

Department of Industrial Policy and
Promotion

Department of Chemicals and
Petrochemicals

Chemicals & Petrochemicals sector

Achievements Report

January 18, 2017*



MAKE IN INDIA

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Chemicals & Petrochemicals

The Chemicals industry in India is an important contributor to the Indian economy sustaining a variety of downstream industries such as textiles and pharmaceuticals. The Indian chemicals industry with a market size of USD 145 billion is the seventh largest producer of chemicals worldwide and the third largest producer in Asia after China and Japan.

The industry consists of various segments such as chemicals, petrochemicals, agro-chemicals, specialty chemicals, colourant chemicals, bio-pharma, bio-agri, and bio-industrial products. Immense opportunities for growth exists in the fields of specialty chemicals, polymers and agro-chemicals industries as 'Make in India' initiative further facilitates growth and investment. Some facts from the field:

- Total production of the major chemicals including petrochemicals was 23.9 Million Tonnes (MT) during FY 2015-16 while production of polymers stood at around 9 MT.
- India is the third largest producer of agro chemicals globally.
- Specialty chemicals market has been growing at 14% over the last five years due to domestic consumption and the market size is expected to touch USD 70 billion by 2020.

- India produces around 16% of the world's dyestuff and dye intermediates, particularly reactive acid and direct dyes
- The Indian colorant industry, valued at USD 6.8 billion, exports nearly 75% of its production.
- India exports around 50% of its agro-chemicals production.
- The share of chemical products in the overall exports for April-September 2016 stood at 12.07%. Exports of Chemical products was at INR 1,06,652.75 crore (Provisional) up by 2.86% in April-September 2016, as compared to INR 1,03,687.29 crore in April-September 2015.

Policy Initiatives & Investments

FDI Policy

100% FDI is permitted through automatic route except for a few hazardous chemicals.

Major Investments & FDI Inflows

The **FDI equity inflows in the sector increased by 107% (2 times) to USD 2.2 billion during the two year period from April 2014-March 2016** as compared to USD 1.1 billion during same period in 2012-14.

During April-December 2016 the sector attracted inflow worth USD 783 million.



Major foreign investments in the sector are as below:

Indian Company	Country	Name of Foreign Collaborator	FDI equity (USD million)
Strapex Holdings Ltd	United Kingdom	Signode India Limited	206.5
Kansai Paint Co Ltd	Japan	Kansai Nerolac Paints Ltd	156.5
Shell Gas B V	Netherlands	Shell India Markets Private Ltd	143.2
Ipg Mauritius Ltd	Mauritius	Powerband Industries Pvt Ltd	39.6
Bayer Material Science Pvt. Ltd.	Germany	Bayer Materials Science PI	32.2
Indorama Ventures Global Services Limite	Thailand	Micro Polypet Pvt Ltd	31.3
SK Spice Saral	Luxembourg	Archroma India Pvt Ltd	27.1
Air Products Holdings BV	Netherlands	Prodair Air Products India Pvt Ltd	26.8
Duponts Performance Coatings Singapore S	Singapore	Axalta Coating Systems India Pvt Lt(dup)	24.7
Rieke Lamons Nederland Goldinfs B.V.	Netherlands	Lion Holding Co Ltd	23.5
Ecolab Lux 7 SARL	Switzerland	Ecolab Food Safety & Hygiene Solutions P	21.5

Fiscal incentives

Budget 2016-17

- **Custom duty on Ethyl Alcohol/Ethanol has been reduced to 2.5% from 5%.**
- **Zero Custom duty** on Capacitor Grades polypropylene granules or resins for the manufacture of capacitor grade plastic film (392) (not produced in the country). Previously, customs duty was at 7%.
- Custom duty on Acyclic Hydrocarbons, Cyclic Hydrocarbons, Ethylene, Propylene etc. Benzene, Toluene (2901, 2902 except 2924300, 29025000) has been rationalized from 2% to 2.5%.
- **Custom duty** on super absorbent polymer (SAP) imported for use in the manufacture of adult diapers **has been reduced to 5% from 7%.**
- **Custom duty** on Ortho xylene for the manufacture of Phthalic Anhydride (29024100) **has been reduced to 2% from 4%.**
- **Excise duty** on Epoxy resin, Vinyl ester adhesives, hardener for adhesives resin, hardeners, polyester infusion resin for rotor blades for Wind Operated Electricity Generators has been **reduced to 6% from 12% .**

Budget 2015-16:

- **Customs duty reduced from 2.5% to 2%** on Styrene Monomer, Ethylene Dichloride (EDC) and Vinyl Chloride Monomer (VCM).



• **Customs duty reduced** on Butyl Acrylate reduced to 5% (from 7.5%) and Liquefied Butane has been reduced to 2.5% (from 5%).

• **Special Additional Duty (SAD) on imports reduced to 2%** from 4% on Naphtha, Styrene Monomer, Ethylene Dichloride, and Vinyl Chloride Monomer.

Budget 2014-15

• **Customs duty reduced** on reformat to 2.5% from 10%.

• **Customs duty** on petrochemical feedstock namely ethane and propane **reduced** to 2.5 % from 5%

• **Customs duty** on building blocks namely ethylene, propylene, butadiene and ortho-xylene **reduced** to 2.5% from 5%

• **Customs duty** on raw materials used in its manufacturing of Spandex Yarn (an import substitution product) **has been reduced** to 2.5% (from 5%)

• In an effort to substitute imports and promote domestic polystyrene manufacturing, the polymer has been removed from the purview of India Singapore Free Trade Agreement.

Infrastructure Development

- **The Assam Gas Cracker Project (AGCP)**, which is the biggest and the first ever petrochemical project in the North East region was commissioned on January 2, 2016 and is expected to produce about 2.8 lakh MT polymers per annum.
 - The gas cracker project will provide indirect employment to nearly 100,000 people when these units come up.
- Mangalore Refinery and Petrochemicals Limited (MRPL) has built a 440,000-MT./year Poly Propylene (PP) plant at the Mangalore Refinery integrated facility which went on stream from June 2015.
- ONGC Mangalore Petrochemicals Ltd.'s aromatics complex in the Mangalore SEZ commenced operations on October 1, 2014. It has been designed to produce 914 KTPA of Paraxylene and 283 KTPA of Benzene.
- The Polypropylene Unit of Dahej project by ONGC Petro additions Limited (OPaL), with a capacity of 1.1 million MT/year of ethylene and 400,000 MT/year of propylene building blocks, has been commissioned.



Plastic Parks

A scheme to set up need-based plastic parks with the requisite state-of-art infrastructure and common facilities was approved by the Government in March 2015. Financial assistance of up to 50% of the project cost, subject to maximum of INR 40 crore per project is being provided by the Government.

The remaining project cost is funded by the State Government or State Industrial Development Corporation or similar agencies of State Government.

- In addition to the 4 approved Plastic Parks in Madhya Pradesh, Orissa, Assam and Tamil Nadu, the Department in December 2014 **approved 6 more plastic parks** to be set up at an estimated cost of INR 405 crore.
- In-principle approval was granted in September 2015 for setting up of 8 new Plastic Parks.

Petroleum, Chemical And Petrochemicals Investment Regions (PCPIRs)

•Government has constituted steering committees to fast track the implementation of four PCPIRs, which would have state of the art infrastructure and common facilities, in Andhra Pradesh (Vizag),

Gujarat (Dahej), Odisha (Paradeep) and Tamil Nadu (Cuddalore and Nagapattinam) to promote investment and industrial development in these sectors.

- **As on September 30, 2016 investments worth Rs. 1.72 lakh crore have been made and 2.73 lakh persons have been employed** in direct and indirect activities related to PCPIRs.
- **Anchor project in Odisha** (IOCL Paradeep refinery) and Polypropylene unit at Dahej (OPaL) **has been commissioned.**
- Preparation of Master Plan of Paradeep PCPIR is underway.
- The final report on environmental impact assessment for Gujarat PCPIR has been submitted to MoEFCC.



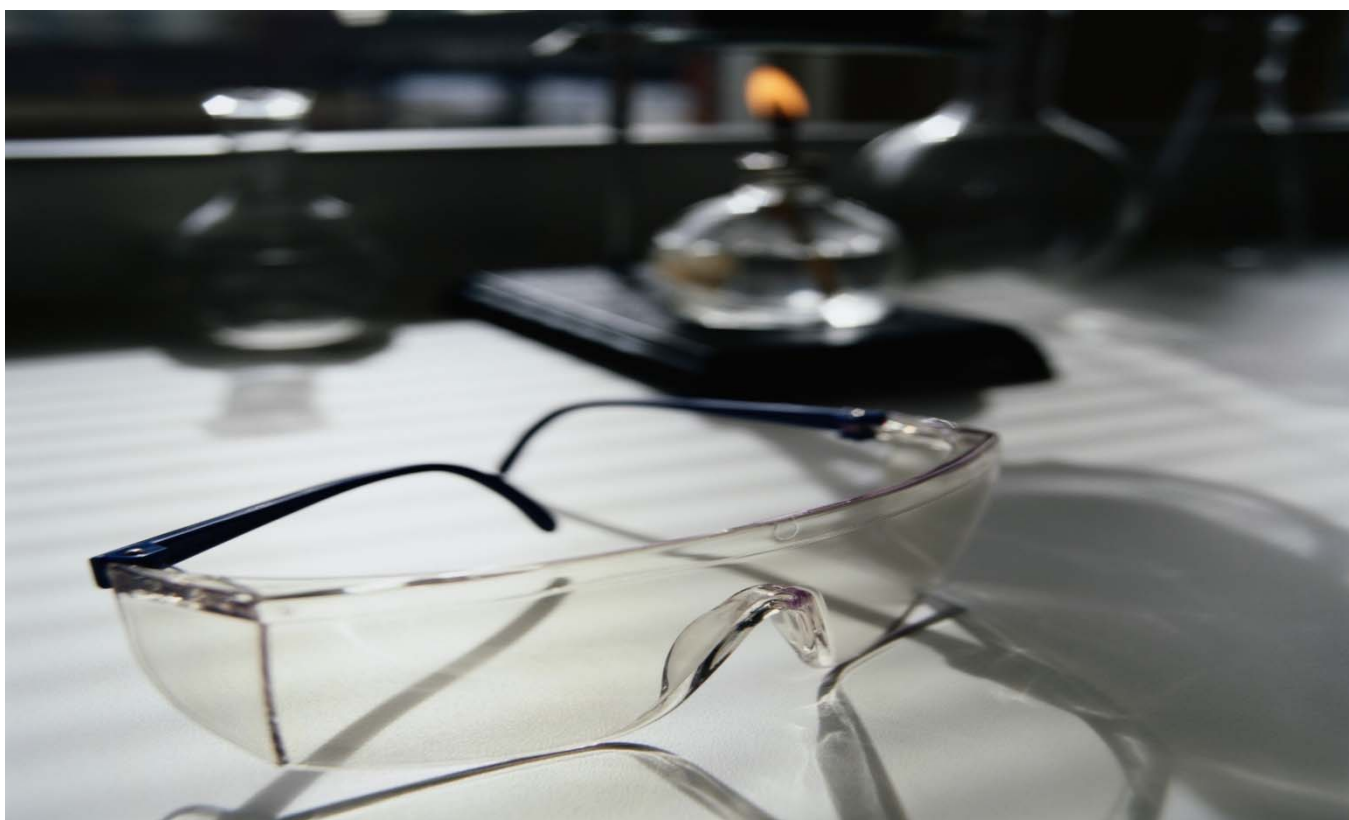
Skill Development

From June 2014 to November 2016, **1,28,539 persons have been trained** by Central Institute of Plastic Engineering & Technology (CIPET) under various skilling activities.

- CIPET centres are plastic engineering institutes with state-of-art infrastructure facilities aimed at enhancing technology support to industries, strengthening skill development activities and promoting R&D for indigenous technologies.
- In April 2016, Government approved the **setting up of 11 new CIPETs** including an Advanced Polymer Design & Development Research Laboratory of CIPET in J&K, Uttarakhand, Uttar Pradesh, Bihar, Rajasthan, Tripura, Karnataka, Andhra Pradesh, Jharkhand, Chhattisgarh and Maharashtra.

During 2015-16, **5 new CIPET centres were set up**

- **Dharmapur (Gujarat): 502 trained & 222 undergoing training**
- **Baddi (HP): 302 trained and 270 undergoing training**
- **Raipur (CG): 171 trained & 471 undergoing training**
- **Vijaywada (AP): 521 trained and 230 undergoing training**
- **Gwalior (MP): 220 trained and 260 undergoing training**



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