

Recommendation			
Company	CMP (INR)	TP (INR)	Rated
Hindware Home (HINDWARE)	197	253	Buy
Apollo Pipes (APOLP)	397	503	Buy
Greenply Industries (MTML)	279	382	Buy
Somany Ceramics (SOMC)	263	409	Buy
Man Industries (MAN)	409	778	Buy

*CMP as on 09th April 2025

Domestic demand recovery optimism, international trade uncertain

After a weak FY25, we anticipate an improvement in domestic demand across the Building Materials Sector, with Tiles expected to grow by 8%, Bathware by 6%, Pipes by 13%, and Wood & Panels by 12% driven by 1) accommodative monetary policy 2) government focus on housing and 3) absorption of volumes from strong real estate launches of FY24. Tiles segment faced challenges in the export market (volume down 14% for 9MFY25). The ongoing global tariff scenario may throw up interesting new export opportunities for Building Material Sector. At the same time, Indian government needs to be highly vigilant and create tactical barriers as needed to avoid India becoming a soft target for dumping as the global trade order gets reset.

We have a Positive stance on the Building Materials Sector, we would continue to monitor how international trade for the sector shapes up. Our Top picks include 1) HINDWARE due to demerger of the loss making Consumer Business and revamp of the Bathware Business. 2) MAN for good traction in the core business coupled with land monetization that generates strong cash flow over the next 5-6 Yrs. (~40% of current market cap) and attractive valuations (FY27E EV/EBITDA multiple of 5.6x). Risks to the sector includes lower GDP growth as a result of softer global growth due to escalation in tariff conflict.

Q4FY25E: Basic Materials Sector volume growth is expected to be positive, while profitability across segments would be subdued due to 1) pricing pressure, 2) input cost inflation, and 3) rising competition.

Segment wise summary:

- Pipes are expected to grow 18% YoY in volume, driven by real estate (including replacement) & Infra demand, but EBITDA/kg is set to drop 30% due to aggressive pricing and resin price fluctuations.
- Bathware revenues are expected to decline 7% YoY, with a 33% EBITDA drop as weak demand forces higher dealer incentives.
- Tiles may see 3% volume growth, but EBITDA is likely to decline 15% due to discounts and competition from Morbi players.
- In Wood Panels, Plywood is expected to be stable (+7% YoY), but MDF faces oversupply, with overall margins contracting 35 bps due to rising timber costs.

Plastic Pipes Sector: Strong Volume Growth Amid Margin Pressure

The pipes companies under coverage are expected to report 18% YoY volume growth despite high base, due to market share increase across states. In 4QFY25, domestic resin prices declined 2% QoQ and remained flat YoY. Recently, prices dropped by INR 2 per kg, bringing PVC prices to approximately INR 77.5/kg. EBITDA/kg is expected to fall by 30% in 4QFY25 mainly due to impact of aggressive pricing strategy by other larger competitors and lower inventory at the dealer level. This fluctuation in resin prices is likely to pressure profitability of the plastic pipe sector in the near term.

Bathware Sector : Demand Weakness and Dealer Incentives Erode Margins

The Bathware companies under coverage are expected to report a revenue decline of 7% on YoY basis backed by muted real estate demand. But EBITDA is expected to decline by ~33% due to higher incentives being offered to dealers in a weak demand environment and higher competition from unorganized players.

Tiles sector: Modest Volume Growth Offset by Margin Contraction

Tiles segment is expected to report a 3% YoY volume growth in 4QFY25, but EBITDA is projected to decline by 15%, with margins contracting by 150 bps due to higher discounts being offered to push the volumes and tough competition from Morbi players.

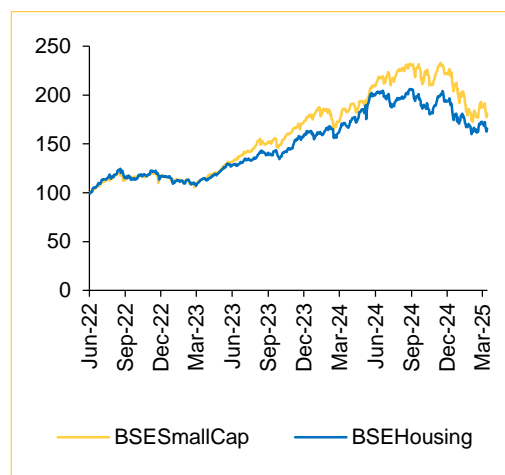
Wood Panel : Volume Growth Intact, but Higher Timber Costs Hurt Margins

We expect Plywood companies to report a subdued volume growth of 7% YoY in Plywood segment. MDF volume is expected to grow by 5% to 48,000CBM. Margins are expected to decline by 35bps due to higher timber prices which increased by 3% QoQ to INR 6.7/kg.

Steel Pipes: Revenue Growth Steady, Margin Gains from Value Added Offering

The Steel Pipes company under our coverage is expected to report a revenue growth of 5% YoY. Order book is expected to decline QoQ. Margins are expected to increase by 470 bps led by higher proportion of value added orders.

Rebased Price Chart



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Company (INR Mn)	Sales		EBITDA			EBITDA Margin			PAT		Key Assumptions
	Q4 FY25E	YoY(%)	Q4 FY25E	QoQ(%)	YoY(%)	Q4 FY25E	QoQ(bps)	YoY(bps)	Q4 FY25E	YoY(%)	
Hindware Home	6,289	-18.6%	573	94.9%	-23.8%	9.1%	416.8	-61.9	91	56.8%	We anticipate the Piping segment to post 10% volume growth. However, realizations are expected to fall by 7%, driven by dealer inventory destocking amid fluctuating PVC and CPVC prices. The Bathware segment is projected to see revenue decline 10%. On a YoY basis, margins are expected to contract by approximately ~61 bps, primarily due to inventory losses in the Piping segment and subdued demand in the Bathware segment.
Apollo Pipes	2,793	13.6%	231	-0.8%	-7.3%	8.3%	70.9	-186.9	64	-2.4%	We expect a 23% volume growth in 4QFY25, driven by addition of Kisan volumes and capacity expansions across multiple states. However, realizations are likely to decline by 3/7% QoQ/YoY, reflecting an 2% QoQ drop in PVC prices. EBITDA/kg is projected to decline by 25% YoY but improve by 6% QoQ, supported by inventory losses and a lower value-added mix. Margins are expected to contract by ~186 bps YoY to 8.3%, but improve ~70 bps QoQ due to operational leverage.
Greenply Industries	6,905	15.1%	640	10.9%	18.4%	9.3%	46.7	-35.0	299	7.2%	We expect Greenply to report a 7/5% YoY volume growth in the Plywood/MDF segment. However, margins are likely to decline by ~35 bps YoY due to higher timber costs and an inferior product mix, while improving by ~47 bps QoQ, due to operating leverage.
Somany Ceramics	7,380	0.8%	688	28.8%	-13.4%	9.3%	97.5	-151.0	231	-25.2%	We anticipate Somany's Tiles segment to report a modest 5% YoY volume growth, due to intense competition from Morbi dumping. Meanwhile, the Bathware segment is expected to report an 6% YoY revenue growth. Margins are likely to contract by ~151 bps YoY due to higher dealer discounts aimed at driving volumes, while improving by 97.5 bps QoQ.
Man Industries	8,512	5.0%	1,011	73.2%	28.4%	11.9%	467.9	112.3	498	106.6%	We expect revenue to increase by 5% on YoY basis, although order book is declining on QoQ basis. Margins are expected to expand by 467 bps YoY and 112.3 bps QoQ, driven by lower other expenses.

Q4FY25 Quarterly Result Preview

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Large Cap*	
BUY	The security is expected to generate upside of 15% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 15% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -5% over the next 12 months
SELL	The security is expected to show downside of 5% or more over the next 12 months
Mid & Small Cap*	
BUY	The security is expected to generate upside of 20% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 20% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -10% over the next 12 months
SELL	The security is expected to show downside of 10% or more over the next 12 months
Other Ratings	
NOT RATED (NR)	The stock has no recommendation from the Analyst
UNDER REVIEW (UR)	The stock is under review by the Analyst and rating may change
Sector View	
POSITIVE (P)	Fundamentals of the sector look attractive over the next 12 months
NEUTRAL (N)	Fundamentals of the sector are expected to be Stable over the next 12 months
CAUTIOUS (C)	Fundamentals of the sector are expected to be challenging over the next 12 months

*Large Cap: More Than INR 20,000Cr Market Cap
*Mid & Small Cap: Less Than INR 20,000Cr Market Cap

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