

INDIAN PETROCHEMICALS INDUSTRY

Steady performance aided by stable demand; elevated raw material prices exert pressure on margins

SEPTEMBER 2022



Highlights



Demand for petrochemicals is expected to remain steady, supporting industry growth, with moderation in profitability expected as raw material prices firmed up and spreads contracted for commodity polymers. The spreads are likely to remain under pressure as additional capacities disrupt the existing demand-supply dynamics.



Domestic demand for petrochemicals is expected to remain steady with growth at around 6-8% annually driven by demand from packaging, automobile, pharma, etc.



Naphtha prices, after witnessing significant uptick owing to elevated crude prices, have started to cool down, however, the olefin spreads continue to remain under pressure, which will impact the profitability of commodity polymer players. Further, with additional capacities coming up globally, the spreads are likely to remain depressed to some extent.



Despite some capex towards capacity expansion being undertaken by some industry participants (for ICRA sample), overall, the industry debt levels are not expected to increase materially going forward. Moreover, the net debt levels of most companies in the sector remain moderate owing to healthy margins and cash accruals in the past few years.



■ The debt metrics of petrochemical players are also expected to remain healthy, with total debt/OPBDITA for ICRA sample set at 1.4-1.5x and interest cover at 10.0-11.0x during FY2022-24 period.



ICRA expects the credit profile of the Indian petrochemical industry (ICRA sample) to remain steady in the near term. Players with a diversified business profile and conservatively-funded balance sheets were able to withstand the downturn with less impact on their credit profile.

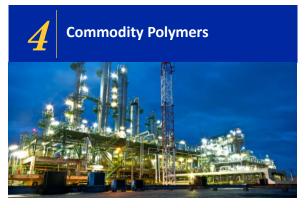
Agenda















Agenda



Fibre Intermediates

















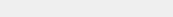


Sabyasachi Majumdar

Senior Vice-President Group Head



sabyasachi@icraindia.com







Vice-President Co-Group Head

prashant@icraindia.com

0124 - 4545 322



Assistant Vice-President Sector Head

ankit.jain@icraindia.com

0124 – 4545 865



















Sai Krishna

Assistant Vice-President Sector Head



Senior Associate Analyst



sai.krishna@icraindia.com

himani.Sanghvi@icraindia.com



044- 4596 4304

079-4027 1547

















ICRA Business Development/Media Contact Details

	L. Shivakumar	Jayanta Chatterjee	Naznin Prodhani
	Executive Vice-President	Executive Vice-President	Head Media & Communications
) ©	shivakumar@icraindia.com	jayantac@icraindia.com	communications@icraindia.com
C	022- 6114 3406	080 – 4332 6401	0124 – 4545 860



















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