

Jul-Sep'23 Earnings Preview

October 9, 2023

Exhibit 1: PL Universe

Companies	Rating	CMP (Rs)	TP (Rs)
Astral Ltd.	HOLD	1,889	1,983
Century Plyboard (I)	BUY	653	855
Cera Sanitaryware	Acc	8,176	8,857
Finolex Industries	Acc	227	243
Greenpanel Industries	BUY	374	495
Kajaria Ceramics	Acc	1,319	1,445
Supreme Industries	Acc	3,925	4,225

Source: PL Acc=Accumulate

Top Picks

Supreme Industries

Kajaria Ceramics

Greenpanel Industries

Margin expected to improve, healthy PAT

Building Material companies under our coverage universe are expected to report moderate volume growth. However, we anticipate robust volume expansion in the plastic pipe sector, while the tiles and woodpanel sectors are likely to experience lower growth. We expect companies to register sales growth of 4.7% YoY, given correction in RM prices which mainly impacted plastic pipe segment realizations and de-growth in woodpanel companies. With sequential stable RM prices and correction in power & fuel expenses, we expect margins to go back to normal level (+580bps YoY) along with EBITDA/PAT growth of 78.6%/87.5% YoY (on lower base), excluding Finolex Ind., EBITDA/PAT growth of 27.2%/28.0% YoY. We remain positive on the sector considering 1) buoyancy in real estate market (despite interest rate hike), 2) Govt. focus of housing, sanitation and infrastructure, 3) improvement in agri. segment with normalization in RM prices, 4) pick up in export, and 5) increase in branded/large players market share.

We prefer Plastic pipe companies with robust volume growth, our top pick is Supreme Industries considering Revenue/EBITDA/PAT CAGR of 15.1%/21.9%/21.6% over FY23-26. Considering buoyancy in real estate, tiles demand with lag in real estate cycle will benefit Kajaria being leader in sector. We continue to like Greenpanel Industries, given its 1) leading position in domestic MDF segment, 2) strong growth prospects in domestic MDF demand, 3) planned capacity increase of 35% over FY23-25 and 4) extensive distribution network.

- **Plastic Pipe Sector- Margins to improve; stability in RM prices:** In Q2 Plastic pipe sector is expected to report EBITDA margin expansion of +870bps YoY to 12.3% with stability in raw material prices and severe contraction in margin previous year same quarter with PVC resin fall. Sales volume is expected to grow by 22.4%YoY. Demand continues to be healthy across segments like plumbing, agri and infra even after seasonally weak quarter. In our universe, Supreme Industries and Astral is expected to deliver strong volume growth of 26%/25% YoY in Pipe & Fittings segment. We have maintained our earnings estimates for Astral and tweaked for Supreme & Finolex Ind. for FY24/FY25E.
- **Tiles & Bathware- Kajaria yet to pick in volume; CERA continues to grow:** Kajaria is expected to report revenue growth of 6.1%YoY mainly with tiles volume growth of 7.3%YoY. We expect EBITDA margin to improve to 16.6% on account of reduction in fuel expenses, gas prices & use of alternate fuel. Cera Sanitaryware (CRS) is expected to witness revenue growth of 8.6% YoY. Faucets business will report healthy sales up 10%YoY & sanitary business is expected grow by 7%YoY. CRS is expected to report operating margin of 16.1% (+20bps YoY) with PAT growth of 10.0% YoY.

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- **Woodpanel – Muted performance continue:** The woodpanel sector is anticipated to experience continued muted performance in Q2 due to several factors. Moderation in volume growth and elevated timber prices are expected to contribute to this subdued performance. We expect MDF volume growth of 12.5%/4.2% for Century Plyboards/Greenpanel Ind. and plywood volume growth of 3.0%/-20.2% for Century Plyboards/Greenpanel Ind. PAT expected to be subdued for CPBI/GREENP in Q2FY24, with PAT est. -15.2%/-18.8% YoY, respectively.
- **Key Rating Changes:** In our coverage universe, we have roll forward to Sept-25, upward revised our target price for all companies and introduced FY26 numbers. We maintain our rating on Astral/Finolex Ind./Century Plyboards/Greenpanel Ind. and upgrade to Accumulate from HOLD for Supreme Ind/Kajaria/CERA.

Exhibit 2: Q2FY24 Result Preview

Company Name		Q2FY24E	Q2FY23	YoY gr. (%)	Q1FY24	QoQ gr. (%)	Remark
Astral Ltd.	Sales	13,568	11,716	15.8	12,831	5.7	We expect 15.8% growth in sales, mainly with strong volume growth est. of 25.0% YoY in plastic pipe segment. Plumbing business expected a growth of 19.3% YoY with correction in pipe & fittings realisation. Paints and Adhesives business expected to grow by 7.0% YoY. We expect EBITDA margin of 14.9% (+260bps YoY). PAT expected to grow by 63.4% YoY.
	EBITDA	2,017	1,440	40.1	2,016	0.0	
	Margin (%)	14.9	12.3		15.7		
	PBT	1,572	987	59.3	1,616	(2.7)	
	Adj. PAT	1,171	717	63.4	1,194	(1.8)	
Century Plyboard (I)	Sales	9,113	9,086	0.3	8,910	2.3	We expect sales to flat YoY mainly with Ply/Laminate/MDF revenue growth of 1.6%/3.7%/3.9% YoY on account of volume growth of 3%/3.6%/12.5% YoY. We expect EBITDA margins of 15.9% (+230bps YoY) mainly improvement in laminate margins. PAT is expected to de-grow by 15.2% YoY, mainly due to exceptional gain of Rs 285mn in Q2FY23.
	EBITDA	1,445	1,230	17.4	1,332	8.5	
	Margin (%)	15.9	13.5		14.9		
	PBT	1,232	1,062	16.0	1,161	6.1	
	Adj. PAT	922	1,087	(15.2)	871	5.8	
Cera Sanitaryware	Sales	4,498	4,143	8.6	4,289	4.9	We expect sales to grow by 8.6% YoY. Faucets business to expected to report healthy sales (up 10% YoY) and sanitary business expected to grow by 7% YoY. We expect EBITDA margin of 16.1% (+20bps YoY). We expect PAT to grow by 10.0% YoY.
	EBITDA	722	661	9.3	704	2.6	
	Margin (%)	16.1	15.9		16.4		
	PBT	745	680	9.6	760	(1.9)	
	Adj. PAT	558	507	10.0	567	(1.6)	
Finolex Industries	Sales	9,803	9,411	4.2	11,792	(16.9)	We expect sales to grow by 4.2% YoY mainly with healthy volume growth of 15.5% YoY in Pipe segment and correction in realisation due to reduction in PVC resin prices. Pipe & fittings business expected revenue growth of 8.9% YoY. We expect EBITDA margins of 12.2%, while sequentially flat with maintained PVC-EDC spread (~USD490/MT in Q2FY24).
	EBITDA	1,191	-1,427	NA	1,525	(21.9)	
	Margin (%)	12.2	-15.2		12.9		
	PBT	1,139	-1,293	NA	1,493	(23.7)	
	Adj. PAT	932	-939	NA	1,153	(19.2)	
Greenpanel Industries	Sales	4,320	4,573	(5.5)	3,862	11.8	We expect sales to de-grow by 5.5% YoY. MDF business to continue to report sales de-growth of 2.6% YoY, with slowdown in volume growth to 4% YoY. Ply business expected to de-grow by 22.7% YoY. MDF business expected reduction in EBITDA per CBM to Rs 6,581 (down 30.8% YoY). We expect EBITDA margin of 21.0% (-450bps YoY). We expect PAT to de-grow by 18.8% YoY.
	EBITDA	908	1,167	(22.2)	658	38.0	
	Margin (%)	21.0	25.5		17.0		
	PBT	720	1,043	(30.9)	500	44.0	
	Adj. PAT	539	725	(25.6)	373	44.5	
Kajaria Ceramics	Sales	11,432	10,778	6.1	10,642	7.4	We expect sales to grow by 6.1% YoY mainly with lower tiles volume growth of 7.3% YoY. We expect EBITDA margins of 16.6% (+460bps YoY) due to reduction in fuel expenses with reduction in gas prices & use of alternate fuel. PAT is expected to grow by 58.9% YoY on lower base.
	EBITDA	1,896	1,294	46.5	1,692	12.1	
	Margin (%)	16.6	12.0		15.9		
	PBT	1,583	1,002	57.9	1,427	10.9	
	Adj. PAT	1,168	735	58.9	1,075	8.7	
Supreme Industries	Sales	21,121	20,866	1.2	23,686	(10.8)	We expect sales to grow by 1.2% YoY with Pipe & fittings volume expected ~26% growth with healthy traction in agri, Jal Jeevan Mission & project business. We expect EBITDA margin of 10.6% (+360bps) YoY.
	EBITDA	2,247	1,471	52.7	3,216	(30.1)	
	Margin (%)	10.6	7.1		13.6		
	PBT	1,634	866	88.7	2,621	(37.7)	
	Adj. PAT	1,443	820	75.9	2,155	(33.1)	

Source: Company, PL

Exhibit 3: Valuation Summary

Company Names	S/C Rating	CMP (Rs)	TP (Rs)	MCap (Rs bn)	Sales (Rs bn)				EBITDA (Rs bn)				PAT (Rs bn)				EPS (Rs)				RoE (%)				PE (x)			
					FY22	FY23	FY24E	FY25E	FY22	FY23	FY24E	FY25E	FY22	FY23	FY24E	FY25E	FY22	FY23	FY24E	FY25E	FY22	FY23	FY24E	FY25E	FY22	FY23	FY24E	FY25E
Astral Ltd.	C HOLD	1,889	1,983	508.2	43.9	51.6	60.2	71.1	7.6	8.1	10.4	12.8	4.8	4.6	6.5	8.3	24.1	17.0	24.3	31.0	22.6	17.2	20.1	21.2	78.5	110.9	77.8	60.9
Century Plyboard (I)	C BUY	653	855	145.4	30.3	36.5	39.5	46.8	5.3	5.6	6.5	8.0	3.1	3.8	4.1	5.1	14.1	17.2	18.6	22.8	22.3	22.1	19.7	20.3	46.2	37.9	35.1	28.6
Cera Sanitaryware	C Acc	8,176	8,857	106.3	14.5	18.0	21.2	24.8	2.3	2.9	3.5	4.1	1.6	2.2	2.6	3.1	122.0	166.1	203.1	235.0	16.8	19.8	20.6	20.0	67.0	49.2	40.2	34.8
Finolex Industries	C Acc	227	243	140.2	46.5	44.0	47.0	52.6	10.4	3.1	6.7	8.0	10.8	2.5	5.1	6.1	17.4	4.1	8.2	9.9	30.6	5.7	10.1	11.5	13.0	55.4	27.5	22.9
Greenpanel Industries	C BUY	374	495	45.9	16.3	17.8	18.2	20.8	4.3	4.2	3.6	4.3	2.4	2.5	2.1	2.6	19.8	20.4	17.2	20.9	28.9	23.3	16.4	17.3	18.9	18.3	21.8	17.9
Kajaria Ceramics	C Acc	1,319	1,445	210.0	37.1	43.8	49.2	56.9	6.1	5.9	7.9	9.4	3.8	3.4	5.0	6.1	23.7	21.6	31.3	38.3	18.9	15.5	19.9	20.9	55.7	61.0	42.1	34.4
Supreme Industries	C Acc	3,925	4,225	498.7	77.7	92.0	108.2	123.0	12.4	12.0	15.2	18.1	9.7	8.7	10.5	12.7	76.2	68.1	82.5	100.2	27.6	21.0	21.9	22.6	51.5	57.6	47.6	39.2

Source: Company, PL

Acc=Accumulate / S=Standalone / C=Consolidated

Exhibit 4: Change in Estimates

	Rating		Target Price			Sales						PAT						EPS					
						FY24E			FY25E			FY24E			FY25E			FY24E			FY25E		
	C	P	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.
Astral Ltd.	HOLD	HOLD	1,983	1,955	1.4%	60,188	60,188	0.0%	71,066	71,066	0.0%	6,532	6,532	0.0%	8,342	8,342	0.0%	24.3	24.3	0.0%	31.0	31.0	0.0%
Century Plyboard (I)	BUY	BUY	855	800	6.9%	36,466	36,466	0.0%	39,549	39,549	0.0%	3,833	3,833	0.0%	4,141	4,141	0.0%	17.2	17.2	0.0%	18.6	18.6	0.0%
Cera Sanitaryware	Acc	HOLD	8,857	8,224	7.7%	18,035	18,035	0.0%	21,247	21,247	0.0%	2,161	2,161	0.0%	2,642	2,642	0.0%	166.1	166.1	0.0%	203.1	203.1	0.0%
Finolex Industries	Acc	Acc	243	197	23.2%	43,971	43,971	0.0%	46,968	46,818	0.3%	2,532	2,532	0.0%	5,100	5,084	0.3%	4.1	4.1	0.0%	8.2	8.2	0.3%
Greenpanel Industries	BUY	BUY	495	459	7.7%	17,829	17,829	0.0%	18,161	18,590	-2.3%	2,504	2,504	0.0%	2,103	2,175	-3.3%	20.4	20.4	0.0%	17.2	17.7	-3.3%
Kajaria Ceramics	Acc	HOLD	1,445	1,363	6.0%	43,819	43,819	0.0%	49,173	50,184	-2.0%	3,445	3,445	0.0%	4,985	5,107	-2.4%	21.6	21.6	0.0%	31.3	32.1	-2.4%
Supreme Industries	Acc	HOLD	4,225	3,377	25.1%	92,016	92,016	0.0%	1,08,197	1,07,700	0.5%	8,653	8,653	0.0%	10,482	10,430	0.5%	68.1	68.1	0.0%	82.5	82.1	0.5%

Source: Company, PL

Acc=Accumulate / C=Current / P=Previous

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Astral Ltd.	Hold	1,955	1,974
2	Bajaj Electricals	Accumulate	1,337	1,220
3	Century Plyboard (I)	BUY	800	629
4	Cera Sanitaryware	Hold	8,224	7,917
5	Crompton Greaves Consumer Electricals	BUY	369	309
6	Finolex Industries	Accumulate	197	184
7	Greenpanel Industries	BUY	459	341
8	Havells India	Accumulate	1,538	1,404
9	Kajaria Ceramics	Hold	1,363	1,393
10	KEI Industries	BUY	2,908	2,480
11	Polycab India	Accumulate	4,760	4,309
12	R R Kabel	BUY	1,407	1,035
13	Supreme Industries	Hold	3,377	3,382
14	Voltas	Hold	831	829

PL's Recommendation Nomenclature

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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