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BUZZ  
PETCHEM

Monthly Newsletter  
from



## Industry Snippets

**Crude futures settle higher as Iran supply fears gain further traction.** Oil futures were higher as market participants prepared for supply tightness once US sanctions against buyers of Iranian crude cut available barrels on the global market.

**China imposes 25% tariffs on US oil products.** China implemented tariffs on a second tranche of US goods, targeting oil products and coal for the first time, in retaliation to US tariffs and paving the way for crude oil and LNG to be hit next.

**Naphtha may again be attractive as feedstock.** Asia's petrochemical producers are actively contemplating to shift their focus back to naphtha as feedstock from September, as the narrowing of the LPG-naphtha price spread may reduce the appeal of LPG as an alternative steam cracker feedstock.

**APIC 2018.** A record number of attendees over 2000 attended APIC 2018 held in Malaysia. This is so far the highest. Well-structured two day conference covered all segments of petrochemicals including feedstock scenario and environmental aspects associated with the industry.

**APIC 2018 Country Reports.** Country reports including presentations are being uploaded on to CPMA website [www.cpmaindia.com](http://www.cpmaindia.com).

**RCEP :** A lack of consensus on tariff and market access issues would make it tough for the member nations to conclude talks on the RCEP pact by end of the year, according to the Commerce Ministry. It is learnt that the latest talks on the subject between RCEP trade ministers in Singapore, remained deadlocked, adding to the uncertainties over a deal.

**GAIL India Ltd:** GAIL, the country's largest natural gas marketer reported a 23% rise in its April-June quarter net profit on better margins in gas trading and petrochemicals business.

**IOC Results:** Similar to its peers BPCL and HPCL that reported last week, IOC also reported a strong result. Reported EBITDA of Rs 126 bn (+14% q-o-q, +57% y-o-y) was sharply 66% ahead of estimates and 20% ahead of Bloomberg consensus forecasts. Refining segment Reported GRM of \$10.2/bbl was significantly ahead (our estimate \$ 6.4/bbl), driven by a large inventory gain of \$6.8/bbl.

Indian Oil Corporation (IOC) will invest Rs.170 billion in three petrochemical

## Commentary for the month

There seems to be all round optimism in the country after Q1 18-19 growth of GDP numbers were announced. At 8.2 % Q-on-Q growth for quarter number the phrase is being used that "Elephant has started running". One has to look beyond simple % age to understand the meaning of 8.2% growth. In Q1 17-18 the GDP growth was 5.6%. This reduced the base on which growth is being calculated for Q1 this year. The quarterly GDP normally is the lowest in Q1 and gradually build up till Q4 in absolute terms. The value is highest in Q4 and drops in Q1. If we look at absolute GDP in last six quarters from Q4 of 2016-17, 2017-18 and Q1 of 2018-19, the numbers are as indicated: (In Rs Lac Crores) : Q4 of 16-17 Rs 32.27Lac Crs. For 2017-18 31.18, 31.72, 32.43, 34.77, and For Q1 2018-19: 33.74. The growth of 8.2% is wrt Rs 31.18 Lac crores in Q1 of last year. The GDP in the immediately preceding quarter was incidentally higher than GDP of Rs 33.74 Lac crores in Q1 of this year. On an annual basis the absolute value of GDP continuously increases unless there is negative growth which is very rare.

During the month of August 2018, there have been widespread rains, flood and damage to crops. Kerala was worst affected. Other states effected by flood were UP, MP and Bihar. Agriculture has 17% share in GDP. The flood will impact Agricultural GDP for Q2. Haven't come across any study about likely impact of flood on agricultural GDP in Q2. Let's wait and see the Q2 numbers.

Petrochemicals demand will also get impacted due to recent floods. On the one hand the disposable income of farmers will be low and hence lower demand for consumer durables and non-durable except for essentials. On the other hand rebuilding of flood damaged infra and house will require additional material which will push up the demand. Industry would have preferred the demand push for development rather than for rebuilding.

## CPMA

### Member Companies in the News

projects in Odisha to produce polyester fibre for use as feed stock in a textile park in Bhadrak, Odish.

IOC plans to set up TPA (Purified Terephthalic Acid) and MEG (Monoethylene Glycol) plants within its refinery complex of IOCL in Paradip, said Union Petroleum Minister Dharmendra Pradhan.

**STYROLUTION ABS (INDIA) LTD** has reported net sales of

Rs.596.02 crores during the 3 months period ended June 30, 2018 as compared to Rs.507.08 crores during the 3 months period ended June 30, 2017. The company has posted net profit of Rs.16.88 crores for the 3 months period ended June 30, 2018 as against Rs.2.74 crores for the 3 months period ended June 30, 2017.

**Hindustan Petroleum Corp Ltd (HPCL)** reported a 86% jump in first quarter net profit on higher refining margins. Net profit of Rs 17.19 billion or Rs 11.28 per share in April-June, period of current

*continued on page 2*

**CPMA: Member Companies in the News**
*continued from page 1*

fiscal year was 86% higher than Rs 9.25 billion clocked a year ago.

**Mangalore Refinery and Petrochemicals Limited (MRPL)**, a subsidiary of state-owned explorer Oil and Natural Gas Corporations (ONGC) posted a 5 per cent jump in net profit for the quarter ended June 2018 at Rs 362 crore on the back of improved refining margins.

**TAMILNADU PETROPRODUCTS LTD** has reported net sales of Rs.277.33 crores during the 3 months period ended June 30, 2018 as compared to Rs.297.99 crores during the 3 months period ended June 30, 2017. The company posted net profit of Rs.9.42 crores for the 3 months period ended June 30, 2018 as against Rs.10.35 crores for the 3 months period ended June 30, 2017.

### Government Communications and Interactions

- **Presentation on recycling:** A detailed presentation was made to the Secy DCPC on the subject of PET recycling and the various processes associated with it. It was suggested by Secretary DCPC, that a broad plastic recycling policy be prepared by CPMA, which can be implemented on a national level keeping in account the international experiences and on-going practices.
- **CPMA's objection:** CPMA strongly objected to the interpretation of the trade data in the study undertaken by CII as the same is entirely misleading, whereas we would say the FTA's have had a significant effect right away and Indian industry has never recovered – with imports continuing at the high level. This has prevented domestic capacity building, the primary goal of "Make in India" a reality.
- **CPMA paper** was prepared and circulated widely in Govt and industry urging the Government to adopt a cautious approach for all future FTA negotiations like the RCEP and exclude key petrochemicals from tariff concessions till the time a level playing field (vis-à-vis counterparts in FTA partner countries) can be provided to the domestic petrochemical manufacturers.

### Trade Statistics- Key Products

| Sr. No. | Product    | 2017-18 (Apr-Oct) |              | 2018-19 (Apr-June) |              |
|---------|------------|-------------------|--------------|--------------------|--------------|
|         |            | Imports (KT)      | Exports (KT) | Imports (KT)       | Exports (KT) |
| 1       | PVC        | 1072              | 8            | 481                | 4            |
| 2       | LLDPE+HDPE | 918               | 162          | 309                | 158          |
| 3       | MEG        | 750               | 34           | 158                | 128          |
| 4       | PP         | 549               | 282          | 230                | 173          |
| 5       | SM         | 450               | 2            | 200                | 2            |
| 6       | EDC        | 410               | 26           | 129                | 10           |
| 7       | LDPE       | 297               | 17           | 83                 | 55           |
| 8       | VCM        | 256               | 0            | 106                | 0            |
| 9       | PTA        | 254               | 177          | 171                | 17           |
| 10      | ABS        | 60                | 0.1          | 26                 | 0.1          |
| 11      | PS         | 24                | 43           | 7                  | 17           |
| 12      | SAN        | 5                 | 1            | 2                  | 0            |
| 13      | EPS        | 2                 | 2            | 0                  | 1            |

Source: DGFT

### Key Economic Indicators

|                            | UoM                 | June End | July End | Aug End |
|----------------------------|---------------------|----------|----------|---------|
| <b>Forex Reserves</b>      | US \$ Bn            | 407.8    | 405.1    | 401.3   |
| <b>Exchange rates</b>      | 1 US\$              | 68.5     | 68.5     | 70.9    |
|                            | 1 Euro              | 80.1     | 80.2     | 82.3    |
|                            | 100 Jap Yen         | 61.9     | 61.2     | 63.9    |
|                            | 1 Pound Sterling    | 90.4     | 90.0     | 92.0    |
| <b>IIP</b>                 | %age Prev month end | 7%       | N.A.     | N.A.    |
| <b>WTI Crude Oil</b>       | US\$/MT             | 74.27    | 68.8     | 69.8    |
| <b>Naphtha C&amp;F SEA</b> | US\$/MT             | 635      | 653      | 667     |
| <b>C2 C&amp;F SEA</b>      | UD\$/MT             | 1260     | 1250     | 1256    |
| <b>C3 C&amp;F SEA</b>      | US\$/MT             | 980      | 990      | 1,035   |

Note: IIP for Aug has still not been announced \* Revised by MoSPI

## Upcoming Events

**IRPC AMERICAS**
  
 25-26 SEPTEMBER 2018 | HOUSTON, TEXAS |
   
[HPIRPC.COM/AMERICAS](http://HPIRPC.COM/AMERICAS)

**13th GCCA FORUM**
  
 28 November 2018 | Madinat Jumeirah, Dubai, UAE

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### CPMA Members

Chemplast Sanmar Ltd. • DCM Shriram Ltd. • DCW Ltd. • Engineers India Ltd. • Finolex Industries Ltd. • GAIL (India) Ltd. • Gujarat State Fertilizers & Chemicals Ltd. • Haldia Petrochemicals Ltd. • Hindustan Petroleum Corporation Ltd. • HPCL – Mittal Energy Ltd. • Indian Oil Corporation Ltd. • Indian Synthetic Rubber Private Limited • INEOS Styrolution India Ltd. • LG Polymers (India) Pvt. Ltd. • MCPI Pvt. Ltd. • Mangalore Refinery and Petrochemicals Ltd. • ONGC Mangalore Petrochemicals Ltd. • ONGC Petro Additions Ltd. • Reliance Industries Ltd. • Supreme Petrochem Ltd. • Tamilnadu Petroproducts Ltd.

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