

BUILDING MATERIALS

09 September 2024

Plastic pipe channel check

- Demand was weak in the Jul-Aug'24 months, but it is likely to improve in the near future as resin prices appear to be near bottom levels
- UPVC pipe prices fell by 13-15% due to weak resin prices, but CPVC pipe prices moved up by 3-5% in Jul-Aug'24
- Pipe channel inventory is at a normal level; SI continues to follow an aggressive pricing strategy in the market

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Demand for pipes: Pipe demand was weak in the Jul-Aug'24 month on a YoY basis due to the impact of weak resin prices and heavy monsoon. Most dealers believe the demand momentum will improve from Sep'24 as resin prices appear to be near bottom levels and the monsoon season will end. However, few dealers expect demand conditions to improve from Dec'24.

Pricing of pipes: The prices of UPVC pipes corrected by 13-15% in Jul-Aug'24 due to weak resin prices. However, CPVC pipe prices rose by 3-5% in the month of Jul'24. Hence, we believe ASTRA is likely to relatively outperform in comparison to its peers in Q2FY25 due to its high exposure to CPVC piping system.

Channel inventory: Most dealers indicated that their pipe inventories are at normal levels as they are not expecting resin prices to correct sharply in the near future.

Competitive landscape: (a) SI maintains its aggressive pricing strategy to gain market share. (b) SI offers the lowest credit period to its dealers (15-20 days), followed by ASTRA (20-30 days), Ashirvad (30-45 days), PRINCPIP (21-60 days) and FNXP (0-60 days). (c) Large pipe companies with diversified manufacturing facilities (SI, ASTRA) can execute order deliveries in 0-1 days. However, it takes longer for companies with concentrated manufacturing facilities (FNXP, Ashirvad) to deliver to distant locations.

Feedback on select brands: (i) Most dealers have given positive feedback on SI. (ii) ASTRA charges a premium on its products compared to its peers, but has started providing incentives of 5-6% to push its product in the market. (iii) PRINCPIP lost market share in the past two years due to increased competition from large established brands (i.e. SI) in the retail segment, but it recently started cutting its product prices in line with the changes in resin prices on an immediate basis to regain lost market share, and started offering additional cash discounts to its dealers to reduce its credit period. (iv) FNXP is a strong player in agri pipe, but it is not able to create a good presence in the plumbing pipe portfolio due to relatively less aggressive pricing strategy.

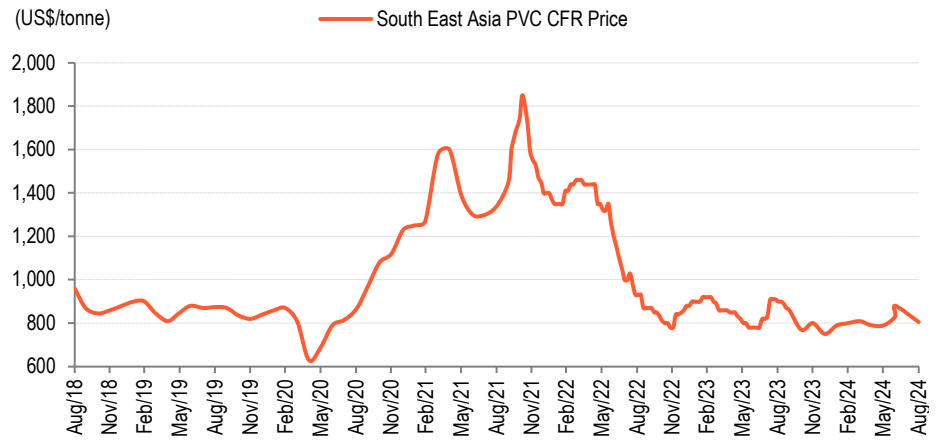
Recommendation snapshot

Ticker	Price	Target	Rating
APOLP IN	592	650	HOLD
ASTRA IN	1,917	2,200	HOLD
FNXP IN	311	325	HOLD
PRINCPIP IN	571	750	BUY
SI IN	5,303	5,400	HOLD

Price & Target in Rupees | Price as of 6 Sep 2024



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



Source: Bloomberg, BOBCAPS Research

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