

FIRST LIGHT 19 March 2025

### **RESEARCH**

## **BUILDING MATERIALS**

Pipe channel checks reveal demand remains weak in Q4FY25

# **SUMMARY**

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- The plastic pipe demand environment remained weak YoY in Q4FY25 (YTD)
  due to muted construction activity and low government spending
- Plastic pipe companies took price cuts of 3-4% in Q4FY25 due to lower PVC resin prices (-7% over Dec'24)
- SI continues to follow an aggressive pricing strategy to gain market share in the retail segment; Welspun to launch pipes in Q1FY26

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# **BUILDING MATERIALS**

18 March 2025

## Pipe channel checks reveal demand remains weak in Q4FY25

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We recently interacted with 13 plastic pipe dealers pan India (West: 5; North: 3; South: 3; East: 2) to gauge plastic pipe demand and pricing scenarios in Q4FY25 (YTD), the near-term outlook, and the industry-competitive landscape.

**Demand:** Our interaction with pipe dealers indicates that demand continues to be weak on a YoY basis in Q4FY25 (YTD) due to muted construction activity and low government spending on infrastructure in southern regions. Dealers cash flow positions have also tightened due to delayed payments from builders. Going ahead, most dealers expect real estate activity to remain weak in the near future.

**Pricing:** Dealers indicated that pipe companies cut prices by 3-4% in Q4FY25 due to the decline in domestic PVC resin price (-3.3% QoQ and -7% from the end of Dec'24) and weak demand environment. Domestic PVC resin prices have fallen below pre-COVID levels, despite a weakening rupee (-22%). This is likely to result in mark-to-market (MTM) inventory loss for the sector in Q4FY25, but it would positively influence demand in the agri pipe segment in the near future, in our view. The price gap between CPVC and PVC pipes has been maintained at a normal level of 25-30%.

**Channel inventory:** Most dealers have indicated that their pipe inventories are at normal levels as they do not expect PVC resin prices to fall further.

Competitive landscape: As per our channel check, SI maintains its aggressive pricing strategy to gain market share (particularly in the retail segment). Most pipe companies have either reduced their prices and/or provided additional discounts in Q4FY25 (YTD) in response to intense competition in a muted demand environment and weak PVC resin prices. A few dealers said that ASTRA/FNXP have been providing additional discounts to push their products in the market. Welspun has started conducting market research to create its distribution network and aims to launch plastic piping systems in Q1FY26. The aggressive entry of Welspun in the plastic pipe space could pose a threat to established pipe companies over the medium term, in our view.





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