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Headline: Polyplex spreads its reach Polyester film maker, one of...

POLYPLEX SPREADS ITS REACH
Polyester film maker, one of the top gainers on the SET in recent months, wants to expand in Asia as margins and demand grow. **Asia Focus, B10**

Polyplex spreads its reach

Polyester film maker, one of SET's top performers last year, wants to expand as margins and demand grow. By **Umesh Pandey**

The plant in Turkey (above), which is bigger than PTL's plant in Thailand, caters to Eastern and Southern Europe, the United States, North Africa and Russia.

Polyplex (Thailand) Plc, a unit of India-based Polyplex Corp, has set its sights on expanding its operations both in Thailand and across the region as part of rising demand in Asia, although it is likely to face the wrath of suppliers in the region.

"Demand growth from China and India is likely to be in the double-digits," said Rohit Vashistha, managing director of Polyplex (Thailand).

Shares of Polyplex (PTL) were shunned by most investors on the Stock Exchange of Thailand until the recent rise in margins helped push it to a high of around 40 baht from 6.20 in January 2010 and 3.50 baht in January 2009.

Vashistha: Margins to remain firm for awhile

PTL, which operates in the packing business, had its margins reach more than 2.5 times the normal levels thanks to a supply shortage and increased applications for its polyester (PET) films in products such as solar panels and LED/LCD monitors.

"During the bad stretch our margins fell to about $0.75 to $0.80, but now they are among the highest in our history," he said.

He added that although the market expects this level to be unsustainable, his view is the margins may remain firm for a while.

Like any industry that witnesses a sharp increase in margins, it has attracted investors to ramp up their production and the entry of new players. The industry is expected to see an influx of new capacity over the next 12-18 months, especially in India and China.

The current shortage in the market requires about 15 new lines, and Mr Vashistha said his company expected at least six to seven new lines per year over the next few years.

As many as 20 to 25 more lines with 30,000 tonnes of capacity each are being planned for the next few years, although some may not be built as supply shocks deter some investors.

"Every time there is a new line that opens up, the added supply will bring down prices," he said.

PTL views such supply shocks as a way to expand its operations into markets where its presence is limited.

PTL's parent company is already managing the Indian market, but both the parent and PTL lack a presence in China, leading PTL to set up a trading company there.

"It will be used to build a footprint in China, as starting a greenfield project is not worth the effort," he said, adding it takes two years to build a new plant.

Technology is one reason the company has not been able to acquire any new plants the past few years. But with the recent addition of capacity and the resulting new technology the company is open to opportunities.

"We remain open to acquisitions in China if an oversupply occurs," he added while stressing the need to be close to customers.

Being close to customers was the reason PTL invested in its production capacity in Turkey a few years ago. The

Turkish plant is a wholly-owned subsidiary of PTL.

"We built the Turkish plant because it was near the market and we could serve the customers faster and bring down the lead time to deliver the goods," he said. The plant in Turkey caters to Eastern Europe and Southern Europe, where demand remains strong.

The Turkish plant is bigger than PTL's plant in Thailand and also caters to the United States, North Africa and Russia.

Both the Thai and Turkish plants export about 85% of their products. The Thai facility exports $110 million of its $140 million in production each year.

It also wants to develop value-added products to raise its margins further. Diversification into other products related to its business remains a possibility, although nothing has been firmed up.

Despite the robust growth in the region, Mr Vashistha warns that total reliance on Asia could affect pricing strategy.

Asians are very price sensitive and markets such as China buy 80% of their PET film on the spot market, leaving only 20% looking for long-term contracts, a fact that makes planning for the future difficult.

"There is very much a bargaining behaviour among Asians and there is very little about long-term relationships," he said.