INDIAN CHEMICAL INDUSTRY POISED TO GROW BY 140% TO US$ 200 BILLION BY 2020: FICCI, TATA STRATEGIC, ROLAND BERGER STRATEGY REPORT

NEW DELHI, October 27, 2010. The outlook for Indian chemical industry is strong and its size is expected to grow by 140 per cent from US$ 83 billion in 2009-10 to well over US$ 200 billion in 2020. This is in sharp contrast to the slow turnaround being witnessed by the global chemical industry because of subdued demand in near future and reduced margins due to poor capacity utilization and it might take two to three years before the global chemicals industry is back to the growth rate levels of 9 per cent between 2004-2008.

This prognosis is held out by **a report by FICCI, Tata Strategic and Roland Berger Strategy Consultants.**

The report notes that the size of India's chemical industry could be larger than US$ 200 billion in the next 10 years, if the key challenges being faced by the industry are tackled head on. Some of the major challenges are access to feedstock, access to technology, effective distribution channels and development of strong support infrastructure. Focus on innovation and sustainability will be the key to succeeding in the future. In recent years, both production and consumption centres have been moving eastward. This coupled with a strong demographic dividend and skilled workforce would lead to development of improved manufacturing capability. Growing domestic market would require companies to have customized R&D and local application development to be successful.

The key growth drivers for the industry are the rising per capita income, strong end-use industry growth and evolving customer needs. India is today seen as a growth market for many western companies. Domestic companies have built significant assets and have the opportunity to leverage them and will need to strengthen them further to withstand global competition. It could be worthwhile to explore partnerships, in select areas, for mutual beneficial development.

Base chemicals is the largest segment of the Indian chemicals industry, accounting for 53 per cent of the total industry, followed by pharmaceuticals with 24 per cent.

Base chemicals has a larger share of the domestic chemicals industry vis-à-vis global. Base chemicals are raw material driven; bulk manufacturing chemicals produced by standardized reactions unlike pharmaceuticals, and specialty chemicals which are more R&D intensive, high value, low volume chemicals. Petrochemicals (Olefins and aromatics) form the largest sub-segment of the base chemicals industry. Olefins demand in India is expected to grow at 10 per cent per annum while aromatics demand is expected to grow at 12 per cent per annum over the next four-five years.

Pharmaceuticals is the second largest segment with 24 per cent share. Over the last 30 years, India's pharmaceutical industry has evolved from being a marginal global player to becoming a world leader in the production of high quality generic drugs. India exports pharmaceutical products to more than 200 countries. The Indian formulations market is estimated at US$12.6 billion in FY09 and expected to reach US$25.6 billion in FY14, driven by a strong domestic market and increasing exports.

Indian specialty chemicals industry is expected to return to pre-recession growth in the next couple of years primarily driven by large demand in end use industries like automotives, electronics, packaged food, textiles etc. and strong domestic capability being supplemented by both domestic and international investments. Many foreign companies have made significant commitments to India and have plans to continue to invest over the long term not only because of the abundant availability of skilled and cheap labor but also because of the certainty of potentially huge markets.

Biotechnology accounts for 3 per cent of the total chemicals industry. Indian biotechnology industry crossed the US$ 3 billion mark in FY10, registering a y-o-y growth of 17 per cent. The industry is fragmented in nature with presence of over 300 domestic and international companies. However, it is witnessing several partnerships/ acquisitions as companies try to expand capabilities and capacities.

Agrochemicals comprise only 2 per cent of the total industry as compared to global 9 per cent. The agrochemicals consumptions in India (590 gms/hectare) is low compared to global standards of 10-12 kg/ hectare. Indian agrochemicals industry is largely exports driven with over 60 per cent of production being exported to USA, U.K., Russia, Europe, South Africa, Bangladesh, Malaysia etc.

Tata Strategic and Roland Berger Strategy Consultants, the knowledge partners for FICCI IndiaChem 2010, to be held in Mumbai from October 28-30, 2010. IndiaChem, organized by FICCI along with the Department of Chemicals and Petrochemicals, Government of India, is the largest event of the chemicals and petrochemicals industry in India.

MEDIA DIVISION

Taresh Arora
Media Relations Officer
Tel : 23736307 & 23357392 (Direct)
9899115719 (Mobile)
23753119 (Fax)