

Petrochemicals

SET Petro Index Close: 12/3/2024 708.28 -5.37 / -0.75% Bt466mn
 Bloomberg ticker: SETPETRO



Naphtha up to 6-month high

A rise in naphtha cost to a 6-month high of US\$710/t led to a 3-12% WoW fall in petrochemical product spread in the past week (except for benzene), reflecting tighter naphtha supply, partly due to weather-delayed shipments from the Middle East and partly to maintenance shutdowns of regional oil refineries while oil price fell 8% WoW. Sentiment is unchanged, with gradual recovery as downstream producers start back up after the long Spring Festival holiday. There are no signs of economic stimulus in key consumer markets like China while abundant supply and new capacity continues to keep product prices from rising. Undemanding valuations may open an opportunity for cautious short-term trading, in our view.

Average PE/PP spread down WoW on higher naphtha cost. Most PE and PP prices were steady WoW but average PE/PP spread slid 6% WoW to US\$340/t, vs 12MMA of US\$361/t, on a 3% WoW rise in naphtha cost and the lag before product price adjustment. Average PE/PP price is above US\$1,000/t from US\$986/t in 4Q23, suggesting slightly better demand QoQ and ability to adjust product prices to offset higher feedstock cost, thus suggesting more positive sentiment. Spread is far too low for most producers to be profitable against cash cost of US\$350/t.

PX spread at 5-quarter low. PX-naphtha spread fell 12% WoW to US\$360/t (vs. 12MMA of US\$454/t) on higher naphtha cost and lower PX price caused by ample supply. The market expects supply to fall during the turnaround season while higher demand for gasoline blending will reduce feedstock of PX. Benzene spread edged up 1% WoW to US\$320/t, far above 12MMA of US\$269/t. Benzene price rose 2% WoW on rising demand in the west especially the US, on less local supply.

Integrated PET spread lifted by lower feedstock cost. Integrated PET spread jumped 15% WoW to a 3-month high of US\$126/t, still below 12MMA of US\$134/t but above QTD average of US\$107/t, helped by lower feedstock cost (PTA and PX), while price of PET bottle chips was firm at US\$930/t. We expect seasonal demand for PET resin to gradually pick up in coming weeks, but this will be offset by new capacity in China. More inventory replenishment is expected this summer after steady destocking during 2H22-2023. Tighter PX supply due to upcoming turnaround season as well as expectations of gasoline blending demand remain the key threat to integrated PET spread.

Key product prices and spread

(US\$/t)	Current 8-Mar-24	-1W	-1M	-3M	-6M	-12M	1Q24 QTD	4Q23	QoQ%	2024 YTD	YoY%	12MMA
Naphtha (Japan) C&F	710	3%	3%	9%	2%	0%	678	657	3%	678	-5%	647
Ethylene (SE Asia) CFR	1,015	0%	6%	13%	17%	3%	941	919	2%	941	4%	892
Propylene (SE Asia) CFR	875	2%	-5%	9%	4%	-9%	907	806	13%	907	-4%	848
HDPE (SE Asia Film) CFR	1,040	0%	2%	7%	0%	-6%	1,020	1,001	2%	1,020	-5%	1,024
LDPE (SE Asia Film) CFR	1,140	1%	3%	14%	11%	-2%	1,090	1,019	7%	1,090	-5%	1,039
LLDPE (SE Asia Film) CFR	1,020	-1%	2%	6%	1%	-6%	1,007	975	3%	1,007	-6%	1,000
PP (SE Asia Inj) CFR	1,000	0%	2%	8%	3%	-7%	979	947	3%	979	-8%	972
Related stocks	PTTGC (-)	SCC (-)	IRPC (-)									
Paraxylene (FOB)	1,070	-2%	-1%	2%	-8%	-5%	1,094	1,083	1%	1,094	-2%	1,102
Benzene (FOB Korea Spot)	1,030	2%	-1%	20%	4%	12%	997	894	11%	997	6%	913
Related stocks	PTTGC (-)	TOP (-)										
MEG (SE Asia) CFR	550	-1%	-1%	11%	12%	7%	552	493	12%	552	4%	504
PTA (SE Asia) CFR	760	-2%	-3%	1%	-7%	-4%	784	776	1%	784	-2%	799
PET Bottle (NE Asia) FOB	930	0%	0%	3%	0%	-6%	925	904	2%	925	-5%	941
Related stocks	PTTGC (-)	IVL (+)										
ABS (SE Asia) CFR	1,420	2%	8%	11%	7%	-1%	1,333	1,331	0%	1,333	-6%	1,342
PS GPPS (SE Asia) CFR	1,290	0%	3%	4%	6%	-1%	1,253	1,254	0%	1,253	-4%	1,239
Related stocks	IRPC (+)											
PVC (SE Asia) CFR	800	0%	1%	1%	-11%	-13%	781	786	-1%	781	-14%	821
Related stocks	SCC (-)	PTTGC (-)										
Spread												
Ethylene - naphtha	305	-7%	16%	24%	73%	10%	263	263	0%	263	36%	245
Propylene - naphtha	165	-5%	-28%	6%	9%	-34%	229	150	53%	229	-1%	201
HDPE - naphtha	330	-6%	1%	3%	-5%	-18%	342	344	-1%	342	-3%	378
LDPE - naphtha	430	-3%	3%	23%	28%	-5%	412	363	14%	412	-6%	393
LDPE - Ethylene	125	9%	-19%	19%	-22%	-29%	149	100	49%	149	-39%	147
LLDPE - naphtha	310	-10%	1%	0%	-2%	-19%	329	319	3%	329	-8%	354
PP - naphtha	290	-7%	1%	4%	5%	-22%	301	290	4%	301	-15%	326
PX - naphtha	360	-12%	-8%	-10%	-23%	-14%	416	426	-3%	416	5%	455
BZ - naphtha	320	1%	-8%	56%	8%	51%	319	238	34%	319	43%	267
MEG - Ethylene	-79	n.a.	n.a.	n.a.	n.a.	n.a.	-31	-76	n.a.	-31	n.a.	-49
PTA - PX	43	4%	-26%	-7%	14%	19%	51	50	1%	51	-6%	61
PET spread	89	20%	35%	3%	43%	-34%	64	69	-8%	64	-42%	82
ABS spread	778	1%	11%	0%	2%	-10%	737	804	-8%	737	-15%	813
PS spread	182	-10%	20%	-40%	-2%	-37%	192	281	-31%	192	-36%	259
PVC - ethylene	274	0%	-4%	-11%	-42%	-40%	280	315	-11%	280	-40%	361

Source: Industry data, Bloomberg Finance L.P. and InnovestX Research

Valuation summary

	Rating	Price (Bt)	TP (Bt)	ETR (%)	P/E (x) 24F 25F 24F 25F	P/BV (x) 24F 25F
GGC	Underperform	7.7	10.0	31.2	n.m. 16.4 0.8	0.8
IVL	Neutral	23.9	32.0	37.8	344.6 7.9 0.8	0.8
PTTGC	Neutral	37.5	50.0	36.0	n.m. 13.8 0.6	0.6
Average					344.6 12.7 0.7	0.7

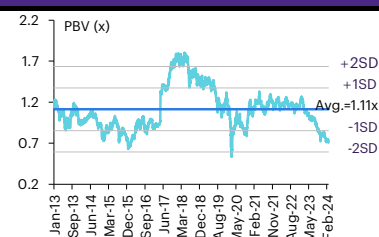
Source: InnovestX Research

Price performance

(%)	Absolute			Relative to SET		
	1M	3M	12M	1M	3M	12M
GGC	(9.4)	(14.4)	(39.8)	(8.6)	(15.8)	(31.4)
IVL	(3.2)	(1.2)	(32.2)	(2.4)	(2.8)	(22.7)
PTTGC	4.9	0.0	(19.4)	5.8	(1.6)	(8.0)

Source: SET and InnovestX Research

PBV band - SETPETRO



Source: SET, InnovestX Research

Analyst

Chaipat Thanawattano

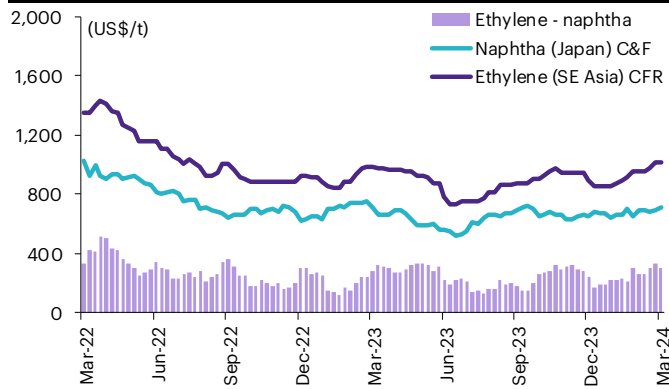
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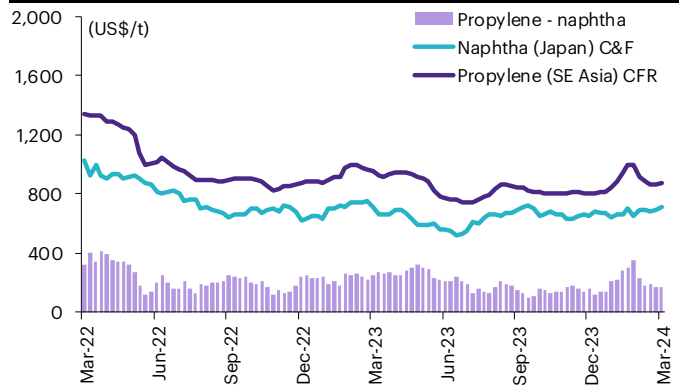
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Figure 1: Ethylene vs. naphtha



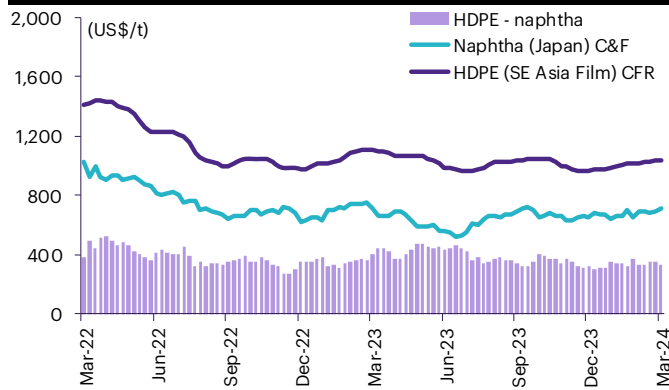
Source: Industry data, Bloomberg Finance L.P. and InnovestX Research

Figure 2: Propylene vs. naphtha



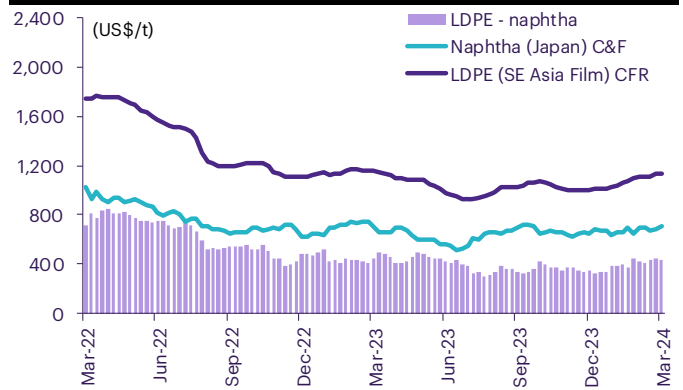
Source: Industry data, Bloomberg Finance L.P. and InnovestX Research

Figure 3: HDPE vs. naphtha



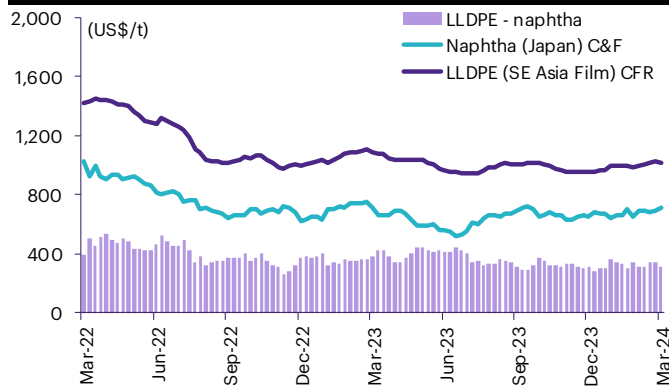
Source: Industry data, Bloomberg Finance L.P. and InnovestX Research

Figure 4: LDPE vs. naphtha



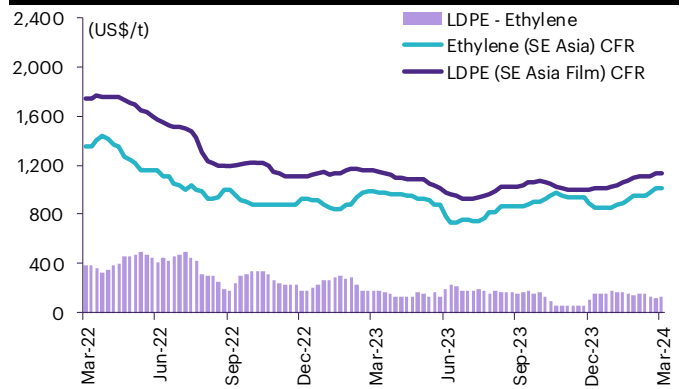
Source: Industry data, Bloomberg Finance L.P. and InnovestX Research

Figure 5: LLDPE vs. naphtha



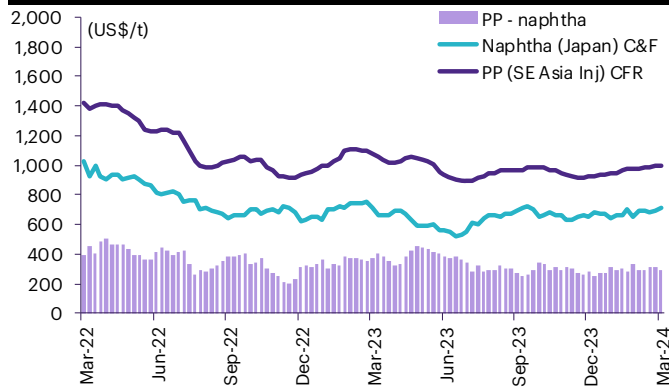
Source: Industry data, Bloomberg Finance L.P. and InnovestX Research

Figure 6: LDPE vs. ethylene



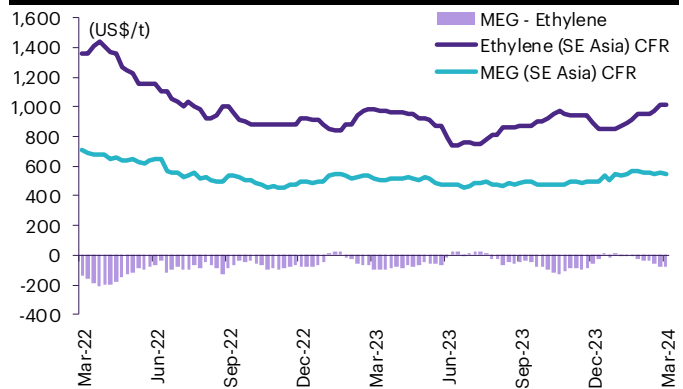
Source: Industry data, Bloomberg Finance L.P. and InnovestX Research

Figure 7: PP vs. naphtha



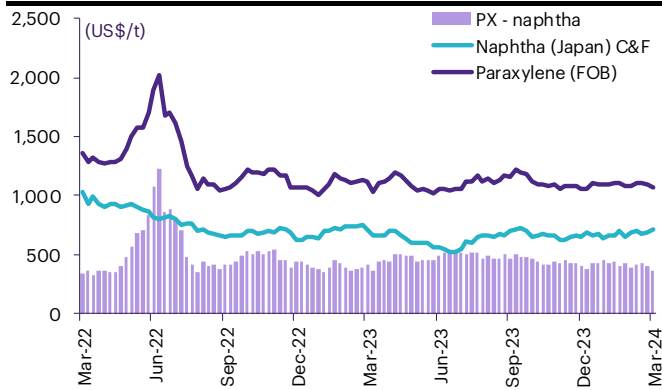
Source: Industry data, Bloomberg Finance L.P. and InnovestX Research

Figure 8: MEG vs. ethylene



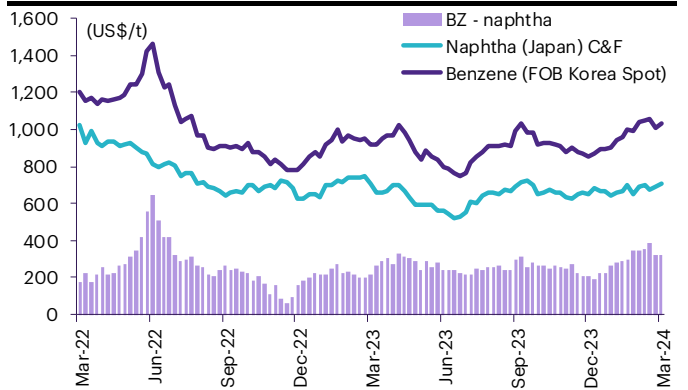
Source: Industry data, Bloomberg Finance L.P. and InnovestX Research

Figure 9: Paraxylene vs. naphtha



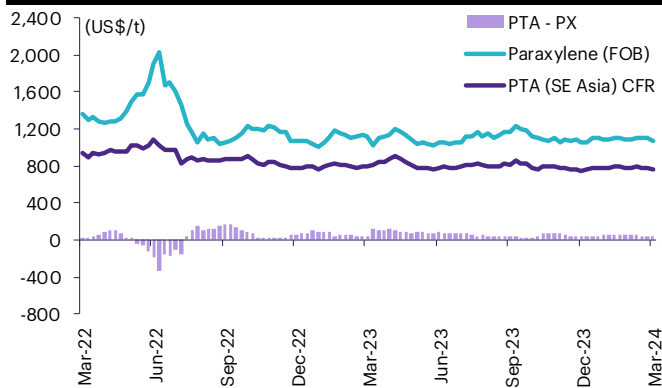
Source: Industry data, Bloomberg Finance L.P. and InnovestX Research

Figure 10: Benzene vs. naphtha



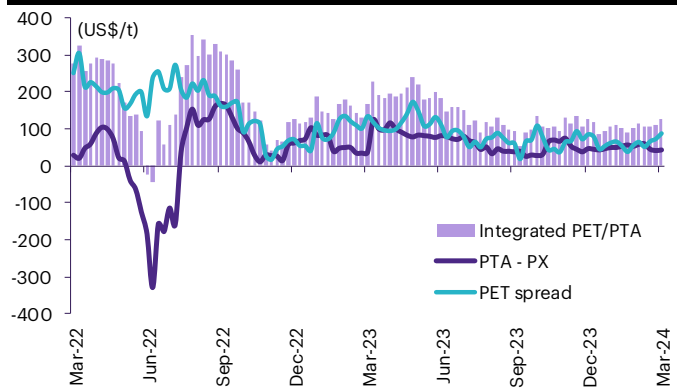
Source: Industry data, Bloomberg Finance L.P. and InnovestX Research

Figure 11: PTA vs. paraxylene



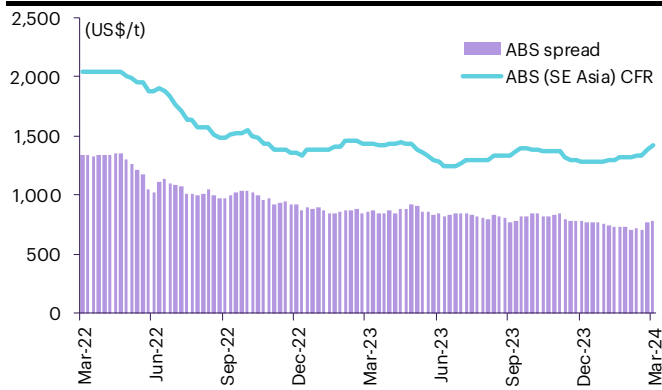
Source: Industry data, Bloomberg Finance L.P. and InnovestX Research

Figure 12: Integrated PET spread



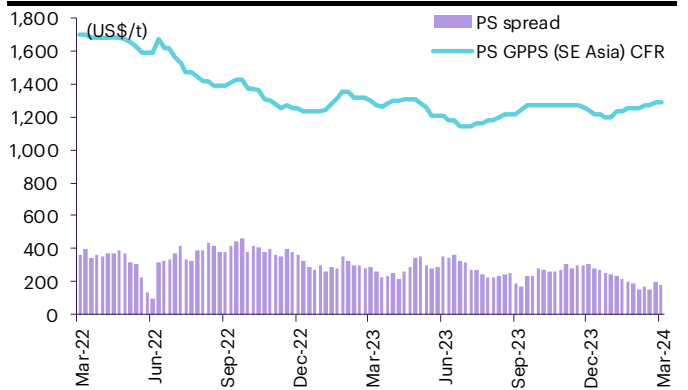
Source: Industry data, Bloomberg Finance L.P. and InnovestX Research

Figure 13: ABS price and product spread



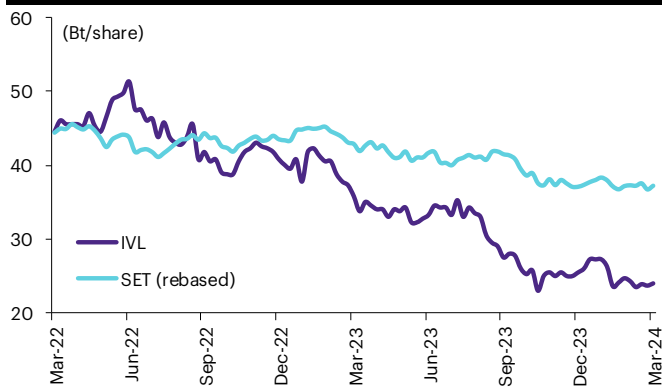
Source: Industry data, Bloomberg Finance L.P. and InnovestX Research

Figure 14: Polystyrene price and product spread



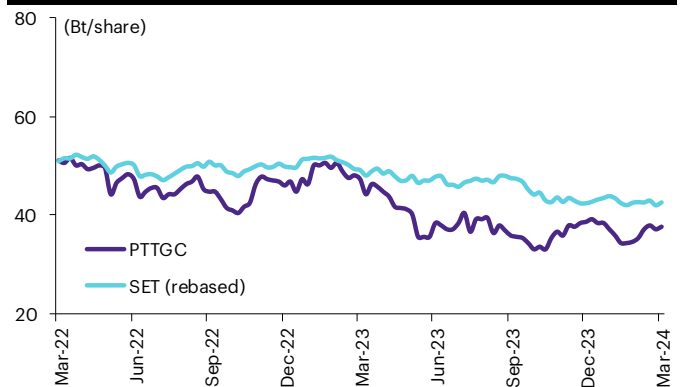
Source: Industry data, Bloomberg Finance L.P. and InnovestX Research

Figure 15: Share price performance – IVL



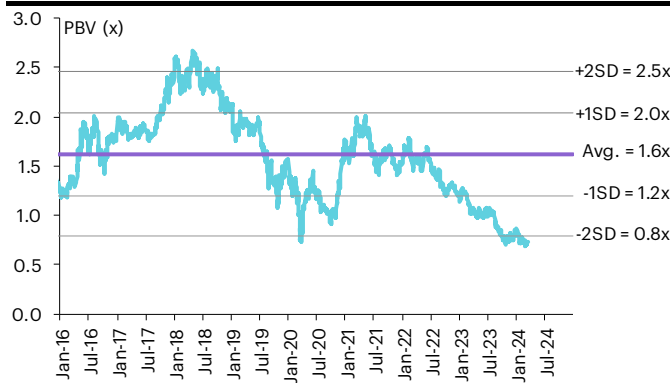
Source: Bloomberg Finance L.P. and InnovestX Research

Figure 16: Share price performance – PTTGC



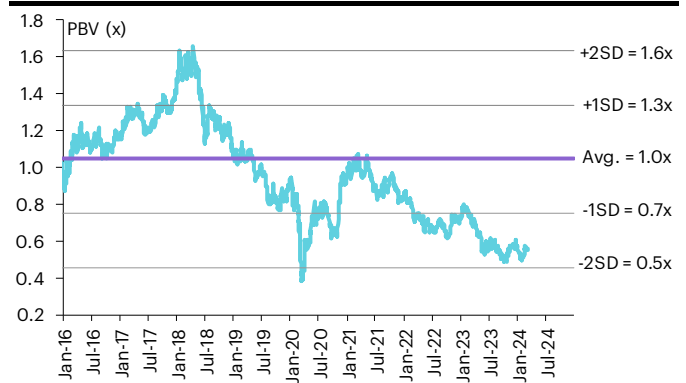
Source: Bloomberg Finance L.P. and InnovestX Research

Figure 17: PBV band - IVL



Source: InnovestX Research

Figure 18: PBV band - PTTGC



Source: InnovestX Research

Figure 19: Product spread - heat map

Product	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	Product
HDPE	362	497	518	607	583	576	462	505	421	445	368	336	373	436	361	344	342	HDPE
LDPE	430	577	601	831	968	917	740	880	741	782	600	472	446	437	343	363	412	LDPE
LLDPE	357	485	471	565	581	583	510	557	445	477	389	344	369	408	337	319	329	LLDPE
PP	464	560	525	653	754	695	547	550	428	432	352	291	359	393	295	290	301	PP
PX	294	196	122	149	226	312	274	179	286	635	501	468	401	484	490	426	416	PX
BZ	170	100	31	107	188	352	324	198	200	357	272	157	238	270	256	238	319	BZ
PS	372	459	411	574	511	498	450	472	395	305	392	365	285	306	239	281	192	PS
ABS	976	992	1,222	1,571	1,925	1,976	1,760	1,785	1,366	1,231	1,024	945	863	863	816	804	737	ABS
PET	146	175	129	132	145	149	118	217	203	201	200	69	109	117	66	69	64	PET
Int PET	198	279	213	208	241	224	209	321	269	172	257	113	166	190	106	112	41	Int PET
PVC	454	445	465	543	619	710	548	629	472	579	446	412	453	354	453	315	280	PVC

Source: InnovestX Research

Figure 20: Valuation summary (price as of Mar 12, 2024)

	Rating	Price (Bt/Sh)	Target (Bt/Sh)	ETR (%)	P/E (x)			EPS growth (%)			P/BV (x)			ROE (%)			Div. Yield (%)			EV/EBITDA (x)		
					23A	24F	25F	23A	24F	25F	23A	24F	25F	23A	24F	25F	23A	24F	25F	23A	24F	25F
GGC	Underperform	7.70	10.0	31.2	7.9	n.m.	16.4	30	n.m.	n.m.	0.8	0.8	0.8	10	(2)	5	6.5	1.3	3.2	3.5	12.5	5.2
IVL	Neutral	23.90	32.0	37.8	3.5	34.6	7.9	44	(99)	4,260	0.7	0.8	0.8	22	0	10	6.7	3.9	4.2	4.3	8.8	5.1
PTTGC	Neutral	37.50	50.0	36.0	12.3	n.m.	13.8	(57)	n.m.	n.m.	0.6	0.6	0.6	4	(1)	4	2.7	2.7	3.7	8.9	9.7	7.5
Average					7.9344.6	12.7		6	(99)	4,260	0.7	0.7	0.7	12	(1)	6	5.3	2.6	3.7	5.6	10.3	5.9

Source: InnovestX Research

Figure 21: Regional peer comparison

Company	PE (x)			EPS Growth (%)			PBV (x)			ROE (%)			Div. Yield (%)			EV/EBITDA (x)		
	23F	24F	25F	23F	24F	25F	23F	24F	25F	23F	24F	25F	23F	24F	25F	23F	24F	25F
Sinopec Shanghai Petrochem	n.m.	25.9	17.2	n.m.	n.m.	50.5	1.1	0.9	0.7	0.1	3.9	5.2	n.a	1.7	3.5	17.0	7.5	6.4
China Petroleum & Chemical	10.6	9.5	8.9	5.7	11.9	6.0	0.9	0.9	0.8	8.7	9.3	9.3	5.8	6.3	6.2	5.1	4.7	4.4
PetroChina Co Ltd	6.4	6.3	6.5	8.3	2.7	(3.4)	0.7	0.7	0.6	11.4	10.7	9.9	7.8	7.5	7.1	4.0	3.9	3.9
Reliance Industries Ltd	28.2	24.6	22.0	7.3	14.7	12.0	2.3	2.2	2.0	8.7	9.4	9.7	0.3	0.3	0.4	14.4	12.8	11.5
Mitsui Chemicals Inc	12.1	10.0	8.0	(25.8)	21.4	25.0	1.0	0.9	0.8	8.7	10.2	11.5	3.2	3.5	3.7	7.7	6.9	5.9
Asahi Kasei Corp	37.4	13.8	11.7	240.7	170.3	17.8	0.9	0.8	0.8	4.9	6.2	7.0	3.4	3.4	3.5	7.8	6.9	6.3
Sumitomo Chemical Co Ltd	n.m	43.9	7.9	(259.3)	115.9	451.8	0.5	0.5	0.5	n.m.	1.8	6.4	4.1	3.8	4.4	62.7	26.7	7.9
Lotte Chemical Corp	486.5	26.9	9.6	(86.3)	1,708.9	179.0	0.3	0.3	n.a.	(0.1)	1.1	3.4	1.8	2.6	3.1	14.0	8.8	6.5
Far Eastern New Century Corp	20.9	19.5	15.6	(5.0)	7.1	25.2	0.8	0.8	0.8	3.8	4.1	4.9	3.6	4.3	4.6	11.5	10.7	10.2
Formosa Chemicals & Fibre	35.3	23.7	18.6	25.4	48.8	27.4	1.0	1.0	1.0	3.1	3.0	4.8	2.1	2.5	3.9	21.5	17.7	14.2
Formosa Plastics Corp	36.9	24.0	16.1	(66.9)	53.4	49.1	1.3	1.2	1.2	3.7	5.1	7.4	2.1	3.3	3.9	34.6	21.5	16.3
Nan Ya Plastics Corp	27.5	19.8	13.4	(49.1)	38.8	47.9	1.2	1.1	1.1	2.8	5.9	8.2	1.7	4.0	5.5	21.7	12.4	9.9
Formosa Petrochemical Corp	29.5	24.9	19.4	59.9	18.2	28.3	2.0	1.8	1.9	7.5	7.8	9.6	2.6	2.9	4.0	17.9	14.2	11.2
Petronas Chemicals Group Bhd	26.1	18.6	17.1	(66.5)	40.4	8.6	1.4	1.3	1.3	5.7	6.7	8.4	2.5	2.7	3.3	12.0	10.3	9.2
Indorama Ventures PCL	43.5	14.2	9.8	(89.8)	206.0	44.8	0.7	0.8	0.7	1.6	4.8	7.1	2.0	2.3	3.3	9.3	7.6	6.7
IRPC PCL	n.m	16.3	8.1	66.2	263.4	100.9	0.5	0.5	0.5	(1.6)	2.6	4.8	1.3	2.2	3.5	13.2	8.4	7.2
PTT Global Chemical PCL	n.m	22.2	12.3	60.2	318.1	81.1	0.7	0.6	0.6	5.9	3.0	5.1	6.3	2.8	4.3	11.2	9.3	7.9
Global Green Chemicals	308.0	15.9	12.5	(97.3)	1,840.0	26.8	0.8	0.8	0.7	(0.0)	5.0	6.0	1.3	2.7	4.0	10.9	7.1	6.5
Alpek SA de CV	20.0	10.2	9.1	(90.8)	97.0	12.1	0.6	0.7	0.7	2.5	6.0	8.5	12.1	6.9	8.2	4.6	5.1	4.6
Eastman Chemical Co	14.9	12.4	10.7	(4.2)	20.3	15.5	2.0	1.9	1.7	13.9	15.6	16.5	3.4	3.6	3.7	9.4	8.4	7.7
Average	71.5	19.1	12.7	(19.3)	263.0	60.3	1.0	1.0	1.0	4.8	6.1	7.7	3.6	3.5	4.2	15.5	10.5	8.2

Source: Bloomberg Finance L.P., InnovestX Research

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