PL Capital
PRABHUDAS LILLADHER

Building Materials

Event Update

April 22, 2026

Coverage Universe

Name of the Company	Rating	CMP (INR)	TP (INR)
Astral Ltd.	BUY	1,582	1,876
Century Plyboard (I)	BUY	771	841
Cera Sanitaryware	BUY	5,295	6,747
Finolex Industries	BUY	175	203
Greenpanel Industries	BUY	215	370
Kajaria Ceramics	BUY	1,194	1,147
Supreme Industries	BUY	3,662	4,698

Morbi Restart on Improving Gas Supply

Quick Pointers

- Tile exports likely to remain weak for at least the next ~6 months
- Gradual restart of Morbi production is negative for large domestic players (market share risk)
- Reopening of sanitaryware units is positive for CERA; ~60% revenue linked to outsourcing.
- Morbi players to implement price hikes of ~8%.

We recently interacted with an industry expert in the Indian ceramic tile segment, who shared detailed insights on the evolving dynamics in the Morbi cluster. The discussion highlighted the sharp disruption in operations due to fuel unavailability, significant cost pressures arising from elevated gas prices, and the consequent impact on production and pricing. It also covered challenges in export markets amid geopolitical issues, shifts in fuel mix, supply-demand imbalances due to plant shutdowns, and the gradual recovery expected from May'26 onwards. We believe that with the gradual resumption of Morbi production and exports yet to pick up, the relatively free runway enjoyed by larger players in the domestic market for market share gains could now come under risk. The opening of the sanitaryware plant in Morbi bodes well for CERA, as outsourcing accounts for ~60% of its sanitaryware revenue, which had been impacted due to disruptions in Morbi.

Key Takeaways:

Industry Operations & Capacity Utilization

- Out of ~750 units in Morbi, only ~200 are currently operational, largely catering to domestic demand. The cluster comprises ~650 tile manufacturing units and ~200 sanitaryware units; of the ~200 operational units, ~100 are tile manufacturers. Sanitaryware plants, given their relatively lower gas consumption, have been able to resume operations faster than tile units.

- Morbi production remained largely shut for ~1.5 months, creating a significant supply gap in the market and benefiting large domestic players—an aspect we had highlighted in our Kajaria Management Meet update.

- From May-26 onwards, additional units are expected to gradually restart, although full normalization is likely to be phased.

Gas Availability & Fuel Mix Disruption

- Currently, fuel consumption for Morbi units stands at ~2.2mn SCM/day and is expected to rise to ~4.5mn SCM/day in May-26 (vs ~7.5mn SCM/day prior to the disruption).

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- Gas prices have surged sharply from ~Rs44 to ~Rs79/SCM, with a modest correction expected to ~Rs73/SCM from May-26.
- Propane remains unavailable, with no visibility over the next ~6 months due to ongoing geopolitical disruptions.
- Earlier, ~70% of units operated on propane (~5.5mn SCM/day), which has now dropped to near zero, forcing a shift back to costlier PNG supplied by Gujarat Gas.

Cost Pressure & Pricing Actions

- Fuel costs, which ideally should be in the range of 25–30% of total production cost, and the sharp increase in gas prices is exerting significant margin pressure, prompting Morbi players to implement price hikes of ~8%.
- For key products like 2x4 GVT tiles (which account for ~70% of Morbi production), price hikes of ~8% are being implemented, along with ~2% increase from freight and input costs (total 10% increase).
- Industry players indicate that price hikes are necessary to sustain operations, given elevated fuel costs.

Exports & Geopolitical Impact

- Exports have been severely impacted due to disruptions in the Strait of Hormuz, effectively halting shipments to key Middle East markets.
- While exports to the US continue, freight-related challenges persist.
- Due to weak exports, excess production has been diverted to domestic markets, leading to near-term supply pressure.
- Export recovery is contingent on normalization of geopolitical conditions and fuel availability.

Demand & Channel Trends

- Due to plant shutdowns and lack of production, inventory shortages are emerging, although dealer-level destocking was seen earlier.
- Domestic demand remains steady, with large players witnessing relatively stronger traction.

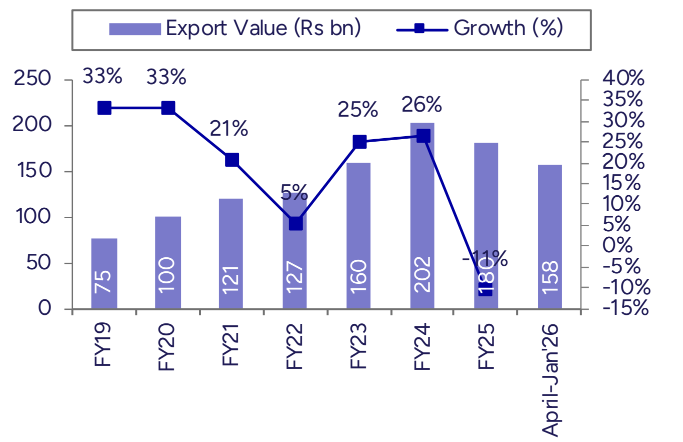
Competitive Landscape

- Organized players such as Kajaria Ceramics, Somany Ceramics, and Johnson are operating at full capacity and gaining share, while with production pick in Morbi will impact large players market share.
- Smaller players are facing challenges due to: Higher working capital requirements (bank guarantees linked to gas prices), Fuel availability issues.
- Organized players have already taken ~5% price hikes, with scope for further increases to align with Morbi pricing trends.

Outlook

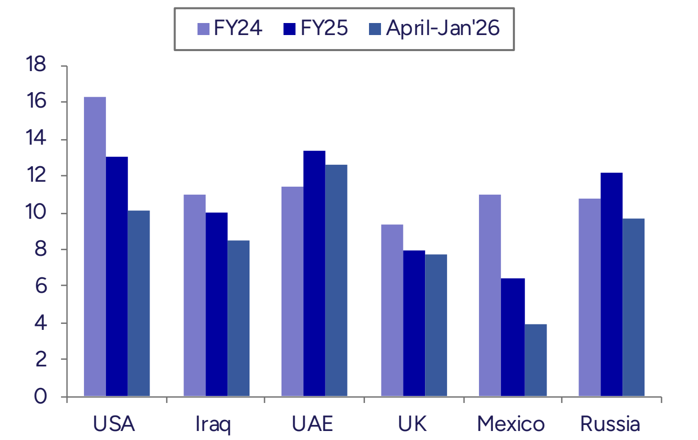
- Near-term outlook remains challenging due to fuel constraints and export disruptions, but supply tightness could support pricing.
- Normalization in gas/propane availability and easing geopolitical tensions will be key triggers for recovery.
- Over the medium term, the industry is expected to witness further consolidation, with organized players strengthening their position. We also believe that with the gradual resumption of Morbi production and exports yet to pick up, the relatively free runway enjoyed by larger players in the domestic market for market share gains could now come under risk.
- The opening of the sanitaryware plant in Morbi bodes well for CERA, as outsourcing accounts for ~60% of its sanitaryware revenue, which had been impacted due to disruptions in Morbi.

Exhibit 1 : Tiles exports stood at Rs 158bn from Apr-Jan'26



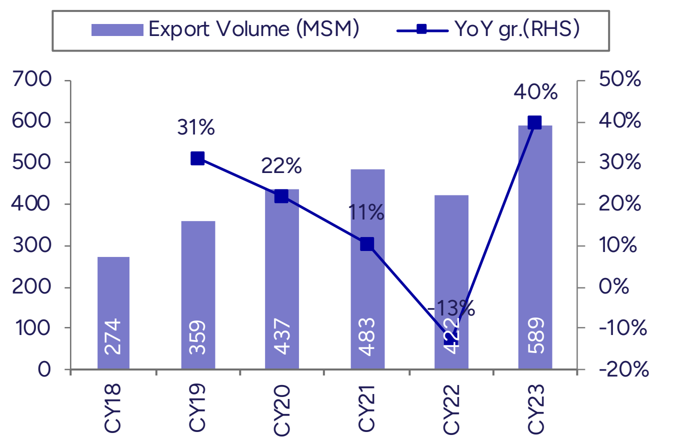
Source: Ministry of Commerce & Industry, PL

Exhibit 2 : Major export destinations for tiles from India



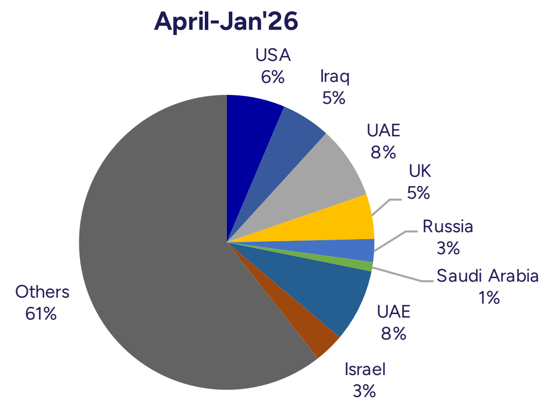
Source: Ministry of Commerce & Industry, PL

Exhibit 3 : India's Ceramic Tiles - Pick up in export volume



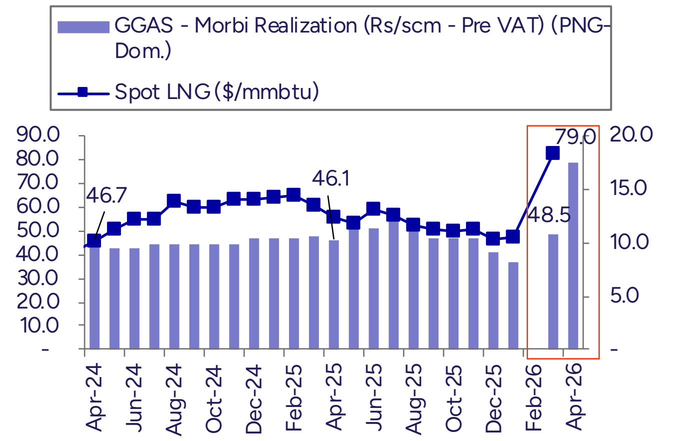
Source: Ceramic World Review, PL

Exhibit 4 : India's tiles exports Apr-Jan'26 – country-wise (%)



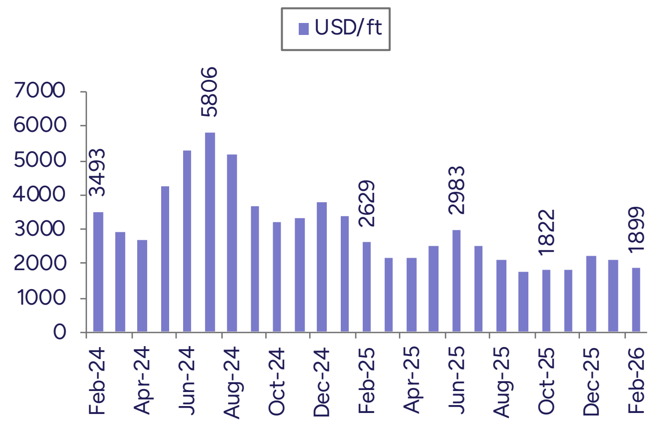
Source: Ministry of Commerce & Industry, PL

Exhibit 5 : GGAS (Morbi) prices increases to Rs 79/SCM



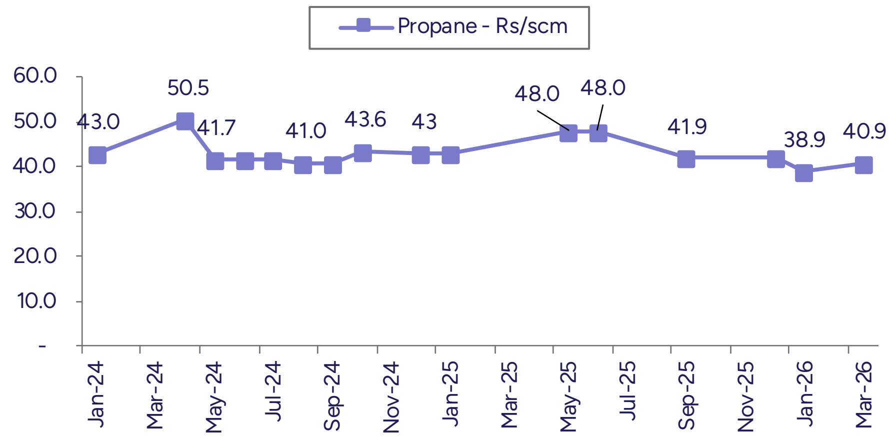
Source: Company, PL

Exhibit 6 : Drewry WCI Composite container freight 40 ft box



Source: Company, PL

Exhibit 7 : Propane price in Mar'26 stood at Rs41/SCM



Source: Company, PL

Exhibit 8 : Baltic dry Index

Source: Company, PL

Exhibit 9 : Valuation Summary

Company Name	C/S	Rating	CMP (Rs)	TP (Rs)	Mcap (Rs bn)	Sales (INR mn)				EBITDA (INR mn)				Adj. PAT (INR mn)				EPS (INR)				RoE (%)				PE (x)			
						FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E
Astral Ltd.	C	BUY	1,583	1,876	425.7	58,324	66,567	77,428	89,514	9,459	10,984	13,008	15,396	5,189	6,041	7,863	9,607	19.3	22.5	29.2	35.7	15.3	15.6	17.6	18.3	82.0	70.5	54.1	44.3
Century Plyboard (I)	C	BUY	771	841	171.3	45,278	51,981	60,186	69,184	4,866	6,576	8,185	9,686	1,994	2,841	4,058	5,350	9.0	12.8	18.3	24.1	8.7	11.4	14.5	16.7	85.9	60.3	42.2	32.0
Cera Sanitaryware	C	BUY	5,295	6,747	68.3	19,153	20,483	23,176	25,920	2,907	2,665	3,263	3,675	2,450	2,162	2,639	2,948	189.9	167.6	204.6	228.5	18.2	15.2	16.5	16.2	27.9	31.6	25.9	23.2
Finolex Industries	C	BUY	175	203	108.3	41,420	43,153	46,776	51,130	4,758	5,364	5,847	6,800	4,841	5,172	5,698	6,557	7.8	8.4	9.2	10.6	8.3	8.4	9.0	10.0	22.4	20.9	19.0	16.5
Greenpanel Industries	C	BUY	215	370	26.4	14,358	15,311	18,352	21,401	1,312	1,399	3,306	3,962	721	412	1,755	2,267	5.9	3.4	14.3	18.5	5.3	3.0	12.0	13.6	36.6	63.9	15.0	11.6
Kajaria Ceramics	C	BUY	1,194	1,147	190.2	46,351	48,004	52,313	56,011	6,262	8,161	8,893	9,522	3,426	4,654	5,476	6,011	21.5	29.2	34.4	37.7	12.8	16.0	16.8	16.3	55.5	40.9	34.7	31.6
Supreme Industries	C	BUY	3,662	4,698	465.3	1,04,463	1,14,085	1,31,260	1,49,868	14,317	15,239	19,061	21,913	9,609	8,880	12,530	14,917	75.6	69.9	98.6	117.4	17.8	15.0	19.0	19.6	48.4	52.4	37.1	31.2

Source: Company, PL   *C=Consolidated / S=Standalone*

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (INR)	Share Price (INR)
1	Amber Enterprises India	BUY	8646	6405
2	Astral Ltd.	BUY	1876	1554
3	Avalon Technologies	BUY	1175	963
4	Bajaj Electricals	BUY	449	349
5	Cello World	BUY	621	405
6	Century Plyboard (I)	BUY	841	720
7	Cera Sanitaryware	BUY	6747	4677
8	Crompton Greaves Consumer Electricals	BUY	344	232
9	Cyient DLM	Accumulate	327	290
10	Finolex Industries	BUY	203	159
11	Greenpanel Industries	BUY	370	182
12	Havells India	BUY	1512	1181
13	Kajaria Ceramics	BUY	1147	966
14	Kaynes Technology India	BUY	5444	3707
15	KEI Industries	BUY	5545	4048
16	LG Electronics India	BUY	1813	1319
17	Polycab India	BUY	9611	6878
18	Premier Energies	Hold	905	943
19	R R Kabel	BUY	1844	1334
20	Supreme Industries	BUY	4698	3642
21	Syrma SGS Technology	BUY	905	809
22	Vikram Solar	BUY	232	186
23	Voltas	Accumulate	1423	1235
24	Waaree Energies	BUY	3600	3084

PL's Recommendation Nomenclature (Absolute Performance)

BUY	:	> 15%
Accumulate	:	5% to 15%
Hold	:	+5% to -5%
Reduce	:	-5% to -15%
Sell	:	< -15%
Not Rated (NR)	:	No specific call on the stock
Under Review (UR)	:	Rating likely to change shortly

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