

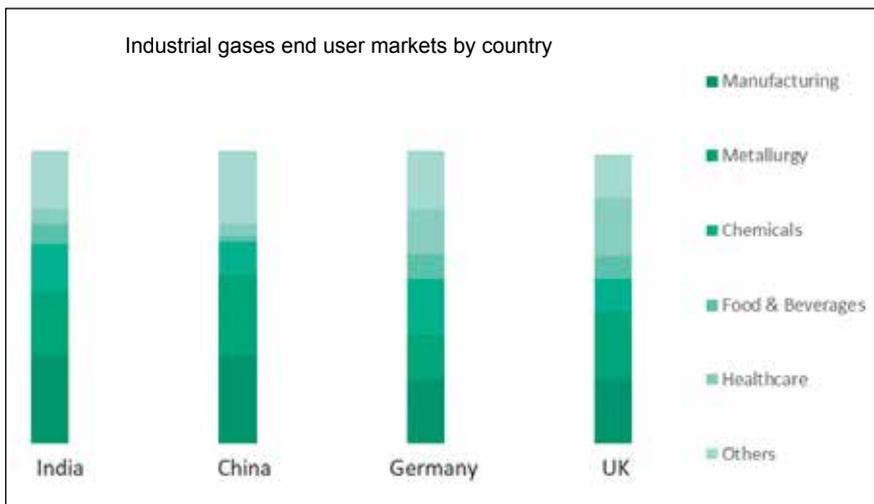
MARKET PROSPECTS

India's market for nitrogen is the world's fastest-growing major industrial gas segment: Report

India's market for nitrogen is growing at 11.2% a year, having recently accelerated from 7.5%. That places it ahead of the world's second-fastest growing, Russia's market, also for nitrogen, which was achieving 12.2% but has now slowed to 10.4%. China's market for nitrogen is growing at a relatively leisurely 7.3% a year. In comparison with both China and the global average, in fact, all four of India's major industrial gas segments – hydrogen, oxygen and carbon dioxide as well as nitrogen – are ahead in terms of annual growth.

These are findings of a report – 'The Global Industrial Gas Market 2018' released by The Business Research Company. The report also shows that the global industrial gas market grew from \$66.08-bn in 2013 to \$73.52-bn in 2017 at a compound annual growth rate of 2.7%, held back by negative growth for most gases in the huge North American market. Demand for industrial gases in the emerging economies generally is increasing rapidly mainly due to rising manufacturing activity. For instance, oxygen and nitrogen, produced by the industrial gas industry to meet the demand from the iron and steel smelting industries of China and India, have helped drive the Asia Pacific market for these gases at over 6% a year for oxygen and nearly 7% for nitrogen, well ahead of the global average.

By end user segments, India's and China's markets for industrial gases are distributed similarly, though China's are much larger. Manufacturing, metallurgy and chemicals together absorb around 70% of industrial gases in both countries, in contrast to developed



Source: The Business Research Company

countries. Perhaps the most conspicuous contrast between the developed and developing economies, however, is in the proportion of industrial gas sales which go to healthcare – 5% and 4% in India and China, 15% and 20% in Germany and the UK.

Impact of government policies

While break-neck industrialisation is the biggest source of volume growth for industrial gases, government policies are also influential, the report revealed.

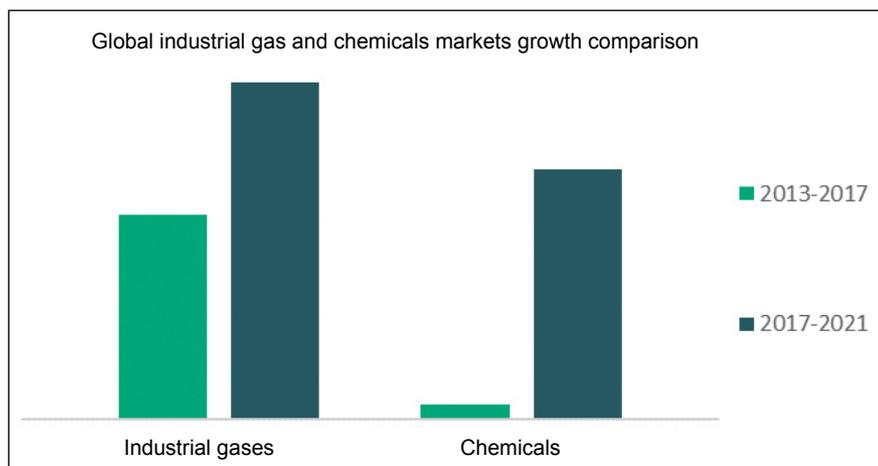
Emerging market manufacturing companies, such as those in the semiconductor, medical equipment and oil and gas industries, have often received support in the form of incentives and subsidies from national and state governments, and their growth has bolstered the market for industrial gases. Similarly, government investments in infrastructure have also led to a rise in demand for industrial gases. For instance, the Indian gov-

ernment provides 50% of the cost for development of infrastructure in electronic manufacturing clusters. These companies use gases such as helium to manufacture hard drives and semiconductors. The infrastructure construction companies themselves use carbon dioxide for welding iron and steel components in construction sites, thus increasing the demand for that gas.

In the developed economies such as Japan, the USA, and some countries in the European Union, national and state governments are supporting environmentally-friendly alternatives to polluting products. For instance, Japan offers subsidies for hydrogen-powered cars, so driving demand for that gas.

High-grade industrial gas markets

The report identified the healthcare sector as an example where demand for high-grade industrial gases is expanding. In addition to oxygen, which is used



Source: The Business Research Company

in medical facilities in the treatment of hypoxemia and hypoxia, carbon dioxide is used for insufflation and is often combined with oxygen or air as a respiratory stimulant to promote deep breathing. Again, nitrous oxide, nitric oxide, and

other industrial gases like hydrogen, helium and xenon are being prepared for clinical use in pharmaceutical products. “Treatments and drug developments using induced pluripotent stem cells (IPS) will bring new opportunities to

the industry through the application of systems using gases such as carbon dioxide and liquid nitrogen, which are indispensable for the cultivation and preservation of cells and tissues. Similarly, population aging is leading to a rise in the incidence of medical conditions for which MRIs (magnetic resonance imaging machines) are used in diagnosis. MRIs contain helium to cool down super-conductive magnets to a temperature below 10 Kelvin,” the report noted.

Industrial gases and chemicals market

Industrial gases are themselves a segment of the larger chemicals market. The gas segment has been growing much faster than the wider market, a trend that is expected to continue despite acceleration of the chemicals market growth, the report stated.

GROWTH PLANS

Asian Paints plans Rs. 4,000-crore capacity expansion this fiscal

Asian Paints Ltd. is embarking on its largest capacity expansion this fiscal year, investing Rs. 4,000-crore at its Visakhapatnam and Mysuru facilities to add 1.1 million kilolitres (kl) to its present output of paints.

The company is setting up a plant with 5-lakh kl per annum capacity at Visakhapatnam at an investment of Rs. 1,785-crore and a 6-lakh kl plant at Mysuru pumping in Rs. 2,300-crore.

“We are in the midst of our largest capacity expansion. In the first phase, two mega plants with initial capacities of 3,00,000 kl per annum each of water-based paints would be commissioned at Mysuru and Visakhapatnam in FY19,” Asian Paints MD & CEO, Mr. K.B.S.

Anand said in the company’s annual report.

Asian Paints, which is the domestic market leader, operates in 16 countries and has 25 manufacturing facilities globally, catering to consumers in over 60 countries.

Its industrial coatings business was badly affected in the second half of FY18 due to GST as well rising input costs. But with the launch of industrial tinting machines in the dealer networks, and the success of its direct-to metal coatings, it could not only retain market share, but increase it in the second half of FY18, Mr. Anand said.

In the automotive paints segment, the company added Ford and Hyundai

during the year. It could also gain market share in the two-wheeler space.

International business

However, Mr. Anand said the international business did not perform well. While a weak economy and a highly deflated currency hit its Egyptian operations, Ethiopia and Sri Lanka also did not do well. But higher sales in Nepal, Oman and Bahrain could contain some the impact of the poor show by the other markets. He said the green-field operations in Indonesia as well as acquisition of Causeway Paints in Sri Lanka have increased its global revenue. Having completely existed the low growth Caribbean markets, Asian Paints is now focusing on expanding its portfolio into the emerging markets of Asia and Africa, the company’s Chairman, Mr. Ashwin Choksi, said.