

INDIAN PETROCHEMICALS INDUSTRY

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

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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.

1 Industry Outlook



2 Industry Performance/Peer Comparison/Key ICRA Rating Actions



3 ICRA Industry Estimates



4 Commodity Polymers



5 Olefins/Aromatics



6 Synthetic Fibres



7 Fibre Intermediates



8 Flexible Packaging Films



9 Synthetic Detergent Intermediates



10 Oxo Alcohols



11 Industry Performance/Peer Comparison



12 ICRA Ratings in the Sector/Company Section





ICRA

Analytical Contact Details



Sabyasachi Majumdar

*Senior Vice-President
Group Head*

Prashant Vasisht

*Vice-President
Co-Group Head*

Ankit Jain

*Assistant Vice-President
Sector Head*



sabyasachi@icraindia.com

prashant@icraindia.com

ankit.jain@icraindia.com



0124- 4545 304

0124 – 4545 322

0124 – 4545 865





ICRA

Analytical Contact Details



Sai Krishna

*Assistant Vice-President
Sector Head*

Himani Sanghvi

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

Executive Vice-President

Jayanta Chatterjee

Executive Vice-President

Naznin Prodhani

Head Media & Communications



shivakumar@icraindia.com

jayantac@icraindia.com

communications@icraindia.com



022- 6114 3406

080 – 4332 6401

0124 – 4545 860





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