

Adani looks to rival RIL in petchem

However, it could take several years to reach such a point, say observers

AMRITHA PILLAY
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Last week, Adani Group announced a decision to evaluate joint investment in the acrylics value chain, with Germany's BASF. With this, the group will make an entry into the petrochemical business, a segment where Reliance Industries (RIL) dominates.

According to the Adani-BASF agreement, the two companies will jointly invest ₹16,000 crore to set up manufacturing facilities. The feasibility study for the planned joint investment will be completed by the end of 2019.

"Adani Group will enable BASF to create a world class chemical facility at Mundra. We will do this by providing port infrastructure, land and connectivity which will significantly reduce the logistics cost," said a spokesperson for the group in an email response.

Petchem industry officials and analysts say though the current demand is robust, the actual scale-up timeline is also key.

"Overall demand for petrochemicals has been more than production capacity for many products and we have been importing. Demand for petrochemicals is a reality. There is a lot of underlying demand which (the market) can accommodate," said V Srikanth, joint chief financial officer of RIL, on Thursday.

What makes the segment attractive to Adani is perhaps this demand potential; the demand growth rate for some of the products is expected to move in double-digits. Srikanth expects polyesters and polymers to do so.

"Given India's low per capita petchem consumption at 11 kg (annually) and

ADANI GROUP'S EXPANSION

Business	FY18	FY17	FY16	FY15	FY14
Aerospace and defence	Entered defence in FY15				
Agri logistics capacity (lakh tonnes)	8.75	8.5	8.5	5.5	5.5
Cargo handling capacity (million tonnes)	388	335	335	265	265
City gas distribution (number of cities)	9	7	7	4	4
Domestic coal mining (million tonnes)	8.33	8.27	6.2	3.44	1.2
Petrochemicals	Entered in FY19				
Private power distribution	Entered in FY19				
Renewable - wind operational (in Mw)	60	20	NA	NA	NA
Renewable - solar operational (in Mw)	1,938	1,318	738	0	40
Solar manufacturing capacity (in Gw)	1.2	NA	NA	NA	NA
Thermal power capacity (Mw)	10,440	10,440	10,440	10,440	8,580
Transmission operational (circuit km)	10,357	9,540	5,050	5,000	1,500
Water	Entered in FY19				

NA - Not applicable as operations had not commenced

Sources: Company, annual reports

huge future growth potential, global petchem majors are eyeing to make India their manufacturing base for certain intermediaries that can be exported, as well as cater to the domestic need," said Debasish Mishra, leader for energy, resources and industrials at consultants Deloitte Touche Tohmatsu in India.

At present, RIL's presence in the space is unrivalled. The other big players are Indian Oil Corporation and GAIL India, both in the public sector.

"Petrochemicals is a complex business. We saw how ownership at the other private sector player, the Essar Oil refinery, has changed hands," said an industry official, on condition of anonymity.

"Adani's entry makes it interesting from the point that RIL and the state-run

companies are its competitors. It is at a very early stage. Maybe another four-five years before we start seeing them as rivals to RIL," said an analyst with a domestic brokerage, who requested anonymity.

The industry official quoted earlier had said Adani might need to focus on hiring, to build expertise. "It is a long way before Adani rivals the segment. The group will need to hire the best minds in the industry and show leadership capabilities to scale up," he said.

Adani did not share further details on product range. "This is the foundation of a chemical cluster in Mundra (in Kutch, Gujarat). At this juncture we can't comment on the range of products, but the idea is to create a chemical cluster which is interdependent," its spokesperson said.



TOTAL BILATERAL TRADE IS US \$ 463 MILLION.

Indian Investment in Oil and Gas Sector of Azerbaijan: The ONGC Videsh Limited (OVL) of India acquired shares worth US\$ 1 billion in development project of the Azeri-Chirag-Gunashli (2.72%) oil field and the Baku-TbilisiCeyhan pipe line (2.36%) from US Company Hess in March 2013 and has established an office in Baku. The Gas Authority of India Limited (GAIL) signed a Memorandum of Understanding with the State Oil Company of Azerbaijan (SOCAR) to jointly pursue LNG opportunities through capacity booking, LNG procurement and promotion of LNG projects globally. Groundbreaking ceremony for Sun Pharma plant for production of solid consistency drugs in Sumgayit was held on 13 July, 2017. Economy Minister Shahin Mustafayev took part in the ceremony. The plant will produce medicines for cardiology, nephrology, gastroenterology and diabetes.
