Case Study: Leading Plastic Processing & Piping Solutions Company

1 Idea generation

a. Per-capita PVC pipe consumption significantly lower than even world average (11kg vs 30 kg), this demand is set to increase led by high Infra spends, Nal se Jal yojna & sustained demand in housing

b. PVC pipe industry is very consolidated with the top 5 players contributing ~40% of market share reflected in the strong pricing power

c. Growth prospects of Pipe industry to be high due to improving completion rate of real estate projects and revival in demand for agri-pipes

2 In depth company analysis

Business

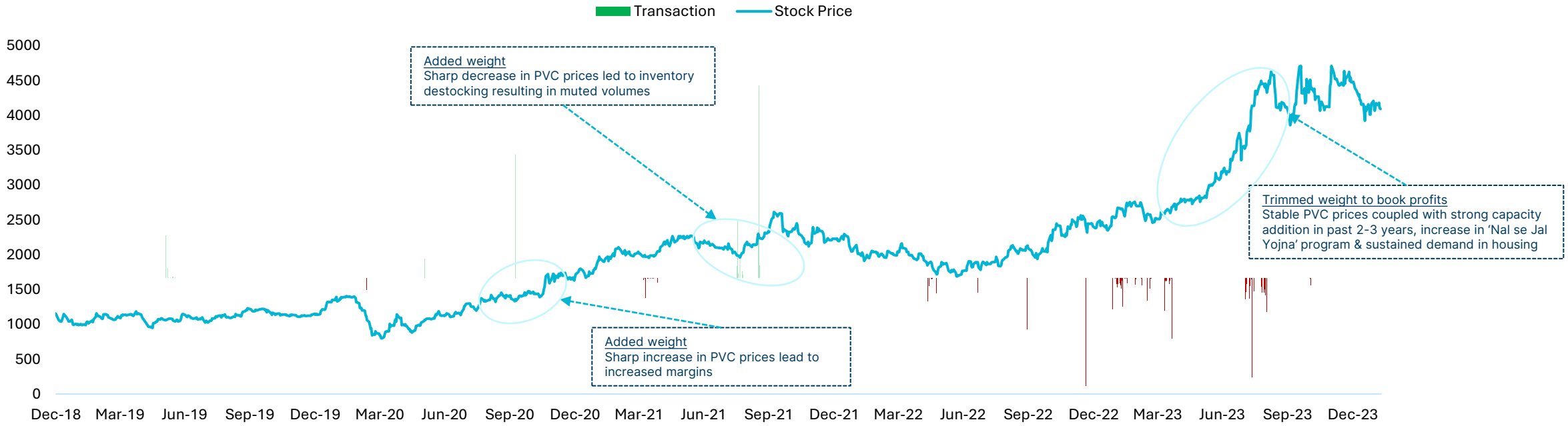
- Largest PVC pipe company in India with market share of ~12-14% & strong focus on ROCE
- The company has been steadily improving capex intensity (average capex improved from ₹2.4 Bn in FY 16-18 to ₹4.2 Bn in FY 21-24) while maintaining Superior balance sheet across cycles

Management

- The Company has consistently generated healthy ROE (average ~25% in the last decade) with respectable market shares across categories (business with low ROEs have been divested in the past)
- It is likely to grow at ~15% CAGR for the next 5 years led by increased capex intensity, market share gains from both organized & unorganized players & introduction of new polymer-based products

Valuations

- When the company was added to the portfolio it had attractive valuations (mid 20s PE), high return ratios (ROE>20%), superior balance sheet resilience across economic cycles and robust FCF generation



Source: Bloomberg, Internal. Data as of Feb 2024

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