

Bi-Weekly Indian Polymers Price Outlook and Strategy

Decision enabling market analysis & price outlook



Report for week beginning 30 June 2017

Price Range	44 to 51	41 to 51	435 to 395	450 to 395	875 to 945	875 to 1000
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Indian Feedstock Price Outlook Summary

	ICE Brent Crude Oil Aug'17 USD/Barrel	Naphtha CFR Far East USD/MT	Ethylene CNF India USD/MT	Propylene CNF India USD/MT	PTA CNF India USD/MT	MEG CNF India USD/MT
29 Jun 2017						
Closing Prices	47.42	411.25	885	775	625	805
Change since 16 Jun 2017	+0.05	-0.75	0	+35	-10	+10

Fundamental Summary	Critical Price drivers	Price Direction
	Weakness in upstream crude oil prices	Downward
Lower Ethylene and Propylene margins	Upward	
Decline expected in PP imports	Upward	
Recovery in raw materials prices of films	Upward	
Festive season demand and post- GST buying	Upward	
High import price parity of LDPE	Downward	

Price Outlook Summary	ICE Brent Crude Oil July'17	Naphtha CFR Far East	Ethylene CNF India
	Prices are likely to stay below 51.00 and trade lower towards 44.00.	Prices are likely to stay above 395 and trade higher towards 425 to 435 ahead of turning mixed.	Prices are likely to trade higher towards USD 945 by holding above USD875
Direction	0 to 1 Month Downward	0 to 2 Months Downward	0 to 1 Months Upward
	0 to 2 Months Downward	0 to 1 Months Upward	0 to 2 Months Upward

Price Outlook Summary	Propylene CNF India	PTA CNF India	MEG CNF India
	Prices are likely to stay above 735 and trade higher towards 800 to 830.	Prices are likely to find support in the range of 620 to 610 and consolidate higher towards 640 to 660.	Prices are likely to trade higher towards 860 by holding above 750.
Direction	0 to 1 Month Mixed	0 to 2 Months Upward	0 to 1 Months Upward
Price Range	0 to 2 Months 730 to 800	0 to 1 Months 730 to 830	0 to 2 Months 610 to 640
	0 to 1 Months 730 to 830	0 to 2 Months 610 to 660	0 to 1 Months 750 to 830
	0 to 2 Months 750 to 860	0 to 1 Months 750 to 860	0 to 2 Months 750 to 860

Expected Price Revision +/- @ India

Products	Current Price	July 2017	Aug 2017	Sep 2017
PP Injection (H110MA Ex-works Hazira)	81.49	+2	0	-1
HDPE Injection (L60075 Ex-works Hazira)	86.17	+2	0	-1
LDPE Injection (16MA400 Ex-Depot Bhiwandi)	123.69	0	0	-1
LLDPE Injection (M26500 Ex-works Hazira)	94.50	+2	0	-1
PET Bottle grade (G5801 Ex-works)	83.00	0	+1	-1
BOPP (Plain) 12 micron, Mumbai	133.00	0	+3	0

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BOPP (Plain) 18 micron, Hyderabad	148.00	0	+3	0
MET BOPP 18 micron, Mumbai	138.00	0	+3	0
BOPET (Plain) 12 micron, Mumbai	90.00	0	+3	0
MET PET 12 micron, Mumbai	107.00	0	+3	0

All prices except LDPE are RIL prices basic rate in INR per Kg. LDPE prices are inclusive of excise duty
BOPP and BOPET prices are producer prices (Jindal Poly films basic rates for Mumbai and Landed rates for Hyderabad) in INR per Kg

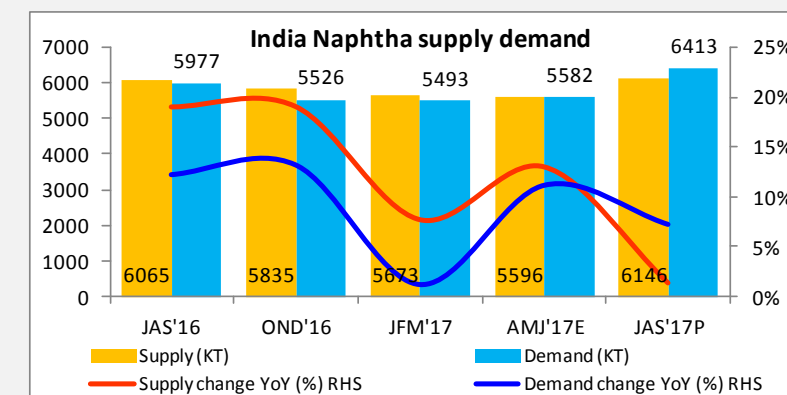
Products	Import Parity@ India		
	29-Jun-17	15-Jun-17	Change
HDPE Import parity	6.71	3.56	3.15
LDPE Import parity	13.78	10.58	3.2
LLDPE Import parity	5.42	5.12	0.3
PP Import parity	-0.2	-0.47	0.27
PET Import parity	12.16	10.8	1.36

Import Parity = (Domestic –Landed cost) in INR/Kg

Fundamental Analysis: Feedstock – Upstream (Crude oil and Naphtha)

- ❖ Crude oil prices dipped further in the first few days of the last fortnight but started to recover gradually, rising to week highs supported by Dollar weakness and decline in weekly US crude oil production levels.
- ❖ US crude oil inventories witnessed a marginal increase of 0.12 million barrels in the week ending 23rd Jun to 509.21 million barrels from 509.10 million barrels a week earlier. Overall, US crude oil stocks have declined by a cumulative of 26.33 million barrels since the start of April, as the refinery activity has picked up pace.

- ❖ At the demand front, four week average gasoline demand is currently about 2.3% lower compared to the demand during same period last year, despite the start of the summer driving season in US, casting a shadow on demand growth outlook.
- ❖ Meanwhile, US weekly crude oil production levels declined to 9.25 MBpd in the week ending 23rd Jun from 9.35 MBpd a week earlier majorly due to the operations being hit at gulf coast because of Tropical Storm Cindy. Four week average crude oil production is currently 7.2% higher compared to same time last year.
- ❖ At the naphtha front, India's naphtha supply during Apr-Jun'17 quarter is estimated to have increased by 13% to 5.59 million tons compared to 4.95 million tons during same period last year, majorly driven by the production increment.
- ❖ Meanwhile, naphtha consumption in the current quarter is estimated to have increased by 11% to 5.58 million tons compared to 5.02 million tons, aided by 30% YoY growth in exports despite the consumption improving at a marginal rate of 2% YoY during Apr-Jun quarter in 2017.
- ❖ Going ahead, however, Naphtha consumption is expected to witness strong growth due to increase in domestic demand for higher packaging sector products demand ahead of festive season as well as fertilizer production along with continuing robust growth momentum in Naphtha exports is expected remain supportive to prices while the supply growth is expected to moderate due to decline in imports.



Fundamental Analysis: Resins and Films

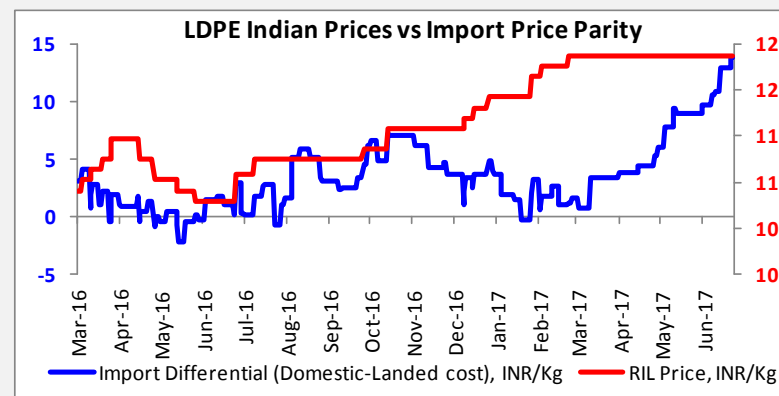
- ❖ Indian resin prices remained unchanged in the past fortnight supported by recovery in the recovery in feedstock prices. Earlier, PP and PET resins witnessed increases of INR 1.95 per Kg and INR 1.7 per Kg respectively in tune with rise in international prices, while PE prices continued to remain flat.

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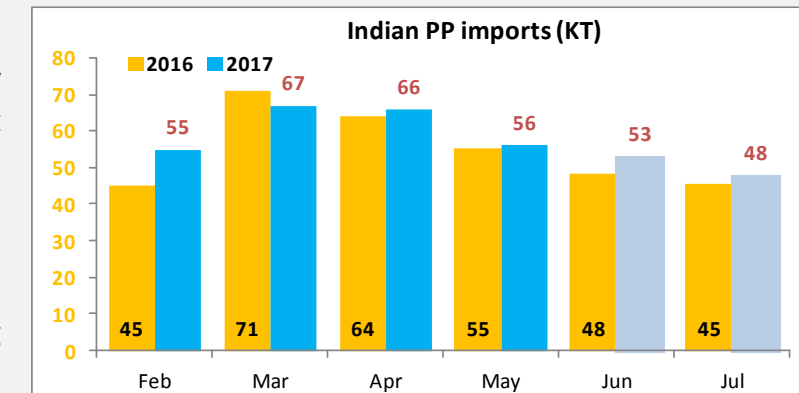


- ❖ Feedstock Ethylene prices were unchanged during last two weeks, stabilizing after the sharp 12% decline in prices during past month owing to weakness in upstream prices along with decline in regional demand.
- ❖ Firmer trend in feedstock prices compared to PE product prices has led to recovery in margins for Ethylene in the past fortnight. Going ahead, with crude oil prices turning higher, Ethylene prices are expected to witness further recovery in Ethylene margins, while product margins are likely to come down in the coming month, resulting in PE material tightness.
- ❖ Meanwhile, Propylene feedstock prices edged higher in the past two weeks supported by recovery in crude oil prices and improving regional demand.
- ❖ Amid recovery in feedstock prices, Propylene margins have improved marginally in the past week. However, Propylene price ratio with crude oil is seen to lower than typical levels resulting in margins being at subdued levels than normal. Extended weakness in Propylene margins along with higher margins for PP products is likely to result in tightness feedstock material availability in the medium term.
- ❖ At the PTA front, prices have edged lower in the past week as the supplies are seen increasing after the capacities shut earlier have come back and started ramping up the production while MEG prices have traded higher in the past two weeks supported by higher demand in the market.
- ❖ Meanwhile, PET product margins continued to remain in a mixed range, but higher than average margins in past year.
- ❖ Due to the recent decline in international prices, import parity of PE products has moved in to the positive territory which is likely to result in higher imports in coming months. During the first five months of the year, HDPE, LDPE and LLDPE imports have increased by 11.6%, 13.4% and 24.9% respectively.
- ❖ Further, amid consecutive increases in domestic LDPE prices, international prices are at a



discount of INR 13 per Kg currently, which is expected to pressurize LDPE prices in coming weeks.

- ❖ Meanwhile, PP imports during Jan to May period have increased by 8.9% YoY to 301 thousand tons compared to 276 thousand tons during same period last year. With import price parity decline to near 0 levels in the past one month, PP imports are expected to decline gradually in coming months offering strength to prices.
- ❖ At the demand front, buying activity has been sparse during the past month after the peak consumption in Feb – Mar and further with GST impact on the end products. Going ahead, improved buying activity expected after the July 1st along with higher demand expected ahead of the festive season during JAS period are expected to underpin the prices in the medium term.
- ❖ Market sources have indicated that due to the uncertainty regarding the tax rebate on stocks remaining after the start of the GST norms, dealers have been trying to push off stocks at lower rates in the two weeks providing discounts to the buyers.
- ❖ At the laminates front, BOPP and BOPET prices have remained flat during past fortnight owing to weak demand in the market as well as decline in the raw material prices.
- ❖ PP random co-polymer and homo polymer prices have decline to the tune of INR 4 per Kg in the since the start of March resulting in weakness in film prices along with seasonal lower demand in the market.
- ❖ Going ahead, with the feedstock PP prices as well as the PTA and MEG prices have already witnessed rebound in the past fortnight are expected to trade firm in the coming days, BOPP and BOPET film prices are likely to halt the weak trend and gradually firm up in the medium term.



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Plant Updates

Indian Plant Updates							
Plant	Location	Product	Type of closure	Closing date	Restarting date	Capacity (KTPA)	Impact
IOCL	Panipat	PP	Maintenance turnaround	Mid July 2017	Mid – Aug 2017	300	Upward
IOCL	Panipat	HDPE/LLD PE	Maintenance turnaround	Mid July 2017	Mid – Aug 2017	300 (HDPE) 175 (HDPE/LDPE swing)	Upward
IOCL	Panipat	MEG	Maintenance turnaround	Early July 2017	Mid – Aug 2017	300	Upward
IOCL	Panipat	PTA	Maintenance turnaround	Early July 2017	Mid – Aug 2017	550	Upward
JBF	Gujarat	MEG	Maintenance turnaround	Mid-Jun 2017	NA	400	Upward
MCPI	Haldia	PTA	Maintenance turnaround	End July 2017	Mid Aug 2017	470	Upward

Strategy Review

2017	2017	Yet to be Priced (Remaining quantity)	
		INR 86.17	100.00%

100% of June'17 buying requirements covered at average of INR 86.17 compared to market average of INR 86.17.

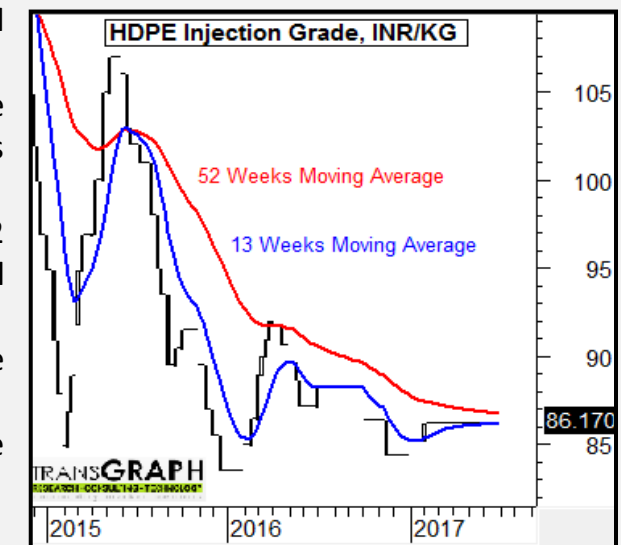
Closed Positions Audit

Market	Period	Procurement savings % (Bettering the market average)	
India HDPE Injection Spot INR/Kg	2009 to Till Date	0.68%	
	June 2017	0.00%	

* Please contact Engagement manager for forward / long term buying strategies

Technical Outlook: India HDPE Injection INR/Kg

- ❖ HDPE Injection prices have is seen trading mixed around INR 86.17 for past few months.
- ❖ Prices are holding around its six month average thereby indicating that further extension of gains towards INR 88 in coming few weeks.
- ❖ For the long term prices are hovering below its 52 weeks average however lower swings are well protected.
- ❖ On upside, INR 88 can act as immediate resistance.
- ❖ On downside, INR 85.17 acts as immediate support followed by INR 84.



Concisely, HDPE prices are likely to find support above INR 84 and trade higher towards INR 88 in coming 3 to 5 weeks.

Procurement Strategy: India HDPE Injection

India HDPE Injection Procurement Strategy for spot month*

Open Position	Pricing Window			Already Priced	
	Start	End	Avg Till Date	Weighted Average Price	Quantity
	01 June	30 June	86.17	--	0.00%

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Procurement Strategy: India LDPE Injection

India LDPE Injection Procurement Strategy for spot month*					
Open Position	Pricing Window			Already Priced	
	Start	End	Avg Till Date	Weighted Average Price	Quantity
	01 June 2017	30 June 2017	123.69	123.69	100.00%
Strategy Review				Yet to be Priced (Remaining quantity)	
				NA	0%
	100% of June'17 buying requirements covered at average of INR 123.69 compared to market average of INR 123.69.				
Closed Positions Audit	Market	Period	Procurement savings % (Bettering the market average)		
	India LDPE Injection	2009 to Till Date	0.94%		
	Spot INR/Kg	June 2017	0.00%		

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Strategy Review

100% of June'17 buying requirements covered at average of INR 94.50 compared to market average of INR 94.50.

Closed Positions Audit

Market	Period	Procurement savings % (Bettering the market average)
India LLDPE Injection	2009 to Till Date	0.69%
Spot INR/Kg	June 2017	0.00%

* Please contact Engagement manager for forward / long term buying strategies

Procurement Strategy: India PP Injection

India PP Injection Procurement Strategy for spot month*					
Open Position	Pricing Window			Already Priced	
	Start	End	Avg Till Date	Weighted Average Price	Quantity
	01 June 2017	30 June 2017	80.59	81.49	100.00%
Strategy Review				Yet to be Priced (Remaining quantity)	
				NA	0%
	100% of June'17 buying requirements covered at average of INR 81.49 compared to market average of INR 80.05.				
Closed Positions Audit	Market	Period	Procurement savings % (Bettering the market average)		
	India PP Injection	2009 to Till Date	0.82%		
	Spot INR/Kg	June 2017	-1.24%		

* Please contact Engagement manager for forward / long term buying strategies

Procurement Strategy: India LLDPE Injection

India LLDPE Injection Procurement Strategy for spot month*					
Open Position	Pricing Window			Already Priced	
	Start	End	Avg Till Date	Weighted Average Price	Quantity
	01 June 2017	30 July 2017	94.50	94.50	100%
Strategy Review				Yet to be Priced (Remaining quantity)	
				NA	0.00%
	100% of June'17 buying requirements covered at average of INR 94.50 compared to market average of INR 94.50.				
Closed Positions Audit	Market	Period	Procurement savings % (Bettering the market average)		
	India LLDPE Injection	2009 to Till Date	0.94%		
	Spot INR/Kg	June 2017	0.00%		

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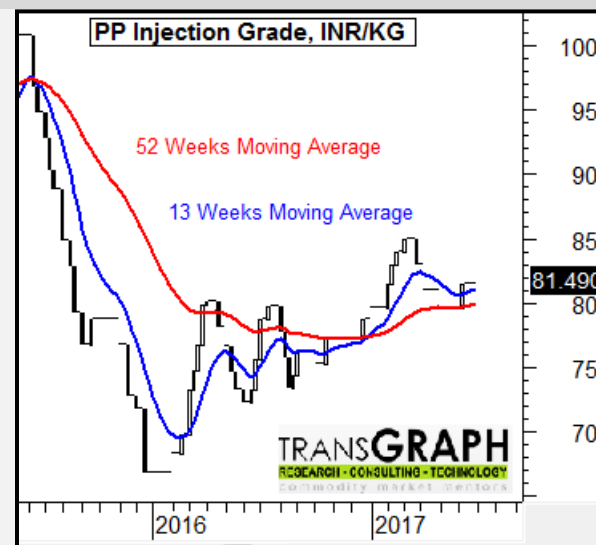
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Technical Outlook: India PP Injection INR/Kg

- ❖ PP Injection grade prices traded mixed and closed unchanged at INR 81.49 in the last week.
- ❖ After posting high of INR 84.92 on Mar'17 prices continued to drift down however seen getting support around medium term averages.
- ❖ On downside, INR 79 should act as immediate support followed by INR 77.
- ❖ On upside, INR 81 can act as immediate resistance.



Concisely, prices are likely to trade higher towards INR 85 by holding above INR 79 in coming 3 to 5 weeks.

Procurement Strategy: India PET Bottle Grade

India PET Bottle Grade Procurement Strategy for spot month*

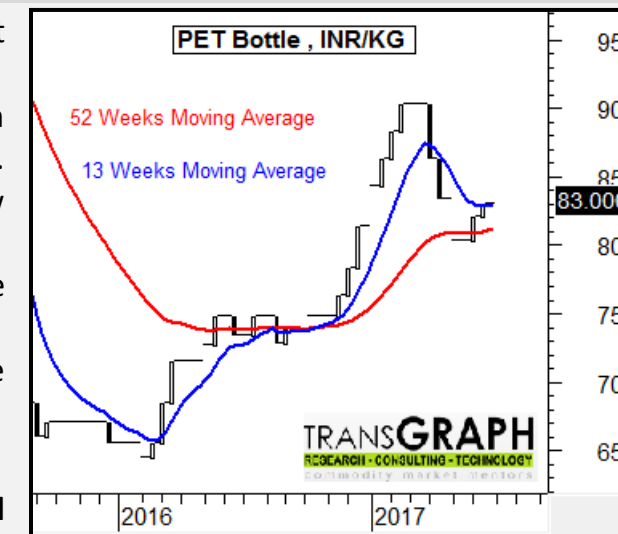
Open Position	Pricing Window			Already Priced	
	Start	End	Avg Till Date	Weighted Average Price	Quantity
	01 June 2017	30 June 2017	82.46	82	100.00%
				Yet to be Priced (Remaining quantity)	
				NA	0.00%
Strategy Review	100% of June'17 buying requirements covered at average of INR 82.00 compared to market average of INR 81.22.				
Closed Positions Audit	Market	Period	Procurement savings % (Bettering the market average)		

India PET Bottle Grade Spot INR/Kg	2009 to Till Date	0.98%
	June 2017	-0.96%

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Technical Outlook: India PET Bottle Grade INR/Kg

- ❖ PET bottle prices traded mixed and closed at 82.00 in the last week.
- ❖ Prices after posting a high of INR 90.30 on Mar'17 prices continued to drift down sharply. However, holding around 80.30 for past few weeks.
- ❖ On downside, INR 80.30 can act as immediate support.
- ❖ On upside, INR 83.30 would act as immediate resistance.



Concisely, prices are likely to stay above 80.30 and trade towards INR 83.30 ahead of tuning lower again in the coming 3 to 5 weeks.

Market Prices

Market	Commodity	29-Jun-17	15-Jun-17	Change	% Change
Brent spot	Crude oil, USD/barrel	47.07	45.06	2	4.5%
Tokyo spot	Naphtha, USD/MT	411.25	411.00	0	0.1%
CFR India	Ethylene, USD/MT	885	885	0	0.0%

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CFR India	Propylene, USD/MT	775	740	35	4.7%								
CFA India	PTA, USD/MT	625	640	-15	-2.3%	Jindal polyfilms	BOPP 12 micron clear film, Mumbai, INR/Kg	132	132	0	0.0%		
CFR India	MEG, USD/MT	805	810	-5	-0.6%	Jindal polyfilms	BOPP 12 micron plain Hyderabad, INR/Kg	147	147	0	0.0%		
RIL basic rates	HDPE Injection, INR/Kg	86.17	86.17	0	0.0%	Jindal polyfilms	BOPP 15 micron clear film, Mumbai, INR/Kg	122	122	0	0.0%		
RIL basic rates	HDPE Blow moulding, INR/Kg	86.03	86.03	0	0.0%	Jindal polyfilms	BOPP 18 micron Metalized, Mumbai, INR/Kg	138	138	0	0.0%		
RIL basic rates	HDPE Film, INR/Kg	85.20	85.20	0	0.0%	Jindal polyfilms	BOPP 18 micron metallized, Hyderabad, INR/Kg	NA	NA	--	--		
RIL basic rates	LDPE Injection, INR/Kg	123.69	123.69	0	0.0%	Jindal polyfilms	BOPP 18 micron plain Hyderabad, INR/Kg	146	146	0	0.0%		
RIL basic rates	LDPE Milk pouch, INR/Kg	122.87	122.87	0	0.0%								
RIL basic rates	LDPE General, INR/Kg	118.58	118.58	0	0.0%								
RIL basic rates	LLDPE Injection, INR/Kg	94.50	94.50	0	0.0%								
RIL basic rates	LLDPE Film, INR/Kg	89.99	89.99	0	0.0%								
RIL basic rates	LLDPE Extrusion coating, INR/Kg	91.78	91.78	0	0.0%								
RIL basic rates	PP Injection, INR/Kg	81.49	81.49	0	0.0%								
RIL basic rates	PP Random Copolymer, INR/Kg	94.56	94.56	0	0.0%								
RIL basic rates	PP BOPP Homopolymer, INR/Kg	87.69	87.69	0	0.0%								
RIL basic rates	PP Block Copolymer, INR/Kg	87.27	87.27	0	0.0%								
RIL basic rates	PET Bottle grade, INR/Kg	82.00	82.00	0	0.0%								
Jindal polyfilms	BOPET 12 micron clear film, Mumbai, INR/Kg	89	89	0	0.0%								
Jindal polyfilms	BOPET 12 micron METPET, Hyderabad, INR/Kg	NA	NA	--	--								
Jindal polyfilms	BOPET 12 micron METPET, Mumbai, INR/Kg	106	106	0	0.0%								
Jindal polyfilms	BOPET 12 micron plain Hyderabad, INR/Kg	124	124	0	0.0%								
Jindal polyfilms	BOPET 8 micron METPET, Hyderabad, INR/Kg	NA	NA	--	--								

HDPE, LLDPE, PP and PET prices are RIL basic prices in INR/Kg
 LDPE prices are Indian producer basic prices in INR/Kg (inclusive of excise duty)
 BOPP and BOPET film prices are monthly producer basic prices in INR per Kg (Exclusive of VAT)

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Report	Coverage #	Price Outlook & Strategies
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Quarterly Paper and Paperboards special report	FA, BS, PO, FF, MP, 2M, 4M	
Bi-Weekly Indian Polymers price outlook and strategy	NU, FA, TA, PO, PS, FF, MP, 2W, 1M	HDPE, LDPE, LLDPE, PP, PET, India –RIL, Crude Oil, Naphtha, Ethylene, Propylene, PTA, MEG
Bi-Weekly International Polymers price outlook and strategy	NU, FA, TA, PO, PS, FF, MP, 2W, 1M	Crude Oil, Naphtha, Ethylene, Propylene, PTA, MEG, ASIA (SOUTH KOREA): HDPE, LDPE, LLDPE, PP, PET; MIDDLE EAST (SAUDI ARABIA): HDPE, LDPE, LLDPE, PP; EUROPE (GERMANY): HDPE, LDPE, LLDPE, PP, PET
Quarterly Polymers special report	FA, BS, PO, FF, MP, 2M, 4M, 6M	
Quarterly Laminates special report	FA, BS, PO, FF, MP, 2M, 4M, 6M	

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News Update **NU**, Fundamental Analysis **FA**, Balance Sheets **BS**, Weather Analysis **WA**, Policy Impact **PI**, Technical Analysis **TA**, Trading Strategies **TS**, Procurement Strategies **PS**, Price Outlook **PO**, Market Intelligence **MI**, Facts & Figures **FF**, Market Prices **MP**, Price Spreads **PS**, Forward Curves **FC**, Elliott Wave Analysis **EWA**, 5D, 2W, 6W, 2M, 4-6M

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