

SUNRISE SECTOR Earnings of top 10 players rose 48% in Q4 on local demand, import substitution and capitalising on Chinese troubles

After IT & Pharma, Chemicals Likely to Score Big on Exports

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ET Intelligence Group: Is India's chemicals industry the new emerging sector, the scalability of which most investors are underestimating?

In the past, export sectors such as IT, pharma and auto-ancillaries created massive wealth for investors. And now, a similar kind of dynamics seems to be playing out for India's chemical industry.

While most Indian industries are facing a slowdown, the chemical industry is bucking the trend, posting strong growth every quarter. The top 10 chemical companies have reported an average 48% growth in earnings for the March quarter and experts believe this trend is likely to continue. Their total revenues crossed over ₹35,000 crore in FY19, a 28% jump.

Analysts with Credit Suisse expect the overall industry to continue to grow in double digits.

Reflecting the trend, shares of Indian chemical companies, including Aarti Industries, SRF, Deepak Nitrite, Vinati Organics, Atul and GHCL, have hit record highs.

Rising Indian consumption, import substitution, and rising share

All Fired Up

March Quarter Performance of Top Chemicals Makers (In ₹ cr)

COMPANY	SALES	YoY Growth (In %)	PAT	YoY Growth (In %)
Atul	1,000.8	15.5	108.5	8.6
BASF India	1,311.2	-1.7	86.3	30.7
GHCL	911.3	26.2	118.6	44.3
SRF	2,034.8	28.0	190.9	54.1
Deepak Nitrite	485.9	23.6	56.6	178.4
Phillips Carbon Black	921.0	21.9	74.4	0.2
Vinati Organics	296.6	39.5	82.5	59.0
Aarti Industries	1,211.4	17.7	124.5	46.9
Advanced Enzyme Tech	110.4	1.6	32.2	18.2
Total	8,283.4		874.4	

Compiled by: ETIG Database

in global exports are the three main reasons for such growth. India's consumption is 20% of the global average, yet 45% of the demand is met through imports, which stand at \$55 billion, according to estimates.

With China implementing stringent environmental norms, many Chinese capacities are shutting down, which is benefitting large organised Indian players. Large global chemi-

cal sourcing chains are forced to look at India as an alternative market," said a CEO of a leading Indian chemical company, wishing anonymity. "Volumes have risen, and so have prices."

Globally, \$430 billion of chemicals are exported, with Europe and China being the major exporters, each having nearly a 20% share. India's share is still small, having risen to 4.5% over the past five years from 3.3%.