

Building Materials

Another subdued quarter

The building materials sector experienced soft demand in Q1FY26. Demand was satisfactory in April and May but decelerated in June due to the early onset of monsoons. We project a 6% YoY revenue growth for our coverage universe, driven by volume growth. However, we estimate a 3% YoY decline in EBITDA and a 14% YoY decrease in APAT. This is attributed to intense 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 channel check suggests tiles players have announced price hikes recently. Our pipes coverage universe is expected to deliver volume growth of 9% YoY. High timber prices will likely impact wood companies' margins negatively. These elevated prices have consistently put pressure on the sector's margins. On a more positive note, timber prices have softened in recent months. We are maintaining our existing ratings on all the stocks under coverage. Century Plyboards remains our top pick within the sector.

- **Tiles sector—subdued demand, Morbi pain continues:** Tile demand was satisfactory in April and May but slowed down in June due to the early onset of monsoons. We anticipate market leaders Kajaria Ceramics will report a volume growth of 8%, aided by Nepal expansion, while Somany Ceramics will deliver 12% growth (on a low base). Still, this translates to sub-par two-year CAGR of 8% and 5% for Kajaria Ceramics and Somany Ceramics respectively. Tile realization remained stable QoQ.
- **Plastic pipes—recovery in demand:** Pipe demand has improved. PVC resin prices corrected in the first half of the quarter; however, a gradual increase was observed in the latter half, leading to better channel inventory. Despite this, channel inventory remains sub-optimal. Overall, PVC resin prices have corrected in the quarter, so pipe companies could incur inventory losses. We anticipate volume growth of 9% YoY for Supreme Industries, 8% YoY for Astral Pipes, and 6% for Prince Pipes.
- **Wood panel—margin under pressure:** We expect YoY volume growth in Century Plyboards (across all key segments), as well as for Greenlam Industries (laminates 8% YoY) and Stylam Industries (laminates 13% YoY). Conversely, we expect Greenpanel's MDF and plywood volumes to decline by 16% and 9% YoY, indicating market share loss in both segments. Greenpanel MDF sales declined due to the discontinuation of non-BIS compliant product sales. Elevated timber prices could keep sectoral margins stressed; however, they have softened in the past few months.
- **Sector and stock views:** We anticipate recovery in plumbing demand in FY26, driven by the normalization of channel inventories and a resurgence in government spending. However, resin prices are not yet to stabilize, it has corrected at July start. 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 single-digit volume growth for both tiles players in FY26 and FY27. Our channel check suggests tiles players have announced price hikes recently. We expect good volume growth for wood companies, supported by robust real estate sales observed in the past few years. 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	800
Somany Ceramics	ADD	550
Supreme Ind.	ADD	4,110
Astral Limited	ADD	1,450
Prince Pipes	REDUCE	275
CenturyPly	BUY	905
Greenpanel Ind.	REDUCE	240
Greenlam Ind.	ADD	250
Stylam Ind.	REDUCE	1,700

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Q1FY26 estimates for tiles, pipes, and wood panel companies.

Y/E March	Net Sales (INR mn)			EBITDA (INR mn)			EBITDA Margin (%)			Adj. PAT (INR mn)		
	Jun-25E	YoY (%)	QoQ (%)	Jun-25E	YoY (%)	QoQ (%)	Jun-25E	YoY (%)	QoQ (%)	Jun-25E	YoY (%)	QoQ (%)
Kajaria Ceramics	11,728	5.3	(4.0)	1,531	(8.4)	10.6	13.1	(1.9)	1.7	842	(6.3)	13.8
Somany Ceramics	6,383	10.3	(17.0)	516	5.3	(17.5)	8.1	(0.4)	(0.0)	152	23.4	(29.0)
Supreme Ind.	26,791	1.6	(11.5)	3,712	(4.2)	(10.8)	13.9	(0.8)	0.1	2,432	(11.0)	(17.2)
Astral Limited	14,718	6.4	(12.5)	2,315	8.0	(23.3)	15.7	0.2	(2.2)	1,225	1.7	(31.7)
Prince Pipes \$	5,995	(0.8)	(16.7)	431	(26.0)	(21.4)	7.2	(2.4)	(0.4)	93	(62.4)	NA
CenturyPly	11,777	17.1	(1.7)	1,337	20.3	(0.7)	11.4	0.3	0.1	609	27.5	16.0
Greenpanel Ind.	3,074	(15.8)	(17.9)	106	(70.7)	(77.9)	3.4	(6.4)	(9.4)	-138		
Greenlam Ind.	6,941	14.8	1.8	521	(18.7)	(18.6)	7.5	(3.1)	(1.9)	-114		
Stylam Ind.	2,793	15.1	5.3	494	18.1	15.1	17.7	0.4	1.5	329	15.9	11.2
Aggregate	90,201	5.7	(9.2)	10,962	(2.9)	(13.2)	12.2	(1.1)	(0.6)	5,429	(14.2)	(23.1)

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)		
	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E
Kajaria Ceramics	46.35	50.10	53.86	6.26	6.84	7.41	13.5	13.7	13.8	3.48	3.97	4.25
Somany Ceramics	26.59	28.25	30.37	2.21	2.45	2.70	8.3	8.7	8.9	0.58	0.96	1.12
Supreme Ind.	104.46	120.10	135.71	14.32	17.87	20.69	13.7	14.9	15.2	9.61	12.03	13.86
Astral Limited	58.32	66.86	76.44	9.46	11.52	13.18	16.2	17.2	17.2	5.24	6.64	7.78
Prince Pipes \$	25.24	28.08	30.30	1.62	2.80	3.24	6.4	10.0	10.7	0.43	1.12	1.38
CenturyPly	45.28	52.51	59.87	4.87	6.41	8.64	10.7	12.2	14.4	1.99	2.89	4.61
Greenpanel Ind.	14.36	15.46	18.87	1.31	1.45	2.80	9.1	9.4	14.8	0.72	0.46	1.46
Greenlam Ind.	25.69	30.61	35.72	2.75	3.38	4.41	10.7	11.0	12.3	0.70	0.96	1.88
Stylam Ind.	10.25	12.26	15.22	1.85	2.22	2.88	18.1	18.1	18.9	1.22	1.44	1.93

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

Y/E March	NPM (%)			RoCE pre-tax (%)			RoE (%)			Net D:E (x)		
	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E
Kajaria Ceramics	7.5	7.9	7.9	16.3	16.7	17.2	12.7	13.7	13.7	(0.1)	(0.1)	(0.1)
Somany Ceramics	2.2	3.4	3.7	11.2	14.0	14.8	6.9	10.9	11.6	0.3	0.2	0.2
Supreme Ind.	9.2	10.0	10.2	20.4	23.8	24.9	17.8	20.2	21.0	(0.2)	(0.1)	(0.1)
Astral Limited	9.0	9.9	10.2	20.1	22.0	22.7	15.1	16.8	17.3	(0.1)	(0.2)	(0.3)
Prince Pipes \$	1.7	4.0	4.5	3.8	8.8	10.3	2.8	6.9	8.0	0.1	0.0	(0.0)
CenturyPly	4.4	5.5	7.7	10.2	12.0	16.4	8.7	11.5	16.0	0.6	0.5	0.4
Greenpanel Ind.	5.0	3.0	7.7	4.2	3.4	10.3	5.3	3.3	9.8	0.1	0.1	(0.0)
Greenlam Ind.	2.7	3.1	5.3	7.6	8.8	12.8	6.3	8.2	14.6	1.0	0.9	0.7
Stylam Ind.	11.9	11.7	12.7	27.4	26.0	29.1	20.4	19.9	22.1	(0.0)	(0.1)	(0.0)

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

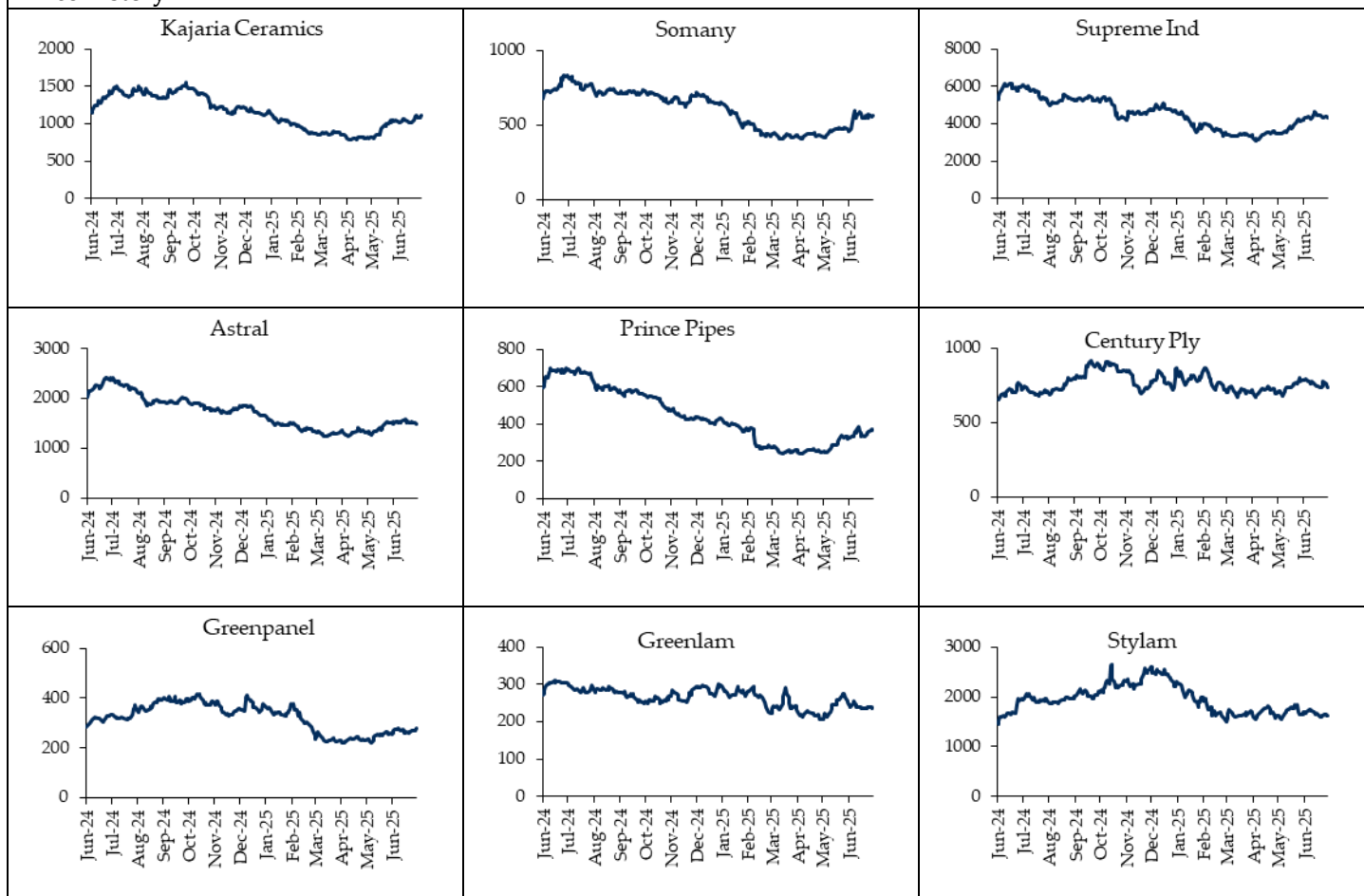
Rating and target price revision summary

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)		
								FY25	FY26E	FY27E	FY25	FY26E	FY27E
Kajaria Ceramics	178.2	1,121	REDUCE	REDUCE	800	800	30.0	28.0	25.5	23.5	51.2	44.9	42.0
Somany Ceramics	23.1	563	ADD	ADD	550	550	20.0	11.7	10.1	9.2	39.9	24.1	20.6
Supreme Ind.	546.6	4,302	ADD	ADD	4,110	4,110	40.0	37.6	30.1	26.0	56.9	45.4	39.4
Astral Limited	401.9	1,494	ADD	ADD	1,450	1,450	50.0	42.1	34.1	29.5	76.7	60.5	51.7
Prince Pipes \$	40.7	368	REDUCE	REDUCE	275	275	22.0	26.2	14.7	12.5	94.3	36.4	29.6
CenturyPly	164.1	738	BUY	BUY	905	905	#40.0	36.9	27.8	20.4	82.7	56.7	35.6
Greenpanel Ind.	34.2	279	REDUCE	REDUCE	240	250	20.0	27.5	24.2	12.1	47.4	74.2	23.5
Greenlam Ind.	60.7	238	ADD	ADD	250	250	#30.0	26.1	21.1	16.1	87.1	63.3	32.3
Stylam Ind.	27.3	1,612	REDUCE	REDUCE	1,700	1,700	15.0	14.7	11.9	9.3	22.4	19.0	14.1

Source: Company, HSIE Research ^Valuation is based on Mar-27E EPS. CMP as on July 2, 2025.

We value CenturyPly/ Greenlam using SOTP—ex-particle board business at 40/30x Mar-27E EPS and particle board business at 2/0.5x capital employed in Mar-27E respectively.

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

Disclosure:

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