

HOME-MADE CONCOCTION Country has built scale to absorb bulk of output: Chairman India Has a Big Import Substitution Opportunity in Chemicals Sector: SRF

Mohit Bhalla

New Delhi: India's galloping economy, already the second biggest in Asia, offers a \$25-30 billion import substitution opportunity in the chemicals sector, Ashish Bharat Ram, SRF's chairman and managing director, told ET.

Such major investments into local capacity building were earlier unviable in a smaller and less diversified economy, but the current demand base supports the business case for local investments on these chemicals hitherto imported. "As a \$2-trillion economy, there are certain chemicals where it would not have made sense to put up capacity to compete with China. We would not be able to consume more than 20-30% of it," Bharat Ram said. "Today, as India has become a \$4-trillion economy, India can look to invest in these plants as an import substitution opportunity, since we have now developed the scale to consume a majority of this output."

The opportunity is substantial, he said.

"We believe that the import substitution opportunity could be in the \$25-30 billion range," he said. "This does not include the hydrocarbon value-chain."

He said chemicals that are used in household consumption items could be produced locally.

"Even for basic end-products such as shampoos, soaps, etc., a significant portion of the chemical intermediates are imported from China" he said.

Bharat Ram is a descendant of Lala Shri Ram of Delhi Cloth and General Mills (DCM) fame.

WINDOW OF OPPORTUNITY

SRF is working on the opportunity for import substitution, Bharat Ram hinted.

"Over the next 3-5 years, a lot of investments of ours will come in that arena," he said.

SRF has changed its business mix over the past two decades. While it was known mainly as a technical textiles manufacturer supplying tyre cord it has now forayed in a big way into chemicals.



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ASHISH BHARAT RAM
Chairman, SRF

COMPANY PHOTO

"Technical textile used to be 70% of revenue in 2005 but now contributes 15-18% share of the business," said Bharat Ram. "Speciality chemicals is now the company's largest and most profitable business," he said.

SRF supplies active ingredients and intermediates to global crop protection chemical companies such as Syngenta, Bayer Crop Sciences and BASF. Its revenues are in the \$1.7 billion range.

It is the dominant supplier of refrigerant gases in the domestic market for the room air conditioner segment.

The company's other key plan is its new tie-up with Chemours, a spinoff from chemicals major DuPont.

"We have announced a tie-up with Chemours. They are the gold standard in fluoropolymers. It's probably the most versatile and stable polymer that exists. In a lot of high heat applications and sensitive applications fluoropolymers are used such as in the semiconductor industry and batteries," he said.