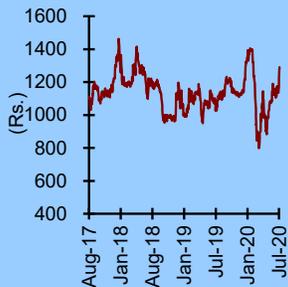
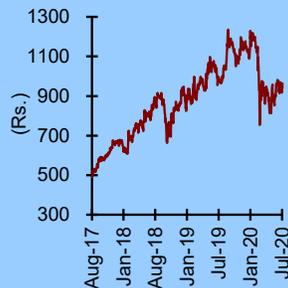


Plastics

Supreme Industries (HOLD)



Astral Poly Technik (HOLD)



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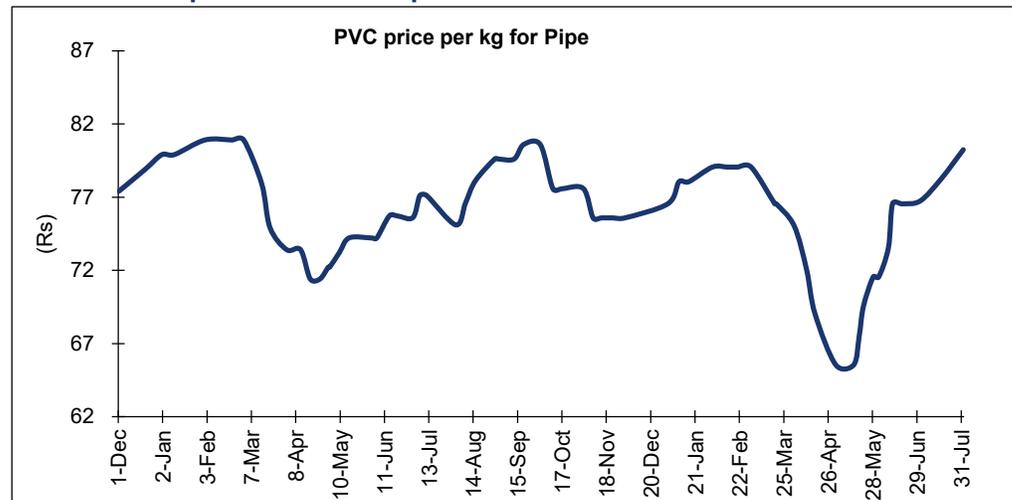
Polymer price tracker

PVC prices on a roll, again

PVC prices increase further by Rs2/kg or 2.5% w.e.f. 1st Aug'20. This is the second price hike in Q2FY21-TD after a sharp spurt in May'20 and Jun'20. PVC prices, which now stand at Rs80.3/kg, have risen by 21% since 1st May, 2020. The surge in prices is largely led by higher international PVC prices amid supply-side woes. This, we believe, would provide a fillip to PVC pipe manufacturers (by way of higher channel filling) who have been grappling with the Covid-19 led intermittent lockdowns. We continue to prefer Astral Poly Technik (ASTRA) over Supreme Industries (SI).

- **Back-to-back price hike in PVC prices in Q2FY21.** Covid-19 outbreak and its impact on global demand in the near term had led to a sharp fall in PVC prices in India. However, with the uptick in trade activities across the globe and recovery in crude prices, PVC prices recovered fully in Q1FY21 itself. Prices now have again started trending up after a breather of almost one month (since the spurt witnessed in May and Jun) with a hike of Rs1.5/kg or 2% on 16th Jul'20 and another hike of Rs2/kg or 2.5% w.e.f. 1st Aug'20. Despite likely demand woes in the near term amid Covid-19 concerns, the recent increase in PVC prices is likely to drive channel restocking with the trade sitting on reasonably lean inventory at the moment.

Chart 1: PVC price movement post Dec'18



Source: Company data, I-Sec research

- **Implementation of CPVC pipe price hike remains uncertain.** Top CPVC pipe players took 3-5% price hike in the first week of Mar'20. There was a further price hike announcement of 4-5% by a few large CPVC pipe players in the first week of Jun'20. However, our channel checks suggest the same has not been effective in the trade yet.
- **PVC pipe players likely to outperform CPVC pipe manufacturing companies in H1FY21.** We expect PVC pipe players to outperform their CPVC counterparts in H1FY21 due to higher demand for agricultural PVC pipes and sharp spurt in PVC prices over the last three months. The sharp recovery seen in PVC prices and the likely improvement in PVC volumes since the second half of Q1FY21 would aid PVC pipe players report a much better performance in H1FY21 than envisaged earlier.

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