

Chemicals - Polyvinyl Chloride

June 2017

Introduction

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Dynamics

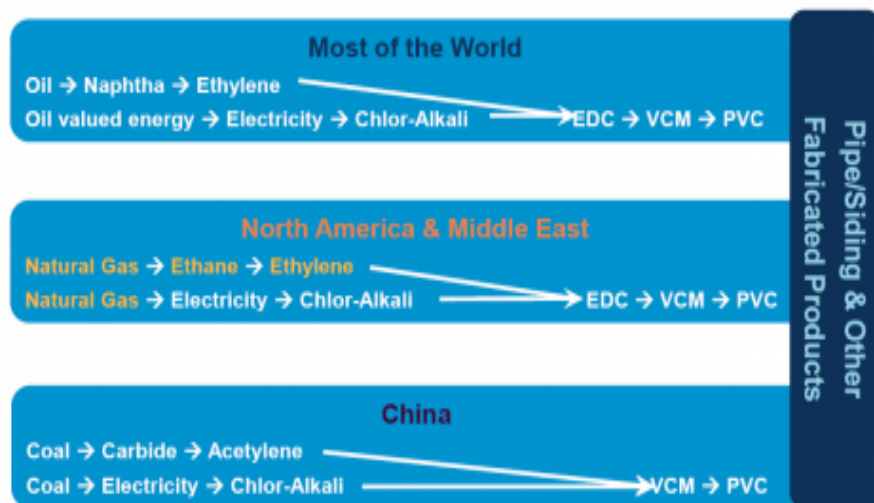
Introduction

- 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

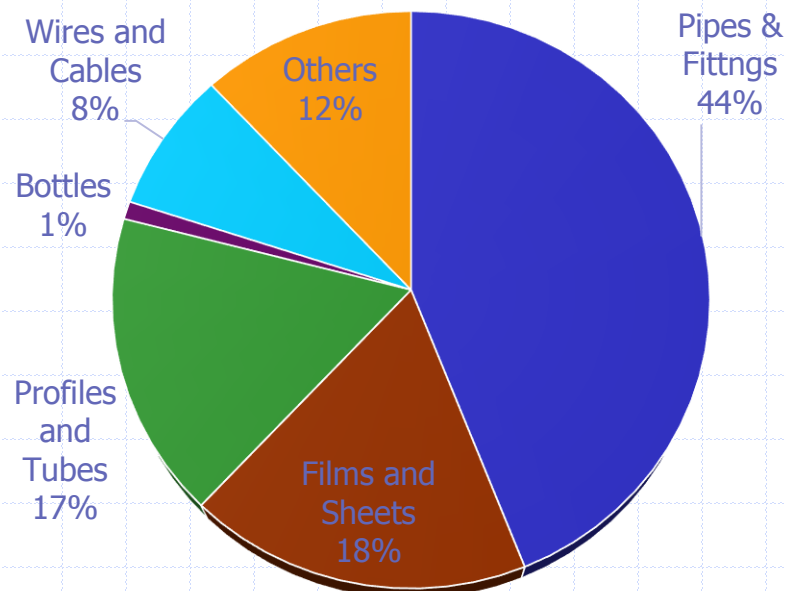
Applications:

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

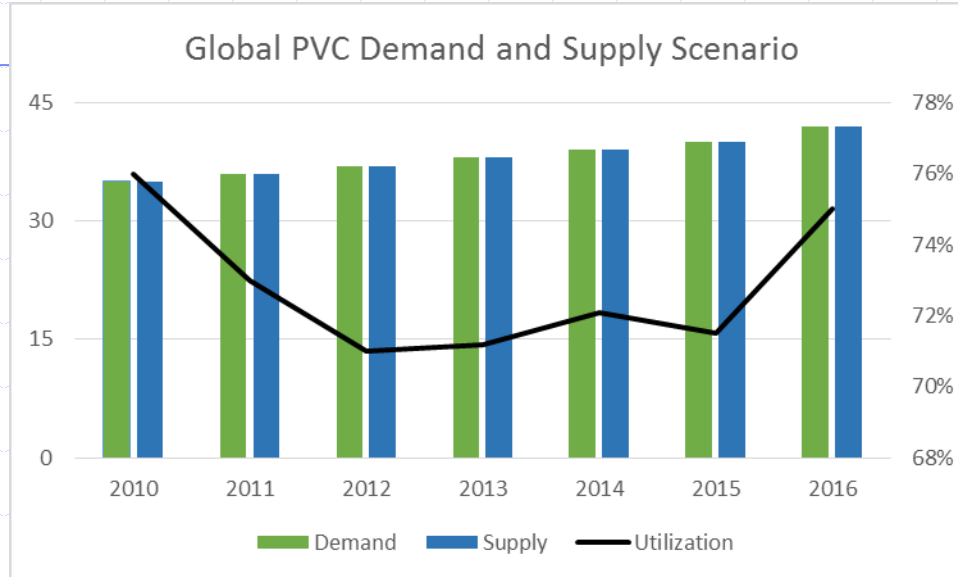
PVC Production Flow:



Product Wise Application



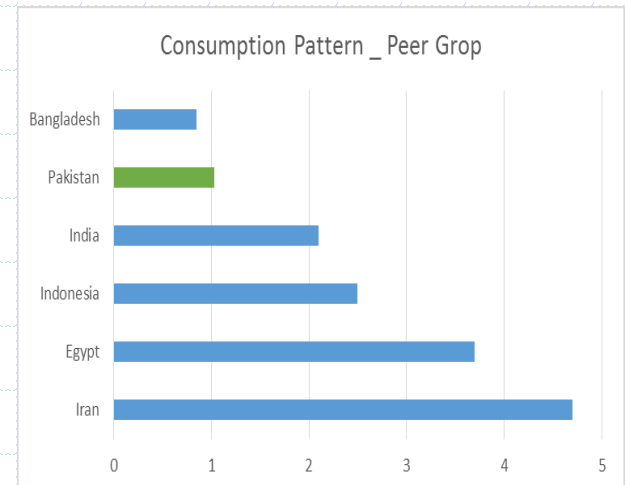
Global PVC Market Dynamics



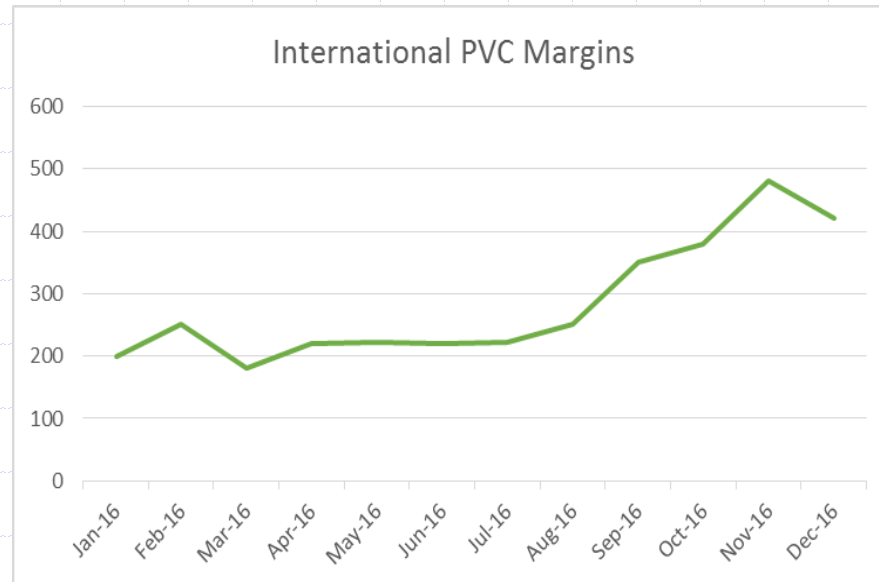
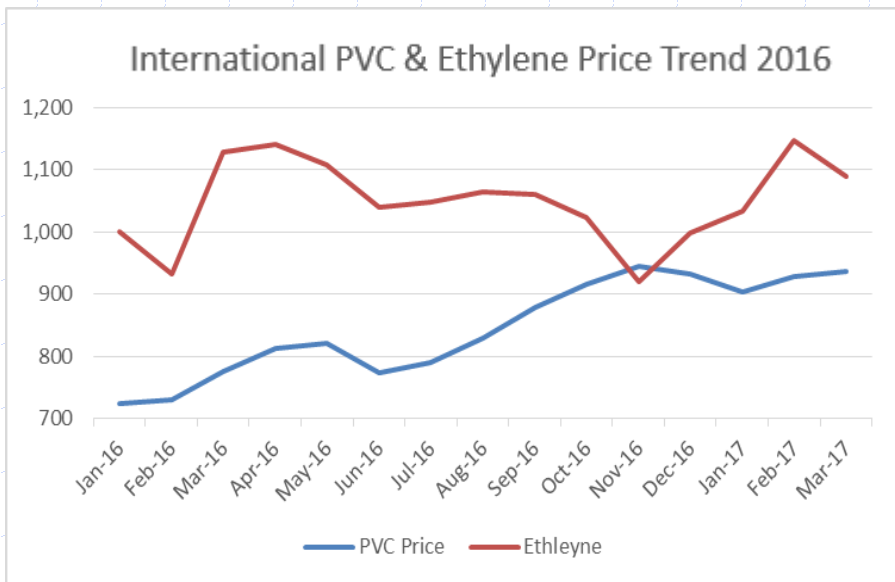
- Global PVC demand stood at 42 mln MT in 2016 with a 4-year CAGR of 3.4%.
- Capacity addition in recent years have been observed. Market is expected to be oversupplied in coming years.
- Given the prevalent demand drivers the situation is unlikely to change materially.
- Going forward, construction and related activities will likely to be a key demand driver for PVC and Allied products.

Applications:

- Asian demand account for ~66% of global demand with China representing major portion ~47% of global demand.
- In terms of consumption, Pakistan has low per capital consumption in the region (1.03Kg) ahead of Bangladesh (0.85Kg)



Margin Trends



- International PVC prices ranged between \$720/ton to \$933/ton during 2016.
- During first half of 2016, PVC market continued to be oversupplied and producers were forced to achieve cost efficiencies. However, during second half of 2016, market dynamics turned out to be positive for PVC market. PVC prices posted positive trajectory due to supply concerns from acetylene route to produce PVC and hence improved trend in global margins.
- Prices observed significant improvement during second half of the year due to supply concerns within the region primarily lower supply from china.
- Ethylene prices remained soft during 2016 due to lower prices of crude oil.
- PVC – Ethylene core delta started showing signs of improvements on back of increased PVC and low ethylene prices

Domestic PVC | Dynamics

- Total domestic demand for the PVC posted a healthy growth of ~17% stands close to 200 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 (57%). The other major uses include: Film/packaging (10%), Shoes (9%), Garden Hose (9 %), Cable compound (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 improved PVC ethylene core delta has impacted the domestic margins positively.
- The industry indirectly benefits from the imposition of 12% import duty on PVC.
- The reduction of duty on import of raw material (Ethylene) from 5% to 2% also promoted the local players.
- Recently there is an imposition of provisional anti-dumping duty between 11 to 40%, will likely to affect positively on margins

Bibliography

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