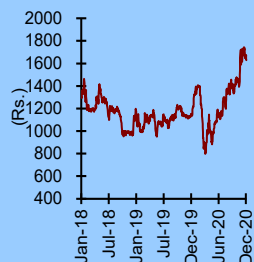


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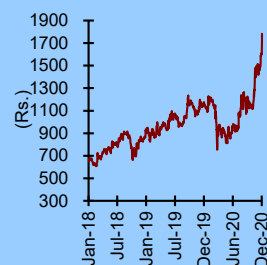
### Sector update

## Plastics

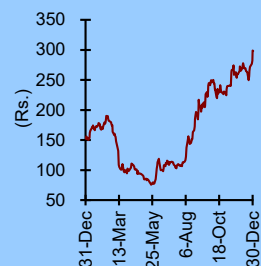
### Supreme Industries (BUY)



### Astral Poly Technik (ADD)



### Price Pipes & Fittings (BUY)



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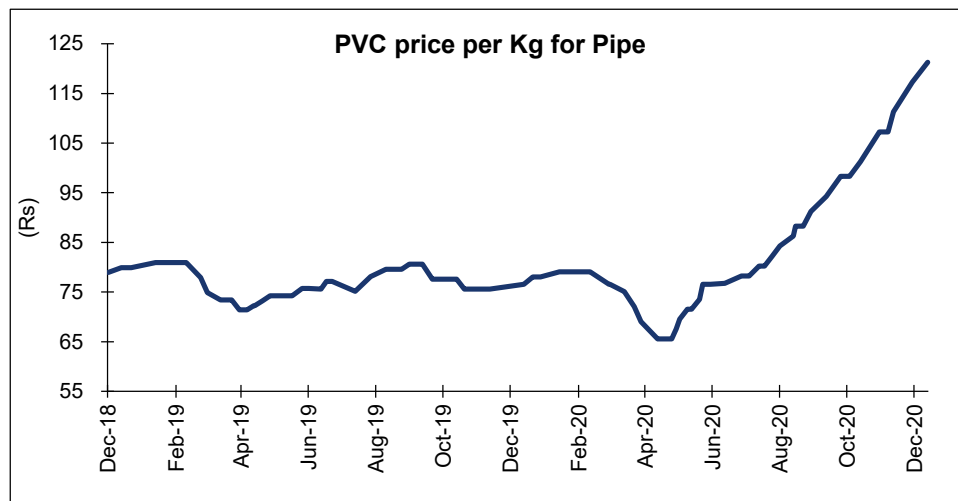
## Polymer price tracker

### Uptick in PVC prices continue unabated

PVC price uptrend continues with another hike of Rs4/kg, or 3.4%, w.e.f. 1<sup>st</sup> Jan'21. This is the seventh price hike in PVC in Q3FY21 (+Rs30/kg or 33%) after an increase of Rs14.5/kg, or 18.9%, in Q2FY21. The rally, which started with sharp spurt in May'20 and Jun'20, has now extended into Q3FY21 as well. PVC prices, which are now at Rs121.3/kg, have risen 85% since 1st May'20. The surge has been largely led by sustained supply-side issues globally. The record higher prices in PVC resin is likely to provide a major 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, PVC prices started trending higher again with hike of Rs14.5/kg, or 18.9%, in Q2FY21. The latest hike of Rs4/kg is the seventh price hike in Q3FY21 and results in an overall 33% hike in Q3FY21. These price hikes are largely attributable to persistent supply-side issues globally. While pipe distributors continue to have leaner channel inventory post Covid outbreak, these sustained price hikes might tempt PVC pipe distributors to resort to higher channel filling to benefit them from the increasing trend in prices.

Chart 1: PVC price movement post Dec'18



Source: Company data, I-Sec research

- **Consolidation in PVC pipes segment to pick up pace.** We believe with tight supply and higher prices of PVC resin; the regional and unorganized players are likely to face huge sourcing and working capital challenges in the near term. This is likely to boost the volume growth of top organized 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. 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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