

Sanmar sees 'glorious summer' for Egypt PVC biz

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2-lakh-tonne Port Said plant to service Turkish markets too

Chennai, Aug. 24: If it's spring, even an Arab one, can summer be far behind? Vijay Sankar, Deputy Chairman of the Rs 5,500-crore Sanmar Group, expects, figuratively speaking, a 'glorious' summer for group company TCI Sanmar Chemicals' 2 lakh tonnes a year PVC plant in Egypt.

The plant at Port Said was acquired as a small chlor-alkali facility in 2007 and Sanmar has invested \$1 billion to build an integrated PVC plant. However, caught up in Egypt's Arab Spring, the plant was damaged and the commissioning of the PVC plant was delayed.

Production started in November last and the plant is fully operational now. Sankar says this plant will supply to the import-dependent Egyptian and Turkish markets, where demand is high. "We intend doubling capacity to four lakh tonnes here for which we may need \$300 million. This would be done in the next couple of years," says Sankar.

With elections behind it and a semblance of stability in the nation, the Egyptian market has picked up. "The sentiment has become positive. Input costs have come down and caustic soda and PVC prices have gone up," he says. By the end of this year, the plant will utilise 1.5 lakh tonnes of PVC capacity and hit 2 lakh tonnes by next year.

To expand the plant capacity, the Sanmar Group, which has invested almost \$ 400 million as equity, intends roping in an investor. "Yes, the idea is to get an investor with exposure to the petro-chem industry to add value. The project has been structured that way. Expansion and getting an investor are interlinked," says Sankar. This will happen within a year and the investment can be from a global player. "We want to get someone that thinks long term and is familiar with the region," he adds.

INTEGRATED PROJECT

The PVC plant is a fully integrated, large-scale project. “And from where we are located, we can service northern Africa, Central Asia, as also Turkey. There is no other large PVC capacity coming up there. The market is growing, so attracting capital in the next few years will not be a problem,” Sankar explains.

P. S. Jayaraman, Chairman, TCI Sanmar Chemicals, says Egypt is a growing market with ongoing large irrigation and construction projects that need PVC piping. The demand is around 3.5 lakh tonnes a year but there is only a small government producer churning out 60,000 tonnes of PVC. “In effect, ours will be an import substitution project for Egypt,” he says.

Turkey is a larger market with demand surpassing 9 lakh tonnes and only one producer with a 2-lakh tonne capacity. Sankar says Sanmar’s PVC project is in a sweet spot as goods to Turkey take only two days to ship. And, the FTA between the two countries means Sanmar’s PVC will not attract import duties *vis-à-vis* other imports into Turkey.