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February 10, 2012

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Polymer prices increase as RIL shuts units for maintenance

Polypropylene gets costlier by Rs 3 a kg and polyethylene by Rs 1 a kg with effect from Thursday

Anindita Dey / Mumbai Feb 10, 2012, 00:14 IST

After repeated price cuts last year, polymer manufacturers have increased prices of polypropylene (PP) by Rs 3 a kg and polyethylene (PE) by Rs 1 a kg with effect from Thursday.

This follows a decision by Reliance Industries Ltd (RIL) to shut three of its units for annual maintenance, coupled with firm global prices. Prior to this, Haldia Petrochemicals had shut its units for annual maintenance. Industry sources have cautioned the price rise is not propelled by demand in the domestic market but mostly by cuts in capacities by producers of polymers.

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Imports have also become expensive, due to a surge in demand from China, Taiwan and Japan. These markets have been inactive since December 15 and have opened now after the Chinese new year. Global prices of polymer, especially PE, have gone up by \$100-120 a tonne and are now at \$1,400-1,420 a tonne, compared to \$1,300-1,320 a tonne a month before.

Domestic manufacturers of polyvinyl chloride (PVC), on the other hand, are facing a dilemma of excess inventory. However, they are awaiting cues to push up prices. Rising demand from southeast and east Asian countries has pushed up global prices from \$970-990 a tonne to \$1,000-1,020 a tonne in recent days.

Company sources said manufacturers will watch global prices and dollar movements before increasing prices, which could happen within a fortnight. If global prices continue to rise and the dollar firms up against the rupee, prices may be increased.

However, official sources said, the prices of PVC in the domestic market are relatively higher than of the imported variety. Domestic manufacturers could not cut prices to maintain margins, as raw material prices ruled high. Sources said even on Thursday the difference between domestically manufactured and imported varieties was Rs 2 a kg. Prices of the basic variety of PVC were cut twice in January this year, by Rs 3.50 a kg across variants. Currently, the basic domestic PVC price is Rs 55 a kg, excluding taxes.

Due to weak domestic demand for PP and PE, makers were forced to offer price protection schemes to attract customers. The government had removed the anti-dumping duty on PP imports from Saudi Arabia, one of the major manufacturers globally. This had led to a further slump in the domestic market, since Saudi imports were cheaper, said a source.

While PE is priced at Rs 80-85 a kg, PP costs Rs 84-86 a kg. Under the price protection scheme, customers are compensated for losses if the company slashes prices further within that week or month. Haldia Petrochemicals, Indian Oil Corporation, GAIL and RIL are the four major polymer manufacturers.

PP is used in a variety of day-to-day products, ranging from high-tenacity cement and fertiliser bags to tough fibres, such as in films and containers. Low-density variant polyethylene is one of the most popular variants of polyethylene, produced under low temperatures and used to manufacture plastic bags and sheets, stretch wraps, toys, pipes, buckets, containers and cable coverings.

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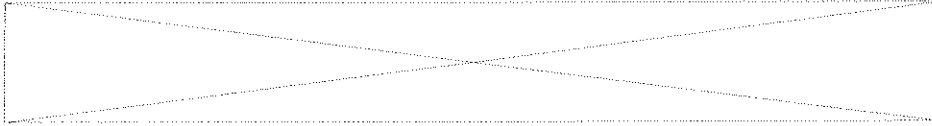
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Tracking Polymer Prices

Polymer prices are rising again

March 14, 2012 | By Arti Sharma

Domestic polymer prices are increasing again in March by Rs 2,000 to Rs 3,000 per tonne. This is the second time the prices of polymer are rising in the calendar year 2012. One possible reason cited for the rise is the short supply of polymer in the market. The situation of short supply could have been created because Reliance has shut down three of its manufacturing units in Jamnagar. Another reason for the increase in price rise could be the increase in domestic polymer demand. Moreover, polymer prices are also rising in the international market making the import of polymer expensive for India. ...cont'd

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