

Asbestos-based Roofing Sheet Market

PBIT margins slide by ~700 bps during FY2022-FY2024 due to steep increase in asbestos fibre prices; estimated at 8-9% in the medium term

June 2024





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The profit before interest and tax (PBIT) margins of the asbestos-based roofing players dropped significantly by 700 bps in the last two years to around 7% in FY2024 due to the steep increase in raw material prices on account of the Russia-Ukraine conflict and supply chain challenges.



The asbestos fibre cement (FC) sheets market witnessed a healthy 5-year CAGR of ~8.5% to Rs. 5,200 crore during FY2020-FY2024 (E) and is driven by steady demand from the rural market. Asbestos roofing is predominantly used in rural India due to affordability, price competitiveness and durability compared with alternatives. The market share of the top five companies (in revenue terms) in the asbestos FC sheet segment is in the range of 80%-82%, implying an oligopoly market structure. The asbestos FC sheets industry is cyclical in nature with prospects linked to farm income levels (farm output and minimum selling price movement).



The total sales volumes of ICRA's sample set* has grown at a CAGR of 5.4% during FY2018-FY2024 (E) backed by steady demand. The asbestos FC sheet manufacturers are price-takers as it is a commodity where buyers are extremely price sensitive. Asbestos fibre prices increased at a CAGR of 9.6% during FY2018 – FY2024 (E) compared to the rise in realisations at a CAGR of 3.1% during the similar period, thereby impacting the companies' profitability.



Asbestos FC sheet players are exposed to high regulatory risk. India has banned the mining of asbestos. While import of chrysotile asbestos (also known as white asbestos) is permitted in India, many countries have banned all type of asbestos. Given the health hazards, any ban on the mining of asbestos across countries may expose the players to risk of non-availability of raw material and consequently impact companies' operations.



Though sales volumes increased in the last five years, intense competition and narrowing price spreads compared to substitutes limited the ability to fully pass on the increase in prices to customers, resulting in moderation in realisation and consequently a halving in PBIT margins (to 7% in FY2024 from 14% in FY2022). With expected steady volumetric growth and marginal improvement in realisations, the PBIT margins are expected to remain in a range of 8-9% in the medium term.

*ICRA's sample includes HIL Limited, Everest Industries Limited, Visaka Industries Limited, Ramco Industries Limited and Sahyadri Industries Limited; E - Estimated

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Asbestos fibre cement (FC) sheets - Market size

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Analysis of top five companies in asbestos FC segment

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Trend in prices of asbestos fibre

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Substitute products for asbestos-based roofing sheets

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Trends in revenues and PBIT margins of ICRA's sample



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