

Sector Brief – June 2015

Current updates:

India is emerging as Asia's refining hub and is the net exporter of petrochemicals to countries like Middle East, Korea, Japan and Singapore.

Indian chemical and petrochemical industry is one of the most diversified sectors covering more than 70,000 commercial products. The estimated size of the petrochemical market in India is USD 144 billion.

Market Matrix: State run IOC, BCPL and HPCL constitute 98% of fuel retail market with 52,864 outlets. Diesel comprises of around 55% of overall sales. RIL and Essar Oil together had around 17% share of the diesel market and 10% of petrol a decade ago.

Private players are making a comeback in the fuel retailing business while PSU entities are chalking out plans to hold onto their market shares. Essar has about 1500 operational pumps with another 1400 at various stages of implementation; it plans to scale up its sales units to 2500 within this year. Reliance plans to recommission 1400 outlets by the end of 2015-2016.

ONGC subsidiary Mangalore Refinery and Petrochemicals Ltd. (MRPL) is working on a new market strategy to bag market share. Since a government license is needed to operate petrol pumps in the country and MRPL has the same to operate in 500 filling stations, it shall use its parent ONGC's licenses to increase its market share. The parent company plans to put its existing license for 1100 stations in order to boost MRPL's plans. French energy company Total is in talks with MRPL for partnership in fuel retailing as well.

The Council of Scientific and Industrial Research – Indian Institute of Petroleum (CSIR-IIP) has developed nano-catalysts using new energy-efficient synthesis procedures which can be used in reactions to eliminate unnecessary by products and energy consumption in an economically viable manner with minimal wastes.

India's high density polyethylene (HDPE) market is poised for a slight surplus in 2015 with new plants coming on stream in two months, and the excess would likely be shipped out to China. The new plants are likely to come online by July 2015.

Essar oil is in the process of ramping up the production of coal bed methane (CBM) by four times. 120 wells have already been placed on gas production and additional 142 wells have been drilled at various stages of gas production.

The total production of Indian Chemical Industry was 19308 thousand metric tonnes in 2013-2014.

Foreign Direct Investment (FDI) in Chemical sector in FY '15 i.e. During the period of April- August 2014 grew by 3.36% at Rs. 2418 crore as against Rs. 2100 crore during the same period of the previous year. However this was lower than the growth rate of 4.30% registered in April-August of 2013. Cumulatively, the sector's FDI inflows from April 2000- March 2014 stood at Rs. 47,652 crore contributing to 4% of the total India's FDI.

Future Trend:

The Indian Chemical industry is expected to reach the USD 200 billion mark by 2020.

India is the 13th largest country in terms of ethylene capacity and proposes enhancing the refining capacity to 300 mmtpa in 2017 from the current 190 mmtpa.

Indian Pesticides and agro chemical industry was of the size \$ 4.25 billion in FY'14 and is expected to grow at 12-13% to reach \$ 7.5 billion by FY'19.

Fertilizer demand in India is expected to grow at 3% CAGR from FY'13 to reach 70 mn tones in FY'18, higher than the global growth rate of 12% during the same period.

The PCPIR (Petroleum, Chemical, Petrochemical Investment Region) proposals collectively are expected to create infrastructure worth INR 39,744 crore and are expected to generate industrial investment worth INR 4,86,180 crore.

Policy Announcements:

Indian government has set ambitious plans of setting up Petroleum Chemicals and Petrochemicals Investment Regions (PCPIRs) in Gujarat, Andhra Pradesh, West Bengal and Odisha to accelerate country's industrial growth. The PCPIR policy aims for an integrated approach to promote growth and investment in petroleum, chemicals and petrochemicals sectors through use of common infrastructure and support services. PCPIR proposals have already been approved for Andhra Pradesh, Gujarat and West Bengal.

Industrial licensing has been abolished for most sub sectors except for certain hazardous chemicals. No licenses are required for production of most chemicals including organic, inorganic, dyestuff and pesticides.