

Chemicals - Polyvinyl Chloride

June 2018

Introduction

**Global Market
Dynamics**

Margin Trends

**Domestic Market
Dynamics**

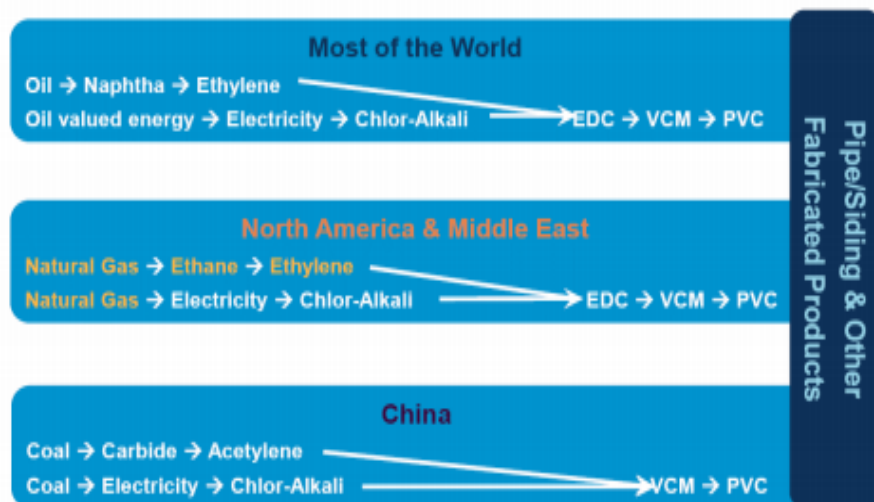
Introduction

- PVC - Polyvinyl Chloride, is the third most widely produced synthetic plastic polymer after polyethylene and polypropylene.
- PVC comes in two basic forms: (a) Rigid, and (b) Flexible

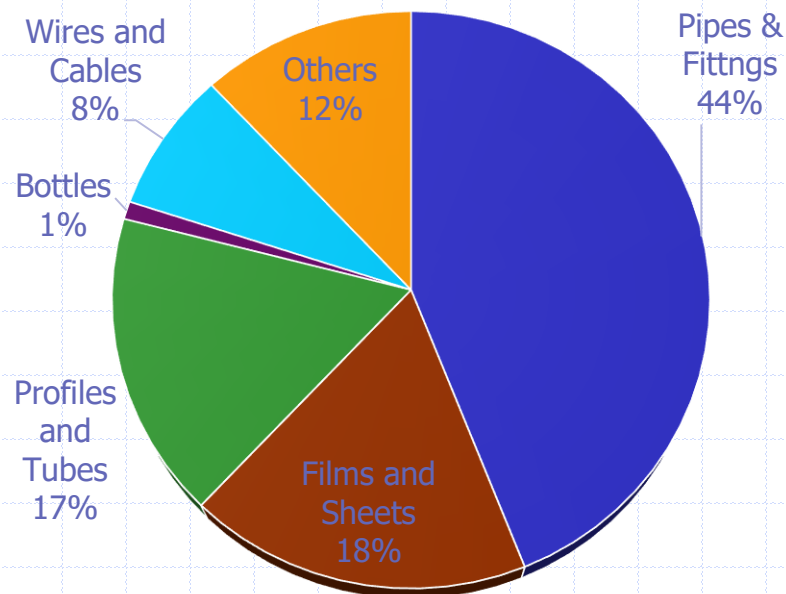
Applications:

With its versatility PVC is used 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:

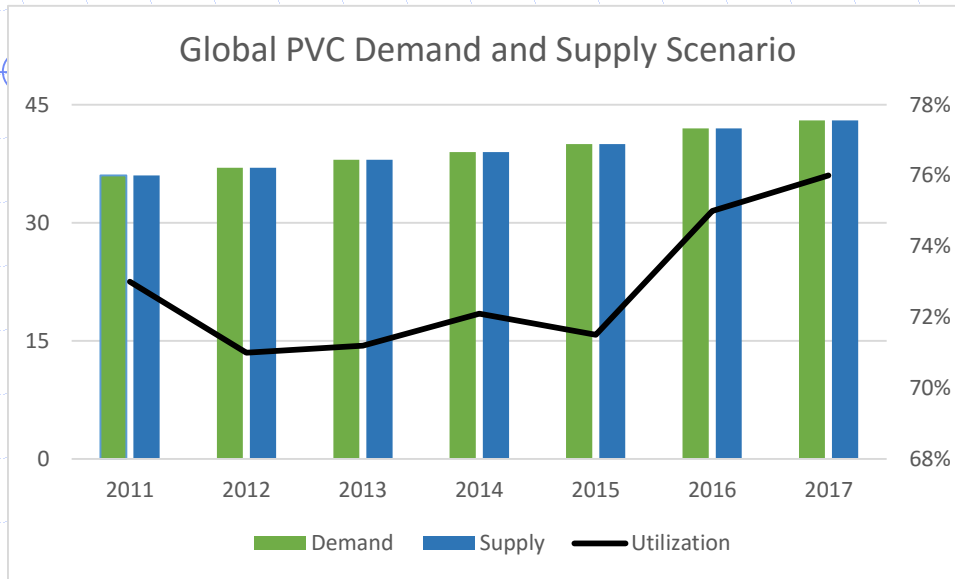
PVC Production Flow:



Product Wise Application



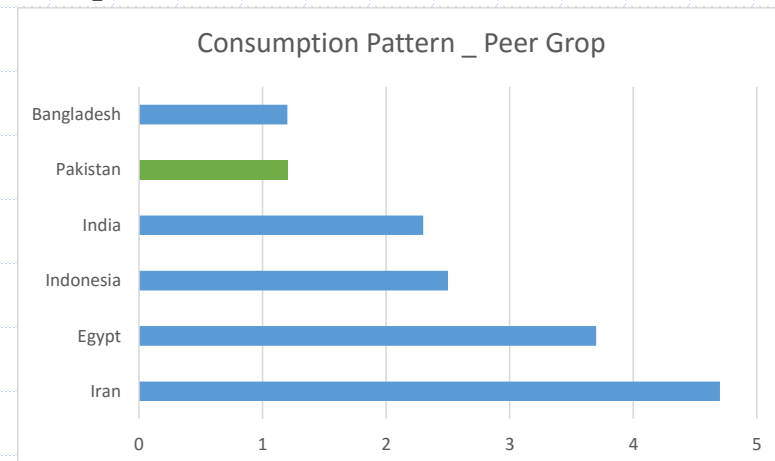
Global PVC Market Dynamics



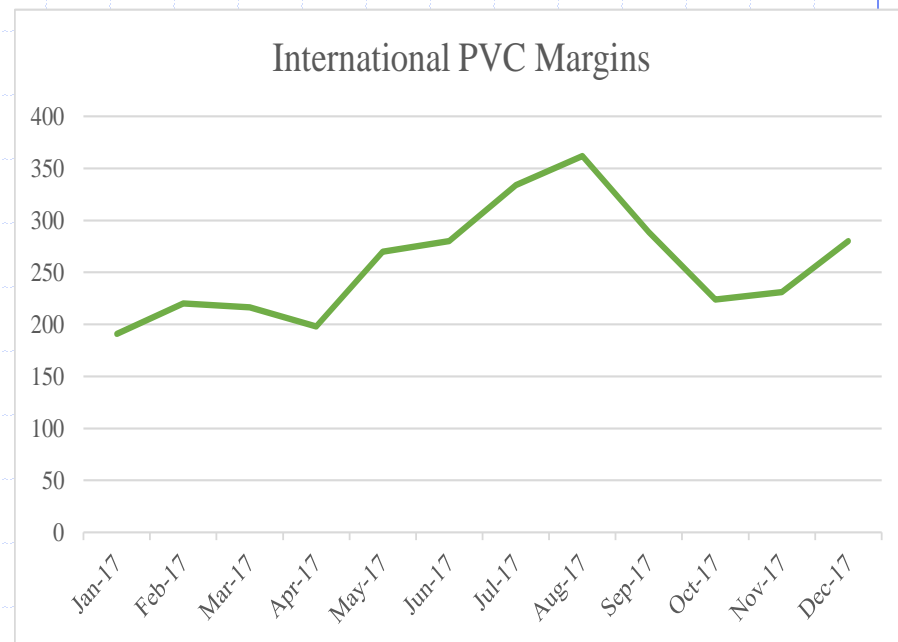
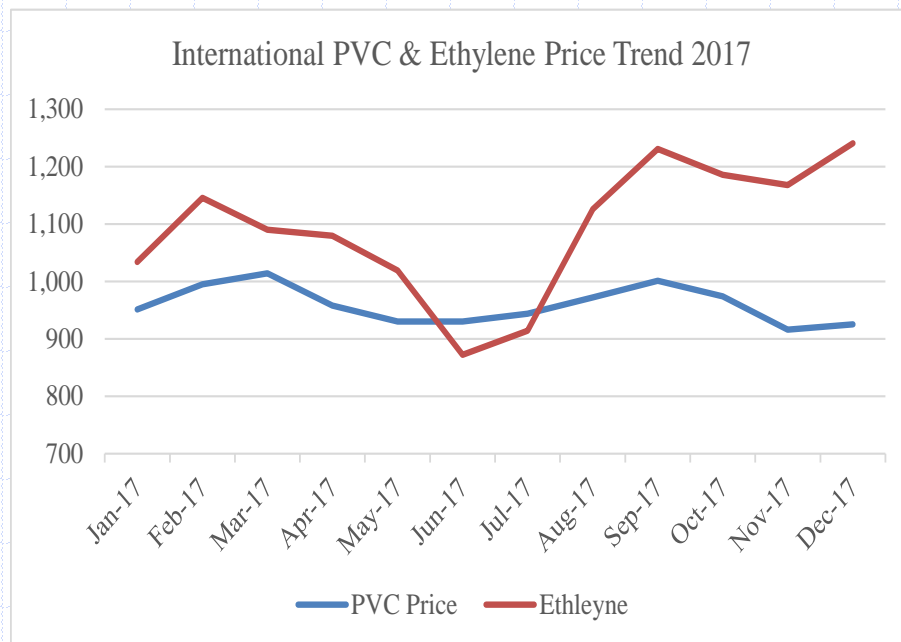
- Global PVC demand stood at 43mln MT in 2017 with a 4-year CAGR of 2.4%.
- Capacity addition in recent years have been observed. Market is expected to be oversupplied in coming years given lower GDP growth of China.
- Given the prevalent demand drivers the situation is unlikely to change materially.
- 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 ~50% of global demand.
- In terms of consumption, Pakistan has low per capital consumption in the region (1.2Kg) much lower than India (2.3Kg)



Margin Trends



- International PVC prices ranged between \$900/ton to \$1020/ton during 2017.
- Prices observed significant improvement during second half of the year due to supply concerns within the region primarily lower supply from china.
- Ethylene prices witnesses surge on the back of higher oil prices.
- PVC – Ethylene core delta showed improvements on the back of higher ethylene prices and lower PVC prices

Domestic PVC | Dynamics

- Total domestic demand for the PVC posted a healthy growth of ~39% standing close to 278 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%)
- Construction sector witnessed increase of ~9% in 2017 on the back of increased CPEC activities and caused the demand to rise sharply
- 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 import duty on PVC.
- The reduction of duty on import of raw material (Ethylene) also promoted the local players.
- Imposition of anti-dumping duty had a positive impact on industry margins.

Bibliography

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