

Future FOF dates

16th March 2023, Thursday - Wodehouse Gymkhana

20th April 2023, Thursday - CCI

18th May 2023, Thursday - CCI

20th June 2023, Tuesday - CCI



INDUSTRY, INVESTING

Discussion on the tiles sector and overall building materials industry

June 21, 2019 / Add comment

Nitty gritty of investing in building material companies and more specifically the tile companies. The talk covers the competition from unorganised players, export...



BUSINESS, INDUSTRY, KNOWLEDGE

Overview of the Paints Sector

November 20, 2020 / 1 comment

Raj Mehta explains the dynamics of the Paints industry and the competitive scenario within the industry. He also compares the top 4 players in the industry and...

Building material Industry Rs 950 bn

Segments

Sanitary ware
Rs40 bn

50%
organized

HSIL - 16%
Parryware - 14%
Cera - 12%

Faucets
Rs72 bn

40%
organized

Jaquar - 22%
Grohe - 5%
HSIL - 4%

Tiles
Rs271 bn

50%
organized

KCL - 9%
SCL - 7%
HRJ - 6%

Plywood
Rs189 bn

30%
organized

GIL - 6%
CPBI - 6%
Uniply - 1%

MDF
Rs16 bn

100%
organized

GIL - 30%
Action - 17%
Rushil - 10%

Laminates
Rs40 bn

65%
organized

GLL - 13%
Merino - 12%
CPL - 6%

Pipes
Rs250 bn

70%
organized

Supreme - 11%
Finolex - 9%
Astral - 6%

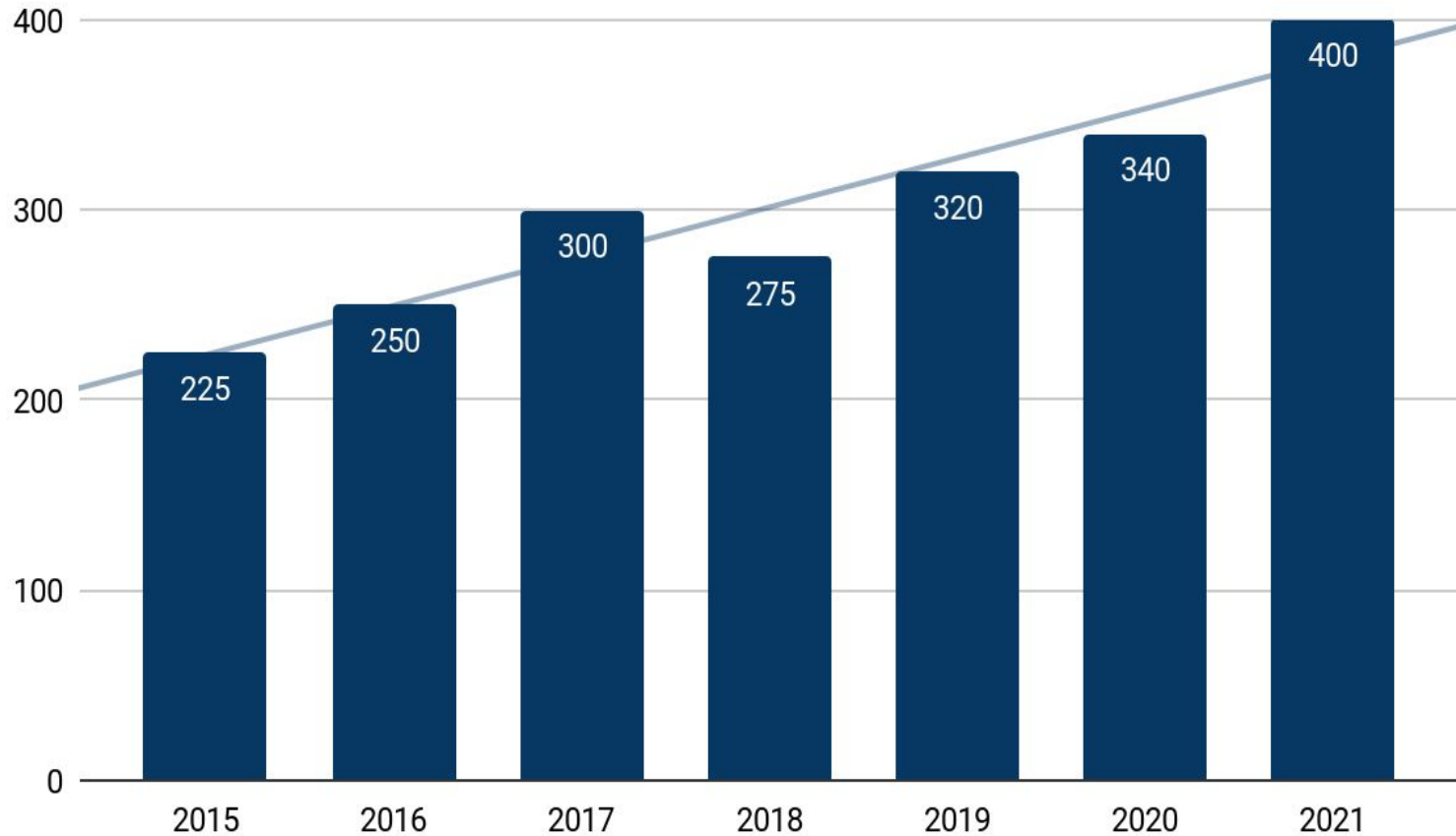
Others
Rs72 bn

	Plywood	MDF	Laminates	Tiles	Paints	Sanitaryware	Plastic pipes	Adhesives	Faucets
Major Players	Century Ply, Greenply	Greenply, Action, Rushil Decor	Greenlam, Marino, Century Ply, Rushil Decor	Kajaira, Somany,HR Johnson, Asian Granito	Asian Paints, Kansai Nerolac, Berger Paints, Akzo Nobel	Cera, HSIL, Parryware	Supreme, Astral Poly, Finolex, Prince Pipes	Pidilite, Astral Poly	Jaguar, Grohe, HSIL, Cera
Largest brand	Century Ply, Greenply	Greenply industries	Greenlam industries	Kajaria Ceramics	Asian Paints	Cera, HSIL, Parryware	Supreme Industries	Pidilite industries	Jaguar
Largest brand share	22%	30%	18%	22%	54%	39%	11%	70%	60%
Competitive intensity	Very high	Moderate	High	Very high	Moderate	High	High	Low	High
Share of unorganised players (%)	75-80%	0-5%	45-50%	50-55%	20-25%	40-45%	40-45%	15-20%	40-45%
Replacement Demand	10-15%	5-10%	10-15%	15-20%	80-85%	10-15%	30-35%	10-15%	10-15%
Customer involvement	Low	Low	High	Moderate	High	Moderate	Low	Low	Moderate
Decision makers	Architects/ Contractor/ Carpenter	Architects/ Contractor/ Carpenter	Customer/ Architects/ Contractor/ Carpenter	Customer/ Architects/ Contractor	Customer/ Architects	Customer/ Architects/ Contractor	Architects/ Contractor/ Plumber	Architects/ Contractor/ Carpenter	Architects/ Contractor/ Plumber
Role of branding & distribution	Low	Low	Moderate	Moderate	Very High	High	Moderate	Moderate	High
Premiumisation	Low	Low	High	High	High	Moderate	High	Moderate	Moderate



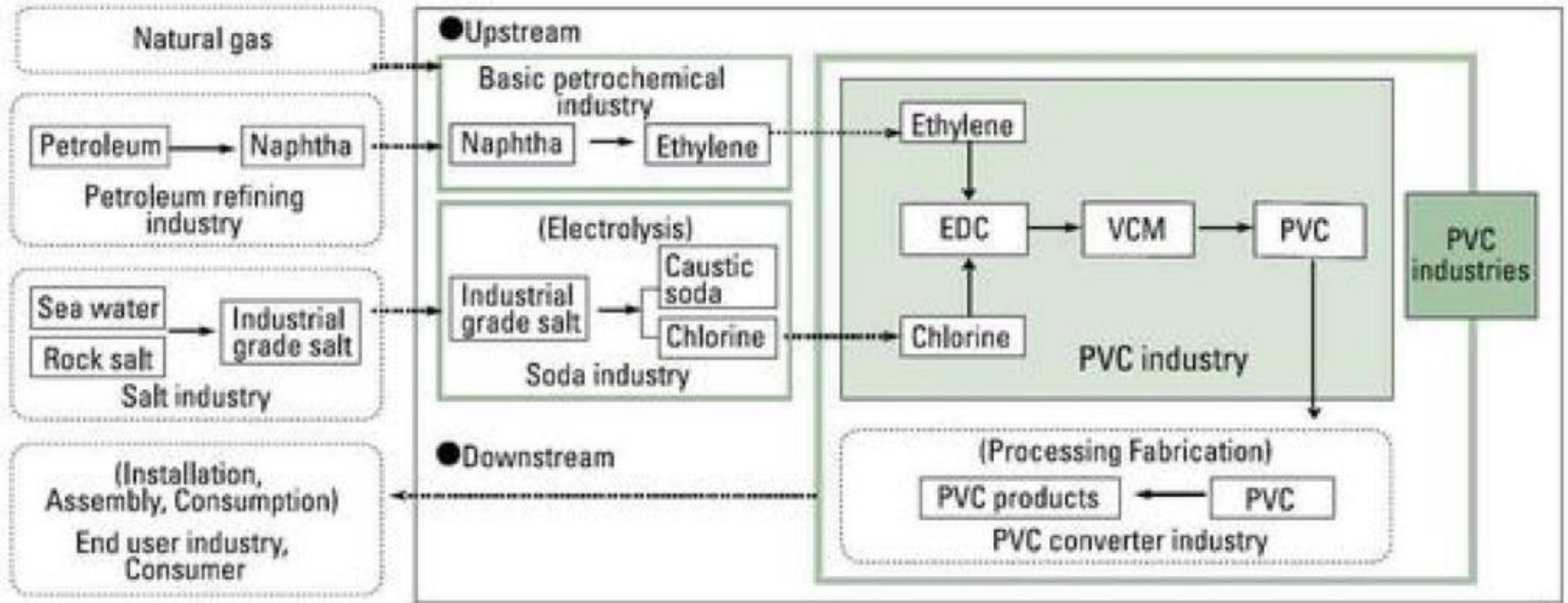
Plastic pipe Industry (CAGR-10.06%)

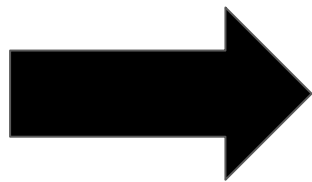
In Rs bn



Source: Industry reports

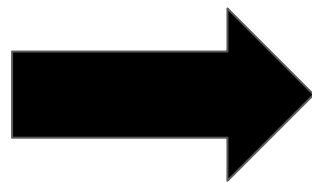
Manufacturing process





UPVC

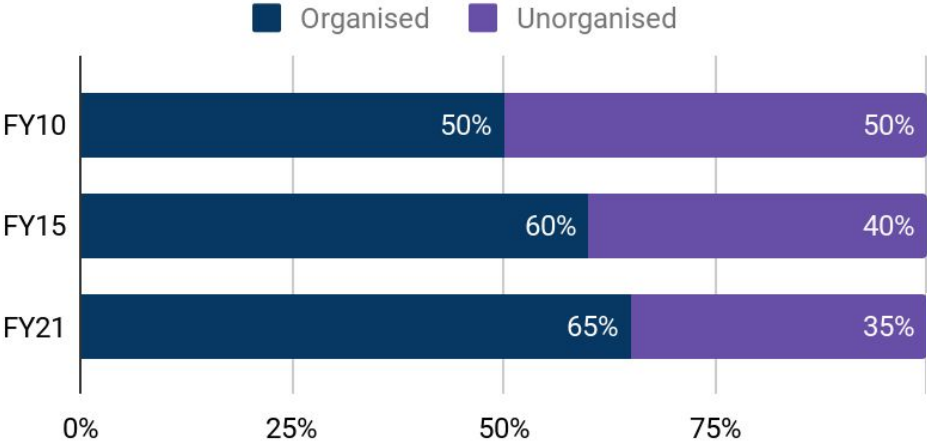
- Most widely used
- 65% of the demand comes from agriculture and irrigation related activities
- Rest from residential/commercial plumbing
- Replacement of galvanised pipes has helped the growth of this segment in the past couple of decades
- Compared to GI pipes, UPVC is more affordable and long lasting
- More unorganised players compared to CPVC
- Growing at 10-11% CAGR



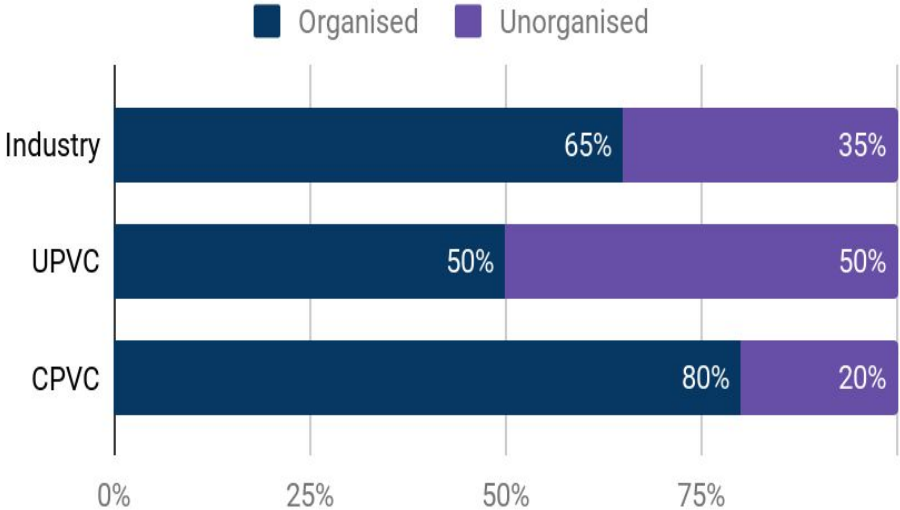
CPVC

- Fastest growing segment
- The segment is still at a nascent stage in India and has huge potential due to factors such as longevity, corrosion free, fire resistant, being lead-free, and the ability to withstand high temperatures
- Specialised product with most of the RM being imported
- Organised players have an upper hand in this
- Growing at 15-17% CAGR

Organized segment gaining share



CPVC is more of a organised play

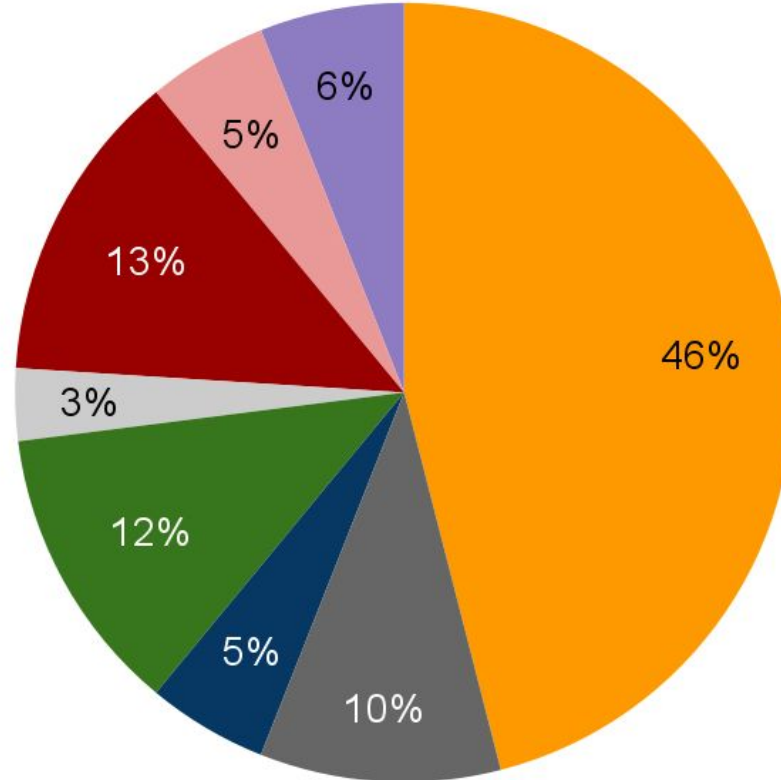


Source: Industry reports

	Unplasticized Polyvinyl Chloride (UPVC)	Chlorinated Polyvinyl Chloride (CPVC)	High-density Polyethylene (HDPE)	PPR Polypropylene Random (PPR)
Industry Demand	64%-65%	15%-16%	15%	4%-5%
Industry Size (Rs Bn)	254	65	60	21
Applications	Irrigation Cold water plumbing Drainage	Hot and cold-water system Industrial applications	Underground drainage structured wall WSS solid wall	Hot and cold-water systems • Industrial applications
Life (Years)	20 to 25	30 to 35	50	50
Max operating temperature (°)	60 to 70	90 to 100	60 to 80	90 to 100
Cost	Cheaper than GI	Costlier than UPVC	Costlier than UPVC	Costlier than UPVC
Corrosion	No effect due to chemical resistance	Has anticorrosive properties	Excellent anticorrosion and chemical resistance	Good chemical resistance and corrosion resistance
Installation	Done through cold welding	Cold welding. Needs solvent cement for installation	Hot welding. Known for more tolerance to poor installation	Hot fusion welding – requires specialised training and equipment

China largest consumer of PVC, India fastest growing

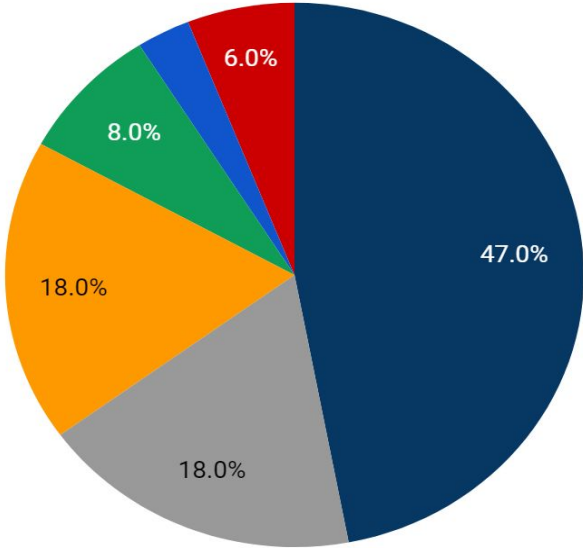
- NE Asia
- India
- SE Asia
- Europe
- Africa
- North America
- South America
- Middle East



Source: Industry reports

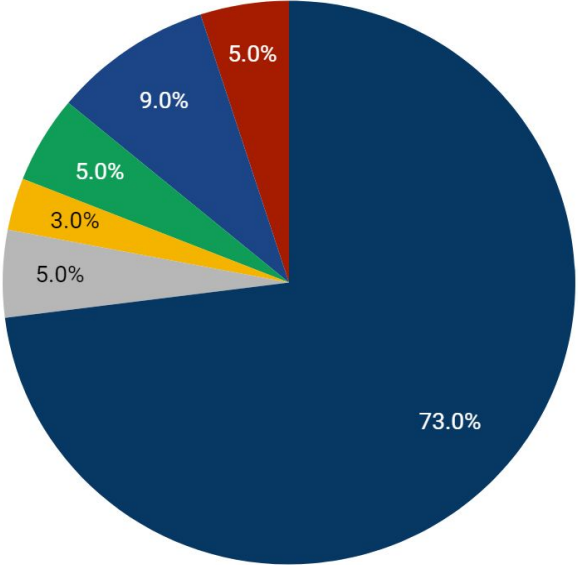
End consumer segment of PVC

- Pipes & Fittings
- Films & sheets
- Profiles
- Wires & Cables
- Flooring
- Others



Global

- Pipes & Fittings
- Films & sheets
- Profiles
- Wires & Cables
- Calendering sheets
- Others

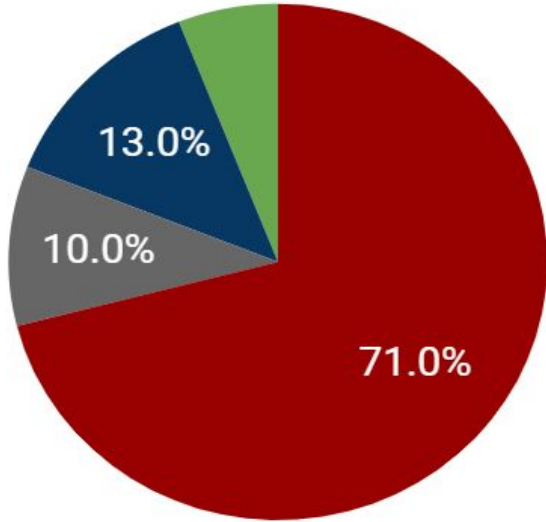


India

Source: Industry reports

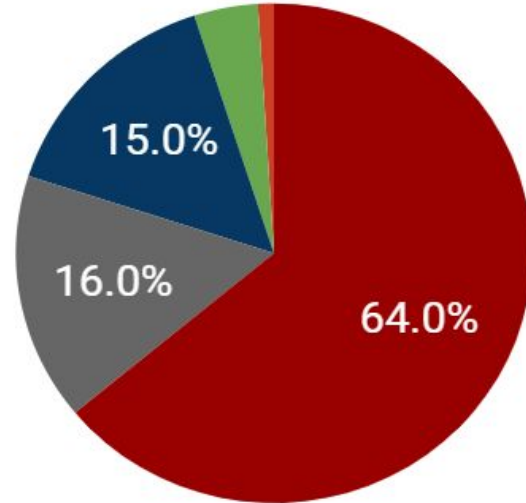
Share of CPVC Growing over the years

● UPVC ● CPVC ● HDPE ● PPR



FY14

● UPVC ● CPVC ● HDPE ● PPR
● Composite Pipe



FY21

ADD on CPVC resins from August 2019

- India completely depends on imports from Korea, Japan, China and Europe to meet its CPVC requirements
- Limited CPVC resin suppliers globally (Lubrizol, Sekisui, Kaneka, Kem One)
- Mid-sized and unorganized players depend on imports from China, Korea, Japan and Europe
- Govt imposed an ADD on imports of CPVC, originating in or exported from China PR and Korea RP, for a period of 5 years
- Imports from these two countries were ~32% of India's overall CPVC resin/compound imports
- The duty has made imports from these countries uncompetitive vs. US and Japan

CPVC resin tie-ups

Indian Company	Foreign Partner
Ashirvad Pipes	Lubrizol
Astral pipes	Sekisui
Finolex Industries	Multiple Sources
Prince Pipes	Lubrizol
Supreme Inds	Kaneka Corporation
Apollo Pipes	Largely Kem One

PVC capacity

- Domestic PVC capacity is pegged at 1.5-1.6mtpa with Reliance Industries, CCVL (Chemplast Cuddalore Vinyls), Finolex Industries, DCW and DCM Shriram being the key producers. These players collectively meet ~45-47% of domestic demand, while the balance is met through imports.
- Taiwan, Japan, South Korea and China together account for 65-70% of India's imports
- RIL dominates the western market, while CCVL and DCW have their plants in the South. In the North, only DCM Shriram has a manufacturing facility
- Adani Group has announced that it plans to build a coal to PVC plant at Mundra in the western Gujarat state - capacity 2 mtpa

CPVC capacity

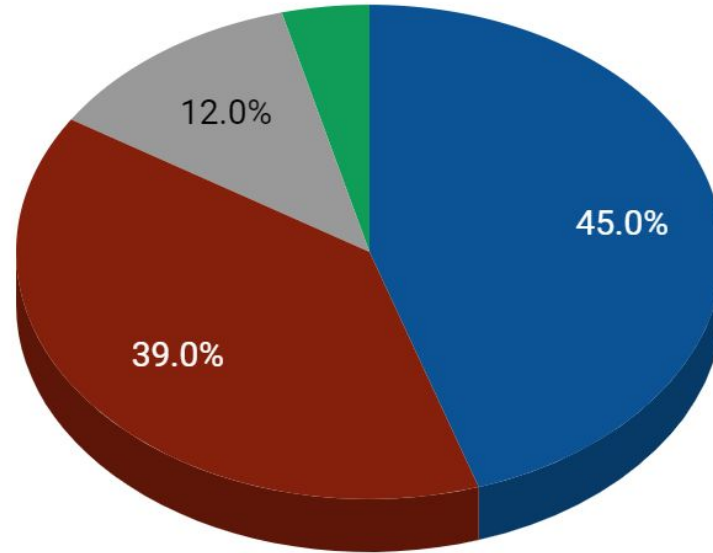
- DCW is the only company to have signed the technology license agreement with Arkema – one of the four players globally with a technology patent. With this technology tie up, DCW in FY17 set up a CPVC manufacturing plant with an installed capacity of 10,000 mtpa of CPVC resin and 12,000 mtpa of CPVC at Sahupuram, Tamil Nadu.
- Lubrizol's CPVC plant in JV with Grasim Industries coming up in Gujarat: Once commissioned, this ~100,000MT CPVC plant at Grasim's site in Vilayat, Gujarat, will be the largest single-site capacity for CPVC resin production globally
- Meghmani Finchem also has a proposed capacity of 30,000 MT at Dahej in Gujarat starting next year

HDPE capacity

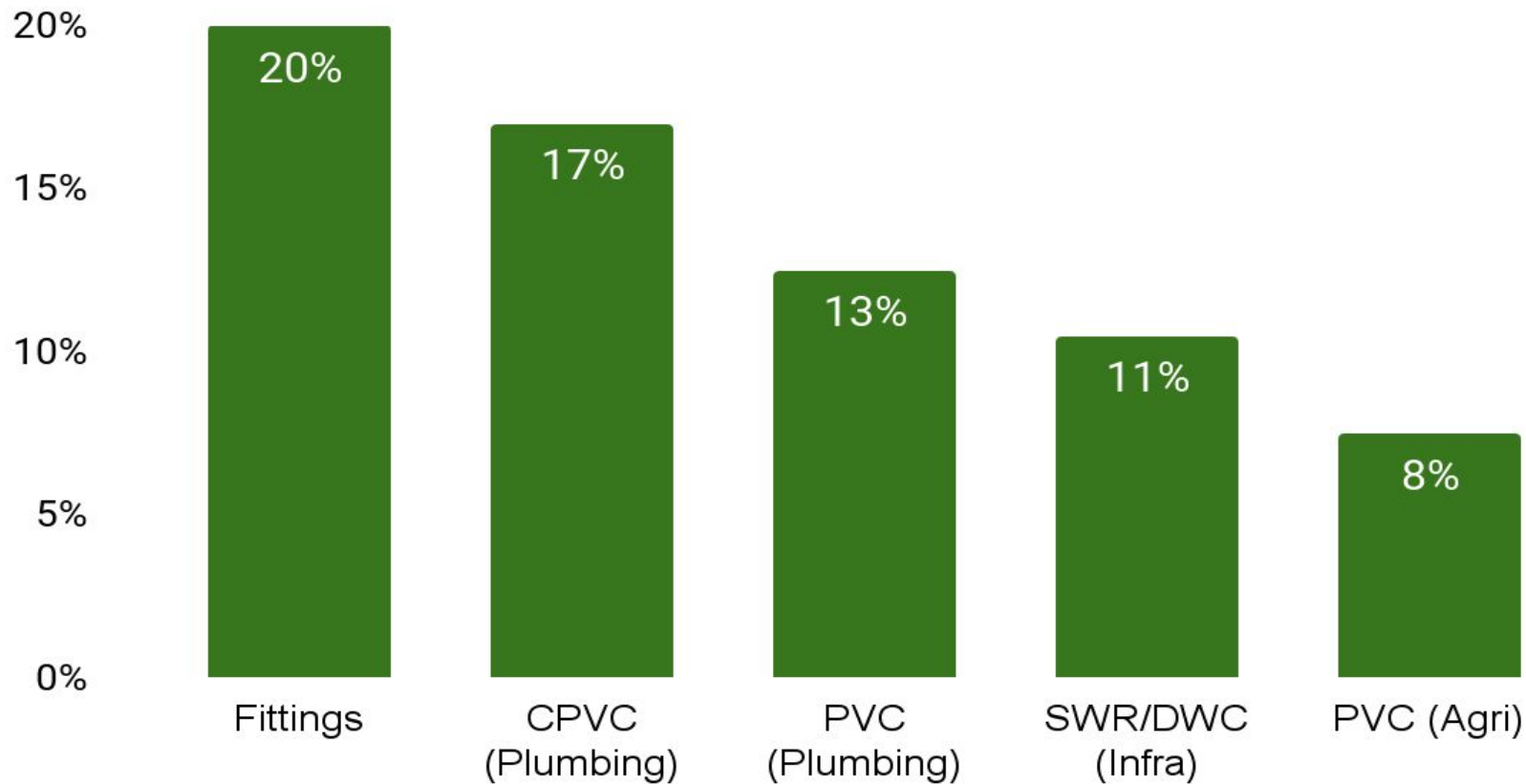
- Domestic HDPE capacity ~ 6 mtpa
- Major players - Haldia Petrochemicals, ONGC Petro Additions, Reliance Industries, Indian Oil Corporation, GAIL India, HPCL-Mittal Energy, and Brahmaputra Cracker and Polymers
- Within HDPE, nearly 40-45% of domestic requirement is met through imports with top five countries (UAE, Saudi Arabia, Qatar, Singapore, US) collectively accounting for 82% of India's imports

End use

● Irrigation ● WSS & Plumbing ● Sewerage ● Others



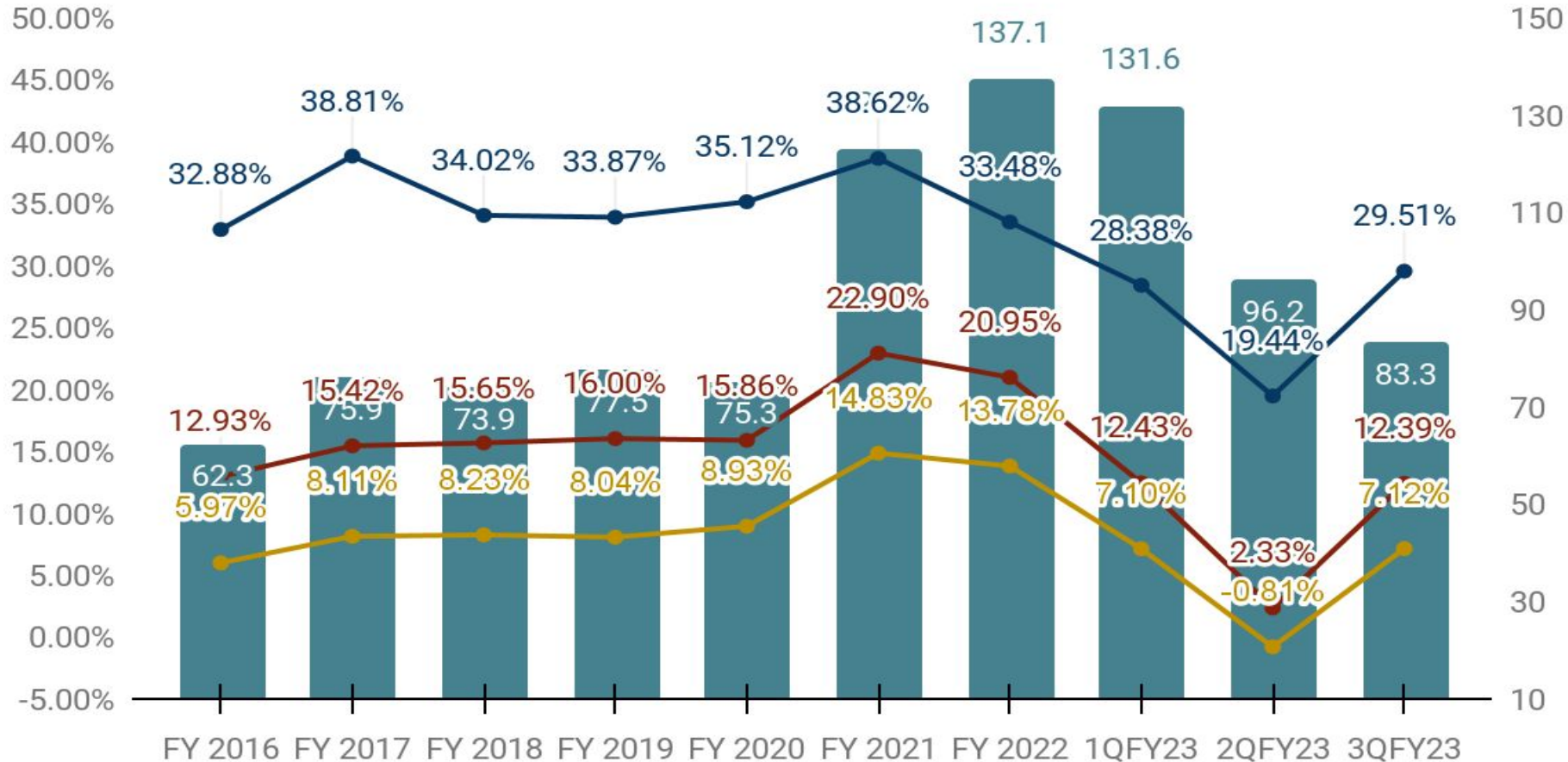
EBITDA Margin (%)



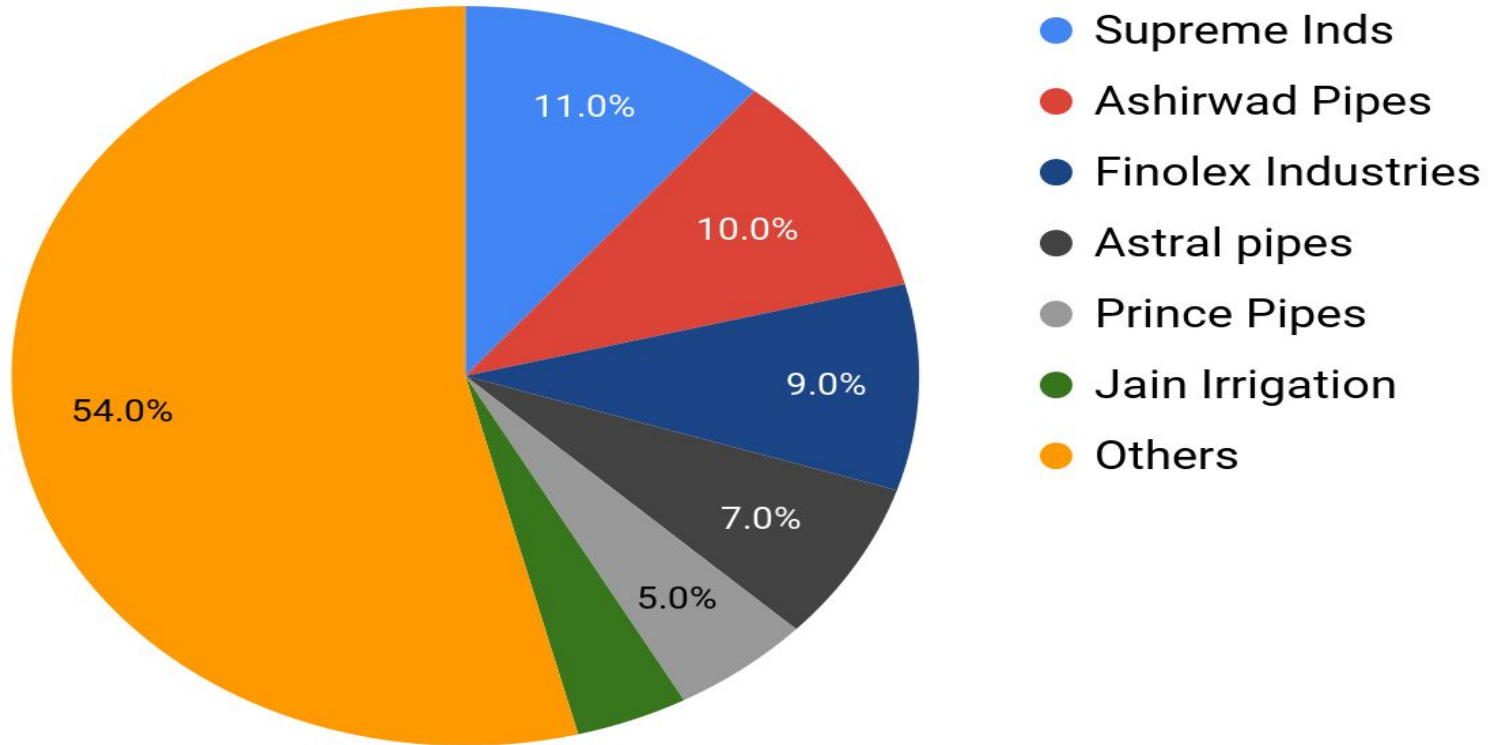
Monthly PVC Price (Rs / KG)



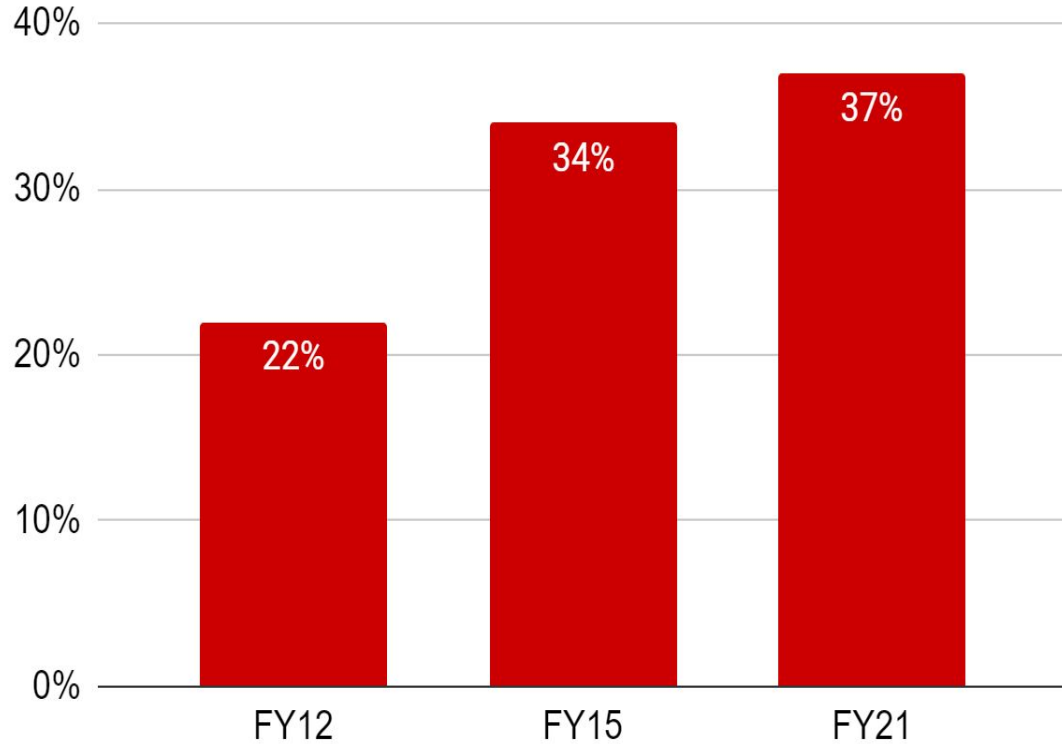
■ PVC Prices
 ● Gross Profit Margin
 ● EBITDA Margin
 ● PAT Margin



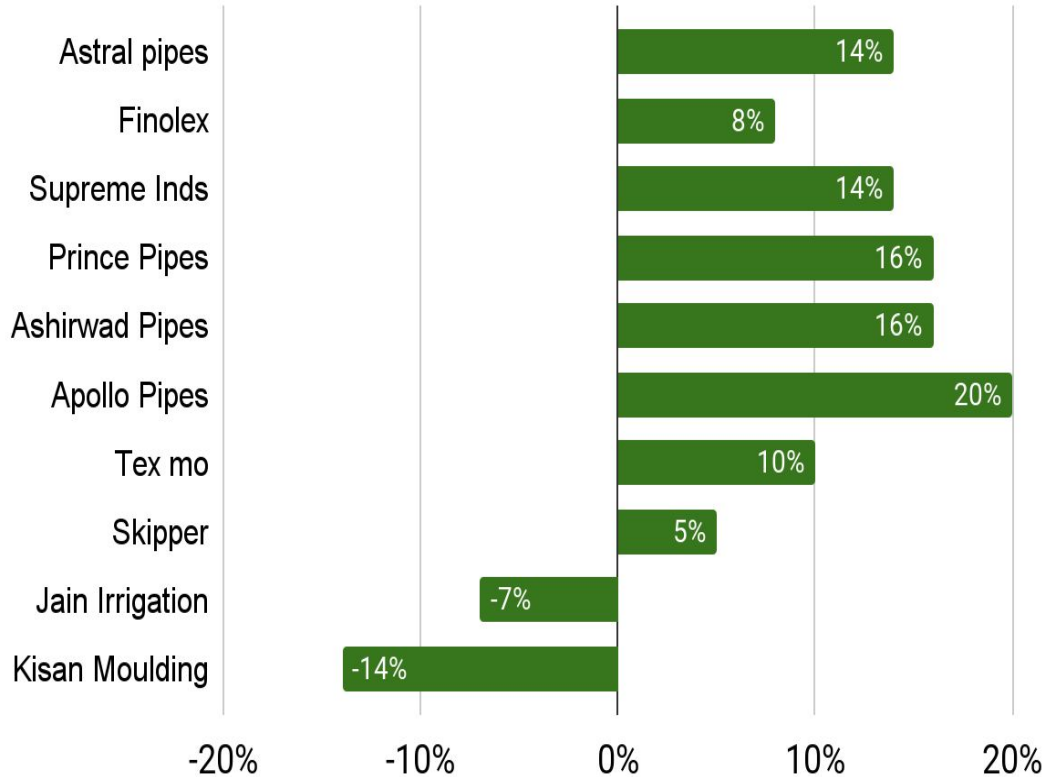
Market share of key pipe players



Market Share of Top 5 Companies



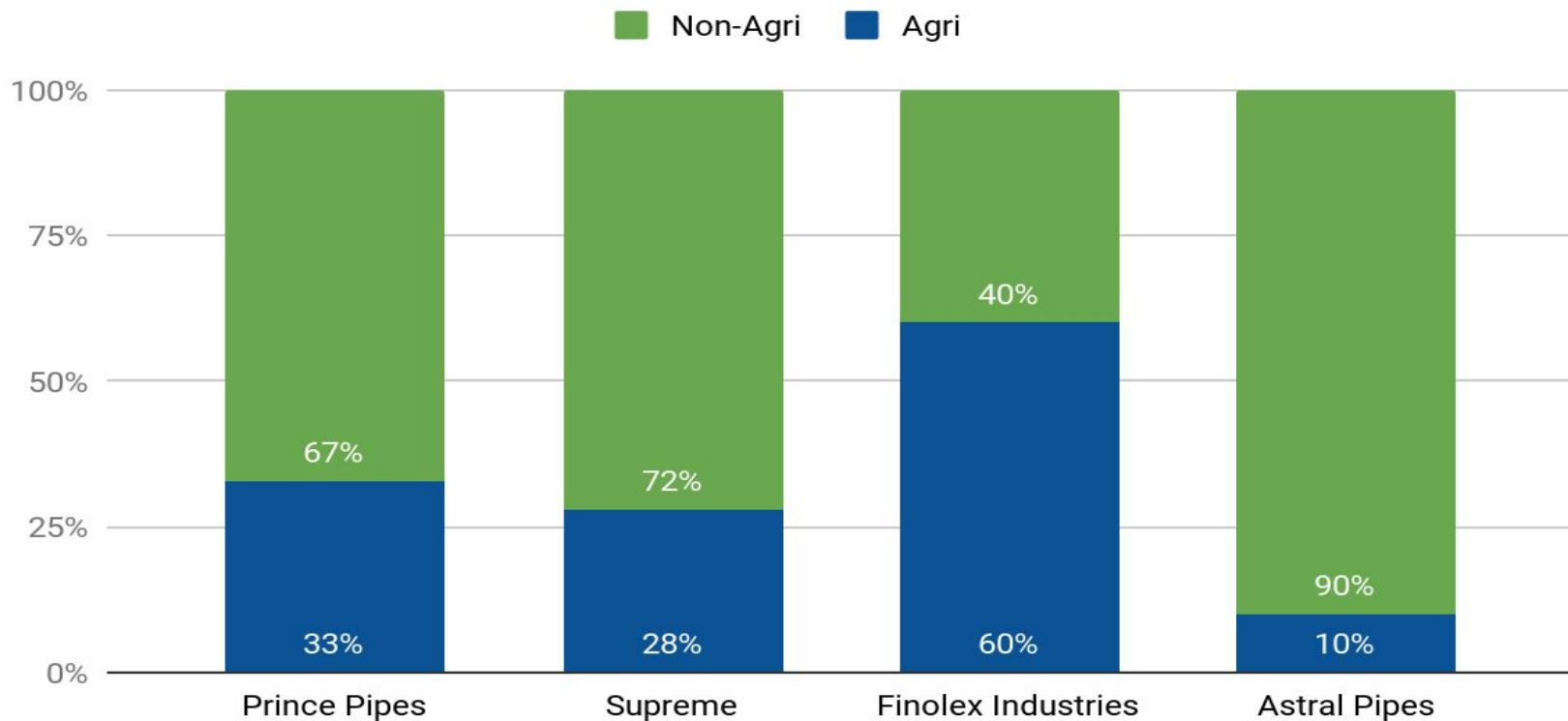
Pipes Revenue CAGR (Big organised players are gaining market share)



Adjacent categories

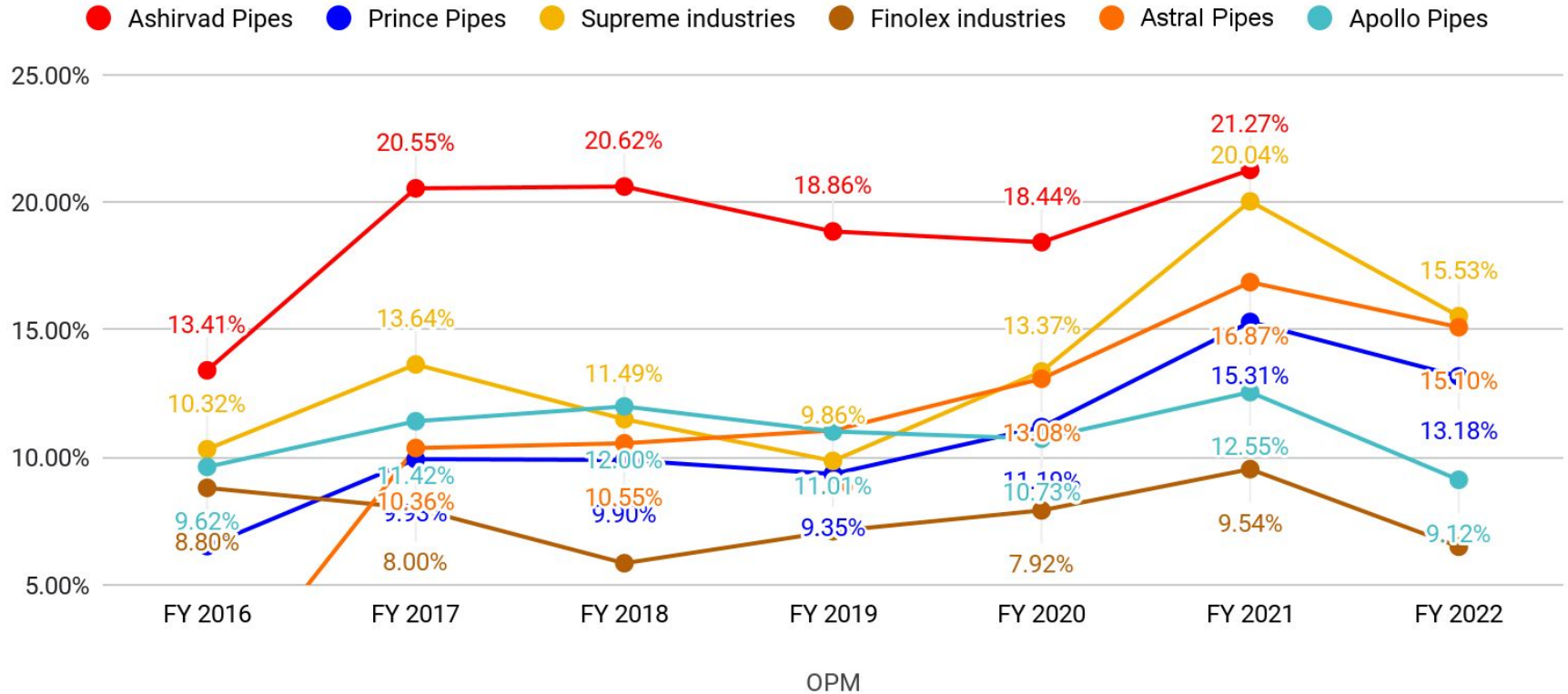
Product presence	PVC	CPVC	HDPE	PPR	Overhead Tanks
Supreme Industries	Y	Y	Y	Y	Y
Finolex Industries	Y	Y	N	N	N
Astral	Y	Y	Y	N	Y
Prince Pipes	Y	Y	Y	Y	Y
Jain Irrigation	Y	Y	Y	Y	N
Ashirwad Pipes	Y	Y	N	N	Y
Vectus	Y	Y	Y	Y	Y
Kisan Moulding	Y	Y	Y	N	Y
Plasto	Y	Y	Y	N	Y

Product mix

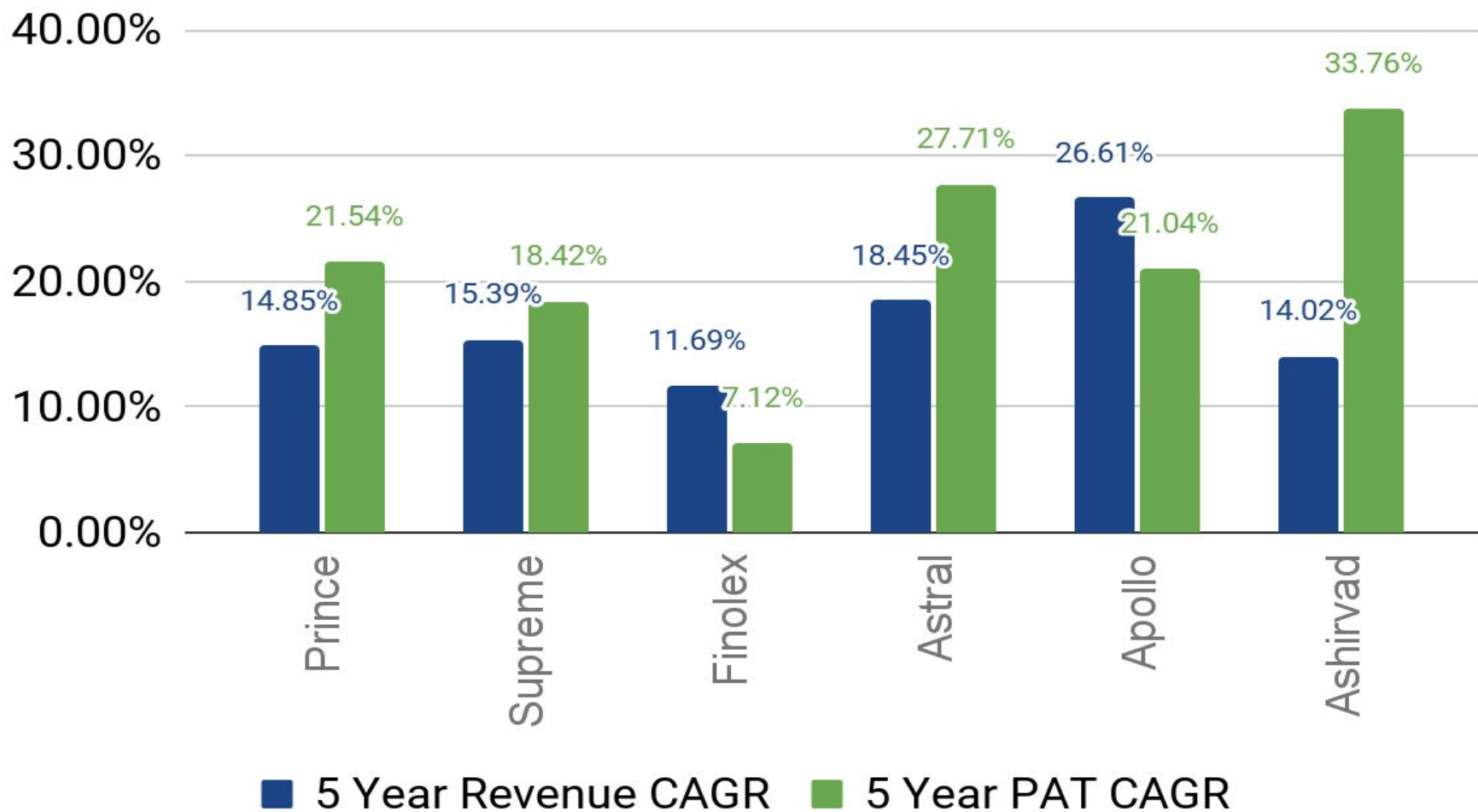


Product Mix

Operating margins



	Installed capacity	Pipes Sales Volume	Channel partners	Other products
Prince Pipes	3,05,000	1,39,034	1500	Tanks and Bathware
Supreme Industries	5,07,000	2,74,295	1250	Packaging, Industrials and Consumer
Finolex Industries	3,70,000	2,36,895	900	PVC resins
Astral Pipes	2,74,820	1,49,570	1,035	Bathware and tank, Adhesives & Paints
Apollo Pipes	1,25,200	53,849	600	Plastic Bath Fittings & storage tanks
Ashirvad Pipes	2,00,000	1,49,570	1100	None



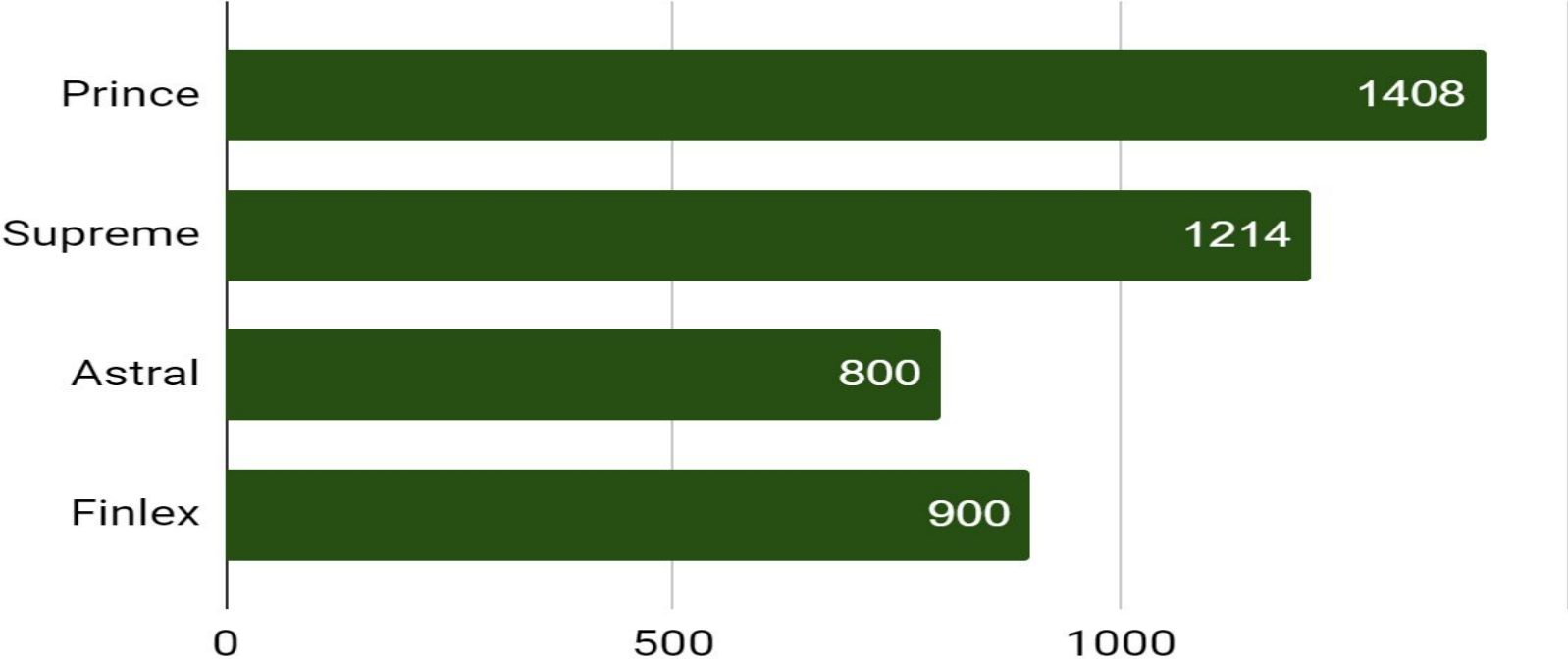
Sources of competitive advantages

1. Multi location manufacturing capacities
2. Strong distribution network
3. Comprehensive product portfolio
4. Marketing
5. Diversification into adjacent categories

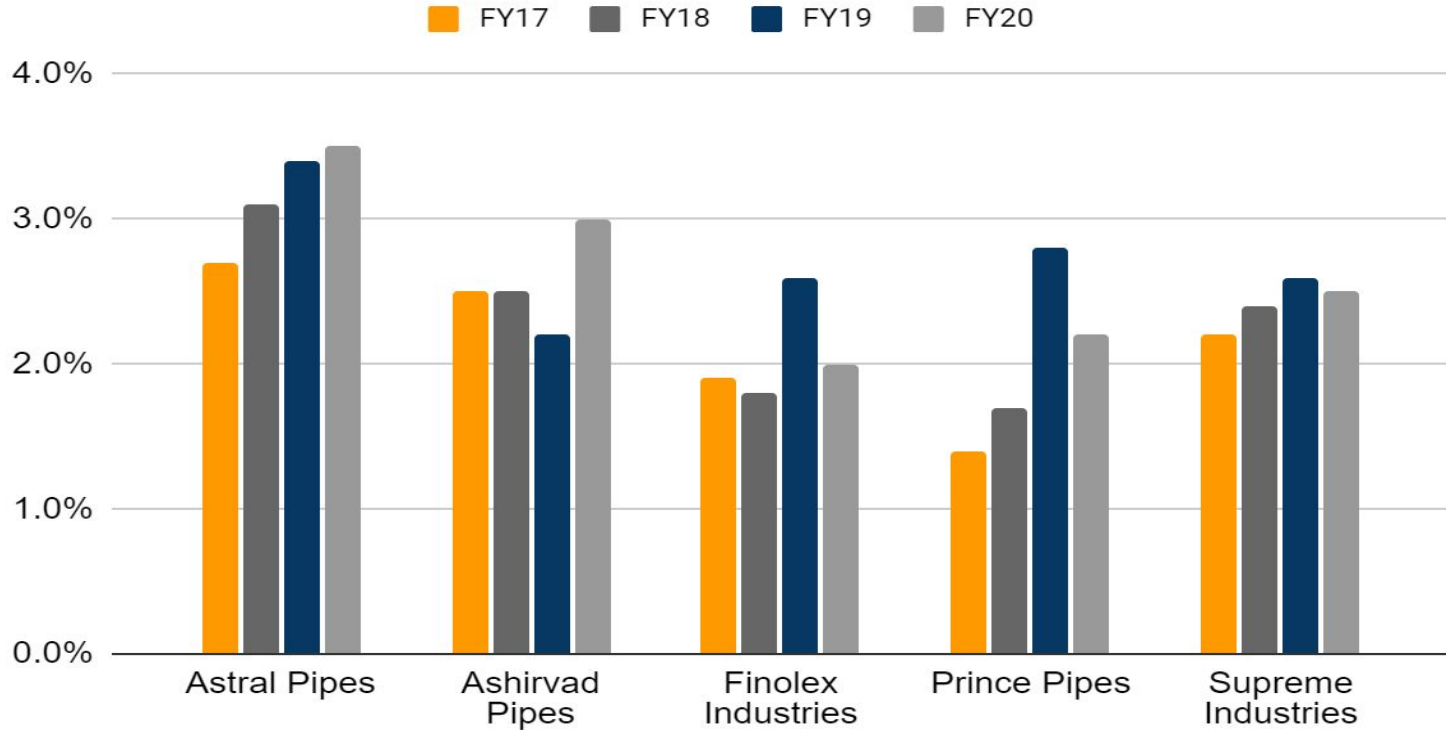
Manufacturing bases of key pipe companies

Company	No. of plants	North	West	South	East
Prince Pipes	7	Uttarakhand, Rajasthan	Maharashtra, Dadra and Nagar Haveli	Tamil Nadu, Telangana	Bihar, Odisha
Supreme Industries	9	Uttar Pradesh	Maharashtra, Madhya Pradesh	Tamil Nadu, Telangana, Puducherry	West Bengal, Odisha, Assam
Finolex Industries	2		Maharashtra, Gujarat		
Astral	6	Uttarakhand, Rajasthan	Maharashtra, Gujarat	Tamil nadu	Odisha
Jain Irrigation	4	Rajasthan	Maharashtra, Gujarat	Tamil Nadu, Andhra Pradesh	
Ashirvad pipes	2	Rajasthan		Karnataka	

Distributor network



Marketing as a percentage of sales



INTRODUCING
RANVEER SINGH
 AS THE NEW FACE OF
ASTRAL PIPES



500 **PRINCE**
 JANG DITTA



PRODUCT ITEM CODE LIST 2022

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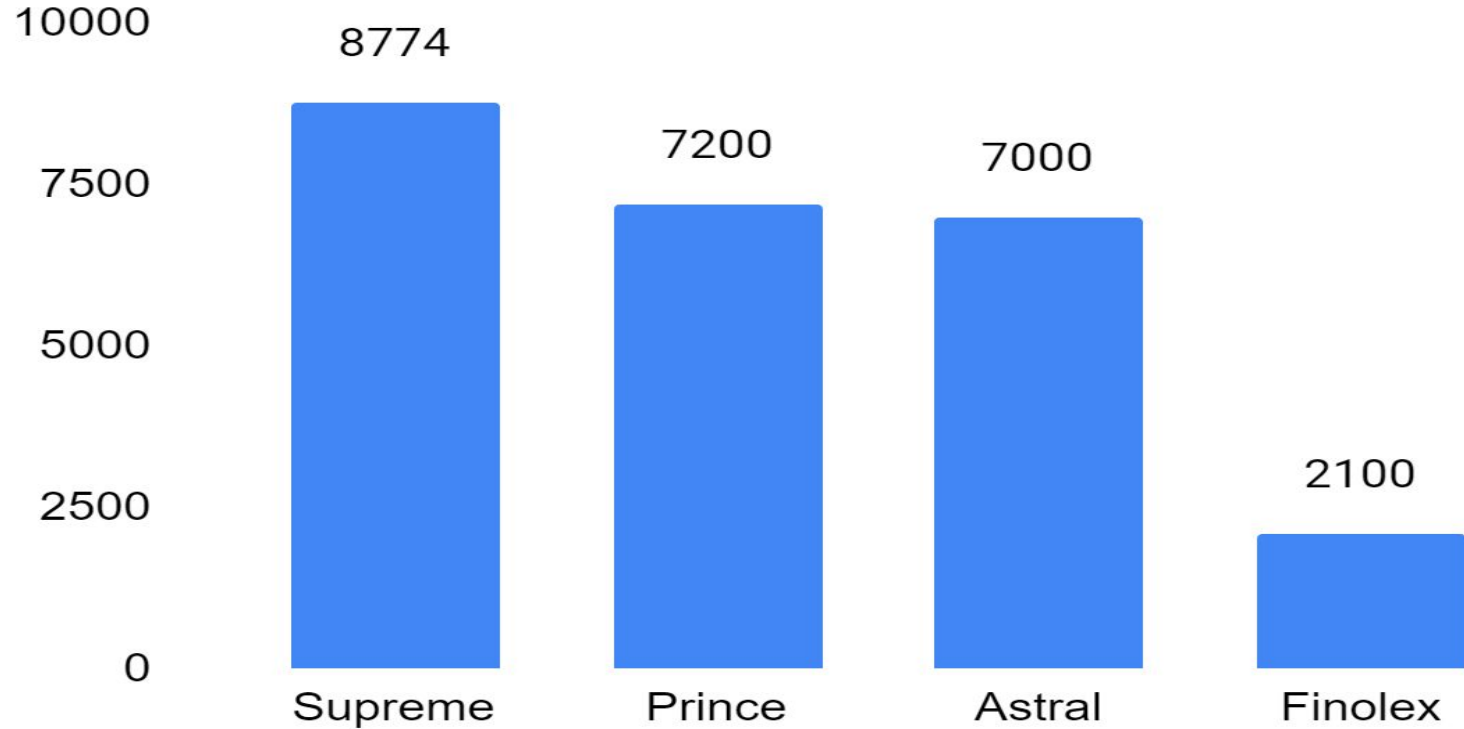
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CPVC PIPES KA SULTAN.

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Product portfolio



Water tanks market

- Fragmented market with unorganised players having 70% share
- Market leader Sintex vacating the market
- Transportation cost is high
- Distribution channel similar to pipes
- Manufacturers are coming up with additives which offer increased life and durability in extreme climatic conditions
- 90% of the demand is for new tanks. Balance for replacement demand

Water tanks market

- In terms of usage, Overhead tanks account for 80-85% of the total market
- Underground plastic water tanks have a market share of ~5% only as customers still prefer underground concrete tanks for water storage.
- Loft tanks, on the other hand, account for 10-15% share and can be kept in an empty space above washrooms and bathrooms due to compact size.
- B2C: B2B mix 80:20

Criteria	Plastic Tanks	Concrete Tanks	Steel Tanks
Material Used	LLDPE,HDPE	Reinforced concrete, Ferro-cement	Stainless steel
Cost	Cheaper than concrete and steel	Expensive than plastic, cheaper than steel	Most expensive
Leakage	Least prone to leakage	Prone to leakage if not constructed properly	Less prone to leakage
Installation	Light weight,can be transported anywhere, easier to install	Heavy weight, can not be transported, difficult to install and often requires construction at the site, hence, time consuming	Heavier than plastic, lighter than concrete tank,difficult to transport,easier to install
Rust Proof	Rust proof	Not rust proof, as leakage can cause reinforced steel corrosion	Chromium is added to make it rust proof,corrosion of rivets,screws can pollute water
Life	Life less than concrete tanks,but more than steel tanks	Long lasting than plastic if maintained properly	Life less than plastic and concrete tanks
Maintainance	Maintenance free	Cement was required every few years	Maintenance free
Water quality	Maintains water quality	Susceptible to chemical and biological leakage such as lime and bacteria growth	Maintains water quality

Source: Vectus Industries DRHP

Risks

- Slowdown in real estate construction
- Slowdown in agriculture which in turn is dependent on monsoon
- Volatility in Raw material prices
- INR depreciation

Thank you