

## Look at the World as a Market and Broaden the Ambitions

*If India is to succeed as a manufacturing destination, then Government investment in large-scale industrial infrastructure must always be a step ahead of industry requirements. Nirmal Shah, Vice Chairman & Managing Director, Chembond Chemicals Limited sees striking synergistic partnerships with established global companies for marketing, manufacturing, licensing with increasing frequency as the way forward.*



**Nirmal V Shah**  
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**China has been an integral part of the global supply chains including India. How do you think the global supply chains will evolve as the countries come together to boycott China?**

Everyone has taken a hit due to the pandemic. Governments have been spending on healthcare and income guarantee schemes worldwide. Most companies have been operating sub-optimally and are raking up losses. Individuals have seen incomes freeze, reduce or worst still have been laid-off. With this as a backdrop, I believe that the priority for all is going to be restoring stability and getting back to profitability.

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China has been the sourcing basket for the world for chemicals because they have scale and they have outpriced others. So, in my opinion in the immediate term companies will have to continue sourcing from China. However as an option, companies are likely to evaluate establishing alternative manufacturing / sourcing bases. They will spend more effort at this and over few years de-leverage supply chains from a single nation dependence. A general feeling is that trade wars will benefit India. I personally feel that there are opportunities that India must prepare to benefit from. But at the same time "boycotting" China is easier said than done.

**How do you see the change in**

**investments climate in India across homegrown manufacturers & from overseas companies?**

Regulators should focus on building a compliance culture and its enforcement rather than resorting to ad-hoc quick fixes. Investments being directly proportional amongst other things to policy clarity and continuity, will come if entrepreneurs have confidence that their investments will not be subject to delays on account of policy changes or blanket expansion locks imposed on large industrial areas rather than on defaulting units.

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Indian entrepreneurs are increasingly sharpening their ambitions. Building manufacturing capacities to serve global markets and achieve economies of scale seems to be the undercurrent. Striking synergistic partnerships with established global companies for marketing, manufacturing, licensing, etc. is seen as a way forward with increasing frequency. Coupled with this confidence is a sense of pride associated with doing something for the country from within the comforts of our country. So, investments will pick-up in manufacturing. However, many states do not look upon chemical manufacturing favorably. This is perhaps due to blatant disrespect for environmental compliance by many companies. But if India is to succeed as a manufacturing destination, then Government investment in large-scale industrial infrastructure must always be a step ahead of industry requirements. Regulators should focus on building a compliance culture and its enforcement rather than resorting to ad-hoc quick fixes. Investments being directly proportional amongst other things to policy clarity and continuity, will come if entrepreneurs have confidence that their investments will not be subject to delays on account of policy changes or blanket expansion locks imposed on large industrial areas rather than on defaulting units.

**What are the lessons for Indian manufacturers to learn from Chinese chemical manufacturers to accelerate the development of industry in India?**

Indian industry should look at the world as a market and needs to now broaden its ambitions. Taking larger calculated risks, sourcing technologies and relevant talent globally and, investing in larger capacities to afford economies of scale. The integrity of entrepreneurs in assessing project viability and ensuring its success will allow raising lower cost finance and help build confidence of the financial markets in industry.

**In the present scenario, although India is trying to invite investments across multiple sectors for the MNCs to make the big switch, how attractive will this be an option for the chemical & specialty chemical manufacturers?**

I am not sure how this will play out. My inkling is that these investments will be sector specific where India already has a track record and relatively well-built ecosystem in place such as pharmaceuticals or where a market is already established or existing such as electronics. Investments will again be dependent on the policy and bullet-proof laws the Government enacts to boost investor confidence. Like India, many



other countries are rolling out attractive policies to invite investments into their countries. Learning from the current situation, I think that companies in the chemical industry are likely to forward or backward integrate operations and consolidate presence across geographies. This opens opportunities for Indian companies to invite investment from MNC's into India or for them to partner with MNC's to make products in India. The potential is enormous.

**How much has the Indian chemical industry progressed towards self-sufficiency after the launch of Make in India by our Honorable Prime Minister? To what extent has our government addressed the issues that were restricting the growth of India's chemical industry?**

I think much more was expected by the chemical industry than what has been delivered. Some financial incentives have materialized by way of new companies being formed and taking advantages in taxation. But I have not seen any defining chemical industry specific actions taken by the country. Much more can be achieved in this space because we already have a large PSU and private sector presence. Consolidation of PSU's and their expansion has been a talking point for long, but no sizeable achievements have been made yet. I believe there are still some issues holding back unrestricted growth of the

industry.

**In your view what kind of opportunities will the whole initiative towards achieving self-reliance create for the MSME sector?**

India has had a large MSME presence. The initiatives announced to strengthen the MSME segment are laudable. It confirms that the Government also sees this segment as an employment driver, as a contributor to the economy and as a segment that can do much more than it has done so far. The government now needs to keep building sector specific infrastructure on a larger scale. We want MSME's to also think big and be able to compete internationally.

**What are the paradigm shifts that the industry is likely to see & how should Indian chemical industry prepare in the foreseeable future?**

A shift towards adopting greener and sustainable technologies, digital transformation, supply chain re-routing, and consolidation are going to be some of the shifts I foresee gaining pace. Indian industry will / must invest time and effort in these areas to be in the reckoning to benefit from global shifts in each of the above areas. Profits would be a corollary of being in sync with these changes. ■