

# INDIAN PETROCHEMICALS INDUSTRY

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**No material recovery in spreads of  
commodity polymers as the sector  
still grapples with supply overhang**

**AUGUST 2025**



## 1 Industry Outlook



## 2 ICRA Industry Estimates



## 3 Commodity Polymers



## 4 Olefin Building Blocks



## 5 Aromatics



## 6 Fibre Intermediates



## 7 Flexible Packaging Films



## 8 Synthetic Detergent Intermediates



## 9 Oxo Alcohols/Iso Propyl Alcohol



## 10 ESG Risks in Petrochemicals



## 11 Industry Performance/Peer Comparison



## 12 ICRA Ratings on Petrochemical Companies





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*Global overcapacity amid no major recovery in demand, continues to weigh heavily on the operating rates and profitability of petrochemical companies worldwide.*

*In the domestic market, the commissioning of new capacities coupled with an influx of low-cost imports has compressed margins for petrochemical producers, despite resilient local demand. This challenging landscape is likely to persist in the near to medium term.*



- **The global demand** for petrochemicals continue to remain tepid, especially in some of the major chemical-consuming nations, which is likely to keep the global volume growth under pressure in the near term.



- **Sizeable capacity expansions globally, especially in Asia**, have exerted pressure on the operating rates of petrochemical companies. The supply overhang is likely to keep the operating rates, spreads and margins subdued in the near to medium term.



- **While domestic demand for petrochemicals is estimated to grow** at an average annual growth rate of 6-8%, influx of low-cost imports into India from global manufacturers, given the weak demand in other markets, is leading to pressure on the profitability and operating rates of domestic players.



- **Naphtha prices have moderated from their peak levels.** This has resulted in some uptick in the spreads for commodity polymers, although they remain lower than their 5-year averages. The sustenance of these spreads will be crucial for the profitability expansion of the commodity polymers as the end-product prices have remained depressed.



- **ICRA expects the profit generation of its sample set of petrochemical companies** to steadily improve in the near to medium term; barring FY2026, which will be impacted by a fire incident in the facility of one of the companies. Moreover, profit generation will remain lower than historical levels, and the industry will likely continue to report weak credit metrics. Thus, the outlook on the Indian petrochemicals industry continues to be Negative.



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