

## Chemicals industry to see major improvements in coming period

AUG 12, 2015

The chemical industry is a knowledge as well as capital intensive industry. It is an integral constituent of the growing Indian Industry with 70,000 commercial products. It includes basic chemicals and its products are used for petrochemicals, fertilizers, paints, varnishes, gases, soaps, perfumes and toiletry and pharmaceuticals. The diversification within the chemical industry is large and covers more than eighty thousand commercial products. This Industry occupies a pivotal position in meeting basic needs and improving quality of life. The industry is the main stay of industrial and agricultural development of the country and provides building blocks for several downstream industries, such as textiles, papers, paints, soaps, detergents, pharmaceuticals, varnish etc.

The chemicals industry is a key constituent of the Indian economy, accounting for about 2.11% of the nation's GDP. India is the sixth largest producer of chemicals in the world and the third largest producer in Asia. India accounts for approximately 7 per cent of the world production of dyestuff and dye intermediates and is currently the world's third largest consumer of polymers and fourth largest producer of agrochemicals.

### Industry performance

Indian chemical industry though has grown over 20 times in the last 17 years, it has only unearthed a fraction of its prospect. The per capita consumption of chemicals in India is much lower than the western countries - for a country of 1.25 billion the industry was valued only at \$ 144 billion in FY14.

The market size of the chemical industry is expected to grow to \$350 billion by 2021. With 71 per cent of the total production share, alkali chemicals form the largest segment in the Indian chemical industry. During FY14, the production of alkali chemicals stood at 6,265 million tonnes (MT).

### Export

The share of Chemical products in the overall exports in FY15 stood at 10.25%. The country's exports of chemicals and petrochemicals amounted to \$31,732.12 million (Provisional) for the period April-March 2015, up by 3.05%, as compared to \$30,793.62 million export in FY14. During March 2015, India's export increased 21.93% to \$2,926.63 million as compared to \$2,400.19 million in February 2015.

### Import

Compared to exports, imports into the country are of high volume, low value chemicals. In addition, there are numerous chemicals that are not manufactured in the country, for which the country has to solely depend on imports. For example, methylene diphenyl diisocyanate is not manufactured in the country; hence MDI has to be imported for any domestic use. At present, India is the net importer of chemicals as the availability to feedstock is a major challenge. Add to this woe is the inverted duty structure where raw materials (inputs) are taxed at higher rate than the end product. This discourages local manufacturing. India is highly import dependant for most of its chemical needs.

However, it is placed at a point of inflection for rapid growth. India can explore many alternative feedstock options such as coal gasification, syngas, pet coke, etc. If right technologies are used, the challenge of feedstock can be solved, provided the government encourages investment in new technologies. During March 2015, the country's import grew 6.85% to \$2,681.41 million as compared to \$2,509.51 million in February 2015.

### **Investment in Chemical Industry (Other than fertilizer)**

The Government of India has approved 100 per cent foreign direct investment (FDI) in the chemicals sector. The Chemical Industry (Other than fertilizer) attracted FDI worth \$50.93 million or Rs 319.57 crore in April 2015.

### **Recent developments**

#### **Cabinet approves comprehensive New Urea Policy 2015**

The Union Cabinet has given its approval to a comprehensive New Urea Policy 2015 for the next four financial years. The Policy has multiple objectives of maximizing indigenous urea production and promoting energy efficiency in urea units to reduce the subsidy burden on the Government. Savings in energy shall reduce the carbon-footprint and would thus be more environment friendly. It will enable the domestic urea sector having 30 urea producing units, to become more energy efficient and would rationalize the subsidy burden and incentivize urea units to maximize their production at the same time. The policy will ensure timely supply of urea to farmers at same Maximum Retail Price (MRP) with lesser financial burden on the exchequer. It will also reduce import dependency in the urea sector. Urea units would adopt best available technology in the world and will become globally more competitive. The Policy will result in direct saving of subsidy of around Rs 2618 crore and indirect saving of Rs 2211 crore (total savings will be Rs 4829 crore) on account of revised specific energy consumption norms and import substitution respectively during the next four years. It is expected to result in additional production of around 20 lakh/MT annually.

#### **Ministry of Chemicals inks 3 MoUs with the Ministry of Skill Development**

The Ministry of Chemicals and Fertilizers has signed three Memorandum of Understandings (MoUs) with the Ministry of Skill Development and Entrepreneurship to address the industry's need of skilled manpower. The MoUs were signed with the understanding to collectively address the incremental human requirement in the fertilizer, pharmaceutical and chemicals & petrochemical industry. As part of the agreement, the standards and quality assurance processes will be set to facilitate implementation of various projects. All the three Departments under the Ministry of Chemicals and Fertilizers will dovetail their budget under the existing or new schemes for implementation of all the initiatives agreed under the MoUs. This would also include advocacy and marketing, training, certification and setting up of project management unit, if required.

Cabinet approves setting up of a new Ammonia-Urea Complex at Namrup in Assam

The Union Cabinet has given its approval for setting up of a new Ammonia-Urea Complex of 8.64 Lakh Metric Tonnes annual capacity with an estimated investment of Rs 4500 crore at Namrup in Assam on Public Private Partnership (PPP) route by a Joint Venture (JV). In the proposed JV, a PSU of Department of Fertilizers namely Brahmaputra Valley Fertilizer Corporation Limited (BVFCL), Government of Assam and Oil India Limited (another PSU) shall have 11%, 11% and 26% equity holding respectively and balance 52% by private/public sector entity(ies) which would be inducted through a competitive bidding process. The Cabinet also approved the financial restructuring of BVFCL by waiving off entire cumulative interest (Rs 774.61 crore as on 31.03.2015) till date accrued on GOI loans & a loan of Rs 21.96 crore and conversion of GOI loans of Rs 594.71 crore as interest free loan. It will enable the BVFCL to participate as equity partner in this project and will sustain the operation of the existing plants during the interim period till the new plant comes into operation. The setting up of a new Ammonia-Urea Complex will meet the growing demand of urea of North-East, Bihar, West Bengal and Jharkhand. It will also ease the pressure on infrastructure due to long distance transportation of Urea from Western and Central Regions and thereby saving in govt. subsidy on freight. It will accelerate the economic development of the region. The proposed plant will open new avenues for the people of the North-East.

### **Corporate developments in Chemical industry:**

- The Gujarat State Fertilisers & Chemicals (GSFC) will invest Rs 10,000 crore for setting up four new projects at Dahej near Vadodara. These new projects are urea, ammonia, caprolactam (raw material for manufacturing of nylon) and MMA. These are green field projects to be set up on 300 hectares of land, already acquired by the company.
- Germany-based Henkel AG will invest about 30 million euro (around Rs 210 crore) to set up an adhesives plant near Pune in Maharashtra through its subsidiary Henkel Adhesive Technologies India. The investment is part of its global strategy to strengthen presence in the emerging markets.
- The Fertiliser Ministry plans to increase the capacity of NFL's plant at Nangal in Punjab by 13 lakh tonnes (LT). At present, National Fertiliser's Nangal unit has an installed capacity of 4.785 LT.
- State-run Rashtriya Chemicals and Fertilisers (RCF) has entered into an agreement with Turkmenistan state firm Turkmenhimiya for urea import for three years till 2018. The company will also explore the opportunities on supplies of muriate of potash and other chemical products in the future.
- In order to ensure long term availability of urea in the country, the government is facilitating setting up of a urea/ ammonia joint venture project in Iran with capacity to produce 1.3 million tone urea for import to India.

### **Outlook**

India's share in export of global chemicals is less than 2 per cent. In terms of finished goods, the domestic manufacturing industry has grown by 4 per cent in the last three years whereas the imports have grown by over 20 per cent for the same period. India offers huge consumption

market for chemical companies, however the government will have to create favourable conditions (i.e, in terms of policies & infrastructure) to entice global and Indian firms to invest in manufacturing facilities in the country. Meanwhile, 'Make in India' will play a pivotal role in driving some of the key initiatives to stimulate growth in the chemical industry.

### Companies Financial Data In Industry

Company Name	CMP	MCAP	BOOK VALUE	DIV. YEILD %	TTM EPS	TTM PE
Polson Ltd.	6600.00	79.20	3767.50	0.00	545.00	12.11
Chembond Chemicals Ltd.	449.20	299.90	288.68	0.67	216.13	2.08
Atul Ltd.	1363.15	4043.34	362.69	0.62	73.39	18.57
Solar Industries (India) Ltd.	3643.70	6594.37	304.54	0.25	61.66	59.09
Navin Fluorine International Ltd.	1308.50	1278.38	603.16	1.22	60.42	21.66
Oriental Carbon & Chemicals Ltd.	558.00	574.52	250.46	1.52	54.14	10.31
Anil Ltd.	254.40	248.45	317.75	0.79	52.71	4.83
Elantas Beck India Ltd.	1334.25	1057.75	196.76	0.34	47.32	28.20
Foseco India Ltd.	1441.75	920.77	173.24	1.46	45.50	31.69
Indo Borax & Chemicals Ltd.	319.60	102.56	241.06	0.47	38.70	8.26
Camphor & Allied Products Ltd.	387.50	198.93	260.86	0.39	37.51	10.33
Gujarat Fluorochemicals Ltd.	699.00	7678.52	262.42	0.50	35.73	19.56
Thirumalai Chemicals Ltd.	260.00	266.21	165.00	1.54	33.25	7.82
Ashok Alco-Chem Ltd.	145.60	66.98	46.94	0.00	32.66	4.46
Gulshan Polyols Ltd.	380.40	337.92	234.22	0.46	31.87	11.94
Sukhjit Starch & Chemicals Ltd.	257.00	189.66	279.07	1.95	30.10	8.54
Gujarat Alkalies & Chemicals Ltd.	188.50	1384.29	296.94	2.39	29.26	6.44
Transpek Industry Ltd.	326.40	191.66	130.88	1.53	26.11	12.50
Keltech Energies Ltd.	472.80	47.28	364.61	0.53	23.89	19.79
Vinati Organics Ltd.	490.70	2531.57	90.15	0.71	23.79	20.63
Aarti Industries Ltd.	443.65	3930.37	109.35	1.24	23.40	18.96
Dai-Ichi Karkaria Ltd.	440.10	327.93	120.61	0.57	22.41	19.64
Alkyl Amines Chemicals Ltd.	276.00	562.94	85.70	1.45	22.27	12.39
Narmada Gelatines Ltd.	169.60	102.60	175.18	2.06	20.76	8.17
DIC India Ltd.	686.00	629.68	296.93	0.00	19.23	35.67
GHCL Ltd.	132.65	1326.76	83.09	1.66	18.49	7.18
Aditya Birla Chemicals (India) Ltd.	227.50	532.04	199.42	2.20	18.43	12.34
Vishnu Chemicals Ltd.	501.30	598.85	76.18	0.40	18.34	27.34
Pondy Oxides & Chemicals Ltd.	121.50	67.75	62.08	1.65	17.40	6.98
Jocil Ltd.	158.40	140.68	171.95	3.79	15.61	10.15
Sree Rayalaseema Hi-Strength Hypo Ltd.	74.95	110.30	116.68	2.00	13.16	5.69
Balaji Amines Ltd.	143.10	463.66	77.32	0.70	12.69	11.28
Dhunseri Petrochem Ltd.	99.40	348.15	171.42	4.02	12.57	7.91
National Peroxide Ltd.	604.25	347.26	368.25	0.83	11.89	50.84
Pidilite Industries Ltd.	589.90	30241.98	50.11	0.49	10.87	54.28
Sharda Cropchem Ltd.	330.00	2977.28	68.43	0.76	10.37	31.83
Omkar Speciality Chemicals Ltd.	204.30	420.41	81.41	0.73	9.42	21.70

Mysore Petro Chemicals Ltd.	65.80	43.32	46.00	3.04	9.39	7.01
Chemfab Alkalis Ltd.	89.55	82.13	142.99	1.40	9.32	9.61
IG Petrochemicals Ltd.	160.00	492.72	87.06	0.63	8.88	18.01
IVP Ltd.	90.35	93.30	55.00	2.21	8.82	10.24
India Gelatine & Chemicals Ltd.	94.10	88.45	128.16	1.59	7.63	12.33
Jayant Agro-Organics Ltd.	113.30	169.95	126.66	0.88	7.45	15.21
Kesar Petroproducts Ltd.	196.20	142.58	20.01	0.51	7.02	27.95
Adi Finechem Ltd.	178.50	246.22	41.63	1.40	6.59	27.11
Dharamsi Morarji Chemical Company Ltd.	52.15	110.86	10.29	0.00	6.58	7.93
Nitta Gelatin India Ltd.	146.50	133.01	135.52	0.68	6.01	24.36
Vinyl Chemicals India Ltd.	69.05	126.62	19.37	2.17	5.86	11.79
Vikram Thermo (India) Ltd.	65.20	36.40	51.92	1.15	5.59	11.67
GeeCee Ventures Ltd.	87.80	167.05	153.77	1.71	5.51	15.94
Deepak Nitrite Ltd.	69.65	728.11	34.38	1.44	5.46	12.75
Jyoti Resins & Adhesives Ltd.	14.55	5.82	15.06	0.00	5.39	2.70
Shivalik Rasayan Ltd.	50.75	17.36	32.87	0.00	5.38	9.43
Sadhana Nitro Chem Ltd.	31.75	29.21	1.23	0.00	5.13	6.19
Mangalam Organics Ltd.	25.60	23.17	57.95	0.00	4.64	5.52
Alufluoride Ltd.	16.94	11.86	24.52	0.00	4.34	3.90
Kanoria Chemicals & Industries Ltd.	49.50	216.28	113.40	3.03	4.08	12.14
Nocil Ltd.	47.85	769.37	26.75	2.09	3.94	12.14
Premier Explosives Ltd.	390.00	345.48	68.23	0.51	3.73	104.44
Supreme Petrochem Ltd.	126.30	1218.82	39.00	1.19	3.70	34.14
Godrej Industries Ltd.	394.60	13255.55	49.73	0.44	3.69	106.99
Riddhi Siddhi Gluco Biols Ltd.	330.40	235.79	1277.11	0.91	3.59	91.96
Tyche Industries Ltd.	57.40	58.84	44.76	0.87	3.58	16.02
Haryana Leather Chemicals Ltd.	25.20	12.37	49.87	2.78	3.07	8.20
Amines & Plasticizers Ltd.	27.65	76.07	14.45	0.72	2.89	9.58
Sree Rayalaseema Alkalies & Allied Chemicals Ltd.	16.75	131.86	36.47	0.00	2.76	6.06
Camlin Fine Sciences Ltd.	99.80	956.96	10.77	0.45	2.69	37.04
Titan Bio-Tech Ltd.	28.10	21.75	26.95	2.67	2.13	13.20
Tanfac Industries Ltd.	38.25	38.15	4.71	0.00	1.99	19.17
Indo Amines Ltd.	33.55	110.44	14.20	1.49	1.90	17.62
Vivid Global Industries Ltd.	14.50	6.43	8.62	3.45	1.56	9.31
Vasundhara Rasayans Ltd.	33.45	10.63	23.06	1.49	1.53	21.83
Grauer & Weil (India) Ltd.	21.40	485.15	9.73	1.03	1.46	14.62
Fineotex Chemical Ltd.	34.85	391.36	6.30	0.29	1.00	34.94
Alkali Metals Ltd.	49.20	50.10	48.91	0.00	0.90	54.57
Gayatri Bio Organics Ltd.	12.50	63.66	1.98	0.00	0.77	16.19
Swarnajyothi Agrotech & Power Ltd.	1.93	4.91		0.00	0.72	2.69
Resonance Specialties Ltd.	19.70	22.74	13.57	2.54	0.66	30.00
Kanchi Karpooram Ltd.	23.25	9.63	17.76	6.45	0.62	37.62
Vikas WSP Ltd.	9.87	135.65	103.52	0.00	0.48	20.72
CJ Gelatine Products Ltd.	8.25	3.97	26.39	0.00	0.38	21.58
Bhansali Engineering Polymers Ltd.	15.50	257.15	6.81	0.65	0.33	47.64
Insilco Ltd.	25.40	159.30	14.28	0.00	0.23	111.87



Vikas Granaries Ltd.	8.70	15.76	52.91	0.00	0.22	40.01
Ram Minerals and Chemicals Ld.	230.00	946.63	5.66	0.00	0.10	0.00
Kilburn Chemicals Ltd.	19.90	16.30	81.73	0.00	0.08	239.68
Fischer Chemic Ltd.	3.25	1.12	-0.01	0.00	0.08	41.41
Gujarat Metallic Coal & Coke Ltd.	28.30	5.61	107.68	0.00	0.08	373.68
Square Four Projects India Ltd.	44.60	43.75	5.34	0.00	0.06	717.18
Maharashtra Polybutenes Ltd.	1.46	22.76	1.70	0.00	0.03	54.85
Ganesh Benzoplast Ltd.	10.81	55.98	-16.35	0.00	0.02	708.59
Jagran Production Ltd.	0.36	25.66	1.02	0.00	0.01	69.36
Padmanabh Industries Ltd.	17.29	7.91	8.31	0.00	-0.02	0.00
Roselabs Ltd.	5.52	5.52	10.25	0.00	-0.04	0.00
Laffans Petrochemicals Ltd.	8.55	6.84	67.00	0.00	-0.05	0.00
Beardsell Ltd.	50.00	23.42	69.47	2.00	-0.21	0.00
Emmessar Biotech & Nutrition Ltd.	12.96	6.47	2.93	0.00	-0.24	0.00
Lords Chloro Alkali Ltd.	25.00	62.88	12.99	0.00	-0.27	0.00
DCW Ltd.	22.40	478.23	25.90	0.00	-0.28	0.00
Noble Explochem Ltd.	16.02	30.80	22.85	0.00	-0.42	0.00
Refinol Resins & Chemicals Ltd.	8.03	2.48	-9.70	0.00	-0.54	0.00
Standard Industries Ltd.	29.15	187.52	16.87	2.57	-0.62	0.00
Tirupati Starch & Chemicals Ltd.	11.00	6.70	19.96	0.00	-1.96	0.00
Syschem (India) Ltd.	8.19	13.03	10.52	0.00	-2.43	0.00
Ritesh International Ltd.	4.25	3.63	12.49	0.00	-2.49	0.00
Link Pharma Chem Ltd.	13.16	5.84	19.23	0.00	-2.55	0.00
Diamines & Chemicals Ltd.	41.15	40.26	30.79	0.00	-2.66	0.00
Sunshield Chemicals Ltd.	576.50	423.90	23.99	0.00	-4.33	0.00
Punjab Alkalies & Chemicals Ltd.	21.75	44.66	-7.44	0.00	-6.30	0.00
Avon Organics Ltd.	51.85	116.66	6.51	0.00	-9.50	0.00
Jayshree Chemicals Ltd.	7.71	22.61	2.15	0.00	-9.72	0.00
IOL Chemicals & Pharmaceuticals Ltd.	92.60	471.85	40.77	0.00	-13.08	0.00
Shri Aster Silicates Ltd.	4.81	11.32	25.65	0.00	-13.50	0.00
India Glycols Ltd.	108.40	335.62	148.80	0.00	-17.74	0.00
Borax Morarji Ltd.	37.10	16.77	-19.64	0.00	-26.04	0.00
Cochin Minerals & Rutile Ltd.	96.15	75.29	106.26	1.04	-27.09	0.00
Hindustan Organic Chemicals Ltd.	16.05	107.81	-121.04	0.00	-31.09	0.00
Kemrock Industries & Exports Ltd.	21.50	43.71	52.79	0.00	-85.82	0.00

Sorted with TTM EPS (High to Low)

**Source – Ace Equity**

### Disclaimer

This report is for private circulation within the Indira Group. This report is strictly confidential and for information of the selected recipient only and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form. This report should not be construed as an offer or solicitation to buy or sell any securities or any interest in securities. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or any such factor. The information, opinions estimates and forecasts contained here have been obtained from, or are based upon, sources we believe to be reliable, but no representation of warranty, express or implied, is made by us to their accuracy or completeness. Opinions expressed are our current opinions as of the date appearing on this material only and are subject to change without notice.