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# Downstream Polymers Industry Outlook

Presentation at Textiles and Plastics Investors Conclave  
Surat, India

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**Sanjay Sharma**

Vice President, IHS Markit  
Chemical Consulting – Middle East and Indian Sub-continent  
Email: [sanjay.sharma@ihsmarkit.com](mailto:sanjay.sharma@ihsmarkit.com)

## Global Chemical Industry: Emerging Trends

- **Changing Competitive Landscape:** global competitive landscape has changed and continue to change with shale gas, coal based chemicals, advantaged feedstock limitation in Middle East and oil companies focus on chemicals
- **Mobility trends and Refinery/Petrochemical Integration:** expected changes in the fuel mix and competitive advantage of integration driving higher level of refinery/petchem integration
- **Plastics recycling:** a fast emerging issue that is expected to influence the industry during the 2020s
- **India Chemical Industry:** Multiple projects in the pipeline – expected to boost demand growth

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## Global economic growth is peaking

- Global economic growth is expected to hold near 3.2% this year before easing to 3.1% in 2019 and 3.0% in 2020.
- The United States is getting a boost from fiscal stimulus and strengthening business investment in 2018–19, but inflationary pressures and policy tightening will restrain growth in 2020–21.
- Europe's growth is slowing but remains above trend; risks include higher oil prices, political changes in Italy and Spain, and the financial crisis in Turkey.
- China's growth is slowing as a result of excesses in industrial capacity, debt, shadow banking, as well as rising US-China trade friction.
- Asia's other emerging markets are expected to sustain solid growth.
- Emerging markets that depend on external finance (such as Turkey, Argentina, South Africa, and Brazil) are vulnerable to capital flight

## Real GDP growth in major economies

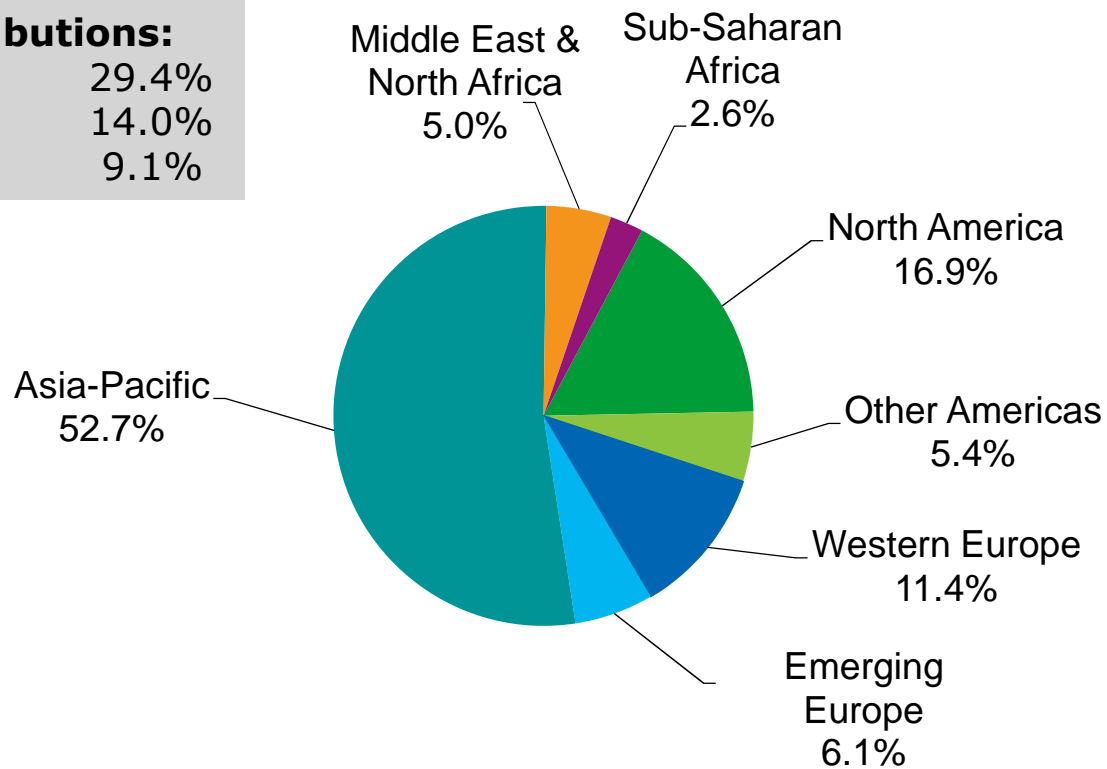
Real GDP					
Percent change	2016	2017	2018	2019	2020
World	2.6	3.2	3.2	3.1	3.0
United States	1.6	2.2	2.9	2.7	1.9
Canada	1.4	3.0	2.2	2.3	2.2
Eurozone	1.8	2.5	2.0	1.7	1.6
United Kingdom	1.8	1.7	1.2	1.1	1.4
China	6.7	6.9	6.7	6.3	6.1
Japan	1.0	1.7	1.0	0.9	0.4
India*	7.1	6.7	7.1	7.3	7.2
Brazil	-3.5	1.0	1.5	2.5	2.8
Russia	-0.2	1.5	1.8	1.6	1.8

# Asia-Pacific will account for more than half of global real GDP growth from 2017 to 2027

Percent of world real GDP growth, 2017–27

**Notable contributions:**

China	29.4%
United States	14.0%
India	9.1%



Source: IHS Markit

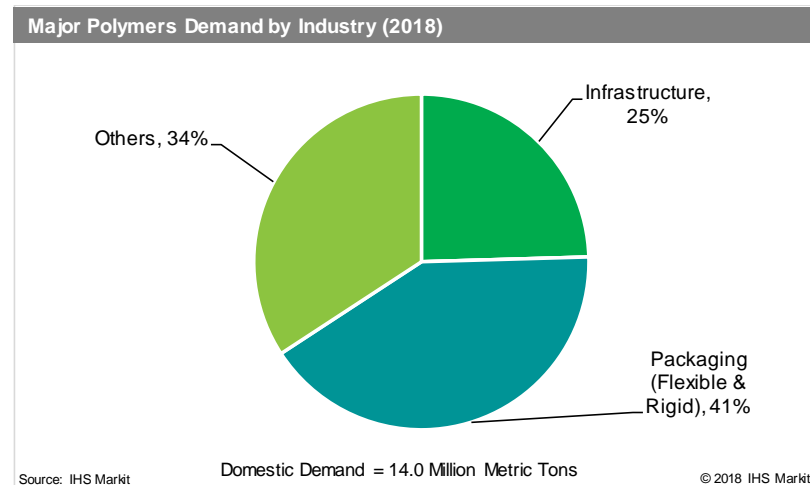
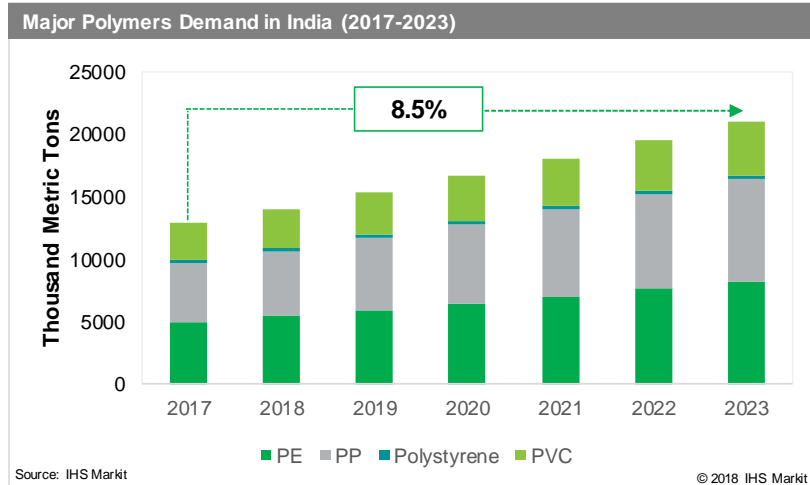
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# Polymer Industry: India

- Commodity plastics account for bulk of the plastics and comprise of polyethylene (PE), polypropylene (PP), polyvinyl chloride (PVC) and polystyrene (PS).
- PE and PP accounted for around 39% and 36% of the commodity plastics share in 2018 respectively. Share of PP is expected to increase to 39% in 2023.
- Western India accounts for around 45% plastic consumption followed by Northern India at 24% and Southern India at around 22%.
- Per capita plastic consumption in India stands at 10kg which is far less as compared to global average of 40 kg providing abundant opportunities to the plastic manufacturers.
- Packaging is the major demand sector in India which includes FMCG items, pharmaceutical and packaged & fast food industry. Others includes automobiles, textile fibers, electronics and agriculture.





# Polymers Demand Growth Drivers: India

## Packaging Industry

- Indian packaging industry: CAGR 15% (last five years)
- High growth potential: India packaging per capita consumption ~4 kg as compared to 6 Kg and 19 Kg in China and Taiwan
- Food and Pharma packaging are the key driving segments.

## Automotive

- Automotive Sales: CAGR 7.0% (last five years)
- Indian automotive industry expected to reach more than US\$ 250 billion by 2026
- FDI worth US\$ 18 billion (2000-2017)
  - Investments planned by Mahindra & Mahindra and Ashok Leyland worth INR 1500 Crores
  - Various initiatives by Indian government promoting electric vehicles

### Key Demand Drivers

## Infrastructure

- Infrastructure sector includes power, bridges, dams, roads and urban infrastructure development.
- Government spending is expected to increase in infrastructure sector (highways, transport etc.)
- Allocation of USD 92 billion in union budget 2018-19 for the Infrastructure sector
- Establishment of India-Japan Coordination Forum
- Investment of around US\$ 30 billion in smart cities mission

## Others

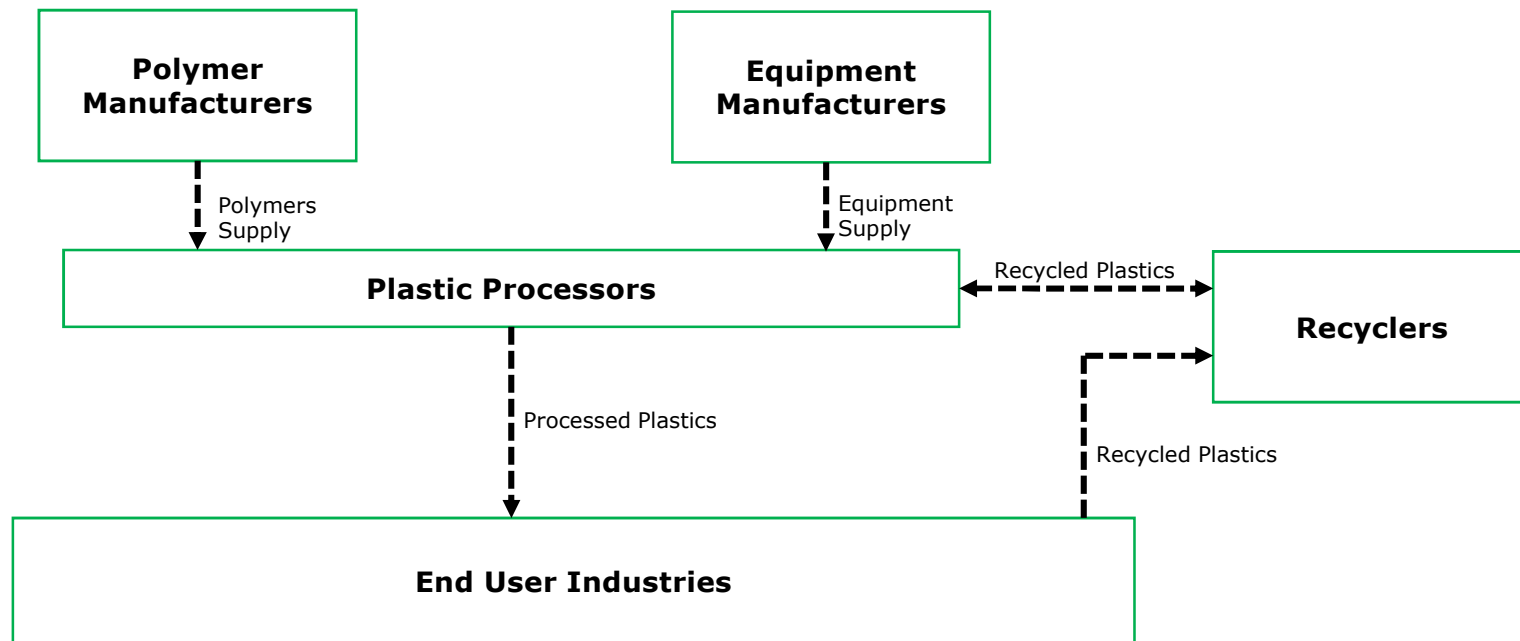
- India textiles industry expected to reach US\$ 230 billion in 2020 from US\$ 150 billion
- 100% FDI in textiles sector by Indian government
- Indian appliance and consumer electronics (ACE) market is expected to grow at 9% CAGR to reach US\$ 48 billion in 2022

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## Downstream Industry Structure: India

- Consolidated polymer manufacturing industry
- Highly fragmented plastic processing industry and recycling industry
- Equipment manufacturing mainly dominated by 200-220 large players



Source: FICCI

## Indian Polymer Processing Industry: Opportunities

- High growth in key end-use industries (FMCG, Construction, Infrastructure and Agriculture)
- Plastic finished goods export is expected to double to US\$ 15 billion in the next five years
- Government initiatives (Make in India, Skill India, Digital India, Swachh Bharat Abhiyan etc.) providing ample opportunities for the growth
- Plastic processing equipment industry to set up around 180,000 machines by 2020 with current at 113,000
- Growing interest in Bio-Plastics
- Recycling Industry and Waste Management

## Indian Polymer Processing Industry: Key Challenges

- Highly Fragmented Sector
- Highly competitive due to presence of large number of small players
- Lack of proper Infrastructure and modern technology
- Low focus on R&D
- Price and Currency Volatility
- Unregulated Quality Standards
- Non-transparent Regulatory Environment
- Approvals and Permits: No Single Window
- Environmental Hazards

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## **Planned polymer parks are expected to increase the domestic consumption**

- Nearly seven states are planning to set up plastic parks in their states.
- Government has approved four PCPIRs: Visakhapatnam (Andhra Pradesh), Dahej (Gujarat), Paradip (Odisha) and in Tamil Nadu.
- Plastic Park in Jharkhand's Deoghar at a cost of INR 120 crore in an area of 150 acre to manufacture range of polymer products is also approved by government.
- Telangana government has also submitted a proposal to establish a plastic park on 120 acres in Ibrahimpatnam, on the outskirts of Hyderabad.

## Industry Cluster Development: Key Objectives

### **Local business/Cluster development has 4 inter-related objectives:**

- Bring job opportunities and economic growth to the country
- Attract key foreign suppliers/investors
- Minimize a reliance on imports by developing a local manufacturing base
- Build an industry cluster which is globally competitive



## The Opportunity: Clusters Can Help Achieve

### Vision

**Raising living standards & tackling poverty**



**Achieving sustainable development**



**Enhancing competitiveness**



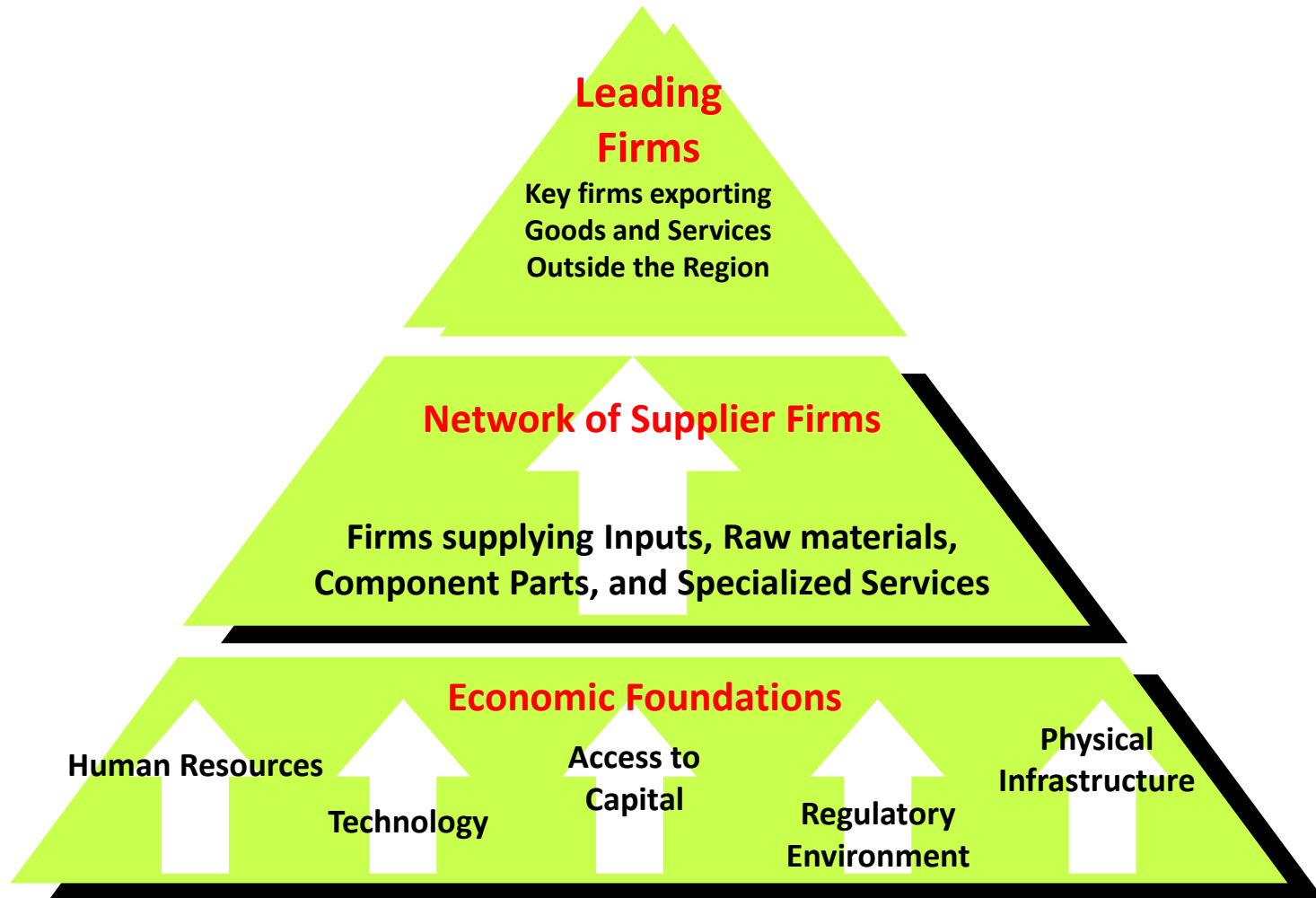
### Typical Cluster Benefits

Jobs, Higher productivity & wages, Increased income & per capita GDP

Economic diversification, Improved education, skills & experience of local workforce, New opportunities for innovation, local business participation & entrepreneurship

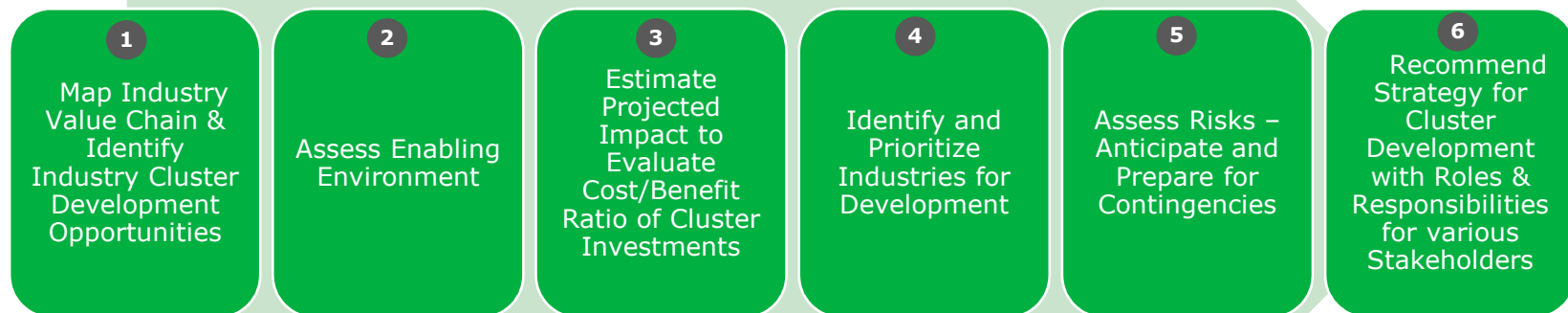
Attraction of FDI, Closer collaboration & trust across public and private sectors, Lower cost or more specialized inputs

## How does a cluster work?



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## IHS's six-step work program for addressing local cluster development objectives



*While completing the full 6-step process will ensure the greatest chance for India to successfully achieve its local business development goals, our experience has shown that successful cluster development efforts count on funding, leadership and inputs from both public and private sector partners.*

## Key Success Factors

Attributes		Success Factors			
Location	Proximity to demand center	Proximity to shipping route			
Economy	Economy and its structure				
Ease of doing business	Political stability	Competitiveness	Transparency and anti-corruption	Clarity of government planning and development	Clarity of government planning and development
Market Competition	International participation				
Infrastructure	Good shipping logistics	Availability of other infrastructure			
Operational	Accessibility to feedstock	Availability of storage			

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## Conclusions

- Economic outlook trending higher. 2017 growth rate fastest since 2010, expect to sustain in 2018
- Extended upcycle in global chemical markets – robust demand, tight supply and strong profitability
- Additional capacity with in India expected to bolster supply and demand growth
- Development of downstream industry require focus on
  - governance model
  - competitive resin price
  - improved infrastructure
  - incentives for Research and Innovation spend



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