

Chemicals - Polyvinyl Chloride

June 2016

Introduction

Global Market
Dynamics

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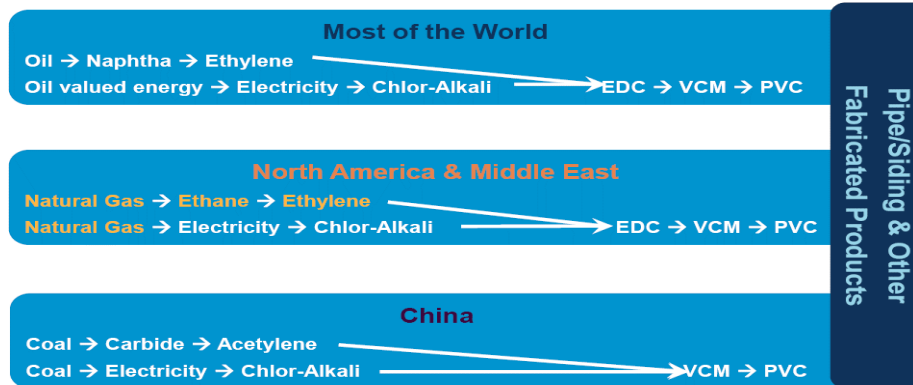
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PVC - Polyvinyl Chloride, is the third most widely produced synthetic plastic polymer after polyethylene and polypropylene.

- PVC comes in two basis forms: (a) Rigid, and (b) Flexible

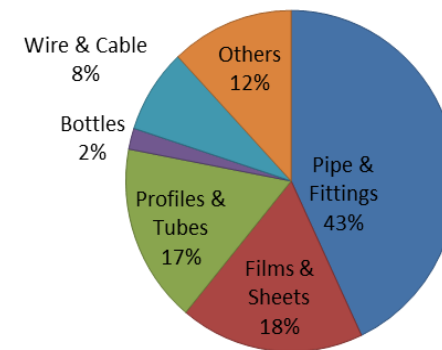
PVC Production Flow:



Applications:

With its versatility PVC is used in in various products: construction profiles, medical devices, roofing membranes, credit cards, children toys. Major global Product wise applications are illustrated in the chart:

Product Wise Application



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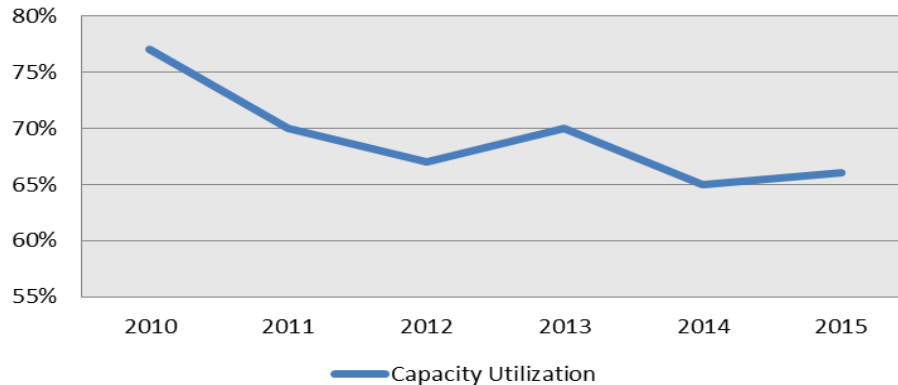
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Global PVC Market Dynamics

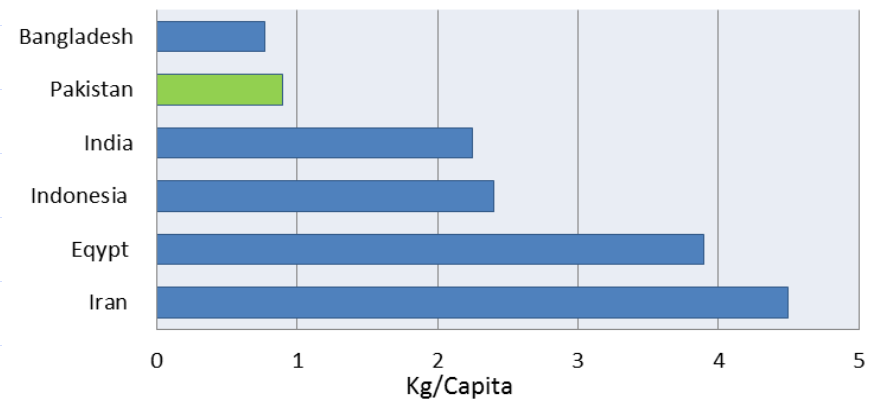
Global PVC Capacity Utilization



- Global PVC demand stood at ~41 mln MT in 2015 with a 5-year CAGR of 3.7%
- With capacity additions in the recent years, the market remained over supplied.
- Given prevalent demand drivers the situation is unlikely to change materially.
- Producers are challenged to achieve cost efficiencies.

- Asian demand account for ~64% of global demand with China representing major portion ~40% of global demand
- In terms of consumption, Pakistan has low per capital consumption in the region (0.90Kg) ahead of Bangladesh (0.64Kg)

Consumption Pattern - Peer Group



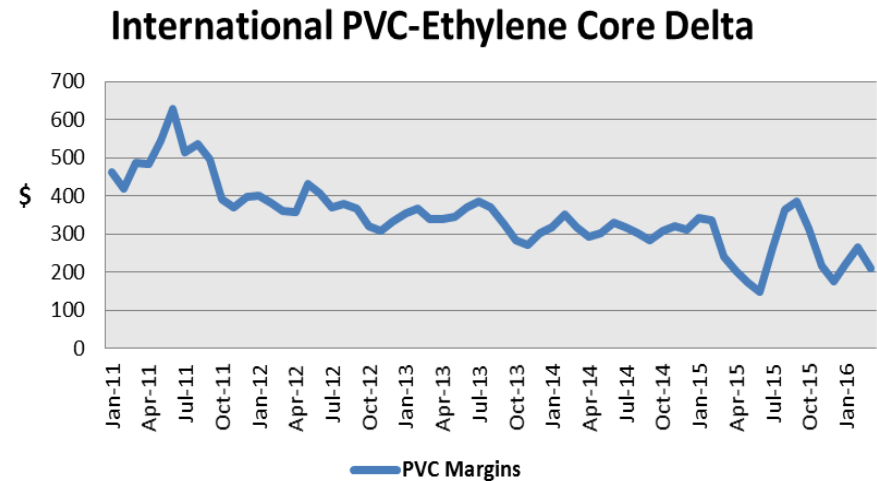
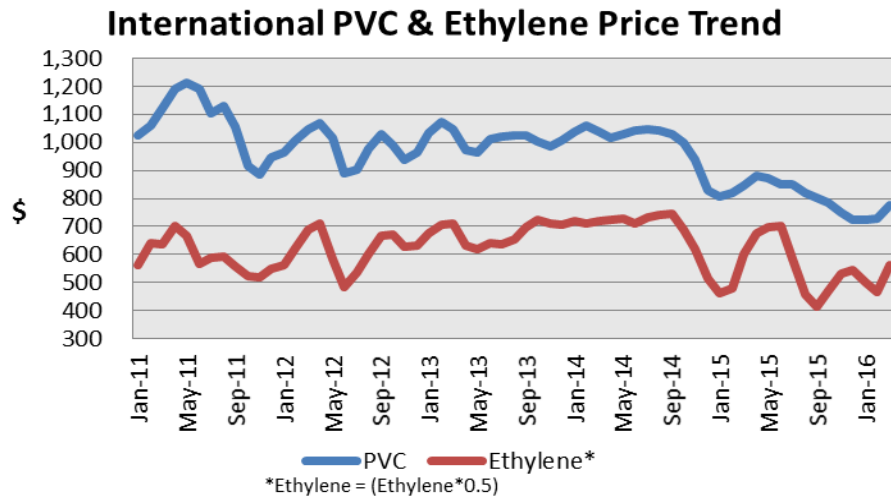
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- International PVC prices ranged between \$705/ton to \$885/ton during 2015.
- Prices remained relatively stable during the first half but declined during the second half in line with the falling crude oil and ethylene price.
- The prices observed significant dip towards the year end owing to subdued demand and overs supply in the international market.
- Ethylene prices bounced back in 2Q15 due to supply tightness during the traditional turnaround season.
- PVC – Ethylene core delta remained under pressure

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Domestic PVC | Dynamics

Total domestic demand for the PVC stands close to 190 to 195 Kilo tons.

Domestic industry currently comprises one player, Engro Polymer and Chemicals Limited (EPCL), with an installed capacity of 178 KT. The rest of the demand is catered through imports. EPCL sells its product under the brand name of “SABZ”.

Demand is dominated by pipes & fittings industry contributing more than half of the country's demand (58%). The other major uses include: Film/packaging (10%), Shoes (9%), Garden Hose (7%).

Recently improving trend in the construction sector with the likely launch of CPEC would support the demand growth in the domestic market.

The domestic PVC prices are set in line with the prevailing international prices. The internationally suppressed PVC ethylene core delta has impacted the domestic margins negatively.

The industry indirectly benefits from the imposition of 10% import duty on PVC

The reduction of duty on import of raw material (Ethylene) from 5% to 2% would also benefit the local players.

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