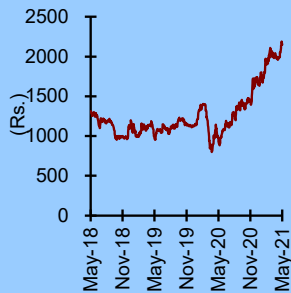


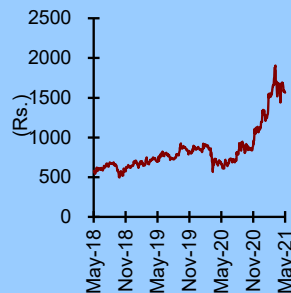
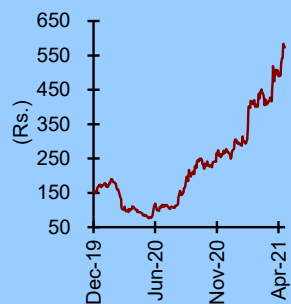
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Sector update

Plastics

Supreme Industries
(ADD)

Astral Ltd (BUY)

Price Pipes & Fittings
(BUY)

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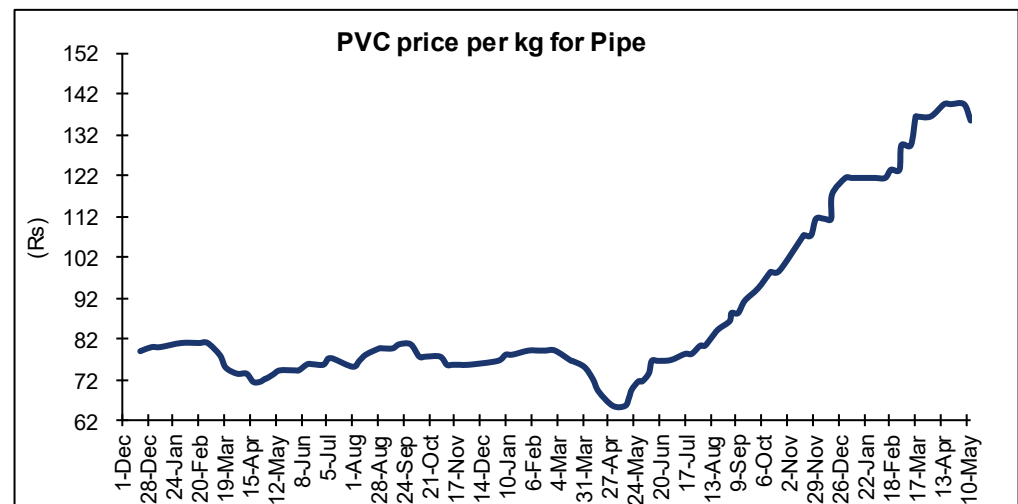
Polymer price tracker

PVC prices fall after a year; volatile journey ahead

PVC prices have finally declined after a year by Rs4/kg, or 2.9%, to Rs135.3/kg w.e.f. 13th May'21. This decline puts an end to the longest rally in PVC prices. After an increase of Rs19/kg, or 16.2%, in Q4FY21, PVC prices have fallen by 0.7% in Q1FY22-TD. While the price surge in FY21 was led largely by sustained supply-side issues globally amid domestic intermittent lockdowns, the recent fall is essentially a result of expected imports of calcium carbide based PVC imports from China in the near term. Global prices however continue to tread higher. With this price fall, we expect PVC pipe players to face volume squeeze in the next couple of months as traders might expect a material price fall going forward. CPVC pipe prices on the other hand are likely to surge going ahead. We thus prefer Astral (ASTRA) over Prince Pipes and Fittings (PPF) and Supreme Industries (SI).

- **PVC prices see first fall in a year.** After an increase of PVC prices from Rs65.6/kg in May'20 to Rs139.3/kg in May'21, prices have finally fallen – by Rs4/kg – to Rs135.3/kg. The fall is attributable largely to India market while global PVC prices remain firm at elevated levels. The decline is largely a result of expected imports of calcium carbide based PVC (into India) from China in the near term.

Chart 1: PVC price movement post Dec'18



Source: Company data, I-Sec research

- **Near-term pressure on PVC prices may impact volumes/margins for PVC pipe players.** With the fall in PVC prices, traders in the segment are likely to remain wary of further fall over the next couple of months, and that is likely to impact volumes of players like SI and PPF in the near term. However, considering the volatility in PVC prices going forward, we continue to expect consolidation from unorganised to organised segment and thus likely market share gains for top PVC pipe players.
- **CPVC pipe players expected to report healthy volume growth in near term.** We expect CPVC pipe players to outperform their PVC pipe counterparts in terms of volume growth in the near term due to likely increase in CPVC prices and restocking due to the same. Also, with CPVC pipe prices expected to trend higher in the near term, we expect players in the segment to continue to witness strong volume traction and inventory gains. Hence, we prefer ASTRA over SI and PPF.

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