

 **BUILDING MATERIALS**

23 December 2024

**Positive trade flow data across building materials (except tiles)**

- Domestic tiles realisation to remain under pressure in the near future due to continued weak tiles exports (-14.4% YoY in Oct'24)
- Laminates net exports volume run rate up 12.6% YoY in Oct'24 due to reduction in ocean freight rate
- MDF imports remained weak in Oct'24 on YoY basis due to 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 Oct'24.

**Tiles:** India's monthly net exports value run rate was down 14.4% YoY to Rs 15.2bn in Oct'24. We believe the domestic tiles realisation is likely to remain under pressure till we see a sharp recovery in exports. 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.

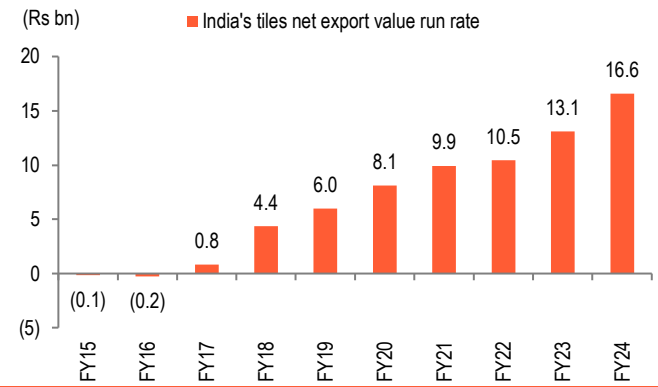
**Laminates:** India's laminates monthly net export volume run rate was up 12.6% YoY in Oct'24 due to the ramp-up of new capacities on account of the reduction in ocean freight rate. Note that exports form roughly 30-50% of total sales of major domestic laminates companies.

**MDF:** India's monthly net export volume run rate for MDF was down sharply by 38.8% YoY to 9,879 CBM in Oct'24. This we believe was 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 raise prices in Q3FY25 due to supply-side pressure 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 to ~80% in FY27E from 66% in Q2FY25.

**Particleboard:** India's monthly net import volume run rate for particleboard fell sharply for the eighth consecutive month (-33.8% YoY in Oct'24). However, the particleboard sector margin is likely to remain weak over the medium term due to weak pricing power on account of large capacity additions (by Merino, GRLM, CPBI) in H2FY25 and rising timber prices.

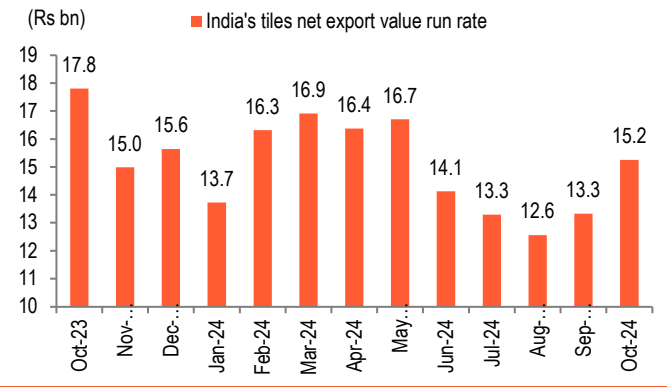


**Fig 1 – India’s tiles export trend for the past decade**



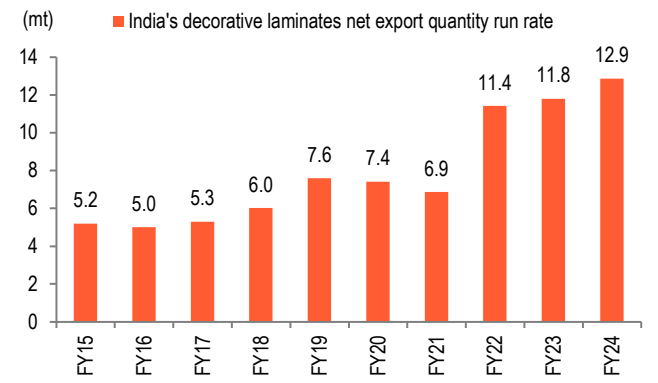
Source: Ministry of Commerce, BOBCAPS Research

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



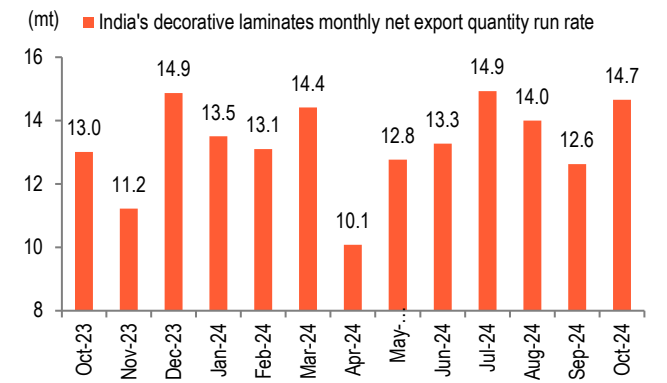
Source: Ministry of Commerce, BOBCAPS Research

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



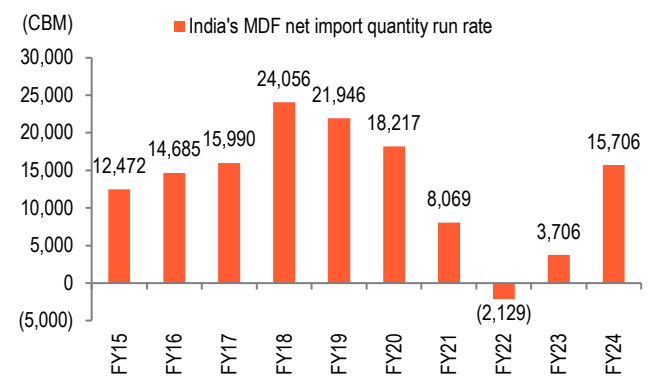
Source: Ministry of Commerce, BOBCAPS Research

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



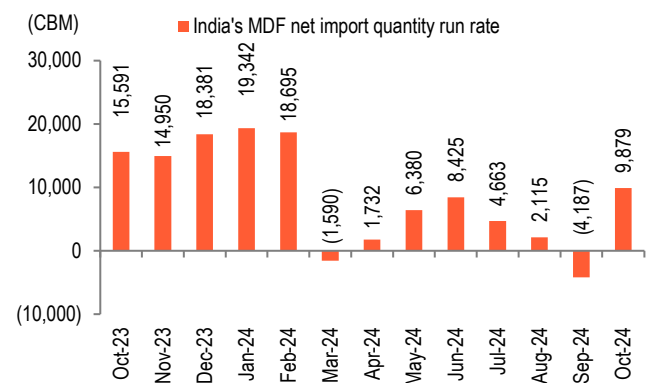
Source: Ministry of Commerce, BOBCAPS Research

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



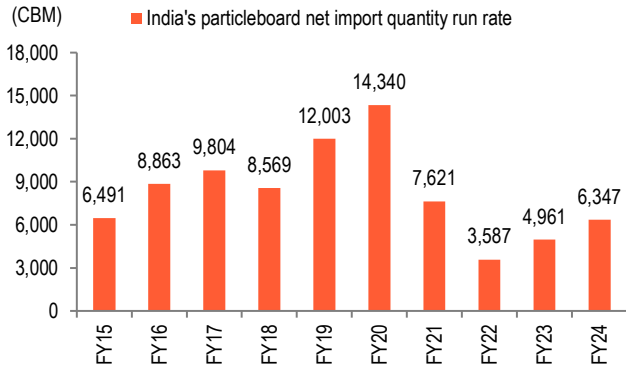
Source: Ministry of Commerce, BOBCAPS Research

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



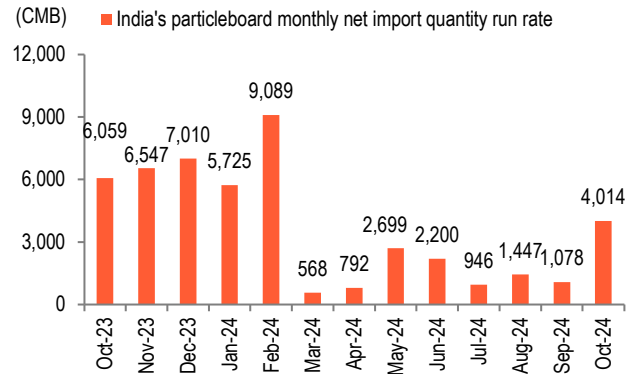
Source: Ministry of Commerce, BOBCAPS Research

**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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