

BUILDING MATERIALS

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Steep rise in ocean freight rates impacts BM trade flow in Jun'24

- Tiles exports fell sharply by 15.4% MoM in Jun'24 due to the impact of high ocean freight rate
- The pace of net MDF import trended up over the past three months and may rise further in the near future as ocean freight has started to fall
- Monthly net export volume run rate for laminates declined 3.0% in Jun'24 over Q4FY24, despite a steep increase in domestic capacity

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These are key takeaways from Ministry of Commerce trade statistics for the building material (BM) sector for the month of Jun'24.

Tiles: India's monthly net export value run rate for tiles was up 9.8% YoY in Jun'24 due to a low base, but down 15.4% MoM to Rs 14.3bn due to the impact of rising ocean freight rate. Going ahead, Indian tiles industry exports may remain weak if the US government imposes an anti-dumping duty on Indian tiles products (for which an investigation was initiated in May'24 based on a petition filed by a US tiles manufacturer to impose high tariffs of 408%-828%). The US comprised 8% of India's total tiles exports in FY24.

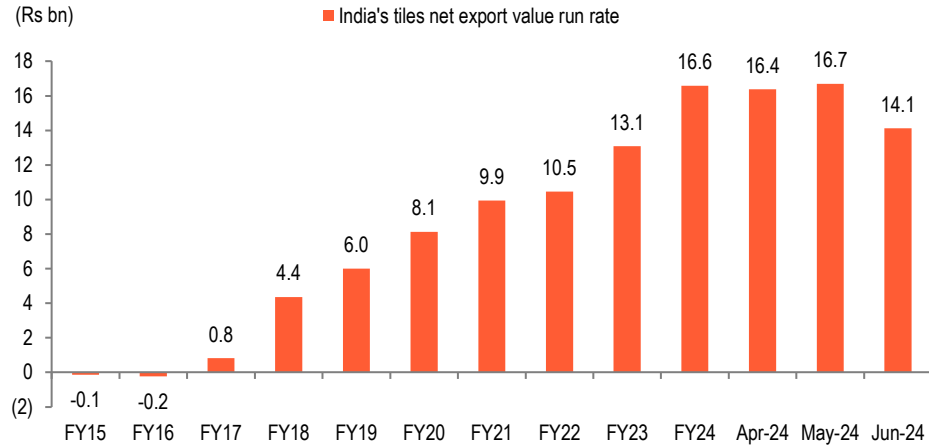
MDF: India's monthly net import volume run rate for MDF was up 261% YoY in Jun'24 due to a low base. However, the net import run rate for MDF has trended up gradually over the past three months (from -1,590 CBM in Mar'24 to 1,732 CBM in Apr'24; 6,380 CBM in May'24, 8,425 CBM in Jun'24). We believe import pressure is likely to rise further in the near future as ocean freight rate has started falling in the past few weeks. Rising imports pressure along with the commissioning of large new MDF capacity (CPBI in Q1FY25 and GREENP in Q3FY25) are likely to keep the MDF industry's margin under pressure over the next few quarters, in our view.

Particleboard: India's monthly net import volume run rate for particleboard dropped sharply for the fourth consecutive month (-59.2% YoY in Jun'24) due to the impact of high ocean freight rate. However, in our view, the particleboard sector margin is likely to remain weak over the medium term due to large capacity additions (by GRLM and CPBI) over H2FY25.

Laminates: India's monthly volume net export run rate for laminates grew by 14.7% YoY in Jun'24, but is still down 3.0% from Q4FY24 due to the impact of high ocean freight rate (despite large capacity additions by GRLM and CPBI in H2FY24). Note that exports form roughly 30-50% share of total sales of major laminates companies operating in India (i.e., GRLM; Merino).

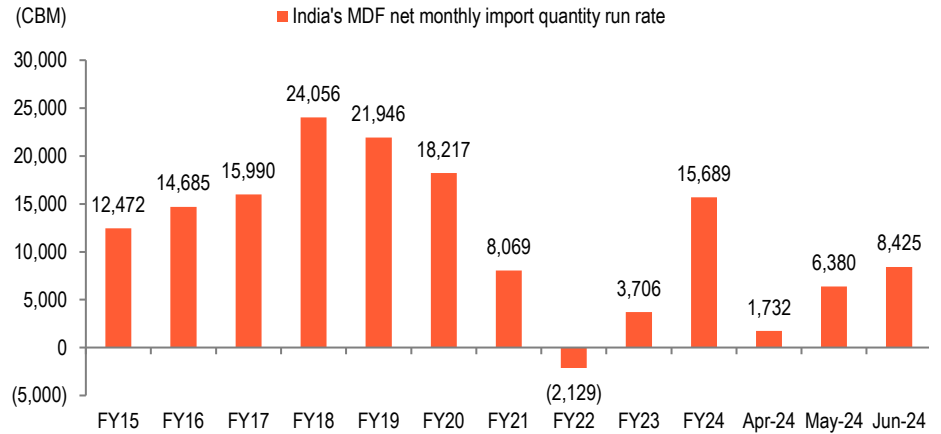


Fig 1 – India’s monthly net export value run rate for tiles was up 9.8% YoY, but dropped 15.4% MoM to Rs 14.3bn in Jun’24



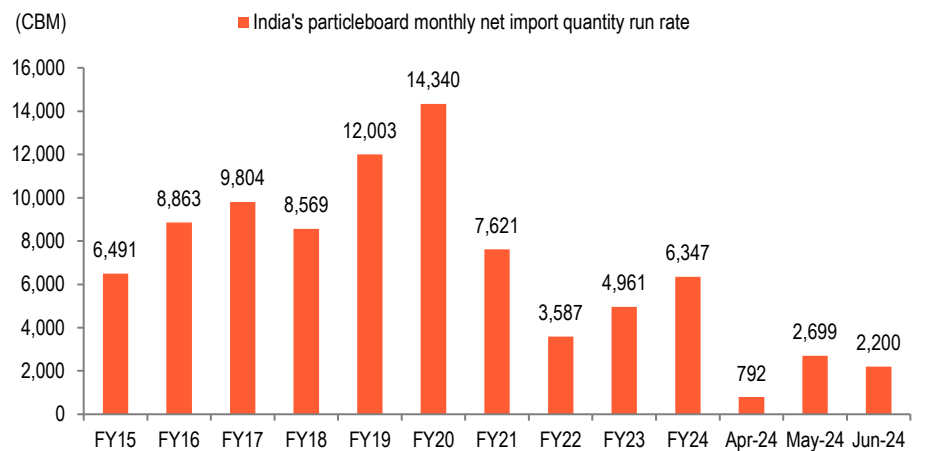
Source: Ministry of Commerce, BOBCAPS Research

Fig 2 – India’s MDF net import volume run rate trended up in the past 3 months



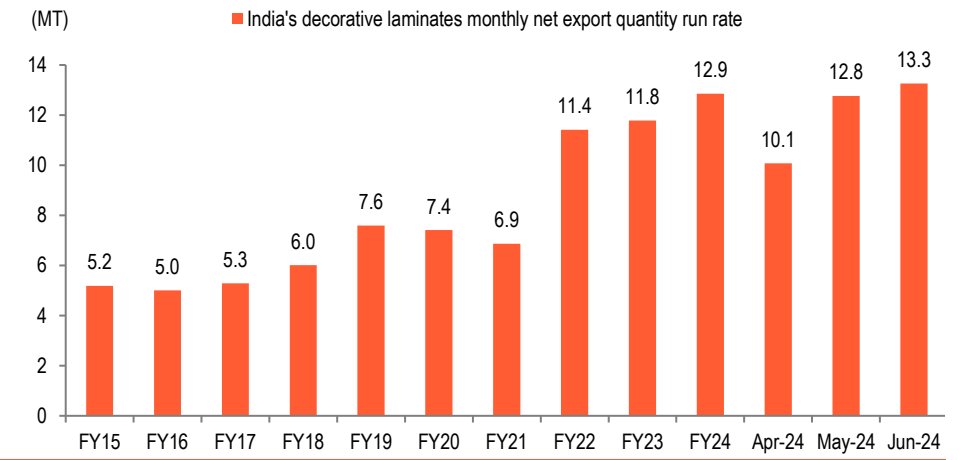
Source: Ministry of Commerce, BOBCAPS Research

Fig 3 – India’s particleboard monthly net import volume run rate has gone down sharply for the fourth consecutive month (-59.2% YoY in Jun’24)



Source: Ministry of Commerce, BOBCAPS Research

Fig 4 – India’s monthly net export volume run rate for laminates rose 14.7% YoY, but declined 3.0% in Jun’24 over Q4FY24



Source: Ministry of Commerce, BOBCAPS Research

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