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BUZZ PETCHEM



Industry Snippets

Asian naphtha cracks at near 5-month low on weaker demand, firmer crude. The benchmark CFR Japan naphtha crack against ICE Brent futures is hovering at close to a five-month low amid faltering demand for both light and heavy grades and strength in underlying crude markers.

Europe PetChem switch to propane; discount to naphtha widest in 8 months. Petrochemical buyers in Europe are beginning to crack propane over naphtha, reversing a seasonal pattern that has typically seen propane attract feedstock buying in the summer rather than winter months.

Oil price hike shadow on Govt. industry.

The benchmark Indian crude oil basket crossed \$66 a barrel last week. Aviation turbine fuel is at a three-year high of Rs.57, 349 a kiloliter, while the diesel price is at an all-time high of Rs.60.12 a liter in Delhi. With little fiscal room available for the government to maneuver on duties, the days of high-fuel cost are threatening to be back again. For the center, which had estimated \$55 a barrel of average crude oil prices for the current year, the price rise is, nonetheless, not very discomfiting since the Indian crude oil basket is below that average and was \$54 till December 2017.

HPCL, MRPL a good fit; can leverage HPCL's marketing network: ONGC. The ONGC-HPCL deal ensures that the government not only crosses its FY18 divestment target of Rs 72,500 crores but revises it to Rs 92,000 crores.

Company Results

RELIANCE INDUSTRIES

In the year ended 2016-17, RIL's PetChem division clocked revenue of Rs.92, 472 crore with operating profit of Rs.12, 990 crore. RIL reported a 25.1 per cent rise in net profit for the October-December 2017 quarter with higher profitability in petrochemicals and its telecom venture Jio reporting its first profit of Rs. 5.04 billion.

The petrochemicals segment, with a higher capacity and better margins, accounted for 42 per cent of the profit before interest and tax against 34.9 per cent in the December 2016 quarter.

INDIAN OIL CORPORATION

Indian Oil Corp Q3 profit doubles to Rs 7,883 crore. Indian Oil Corporation (IOC), the country's largest oil marketing company, reported a close to two-fold jump in its third quarter net profit on the back of a higher inventory gain from the sharp rise in global oil prices and an increase in refining margins.

CPMA

Member Companies
in the News

RIL commissions Cracker unit Marketing completion of Petchem Expansion Plan

Reliance Industries Ltd (RIL) has commissioned a giant cracker project, completing its massive PetChem capex programme, which marks a paradigm shift in the profitability of the petrochemicals business.

With the commissioning of the refinery off-gas cracker (ROGC) unit, the company completed its largest ever capex of around \$15 billion on petrochemicals business,

continued on page 2

Commentary for the month

Oil prices fell after US government data showed US crude stockpiles rose and monthly data for domestic production surpassed all-time highs. Crude inventories increased by 1.9m barrels in the week ending February 2. Gasoline and diesel stockpiles both rose. The data showed domestic crude production hit almost 10.25m barrels a day, which exceeded the prior record of 10.04m b/d, set in 1970. The new figures came amid mounting concerns that rising US output, which is expected to surpass Saudi Arabia and rival Russia, could offset production curbs led by OPEC and Russia.

US runaway crude oil production and total oil export growth is having dramatic impacts on global oil markets, positioning the US to be the major oil export hub in the world. It has huge repercussions. With US volume increases leading to growing global market share, the two other giant producers — Russia and Saudi Arabia — will in the end either try to protect their revenues by limiting their own output or fight for market share to protect their sales volumes. The US, with its shale oil, becomes the effective swing supplier and the "call on US" — the demand for US crude to balance the market — becomes far more important a benchmark than the "call on Opec".

Meanwhile another mega trend silently taking place is Electric vehicles which are likely to have a disruptive impact on global oil business. Electric cars are already a mainstay on Britain's roads, with several all-electric models being available to buy right now. A lot of them are simply electric versions of fuel-powered cars, but in the not-too-distant future, we'll see new designs. Present cars are easily capable of travelling up to 300 miles on a single charge, can be fully recharged in 50 minutes, and can achieve 0-60mph in less than 5-seconds. India produced 3.8 Million passenger vehicles in 2016-17. Imagine the impact on petroleum products demand when conversion from Petrol/Diesel to Electric vehicle takes shape in India. The day is not too far and many of us will see the transition in our time only.

Monthly Newsletter
from



Government Communications and Interactions

CPMA made a comprehensive presentation outlining perspective plan on petrochemicals to an expert committee co-chaired by Secretaries DCPC, MOCF and MOPNG. The focus was on minimizing gaps in capacities Vis a Vis demand.

CPMA brought out the sensitivities of the domestic industry and recommended for exclusion of the key petrochemical products from all tariff concessions under the India-Korea CEPA with concerned Ministries.

Similar suggestions were also made to CII and Plexcouncil in response to their communication on inputs with respect to the categorization of petrochemical products for the India-EAEU FTA & India-Peru FTA.

Petchem Trade Statistics - Key Products			
Sr. No.	Product	2017-18 (Apr - Oct)	
		Imports (KT)	Exports (KT)
1	PVC	1072	8
2	LLDPE+HDPE	918	162
3	MEG	750	34
4	PP	549	282
5	SM	450	2
6	EDC	410	26
7	LDPE	297	17
8	PTA	256	0
9	VCM	254	177
10	ABS	60	0.1
11	PS	24	43
12	SAN	5	1
13	EPS	2	2

Source: DGFT

Key Economic Indicators				
	UoM	Nov End	Dec End	Jan End
Forex Reserves	US \$ Bn	400.74	404.92	414.92
Exchange Rates	1 US\$	64.42	63.83	63.96
	1 Euro	76.48	76.73	79.96
	100 Jap Yen	57.46	56.64	58.29
	1 Pound Sterling	86.79	86.32	91.14
IIP	%age previous month end	2.20%	8.40%	7.1
WTI Crude Oil	US\$/MT	57.40	60.06	60.05
Naphtha C&F SEA	US\$/MT	589	608.22	592
C2 C&F SEA	US\$/MT	1200	1260	1268
C3 C&F SEA	US\$/MT	835	845	1,030

Note: IIP for Dec has still not been announced

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CPMA Member Companies in the news

continued from page 1

which could potentially double the revenue of the business. The ROGC Complex uses off-gases from RIL's two refineries at Jamnagar as input, making the raw material cost for the unit almost nominal. This will boost the profit margin and help the company compete with low cost producers from Middle East and North America.

There are 270 ethylene plants globally with a combined capacity of over 170 million tons per annum (mtpa). With the commissioning of this unit, RIL has a total ethylene capacity of 4 mtpa across five sites.

"RIL joins the distinguished league of top petrochemical producers globally by doubling its ethylene capacity. With ROGC and Imported ethane, RIL has one of the most competitive and flexible cracker portfolio. The company said the ROGC complex was built in record time with approximately 40% lower capital cost compared to the similar projects globally.

RIL has capability to produce entire range of PE grades covering all end-uses in the Indian market.

ONGC buys stake in HPCL

On 23rd January 2018, ONGC announced that it would acquire the government's 51% stake in HPCL for Rs.36, 900 crore or Rs.474 per share. This was at a 14% premium to the latter's closing stock price on Friday, much lower than the street's anticipation of over 40-50% premium. HPCL buy likely to boost ONGC's EPS by 4-9%.

Merging ONGC, HPCL Refining and Petrochem Units possible.

Merging Oil & Natural Gas Corporation's (ONGC) refining and petrochemicals units with Hindustan Petroleum Corporation (HPCL) is possible to consolidate such businesses under one roof, but a call on this will have to be taken by the two companies.

Following ONGC's agreement to acquire HPCL, talks around regrouping of ONGC assets have become louder with executives of both companies seeing value in bringing all refining assets under HPCL.

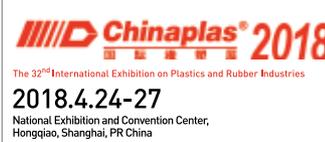
ONGC owns 71.63%, and HPCL 16.96% in Mangalore Refinery & Petrochemicals, which runs a 15-million-tonne refinery and petrochemical unit in Karnataka. ONGC owns another petrochemicals unit, ONGC Petro Additions, which can also possibly merge with HPCL. Folding all the refining and petrochemicals units of ONGC into HPCL, which already has its own plans for building petrochemical facilities, can make it a big petrochemicals player in the country. Of late, Indian refiners have been netting big on the petrochemicals business.

Indian Oil Corporation takes up 2018 as 'Year of Trust'. Indian Oil Corp (IOC), the nation's biggest oil firm, has adopted 2018 as the 'Year of Trust' as it earned belief in the delivery potential in programs like PMUY, and decision of early implementation of BS-VI fuel norms.

Upcoming Events



19-23 March 2018
Hilton Americas | Houston, TX, US



2018.4.24-27
National Exhibition and Convention Center,
Hongqiao, Shanghai, PR China



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