



**Sauradip Chemicals Industries Pvt.Ltd.**

# **Global Scenario - Growth and Opportunities for Specialty Chemical Industry in India**

**by**

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# Global Scenario - Growth and Opportunities for Specialty Chemical Industry in India

## Introduction: -

- Specialty Chemicals are manufactured with the Specific aim of achieving certain results. They are performance products and are differentiated among themselves, with a varying composition and are identifiable only by their performance and not by their chemical contents or their origin.



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- They improve the performance of either manufacturing process or end-use of product. They are customised to perform specialized functions, applications and operating conditions. They need application know-how and technical service support to produce optimum level of performance.



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### **Global Speciality Chemical Industry: -**

The global specialty chemical industry is expected to reach market size of 650 billion \$ by 2012 compared to 493 billion \$ in 2007.

The market is currently concentrated in North America, Western Europe and Japan which constitute over 75% of the global speciality chemicals market. Among the developing countries, China and India are the biggest markets.



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The emerging economies like India and China are likely to grow significantly faster than the developed world. In order to boost their profitability, specialty chemical majors are taking steps like tapping the emerging markets and shedding non-core products lines. India and China are natural beneficiaries from this trend as they have competitive advantages, in the form of access, to raw material, low labour and capital costs.



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India and China are expected to drive growth, in the 650-billion \$ global specialty chemical markets, driven by strong demand growth in major consuming sectors such as construction, automobiles and electronic consumables.



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### Growth Rates for Select Speciality Chemicals

Table - I

Segment	Segment Growth Rate (%)
Photovoltaic and solar power	15
Water treatment	13 -15
Cosmetic ingredients	13-15
Paints and coatings	12-14
Food additives	12-14
Industrial enzymes	12-14



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Cont...Table - I

Pharmaceuticals excipients	12-14
Construction chemicals	10-12
Flavours and fragrances	10-12
Automotive sealants	10-12
Electronic chemicals	10-12
Polymer additives	8-10
Rubber chemicals	8-10
Foundry chemicals	8-10



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Cont...Table - I

Textile auxiliaries	8-10
Speciality surfactants	7-9
Paper chemicals	6-8
Lubricant additives	5-7
Oil field chemicals	5-7
Catalyst additives	4-6



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- The increase in the usage of some speciality chemicals has led to a high level of commoditization, leading to manufacturers focusing more on cost reduction. As a result global specialty chemicals players are looking at shifting their manufacturing base to developing countries like China and India. This trend can lead to a wave of merger and acquisitions in the developing countries.



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## Outlook for Indian Speciality Chemical Industry:

India's speciality chemical market represent around 24% of the total chemical industry, which has a market size of 40 billion USD. India's speciality industry is expected to grow at 15% almost double the growth of the global speciality industry. Exports of speciality chemicals from India are poised to grow from 4 billion USD in 2007 to 13 billion USD in 2013.



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- In the Speciality Segment the competition is not on price or raw materials, but on product technology and innovation.
- The Indian specialty chemicals industry could leverage the lower R&D costs in India as compared to Europe and the US to undertake intensive research for developing value added products, and innovation. India's cost advantage would also be a key drive leading to outsourcing, Contract Research and Manufacturing activities in the country.



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MNCs are viewing India as an attractive outsourcing destination due to the country's low cost advantage, and significant quality control measures. Foreign companies are shifting their manufacturing base to India mainly due to a highly motivated and creative work force, well-educated pool of scientists and chemical engineers and low labour and equipment costs, leading to around 50-60% cost saving relative to the US and EU.



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MNCs are viewing smaller Indian companies as providers for their speciality chemical requirements. Key factors influencing this trend include quality of product, timely delivery, costs, safety, and health. This trend provides a smooth revenue stream to companies that have become the most preferred partners, for MNCs, for their specialty chemical requirements.



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## Opportunities for Indian Speciality Chemicals Industry

- There are many opportunities for India to emerge as a leader, in the global speciality chemical industry. Key areas in which India exhibits significant growth opportunities include.
  - i) Export
  - ii) Product outsourcing Hub



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- iii) Research outsourcing Hub
- iv) Merger and acquisition activity offers opportunity to expand horizons beyond domestic territory
- v) An approach to solve business challenges through innovative solutions will become key differentiator for increased market share.

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### Growth – Indian Speciality Chemical Industry

- Growth of the Indian specialty chemicals industry is driven largely by robust domestic demand, with exports based growth, in select segments. Local demand for specialty chemicals in India, will continue to grow, driven by following factors.
- Firstly, key consumer industries e.g. textiles, automotive, construction, etc. are expected to grow at rates higher than the overall GDP.

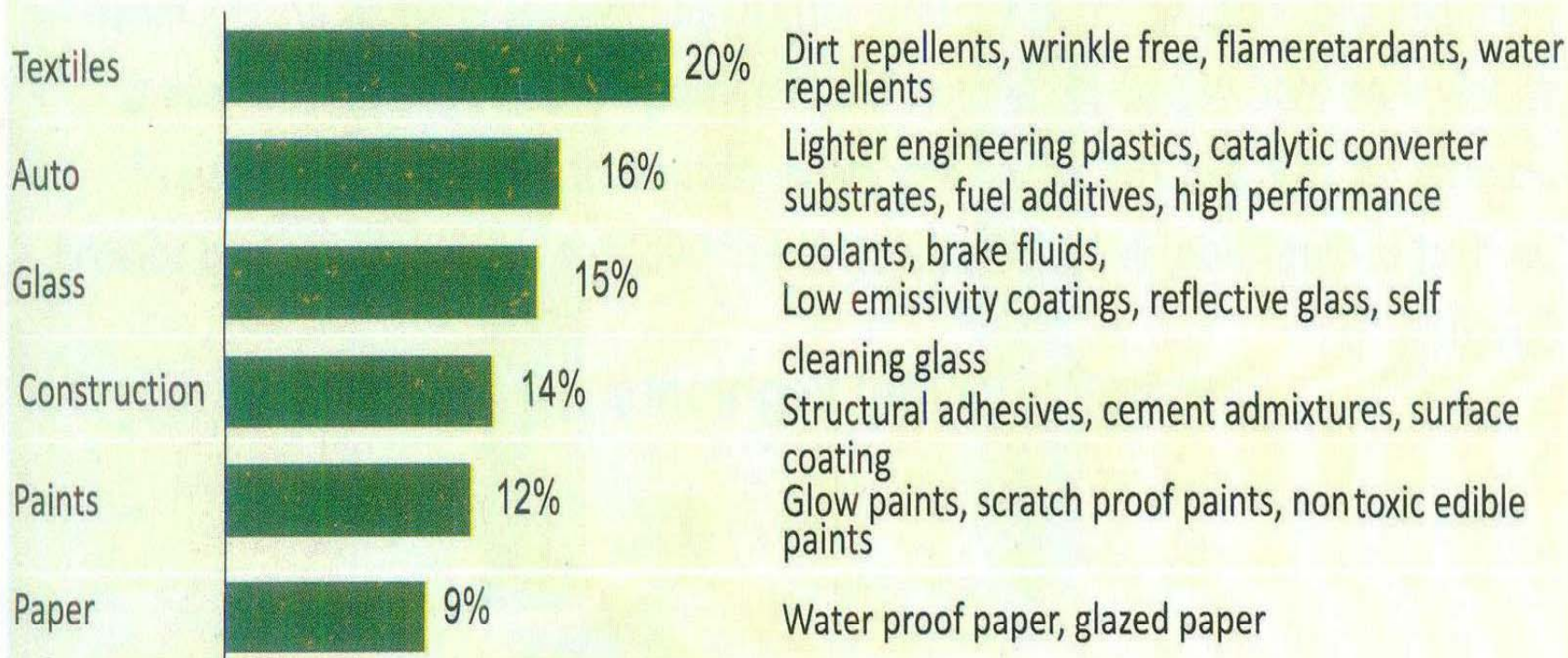
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- Secondly, emerging customer needs across consumer industries call for products with higher quality / increased performance products e.g. wrinkle free textiles, reflective glass, cement admixtures, etc.

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## Table - II

### END USE MARKET GROWTH INDICATIVE LIST (% p.a.) EVOLVING CUSTOMER NEEDS



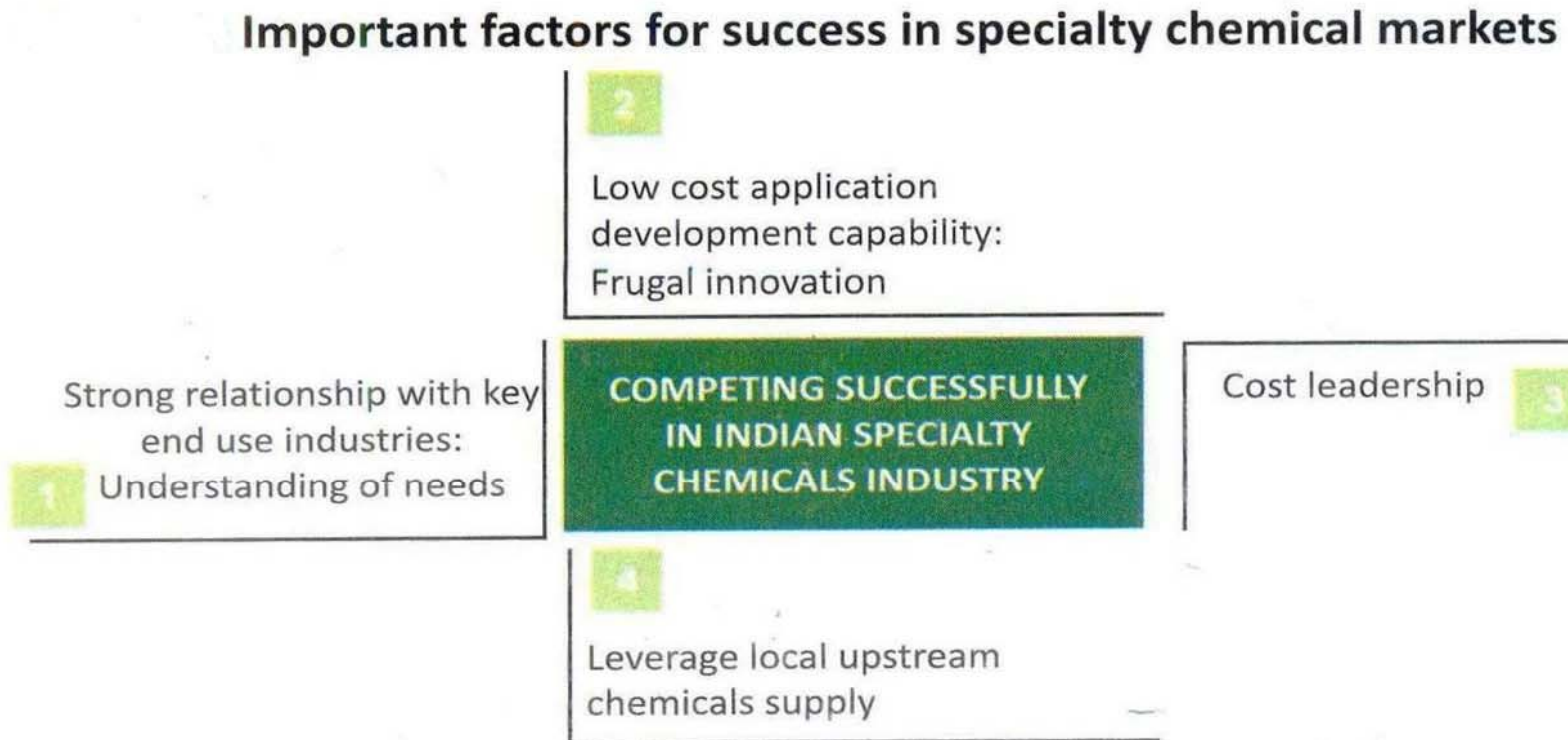
Source: Industry reports, Tata Strategic analysis



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Companies need to address four key dimensions to compete successfully in India's specialty chemicals industry. They are as show in Table - III

Table - III



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- India's strengths such as large market size, knowledge of unique customer needs, strong R & D capabilities and process know-how are aligned to achieve success in the specialty chemicals industry. The strong position of India indicates the growth potential.

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### CONCLUSION:

The speciality chemical sector is not tied to any industry in particular, but to the economy as a whole. It has a vital importance into key sector of the economy. It is the fastest growing segment, in the chemical industry, and there is immense potential of increasing consumption, and thus the growth rate.

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I would like to say that the global specialty chemicals industry has posted strong performance in recent times and growth in the Asia-Pacific region (Specifically India – China) has outstripped growth in specialty market than all other regions.



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Before concluding, I would like to draw your attention that the interaction at scene is getting increasingly competitive and one has to improve, product feature and service, previously price was a decisive factor, but today, quality, size, availability of service and speed are the main criteria. Clearly, if companies, want to earn better margins, they need to have, a wide rang of speciality chemicals, that will fetch a premium.

Finally I would like to thank all of you and hope you can get valuable information from this conference. .



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Thank You

