

Petrochem sector set to face margin pressure in 2024 on global oversupply, weak demand

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The petrochemicals sector is expected to witness profitability pressures as global demand softens further on a slower-than-expected recovery in the global economy, coupled with an oversupply situation in the next 12-18 months, which will exert pressure on margins and profitability of producers.

“While India demand is likely to remain healthy, the global weakness in demand and oversupply situation will keep the petrochemicals spreads under check for Indian players as well in the medium term, as has been the case over the last few quarters, where the petrochemical segments of all the companies have reported profitability pressures,” ICRA Senior VP and Co-Group Head Corporate Ratings Prashant Vasisht told *businessline*.

The oversupply situation in the global petrochemicals industry and the subdued demand have already impacted the margins of players in the second half of calendar 2022 and 2023 (CYs).

Haldia Petrochemicals CEO Navanit Narayan said, “The year 2023 has been a bad year for petrochemicals due to high volatility in feedstock prices and depressed margins. Delay in the recovery of the Chinese market and commissioning of large projects in China and India created large capacity overhang which fur-



GRIM OUTLOOK. The year 2023 was a bad year for petrochemicals due to high volatility in feedstock prices and depressed margins

ther delays the recovery of pricing and margins.”

STRESS TO PERSIST

Vasisht pointed out that the global petrochemicals demand has been weak, amid inflationary pressures, which, coupled with an oversupply situation, has exerted pressure on the spreads, which are likely to witness headwinds in the near to medium term.

“Several capacities in Asia, mainly in China, were added amid a tepid demand scenario and has resulted in many of these products being directed to other markets like India. While India has also increased its capacities and more additions are in the pipeline, its import dependency continues. This situation is likely to continue in the near to medium term, thereby exerting pressure on the profitability of the pet-chem players,” he explained.

In an August 2023 report, Moody’s Investor Service projected, “Demand for petro-

chemicals will likely remain soft as we expect global economic growth will slow this year and remain subdued in 2024. At the same time, petrochemical supply will grow significantly this year as new capacities, particularly in China, come on stream.”

ATMANIRBHARTA

India, a net importer of petrochemicals, will step up the pace of investments in the sector to increase domestic production to meet the higher demand in the next 3-5 years as its industrial and commercial sectors grow.

India’s petrochemical sector is projected to grow at about 11 per cent per annum from 2021-27 to \$100 billion in 2027, and will continue to grow at a similar rate to reach \$350-370 billion in 2040, a March report by McKinsey & Company said.

Narayan explained that while the petrochemical industry suffered in terms of squeezed margins, the refin-

ing industry witnessed significant value creation during the year from strong gasoline and diesel demand and prices.

Higher profitability by these sectors is likely to provide further impetus to their downstream integration towards petrochemicals. Considering long-term sustainability, several Oil and Gas players are likely to integrate further towards petrochemicals considering the growth forecast and to find an outlet for crude oil, the demand outlook of which is bearish in the long term, he projected.

Echoing a similar sentiment, Vasisht said, “Industries such as consumer durables, packaging, e-commerce, automotive, etc. spark domestic demand for petrochemicals, and ICRA expects this demand for polymers to witness a CAGR of 6-8 per cent per cent in the medium to long term.”

Despite the current weak scenario, oil marketing companies (OMCs) have remained steadfast in their plans to increase their ‘petrochemicals intensity index’ by expanding their portfolio, he added. For instance, he said the Indian Oil Corporation (IOC) has announced a 3-MTPA (million tonnes per annum) project for ₹61,000 crore at Paradip. Hindustan Petroleum Corporation (HPCL), through its JV, HPCL-Mittal Energy, has also commissioned a 1.2-MPTA dual feed cracker plant and its Rajasthan refinery is also setting up a 2.4-MTPA capacity.

‘Did you have to bribe anyone?’ Modi asks Ujjwala beneficiary

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Ayodhya: Occupants of this Pradhan Mantri Awas Yojana house in Kandharpur locality of Ayodhya were hardly known to the people in their neighbourhood till Saturday morning. However, by afternoon, Meera Manjhi and her family of five had attained celebrity status.

It all happened because of one small detour PM Narendra Modi took while going to the airport after inaugurating the Ayodhya Dham railway station. His destination was Meera’s modest house. She was informed just an hour before the PM landed at the house of the 10th crore beneficiary of Ujjwala scheme.

She had received her gas stove and cylinder on Friday. An hour before Modi came calling on Saturday, officials told Meera that some top government officer was expected to visit her house and seek some details. “We were also told to make the house ready for the high-profile visit and cook something to offer to the visitor,” said Meera while interacting with reporters after



PM Modi visits Meera, the 10th crore beneficiary of Ujjwala scheme

the PM left her house.

The details of Modi’s plan to spend 15 minutes at the house of the Manjhi family was not known to the local residents, political leaders and even the beat-duty police officials. Upon the PM’s arrival, the entire area resonated with chants of “Modi-Modi”.

Meera, her husband Suraj, the couple’s children and her parents-in-law were in the house when the PM arrived. After Modi interacted with the children briefly, he was offered tea. He asked the family a few questions — “Did you have to bribe anyone to avail the benefits of the scheme?”... “Have you got direct benefit transfer in-

to your bank account?”

During their interaction, Meera and Suraj told the PM that besides availing the benefit of the Ujjwala scheme, they have also got a pucca house under the PMAY (Urban), free electricity and water supply connections, apart from free ration supplies.

Modi complimented Meera, who sells flowers near the banks of Saryu ghat for a living, for the tea. “Being a chai-wala in the past, I know how good tea really tastes,” Modi said, adding jovially that it had become a little sweeter. “Demand for your flowers will go up,” he also said, hinting at an increased count of visitors once the Ram temple opens.

PM visits 10th crore beneficiary of Ujjwala LPG scheme in Ayodhya

Mayank Kumar
LUCKNOW

Prime Minister Narendra Modi made a surprise visit on Saturday to the Ayodhya home of Meera Manjhi, the 10th-crore beneficiary of the PM Ujjwala Yojana, and had tea at her residence during his one-day tour of the temple town.

The Prime Minister was in the town to unveil an airport, a revamped train station and multiple projects.

As Mr. Modi arrived for his cup of tea and 10-minute chat with Ms. Manjhi's family, the entire area resonated with enthusiastic chants of 'Modi-Modi'.

The Prime Minister later posted about the visit on social media, noting his satisfaction that the scheme had eased the family's life. "I had a 'Chai pe Charcha' at the house of Meeraji, the 10th crore beneficiary of Ujjwala Yojana, and her family members in Ayodhya. I felt very satisfied to know how government schemes have made the life of the entire family easier," he wrote on X, posting a video of the conversation.

"Do you know why I came here today?" the video shows him asking as he arrived at Ms. Manjhi's



Prime Minister Narendra Modi at the house of a Ujjwala Yojana beneficiary in Ayodhya on Saturday. ANI

home. "We have given gas cylinders to 10 crore families. I wanted to visit the family that takes the number to 10 crore. And it was in Ayodhya only," he added.

Launched in May 2016 to provide subsidised liquefied petroleum gas (LPG) connections to poor households, the Ujjwala scheme aims to empower women, protecting their health and reducing the number of deaths due to unclean cooking fuel.

"The tea is good but it is a little too sweet," the Prime Minister told Ms. Manjhi who was elated to host the surprise guest at her house near Lata Mangeshkar Chowk in

Ayodhya.

Ms. Manjhi told the Prime Minister that she has got free LPG cylinders and accommodation. "Earlier, I had a *kutchha* house, but now it has become pucca," she said and expressed her happiness for being able to host Mr. Modi at her house.

Later, while addressing a rally in the temple town, Mr. Modi said, "Today, I got the opportunity to have tea at the house of the 10th-crore beneficiary of Ujjwala gas connection." Recalling its launch from Ballia in Uttar Pradesh, the Prime Minister said that even though it was ridiculed at that time, Ujjwala Yojana has changed the lives of

crores of women.

A statement by the Uttar Pradesh government said the programme was not scheduled in advance.

Hours after the Prime Minister visited Ms. Manjhi's home, Ayodhya Divisional Commissioner Gaurav Dayal and District Magistrate Nitish Kumar reached her residence with Ayushman Bharat health card under the Mukhyamantri Jan Arogya Yojana. Mr. Dayal said that instructions were issued from the Chief Minister's Office (CMO) to the Principal Secretary, Health to provide the Ujjwala beneficiary with the health card. (With PTI inputs)

Ujjwala beneficiary hosts special guest

Modi makes surprised visit to Meera, drinks tea at her house in temple town

Ayodhya, Dec. 30: "The tea is good but it is a little too sweet," Prime Minister Narendra Modi told Meera who was elated to host the surprise guest at her house near the Lata Mangeshkar Chowk here on Saturday.

Mr Modi, who was in the temple town to unveil a "new look old" city with an airport, a revamped train station and multiple projects, made a sudden stopover at the woman's house who holds the distinction of being the 10th crore beneficiary of the Ujjwala scheme.

The scheme was started in May 2016 to provide LPG connection to women of below poverty line (BPL) families.

As the Prime Minister's cavalcade stopped suddenly at the colony near the

Ayodhya case litigant showers rose petals at PM's roadshow

Ayodhya, Dec. 30: As residents of Ayodhya lined the streets to welcome Prime Minister Narendra Modi on a chilly Saturday morning, among them was Iqbal Ansari, a litigant in Ram Janmabhoomi-Babri Masjid land suit.

"He (Modi) is our guest and our Prime Minister," said Mr Iqbal after he showered rose petals on Mr Modi's cavalcade as it passed the Paanji Tola area during his roadshow in the temple town.

Lata Mangeshkar Chowk, the surprised locals began shouting "Modi-Modi". He

His father Hashim Ansari, the oldest litigant in the land dispute case, died at the age of 95 in 2016, after which Mr Iqbal started pursuing the case in court. "I showered rose petals on Modi jee when his cavalcade from in front of my house. My family members were also present," he said.

On November 9, 2019, the Supreme Court backed the construction of a Ram temple by a government trust at the disputed site in Ayodhya. — PTI

entered Ms Meera's house and drank tea made by her. The PM then enquired

about the well-being of the entire family as well as that of the colony.

Ms Meera told the Prime Minister that she has got free gas and accommodation.

"Earlier, I had a kutchra house, but now it has become pucca," she said, and expressed her happiness for being able to host the PM at her house.

Later, while addressing a rally in the temple town, Mr Modi said, "Today, I got the opportunity to have tea at the house of the 10th crore beneficiary of Ujjwala gas connection."

Recalling the scheme's launch from Ballia, the Prime Minister said that even though it was ridiculed at that time, Ujjwala Yojana has changed the lives of crores of women. — PTI