Gujarat Chemical Industry: Trendz and Opportunity

Chemical industry in Gujarat is the fastest growing sector. Gujarat has emerged as the hub of chemical manufacturing in India. Gujarat house production facility for some of the largest global and Indian chemical and petrochemical manufactures. Gujarat State Fertilizers & Chemical Limited, Gujarat Alkalis & Chemical Limited (GACL) and Gujarat Narmada Valley Fertilizers Corporation Limited are the largest public sector undertaking located in Gujarat.

Wide availability of limestone, salt, petroleum and natural gas make Gujarat leading manufacturer of basic chemical (e.g. caustic soda, caustic potash), petrochemicals (e.g. polymers, PE/ PP/ PVC) and fertilizers (e.g. urea, bio-fertilizers).

Products provided by the chemical sector remain important for the manufacturing of a host product ranging from apparel to automobiles and agriculture to electronic item. In this context, specialty chemicals continue to be an essential part of chemical portfolio.

Specialty chemical (alternatively termed as performance chemicals or fine chemicals) are a group of relatively high value, low volume chemical known for their significant end use applications and / or performance enhancing properties. In contrast to base commodity chemicals, the specialty chemicals are recognized for ‘what they do’ and not ‘what they are’. The specialty chemicals provide the required solution to meet the customer application needs. It is a highly knowledge driven industry with raw materials cost (measured as percentage of net sales) much lower than for commodity chemicals.

The application/usage of the specialty chemicals are very enormous. Specialty chemicals are used in manufacturing of cosmetic additives, water treatment products, dyes, sanitization agents, plasticizers, paints, varnishes, adhesives, flavors and fragrances, paper, additive and industrial cleaners. The largest use of specialty chemicals is in the pharmaceutical industry.

Key Statistics
Some of the key statistics in relation to chemicals and specialty chemicals sector in Gujarat are set out below:

• GoG has in budget of 2012-2013 made provision of INR 28 billion for industry and Mines, which includes chemicals and specialty chemicals.
• Gujarat's chemical industry accounted for 51% of the national chemical sector output and 20% to the industrial economy of Gujarat.
• 30% of total capital investment in Gujarat are allocated to manufacturing of chemicals and chemical products, and the chemical sector employs about 20% of the workforce of Gujarat.

Government’s Policies and Laws
Some of the relevant central and state government policies and laws in relation to chemical and specialty chemicals sector are set out below.

Central Legislation and Policies
National Chemical Policy, 2012, comprehensively discuss various issues and accords high importance to research and development (R&D), technology up-gradation, safety and sustainability, pollution and environmental aspects, efficient/ waste disposal and treatment, and green chemicals.

PCPIR policy aims to promote investment in chemicals & petrochemical sector and develop India as an important hub for both domestic as well as international markets and also boost manufacturing, augmentation of export and generation of employment in this sector.

State Legislations and policies
Manufacture of most chemical products, inter alia, organic/ inorganic dyestuffs and pesticides are de-licensed under Gujarat industrial Policy.

Key Incentives
To promote investment in chemical & petrochemical sector, Gujarat Industrial Policy offers various incentives to private sector investors such as subsidy on electricity duty and up-gradation of industrial estates.

Opportunities
GoG is opening up avenues for private sector participation in chemical industry. With the efforts of GoG, 3 SEZs are being developed PCPIR by private developer, namely, Gujarat Hydrocarbon & Energy SEZ, Jayant OIL & Derivatives SEZ and Jubilant Organysys SEZ.

The aim PCPIR Policy is to ensure availability of external physical infrastructure linkages to PCPIR including rail, road (national highway), ports, airport and telecom in a time bound manner. This infrastructure is intended to be created/ upgrades through PPP and GoG will provide necessary viability gap funding.

ANNUAL GENERAL MEETING (AGM)
OF
VATVA INDUSTRIES ASSOCIATION

On Saturday, 20th July, 2013
12.00 Noon
At
VIA Center of Excellence
Plot No. 511, Phase-IV,
GIDC Vatva,
Ahmedabad.

ConceptCraft Analytics (CCA) is a multi service consultancy caters in the field of management and multimedia.
Management Consultancy
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- Market Sizing & Market Studies
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Ministry of Chemical & Fertilizer
Budget Allocation & Expenditure
(2009-2014)

Figure 4 in R-II-C, H-2, Revised Estimates, H-2, Budget Estimates
Source: Union Budget 2013-14
Light-emitting diode (LED) consists of semiconductor diode that emits light when a voltage is applied to it. The electronics industry has used LED technology for several decades as indicator lights for various electronic devices. In more recent years, LED technology has progressed to the point where it is viable for general lighting applications both of domestic and industrial.

While comparing the LED vs traditional lighting on energy saving, improvement methods, LED lighting is by far the most power-saving and smart solution. Recent research and developments in the field of LED illumination is about to bring upon us an intelligent green LED lighting revolution that will save planet.

By far the most energy efficient, the clearest and most eco-friendly way of illumination is LED lighting, which is basically digital light and comes with a multitude of amazing benefits.

In fact, it makes a big leap in technology that can be witnessed as an upgrade from analog to digital. LED is digital light, and the advantages versus conventional "analogue" lighting are so huge and of major benefits.

Long Life
Long-life time stands out as the number one benefit of LED lights. LED bulbs and diodes have an outstanding operational lifetime, expectation of up to 100,000 hours. This is 11 years of continuous operation, or 22 years of 50% operation. If you leave on the LED fixture for 8hr per day it would take around 20 years before you’d have to replace the LED bulb.

LEDs are different to standard lighting. They don’t really burn out and stop working like a standard light, moreover the lighting diodes emit lower output levels over a very long period of time and become less bright.

Energy Efficiency
Today’s most efficient way of illumination and lighting, with an estimated energy efficiency of 80%-90% when compared to traditional lighting and conventional light bulbs. This means that about 80% of the electrical energy used for lighting is lost and converted into other forms of energy such as heat. With traditional incandescent light bulbs operate at 20% efficiency, electricity is lost as heat. Imagine the following scenario:

In traditional lighting an electricity bill of 60kWh 100, then INR 80 of that money is lost as heat in the process of lighting the bulb, the bolt is turned on and off which also generate significant amounts of heat. The light bulb is consumed and that heat is lost. The LED bulb consumes much less energy.

The long operational life time acts as a multiplicator and helps achieve even more energy efficiency, especially large scale. Example a airport using energy efficient LED lighting exclusively and achieving a 30% power consumption reduction in comparison with an airport using conventional lighting technology.

Because the long life span of LED lights, also the maintenance work, think of as the work and energy it would take to purchase, stock and change the conventional light bulbs - significant energy savings also when it comes to the replacement of LED lighting.

Economically Friendly
LED lights are free of toxic chemicals. Most conventional fluorescent lighting business since the cost of producing one is 100% more expensive than ordinary light bulbs. For a long operational life time span mentioned above means also that one LED light bulb can save material and production of 25 incandescent light bulbs. A big step towards a greener future!

Durable Quality
LEDs are extremely durable and built with sturdy components that are highly weather resistant and withstand even the roughest conditions.

Because LED lights are resistant to shock, vibrations and external impacts, they are becoming standard in many systems for rough conditions and exposure to weather, wind, rain or even external vandalism, traffic related public exposure and construction of outdoor lighting.

Zero UV Emissions
LED illumination produces little infrared light and close to no UV emissions.

Because of this, LED lighting is highly favorable for a wide range of applications, including residential homes, commercial buildings, transportation vehicles, and outdoor environments, as it provides high-quality illumination while minimizing energy consumption and environmental impact.

MANAGEMENT THINK TANK: Strategic Alliance –

Organizations have realized that it is not always judicious to foray into every area of interest. The organization may lack some required capabilities or the resources. Sometimes building those capabilities is better done in an existing business. In such situations, it is advisable that the organization partners with another organization which is equally keen, but that one lacks certain capabilities. Such a phenomenon wherein both the organization pool in their resources is what we call strategic aligning. Such partnerships have fueled the growth for a large number of organizations, more so in recent times.

Relation between the organization can be either contractual or equity arrangements. Contractual arrangements are the ones in which the organizations are bound to deliver the commitment based on legal tie-up. On the other hand, equity arrangements are such that there is shared ownership of the ventures, making it mutually beneficial. There is a direct gain herein – profits are directly shared by the organizations entering the equity arrangement, based on the ratio in which the equity is held.

Types & Ultimate Outcome
Studies have shown that the final destiny of an alliance is contingent upon its type. Here, the typology of strategic alliances is defined by the nature of the relationship of organizations involved. Accordingly, there are six types of strategic alliances, and each type is expected to follow a particular path.

The first type is one with direct competitors joining hands. The organizations have similar products targeted to almost the same customer segments in the same geographies. As a result, it is felt cx ante that by collaborating, great synergy will be achieved. Indeed, there is an increase in business since the cost of showing one organization to be better than the competitor is no longer required. However, there is another side to such a competitive landscape, the nature of the business. It is quite possible, and is often the case, that after some time, both organizations develop an interest in expanding the business on their own. Once this happens, there is a bound to conflict. There are two ways of avoiding this: 1) the organization can enter into strategic alliance with another, such that the latter operates in a different product and market domain, or 2) the organization can acquire its competitor, with whom it had entered into the strategic alliance in the first place.

The second type of alliance is the one wherein two or more weak organizations combine their resources in the hope that their combined strength will be good way of tacking competition. This is a recipe for disaster, as neither partner has the resources to succeed in the industry. How then, can their coming together be of any help? It is been shown empirically that shareholder value is eroded by entering such a weak organization. Ultimately, these businesses are sold off.

The third type of strategic alliance is where a weak organization joins hand with a big player in that industry. This is typically a move by the weak organization's management, when neither organization is in the position to strengthen the businesses or keen on selling it. The type of alliance is also sustainable in the long run, and often the weak organization ends up being acquired by the stronger partner. Selling the weak organization at a later stage reduces it bargaining power, leading to loss of shareholder value in the acquisitions. So if the organization is already part of another strong entity in an industry, it should ideally partner with an organization which is potentially an ideal buyer at a later stage.

The fourth type of alliance is the one in which a weak organization enters into an agreement with a strong organization of the same industry, with the sole aim of learning the success mantra from the latter. To succeed, its focus should be on key functions and expertise. These functions and expertise, once acquired, the alliance, are very difficult to execute with the learning objective in mind. In most cases, the weak organization is not in a position to be acquired by the alliance partner.

In the penultimate type of alliance, we see two organizations of similar high strength coming together. In the initial operation of the strategic alliance, both the organizations realize that both organizations share similar bargaining power, but as time progresses, one partner becomes more powerful than the other (while the other remains weak), increasing its bargaining power and leading to the sale of the other organization. This shift in relative power can be a result of internal or external factors. An important external factor is industry dynamics; if the organization become more important in delivering value to the customer, then the organization that is in organization to become stronger in the alliance.

The most successful type of alliance is the one in which organizations of complementary capabilities forge a partnership. These strategic alliances tend to last, and there is low tendency of breaking the bargaining power. The alliance partners share different value propositions to different market segments. The challenge here is for each organization to make sure they have quite different businesses, their management patterns and ethical norms are also bound to differ. Arriving at a model that will determine whether the partnership is successful or not.
suitable not only for goods and materials that are sensitive to heat due to the benefit of little radiated heat emission, but also for illumination of UV sensitive objects.

Operational in Extremely Cold or Hot Temperatures

LED are ideal for operation under cold and low outdoor temperature settings. For fluorescent lamps, low temperatures can limit the operation and present a challenge, but LED illumination operates well also in cold settings, such as for outdoor winter settings, freezer applications, and cool rooms.

Low-Voltage

A low-voltage power supply is sufficient for LED illumination. This makes it easy to use LED lighting also in outdoor settings, by connecting an external solar energy source and is a big advantage when it comes to using LED technology in remote or rural areas.

Instant Lighting & Frequent Switching

LED lights brighten up immediately and do not require cold start-up times and avoids the advantage for infrastructure projects.

LED lights can switched off and on frequently and without affecting the LED's lifetime or light emission. In contrast, traditional lighting may take several seconds to reach full brightness, and frequent on/off switching does drastically reduce operational light expectancy.

“When designed properly, an LED lighting system can offer advantages that mean 80% of the electrical energy is converted to light energy”

L e s s t h a n a r m ' s - l e n g t h r e l a t i o n s h i p

Critical Success Factors in Different Alliance Stages

The alliance, as an entity, pass through different stages of life, each unique in terms of the opportunities and challenges at hand, regardless of whether the alliance will be able to address the challenges of that stage and pass to the next or not.

The above portrait divides the alliance’s life into three stages, partnership selection and alliance formation, formation of norms and structure, and management.

Stage 1: Pre-formation of the Alliance

Over the organization has decided that it can meet a specific business objective by entering into a strategic alliance, the natural challenge is to evaluate the potential partner. It is not only the partner’s qualities that matter, but their ability to gel with their new partner.

The first quality that a potential partner should possess is complimentary assets. This benefits both the organizations as they bring different set of capabilities to the venture. One organization, on its own, would not have succeeded in running the venture should it lack some other set of capabilities that are equally important for the venture, are missing. Another quality that the potential partner should have is the ability to fit well with the organization. It is quite possible that two organizations which have very different capabilities also have different evolutionary patterns and value system. For the organization to fit well there should be some shared norms, similar organizational culture, and a relative equal level of ethical

benchmarking. Finally, for an organization to be considered as a potential partner it should be keen enough to take on the venture. In the absence of sufficient interest, there is no point in forging an alliance with and organization. On the other hand, if the organization is truly interested, it will neither share the relevant complementary resources necessary for functioning, as there is a tendency for a few of its stand-alone business opportunities for the benefit of the alliance.

State 2: Engagement Terms (Norms) in the alliance

Having decided on the organization to be partnered with, the next challenge is to decide on the way in which the partners will get involved in the process. These terms of engagement will be the foundation for the subsequent smooth functioning, as there is a tendency for opportunistic behavior by one of the partners after the strategic alliance has been entered into. This can be detrimental to the overall functioning of the alliance, and the objective with which the alliance has been formed may be defeated altogether. However, if both partner organizations have equal interest in the success of the venture and don’t fear from it, the chances of opportunistic behavior are minimized. A tool to achieve this is by ensuring that both the partners have equity ownership. There is another benefit that equity participation ensures – the proposition of equity holding determines the level of profit sharing. In the absence of such a mechanism, there are chances of heartburn. As far as possible, the mutual obligations and rights of both partners will be spelled out clearly by way of contracts.

Stage 3: Post-formation of the Alliance

This is a stage where the strategic alliance is actually functional. It is time for the organizations, after being diligent enough to choose the right partner and set the right terms of engagement, to reap the expected benefits with which the alliance was formed in the first place. At the functional level, smooth operations depend largely on the way the organization orchestrate their activities, specific to the alliance. Both partners are expected to perform certain activities in a coordinated way. To achieve this, the partners need to get the right deliverables of both the organizations should be spelled out, along with each activity’s timeline. Mutual trust between partners is equally essential.

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CRAMS: Is Business Trendz slowing down?

Over the last decade outsourcing has become an important strategic issue for pharmaceutical companies due to declining R&D productivity, increased generic competition, blockbuster drugs going off-patent, rising drug development costs and fewer new drugs discoveries. Under pressure to protect their margins, innovators are outsourcing non-core activities like manufacturing of intermediates and APIs to low cost destinations like India, which is likely to continue over the next Decade, India currently accounts for a US$ 3.8 billion, miniscule proportion of the US$ 67 billion global outsourcing industry and stands to capitalize on the mega opportunity.

The clinical research helps pharmaceutical and biotechnology companies to develop the clinical phase for innovative molecules (NCES) as well as generics. Specifically these services would be clinical bio-analytical, bio-statistical, data management services, biomarkers, regulatory submissions, medical writing and site management services for the four phases of clinical development of a NCE and the bio-analytical / bio-equivalence services for generics.

‘Global consolidation, cost-cutting in R&D and a funding crunch in biotech companies have nearly crippled the domestic contract research and manufacturing businesses (crams), which held a huge promise of delivering high growth a couple of years back’

Firms involved in contract research and clinical trials have slowed down considerably, spoiling investors who are looking at premature exits from these businesses, with only those engaged in custom manufacturing having turned the corner. Simply put, contract research and manufacturing involves outsourcing manufacturing operations or research to a third party.

CRAMS business consists of the CMO and CRO, in which CMO constitutes a major portion (96%) of the overall business. Over-capacity, withdrawal of tax breaks and lack of regular off-take have also created challenges for domestic custom manufacturers (CMOs) and research (CROs) units.

Over FY09-11, the Crams industry globally faced a crisis due to consolidation, cost cutting, investment rationalization, and adverse currency fluctuations. The growth of three leading Crams players plunged from a 34% CAGR over FY06-09 to 5% CAGR over FY09-FY11.

Domestic companies set up huge capacities in anticipation of strong off-take from the west. But the global slowdown and changing dynamics of the market, particularly in Europe, led to an over capacity in Crams, while the domestic market for Crams is estimated at $1.2 billion and growing at 15-20% annually as against the earlier expected growth of over 25%.

FY11 was impacted by an overall global slowdown with the company’s Crams business reporting a growth of -8.6% in FY11, -32.7% FY12 and -15% FY13 (estimate).

Not only did Big Pharma rationalize R&D costs, it also pruned inventory levels across manufacturing facilities to boost operational efficiency and reduce working capital. But post the rough patch where growth had almost halted, most Crams companies have seen a revenue traction over the past four-five quarters.

Lastly, the long- term growth story remains intact for at least contract manufacturing, as the country has a strong regulatory compliance knowledge with 17b-odd FDA and MHRA (regulatory agencies of the US and the UK, respectively) approved units.

Quiz show

Q. Which associate Bank of SBI has two cities in its name?
A. Bikaner and Jaipur

Q. Where in India was Rubber introduced on a commercial scale first?
A. Kerala

Q. In 1950, the Federal Court of India created in 1937 became the?
A. Supreme Court of India

Q. Where was an Indian Aircraft first (1971) hijacked?
A. Lahore

Q. Ion Oxide is Crust / Rust / Steel?
A. Rust

Q. Quick Silver is Mercury, What is Quick Lime?
A. Calcium

Q. The country with the highest per capita chocolate consumption?
A. Switzerland

Abbreviations

AI – Artificial Intelligence; Air India
BIS – Bank of International Settlement
BIFR – Board for Industrial and Financial Reconstruction
CDR – Corporate Debt Restructuring
ISO – International Standards Organization
NRF – National Renewal Fund
NMS – Network Management System

ConceptCraft Analytics (CCA) recommends to have a diversity portfolio with and within Equity, Mutual Funds, Fixed Deposit, Government Bonds, Assets, Bullion, etc.
Country Profile: Argentina

Argentina Republic is the second largest country in both South America and the Latin America region. Argentina is a founding member of the United Nations, Mercosur, the Union of South American Nations, the Organization of Ibero-American States, the World Bank Group and the World Trade Organization, and is one of the G-15 and G-20 major economies.

Capital - Buenos Aires (largest city)
Official Language - Spanish
President - Cristina Fernandez de Kirchner
Vice President - Amado Boudou
Area - 2784400 sq km
Population - 41281631 (2012 estimate)
Currency - Peso ($)(ARS)

The economy of Argentina is classified as an upper middle-income economy by the World Bank and third largest economy in Latin America. The country benefits from rich natural resources, a highly literate population, an export-oriented agricultural sector and a diversified industrial base. Argentina is considered an emerging market by the FTSE Global Equity Index, and is one of the G-20 major economies.

The leading sectors by production value are: Food processing and beverages motor vehicles and auto parts; refinery products, and biodiesel; chemicals and pharmaceuticals; steel and aluminium; and industrial and farm machinery; electronics and home appliances. Beverages are another significant sector, and Argentina has long been among the top five wine producing countries in the world.

The major exports from India to Argentina are Organic Chemicals, Equipment and machinery, Synthetic fibre, Sound and image devices, Tractors and auto parts, Lubricants and special oils, Cotton, Dyes and Iron & Steel whereas, the India’s import includes Soyabean oil, Sugar, Leather, Zinc, Water pumps, Plastics, Salt and related minerals and Coal. It has been observed that in trade value terms, India import is higher than exports comparing year on year basis.

A high-powered delegation from Government of Argentina meet the Chief Minister of Gujarat for a possible tie-up in the various fields including higher education, research, sports, academics, among others.

Fund Solution: Factoring

Parliament of India has passed a Factoring Regulation Bill, 2011, which has gone almost unnoticed, however, an important bill in perspective on small and medium enterprises. Factoring is a financial transaction whereby a business sells its accounts receivable (i.e. invoices) to a third party (called a factor, in most case bank) at a discount. In “advance factoring,” the factor provides financing to the seller of the accounts in the form of a cash “advance,” often 70-85% of the purchase price of the accounts, with the balance of the purchase price being paid, net of the factor’s discount fee (commission) and the other charges, upon collection. In “maturity” factoring, the factor makes no advance on the purchased accounts; rather, the purchase price is paid on or about the average maturity date of the accounts being purchased in the batch.

The objective of the factoring law is to address the problem of delayed payments to micro and small business entities by large businesses for purchase of goods and services. The salient features of the bill is stated as:

- Any company can commence Factoring by obtaining registration from the RBI as non-banking finance company. Such company would be governed by the existing law applicable to NBFCs (Chapter III-B of RBI Act, 1934) as well as the new Factoring Regulation Act, 2011.
- Banks / Corporation establish under Act of Parliament can be undertaking factoring without being required to obtain registration from RBI. Hence, organisation like NHB, SIDBI, EXIM bank can undertake factoring.

The aim of factoring is for the healthy growth of MSMEs. It underlines that growth of factoring will solve the liquidity and working capital problems of numerous small and medium scale industries, which supply spare parts and operate as ancillary units of large manufacturing units and other business entities.

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