

Jan-Mar'24 Earnings Preview

April 10, 2024

Exhibit 1: PL Universe

Companies	Rating	CMP (Rs)	TP (Rs)
Astral Ltd.	Acc	1,995	2,244
Century Plyboard (I)	BUY	644	848
Cera Sanitaryware	Acc	7,190	8,486
Finolex Industries	HOLD	259	251
Greenpanel Industries	BUY	325	420
Kajaria Ceramics	Acc	1,242	1,445
Supreme Industries	BUY	4,110	5,094

Source: PL Acc=Accumulate

Top Picks

Astral

Supreme Industries

Kajaria Ceramics

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Moderate performance continue

Building Material companies under our coverage universe are expected to report moderate revenue growth due to weak demand, increased competition and higher base. Additionally, a contraction in margins is expected due to increase in RM prices and competitive pricing pressures. However, we anticipate healthy volume growth of +23% YoY in plastic pipe sector. Conversely, tiles and bathware sectors are likely to experience lower growth of 5-7% YoY. We expect coverage companies to register sales growth of 7.0% YoY, given correction in realizations in plastic pipe and MDF segments. With increase in RM prices in woodpanel segment, previous year same quarter inventory gains in plastic pipe segment and lower sales in Bathware, we expect margins to contract YoY (-140bps YoY) along with EBITDA/PAT decline of -1.2%/-7.2% YoY.

We prefer plastic pipe companies on account of a) healthy volume growth driven by plumbing & infrastructure segments, b) capacity enhancement, c) geographical penetration & expansion and d) stability in RM prices. Our top pick is Astral and Supreme Industries given Revenue/EBITDA/PAT CAGR of 21.3%/26.1%/33.9% and 15.4%/18.7%/19.9% over FY24-26. Considering buoyancy in real estate, tiles demand with lag in real estate cycle will benefit Kajaria (being leader in the sector).

- Plastic Pipe Sector - Volume to improve with stability in RM prices:**
 The plastic pipe sector expected healthy volume growth of +23% YoY for coverage universe propelled by sustained strong demand from the plumbing and infrastructure segments. We expect revenue to grow at +8.1% YoY. However, EBITDA and PAT of coverage pipe companies estimated decline of -2.1% and -5.8% respectively, due to margin contraction of -180bps YoY mainly with competitive pricing and inventory gains in same quarter previous year. Supreme Industries and Astral is expected to deliver healthy sales growth of +8.5%/+12% YoY with robust volume growth of +30%/+21.3% YoY in Pipe & Fittings segment despite higher base.
- Tiles & Bathware - KJS yet to pick in vol; CRS lower growth on high-base:**
 Kajaria is expected to report revenue growth of +4.3%YoY mainly with lower tiles volume growth of +5.7% YoY due to weak demand and increased competition from Morbi players in the domestic market with softness in export & capacity expansion. EBITDA margin expected to improve to 16% on account of reduction in fuel expenses. Cera Sanitaryware is expected revenue growth of +4.3% YoY due to moderate growth in Faucets/Sanitary business, +8%/+6.5%YoY due to weak demand. CRS is expected decline in EBITDA (-1.3% YoY) with contraction in margin to 15.5% and PAT growth of +4% YoY.
- Woodpanel – MDF segment volume expected to pick up:** Woodpanel sector expected healthy volume growth, albeit with margin contraction due to elevated timber prices and correction in realizations. We expect MDF volume growth of +25.8%/+6.7% YoY for Century Plyboards/Greenpanel Ind. and plywood volume growth of +10%/-3.5% YoY for CPBI/GREENP. CPBI laminate segment volume is expected +24% YoY. Woodpanel coverage companies expected revenue growth of +6.5% YoY and EBITDA/PAT decline of -8.6%/-28.3% YoY in Q4FY24 with EBITDA margin contraction of -240bps YoY. GREENP reported deferred tax write-off in Q4FY23, thus, PAT decline of -42.7% YoY in Q4FY24.

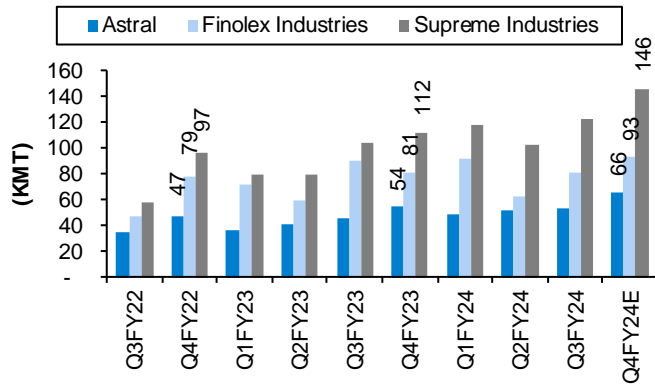
- **Coverage target price changes:** In our coverage universe, we've maintained our earnings estimates and ratings, except for Supreme Industries, Finolex Industries, and GREENP. We've upgraded our rating for Supreme Industries to BUY from Accumulate, extending TP to Mar-26. Conversely, we've downgraded Finolex Industries from Accumulate to HOLD. Additionally, we've revised downward our target price for GREENP by 12.6%, reflecting a decrease in earnings (-2.8% in FY26) and a shift in target multiple from 21x to 18x. This adjustment is attributed to softer earnings sentiment due to increased competition in the sector and rising raw material prices.

Exhibit 2: Q4FY24 Result Preview

Company Name		Q4FY24E	Q3FY23	YoY gr. (%)	Q2FY24	QoQ gr. (%)	Remark
Astral Ltd.	Sales	16,874	15,062	12.0	13,702	23.2	We expect 12% YoY growth in sales, mainly with strong vol. growth est. of 21.3% YoY in plastic pipe segment even after higher base. Plumbing/P&A business expected to grow 12%/12.2% YoY. With the sequential stability in RM prices (PVC/CPVC), EBITDA margin expected to improve. PAT expected to grow by 10.1% YoY.
	EBITDA	3,493	3,089	13.1	2,161	61.7	
	Margin (%)	20.7	20.5		15.8		
	PBT	3,005	2,677	12.3	1,649	82.2	
	PAT	2,284	2,075	10.1	1,243	83.7	
Century Plyboard (I)	Sales	10,486	9,654	8.6	9,374	11.9	We expect sales growth of 8.6% YoY mainly with Plywood/MDF/laminate volume growth of 10%/25.8%/24% YoY with capacity enhancement & geographical expansion. We expect contraction in EBITDA margins by 320bps YoY to 13.8% due to increase in RM prices. PAT is expected to decline by 19.7% YoY.
	EBITDA	1,444	1,638	(11.9)	1,061	36.1	
	Margin (%)	13.8	17.0		11.3		
	PBT	1,231	1,554	(20.8)	842	46.2	
	PAT	921	1,146	(19.7)	627	47.0	
Cera Sanitaryware	Sales	5,554	5,325	4.3	4,389	26.5	We expect sales growth by 4.3% YoY. Faucets/Sanitary segments expected soft growth of 8%/6.5% YoY on higher base. We expect EBITDA margin of 15.5% and PAT to grow by 4.0% YoY.
	EBITDA	861	872	(1.3)	614	40.1	
	Margin (%)	15.5	16.4		14.0		
	PBT	878	891	(1.5)	662	32.6	
	PAT	657	632	4.0	515	27.5	
Finolex Industries	Sales	11,645	11,411	2.1	10,197	14.2	We expect sales to grow by 2.1% YoY mainly with vol. growth of 14.3% YoY in P&F segment and correction in realisation due to reduction in PVC resin prices YoY. Pipe & fittings business expected revenue growth of 2.3% YoY. EBITDA margin expected to improve sequentially to 16% with the sequential stability in RM prices.
	EBITDA	1,859	2,174	(14.5)	1,199	55.0	
	Margin (%)	16.0	19.1		11.8		
	PBT	1,853	2,164	(14.4)	1,198	54.7	
	PAT	1,466	1,665	(11.9)	954	53.7	
Greenpanel Industries	Sales	4,493	4,414	1.8	3,857	16.5	We expect sales growth of 1.8% YoY. MDF business to report sales volume of 6.7% YoY and ply segment volume decline of -3.5% YoY. We expect EBITDA margin of 16.7% YoY due to higher timber prices. We expect PAT decline of -42.7% YoY due to deferred tax write-off in Q4FY23.
	EBITDA	751	762	(1.5)	603	24.6	
	Margin (%)	16.7	17.3		15.6		
	PBT	527	643	(18.0)	374	40.8	
	PAT	395	689	(42.7)	346	14.0	
Kajaria Ceramics	Sales	12,561	12,048	4.3	11,518	9.1	We expect sales to grow by 4.3% YoY with moderate volume growth of 5.7% YoY. We expect EBITDA margins of 16.0% and PAT to growth at 7.9% YoY.
	EBITDA	2,004	1,759	13.9	1,788	12.1	
	Margin (%)	16.0	14.6		15.5		
	PBT	1,672	1,448	15.5	1,462	14.4	
	PAT	1,214	1,124	7.9	1,045	16.1	
Supreme Industries	Sales	28,190	25,983	8.5	24,491	15.1	We expect sales to grow by 8.5% YoY with Pipe & fittings/Packing Products/Industrial products/consumer product volume growth of 30%/3.8%/5.7%/2.3% YoY. We expect EBITDA margin of 16.0%, contraction of 250bps YoY with competitive pricing & previous year same quarter inventory gain.
	EBITDA	4,506	4,803	(6.2)	3,788	19.0	
	Margin (%)	16.0	18.5		15.5		
	PBT	3,889	4,156	(6.4)	3,172	22.6	
	PAT	3,160	3,594	(12.1)	2,562	23.4	

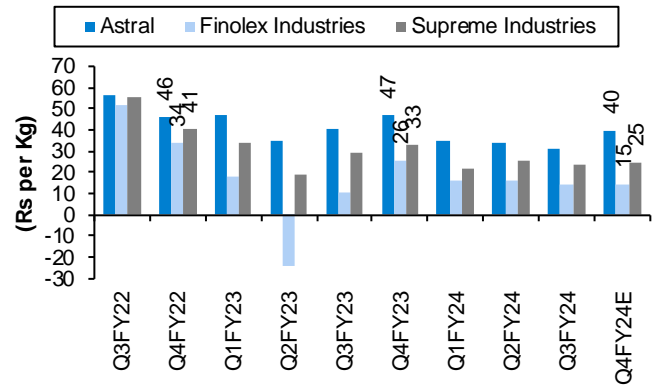
Source: Company, PL

Exhibit 3: Pipe Vol. growth est. 23.0% YoY on higher base



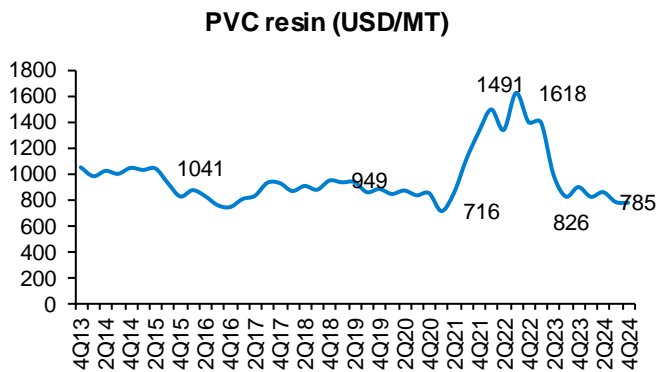
Source: Company, PL

Exhibit 4: Pipe EBITDA/Kg est. -25.2% YoY



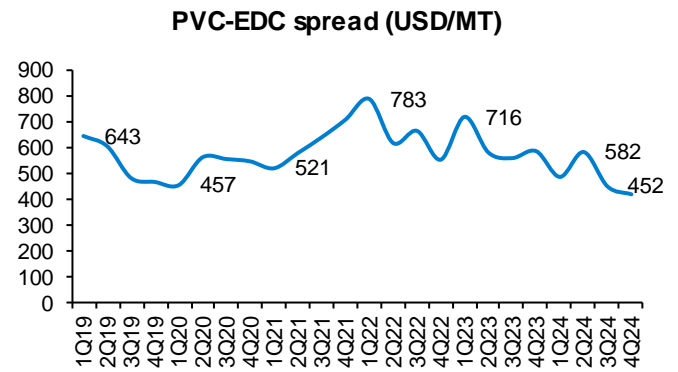
Source: Company, PL

Exhibit 5: PVC resin prices down 13.4% YoY in Q4FY24



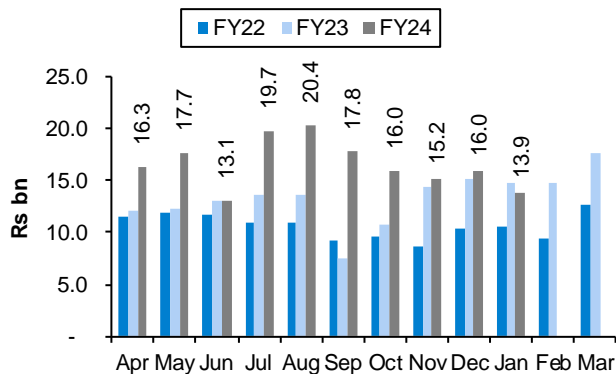
Source: Industry, PL

Exhibit 6: PVC-EDC spread contracted 6.5% QoQ in Q4FY24



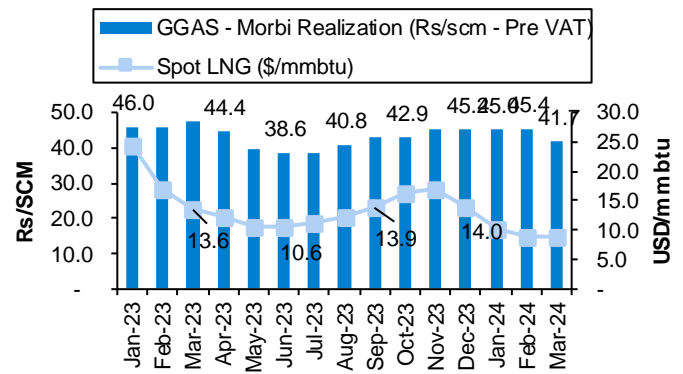
Source: Industry, PL

Exhibit 7: Tiles export to be up ~31%YoY for 10MFY24



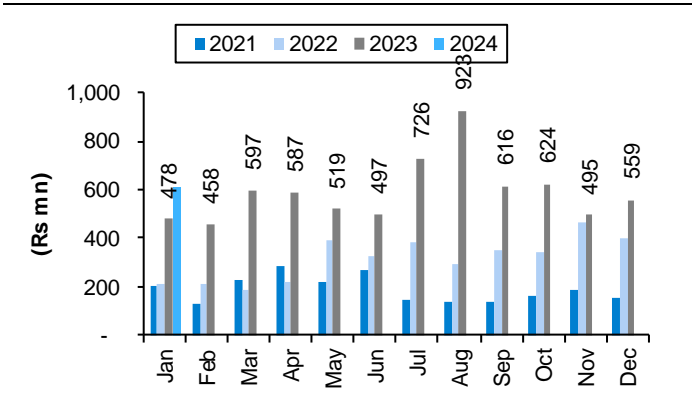
Source: Ministry of Commerce, PL

Exhibit 8: GGAS (Morbi) prices down to Rs42per SCM



Source: Ministry of Commerce, PL

Exhibit 9: Woodpanel - MDF import up ~69% in 10MFY24



Source: Ministry of Commerce, PL

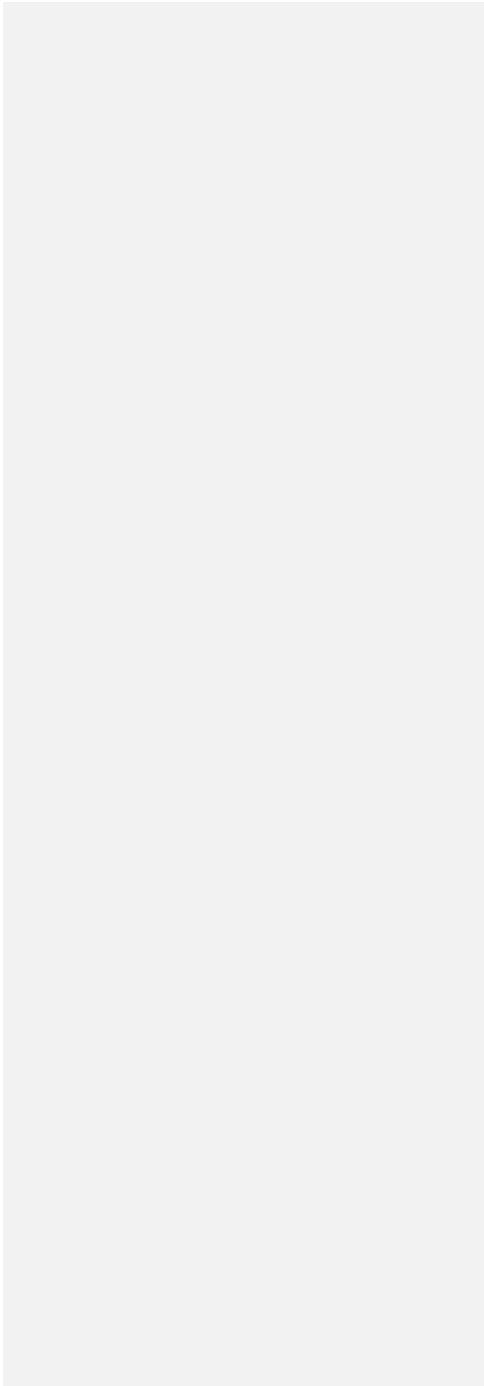
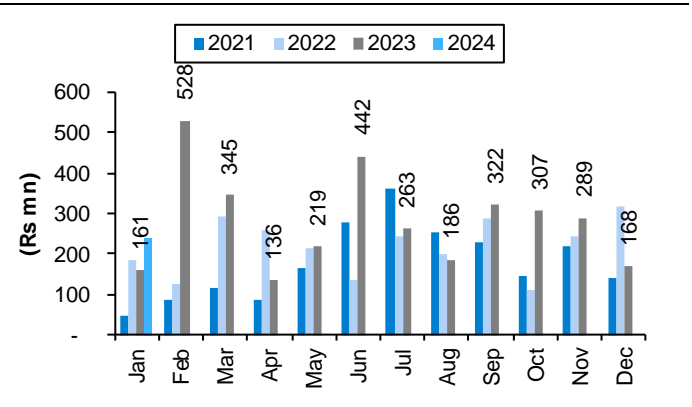


Exhibit 10: Woodpanel - MDF export up ~18% in 10MFY24



Source: Ministry of Commerce, PL

Exhibit 11: 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)			
						FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E
Astral Ltd.	C	Acc	1,995	2,244	536.7	515.9	57.0	70.2	83.9	8.1	9.9	12.6	15.7	4.6	6.0	8.1	10.6	17.0	22.4	30.3	39.4	17.2	18.6	21.0	22.3	117.1	89.2	65.9	50.7
Century Plyboard (I)	C	BUY	644	848	143.3	36.5	38.6	44.7	51.7	5.6	5.5	6.9	8.6	3.8	3.6	4.3	5.4	17.2	16.2	19.4	24.2	22.1	17.3	17.8	18.9	37.4	39.9	33.2	26.6
Cera Sanitaryware	C	Acc	7,190	8,486	93.5	18.0	19.2	22.8	26.9	2.9	3.0	3.7	4.4	2.2	2.3	2.7	3.3	166.1	174.2	209.7	254.6	19.8	17.9	18.5	18.9	43.3	41.3	34.3	28.2
Finolex Industries	C	HOLD	259	251	159.9	44.0	42.9	49.8	56.9	3.1	5.6	6.9	8.1	2.5	4.5	5.7	6.7	4.1	7.2	9.3	10.8	5.7	8.9	10.9	12.0	63.1	35.8	27.9	23.9
Greenpanel Industries	C	BUY	325	420	39.9	17.8	16.2	18.6	22.1	4.2	2.7	3.5	4.5	2.5	1.6	2.1	2.8	20.4	12.8	17.5	23.2	23.3	12.5	15.2	17.5	15.9	25.4	18.6	14.0
Kajaria Ceramics	C	Acc	1,242	1,445	197.7	43.8	46.2	53.7	61.4	5.9	7.3	8.9	10.1	3.4	4.4	5.6	6.5	21.6	27.9	35.2	41.0	15.5	17.8	19.6	19.8	57.4	44.5	35.3	30.3
Supreme Industries	C	BUY	4,110	5,094	522.2	92.0	101.5	116.2	135.2	12.0	15.7	18.5	22.1	8.7	10.8	12.8	15.5	68.1	84.8	101.0	121.9	21.0	22.5	22.7	23.1	60.3	48.4	40.7	33.7

Source: Company, PL

Acc=Accumulate / S=Standalone / C=Consolidated

Exhibit 12: 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.	Acc	Acc	2,244	2,244	0.0%	57,037	57,037	0.0%	70,223	70,223	0.0%	6,015	6,015	0.0%	8,140	8,140	0.0%	22.4	22.4	0.0%	30.3	30.3	0.0%
Century Plyboard (I)	BUY	BUY	848	848	0.0%	38,620	38,620	0.0%	44,658	44,658	0.0%	3,596	3,596	0.0%	4,312	4,312	0.0%	16.2	16.2	0.0%	19.4	19.4	0.0%
Cera Sanitaryware	Acc	Acc	8,486	8,486	0.0%	19,247	19,247	0.0%	22,817	22,817	0.0%	2,265	2,265	0.0%	2,727	2,727	0.0%	174.2	174.2	0.0%	209.7	209.7	0.0%
Finolex Industries	HOLD	Acc	251	247	1.6%	42,899	44,172	-2.9%	49,762	51,083	-2.6%	4,469	4,302	3.9%	5,742	5,765	-0.4%	7.2	7.0	3.9%	9.3	9.3	-0.4%
Greenpanel Industries	BUY	BUY	420	481	-12.6%	16,179	16,238	-0.4%	18,632	18,538	0.5%	1,572	1,635	-3.8%	2,142	2,263	-5.3%	12.8	13.3	-3.8%	17.5	18.5	-5.3%
Kajaria Ceramics	Acc	Acc	1,445	1,445	0.0%	46,224	46,224	0.0%	53,686	53,686	0.0%	4,443	4,443	0.0%	5,605	5,605	0.0%	27.9	27.9	0.0%	35.2	35.2	0.0%
Supreme Industries	BUY	Acc	5,094	4,823	5.6%	1,01,534	1,01,534	0.0%	1,16,151	1,16,151	0.0%	10,780	10,780	0.0%	12,838	12,838	0.0%	84.8	84.8	0.0%	101.0	101.0	0.0%

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.	Accumulate	2,244	2,044
2	Bajaj Electricals	Hold	997	996
3	Century Plyboard (I)	BUY	848	748
4	Cera Sanitaryware	Accumulate	8,486	6,993
5	Crompton Greaves Consumer Electricals	BUY	359	281
6	Finolex Industries	Accumulate	247	234
7	Greenpanel Industries	BUY	481	388
8	Havells India	Accumulate	1,681	1,550
9	Kajaria Ceramics	Accumulate	1,445	1,375
10	KEI Industries	Hold	3,692	3,574
11	Polycab India	BUY	6,065	5,317
12	R R Kabel	BUY	1,857	1,558
13	Supreme Industries	Accumulate	4,823	4,070
14	Voltas	Hold	1,199	1,232

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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