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JULY 2022 ▪ FORTUNEINDIA.COM

PRICE ₹150

CHEMICAL BOOM

INDIA'S $212 BILLION CHEMICAL INDUSTRY IS SEEING UNPRECEDENTED GROWTH ON THE BACK OF THE CONSUMPTION ECONOMY, NICHE PRODUCTS, RAPID IMPORT SUBSTITUTION AND A GLOBAL GEO-STRATEGIC DEMAND SHIFT FROM CHINA

FROM LEFT: Jai Shroff, Global CEO, UPL; **Ashish Bharat Ram**, CMD, SRF; **Madhukar B Parekh**, Chairman, Pidilite, and **Maulik Mehta,** CEO and Executive Director, Deepak Nitrite

COVER STORY — CHEMICALS

CHEMICAL BOOM & BILLIONAIRES

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By **P.B. Jayakumar**

IN 2015-16, DEEPAK NITRITE, a five decades old basic chemical, specialty and intermediates major, was India's leading producer of sodium nitrate, a preservative used in cured meat, bacon, medicines and industrial products like dyes. However, revenues were below ₹1,500 crore. Investor interest was limited. Market capitalisation was under ₹3,000 crore. Just then, Chairman and Managing Director Deepak C. Mehta floated a subsidiary, Deepak Phenolics, to make phenol, acetone and isopropyl alcohol (IPA), used in household cleaners, antiseptics, disinfectants hand sanitisers and detergents. Public sector Hindustan Organic Chemicals and SI Group India were the only two rivals, with 30,000 tonnes capacity each, but India's

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GROWTH TRIGGERS

2012: Government targets doubling of manufacturing share in GDP to 25% by 2025. Promotes investment in chemicals with technology upgrade funds, R&D support and market incentives.

2014: Department of Chemicals and Petrochemicals frames draft National Chemical Policy to facilitate growth and development of the sector.

2015: China shuts polluting chemical units. Indian companies tap global supply gaps with new production units meeting environmental norms.

2018: US-China trade war intensifies. US imposes $250 billion in tariffs, China retaliates with $110 billion; Chinese chemical exports to U.S. hit. Businesses turn to suppliers such as India.

2019: India's R&D spend in chemicals grows at 16% CAGR in the decade up to FY19.

2020: Chemical capex grows at 17% CAGR from FY15 to FY20, from 2% CAGR in previous five years.

2020: Centre revamps integrated Petroleum, Chemicals & Petrochemical Investment Regions plan and links it to National Infrastructure Pipeline projects.

2021: Consumption boom as chemical & petrochemical production rose from 25,744,000 MT in FY17 to 29,181,000 MT in FY21.

2022: Centre announces Production-Linked Incentive Scheme in advanced chemistry cell battery and pharma and plans for chemicals.

consumption was three times more at two lakh tonnes. Till 2018, Deepak Phenolics invested ₹1,400 crore to build annual capacity of two lakh tonnes phenol, 1.2 lakh tonnes acetone and 26 lakh tonnes cumene.

That changed its fortunes. With phenolics plants, net revenues grew more than four times from ₹1,651 crore in FY18 to ₹6,802 crore in FY22. Net profit rose 83% to ₹1,060 crore. Today, more than half the consolidated revenue comes from Deepak Phenolics. Deepak Nitrite is in the midst of an expansion, which includes doubling of IPA capacity to 60,000 MTPA, at a cost of ₹1,500 crore, says the company's CEO and executive director, Maulik Mehta. Deepak Nitrite's market capitalisation grew over seven times from ₹3,475 crore in FY19 to ₹25,951 crore on June 6, 2022, catapulting the Mehta family into the billionaire club with ₹11,864 crore wealth.

Or, take 32-year-old Mumbai-based Vinati Organics, manufacturer of 25-plus specialty chemical and organic intermediates. Its promoter, Vinod Saraf, was managing director of Mangalore Refinery & Petrochemicals in late 80s when he was bitten by the entrepreneurial bug. Saraf started Vinati Organics, a joint venture with Maharashtra government, in 1989 (he later bought state government's stake). The company started with Isobutyl Benzene (IBB), primary raw material for Ibuprofen, and then decided to make 2-acrylamido-2-methylpropane sulfonic acid (ATBS), which has wide applications as a dispersant in water chemicals and polymers for enhanced oil recovery. Though it became a domestic market leader in IBB, revenues remained just over ₹60 crore. The problem was quality of ATBS. Vinati roped in a global consultant for suggestions to change manufacturing processes. Now, Vinati is the world's largest manufacturer of IBB and ATBS, with 65% global market share. Lubrizol, the second-largest manufacturer of ATBS, stopped production a couple of years ago. Today, just two-three companies make ATBS. In FY22, it reported ₹1,615 crore net revenue, from ₹641 crore in FY17, a CAGR of 20%. Market capitalisation grew at 33% CAGR from ₹4,624 crore to ₹21,301 crore. The promoter group, led by Vinod Banwarilal Saraf and daughter Vinati Saraf Mutreja, managing director & CEO, hold 74% equity. Their stake is valued over ₹15,776 crore, more than the Mehta family's stake in Deepak Nitrite. "We saw a turnaround after roping in the consultant, who ensured ATBS quality, and exit of a key competitor," says Vinod Saraf. Vinati is investing ₹750-800 crore over two-three years to get into new product platforms such as 'butyl phenols,' used in perfumes, resins, agrochemicals and plastic additives, and 'anti oxidants,' used in polymers, auto parts, farming and construction.

THE BIGGEST REASON FOR THE CHEMICAL INDUSTRY BOOM IS RISE OF CONSUMPTION IN INDIA. GLOBAL COMPANIES ARE ALSO SOURCING MORE FROM INDIA TO LOWER DEPENDENCE ON CHINA.

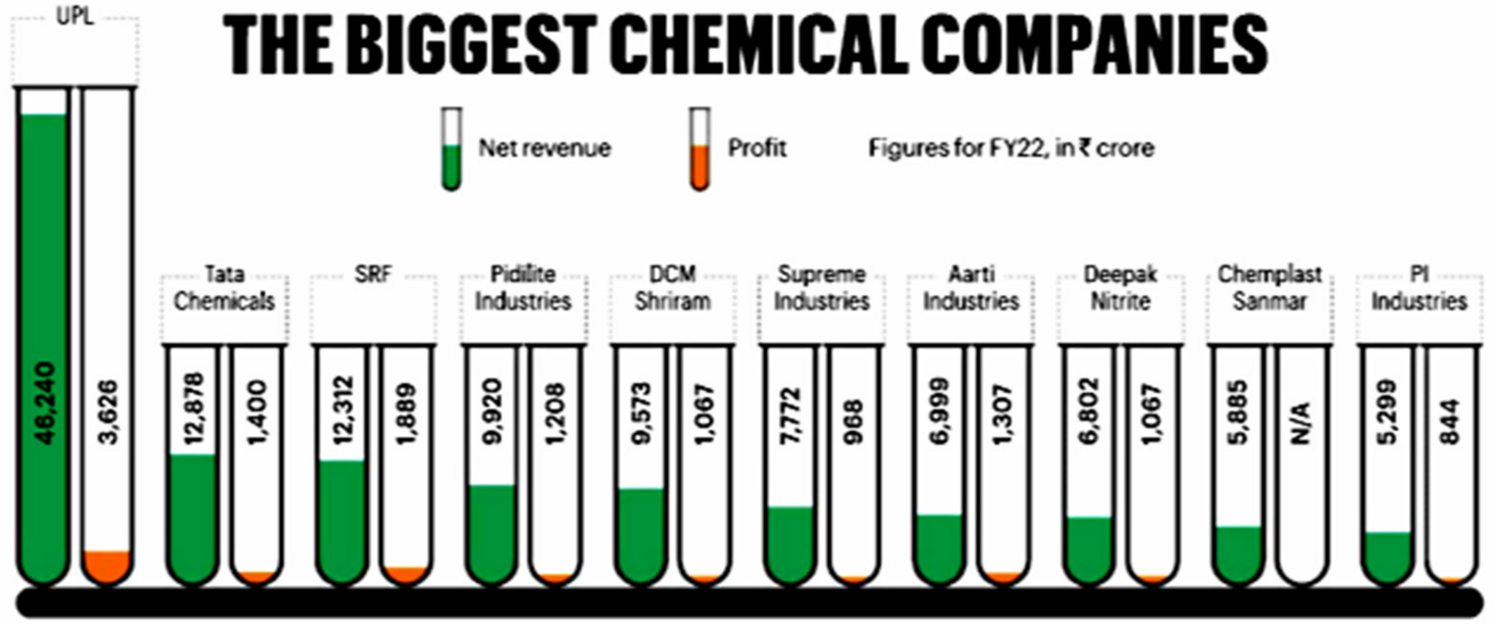
Then there are entrepreneurs such as Rajendra V. Gogri and family, promoters of Aarti Industries, which specialises in chemicals used to make pharmaceuticals, agrochemicals, polymers, additives, surfactants, pigments and dyes; Unnathan Shekhar, promoter of personal care ingredient maker Galaxy Surfactants; Yogesh M. Kothari of Alkyl Amines Chemicals; and technocrats like Pradeep Rati and Ashok Boob whose Clean Science & Technology had a stellar stock market debut last year.

Mehta, Saraf, Gogri and others are among tens of Indian chemical entrepreneurs who have, over past several years, capitalised on consumption boom, import substitution, demand for niche products and geo-strategic shifts under which user industries are looking for alternatives to China for sourcing chemicals.

Also in the fray are established players that have strengthened grip on their core segments, and in new ones. These are Atul, Pidilite, SRF, DCM Shriram, Inox Group's GFCL, Murugappa Group's fertiliser-dominated Coromandel International, K.K. Birla group's Chambal Fertilisers and Chemicals and agrochemical specialists like UPL and PI Industries.

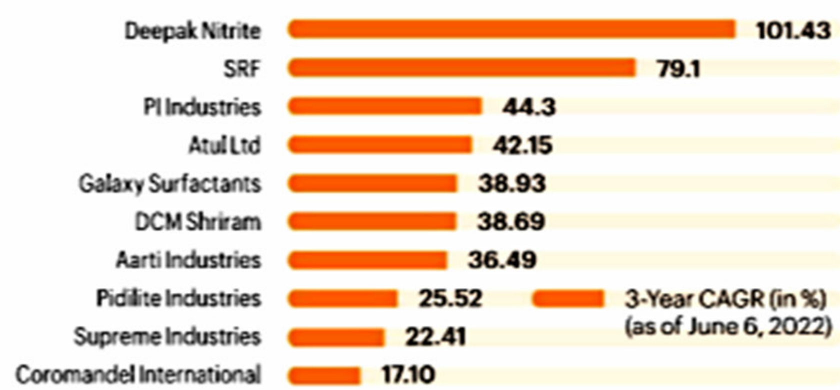
The bold and early bets by these players took India's chemical sector from $178 billion in FY19 to $212.6 billion in FY21 (9.33% CAGR). Indian pharmaceutical sector, one of the main consumers of its chemicals, grew at 10.04% CAGR in three years to $54 billion in FY21. In compari-

THE BIGGEST CHEMICAL COMPANIES



ZOOMING MARKET CAPITALISATION

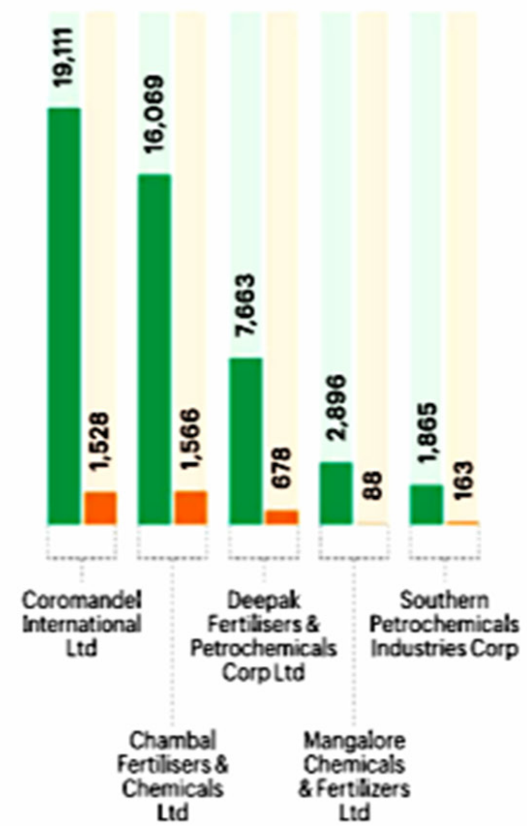
Highest M-cap Growth



$212.6 Billion

Size of India's chemical sector in FY21, from $178 billion in FY19. It is expected to touch $304 billion by FY25.

THE LEADING FERTILISER COMPANIES



son, India's IT/ITeS sector grew at 6% CAGR, from $125 billion in FY18 to $149.2 billion in FY21.

That's just a start. IBEF says India's chemical industry will hit $304 billion revenues by growing at 9.3% CAGR between FY19 and FY25. Global chemical industry is projected to grow 3.5% in 2022—4.5% in U.S., 4% in China, 3.9% in emerging markets of Asia, 2.5% in Japan and 1.5% in South America.

While entrepreneurs enjoy fruits of capacity expansion undertaken a few years ago, current expansion plans and bright prospects are getting investor support. Two years ago, global private equity player KKR bought Mumbai-based JB Chemicals & Pharmaceuticals for ₹3,100 crore in what was India's largest deal in the chemical sector. "Niche specialty products have good prospects. With India growing faster (than other countries), chemical companies like ours are growing faster than other segments of industry," says Vinati Saraf.

Mayank Singhal, vice chairman and managing director of PI Industries, agrees. "Many players in India's specialty, fine-chem and agro-chemical sector invested to build world-class manufacturing facilities. The results are showing in their current growth," he says. "A strengthened intellectual property regime also encouraged innovator multinationals to look at India and work with companies like ours."

Favourable Winds

The chemical boom has been triggered by several factors. The biggest is the rise of India's consumption economy. "We are seeing strong revival of economic activity. There is a big opportunity in rural and small-town India," says Bharat Puri, managing director, Pidilite. The growth of India's consumption economy is evident in key sub-sectors of the chemical & petrochemical industry. Polymers, used to make synthetic cloth, polyethylene cups, fiberglass, plastic bags, paints and glue, grew at 9.89% CAGR in three years to FY21. Production of elastomers (synthetic rubber), used to make tyres, medical tubes, balloons and adhesives, grew at 4.85% CAGR. Production of pesticides grew 7.72%.

Another trigger has been shift of demand from China to India due to diversification by global consumer companies and China's crackdown on old/polluting factories. China's chemical industry, at $1,550 billon, is seven times bigger than India's. The country controls 40% global market for chemicals. India imports $50 billion worth of chemicals every year, 25% of that from China. "Incessant disruptions in China due to strengthening regulations, accidents and imposition of penalties led to capacity closure, causing supply-side pressures," says Rohit Nagraj, sector analyst, Emkay Research. Between 2015 and 2020, the number of chemical companies in China's largest chemical manufacturing province, Jiangsu, fell from 6,000 to 2,000. The plan is to bring this down to less than 1,000.

Disruption of global supply chains, first due to U.S.-China trade war and then Covid-19, also forced global players to look at alternative sources of chemicals to de-risk their businesses. India emerged a prime alternative ahead of Vietnam and South Korea. Many customers started asking Indian suppliers to scale up and start building products in their areas of strength. "The push is from customers in Europe, U.S. and Japan. They ask how dependent we are on China for raw materials. If assured of local production, they are open to signing multi-year contracts, which was not a norm in the past," says Maulik Mehta.

Ajay S. Shriram, chairman & senior managing director, DCM Shriram, says they, too, are looking at global markets. "In recent years, companies like ours have invested in forward integration, adding revenue streams, building scale and adding value through innovation and circular economy to reap global opportunities."

Another trend that Indian companies have tapped is rise in demand for least polluting products. Sector experts say most leading companies have long-term orders and are developing green processes and products. Between April 2020 and June 2021, FDI inflows in chemical companies (other than fertiliser players) totalled $18.69 billion, says an IBEF report.

India also has a robust ecosystem capable of producing chemicals at lower rates than the developed world. Availability of talent, along with academic and R&D support systems, has not been a problem till date. "We estimate $150-200 billion investment in India's chemical industry in next four-five years," says Ravi Goenka, president, Indian Chemical Council (ICC) and CMD of Laxmi Organics Industries. If India can get 10% chemical trade from China through scaling up and import substitution, the Indian industry can touch $300 billion in five years, he says. Others agree. "The Indian chemical industry is positioned to capitalise on near-term opportunities created by global uncertainties. The future of India's chemical industry will depend on how private players and industry map their priorities," says McKinsey & Company.

However, fast growth means talent shortage can be an issue in future. "Because a lot of investments are coming in chemical and specialty chemicals, there is obviously a talent shortage expected going forward," says Rajendra Gorgi, CMD, Aarti Industries.

Another issue companies will face as they become global suppliers is meeting environmental norms since chemicals is considered a highly polluting sector. "We have a sustainability roadmap till 2030 to reduce ecological footprint of our operations," says Pidilite's Bharat Puri. The initiatives include use of raw material with lesser environmental footprint, reduction of plastic usage, minimising energy wastage and caring for community stakeholders. Agro-chemical major UPL is already a global leader in sustainable agricultural solutions. "Agriculture plays a major role in climate change—25% of the world's emissions are due to agriculture, while 70% of global freshwater is used for agriculture.

A TREND INDIAN COMPANIES HAVE TAPPED IS RISE IN DEMAND FOR LEAST POLLUTING PRODUCTS. MOST LEADING COMPANIES ARE INVESTING HEAVILY IN PLANTS AND R&D TO DEVELOP GREEN PROCESSES.

INDIA'S CHEMICAL BOOM...

- Size of India's 120-year-old chemical industry was $212.6 billion in FY21. To touch $304 billion by 2025, growing at a CAGR of 9.3%.
- Ranked 8th in imports and 14th in exports.
- To invest $150-200 billion in next four-five years to expand capacity. Over ₹15,000 crore capacity expansion already under progress.
- Specialty chemicals expected to grow at 12% CAGR over next five years from $32 billion at present.
- Agrochemical industry size at $5.4 billion in FY20; to grow at 8% CAGR till 2025.

...AND GLOBAL OPPORTUNITY

- Still just a 7th of China's $1,550 billion industry which controls 40% of global markets.
- Global chemical industry growth projected at 3.5% in 2022. BASF estimates that U.S. will grow 4.5%; China (4%); Asian emerging markets (3.9%), European Union (2.8%), Japan (2.5%) and South America (1.5%)
- China adopted strict pollution norms and closed several units, encouraging Indian companies to launch a capex cycle.
- US-China trade war and 'China Plus One or Two' strategy of major chemical consumers to help India.

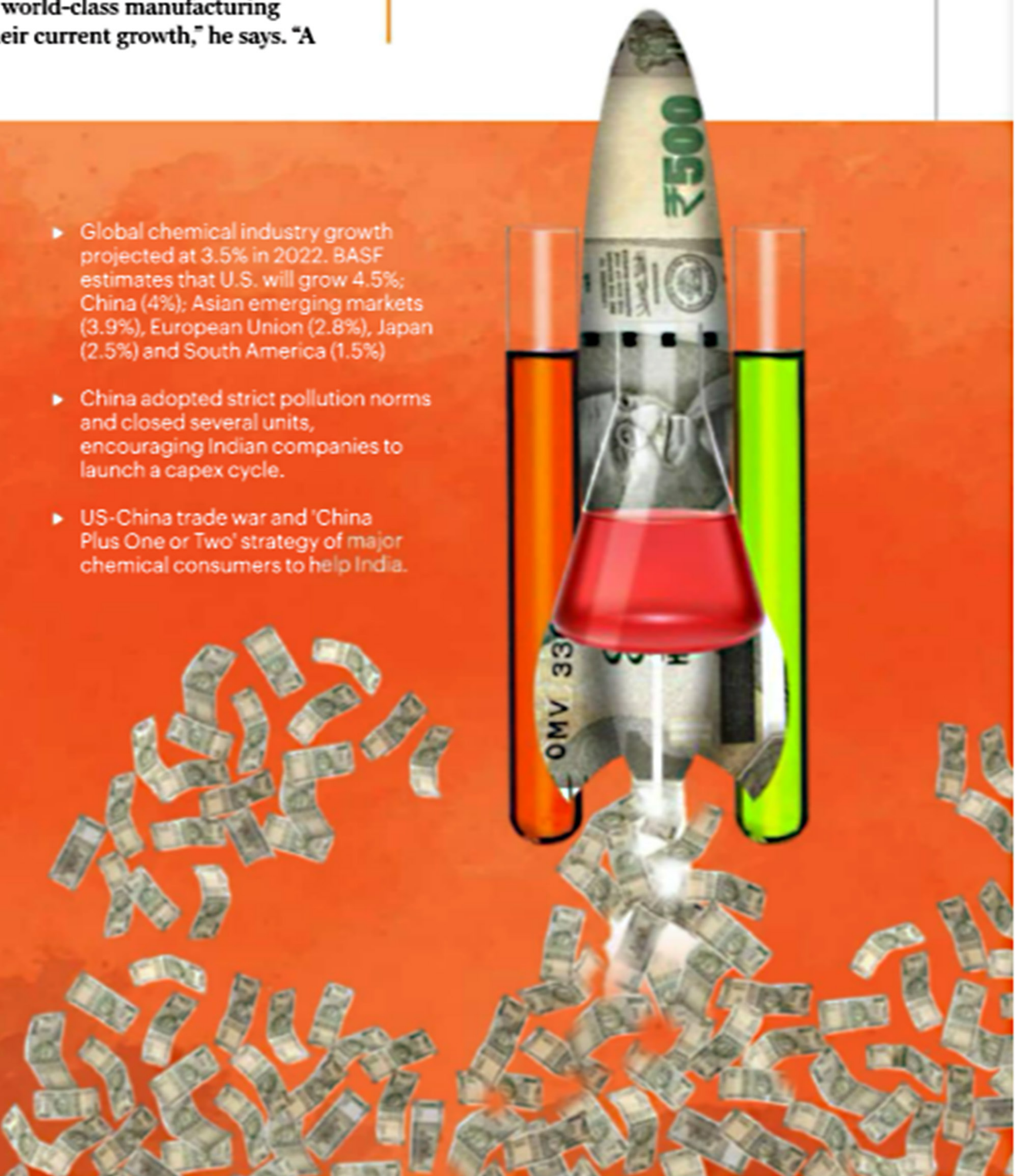


ILLUSTRATION BY **AMIT SHARMA**

THE FASTEST-GROWING CHEMICALS

CHEMICALS	PRODUCTION -2021	3 YEAR CAGR (%)	5 YEAR CAGR (%)	USER INDUSTRIES
Polymers	12,144	▲9.89	▲7.29	Making of synthetic cloth, polyethylene cups, fiberglass, plastic bags, paints, glue, foam cushion, etc.
Elastomers (sy.rubber)	353	▲4.85	▲5.54	Automotive industry (making of tyres), medical tubes, balloons, adhesives, etc.
Pesticides	255	▲7.72	▲4.52	Agriculture.
Organic chemicals	1,906	▲1.95	▲3.86	Feedstock for medical, pharmaceutical, biochemical, bioengineering; used in polymer and plastic production.
Sy.detergent intermediates	736	▼-0.82	▲2.63	Detergents.
Alkali Chemicals	7,776	▼-0.82	▲2.63	Production of glass, soap, chemicals, rayon, cellophane, paper and pulp, cleansers and detergents, textiles, water softeners, aluminum, bicarbonate of soda and petroleum.
Dyes &Pigments	327	▼-3.41	▲0.56	Colourant for cloth, drugs, food, cosmetics, plastics, paint, ink, photography, paper.

Figures in 1,000 tonnes

SOURCE: DEPARTMENT OF CHEMICALS & PETROCHEMICALS

There is a huge opportunity," says Jai Shroff, global CEO, UPL. He says UPL is not only focused on reducing water usage, waste generation and carbon emissions but has also provided farmers sustainable farming methods to bring water consumption and emissions under control.

The huge investments mean unorganised players will find it difficult to survive. "The industry is headed towards consolidation as larger chemical companies are implementing more sustainable methods," says Anil H. Gupta, managing director of Cristol, a phosphite antioxidant and oilfield chemical brand. And as competition heats up, companies will have to focus on specialty chemicals for higher margins.

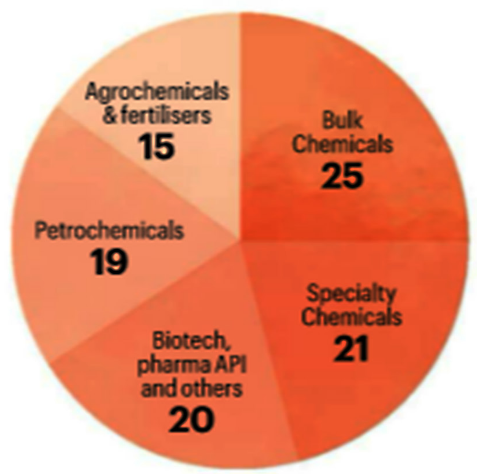
Specialty Players

India's high-value specialty chemical segment caters to applications in agrochemical, dye, food and fragrance segments. It will outpace Chinese companies and double its global market share from 3-4% in FY21 to 6% in FY26, says Crisil, adding that it will see 18-20% revenue growth this fiscal and 14-15% next fiscal compared with single-digit growth in previous two fiscals. Demand for specialty chemicals is being triggered by rise in exports due to shift in global supply chains driven by China+1 policy of vendors and demand recovery in domestic segments. "China has been losing competitiveness due to increased environmental costs and reduced government sops. This, along with pandemic-induced disruptions, has forced customers to diversify their supplier base. India, with its cost-competitive manufacturing and technical expertise, is set to seize the opportunity," says Gautam Shahi, director, CRISIL Ratings.

The focus on specialty products has already started paying off. Madhukar B. Parekh, chairman, Pidilite, converted an unexciting

SUB-SEGMENTS

Share (%)



chemical product, glue, into one of the country's top brands, Fevicol. Now, Pidilite is seen more as a consumer company than a chemical company. It also sells branded adhesives, sealants, water-proofing solutions and construction chemicals. "Pidilite has always taken an unconventional route to advertising and brand building. It built a strong bond with people and not just niche buyers in an unglamorous category. This helped us build some of the buzziest and most loved brands. Most of our brands are synonymous with the category," says Bharat Puri.

Early foray into global markets, which started way back in 2004, has also paid off. In last three years, revenues have grown at 11.9% CAGR to ₹9,920 crore and market capitalisation at 26% CAGR to ₹1.1 lakh crore. Parekh and family held 70% stake, worth ₹77,235 crore, in early June. Equity research firm Prabhudas Lilladhar is positive on Pidilite's long-term prospects and expects revenues to grow to ₹12,699 crore by FY24.

Pidilite is not alone. Chemical, packaging and technical textile major SRF, India's largest specialty company, has also transformed itself through diversification. Analysts say capacity addition in specialty chemicals such as fluoro compounds, vertical integration and low dependence on crude oil derivative raw materials are driving growth. Its net revenue grew at 20% CAGR over three years to touch ₹12,321 crore in FY22. In last quarter of FY22, chemical business expanded 36%, packaging films saw 42% growth while technical textiles grew 24%. It has lined up investment in excess of ₹5,000 crore over the next two-three years in chemicals and key chemical platforms like refrigerants, chloromethanes (used as reagent in chemical production), PTFE (used for industrial applications involving heat procedures) and packaging films. These investments include a new pharma intermediates plant for ₹190 crore, a 300 MTPA agrochemical product plant in Dahej and an aluminium foil manufacturing facility for ₹425 crore. Capex for FY22 alone was about ₹2,000 crore.

"Our expansion plans are a big part of our vision to become a strong force in the global chemical industry," says Ashish Bharat Ram, chairman & managing director, SRF. Investors agree. SRF's market capitalisation has grown at 79.10% CAGR in last three years to ₹70,628 crore. The stake of promoter family of chairman emeritus Arun Bharat Ram is valued at ₹35,832 crore.

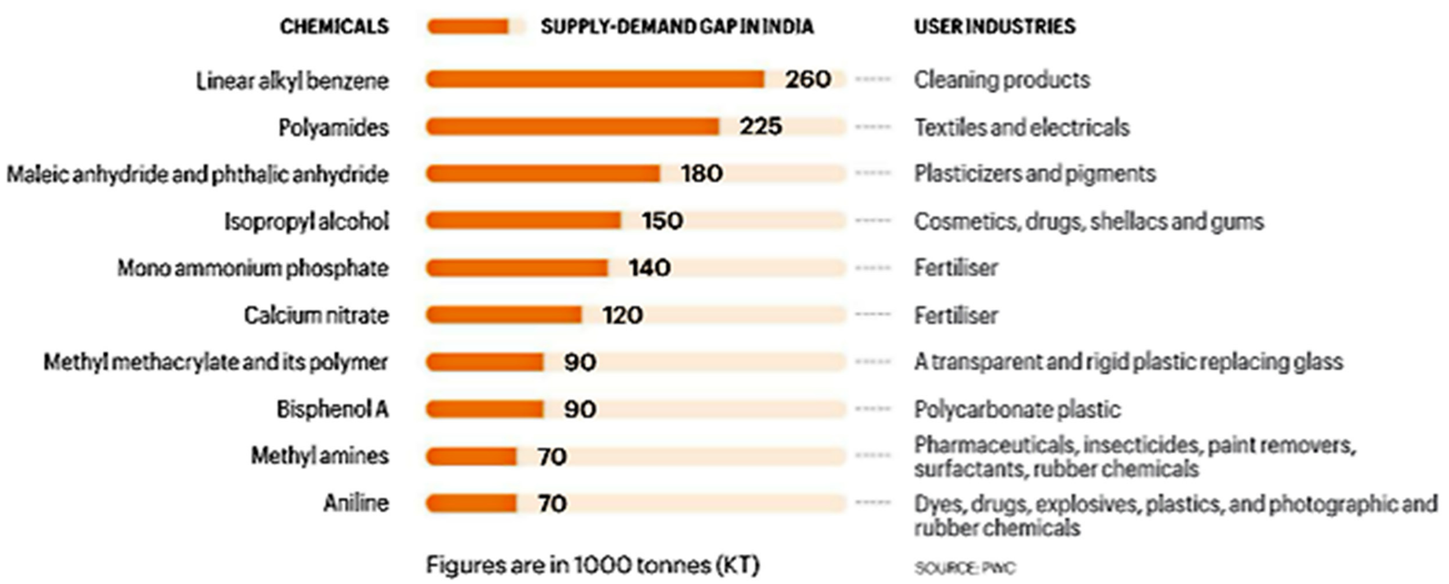
18-20 per cent

Expected growth of specialty chemicals in FY23 compared with single-digit growth in previous two years.

Mumbai-based Aarti Industries Ltd., which makes 200-plus chemicals at its 17 plants, is another chemical specialist that has done well for itself. Established by first-generation technocrats in 1984, its core area is benzene-based derivatives, used in paints, drugs, shampoos, farming and even aeroplanes. Over 60% production is consumed domestically. Net revenues grew at 18.87% CAGR to ₹6,999.9 crore in three years to FY22. Profit rose 38.53% to ₹1,307 crore. Market capitalisation grew at 36.49% CAGR to ₹25,895 crore. This values promoter group stake at ₹11,444 crore. Between 2019 and 2021, it operationalised four facilities for diversification and catering to long-term contracts. "Our FY22 capex was ₹1,300 crore, in line with our plans. We are witnessing ramp-up of capacities and expect most plants to reach 70-90% utilisation by FY24. We remain committed to investing over ₹3,000 crore by FY24," says Rajendra Gogri. With that capacity, Aarti's turnover can catapult 2.5-3.5 times and EBIT and PAT three-four times from FY21 to FY27. Gogri says Aarti Industries is addressing the opportunity arising out of import substitution and supply-chain diversification by global majors and is investing in product diversification, capacity expansion and upgradation in specialty chemicals and pharmaceuticals.

DCM Shriram, part of more than 100 years old DCM Group, too, is firing on all cylinders, thanks partly to initiatives taken to integrate operations. "Our chemical business grew at 23% CAGR from ₹885 crore in FY17 to ₹2,498 crore in FY22. Plastics grew at 17% CAGR from ₹507 crore to ₹1,119 crore," says Ajay S. Shriram. Product portfolio includes caustic soda, chlorine, hydrogen, aluminium chloride and stable bleaching. The company is India's second-largest chlor-alkali producer with 1,869 tonnes per day (TPD) capacity. An ongoing 850 TPD expansion at Bharuch will make it the largest single-location caustic facility in the world. "We are forward-integrating chemicals business and implementing projects for making epichlorohydrin, an import substitute used to make resin, hydrogen peroxide and aluminum chloride, and other projects which are part of circular economy, with an outlay of ₹2,800 crore. This will add significant scale and new revenue streams," says Vikram S. Shriram, vice chairman & managing director, DCM Shriram. The company's market cap has grown at

THE BIG OPPORTUNITY



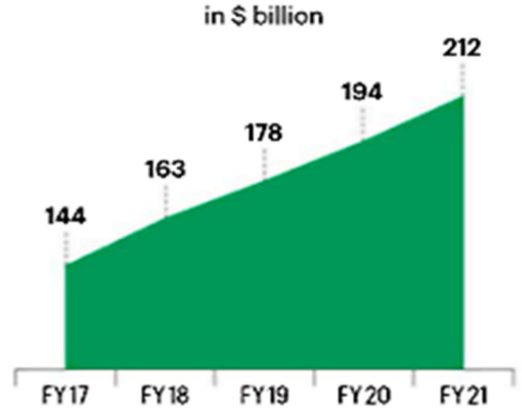
38.69% CAGR from ₹3,353 crore in FY20 to ₹15,383 crore. Promoter wealth based on 66.52% stake is valued at ₹10,233 crore.

Gujarat Fluorochemicals (GFL) is another traditional chemical major reaping industry tailwinds. GFL is part of INOXGFL (Inox Group was split between brothers Pavan and Vivek Jain in November 2021. Vivek Jain's group is now called INOXGFL Group) with diversified business segments comprising fluoropolymers, specialty chemicals, wind energy and renewables. Net revenues grew at 13.15% CAGR to ₹3,953 crore in three years to FY22. The fluorine and related chemical expert's market cap has increased nearly 10 times from ₹3,186 crore in FY20 to ₹30,531 crore. The stake of the promoter group, led by Vivek Jain, is valued at ₹20,176 crore. GFL is also tapping the emerging EV opportunity by investing ₹2,500 crore in three years to make PVDF electrode binders, battery chemicals, LiPF6, additives, electrolyte formulations and battery casing in a new integrated battery chemicals complex.

Then there is the interesting turnaround story of Sanmar Group and Fairfax-promoted Chemplast Sanmar, maker of speciality resins, chloro-chemicals, hydrogen peroxide and customised chemicals, which exited bourses in 2012 due to worsening fortunes. It re-entered in August 2021 with ₹3,850 crore IPO and is expanding—debottlenecking PVC resin unit, setting up a paste PVC unit with 35,000 MT capacity at Cuddalore and a custom manufacturing multipurpose facility. The aim is to tap the import substitution opportunity. Net revenue grew at 67.41% CAGR in three years from ₹1,254.34 crore to ₹5,885 crore. Market capitalisation is ₹7,585 crore. Promoter stake is valued at ₹4,171 crore.

THE INDIAN CHEMICAL INDUSTRY

in $ billion



Stock markets' love for specialty play is clear in case of Lalbhai Group-promoted Atul Ltd, maker of 900-odd chemicals and 400 formulations used in 30-plus industries. The company grew its revenue by 7.96% CAGR to ₹5,081 crore in three years to FY22. But market capitalisation grew at 42.15% CAGR. The current market cap, ₹23,394 crore, puts promoter wealth at ₹10,539 crore.

And last, but not the least, is Tata Chemicals Ltd. (TCL), India's largest maker of chemicals whose revenue rose 24% to ₹12,622 crore in FY22. It is the world's third-largest soda ash manufacturer and sixth-largest sodium bicarbonate maker. "We are planning Phase-II expansion of soda ash (300 kt) and sodium bicarbonate (70 kt) and specialty silica capacity (50 kt) with ₹2,000 crore capex in India," R. Mukundan, managing director & CEO, said while announcing Q4 FY2022 results. In the first phase, TCL is adding 2.3 lakh MT soda ash capacity to existing 9.17 lakh MT, 0.70 lakh MT to 1.05 lakh MT sodium bicarbonate capacity and 3.30 lakh MT to 11.7 lakh MT salt capacity, by investing between ₹1,250 crore and ₹1,650 crore. In the second phase, it plans to increase capacity for soda ash by 30%, sodium bicarbonate by 40% and silica by five times.

CHEMICAL IPOs HAVE DONE WELL AND ARE 54% ABOVE THEIR IPO PRICE ON AVERAGE

The Newcomers

About 13 chemical and allied companies got listed on Indian stock exchanges in 2021 and 2022—Chemplast Sanmar, Laxmi Organic Industries, Clean Science & Technology, Anupam Rasayan, Ami Organics, Siigachi Industries, Tatva Chintan Pharma, HP Adhesives, Aether Industries, Paradeep Phosphates, India Pesticides, Heranba Industries and Bhatia Colour Chem. Promoters of some of these companies are already billionaires while others are catching up. Recent market correction has taken some sheen off these companies, though. "While chemical IPOs have done well (compared to other sectors) and are 54% above their IPO price on an average, they are down 34% from peak prices," says a June 2022 report by Candle Partners, an investment banking and consultancy. It says chemical industry has added ₹1,12,200 crore ($15 billion) market cap in last four years.

Four-decade-old Galaxy Surfactants, a global supplier of surfactants and specialty care ingredients, got listed in 2018. The company makes 200-plus products used in personal and home care products like shampoos, cosmetics, toothpaste, creams and toiletries. It exports over 60% of its production to 80 countries. "Nine out of 10 Indian consumers use products which have Galaxy's surfactants or specialty care products at least once daily," says executive director and chief operating officer Natarajan K. Krishnan. Since 2010, Galaxy has grown volumes three times, EBITDA four times and profit five times. Return on capital is above 22%. Since 2000, it has got 79 patents on green processes. Net revenue grew at 10.08% CAGR over last three years but market capitalisation zoomed at 38.93% a year. The current market capitalisation is ₹10,312.55 crore. The promoter group, led by managing director Unnathan Shekhar, holds 71% stake, valued at ₹7,315 crore.

That green is the new in-demand currency in stock markets became clear when Clean Science & Technology listed 98% above the issue price in July last year. Clean Science, a green chemistry research focussed company, reported 20.31% revenue CAGR in three years to FY22. The company makes niche performance chemicals and exports 37% of its production to China. Founded by technocrats, it specialises in designing catalysts to create new green manufacturing processes and products and eco-friendly processes by eliminating use of toxic starting materials. Its few successful niche products are MEHQ (monomethyl ether of hydroquinone), used as absorbents in sanitary pads and diapers, antioxidant BHA, infant food ingredient AP (L-Ascorbyl Palmitate) and a few pharmaceutical and FMCG grade chemicals. It is building a couple of new plants at an investment of ₹250 crore. Focus is on import substitution with products like stabilisers and intermediates for agro and pharma sectors. Market capitalisation is ₹18,755 crore. The promoter group, led by managing director Ashok Boob, holds nearly 79% stake in the company. Colour pigment specialist Sudarshan Chemicals chairman Pradeep Rathi is non-executive director and chairman. Promoter stake is valued at ₹14,724 crore.

Another new stock market entrant is ICC president Ravi Goenka's Laxmi Organic Industries, a three-decade-old organic chemical maker. The company specialises in acetyl intermediates and specialty intermediates and makes 50-odd products used in pharma, agro, paints & coatings, printing & packaging and dyes & pigments. It recently forayed into high-margin specialty fluorochemicals with acquisition of

RICHES FROM CHEMICALS

Rajendra Gogri, Aarti Industries

Aarti Industries

- Specialist in benzene-based derivatives, used in cars, paints, drugs, shampoos, even aeroplanes.
- Developing 40-plus products for speciality chemicals and 50-plus for pharma industry.
- Revenues grew 18.87% CAGR in three years to ₹6,999.96 crore in FY22 and market capitalisation grew at 36.49% CAGR to ₹25,895.48 crore.

DCM Shriram

- Makes caustic soda, chlorine, hydrogen, aluminium chloride and stable bleaching. Focus on sectors like sugar, chloro-vinyl, SFS, bioseeds, fertiliser and others.
- Biggest growth from chemical, plastic and chlor-vinyl businesses.
- Chemical business grew at 23% CAGR to ₹2,498 crore, plastics grew at 17% CAGR to ₹1,119 crore and chloro-vinyl grew at 21% CAGR to ₹3,616 crore in last five years.

Ajay S. Shriram, DCM Shriram

Vikram S. Shriram, DCM Shriram

Galaxy Surfactants

- The maker of surfactants and specialty care ingredients used in personal/home care products like shampoos, cosmetics, toothpaste, creams and toiletries exports over 60% of its production.
- Since 2010, has grown volumes three times, EBITDA four times and profit five times. Return on capital is above 22%.
- Net revenue grew at 10.08% CAGR over three years but market cap zoomed at 38.93% a year.

Mayank Singhal PI Industries

Deepak Nitrite

- Set up Deepak Phenolics to make phenol, acetone and isopropyl alcohol, used in household cleaners, antiseptics, disinfectants hand sanitisers and detergents. Now, over half the revenues come from phenolics.
- Market capitalisation grew at 101.43% CAGR in last three years. Revenues grew from ₹1,651 crore in FY18 to ₹6,802 crore in FY22.

Maulik Mehta, Deepak Nitrite

Unnathan Shekhar, Galaxy Surfactants

Pidilite

- White synthetic resin adhesive to help carpenters and woodworkers launched in 1959 under 'Fevicol' brand.
- Unique branding helps it become a household name.
- Other brands Fevikwik, Dr. Fixit and M-Seal became popular.
- Revenues grew at 11.0% CAGR to ₹9,920 crore and market capitalisation at 26% CAGR to ₹1.1 lakh crore in last three years.

PI Industries

- The maker of insecticides, fungicides and herbicides divested unrelated businesses, roped in joint venture partners and set up new world-class facilities.
- Focus on new molecules, R&D and internationalisation; majority revenues from U.S., Japan, Brazil.
- Revenue CAGR of 23.10% to ₹5,299.50 crore in three years. Market capitalisation CAGR of 44.33% to ₹40,643.01 crore.

Jai Shroff, UPL

Vinod Saraf, Vinati Organics

Madhukar B. Parekh, Pidilite

Ashish Bharat Ram, SRF

SRF

- The chemical, packaging and technical textile major is India's largest specialty chemicals company. It is investing ₹5,000 crore in next two years.
- Market capitalisation grew at 79.10% CAGR to reach ₹70,628.24 crore and revenues grew at CAGR of 20.15% in last three years to reach ₹12,321 crore in FY22.

UPL

- Among top five agrochemical companies globally. Acquired US-based Arysta Lifesciences in 2019, a company of same size and operations in many geographies to become a global player.
- Now has presence in Africa, Russia, Eastern Europe, Andean region and Japan.
- Revenues grew at 28.41% CAGR to ₹46,240 crore in last three years.

Vinati Organics

- Makes Isobutyl Benzene, raw material for Ibuprofen, and 2-Acrylamido 2 Methylpropane Sulfonic Acid, a dispersant in water chemicals and polymers for enhanced oil recovery.
- Revenues of ₹1,615 crore in FY22, from ₹954 crore a year ago; revenue CAGR of last five years is 20.31%.

Miteni in Italy. For last three years, its acetyl intermediates plants have been running at over 80% capacity. It floated ₹600 crore IPO in March 2021 and got listed at 20% over the issue price. Laxmi Organics' net revenues grew at 25.29% CAGR over three years to ₹3,084.19 crore in FY22. Now, its market capitalisation is ₹9,399.80 crore. The promoter family of Ravi Goenka holds 73% stake, valued at ₹6,825 crore.

There are more. Alkyl Amines Chemicals has been a global supplier of amines and amine-based chemicals to pharmaceutical, agrochemical, rubber and water treatment industries for three decades. Revenues grew at 22.16% CAGR in three years to ₹1,542.80 crore in FY22. But market capitalisation zoomed at 104.39% CAGR. The company is investing ₹600-700 crore over next two-three years to build capacity in certain specialty chemicals. It recently commissioned a ₹160 crore acetonitrile plant (used to make pharmaceuticals, perfumes, rubber products, pesticides, acrylic nail removers and batteries) to expand capacity from 12,000 tonnes to 30,000 tonnes a year. It is also setting up a ₹350-360 crore aliphatic amines plant (intermediates and solvents to manufacture plastics, crop protection products, explosives, dyes, surfactants, catalysts and other chemicals.), which will increase capacity by 30%. "Once our project at Kurkumbh (Pune) for manufacturing higher amines comes up by end-2022, it will be one of the largest in the world," Yogesh M. Kothari, chairman and managing director, had earlier told investors. Alkyl Amines' market capitalisation is over ₹13,734.15 crore. Kothari's wealth is about ₹9,892 crore.

The 52-year-old Fine Organics Industry is a manufacturer of oleochemical-based additives used in production of cosmetics, lubricants and other chemical products. Its FY22 revenues were ₹1,876 crore. Revenues grew at 20.95% CAGR and net profit 23.99% CAGR to ₹259 crore in last three years. Market capitalisation grew at 48.07% CAGR during the three years to ₹12,309 crore, giving promoter families of Ramesh Shah and Prakash Kamat, who holds 75% stake, wealth of over ₹9,200 crore.

THAT GREEN IS THE NEW IN-DEMAND CURRENCY IN STOCK MARKETS BECAME CLEAR WHEN CLEAN SCIENCE & TECHNOLOGY LISTED 98% ABOVE THE ISSUE PRICE IN JULY LAST YEAR.

Agro-Chem Growth

Leading agro-chem companies are also seeing robust growth. The Indian agrochemicals industry, valued at ₹42,000 crore in FY20, is projected to grow at 8% CAGR until 2025.

UPL was a crop protection chemical company focused on the domestic market till 2015. Revenues grew steadily from ₹1,416 crore in 2005 to ₹12,090 crore in 2015. Market capitalisation rose from ₹2,418 crore to ₹18,952 crore over the period. In 2019, it acquired US-based Arysta Lifesciences, a company of same size and operating globally, for $4.2 billion. "That gave us exposure to fast-growing specialty market segments, new geographies where Arysta was strong (Africa, Russia, Eastern Europe, Andean region, Japan) and helped expand our bio-solutions and seed treatment portfolio," says Jai Shroff of UPL. Arysta was merged with UPL. Revenues rose at 28% CAGR from ₹17,506 crore in FY2018 to ₹46,240 crore in FY22. Now, it is among top five agrochemical companies globally. Its market capitalisation is ₹59,519 crore, up from ₹48,693 crore three years ago. The Shroff family's stake is valued at ₹16,934 crore (over $2 billion).

Another agrochem major, PI Industries, founded in 1946 as Mewar Oil Mills, teamed up with 20-plus innovator multinational companies for custom manufacturing, synthesis and research. Net revenues grew at 23.10% CAGR in three years to ₹5,299.50 crore in FY22. The 75-year-old company divested some unrelated businesses, roped in joint venture partners, set up new facilities in Gujarat and Maharashtra, brought out new molecules with focussed R&D, acquired Isagro Asia Agrochemicals in 2020 and entered into sugarcane crop products and pharmaceuticals. PI, a maker of insecticides, fungicides, herbicides and custom products, now earns over 75% revenues from overseas. PI Industries' market capitalisation grew 44.33% a year over last three years to ₹40,643 crore, taking the value of stake ownded by promoter and chairman emeritus Salil Singhal & family to ₹18,999 crore. "Our teams are engaged in discovering better and more efficient pathways to commercialise molecules for a global arena. Innovators across the world acknowledge this, with number of enquiries from existing and potential clients rising markedly," says Mayank Singhal. The company has a pipeline of more than 40 products at different stages, of which more than 20% are non-agrochem products, he says.

Some traditional fertiliser and chemical companies are also on a fast track. Murugappa group's Coromandel International's net revenues grew at 13.06% CAGR in three years to ₹19,110 crore in FY22. India's second-largest manufacturer and marketer of phosphatic fertiliser expanded its market capitalisation at 17.10% CAGR from FY18 to ₹28,326 crore, taking promoter wealth to ₹16,283 crore. Similarly, KK Birla Group company Chambal Fertilisers & Chemicals' revenues grew at 16.76% CAGR in three years to ₹16,068.83 crore in FY22. Market capitalisation CAGR was 36.34% to ₹14,740 crore. This values promoter stake at ₹8,912 crore. Similarly, the ₹7,663.29 crore revenue Deepak Fertilizers & Petrochemicals Corp's three-year revenue CAGR was 4.36% but market capitalisation growth was a stunning 79.54% to ₹6,780.94 crore.

McKinsey says Indian chemical companies have delivered robust and consistent total shareholder returns (TRS). Between 2006 and 2019, TRS CAGR for Indian chemical companies was 15%–much higher than global chemical industry (8%) and overall global equity market (6%). Between 2016 and 2019, when the Indian economy faced headwinds, the chemical industry gave CAGR returns of 17%.

The story of outperformance will continue, say industry experts, which augurs well for chemical industry promoters, who have painstakingly built their businesses over the years. ■