PSF Overview

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Indian Polyester - 2014
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- Demand / Supply Scenario
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- Demand / Growth Drivers
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- PSF Outlook
Indian PSF Industry Structure

- Indian PSF industry has two distinct segments: Virgin PSF and Recycled PSF.
- Virgin PSF segment, with a capacity of 1.25 MMT, comprises mainly of 3 players with the fourth player having inconsistent operations.
- Recycled PSF segment, with a capacity of 0.40~0.45 MMT, comprises of around 20 players including smaller players in unorganized sector.
- Both segments operating at around 75% capacity utilization.
- Import volume is small, under 5% of the domestic demand.
- While recycled PSF has been playing an important role, today’s discussion is mainly focused on virgin PSF.
### Polyester Staple Fiber: Indian Demand/Supply (KT)

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<td>Growth (%)</td>
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<td>4.30%</td>
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Polyester Staple Fiber: Capacity Utilization %

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- PSF industry in India has been operating at a capacity utilization of 75%.
- Utilization is expected to improve to 80% by 2015-16.
- No new capacity or expansion is planned till at least 2015-16.
- Any thoughts or talks of capacity increase will not go on stream till 2016-17.
- With over 20% capacity remaining unutilized in an industry, which has only 4 players, does not bode well for any expansion plans.
PSF Demand & Growth Drivers

- PSF growth in 2010-11 was spectacular but the collapse in 2011-12 was equally spectacular, both in excess of 9%.
- 2013-14 was an year of stagnation when the demand grew by just 1%.
- 2014-15 is expected to see a growth of 4% which may follow through with a similar number in the next year.
- The growth and collapse of PSF truly reflects the often spoken correlation between GDP growth and fibre demand. 2010-11 when Indian Economy grew by over 9 % PSF growth was also high. 2011-12 GDP growth dropped to 6% seeing PSF growth also falling drastically.
- New optimism in Indian Economy and expected pick up in GDP growth leads us to believe that PSF growth is ready to pick up from this year and beyond.
- Cotton has been an important driver for PSF demand. Surplus or shortage of cotton drives the PSF demand either way.
PSF Demand & Growth Drivers

• While GDP growth and Cotton availability are by far most important drivers, there are several other factors that will drive PSF growth in India.

• Lower per capita fibre consumption of 5 kg in India compared to World average of 12 kg and China at 19 kg is an opportunity for growth.

• Cotton : Man Made Fibre use share of 60:40 in India compared to 35:65 globally. Polyester will play an important role to bridge this gap.

• A number of other drivers are:

  - Demographic dividend
  - Increased purchasing power with consumers

  - Rapid urbanization
  - Increased in commercial/residential construction

  - Growing Healthcare
  - Increased awareness of hygiene and safety

  - Growing automobile
  - Increased infrastructure investments

  - Organized retail sector
  - Increased focus on Technical Textiles
PSF and Application Developments

• PSF business has been gradually becoming a commodity play. Most of PSF produced is for spinning end use, semi dull, bright or dope dyed.
• Industry has been working on producing newer varieties such as flame retardant, antimicrobial, low melt, moisture absorbing, low pill, low shrinkage, conjugate, hollow, trilobal, short-cut, high bulk, micro and so on.
• PSF producers will have to continue developing newer varieties for higher value addition and to meet the challenges posed by other fibres and also by the recycled PSF.
• The user industry has been developing faster than PSF and finding ways to use traditional PSF for new applications.
• More and more of PSF is now used for end use other that spinning. Spinning industry also developing differentiated usage for PSF.
• Functional Textiles and Technical Textiles are witnessing fast paced development in use of PSF.
• PSF is being increasingly used in medical, hygiene, wipes, filtration, geotextiles, paper, automobiles, construction, insulation etc.
• Knowledge based intelligent polyester fibers using Nano technology and Bio technology will gradually play higher role in higher end of Technical Textiles.
• Polyester is used in Technical Textile to the extent of 15% of all fibre used in India. Globally this usage is 30%. Indian Tech Textile industry is developing new usage of polyester and the usage is expected to grow to 20% in next five years.
• Home furnishing / housing sector has been rapidly developing more usage of polyester both woven and non woven.
Price & Margins

- Polyester industry continues to reel under poor pricing and non existent or negative margins.
- Excess capacity continues to take its toll on prices. Capacity overhang in China and South East Asia having a negative impact on international polyester prices which in turn keeping domestic prices low.
- PSF prices remain depressed in line with overall polyester industry.
- Prices remain linked to movement in raw material prices. Industry needs to start looking at covering movement in other operating costs as well.
- Margins have remain depressed too. Volatile petrochemical prices and exchange rate movements have made a negative impact.
- Recent imposition of Anti-Dumping duties on PTA and consequent increase in PTA prices by domestic PTA suppliers will have severe adverse impact on margins as this cost may not get easily passed to end users.
PSF/Cotton correlation

- Cotton has traditionally been a driver for PSF demand.
- Any significant changes in availability of cotton, due to natural causes or governmental policies impacts PSF demand.
- While in the past, not only the demand for PSF had strong correlation with the cotton supply, there was a clear correlation between PSF and cotton prices.
- With PSF prices now being linked more to raw material prices (not really to demand/supply) and industry operating at thin margins, the correlation with cotton prices, if any, is very weak.
- Delta between cleaned cotton price and PSF price, during the last two years has been as low as Rs.11/kg and as high as Rs.37/kg reflecting the substantial delinking of the two prices.
- Nevertheless, Cotton would continue to have significant influence on PSF business, more particularly in Indian context.
Cotton/PSF price trend

DELTA - COTTON / 1.4D PSF

COTTON

1.4 D PSF

DELTA
PSF - Outlook

- Man-Made fibres will have increased share in the total fibre consumption.
- PSF will benefit from this trend, being the largest component of MMF used in the country.
- Economic revival and improved GDP will lead to increased fibre consumption as there is strong correlation between the two.
- No planned new capacity or expansion in the next two years should help existing players improve capacity utilization.
- Margins would continue to be under pressure as the industry having multiple issues both with costs and pricing.
- Anti dumping duties recently imposed on PTA will have far reaching implication on PSF and polyester industry.
- Margins will be further squeezed due to inability to pass on India specific cost increase such as ADD, due to international pricing differences.
- “ACHE DIN” MAY STILL BE FAR FOR PSF INDUSTRY.
Thank You

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