

# Building Materials

## 3QFY24: Weak quarter, players still optimistic

In 3QFY24, the performance of building material companies under our coverage was muted. Demand was weak for wood panel and ceramic companies on account of slowdown in home improvement activity during Oct-Nov'23. The leading MDF player (Greenpanel) reported flat YoY volume growth due to higher imports and increased competition from domestic manufacturers while Century/ Greenply reported steady growth on a lower base. In plastic pipes, the plumbing segment reported robust growth; Astral and Supreme outperformed peers with robust volume growth of 15% and 17% YoY respectively whereas agri segment volume performance was subdued. Prince Pipes reported decline in volume (-2% YoY) as it struggled to recoup market share loss during its transition to ERP-based system in 1HFY24. Notwithstanding near-term pain, building material companies continue to be optimistic and have guided for demand recovery in FY25 on the back of tailwinds such as a) robust underlying demand in the real estate sector, b) steady tiles exports momentum (INR 15bn-16bn per month), c) BIS implementation to limit MDF imports and d) distribution expansion in tier 2-3 cities. Century Ply, Greenpanel and Kajaria Ceramics are our preferred picks

- **Ceramics – weak performance continued in 3QFY24, decline in fuel cost led to improvement in margin:** Tile demand remained subdued during the quarter as leading players (Kajaria and Somany) reported weak tiles volume growth (6% YoY for Kajaria, while Somany's tiles volume declined 2% YoY). Bathware segment performance was also weak as Cera revenue declined 3% YoY (-4% QoQ). On the profitability front, fuel prices have remained favourable with a 4-28% year-on-year decline, (+11 to 12% QoQ). Operating margins of key ceramics players expanded 310-330bps YoY (contracted 10-50bps QoQ). Our recent channel checks suggest that the demand scenario continued to be weak during Jan'24, though channel partners and companies are hopeful of demand recovering in the coming quarters. With the management's focus on improving the mix in favour of value-added tiles, both Kajaria/ Somany are focusing on expanding capacity in GVT large slab tiles.
- **Wood panels – muted demand; higher timber price continued to weigh on margins:** Century's ply volume performance was subdued at 4% YoY (-5% QoQ) while Greenply outperformed with volume growth of 11% YoY (-7% QoQ). Overall, demand for plywood remained weak on account of slowdown in home improvement activity during the festive season in Oct-Nov'23, though there was modest improvement in Dec'23. Plywood realisation remained firm QoQ (+2%/+1% YoY for Century and Greenply respectively). In laminates, Century reported strong volume growth of 16% YoY (on a lower base) while Greenlam's volume growth moderated to 9% YoY (-6% QoQ), on account of lower exports (hit by challenges in the Red Sea). In MDF, Greenpanel's MDF volume was flat YoY (-4% QoQ) on account of increased competitive intensity from imports as well as domestic manufacturers. Timber prices remained elevated, leading to margin contraction. Operating margin in the plywood segment for Century/ Greenply contracted 250/150bps YoY. Similarly, in MDF, higher RM costs coupled with lower absorption of costs led to EBITDA margin contraction in the range of 340-600bps YoY.
- **Plastic pipes –mixed performance; Astral, Supreme outperformed peers:** Leading plastic pipe companies (Supreme/ Astral) reported steady volume growth of 15%/17% YoY (13%/15% 4-year CAGR) while Prince/ Finolex and Apollo reported muted volume performance (-2%/-10%/+5% YoY respectively). Plumbing segment continued to report higher growth over Agri. Realisations across companies fell in the range of 7-11% YoY (-10% to -7% QoQ), except for Finolex, for which it was +2% YoY on account of decline in PVC resin prices (-6% YoY/-7% QoQ). On the profitability front, adjusted EBITDA margin (adjusting for inventory loss) expanded 60-220bps across pipe companies but contracted 30bps YoY for Astral on account of a few one-off expenses (INR 110mn spent on 25<sup>th</sup> Anniversary celebrations).
- **Maintain ratings:** Weak performance during 3QFY24 of our building material coverage universe had led to post results EPS cut of 2-7% for FY25-26. We are hopeful on demand recovery in the coming quarter given the robust demand in the real estate sector. We maintain **BUY** ratings on Century Ply, Greenpanel Industries, Greenply Industries, Kajaria



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Ceramics, Somany Ceramics and Prince Pipes. **HOLD** stays on Cera Sanitaryware and Greenlam Industries on fair valuations.

**Exhibit 1. Building material companies valuation comp**

Company	Reco	M/Cap (INR bn)	CMP (INR/sh)	Mar'25TP (INR/sh)	Upside	Share O/s mn	Target P/E (x)	CAGR (FY23-26E)			CAGR (FY19-26E)		
								Revenue	EBITDA	EPS	Revenue	EBITDA	EPS
Kajaria	BUY	201	1,260	1,560	24%	159	35.0	12%	23%	26%	11%	14%	17%
Somany	BUY	28	673	950	41%	42	22.0	10%	21%	48%	10%	11%	19%
Cera	HOLD	98	7,548	8,200	9%	13	30.0	12%	15%	16%	10%	12%	16%
Centuryply	BUY	162	729	880	21%	223	32.0	15%	16%	16%	14%	17%	20%
Greenply	BUY	34	278	350	26%	123	22.0	14%	23%	23%	10%	12%	14%
Greenlam	HOLD	69	540	600	11%	127	28.0	21%	28%	32%	16%	18%	20%
Greenpanel	BUY	48	395	430	9%	123	22.0	5%	14%	-1%	20%	17%	29%
Prince Pipes	BUY	64	583	810	39%	110	<b>30.0</b>	7%	25%	12%	11%	15%	20%

Company	PE (x)				EV/EBITDA (x)				P/BV (x)			
	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E
Kajaria	62.2	49.5	39.3	31.0	36.7	29.7	24.5	19.7	9.4	8.5	7.6	6.7
Somany	51.9	26.8	19.3	16.1	17.4	12.6	10.0	9.0	3.7	3.4	3.1	2.7
Cera	45.9	43.2	35.6	29.3	34.3	33.6	26.8	21.8	8.4	7.4	6.5	5.7
Centuryply	41.0	48.5	38.1	26.4	30.4	34.6	26.6	19.0	9.2	7.8	6.6	5.3
Greenply	32.8	57.5	25.2	17.6	22.6	19.0	13.7	10.4	5.0	4.6	3.9	3.2
Greenlam	57.1	51.8	38.9	25.1	32.1	26.0	19.7	14.5	7.1	6.4	5.6	4.7
Greenpanel	19.6	29.7	28.0	20.3	10.6	17.6	16.2	12.3	3.9	3.6	3.3	3.0
Prince Pipe	30.5	34.9	27.0	21.5	29.6	23.3	17.9	14.5	5.5	5.1	4.6	4.1

Company	Revenue (INR bn)				EBITDA (INR bn)				EPS (INR)			
	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E
Kajaria	43.8	46.2	52.7	61.1	5.9	7.3	8.9	10.9	22.2	27.9	35.1	44.5
Somany	24.8	25.8	29.4	32.8	1.9	2.6	3.1	3.3	13.4	25.9	36.1	43.2
Cera	18.0	18.8	21.8	25.4	2.9	2.9	3.6	4.3	164.1	174.2	211.5	256.8
Centuryply	36.2	38.4	45.8	55.7	5.7	5.2	6.7	9.0	17.8	15.0	19.1	27.6
Greenply	18.5	23.4	25.1	27.2	1.7	2.0	2.6	3.2	8.5	4.8	11.0	15.8
Greenlam	20.3	23.2	30.1	35.8	2.3	3.0	3.8	4.9	9.4	10.4	13.9	21.5
Greenpanel	17.8	16.2	18.1	20.8	2.8	3.0	3.8	4.2	20.2	13.3	14.1	19.4
Prince Pipes	27.1	25.0	28.2	32.9	2.5	3.1	4.1	4.9	19.1	16.7	21.6	27.1

Company	EBITDA (%)				RoE (%)				RoCE (%)			
	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E
Kajaria	13.5%	15.9%	16.9%	17.9%	15.8%	18.1%	20.5%	23.0%	15.1%	17.2%	19.6%	22.1%
Somany	7.6%	9.9%	10.4%	10.2%	7.5%	13.4%	16.8%	17.7%	6.6%	10.6%	13.7%	15.0%
Cera	15.9%	15.4%	16.5%	17.1%	19.3%	18.2%	19.5%	20.8%	19.8%	18.4%	19.8%	21.1%
Centuryply	15.9%	13.6%	14.6%	16.2%	22.8%	16.2%	17.4%	20.7%	21.2%	13.7%	14.6%	17.9%
Greenply	9.2%	8.5%	10.3%	11.7%	17.6%	8.9%	18.0%	21.6%	11.7%	8.1%	13.6%	18.6%
Greenlam	11.5%	12.7%	12.6%	13.7%	14.2%	12.9%	15.3%	20.3%	11.0%	9.6%	11.3%	15.9%
Greenpanel	23.9%	17.3%	16.4%	18.0%	22.6%	12.9%	12.5%	15.7%	21.2%	11.4%	11.2%	15.3%
Prince Pipe	9.2%	12.5%	14.4%	14.9%	16.0%	13.0%	15.4%	17.3%	9.1%	12.0%	15.7%	17.6%

Company	RoIC (%)				FCFE (INR bn)				Net-debt/Equity (x)			
	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E
Kajaria	16.8%	18.4%	20.5%	23.7%	0.8	0.7	3.0	4.8	-0.1	0.0	-0.1	-0.1
Somany	6.9%	11.4%	14.6%	15.7%	-0.3	-0.2	0.5	0.0	0.4	0.3	0.1	0.1
Cera	40.7%	35.4%	38.8%	42.8%	1.3	0.8	1.7	1.9	0.0	-0.1	-0.1	-0.2
Centuryply	25.0%	14.8%	15.2%	20.6%	2.2	-2.1	0.6	5.0	0.0	0.3	0.1	-0.1
Greenply	11.2%	7.2%	13.3%	19.5%	0.3	0.4	0.4	1.9	1.0	0.8	0.4	0.1
Greenlam	12.0%	9.8%	11.1%	16.6%	-1.0	-2.1	0.6	1.4	0.6	0.7	0.5	0.2
Greenpanel	26.7%	12.3%	10.4%	14.4%	1.5	-2.5	0.0	1.2	-0.1	0.2	0.1	-0.1
Prince Pipe	9.3%	12.7%	17.2%	19.9%	1.6	1.3	0.9	2.2	0.0	-0.1	-0.1	-0.2

Source: Company, JM Financial

## Ceramics

- **Weak demand continued in 3QFY24, hopeful of recovery:** It has been a muted show by tile companies for 2 consecutive quarters (2QFY24 and 3QFY24). Tiles volume growth for leading players was weak (6% YoY for Kajaria, and -2% YoY for Somany) as demand was subdued. Our recent channel checks suggest that the demand scenario remained weak during Jan'24, though channel partners and companies are hopeful of demand recovering in coming quarters with robust demand in the underlying real estate sector.
- **Stable fuel prices led to improvement in profitability:** Fuel prices were in a favourable zone, and they are still down 4-28% YoY; however, they increased sequentially (11-12% QoQ). Operating margins for leading ceramics players (Kajaria/ Somany) expanded 330/310bps YoY respectively (-50/-10bps QoQ).

Given the movement in Asia LNG and crude prices, we estimate that RasGas/Guj Gas cost will decline 1%/5% YoY to INR 51/scm and INR 45/scm respectively in 4Q24. Asia Spot LNG prices have corrected sharply during Jan-Feb'24 (-25% since Dec'23) to INR 31.0/scm. Further, leading tile manufacturers have switched their consumption partly to alternative fuels such as biofuel, LPG and propane, which are 10-20% cheaper than gas.

### Exhibit 2. Tiles segment 3QFY24 performance

Y/E March	3Q23	4Q23	1Q24	2Q24	3Q24	YoY	QoQ	4yr CAGR	9MFY23	9MFY24	YOY	4yr CAGR
<b>Volume (msm)</b>												
Kajaria	25.45	28.02	25.19	26.47	27.08	6%	2%	7%	73.69	78.74	7%	7%
Somany	16.15	17.60	15.41	16.91	15.75	-2%	-7%	4%	46.29	48.07	4%	6%
Orient Bell	6.18	6.99	5.00	5.72	5.78	-6%	1%	3%	17.44	16.50	-5%	13%
<u>YoY</u>												
Kajaria	-1%	8%	8%	6%	6%							
Somany	4%	9%	8%	6%	-2%							
Orient Bell	-7%	-10%	-6%	-4%	-6%							
<b>Realisation (INR/sqm)</b>												
Kajaria	387	387	380	378	374	-3%	-1%	3%	1,167	1,131	-3%	3%
Somany	336	332	329	333	328	-3%	-2%	3%	1,014	990	-2%	3%
Orient Bell	291	287	287	288	277	-5%	-4%	4%	289	283	-2%	-6%
<u>YoY</u>												
Kajaria	3%	0%	-3%	-3%	-3%							
Somany	2%	0%	-2%	-2%	-3%							
Orient Bell	14%	3%	3%	-1%	-5%							
<b>Tile Revenue (INR mn)</b>												
Kajaria	9,839	10,841	9,566	9,998	10,128	3%	1%	10%	28,672	29,693	4%	10%
Somany	5,431	5,835	5,075	5,631	5,163	-5%	-8%	8%	15,648	15,870	1%	10%
Cera	547	583	449	520	437	-20%	-16%	-14%	1,340	1,405	5%	-9%
Asian Granito	3,992	4,558	3,348	4,009	3,712	-7%	-7%	6%	11,070	11,070	0%	3%
Orient Bell	1,773	2,003	1,441	1,597	1,623	-8%	2%	7%	5,048	4,661	-8%	6%
Nitco Tiles	1,123	1,051	919	805	794	-29%	-1%	-9%	2,765	2,518	-9%	-10%
Murudeshwar	439	572	379	457	510	16%	12%	17%	1,153	1,346	17%	15%
<u>YoY</u>												
Kajaria	2%	8%	5%	3%	3%							
Somany	6%	9%	6%	4%	-5%							
Asian Granito	-9%	-5%	8%	1%	-7%							
Orient Bell	-4%	-7%	-7%	-8%	-8%							
Nitco Tiles	-7%	-12%	1%	9%	-29%							
Murudeshwar	16%	53%	20%	15%	16%							

Source: Company, JM Financial

**Exhibit 3. Bathware performance across coverage companies**

Y/E March	3Q23	4Q23	1Q24	2Q24	3Q24	YoY	QoQ	4yr CAGR	9MFY23	9MFY24	YOY	4yr CAGR
<b>Bathware Revenue</b>												
Cera	3,965	4,667	3,759	4,016	3,843	-3%	-4%	12%	11,146	11,618	4%	13%
Hindware	3,803	4,080	3,621	3,961	4,016	6%	1%	NA	11,213	11,598	3%	NA
Kajaria	795	904	837	853	922	16%	8%	17%	2,253	2,612	16%	18%
Somany	603	742	582	640	653	8%	2%	9%	1,708	1,875	10%	9%
<u>YoY</u>												
Cera	17%	22%	7%	9%	-3%							
Hindware	NA	18%	0%	5%	6%							
Kajaria	-3%	9%	17%	15%	16%							
Somany	5%	20%	8%	13%	8%							

Source: Company, JM Financial

**Exhibit 4. Ceramic companies 3QFY24 performance**

Y/E March	3Q23	4Q23	1Q24	2Q24	3Q24	YoY	QoQ	4yr CAGR	9MFY23	9MFY24	YOY	4yr CAGR
<b>Total Revenue</b>												
Kajaria	10,911	12,048	10,642	11,216	11,518	6%	3%	12%	31,771	33,376	5%	12%
Somany	6,224	6,792	5,865	6,552	6,121	-2%	-7%	9%	17,993	18,538	3%	10%
Cera	4,558	5,304	4,272	4,616	4,367	-4%	-5%	8%	12,658	13,255	5%	10%
Asian Granito	3,992	4,558	3,348	4,009	3,712	-7%	-7%	6%	11,070	11,070	0%	3%
Orient Bell	1,773	2,003	1,441	1,597	1,623				5,048	4,661		
Prism Cement (HRJ)	5,893	6,576	5,485	5,809	5,573				17,414	16,867		
Nitco Tiles	1,123	1,051	919	805	794				2,765	2,518		
Murudeshwar Ceramics	439	572	379	457	510				1,153	1,346		
<u>YoY</u>												
Kajaria	2%	9%	6%	4%	6%							
Somany	6%	10%	5%	6%	-2%							
Cera	18%	21%	8%	11%	-4%							
Asian Granito	-9%	-5%	8%	1%	-7%							
Orient Bell	-4%	-7%	-7%	-8%	-8%							
Prism Cement (HRJ)	-7%	-4%	-8%	4%	-5%							
Nitco Tiles	-7%	-12%	1%	9%	-29%							
Murudeshwar Ceramics	16%	53%	20%	15%	16%							
<b>EBITDA</b>												
Kajaria	1,331	1,759	1,692	1,797	1,788	34%	-1%	13%	4,161	5,277	27%	13%
Somany	406	610	506	641	590	46%	-8%	10%	1,277	1,738	36%	10%
Cera	729	851	685	743	594	-18%	-20%	8%	2,001	2,022	1%	14%
Asian Granito	(286)	(440)	96	199	15	-105%	-92%	-54%	(241)	311	-229%	-25%
Orient Bell	98	132	29	53	10	-90%	-82%	-42%	341	92	-73%	-19%
Nitco Tiles	(23)	(162)	(50)	(22)	(80)	NM	269%	-14%	(211)	(151)	-28%	-16%
Murudeshwar Ceramics	72	95	75	71	74	3%	4%	4%	213	221	4%	1%
<u>YoY</u>												
Kajaria	-28%	6%	10%	39%	34%							
Somany	-35%	20%	13%	52%	46%							
Cera	19%	3%	12%	12%	-18%							
Asian Granito	-177%	-251%	79%	-2386%	-105%							
Orient Bell	-49%	-49%	-76%	-55%	-90%							
Nitco Tiles	NM	NM	NM	NM	NM							
Murudeshwar Ceramics	12%	14%	17%	-7%	3%							
<b>EBITDA Margin</b>												
Kajaria	12.2%	14.6%	15.9%	16.0%	15.5%	330 bps	-50 bps		13.1%	15.8%	270 bps	1%
Somany	6.5%	9.0%	8.6%	9.8%	9.6%	310 bps	-10 bps		7.1%	9.4%	230 bps	0%
Cera	16.0%	16.0%	16.0%	16.1%	13.6%	-240 bps	-250 bps		15.8%	15.3%	-60 bps	4%
Asian Granito	-7.2%	-9.7%	2.9%	5.0%	0.4%	760 bps	-460 bps		-2.2%	2.8%	500 bps	-27%
Orient Bell	5.5%	6.6%	2.0%	3.3%	0.6%	-490 bps	-270 bps		6.8%	2.0%	-480 bps	-24%
Nitco Tiles	-2.1%	-15.4%	-5.4%	-2.7%	-10.1%	-800 bps	-740 bps		-7.6%	-6.0%	160 bps	-7%
Murudeshwar Ceramics	16.4%	16.7%	19.8%	15.6%	14.5%	-180 bps	-110 bps		18.5%	16.4%	-210 bps	-12%

Source: Company, JM Financial

## Stable Gas prices

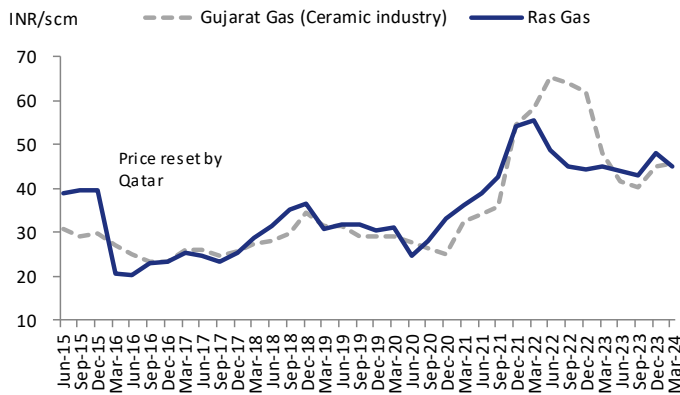
- Singapore LNG spot prices have sequentially increased 28% QoQ in 3QFY24 while it was still down 51% YoY. Brent crude price during 3QFY24 has been volatile on account of geo-political challenges in the Red Sea. Brent crude average price during the quarter was USD 84.4/bbl (+1% YoY, -3% QoQ). Given the volatility in crude prices and its direct link (3-month slope), our estimated RasGas price has increased 12% QoQ to INR 51/scm in 3QFY24, and we expect it to decline to INR 48/scm (-7% QoQ) in 4QFY24.
- Gujarat Gas prices also increased sequentially (+11% QoQ) while they are lower on a YoY basis (-28% YoY). Gujarat Gas hiked its prices by INR 2.3/scm (+5%) in Nov'23. This was the 2<sup>nd</sup> price increase, as the last price hike was of INR 2.4 in Aug'23.

**Exhibit 5. Gas cost working for ceramic companies**

Gas sourcing	Unit	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24E
Ras Gas (Excl taxes)	INR/scm	53.3	47.9	46.5	45.6	50.9	47.6
QoQ	%	-11%	-10%	-3%	-2%	12%	-7%
YoY		32%	11%	-15%	-24%	-4%	-1%
Gujarat Gas (Excl taxes)	INR/scm	62.1	48.2	41.7	40.4	44.9	45.6
QoQ	%	-3%	-22%	-13%	-3%	11%	2%
YoY		14%	-17%	-36%	-37%	-28%	-5%
Spot (Excl taxes)	INR/scm	105.3	60.3	36.8	40.1	51.1	31.4
QoQ	%	-29%	-43%	-39%	9%	28%	-39%
YoY		0%	-36%	-57%	-73%	-51%	-48%
LPG/Propane	INR/scm	53.0	53.0	53.0	53.0	55.0	55.0
QoQ	%		0%	0%	0%	4%	0%
YoY					0%	4%	4%

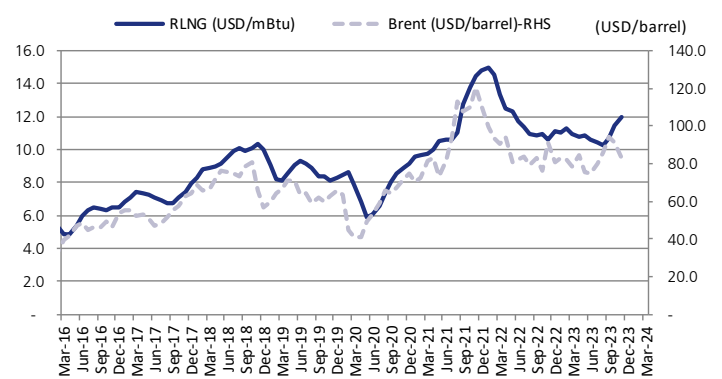
Source: Company, JM Financial, Bloomberg

**Exhibit 6. Ras gas vs. Gujarat gas**



Source: Company, JM Financial

**Exhibit 7. Brent and RasGas price trend**

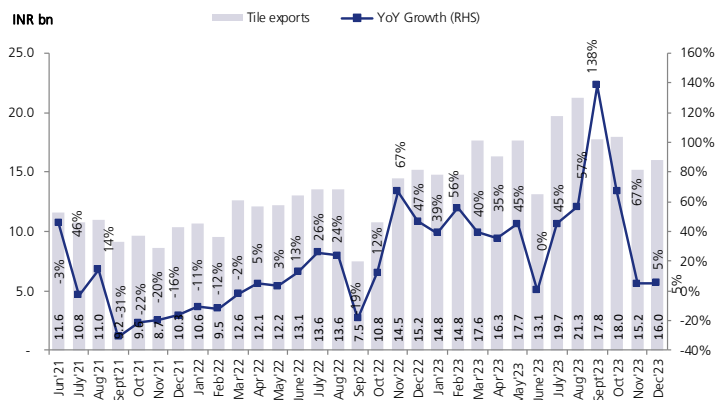


Source: Company, JM Financial

## Tile exports momentum moderates

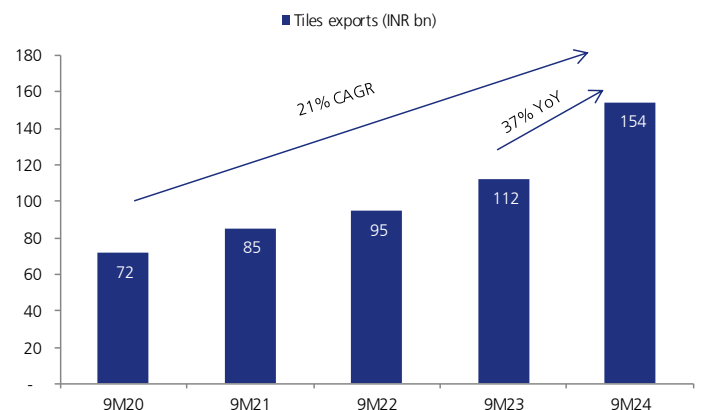
- Tile exports momentum has moderated during Nov-Dec'23 on account of challenges in the Red Sea, which has led to delay in shipments, higher freight rates, etc. Although tile exports momentum remains healthy with a monthly run-rate of INR 15bn-16bn during Nov-Dec'23, it is lower than INR 20bn during 2QFY24.
- However, in the medium term, for tile manufacturers export sentiment continues to be optimistic on account of factors such as a) Imposition of anti-dumping duty by various countries on Chinese tiles (anti-China sentiment supports Indian tile exporters in Morbi, which constitutes 60-70% of the country's tile manufacturing capacity), and b) Anti-dumping duty imposed by Europe on tile manufacturers (lower ADD on Indian exporters). Moreover, industry expects removal of ADD by Saudi Arabia (UAE has already removed ADD), which will further boost exports momentum.

Exhibit 8. Monthly tiles exports momentum



Source: Company, JM Financial

Exhibit 9. Tiles exports grew 37% YoY in 9M24



Source: Company, JM Financial

Exhibit 10. Conference call highlights

Particulars	Kajaria	Somany	Cera
<b>Demand</b>	<ul style="list-style-type: none"> <li>- Tiles volume grew 6% YoY (+7% on 4 years CAGR).</li> <li>- Demand continued to be weak throughout the quarter.</li> <li>- Management is hopeful of recovery given robust real estate growth and will continue to sustain its outperformance by 5-6ppt.</li> </ul>	<ul style="list-style-type: none"> <li>- Tile volume fell 2% YoY (-7% QoQ, +4% 4 years CAGR).</li> <li>- Demand was hit during Oct'23 but has sequentially improved in Jan'24. Management is hopeful of recovery in the coming quarters on the back of strong demand in real estate sector.</li> </ul>	<ul style="list-style-type: none"> <li>- Sanitaryware revenue declined 8% YoY (-4% QoQ) on a higher base, while faucets revenue grew 5% YoY. Demand was due to slowdown in home improvement activity across key markets.</li> <li>- The management maintains its target of doubling its topline to INR 29bn by Sept'25 (from the base of INR 14.4bn in Mar'22).</li> </ul>
<b>Realisations/Margins</b>	<ul style="list-style-type: none"> <li>- Tiles realisation declined 3% YoY/1% QoQ (3% 4 year CAGR). Competitive intensity in the tiles segment remains high as tiles exports was muted during Nov-Dec'23 (monthly exports run rate fell to INR15bn vs. INR 20bn in Q2FY24).</li> </ul>	<ul style="list-style-type: none"> <li>- Realisation declined 3% YoY/ -2% QoQ. Lower demand coupled with elevated competitive intensity has led to higher discount/ schemes to the channel. However the product mix has improved in favour of value added tiles, Somany's GVT mix improved to 34% from 32% in 3QFY23.</li> </ul>	<ul style="list-style-type: none"> <li>- Cera took a price hike of 2% in average in Sanitaryware while it has not undertaken any price action in Faucets.</li> </ul>
<b>Others</b>	<ul style="list-style-type: none"> <li>Working capital rose from 53 days (Sept'23) to 59 days in Dec'23.</li> </ul>	<ul style="list-style-type: none"> <li>Working capital days remained at 20 as on Dec'23 (similar days in Sept as well as Mar quarters). Net debt was INR 1.4bn as of Dec'23 (vs. INR 970mn as of Sept'23).</li> </ul>	<ul style="list-style-type: none"> <li>Net working capital days improved to 60days vs. 76 days in 3QFY23 as inventory days and debtors reduced to 79 and 27 days respectively (vs. 83 days and 30 days respectively in 3QFY23).</li> </ul>
<b>Capex</b>	<ul style="list-style-type: none"> <li>The company has announced 2 investments of INR 800mn by acquiring – a) acquisition of 90% stake in KTPL for consideration of INR 500mn.</li> </ul>	<ul style="list-style-type: none"> <li>- The company's large format tile/ slab plant was commissioned during 3Q and commenced commercial production in Jan'24.</li> </ul>	<ul style="list-style-type: none"> <li>- Cera's capacity expansion plans in Sanitaryware (greenfield) are on track as the fully integrated land parcel historically owned by a single owner has been acquired.</li> </ul>

Source: Company, JM Financial

## Wood Panels

- **Subdued volume growth in Ply for Century, Greenply outperforms:** Century's ply volume performance was subdued at 4% YoY (-5% QoQ) while Greenply outperformed with volume growth of 11% YoY (-7% QoQ). Overall, demand in the plywood remained weak on account of slowdown in home improvement activity during the festive season in Oct-Nov'23; however demand witnessed a pick-up during Dec'23. Realisations for both remained firm and grew 2% YoY and 1% YoY for Century and Greenply respectively. In laminates, Century reported strong volume growth of 16% YoY (on a lower base) while Greenlam's volume growth moderated to 9% YoY (-6% QoQ), as volumes were impacted by lower exports (hit by challenges in the Red Sea). Both Century and Greenply have lowered their volume growth guidance in Plywood on account of weak performance in 1Q24. Companies remain optimistic on demand recovery in the coming quarters given the tailwinds in the real estate sector.
- **Tough time continues for MDF; BIS implementation can be a saviour:** Greenpanel's MDF volume was flat YoY (-4% QoQ) while Century and Rushil reported 4%/11% YoY respectively. Competitive intensity has gone up due to imports as well as domestic manufacturers. MDF imports continue to sustain at pre-Covid levels (+69% YoY) but due to a sharp rise in freight rates and unavailability of containers on account challenges in the Red Sea imports have declined sequentially (-21% QoQ). Managements are hopeful on BIS implementation to limit MDF imports as foreign manufacturers may require some time to comply with BIS. Moreover, MDF producers continue to be optimistic on the back of a) strong demand from the OEM segment (c.35-40% of industry), b) distribution expansion, and c) increasing applications/ acceptance.
- **Timber prices remain elevated, continue to hurt margins:** Timber prices remain at elevated levels (timber prices grew 2% and 4% QoQ in North and South respectively); however, that was offset by softness in key chemical prices during the quarter. Operating margin in the plywood segment for Century/ Greenply contracted 250/150bps YoY. Similarly in MDF, higher RM costs coupled with lower absorption of costs led to EBITDA margin contraction in range of 340-600bps YoY. In Laminates, lower RM costs for leading players such as Greenlam and Stylam led to EBITDA margin expansion of 340bps and 520bps YoY. Century has maintained its EBITDA margin guidance for plywood in the range of 12-14%
- **Channel check indicates modest demand recovery:** Wood panel demand during 3QFY24 was subdued due to slowdown in home improvement activity and weak consumer sentiments. However, in 4Q, demand momentum is witnessing a sequential recovery, led by improved demand scenario in metro and tier 1 cities. Commercial grade plywood is witnessing higher demand over residential grade (premium). On the raw material front, timber scarcity continues in North India, which suggests delay in softening of timber prices.

## Exhibit 11. 3QFY24 wood panel companies performance (1 of 2)

Y/E March	3Q20	3Q23	4Q23	1Q24	2Q24	3Q24	YoY	QoQ	4yr CAGR	9MFY23	9MFY24	YOY	4yr CAGR
<b>Volumes</b>													
Century Ply - Plywood and allied (mn sqm)	15.1	21.5	24.3	21.8	23.5	22.3	4%	-5%	10%	42.8	45.3	6%	11%
Greenply - Plywood (mn sqm)	14.3	16.0	17.0	16.3	19.1	17.8	11%	-7%	6%	33.0	35.4	7%	5%
Greenpanel - MDF (000 cbm)	86.4	118.2	137.3	115.8	123.6	118.3	0%	-4%	8%	251.3	239.4	-5%	14%
Century - MDF (000 cbm)	41.6	48.1	46.8	48.0	53.7	55.4	15%	3%	7%	90.4	101.7	12%	8%
Rushil Décor - MDF (000 cbm)	21.5	57.3	66.2	59.1	60.4	65.9	15%	9%	32%	113.1	119.5	6%	31%
Greenlam - Laminates (mn sheet)	3.5	4.3	4.7	4.2	4.9	4.6	9%	-6%	7%	8.2	9.1	11%	10%
Stylam - Laminates (mn sheet)	2.0	3.0	2.7	2.8	3.2	2.8	-7%	-11%	8%	5.9	6.0	1%	10%
Century - Laminates (mn sheet)	1.5	1.6	1.8	1.8	2.0	1.9	16%	-7%	5%	3.8	3.9	3%	5%
<b>Total Revenue</b>													
Century Ply	5,954	8,772	9,618	8,824	9,879	9,343	7%	-5%	12%	17,817	18,703	5%	13%
Greenply	3,460	4,282	4,692	4,761	6,077	6,208	45%	2%	16%	9,483	10,839	14%	10%
Greenpanel	2,341	4,202	4,414	3,862	3,987	3,857	-8%	-3%	13%	9,213	7,849	-15%	19%
Greenlam	3,580	5,035	5,338	5,152	6,036	5,634	12%	-7%	12%	9,886	11,189	13%	15%
Stylam	1,268	2,340	2,368	2,257	2,339	2,146	-8%	-8%	14%	4,813	4,596	-5%	19%
Rushil Décor	860	2,103	2,139	1,928	2,046	2,131	1%	4%	25%	4,142	3,974	-4%	23%
<b>Gross Margin</b>													
Century Ply	48.9%	45.4%	47.0%	47.4%	47.4%	46.1%	70 bps	-130 bps		46.1%	46.9%	80 bps	
Greenply	58.9%	60.9%	61.5%	58.5%	60.2%	58.1%	-280 bps	-210 bps		60.9%	58.9%	-190 bps	
Greenpanel	53.4%	58.3%	53.8%	58.3%	55.6%	56.1%	-210 bps	50 bps		59.6%	56.7%	-300 bps	
Greenlam	50.3%	48.3%	48.8%	52.3%	51.4%	54.8%	640 bps	340 bps		46.0%	52.8%	680 bps	
Stylam	46.9%	44.1%	45.3%	44.4%	46.8%	48.9%	480 bps	210 bps		43.9%	46.7%	280 bps	
Rushil Décor	49.0%	48.8%	43.6%	48.9%	47.9%	48.2%	-60 bps	30 bps		52.8%	48.3%	-450 bps	
<b>EBITDA</b>													
Century Ply	937	1,281	1,593	1,267	1,381	1,052	-18%	-24%	3%	4,258	3,701	-13%	8%
Greenply	397	326	476	298	513	568	74%	11%	9%	1,216	1,379	13%	2%
Greenpanel	368	912	770	655	688	648	-29%	-6%	15%	3,335	1,991	-40%	21%
Greenlam	546	548	741	644	756	711	30%	-6%	7%	1,588	2,111	33%	12%
Stylam	224	394	405	418	472	473	20%	0%	21%	1,143	1,364	19%	24%
Rushil Décor	124	265	282	289	289	307	16%	6%	25%	1,212	885	-27%	26%
<b>YoY</b>													
Century Ply	23%	-15%	0%	-13%	-9%	-18%							
Greenply	0%	-24%	7%	-26%	5%	74%							
Greenpanel	85%	-16%	-43%	-49%	-40%	-29%							
Greenlam	33%	3%	49%	28%	41%	30%							
Stylam	9%	19%	105%	18%	19%	20%							
Rushil Décor	116%	40%	-11%	-39%	-39%	16%							

Source: Company, JM Financial



## Exhibit 12. 3QFY24 wood panel companies performance (2 of 2)

Y/E March	3Q20	3Q23	4Q23	1Q24	2Q24	3Q24	YoY	QoQ	4yr CAGR	9MFY23	9MFY24	YOY	4yr CAGR
<b>EBITDA Margin</b>													
Century Ply	15.7%	14.6%	16.6%	14.4%	14.0%	11.3%	-330 bps	-270 bps		16.0%	13.2%	-280 bps	
Greenply	11.5%	7.6%	10.1%	6.3%	8.4%	9.1%	150 bps	70 bps		8.8%	8.1%	-70 bps	
Greenpanel	15.7%	21.7%	17.4%	17.0%	17.2%	16.8%	-490 bps	-40 bps		24.9%	17.0%	-790 bps	
Greenlam	15.3%	10.9%	13.9%	12.5%	12.5%	12.6%	170 bps	10 bps		10.6%	12.5%	190 bps	
Stylam	17.7%	16.8%	17.1%	18.5%	20.2%	22.1%	520 bps	190 bps		16.0%	20.2%	430 bps	
Rushil Décor	14.4%	12.6%	13.2%	15.0%	14.1%	14.4%	180 bps	20 bps		19.4%	14.5%	-490 bps	
<b>Profit after tax (Adj.)</b>													
Century Ply	523	837	1,102	807	880	628	-25%	-29%	5%	2,822	2,315	-18%	12%
Greenply	213	360	111	8	139	269	-25%	93%	6%	805	416	-48%	-12%
Greenpanel	131	532	656	368	411	331	-38%	-20%	26%	1,927	1,110	-42%	52%
Greenlam	291	282	413	322	394	253	-10%	-36%	-3%	819	969	18%	11%
Stylam	55	240	268	278	317	312	30%	-2%	54%	692	907	31%	46%
Rushil Décor	93	102	136	122	106	114	11%	8%	5%	641	341	-47%	9%
<b>YoY</b>													
Century Ply	35%	-13%	-3%	-16%	-14%	-25%							
Greenply	2%	21%	-62%	-96%	-41%	-25%							
Greenpanel	140%	-12%	-17%	-52%	-35%	-38%							
Greenlam	47%	5%	62%	31%	35%	-10%							
Stylam	-51%	54%	63%	33%	31%	30%							
Rushil Décor	340%	40%	-12%	-55%	-60%	11%							

Source: Company, JM Financial

## Exhibit 13. Key points from 3QFY24 concall

Particulars	Century Ply	Greenply	Greenpanel	Greenlam
Demand	Core plywood volume growth was 4% YoY (on a high base, 11% on 4 year CAGR), whereas MDF volume grew 15% YoY (+7% on 4 year CAGR). Laminates volume improved 16% YoY while declined 7% QoQ.	Plywood revenue grew 12% YoY led by volume growth of 11% YoY (+6% on 4 years CAGR) while realisations grew 1% YoY (+4% on 4 years CAGR).  Company is confident to grow at volume growth of 8-10%.  MDF segment reported revenue of INR 1.3bn vs. INR 897mn in 2Q24. Given the steady pace in ramp-up, the management is confident of achieving its stated guidance of volume of 100K cbm and revenue of INR 2.8-3bn in FY24.	MDF volume was flat YoY (04% QoQ) as steady demand in domestic MDF (volume growth of 4% YoY) was offset by lower exports (-15% YoY). MDF realisations fell 4% YoY (+2% QoQ),  The management remains firm on its path to widen its distribution reach, increase proportion of value added products and invest in branding and promotions.	Lam volume grew 9% YoY (-6% QoQ, 2% below JMFe) as domestic volume grew at a steady 11% YoY while exports grew 6% YoY.  Management has guided for revenue growth of 15% in FY24 and c, 20% in FY25.
Realisations/Pricing	Timber prices remained at elevated levels (flat QoQ), However were marginally offset by softness in key chemical costs	Ply realisation in plywood segment grew 1% YoY (+2% QoQ). MDF segment realisation remained firm at INR 30.6k/ sqm (+6% QoQ).	Timber prices grew 2% QoQ and 4% QoQ in North and South respectively.  MDF realisations were hit on account of rising MDF imports and increased domestic competition.	Blended realisation was flat QoQ (flat YoY, in line with JMFe). Domestic realisation grew 1% YoY while exports declined 1% YoY.
Capex	No new capex for next 6 months.	Greenply has earlier announced JV with Samet BV where it will invest INR 3bn-3.5bn over 3 years with a mix of debt and equity (Greenply will invest INR 400mn in the form of equity contribution).	Capacity expansion in the MDF segment of adding 231k cbm (at its AP unit) is on track; it is expected to commence production by Q3FY25.  During the quarter, capacity utilisation was 82% at the company's plant in North India and 70% at its plant in South India; blended capacity utilisation was at 74%	Expansion in particle board unit with a capacity of 231k CBM is expected to commence by 2QFY25.  The management highlighted that the project will break even at EBITDA level in the 1 <sup>st</sup> year of operation.
Others	Working capital days increased to 67 in Dec'23 (54 days Mar'23) on account of rise in inventories (from 20 days to 26 days) while debtor days reduced from 39 days in Mar'23 to 38 days.	Working capital days during the quarter increased to 36 days (vs. 31 in Sept'23) on account of higher inventories (52 days vs. 42 in Sept'23) and receivable days (48 days vs. 45 in Sep'23)	Working capital investment increased by 2 days YoY to 25 days in Dec'23 on account of higher inventory days.	Net working capital days increased by 12 days to 72 days as compared to 60 days in 2QFY24. This increase was on account of availability of containers, delays in sea shipping time and exports stock stuck at port at the end of the quarter

Source: Company, JM Financial

## Plywood segment

## Exhibit 14. 3QFY24 plywood segment performance

INR mn	3Q20	3Q23	4Q23	1Q24	2Q24	3Q24	YoY	QoQ	4yr CAGR	9MFY23	9MFY24	YoY	4yr CAGR
<b>Plywood vol (mn sqm)</b>													
Centuryply	15.1	21.5	24.3	21.8	23.5	22.3	4%	-5%	10%	64.3	67.6	5%	11%
Greenply	14.3	16.0	17.0	16.3	19.1	17.8	11%	-7%	6%	49.0	53.2	9%	5%
Greenpanel	2.3	2.0	2.0	1.6	1.6	1.5	-23%	-6%	-9%	7.0	4.8	-32%	-8%
<b>YoY</b>													
Centuryply	8%	7%	15%	2%	10%	4%							
Greenply	5%	3%	-1%	2%	12%	11%							
Greenpanel	59%	-19%	-17%	-37%	-35%	-23%							
<b>Realisation (INR/sqm)</b>													
Centuryply	205	222	232	223	229	227	2%	-1%	3%	222	227	2%	2%
Greenply	222	253	251	253	250	255	1%	2%	4%	251	253	1%	3%
Greenpanel	260	289	267	285	263	249	-14%	-5%	-1%	270	266	-2%	1%
<b>YoY</b>													
Centuryply	-1%	4%	5%	2%	2%	2%							
Greenply	-3%	6%	4%	2%	-1%	1%							
Greenpanel	16%	7%	-7%	1%	8%	-14%							
<b>Revenue</b>													
Centuryply	3,094	4,771	5,641	4,859	5,378	5,067	6%	-6%	13%	14,249	15,304	7%	14%
Greenply	3,184	4,050	4,270	4,120	4,780	4,540	12%	-5%	9%	12,314	13,440	9%	9%
Greenpanel	585	576	545	450	432	384	-33%	-11%	-10%	1,896	1,266	-33%	-6%
<b>YoY</b>													
Centuryply	7%	11%	21%	4%	12%	6%							
Greenply	2%	9%	3%	4%	11%	12%							
Greenpanel	84%	-14%	-23%	-37%	-29%	-33%							
<b>Ply EBITDA</b>													
Centuryply	401	588	902	666	730	495	-16%	-32%	5%	1,769	1,892	7%	10%
Greenply	341	380	456	343	365	357	-6%	-2%	1%	1,132	1,065	-6%	0%
Greenpanel	67	35	(5)	27	7	(16)	-145%	NM		154	18	-88%	-47%
<b>Ply EBITDA Margin</b>													
Centuryply	12.4%	12.2%	15.9%	13.7%	13.6%	9.7%	-250 bps	-390 bps		12.4%	12.4%	-10 bps	
Greenply	10.7%	9.4%	10.7%	8.3%	7.6%	7.9%	-150 bps	20 bps		9.2%	7.9%	-130 bps	
Greenpanel	11.5%	6.0%	-0.9%	5.9%	1.6%	-4.1%	-1010 bps	-570 bps		8.1%	1.4%	-670 bps	

Source: Company, JM Financial

## Laminates

## Exhibit 15. 3QFY24 laminates segment performance

INR mn	3Q20	3Q23	4Q23	1Q24	2Q24	3Q24	YoY	QoQ	4yr CAGR	9MFY23	9MFY24	YoY	4yr CAGR
<b>Volumes (mn sheet)</b>													
Greenlam	3.50	4.26	4.67	4.17	4.93	4.65	9%	-6%	7%	12.46	13.75	10%	9%
Century	1.55	1.64	1.76	1.83	2.05	1.89	16%	-7%	5%	5.39	5.77	7%	5%
Stylam	2.03	3.01	2.73	2.82	3.15	2.80	-7%	-11%	8%	8.91	8.77	-2%	10%
<u>YoY</u>													
Greenlam	7%	7%	17%	6%	16%	9%							
Century	6%	-3%	-10%	0%	7%	16%							
Stylam		25%	19%	4%	-2%	NA							
<b>Realisation (INR/sqm)</b>													
Greenlam	849	1,078	1,053	1,132	1,078	1,075	0%	0%	6%	1,092	1,093	0%	6%
Century	700	907	853	811	793	854	-6%	8%	5%	884	819	-7%	4%
Stylam	625	777	867	800	743	766	-1%	3%	5%	803	769	-4%	7%
<u>YoY</u>													
Greenlam	6%	5%	-1%	4%	-3%	0%							
Century	-6%	9%	-1%	-3%	-13%	-6%							
Stylam		5%	11%	-8%	-4%	-1%							
<b>Revenue</b>													
Greenlam	2,970	4,591	4,916	4,720	5,312	4,998	9%	-6%	14%	13,607	15,029	10%	16%
Century	1,082	1,486	1,501	1,482	1,623	1,619	9%	0%	11%	4,767	4,724	-1%	9%
Stylam	1,268	2,340	2,368	2,257	2,339	2,146				7,153	6,742	-6%	17%
Rushil	415	560	519	418	492	495				1,563	1,405	-10%	2%
<u>YoY</u>													
Greenlam	13%	13%	16%	10%	13%	9%							
Century	0%	6%	-11%	-4%	-7%	9%							
Stylam	6%	32%	32%	-4%	-5%	-8%							
Rushil	-10%	18%	4%	-12%	-7%	-12%							
<b>Laminate EBITDA</b>													
Greenlam	547	571	767	699	871	792	39%	-9%	10%	1,677	2,362	41%	16%
Century	155	234	217	144	192	196	-16%	2%	6%	745	532	-29%	5%
Stylam	224	394	405	418	472	473				1,143	1,364	19%	24%
<b>Laminate EBITDA margin</b>													
Greenlam	18.4%	12.4%	15.6%	14.8%	16.4%	15.8%	340 bps	-60 bps		12.3%	15.7%	340 bps	
Century	13.5%	14.9%	13.6%	9.3%	11.3%	11.6%	-330 bps	40 bps		15.6%	11.3%	-440 bps	
Stylam	17.7%	16.8%	17.1%	18.5%	20.2%	22.1%				16.0%	20.2%	430 bps	

Source: Company, JM Financial

## Medium Density Fibreboard (MDF)

## Exhibit 16. 3QFY24 MDF segment performance

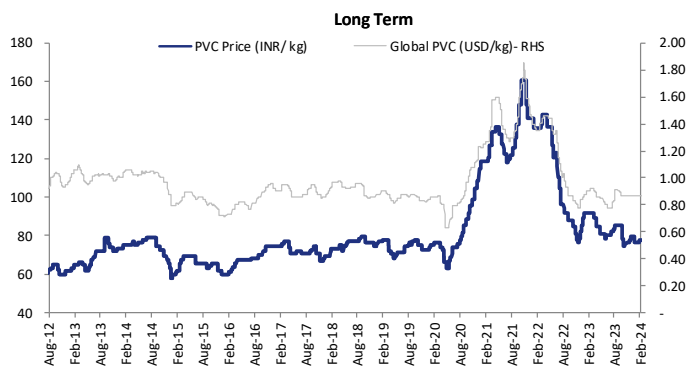
Y/E March	3Q20	3Q23	4Q23	1Q24	2Q24	3Q24	YoY	QoQ	4yr CAGR	9MFY23	9MFY24	YOY	4yr CAGR
<b>Volume (mn cbm)</b>													
Greenpanel	0.09	0.12	0.14	0.12	0.12	0.12	0%	-4%	8%	0.37	0.36	-3%	12%
Century	0.04	0.05	0.05	0.05	0.05	0.06	15%	3%	7%	0.14	0.16	13%	8%
Rushil	0.02	0.06	0.07	0.06	0.06	0.07	15%	9%	32%	0.17	0.19	9%	32%
Greenply	-	-	-	0.01	0.03	0.04	NA	35%	NA	-	0.08	NA	NA
<b>YoY</b>													
Greenpanel	47%	-2%	10%	-7%	-2%	0%							
Century	4%	-14%	-3%	6%	19%	15%							
Rushil	NA	22%	23%	1%	11%	NA							
Greenply	NA	NA	NA	NA	NA	NA							
<b>Realisation (INR'000/cbm)</b>													
Greenpanel	19.3	30.7	28.2	29.5	28.8	29.4	-4%	2%	11%	31.2	29.2	-6%	11%
Century	23.2	34.4	34.3	34.8	35.1	33.8	-2%	-4%	10%	34.4	34.6	0%	11%
Rushil	-	26.7	24.0	24.9	24.8	24.0	-10%	-3%	NA	27.2	24.5	-10%	NA
Greenply	-	-	-	30.2	28.9	30.6	NA	6%	NA	-	-	NA	NA
<b>YoY</b>													
Greenpanel	-8%	6%	-10%	-6%	-8%	-4%							
Century	6%	7%	1%	1%	1%	-2%							
Rushil	NA	4%	-10%	-9%	-10%	-10%							
Greenply	NA	NA	NA	NA	NA	NA							
<b>Revenue (INR mn)</b>													
Greenpanel	1,668	3,626	3,870	3,412	3,555	3,474	-4%	-2%	20%	11,519	10,441	-9%	24%
Century	965	1,654	1,605	1,668	1,887	1,874	13%	-1%	18%	4,771	5,428	14%	20%
Rushil	430	1,528	1,588	1,469	1,498	1,582	4%	6%	38%	4,626	4,548	-2%	38%
Greenply	-	-	-	183	896	1,284	NA	43%	NA	-	2,362	NA	NA
<b>YoY</b>													
Greenpanel	35%	3%	-1%	-13%	-10%	-4%							
Century	9%	-8%	-1%	7%	21%	13%							
Rushil	26%	27%	11%	-9%	0%	4%							
Greenply	-	-	-	-	NA	NA							
<b>MDF EBITDA</b>													
Greenpanel	287	878	761	631	752	632	-28%	-16%	22%	3,229	2,014	-38%	29%
Century	250	373	435	437	521	360	-4%	-31%	10%	1,336	1,317	-1%	20%
Greenply	-	-	-	(70)	120	170	NA	42%		-	-	NA	NA
<b>MDF EBITDA Margin</b>													
Greenpanel	17.2%	24.2%	19.7%	18.5%	21.1%	18.2%	-600 bps	-300 bps		28.0%	19.3%	-870 bps	
Century	25.9%	22.6%	27.1%	26.2%	27.6%	19.2%	-340 bps	-840 bps		28.0%	24.3%	-370 bps	
Greenply			0.0%	-39.9%	15.6%	11.7%	1170 bps	-390 bps		NA	-		
<b>MDF EBIT</b>													
Greenpanel	138	706	589	460	577	461	-35%	-20%	35%	2,713	1,499	-45%	52%
Century	204	340	383	381	469	310	-9%	-34%	11%	1,245	1,160	-7%	23%
Rushil	63	138	196	196	193	195	41%	1%	32%	912	584	-36%	34%
Greenply				(138)	42	108	NA	157%	NA	-	13	NA	NA
<b>MDF EBIT Margin</b>													
Greenpanel	8.3%	19.5%	15.2%	13.5%	16.2%	13.3%	-620 bps	-300 bps		23.6%	14.4%	-920 bps	
Century	21.1%	20.6%	23.8%	22.9%	24.8%	16.5%	-400 bps	-830 bps		26.1%	21.4%	-470 bps	
Rushil	14.7%	9.0%	12.3%	13.4%	12.9%	12.3%	330 bps	-60 bps		19.7%	12.8%	-690 bps	
Greenply				-75.3%	4.7%	8.4%		370 bps			0.5%	NA	

Source: Company, JM Financial

## Plastic pipes

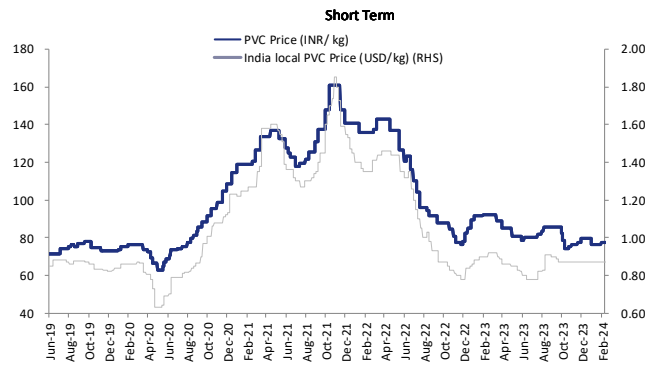
- Mixed performance, leading players (Supreme, Astral) stole the show:** Leading plastic pipe companies (Supreme/ Astral) reported steady volume growth of 15%/17% YoY (13%/15% 4-year CAGR) while Prince/ Finolex and Apollo reported muted volume performance (-2%/-10%/+5% YoY respectively). During the quarter, plumbing segment reported higher growth over Agri. Realisations across the companies fell in the range of 7-11% (-10% to -7% QoQ), except for Finolex (+2% YoY), on account of decline in PVC resin prices (-6% YoY/-7% QoQ). On the profitability front, adjusted EBITDA margin (adjusting for inventory loss) expanded 60-220bps across pipe companies while it contracted 30bps YoY for Astral on account of a few one-off expenses (INR 110mn spent on 25<sup>th</sup> Anniversary celebrations).
- Inventory losses continued as PVC resin prices fell during Oct-Dec'23:** PVC resin prices fell by 7% QoQ in 3QFY24 (-6% YoY, -15% since Apr'23). Decline in prices during the quarter led to inventory loss in the range of ~INR 100-200mn for leading companies such as Astral, Supreme and Prince. Managements expect PVC prices to be stable in the coming quarter and inventory losses to cease in 4Q. With that, we expect – a) restocking-led volume growth in Q4FY24, and b) appreciable pick-up in agri segment (Q4 is agri heavy quarter) on the back of lower prices and pent-up demand.
- Update on PVC resin prices:** Domestic PVC resin prices are currently at INR 77.7/kg (-1% QoQ, -15% YoY). Prices have declined by INR 14/kg (-15%) since Apr'23. However, during the same period, global prices have declined 3%. During Nov-Dec'23, resin prices were seen increasing from the stable level of INR 77/kg to INR 80/kg. However in 4QFY24, after a reduction of INR 3/kg in Feb'24, prices have come back to INR 77/kg.
- Capacities in East India by leading players; foray in Bathware progressing well:** Leading pipe companies are focusing on expanding in the eastern pockets of the country. Astral is expanding capacities in Guwahati (22 ktpa, operational) and Kanpur (60 ktpa in FY25), Prince has also announced its expansion in Bihar (52 ktpa in FY26) suggesting its focus on decentralisation and capturing market share in the lowly penetrated regions by organised players. Further, Astral, and Prince are aggressively focussing on innovation, products launches and market opportunities beyond plastic pipes and fittings. Both companies' entry into the Bathware industry is progressing well. Astral reported Bathware revenue of INR 200mn and aims to achieve monthly run-rate of INR 110mn to reach break-even. It has opened 500+ showrooms spread across the country. For Prince, it was the first full quarter of sales of INR 60mn; the company has expanded its presence in North and West India.

Exhibit 17. PVC price trend versus global PVC



Source: Bloomberg, JM Financial

Exhibit 18. PVC price trend versus Brent



Source: Bloomberg, JM Financial

## Exhibit 19. 3QFY23 conference call summary for plastic pipe players

Particulars	Prince	Astral	Supreme	Finolex
Demand	<p>Pipes volume fell 2% YoY (+3% QoQ). Management highlighted, disruption due to ERP transition coupled with high RM cost, led to market share loss in 2Q and 3Q.</p> <p>The plumbing and SWR segment has performed better than the agri segment.</p>	<p>Pipes volume grew 15% YoY (+13% on 4 year CAGR).</p> <p>Volume growth was led by Plumbing segment, CPVC pipes continues to show strong growth</p> <p>Astral continues to outperform its peers (Prince/ Finolex), hence gained market share</p>	<p>Pipes segment reported robust volume growth of 17% YoY (+15% on 4 year CAGR).</p> <p>Following the strong volume performance in 9M in the piping segment, management has increased the volume guidance for FY24 from 25% to 30%.</p>	<p>Pipes segment volume declined 10% YoY (+29% QoQ, +11% on 4 year CAGR).</p> <p>Plumbing segment volume grew 15% YoY while Agri segment is yet to see meaningful recovery.</p> <p>Management guides for 220kt volume for FY24.</p>
Realisations/PVC resin/margins	<p>Realisations fell 10% YoY (-8% QoQ) as PVC resin prices declined 6% YoY (-4% QoQ).</p>	<p>Realisation declined 8% YoY (flat QoQ) on account of fall in PVC resin prices.</p> <p>As per the management, inventory loss was c. INR 200mn,</p>	<p>Realisation declined 7% YoY/ (-8% QoQ, +4% 4 years CAGR).</p> <p>CPVC resin prices have reduced by c. 10% YoY</p>	<p>Pipes realisations grew 2% YoY (-10% QoQ) despite fall in resin prices mainly on account of favourable product mix.</p> <p>Expects PVC price to be stable in the coming quarters.</p>
Others	<p>The company has expanded its Bathware segment presence to more than 100 retail touch points as its products continue to make deep inroads into key tier 2 and tier 3 markets in the North and the West.</p> <p>Net working capital days increased to 69 (vs. 66 in Sep'23) as inventory days increased to 75 (vs. 62 in Sep'23) and debtor days increased to 73 (63 in Sep'23)</p>	<p>One off expenses – a) INR 110mn on 25<sup>th</sup> anniversary event at Jaipur and b) INR 40mn on bathware branding besides inventory loss of INR 200mn.</p>	<p>CPVC pipes saw volume growth of 2% in 9MFY24.</p> <p>Company has started offering CPVC pipes for industrial usage.</p>	<p>The company aims to double its volume over next 3-4 years.</p>
Capex	<p>The company will undertake capex of INR 1bn-1.2bn in FY24 (excluding the project in Bihar) and INR 900mn- 1bn in FY25.</p>	<p>Capex of INR 2.5-3bn annually. Adding pipes capacities 30ktpa at 3 locations.</p>	<p>Company has acquired 36ktpa pipe manufacturing capacity at Sangli, Maharashtra for INR 1.7bn.</p> <p>Total pipes manufacturing capacity of 780ktpa by FY24 end besides Parvati Agro acquired plant.</p>	<p>INR 1-1.5bn routine annual capex guidance for FY24, already spent INR 850mn in 9MFY24.</p>

Source: Company, JM Financial

## Exhibit 20. 3QFY24 performance across plastic pipe companies (1 of 2)

INR mn	3Q23	3Q24	YoY	4yr CAGR	2Q24	QoQ	9M23	9M24	YoY	4yr CAGR
<b>Pipe Volumes (000 MT)</b>										
Prince	44	43	-2%	8%	42	3%	113	121	7%	5%
Astral	46	53	15%	13%	52	1%	123	153	24%	12%
Supreme	104	122	17%	15%	103	19%	263	342	30%	11%
Finolex	90	81	-10%	11%	63	29%	222	236	7%	5%
Apollo Pipe	18	19	5%	15%	20	-5%	23	25	9%	-22%
<b>Pipe realisation (INR/kg)</b>										
Prince	162	144	-11%	3%	158	-9%	172	150	-12%	6%
Astral	203	189	-7%	5%	188	1%	215	191	-11%	6%
Supreme	145	135	-7%	4%	147	-8%	162	140	-14%	6%
Finolex	119	122	2%	4%	136	-10%	136	127	-7%	6%
Apollo Pipe	131	117	-11%	6%	126	-7%	94	139	47%	0%
<b>Pipes revenue</b>										
Prince	7,059	6,126	-13%	12%	6,565	-7%	19,465	18,226	-6%	11%
Astral	9,318	9,981	7%	19%	9,804	2%	26,440	29,168	10%	18%
Supreme	15,087	16,437	9%	20%	15,093	9%	42,667	47,790	12%	17%
Finolex	10,772	9,916	-8%	16%	8,572	16%	30,109	30,030	0%	12%
Apollo Pipe	2,367	2,216	-6%	22%	2,495	-11%	2,158	3,458	60%	-22%
<b>Total Revenue</b>										
Prince	7,059	6,186	-12%	12%	6,565	-6%	19,465	18,286	-6%	11%
Astral	12,678	13,702	8%	20%	13,630	1%	36,523	40,163	10%	20%
Supreme	23,107	24,491	6%	16%	23,087	6%	66,033	71,263	8%	15%
Finolex	11,248	10,197	-9%	10%	8,832	15%	32,557	30,820	-5%	9%
Apollo Pipe	2,367	2,216	-6%	22%	2,495	-11%	2,158	3,458	60%	-22%
<b>GP Margin</b>										
Prince	22.3%	30.2%	790 bps	-230 bps	31.3%	-100 bps	18.8%	29.1%	1030 bps	-230 bps
Astral	32.7%	38.5%	590 bps	-110 bps	38.9%	-40 bps	31.4%	38.2%	690 bps	10 bps
Supreme	28.8%	33.0%	430 bps	-220 bps	33.5%	-50 bps	26.2%	32.2%	600 bps	-90 bps
Finolex	32.4%	36.0%	360 bps	-320 bps	39.9%	-390 bps	25.9%	36.3%	1040 bps	120 bps
Apollo Pipe	24.2%	0.0%	-2420 bps	-3070 bps	28.5%	-2850 bps	27.4%	27.3%	-10 bps	310 bps
<b>Total EBITDA</b>										
Prince	695	757	9%	9%	942	-20%	1,020	2,152	111%	6%
Astral	1,864	2,051	10%	15%	2,201	-7%	5,021	6,268	25%	17%
Supreme	3,034	3,793	25%	14%	3,562	6%	7,195	10,574	47%	17%
Finolex	919	1,199	31%	-4%	1,030	16%	751	3,754	400%	2%
Apollo Pipe	161	201	25%	17%	241	-17%	217	434	100%	-11%
<b>EBITDA Margin</b>										
Prince	9.8%	12.2%	240 bps		14.3%	-210 bps	5.2%	11.8%	650 bps	-240 bps
Astral	14.7%	15.0%	30 bps		16.1%	-120 bps	13.7%	15.6%	190 bps	-130 bps
Supreme	13.1%	15.5%	240 bps		15.4%	10 bps	10.9%	14.8%	390 bps	110 bps
Finolex	8.2%	11.8%	360 bps		11.7%	10 bps	2.3%	12.2%	990 bps	-330 bps
Apollo Pipe	6.8%	9.1%	230 bps		9.7%	-60 bps	10.1%	12.5%	250 bps	510 bps
<b>Adj. PAT</b>										
Prince	538	447	-17%	25%	532	-16%	1,332	1,252	-6%	14%
Astral	993	1,139	15%	13%	1,338	-15%	2,868	3,664	28%	16%
Supreme	1,941	2,474	27%	16%	2,192	13%	4,539	6,610	46%	18%
Finolex	721	892	24%	-1%	938	-5%	782	2,939	276%	2%
Apollo Pipe	49	91	87%	8%	129	-30%	115	228	98%	-1%

Source: Company, JM Financial



## Exhibit 21. 3QFY24 performance across plastic pipe companies (2 of 2)

INR mn; Y/E March	3Q23	3Q24	YoY	QoQ	4 years CAGR	9M23	9M24	YoY	4-yr CAGR
<b>EBIT</b>									
Prince	484	527	9%	-26%	7%	401	1479	269%	3%
Astral	1,114	1,284	15%	-8%	15%	2929	3950	35%	19%
Supreme	1,710	2,129	25%	6%	20%	3502	6076	74%	20%
Finolex	689	742	8%	10%	14%	639	2683	320%	18%
Apollo Pipe	87	126	46%	-25%	15%	178	490	176%	16%
Jain Irrig. (Pipes)	589	447	-24%	-20%	NA	942	1982	110%	69%
Kisan Mouldings	(92)	(125)	NM	NM	28%	-274	-164	NA	NA
<b>EBIT margin</b>									
Prince	6.9%	8.6%	175bps	-230bps		2.1%	8.1%		
Astral	12.0%	12.9%	91bps	-140bps		11.1%	13.5%		
Supreme	11.3%	13.0%	162bps	-34bps		8.2%	12.7%		
Finolex	6.4%	7.5%	109bps	-40bps		2.1%	8.9%		
Apollo Pipe	3.7%	5.7%	204bps	-107bps		2.7%	6.7%		
Jain Irrig. (Pipes)	12.3%	9.1%	-321bps	-338bps		7.9%	11.9%		
Kisan Mouldings	-13.7%	-18.9%	-511bps	-1480bps		-14.4%	-7.9%		
<b>EBIT/kg</b>									
Prince	11.1	12.4	12%	-28%	-1%	3.5	12.2	245%	-11%
Astral	24.3	24.3	0%	-9%	2%	23.8	25.9	9%	1%
Supreme	16.4	17.4	6%	-10%	4%	13.3	17.8	33%	-6%
Finolex	7.6	9.1	20%	-15%	3%	2.9	11.3	294%	-2%
Apollo Pipe	4.8	6.7	39%	-22%	0%	3.7	8.2	121%	-7%

Source: Company, JM Financial

## APPENDIX I

## JM Financial Institutional Securities Limited

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Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
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