UOBKayHian

Sector – Update | Thailand

Friday, 28 August 2026

Oil & Gas

Thailand's Olefins Producers Are Adapting To Rising Industry Risks

Highlights

- The petrochemical industry continues to face volatility and is entering an "overcapacity & margin compression" environment.
- Ethane import projects by Thailand's major olefins producers, PTTGC and SCGC, provide a strategic pathway to navigate the challenging petrochemical landscape and enhance long-term competitiveness.
- Maintain MARKET WEIGHT. Our top picks are PTTGC and SCC.

Analysis

- **The petrochemical industry is facing significant challenges.** Insights from PTT Group's Petrochemical Outlook Forum indicate that the global petrochemical and olefins industries are entering an "overcapacity & margin compression" environment. Geopolitical tensions in the Middle East, particularly the blockade of the Strait of Hormuz and attacks in the Red Sea, have pushed freight rates up by 200–300% and driven Asian naphtha prices above US$1,000/tonne. The impact has been particularly severe for olefins producers in Asia and Europe, as feedstock shortages and sharply higher costs have pressured plant economics. As a result, the ethylene operating rate in Asia has fallen to around 70%, the lowest level in several years, while force majeure declarations have been reported across China, Singapore, South Korea, Vietnam, and Thailand. This challenging operating environment has also weighed on demand for olefin derivatives, further intensifying pressure on petrochemical spreads.
- **Olefins: Structural overcapacity reinforces the need for cost competitiveness.** The olefins industry is facing increasing risks from structural overcapacity and margin compression, as demand growth continues to lag behind new capacity additions. This is particularly evident in China, where elevated inventories and slowing demand have shifted the country from a net importer to a net exporter. Continued polyethylene and polypropylene (PE and PP) capacity additions in China have further pressured margins, with qtd PE and PP spreads declining 32% qoq and 19% qoq, respectively. Although spreads remain above pre-war levels, rising Chinese exports pose a growing threat to higher-cost producers.

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MARKET WEIGHT (Maintained)

Segmental Rating

Segment	Rating
Oil and Gas	MARKET WEIGHT (Maintained)

Source: Bloomberg, UOB Kay Hian

Sector Picks

Company	Ticker	Rec	Share Price (Bt)	Target Price (Bt)
PTT Global Chemical	PTTGC TB	BUY	43.00	48.00
Siam Cement	SCC TB	BUY	257.00	330.00

Source: Bloomberg, UOB Kay Hian

Peer Comparison

Ticker	Rec	Price 26 Aug 26 (Bt)	Target Price (Bt)	Upside To TP (%)	Net Profit 2026F (Btm)	Net Profit 2027F (Bt m)	PE 2026F (x)	PE 2027F (x)	Net EPS Growth 2026F (%)	Yield 2026F (%)	ROE 2026F (%)	Market Cap. (US$m)	Price/ NAV ps (x)
BCP TB	BUY	54.75	65.00	18.7	34,126	11,899	2.4	6.8	1,006.9	7.3	31.2	2,414	0.8
IRPC TB	HOLD	2.56	2.30	(10.2)	9,814	3,421	5.3	15.3	374.8	5.9	14.2	1,566	0.7
IVL TB	BUY	22.20	27.00	21.6	7,713	7,925	16.2	15.7	205.0	3.2	5.9	3,732	1.0
OR TB	HOLD	12.70	12.50	(1.6)	4,484	9,924	34.0	15.4	(60.3)	2.4	1.9	4,563	0.7
PTT TB	BUY	40.25	45.00	11.8	123,110	106,386	9.3	10.8	36.5	6.2	10.2	34,421	0.9
PTTEP TB	BUY	145.50	170.00	16.8	79,372	76,374	7.3	7.6	31.8	6.9	14.0	17,294	1.0
PTTGC TB	BUY	42.75	48.00	12.3	26,166	12,952	7.4	14.9	279.2	7.0	7.6	5,771	0.5
SCC TB	BUY	257.00	330.00	28.4	24,792	8,390	12.4	36.8	76.1	1.9	6.4	9,234	0.8
SPRC TB	HOLD	12.80	12.00	(6.3)	13,142	5,100	4.2	10.9	443.9	8.6	29.9	1,662	1.1
TOP TB	HOLD	62.25	64.00	2.8	38,258	17,851	3.6	7.8	162.3	8.0	20.1	4,163	0.7
Avg					360,977	260,222	7.8	10.9	112.2	5.8	11.3	84,820	0.9

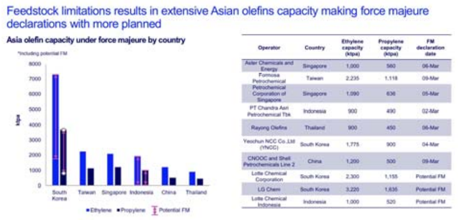
Source: Bloomberg, UOB Kay Hian

- Over the next 12-18 months, the olefins industry can no longer rely on a volume-driven strategy; instead, producers will need to focus on specialty and high-value products while enhancing supply-chain flexibility to remain resilient through an extended downcycle.
- **Gas-based feedstock: A key competitive advantage.** Ethane-based producers continue to enjoy a significant cost advantage, with HDPE margins typically at US$300-450/tonne under normal market conditions. This cost advantage is encouraging Asian producers, including those in Thailand, to increase the share of ethane and gas-based feedstock to above 25% by 2030.
- Meanwhile, PTT Global Chemical and SCG Chemical (PTTGC and SCGC) are advancing ethane import projects and exploring an olefins & polyolefins JV, which we view as a key strategic move to lower production costs, enhance feedstock flexibility, and consolidate assets, thereby strengthening their long-term competitiveness.
- **Aromatics: Supply pressure remains a key headwind for margins.** The aromatics market continues to face pressure from supply overhang and new capacity additions, particularly in China, while demand growth remains insufficient to absorb incremental supply. As a result, product spreads are likely to see only a limited recovery over the next 12-18 months, with paraxylene (PX) and benzene remaining particularly exposed to additional capacity and rising Chinese exports.
- Meanwhile, elevated feedstock costs due to high crude premiums continue to pressure margins for naphtha-based producers. We therefore see less compelling recovery potential in aromatics than in olefins, while producers with feedstock flexibility, integrated refinery-petrochemical assets, and the ability to shift towards high-value products should be better positioned to navigate the downcycle.
- **Thailand's olefins producers are taking strategic steps to address the industry's challenges.** Both PTTGC and SCGC are strengthening feedstock flexibility and long-term feedstock security through key initiatives: a) PTTGC's Olefins Feedstock Security Enhancement Project (OFS), which is expected to commence imports of around 400,000 tonne/year of US ethane, increasing ethane utilisation from the current level of around 1.9m tonne/year; and b) SCGC's LSP Ethane Feedstock Enhancement Project (LSPE) at Long Son Petrochemicals (LSP) in Vietnam, which plans to import around 1.0m tonne/year of ethane for olefins production.
- The potential PTTGC-SCGC JV could be a bigger strategic story. PTTGC and SCGC are studying a new JV covering olefins and polyolefins in Thailand, which would create the largest olefins platform in Southeast Asia and one of the top 10 globally. If successfully executed, the combination of feedstock optimisation, greater ethane utilisation, and consolidation of olefins assets could create a more meaningful strategic advantage than pursuing separate ethane projects. The feasibility study is expected to conclude by Sep 26.

Valuation/Recommendation

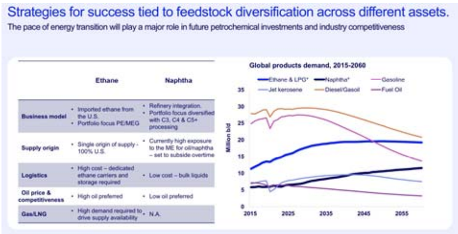
- **Maintain MARKET WEIGHT.** In the oil and gas sector, we prefer PTT Global Chemical (PTTGCTB/BUY/Target Bt48.00) and Siam Cement (SCC TB/BUY/Target: Bt330.00).

Asian Olefins Capacity



Source: UOB Kay Hian

Ethane and Naphtha Feedstock



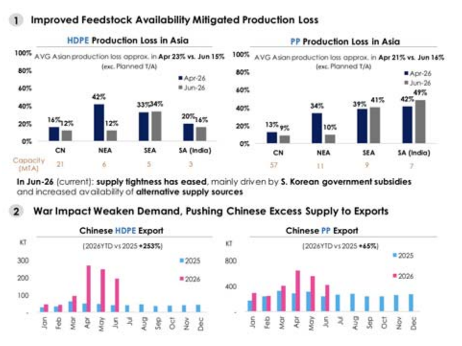
Source: UOB Kay Hian

Ethane Feedstock Project

	PTTGC – OFS	SCGC – LSPE
Ethane supply (MTPA)	0.40	1.00
Ethane source	US	US
Contract	15 years	15 years
CAPEX	~US$110m	~US$500m
Start-up	2029	Late 2027
Main benefit	Feedstock security & flexibility	Significant feedstock cost reduction

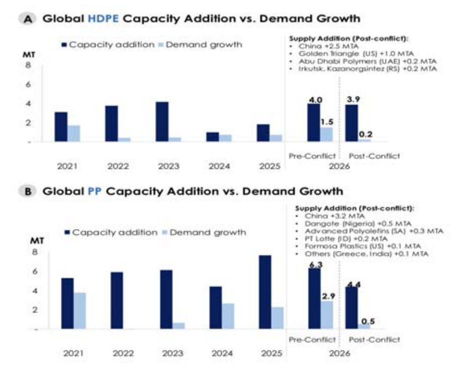
Source: UOB Kay Hian

PE and PP Outlook



Source: UOB Kay Hian

Global Capacity And Demand Growth



Source: UOB Kay Hian

PTT Global Chemical (PTTGC TB/BUY/Target: Bt48.00)

- **Strong financial position.** PTTGC has strengthened its balance sheet through deleveraging, with interest-bearing debt falling to Bt149b at end-2Q26, the lowest level since 2021. Total debt has been reduced by Bt116b, supported by the use of extended trade credit and asset monetisation. As a result, net IBD/equity declined to 0.38x, while net IBD/adjusted EBITDA increased to 2.31x in 2Q26. PTTGC also plans to issue new baht-denominated bonds, comprising seven-year bonds at 2.65-2.80% and 10-year bonds at 3.00-3.15%, to extend debt maturity, optimise its debt structure, and maintain an investment-grade credit rating.
- **Interim dividend.** PTTGC announced an interim dividend of Bt0.60/share, implying a 1.4% simple yield. The XD date is 7 Sep 26, with payment scheduled for 22 Sep 26. We maintain our 2026 dividend forecast at Bt2.00/share.

Siam Cement (SCC TB/BUY/Target: Bt330.00)

- **Balance sheet strengthened significantly.** As of end-2Q26, SCC held Bt76.78b in cash and cash under management, partly supported by the Bt24.90b proceeds from the divestment of its investment in Chandra Asri. This strong liquidity position provides sufficient financial flexibility to fund both the interim dividend of around Bt4.20b (Bt3.50/share, implying a 1.4% simple yield) and the remaining 2H26 capex of around Bt18.94b, with total 2026 capex budgeted at Bt30.0b and Bt11.06b already spent in 1H26.
- **Interim dividend.** We expect SCC to pay a 2026 dividend of Bt6.00/share, implying a 2.33% simple yield. SCC has already paid an interim dividend of Bt3.5/share, with the payment made on 21 Aug 26.

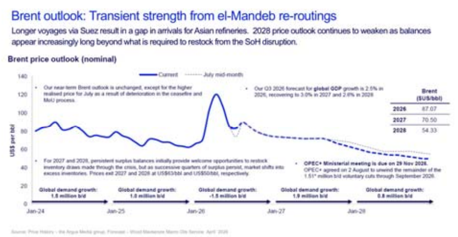
Sector Catalyst/Risk

- Geopolitics risk: Middle East conflict.
- Fluctuations in crude oil prices.
- Global economic slowdown.

Macro Economics

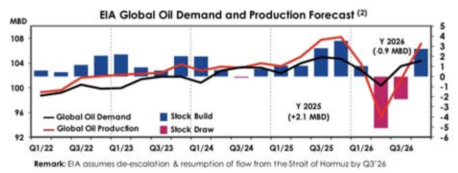
Source: UOB Kay Hian

Crude Oil Outlook



Source: UOB Kay Hian

Global Oil Demand And Production



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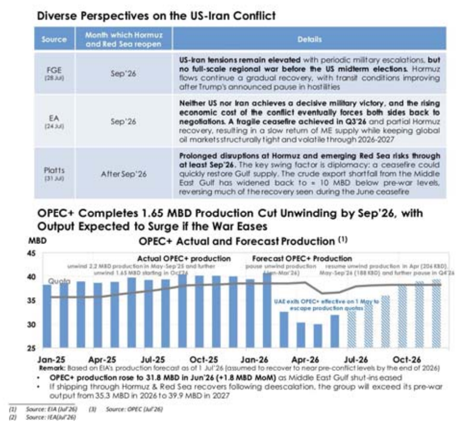
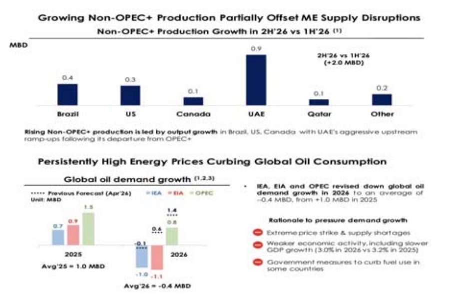
OPEC+ Unwinding Production



Source: UOB Kay Hian

Non-OPEC+ Production



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