

INDIAN PETROCHEMICALS INDUSTRY

Petrochemical industry grapples with supply overhang amid muted demand

AUGUST 2024

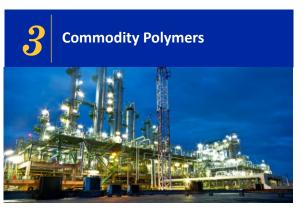


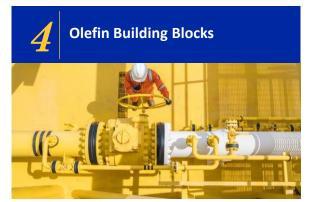
Agenda

















Agenda (contd....)















Highlights



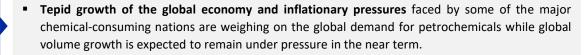


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Sluggish global demand in key economies, combined with an oversupply, has been putting significant strain on the operating rates and profitability of petrochemical companies worldwide.

Although domestic demand has remained robust, the addition of new capacities in local markets and the influx of cheaper imports have further squeezed the profitability of petrochemical manufacturers. This challenging environment is expected to persist in the near to medium term.







Sizeable capacity expansions globally, especially in Asia, have exerted pressure on the operating rates of petrochemical companies. The supply overhang is likely to keep the operating rates, spreads and margins subdued in the near to medium term.



■ While domestic demand for petrochemicals is estimated to grow at a steady pace with an 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 have moderated from their peak levels. However, the spreads have been under pressure as the end-product prices have remained depressed, thus impacting the profitability of the manufacturers.



■ ICRA expects the profit generation of its sample set of petrochemical companies to improve in the near to medium term; however, the same will remain lower than historical levels, which will translate to weak credit metrics. Thus, the outlook on the Indian petrochemicals industry continues to be Negative.



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