

 **BUILDING MATERIALS**

22 January 2025

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 (-13.0% YoY in Nov'24)
- Laminates net exports volume run rate was down 9.6% YoY in Nov'24 due to a weak demand environment
- MDF imports remained weak in Nov'24 on a YoY basis due to the quick ramp up of new capacity at a competitive rate

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

Tiles: India's monthly net exports value run rate remained weak in Nov'24 (-13.0% YoY to Rs 13.0bn). We believe the domestic tiles realisation is likely to remain under pressure till the time we see a 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.

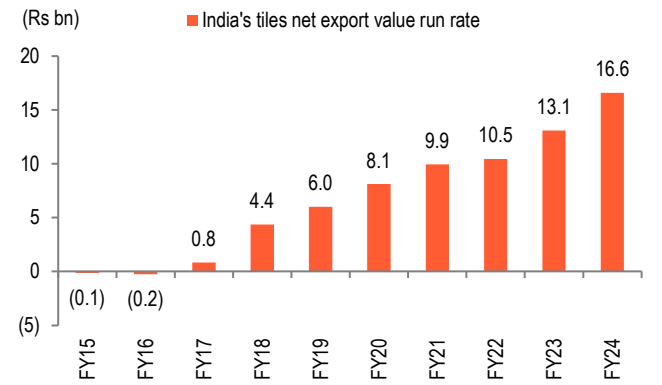
Laminates: India's laminates monthly net export volume run rate was down 9.6% YoY in Nov'24 due to weak global demand. Note that exports form roughly 30-50% of total sales of major domestic laminates companies.

MDF: India's MDF monthly net import volume run rate was down sharply by 35.9% YoY to 9,583 CBM in Nov'24. This we believe is on account of the quick ramp up of new domestic capacities at a competitive rate. Despite weak imports and rising timber prices, local MDF players are not able to take price hikes due to supply-side pressures in the domestic market. Going ahead, we believe the recovery in MDF sector margin to normal level is likely to be 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 saw a steep increase (+76.0% YoY in Nov'24). The particleboard sector margin is likely to remain weak over the medium term on account of large capacity additions (by Merino, GRLM, CPBI) in H2FY25 and high timber prices.

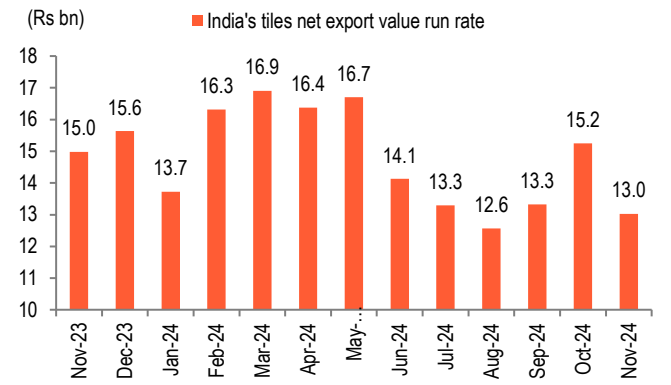


Fig 1 – India’s tiles export trend for the past decade



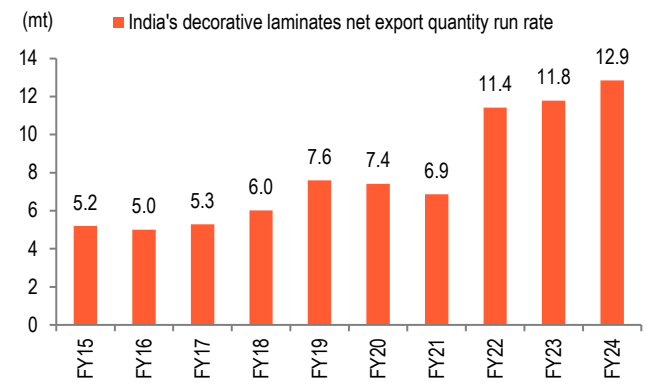
Source: Ministry of Commerce, BOBCAPS Research

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



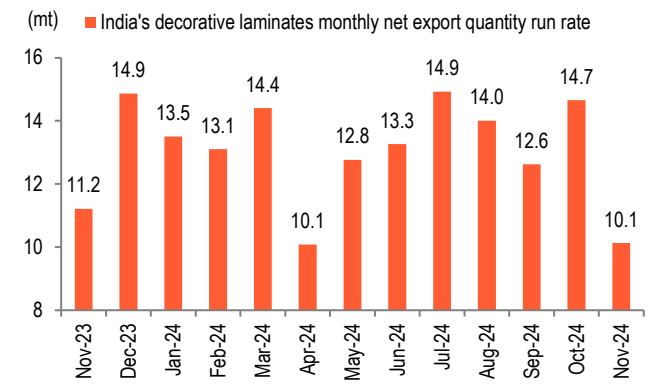
Source: Ministry of Commerce, BOBCAPS Research

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



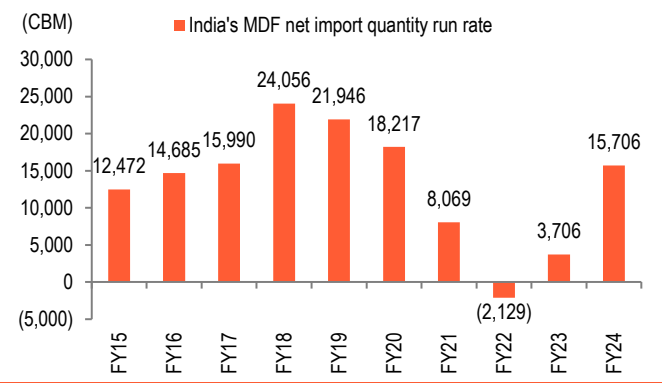
Source: Ministry of Commerce, BOBCAPS Research

Fig 4 – India’s laminate export trend for the past 12 month



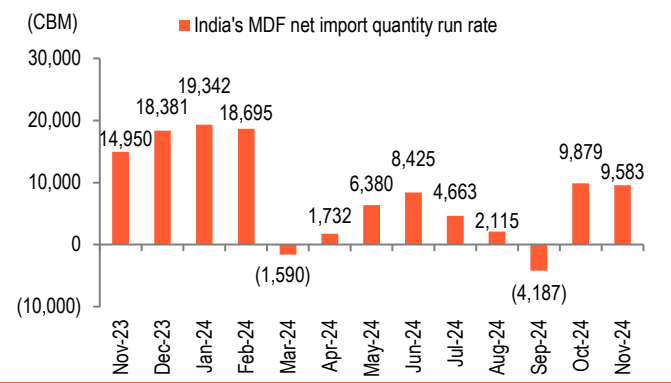
Source: Ministry of Commerce, BOBCAPS Research

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



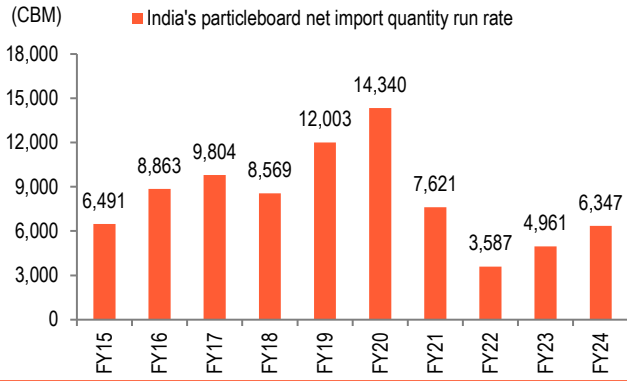
Source: Ministry of Commerce, BOBCAPS Research

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



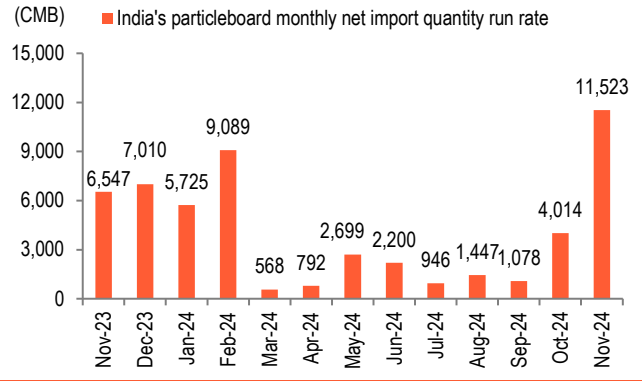
Source: Ministry of Commerce, BOBCAPS Research

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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