



INDIAN MARKET LEADERS

The lower logistic costs and the parentage of Reliance – the largest company in India – will enable the JV to secure leading position in the Indian butyl rubber market from the very first year of production, says. Vadim Lishinsky indicates that enriched by the experience gained from the Reliance-Sibur collaboration, Sibur may enter into more JVs with global players such as Sinopec and Saudi Aramco and is looking for local partners who understand the market, cultures and geo-political structure.

“The construction work of the butyl rubber plant of RSEPL at Jamnagar, India, that commenced in early 2017, is now completed, and the full production at the facility is expected to come on stream in the middle of 2019,” says Vadim Lishinsky. The plant has a production capacity of 120 KTA.

THE JOINT VENTURE WAS FORMED IN 2013, IN WHICH RELIANCE HOLDS 74.9% STAKE AND SIBUR THE REMAINING 25.1%.

As a part of the pre-launch process, the Russian company has deployed its expert operating personnel with a track-record of managing butyl rubber production in Togliatti, Russia, to the Jamnagar site. “In addition, the operating staff from Reliance have been trained at Sibur’s Togliatti production facility to obtain operating experience of managing the production process,” adds Lishinsky.

Both companies will do marketing for butyl rubber in their respective markets. Under the joint venture agreement, Reliance will sell butyl rubber in India and Asia, except China and Korea, whereas Sibur will be responsible for China, Korea and the rest of the world.



The official ground-breaking ceremony for the construction of butyl rubber plant in Jamnagar, 2013.

The joint venture partners are also setting up a halogenated butyl rubber (HIIR) facility to cater to the tyre industry. The unit will produce 60 KTA and the production is expected to start early next year.

The Indian tyre industry is expected to be driven by the growth in the automotive sector and is witnessing capital investments of around INR 20 billion in the country.

WITH THE ADDITION OF THE BUTYL AND HALOGENATED BUTYL RUBBER, BOTH COMPANIES WILL HAVE A WIDER RANGE OFFERING TO THE INDIAN CONSUMERS.

According to Sibur's evaluations, the halogenated butyl rubber demand is expected to grow at a rapid pace over the next few years, driven by increasing customer preference for tubeless tyres in South Asia. "RSEPL's HIIR plant is expected to capitalise on the significant surge in regional demand in tyre and pharmaceutical industries," says Lishinsky. Generally, butyl rubber is used in many applications requiring an air-tight rubber and it also has good flex properties and high level of heat resistance and excellent low temperature flexibility. Having these characteristics, butyl rubber is mainly used in the making of tyre inner liners, automotive tubes, pharmaceutical closures, ball bladders, adhesives, sealants, vibration mounts, electrical fluids and lubricants, among others.

"Considering the future demand, tyre technologies in India are also moving towards tubeless tyres. You need to have low penetration of air in tubeless tyres and that is where halogenated butyl rubber is mostly used. The consumption of halogenated butyl rubber in India is around 40,000 MT," says Lishinsky.

In the joint venture, Sibur offers its proprietary butyl rubber production technology. Having technology expertise in IIR and HIIR, Sibur has many advantages for business growth. "Due to the limited access to IIR technology to produce butyl rubber, the scope for an increase in the number of competitors is very limited. Internationally, a few new projects based on IIR technology are expected, but RSEPL will be the only company manufacturing IIRbased butyl rubber in India," adds Lishinsky.



The Indian tyre industry is expected to be driven by the growth in the automotive sector.

India is the second largest consumer of rubber and the third largest synthetic rubber consumer in Asia, with one of the fastest demand growth rates in the world. Despite increasing demand, India does not have a butyl rubber producer and the entire demand is met through imports from select global butyl rubber manufacturers.

SIBUR HAS BEEN TAKING THE INORGANIC ROUTE, MAINLY JOINT VENTURES, TO EXPAND ITS BUSINESS GLOBALLY. THE COMPANY'S PROJECTS ARE MOSTLY IN RUSSIA AND THESE ARE OLEFINS AND POLYOLEFINS, DRIVEN BY FEEDSTOCK AVAILABILITY.

"However, they all lack main competitive advantage that RSEPL enjoys, the close proximity to the consumer. We expect that the lower logistic costs and the parentage of Reliance -- the largest company in India -- will enable our joint venture to secure leading position in the Indian butyl rubber market from the very first year of production," says Lishinsky.

Sibur has been taking the inorganic route, mainly joint ventures, to expand its business globally. The company's projects are mostly in Russia and these are olefins and polyolefins, driven by feedstock availability. When entering foreign markets, the Russian company prefers local partners who understand the market, cultures and geo-political structure. Sibur looks for a local partner who can manage the project efficiently and provide excellent infrastructure and utilities.

"Feedstock is the main concern, so we need upstream integration as any elastomer facility needs consistent supply of monomers with better price," adds Lishinsky. "When entering foreign markets, we prefer to set up a JV providing our technologies, while our partners share their marketing expertise. We have used this scheme with Reliance in Jamnagar and would use it with Sinopec, if we set up a JV in Shanghai. Moreover, Russia is not the best place as far as synthetic rubber demand is concerned. Thus, as Saudi Aramco has refineries and the feedstock, we are discussing the scope of our cooperation, which may lead to a broader JV," says Lishinsky.



Autotitrator at Raw Materials and Finished Products Testing Laboratory.

DURING THE FIRST NINE MONTHS OF 2018, SIBUR'S REVENUES FROM SALES OF COMMODITY AND SPECIALTY RUBBERS TOTALLED 7.7% (RUB 31.7 BILLION) OF THE COMPANY'S TOTAL REVENUE.

Though Sibur sees India as one of the most attractive petrochemicals markets on account of significant demand for petrochemicals products from infrastructure sector and availability of skilled local workforce, importing products from Russia to India considering the high freight rates and fierce competition from other petrochemicals suppliers makes it an unviable proposition. "Considering these harsh realities, Sibur believes that developing strong partnerships with local players is the only viable option.

The necessary infrastructure and resources, such as closer proximity to both Middle Eastern hydrocarbon resources and the Jamnagar Refinery – the world's largest refining complex – and abundant availability of local qualified engineers make such a partnership in India a lot more viable," explains Lishinsky.

For Sibur, the rubber business in Russia is becoming less important mainly because the growth of its new investments is in polyolefins and specialty chemicals, and the company sees the fundamentals in these businesses are better than for the rubber business. "On the other hand, the rubber business does feature technologies that are in demand internationally (for example, our project in India)," says Lishinsky.

Global auto industry will experience disruptions, mainly due to electrifications. Some rubber components are expected to vanish in Electric Vehicles (EVs). EVs are also expected to bring changes in the tyre segment. Lishinsky thinks EV influence on synthetic rubber market is non-linear and some rubber types have been vanishing or replaced by more advanced rubber generations.



Global auto industry will experience disruptions, mainly due to electrifications.

“This is true for both tyre and rubber goods used in auto components. Due to this trend, Sibur has a special focus on product portfolio development and actively supports collaboration with car producers and their suppliers.

Sibur also pays lots of attention to another global automotive trend which is car sharing. Car sharing changes tyre lifetime as well as its characteristic requirements. On top of that, Sibur develops its presence in non-automotive segments,” says Lishinsky.

Seeing the current and future trends, rubber consumers in many segments are willing to conduct R&D work together with rubber producers and they seek support in formulations development. “Also collaboration efficiency plays a more and more significant role – starting from just-in-time delivery to the speed of response to client request, usage of modern IT tools,” says Lishinsky.



The operating staff from Reliance have been trained at Sibur's Togliatti production facility.

Overcapacity in the synthetic rubber market is one of the major challenges for the synthetic rubber producers. However, Sibur enjoys certain advantages over its competitors in terms of cash costs and has been constantly working on cost optimisation.

“Besides ensuring superior quality, Sibur develops logistics and technical support services as well as R&D programmes based on different client segments’ needs,” says Lishinsky.

Source: Rubber Asia (<https://rubberasia.com/>)