



CHEMICALS & PETROCHEMICALS

SUMMARY

The Chemical industry in India provides several building blocks and raw materials for many industries, including textiles, paper, paints, soap and detergents, pharmaceuticals and agrochemicals. ¹

The Chemical industry (including fertilizers and pharmaceuticals) in India stands at USD 178 Bn as of 2019 which is expected to reach USD 304 Bn by 2024-25 at an annual growth rate of 9.3%. ²

India's Chemical Industry ranks at the 6th position in the world and 4th position in Asia in terms of size. ²

Fertilizers production increased by 6.3 per cent in October 2020 over October 2019. Its cumulative index increased by 4.1 per cent during April to October 2020-21. ¹³

REASONS TO INVEST

The growth drivers of the sector in India include a large domestic and foreign demand for chemicals and petrochemicals. ³

India ranks 17th in the world export of chemicals (excluding pharmaceutical products) and ranks 7th in the world imports of chemicals (excluding pharmaceutical products). ³

The value additions in the petrochemicals chain offer immense possibilities and cater to the needs of textiles and clothing, agriculture, packaging, infrastructure, healthcare, furniture, automobiles, information technology, power, electronics and telecommunication, irrigation, drinking water, construction and a variety of other articles of daily and specialized usage amidst other emerging areas. ³

In recent times, there has been a global shift towards Asia as the world's chemical manufacturing hub. ³

India also offers availability of a large pool of skilled science professionals. ³

India has several world-class engineering facilities and strong R&D capabilities. ³

The per capita consumption of chemicals is lower in India, compared to western countries, therefore presenting immense scope for setting up export-oriented manufacturing units through new investments. ³

To promote investments in the sector, the government is implementing four Petroleum, Chemical and Petrochemical Investment Regions (PCPIR) in the country. PCPIRs will be clusters providing investors with a transparent and investment friendly policy and facility regime. ²

[Explore more about infrastructure availability in Chemicals sector >](#)

RECENT ANNOUNCEMENTS

17th December 2020: Hon'ble PM Shri Narendra Modi signed MoU on Framework of Understanding on Cooperation in the Hydrocarbon Sector during the India-Bangladesh Virtual Summit.

[Read More](#)

3rd December 2020: India and USA agreed to cooperate in data sharing operations, drug treatments and spreading awareness against drug abuse

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1st December 2020: Production Linked Incentive(PLI) Scheme for Bulk Drugs and PLI Scheme for Medical Devices have shown a very positive response from the pharmaceutical as well as the medical device industry.

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6th November 2020: A memorandum of understanding (MoU) was signed between HIL (India) Limited, a PSU under the Ministry of Chemicals & Fertilizers and Department of Chemicals & Petrochemicals to achieve the revenue target of INR 451 cr in the current financial year (2020-21).

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22 October 2020: Ministry of Chemicals and Fertilizers under HIL(India) Limited registered highest-ever production of Malathion Technical in the first two quarters of FY 20-21. The financial year showed a growth of 41% of 530.10 MT of Malathion Technical in the first two quarters of the year .

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STATISTICS

The Chemical industry in India is expected to grow at 9.3% per annum to reach USD 304 Bn by FY 2025. ²

The market size of Chemicals & Petrochemicals sector in India is around \$165 bn during 2019-20; expected to grow to \$300 bn by 2025. ¹⁴

The production of major chemicals and petrochemicals in 2019-20 (upto September) was 13,871 thousand metric tonnes (MT). ²

The production of major chemicals in 2019-20 (upto September) was 5,817 thousand metric tonnes (MT). ²

Alkali chemicals account for 71% of the total production of major chemicals in 2019-20 (upto September 2019). ²

Polymers account for approximately 59% of the total production of basic major petrochemicals in 2019-20 (upto September). ²

The value of chemicals and chemical products exported for the period 2019-20 (upto September) stood at USD 148.3 Bn. ²

The share of export of Chemicals and Petrochemicals is 12.5% of the total national export in 2019-20 (upto September). ²

The Market size of the Chemicals & Petrochemicals sector in India is around USD 165 bn and further expected to grow to USD 300 bn by 2025.

The annual growth of production in 2018-19 over the preceding year was 4.70% with a CAGR of 3.02% over a period of 8 years, in case of Major Chemicals. ¹¹

The annual growth of Basic Major Petrochemicals was 3.82% over the preceding year with a CAGR of 3.54% during the same period. ¹¹

FDI POLICY

100% FDI is allowed under the automatic route in the Chemical industry, except in the case of hazardous chemicals. ⁴

The cumulative FDI equity inflow in the Chemicals industry (excluding fertilizers) is USD 18,076.74 mn during the period April 2000 to September 2020. This constitutes 3.62% of the total FDI inflow received across sectors. ⁹

[Read more about Foreign Direct Investment Policy in India >](#)

SECTOR POLICY

PETROLEUM, CHEMICALS AND PETROCHEMICAL INVESTMENT REGIONS (PCPIRS) ²

The Government of India has conceptualized PCPIRs as clusters that provide investors with a transparent and investment friendly policy and facility regime. PCPIRs have high-class infrastructure and provide a competitive environment conducive for setting up businesses.

Each PCPIR is a specifically delineated region spread over an area of about 250 sq. km. These areas will have manufacturing facilities, along with associated logistics and other services. The required infrastructure along with a non-processing area will be developed, to include residential, commercial and other social and institutional infrastructure.

The minimum processing area for the PCPIR will be about 40% of the total designated area, i.e., around 100 sq. km.

The Ministry of Chemicals & Petrochemicals has set up four PCPIRs in Dahej (Gujarat), Vishakhapatnam-Kakinada (Andhra Pradesh), Paradeep (Odisha), and Cuddalore and Nagapattinam (Tamil Nadu).

The projected investment on full realisation of PCPIRs is INR 7.63 lakh cr.

PCPIR projects for National Infrastructure Pipeline (NIP):

14 projects worth INR 18,843 cr by Odisha PCPIR

5 projects worth INR 3,758 cr by Gujarat PCPIR

For more details on the PCPIRs, refer to PCPIR Policy .

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PLASTIC PARKS ²

The Department of Chemicals and Petrochemicals has formulated the scheme for setting up Plastic Parks with the objective of synergizing and consolidating the various units of the Indian Plastics Industry.

The units will be consolidated through the cluster development approach. The Government of India will provide grant funding of up to 50% of the project cost subject to a ceiling of INR 40 cr. The remaining project cost is to be funded by the State Government or State Industrial Development Corporation.

Plastic Parks in States of Madhya Pradesh, Odisha, Jharkhand, Assam and Tamil Nadu are being set up under the scheme of Plastic Parks.

For more details, refer to Scheme for Setting Up Plastic Parks .

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NATIONAL POLICY ON PETROCHEMICALS ²

The National Policy on Petrochemicals aims to achieve sustainable development for the petrochemical industry by promoting research and development and human resource planning and development to cater to the needs of the industry by adopting a mission mode approach.

A programme on Petrochemical Development is required to improve existing petrochemical technology and research in the country and to promote the development of new applications of polymers and plastics. Centre(s) of Excellence (COE) are being set up for this reason and will be one of the components of the programme.

COEs will be set up in existing educational and research institutions working in the field of polymers, and include the following:

Updating and modifying products for new uses

Innovative product technology and product designs

Improving production processes to make them more efficient

Development of biopolymers and biodegradable polymers

The COEs are expected to emerge as internationally recognised centres for the analysis and dissemination of existing global knowledge, provide authoritative, strategic and timely information to organizations and companies to use in the development and implementation of their projects/programmes, which engaging in path-break R&D efforts.

8 COEs have been set up in Pune, Chennai, Delhi, Bhubaneswar, Roorkee and Guwahati.

For more details, refer to National Policy on Petrochemicals .

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CHEMICALS PROMOTION DEVELOPMENT SCHEME ²

The aim of the Chemicals Promotion Development Scheme (CPDS) is promotion and development of chemical and petro-chemical industry by extending financial support to conduct of seminars, conferences, exhibitions, conducting studies/consultancies, for facilitating growth as well as analysing critical issues affecting the chemical and petrochemical industry.

For more details, refer to Chemical Promotion Development Scheme .

CENTRAL INSTITUTE OF PLASTIC ENGINEERING AND TECHNOLOGY ⁵

The Central Institute of Plastic Engineering and Technology (CIPET) has been set up to develop manpower in different disciplines of Plastics Engineering and Technology. The CIPET has a variety of activities and programs focusing on skill training, technology support, academics and research.

For more details, refer to Central Institute of Plastic Engineering and Technology .

Explore Government policies/schemes in Chemicals sector >

FINANCIAL SUPPORT

R&D INCENTIVES FOR INDUSTRY AND PRIVATE SPONSORED RESEARCH

A weighted tax deduction is given under section 35 (2AA) of the Income Tax Act.

Weighted deduction of 200% is granted to assess for any sums paid to a national laboratory, university or institute of technology, or specified people with a specific direction and that the said sum is used for scientific research within a program approved by the prescribed authority.

MANUFACTURERS WITH AN IN-HOUSE R&D CENTRE

Section 35 (2AB) of the Income Tax Act, 1961 provides weighted tax deduction of 150% of the expenditure incurred by a specified company, on scientific research in the in-house R&D centres as approved by the prescribed authority. This does not include expenditure on the cost of any land or building.

The weighted tax deductions of 150% are effective till 31st March 2020. Consequent to that, the weighted tax deductions will be 100%.

STATE INCENTIVES

Apart from the above, each state in India offers additional incentives for industrial projects.

Incentives are in areas like subsidized land cost and relaxation in stamp duty exemption on sale/ lease of land, power tariff incentives, concessional rate of interest on loans, investment subsidies/tax incentives, backward areas subsidies and special incentive packages for mega projects.

EXPORT INCENTIVES

Export promotion capital goods scheme

Duty drawback scheme

Merchandise Export from India Scheme

AREA-BASED INCENTIVES

Incentives for units in Special Economic Zones (SEZ)/ National Investment and Manufacturing Zones (NIMZ) as specified in respective Acts or setting up projects in special areas like the North-east, Jammu & Kashmir, Himachal Pradesh & Uttarakhand.

KEY POINTS IN THE UNION BUDGET 2020-21 ⁶

The total allocation towards the Department Chemicals and Petrochemicals is USD 28.97 Mn.

The total allocation towards the Central Institute of Plastic Engineering and Technology stands at USD 13.03 Mn.

The allocation towards the Promotion of Petrochemicals stands at USD 7.13 Mn.

INVESTMENT OPPORTUNITIES

DYESTUFF INDUSTRY

The Indian Dyestuff Industry is an important sub-sector of the Chemicals industry and it ranks second in Asia. It also accounts for 16% of the world market. It has forward and backward linkages with various sectors such as paper, textiles, plastics, printing inks, leather and foodstuffs. The sub-sector has immense potential and serves as a profitable opportunity for investors. ³

PESTICIDES INDUSTRY

India is the 4th largest producer of agrochemicals in the world. With more than 45 technical grade pesticides being manufactured on the homeland, the country qualifies as one of the most dynamic generic pesticide manufacturers in the world. Being a net export earning industry, it has significant contribution to the foreign exchange basket of the country. ³

FINE & SPECIALTY CHEMICALS

India produces many fine and specialty chemicals, which are essential for increasing industrial production. These special chemicals find wide usage as polymer additives, food additives and pigments and anti-oxidants in the rubber industry. ³

Explore projects to invest in Chemicals sector >

FOREIGN INVESTORS

Mitsubishi Chemicals Corporation (Japan)
Akzo Nobel (Netherlands)
DuPont (USA)
Syngenta (Switzerland)
Croda (UK)
DyStar (Germany)
Henkel (Germany)

AGENCIES

Department of Chemicals & Petrochemicals, Ministry of Chemicals & Fertilizers

KEY ACHIEVEMENTS

Chemicals and Petrochemicals Industry in India landed in the topmost exporting segment with INR 2.68 lakh cr worth of exports during the period April 2019 - January 2020. The export of chemicals witnessed a growth of 7.43% as compared to the previous year during the same period. ⁷

Union Minister for Chemicals and Fertilizers, Shri D.V. Sadananda Gowda launched the Phase-II of the Direct Benefit Transfer of Fertilizer Subsidy (DBT 2.0) in July, 2019. The new initiatives of DBT 2.0 are DBT Dashboards, PoS 3.0 Software and Desktop PoS Version. The Department of Fertilizers (DoF) has implemented the Phase-I of DBT system in fertilizer subsidy pan-India in Fertilizers w.e.f. March 2018. ⁸

Contract for coal gasification plant for urea project at the erstwhile Talcher unit of FCIL was awarded on 17th September, 2019. ⁸

Under its diversification programme, FCI Aravali Gypsum and Minerals India Limited (FAGMIL) has taken up a project to establish a white cement plant near village Nohra Dhar in Sirmour district of Himachal Pradesh, at a project cost of approximately INR 605 cr. ⁸

HIL (India) Ltd a PSU under the Department of Chemicals and Petrochemicals has recorded growth in exports in the first two quarters of FY 2020-21. ¹²

Company has said that it has recorded a 65% growth in Exports during April- September 2020. ¹²

SOURCES

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