

Sector Brief – September 2015

Current Updates:

Petrochemicals currently contribute about 30% to India's \$120bn worth chemical industry.

India consumes around 6.2 million tonnes of polymers, which represents approximately 3% of global consumption of 200 million tonnes.

India has become one of the biggest importers of petrochemicals, resulting in sizeable capital outflow apart from impacting the economy because of its inability to produce finished products and its consequent import resulting in sub-optimal wealth creation.

To meet the surging demand of petrochemicals, the petrochemicals industry is planning to more than \$25 bn.

India stands a good chance in providing a lucrative market to the world as the general trend in the global petrochemicals market has shifted to the Middle-East and Asia from the West.

Institutional investors saved the day for the government as the [Indian Oil Corporation](#) disinvestment sailed through amid a stock market crash. The issue, which will help the government raise Rs 9,300 crore, was subscribed 118 per cent, although retail portion received bids for only 18 per cent of the 4.8 crore shares reserved for this segment.

The government's 10 per cent stake sale in [Indian Oil Corp](#) (IOC) will not have any impact on the company's ratings according to [Moody's](#) Investors Service and [Fitch Ratings](#) as even after the stake sale, the government will continue to hold a majority stake of 58.57 per cent in IOC.

Fall in global crude oil prices because of Chinese crisis is expected to lower oil subsidy burden by Rs.18000 crore.

Higher excise duties have been slapped on petro-products which is expected to

Future Scenario:

China is expected to witness strong growth in its heat exchangers market due to growing demand from chemical, petrochemical and oil & gas industry.

The global chromatography market expected to reach USD 9.223 Billion by 2020 from USD 7.062 Billion in 2015, at a CAGR of 5.5%.

With the devaluation of Renminbi, Chinese imports into India could be set to increase. A more competitive renminbi would also mean that Indian exports to other countries, including China. This is especially true for the steel, tyre, chemical, electronic goods and petrochemical markets.

The Indian petrochemicals industry is estimated to reach \$100bn by the end of this decade, according to a study by the Associated Chambers of Commerce and Industry of India (ASSOCHAM).

Policy Announcement:

Navin Patnaik, Chief Minister Odisha, announced the state's new industrial policy, Industrial Policy Resolution (IPR-2015) that addresses most of the problems identified by the central government as harming investment interests in the country. New policy initiatives will usher in new investments in manufacturing sector and the focus areas will be auto components, ancillary and downstream industries, chemicals and petrochemicals, electronics system design & manufacturing (ESDM), food processing, IT/ITeS, plastics, and textiles. IPR 2015 will focus on ease of doing business framework and also on employment generation. Other incentives include grants for private sector investments in both greenfield and brownfield industrial infrastructure, power tariff subsidy, training subsidy, capital investment subsidy, reimbursement of value-added tax, stamp duty exemption, and concessional land cost for investments in specific sectors. Plans to set up an infrastructure development fund with an initial corpus of Rs 100 crore for developing external infrastructure services has been announced.