INSTITUTIONAL RESEARCH

Building Materials

Healthy demand; price hikes continue

Demand for building materials remained healthy in Q2FY27. The pipes segment witnessed healthy volume growth, aided by channel stocking amid the continued rise in PVC resin prices. Companies in our pipes coverage universe are expected to report strong aggregate volume growth of 20% YoY in Q2FY27. In tiles, we expect our coverage companies to deliver volume growth of ~9% YoY, alongside improved realizations following price hikes undertaken to offset higher fuel costs. While most of the Morbi units have resumed operations following the temporary shutdowns announced in March, some units remain closed amid continued weakness in export markets and rising fuel prices. At the same time, relatively higher gas prices in western India have narrowed Morbi's cost advantage, strengthening the competitive positioning of branded players with geographically diversified manufacturing footprints. Demand for wood panels stayed strong, though exports were hit by geopolitical tensions, higher ocean freight, and container delays. A sharp increase in chemical costs necessitated industry-wide price hikes. We expect healthy revenue growth of ~26% YoY across our coverage, led by volume momentum and stronger realizations. Profitability should benefit from better pricing and inventory gains in pipes, resulting in solid EBITDA/APAT growth of 44%/68% YoY. Looking ahead, for H2FY27, we expect pipes volume growth to moderate in H2FY27, weighed down by elevated channel inventory amid volatile PVC prices and an unfavorable base from channel restocking in Q4FY26. In the tiles segment, we view the cost advantage for branded player as temporary, since normalization in gas prices across regions should restore pre-war cost dynamics, implying no structural shift in the industry. Demand in wood panel will remain healthy, going ahead. Our Q2 result picks are Century Plyboards and Kajaria Ceramics, with Century remaining the top sector pick.

- **Plastic pipes— healthy demand, high PVC prices**: The plastic pipes industry witnessed healthy volume growth in the quarter, aided by channel stocking amid the continued rise in PVC resin prices. The sharp increase in PVC prices is also expected to result in inventory gains for our coverage companies, thereby supporting healthy margins in the quarter. We expect Supreme Industries, Astral, and Prince Pipes to report YoY volume growth of 18%, 22%, and 16%, respectively.
- **Tiles sector— price hike drives healthy margins despite high fuel costs:** We expect our coverage companies to deliver volume growth of 9% YoY, alongside improved realizations following price hikes undertaken to offset elevated fuel costs. While Morbi units have largely resumed operations following the temporary shutdowns announced in March, some units remain shut amid continued weakness in export markets and high gas prices. At the same time, relatively higher gas prices in western India have narrowed Morbi's cost advantage, strengthening the competitive positioning of branded players with geographically diversified manufacturing footprints. The sharp increase in gas and propane prices in H1 has necessitated industry-wide price hikes, which have largely been absorbed by the market. This, coupled with a more favorable competitive environment, should support realizations and profitability for branded players. We expect Kajaria and Somany to report volume growth of 11% and 6% YoY, respectively. As Morbi's cost gap reduces, stronger realization should lift EBITDA margins by 300bps YoY for Kajaria and 350bps YoY for Somany.

COMPANY	RATING	TP (INR)
Kajaria Ceramics	ADD	1,390
Somany Ceramics	ADD	640
Supreme Ind.	ADD	4,250
Astral Limited	BUY	1,770
Prince Pipes	REDUCE	275
CenturyPly	BUY	1,005
Greenpanel Ind.	BUY	230
Greenlam Ind.	REDUCE	255
Stylam Ind.	BUY	4,065

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- **Wood panel— domestic demand healthy, exports face headwinds:** Domestic demand in the wood panel industry remained healthy. Middle-East tensions led to shipment deferments in laminate and MDF exports, a situation worsened by elevated freight costs. Despite the export-related challenges, we expect healthy revenue growth for wood panel players, owing to price hikes taken to offset rising chemical costs. We anticipate strong double-digit revenue growth for Century, aided by improved realization and market share gains. Stylam, and Greenlam should also report double-digit topline growth, led by improved realization, while Greenpanel should report negative topline growth owing to weak export and market share loss in domestic market. Margins for ply and laminates stayed strong, while MDF and particle board remained under pressure due to intense competition.
- **Outlook:** We expect the plastic pipes industry to witness subdued volume growth in H2FY27, weighed down by elevated channel inventory owing to the surge in PVC resin prices, which is likely to normalize gradually in the coming quarters, and an unfavorable high base owing to channel restocking in Q4FY26. In the tiles industry, elevated gas prices in western India have improved the relative competitiveness of branded players with geographically diversified manufacturing footprints. However, we view this advantage as temporary, since normalization in gas prices across regions should restore pre-war cost dynamics, implying no structural shift in the industry. Meanwhile, wood panel companies are expected to deliver healthy topline growth, supported by improved realizations. Our Q2 result picks are Century Plyboards and Kajaria Ceramics, with Century remaining the top sector pick.

Q2FY27 estimates for tiles, pipes, and wood panel companies

Y/E March	Net Sales (INR mn)			EBITDA (INR mn)			EBITDA Margin (%)			Adj. PAT (INR mn)		
	Sep-26E	YoY (%)	QoQ (%)	Sep-26E	YoY (%)	QoQ (%)	Sep-26E	YoY (%)	QoQ (%)	Sep-26E	YoY (%)	QoQ (%)
Kajaria Ceramics	14,975	26.3	12.8	3,140	47.1	20.6	21.0	3.0	1.4	2,061	53.2	20.5
Somany Ceramics	8,710	27.1	16.2	987	84.4	14.4	11.3	3.5	(0.2)	437	191.4	22.9
Supreme Ind.	31,966	33.5	17.6	5,007	68.4	25.8	15.7	3.2	1.0	3,128	89.9	11.4
Astral Limited	20,068	27.2	27.2	3,389	32.0	46.6	16.9	0.6	2.2	1,967	45.9	63.9
Prince Pipes $	7,540	26.8	23.7	983	78.4	27.4	13.0	3.8	0.4	467	219.3	38.4
CenturyPly	17,794	28.4	14.0	2,417	38.4	22.2	13.6	1.0	0.9	1,188	72.4	47.9
Greenpanel Ind.	3,791	(4.3)	(5.0)	153	(38.1)	(48.9)	4.0	(2.2)	(3.5)	(95.1)	NA	NA
Greenlam Ind.	9,213	14.0	15.6	1,027	(1.7)	28.6	11.1	(1.8)	1.1	366	13.3	71.8
Stylam Ind.	3,405	16.5	4.3	680	20.2	(1.2)	20.0	0.6	(1.1)	472	26.3	(2.1)
Aggregate	**1,17,462**	**26.0**	**16.7**	**17,782**	**43.8**	**24.4**	**15.1**	**1.9**	**0.9**	**9,991**	**67.6**	**26.1**

Source: Company, HSIE Research, $ - standalone numbers. NA- not applicable

Estimates changes

Company	Revenue change %			EBITDA change %			APAT change %		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Kajaria Ceramics	2.5	0.1	0.3	7.2	2.5	3.3	8.7	3.2	4.1
Somany Ceramics	0.7	0.3	0.3	7.4	1.5	1.5	13.6	2.9	2.9
Supreme Ind.	3.6	1.6	1.6	1.2	1.2	1.3	1.5	1.5	1.5
Astral Limited	1.3	0.6	0.6	0.9	0.5	0.5	1.3	0.7	0.7
Prince Pipes $	2.8	0.7	0.7	5.3	1.0	0.9	8.4	1.5	1.9
CenturyPly	2.3	3.3	4.3	2.6	0.6	1.4	4.4	1.0	2.1
Greenpanel Ind.	-4.4	-2.8	-2.8	-7.0	-7.5	-7.6	-18.7	-12.1	-12.0
Greenlam Ind.	-	-	-	-	-	-	-	-	-
Stylam Ind.	-	-	-	-	-	-	-	-	-

Source: Company, HSIE Research, $ - standalone numbers

Annual financial summary

Y/E March	Net Sales (INR bn)			EBITDA (INR bn)			EBITDA Margin (%)			Adj. PAT (INR bn)		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Kajaria Ceramics	57.99	62.11	68.82	10.99	11.18	12.44	18.9	18.0	18.1	7.05	6.97	7.79
Somany Ceramics	33.93	35.02	37.66	3.53	3.42	3.76	10.4	9.8	10.0	1.44	1.29	1.42
Supreme Ind.	134.89	149.40	167.27	18.61	21.50	24.17	13.8	14.4	14.5	11.61	13.40	15.09
Astral Limited	79.63	89.06	100.69	12.66	15.10	17.61	15.9	17.0	17.5	6.99	8.66	10.36
Prince Pipes $	30.01	31.76	34.34	3.07	3.27	3.53	10.2	10.3	10.3	1.23	1.34	1.44
CenturyPly	67.65	75.59	86.21	8.90	10.60	12.15	13.2	14.0	14.1	4.10	5.15	6.05
Greenpanel Ind.	17.81	20.28	23.02	1.69	2.50	2.88	9.5	12.3	12.5	0.48	1.16	1.43
Greenlam Ind.	35.21	39.16	43.11	4.03	4.69	5.62	11.4	12.0	13.0	1.28	1.86	2.51
Stylam Ind.	14.03	16.45	18.98	2.73	3.21	3.70	19.5	19.5	19.5	1.81	2.13	2.47

Source: Company, HSIE Research, $ - standalone numbers

Y/E March	NPM (%)			RoCE pre-tax (%)			RoE (%)			Net D/E (x)		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Kajaria Ceramics	12.2	11.2	11.3	28.0	26.1	26.4	22.3	20.7	20.9	(0.0)	(0.1)	(0.2)
Somany Ceramics	4.2	3.7	3.8	18.1	15.9	16.2	14.7	11.9	12.0	0.2	0.2	0.1
Supreme Ind.	8.6	9.0	9.0	21.0	22.2	22.9	18.0	19.0	19.4	(0.1)	(0.1)	(0.1)
Astral Limited	8.8	9.7	10.3	21.6	23.5	24.5	16.2	17.7	18.4	(0.2)	(0.3)	(0.4)
Prince Pipes $	4.1	4.2	4.2	9.5	9.6	9.8	7.3	7.4	7.5	(0.0)	(0.1)	(0.1)
CenturyPly	6.1	6.8	7.0	14.2	15.4	16.0	14.5	15.8	15.9	0.6	0.5	0.4
Greenpanel Ind.	2.7	5.7	6.2	4.2	8.5	10.0	2.8	7.1	8.3	0.1	(0.0)	(0.0)
Greenlam Ind.	3.6	4.7	5.8	11.4	13.4	16.0	10.4	13.6	16.2	0.7	0.6	0.5
Stylam Ind.	12.9	12.9	13.0	27.3	27.6	27.4	20.7	20.8	20.6	(0.0)	(0.0)	(0.1)

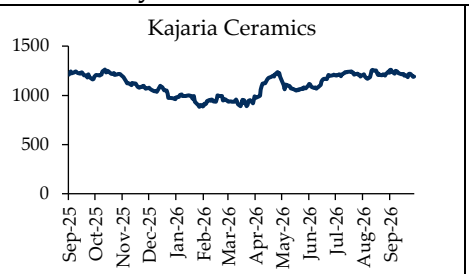
Source: Company, HSIE Research, $ - standalone numbers

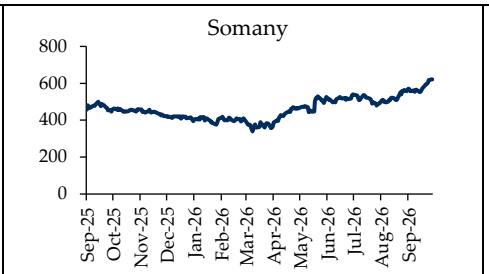
Valuation table

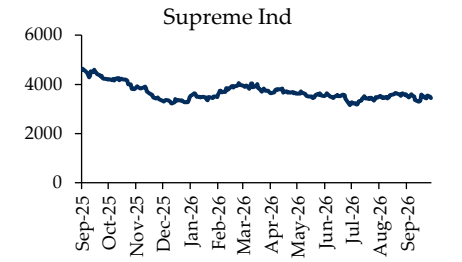
Company	Mcap (INR bn)	CMP (INR/sh)	New Rating	Old Rating	New TP (INR)	Old TP (INR)	Valuation multiple^	EV/EBITDA (x)			P/E (x)		
								FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Kajaria Ceramics	195.6	1,230	ADD	ADD	1,390	1,330	30.0	17.7	17.2	15.2	27.4	27.7	24.8
Somany Ceramics	25.2	614	ADD	ADD	660	640	20.0	7.8	8.0	7.1	17.5	19.5	17.7
Supreme Ind.	429.4	3,380	ADD	ADD	4,250	4,160	40.0	22.8	19.8	17.5	37.0	32.1	28.5
Astral Limited	361.5	1,344	BUY	BUY	1,770	1,760	50.0	27.8	22.9	19.3	51.7	41.7	34.9
Prince Pipes $	27.4	248	REDUCE	REDUCE	275	270	22.0	8.7	7.9	7.0	22.3	20.5	19.0
CenturyPly	147.5	663	BUY	BUY	1,005	990	40.0	18.5	15.6	13.6	36.0	28.6	24.4
Greenpanel Ind.	19.4	158	BUY	BUY	230	265	25.0	12.9	8.3	7.1	50.0	19.0	15.4
Greenlam Ind.	54.1	212	REDUCE	REDUCE	255	255	30.0	15.8	13.4	11.2	42.1	29.1	21.5
Stylam Ind.	55.1	3,250	BUY	BUY	4,065	4,065	30.0	20.2	17.1	14.7	30.4	25.9	22.3

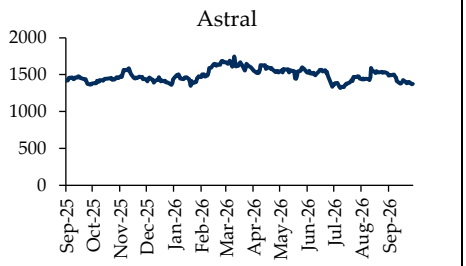
Source: Company, HSIE Research, $ - standalone numbers. ^Valuation is based on Sep-28E EPS. CMP as of Oct 1, 2026. We value Supreme Industries at 40x Sep'28 EPS and its 30.8% holding in the associate Supreme Petrochem at a 30% discount to its current market cap.

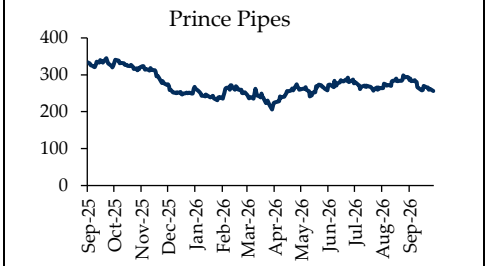
Price history

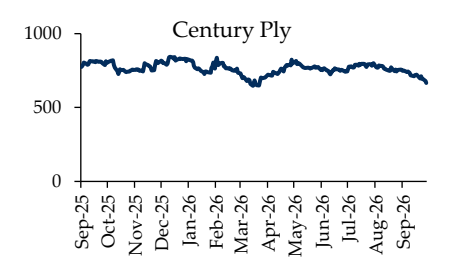


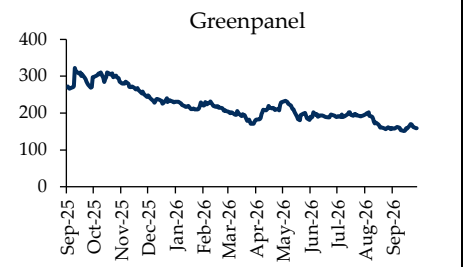


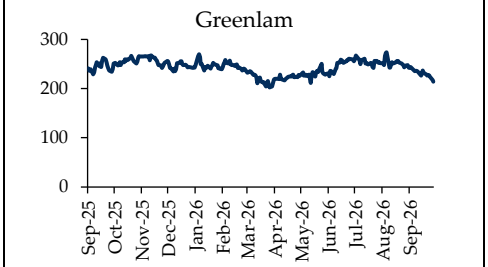


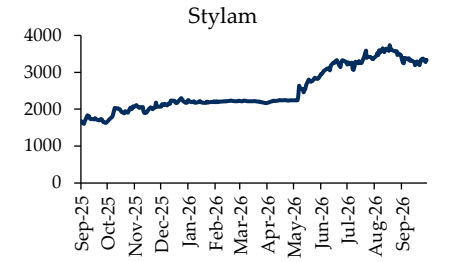












Rating Criteria

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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