

Building Materials

Sectoral dynamics remain the same

In Q4FY24, our coverage universe's revenue is expected to grow by 5% YoY (volume driven). Like earlier quarters, volume growth remains healthy in the pipes sector. The tiles and wood panel sector will continue its muted volume performance. EBITDA/APAT for our coverage universe will decline by 4/15% YoY, owing to the pipes sector (inventory gain in the base quarter) and wood panel sector (except laminates-focused players). We estimate tile majors to report sub-par 4-6% YoY volume growth in Q4FY24, in line with the growth figure of 9MFY24. Gross margins are expected to remain stable QoQ for the tiles sector. We expect our pipes coverage universe volume to grow by 22% YoY (+18% QoQ). As there is no major change in PVC resin prices in Q4FY24, we don't expect inventory gain/loss for pipes companies. We expect similar sub-par demand across ply, laminates, MDF, and particle board segments. Elevated timber prices will keep margins under pressure for ply, MDF and particle board segments. MDF margin will further face pressure from the realisation cut in H2FY24. However, the laminate margin will continue to remain healthy (cool-off in raw material prices from the previous few quarters).

- Tiles sector – weak demand, stable gross margin QoQ:** We expect the market leaders Kajaria/Somany to report 6/4% volume growth YoY in Q4FY24, in line with 9MFY24 performance. Domestic demand remains sub-par. Even export offtake is muted, leading to continued dumping by Morbi in the domestic market. Tiles realisation has been stable QoQ in Q4. The slight decrease in gas prices is expected QoQ in Q4. So, we estimate a stable gross margin QoQ. However, owing to the op-lev gain, we expect a small uptick in EBITDA margin QoQ. We expect tiles demand to pick up in H2FY25.
- Plastic pipes – healthy demand, volatility in resin prices reduced:** We expect strong sales volume growth owing to healthy plumbing demand. We estimate our pipes coverage universe volume to grow by 22% YoY (+18% QoQ) on the back of double-digit volume growth by all coverage companies. We expect Astral/Supreme Ind/Prince Pipes volume to grow by 25/20/11% YoY. Prince took a small price cut to push up volumes. PVC resin prices have corrected by INR 3/kg in January. Thereafter, it recovered by INR 1/kg each in February and March, leading to a ~1% QoQ decline in Q4. Hence, we don't expect inventory gain/loss for companies in this quarter. PVC resin prices have increased by INR 1/kg at the start of Apr-24.
- Wood panel – another tough quarter:** We expect YoY volume growth for CenturyPly (all segments), Greenlam Ind. (laminates +12%) and Stylam Ind. (laminates +8%). However, Greenpanel's volume is expected to fall 8/25% YoY for MDF/ply segments. Elevated timber prices should keep the margin under pressure. A fall in MDF realisation will further lower this segment margin for CenturyPly and Greenpanel. Laminates' segment margin should stay strong, as raw material prices have cooled off from the last few quarters.
- View on stocks:** We have been positive on the tiles sector, as we expect tiles demand to pick up in H2FY25. We are positive on pipes sector prospects too, although valuation is a bit of a concern. We expect a pick-up in wood panel demand in FY26. We have broadly maintained our estimates for all companies except Greenpanel. Owing to the realisation cut in the MDF segment, we have trimmed the Greenpanel estimate. We maintain our ratings on all the stocks.

COMPANY	RATING	TP (INR)
Kajaria Ceramics	ADD	1,410
Somany Ceramics	BUY	980
Supreme Ind.	REDUCE	4,290
Astral Limited	BUY	2,040
Prince Pipes	ADD	675
CenturyPly	ADD	785
Greenpanel Ind.	BUY	400
Greenlam Ind.	ADD	585
Stylam Ind.	BUY	2,550

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Q4FY24 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-24	YoY (%)	QoQ (%)	Mar-24	YoY (%)	QoQ (%)	Mar-24	YoY (%)	QoQ (%)	Mar-24	YoY (%)	QoQ (%)
Kajaria Ceramics \$	12,589	4.5	9.3	2,005	13.9	12.1	15.9	1.3	0.4	1,189	5.9	14.1
Somany Ceramics \$	6,969	2.6	13.8	691	13.4	17.1	9.9	0.9	0.3	275	13.4	31.8
Supreme Ind. \$	27,188	4.6	11.0	4,637	(3.5)	22.4	17.1	(1.4)	1.6	3,215	(10.6)	25.5
Astral Limited \$	17,434	15.7	27.2	3,119	1.0	52.1	17.9	(2.6)	2.9	1,933	(6.8)	70.3
Prince Pipes	7,040	(7.9)	13.8	934	(37.0)	23.4	13.3	(6.1)	1.0	547	(41.9)	NA
CenturyPly \$	10,023	3.8	6.9	1,382	(15.6)	30.3	13.8	(3.2)	2.5	823	(28.2)	30.5
Greenpanel Ind. \$	3,945	(10.6)	2.1	555	(27.3)	(15.7)	14.1	(3.2)	(3.0)	281	(59.2)	(24.6)
Greenlam Ind. \$	6,390	19.7	13.4	871	17.6	22.4	13.6	(0.2)	1.0	373	(19.1)	47.5
Stylam Ind. \$	2,253	(4.9)	5.0	470	16.1	(1.6)	20.9	3.8	(1.4)	317	18.4	1.2
Aggregate	93,830	5.1	13.0	14,663	(4.1)	23.4	15.6	(1.5)	1.3	8,954	(15.1)	29.9

Source: Company, HSIE Research, \$ - Consol numbers, NA – not applicable

Annual estimates

Y/E March	Net Sales (INR bn)			EBITDA (INR bn)			EBITDA Margin (%)			Adj. PAT (INR bn)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Kajaria Ceramics \$	45.98	53.01	58.91	7.31	8.97	10.19	15.9	16.9	17.3	4.42	5.58	6.41
Somany Ceramics \$	25.54	28.43	31.23	2.44	2.88	3.33	9.5	10.1	10.7	1.00	1.24	1.60
Supreme Ind. \$	98.68	110.06	122.27	15.29	18.70	20.69	15.5	17.0	16.9	10.50	13.03	14.35
Astral Limited \$	56.50	66.13	77.94	9.31	12.42	14.70	16.5	18.8	18.9	5.48	7.57	9.17
Prince Pipes	25.32	29.50	33.16	3.09	3.90	4.44	12.2	13.2	13.4	1.66	2.22	2.49
CenturyPly \$	38.04	44.12	52.43	5.15	6.72	8.30	13.5	15.2	15.8	3.22	3.81	5.00
Greenanpanel Ind. \$	15.75	17.48	21.12	2.50	3.02	4.32	15.8	17.3	20.5	1.40	1.66	2.45
Greenlam Ind. \$	23.15	28.57	34.81	2.98	3.83	4.96	12.9	13.4	14.3	1.36	1.63	2.26
Stylam Ind. \$	9.0	10.8	13.5	1.8	2.3	2.9	20.4	20.9	21.2	1.2	1.5	2.0

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

Y/E March	NPM (%)			RoCE pre-tax (%)			RoE (%)			Net D:E (x)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Kajaria Ceramics \$	9.6	10.5	10.9	22.2	25.1	25.4	17.3	19.3	19.5	(0.1)	(0.1)	(0.2)
Somany Ceramics \$	3.9	4.4	5.1	12.2	14.2	16.4	11.4	13.8	15.7	0.4	0.3	0.2
Supreme Ind. \$	10.6	11.8	11.7	26.5	28.8	27.6	22.3	24.0	22.9	(0.1)	(0.2)	(0.2)
Astral Limited \$	9.7	11.4	11.8	23.7	28.1	29.3	17.3	20.8	21.7	(0.2)	(0.3)	(0.3)
Prince Pipes	6.6	7.5	7.5	15.2	17.9	17.8	11.5	13.6	13.6	(0.2)	(0.1)	(0.2)
CenturyPly \$	8.5	8.6	9.5	18.1	17.8	20.7	15.6	15.9	17.8	0.2	0.2	0.1
Greenanpanel Ind. \$	8.9	9.5	11.6	12.1	13.6	18.0	11.2	11.9	15.6	(0.0)	0.1	0.0
Greenlam Ind. \$	5.9	5.7	6.5	12.3	12.7	15.7	13.2	14.0	16.8	0.8	0.7	0.5
Stylam Ind. \$	13.7	14.2	14.5	33.4	33.6	34.0	26.5	26.0	26.1	(0.1)	(0.0)	(0.2)

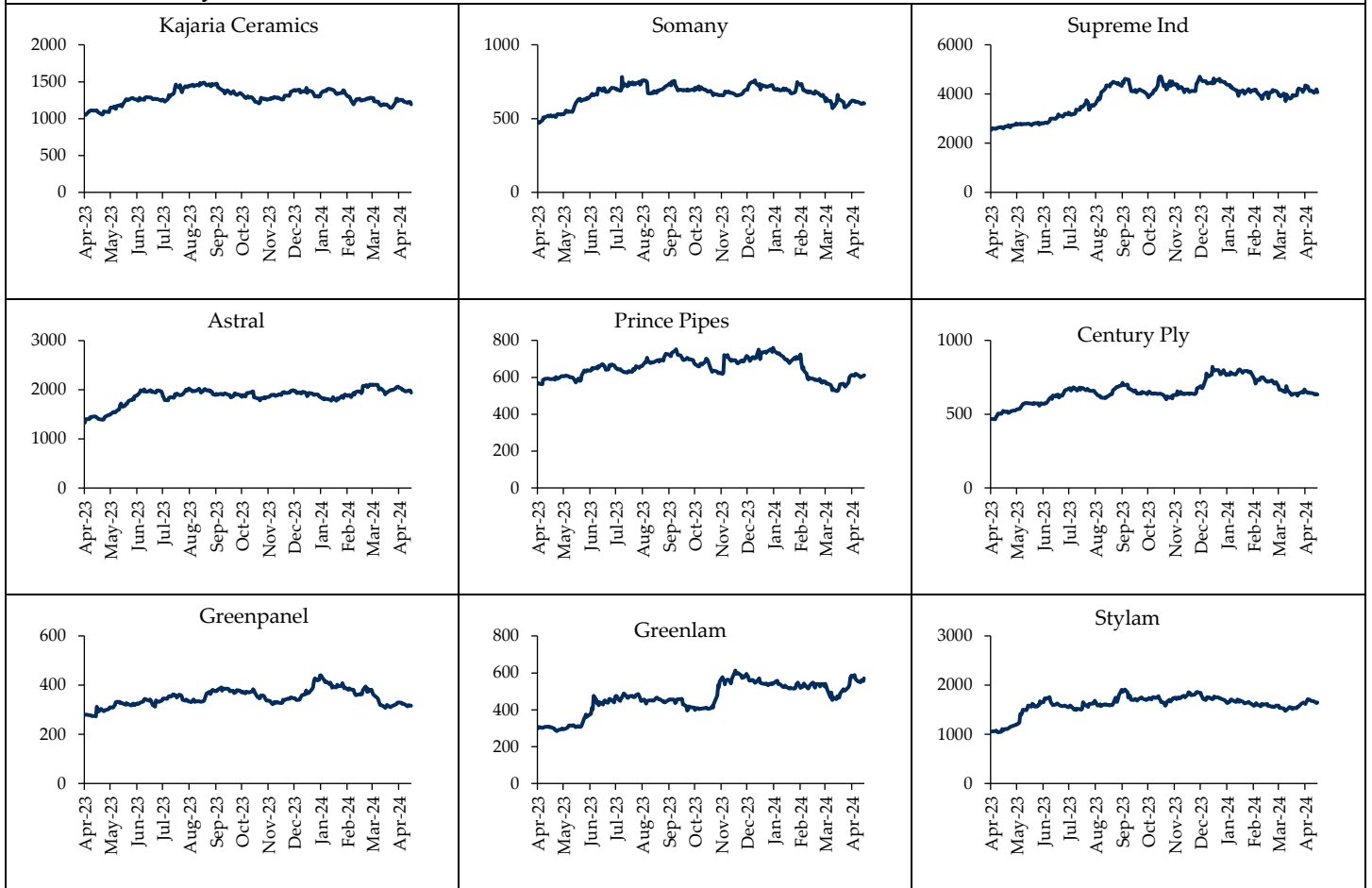
Source: Company, HSIE Research, \$ - Consol numbers

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)		
								FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Kajaria Ceramics \$	189.6	1,191	ADD	ADD	1,410	1,410	35.0	25.5	20.5	18.0	42.9	34.0	29.6
Somany Ceramics \$	25.5	600	BUY	BUY	980	980	25.0	12.0	9.9	8.5	24.7	19.8	15.3
Supreme Ind. \$	518.2	4,079	REDUCE	REDUCE	4,290	4,290	40.0	33.4	27.2	24.4	49.4	39.8	36.1
Astral Limited \$	522.9	1,944	BUY	BUY	2,040	2,040	60.0	56.0	41.7	35.1	95.5	69.1	57.1
Prince Pipes	67.7	612	ADD	ADD	675	675	30.0	20.9	16.8	14.5	40.7	30.5	27.1
CenturyPly \$	142.0	638	ADD	ADD	785	785	35.0	28.6	22.1	17.3	44.1	37.2	28.4
Greenanpanel Ind. \$	38.6	315	BUY	BUY	400	445	20.0	15.4	13.1	9.0	27.5	23.3	15.8
Greenlam Ind. \$	68.8	570	ADD	ADD	585	585	33.0	26.2	21.2	15.9	53.1	44.4	32.1
Stylam Ind. \$	28.3	1,669	BUY	BUY	2,550	2,550	22.0	14.9	12.5	9.4	22.8	18.4	14.4

Source: Company, HSIE Research ^Valuation is based on Mar-26E PE basis. CMP as on date Apr 19, 2024

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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