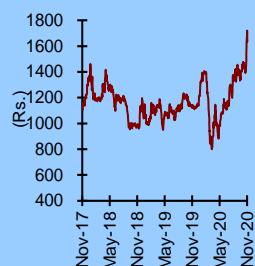
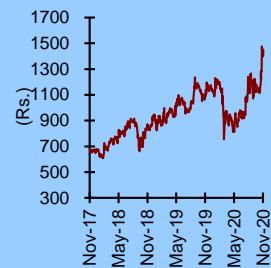
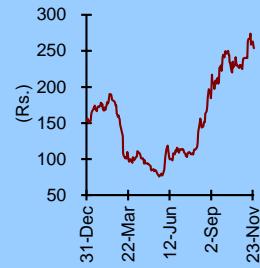


Sector update

Plastics

Supreme Industries
(BUY)Astral Poly Technik
(ADD)Price Pipes & Fittings
(BUY)

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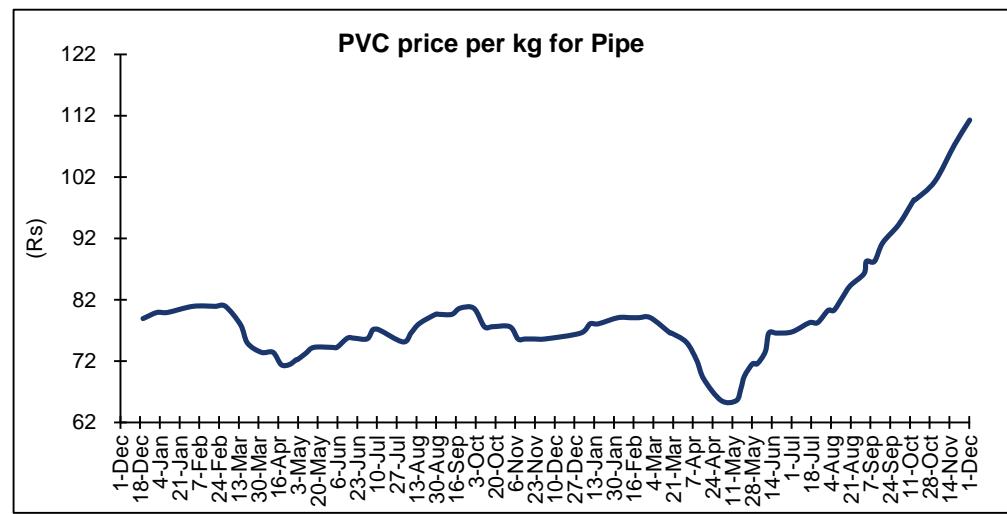
Polymer price tracker

PVC prices continue to tread higher

PVC price uptrend continues with another hike of Rs4/kg, or 3.7%, w.e.f. 1st Dec'20. This is the fifth price hike in PVC in Q3FY21 (+22%) after increase of Rs14.5/kg, or 18.9%, in Q2FY21. The rally, which started with sharp spurts in May'20 and Jun'20, has now extended into Q3FY21 as well. Now at Rs111.3/kg, PVC prices have risen 69.8% since 1st May'20. The surge has been led largely by sustained supply-side issues globally. The sustained record-high prices in PVC resin are likely to provide a fillip to organised PVC pipe manufacturers with consolidation expected to gather pace as regional and unorganised players continue to face issues w.r.t. polymer sourcing and higher working capital requirements. We prefer Astral Poly Technik (ASTRA) over Prince Pipes and Fittings (PPF) and Supreme Industries (SI).

- **Global supply shortage pushes PVC prices to new highs with another hike of Rs4/kg.** With uptick in trade activities across the globe and recovery in crude prices, PVC prices recovered fully in Q1FY21 itself. Thereafter, prices started trending higher again with hikes totaling Rs14.5/kg, or 18.9%, in Q2FY21. The latest hike of Rs4/kg is the fifth in Q3FY21 and results in an overall 22% rise in the current quarter. These price increases are largely attributable to persistent supply-side issues globally. While PVC pipe distributors continue to have leaner channel inventory post Covid outbreak, the sustained price hikes might tempt them to resort to higher channel filling to benefit from the trend of increasing prices.

Chart 1: PVC price movement post Dec'18



Source: Company data, I-Sec research

- **Consolidation in PVC pipe segment to pick pace.** We believe, with tight supply and higher prices of PVC resin, the regional and unorganised players are likely to face huge sourcing and working capital challenges in the near term. This is likely to boost volume growth of top organised players in the near to medium term by virtue of strong market share gains.
- **PVC pipe players can outperform CPVC pipe manufacturing companies in 9MFY21.** We expect PVC pipe players to outperform their CPVC counterparts in 9MFY21 due to sharp spurt in PVC prices over the past seven months and higher agriculture pipe sales. The spike in PVC prices and the likely improvement in volumes since the second half of Q1FY21, would aid PVC pipe players to report a much better performance in 9MFY21 than envisaged earlier.

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