

 **BUILDING MATERIALS**

21 November 2024

Mixed trade flow: Negative for tiles/laminates; positive for MDF

- Domestic tiles realisation to remain under pressure in the near future due to continued weak tiles exports (-24.1% YoY in Sep'24)
- Laminates net exports volume run rate remained weak in Sep'24, despite steep rise in domestic capacity
- India became a net exporter of MDF in Sep'24, which may result in slight improvement in pricing power for the sector in the near future

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

Tiles: India's monthly net exports value run rate remained weak in Sep'24 (-24.1% YoY to Rs 13.3bn). We believe the domestic tiles realisation is likely to remain under pressure till the time we see sharp recovery in exports. Going ahead, the 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.

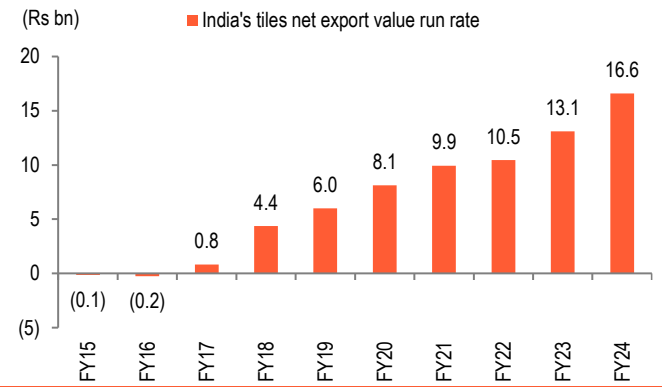
Laminates: India's laminates monthly net export volume run rate grew at a muted pace of 5.5% YoY in Sep'24, despite large capacity addition by Greenlam Industries (GRLM) and Century Plyboards (CPBI) in H2FY24. Laminates monthly net export volume run rate was down 9.8% MoM in Sep'24. Note that exports form roughly 30-50% of total sales of major domestic laminates companies.

MDF: India became a net exporter of MDF (4187 CBM in Sep'24 vs the historical monthly net imports average run rate of 15,000-20,000 CBM) due to the steep decline in imports (-65% YoY). We believe the sector pricing power is likely to improve slightly if imports remain at low levels in the near future as it would result in a quick ramp-up of new domestic capacities. However, we believe the recovery in MDF sector margin to the normal level is likely to be more gradual in nature in anticipation of the industry's operating rate improving from 66% in Q2FY25 to 80% in FY27E.

Particleboard: India's particleboard monthly net import volume run rate fell sharply for the seventh consecutive month (-82.9% YoY in Sep'24) due to high ocean freight rates. However, the particleboard sector margin is likely to remain weak over the medium term due to large capacity additions (by Merino, GRLM, CPBI) in H2FY25.

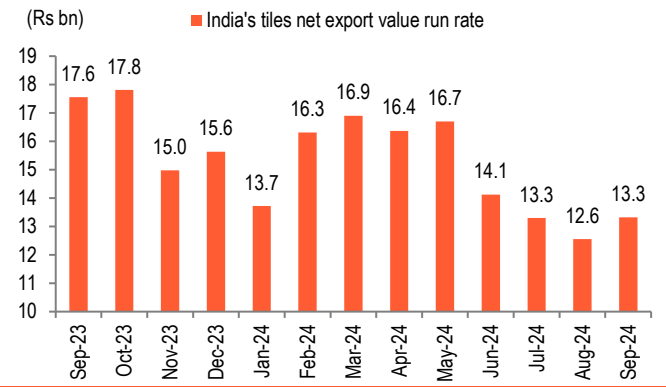


Fig 1 – India’s tiles export trend for the past decade



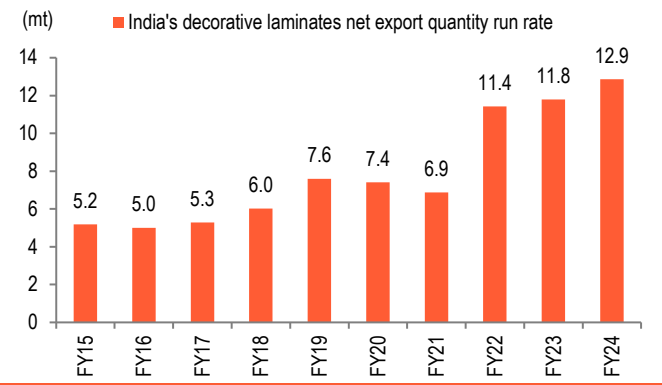
Source: Ministry of Commerce, BOBCAPS Research

Fig 2 – India’s tiles export trend for the past 12 months



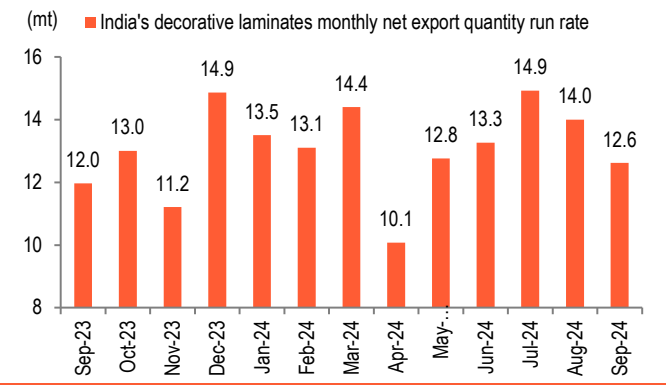
Source: Ministry of Commerce, BOBCAPS Research

Fig 3 – India’s laminates export trend for the past decade



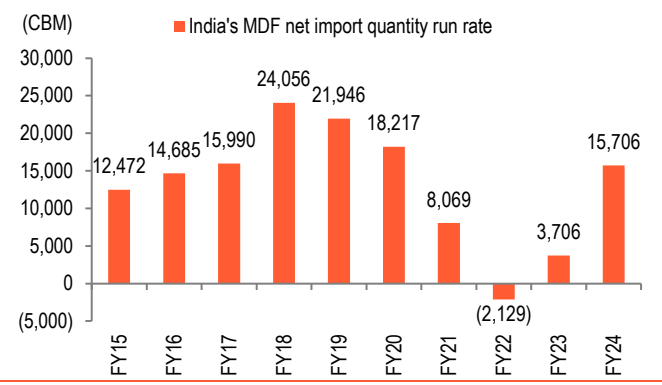
Source: Ministry of Commerce, BOBCAPS Research

Fig 4 – India’s laminates export trend for the past 12 months



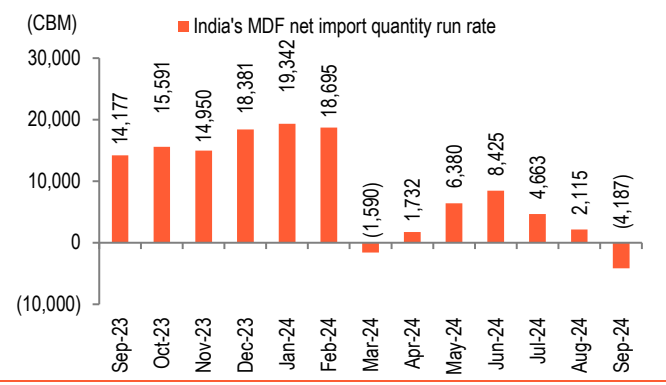
Source: Ministry of Commerce, BOBCAPS Research

Fig 5 – India’s MDF import trend for the past decade



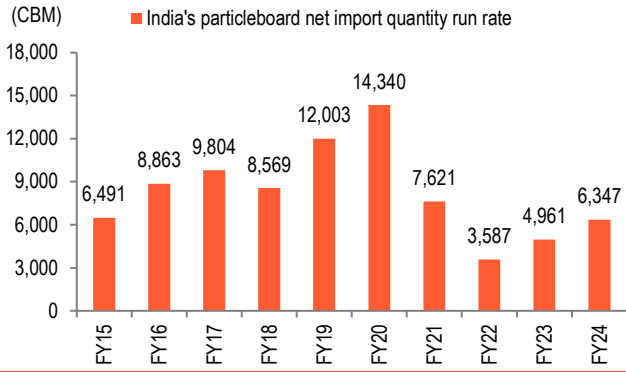
Source: Ministry of Commerce, BOBCAPS Research

Fig 6 – India’s MDF import trend for the past 12 months



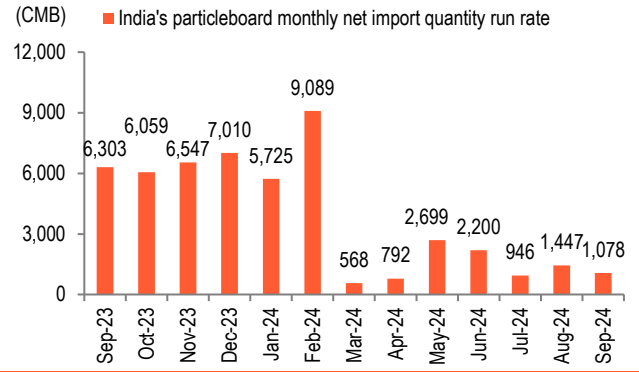
Source: Ministry of Commerce, BOBCAPS Research

Fig 7 – India’s particleboard import trend for the past decade



Source: Ministry of Commerce, BOBCAPS Research

Fig 8 – India’s particleboard import trend for the past 12 months



Source: Ministry of Commerce, BOBCAPS Research

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