

PLASTIC PRODUCTS

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Anti-dumping duty on CPVC – Astral Poly a key beneficiary

India's finance ministry has imposed provisional anti-dumping duty (ADD) on CPVC resin/compounds imported from China and Korea for a period of six months starting 26 August. All imports from these countries must now be within the notified range of US\$ 2,031-2,849/MT. We believe this duty augurs well for larger, organised domestic pipe players such as ASTRA (~35% of revenues from CPVC), SI (~10-12%) and FNXP (~8%), by way of spurring potentially higher volumes and inventory gains in H2FY20.

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- Volumes in the Indian CPVC market total ~162,450MT (FY18), of which the domestic industry accounts for ~2.4% and the balance is sourced from imports. China and Korea account for ~30% of CPVC resin/compound volumes imported into the country – tripling from 10% in FY15, as per finance ministry data.
- Our industry interactions indicate that regional and smaller players form a bulk of the buyers for Chinese and Korean CPVC resin/compound. The imposition of ADD will compel these players to take price hikes, thus making them uncompetitive against bigger organised players (who import majorly from US and Japan), by substantially narrowing the price differential.
- The duty in turn could prompt major Japan and US-based suppliers to take some price hikes, albeit nominal as they will look to draw volume share away from Chinese and Korean suppliers.
- We believe larger, organised domestic pipe players who source their raw material from markets like Japan and USA will be key beneficiaries of the new duty, led by better volume growth in H2FY20 as demand shifts away from Chinese/Korean CPVC users. Among our coverage stocks, Astral Poly Technik (ASTRA) stands to gain the most with ~35% of consolidated revenues derived from CPVC, followed by Supreme Industries (SI: ~10-12% share) and Finolex Industries (FNXP: ~8%).

Benefits beyond H2 will depend on continuation of the duty for more than six months. Some inventory gains may also accrue to CPVC players in near-term if their resin/compound suppliers take price hikes in the immediate future.

KEY RECOMMENDATIONS

Ticker	Price	Target	Rating
SI IN	1,143	1,135	ADD
FNXP IN	517	560	ADD
ASTRA IN	1,285	1,195	REDUCE

Price & Target in Rupees



Disclaimer

Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

ADD – Expected return from >+5% to +15%

REDUCE – Expected return from -5% to +5%

SELL – Expected return <-5%

Note: Recommendation structure changed with effect from 1 January 2018 (Hold rating discontinued and replaced by Add / Reduce)

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