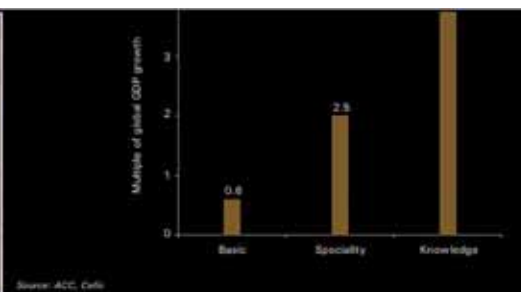
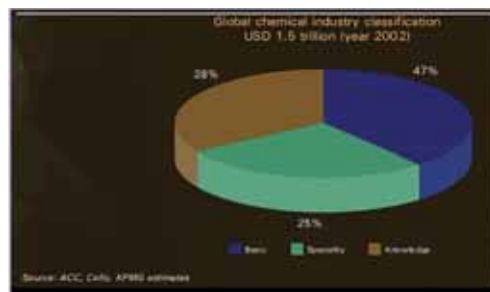


India lab and chemicals markets: the story post 2010

Rashmi Pant

THE world chemicals market in the period 2014-2015 has witnessed significant changes. The market has seen very high growth paths in the years 2001-2009. Post 2010, the scenario has taken shift towards emerging markets. The developed world particularly Europe which accounts for the largest portion of the world chemical market in terms of revenue is now taking a sluggish path. Asia is now the focus of major growth in the lab and chemical market.

Europe's sluggish chemical market growth can be attributed mainly to the high cost of raw materials and rising stringency in the regulations particularly in the areas of environmental pro-



tection. Europe is the world's highly regulated market. There are now nearly 60 per cent more EU regulations in place than in 2008, particularly for environmental protection. Companies now face significantly higher costs as a result.

According to a Roland Berger forecast on the lab and chemicals market, if the Europe's loss of relevance as a chemicals market continues at the current rate, then by 2035 Europe's market share will be just 13 per cent.

Asia is still gaining ground, its share of the market set to rise to 62 per cent by 2035.

Emerging economies like China and India are expanding their local chemical production and becoming less dependent on European exports. India, for instance, has moved from being a net importer of polyethylene to an exporter in 2016. China, too, is focusing to an increasing extent on expanding the size of its chemical parks located close to customer industries.

Low labor costs, low trade barriers, advances in technology and ease of transportation are the key drivers that would contribute to the shift in production of the chemical industry from developed countries to the developing countries like India and China.

According to the business research company, the total value of the global chemicals sector is \$ US 4406 billion in 2014. The chemical industry is one of the world's largest industries

and contributes nearly 39 per cent of the global manufacturing sector. This market makes up around six per cent of the world economy.

According to Cefic and KPMG estimates, the chemical industry market is divided into basic, specialty and knowledge chemicals.

Cost structures of these three segments have very distinct characteristics. Basic has very high feedstock and other raw material costs where as specialty chemicals have high selling and product development costs. Knowledge segment is on the other hand characterized by high spends on advertising and R & D. Basic segment is the most mature segment with the lowest profitability whereas the knowledge segment has the highest profitability and growth projections.

CONTINUED ON p25▶



Bottle line IBC 240. For unrivaled efficiency. A pharmaceutically compliant, integrated packaging line for tablets and capsules in bottles — geared to maximum flexibility and process reliability. For up to 740 bottles and 42,000 tablets or capsules per minute. Highly automated, perfectly linked, and centrally operated via touchscreen, the monoblock line is on average 70% more efficient than solutions made up of separate components. www.uhlmann.in

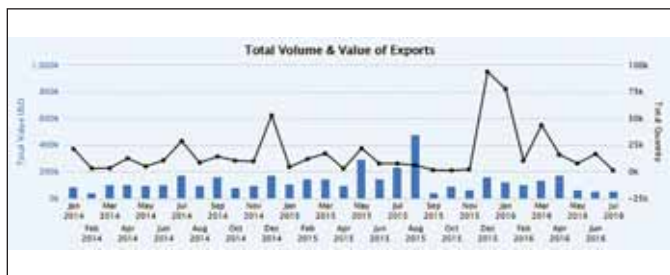
The experts from Uhlmann India support you in all matters concerning the pharmaceutical packaging process.
Uhlmann India Pvt. Ltd. +91 91 4600 3482 sales@uhlmann.in

Pharma industry, largest consumer of specialty chem

CONTINUED FROM p23 ▶

The largest consumer of the global specialty chemical industry is the pharmaceuticals industry which contributes to nearly 45 per cent by end use consumption according to KPMG estimates. A large portion of this consumption is in the developed world particularly Western Europe and North America.

Globalization has been driven by the increasing commoditization of specialty chemicals which are used in large quantities. This has provided players to set up specialty chemical plants in low cost locations and market them globally. Similar is the scenario for knowledge chemicals which are research and development intensive and are characterized by the man-



ufacture of low cost generics which are then exported to the developed world.

One of the key locations for the manufacture of specialty chemicals is India and large volumes of specialty chemicals are exported via the Indian ports. The value and volume of the specialty chemical exports has increased by leaps and bounds in the years 2014 till date as per data analysis from zauba.com

Indian chemical industry

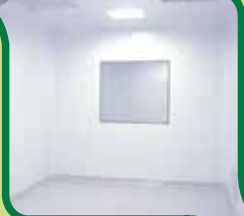
According to the CMIE estimates, with Asia's growing contribution to the global chemical industry, India emerges as one of the focus destinations for chemical companies worldwide. With the current size of approximately \$108 billion, the Indian chemical industry accounts for around three per cent of the global chemical industry.

Two distinct scenarios for the future of the Indian chemical Industry emerge, based

on how effectively the industry leverages its strengths and manages the upcoming challenges. With current initiatives of industry & government, the Indian chemical industry could grow at 11 per cent per annum to reach size of \$224 billion by 2017. In such an optimistic scenario, high end-use demand based on increasing per capita consumption, improved export competitiveness and resultant growth impact for each sub-sector of the chemical

industry could lead to an overall growth rate of over 15 per cent per annum and a size of \$290 billion by 2017 (which would be around six per cent of global chemical industry). This has a potential for further upside in the future considering India's increasing competitiveness in manufacturing. Improvement in the areas of export initiatives in this sector could add to the desired growth path for this sector.

CONTINUED ON p26 ▶



Industry Leaders in

CLEANROOM SYSTEMS

CLEANROOM

ELECTRICAL

UTILITIES

HVAC

LSS

BMS

TURNKEY

Project Management Solutions

Integrated Cleanroom Technologies Pvt. Ltd.

201, Sri Vensai Towers, Varuna Block, Kompally,
Hyderabad - 500 014. Phone: +91-40-27165311/ 5316/ 5850 |
Fax: +91-40-30995267 | E-mail: info@icleantech.com
www.icleantech.com

WORLDWIDE EXPORTS
to 15 Countries in
5 Continents EXPORTS

EXPERIENCE
Of over 13 Years in Mfg &
Project Management

600+
Installations
across the globe

SKILL
650+ Committed
employees

Argentina, the largest buyer of specialty chemicals

CONTINUED FROM p25 ▶

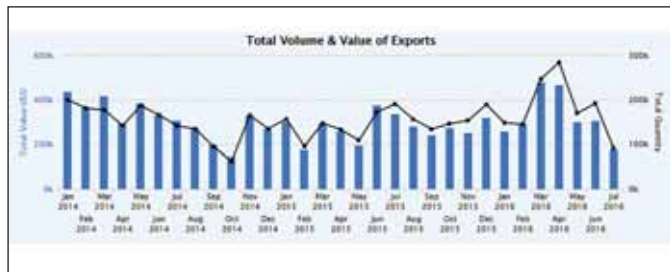
Analysis of exports of specialty chemicals

India exported specialty chemicals worth US\$ 9,382,651 with total quantity of 4,837,332.

Argentina is the largest buyer of specialty chemicals accounting for exports worth US\$ 2,119,231 followed by Brazil and Turkey which imported specialty chemicals worth US\$ 1,646,991 and US\$ 897,521 respectively. Sabarmati ICD accounted for 92.2 per cent of exports followed by Nhava Sheva Sea and Mundra which account for 4.4 per cent and 3.5 per cent of exports respectively. Average price of specialty chemicals per unit is US\$ 1.94 and average value per shipment is 12,783.

Analysis of exports of lab chemicals

According to data available at Zauba, India exported lab chemicals worth US\$ 4,081,428 with total quantity of 533,138. Germany is the largest buyer of lab chemicals accounting for exports worth US\$ 1,037,763 followed by Nepal and Nigeria which imported lab chemicals worth US\$ 886,142 and US\$463,740 respectively. Bangalore Air Cargo accounted for 28.2 per cent of exports followed by Raxaul



and Nhava Sheva Sea which account for 21.7 per cent and 15.3 per cent of exports respectively. Average price of lab chemicals per unit is US\$ 7.66 and average value per shipment is 383.

Initiatives by Indian Govt to boost chemical industry

The specialty chemicals segment has grown at 11-13 per cent p.a. over the XI plan period (FY07 to FY11). Indian specialty chemical industry (excluding agrochemicals and dyes & pigments) is currently valued at \$17.7 billion and is an important growth driver for Indian economy. This segment has the potential to reach \$38 billion by the end of XII Five Year Plan period growing at a rate of 13-14 per cent per annum.

Growth in the Indian specialty chemicals industry is driven by three factors:

- Increasing urbanization –need to cater to domestic demand
- An increasingly urbanized India (cities are likely to comprise 40 per cent

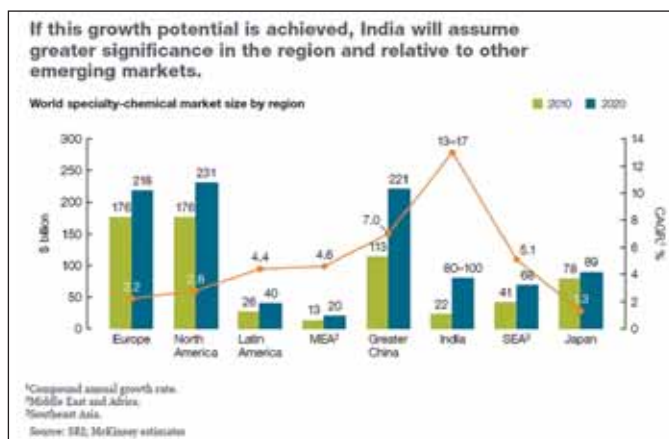
of the population by 2030) will double the requirement for clean municipal water by 2020, and therefore significantly increase municipalities' usage of water treatment chemicals to treat/ recycle waste water. Similarly, increased infrastructure spending by the government (The XII Plan recommends US\$ 1 trillion investment in development of roads, ports, power and telecom) accompanied by growth in the real-estate industry, could result in over 15 per cent p.a. growth in the construction chemicals and coatings segment

- **Catering to global demand:** Increased intensity of consumption-compared to the developed world (the US, Europe) or China, the current penetration of specialty chemicals within India's end markets is low. With an increased focus on improving products, usage intensity of special-

ty chemicals within these end markets will rise in India over the next decade.

- **Improvement in the con-**

sumption standards across various end-use markets. As the economy develops, India will need to regulate products more



sumption standards which will enhance global demand: Consumption standards are policies implemented by the government to promote the safe use of products. These standards are necessary for both improving society's standard of living and enhancing consumer safety. Most developed countries (e.g. the US, Germany) have implemented stringent

stringently, and strengthen consumption standards, which in turn will promote increased usage of specialty chemicals.

Future of global chemical industry and India's potential by 2020

If India were to occupy a key position on the global map in specialty chemicals the international players would have to focus on the following five key success factors which could make the above growth possible by the year 2020:

- Set high growth aspirations and empower the senior management team
- Invest in developing the market in India
- Develop a special business model for India
- Leverage India's cost advantage by investing in production for export and R&D
- Cope with the existing infrastructure of manufacturing in India

(The author is an expert in market research and also the owner of HOW TO)









MANUFACTURERS OF LABORATORY & SCIENTIFIC EQUIPMENTS

For More Details :
E-mail : enquiry@tempo.net.in | Contact : 09820464003

PRODUCT RANGE

- Stability Chambers
- Humidity Chambers
- Multi Cell Ageing Ovens
- Plant Growth Chambers

- Walk in Chambers
- Seed Germinators
- Muffle Furnace(1700°C)
- Shaker Water Baths

- Photo Stability Chambers
- Heavy Duty Ovens
- Lab. Precision Ovens
- Deep Freezers(-20°C/-40°C)

- Tray Dryer Ovens
- Lab. Refrigerators
- Lab. Drying Ovens
- Vacuum Ovens

- Autoclaves
- Furnace(1500°C)
- BOD Incubators
- Cryo Baths

TEMPO INSTRUMENTS PVT. LTD.

10-11, Prospect Chamber Annex, 317-21, Dr. D.N. Road, Fort, Mumbai - 400001. www.tempoinstruments.com ; E mail : enquiry@tempo.net.in