

RESEARCH
BUILDING MATERIALS | Q1FY25 PREVIEW

Another soft quarter on election, heatwave and competition

Daily macro indicators

Indicator	05-Jul	08-Jul	Chg (%)
US 10Y yield (%)	4.28	4.28	0bps
India 10Y yield (%)	6.99	6.99	0bps
USD/INR	83.49	83.50	0.0
Brent Crude (US\$/bbl)	86.5	85.8	(0.9)
Dow	39,376	39,345	(0.1)
Hang Seng	17,800	17,524	(1.5)
Sensex	79,997	79,960	0.0
India FII (US\$ mn)	04-Jul	05-Jul	Chg (\$ mn)
FII-D	231.4	59.5	(171.9)
FII-E	660.1	379.6	(280.5)

Source: Bank of Baroda Economics Research

SUMMARY
BUILDING MATERIALS: Q1FY25 PREVIEW

- Our building materials universe's revenue to grow at a moderate pace for sixth consecutive quarter on elections and extreme heat wave
- Margin profile of each BM segment to remain under pressure due to rise in competitive intensity in a muted demand environment
- On a relative basis, plastic pipe to perform the best on good pick-up in agri pipe demand, whereas wood panel to be the worst in Q1FY25

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Building materials (BM): We expect our BM universe revenue to grow at a moderate pace (10.3% YoY in Q1FY25) for the sixth consecutive quarter due to weak demand on account of the election and extreme heat wave conditions. We believe our BM universe EBITDA will grow at a fast rate (17.2% YoY) in Q1FY25 due to a weak base (MTM inventory loss in pipe segment). However, the margin profile of each BM segment is likely to remain under pressure on a QoQ basis due to increased competitive intensity in a muted demand environment. On a relative basis, plastic pipe is likely to perform the best and wood panel the worst in Q1FY25.

Plastic pipes: We believe our pipe universe EBITDA will grow sharply by 27.7% YoY in Q1FY25 driven by healthy volumes (+21.1% YoY on account of a good pick-up in agri pipe demand) and favourable resin prices. We believe the full impact of MTM inventory gain due to rising polymer prices is likely to be seen in Q2FY25. However, our pipe universe EBITDA is projected to decline by 4.6% YoY to Rs18.5/kg in Q1FY25 due to inferior mix and intense competition in the industry. On a relative basis, SI is likely to post superior volume growth (+23% YoY) compared to its major listed peers for the 10th consecutive quarter.

Bathware: We believe our bathware universe revenue will grow at 3.8% YoY and EBITDA to be relatively flat (-0.7% YoY) in Q1FY25 due to margin compression in a weak demand environment.

Tiles: We forecast our tiles universe EBITDA to grow at a marginal 1.5% YoY in Q1FY25 due to tepid volume (+4.2%) on account of subdued demand environment and the impact of intense competition from Morbi players.

Wood panels: We expect our wood panels universe revenue to grow at a healthy 12.2% YoY in Q1FY25 mainly due to contributions from newly commissioned units. However, EBITDA is projected to grow at a lower pace (at 9.0%) in Q1FY25 due to continued margin pressure on account of weak realisation (particularly for MDF) and higher timber prices. On a relative basis, MTLM is again likely to post sharp growth in its operating profit (+61.1% YoY) due to fast ramp up of its new MDF unit.



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Note: Recommendation structure changed with effect from 21 June 2021

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