

Chemical Industry

Margins of the sector improving on account of upward drift in prices of caustic soda...

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The chlor-alkali business can be described as a sub-sector of the chemical industry, engaged in the production of liquid chlorine, hydrochloric acid, sodium hypochlorite, bleaching powder whereas, Caustic Soda is the key product of this sector.

Caustic soda has a wide range of applications; it is used as vital component by many process industries. It is most commonly used in textile industry for dyeing and mercerizing; furthermore, it is also used in soap & detergent manufacturing process. Some other industries that use caustic soda are paper & board, chemicals, fertilizer, food and beverages, etc.

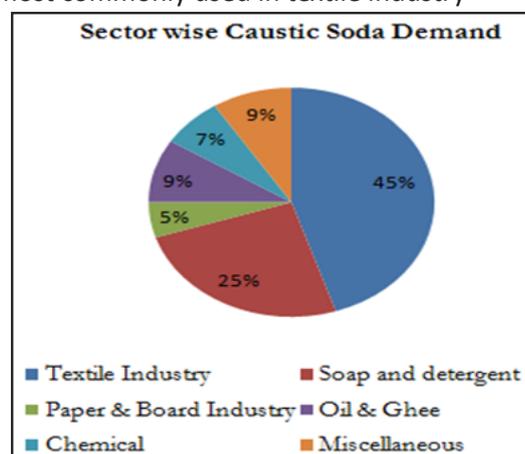
The major raw material required for production of caustic soda is common salt or rock salt. The raw material is abundantly available in the local context since Pakistan has proven resources of salt.

The local industry of caustic soda can be termed as oligopolistic in nature since there are three main producers catering to the demand of caustic soda. These players are SCIL, Ittehad Chemicals Limited (ICL) and Engro Polymers Chemicals Limited (EPCL). The installed production capacity of the three commercially competing players is tabulated below:

Annual Capacity (MT)	FY11	FY12	FY13
SCIL	201,300	201,300	201,300
ICL	143,550	125,550	125,550
EPCL	106,000	106,000	106,000

Installed capacities of these units remained unchanged in FY13. The cumulative nameplate capacity of these three units stood at 432,850 MT at end-FY13. SCIL has the largest production capacity of 201,300 MT/annum.

In terms of market share, SCIL has the largest share in the domestic sales of caustic soda. SCIL and ICL generate major proportion of sales in the northern parts of the country while EPCL enjoys considerable share in southern market. The table below illustrates the quantity wise sales of caustic soda for each of the three major players in the industry.



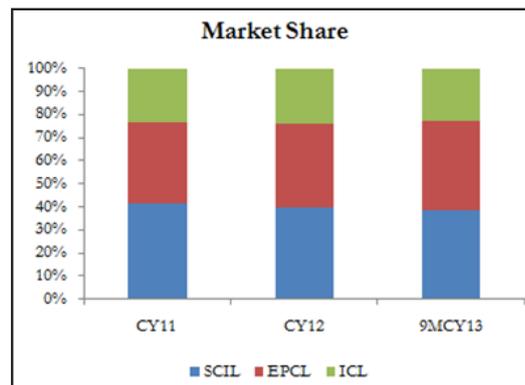
Sales: MT/annum	CY11	CY12	9MCY13
SCIL	102,875	104,067	73,118
EPCL	87,000	96,000	73,000
ICL	58,749	63,452	42,761
Total	248,624	263,519	188,879

SCIL enjoys the highest market share in terms of caustic soda sales, however EPCL has continued to capture caustic soda market in recent years.

The total production of caustic soda remained at around 285,840MT during FY13, reflecting considerable cushion in capacity utilization, most

notably in case of SCIL & ICL. The details regarding capacity utilization for FY13 are given below:

MT/ annum	SCIL	ICL	EPCL
Annual Capacity	201,300	125,550	106,000
Production	108,594	68,746	108,500
Utilization (%)	54%	55%	102%



The chlor-alkali industry is highly dependent on fuel & power, as it can account for more than 50% of total production cost. The ongoing shortage of gas and power is impacting the capacity utilization of ICL and SCIL, despite the installation of captive power plants by these companies.

Despite increase in cost of production on account of upward trend in the prices of gas & electricity, margins of the sector improved considerably mainly due to upward drift in prices of caustic soda during CY12 and 9MCY13.

Average Prices of liquid caustic soda (Rs./MT)	CY11	CY12	9MCY13
SCIL	39,923	47,393	49,451
EPCL	39,772	45,220	51,571
ICL	40,255	48,220	50,395

The industry players have also benefited from initiation of export of caustic soda liquid to India through Wahga Border. In this regard, SCIL was first amongst the local manufacturers to tap the Indian market.

Going forward, market dynamics are expected to remain favorable for the sector in terms of final product pricing, given the upward trend in the same and increasing demand of caustic soda, both in local and foreign markets. The performance of the sector, however, remains strongly dependent upon the availability of power; consistent supply of gas to the units will help in maintaining margins and improving capacity utilization. The sector is considering alternative energy sources to address power issue and develop un-interrupted supply and also to rationalize production costs. SCIL's board has approved the sale of non operating land with a market value of Rs. 1.55b to finance a coal based power plant whereas ICL has decided to install a coal fired air furnace to counter the gas load shedding that is hampering the production process.

Jahangir Kothari Parade (Lady Lloyd Pier)

Inspired by Her Excellency, The Honorable Lady Lloyd, this promenade pier and pavillion was constructed at a cost of 3 Lakhs and donated to the public of Karachi by Jahangir Kothari to whose genrosity and public spirit the gift is due. Foundation stone laid on January 5, 1920. Opened by Her Excellency, The Honorable Lady Lloyd on March 21, 1921.

Dome: A roof or vault, usually hemispherical in form. Until the 19th century, domes were constructed of masonry, of wood, or of combinations of the two, frequently reinforced with iron chains around the base to counteract the outward thrust of the structure.

Origins: The dome seems to have developed as roofing for circular mud-brick huts in ancient Mesopotamia about 6000 years ago. In the 14th century B.C. the Mycenaean Greeks built tombs roofed with steep corbeled domes in the shape of pointed beehives (tholos tombs).

Otherwise, the dome was not important in ancient Greek architecture. The Romans developed the masonry dome in its purest form, culminating in a temple built by the emperor Hadrian. Set on a massive circular drum the coffered dome forms a perfect hemisphere on the interior, with a large oculus (eye) in its center to admit light.



Jahangir Kothari
Parade

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