chemicals Dashboard

- Purchase Managers Index
- India Crude Oil Basket
- Index of Industrial Production
- Primus Partners Chemical Share Price Indexes

05

News

- Market News
- Policy News

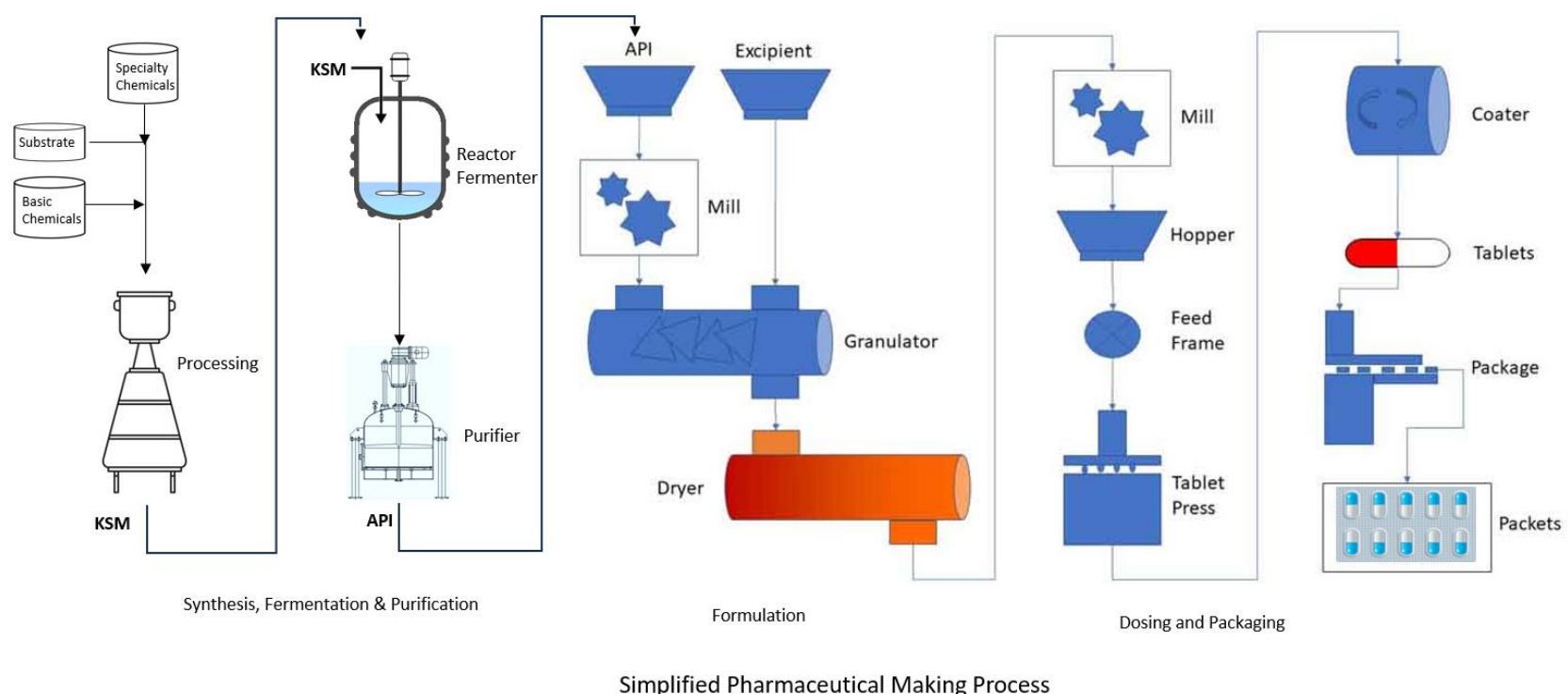
01

Strengthening India's Foundations of Pharma

Key Starting Materials (KSM) and Active Pharma Ingredients (API)

KSM are the main raw material used in the manufacture of APIs. Examples are Cyclohexane Diacetic Acid, Para amino Phenol etc.

API are the molecules that give a drug its efficacy. Examples are Levofloxacin, Tetracyclin etc.



Targeted Initiatives

The KSM & API are the foundations of Pharma Industry. They are "complicated" chemicals & bio substances that require significant "knowledge" to produce. India faced a challenge of overdependence on imports, especially from China.

The government identified the API imports that were currently being sourced from outside and then implemented a Production Linked Incentive (PLI) scheme for Promotion of domestic manufacturing of critical Key Starting Materials (KSMs) / Drug Intermediates and Active Pharmaceutical Ingredients (APIs) in 2021 with an outlay of 15,000 Crores to address the dependency on imports for 90% of the APIs.

This move aimed towards achieving self-sufficiency in the Indian Pharma Sector for production of APIs.

Encouraging Progress

The KSM & API production has been gaining a lot of interest in the Private players, especially in past 5-6 years, due to international customers looking for China + 1 strategy and growing domestic demand. With the announcement of PLI, the investment in the sector have significantly accelerated.

The two key challenges for sourcing KSM / API in India:

1. No production capacity or capability
2. Expensive compared to other countries

Ever since the PLI implementation, a notable progress has been made, with 38 APIs being manufactured in India. India is also set to reduce its dependency on imported APIs by 25% by the year 2024.

This move of manufacturing APIs domestically will enhance the affordability of medicines for the Indian population.

02

Investment Opportunities in Saudi Arabia for Chemicals

Kingdom of Saudi Arabia (KSA) Rationale

KSA understands that oil derived fuels will decline in the long run and the Oil & Gas (O&G) industry must re-align to a different product portfolio. Crude Oil to Chemicals is a major theme & KSA expects petrochemicals to absorb 31% of global O&G production by 2040. It aims to quadruple the production capacity of downstream chemicals, to enable local, regional and global growth and solidify the Global Supply Chains.

Investment Focus Areas

KSA has identified 3 focus segments in downstream chemicals to promote investment:

- Specialty Chemicals** : 20 specialty chemical segments have been prioritized with targeted volumes of ~6.7 MTPA by 2030. These include adhesives, sealants, corrosion inhibitors, paints, coatings, cleaners, water management chemicals, rubber processing chemicals, surfactants, mining chemicals, lubricants, additives etc.
- Plastics and Rubber Conversion** : 19 segments have been prioritized with targeted volumes of ~9 MTPA by 2030. These include plastics & non metallics used in construction, automotive parts, medical equipment, pipes, packaging etc. Elastomers for tires, machinery, power utilities, etc. Polyurethane downstream industries like furniture, automotive & construction
- Inorganic Chemicals** : Interestingly inorganic chemicals productions is likely to grow over 15% in KSA and there is abundance of non carbon raw materials. 40 products are targeted in primary and secondary inorganics that are aligned to Phosphorus, Sulphur, Chlor-alkali, Fluorspar, Quartz, Bromine, Lithium and Ammonia value chains

India-Saudi Investment Forum



India – Saudi Investment Forum 2023 was held in Delhi on 11th September. Serving as a platform to promote bilateral investment opportunities. Over 500 companies participated and 45 MoUs were concluded, both in Government to Business, and Business to Business formats. Minister of Investment of KSA H.E. Khalid A. Al Falih and Union Minister of India Mr. Piyush Goyal graced the occasion.

Chemicals & Fertilizers was one of the focus areas of the forum and several specific opportunities were discussed.

Support Provided to Set-up Business

There are several initiatives, including SABIC's Nusaned initiative to help set up industries:

- Opportunity Gate** : Programs to reach out, receive and analyze investor opportunities.
- Support Packages**: for improving product offering, tech support, shared services, etc.
- Access to Finance**: Financing with attractive terms, SME Fund for chemicals, etc.
- Workforce**: Support in developing workforce capabilities to enable investor opportunities



Ministry of Investment (MISA) is the nodal agency for investments. Mr. Naif Alkhaldi, Director MISA, heads the Chemicals sector.

03

Market Outlooks

Indian Agrochemicals Industry can grow 9%


As per a study by Niti Aayog, Indian Agro-Chemical Industry has the potential to grow over 9% notwithstanding Chinese Competition.

The Agrochemical Industry has achieved 9% growth during COVID-19 when production activities were disrupted.


India's exports crossed \$5a billion and even surpassed China. If India can achieve 9% growth rate in absence of China factor, the dynamics has change and achieving an exponential growth rate should not be that hard.

To boost exports, Indian companies need to conduct business responsibly complying to issues related to ESG (environmental, social and governance). The agrochemical industry needs to focus on innovation to minimize pollution and produce solutions of doing business with ease adhering to all the compliances.


Top Agro-Chemical Listed Companies		
	Rs. Cr. 22-23	%YoY Growth
1. UPL Ltd.	53,576	15.9
2. PI Industries	6,492	22.5
3. Bayer CropScience	5,139	8.5
4. Sharda Cropchem	4,045	13
5. Sumitomo Chemical	3,510	14.5




UPL




PI
Inspired by Science



BAYER



Sharda Cropchem



SUMITOMO CHEMICAL Co.,Ltd.

Indian plastic market to reach Rs. 10-lakh crores by 2027-28

The Indian plastic market is valued at Rs. 3.5 lakh crores. It is expected to triple to reach Rs. 10 lakh crores by 2027-28 as per All India Plastics Manufacturers' Association (AIMPA).

AIMP identified 553 plastic products for import substitution which totals to Rs. 37,500 crore worth of products being imported. India has the potential to emerge as a global plastics supplier. The govt and the industry are working together to encourage growth and create a sustainable environment for Indian Plastics Industry.

The exports of plastic products are expected to grow from Rs. 40,000 crores To Rs 1 lakh crores.

Need to Increase Recycling

Increasing plastic recycling in India is necessary due to the plastic pollution issues that is being faced. India has abundance of plastic waste, which is a threat to its environment and public health.

Plastic recycling can drastically reduce burden on landfills, mitigate environment damage, and even conserve resources.

The government of India has even extended the producer responsibility guidelines in February 2022 to strengthen circular economy and aid in development of recycling infrastructure for plastic packaging waste.

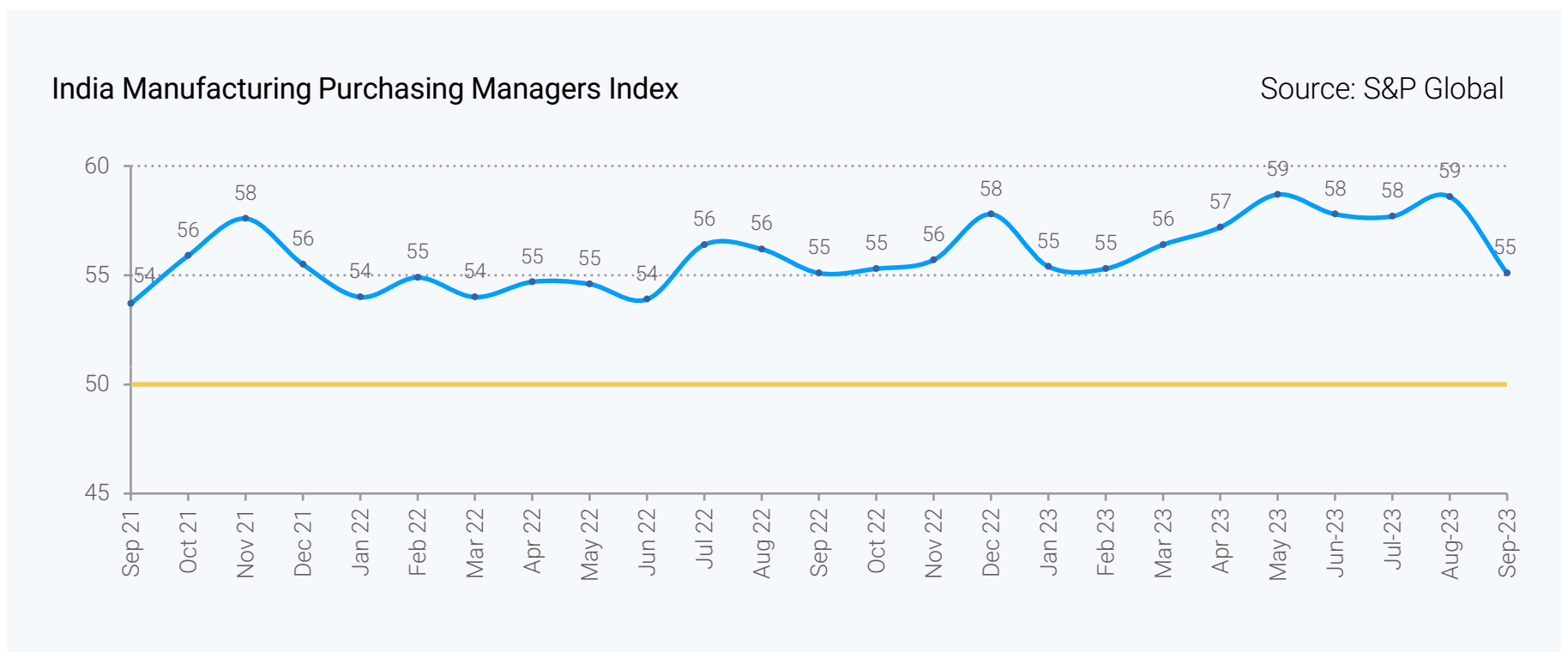
Under these guidelines, single use plastic items were banned from 1st July 2022.

These guidelines were established to give a boost for formalisation and development of plastic waste management sector.

04 Chemicals Dashboard

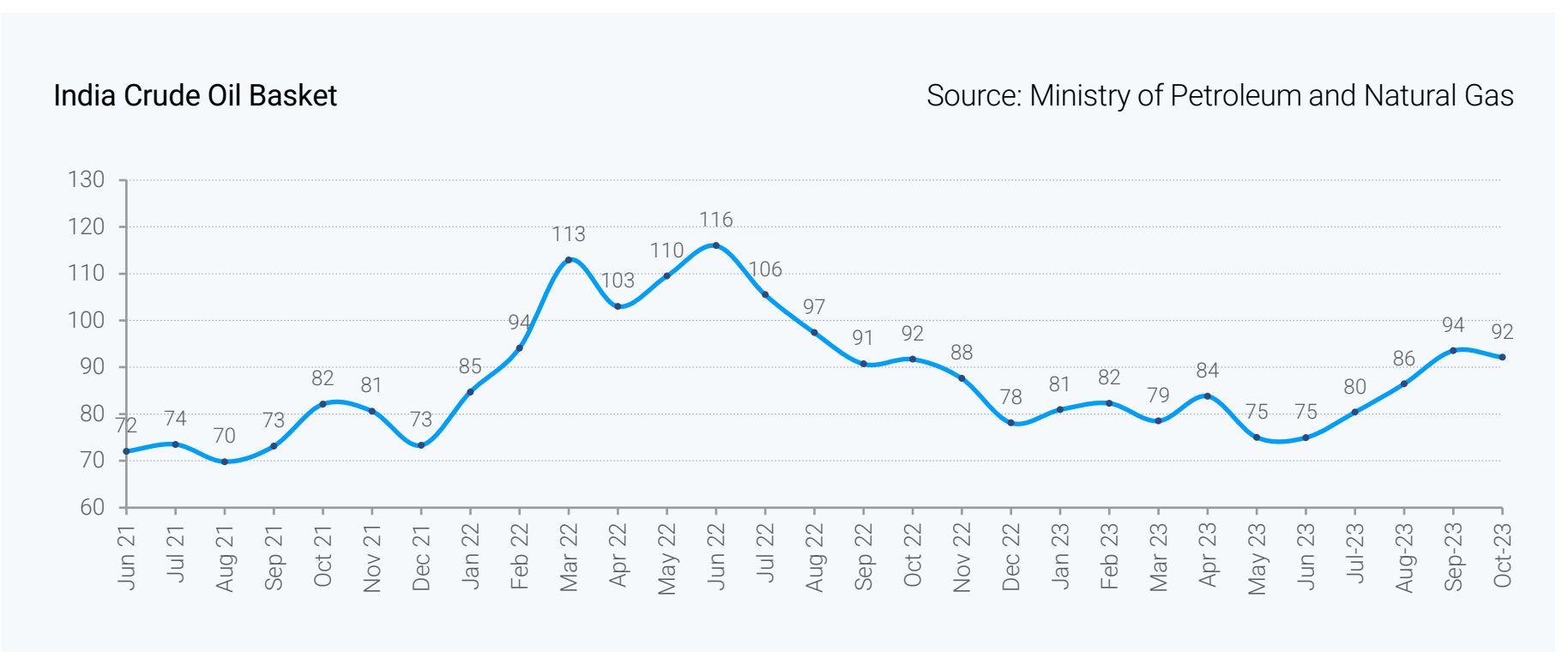
Purchase Managers Index

PMI or Purchasing Managers' Index is a survey-based measure that asks respondents about changes in their perception of some key business variables from the month before. A PMI of 50 indicates no change, over 50 indicates expansion in business activity and below 50 indicates contraction in business activity. The India September 2023 Manufacturing PMI stood at 55.1 compared to China 50.2, US 49.8, EU 43.4. US and EU manufacturing activity showed shrinkage, China was flat, while Indian manufacturing expanded, although at a lower level compared to August.



India Crude Oil Basket

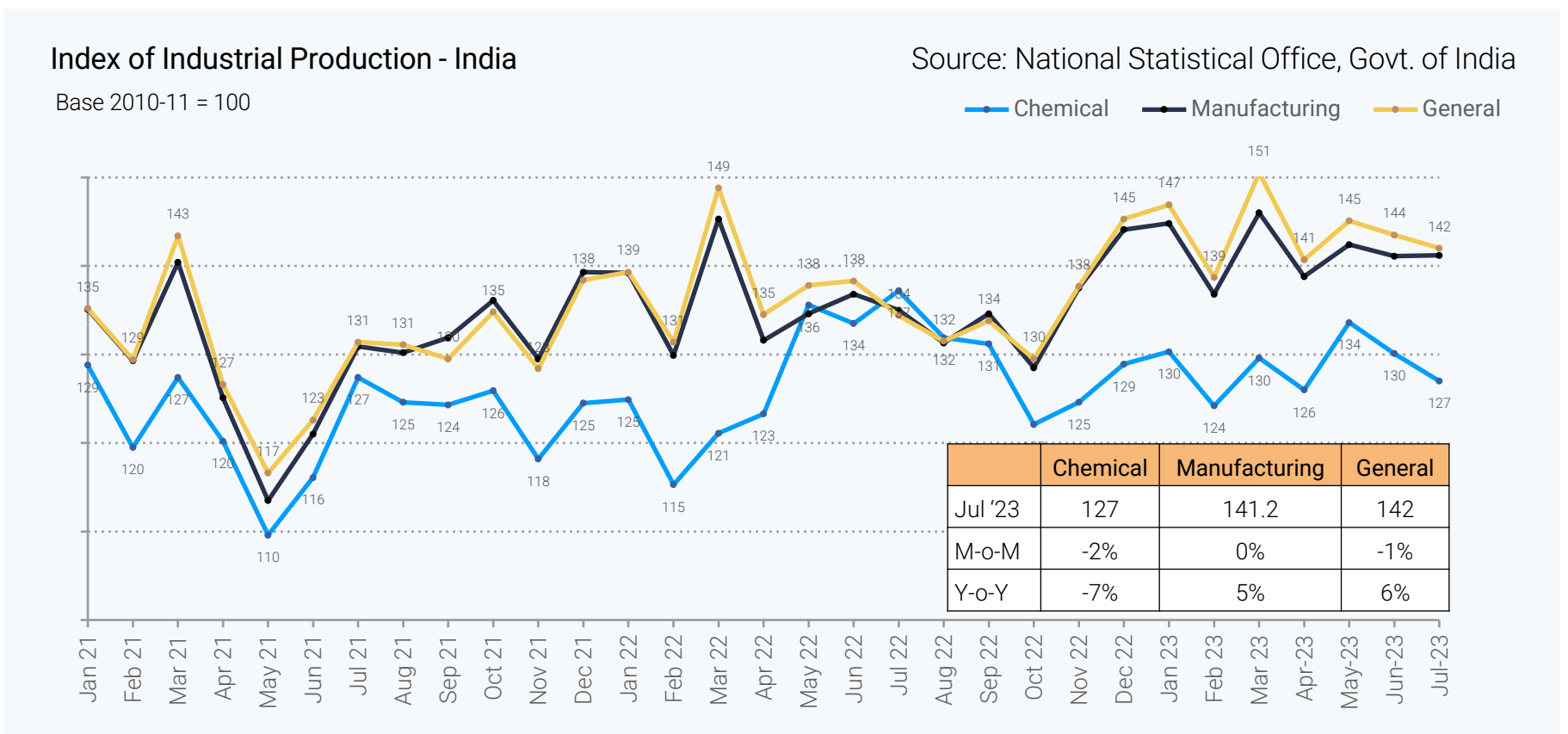
Crude is the key feedstock to the chemical industry. The India crude oil basket price is an indicator of the price of crude imports in India. The oil prices went down in early October 2023 price at \$92/barrel. This is 2% less than last month and 12% higher as compared to last year.



04 Chemicals Dashboard (contd.)

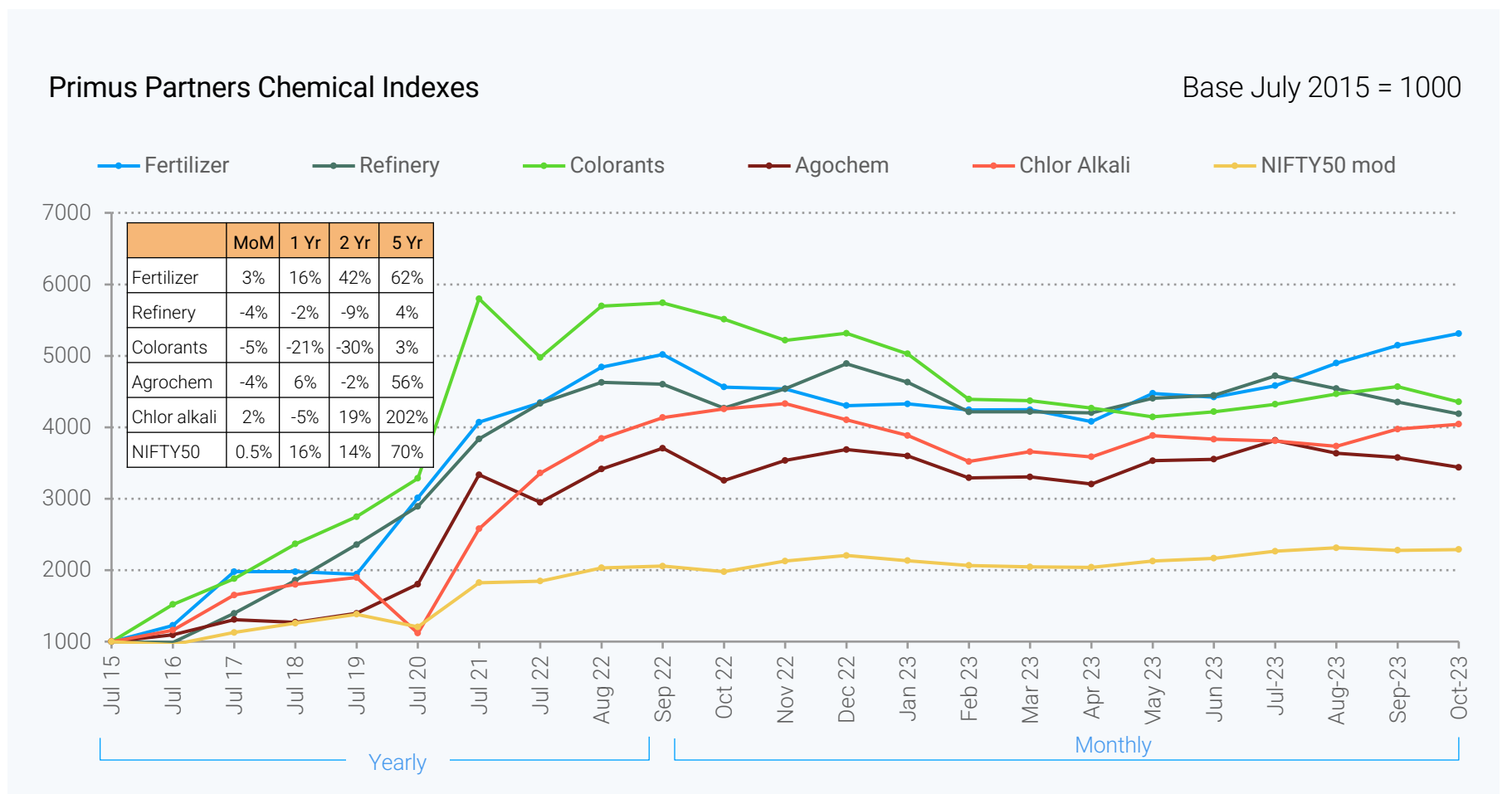
Index of Industrial Production

The Index of Industrial Production, which serves as a comprehensive survey indicator for IIP figures, exhibited an downward trend in July 2023 following a decline in Sep 2023. Specifically, the Chemical IIP experienced a 2% decline compared to the previous month and demonstrated a decline of -7% over July 2022.



Primus Partners Chemical Share Price Indexes

Primus Partners has developed the share price indexes of chemical segments. The base is taken at 1000 in July 2015. A basket of stocks in the segments shown in graph were taken and weighted for market capitalization and share of business in company. Nifty moved from 8510 in July 2015 to 18440 in early Sep 2023 indicating 2.167 x jump and is showing as 2167 on our index. The Chemical stocks have outperformed Nifty over a long term period but underperformed in the 1 month and 1 year period.



05 News

Market News



Gautam Adani prepared to go solo on hydrogen mega-project

August 10, 2023

India's Gautam Adani is prepared to spend billions of dollars on developing green hydrogen in India, after Total Energies SE put the partnership venture on hold. The French energy giant had agreed to buy a 25% stake in Adani New to help fund green hydrogen projects in India, as the world's third-largest polluter seeks to decarbonize. However, Total Energies suspended its investment in February, pending investigation of a short-seller's allegations of fraud at the Adani Group, charges that the conglomerate has denied.

Adani's first green hydrogen venture is a \$5 billion integrated facility that will include manufacturing plants for wind turbines, solar modules and renewable green generation capacity.

[Read more](#)



Auction of Critical mineral Blocks to Happen Soon

Oct 5, 2023

The auction of critical mineral blocks will take place in the next few weeks. Demand for these minerals is growing quickly as the clean energy transition is gathering pace. The periodicity of auction will depend on availability of mines and demand.

[Read more](#)



Government exploring solutions to address problem of grain supplies for ethanol making

Aug 04, 2023

The government is exploring options to address the issue of non-availability of feedstock like broken rice and maize that is being faced by ethanol manufacturers, Food Secretary Sanjeev has acknowledged the issue and assured that a decision to resolve it will be made soon. The government is focused on finding ways to support ethanol production despite these supply challenges.

[Read more](#)

Policy News



Transferring Petrochem Dept to MoPNG will aid in policy formulation

August 09, 2023

The parliamentary standing committee on petroleum and natural gas has recommended transferring back the Dept. of Petrochemicals to the Ministry of Petroleum and Natural Gas (MoPNG), which will lead to better policy formulation. The committee felt that transfer of Petrochemicals division from Ministry of Chemicals and Fertilizers to the MoPNG will benefit both the petroleum and the petrochemicals sectors through better policy formulation also utilizing the synergies between two sectors.

[Read more](#)



Cabinet approves viability fund for battery storage systems

Sep 13, 2023

Union Cabinet approved the scheme for Viability Gap Funding (VGF) for development of Battery Energy Storage Systems (BESS). The approved scheme envisages development of 4,000 MWh of BESS projects by 2030-31, with a financial support of up to 40% of the capital cost as budgetary support in form of Viability Gap Funding (VGF).

[Read more](#)



Government specifies green hydrogen standard for India

Aug 23, 2023

The Indian Government has announced the notification of a national green hydrogen standard.

The new standard states that to be classified as green, hydrogen produced in India must have well-to-gate emissions of no more than 2kg CO2 equivalent per kilogram of hydrogen produced.

[Read more](#)



Govt. to unveil green hydrogen mandate for refineries & fertilizer companies
India

Aug 20, 2023

The Ministry of New and Renewable Energy on Saturday notified the green hydrogen standard for India, outlining the emission thresholds for production of hydrogen that can be classified as “green”

With this India became one of the few countries to have a definition of green hydrogen.

[Read more](#)



NMC puts on hold regulation mandating prescription of generics

Aug 24, 2023

The National Medical Commission (NMC) has put on hold regulations that would have made it mandatory for doctors to prescribe generic drugs.

The NMC in its “Regulations relating to Professional Conduct of Registered Medical Practitioners” stated that all doctors must prescribe generic drugs, failing to which they will be penalised.

[Read more](#)

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PASSION

for providing solutions to help clients achieve their goals

RESPECT

for all and alternate viewpoints

INTEGRITY

of thoughts and actions

MASTERY

of our chosen subject to drive innovative and insightful solutions

US

representing the Primus collective, where each individual matters

STEWARDSHIP

for building a better tomorrow

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. 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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