

Building Materials

Another muted quarter

The building materials sector experienced a soft demand in Q4FY25. We project a 4% YoY revenue growth for our coverage universe, driven by volume growth. However, we estimate a 10% YoY decline in EBITDA and a 22% YoY decrease in APAT. This is attributed to heightened competition in the pipes segment, weak pricing in the tiles segment, and elevated timber prices impacting the wood segment. We believe that the volume growth of major tile companies was negatively affected by weak export performance. Our pipes coverage universe is expected to report a subdued volume growth of 4% YoY. Amidst the intense competition and potential inventory losses, the margins of pipe companies are likely to be under pressure. Wood companies will face challenges due to the sustained high timber prices. Looking ahead to FY26, we anticipate a healthy demand in both the pipes and wood panel segments. In the tiles segment, we predict that the unorganized Morbi will hamper industry leaders' growth.

- **Tiles sector—subdued demand, Morbi pain continues:** Tile demand experienced a muted quarter, affected by subdued exports. We anticipate that market leaders Kajaria Ceramics and Somany Ceramics will report a volume growth of 8% and 4%, respectively, in Q4, translating to a two-year CAGR of 7% and 6%. Tile realisations and gas prices remained stable on a QoQ basis.
- **Plastic pipes—muted demand amid intense competition:** Pipe demand remained subdued in Q4. The correction in PVC resin prices during Q4 has kept channel inventory at low levels. We anticipate a volume growth of 6% YoY for Supreme Industries and 4% YoY for Astral Pipes. However, we project a 4% YoY volume decline for Prince Pipes, and we expect its underperformance, relative to its peers, to persist. Operating margins for the industry are likely to remain under pressure due to intense competition, further compounded by potential inventory losses.
- **Wood panel—margin under pressure:** We anticipate a YoY volume growth for Century Plyboards across all key segments, Greenlam Industries (laminates 4% YoY) and Stylam Industries (laminates 6% YoY). Conversely, we expect Greenpanel's MDF and plywood volumes to decline by 14% and 1% YoY, respectively, indicating a loss of market share in both segments. Elevated timber prices are expected to keep sectoral margins under pressure.
- **Sector and stock views:** We anticipate a recovery in the plumbing demand in FY26, driven by the normalization of channel inventories and a resurgence in government spending. We believe that Morbi remains a structural challenge to the tiles industry, as its practice of volume dumping in the domestic market is expected to persist. Therefore, we are projecting a single-digit volume growth for both tiles' players in FY26 and FY27. Conversely, we expect the volume growth for wood companies to accelerate in the coming years, supported by robust real estate sales observed in recent years. We are also updating our valuation timeframe to Mar-27E from our previous Sep-26E. As noted in our recent company update, Astral and Prince Pipes were already transitioned to a Mar-27E valuation. Considering the current global economic uncertainty, the export performance of laminate companies may be negatively affected. As a result, we have revised our target multiple for Greenlam Industries downwards to 30x EPS from the previous 33x and for Stylam Industries to 20x EPS, down from 25x. We are maintaining our existing ratings on all the stocks under our coverage. Century Plyboards remains our top pick within the sector.

COMPANY	RATING	TP (INR)
Kajaria Ceramics	REDUCE	920
Somany Ceramics	BUY	730
Supreme Ind.	ADD	4,410
Astral Limited	ADD	1,540
Prince Pipes	REDUCE	275
CenturyPly	BUY	1,005
Greenpanel Ind.	REDUCE	250
Greenlam Ind.	ADD	270
Stylam Ind.	BUY	2,525

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Q4FY25 estimates for tiles, pipes, and wood panel companies.

Y/E March	Net Sales (INR mn)			EBITDA (INR mn)			EBITDA Margin (%)			Adj. PAT (INR mn)		
	Mar-25E	YoY (%)	QoQ (%)	Mar-25E	YoY (%)	QoQ (%)	Mar-25E	YoY (%)	QoQ (%)	Mar-25E	YoY (%)	QoQ (%)
Kajaria Ceramics	13,188	6.3	13.3	1,754	1.9	17.9	13.3	(0.6)	0.5	950	(7.3)	22.2
Somany Ceramics	7,492	1.6	16.2	659	(17.0)	23.3	8.8	(2.0)	0.5	241	(12.6)	113.1
Supreme Ind.	30,414	1.1	21.2	4,563	(7.0)	47.7	15.0	(1.3)	2.7	3,062	(13.7)	63.8
Astral Limited	17,204	5.9	23.1	2,833	(2.8)	29.0	16.5	(1.5)	0.8	1,615	(11.1)	41.6
Prince Pipes \$	6,776	(8.5)	17.3	386	(58.1)	1,202.3	5.7	(6.8)	5.2	89	(83.7)	NA
CenturyPly	12,513	18.0	9.7	1,530	3.2	18.2	12.2	(1.8)	0.9	755	(16.7)	29.2
Greenpanel Ind.	3,443	(13.2)	(4.2)	99	(80.8)	(43.0)	2.9	(10.1)	(2.0)	-72		
Greenlam Ind.	7,038	12.8	16.9	790	(5.4)	24.4	11.2	(2.2)	0.7	186	(54.5)	46.7
Stylam Ind.	2,672	11.4	5.0	515	8.1	12.0	19.3	(0.6)	1.2	346	(10.5)	16.2
Aggregate	100,738	4.1	16.5	13,129	(9.9)	32.6	13.0	(2.0)	1.6	7,173	(22.1)	49.7

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	47.79	52.48	57.70	6.48	7.63	8.56	13.6	14.5	14.8	3.47	4.30	4.86
Somany Ceramics	26.47	29.00	32.14	2.25	2.65	3.02	8.5	9.1	9.4	0.65	1.07	1.37
Supreme Ind.	104.85	120.63	136.33	14.71	19.17	22.16	14.0	15.9	16.3	9.77	12.95	14.86
Astral Limited	58.95	68.56	78.58	9.23	11.73	13.42	15.7	17.1	17.1	5.05	7.04	8.29
Prince Pipes \$	24.89	27.69	29.88	1.45	2.65	3.17	5.8	9.6	10.6	0.28	1.12	1.38
CenturyPly	46.48	55.46	63.18	5.04	6.92	9.18	10.8	12.5	14.5	2.21	3.57	5.24
Greenpanel Ind.	14.06	17.39	20.29	0.95	2.30	3.29	6.7	13.2	16.2	0.34	0.87	1.52
Greenlam Ind.	25.89	31.71	37.59	2.89	3.69	4.79	11.2	11.6	12.8	0.86	1.30	2.12
Stylam Ind.	10.25	12.79	16.15	1.94	2.42	3.16	18.9	18.9	19.5	1.27	1.58	2.14

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	7.3	8.2	8.4	17.2	19.5	20.5	12.5	14.4	15.1	(0.2)	(0.2)	(0.2)
Somany Ceramics	2.5	3.7	4.3	11.7	14.8	16.5	7.6	11.7	13.5	0.3	0.2	0.2
Supreme Ind.	9.3	10.7	10.9	21.3	26.2	27.0	18.3	21.9	22.5	(0.1)	(0.1)	(0.1)
Astral Limited	8.6	10.3	10.6	19.9	23.8	24.4	14.6	17.8	18.3	(0.2)	(0.3)	(0.4)
Prince Pipes \$	1.1	4.0	4.6	2.9	9.1	10.5	1.8	6.9	8.0	(0.0)	(0.1)	(0.1)
CenturyPly	4.8	6.4	8.3	11.5	14.3	18.4	9.6	13.8	17.4	0.4	0.4	0.3
Greenpanel Ind.	2.4	5.0	7.5	2.2	7.6	12.0	2.6	6.3	10.2	0.2	0.2	0.1
Greenlam Ind.	3.3	4.1	5.6	8.4	10.2	14.1	7.7	10.8	15.7	1.0	0.8	0.7
Stylam Ind.	12.4	12.3	13.2	30.0	30.1	33.1	21.4	21.9	24.1	(0.0)	(0.0)	(0.0)

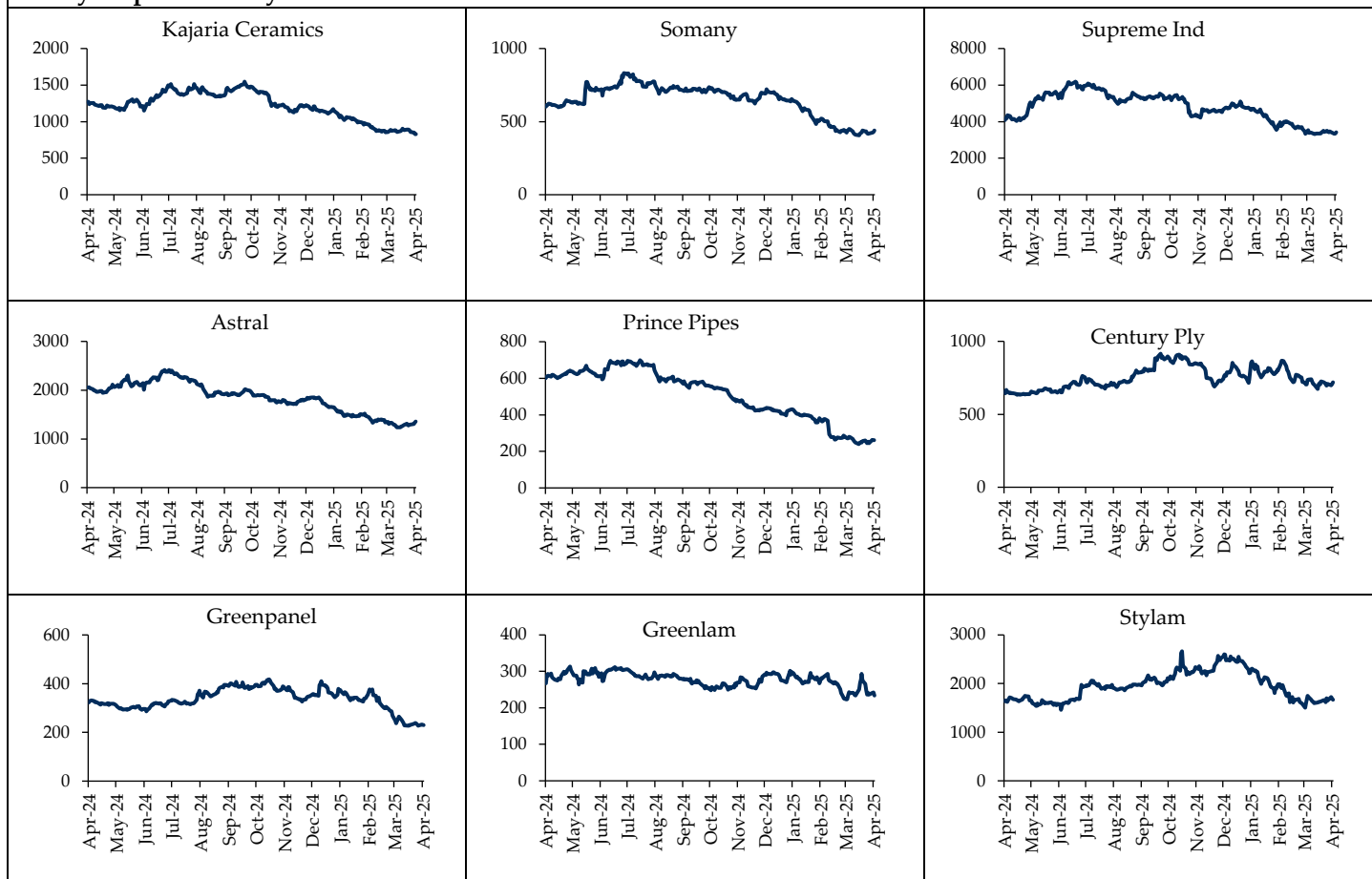
Source: Company, HSIE Research, \$ - standalone numbers

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	128.5	806	REDUCE	REDUCE	920	890	30.0	19.1	16.1	14.2	37.1	29.9	26.4
Somany Ceramics	17.5	426	BUY	BUY	730	660	22.0	9.1	7.5	6.5	26.9	16.3	12.8
Supreme Ind.	418.4	3,294	ADD	ADD	4,410	4,210	40.0	28.0	21.5	18.5	42.8	32.3	28.2
Astral Limited	359.6	1,337	ADD	ADD	1,540	1,540	50.0	38.3	29.8	25.5	71.2	51.1	43.4
Prince Pipes \$	27.1	245	REDUCE	REDUCE	275	275	22.0	18.3	9.9	8.0	97.6	24.2	19.7
CenturyPly	155.0	696	BUY	BUY	1,005	875	40.0	32.9	24.0	17.8	70.0	43.5	29.6
Greenpanel Ind.	27.7	226	REDUCE	REDUCE	250	210	20.0	31.8	13.0	8.7	80.8	31.7	18.2
Greenlam Ind.	58.4	229	ADD	ADD	270	260	30.0	24.0	18.6	14.4	68.3	45.1	27.6
Stylam Ind.	27.5	1,625	BUY	BUY	2,525	2,800	20.0	14.1	11.3	8.7	21.7	17.4	12.9

Source: Company, HSIE Research ^Valuation is based on Mar-27E EPS. CMP as on April 4, 2025

One year 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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