BUILDING MATERIALS | Q2FY26 Review | 18 November 2025

Another soft quarter on muted demand and intense competition

- **Our BM universe revenue grew at a muted pace for the 11th consecutive quarter on unfavourable weather and weak retail demand sentiments**
- **BM sector margin to return to normal level with gradual recovery in demand over the next 2 years**
- **Cautious on most BM stocks on rich valuations; Top picks: CRS in bathware, FNXP in pipes and SOMC in tiles**

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Weak Q2FY26: Our building materials (BM) universe revenue grew at a muted pace (+7.4% YoY in Q2FY26) for the 11th consecutive quarter, due to the impact of heavy monsoon on construction activity and weak demand in the retail segment. However, EBITDA margin improved by 180bps YoY to 12.6% in Q2FY26, mainly on a weak base effect. Going ahead, we continue to prefer pipes and bathware over tiles & wood panel, considering relatively better pricing discipline on account of high organised share and low global linkage. CRS, FNXP and SOMC are our top picks.

Pipes: Despite unfavourable weather, our pipe universe volume grew at a healthy 8.8% YoY (6Y CAGR: +8.1%) in Q2FY26, due to a strong demand from the projects business. Most companies witnessed an improvement in the product-mix due to a high share of CPVC and plumbing pipe revenue in Q2FY26. However, EBITDA per unit was still down 6.0% YoY in Q2FY26 due to weak resin prices.

Bathware: Our bathware universe revenue grew at a muted pace for the 10th consecutive quarter (+3.8% YoY in Q2FY26). Segment EBITDA margin was relatively flat at 12.4% in Q2FY26.

Tiles: Our tile universe volume grew at a muted pace of 0.8% YoY (6Y CAGR: +6.3%) in Q2FY26 owing to weak retail demand. However, our universe EBITDA margin improved (+228bps YoY to 12.6%) in the quarter given the benefit of cost rationalisation initiatives implemented by Kajaria.

Wood panels: Our wood panel universe reported a positive YoY growth in operating profit for the first time over the past 13 quarters, due to a) good contribution from recently commissioned projects b) weak base effect. However, our universe EBITDA margin still turns out to be lower in Q2FY26 vs pre-Covid period period (11.0% in Q2FY26 vs 14.2% in Q2FY20) due to unfavourable demand-supply dynamics and high timber prices.

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Building Materials: Q2FY26 review

Subdued quarter on tepid retail demand and intense competition

Our building materials (BM) universe revenue grew at a muted pace (+7.4% YoY in Q2FY26) for the 11th consecutive quarter, due to the impact of heavy monsoon on construction activity and weak demand sentiments in the retail segment. However, EBITDA margin improved by 180bps YoY to 12.6% in Q2FY26 mainly because of a weak base effect. Our coverage companies continued to provide high discounts to dealers in view of the intense competition in a soft demand environment.

Our view: We have a HOLD rating on most BM stocks as there is limited upside potential (even if we assume good recovery in demand along with normalization of margin over the next 2 years) due to rich valuation (our BM universe trades at 37.9x on 1YF P/E vs pre-Covid avg of 31.1x). Segment-wise, we prefer pipes and bathware considering better pricing discipline vs tiles & wood panel, on account of high organised share and low global linkage. Our top picks: CRS in bathware, FNXP in pipes, SOMC in tiles.

Pipes: Margin remains under pressure on weak resin prices

Q2FY26 review: Despite unfavourable weather, our pipe universe volume grew at a healthy 8.8% YoY (6Y CAGR: +8.1%) in Q2FY26, due to strong demand from the projects business. Most companies witnessed an improvement in the product-mix due to high share of CPVC and plumbing pipe revenue in Q2FY26. However, EBITDA per unit was still down 6.0% YoY in Q2FY26 due to weak resin prices. In our coverage, Astral and Supreme reported strong volume growth in in the quarter owing to a good presence in the projects business; whereas Finolex and Prince Pipe reported weak volumes given the relatively low presence in the projects business.

Outlook: We believe the plastic pipe sector earnings are likely to get negatively impacted in Q3FY26 as PVC resin prices have come under further pressure due to weak global demand and continued weak demand in the retail segment. As global PVC resin prices are already trading well below the historical average level, we believe there is a limited MTM inventory risk for the sector over the medium term.

Our view: We have downgraded ASTRA stock from BUY to HOLD considering the limited upside potential. FNXP remains our preferred tactical bet in the plastic pipe space on a) healthy earnings growth prospects (EPS to grow at 15.0% CAGR over FY25-FY28E) b) reasonable valuation (the stock trades at 18.2x on 1YF P/E vs 5Y avg of 25.0x).

Bathware: Another muted quarter on soft retail demand environment

Q2FY26 review: Our bathware universe revenue grew at a muted pace for the 10th consecutive quarter (+3.8% YoY in Q2FY26). Segment EBITDA margin was relatively flat at 12.4% in Q2FY26. In our coverage, HINDWARE has delivered slightly better revenue growth compared to CRS in Q2FY26 mainly due to base effect.

Outlook: We expect the demand environment for bathware industry to improve from H2FY26 onwards in anticipation of a recovery in individual home building (IHB) segment. Note that over 70-80% of bathware products demand comes from new construction activities.

Our view: We have downgraded HINDWARE from BUY to HOLD due to limited upside potential post a sharp run-up in the stock over the past 3-month period. We continue to prefer CRS in the bathware space as a) It has been consistently gaining market share b) Operating profit projected to grow at a moderate pace of 6.3% CAGR with a healthy return ratio (pre-tax ROIC of 37%) over FY26-FY28E c) reasonable valuation (trades at 29.3x on 1YF P/E vs 5Y average of 35.1x).

Tiles: Muted quarter on weak retail demand and stiff competition from Morbi

Q2FY26 review: Our tile universe volume grew at a muted pace of 0.8% YoY (6Y CAGR: +6.3%) in Q2FY26, due to weak retail demand. Industry margin remains under pressure due to stiff competition from Morbi in view of weak exports, but our universe EBITDA margin improved (+228bps YoY to 12.6%) in Q2FY26 mainly due to the benefit of cost rationalisation initiatives implemented by Kajaria. Among top 3 tiles companies, Johnson has reported better YoY volume growth in Q2FY26 (Johnson: +2.1%; KJC: +0.6%; SOMC: -0.1%).

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 continue to prefer SOMC in the tiles space as we see (a) scope of market share gain opportunities based on existing tiles manufacturing operating rate (SOMC: 75%; KJC: 101% in Q2FY26) (b) SOMC operating profit projected to grow at a better pace than KJC over FY25-FY28E in anticipation of margin improvement (from 7.8% in Q2FY26 to 9.9% in FY28), due to operating efficiencies with the gradual ramp-up of its existing capacity (c) reasonable valuations (trades at 18.1x on 1YF P/E vs 5Y average of 31.7x).

Wood panels: Weak demand, excess supply and high timber prices impacted Q2

Q2FY26 review: Our wood panel universe reported positive YoY growth in operating profit for the first time over the past 13 quarters, due to a) good contribution from recently commissioned projects b) weak base effect. However, our universe EBITDA margin still turns out to be lower in Q2FY26 vs pre-Covid period (11.0% in Q2FY26 vs 14.2% in Q2FY20), due to the unfavourable demand-supply dynamics and high timber prices. Within our universe, CPBI was the best performer (EBITDA up by 56.9% YoY), whereas GREENP's EBITDA contracted by 17.1% YoY in Q2FY26.

Outlook: We are still not constructive on wood panel stocks as a) we believe recovery in MDF sector margin to normal level will be slow in anticipation of gradual improvement in industry's operating rate from ~65% in FY25 to ~80% in FY27E b) expensive valuation (our wood panel universe trades at 47.3x on 1YF P/E vs 5Y average of 46.2x).

Our view: We don't have a BUY rating on any wood panel stock at the moment, but are positive on GREENP over the long-term as we see (a) strong earnings growth prospects (EPS to grow at 51% CAGR over FY26-FY28E) on healthy volume growth visibility (20% CAGR), along with a gradual recovery in margin (from 6.3% in Q2FY26 to 17.3% in FY28E) (b) reasonable valuation (trades at a P/E of 27.9x/14.9x on FY27E/FY28E).

Fig 1 – Building Materials universe earnings snapshot – Q2FY26

Particulars (%)	Revenue Growth (YoY)	EBITDA Growth (YoY)	Revenue Growth 6Y CAGR trend					EBITDA Growth 6Y CAGR trend				
	Q2FY26	Q2FY26	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
SI	5.3	(6.8)	9.5	10.1	12.0	10.5	11.1	6.6	9.9	12.8	11.3	9.5
ASTRA	15.1	22.2	14.0	14.2	13.8	14.4	15.1	14.3	15.2	16.8	12.1	13.7
FNXP	3.7	1131.5	7.3	4.8	3.3	1.7	6.9	(33.7)	(8.1)	2.6	(4.5)	8.0
PRINCPIP	(4.4)	20.6	8.4	8.2	6.3	7.3	5.6	(2.1)	(36.0)	(1.0)	(6.5)	(2.7)
APOLP	(5.9)	(17.0)	19.9	23.4	23.3	15.3	16.1	18.0	18.2	14.7	5.3	8.4
Pipes	**5.9**	**24.9**	**10.4**	**10.1**	**10.2**	**9.1**	**10.8**	**3.4**	**5.6**	**10.3**	**6.3**	**9.1**
CRS	-0.9	(6.9)	6.8	5.9	5.7	7.7	6.8	7.1	4.7	8.4	7.7	7.7
HINDWARE	7.4	89.9	0.0	5.9	6.3	5.8	8.0	0.0	(7.0)	9.4	14.7	13.4
Bathware	**3.7**	**21.4**	**0.0**	**5.9**	**6.0**	**6.6**	**7.5**	**0.0**	**(0.2)**	**8.7**	**10.6**	**10.0**
KJC	0.6	34.3	8.4	7.3	7.0	7.9	8.8	6.5	4.1	2.0	9.9	12.5
SOMC	3.6	(4.4)	9.1	7.2	6.8	7.3	8.4	13.3	7.3	(2.0)	8.0	3.0
Tiles	**1.7**	**24.2**	**8.7**	**7.2**	**6.9**	**7.7**	**8.7**	**8.0**	**4.8**	**0.6**	**9.5**	**10.1**
CPBI	17.1	56.9	13.1	12.0	12.5	12.3	15.0	9.7	10.6	9.1	6.7	11.3
GRLM	18.7	28.2	13.5	11.5	11.2	15.1	15.0	12.9	7.6	6.3	10.6	13.6
MTLM	7.5	(1.5)	10.0	9.9	8.8	9.5	10.4	8.4	5.2	5.9	7.0	4.0
GREENP	17.5	(17.1)	16.7	14.3	13.5	7.6	12.8	32.4	(7.7)	15.5	-13.4	(3.1)
Wood Panel	**15.4**	**28.7**	**12.8**	**11.6**	**11.4**	**11.6**	**13.7**	**11.7**	**6.7**	**8.5**	**5.5**	**9.0**
BM universe	**7.4**	**25.4**	**11.6**	**9.5**	**9.5**	**9.2**	**10.8**	**6.5**	**5.2**	**8.3**	**7.0**	**9.3**

Source: Company, BOBCAPS Research

Fig 2 – Relative Valuation Comp Sheet - BOBCAPS

Particulars	Revenue	Historical (%)			Future (%)			Valuation			
	(Rs bn)	Revenue	EBITDA	Avg ROE	Revenue	EBITDA	Avg ROE	P/E (x)			
	FY25	6Y CAGR (FY19-FY25)		FY19-FY25	3Y CAGR (FY25-FY28E)		FY25-FY28E	FY26E	FY27E	FY28E	5Y avg*
SI	104.5	10.9	10.8	24.0	12.6	15.2	18.7	46.8	36.2	31.7	27.6
ASTRA	58.3	15.1	16.1	18.6	16.6	17.9	16.5	66.3	51.4	42.7	45.7
FNXP	41.4	5.0	(3.9)	14.8	13.4	21.8	9.9	19.1	17.3	15.7	17.1
PRINCPIP	25.2	8.3	(1.6)	15.8	12.3	36.6	7.7	42.8	24.6	18.8	NA
APOLP	11.8	21.8	16.1	10.1	12.6	21.1	5.0	52.7	31.3	18.9	21.0
Pipes		**12.2**	**7.5**	**16.6**	**13.5**	**22.5**	**11.6**	**45.5**	**32.2**	**25.6**	**27.9**
CRS	19.3	6.1	7.3	16.9	6.5	6.3	16.1	32.1	28.4	25.0	31.8
HINDWARE	25.2	7.1	2.4	12.7	9.2	37.4	10.5	46.6	30.8	23.3	NA
Bathware		**6.6**	**4.9**	**14.8**	**7.9**	**21.9**	**13.3**	**39.4**	**29.6**	**24.1**	**31.8**
KJC	46.4	7.8	5.7	15.7	8.3	14.6	17.2	32.8	33.2	29.9	34.8
SOMC	26.6	7.6	4.9	9.8	7.6	14.2	11.2	23.3	16.2	12.7	28.4
Tiles		**7.7**	**5.3**	**12.8**	**8.0**	**14.4**	**14.2**	**28.0**	**24.7**	**21.3**	**31.6**
CPBI	45.3	12.1	7.7	16.1	12.9	26.3	12.5	67.1	46.4	34.2	27.7
GRLM	25.7	12.3	9.4	13.7	16.5	22.4	10.5	89.7	44.5	32.0	26.2
MTLM	24.9	9.9	7.9	16.9	7.6	15.5	13.1	37.9	25.5	21.1	NA
GREENP	14.4	15.7	9.1	11.7	19.0	47.1	6.6	NM	27.5	14.7	NA
Wood Panel		**12.5**	**8.5**	**14.6**	**14.0**	**27.8**	**10.7**	**64.9**	**36.0**	**25.5**	**27.0**
BM Universe		**9.8**	**6.5**	**14.7**	**10.8**	**21.6**	**12.4**	**44.5**	**30.6**	**24.1**	**29.6**

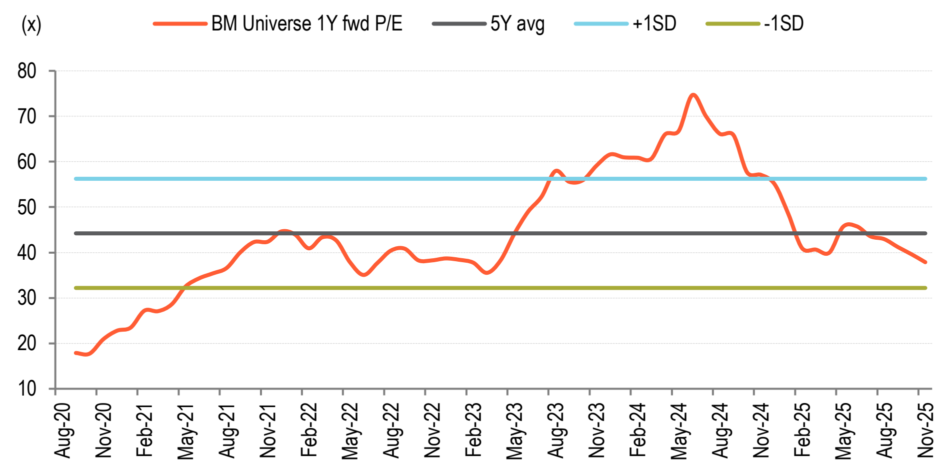
Source: Company, BOBCAPS Research; pertains to pre-Covid period

Fig 3 – Building Materials – Relative valuation BOBCAPS vs Bloomberg

Particulars	Rating	Revenue (Rs bn)			EBITDA margin (%)			EPS (Rs)		
		FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
BOBCAPS										
SI	HOLD	115.0	132.8	149.2	14.2	15.7	15.8	82.1	109.2	123.0
ASTRA	HOLD	65.4	78.4	92.4	16.4	16.8	16.8	21.9	28.2	33.9
FNXP	BUY	46.2	54.5	60.4	13.8	14.2	14.2	9.7	10.7	11.8
PRINCPIP	HOLD	26.2	31.2	35.8	9.5	10.9	11.5	7.2	12.6	16.4
APOLP	HOLD	11.9	14.2	16.8	7.4	8.5	10.1	5.7	9.6	15.8
CRS	BUY	19.7	21.3	23.3	14.2	15.0	15.7	176.7	200.0	226.7
HINDWARE	HOLD	26.8	29.9	32.9	9.3	10.7	11.3	7.5	11.4	15.1
KJC	HOLD	49.0	53.6	58.8	17.7	16.0	16.0	33.8	33.3	37.0
SOMC	BUY	27.6	30.1	33.2	8.6	9.3	9.9	19.0	27.5	34.9
CPBI	HOLD	51.7	58.0	65.2	12.3	13.8	15.0	11.6	16.8	22.7
GRLM	HOLD	30.5	36.1	40.6	10.7	11.9	12.4	2.9	5.9	8.2
MTLM	HOLD	26.1	28.3	31.0	10.1	11.5	11.8	7.7	11.5	13.9
GREENP	HOLD	15.1	19.4	24.2	6.9	14.4	17.3	-1.7	9.6	17.9
Bloomberg consensus										
SI		114.9	131.2	148.8	13.9	15.0	15.5	81.3	101.8	120.7
ASTRA		65.2	75.5	87.3	16.3	16.9	17.5	21.5	27.6	34.3
FNXP		44.2	49.4	54.2	11.9	12.8	13.5	8.2	10.0	11.1
PRINCPIP		26.9	30.6	34.3	9.1	10.6	11.2	7.4	12.6	16.7
APOLP		12.5	15.3	18.4	9.3	9.8	10.7	7.1	13.6	20.1
CRS		20.4	22.8	25.4	14.7	15.5	15.8	186.2	215.6	244.2
HINDWARE		27.1	30.3	34.0	10.7	10.6	10.9	6.7	11.7	17.1
KJC		48.6	54.0	59.9	17.1	17.2	17.6	31.9	36.9	42.6
SOMC		28.4	31.1	34.6	8.7	9.4	10.0	19.4	26.7	36.5
CPBI		52.5	60.8	69.5	12.4	14.2	15.0	13.8	21.6	28.3
GRLM		30.5	35.4	41.3	10.9	12.7	13.7	3.3	7.3	10.8
MTLM		26.8	29.9	33.4	10.1	11.4	12.1	9.6	15.2	19.4
GREENP		15.8	19.1	22.1	8.5	14.8	16.8	1.2	10.8	17.1

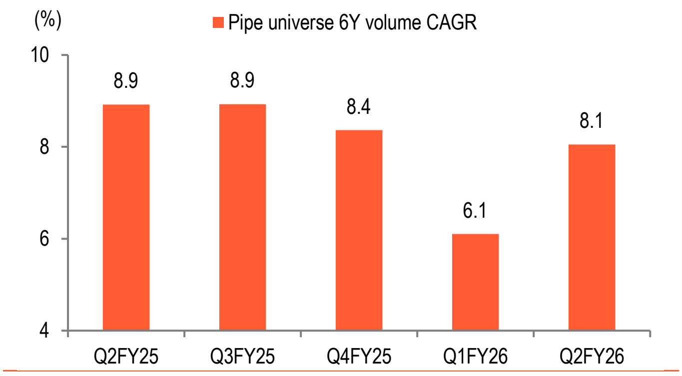
Source: Company, Bloomberg, BOBCAPS Research

Fig 4 – Building Materials sector trading at 37.9x on 1Y fwd P/E vs pre-Covid 5Y avg of 31.1x



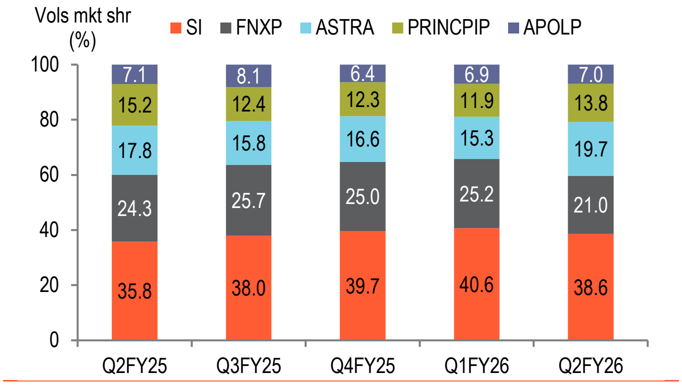
Source: Company, BOBCAPS Research

Fig 5 – Pipe universe volume grew at 8.8% YoY (6Y CAGR: +8.1%) in Q2FY26



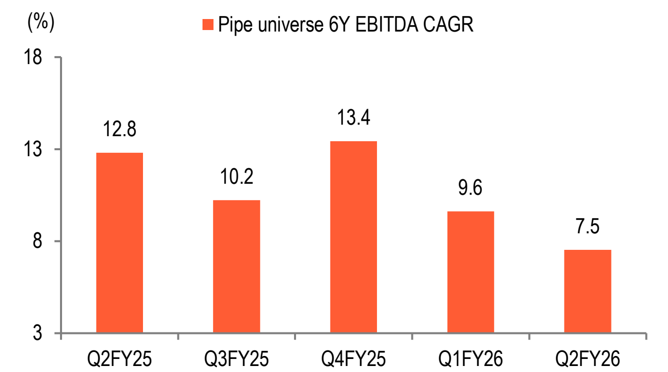
Source: Company, BOBCAPS Research; excludes profit from non-pipe segment

Fig 6 – SI & ASTRA gained market share in Q2FY26 due to aggressive pricing strategy and high project share



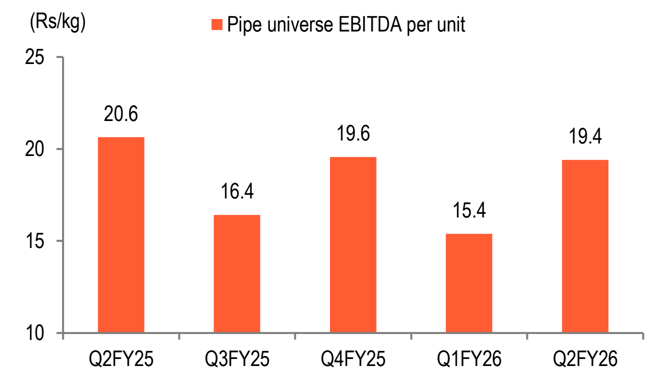
Source: Company, BOBCAPS Research

Fig 7 – Pipe universe EBITDA grew at a tepid pace of 6.7% YoY (6Y CAGR: +7.5%) in Q2FY26



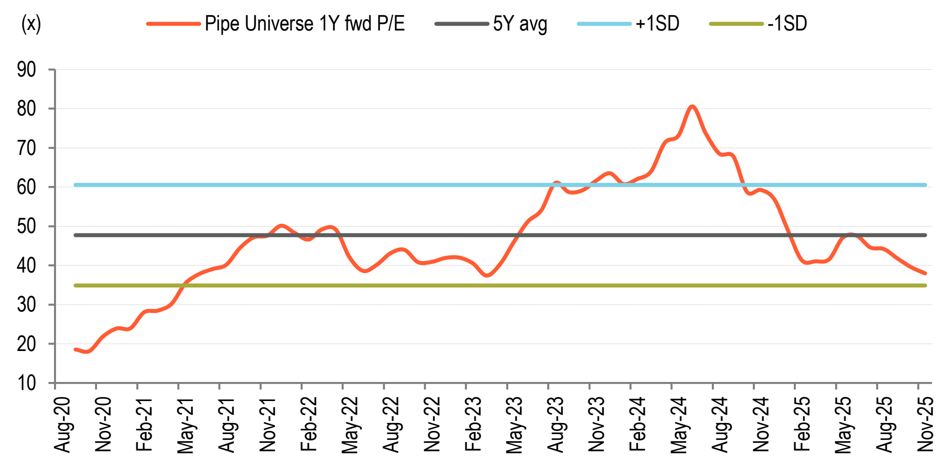
Source: Company, BOBCAPS Research

Fig 8 – Pipe EBITDA per unit was down 6.0% YoY in Q2FY26 due to muted demand and weak resin prices



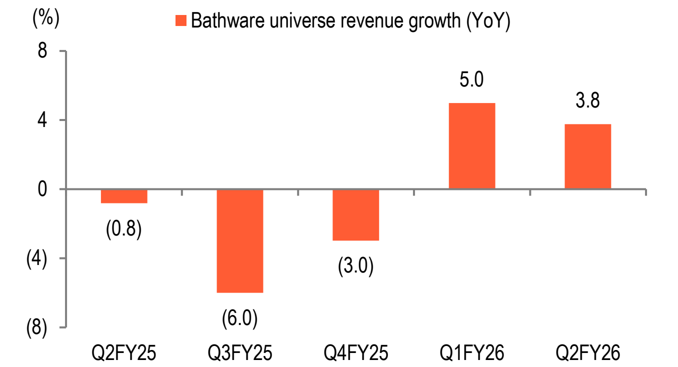
Source: Company, BOBCAPS Research

Fig 9 – Pipe universe trading at 38.0x on 1YF P/E vs pre-Covid 5Y avg of 29.8x



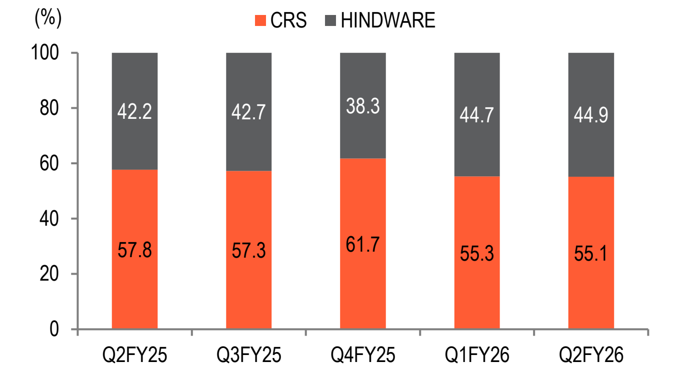
Source: Bloomberg, BOBCAPS Research

Fig 10 – Bathware universe revenue grew at 3.8% YoY in Q2FY26, due to weak retail demand



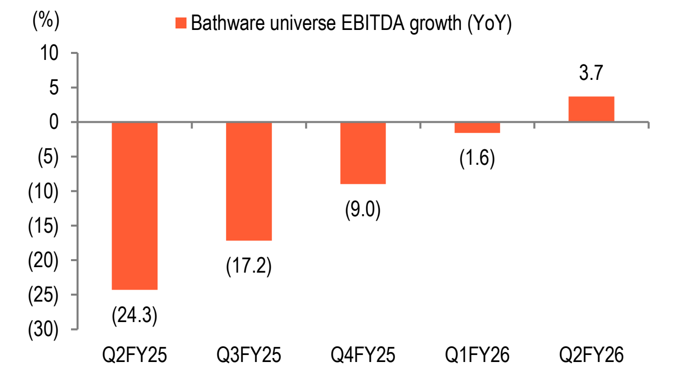
Source: Company, BOBCAPS Research

Fig 11 – HINDWARE has regained its lost market share in Q2FY26



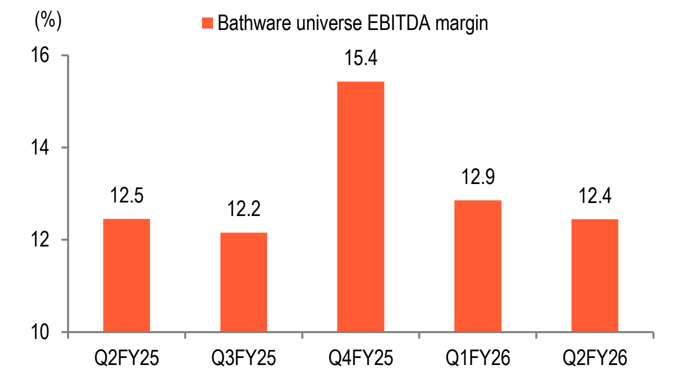
Source: Company, BOBCAPS Research

Fig 12 – Bathware universe EBITDA grew by 3.7% YoY in Q2FY26



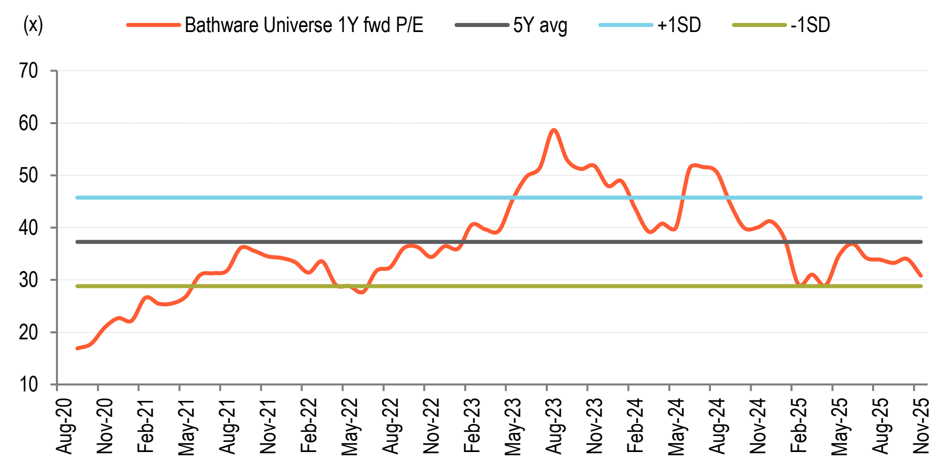
Source: Company, BOBCAPS Research

Fig 13 – Our bathware universe margin was relatively flat in Q2FY26 over Q2FY25



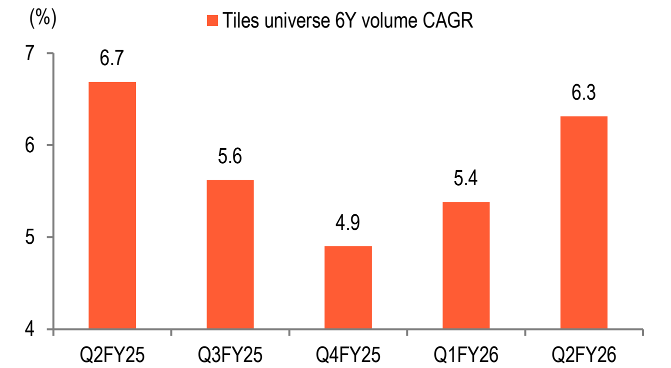
Source: Company, BOBCAPS Research

Fig 14 – Bathware universe trading at 30.8x on 1YF P/E vs pre-Covid 5Y avg of 33.2x



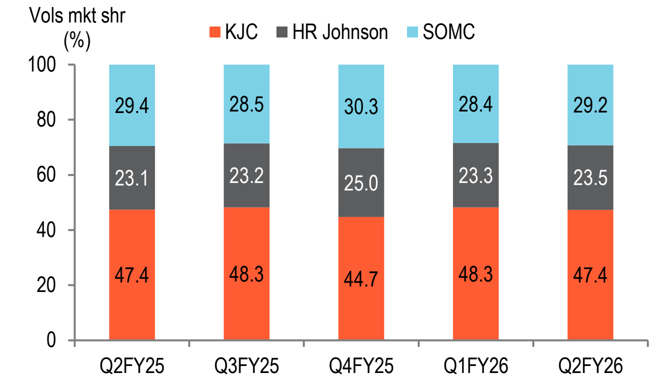
Source: Bloomberg, BOBCAPS Research

Fig 15 – Our tiles universe volume grew at a muted pace of 0.8% YoY (6Y CAGR: +6.3%) in Q2FY26



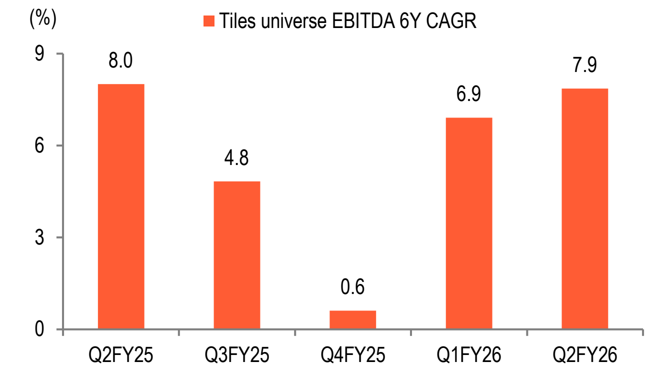
Source: Company, BOBCAPS Research

Fig 16 – Among top 3 tiles companies, Johnson gained market share in Q2FY26



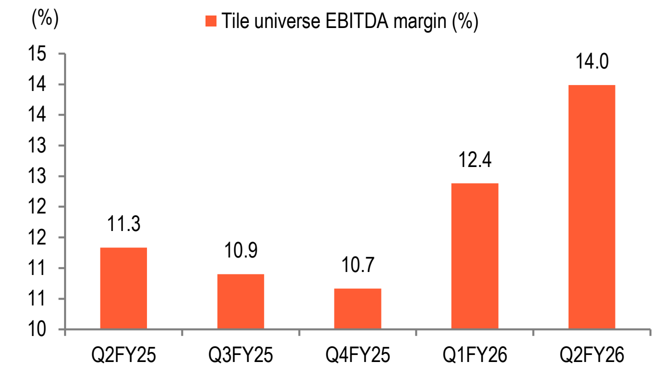
Source: Company, BOBCAPS Research

Fig 17 – Our tiles universe EBITDA was up 24.1% YoY in Q2FY26 due to benefit of cost rationalisation measures implemented by Kajaria



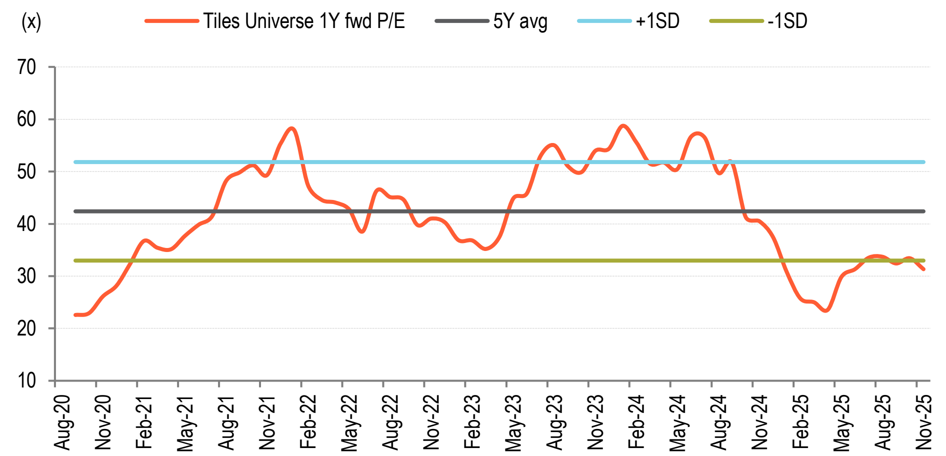
Source: Company, BOBCAPS Research

Fig 18 – Tiles industry margin remains under pressure, but our universe EBITDA margin improved in Q2FY26 due to sharp margin expansion for Kajaria



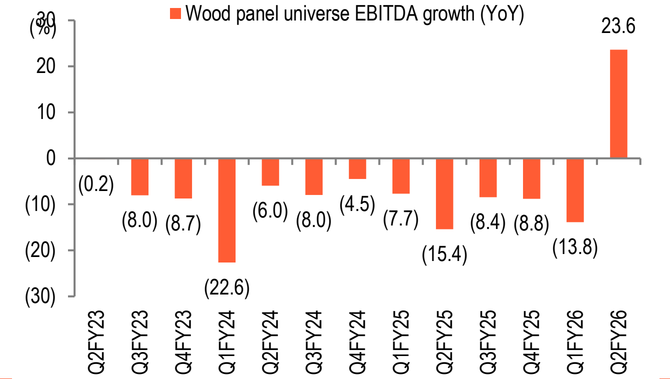
Source: Company, BOBCAPS Research

Fig 19 – Tiles universe trading at 31.3x on 1YF P/E vs pre-Covid 5Y avg of 35.8x



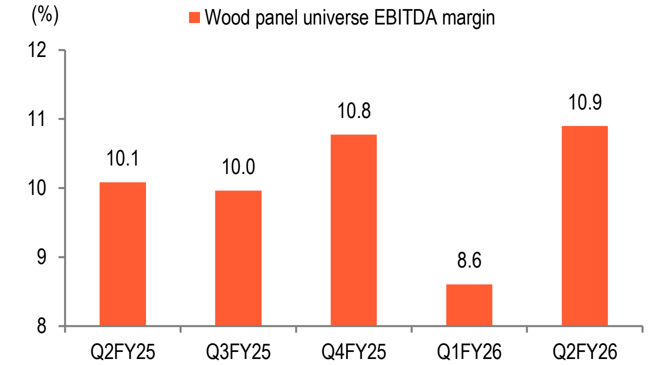
Source: Bloomberg, BOBCAPS Research

Fig 20 – Wood Panel universe reported positive growth in EBITDA for the first time in the 13th consecutive quarter



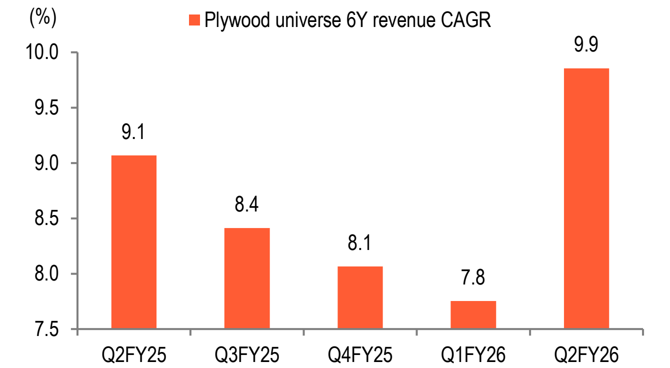
Source: Company, BOBCAPS Research

Fig 21 – Our universe EBITDA margin still turns out to be lower in Q2FY26 vs pre-Covid period (14.2% in Q2FY20)



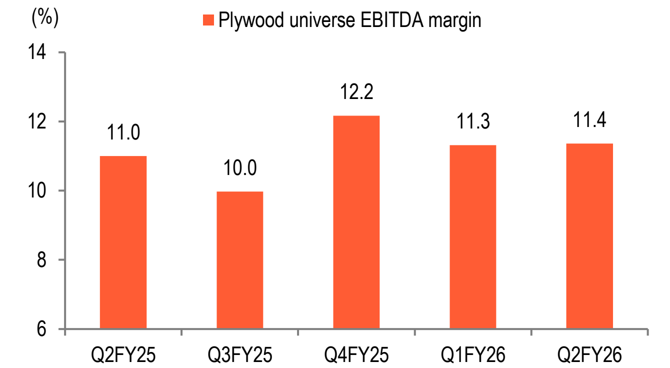
Source: Company, BOBCAPS Research

Fig 22 – Plywood universe revenue grew at a healthy 10.2% YoY (6Y: 9.9% CAGR) in Q2FY26..



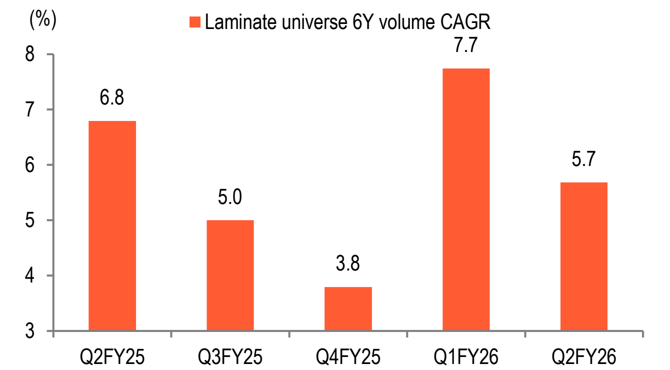
Source: Company, BOBCAPS Research

Fig 23 – ..and EBITDA margin improved by 84bps YoY to 11.4% in Q2FY26 on improved CPBI performance



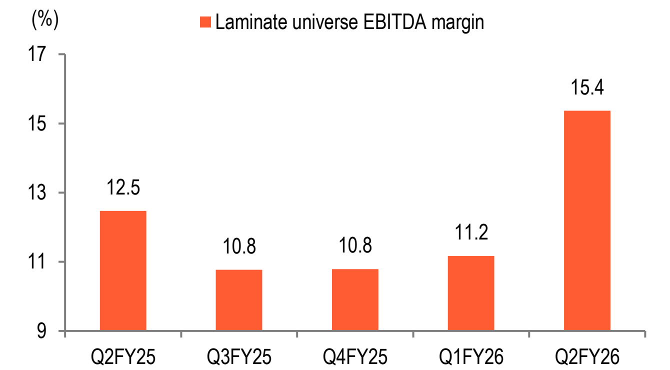
Source: Company, BOBCAPS Research

Fig 24 – Laminate universe volume grew at 1.5% YoY (6Y: +5.7% CAGR) in Q2FY26



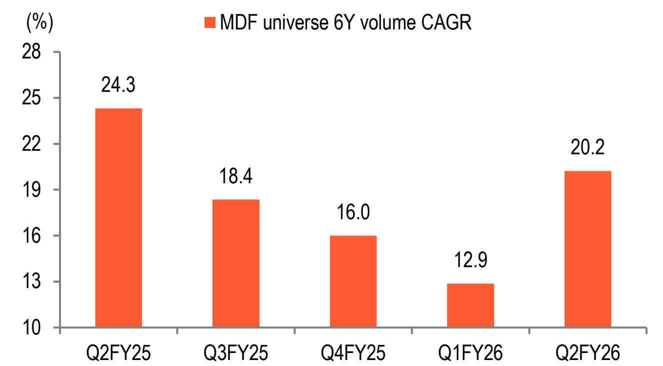
Source: Company, BOBCAPS Research

Fig 25 – Laminate universe EBITDA margin improved sharply by 290bps YoY to 15.4% in Q2FY26



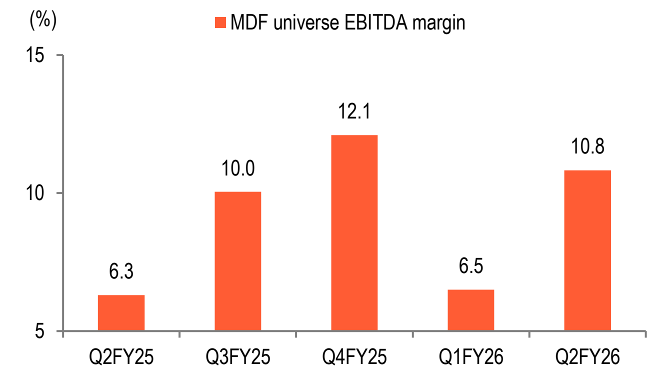
Source: Company, BOBCAPS Research

Fig 26 – MDF universe volume was up 14.4% YoY (6Y: CAGR: +20.2%) in Q2FY26



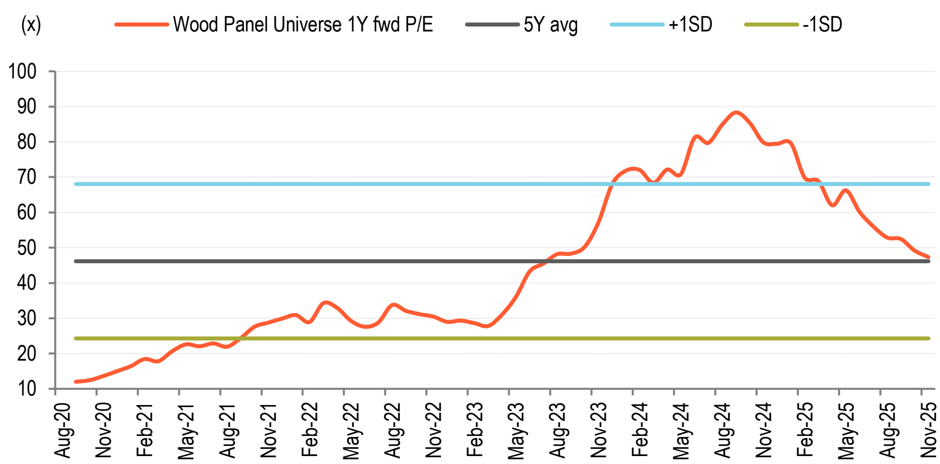
Source: Company, BOBCAPS Research

Fig 27 – MDF EBITDA margin also improved sharply in Q2FY26, but remained well below normal level



Source: Company, BOBCAPS Research

Fig 28 – Wood Panel universe trading at 47.3x on 1YF P/E vs pre-Covid 5Y avg of 29.5x



Source: Bloomberg, BOBCAPS Research

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