PVC Industry: Import Dependency Set to Halve Below 30% by FY27

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Synopsis

- Demand for Polyvinyl Chloride (PVC) resin in India has witnessed a healthy growth at a CAGR of 6.2% during FY20-FY25, reaching 4.7 Million Metric Tonne (MMT) during FY25, on the back of strong demand from end-user industries supported by favourable government policies. PVC demand is expected to grow by ~8% per annum to reach ~5.5 MMT by FY27. Out of India's total demand for PVC, ~95% pertains to Suspension PVC resin, and the balance ~5% pertains to Paste PVC resin.
- Due to stagnant domestic manufacturing capacity at ~1.8 MMT over the past few years, the demand-supply gap widened from ~1.5 MMT in FY22 to ~3 MMT in FY25, which has been catered through a steady increase in imports, which constituted ~62% of total domestic PVC consumption in FY25. These imports have primarily come from China, Japan, Taiwan, South Korea and the USA.
- New PVC resin manufacturing capacity of ~2.5 MMT is expected to gradually come on stream in India by FY27, which is envisaged to reduce our import dependency from ~3 MMT in FY25 to an average of ~1.4 MMT in FY27.
- Surplus capacity and weak demand in major global economies resulted in substantial dumping of cheaper PVC in India during the last few years, which put pressure on domestic PVC prices and led to moderation of the PVC-EDC (Ethylene Dichloride) spread, impacting the profitability of India's PVC players.
- Going forward, PVC-EDC spread is expected to remain under pressure at below 400 USD/MT in H1FY26 amidst continued demand slowdown in major economies and ongoing trade war. However, with BIS quality standards for import of PVC resin slated to become effective from end-June 2025 and likely imposition of anti-dumping duty on Suspension PVC resin imports subject to final findings of the DGTR, the PVC-EDC spread is expected to improve to ~500 USD/MT in H2FY26, thereby helping Indian PVC players.

Strong domestic PVC Demand; Consumption Projected at ~5.5 MMT by FY27

PVC resin (suspension & paste) primarily finds application in end-use sectors such as irrigation systems (pipes), real estate (plumbing and building materials), infrastructure (water supply and sanitation) and automotive. PVC resin is mainly used in the manufacturing of products, such as pipes & fittings (~80% demand) and wires & cables (~7%) amongst others, which are mainly used in the above-mentioned end-use sectors.

Demand for PVC resin has witnessed healthy growth at a CAGR of 6.2% during FY20-FY25. PVC resin demand increased to 4.7 MMT during FY25, with ~11% y-o-y growth, on the back of strong demand from end-user sectors supported by favourable government policies such as Pradhan Mantri Awas Yojana, Jal Jeevan Mission, etc. Going forward as well, CareEdge Ratings expects PVC demand momentum to continue with expected growth of ~8% per annum to reach 5.5 MMT by FY27 on the back of strong demand from end-user sectors, considering the existing low per capita consumption of PVC.

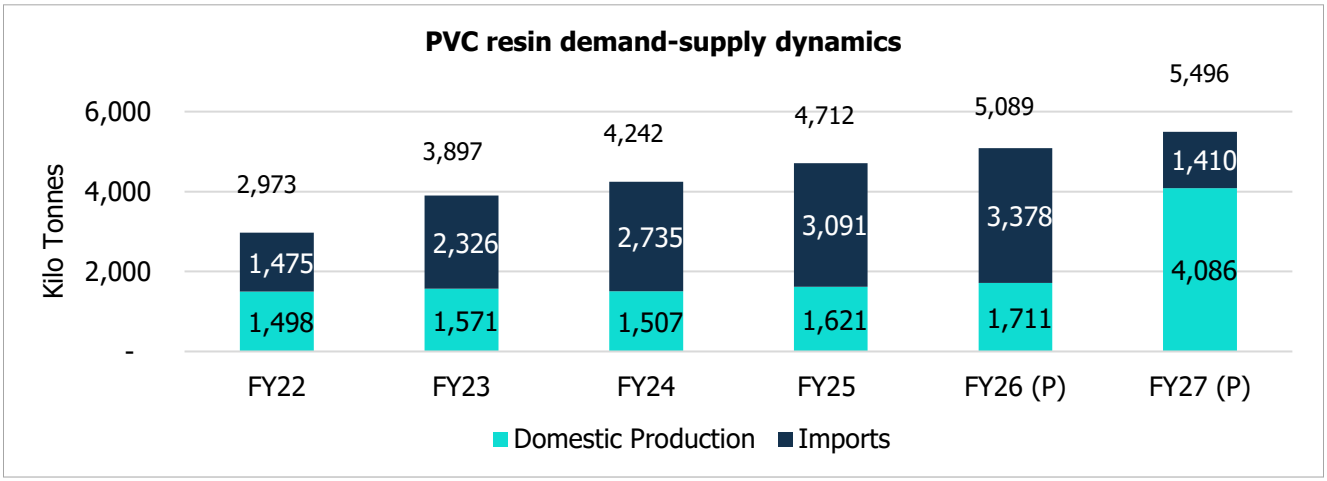
On the back of strong demand growth coupled with stagnant domestic manufacturing capacity at ~1.8 MMT over past few years, the demand-supply gap for PVC resin widened from ~1.5 MMT in FY22 to ~3 MMT in FY25 which

has been catered through steady increase in imports primarily from China, Japan, Taiwan, South Korea and the USA.

Significant Domestic Capacity Planned to Cut Import Dependency

Considering the robust and sustainable demand for PVC resin witnessed in the last few years, top five players are setting up large-scale manufacturing capacities. Incremental PVC resin manufacturing capacity of ~2.5 MMT is expected to come on stream by FY27. With that, CareEdge Ratings expects India's import dependency for PVC resin to decline from ~3 MMT in FY25 to an average of ~1.4 MMT in FY27.

However, sizeable import dependency is expected to continue for PVC resin in the foreseeable future due to the non-availability of an adequate and reliable supply for the key raw material, i.e., EDC, which could restrict further large capacity additions by PVC industry players.

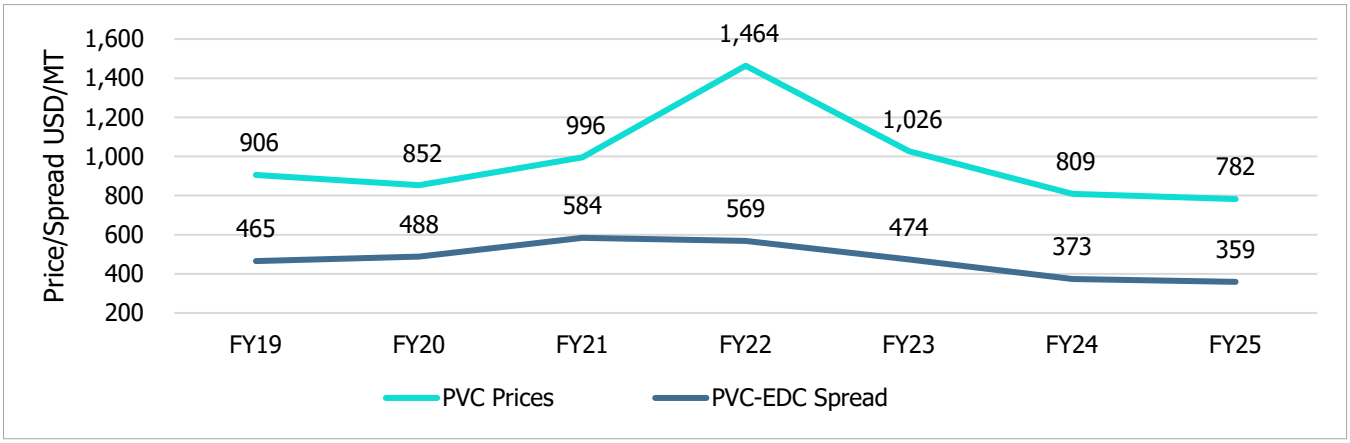


Source: Company Annual Reports/Presentations, Chemicals & Petrochemicals Manufacturers' Association

PVC-EDC Spread Expected to Improve from H2FY26

In the immediate aftermath of the COVID-19 pandemic, domestic PVC prices and PVC-EDC spread improved in FY21 and FY22 due to supply-side challenges. Thereafter, PVC prices corrected significantly in FY23 with supply returning to normalcy, which was simultaneously accompanied by a slowdown in global demand. During FY24-FY25, amidst challenging global macroeconomic conditions, international demand for PVC remained subdued, leading to an oversupply in the global market. This surplus was redirected to countries like India, where demand for PVC was strong.

Due to excess capacity and weak demand in China, India witnessed sizeable dumping of PVC from China during the last few years. Imports from China, which accounted for only ~3% of total PVC imports in India during FY20, rapidly increased to ~40% in FY25. Also, weak demand in the USA led to diverting surplus production to the Indian market. This put sustained pressure on PVC prices, which declined by 24% from 1,026 USD/MT in FY23 to 782 USD/MT in FY25, consequently resulting in a similar moderation in PVC-EDC spread, impacting the profitability of PVC players.



Source: CMIE, Company Investor Presentations; Note: PVC prices pertain to CFR prices of suspension PVC resin in Asia.

During February 2024, the Department of Chemicals and Petrochemicals issued a quality control order making a BIS certificate mandatory for PVC imports, which is expected to become effective from June 24, 2025, after a few postponements. Also, in October 2024, the Directorate General of Trade Remedies (DGTR), in its preliminary findings, recommended imposition of an Anti-Dumping Duty (ADD) of up to 339 USD/MT on imports of Suspension PVC resin from seven countries, namely China, Indonesia, Japan, South Korea, Taiwan, Thailand and the USA, to safeguard domestic manufacturers. ADD could be implemented after the DGTR submits the final findings and gets approval from the Ministry of Finance. Furthermore, in March 2025, the Ministry of Finance has notified ADD of up to 707 USD/MT on imports of Paste PVC resin from China, South Korea, Malaysia, Norway, Taiwan, and Thailand.

Details of ADD on imports of PVC resin from major exporting countries:

ADD (USD/MT)	Japan	China	Taiwan	South Korea	USA
Active ADD on Paste PVC resin	#	up to 707	up to 373	up to 89	-
Proposed ADD on Suspension PVC resin	up to 147	up to 167	up to 163	up to 161	up to 339

#Currently, DGTR is undertaking an anti-dumping investigation concerning imports of Paste PVC resin originating or exported from European Union and Japan.
Source: www.dgtr.gov.in

CareEdge Ratings expects the PVC-EDC spread to remain under pressure at below 400 USD/MT in H1FY26, amidst a slowdown in major global economies and the ongoing trade war, despite strong domestic demand. However, with BIS quality standards becoming effective shortly and the likelihood of imposition of ADD on imports of Suspension PVC resin, PVC-EDC spread is likely to improve to ~500 USD/MT in H2FY26, thereby helping domestic PVC manufacturers.

CareEdge Ratings' View

"CareEdge Ratings anticipates a pivotal shift in India's PVC resin market, marked by robust expected annual demand growth of ~8%, reaching 5.5 MMT by FY27. The upcoming addition of ~2.5 MMT domestic capacity by FY27 is expected to more than double the current production levels, reducing import reliance to an average of ~1.4 MMT, i.e. reduction in imports from ~62% in FY25 to ~30% of overall domestic consumption in FY27. Furthermore, the anticipated enforcement of BIS quality standards and expected imposition of Anti-Dumping Duty on Suspension PVC resin is likely to curb low-priced imports, support domestic price recovery, and thus improve PVC-EDC spread to around USD 500/MT in H2FY26", said Rohan Deshmukh, Assistant Director at CareEdge Ratings.

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