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EPC DEMAND IS RISING IN ALL DIMENSIONS OF CHEMICAL INDUSTRY



A K Tyagi,

Managing Director at Nuberg Engineering Ltd believes that the Indian chemical industry has to evolve to meet the international norms for EPC to be a part of the entire plan. He also delves into how government needs to play a bigger role in giving the right impetus to the industry.

BY SHIVANI MODY

EPC market potential in India

India has a great potential because there is a huge amount of import. However, the chemical clusters are not equally distributed across the country. While Gujarat accounts for a big percentage of the country's chemical industries, in various other states it is almost negligible. For instance in south, the industry is more related to bulk drugs and pharmaceuticals but other chemical businesses are missing.

Hence, although we have a huge gap of chemical industry products, we see a huge potential in the future. We expect a huge growth in the chemical industry in the country and the items which are being imported in the country currently will start getting manufactured in the country itself. Even in PVC we have a lot of import today. There is a lot of import of raw materials for manufacturing polyethylene and PVC. So there is a definite gap in this segment.

Trend and development in the Indian EPC market.

This industry is dominated by foreign multinational companies. There are very few Indian companies in this sector in the country, we are one of them. However, we see a potential of

more Indian companies coming into this sector in India in future with more opportunities for value added and innovative products. In India, the trend is that our industries go for more traditional approaches and do what the entire industry is doing instead of doing something innovative and out of the box which involves risk taking.

The industry needs to work on new products, doing backward integration, going for innovative proprietary technologies available internationally, etc. Once the industries start going into those dimensions of chemical industry, then EPC will be a must as there will be no other alternative. Such projects will need EPC specialists to handle the projects and that way the EPC industry will grow.

EPC requirements of chemical manufacturers

Chemical companies want EPC companies to execute a project in a way which brings value for money for the investment that they have made. Secondly, EPC companies should be able to build an energy efficient plant where the customer has competitive energy consumption in comparison to the international standards

Growth sectors for EPC market

In India there are already clusters of chemical companies in various parts of the country. So while one state has a huge chemical industry cluster, another state doesn't hold even a single share of the industry.

However there are new industrial policies which are being formed by the government currently which has taxation benefits and investment returns for the investors. Chemical will be a priority sector in the future. There is a demand for EPC in all dimensions of chemical industry because our size and exposure to the chemical industry is very right in the country today.

Secondly, few states where the chemical ecosystem has developed, has the advantage of garnering a bigger portion of the returns. But now with the new GST design, industries will be spread across the country which till now was restricted in certain states. We see a big potential for development of the chemical industry in other states.

EPC opportunities from plant upgradation in India

There are two issues which need to be resolved in the near future. One, we need to get our plants upgraded to the environment friendly standards. This will open up a lot of requirements and potential for EPC companies to work in this area and make the plants compliant to the future environmental laws.

Secondly, modernization and upgradation ensures lesser consumption of raw materials, increasing productivity and making the plant more energy efficient. These two factors for plant upgradations in the future will give huge opportunities for EPC market.

EPC requirements in emerging and developed markets

EPC requirements in India will be emerging more because of the open markets there will be no monopoly in the access to technology and adoption. India is an exporter of different types of technologies; R&D is happening in the country, we are networking with technology owners all over the world.



The only issue is that our energy cost is very high- power cost, oil or gas cost for running various processes in a chemical plant is very high. This is a barrier for the growth of the industry in India but as the country is working in all these issues aggressively, various energy cost is going down due to various government efforts. India is a big market, if our country can resolve the issue of high energy cost then the biggest potential can emerge in India.

3D platform in EPC market

If you want to build a world class plant, then you have to work on 3D software to achieve that kind of accuracy. It becomes a better project for companies using 3D platforms with lesser or no mistakes in the later phase of their projects.

Company plans for future growth

Nuberg is currently more focused in other parts of the world. In India if the companies don't get into innovative products, then our industry doesn't need EPC.

EPC will come into picture when they get into more complicated projects, more value added products. Our industry wants to do

straight forward projects, they don't want to invest or take the risk of moving into more complicated projects. EPC work is usually given to local contractors. Nubergs focus is on countries like Gulf region, Middle East and North African (MENA) regions, Thailand, Malaysia, Indonesia, Vietnam, where complicated projects require EPC. We have been growing by 30 percent in these regions for the last 10 years.

Research & development offered by the company

Chemical industry is totally dependent on R&D which is very limited in the country. We realised that we can open up an R&D center in Sweden. We are doing R&D in process plants and various projects at pilot scale.

Our associated company is building up a project in Gujarat where the plant will have multipurpose R&D facility. Following which we will be able to do R&D of different kind of chemicals by sharing that utility. There is a big requirement of R&D as we hardly have any propriety technologies in India. But companies which are working in international assignments

are very conscious about it and we are starting to gear up ourselves for different manufacturing requirements.

Managing supply chain network

For managing the supply chain in EPC, we treat our vendors as our partners. An EPC company cannot evolve without having good partnership with their vendors who deliver quality products and give value for money. So we treat them not as our contractors or suppliers but as our partners.

Challenges faced by EPC providers

In India, we have no in-house EPC companies. We need a more methodical approach, necessary skilled manpower, government support for the growth of this industry. Most countries like China, who are big into the EPC business, get various facilities such as softer loans, support bank guarantees etc that give the much needed impetus to EPC companies.

In our country we don't have any such policies. The government needs to realize that this is a very big industry which can bring major revenues.