

Another soft quarter on muted demand and intense competition

- **BM sector margins remain under pressure for the 5th straight quarter on heightened competitive intensity in a weak demand environment**
- **We anticipate margins to return to normal with gradual recovery in demand over the next 2 years**
- **Top picks: SI in pipes; CRS in bathware; SOMC in tiles and GREENP in wood panel**

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Dismal quarter: Our building materials (BM) universe revenue grew at a muted pace (+2.5% YoY in Q4FY25) for the 9th consecutive quarter, due to tepid demand. EBITDA margin fell by 218bps YoY to 12.8% in Q4FY25 on account of margin pressure across segments. This was owing to the high discounts offered to dealers in view of the rise in competitive intensity in a soft demand environment. Tiles performed the worst in our coverage in Q4FY25.

Pipes: Our pipe universe volume grew at a slow pace of 2.5% YoY in Q4FY25 (6Y CAGR: +8.4%), given the weak demand conditions. EBITDA per unit has contracted sharply in Q4FY25 (-17.4% YoY to Rs 17.6/kg) on lower resin prices but was still above the pre-Covid level (Rs 13.8/kg in Q4FY19).

Bathware: Our bathware universe revenue grew at a muted pace for the 8th consecutive quarter (-1.1% in Q4FY25). Segment EBITDA margin was also down (-132bps YoY to 15.1%) in Q4FY25, due to higher B2B sales and increased discounts offered to dealers in view of the weak demand environment.

Tiles: Our tiles universe volume grew by 1.4% YoY, but EBITDA was down by 20.5% YoY in Q4FY25, due to margin pressure (-289bps YoY to 10.1%) on weak retail demand and increased competition from Morbi players.

Wood panels: Our wood panel universe EBITDA contracted (-7.7% YoY in Q4FY25) for the 11th straight quarter, because of muted demand and margin stress across segments resulting from supply-side pressures and elevated timber prices.

Positive on most BM stocks: We maintain our constructive stance on most of the BM stocks on (a) expectation of gradual improvement in margin with recovery in demand over the next two years, (b) reasonable valuation (our BM universe trades at 40.7x on 1YF P/E vs 5Y avg of 42.3x). Segment-wise, we prefer pipes and bathware due to relatively better pricing discipline vs tiles & wood panel, on account of high organised share and low global linkage. Our top picks: SI in pipes, CRS in bathware, SOMC in tiles, and GREENP in wood panel.



Building Materials: Q4FY25 review

Subdued quarter on tepid demand and intense competition

Our building materials (BM) universe revenue grew at a muted pace (+2.5% YoY in Q4FY25) for the 9th consecutive quarter, due to tepid demand. Our BM universe EBITDA margin fell by 218bps YoY to 12.8% in Q4FY25 on account of margin pressure seen across segments, due to high discounts offered to dealers in view of the rise in competitive intensity in a soft demand environment. The tile segment gave the worst performance in our coverage in Q4FY25.

Our view: We maintain our constructive stance on most of the BM stocks on (a) expectation of gradual improvement in margin with recovery in demand over the next two years, (b) reasonable valuation (our BM universe trades at 40.7x on 1YF P/E vs 5Y avg of 42.3x). Segment-wise, we prefer pipes and bathware due to relatively better pricing discipline vs tiles & wood panel, on account of high organised share and low global linkage. Our top picks are SI in pipes, CRS in bathware, SOMC in tiles, GREENP in wood panel.

Pipes: Muted quarter on subdued demand and weak resin prices

Q4FY25 review: Our pipe universe volume grew at a slow pace of 2.5% YoY in Q4FY25 (6Y CAGR: +8.4%) due to weak demand and high base effect (+28.1% YoY in Q4FY24). EBITDA per unit has contracted sharply in Q4FY25 (-17.4% YoY to Rs 17.6/kg) mainly due to lower resin prices but was still above the pre-Covid level (Rs 13.8/kg in Q4FY19). In our coverage, Supreme Industries (SI) continued to gain market share, whereas PRINCEPI lost market share in Q4FY25.

Outlook: We believe demand sentiment is likely to remain subdued in Q1FY26 due to a) weak demand for plumbing pipe b) slower government spend on infra pipe c) likely impact of early monsoon arrival on agri pipes demand. However, we are quite positive on the plastic pipe sector over the medium term as we anticipate restocking of inventories in the channel due to rising resin prices and margin to improve due to possibility of MTM inventory gain (as resin prices bottomed out in Q4FY25) and operating leverage benefits.

Our view: We prefer SI in plastic pipes as (a) it has been continuously gaining market share for the past 13 consecutive quarters (b) EPS projected to grow at a strong 22% CAGR, along with a healthy return ratio (pre-tax ROIC of 36%) over FY25-FY27E.

Bathware: Another muted quarter on soft demand environment

Our bathware universe revenue grew at a muted pace for the 8th consecutive quarter (-1.1% in Q4FY25). Segment EBITDA margin was also down (-132bps YoY to 15.1%) due to higher B2B sales and increased discounts offered to dealers in view of the weak demand environment. In our coverage, CRS continued to gain market share, whereas HINDWARE again lost market share in Q4FY25.

Outlook: We expect the bathware industry's demand environment to improve from H2FY26 onwards in anticipation of a recovery in individual home building (IHB)

segment. Note that more than 70-80% of bathware products demand comes from new construction activities.

Our view: We prefer CRS in the bathware space as a) it has been consistently gaining market share b) operating profit projected to grow at 10% CAGR with a healthy return ratio (pre-tax ROIC of 41%) over FY25-FY27E c) reasonable valuation (trades at 33.2x on 1YF P/E vs 5Y average of 34.1x).

Tiles: Muted Q4 on weak retail demand and competition from Morbi

Our tile universe volume grew at a muted pace of 1.4% YoY (6Y CAGR: +4.9%) in Q4FY25, due to weak retail demand. Our tiles universe EBITDA was down by 20.5% YoY in Q4FY25, owing to margin pressure (-289bps YoY to 10.1%) on higher discounts offered to dealers in view of the weak retail demand and increased competition from Morbi players. Among top 3 tiles companies, Somany Ceramics (SOMC) has reported better volume growth in Q4FY25 (SOMC: +2.5% YoY; KJC: +1.8%; Johnson: -0.6%).

Outlook: We expect the tile sector demand to improve from H2FY26 in anticipation of a recovery in the IHB segment. However, we believe the tile industry margin is not likely to return to normal levels till the time we see a good pick-up in exports.

Our view: We now prefer SOMC in the tiles space as we see (a) scope of market share gain opportunities based on existing tiles manufacturing operating rate (SOMC: 80%; KJC: 103% in Q4FY25) (b) SOMC operating margin has been relatively steady over the past 4 quarters in the 8.1%-8.5% range, whereas KJC margin has come under significant pressure (from 15.0% in Q1FY25 to 11.3% in Q4FY25) (c) SOMC EPS projected to grow at a strong 36.6% CAGR over a weak base with healthy return ratio profile (pre-tax ROIC of 15%) over FY25-FY27E (d) reasonable valuations (trades at 22.7x on 1YF P/E vs 5Y average of 30.4x).

Wood panels: Weak demand, excess supply and high timber prices impacted Q4

Our wood panel universe EBITDA contracted (-7.7% YoY in Q4FY25) for the 11th straight quarter due to muted demand and margin stress across segments resulting from supply-side pressures and elevated timber prices. Within our universe, MTLM was the best performer (EBITDA grew by 18% YoY), whereas GRLM's EBITDA contracted sharply by 23% YoY in Q4FY25.

Outlook: We are still not constructive on wood panel as a) we believe recovery in MDF sector margin to normal level will likely be slow in anticipation of the industry's operating rate improving from 67% in FY25 to ~80% in FY27E b) expensive valuation (our wood panel universe trades at 45.4x on 1YF P/E vs 5Y average of 38.6x).

Our view: While we are not positive on the MDF space over the next 4 quarters, we still prefer GREENP in the wood panel space due to (a) strong earnings growth prospects (EPS to grow at 70% CAGR over FY25-FY27E) on the back of healthy volume growth visibility (20% CAGR), along with a gradual recovery in margin (from 9.1% in FY25 to 16.7% in FY27E) (b) reasonable valuation (trades at a P/E of 37.3x/17.3x on FY26E/FY27E vs 5Y average of 33.5x).

Fig 1 – Building Materials universe earnings snapshot – Q4FY25

Particulars (%)	Revenue Growth (YoY)	EBITDA Growth (YoY)	Revenue Growth 6Y CAGR trend				EBITDA Growth 6Y CAGR trend			
	Q4FY25	Q4FY25	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY25	Q2FY25	Q3FY25	Q4FY25
SI	0.6	(15.2)	11.9	9.5	10.1	12.0	13.0	6.6	9.9	12.8
ASTRA	3.5	3.6	19.4	14.0	14.2	13.8	18.5	14.3	15.2	16.8
FNXP	(5.1)	(18.0)	5.5	7.3	4.8	3.3	1.1	(33.7)	(8.1)	2.6
PRINCP	(2.8)	(40.6)	10.7	8.4	8.2	6.3	11.4	(2.1)	(36.0)	(1.0)
APOLP	23.2	(5.4)	20.4	19.9	23.4	23.3	14.3	18.4	18.2	14.7
Pipes	0.7	(12.7)	12.0	10.4	10.1	10.2	10.2	3.4	5.6	10.3
CRS	5.8	13.9	6.0	6.8	5.9	5.7	7.6	7.1	4.7	8.4
HINDWARE (bathware)	(10.0)	(42.6)	NA	NA	NA	NA	NA	NA	NA	NA
Bathware	(1.1)	(9.0)	NA	NA	NA	NA	NA	NA	NA	NA
KJC	1.1	(20.0)	9.2	8.4	7.3	7.0	9.5	6.5	4.1	2.0
SOMC	4.3	(21.4)	7.2	9.3	7.2	6.8	7.7	13.3	7.3	(2.0)
Tiles	2.3	(20.5)	8.5	8.7	7.2	6.9	9.1	8.0	4.8	0.6
CPBI	13.0	(9.3)	10.8	13.1	12.0	12.5	4.1	9.7	10.6	9.1
GRLM	9.2	(23.4)	13.2	13.5	11.5	11.2	11.3	12.9	7.6	6.3
MTLM	8.2	18.1	11.2	10.0	9.9	8.8	18.8	8.4	5.2	5.9
GREENP	(5.6)	(6.5)	18.9	16.7	14.3	13.5	7.4	32.4	(7.8)	15.5
Wood Panel	8.3	(7.7)	12.4	12.8	11.6	11.4	8.5	11.7	6.7	8.5
BM universe	2.5	(12.5)	11.8	11.1	10.3	10.2	10.1	6.6	6.2	8.7

Source: Company, BOBCAPS Research

Fig 2 – Building Materials – Relative valuation

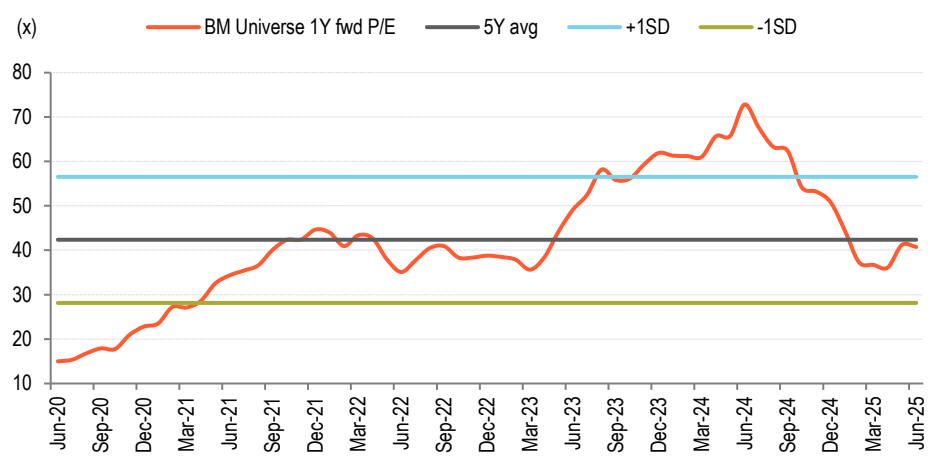
Particulars	Revenue (Rs bn)	Historical (%)			Future (%)			Valuation			
		Revenue	EBITDA	ROE	Revenue	EBITDA	Avg ROE	P/E (x)			
		FY24	6Y CAGR (FY19-FY25)	FY19-FY25	2Y CAGR (FY25-FY27E)	FY26E-FY27E	FY26E-FY27E	FY25	FY26E	FY27E	5Y avg
SI	104	10.9	10.5	23.9	13.9	22.2	19.4	45.3	38.1	31.1	37.1
ASTRA	58	15.1	16.1	19.1	16.9	21.0	17.1	66.5	57.6	47.1	78.4
FNXP	41	5.0	(3.9)	14.8	9.5	33.4	9.7	23.2	22.3	18.5	23.7
PRINCP	25	8.3	(1.6)	15.8	13.4	48.0	6.3	60.6	33.2	21.4	52.3
APOLP	12	21.8	16.1	10.1	17.5	27.8	6.2	45.8	33.5	24.3	53.7
Pipes		12.2	7.5	16.7	14.2	30.5	11.7	48.3	36.9	28.5	49.0
CRS	19	6.1	7.1	17.1	7.6	9.9	17.6	29.4	30.1	26.9	33.9
HINDWARE	25	7.1	2.4	15.2	10.4	43.5	3.7	(52.9)	63.6	21.1	51.5
Bathware		6.6	4.7	16.2	9.0	26.7	10.6	(11.8)	46.8	24.0	42.7
KJC	46	7.8	5.7	16.3	9.4	15.5	14.3	39.9	31.9	25.9	45.5
SOMC	27	7.6	4.9	11.2	8.1	15.8	10.3	28.4	21.4	15.3	30.4
Tiles		7.7	5.3	13.8	8.7	15.7	12.3	34.2	26.7	20.6	37.9
CPBI	45	7.7	11.2	17.5	10.6	29.7	11.4	91.1	54.6	38.3	44.0
GRLM	26	12.3	9.4	14.1	19.0	28.9	9.6	82.2	69.4	35.7	47.4
MTLM	25	9.9	7.9	16.7	10.7	18.4	14.7	39.0	29.7	21.4	25.7
GREENP	14	15.7	9.1	13.9	21.4	64.2	7.5	43.9	35.7	16.6	32.5
Wood Panel		11.4	9.4	15.6	15.4	35.3	10.8	64.1	47.4	28.0	37.4
BM Universe		9.5	6.7	15.5	11.8	27.0	11.4	33.7	39.4	25.3	41.8

Source: Company, BOBCAPS Research

Fig 3 – Building Materials – Relative valuation BOBCAPS vs Bloomberg

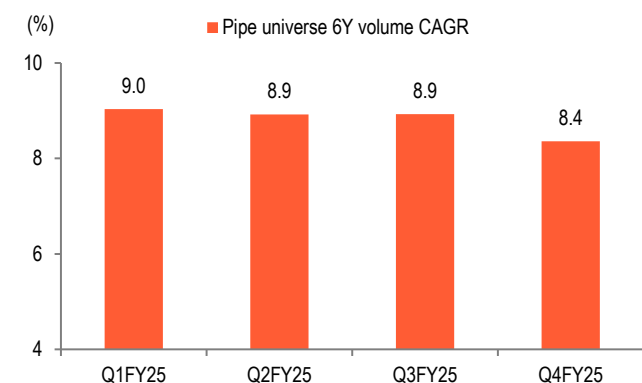
		Revenue (Rs bn)		EBITDA margin (%)		EPS (Rs)	
Particulars	Rating	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
BOBCAPS							
SI	BUY	119.2	135.6	14.9	15.8	91.8	112.5
ASTRA	BUY	67.6	79.6	17.3	17.4	25.3	30.9
FNXP	BUY	43.6	49.7	15.4	17.1	10.1	12.1
PRINCPIP	BUY	27.8	32.4	9.6	10.9	9.6	14.9
APOLP	HOLD	13.5	16.3	8.9	9.6	11.7	16.1
CRS	BUY	20.3	22.3	15.7	16.3	191.4	214.3
HINDWARE	BUY	27.3	30.8	8.1	9.6	4.0	12.0
KJC	BUY	50.3	55.5	13.9	15.1	25.1	30.8
SOMC	BUY	28.5	31.1	8.7	9.5	19.7	27.5
CPBI	HOLD	49.3	55.4	13.0	14.8	13.2	18.7
GRLM	HOLD	31.4	36.4	10.5	12.6	3.7	7.1
MTLM	HOLD	27.3	30.5	10.2	10.9	10.2	14.1
GREENP	BUY	17.9	21.1	12.4	16.7	7.0	15.0
Bloomberg consensus							
SI		117.1	132.6	14.5	15.0	90.1	107.0
ASTRA		66.6	76.7	16.7	17.0	23.6	28.9
FNXP		46.5	51.9	13.7	14.1	9.5	11.2
PRINCPIP		25.5	32.3	10.0	11.4	10.6	15.5
APOLP		14.6	17.7	8.9	9.6	7.5	17.8
CRS		21.0	23.8	15.6	16.0	197.1	228.4
HINDWARE		27.1	30.0	8.4	9.6	3.4	10.1
KJC		50.6	56.5	14.2	14.9	26.3	32.1
SOMC		28.8	31.6	9.1	9.6	20.9	28.2
CPBI		52.2	60.5	12.7	14.7	15.5	23.9
GRLM		31.3	36.3	11.7	13.5	4.7	8.8
MTLM		27.8	31.1	10.7	11.5	11.9	16.4
GREENP		17.6	20.7	12.3	16.1	7.4	15.0

Source: BOBCAPS Research, Bloomberg

Fig 4 – Building Materials sector trading at 45.4x on 1YF P/E vs 5Y avg of 38.6x

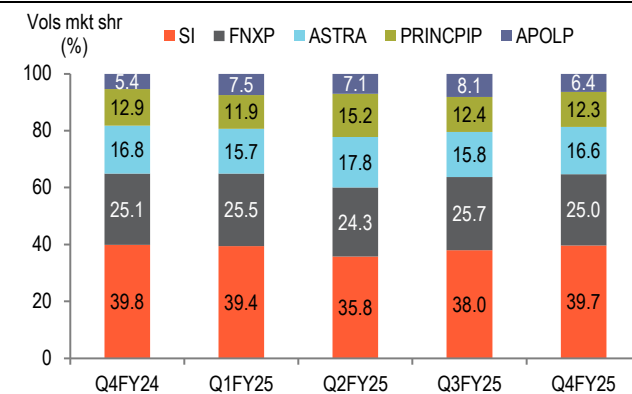
Source: Company, BOBCAPS Research

Fig 5 – Pipe universe volume grew by 2.5% YoY (6Y CAGR: +8.4%) in Q4FY25



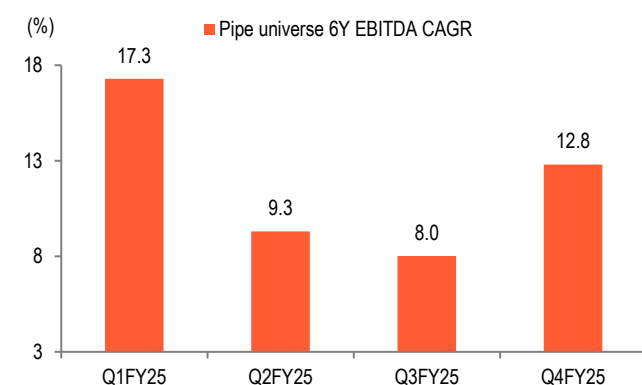
Source: Company, BOBCAPS Research; excludes profit from non-pipe segment

Fig 6 – APOLP gained market share in Q4FY25 due to consolidation of Kisan Moulding operations



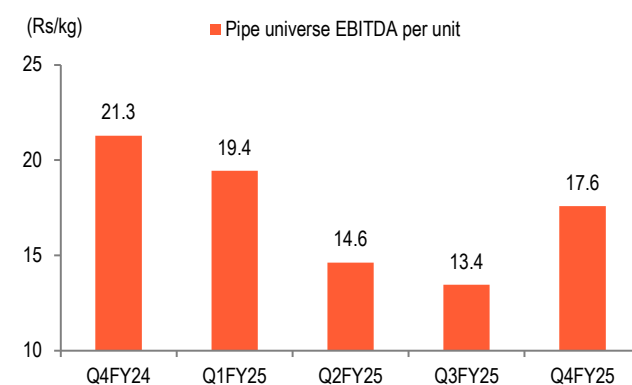
Source: Company, BOBCAPS Research

Fig 7 – Pipe universe EBITDA de-grew by 15.3% YoY (6Y CAGR: +12.8%) in Q4FY25



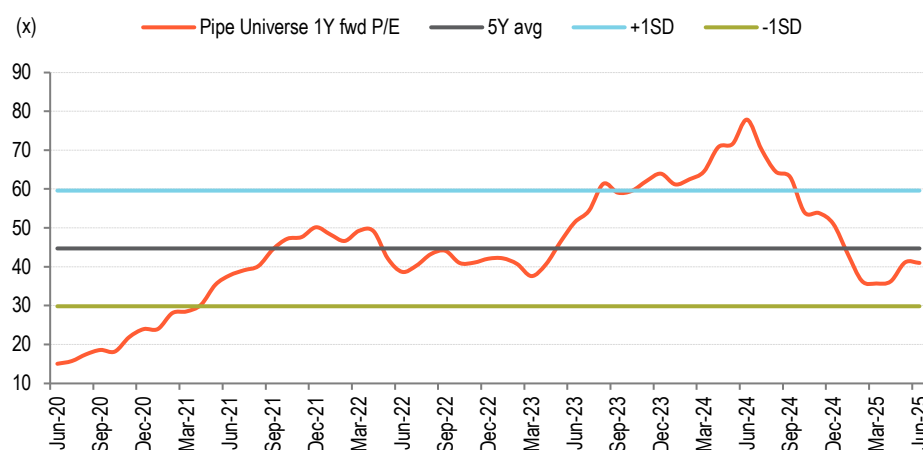
Source: Company, BOBCAPS Research

Fig 8 – Pipe EBITDA per unit was down 17.4% YoY in Q4FY25 due to lower PVC resin prices and weak demand



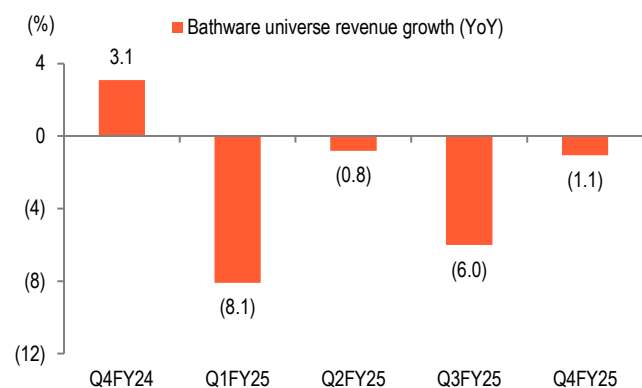
Source: Company, BOBCAPS Research

Fig 9 – Pipe universe trading at 40.9x on 1YF P/E vs 5Y avg of 44.7x



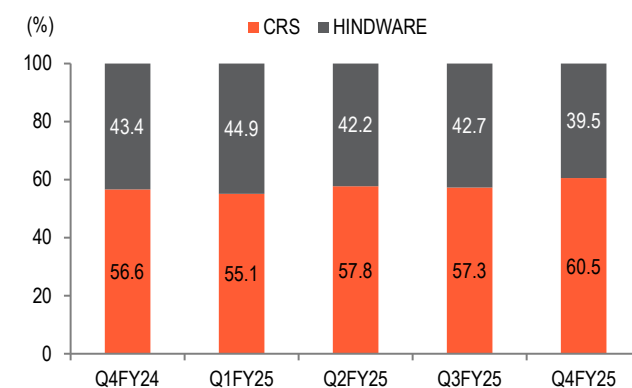
Source: Bloomberg, BOBCAPS Research

Fig 10 – Bathware universe revenue de-grew by 1.1% YoY in Q4FY25 due to weak retail demand



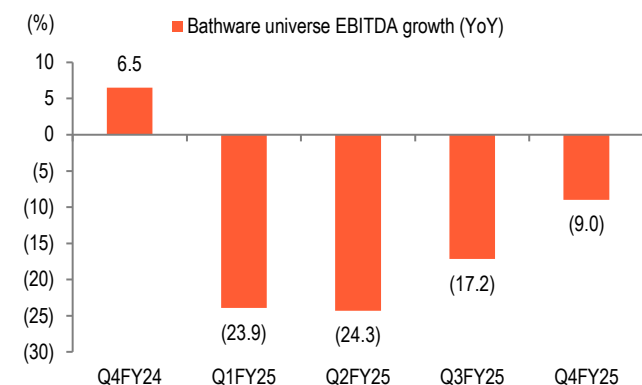
Source: Company, BOBCAPS Research

Fig 11 – CRS again gained market share in Q4FY25 compared to HINDWARE



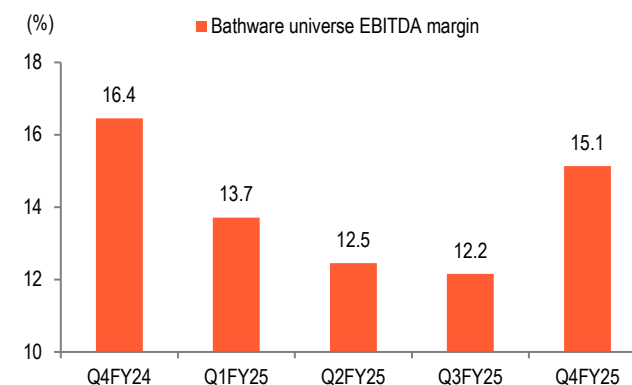
Source: Company, BOBCAPS Research

Fig 12 – Bathware universe EBITDA fell by 9.0% YoY in Q4FY25 due to high discounts & weak operating leverage



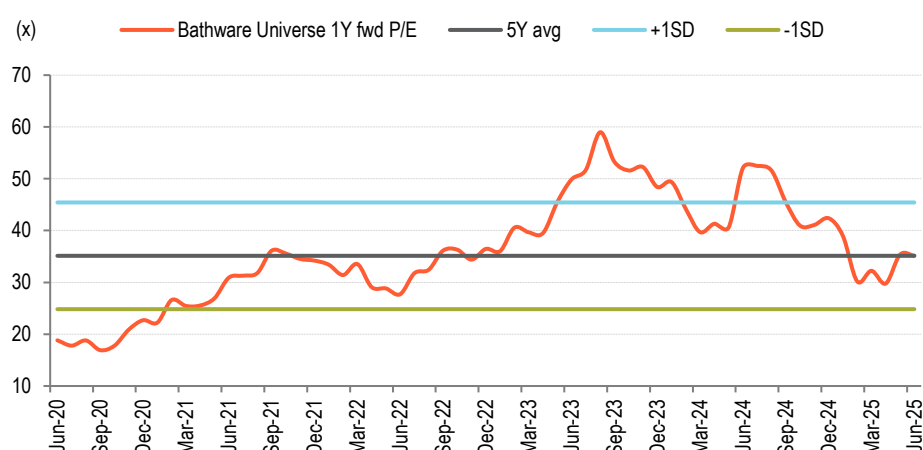
Source: Company, BOBCAPS Research

Fig 13 – Our bathware universe margin contracted by 132bps YoY to 15.1% in Q4FY25



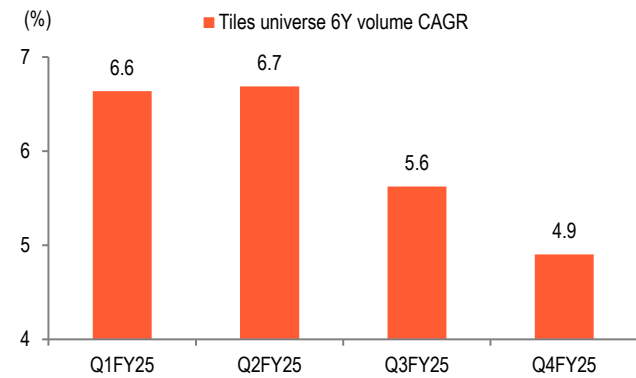
Source: Company, BOBCAPS Research

Fig 14 – Bathware universe trading at 35.1x on 1YF P/E – which is in-line with 5Y average multiple



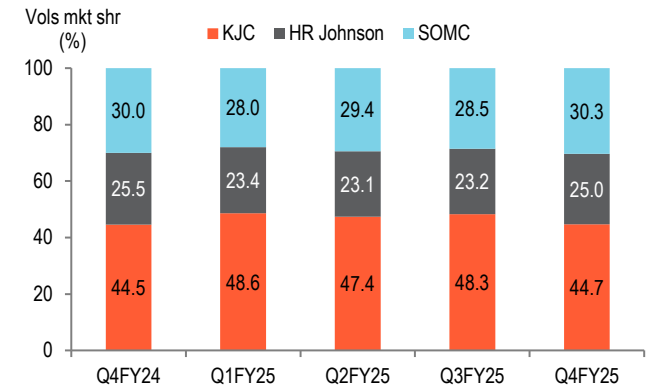
Source: Bloomberg, BOBCAPS Research

Fig 15 – Our tiles universe volume grew at a muted pace of 1.4% YoY (6Y CAGR: +4.9%) in Q4FY25



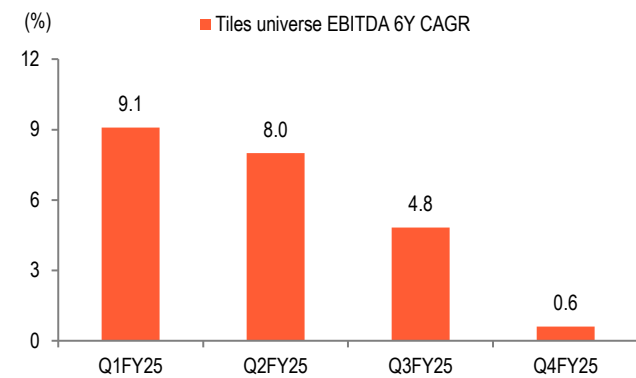
Source: Company, BOBCAPS Research

Fig 16 – Among top 3 tiles companies, SOMC gained market share in Q4FY25



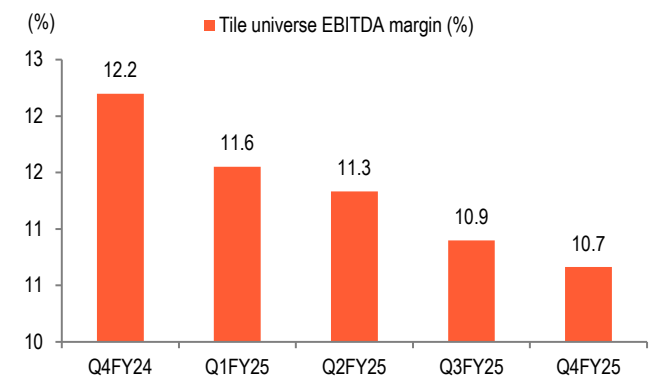
Source: Company, BOBCAPS Research

Fig 17 – Our tiles universe EBITDA was down 12.4% YoY in Q4FY25 on weak retail demand and higher discounts



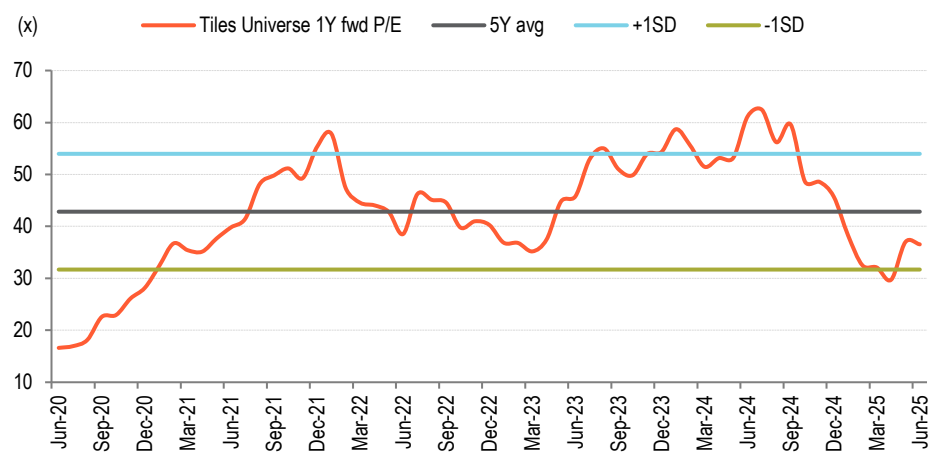
Source: Company, BOBCAPS Research

Fig 18 – Tiles universe EBITDA margin fell by 153bps YoY to 10.7% in Q4FY25 on intense competition from Morbi



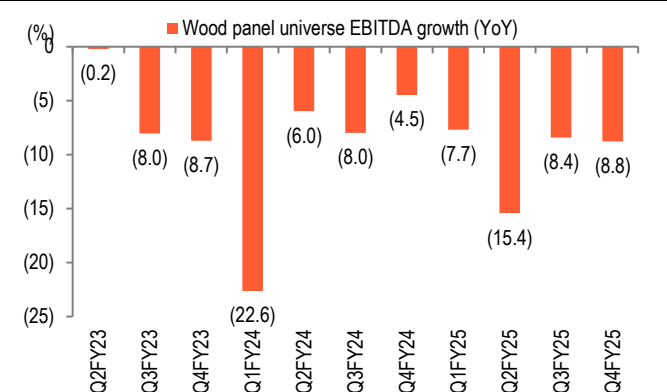
Source: Company, BOBCAPS Research

Fig 19 – Tiles universe trading at 36.6x on 1YF P/E vs. 5Y avg of 42.8x



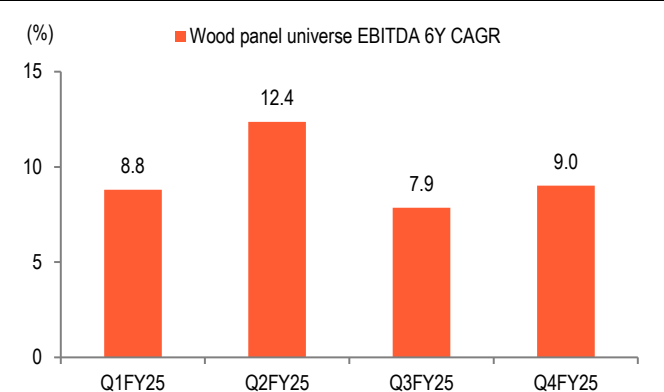
Source: Bloomberg, BOBCAPS Research

Fig 20 – Wood Panel universe EBITDA contracted YoY for the 11th consecutive quarter...



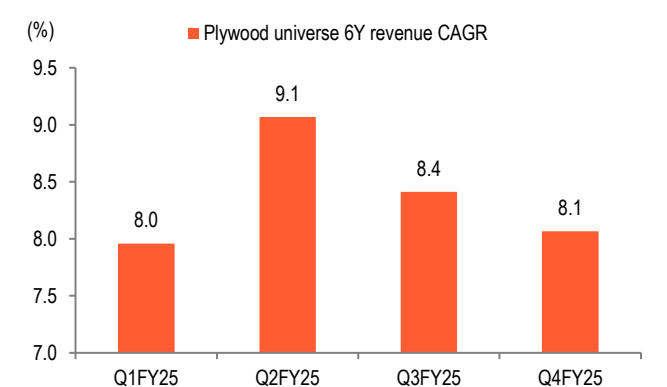
Source: Company, BOBCAPS Research

Fig 21 – ... but it still grew at a good pace of 9.0% rate on a 6Y CAGR basis in Q4FY25



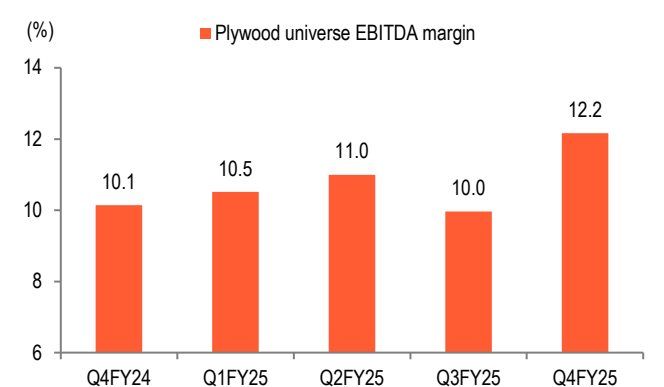
Source: Company, BOBCAPS Research

Fig 22 – Plywood universe revenue grew at 5.4% YoY (6Y: 8.1% CAGR) in Q4FY25



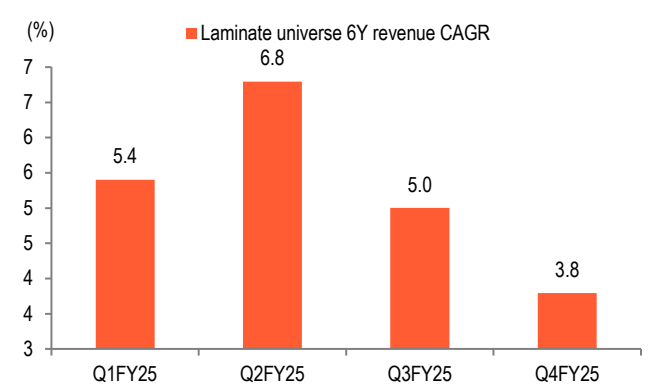
Source: Company, BOBCAPS Research

Fig 23 – Plywood EBITDA margin was up 202 bps YoY to 12.2% in Q4FY25



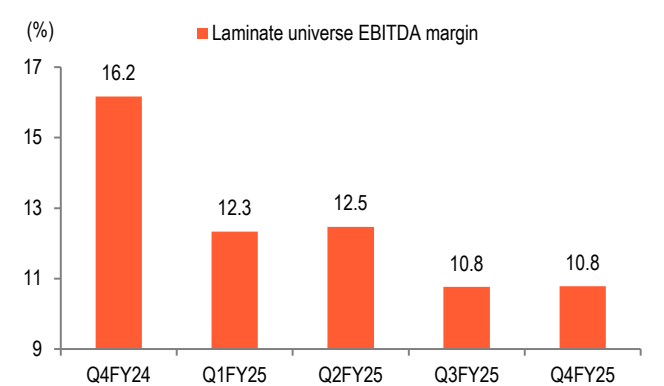
Source: Company, BOBCAPS Research

Fig 24 – Laminate universe revenue de-grew by 3.8% YoY (6Y: +3.8% CAGR) in Q4FY25



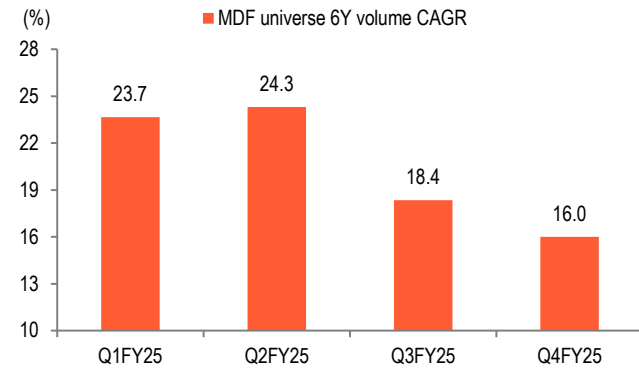
Source: Company, BOBCAPS Research

Fig 25 – Laminate universe EBITDA margin fell sharply by 538bps YoY to 10.8% in Q4FY25



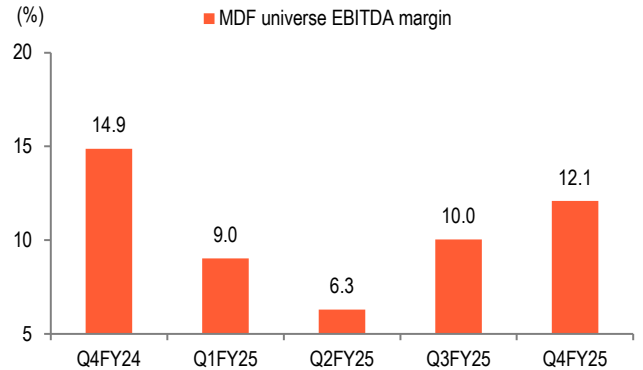
Source: Company, BOBCAPS Research

Fig 26 – MDF universe volumes was down 3.3% YoY (6Y: CAGR: +16.0%) in Q4FY25



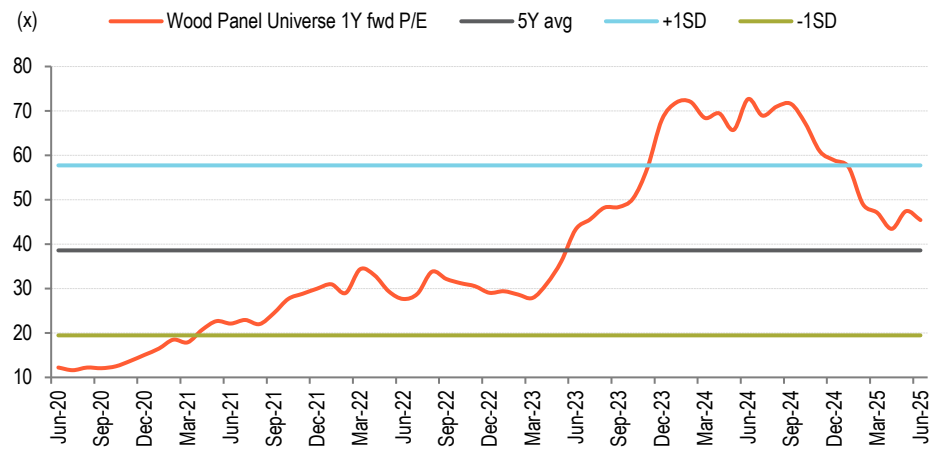
Source: Company, BOBCAPS Research

Fig 27 – MDF EBITDA margin down sharply on YoY basis in Q4FY25 due to supply glut & elevated timber prices



Source: Company, BOBCAPS Research

Fig 28 – Wood Panel universe trading at 45.4x on 1YF P/E vs 5Y avg of 38.6x



Source: Bloomberg, BOBCAPS Research

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