

# Chemicals - Hydrogen Peroxide

**Jun 2018**

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# Introduction

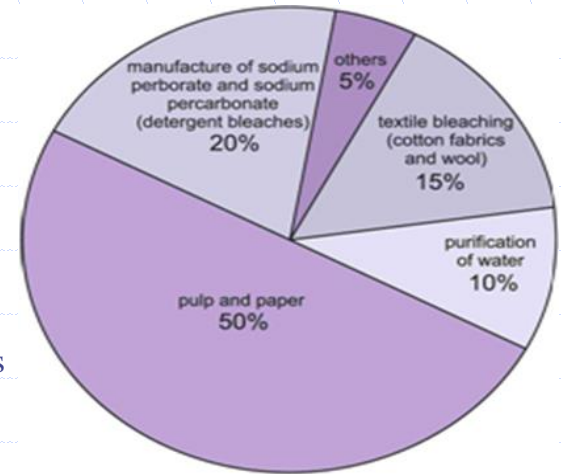
◆ Hydrogen peroxide is a chemical compound with the formula  $H_2O_2$ .

◆ 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
Europe	~1.3 MT
USA	~1.2 MT
Others	~1.3 MT

\*

	Solvay Chemicals		Evonik Industries		Arkema Group	
	2016	2017	2016	2017	2016	2017
Revenues	12,325	13,363	15,622	17,692	9,245	10,216
Profit	726	1,073	1,035	879	526	712
	Solvay Chemicals		Evonik Industries		Arkema Group	
Capacity	330,000		950,000		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 FY17, global demand and supply dynamics remained same resulting in a largely stable margins for the industry players.
- Paper & pulp industry accounted for over 40% of the global hydrogen peroxide market share and is anticipated to maintain the dominance in the next few years. With growing demand for recycled paper in the packaging industry and the global stationery demand, this sector will register a growth at over 5% CAGR in terms of revenue.
- Asia Pacific, led by China is expected to have the fastest growth at close to 6% CAGR in terms of revenue. Global shift of paper & pulp industry towards China, India and a few South-East Asian countries owing to cost effective labor force and lenient government norms will drive this growth.

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

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# Domestic Dynamics

- Total domestic demand stands close to 60,000 – 65,000 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, with an installed capacity of 28,000 MT (b) Sitara Peroxide Limited – SPOL, with an installed capacity of 30,000 MT. Moreover, DOL is planning to expand its current production facility by 25%
- DOL's market share is ~63% while SPL's market share is ~37%. Market share of DOL in the northern region is ~54% whereas SPL contributes ~46%. DOL captures major market share in southern region (~76%) whereas SPL adds ~24%.
- 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

	FY15	FY16	FY17	FY18-E	FY19-E
	MT				
Demand	56,828	59,498	64,886	69,500	73,025
Supply	49,227	53,259	54,489	53,640	56,700
GAP (Import)	7,601	6,239	10,397	15,860	16,325

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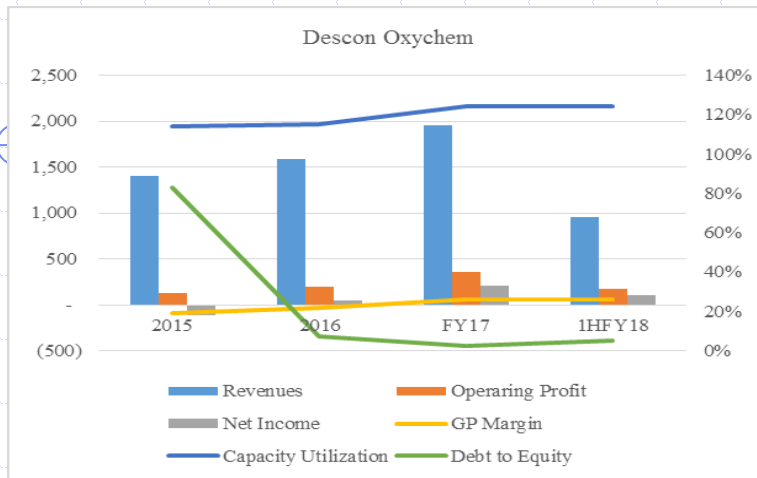
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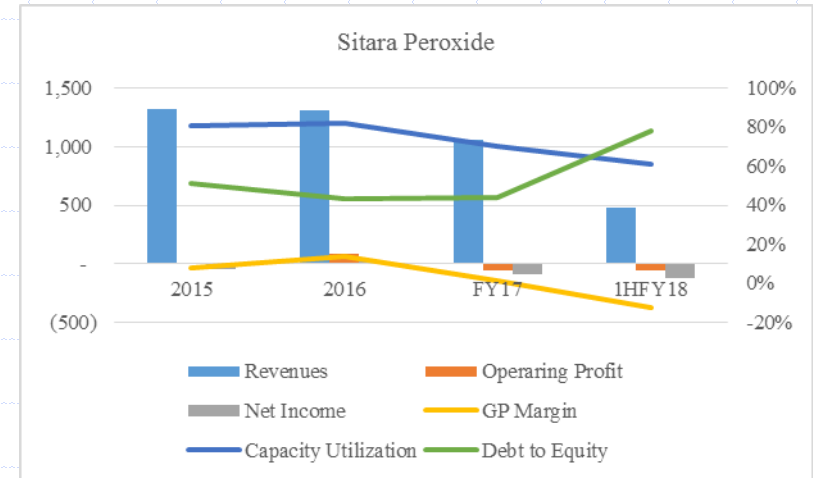
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# Domestic Players | Performance



	2015	2016	FY17	1HFY18
Revenues	1,409	1,582	1,961	953
Operating Profit	132	201	354	171
Net Income	-118	45	205	105
GP Margin	19%	22%	26%	26%
Capacity Utilization	114%	115%	124%	124%
Debt to Equity	83%	7%	2.4%	5.0%



	2015	2016	FY17	1HFY18
Revenues	1,325	1,310	1,059	483
Operating Profit	13	82	-57	-61
Net Income	-51	16	-87	-128
GP Margin	8%	14%	1%	-13%
Capacity Utilization	81%	82%	70%	61%
Debt to Equity	51%	43%	44%	78%

\*Capacity Utilization for 1HFY18 is assumed due to non-availability of data

- Top line of both the players remains healthy on account of sound domestic demand.
- Debt Free balance sheet of Descon Oxychem enhancing its performance compared to its peer in the industry.
- Debottlenecking and operational efficiencies of Descon oxychem has improved its utilization level as compared to peer companies in the industry.

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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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