



Chemicals & Petrochemicals: Advantage India

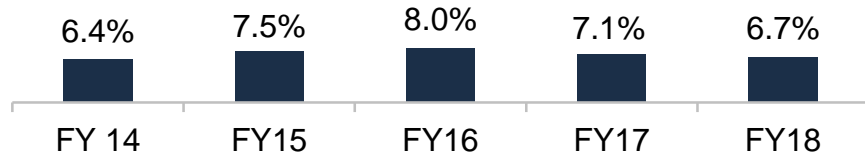
PRESENTATION BY P. RAGHAVENDRA RAO

SECRETARY, DEPARTMENT OF CHEMICALS & PETROCHEMICALS – GOVT. OF INDIA

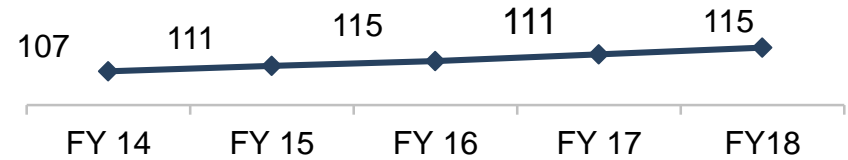
4TH OCT 2018

Key economic indicators have shown positive growth over past five years

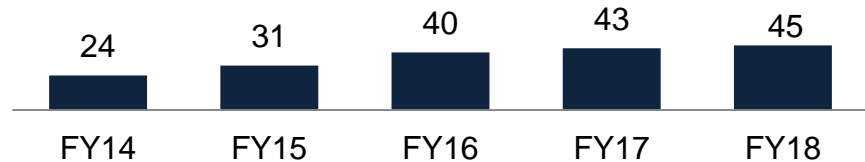
GDP Growth Rate (%)



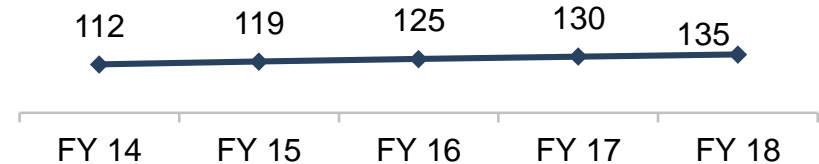
Index of Industrial Production¹



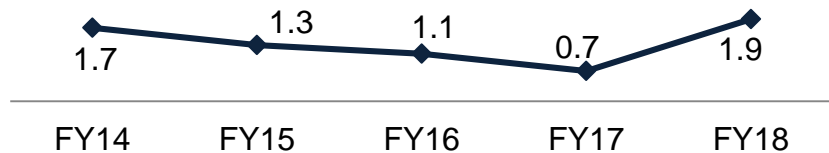
Foreign Direct Investments² (\$ Bn)



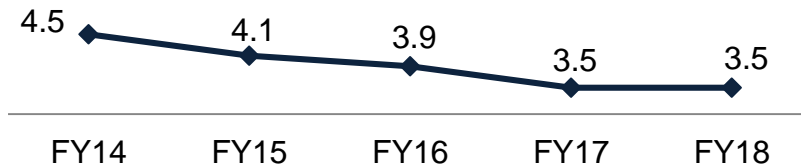
Consumer Price Index¹



Current Account Deficit (% of GDP)



Fiscal Deficit (% of GDP)

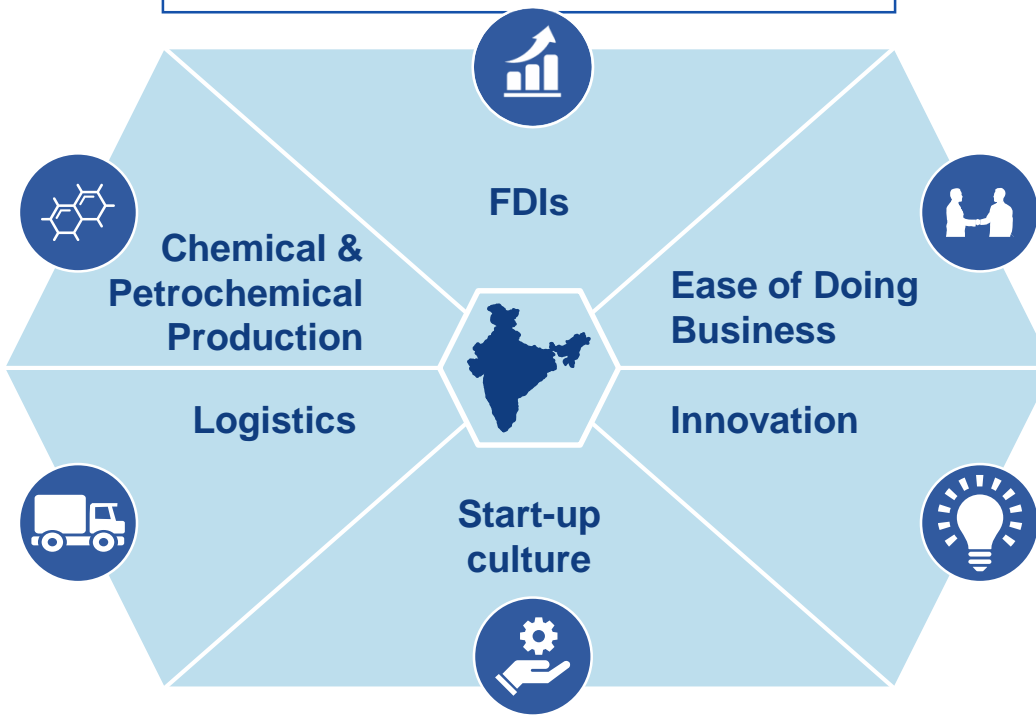


Notes : 1) Base FY12=100 2) Excluding Reinvested Earnings & other capital

SOURCE: Secondary research, TATA Strategic Research

India is establishing itself as a global investment destination

FDI inflows has grown by 6% in past 3 years and it is amounting to ~ USD 45 Bn in FY'18



In past 7 years production of total major chemicals and petrochemicals has grown by **6.2%**

Ranked **44** in WB's Logistics Performance Index Report 2018, Up by **10** places since 2014

Ranked **100** in WB's Ease of Doing Business 2017 report, In 2017, India improved its ranking by **30 positions**

Ranked **57** in Global Innovation Index 2018, Up **24** places since 2015

Ranked 3 in World with 7,837 start-ups after USA and UK

Contribution of Indian Chemical & Petrochemical Industry is growing

Indian CPC Industry



Vital Component of daily life. Covers > 80,000 products



Contributes 7.2% of manufacturing GVA and 1.2% of National GVA



Employs ~2 million people



7.8 % weight on IIP



Contributes >10% in India's exports

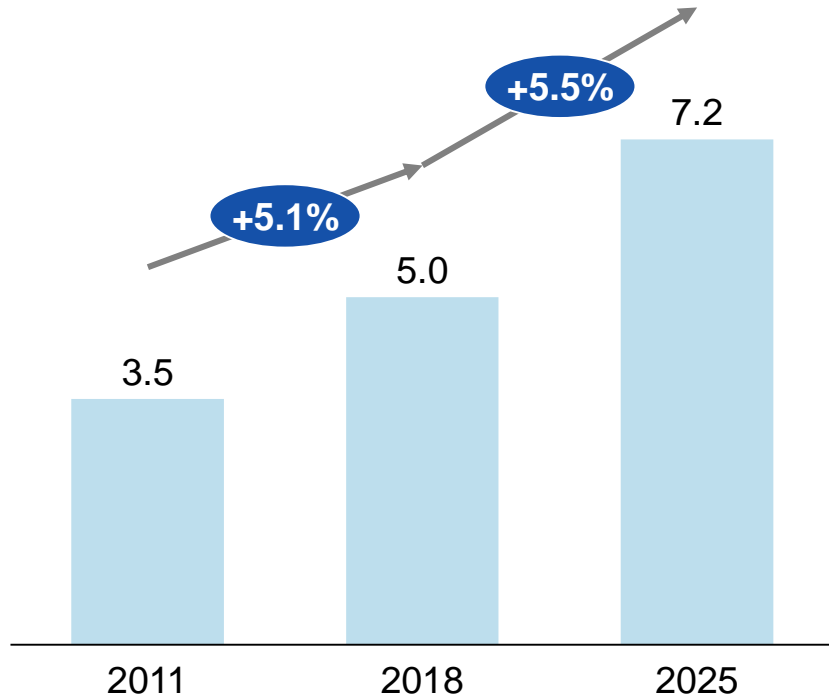


Contributes 4% to total FDI Equity Inflows

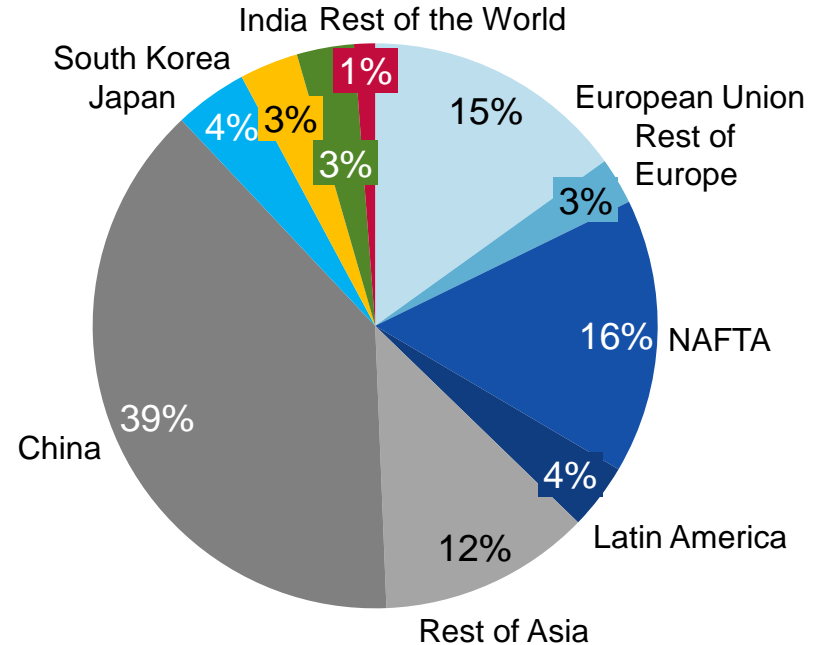
On a global scale, it accounts for ~3% of the global chemicals industry

India is one of the largest chemical markets and ranks 6th in the world by sales value

Global chemical industry (USD Tn)



Global Chemical Sales regional split¹



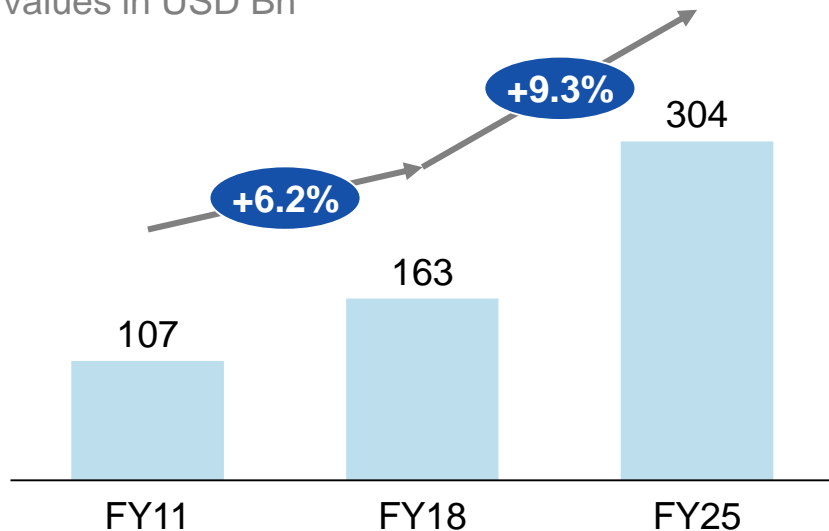
Notes : 1) 2016 estimates (Excl. Pharmaceuticals industry)

SOURCE: Industry Reports, Tata Strategic Analysis

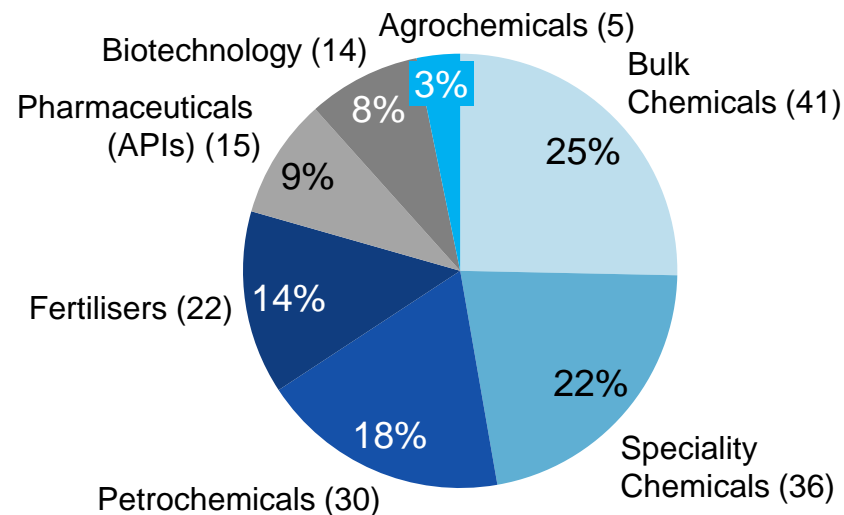
Indian chemical industry is poised to grow at a rate of 9.3% till FY25

Indian Chemical Industry: Future Outlook

Values in USD Bn



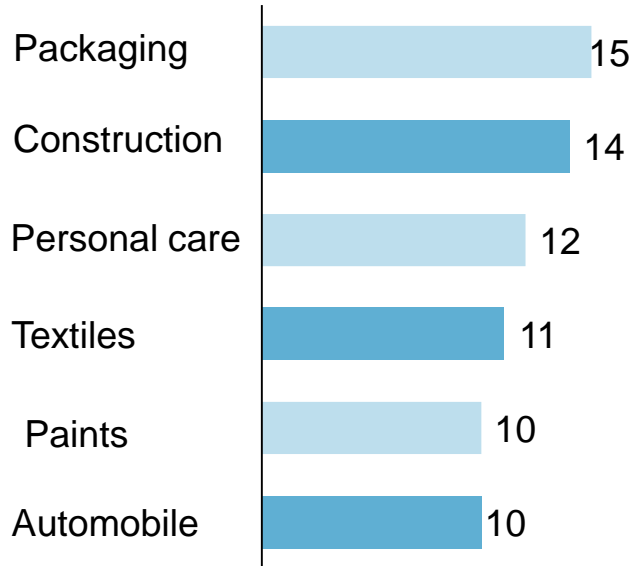
Indian Chemical Industry: Segment Split (FY18)



- Demographic Dividends, Low per capita consumption, increasing export demand and enabling government initiatives are the key growth drivers for the chemicals industry
- As per estimates Chemical Industry is expected to grow at 1.3 X GDP

Shift in customer preferences will push growth in several end-use industries

Key Industries & Growth Rate in India (Expected CAGR FY17-FY25)



Shifts in Customer preferences

- 1 **Stringent** emission norms
- 2 **Light weighting** for fuel efficiency
- 3 **Low VOC³** Paints
- 4 **Sustainable** Packaging solutions
- 5 **Milder**, safer and natural ingredients

India Vs World

- 1 **Lower** per capita consumption
- 2 **Highly** fragmented customer base
- 3 **Price** sensitive customers

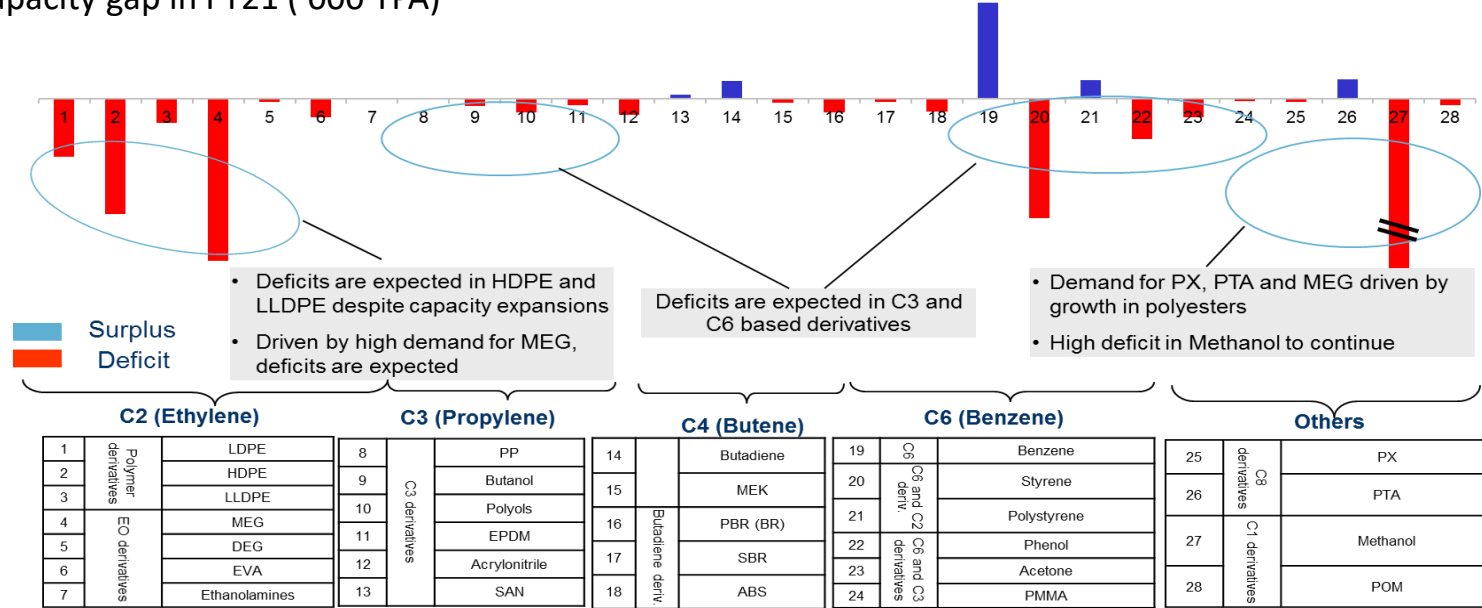
10-15% p.a growth in key end user industries to drive the market for Indian specialty chemicals

Notes : 1) Market size in USD Bn, 2) Market size in No of units, in millions 3) Volatile Organic Content

Source: Tata Strategic Estimates

Similarly demand for petrochemicals intermediates offers Make in India Opportunity

Demand-Capacity gap in FY21 ('000 TPA)






- To meet the growing demand, India will need 5 crackers by 2025, and additional 14 by 2040.
- Investment potential only in petrochemicals for these crackers is approximately ~ INR 475,000 Cr (~\$ 65 Bn).

Several actions have been taken by government to address industry challenges

KEY CHALLENGES & ACTIONS TAKEN SO FAR (1/2)

Challenges

Actions taken so far



<p>1</p> <h3>Infrastructure</h3> 	<ul style="list-style-type: none">▪ Roads: 17,055 km of highway projects awarded in FY 18▪ Rail: Rs 143,000 crore (US\$ 19.6 billion) budgeted as Capex for FY18▪ Port: Establishment of New Central Port Authorities Act, 2016 to provide more autonomy to the India's major ports
<p>2</p> <h3>Regulations & Licences</h3> 	<ul style="list-style-type: none">▪ Industrial licencing has been abolished for most sub-sectors except in hazardous chemicals▪ Simplified documentation and other licences to further improve ease of doing business ranking
<p>3</p> <h3>Availability of feedstock</h3> 	<ul style="list-style-type: none">▪ Reverse SEZ concept is being encouraged and facilitation to ensure access to feedstock

Government is committed to play facilitator's role to support industry growth











KEY CHALLENGES & REFORMS MADE SO FAR (2/2)

Challenges

Actions taken so far

4	Complex tax system 	<ul style="list-style-type: none">▪ Simplified indirect tax system by replacing 16 tax categories to one GST (Goods and Service Tax)
5	Skilled manpower & Labour law 	<ul style="list-style-type: none">▪ Sector-specific Skills Development programme supported through NSDC schemes▪ Implementation of e-governance to boost transparency and create business friendly environment
6	Integrated Chemical Parks 	<ul style="list-style-type: none">▪ Petroleum, Chemicals & Petrochemicals Investment Regions (PCPIR) policy is under revision to make it more effective

Key initiatives undertaken by the GOI are expected to have positive business Impact

Initiative	Government Support	End-use industries benefited	Business Impact ³
Make in India 	100% FDI under automatic route	Pharma, Textiles, Automobiles, etc 	Boost Chemical industry growth >9%
Swachh Bharat 	Financial target of INR 30,000 cr. for FY19 (USD 4.48 Bn)	Surfactants & Water Treatment Chemicals 	Surfactants & water treatment chemicals estimated to grow at 15%
Smart Cities 	Funding of INR 2.04 lakh cr. (USD 30.44 Bn)	Construction chemicals 	Market for construction chemicals expected to grow at 15%
Agricultural Reforms & Farmer's Welfare 	Budget estimation of INR 57,600cr. in FY19 (USD 8.36 Bn)	PVC & Agro-chemicals 	Market for PVC expected to grow at a CAGR of 12% & agrochemicals by 7.5%
Goods & Services Tax 	GST implemented with effect from 1st July 2017	Chemicals & Petrochemicals All End use Industries 	Improving efficiency, logistics cost reduction & Improving speed to market

Notes : 1) Exchange Rate: INR 67/USD 2) Upside calculated by considering the estimated increase in the growth rate after the initiatives 3) Growth Rates Till FY25

SOURCE: Primary interactions, Secondary research, Tata Strategic Analysis

**Making it easy & more
attractive for you**

Investor grows

**Economy grows, Nation
grows**



It is the right time to invest in INDIA

Thank You