Chemicals I Sept Monthly Sector Spdate I 6 October 2022

Chemicals September Monthly

Chemicals theme is intact despite disruption in demand

Our chemical channel checks suggest that with slowdown in demand and increasing central bank rates across countries to control inflation will weigh heavily on the prices of commodities chemicals and the impact might not have been yet factored in the prices. India remains on a strong footing in chemicals led by increasing interest of global companies to source from india to derisk their supply chain, increasing share of speciality chemicals in overall product mix and robust capex aligned by chemical companies to capture future growth. Major downstream petrochemicals like Benzene, Ethylene have witnessed steep decline in prices mirroring the decline in crude oil prices. The recent power crisis in Europe, although provides an opportunity for Indian chemical companies to increase wallet share in European market, it remains under our watch if Russia becomes softer in its stance which can completely reverse the situation and benefits reaped by India as well. Although, as per the current situation the power crisis doesn't seems abating and European chemical companies which had built in capacities on the support of lower power cost now seems reversing benefitting Indian chemical companies.

Chemicals price movement and impact of listed chemical players

Benzene prices declined by ~9.5% MoM – Companies like Aarti Industres, Deepak Nitrite, Hindustan Organic Chemical etc use it as a raw material and RIL, IOCL, BPCL are the manufacturers.

Aniline prices increased by ~5% MoM basis – Negative for NOCIL as Aniline is the major raw material for the company which could impact near term margin but in the long term the cost is passed on as company follows a cost-plus model.

Toluene prices increased by ~3% MoM & TDI prices increased by ~6% MoM– Positive for GNFC as the company is the largest manufacturer of TDI and it is produced from Toluene via nitration to Dinitrotoluene. Also, companies like Aarti uses Toluene and Conc. Nitric acid to make Nitro-Toluene.

Styrene Monomer (SM) increased by ~2.3% MoM – Supreme Petrochem uses SM which is the major raw material of the company.

Phthalic Anhydride (PAN) prices increased by ~5% MoM whereas Ortho-Xylene prices prices are up by ~16% MoM. IG Petro & Thirumalai both manufactures PAN and consumes Ox as the raw material. The spreads have contracted which is negative for both the companies.

Mono Ethylene Glycol (MEG) increased by ~6% MoM basis – Companies like India Glycols manufactures MEG.

Iso Propyl Alcohol (IPA) prices are up by ~9.5% MoM. IPA is majorly used to manufacture santizers. Companies like Deepak Nitrite and Deepak Fertilizers manufactures IPA.

Phenol prices has been almost flattish basis with mere growth of ~1% MoM. **Acetone** prices have inched up by 6% MoM. Deepak Nitrite is the largest manufacturer of Phenol & Acetone in India.

Acetonitrile prices are up by ~12% MoM. The acetonitrile spread is up by ~44% MoM which is quite a sharp jump majorly led by decline in its raw material price of acetic acid. Positive for Alkyl Amines.

Acetic acid prices have declined by ~8% MoM. **Ethyl Acetate** prices have declined by ~2% MoM. Companies like Laxmi Organics & Jubilant Ingrevia uses acetic acid as raw material and manufactures Ethyl Acetate.

Caustic soda prices are up by ~2% MoM basis. Companies like DCM Shriram, Gujarat Alkalies, Meghmani Finechem, DCW, TGV SRAAC are the manufacturers.

Among our coverage companies, we have Buy rating on NOCIL, Bodal Chemicals, Phillips Carbon Black & Supreme Petrochem. We find Aarti Industries & IG Petrochemicals, Apcotex Industries expensive on current valuations.

SMIFS LIMITED
LEGACY | TRUST | GROWTH

|Price performance (%)*

	1M	3M	12M	36M
S&P BSE 500	-3.7	9.4	-2.3	60.0
Aarti Industries	-11.9	5.0	-21.6	97.3
SRF	-4.8	14.7	11.8	353.8
Navin Fluorine	4.5	21.2	19.9	539.8
Rossari Biotech	-4.3	8.3	-34.4	0.0
NOCIL	-7.2	4.7	-9.5	161.6
IGPL	-4.5	-5.6	-24.1	246.8
Oriental Carbon	-2.4	14.2	-18.8	-16.3
Bodal Chemical	-11.2	4.1	-27.8	15.7
Valiant Organic	10.8	32.4	-46.8	4.5
Deepak Fert.	2.0	44.4	110.9	875.9
Deepak Nitrite	3.4	19.0	-13.9	594.0
Thirumalai Chem.	-11.1	-13.9	-29.9	205.8
GNFC	-14.1	9.2	49.5	224.0
India Glycol	-5.7	6.0	-2.8	271.7
DCM Shriram	-1.6	6.4	-1.1	149.3

*as on 04th Oct 2022; Source: AceEquity, SMIFS Research

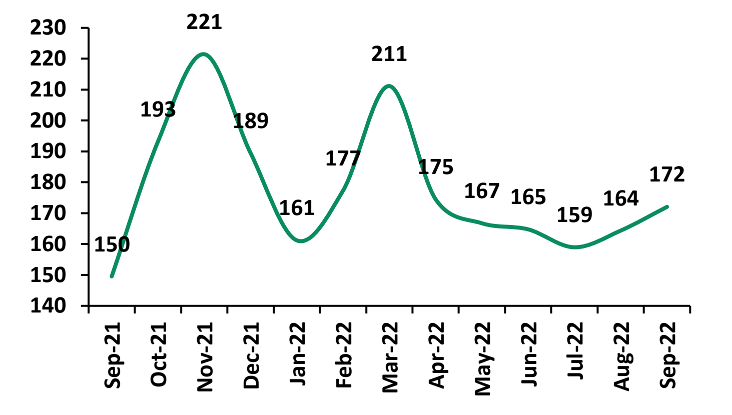
Inside the report:

- ✓ Price trend of various chemicals
- ✓ Acetic Acid, Ethyl Acetate & Soda Ash in Charts
- ✓ Product wise Installed Capacity & Production of Major Chemicals
- ✓ European capacity exposure to global capacity
- ✓ Key raw material details of major Indian chemical companies
- ✓ Export & Import Chemicals Performance for the period April to August 2022
- ✓ Supreme Petrochem Ltd – Management Visit Highlights

Aditya Khetan
Sector Lead- Chemicals
+91 9004126470
aditya.khetan@smifs.co.in

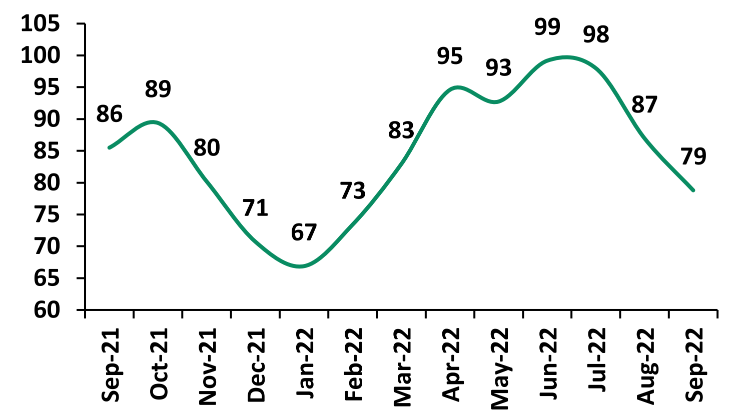
Awanish Chandra
Head – Institutional Equities
+91 8693822293
awanish.chandra@smifs.com

Fig 1: Indian Aniline prices (Rs per kg)



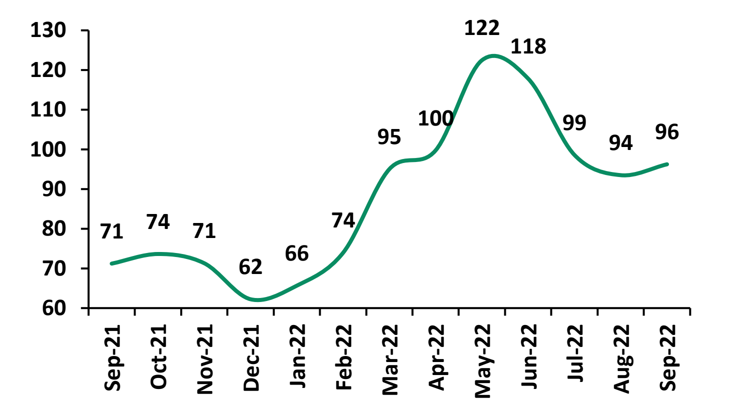
Source: Industry, SMIFS Research

Fig 2: Indian Benzene prices (Rs per kg)



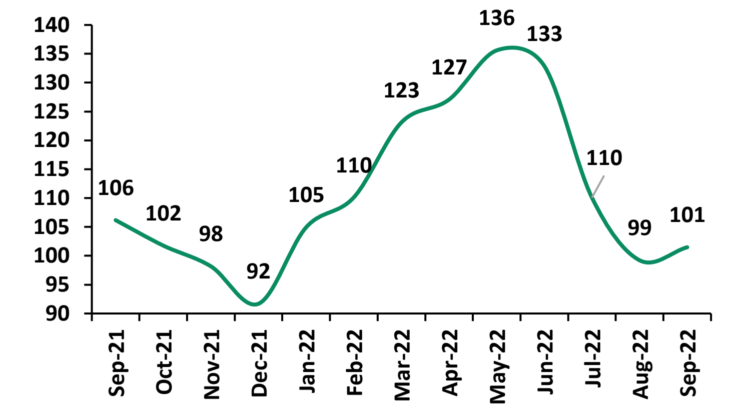
Source: Industry, SMIFS Research

Fig 3: Indian Toluene prices (Rs per kg)



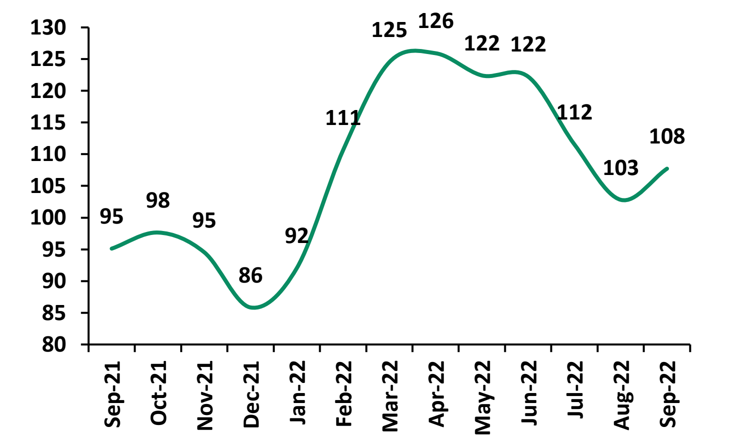
Source: Industry, SMIFS Research

Fig 4: Indian Styrene Monomer prices (Rs per kg)



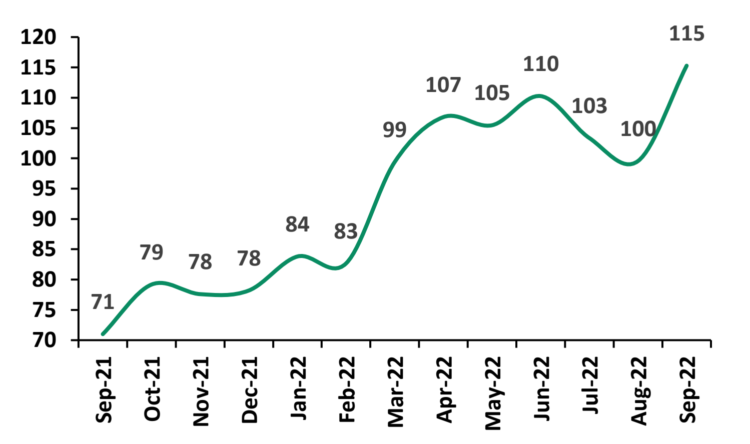
Source: Industry, SMIFS Research

Fig 5: Indian Phthalic Anhydride prices (Rs per kg)



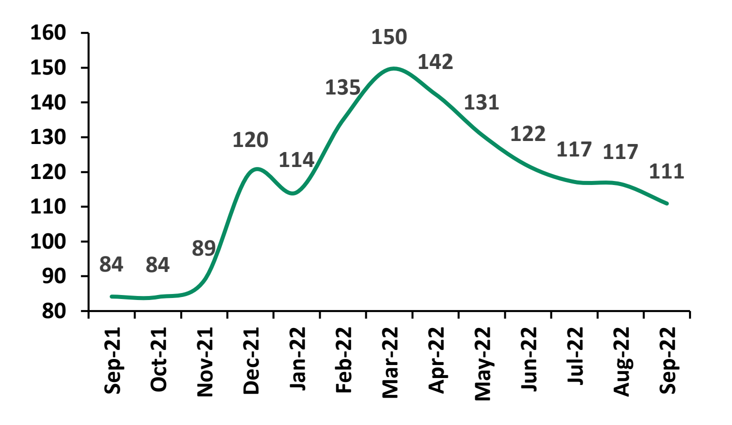
Source: Industry, SMIFS Research

Fig 6: Indian Orthoxylene prices (Rs per kg)



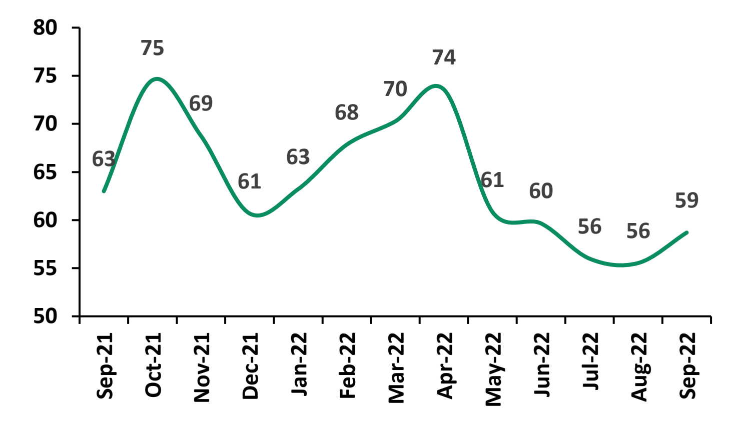
Source: Industry, SMIFS Research

Fig 7: Indian Maleic Anhydride prices (Rs per kg)



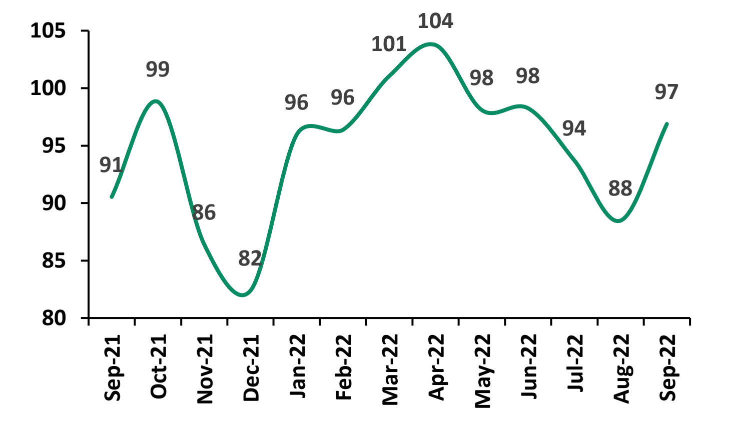
Source: Industry, SMIFS Research

Fig 8: Indian Mono Ethylene Glycol prices (Rs per kg)



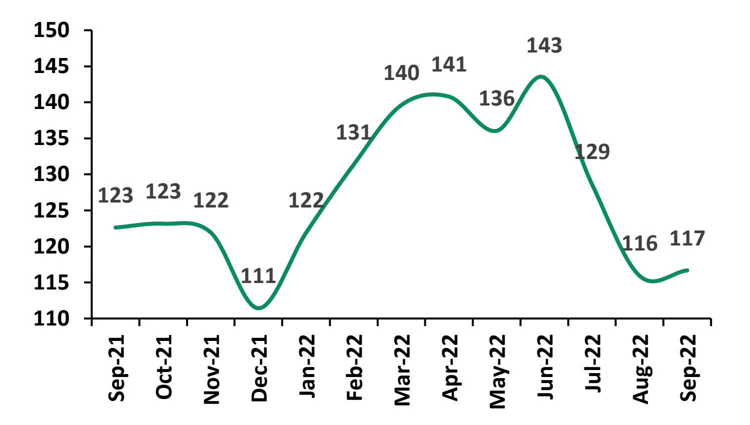
Source: Industry, SMIFS Research

Fig 9: Indian Iso Propyl Alcohol (IPA) prices (Rs per kg)



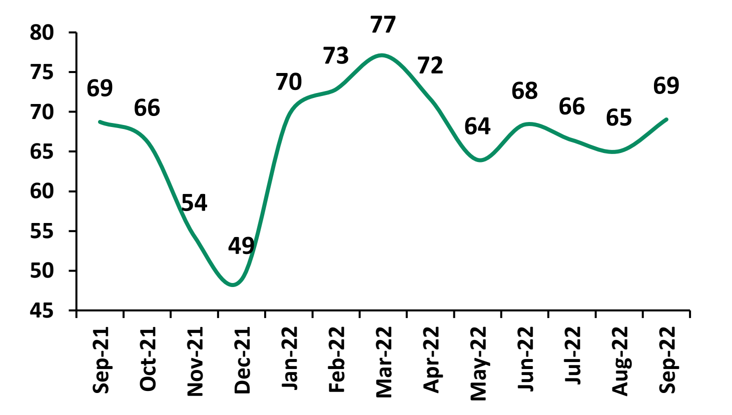
Source: Industry, SMIFS Research

Fig 10: Indian Phenol prices (Rs per kg)



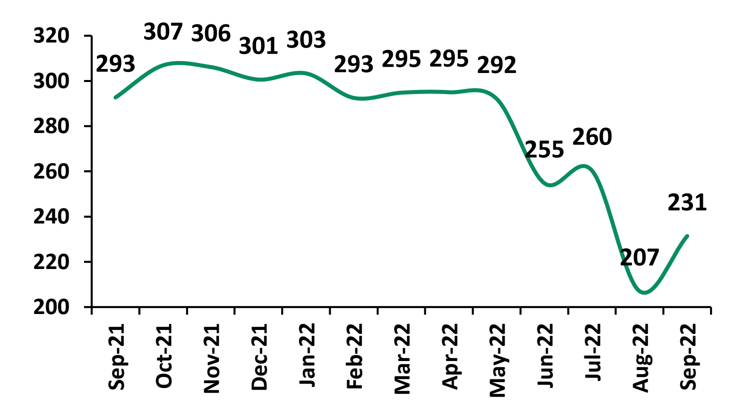
Source: Industry, SMIFS Research

Fig 11: Indian Acetone prices (Rs per kg)



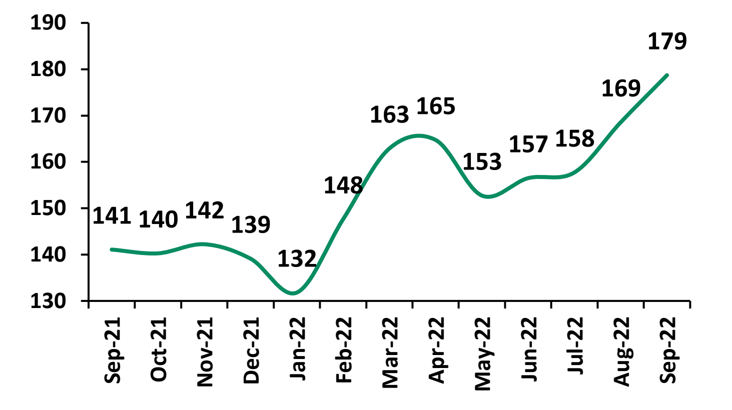
Source: Industry, SMIFS Research

Fig 12: Indian Acetonitrile prices (Rs per kg)



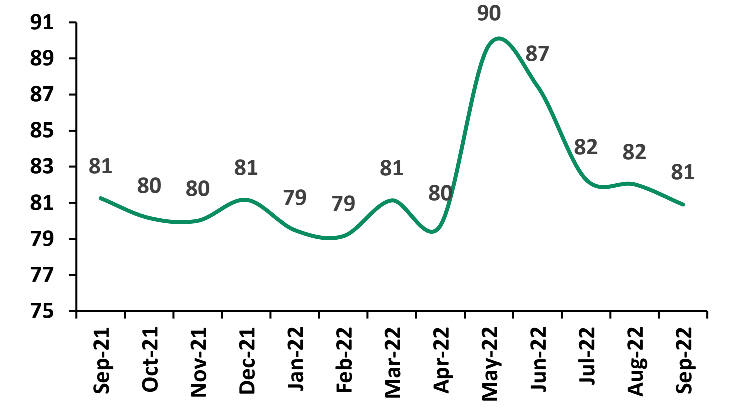
Source: Industry, SMIFS Research

Fig 13: Indian Linear Alkyl Benzene (LAB) prices (Rs per kg)



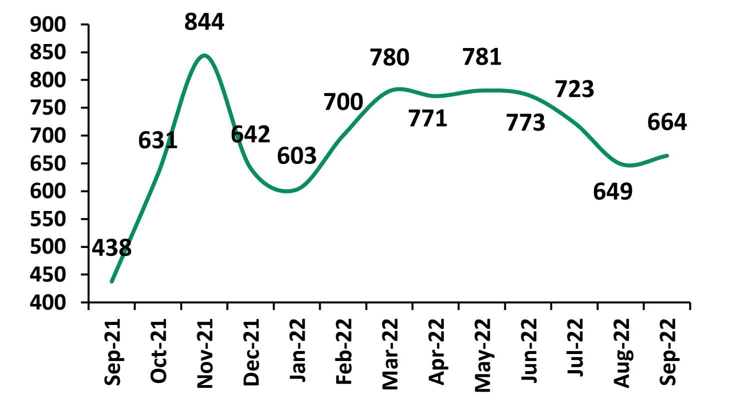
Source: Industry, SMIFS Research

Fig 14: Indian Mono Chloro Benzene (MCB) prices (Rs per kg)



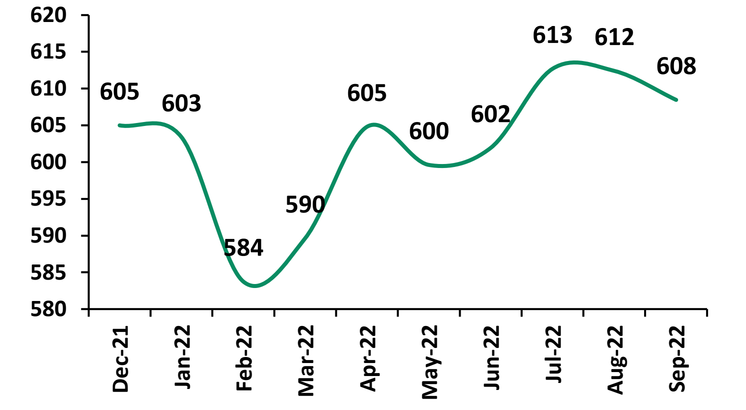
Source: Industry, SMIFS Research

Fig 15: Caustic Soda in USD Per ton



Source: Industry, SMIFS Research

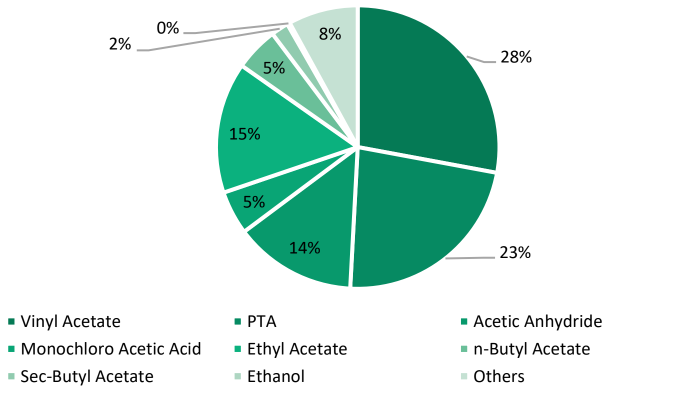
Fig 16: Refrigerant R-22 prices (Rs per kg)



Source: Industry, SMIFS Research

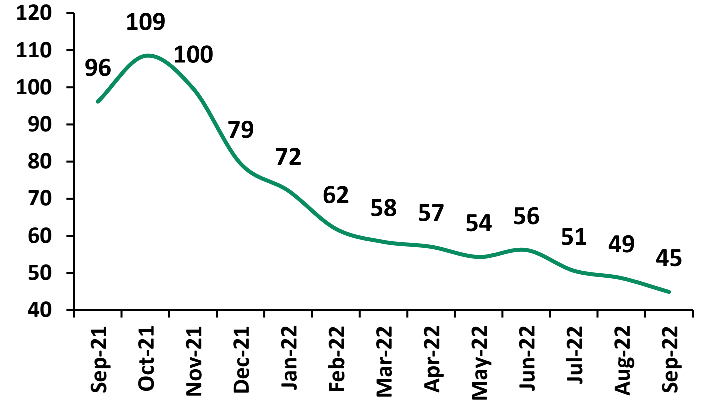
Acetic Acid, Ethyl Acetate & Soda Ash in Charts

Fig 17: Global acetic acid demand by applications



Source: Industry, SMIFS Research

Fig 18: Acetic Acid prices (Rs per kg)



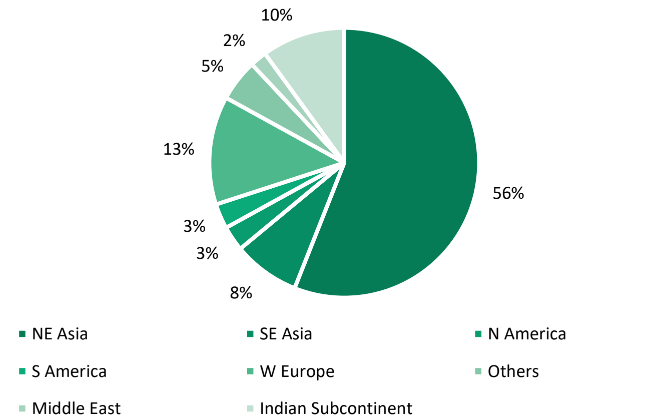
Source: Industry, SMIFS Research

Fig 19: Domestic Ethyl Acetate acid manufacturers

Company name	Capacity in tonnes
Laxmi Organics	188000
Jubilant Ingrevia	150000
Godavari Biorefineries	105000
IOL Chemicals	87000
GNFC	55000
Dhampur Alcochem	50000
Satyam Petrochemicals	50000
Ester India	12000
Others	19000

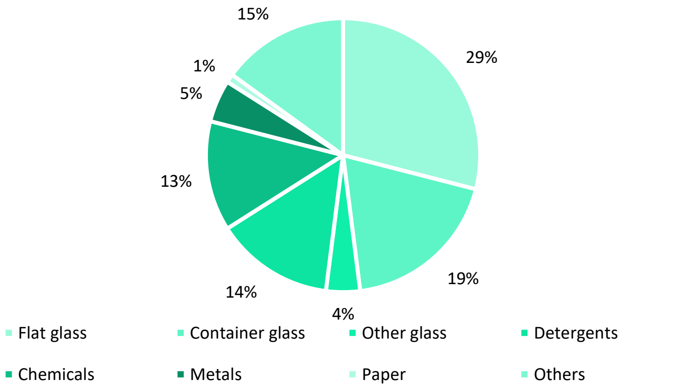
Source: Industry, SMIFS Research

Fig 20: Ethyl Acetate global demand breakup by region



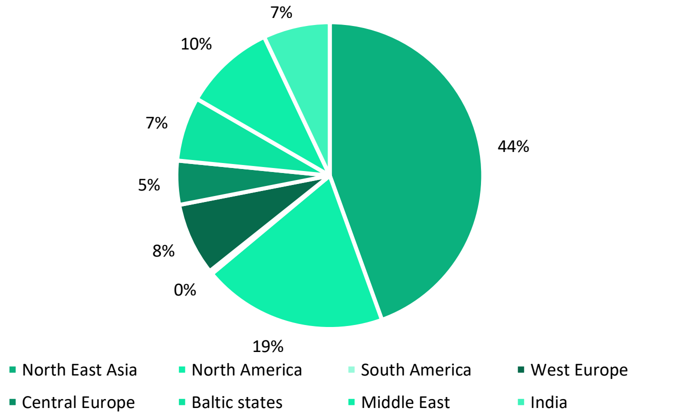
Source: Industry, SMIFS Research

Fig 21: Global Soda Ash demand breakdown by end user industries



Source: Industry, SMIFS Research

Fig 22: Global Soda Ash capacity breakdown by region



Source: Industry, SMIFS Research

Fig 23: Product wise Installed Capacity & Production of Major Chemicals (Figures in '000 MT)

Products	Installed Capacities			Production					Utilization		
	FY20	FY21	FY22	FY18	FY19	FY20	FY21	FY22	FY20	FY21	FY22
1) Alkali Chemicals											
Soda Ash	3,489	3,614	3,614	2,613	2,990	3,048	3,069	2,638	87%	85%	73%
Caustic Soda	3,397	3,700	3,898	2,595	2,742	2,925	3,137	2,964	86%	85%	76%
Liquid Chlorine	2,535	2,775	2,961	1,801	1,899	2,069	2,250	2,174	82%	81%	73%
Total	**9,422**	**10,089**	**10,473**	**7,009**	**7,631**	**8,043**	**8,457**	**7,776**	**85%**	**84%**	**74%**
2) Inorganic Chemicals											
Aluminium Fluoride	26	26	26	8	8	6	5	4	22%	20%	14%
Calcium Carbide	112	112	112	85	87	83	81	87	74%	73%	77%
Carbon Black	696	696	696	535	530	546	500	385	79%	72%	55%
Potassium Chlorate	5	29	29	0	0	1	16	17	15%	57%	60%
Titanium Dioxide	83	83	83	58	58	57	49	51	69%	60%	62%
Red Phosphorus	2	2	2	1	1	1	1	1	61%	61%	64%
Hydrogen Peroxide	146	219	219	149	157	156	123	140	107%	56%	64%
Calcium Carbonate	232	372	372	216	217	213	287	275	92%	77%	74%
Total	**1,300**	**1,538**	**1,560**	**1,053**	**1,058**	**1,064**	**1,063**	**978**	**82%**	**69%**	**63%**
3) Organic Chemicals											
Acetic Acid	142	142	142	159	157	154	168	155	109%	118%	109%
Acetic Anhydride	113	119	119	95	97	95	74	75	84%	62%	63%
Acetone	47	47	47	27	33	41	36	39	86%	77%	83%
Phenol	77	77	77	44	53	65	58	61	85%	75%	80%
Methanol	474	474	474	177	260	272	176	234	57%	37%	49%
Formaldehyde	411	411	398	244	248	227	260	245	55%	63%	62%
Nitrobenzene	112	129	126	70	71	69	61	76	61%	47%	60%
Maleic Anhydride	6	8	8	4	3	5	5	5	71%	66%	70%
Pentaerythritol	16	16	16	14	14	15	15	12	95%	97%	74%
Aniline	54	54	54	41	42	38	25	34	70%	47%	62%
Chloro Methanes	279	279	279	222	222	286	297	327	102%	106%	117%
Isobutylbenzene	14	17	17	7	9	10	9	13	70%	56%	76%
ONCB	30	30	30	23	25	24	20	23	79%	66%	78%
PNCB	48	48	48	34	38	36	32	39	75%	66%	80%
MEK	10	10	10	7	6	7	10	8	70%	98%	80%
Acetaldehyde	151	151	151	60	66	62	77	56	41%	51%	37%
Ethanolamines	18	18	27	13	13	17	15	17	94%	87%	62%
Ethyl Acetate	518	562	562	371	411	441	473	453	85%	84%	81%
Menthol	34	34	34	15	14	6	7	7	19%	22%	22%
Ortho Nitro Toluene	21	45	45	14	14	17	26	28	82%	58%	62%
Total	**2,575**	**2,671**	**2,664**	**1,638**	**1,799**	**1,884**	**1,847**	**1,906**	**73%**	**69%**	**72%**
4) Dyes and Pigments											
Azo Dyes	21	21	21	10	11	9	9	7	43%	40%	31%
Acid Direct Dyes (Other Than Azo)	41	41	41	20	21	24	23	20	59%	56%	49%
Disperse Dyes	67	75	78	41	47	55	62	52	82%	83%	66%
Oil Soluble (Solvent Dyes)	4	4	4	2	2	2	2	0.4	64%	67%	12%
Optical Whitening Agents	41	68	68	24	23	29	21	18	71%	31%	27%
Organic Pigment	87	88	88	64	73	74	75	67	85%	85%	76%
Pigment Emulsion	5	5	5	11	10	10	10	9	181%	179%	159%
Reactive Dyes	195	196	196	121	152	151	157	132	78%	80%	67%
Sulphur Dyes (Sulphur Black)	8	8	8	10	7	8	7	5	91%	90%	62%
Vat Dyes	3	3	3	2	2	2	2	2	59%	74%	70%
Inorganic Pigments	18	18	18	15	18	16	16	15	90%	89%	81%
Total	**492**	**528**	**532**	**320**	**367**	**382**	**384**	**327**	**78%**	**73%**	**62%**
Total Chemicals (1+2+3+4)	**13,788**	**14,826**	**15,229**	**10,020**	**10,856**	**11,372**	**11,751**	**10,988**	**82%**	**79%**	**72%**

Source: CPMA, SMIFS Research

Fig 24: Pr oduct wise Installed Capacity & Production of Major Chemicals **(Figures in '000 MT)**

Products	Installed Capacities			Production					Utilization		
	FY20	FY21	FY22	FY18	FY19	FY20	FY21	FY22	FY20	FY21	FY22
A : BASIC MAJOR PETROCHEMICALS											
1. Synthetic Fibres / Yarn											
Acrylic Fibre (AF)	107	107	107	95	91	99	103	77	93%	96%	72%
Polyester Staple Fibrefill	69	69	69	54	51	53	50	40	77%	72%	58%
Nylon Filament Yarn	25	59	59	41	40	47	48	33	189%	83%	57%
Nylon Industrial Yarn/Tyre Cord	91	152	152	104	108	110	100	90	121%	66%	59%
Polyester Filament Yarn	2,827	2,720	2,727	2,201	2,283	2,316	2,520	1,998	82%	93%	73%
Polyester Staple Fibre	1,257	1,350	1,350	1,056	1,005	931	1,027	909	74%	76%	67%
Polypropylene Filament Yarn	4	4	4	3	3	2	3	2	66%	70%	60%
Polypropylene Staple Fibre	31	31	31	25	22	21	19	15	67%	61%	50%
Polyster Industrial Yarn	22	22	22	16	15	15	15	12	69%	69%	57%
Elastomeric/ Spandex Filament Yarn	9	9	9	5	6	7	8	7	83%	95%	78%
Total	**4,440**	**4,521**	**4,529**	**3,599**	**3,625**	**3,601**	**3,893**	**3,185**	**81%**	**86%**	**70%**
2. Polymers											
Lldpe/Hdpe (Combined)	3,348	5,158	5,158	2,838	2,868	3,179	4,892	4,869	95%	95%	94%
Low Density Polyethylene	160	560	610	202	186	193	613	617	121%	110%	101%
Polystyrene (PS)	471	471	471	311	302	293	292	217	62%	62%	46%
Polypropylene (PP)	4,514	4,934	4,934	4,253	4,350	4,779	4,983	4,919	106%	101%	100%
Expandable Polystyrene	129	133	133	97	104	108	111	87	84%	83%	66%
Poly Vinyl Chloride (PVC)	1,493	1,498	1,493	1,462	1,466	1,488	1,514	1,434	100%	101%	96%
Total	**10,115**	**12,754**	**12,799**	**9,163**	**9,276**	**10,041**	**12,404**	**12,144**	**99%**	**97%**	**95%**
3. Synthetic Rubber											
Styrene Butadiene Rubber	271	271	277	167	194	229	228	213	84%	84%	77%
Poly Butadiene Rubber	114	100	100	117	114	122	130	129	107%	130%	129%
Nitrile Butadiene Rubber	25	25	14	0.4	0.1	-	-	12	0%	0%	87%
Total	**425**	**411**	**406**	**285**	**308**	**351**	**358**	**353**	**82%**	**87%**	**87%**
4. Synthetic Detergent Intermediates											
Linear Alkyl Benzene (LAB)	547	545	545	448	452	455	414	457	83%	76%	84%
Ethylene Oxide (EO)	140	135	135	216	291	232	301	279	166%	223%	207%
Total	**687**	**680**	**680**	**664**	**743**	**687**	**715**	**736**	**100%**	**105%**	**108%**
5. Performance Plastic											
Nylon-6/Nylon 6,6 (Combined) **	28	69	84	22	21	22	42	55	76%	61%	66%
Abs Resins	156	210	213	118	145	148	136	122	95%	65%	57%
Styrene Acrylonitrile (San)	148	148	167	99	115	132	134	119	89%	90%	71%
Polyester Chips/Pet Chips	2,608	2,469	2,559	1,549	1,425	1,271	1,345	1,209	49%	54%	47%
Polytetra-Fluoro-Ethylene (Ptfe)	20	20	20	12	14	16	15	15	82%	74%	72%
Total	**2,963**	**2,919**	**3,046**	**1,799**	**1,719**	**1,589**	**1,672**	**1,520**	**54%**	**57%**	**50%**
B : INTERMEDIATES											
1. Fibre Intermediates											
Caprolactum	120	120	120	87	86	93	84	80	77%	70%	67%
Mono Ethylene Glycol (MEG)	1,153	1,868	2,211	1,111	1,133	1,160	2,008	1,982	101%	107%	90%
Purified Terephthalic Acid (PTA)	3,873	3,873	3,873	3,391	3,492	3,405	3,267	2,997	88%	84%	77%
Total	**5,187**	**5,885**	**6,228**	**4,588**	**4,711**	**4,657**	**5,359**	**5,059**	**90%**	**91%**	**81%**
2. Building Blocks											
Olefins											
Butadiene	433	552	552	347	332	386	481	459	89%	87%	83%
Ethylene	4,447	7,147	7,147	4,022	4,223	3,832	6,467	6,365	86%	90%	89%
Propylene	4,803	5,190	5,190	4,425	4,458	4,640	4,888	5,216	97%	94%	100%
Total	**9,683**	**12,890**	**12,890**	**8,794**	**9,013**	**8,857**	**11,835**	**12,039**	**91%**	**92%**	**93%**
Aromatics											
Benzene	1,566	1,721	1,884	1,332	1,318	1,415	1,346	1,408	90%	78%	75%
Mixed Xylene	898	898	898	296	271	249	270	147	28%	30%	16%
Orthoxylene	420	420	511	445	448	406	386	522	97%	92%	102%
Toluene	288	288	288	127	107	141	140	114	49%	49%	40%
Paraxylene (PX)	3,132	3,132	3,822	3,161	3,195	3,332	2,782	2,614	106%	89%	68%
Total	**6,305**	**6,460**	**7,404**	**5,361**	**5,339**	**5,543**	**4,925**	**4,805**	**88%**	**76%**	**65%**
Total Intermediates Fibre Intermediates And Building Blocks (1+2)	**21,175**	**25,234**	**26,521**	**18,743**	**19,063**	**19,057**	**22,119**	**21,903**	**90%**	**88%**	**83%**
C : OTHER PETRO-BASED CHEMICALS											
Diacetone Alcohol	10	10	10	-	0	4	6	3	43%	64%	31%
Ethylene Dichloride	593	593	593	283	282	339	345	326	57%	58%	55%
Butanol	26	26	26	12	17	22	16	20	83%	63%	78%
2-Ethyl Hexanol	55	55	55	46	57	59	49	50	107%	88%	90%
Propylene Oxide	36	36	51	29	36	35	35	44	98%	96%	87%
Propylene Glycol	20	20	22	16	18	19	20	20	96%	98%	90%
Unsaturated Polyster Resin	-	34	34	-	-	-	16	9		48%	26%
Methyl Methacrylate	4	4	4	1	3	4	2	-	91%	39%	0%
Iso-Butanol	3	3	3	2	2	2	2	2	79%	61%	74%
Phthalic Anhydride	349	402	402	296	290	275	270	293	79%	67%	73%
Vinyl Actate Monomer	30	30	30	-	-	-	-	-	0%	0%	0%
Isopropanol	70	70	70	72	72	58	61	55	83%	86%	79%
Polyol	142	147	142	79	79	82	82	78	58%	56%	55%
Total	**2,271**	**2,413**	**2,458**	**2,174**	**2,080**	**2,192**	**2,364**	**2,314**	**97%**	**98%**	**94%**

Source: CPMA, SMIFS Research

Fig 25: European capacity exposure to global capacity (Figures in '000 MT)

Chemical name	Global capacity	European capacity	% of global capacity
Acetic acid	9,070	1,000	11%
Soda Ash	70,000	15,100	22%
Phenol	12,970	2,665	21%
SB Rubber	7,428	1,149	15%
PVC	54,876	7,193	13%
LDPE	26,722	6,111	23%
HDPE	51,251	6,135	12%
Isopropanol	3,473	490	14%
Caustic Soda	86,446	14,040	16%
Benzene	70,370	11,473	16%
Butadiene	16,130	3,253	20%
Ammonia	2,26,554	52,398	23%
Polystyrene	14,402	2,025	14%
Expandable Polystyrene	11,963	2,023	17%

Source: Industry, SMIFS Research

Fig 26: Key raw material details of major Indian chemical companies

Sr no	Company	Key Raw Material
1	Navin Fluorine	Fluorspar, Chloromethanes, Sulphur & Boric acid
2	Clean Science	Methanol, Phenol & Methanol
3	Rossari Biotech	Acrylic acid, Silicone oil, acetic acid
4	NOCIL	Aniline, MIBK, carbon disulphide, hydrohgen peroxide
5	Aarti industries	Benzene, Toluene, Phthalic Anhydride, Sulphur, Nitric acid, Aniline
6	SRF	Fluorspar, Chlorine, Hydrofluoric acid (HF), chloroform etc
7	IG Petrochemicals	Orthoxylene
8	Phillips Carbon Black	Carbon Black Feedstock (CBFS)
9	Deepak Nitrite	Benzene, propylene, toluene, caustic soda
10	Valiant Organics	Phenol, PNCB, chlorine, sulphuric acid
11	Camlin Fine Sciences	Hydroquinone (HQ), Catechol (CT), phenol & methanol
12	Vinati Organics	Benzene, propylene, toluene, acrylonitrile, MTBE
13	Alkyl Amines	Methanol, ethanol, acetic acid & ammonia
14	Supreme Petrochem	Styrene Monomer
15	Apcotex Industries	Acrylonitrile, Butadiene, Styrene
16	Oriental Carbon & Chemicals	Sulphur & Sulphuric acid

Source: Industry, SMIFS Research

Fig 27: Export & Import Chemicals Performance for the period April to August 2022 (Volume in MT & Value in USD Million)

	2021-2022				2022-2023				2021-2022				2022-2023			
Segment	August, 2021 (Actual)				August, 2022 (Provisional)				April - August, 2021 (Actual)				April - August, 2022 (Provisional)			
	Volume		Value		Volume		Value		Volume		Value		Volume		Value	
	Export	Import	Export	Import	Export	Import	Export	Import	Export	Import	Export	Import	Export	Import	Export	Import
Dyes	42,277	2,776	229	26	33,251	2,558	196	26	2,22,207	18,014	1,217	151	1,94,330	15,598	1,189	146
Dye Intermediates	3,607	1,81,393	10	88	6,392	2,29,103	15	84	26,233	8,14,649	70	390	29,648	11,87,710	76	536
Inorganic chemicals	2,00,313	8,04,037	124	563	2,32,445	10,26,640	192	947	9,74,544	82,96,890	643	2,562	10,13,175	45,40,664	927	4,423
Organic chemicals	5,52,584	8,30,918	843	1,136	4,01,810	12,53,396	856	1,533	33,86,063	48,66,113	4,682	6,561	23,19,415	61,65,050	4,633	9,003
Agro Chemicals	51,738	9,349	375	133	51,114	11,647	484	153	2,44,648	81,065	1,691	1,014	2,57,290	76,337	2,272	1,113
Cosmetics and Toiletries	65,533	73,261	157	143	66,295	63,720	176	183	3,04,479	4,61,033	771	836	3,20,892	3,77,218	1,039	1,020
Essential oils	1,098	424	25	15	977	488	21	18	7,385	2,755	120	80	6,236	2,597	141	102
Castor oil	57,146	4	91	0.1	43,120	12	84	0.2	3,57,943	25	544	0.4	3,01,901	31	593	0.4
Total	**9,74,296**	**19,02,162**	**1,853**	**2,103**	**8,35,404**	**25,87,564**	**2,024**	**2,943**	**55,23,502**	**1,45,40,546**	**9,739**	**11,594**	**44,42,886**	**1,23,65,205**	**10,868**	**16,344**

Source: DGCI&S, SMIFS Research

Supreme Petrochem Ltd – Management Visit Highlights

(CMP: Rs 685, Rating: NOT RATED)

We visited the management of Supreme Petrochem Ltd and met Mr. Rakesh Nayyar (Chief Financial officer) of the company. The company is the largest manufacturer of Polystyrene (PS) with a commandable 60% market share in India having capacity of 3,00,000 TPA (Post recently concluded expansion). Also, the company is into manufacturing of Expandable Polystyrene (EPS), Extruded Polystyrene (XPS) for which Supreme Petrochem is the only player in India. They are also into the business of Specilaity Polymers & Compunds which includes masterbaches.

Management Visit Highlights:

Growth in PS demand from FY24, dip in FY23 because of single use plastic ban - Polystyrene is widely used in refrigerators, air conditioners, washing machines, artificial jewellery, household goods and electrical appliances. Polystyrene demand in India is 2.5 lakh tonnes and expected to grow at 5-6% from FY24 however in FY23 owing to single use plastic ban by the government which would have an impact of ~20,000 tonnes on the PS demand. The other segment growth may offset this negativity and there would be no growth for FY23 on demand numbers.

Competitors in PS - The other competitor of the company are Ineos & LG Polymer having capacities 80,000 TPA & 1,00,000 TPA respectively. The unfortunate event with shutdown of LG Polymers PS capacity has helped Supreme Petrochemicals to gain market share and in relation to this Supreme Petrochem wanted to capitalize on the opportunity by increasing its PS, EPS, XPS capacity & greenfield ABS expansion to increase its foray. As per the market reports, a high powered committee has not given LG Polymer permission to restart the plant in their earlier location but if they were to go somewhere else and restart production it would take them 2-3 years timeframe which as per our view would not be feasible for LG Polymers.

Raw Material - The company's major raw material is Styrene Monomer (SM) which is a manufactured using Benzene & Ethylene The company majorly imports Styrene Monomer from Kuwait, Saudi, Singapore, Korea etc. Almost all is imported only as there are no domestic manufacturers of the same. The company keeps very minimal raw material inventory of mere 10-20 days to mitigate any major fluctuation in raw material prices and most of it can be passed on immediately on spot basis. As per our numbers, current prices of SM is around Rs 100 per kg which has declined from Rs 140 per kg in July 2022, a decline of 30%.

EPS & XPS - The company is also into Expandable Polystyrene (EPS) & Extruded Polystyrene (XPS). The main difference between these two materials lies in their density. Extruded polystyrene is much denser than expanded polystyrene (2.18 lbs. on average for XPS vs. 0.93 lbs. for EPS). Expanded PolyStyrene (EPS) is a white foam plastic material produced from solid beads of polystyrene. It is primarily used for packaging, insulation, etc. Because of its lightweight, strong and excellent thermal insulation properties, EPS is ideal for the packaging and construction industries. XPS has good thermal conductivity (generally higher than EPS). It's also highly resistant to different temperatures: heat, cold, and water are usually unsuccessful at overcoming quality extruded polystyrene.

Mass ABS expansion - The company is implementing Mass ABS project with two lines of 70 KTA each aggregating 140 KTA at its complex at village Amdoshi, Dist. Raigad, Maharashtra. The company has entered into an agreement for licence and basic engineering design for Line I of 70 KTA with M/s. Versalis – ENI Chemicals Group. First Line is scheduled to go on stream by June 2024 and second Line is planned for completion by March 2025.

Global demand & exports - The global demand of PS is 11 lakh tonnes and considering India's 2.5 lakh ton demand corresponds to 23% market share of India in the global PS space. Considering only few big manufacturers are present in the PS space this leaves room for the company to expand its exports reach as currently exports contributes merely 10% of overall sales. Hence, we feel there is headroom for exports growth.

Capex related - The company is undergoing massive capex of Rs 11.5bn. Out of this the company incurred Rs 1.7bn in FY22 & plans to incur Rs 3.5bn in FY23 and remaining by FY24 & FY25. The company would be adding PS capacity of 90,000 TPA in FY23 & EPS capacity of 30,000 TPA in FY23, XPS, SPPC & mass ABS in the coming years. The capex would be totally funded by internal accruals as the company has investments & cash on its books along with its cash flow generation for the next 3 years.

Disclaimer

Analyst Certification:

We /I, the above-mentioned Research Analyst(s) of SMIFS Limited (in short "SMIFS / the Company"), authors and the names subscribed to this Research Report, hereby certify that all of the views expressed in this Research Report accurately reflect our views about the subject issuer(s) or securities and distributed as per SEBI (Research Analysts) Regulations 2014. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this Research Report. It is also confirmed that We/I, the above mentioned Research Analyst(s) of this Research Report have not received any compensation from the subject companies mentioned in the Research Report in the preceding twelve months and do not serve as an officer, director or employee of the subject companies mentioned in the Research Report.

Terms & Conditions and Other Disclosures:

SMIFS Limited is engaged in the business of Stock Broking, Depository Services, Portfolio Management and Distribution of Financial Products. SMIFS Limited is registered as Research Analyst Entity with Securities & Exchange Board of India (SEBI) with Registration Number – INH300001474.

SMIFS and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Research Analysts. SMIFS generally prohibits its analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

The information and opinions in this Research Report have been prepared by SMIFS and are subject to change without any notice. The Research Report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of SMIFS Limited. While we would endeavor to update the information herein on a reasonable basis, SMIFS is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent SMIFS from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or policies of SMIFS, in circumstances where SMIFS might be acting in an advisory capacity to this company, or in certain other circumstances.

This Research Report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This Research Report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Securities as defined in clause (h) of section 2 of the Securities Contract Act, 1956, includes Financial Instruments, Currency and Commodity Derivatives. Though disseminated to all the customers simultaneously, not all customers may receive this Research Report at the same time. SMIFS will not treat recipients as customers by virtue of their receiving this Research Report. Nothing in this Research Report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this Research Report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. SMIFS accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this Research Report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. The information given in this report is as of date of this report and there can be no assurance that future results or events will be consistent with this information. The information provided in this report remains, unless otherwise stated, the copyright of SMIFS. All layout, design, original artwork, concepts and intellectual Properties remains the property and copyright of SMIFS and may not be used in any form or for any purpose whatsoever by any party without the express written permission of the SMIFS.

SMIFS shall not be liable for any delay or any other interruption which may occur in presenting the data due to any reason including network (Internet) reasons or snags in the system, breakdown of the system or any other equipment, server breakdown, maintenance shutdown, breakdown of communication services or inability of SMIFS to present the data. In no event shall SMIFS be liable for any damages, including without limitation direct or indirect, special, incidental, or consequential damages, losses or expenses arising in connection with the data presented by the SMIFS through this report.

Participants in foreign exchange transactions may incur risks arising from several factors, including the following: (a) Exchange Rates can be volatile and are subject to large fluctuations; (b) the value of currencies may be affected by numerous market factors, including world and notional economic, political and regulatory events, events in Equity & Debt Markets and changes in interest rates; and (c) Currencies may be subject to devaluation or government imposed Exchange Controls which could affect the value of the Currency. Investors in securities such as Currency Derivatives, whose values are affected by the currency of an underlying security, effectively assume currency risk.

Since associates of SMIFS are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this Research Report.

SMIFS and its Associates, Officers, Directors, Employees, Research Analysts including their relatives worldwide may: (i) from time to may have long or short positions in, and buy or sell the Securities, mentioned herein or (ii) be engaged in any other transaction involving such Securities and earn brokerage or other compensation of the Subject Company/ companies mentioned herein or act as an Advisor or Lender/Borrower to such Companies or have other potential/material Conflict of Interest with respect to any recommendation and related information and opinions at the time of the publication of the Research Report or at the time of Public Appearance.

SMIFS does not have proprietary trades but may at a future date, opt for the same with prior intimation to Clients/ Investors and extant Authorities where it may have proprietary long/short position in the above Scrip(s) and therefore should be considered as interested.

The views provided herein are general in nature and do not consider Risk Appetite or Investment Objective of any particular Investor; Clients/ Readers/ Subscribers of this Research Report are requested to take independent professional advice before investing, however the same shall have no bearing whatsoever on the specific recommendations made by the analysts, as the recommendations made by the analysts are completely independednt views of the Associates of SMIFS even though there might exist an inherent conflict of interest in some of the stocks mentioned in the Research Report.

The information provided herein should not be construed as invitation or solicitation to do business with SMIFS.

SMIFS or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the Research Report as of the last day of the month preceding the publication of the Research Report.

SMIFS encourages independence in Research Report preparation and strives to minimize conflict in preparation of Research Report. Accordingly, neither SMIFS and their Associates nor the Research Analysts and their relatives have any material conflict of interest at the time of publication of this Research Report or at the time of the Public Appearance, if any.

SMIFS or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

SMIFS or its associates might have received any compensation from the companies mentioned in the Research Report during the period preceding twelve months from the date of this Research Report for services in respect of managing or co-managing public offerings, corporate finance, investment banking, brokerage services or other advisory service in a merger or specific transaction from the subject company.

SMIFS or its associates might have received any compensation for products or services other than investment banking or brokerage services from the subject companies mentioned in the Research Report in the past twelve months.

SMIFS or its associates or its Research Analysts did not receive any compensation or other benefits whatsoever from the subject companies mentioned in the Research Report or third party in connection with preparation of the Research Report.

Compensation of Research Analysts is not based on any specific Investment Banking or Brokerage Service Transactions.

The Research Analysts might have served as an officer, director or employee of the subject company.

SMIFS and its Associates, Officers, Directors, Employees, Research Analysts including their relatives worldwide may have been engaged in market making activity for the companies mentioned in the Research Report.

SMIFS may have issued other Research Reports that are inconsistent with and reach different conclusion from the information presented in this Research Report.

A graph of daily closing prices of the securities/commodities is also available at www.nseindia.com and/or www.bseindia.com, www.mcxindia.com and/or www.icex.com.

SMIFS submit' s that no material disciplinary action has been taken on the Company by any Regulatory Authority impacting Equity Research Analysis activities in last 3 years.

This Research Report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject SMIFS and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

Specific Disclosures

1. SMIFS, Research Analyst and/or his relatives does not have financial interest in the subject company, as they do not have equity holdings in the subject company.
2. SMIFS, Research Analyst and/or his relatives do not have actual/beneficial ownership of 1% or more securities in the subject company.
3. SMIFS, Research Analyst and/or his relatives have not received compensation/other benefits from the subject company in the past 12 months.
4. SMIFS, Research Analyst and/or his relatives do not have material conflict of interest in the subject company at the time of publication of research report.
5. Research Analyst has not served as director/officer/employee in the subject company
6. SMIFS has not acted as a manager or co-manager of public offering of securities of the subject company in past 12 months.
7. SMIFS has not received compensation for investment banking/ merchant banking/brokerage services from the subject company in the past 12 months
8. SMIFS has not received compensation for other than investment banking/merchant banking/brokerage services from the subject company in the past 12 months.
9. SMIFS has not received any compensation or other benefits from third party in connection with the research report.
10. SMIFS has not engaged in market making activity for the subject company

Analyst holding in stock: **NO**

Key to SMIFS Investment Rankings

Buy: Return >15%, Accumulate: Return between 5% to 15%, Reduce: Return between -5% to +5%, Sell: Return < -5%

Contact us:

SMIFS Limited. (https://www.smifs.com/)

Compliance Officer:
Sudipto Datta,
5F Vaibhav, 4 Lee Road, Kolkata 700020, West Bengal, India.
Contact No.: +91 33 4011 5401 / +91 33 6634 5401
Email Id.: compliance@smifs.com

Mumbai Office:
206/207, Trade Centre, Bandra Kurla Complex (BKC), Bandra East, Mumbai – 400051, India
Contact No.: (D) +91 22 4200 5508, (B) +91 22 4200 5500
Email Id: institutional.equities@smifs.com

Kolkata Office:
Vaibhav, 4 Lee Road, Kolkata 700020, West Bengal, India.
Contact No.: (D) +91 33 6634 5408, (B) +91 33 4011 5400
Email Id: smifs.institutional@smifs.com