

**EMERGING OPPORTUNITIES FOR THE INDIAN PLASTICS PROCESSING
INDUSTRY: INAUGURAL TALK DELIVERED AT 7TH PLEXPO INDIA 2016
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The Indian plastics industry is one of the most vibrant sectors of India's manufacturing sector. In terms of its global share, the industry is small, nevertheless, growing at a rate which is several multiples of India's GDP. Indian plastics industry is today Rs 1 trillion (US \$ 15 billion) industry with \$ 8 billion in exports revenue. The export growth has bounced back to 12 % in 2013-14 after a rather lackluster growth in 2012-13. Our exports are mainly to EC, China, USA UAE and UK. India's domestic plastic production is around 12 million tons and is expected to double by 2020 and reach 40 million tons by 2025.

There are several distinctive features of this industry. One, the domestic consumption far exceeds new capacity creation for plastics. In fact by 2020 India will become a significant importer of plastic raw materials. No major new capacity addition is in sight and, therefore, much of the future growth in consumption will be met through imports. Second, 50 % of India's exports are virgin plastic raw materials with no value addition. The balance 50 % is classified as value added products; but a close examination of data suggests that the value addition is minimal even in these products. Third, there is a diversified domestic processing industry, which is a creator of secondary and tertiary employment. Many of these are in small and medium scale sectors.

Globally, the industry is going through some major upheavals. The price of crude is at an all time historic low. The polymer manufacturing industry is under severe stress and is no longer considered as value creators. Large companies are spinning off their plastic segments into stand-alone businesses (e.g. Chemnours and Covestro). The merger of DuPont and Dow, two old and venerable companies, is another indication of how chemical companies see their future. Without access to low cost feedstocks and poor market growth Europe and Japan will most certainly vacate the manufacturing space for plastics. We can expect more consolidation and divestment of businesses in the years to come.

The world of plastics will segment into three parts; one, where feedstocks are available cheaply (Middle East, USA) and will become large exporters of plastics. This is because their internal markets are rather small. China will continue to be a large producer and consumer for quite some time. The third group of countries is like

India, Africa and Latin America will be large consumers but will be marginal players in terms of production.

Plastics raw material prices will continue to be soft on account of two reasons. One, low price of crude due to geo-political considerations, the fact that USA is no longer a big importer of oil and as the world progressively shifts to more sustainable and renewable forms for energy for electricity and fuels, more fossil resources will be available for petrochemicals and polymers. This will tend to keep the prices of plastic low in the foreseeable future.

This has implications for the processors in India. They will be able to source plastics from global markets at competitive prices. This will also erode the pricing advantages enjoyed by domestic producers. This will benefit the processors.

The downstream processing industry in India has a bright future. Burgeoning India's consumption will help the markets to grow. Processing industry is less sensitive to economies of scale. They will continue to play a dominant role in exports. However, to take advantage of these favourable forces, the Indian processing industry must focus on significant value addition to the products they produce. Otherwise, they will face the threat of competition from other low wage economies in the Far East who are growing very rapidly. The processing industry has to diversify the nature of polymers they process and the products they produce. The growth of the plastics processing industry in India to serve the automobile industry is a shining example of how it is possible to achieve significant value addition based on quality. There is a need to replicate this model for many emerging high technology industries. If one examines the future of manufacturing in India, the biggest growth is likely to occur in areas, such as, defense, IT and communications, infrastructure and engineering, transportation, mobility, healthcare, medical diagnostics, processed and packaged foods, vegetables and fruits, solar and wind energy. If the Indian plastic processing industry can look ahead, develop / source technology, forge necessary partnerships and align itself with the demands expected from these emerging sectors, they will reap immense opportunities for significant value addition.