

Building Materials

Another weak quarter

In Q3FY25, demand remained soft in building material sector across tiles, pipes, and wood panel. Our coverage universe's revenue is expected to grow 8% YoY (volume-driven). We estimate EBITDA/APAT for our coverage universe to decline 1/7% YoY owing to higher competition intensity in the pipes, weak pricing in the tiles, and elevated timber prices in the wood. We reckon that tile majors' volume growth was impacted by weak exports. We expect EBITDA margin to be broadly stable QoQ for tile companies. We expect our pipes coverage universe to report subdued 4% volume growth. Amid intense competition, pipes companies' margins will suffer. Wood companies will face the heat of elevated timber prices. Ply timber prices are broadly stable QoQ; however, MDF timber prices have risen QoQ. We foresee healthy pipes and wood panel demand in FY26. In tiles segment, we expect unorganised (Morbi) to gain market share at the expense of organized players.

- Tiles sector—Morbi pain continues, stable operating margin QoQ:** Tiles demand was muted in the quarter, impacted by weak exports. We expect the market leaders Kajaria to report 8% volume growth (two-year CAGR 7%). Owing to a low base, Somany Ceramics is expected to report 13% volume growth YoY. However, its two-year volume CAGR remains a mere 5%. Tiles realisation has broadly remained stable QoQ. Gas prices have increased in last 20 days of the quarter, so gross margins will marginally decline QoQ. We expect EBITDA margin to be broadly stable QoQ, supported by op-lev gain.
- Plastic pipes—muted demand amid intense competition:** Pipes demand remains subdued in Q3. Volatility in resin prices significantly reduced during the quarter. The decline in PVC resin prices discontinued, and they rose by INR 1/kg in Q3 vs contraction of INR 12.5/kg QoQ. We expect Supreme Industries/Astral Pipes' volume to grow by 6/5% YoY. However, we expect Prince Pipes' volume underperformance (decline 2% YoY) compared to peers to continue.
- Wood panel—margin under pressure:** We expect volume to grow YoY for CenturyPly (all segments), Greenlam Ind. (laminates +7% YoY) and Stylam Ind. (laminates +12% YoY). Greenpanel's MDF/ply volume is expected to decline by 1/20% YoY, as it has lost market share. MDF timber prices has increased during the quarter. The laminate margin should remain strong owing to a depreciating rupee and benign raw material prices.
- Sector and stock views:** We anticipate Greenpanel Industries' and Prince Pipes' Q3FY25 results to disappoint the street expectation. In our view, pipes demand will pick up in the upcoming quarters. We are positive on the pipes sector prospects. Pipes sector valuation is in a comfortable range as stock price has corrected in the last few months. We expect elevated timber prices to keep margins under pressure for wood companies (except laminates-focused players—benign raw material prices). However, in mid-term, margin will normalise as demand picks up and timber prices cool off. We expect unorganized players (Morbi) to continue to gain market share in tiles sector owing to cost competitiveness. So, structurally we have a negative outlook on tiles sector. Considering this, we cut our target multiple on Kajaria and Somany to 35x and 22x Sep-26E EPS vs 40x and 25x respectively. We maintain our ratings on all the stocks. Stylam Industries is our top pick in building material sector.

COMPANY	RATING	TP (INR)
Kajaria Ceramics	ADD	1,100
Somany Ceramics	BUY	680
Supreme Ind.	ADD	4,640
Astral Limited	ADD	1,940
Prince Pipes	ADD	450
CenturyPly	BUY	890
Greenpanel Ind.	ADD	285
Greenlam Ind.	ADD	625
Stylam Ind.	BUY	3,525

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Q3FY25 estimates for tiles, pipes and wood panel companies.

Y/E March	Net Sales (INR mn)			EBITDA (INR mn)			EBITDA Margin (%)			Adj. PAT (INR mn)		
	Dec-24	YoY (%)	QoQ (%)	Dec-24	YoY (%)	QoQ (%)	Dec-24	YoY (%)	QoQ (%)	Dec-24	YoY (%)	QoQ (%)
Kajaria Ceramics	12,371	7.4	4.9	1,723	(3.6)	8.4	13.9	(1.6)	0.5	897	(13.9)	6.5
Somany Ceramics	6,615	8.1	(0.7)	545	(7.7)	(2.7)	8.2	(1.4)	(0.2)	173	(17.3)	0.7
Supreme Ind.	26,343	7.6	15.9	3,841	1.4	20.3	14.6	(0.9)	0.5	2,500	(2.4)	21.0
Astral Limited	14,536	6.1	6.1	2,407	17.4	14.6	16.6	1.6	1.2	1,337	17.8	21.6
Prince Pipes \$	5,887	(4.8)	(5.4)	514	(32.0)	10.7	8.7	(3.5)	1.3	191	(49.3)	NA
CenturyPly	11,187	19.3	(5.5)	1,198	12.9	7.6	10.7	(0.6)	1.3	568	(9.9)	42.0
Greenpanel Ind.	3,619	(6.2)	7.4	225	(62.7)	(24.7)	6.2	(9.4)	(2.7)	52	(84.9)	(71.7)
Greenlam Ind.	6,268	11.3	(7.9)	787	10.6	(3.3)	12.6	(0.1)	0.6	323	27.8	(6.6)
Stylam Ind.	2,579	20.2	(1.8)	516	8.0	(5.1)	20.0	(2.3)	(0.7)	343	9.4	0.5
Aggregate	89,406	7.7	4.3	11,756	(0.6)	10.1	13.1	-	-	6,385	(7.0)	13.9

Source: Company, HSIE Research, \$ - standalone numbers

Annual estimates

Y/E March	Net Sales (INR bn)			EBITDA (INR bn)			EBITDA Margin (%)			Adj. PAT (INR bn)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Kajaria Ceramics	48.63	54.37	60.56	6.96	8.17	9.22	14.3	15.0	15.2	3.81	4.69	5.34
Somany Ceramics	26.55	29.09	32.24	2.28	2.75	3.13	8.6	9.5	9.7	0.75	1.12	1.41
Supreme Ind.	112.78	129.94	147.68	16.85	20.66	24.11	14.9	15.9	16.3	11.57	14.35	16.72
Astral Limited	62.18	72.86	85.09	10.26	12.88	15.01	16.5	17.7	17.6	5.91	7.95	9.47
Prince Pipes \$	26.66	29.66	32.61	2.53	3.37	3.74	9.5	11.3	11.5	1.12	1.59	1.73
CenturyPly	45.63	54.44	62.73	5.00	7.10	9.36	11.0	13.0	14.9	2.27	3.77	5.39
Greenpanel Ind.	15.05	18.62	21.73	1.23	2.80	4.14	8.2	15.0	19.0	0.47	1.25	2.25
Greenlam Ind.	26.44	32.18	37.59	3.23	4.07	5.11	12.2	12.6	13.6	1.26	1.75	2.45
Stylam Ind.	10.3	12.8	16.2	2.0	2.6	3.3	19.4	19.9	20.6	1.3	1.7	2.3

Source: Company, HSIE Research, \$ - standalone numbers

Y/E March	NPM (%)			RoCE pre-tax (%)			RoE (%)			Net D:E (x)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Kajaria Ceramics	7.8	8.6	8.8	18.5	20.8	21.8	13.7	15.6	16.4	(0.2)	(0.2)	(0.2)
Somany Ceramics	2.8	3.9	4.4	12.2	15.1	16.7	8.7	12.0	13.6	0.3	0.3	0.2
Supreme Ind.	10.3	11.0	11.3	25.0	28.2	29.4	21.5	23.8	24.6	(0.1)	(0.2)	(0.2)
Astral Limited	9.5	10.9	11.1	22.6	26.1	26.7	16.9	19.6	20.0	(0.2)	(0.3)	(0.3)
Prince Pipes \$	4.2	5.4	5.3	9.1	12.1	12.2	7.0	9.3	9.4	(0.0)	(0.1)	(0.1)
CenturyPly	5.0	6.9	8.6	11.7	15.1	18.9	9.8	14.5	17.8	0.4	0.4	0.3
Greenpanel Ind.	3.1	6.7	10.4	3.9	10.2	16.8	3.5	8.8	14.4	0.2	0.1	0.1
Greenlam Ind.	4.8	5.4	6.5	9.6	11.9	15.4	11.2	13.9	17.1	0.9	0.7	0.6
Stylam Ind.	12.8	13.3	14.2	30.7	31.5	34.1	22.1	23.2	25.2	(0.0)	(0.1)	(0.0)

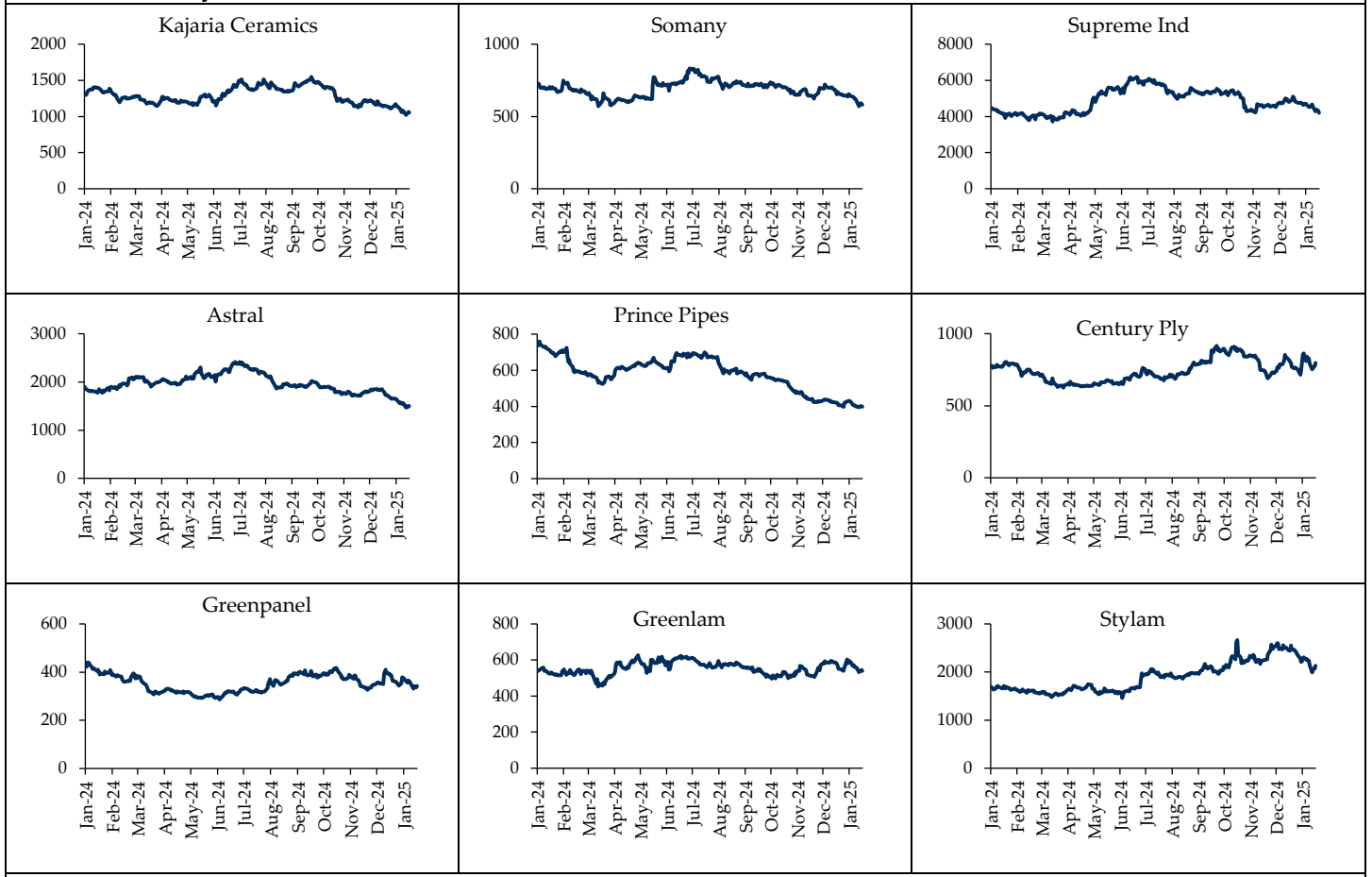
Source: Company, HSIE Research, \$ - standalone numbers

Rating and target price revision summary

Company	Mcap (INR bn)	CMP (INR/sh)	New Rating	Old Rating	New TP (INR)	Old TP (INR)	Valuation multiple^	EV/EBITDA (x)			P/E (x)		
								FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Kajaria Ceramics	168.1	1,055	ADD	ADD	1,100	1,360	35.0	23.4	19.8	17.5	44.1	35.9	31.5
Somany Ceramics	23.8	581	BUY	BUY	680	840	22.0	11.7	9.7	8.4	31.7	21.3	16.9
Supreme Ind.	533.5	4,199	ADD	ADD	4,640	4,770	40.0	31.2	25.3	21.5	46.1	37.2	31.9
Astral Limited	403.5	1,500	ADD	ADD	1,940	2,060	60.0	38.5	30.4	25.7	68.3	50.7	42.6
Prince Pipes \$	44.1	399	ADD	ADD	450	495	30.0	17.1	12.7	11.2	39.5	27.7	25.4
CenturyPly	177.4	797	BUY	BUY	890	895	40.0	37.5	26.5	19.8	78.0	47.0	32.9
Greenpanel Ind.	41.9	342	ADD	ADD	285	320	20.0	36.1	15.5	10.5	89.0	33.7	18.6
Greenlam Ind.	68.8	539	ADD	ADD	625	640	33.0	24.6	19.3	15.3	54.4	39.3	28.0
Stylam Ind.	35.8	2,115	BUY	BUY	3,525	3,525	30.0	17.9	13.9	10.7	27.2	21.1	15.6

Source: Company, HSIE Research ^Valuation is based on Sep-26E PE basis. CMP as on date Jan 17, 2025

1 Yr Price history



Rating Criteria

- BUY: >+15% return potential
- ADD: +5% to +15% return potential
- REDUCE: -10% to +5% return potential
- SELL: >10% Downside return potential

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