

 **BUILDING MATERIALS**

26 September 2024

Mixed trade flow: Positive for laminates; Negative for tiles

- Domestic tiles realization to remain under pressure in Q2FY25 as tiles exports fell to a 13-month low level in Jul'24
- Despite steep decline in MDF imports, domestic MDF prices remained stable on QoQ basis in Q2FY25 due to local supply side issues
- Despite high ocean freight rate, laminate net export volume run rate up 17.1% YoY in Jul'24 on ramp up of newly commissioned capacities

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

Tiles: India's monthly net export value run rate fell to a 13-month low in Jul'24 (-31.8% YoY/ -5.9% MoM to Rs 13.3bn) due to high ocean freight rate. As a result, domestic tiles realization is likely to remain under pressure in Q2FY25. 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.

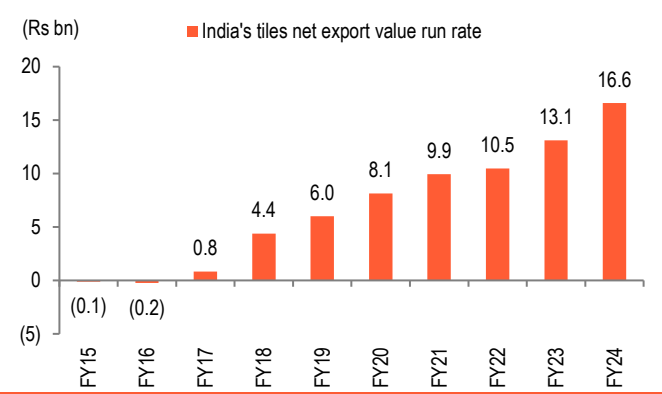
MDF: India's MDF monthly net import volume run rate was down sharply in Jul'24 (-77.2% YoY/ -44.7% MoM to 4,663 CBM) due to high ocean freight rate. However, our channel checks indicate that domestic MDF price has remained stable on QoQ basis in Q2FY25 due to local supply side issues. Furthermore, we believe the pace of MDF import may rise with normalization of ocean freight rate in near-future. 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 4-6 quarters, in our view.

Particleboard: India's particleboard monthly net import volume run rate fell sharply for the fifth consecutive month (-87.1% YoY in Jul'24) due to 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: Despite high ocean freight rate, India's laminate monthly volume net export run rate grew by 17.1% YoY in Jul'24. This we believe is due to ramp up of newly commissioned capacities (GRLM and CPBI in H2FY24). Note that exports form roughly 30-50% share of total sales of major domestic laminates companies.

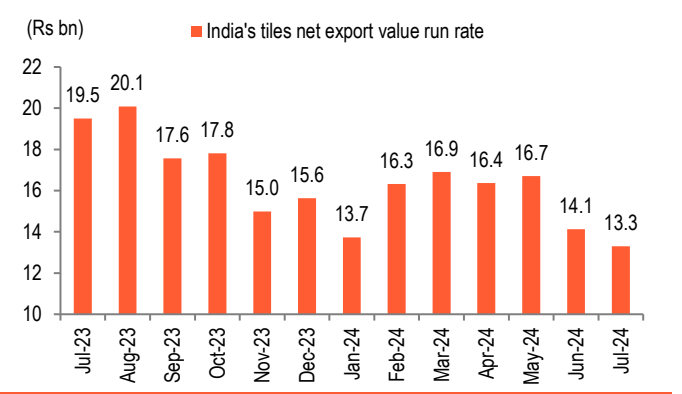


Fig 1 – India’s tiles export trend for the past decade



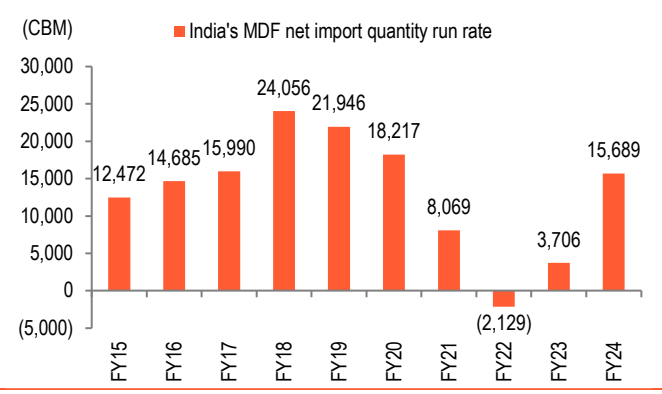
Source: Ministry of Commerce, BOBCAPS Research

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



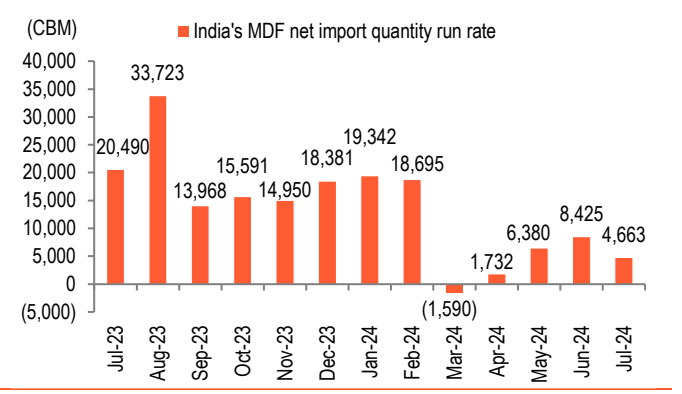
Source: Ministry of Commerce, BOBCAPS Research

Fig 3 – India’s MDF import trend for the past decade



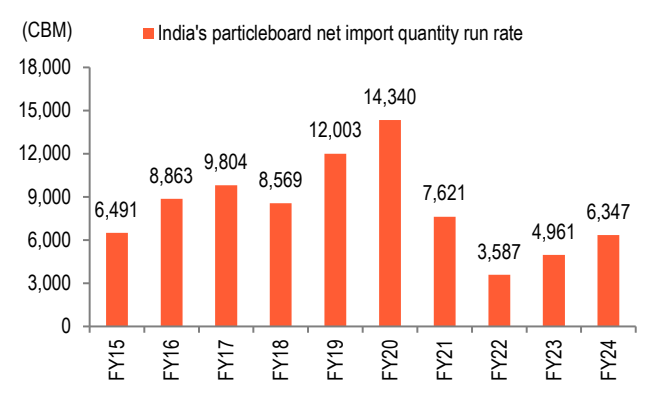
Source: Ministry of Commerce, BOBCAPS Research

Fig 4 – India’s MDF import trend for the past 12 months



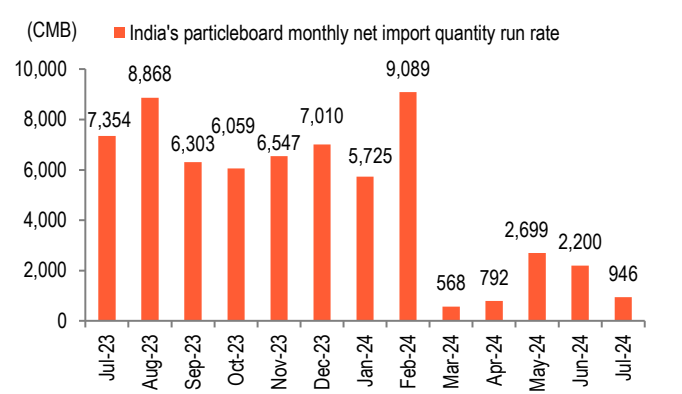
Source: Ministry of Commerce, BOBCAPS Research

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



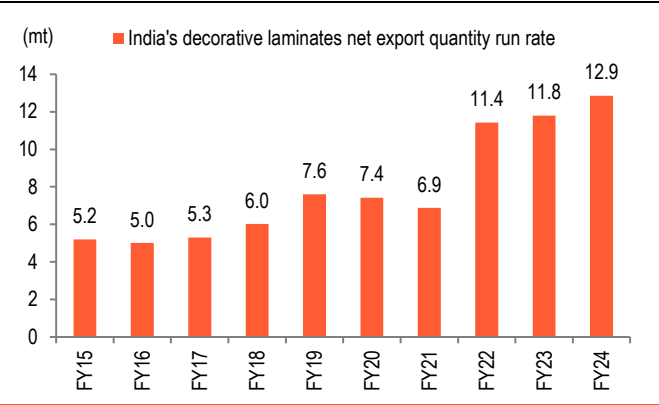
Source: Ministry of Commerce, BOBCAPS Research

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



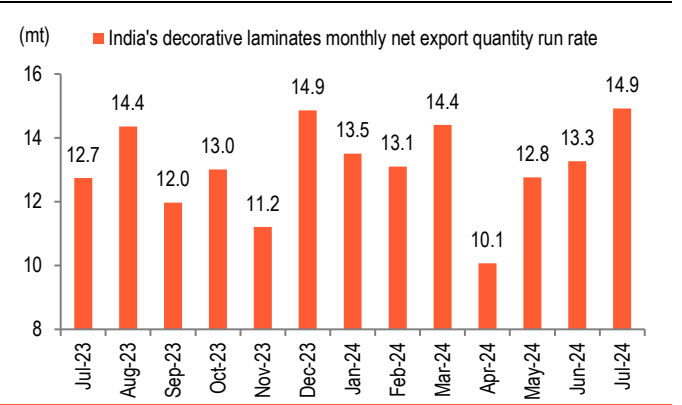
Source: Ministry of Commerce, BOBCAPS Research

Fig 7 – India’s laminates export trend for the past decade



Source: Ministry of Commerce, BOBCAPS Research

Fig 8 – India’s laminates export trend for the past 12 months



Source: Ministry of Commerce, BOBCAPS Research

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