



October 8, 2024

Exhibit 1: PL Universe

Companies	Rating	CMP (Rs)	TP (Rs)
Astral Ltd.	BUY	1,888	2,214
Century Plyboard (I)	HOLD	851	881
Cera Sanitaryware	Acc	7,746	9,190
Finolex Industries	HOLD	290	288
Greenpanel Industries	Acc	390	450
Kajaria Ceramics	Acc	1,421	1,651
Supreme Industries	Acc	5,433	6,069

Source: PL Acc=Accumulate

Moderate vol. growth with margin contraction

Building material companies under our coverage universe are expected to report moderate revenue growth due to weak demand and higher base, along with contraction in margins due to inventory loss in plastic pipe companies and higher timber prices in the woodpanel segment. Plastic pipe sector is anticipated to see moderate volume growth of 8.9% YoY. Further, tiles and bathware sectors are likely to experience lower growth due to weak demand & increased competitive intensity. We expect coverage companies to register sales growth of 2.2% YoY, given correction in Finolex Ind, CERA Sanitaryware (CRS) and Greenpanel revenue, while Astral and Century Plyboards are likely to outperform. Driven by inventory loss in the plastic pipe segment & higher timber prices in woodpanel segment, we anticipate margin to contract by +140bps YoY, and EBITDA and PAT to decline by 7.8% and 11.8%, respectively for coverage companies.

We prefer plastic pipe companies with expected regulatory change towards PVC resin import (increase in ADD on China, Japan, USA etc. import), which will benefit large organized players like Astral & Supreme Ind and also expected healthy volume growth. Our top pick is Astral, which is likely to clock revenue/EBITDA/PAT CAGR of 19.6%/21.3%/26.3% over FY24-27E and trading at 46x FY27E earnings (5-year avg, 1-year-fwd PE of 62x).

- **Plastic pipes - Moderate vol growth over higher base & de-stocking:** Plastic pipe companies under our coverage are expected to witness moderate volume growth of +8.9% YoY due to de-stocking in channel with correction in PVC resin prices and weak demand along with higher base of previous year same quarter. We expect revenue growth of +2.4% YoY, and EBITDA and PAT to decline by 4.7% and 7.3%, respectively, due to margin contraction of ~100bps YoY due to inventory loss. Further, we expect Supreme Industries/Astral to deliver moderate sales growth of +3.7%/+7.6% YoY with volume growth of +15.0%/+10.0% YoY in the P&F segment.
- **Tiles & bathware - Improving KJS vol in weak market; CRS' weak performance continues:** Kajaria is expected to report revenue growth of +3.5% YoY, with tiles volume growth of +7.0% YoY, despite muted domestic demand and increased competitive intensity in the domestic market with reduced export from Morbi players. EBITDA margin is expected to be at 14.8% due to increase in gas prices sequentially. Cera Sanitaryware's revenue is expected to decline by 9.0% YoY due to weak demand and increased competition. Its EBITDA margin is expected to contract to 14.2% (-230bps YoY) and PAT is likely to decline by -15.6% YoY.
- **Woodpanel – CPBI to outperform:** CPBI is expected to continue its volume growth in plywood with market share gain and in MDF with capacity expansion. Woodpanel sector is expected to witness weak sales growth, with margin contraction due to elevated timber prices and correction in realizations in MDF. We expect MDF volume growth of +62.8%/-6.7% YoY for Century Plyboards/Greenpanel and plywood volume growth of +12.0%/-19.5% YoY for CPBI/GREENP. CPBI laminate segment volume is expected to decline by 6.0% YoY due to slowdown in export. Woodpanel coverage companies are expected to report revenue growth of +4.1% YoY and EBITDA/PAT decline of 15.7%/30.0% YoY in Q2FY25 with EBITDA margin contraction of ~290bps YoY.

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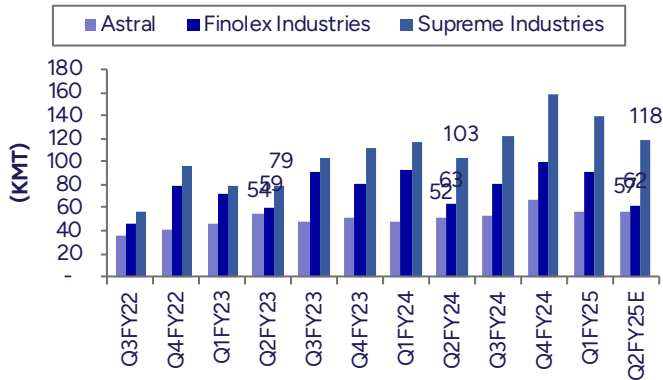
- **Coverage target price changes:** As we roll forward to FY27E and introduce FY27 numbers, we upward revise our target price for Kajaria / Century Plyboards / Greenpanel and upgrade our rating for Astral to 'BUY' from 'HOLD' and for CRS/KJS/Supreme Industries to 'ACCUMULATE' from 'HOLD'.

Exhibit 2: Q2FY25 Result Preview

Company Name		Q1FY25E	Q1FY24	YoY gr. (%)	Q4FY24	QoQ gr. (%)	Remark
Astral Ltd.	Sales	14,659	13,630	7.6	13,836	6.0	We expect sales to grow by 7.6% YoY, mainly with volume growth est. of 10.0% YoY. Plumbing business expected growth of 4.1%YoY, with moderate pipe volume growth & satinary business consolidation with soft pipe & fittings realisation. Adhesive & Paints business expected 15.0%/3.2% YoY growth. We expect Plumbing EBITDA margin of 16.5%, plumbing business expected to get impacted with inventory loss, and P&A business expected EBITDA margin of 13.1%.
	EBITDA	2,135	2,201	(3.0)	2,144	(0.4)	
	<i>Margin (%)</i>	14.6	16.1	-159 bps	15.5	-93 bps	
	PBT	1,624	1,768	(8.1)	1,631	(0.4)	
	Adj. PAT	1,215	1,317	(7.7)	1,195	1.7	
Century Plyboard (I)	Sales	11,013	9,968	10.5	10,054	9.5	We expect sales growth of 10.5% YoY mainly with Plywood/MDF revenue growth of 9.8%/28.4% YoY with volume growth in each segment. We expect contraction in EBITDA margins by ~200bps YoY to 12.4% due to correction in realisation and increase in RM prices. PAT is expected to decline by 24.1% YoY.
	EBITDA	1,371	1,443	(5.0)	1,112	23.3	
	<i>Margin (%)</i>	12.4	14.5	-203 bps	11.1	139 bps	
	PBT	983	1,294	(24.0)	710	38.4	
	Adj. PAT	735	969	(24.1)	341	115.6	
Cera Sanitaryware	Sales	4,214	4,631	(9.0)	4,007	5.2	We expect sales to decline by 9.0% YoY. Faucets business sales to decline by 9.0% and sanitary business expected to decline by 5.5% YoY. We expect EBITDA margin of 14.2% (-230bps YoY). We expect PAT to decline by 15.6% YoY. Sanitaryware/Faucets revenue expected decline by 5.5% and 9% YoY, due to slowdown in demand and increase in competitive intensity.
	EBITDA	598	765	(21.8)	581	3.1	
	<i>Margin (%)</i>	14.2	16.5	-231 bps	14.5	-29 bps	
	PBT	647	787	(17.8)	637	1.6	
	Adj. PAT	484	574	(15.6)	475	2.1	
Finolex Industries	Sales	8,031	8,832	-9.1	11,405	(29.6)	We expect sales to decline by 9.1% YoY, vol. to decline by 2.0% YoY in P&F segment and decrease in realisation due to correction in PVC resin prices. PVC business expected revenue growth of 8.5% YoY. We expect EBITDA margins of 11.0%, and PAT to decline by 18.4%.
	EBITDA	883	1,030	(14.2)	2,067	(57.3)	
	<i>Margin (%)</i>	11.0	11.7	-66 bps	18.1	-712 bps	
	PBT	1,001	1,245	(19.6)	2,288	(56.2)	
	Adj. PAT	799	980	(18.4)	1,671	(52.2)	
Greenpanel Industries	Sales	3,514	3,987	(11.9)	3,650	(3.7)	We expect sales to decline by 11.9% YoY. MDF/Plywood business expected sales volume to decline by 6.7%/19.5% YoY. We expect EBITDA margin of 12.2% YoY due to higher timber prices and higher contribution of OEM sales, while sequential improvement with correction in logistics expenses. We expect PAT decline of -43.9% YoY due to degrowth in volume & contraction in margins.
	EBITDA	428	691	(38.1)	360	18.6	
	<i>Margin (%)</i>	12.2	17.3	-516 bps	9.9	229 bps	
	PBT	310	555	(44.2)	214	44.8	
	Adj. PAT	230	410	(43.9)	157	46.4	
Kajaria Ceramics	Sales	11,611	11,216	3.5	11,137	4.3	We expect sales to grow by 3.5% mainly with tiles volume growth of 7.0% YoY. We expect EBITDA margin to contract to 14.8% due to higher adv/commission, power and fuel expenses. We expect PAT to decline by 6.5% YoY.
	EBITDA	1,718	1,797	(4.4)	1,671	2.9	
	<i>Margin (%)</i>	14.8	16.0	-122 bps	15.0	-20 bps	
	PBT	1,352	1,477	(8.4)	1,304	3.7	
	Adj. PAT	1,012	1,082	(6.5)	946	6.9	
Supreme Industries	Sales	23,942	23,087	3.7	26,364	(9.2)	We expect sales to grow by 3.7% YoY with Pipe & fittings/Packing Products/Industrial products/consumer product volume growth of 15%/3%/2%/-10% YoY. We expect EBITDA margin of 14.4%, contracted by ~100bps YoY with correction in realisation and inventory loss due to correction in PVC resin.
	EBITDA	3,458	3,562	(2.9)	3,873	(10.7)	
	<i>Margin (%)</i>	14.4	15.4	-99 bps	14.7	-25 bps	
	PBT	2,703	2,955	(8.5)	3,194	(15.4)	
	Adj. PAT	2,370	2,432	(2.5)	2,734	(13.3)	

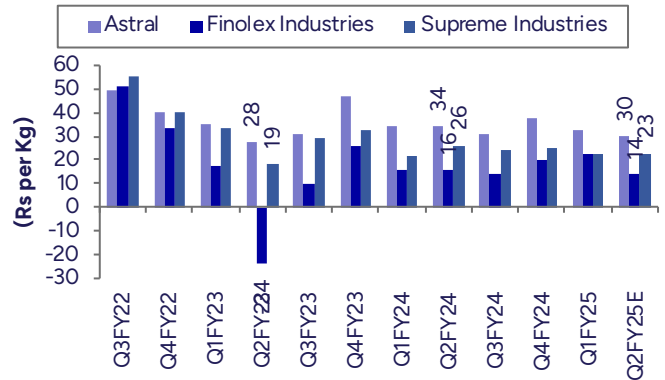
Source: Company, PL

Exhibit 3: Pipe vol growth est at 8.9% YoY on higher base



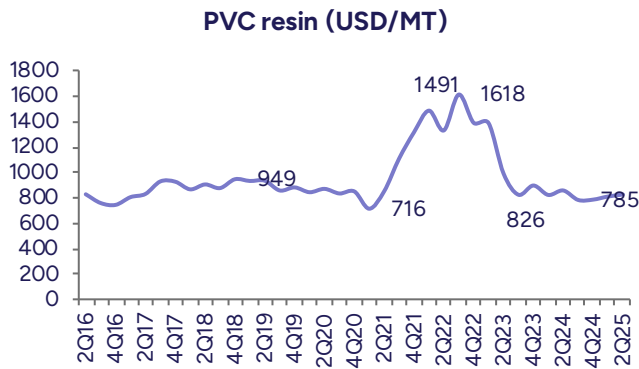
Source: Company, PL

Exhibit 4: Pipe EBITDA/kg est at -12.8% YoY



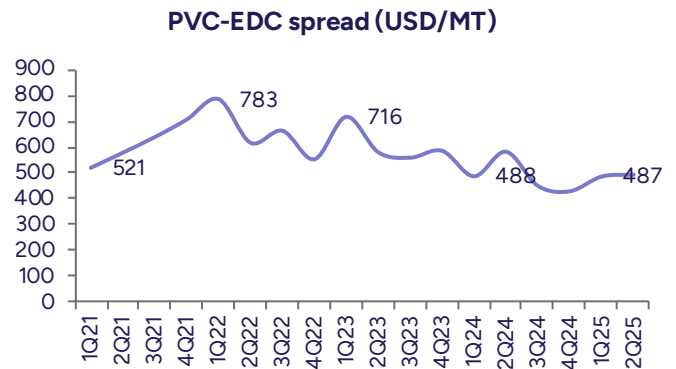
Source: Company, PL

Exhibit 5: PVC resin prices down 3.7% YoY in Q2FY25



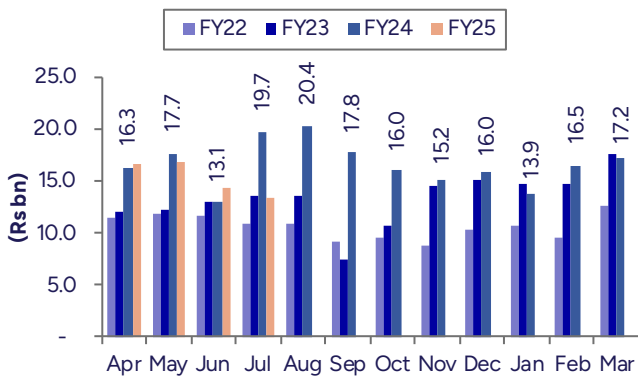
Source: Industry, PL

Exhibit 6: PVC-EDC spread remain flat QoQ in Q2FY25



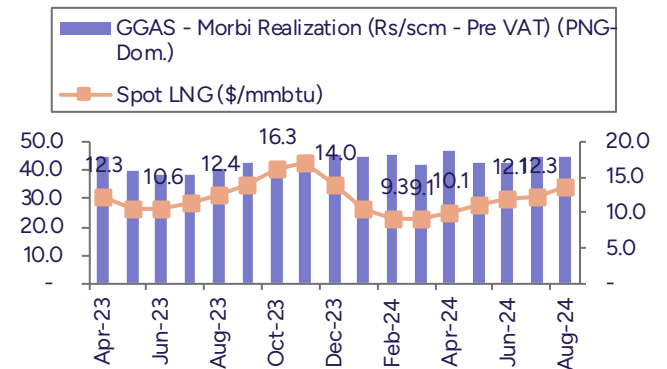
Source: Industry, PL

Exhibit 7: Tiles export down 8% YoY in Apr-Jul'FY24



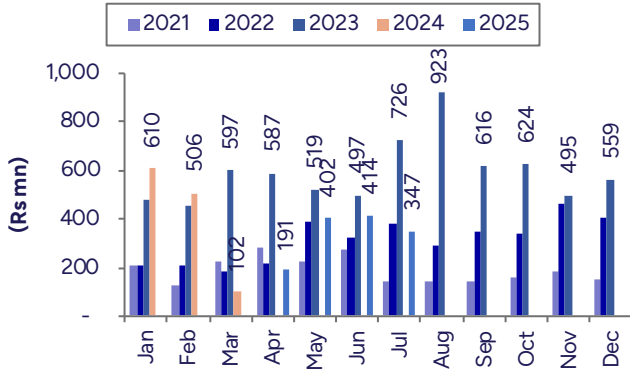
Source: Ministry of Commerce, PL

Exhibit 8: GGAS (Morbi) prices range bound at Rs45/scm



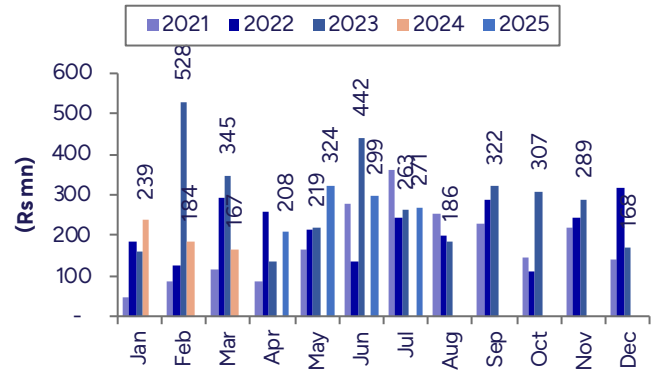
Source: Ministry of Commerce, PL

Exhibit 9: MDF import down ~42% in Apr-Jul'FY24



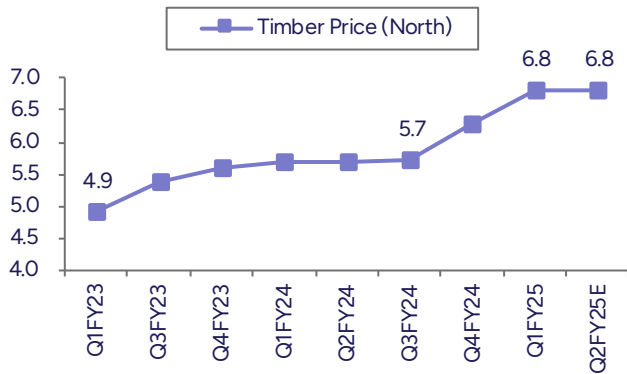
Source: Ministry of Commerce, PL

Exhibit 10: Woodpanel - MDF export up ~4% in Apr-Jul'FY24



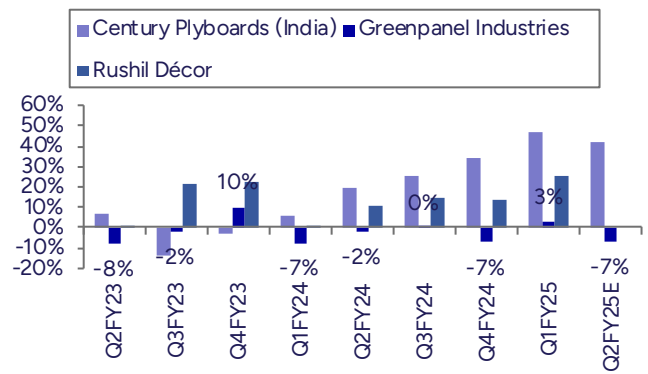
Source: Ministry of Commerce, PL

Exhibit 11: Timber price up ~20%YoY in Q2FY25



Source: Company, PL

Exhibit 12: MDF segment volume growth – Player-wise



Source: Company, PL



Exhibit 13: 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)			
						FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E
Astral Ltd.	C	BUY	1,888	2,214	507.7	564.1	66.6	81.8	96.5	9.2	11.1	13.9	16.4	5.5	6.8	9.2	11.0	20.3	25.2	34.0	40.9	17.5	19.0	21.2	20.9	93.1	74.9	55.4	46.2
Century Plyboard (I)	C	HOLD	851	881	189.3	38.9	44.8	52.0	60.6	5.3	5.9	7.3	9.2	3.4	3.3	4.2	5.5	15.2	14.7	19.0	24.9	16.4	14.0	15.8	17.8	56.1	57.7	44.7	34.2
Cera Sanitaryware	C	Acc	7,746	9,190	99.9	18.8	19.6	22.6	26.3	3.0	3.1	3.7	4.3	2.4	2.5	2.9	3.4	184.3	191.3	226.3	262.6	19.0	17.8	18.9	18.6	42.0	40.5	34.2	29.5
Finolex Industries	C	HOLD	290	288	179.3	43.2	49.9	57.0	64.2	5.8	7.3	8.6	9.7	4.7	5.9	7.2	8.0	7.7	9.5	11.7	13.0	9.0	9.9	11.2	11.7	37.9	30.4	24.8	22.4
Greenpanel Industries	C	Acc	390	450	47.8	15.7	16.3	20.3	23.7	2.5	2.4	3.4	4.4	1.4	1.3	2.0	2.7	11.6	10.7	16.6	22.3	11.4	9.6	13.6	16.1	33.5	36.4	23.4	17.5
Kajaria Ceramics	C	Acc	1,421	1,651	226.4	45.8	49.9	56.6	64.2	7.0	7.8	9.1	10.3	4.3	4.9	5.7	6.6	27.1	30.4	36.1	41.3	17.5	17.4	18.1	18.1	52.4	46.7	39.4	34.4
Supreme Industries	C	Acc	5,433	6,069	690.2	101.3	121.8	141.1	163.5	15.5	18.9	22.6	26.1	10.7	13.1	15.4	17.6	84.2	102.7	121.3	138.3	22.5	23.3	23.2	22.2	64.5	52.9	44.8	39.3

Source: Company, PL

Acc=Accumulate / S=Standalone / C=Consolidated

Exhibit 14: Change in Estimates

	Rating		Target Price			Sales						PAT						EPS					
	C	P	C	P	% Chng.	FY25E			FY26E			FY25E			FY26E			FY25E			FY26E		
						C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.
Astral Ltd.	BUY	HOLD	2,214	2,225	-0.5%	66,601	66,601	0.0%	81,758	82,114	-0.4%	6,779	6,779	0.0%	9,158	9,203	-0.5%	25.2	25.2	0.0%	34.0	34.2	-0.5%
Century Plyboard (I)	HOLD	HOLD	881	714	23.4%	44,782	44,823	-0.1%	52,040	51,797	0.5%	3,280	3,383	-3.1%	4,237	4,179	1.4%	14.7	15.2	-3.1%	19.0	18.8	1.4%
Cera Sanitaryware	Acc	HOLD	9,190	9,872	-6.9%	19,558	19,558	0.0%	22,601	22,601	0.0%	2,467	2,470	-0.2%	2,943	2,951	-0.3%	191.3	191.5	-0.2%	226.3	226.9	-0.3%
Finolex Industries	HOLD	HOLD	288	321	-10.3%	49,857	49,857	0.0%	56,998	56,998	0.0%	5,898	5,887	0.2%	7,232	7,221	0.1%	9.5	9.5	0.2%	11.7	11.7	0.1%
Greenpanel Industries	Acc	Acc	450	390	15.3%	16,324	16,637	-1.9%	20,296	20,278	0.1%	1,313	1,392	-5.7%	2,040	2,038	0.1%	10.7	11.3	-5.7%	16.6	16.6	0.1%
Kajaria Ceramics	Acc	HOLD	1,651	1,488	11.0%	49,883	51,336	-2.8%	56,645	58,098	-2.5%	4,850	5,021	-3.4%	5,750	5,925	-2.9%	30.4	31.5	-3.4%	36.1	37.2	-2.9%
Supreme Industries	Acc	HOLD	6,069	6,069	0.0%	1,21,786	1,21,786	0.0%	1,41,050	1,41,050	0.0%	13,050	13,050	0.0%	15,414	15,414	0.0%	102.7	102.7	0.0%	121.3	121.3	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.	Hold	2,225	2,031
2	Bajaj Electricals	Hold	941	966
3	Century Plyboard (I)	Hold	714	707
4	Cera Sanitaryware	Hold	9,872	9,880
5	Crompton Greaves Consumer Electricals	BUY	536	420
6	Finolex Industries	Hold	321	328
7	Greenpanel Industries	Accumulate	390	356
8	Havells India	Accumulate	1,976	1,901
9	Kajaria Ceramics	Hold	1,488	1,468
10	KEI Industries	Hold	4,688	4,307
11	Polycab India	BUY	7,788	6,336
12	R R Kabel	BUY	2,066	1,796
13	Supreme Industries	Hold	6,069	5,694
14	Voltas	Hold	1,598	1,535

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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