



2020's: Catalyzing Indian Specialty Chemical Industry to emerge as a Global Powerhouse

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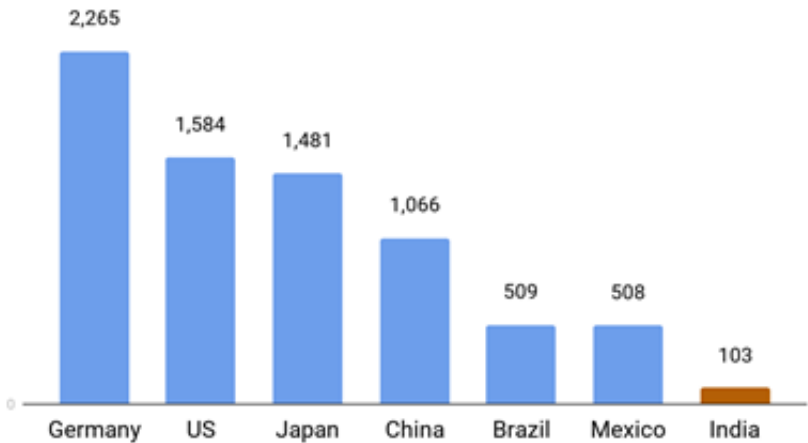
Chairman & Managing Director, **Aarti Industries Limited**

17 March 2021



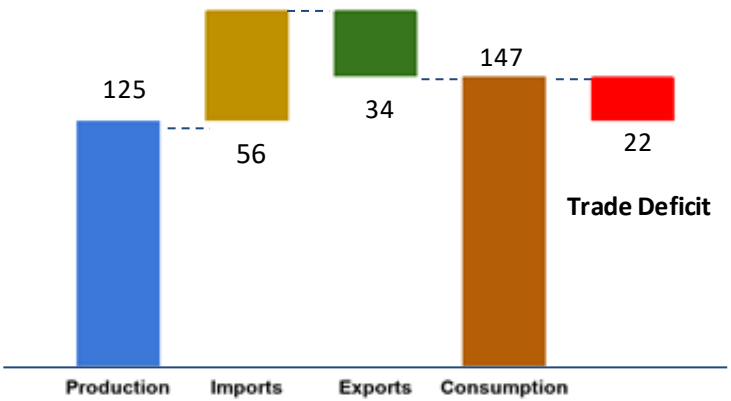
Chemical Industry will become a major driver towards \$5 Trillion Economy

Per Capita Consumption of Chemicals (\$), 2018



- India's per capita chemical consumption is very low compared to ROW
- Increased urbanization will lead to significant increase in domestic consumption in the next 10 years

Domestic Consumption (\$ Bn): 2018



- In addition to domestic market, India has a huge potential to increase exports
- Significant opportunity for Import Substitution

The Indian Chemical Industry has Triple Growth Drivers

	Domestic Demand Growth	Export Potential	Import Substitution
Textiles	✓	✓	
Automobiles	✓	✓	
Information Technology	✓	✓	
Defence	✓		✓
Construction	✓		
Chemicals	✓	✓	✓



Easternization and significant Demand Pull for Indian Chemical Industry



AIL attracted Long Term Contracts with Global Majors with locally sourced RM's because of

- **Supply Chain independent of China**
- **Capex/ Opex Advantage**
- **Better IP Protection**

2017 **Contract 1: 10 Yr Supply Contract with a Top Agrochemical MNC**

- Total Contract Value: \$ 620 Million







2019 **Contract 2: 10 Yr Supply Contract with a Top Chemical MNC**

- Total Contract Value: \$ 125 Million

India has the potential to emerge as global specialty chemical manufacturing hub

- Due to lower component of imported equipments, Capex in India is 40-60% lower than the West

Competitive Cost Position

<u>Competitiveness comparison</u>	<u>USA/ Europe</u>	<u>China</u>	<u>India</u>
Labour cost			
Plant Capital Expenditure			

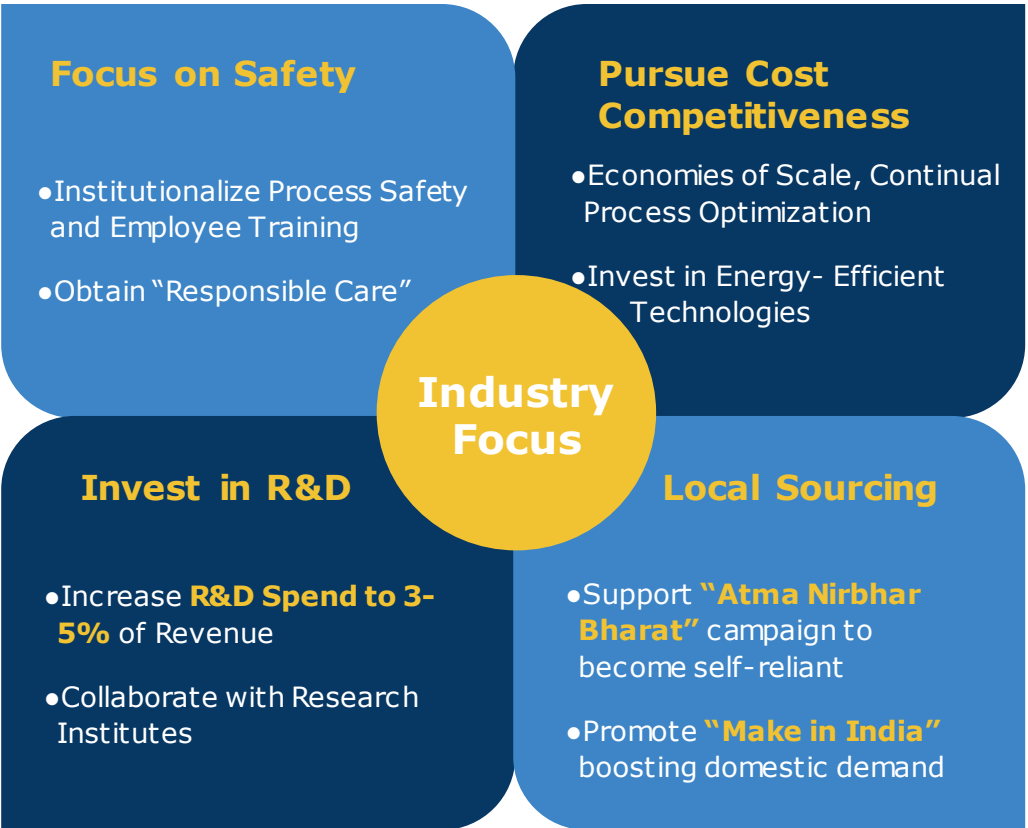
- Most Competitive place to manufacture if RM is available at global prices

Govt and Industry association should collaborate to obtain FDI in India

AIL signed a **20-year** supply contract with a specialty chemicals conglomerate

- **Contract Value \$ 1540 Million**
- **Customer Funding:** Capital Outlay of **\$40m** fully funded by the customer
- **Technology Supply:** Proprietary technology being shared by the partner
- **Market Access:** 100% of the product will be bought

Current focus of Industry and Government



Government Actions

Recent Proactive Actions benefiting the Industry

- **Corporate Tax rates of 17% for New manufacturing firms** (need to extend time period due to Covid) incentivizing industries to invest immediately in manufacturing
- **Validity of Environment Permits for Product Mix changes** as long as Environmental load remains un-changed.



Potential Government Policies to further catalyze Investment

PLI Scheme & First in India

Accelerate Commercialization and Boost Innovation

- **PLI (Production Linked Incentive) scheme** for select Specialty Chemicals which is in the making similar to announced Pharma PLI scheme. This scheme will have a multiplier effect in the Value chain, generating significant investment
- For other novel products, encourage Firms to introduce new products or products not made in India in last 10 yrs **by offering incentives for first 5 years** which will help during Process stabilization and ramp up period

Duty Drawback

Remove anomaly in current Duty Drawback structure

- Exporters import RM under Advance License even if RM is locally available, because of **lower duty drawback rates against Advance License**
- RM supplier cannot seek duty-drawback increase for downstream product
- This leads to **trade deficit, less "Make in India"** and affecting economies of scale for supplier
- Level playing field with **Duty drawback rates equivalent to Advance License**

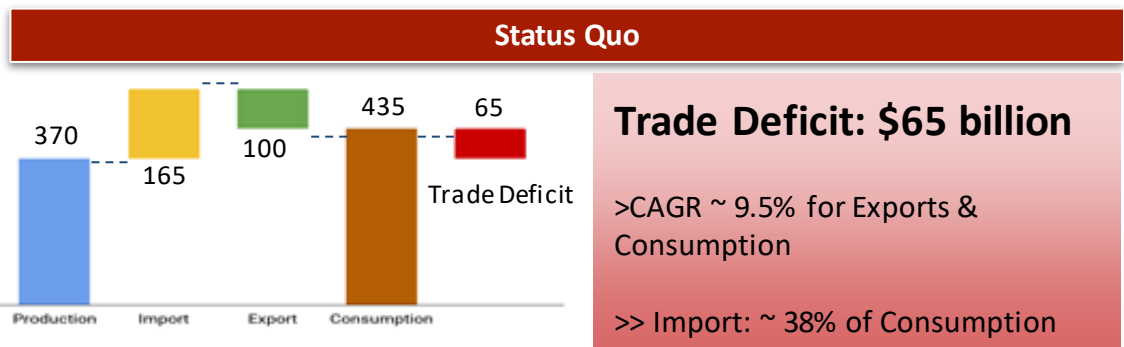
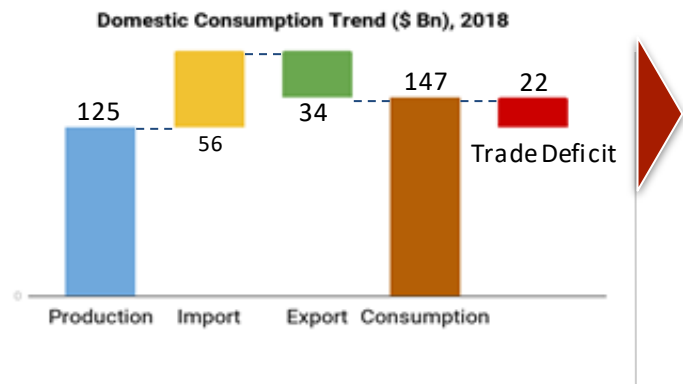
Environmental

Smoother Environment Clearances

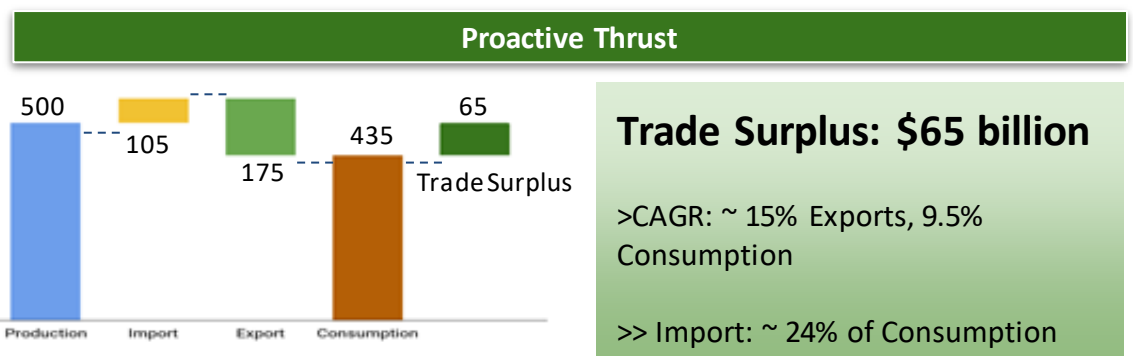
- For units in Industrial parks,
 - provide **freedom for capacity expansion for ZLD units**
 - **Allow construction post filing of EC application**
- **Allow Marine Discharge** to designated points instead of TDS reduction which will reduce Carbon Footprint



Scenario 2030: Opportunity to become the next IT



Key Policy Initiatives + Execution Focus



- Significant Investment
- Higher Tax Revenue

- Trade Deficit to Trade Surplus
- Significant Jobs Creation

PRODUCTIVITY WITH SAFETY IS OUR MOTTO
उत्पादकता के साथ सुरक्षा हमारा लक्ष्य है

Thank You!