



# IndianOil: Emphatic Strides Towards Petrochemicals Growth in the Country



**Petrochemical Conclave – February 2014**

# Agenda



- ❖ **IndianOil in Petrochemicals**
- ❖ **Petrochemicals Market**
- ❖ **Initiatives for future growth**
- ❖ **Challenges to Petrochemicals Growth**
- ❖ **Measures to Overcome Challenges**
- ❖ **Conclusion**

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# Current Presence

**LAB at Gujarat  
(Rs. 1,112 crore)**

• 120 TMTPA  
commissioned in  
2004

**PX/PTA at Panipat  
(Rs. 4,081 crore)**

• 553 TMTPA PTA  
commissioned in  
2006

**Polymer/Glycol  
(Naphtha Cracker at Panipat)  
(Rs. 15,508 crore)**

• Commissioned in 2010  
• Polymer  
    • 1250 TMTPA Capacity  
• Glycol  
    • 325 TMTPA Capacity



**Polyolefins**

• Polyethylene  
• Poly-propylene

**Aromatics  
Surfactant F/s**

• PTA  
• LAB

**Glycols**

• MEG  
• DEG  
• TEG

**Export: LAB to 20 countries, Polymer to 34 countries & Glycols to 9 countries**

## Indian Synthetic Rubber Ltd (ISRL)

### JV PARTNERS:

IOC;  
M/s Taiwan Synthetic Rubber  
Corp (TSRC);  
M/s Marubeni, Japan

### Feedstock:

Styrene and Butadiene

### Capacity :

120TMTPA

### Commissioned:

Nov 2013

Butadiene production capacity of around 140KTA commissioned in Oct'13

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# Indian Petrochemicals Market



- India projected to emerge as top five economies by 2025.
- Indian petrochemical industry - one of the most promising and important growth driver to the economy.
- According to Ernst & Young, Petrochemical industry growing @ 14% annually since the past few years.
- Current Per capita consumption @ 7 kg, substantially lower compared to China, Japan and USA.
- Consumption of key petrochemical products to show high single digit or even double digit growth.



# Emerging Global Trends



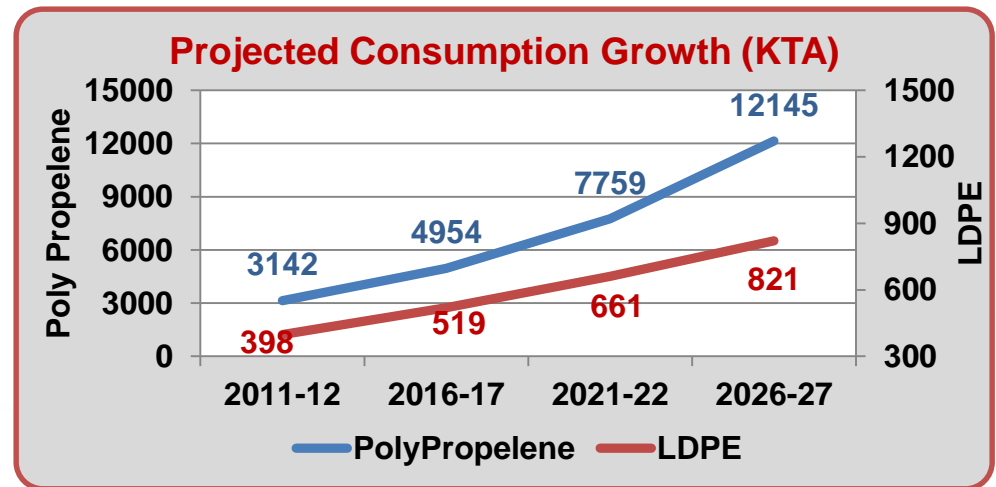
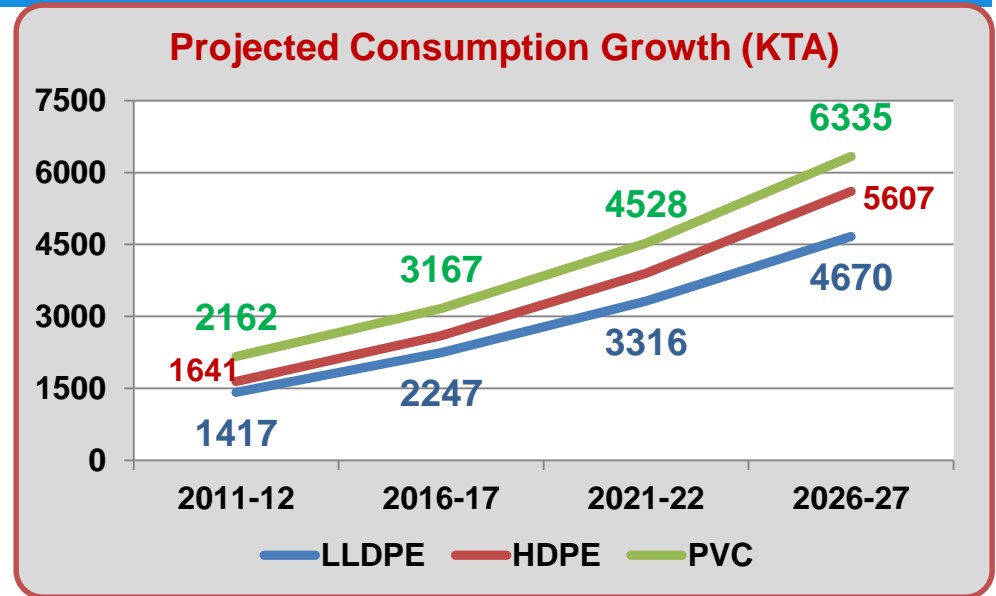
- Rapid economic growth in BRIC Countries
- Matured demand in Western Europe and North America
- China - Export target for Asia Pacific & Middle East
- Middle East advantage of low cost feed stocks
- Emergence of U.S. - advent of shale gas
- Expected shortage in C3- newer routes through PDH, FCCU, Coal/Petcoke and methanol would find significant credence.



# Indian Petrochemicals Market- Polymers



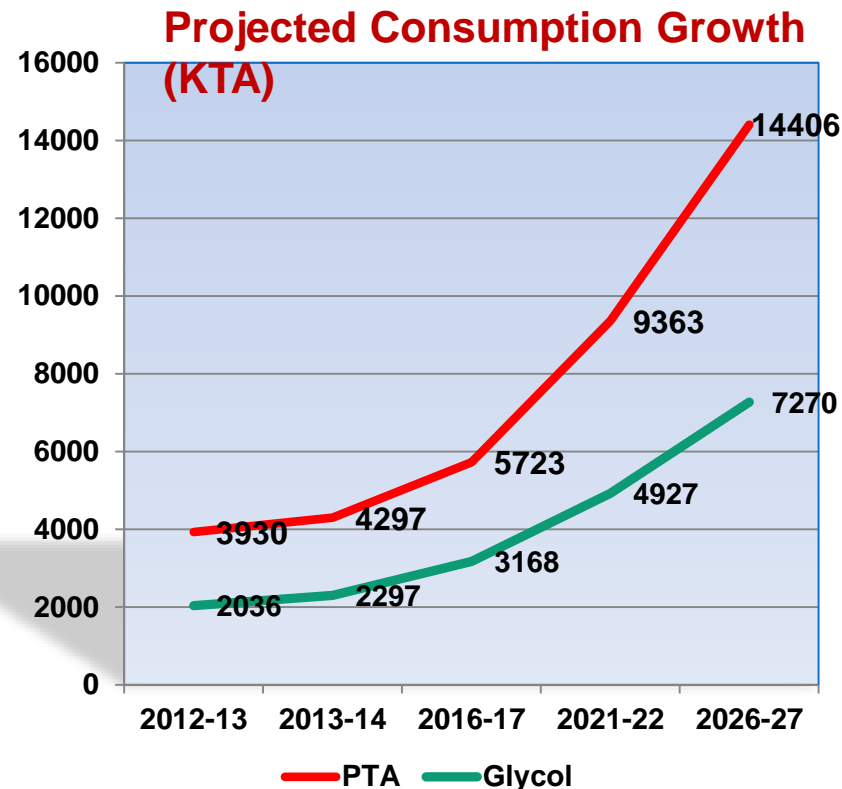
- Last 5 years, significant growth in polymers with CAGR of 10.3%.
  - PP-12%;
  - PE-9%;
  - PVC-11%
- Healthy demand growth projected with CAGR (2012-2017): 8-9%



# Indian Petrochemicals Market – Fibre/ Fibre Intermediates



- Unprecedented growth during last few years (> 10% on sustained basis).
- Growth mainly catalyzed by limited availability of cotton.
- Similar growth (10-12%) expected in future.



# Speciality Chemicals



- Limited capacity of speciality/niche Petrochemical/chemical products- specialized Polymers, low vol high value engineering plastics and multifarious chemical segments.
- Calls for planning capacity build up in such product baskets.
- Essential for Indian producers to tap speciality market as US/Middle East producers have access to cheap feed stocks for commodity products.



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# Initiatives Planned for Future Growth



## • Utilization of Unconventional feedstock for Petrochemicals Production

- Acetic Acid from Petcoke Gasification.
- Olefins from Coal/Petcoke Gasification.

## • Production of Speciality Chemicals

- Utilization of stranded refinery/ cracker streams –
  - ✓ Acrylic acid/ Acrylates/ SAP
  - ✓ MMA/ PMMA
  - ✓ DCPD, Isoprene, Hydrocarbon resins
  - ✓ Cumene, Phenol, Bisphenol A

# Initiatives Planned for Future Growth



- **Development of PCPIRs (Petroleum, Chemicals & Petrochemicals Investment Regions)**
  - PCPIR approved at Paradip with IndianOil as Anchor tenant.
  - Polypropylene Unit & Ethylene derivative Complex based on FCC being explored.
    - ✓ Accelerated development of downstream industry.
    - ✓ Employment opportunities.
    - ✓ Impetus to petrochemical in Eastern India.

- **Development of Gas based Projects**

- Major transition in global landscape due to cheap feedstock/fuel in US.
- IndianOil exploring opportunities for setting up petrochemicals Complexes in US.
- Exploring Possibility of setting up petrochemical plant on coastal location by sourcing shale gas – transportation is a concern.
- Objective – to enhance availability of low cost polymers in India.

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# Challenges to Petrochemical Growth



- Inflow of zero duty products from Free Trade Zones (FTZ).
- PCPIRs issues
  - No sufficient investment.
    - ✓ Insufficient incentives as compared to SEZs.
  - Shortcomings in present system.
  - Lack of adequate infrastructure.
- Competition from shale gas based petrochemicals from U.S.
- Unavailability of unconventional petrochemical feedstock.

# Challenges to Petrochemical Growth



- Four fold challenge to the growth in Petrochemicals Segment:
  - High cost of doing business
  - Weak institutions
  - Weak knowledge economy
  - Weak infrastructure

# Challenges to Petrochemical Growth



## •Other Key Challenges:

- High cost of credit & poor Credit Availability.
- High Transaction Cost.
- High cost of inputs.
- Infrastructural bottlenecks.
- Cascading taxation.
- R&D, Technology availability.
- Ban on Plastics in many states.
- Lack of Efficient Collection & Recycling Mechanisms.
- Trade Barriers – Tariff, Non Tariff and Logistics Related.
- Non Zero Rating of Exports and Embedded Taxes.
- Challenges for skilled manpower.
- Lack of Standardisation.

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# Measures to Overcome Challenges



- State Govts. to ensure infrastructure development in PCPIRs by creating independent companies.
- To encourage large scale investments, provision for low interest loans/ deferment of interest payment on loan.
- Tax incentives for PCPIRs in line with SEZs:
  - Income tax exemption – 100% for first 5 years; 50% for next 5 years.
  - Nil custom duty/excise duty on capital goods.
  - Service Tax exemption.
  - No excise duty on indigenous goods.

# Measures to Overcome Challenges



- Conducive tax regime/measures for fair competition with FTZ products.
- Rationalization of allocation of unconventional sources.
  - Coal blocks predominant allocation for utility generation.
- Infrastructure for import of petrochemical feedstocks like coal, natural gas, shale gas etc.
- Autonomy to PSUs for new projects abroad.
- Creation of level playing field against imports.
- Govt. thrust needed towards propagation of recycling of wastes.
- Opening up of adequate institutes for skill development.
- Centre of Excellence for encouraging stepped up R&D and indigenous technology development

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# Conclusion

- Growth fundamentals remain bright and strong.
- Ample opportunities for growth in all segments of chemicals and petrochemicals
- Issues to be addressed urgently:
  - Trade Barriers both fiscal and technical.
  - Meeting Power requirements of processing industries.
  - Availability of low cost fuel.
  - Policy & Tax Issues which our Government needs to address.
  - Inculcate manufacturing competitiveness.
  - R&D spending to be improved.
  - Development of Supply chain.
  - Environmental protection including waste collection, disposal and recycling





IndianOil

Thanks !!