

Companies

SPIC enters natural gas era

G Balachandar Chennai | Updated on March 14, 2021

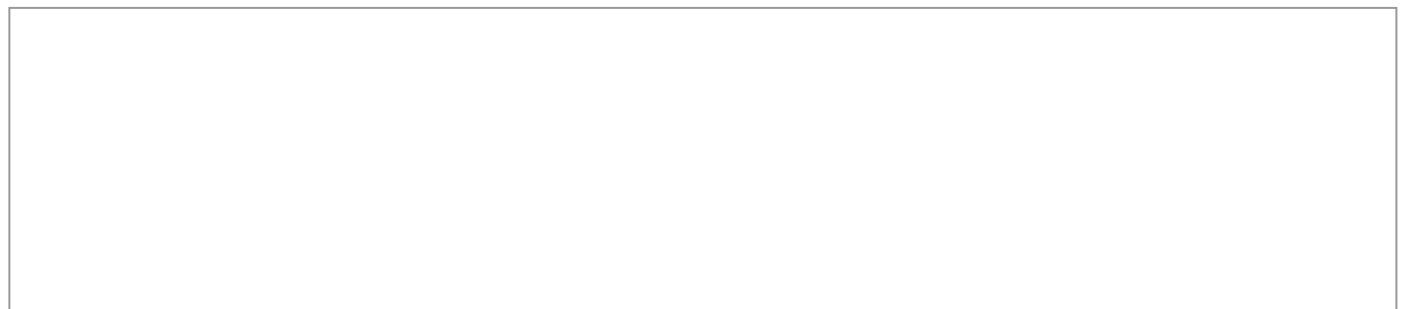


Fertiliser company looking forward to a sustainable growth phase

Southern Petrochemical Industries Corporation Ltd (SPIC) is entering a new growth era as the fertiliser company moved from high-cost naphtha-based production into natural gas-based operations, a move which will help company not only grow its topline, but also achieve sustainable profits going forward.

The company, on Saturday, started receiving supply of natural gas directly from Indian Oil Corporation's recently-inaugurated Ramanathapuram - Thoothukudi natural gas pipeline at its Tuticorin factory.

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The total natural gas requirement for SPIC is about 1.5 mmscmd (million metric standard cubic metre per day). In the first phase, about 60 per cent of the natural gas requirement as feedstock and fuel will be made available directly to the SPIC plant, transported from the ONGC gas wells in Ramanathapuram through the IOC pipeline. In the second phase, the remaining 40 per cent will be supplied from IOC's LNG facility in Ennore, near Chennai. This is likely to be achieved by next year.

With the supply of natural gas, a cheaper raw material as compared to naphtha, which SPIC was using till now, storage will be eliminated and the subsidy outflow from the Government of India will reduce and ensure sustained profitability for SPIC.

A game-changer

“This is a game-changer for several reasons. With the support of IOC, Central and State governments, it is a great achievement as it helps us align with the trend of Indian government's energy-related policies – shift from high to low-cost fuel, while it will also make our operations environment-friendly. Availability of natural gas gives us sustainability in term of operations, cost efficiencies, profitability and also to our stakeholders,” Ashwin Muthiah, Chairman of SPIC, told *BusinessLine*.

SPIC has invested about ₹500 crore over the past three years to convert to natural gas-based operations. This capex will get over by this August/September as the company is in the process of completing the last leg – establishment of energy-efficient mechanisms – of the programme.

“With natural gas as a feedstock, we will be able to improve the production volumes to about 700,000 tonnes from about 620,000 tonnes now as it will require less maintenance and lower number of shut down days. Also, the cost of financing will be lower now. With all these, we will see good improvements in our bottomline,” said Manish Nagpal, CEO-Fertilizers, SPIC.

Covid impact

As its operations came under Essential Commodities Act, SPIC’s operations were not affected during the Covid-19 pandemic and the company is likely to end this fiscal with a volume of 620,000 tonnes.

“With natural gas, we hope to reach 650,000 tonnes next fiscal and will race towards 700,000 tonnes in the subsequent years,” he said.

With gas, the company expects its working position to be better. “Even if the government takes away subsidy part in the future, we will still be able to produce cheaper than international prices,” said Muthiah.

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