

# Chemicals - Hydrogen Peroxide

May 2016

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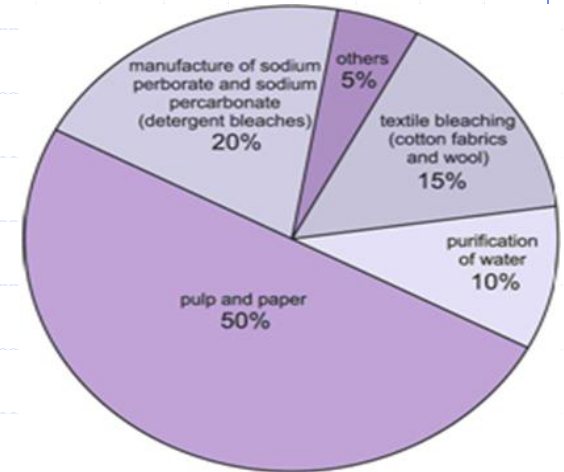
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# Introduction

- ◆ Hydrogen peroxide is a chemical compound with the formula  $H_2O_2$ .
- ◆ Characteristics:
  - colorless liquid
  - slightly more viscous than water

## Applications (Global trend)

Paper and pulp industry for pulp bleaching and deinking of recycled paper.  
To make sodium perborate and sodium percarbonate, which are used as bleaching agents for washing clothes.  
For purification of water, making aseptic packaging.  
To clean and disinfect packages in contact with food products  
Healthcare applications uses it for disinfection of dental and surgical instruments



## Packaging

**Bulk material:** Road Tankers, Rail tankers

**Packaged material:** Intermediate bulk container, Jerrycans, Drums

## Commonly used Grades

(Concentration level: the strength of a solution, esp the amount of dissolved substance in a given volume of solvent.)

Technical grade	– 60% concentration level
Technical Grade	– 50% concentration level
Aseptic Grade	– 35% concentration level
Food Grade	– 35% concentration level

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# Global Industry Dynamics

Production	
World	3.8 MT
<i>Europe</i>	<i>1.3 MT</i>
<i>USA</i>	<i>1.2 MT</i>
<i>Others</i>	<i>1.3 MT</i>

	Solvay Chemicals		Evonik Industries		Arkema Group	
(mln euros)	FY15	FY14	FY15	FY14	FY15	FY14
Revenue	11,047	10,629	13,507	12,917	7,683	5,952
Profit	833	652	1,664	1,077	312	486
Capacity (metric tons)	1,200,000		900,000		400,000	
Headquarters	Belgium		Germany		France	

The global production levels for various concentration levels remained stable over the years.

The three large players account for major portion of the market representing over ~50% of the global production capacity

During FY15, global demand and supply dynamics remained same resulting in a largely stable margins for the industry players.

The technological advancements have led to decrease in the overall demand of paper and pulp products yet the growth in emerging economies of Asia and Africa led to a sustainability in the demand.

**\*Although Hydrogen peroxide is their key product, they have other products as well.**

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# Domestic Dynamics

Total domestic demand stands close to 55,000 – 60,000 Metric tons.

Pakistan imports ~ 10-15% of its total demand while the rest is being catered by two players

Domestic industry currently comprises two players (a) Descon Oxychem Limited – DOL, (b) Sitara Peroxide Limited – SPOL, with an installed capacity of 30,000 MT each

SPOL captures major portion of the northern market supported by its strategic location being in close proximity to the main textile hub of northern region (Faisalabad). DOL has a major market share in the southern region.

Imports are mainly from Korea, and Thailand. ~80% are consumed in the south

The major consumer in the domestic market is the Textile Industry, representing more than three-fourth of the domestic demand, followed by paper and pulp.

The domestic industry is making efforts to increase its penetration in the food grade concentration which is a high margin segment

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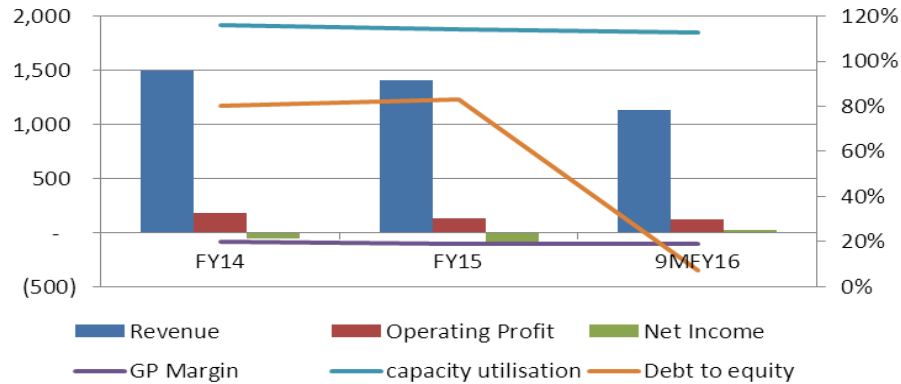
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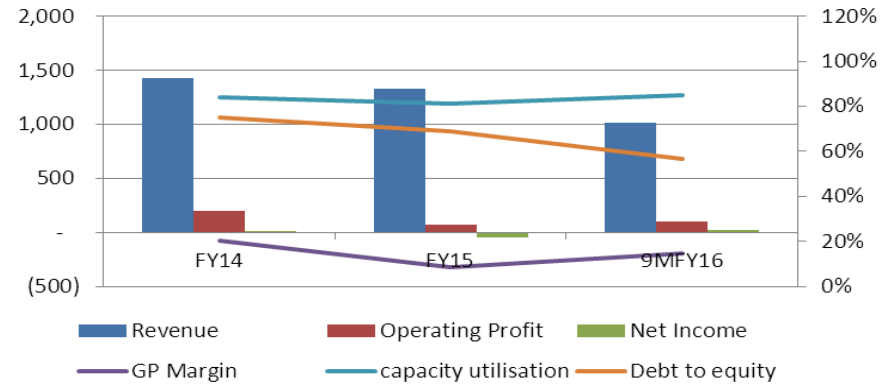
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# Domestic Players | Performance

## Descon Oxychem



## Sitara Peroxide



figures in (mln)	FY14	FY15	9MFY16
Revenue	1,499	1,409	1,132
Operating Profit	177	132	125
Net Income	(61)	(118)	23
GP Margin	20%	19%	19%
capacity utilisation	116%	114%	113%
Debt to equity	80%	83%	7%

figures in (mln)	FY14	FY15	9MFY16
Revenue	1,426	1,325	1,015
Operating Profit	198	70	103
Net Income	5	(51)	26
GP Margin	20%	8%	15%
capacity utilisation	84%	81%	85%
Debt to equity	75%	69%	57%

- The operating profitability of both the players remains healthy on account of sound gross margins
- The higher debt levels result in a subdued bottom line performance for the industry participants
- The utilization levels remains high with two players meeting above 80% of the domestic demand

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# Duty Structure

- The government has imposed an anti dumping duty on the import of hydrogen peroxide. The duty structure varies according to the regions
- The duty structure is in place to protect the local manufacturing industry as most of the international players being more complex chemical units and with greater efficiency are more competitive
- During the recent year, two producers from Bangladesh started dumping excess hydrogen peroxide in the country thus negatively impacting the margins of the local industry. Duty structure already existed for the most of the Far East Asian Countries but recently was implemented for Bangladesh as well
- Domestic hydrogen peroxide prices are mainly driven in relation with the international pricing regimes
- This duty structure started from 16th, October 2015 and is effective for 5 years

Exporter/ Foreign Producers	Anti-dumping duty rate (%)
Tasnim Chemical Complex Limited	12.14
Samuda Chemical Complex Limited	10.67
All Others	12.14

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