



INDIAN PETROCHEMICALS INDUSTRY

**Supply overhang and muted global
demand continue to impact
profitability of petrochem companies**

March 2024



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Tepid global demand in major economies, coupled with oversupply have been exerting pressure on the operating rates and profitability of petrochemical players.

Despite steady domestic demand growth for a host of petrochemicals, dumping of some of these into India by major overseas producers amid lacklustre demand in other markets is likely to keep margins under pressure in the near term.



- **Tepid growth of the global economy and inflationary pressures** faced by some of the major chemical-consuming nations are weighing on the global demand of petrochemicals and global volume growth is expected to remain under pressure in the near term.



- **Sizeable capacity expansions globally, especially in Asia**, are expected to weigh on the operating rates of petrochemical companies. The supply overhang is likely to keep the operating rates, spreads and margins under pressure in the near to medium term.



- **While domestic demand for petrochemicals is expected to remain steady** with average annual growth rate of around 6-8%, large overseas producers continue dumping products into India, given the weak demand in other markets, leading to pressure on the profitability and operating rates of domestic players.



- **Naphtha prices, after witnessing some moderation from its peak**, started inching up steadily. However, the spreads have been under pressure as the end-product prices remained depressed, thus impacting the profitability of the manufacturers.



- **ICRA expects the profit generation of its sample set of petrochemical companies** to moderate in the near to medium term, resulting in weakening of profitability and return metrics and thus, the outlook on the Indian petrochemicals industry continues to be Negative.



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Analytical Contact Details

Name	Designation	Email	Contact Number
Girishkumar Kadam	Senior Vice-President	girishkumar@icraindia.com	022 - 6114 3441
Prashant Vasisht	Senior Vice-President	prashant.vasisht@icraindia.com	0124 – 4545 322
Ankit Jain	Vice-President	ankit.jain@icraindia.com	0124 – 4545 865





ICRA

Business Development/Media Contact Details

Name	Designation	Email	Contact Number
L Shivakumar	Chief Business Officer	shivakumar@icraindia.com	022-61693304
Neha Agarwal	Head – Research Sales	neha.agarwal@icraindia.com	022-61693338
Rohit Gupta	Head Business Development – Infrastructure Sector	rohitg@icraindia.com	0124-4545340
Vivek Bhalla	Head Business Development – Financial Sector	vivek.bhalla@icraindia.com	022-61693372
Vipin Saboo	Head Business Development – Corporate Sector – West & East	vipin.saboo@icraindia.com	022-61693348
Shivam Bhatia	Head Business Development – Corporate Sector – North & South	shivam.bhatia@icraindia.com	0124-4545803
Naznin Prodhani	Head – Media & Communications	communications@icraindia.com	0124-4545860





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