EDELWEISS MUTUAL FUND

# CUE

Curated Updates & Explainers for your investments

## Edition 01: Indian Chemical

# Chemical Sector

The chemical industry is often called the “invisible backbone” of the economy — because chemicals are the raw ingredients behind almost everything, we use daily. From fertilizers that grow our food to medicines, paints, packaging, cars, and even EV batteries, chemicals quietly power industries and consumer life alike.

# Indian chemical sector – The emerging global hub for chemicals

EDELWEISS MUTUAL FUND

## Indian chemical market in a nutshell

- 6th largest chemical producer in the world
- 3rd largest producer in Asia
- USD 1 trillion market by 2040
- Over 80,000 products coverage
- 2.5% of the world's global chemical sales
- Exporting to 175+ countries
- Contributed ~7% to India's GDP

***India is fast becoming the world's next chemical powerhouse***

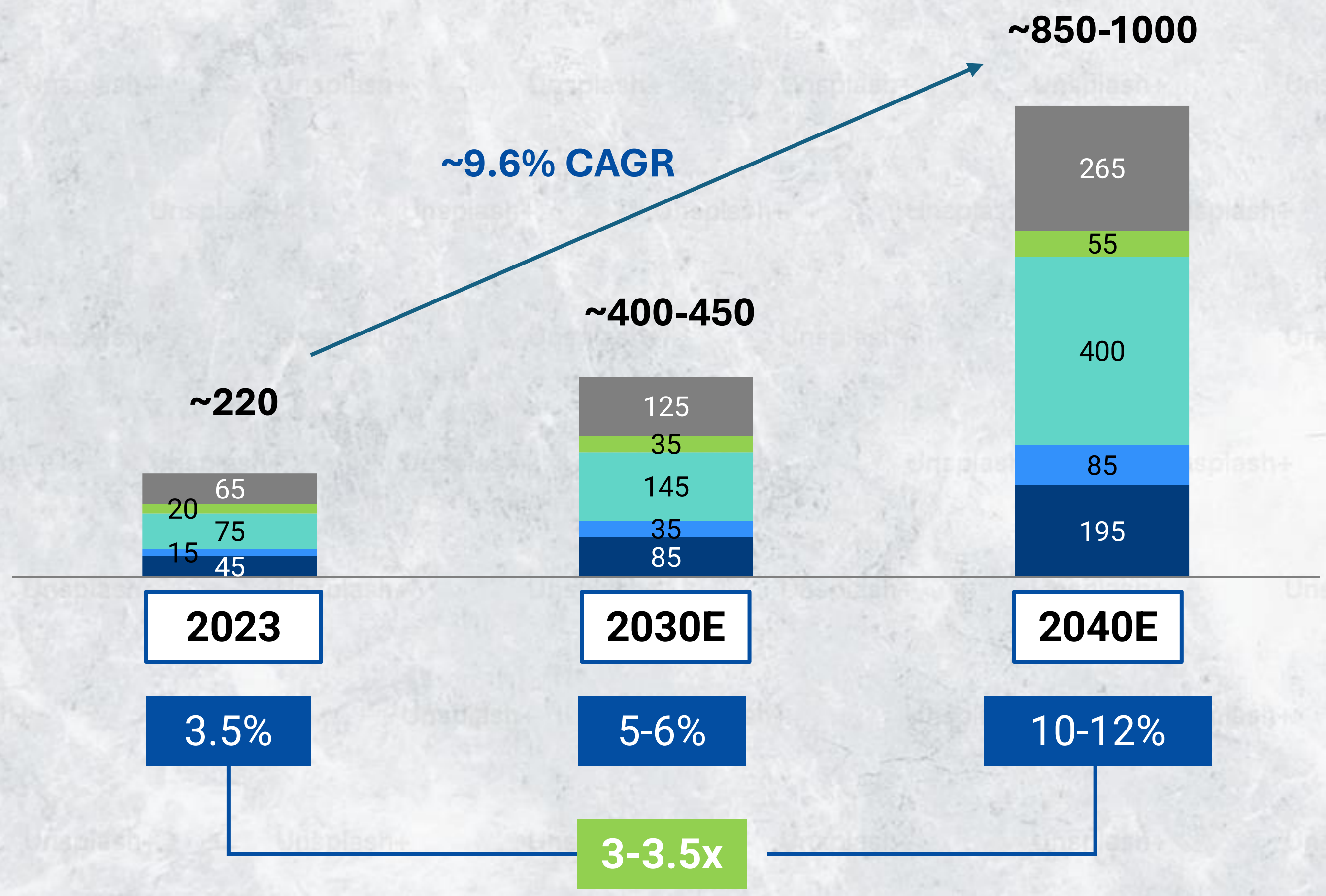
Source: IBEF – Feb 25

# Snapshot of the India’s chemical market

# Chemical market in India

**India's chemicals industry is set to benefit from rising incomes, urbanization, evolving consumer demand and shifting global supply chains.**

**India chemicals market consumption (in $bn)**




| | CAGR Percent | |
|---|---|---|
| | 2023-30 | 2030-40 |
| Specialty | ~11% | ~8-10% |
| Inorganic | ~11% | ~8-9% |
| Pet-Chem | ~11% | ~10-11% |
| Fertilizers | ~7-8% | ~5-6% |
| Others | ~8-9% | ~8% |

Source: Niti Aayog Report – July 2025. E ~ Estimated.

# Indian chemicals by scale and industry

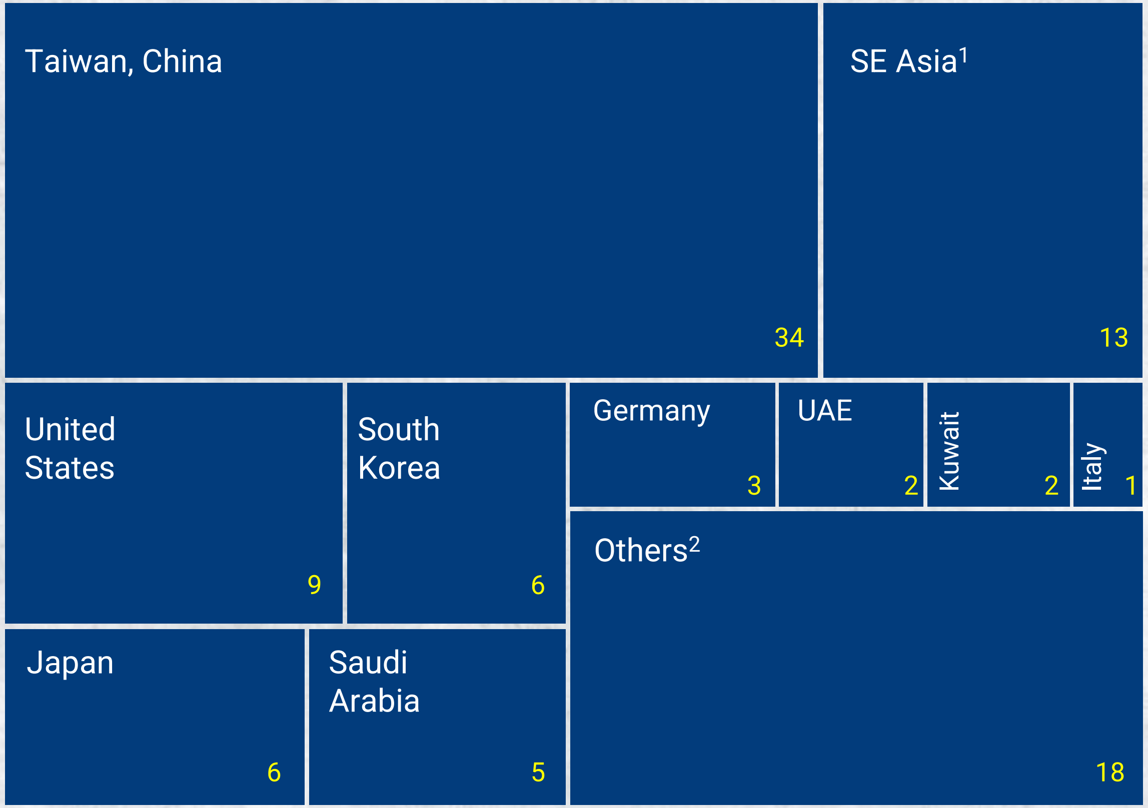
**Small caps lead overall exposure (42%), followed by mid caps (35%) and large caps (23%), highlighting a growth-oriented industry.**

| Industry | Large Cap | Mid Cap | Small Cap | Total |
|---|---|---|---|---|
| Specialty Chemicals | 13% | 4% | 20% | 37% |
| Pesticides & Agrochemicals | - | 9% | 6% | 15% |
| Fertilizers | - | 10% | 4% | 14% |
| Commodity Chemicals | - | 7% | 5% | 13% |
| Industrial Explosives | 10% | - | - | 10% |
| Industrial Gases | - | 5% | 0% | 5% |
| Carbon Black | - | - | 3% | 3% |
| Petrochemicals | - | - | 2% | 2% |
| Dyes And Pigments | - | - | 1% | 1% |
| **Grand Total** | **23%** | **35%** | **42%** | **100%** |

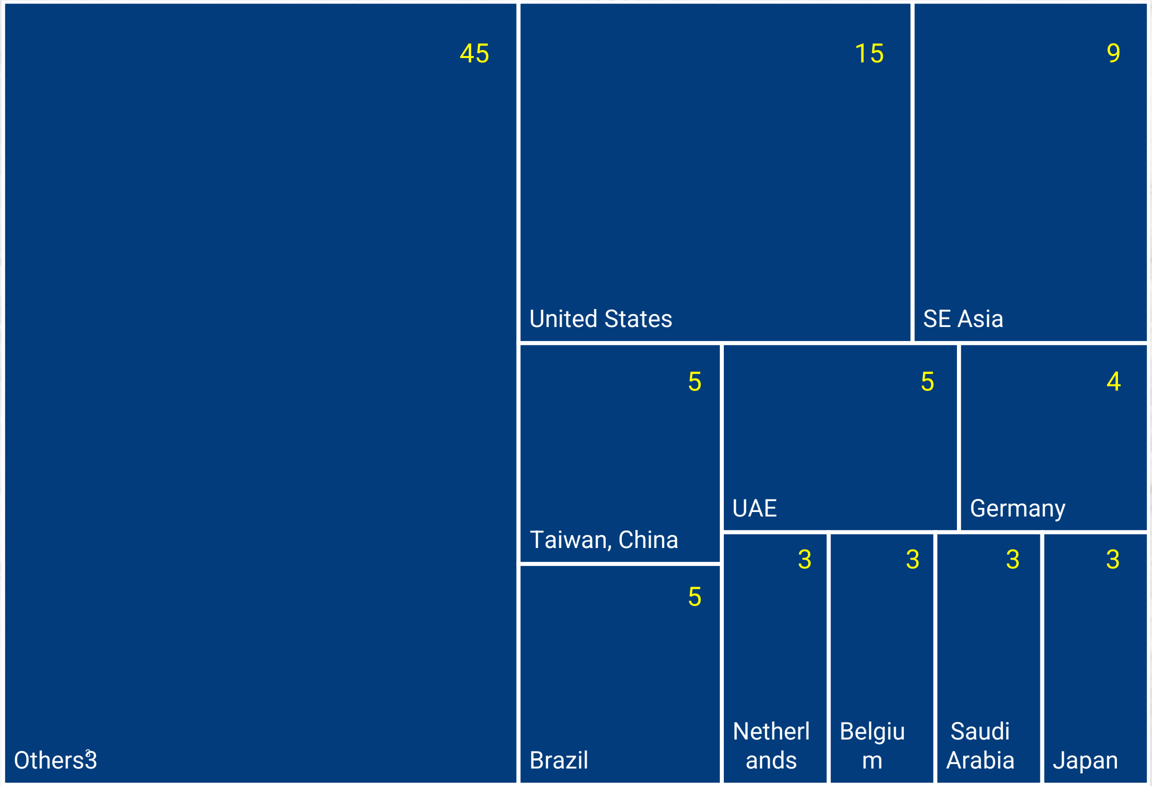
Source: AMFI | Note: Top 750 companies by market capitalization considered for analysis.

# India’s top Export-Import partners

Top import partners Import value (2023), % **$~75bn**




Top export partners Export value (2023), % **$~44bn**




[1] Includes Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thaiand, Timor-Leste and Vietnam
[2] Includes Oman, Qatar, France, Jordan, UK, Belgium, etc.
[3] Includes Bangladesh, Turkey, Italy, UK, Korea, Russia, etc.

**Source: Niti Aayog Report – July 2025**

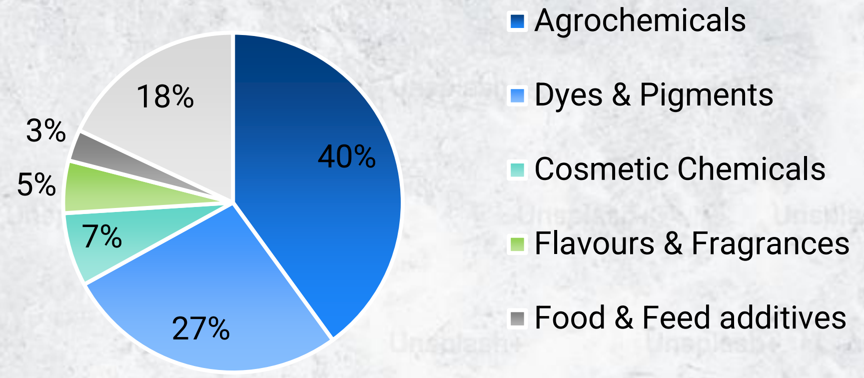
# Chemical Segment, Everyday Examples, Where You See Them, and What’s Driving Demand

# Speciality Chemicals

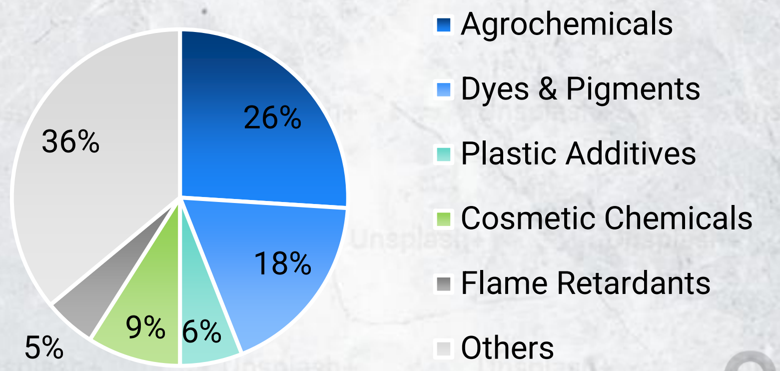
**Custom-made chemicals that improve the performance, quality, or appearance of products like food, cosmetics, paints, and clothes**

- **Agrochemicals** – Protect crops and boost yields → driven by rising food demand and limited farmland.
- **Dyes & Pigments** – Add colour to textiles, plastics, paints, and prints → supported by growth in fashion, packaging, and housing.
- **Cosmetic Chemicals** – Improve quality and shelf life of beauty products → rising demand from increasing personal care and wellness spending.
- **Flavours & Fragrances** – Enhance taste and smell in foods, perfumes, soaps, and detergents → fuelled by premiumisation in FMCG and lifestyle products.
- **Food Additives** – Preserve food and improve texture/flavour → supported by growth in packaged foods and quick-service restaurants.

## Export %




## Import %



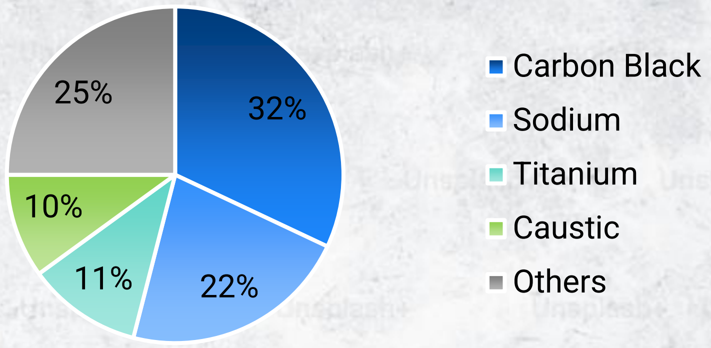

Source: Internal, McKinsey Report: India: The next chemicals manufacturing hub

# Inorganic Chemicals

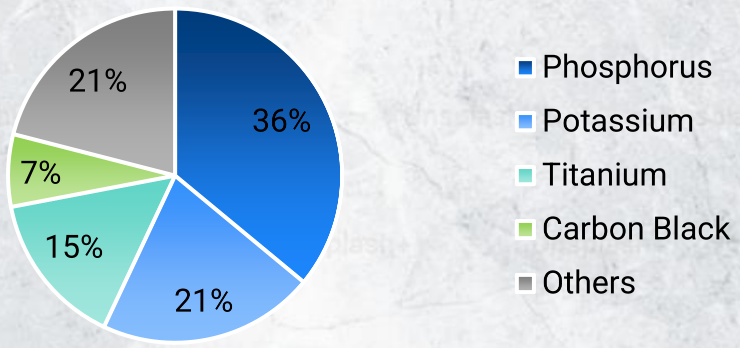
**Basic, non-carbon chemicals used to make everyday products like soaps, paints, fertilizers, and tyres**

- **Carbon Black** – Strengthens and colours tyres, rubber, plastics, and inks → demand driven by auto and tyre industry growth.
- **Titanium Dioxide** – Key white pigment for paints, plastics, paper, and cosmetics → driven by housing, infrastructure, and consumer goods growth.
- **Phosphorus Compounds** – Essential for fertilizers, detergents, and flame retardants → demand led by agriculture, cleaning products, and safety materials.

## Export %




## Import %



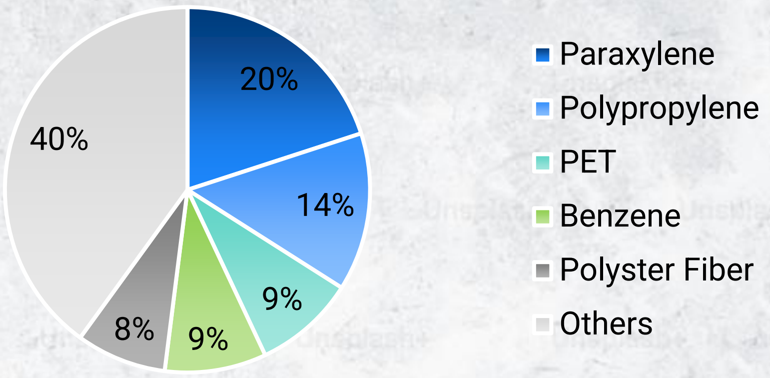

Source: Internal, McKinsey Report: India: The next chemicals manufacturing hub

# Petrochemicals

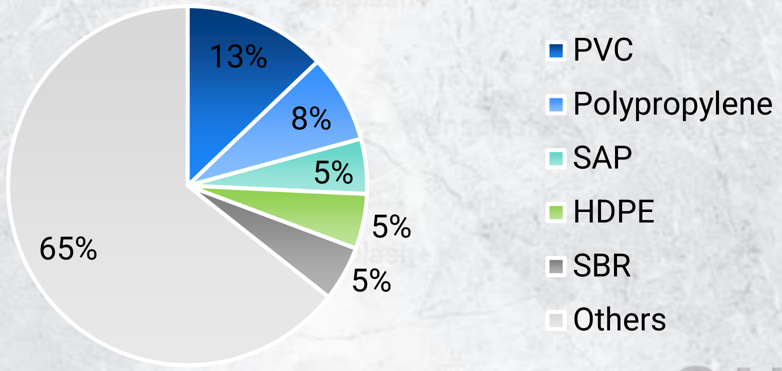
**Chemicals made from oil and gas that are used to make everyday products like plastics, bottles, pipes, and fabrics**

- **PVC (Polyvinyl Chloride) –** Used in pipes, cables, flooring, and packaging → demand driven by housing, infrastructure, and water management.
- **Polypropylene (PP)** – Found in packaging, household goods, automotive parts, and medical equipment → demand led by FMCG, e-commerce packaging, and auto industries.
- **Benzene** – A base chemical for plastics, resins, synthetic fibres, and detergents → supported by demand in packaging, textiles, and industrial applications.

## Export %




## Import %




Source: Internal, McKinsey Report: India: The next chemicals manufacturing hub

# Growth drivers, opportunities, and challenges

# Drivers of the next growth wave

**India is poised to become an $850–1,000 billion chemicals market by 2040, capturing 10–12% of the global market share.**

- **Broad end-use demand** for paints, coatings, agro, pharma, personal care, textiles
- **China+1** supply chain diversification, outsourcing to India
- **CRAMS/CDMO outsourcing** driven by India's cost & talent edge
- **Policy push** such as PLI schemes, FDI, PCPIR clusters*
- **Cost advantage** like infra up to 70% cheaper vs Europe, labour ~5% of US
- **Strong R&D base** and talent pool

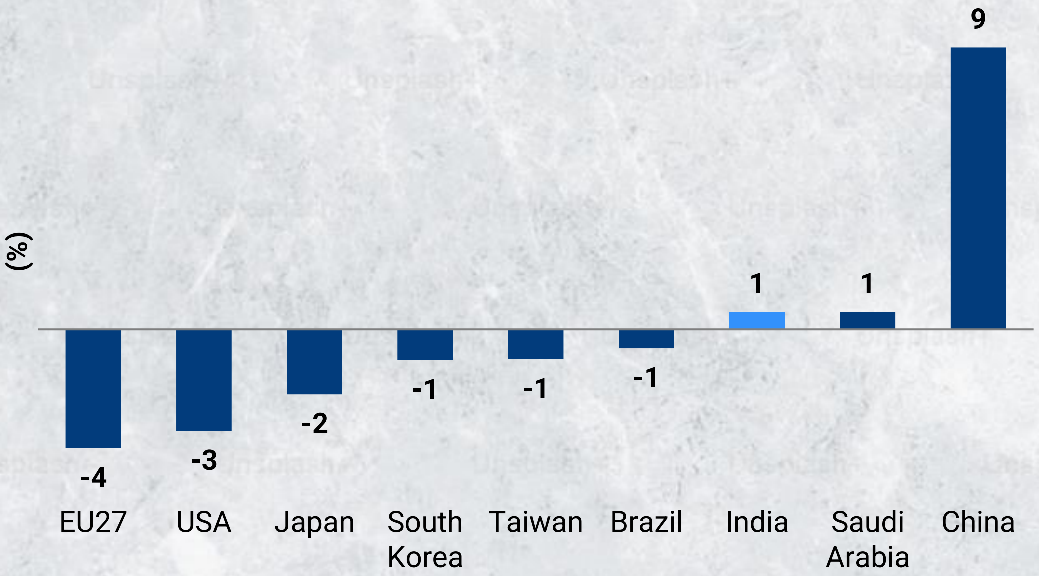
**Sources: IBEF; KPMG Report; News Articles *PLI – Production Linked Incentive Scheme, FDI – Foreign Direct Investment, PCPIR – Petroleum, Chemicals & Petrochemicals Investment Region**

# Why India is currently a sweet spot for Chemicals

EDELWEISS MUTUAL FUND

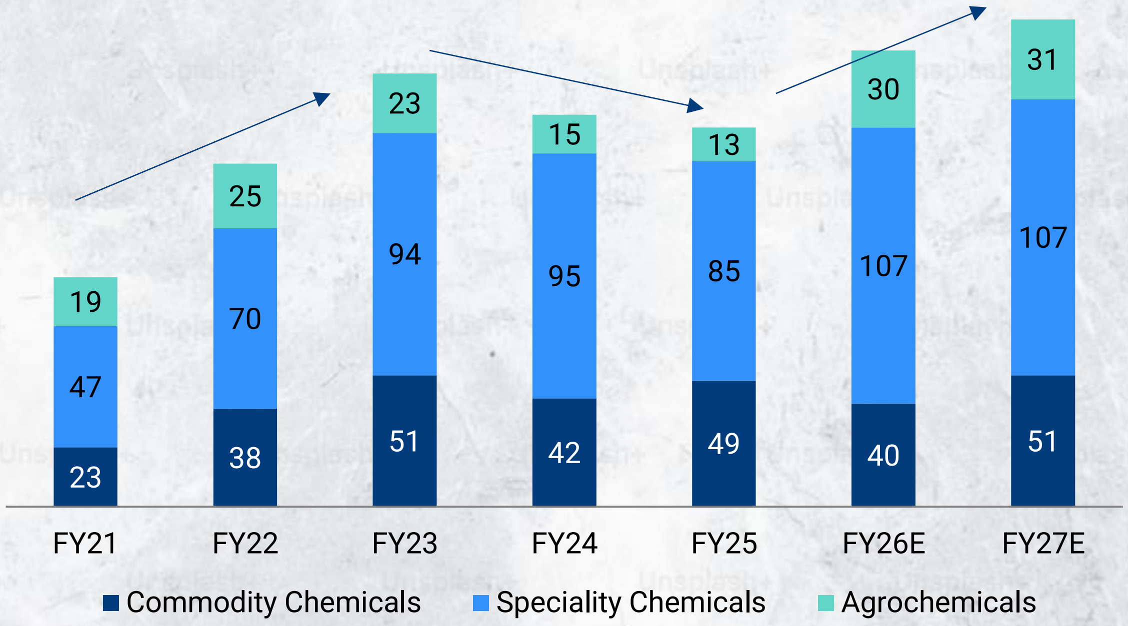
**While economies like the USA, Japan, Brazil lost market share over the last decade, India emerged as a gainer**

**Market share movement over last decade**




**Capex cycle to continue to bake growing opportunities rising in import substitution, CDMO and exports**

**Capex (in Rs bn)**




Source: European Chemicals Industry Council, McKinsey Report: India: The next chemicals manufacturing hub; Ambit Asset Management; Bloomberg

# Why India is currently a sweet spot for Chemicals

EDELWEISS MUTUAL FUND

## Competitive Edge against Global Peers*

- **Feedstock Availability:** India's feedstock# availability is adequate in some segments but requires improvement in others to match global benchmarks.
- **Labour, Utilities & Capital Costs:** Advantage of low wages, abundant workforce, competitive utilities, and infrastructure costs among the lowest globally (~70% lower), and supported by stable policy framework.

## Consumption Gap

- India accounts for **3–3.5% of global chemical consumption**, despite representing roughly **18% of the world's population**.
- NITI Aayog aims to raise its share to **5–6% by 2030**, and **10–12% by 2040**
- If domestic usage reaches only half the global average per capita, India's chemical market could surge to **USD 430–460 bn by 2030**, and **USD 1 trillion by 2040.**

Source: European Chemicals Industry Council, McKinsey Report: India: The next chemicals manufacturing hub; Ambit Asset Management; Bloomberg | Note: *Benchmarking against six global chemical hubs—China, Germany, Indonesia, Saudi Arabia, South Korea, and Vietnam | #Raw material needed to make chemicals — like crude oil, natural gas, coal, or minerals

CUE

# Bottlenecks

EDELWEISS MUTUAL FUND

### Feedstock Dependence

High reliance on imports increases cost, risk, and reduces margins

### Infrastructure Gaps

Limited port capacity, chemical parks, and logistics hinder growth

### Regulatory Hurdles

Clearances, compliance, and ESG norms delay projects and raise costs

### Skill Shortages

Expertise in specialty chemicals, green chemistry, and process safety is lacking

### Global Competition

Oversupply, price swings, and rivals like China and the Middle East strain margins

Source: McKinsey Report: India: The next chemicals manufacturing hub, Niti Aayog Report – July 2025

CUE

# Conclusion

**India's chemical sector is entering a high-growth phase, supported by rising domestic demand, cost competitiveness, policy push, and growing global preference for 'China+1' sourcing. Opportunities in specialty chemicals, CRAMS/CDMO, green chemistry, and downstream value-added segments could propel the industry towards USD 1 trillion by 2040. While challenges such as import dependence, infrastructure gaps, and regulatory hurdles remain, sustained investment, backward integration, and innovation can transform India into a global chemical powerhouse.**

# Disclaimer

This document is for information purposes and private circulation only and is not an offer to sell or a solicitation to buy any mutual fund units / securities or to have business relations with Sponsor/ AMC/ Trustee Company and its associates or Edelweiss Mutual Fund. These views alone are not sufficient and should not be used for the development or implementation of an investment strategy. All opinions, figures and estimates included in this document (unless as specified in the document) are as of this date and are subject to change without notice. It should not be construed as investment advice to any party. Neither Sponsor/ AMC/ Trustee Company and its associates nor Edelweiss Mutual Fund or any person connected with it, accepts any liability arising from the use of this information. Utmost care has been exercised while preparing the document, and Sponsor/ AMC/ Trustee Company and its associates or Edelweiss Mutual Fund does not warrant the completeness or accuracy of the information and disclaims all liabilities, losses and damages arising out of the use of this information. The recipient of this material should rely on their investigations and take their own professional advice. Investment decisions of the AMC may not always be profitable. All logos used in the presentation are trademarks or registered trademarks of their respective holders. Use of them does not imply any affiliation or endorsement by them. The Sector / Stocks /issuers mentioned in the presentation do not constitute as any research report / recommendation and the fund may or may not have future position in these stocks / sector / issuers. For complete details on investment objective / strategy / asset allocation / risk factors etc. of funds mentioned in this presentation, please refer the scheme information documents available on ISC of AMC and also available on https://www.edelweissmf.com/ For risk-o-meters **click here**.

**MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKETS RISKS, READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.**

# Thank You!

Know more, www.edelweissmf.com

Follow Us -

Download ‘eInvest’ Mobile App -