CHEMICALS & PETROCHEMICALS SECTOR
THE CATALYST OF NEW INDIA’S GROWTH
SECTOR HIGHLIGHTS

- Covers more than 80,000 products
- Employs more than 2 Mn people
- India ranks 6th in the world in chemicals sales
- Indian chemicals industry is expected to grow at a CAGR of 9.3% till 2025
- Potential to reach from the current USD 163 Bn to USD 304 Bn by 2025
- India contributes nearly 3% of the total global chemical industry
- India contributes 9% to total FDI Equity Inflows and more than 10% to India’s exports
- The chemicals sector accounts for 7% of India’s GDP

GROWTH DRIVERS

01 Demographic dividend and disposable income: Rising disposable income, median age of population, urbanisation and growing penetration and demand from rural markets

02 Production and Consumption shift to India: There has been a shift of production and consumption story towards Asian and Southeast Asian countries in all sectors which is also driving demand for Chemicals and Petrochemicals

03 Shift in consumer preferences leading to new product development: Shift in consumer preferences towards a healthier lifestyle and environment-friendly products

04 Scope for import substitution: Opportunity to produce USD 111 Bn worth of chemical products by 2023
GOVERNMENT INITIATIVES

1. **100% FDI**
   - 100% FDI allowed under the automatic route in chemicals sector except a few hazardous chemicals

2. **Petroleum, Chemical and Petrochemical Investment Regions (PCPIRs):**
   - PCPIRs are specifically delineated investment regions with an area for the establishment of manufacturing facilities for domestic and export-led production in petroleum, chemicals & petrochemicals, along with the associated services and infrastructure. Government has approved 4 PCPIRs in Andhra Pradesh (Vishakhapatnam), Gujarat (Dahej), Odisha (Paradeep), and Tamil Nadu (Cuddalore and Naghapattinam). Once fully established, PCPIRs are expected to attract investments worth INR 7.63L Cr (USD 107 Bn) and employment generation (direct and indirect) is expected to be around 33.96L persons (3 Mn)

3. **Plastic Parks**
   - State-of-the-art infrastructure and enabling common facilities are to assist the sector in moving up the value chain and contributing to the economy more effectively. 6 plastic parks have been approved in Madhya Pradesh, Odisha, Assam, Tamil Nadu and Jharkhand

4. **Skill Development**
   - **Central Institute of Plastics Engineering & Technology (CIPET):** Devoted to Skill development, Technology Support, Academic & Research (STAR) activities for the growth of polymer & allied industries. CIPET has 36 functional centres spread across the country which includes 7 Institute of Plastics Technology Centres (IPT), 24 Centre for Skilling and Technical Support (CSTS) and 3 Schools for Advanced Research in Polymers (SARP). 5 additional centres are in the process of setting up in Telangana, Jammu & Kashmir, Bihar, Uttar Pradesh and Maharashtra
   - **Centres of Excellence (CoE) in Polymer Technology:** Aims at improving the existing petrochemicals technology and research in the country and to promote the development of new applications of polymers and plastics. 5 Centres of Excellence (CoE) have been set up within the premises of reputed educational/research institutes till date and 3 additional have been sanctioned

5. **Corporate Tax Deduction**
   - In Sept 2019 a provision has been inserted in the Income-tax Act with effect from FY 2019-20 reducing the effective tax rate to 25.17% (inclusive of surcharge & cess) for all domestic companies. The companies incorporated on or after 1st October 2019 and commences its production before March 2023, the effective tax rate shall be 17.01% (inclusive of surcharge & cess)

6. **Special Economic Zone (SEZ) - Incentives to locate in a SEZ:**
   - **Duty free import/domestic procurement of goods for development, operation and maintenance of SEZ units**
   - **100% Income Tax exemption on export income for SEZ units for the first 5 years, 50% for the next 5 years thereafter, and 50% of the ploughed back export profit for next 5 years (Sunset Clause for Units will become effective from 01.04.2020)**
   - **Exemption from Central Sales Tax, Exemption from Service Tax and Exemption from State sales tax. These have now subsumed into GST and supplies to SEZs are zero rated under IGST Act, 2017**
   - **Single window clearance for Central and State level approvals**
PETROCHEMICALS

The petrochemical market in India is expected to grow at a CAGR of 10% over the next 5 years to reach USD 100 Bn by 2022.

Combining the demand for all the key segments in the petrochemical industry aggregate demand for the entire petrochemical sector in India is likely to increase to 43 MMT in 2018-19 and further to 48 MMT in 2020-21.

India will need 5 crackers by 2025, and additional 14 by 2040. Investment potential in petrochemicals for these crackers is approximately USD 65 Bn.

AGRO CHEMICALS

India is the world’s 4th largest producer of agrochemicals.

India’s agrochemicals sector is expected to reach USD 6.3 Bn by 2020, with domestic demand growing by 6.5% annually.

SPECIALITY CHEMICALS

The specialty chemicals market has witnessed a growth of 14% in the last five years; the market size is expected to reach USD 70 Bn by 2020.

The specialty chemicals market is likely to clock a compounded annual growth rate of 12-13% over the next 5 years.

All the key segments of specialty chemicals are set for double digit growth over the coming 5 years, including a CAGR of 13% in personal care and 10% in paints and coatings.
FEEDSTOCK AVAILABILITY

49% FDI
Under Automatic Route

Capacity (in MMTPA) as on 01.11.2017

Indian Oil Corporation
Chennai Petroleum Corporation Limited (CPCL)
Bharat Petroleum
Hindustan Petroleum Corporation Limited (HP)
Reliance Industries Limited
EOL, Vadinar(20)
RIL (SEZ) (35.2)
RIL (DTA) (33)
Koyali (13.7)
Bathinda(9)
Panipat(15)
Mathura(8)
Digboi (0.65)
Bongaigaon (2.35)
Borl, Bina(6)
Barauni (6)
Haldia(7.5)
Paradip(15)
Vizag(8.33)
Tatipaka(0.07)
Mangalore(15)
Kochi(15.5)
Mumbai(12)
Mumbai(7.5)
Guwahati(1)
Numaligarh(3)
Narimanam(1)

INFRASructURE AND CLUSTERS:

PCPIRs, PLASTIC PARKS AND COEs

GUJARAT
PCPIR: Dahej, Bharuch
Total area: 463 sq kms
Anchor unit: ONGC Petro Additional Limited with cracker capacity 11 MMTPA (Ethylene) and 0.6 MMTPA (Propylene)

ODISHA
PCPIR: Paradeep
Total area: 284 sq kms
Anchor unit: Indian Oil Corporation Limited 15 MMTPA refinery capacity

ANDHRA PRADESH
PCPIR: Visakhapatnam-Kakinada
Total area: 640 sq kms
Anchor unit: Yet to be finalized

TAMIL NADU
PCPIR: Cudalore-Nagapattinam
Total area: 256 sq kms
Anchor unit: Yet to be finalized
KEY PLAYERS IN INDIA

BASF
Akzo Nobel
Huntsman
Sumitomo Chemicals
LG Chem
Kansai Nerolac
Tata Chemicals
UPL
Pidilite
Indian Glycols
Asian Paints
Reliance Industries Limited
Clariant
Lanxess
Dow
Solvay
Yara
Sabic

All information in this brochure was last updated on Apr 30th, 2020.
HOW WE HELP INVESTORS

- RESEARCH CONTENT PROVIDED
- POLICY ADVISORY/REPRESENTATION
- STAKEHOLDER MEETING
- SITE VISITS
- LOCATION ANALYSIS
- ISSUE RESOLUTION
- REGULATORY CLEARANCE FACILITATION

To find out more
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