

RESEARCH

BUILDING MATERIALS | Q4FY25 REVIEW

Another soft quarter on muted demand and intense competition

SUMMARY

BUILDING MATERIALS: Q4FY25 REVIEW

- 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.



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