

 **BUILDING MATERIALS**

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Plastic pipe channel check reveals muted demand in Q3

- Plastic pipe demand environment remained weak on a YoY basis in Q3FY25 due to muted construction activity
- Plastic pipe average realisation to be down in the mid-single digit in Q3FY25 due to the decline in PVC resin prices (-8% QoQ)
- Pipe channel inventory is below normal level; SI continues to follow an aggressive pricing strategy to gain market share in retail segment

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We recently interacted with 14 plastic pipe dealers pan-India (West: 5; North/Central: 4; South: 4; East: 1) to gauge plastic pipe demand and pricing scenarios in Q3FY25, near-term outlook and the industry-competitive landscape.

Demand: Our interaction with pipe dealers indicates that pipe demand was weak on a YoY basis in Q3FY25 due to muted construction activity, impact of state elections and heavy monsoon in few regions. Going ahead, dealers have guided for a mixed outlook as few dealers expect the demand environment to improve in the near term as construction activity generally picks up in Q4 whereas others expect real estate activity to remain weak in the near future.

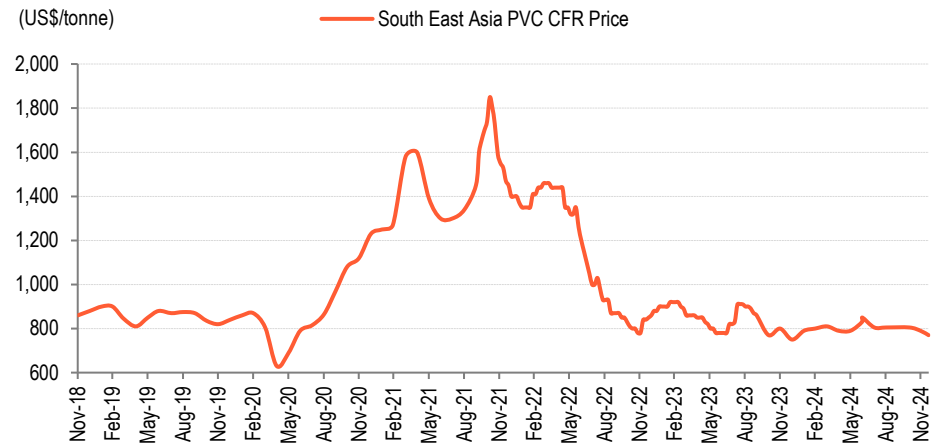
Pricing: Plastic pipe prices were relatively stable in Q3 due to the marginal rise in PVC resin prices (+1%) over the end of Sep'24. However, we believe the plastic pipe realisation to be down in the mid-single digit on a QoQ basis in Q3FY25 due to the decline in domestic PVC resin price (-8% QoQ). Going ahead, we believe plastic pipe prices would harden in the case of recovery in global construction activity (as global PVC resin prices are trading well below historical average levels) and imposition of anti-dumping duty on PVC resin by the Indian government.

Channel inventory: Most dealers have indicated that their pipe inventories are below normal levels due to weak demand environment and volatile pipe prices.

Competitive landscape: As per our channel check, SI maintains its aggressive pricing strategy to gain market share (particularly in retail segment). Most pipe companies (except SI) hiked prices in the month of Oct'24, but they had to roll back their price hikes in Dec'24 due to weak demand environment and intense competition from SI. A few dealers indicated that ASTRA has reduced its pipe prices in Q3 in response to SI's aggressive pricing strategy, but still the company is selling its product at a premium to its major peers.

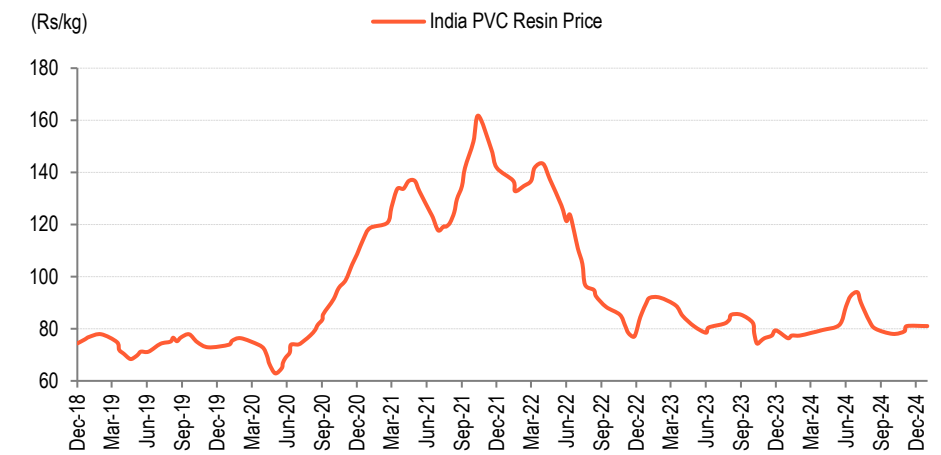


Fig 1 – We see limited downside risk to global PVC resin price as it is currently trading below historical average



Source: Bloomberg, BOBCAPS Research

Fig 2 – Domestic PVC resin price was up marginally by 1% over end of Sep'24, but it was down by 8% on a QoQ basis in Q3FY25



Source: Bloomberg, BOBCAPS Research

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