

**RESEARCH****BOB ECONOMICS RESEARCH | GDP**

FY25 growth pegged at 6.4%

**BUILDING MATERIALS | Q3FY25 PREVIEW**

Another soft quarter on weak demand & intense competition

**SUMMARY****INDIA ECONOMICS: GDP**

NSO has estimated that Indian economy is expected to clock a growth of 6.4% in FY25 growth compared with a growth of 8.2% in FY24. GVA growth is also estimated lower at 6.4% (previously 7.2%). Softer growth is expected across the industry sector in FY25 with manufacturing and mining sector to grow at 5.3% and 2.9% in FY25, much slower than last year. Agriculture sector is expected to record robust growth supported by recovery in rural demand and improvement in rabi sowing. Given the ongoing geopolitical conflict and threats of tariff war, the global headwinds signal weakness in global economy. On the other hand, India's economy is expected to perform much better in H2FY25. The attention will now shift towards Union Budget and corporate performance for Q3 and Q4. For FY26, we expect the nominal GDP growth at 10.5% and real GDP growth at 6.8%.

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**BUILDING MATERIALS: Q3FY25 PREVIEW**

- Our building materials universe's revenue likely to grow at a muted pace for the eight consecutive quarter due to weak real estate activity
- Our BM universe's EBITDA margin to contract by 60bps YoY to 12.5% in Q3FY25 due to intense competition in a weak demand environment
- On a relative basis, plastic pipe to perform the best and wood panel the worst in Q3FY25

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**GDP**

07 January 2025

**FY25 growth pegged at 6.4%**

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**Jahnvi Prabhakar**  
Economist**1<sup>st</sup> Advance Estimate of FY25 GDP**

GDP growth for FY25 has been estimated at 6.4% against an increase of 8.2% in FY24 on a YoY basis. This moderation is led by expectation of slower pace of growth in investment demand at 6.4% against a growth of 9% in FY24. Moreover, contraction in import (-1.3% versus 10.9% in FY24) growth is likely given the weakness in global economy. However, on the bright side both private and government consumption is expected to register strong growth of 7.3% (4% in FY24) and 4.1% (2.5% in FY24) respectively in FY25. Furthermore, in a positive surprise, the export growth is likely to register a strong growth of 5.9% against a growth of 2.6% in FY24.

**GVA to moderate**

GVA growth is expected to moderate to 6.4% in FY25 compared with a growth of 7.2% in FY24. This was lower than our expectation of 6.6%. Tepid growth across manufacturing (5.3% from 9.9% in FY24), mining (2.9% against 7.1% in FY24) and electricity sector (6.8% from 7.5% in FY24) is expected in FY25 and the same has been reflected by YTD estimates of industrial production data. Growth in construction sector is expected to moderate down to 8.6% from 9.9% growth registered in FY24. Within services, trade, transport and hotel industry is likely to grow at a slower pace at 5.8% against a growth of 6.4% in FY24 reflecting slower demand in tourism and hospitality industry. Financial services sector is also expected to record marginally slower growth of 7.3% in FY25 (8.4% in FY24). On the other hand, in line with expectation of a steady pickup in government spending in H2, higher growth is expected for public admin at 9.1% (7.8% in FY24).



## Another soft quarter on weak demand & intense competition

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**Building materials (BM):** We expect our BM universe revenue to grow at a muted pace (+7.1% YoY in Q3FY25) for the eight consecutive quarter mainly due to slowdown in pace of real estate activity. Furthermore, our BM universe EBITDA margin is projected to contract by 60bps YoY to 12.5% in Q3FY25 due to the rise of competitive intensity across segments in a weak demand environment. On a relative basis, plastic pipe is likely to perform the best and wood panel the worst in Q3FY25.

**Plastic pipes:** Our pipe universe volume is projected to grow at a slow rate of 7.5% YoY in Q3FY25 even over a weak base. Our pipe universe EBITDA per unit is expected to fall by 2.5% YoY to Rs 18.6/kg in Q3FY25 mainly due to impact of aggressive pricing strategy by SI. On a relative basis, SI is likely to post superior volume growth (+9% YoY) for the 12<sup>th</sup> straight quarter.

**Bathware:** We believe our bathware universe revenue will grow at 2.5% YoY, but EBITDA to decline by 3.9% YoY in Q3FY25 due to higher discounts offered to dealers in a weak demand environment.

**Tiles:** We forecast our tiles universe volume to grow at 6.4% YoY in Q3FY25, but EBITDA to contract by 2.9% YoY in Q3FY25 in anticipation of margin pressure (-100bps YoY to 12.5%) on account of intense competition from Morbi players and higher gas prices.

**Wood panels:** Our wood panels universe EBITDA is likely to contract on a YoY basis for the tenth consecutive quarter (-3.0% YoY in Q3FY25) due to margin pressure on account of unfavorable supply-demand fundamentals in MDF & particleboard, and rising timber prices.



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