

Building Materials

Tepid quarter

The building materials sector witnessed subdued demand in 1QFY26 with June being further impacted by the early onset of the monsoon. We estimate that our coverage companies' aggregate revenue/ EBITDA could grow by ~4%/ ~3% YoY; however, PAT may decline by ~3% YoY. We expect the tiles industry to have witnessed subdued demand in both domestic and exports. Additionally, higher competitive intensity could further weigh on realisation/ margins. In the wood panel segment, there are ongoing concerns around overcapacity in MDF segment and high timber prices on YoY basis. Recently, timber prices have started easing sequentially with new plantations coming in; however, higher competitive intensity will keep discounting at elevated levels for industry players.

- **Tile demand remains muted; Morbi remains a pain-point:** We expect the tiles industry to have witnessed subdued demand in both domestic and exports. Additionally, oversupply challenges are weighing further on overall sector performance. We estimate tile companies to report volume growth of ~3-4% YoY. Overall, we expect 80-90bps YoY margin contraction, though it should improve sequentially led by cost control. We expect tiles companies to report 4% YoY dip in EBITDA and 9% YoY decline at PAT level.
- **Wood panel sector continues to face margin headwinds:** The implementation of BIS regulations—permitting only ISI-certified MDF imports—has led to a significant decline in imports. Additionally, lower domestic MDF prices have made imports less attractive, further supporting the shift toward domestic products. The wood panel segment continues to face margin pressures due to elevated timber prices and oversupply in the MDF segment. However, a slight easing in timber costs over the past few months offers some relief. Going forward, we anticipate improvement in volume growth underpinned by robust real estate demand.
- **1QFY26 to remain subdued:** We estimate that our coverage companies' aggregate revenue/ EBITDA will grow by 4%/ 3% YoY; however, PAT may decline by ~3% YoY. The weakness is largely driven by soft demand in the tiles segment, impacted by weak exports, and sustained pressure on wood segment margins due to high timber prices.

Exhibit 1. Valuation matrix

Company	Mcap (INR bn)	Rating	TP (INR/sh)	EV/EBITDA (x)			P/E (x)		
				FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
CenturyPly	164	HOLD	800	29.1	20.3	15.2	52.7	32.3	23.1
Cera Sanitaryware	88	HOLD	6,750	27.5	22.9	19.2	35.8	30.1	25.6
Greenlam	61	HOLD	270	19.3	14.3	11.1	45.1	26.5	18.7
Greenpanel	35	HOLD	300	18.5	11.9	8.9	36.3	21.9	16.8
Greenply	37	BUY	390	13.8	10.9	9.0	25.9	18.7	15.2
Kajaria	186	BUY	1,020	24.6	21.0	17.8	42.2	34.3	28.4
Somany	24	HOLD	500	10.3	8.8	7.0	30.6	23.3	16.7

Source: JM Financial

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Exhibit 2. Coverage companies' aggregate revenue/ EBITDA likely to grow ~4%/ ~3% YoY, however PAT decline ~3% YoY

INR Mn	1QFY26	1QFY25	YoY (%)	4QFY25	QoQ (%)	Comments
Century Plyboards						
Revenues	10,800	10,054	7.4%	11,983	-9.9%	Volumes of plywood are expected to witness a growth of ~5% YoY; while MDF is expected to grow at ~25% YoY. EBITDA margin to broadly remain flat on both QoQ and YoY basis.
EBITDA	1,208	1,112	8.7%	1,346	-10.2%	
EBITDA Margin (%)	11.2%	11.1%	13 bps	11.2%	(4 bps)	
PAT	503	341	47.6%	532	-5.3%	
EPS (INR)	2.3	1.5	47.6%	2.4	-5.3%	
Cera Sanitaryware						
Revenues	4,259	3,980	7.0%	5,780	-26.3%	We expect revenue to grow at 7% YoY with EBITDA margin expected to decline by 378bps sequentially; up 39bps YoY.
EBITDA	617	561	9.9%	1,056	-41.6%	
EBITDA Margin (%)	14.5%	14.1%	39 bps	18.3%	(378 bps)	
PAT	518	470	10.3%	856	-39.5%	
EPS (INR)	40.2	36.4	10.3%	66.4	-39.5%	
Greenlam Industries						
Revenues	6,179	6,047	2.2%	6,818	-9.4%	We estimate overall ~6% YoY volume growth for laminates division. Given the new particle board plant is still ramping up, overall margins expected to decline 106bps YoY; though will remain stable QoQ.
EBITDA	588	640	-8.1%	640	-8.1%	
EBITDA Margin (%)	9.5%	10.6%	(106 bps)	9.4%	14 bps	
PAT	55	203	-72.9%	21	163.7%	
EPS (INR)	0.5	1.7	-72.9%	0.2	163.7%	
Greenpanel Industries						
Revenues	3,370	3,650	-7.7%	3,745	-10.0%	Plywood volumes are expected to increase ~2% YoY, however MDF volumes likely to decline 14% YoY. EBITDA margin likely to increase by 268bps YoY, while decline 25bps QoQ.
EBITDA	423	360	17.4%	480	-11.8%	
EBITDA Margin (%)	12.6%	9.9%	268 bps	12.8%	(25 bps)	
PAT	169	157	7.7%	294	-42.4%	
EPS (INR)	1.4	1.3	7.7%	2.4	-42.4%	
Greenply Industries						
Revenues	6,232	5,839	6.7%	6,488	-3.9%	We expect volumes for plywood and MDF division to increase ~2% and ~8% YoY, respectively. EBITDA margin is likely to increase by 76bps YoY; while broadly remain flat sequentially.
EBITDA	666	579	14.9%	681	-2.2%	
EBITDA Margin (%)	10.7%	9.9%	76 bps	10.5%	19 bps	
PAT	269	332	-19.0%	166	62.0%	
EPS (INR)	2.2	2.7	-19.0%	1.3	62.0%	
Kajaria Ceramics						
Revenues	11,291	11,137	1.4%	12,219	-7.6%	We expect a ~3% YoY (-7% QoQ) growth in tiles volumes with realisation to decline by ~1% QoQ. We expect EBITDA margins to decline by 104bps YoY to ~14%; while increase 264bps QoQ.
EBITDA	1,576	1,671	-5.6%	1,384	13.9%	
EBITDA Margin (%)	14.0%	15.0%	(104 bps)	11.3%	264 bps	
PAT	872	923	-5.6%	740	17.9%	
EPS (INR)	5.5	5.8	-5.6%	4.6	17.9%	
Somany Ceramics						
Revenues	6,144	5,786	6.2%	7,690	-20.1%	We estimate volume growth of ~4% YoY (-21% QoQ) with realisations likely to improve ~3% sequentially (+2% YoY). EBITDA margin expected to decline ~25bps YoY to 8.2%; however broadly remain stable QoQ.
EBITDA	504	490	3.0%	625	-19.2%	
EBITDA Margin (%)	8.2%	8.5%	(25 bps)	8.1%	9 bps	
PAT	80	123	-35.0%	187	-57.4%	
EPS (INR)	1.9	3.0	-35.0%	4.6	-57.4%	

Source: Company, JM Financial

APPENDIX I

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