

Building Materials

Sector Update

October 23, 2026

Coverage Universe

Name of the Company	Rating	CMP (INR)	TP (INR)
Astral	Buy	1,357	1,593
Century Plyboard (I)	Buy	634	871
Cera Sanitaryware	Buy	4,575	7,548
Finolex Industries	Buy	142	226
Greenpanel Industries	Buy	131	271
Kajaria Ceramics	Buy	1,138	1,458
Supreme Industries	Buy	3,390	4,414

HDHMR Emerges as a Key Growth Driver

Quick Pointers

- Indian MDF market estimated at ~INR100bn, with organized players accounting for ~INR70bn
- HDHMR gaining traction as a key growth category
- Action TESA reportedly commands ~8% price premium over organized peers and ~14% over unorganized players

We recently interacted with an industry expert in the Indian engineered wood industry to understand the evolving dynamics of the MDF market, competitive intensity, raw material trends, distribution expansion and emerging product categories. The discussion highlighted increasing adoption of high-density, high-moisture-resistant (HDHMR) boards, and sustained pricing pressure from unorganized players. While long-term industry prospects remain favorable, supported by furniture replacement demand and gradual substitution of plywood, near-term profitability remains challenged by competitive pricing and rising input costs. The expert highlighted that Large organized player Action TESA is positioned to benefit from its established distribution network, in-house resin manufacturing and premium product positioning. However, capacity additions by organized peers and the gradual expansion of MDF into Tier 2 and 3 cities will remain key factors shaping the competitive landscape.

Key Takeaways

Industry Size, Growth & Demand Trends

- Indian MDF market is estimated at INR100bn, with organized large players accounting for approximately INR70bn and smaller/unorganized manufacturers contributing the balance.
- The next 10–15 years are expected to remain favorable for the MDF industry, supported by changing consumer preferences, increasing furniture replacement cycles, and gradual substitution of conventional materials.
- Industry dynamics have shifted from relatively lower volumes but healthy EBITDA margins pre-COVID, to stronger demand but increased competitive intensity and margin pressure post-COVID.
- Tier 2 and 3 cities continue to exhibit a higher preference for plywood over MDF, indicating significant headroom for penetration and distribution-led growth.
- Unorganized manufacturers continue to exert pricing pressure on organized players by offering lower priced products, partly reflecting differences in product quality and manufacturing standards.

Product Mix & HDHMR Opportunity

- Customer preferences are increasingly shifting toward high-density, moisture-resistant boards, with HDHMR gaining traction as an alternative to conventional plywood and standard MDF in select furniture applications.
- HDHMR and other moisture-resistant boards are expected to emerge as key growth categories within the broader engineered wood industry.
- Action TESA, with estimated revenue of approximately INR20bn, reportedly derives ~70% of sales from HDHMR, compared with estimated 40–50% for other players.
- Action TESA has established its presence in the engineered wood segment, with its product positioning reportedly supporting price premium of ~8% over other large organized players and ~14% over unorganized competitors.

Competitive Landscape & Action TESA Positioning

- Action TESA's turnover is estimated at ~INR20bn. In-house resin manufacturing provides greater control over formulation, procurement and product consistency, supporting its product positioning.
- Action TESA reportedly has a network of over 1,200 dealers and distributors. Industry participants are increasingly focusing on dealer schemes, carpenter engagement and influencer-led marketing to improve product adoption.
- Direct retail touchpoints remain limited, at less than 5% in the context discussed, indicating potential for further distribution expansion and deeper market penetration.

Raw Material Trends & Cost Pressures

- Input costs have increased over the past 6 months, while board prices have softened from Aug'26. Industry interactions also indicated price reductions of ~5% among large players, highlighting near-term margin pressure.
- Urea, melamine and glue are the key inputs, apart from timber. Urea is mostly imported, primarily from Saudi Arabia and China, exposing procurement to international price movements and supply-chain disruptions.
- Geopolitical disruptions and container availability have reportedly increased procurement lead times by ~10 days to ~60 days, compared with a normal lead time of ~50 days.
- Price of Eucalyptus stood at INR 700–750/quintal, while mixed wood prices were estimated at INR 500–550/quintal. Uttar Pradesh is a major wood procurement region, reportedly accounting for ~95% of its sourcing. Timber prices reportedly remained stable over the past year, supported by plantation development and farmer buyback arrangements.

Distribution Strategy & Value-Added Products

- Carpenter engagement and influencer-led initiatives remain important drivers of product awareness, adoption and sales growth in the MDF market.
- Companies are expanding dealer networks and introducing dealer schemes to improve penetration in smaller cities, where plywood continues to enjoy a stronger preference.

- Wooden flooring is a higher-value-added category, with EBITDA margin of 17–18%. In-house manufacturing across the value chain provides a competitive advantage to companies.

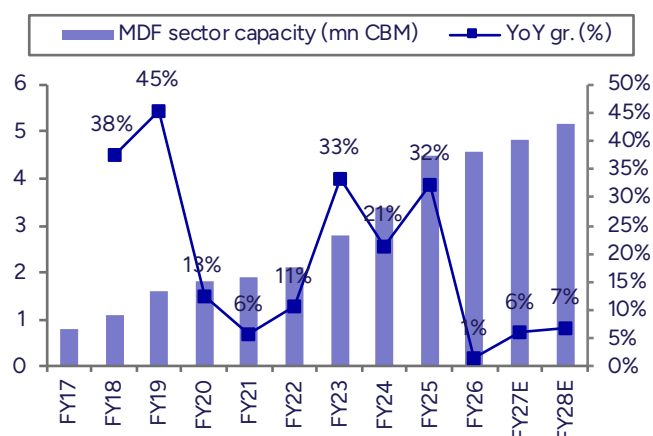
Capacity Expansion & Industry Competition

- Organized players are expanding manufacturing capacities, which could intensify competition and increase the importance of utilization, pricing discipline and distribution reach.
- Greenply is setting up a new plant at Vadodara with an indicated capacity of ~700 CBM/day, Century Plyboards is planning a new project in Uttar Pradesh. Crossbond also has an upcoming project, although capacity and commissioning timelines remain unconfirmed.
- Action TESA has an established presence in particleboard manufacturing, with a capex of INR 4.5–5.0bn and capacity of ~1,000 CBM/day.

Outlook

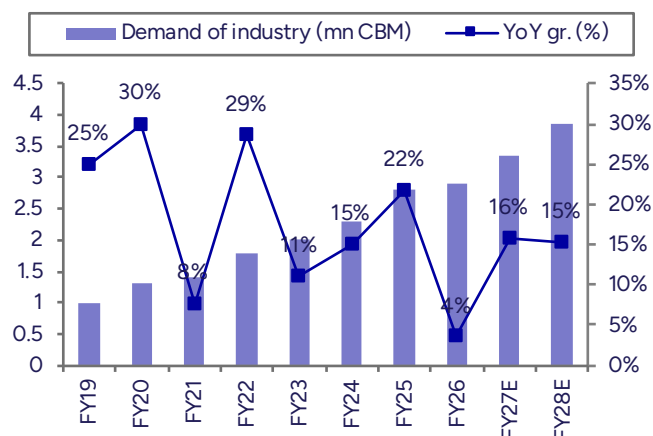
- Long-term industry prospects remain favorable**, supported by furniture replacement demand, changing consumer preferences and gradual substitution of plywood and other conventional materials.
- HDHMR represents a key emerging growth opportunity**, as increasing preference for high-density and moisture-resistant boards could support product premiumization and improve the industry's value mix.
- Near-term margins remain under pressure** due to higher input costs, competitive pricing and price reductions by large organized players. The pace of input-cost normalization and pricing discipline will be key determinants of profitability.

Exhibit 1: Domestic MDF capacity to grow by 6% over FY26-28E



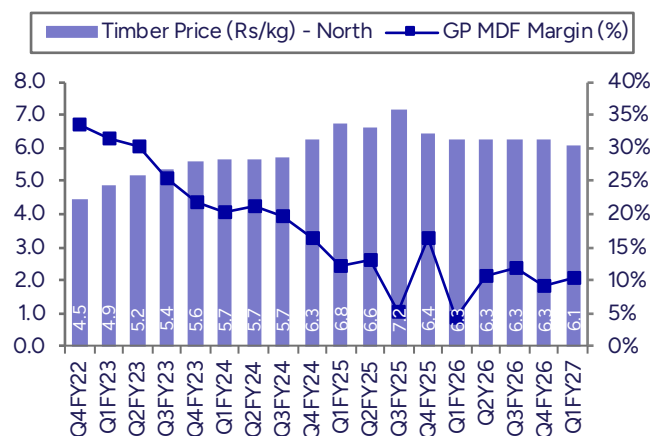
Source: Company, PL

Exhibit 2: Domestic MDF demand to grow by 16% over FY26-28E



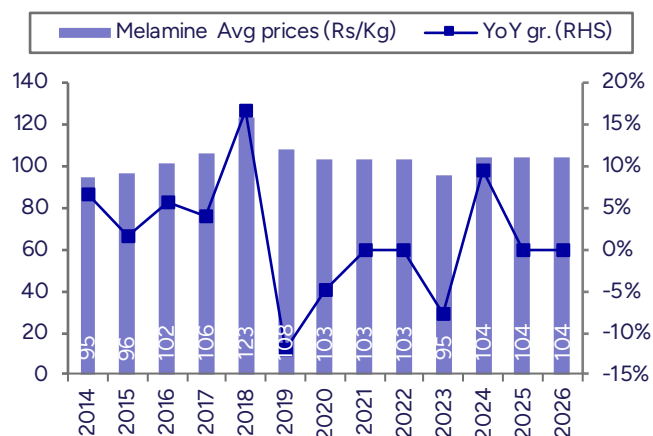
Source: Company, PL

Exhibit 3: Q1FY27 timber price at INR6.1/kg in North region



Source: Company, PL

Exhibit 4: Melamine prices remain flat YTD CY26



Source: Company, PL

Exhibit 5: Valuation Summary

Company Name	C/S	Rating	CMP (INR)	TP (INR)	Mcap (INR bn)	Sales (INR mn)				EBITDA (INR mn)				Adj. PAT (INR mn)				EPS (INR)				RoE (%)				PE (x)			
						FY26	FY27E	FY28E	FY29E	FY26	FY27E	FY28E	FY29E	FY26	FY27E	FY28E	FY29E	FY26	FY27E	FY28E	FY29E	FY26	FY27E	FY28E	FY29E	FY26	FY27E	FY28E	FY29E
Astral Ltd.	C	BUY	1,357	1,593	365.0	65,686	79,281	92,913	1,07,064	10,619	13,216	15,786	18,297	5,573	7,627	9,527	11,241	20.7	28.4	35.4	41.8	14.5	17.4	18.6	18.4	65.5	47.9	38.3	32.5
Century Plyboard (I)	C	BUY	634	871	141.0	53,972	63,663	72,477	81,984	6,915	8,595	10,364	11,724	3,333	4,191	5,545	6,462	15.0	18.8	24.9	29.0	13.4	15.0	17.1	17.0	42.3	33.6	25.4	21.8
Cera Sanitaryware	C	BUY	4,575	7,548	59.0	20,501	24,033	27,184	30,669	2,692	3,365	3,806	4,294	2,120	2,636	3,059	3,447	164.4	204.4	237.1	267.2	15.0	16.8	17.1	18.1	27.8	22.4	19.3	17.1
Finolex Industries	C	BUY	142	226	88.1	41,134	42,020	44,905	49,249	6,789	5,647	6,278	7,082	5,991	5,380	5,832	6,526	9.7	8.7	9.4	10.6	9.7	8.4	8.7	9.2	14.7	16.4	15.1	13.5
Greenpanel Industries	C	BUY	131	271	16.1	15,394	17,056	20,341	23,002	1,126	1,924	2,783	3,143	199	806	1,517	1,819	1.6	6.6	12.4	14.8	1.5	5.8	10.1	10.9	80.7	20.0	10.6	8.8
Kajaria Ceramics	C	BUY	1,138	1,458	181.3	48,304	55,414	58,012	61,892	8,650	10,386	10,326	11,017	4,885	6,626	6,579	7,021	30.7	41.6	41.3	44.1	16.8	20.0	17.3	16.3	37.1	27.4	27.5	25.8
Supreme Industries	C	BUY	3,390	4,414	430.7	1,12,177	1,32,412	1,49,840	1,68,865	15,676	19,200	21,877	25,330	9,540	12,224	14,573	16,653	75.1	96.2	114.7	131.1	16.1	18.6	19.6	19.4	45.1	35.2	29.6	25.9

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	9234	6925
2	Astral	Buy	1593	1362
3	Avalon Technologies	REDUCE	1786	2430
4	Bajaj Electricals	HOLD	302	299
5	Blue Star	Buy	1797	1510
6	Cello World	Buy	428	340
7	Century Plyboard (I)	Buy	871	678
8	Cera Sanitaryware	Buy	7548	5057
9	Crompton Greaves Consumer Electricals	BUY	294	216
10	Cyient DLM	REDUCE	873	1030
11	Finolex Industries	Buy	226	149
12	Greenpanel Industries	Buy	271	160
13	Havells India	Buy	1309	1047
14	Kajaria Ceramics	Buy	1458	1215
15	Kaynes Technology India	BUY	4280	3365
16	KEI Industries	BUY	5961	3873
17	LG Electronics India	Accumulate	1870	1771
18	Polycab India	BUY	11083	8207
19	Premier Energies	BUY	1136	910
20	R R Kabel	HOLD	2725	2648
21	Supreme Industries	Buy	4414	3399
22	Syrma SGS Technology	HOLD	1827	1747
23	Vikram Solar	Accumulate	162	149
24	Voltas	Buy	1251	1061
25	Waaree Energies	BUY	3115	2516

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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