

GPIL/2023-2024

August 2, 2023

**The Manager**  
**BSE Limited**  
**Department of Corporate Services**  
Floor 25, P. J. Towers, Dalal Street  
Mumbai-400001  
**Scrip Code: 542857**

**The Manager**  
**National Stock Exchange of India Limited**  
Exchange Plaza, Bandra Kurla Complex  
Bandra (E),  
Mumbai - 400051  
**Symbol - GREENPANEL**

Dear Sir/Madam,

**Sub: Conference call transcript**

Please find enclosed Conference Call Transcript in respect of conference call for Investors and Analysts held on July 28, 2023, on the unaudited financial results of Greenpanel Industries Limited for the quarter ended June 30, 2023.

The same is also being made available on the website of the Company at [www.greenpanel.com/investor-conference-call-transcript/](http://www.greenpanel.com/investor-conference-call-transcript/).

Thanking You

Yours faithfully  
For **GREENPANEL INDUSTRIES LIMITED**

(Lawkush Prasad)  
Company Secretary & VP – Legal  
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Encl: As above

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## Greenpanel Industries Limited

### Q1 FY24 Earnings Conference Call Transcript

July 28, 2023

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**Moderator:** Ladies and gentlemen, good day and welcome to Greenpanel Industries Limited Q1FY24 Earnings Conference Call.

As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rishab Barar from CDR India. Thank you, and over to you.

**Rishab Barar:** Good day everyone and thank you for joining us on the Greenpanel Industries Limited's Q1 FY24 Conference Call. We have with us today Mr. Shobhan Mittal – Managing Director and Mr. V. Venkatramani – CFO.

Before we begin, I would like to state that some statements made in today's discussion may be forward looking in nature and may involve risks and uncertainties. A detailed statement in this regard is available in the results presentation that was sent to you earlier.

I would now like to invite Mr. Shobhan Mittal to begin the proceedings of the call. Thank you and over to you, sir.

**Shobhan Mittal:** Thank you, Rishab. Good morning, everyone and thank you for joining us to discuss Greenpanel's operating and financial performance for Q1 FY24.

MDF gross margins improved by 368 basis points over the sequential quarter. Sales volumes were lower during the quarter due to the maintenance shutdown of Rudrapur plant for 19 days during April. We have taken corrective measures to increase volumes in future quarters. MDF's EBITDA margins at 20.4% were impacted by maintenance shutdown of Rudrapur plant for 19 days, higher brand spends at Rs. 14.9 crores which equates to 3.9% of sales, increase in wood and core veneer prices.

We suffered a volume loss of approximately 6000 cubic meters due to the maintenance shutdown at Rudrapur MDF plant in April. Due to this, there was a volume degrowth as compared to the year-on-year and sequential quarters. The reasons for the fall in profits at PBT level as compared to the year-on-year quarter may be attributed to:

a) Increase in brand spend by ~Rs. 8.8 crores



- b) Loss of production and sales volume due to maintenance shutdown at Rudrapur plant which led to volume loss of 6000 cubic meters and profit impact of Rs. 6 crores.
- c) One-time repair cost at Rudrapur plant ~Rs. 7 crores and
- d) steep fall in export realizations and increase in raw material costs.

Plywood volumes were lower both sequentially and year-on-year and operating margins at 5.9% were impacted by lower volumes and increase in wood costs.

Post-tax profits for the quarter were lower by 52% at Rs. 37.26 crores as compared to Rs. 77.6 crores in Quarter 1 FY23.

Net working capital at 27 days has shown an increase of 11 days due to an increase in wood inventories in preparation for the monsoon season.

Net-debt stood at negative Rs.165 crores as of 30th June 2023.

We paid Rs. 16 crores towards the MDF expansion project during Quarter 1, aggregating to Rs. 66 crores as on date.

Mr. Venkatramani will now run you through the financials in greater detail post which we will have the Q&A session. Thank you.

**V. Venkatramani:**

Good afternoon, everyone. I thank you for joining us to discuss the Q1 FY24 financial performance of Greenpanel Industries.

Net sales during quarter one was Rs. 385.16 crores compared to Rs. 462.75 crores during the year-on-year period. MDF sales fell by 13% at Rs. 340.17 crores and contributed 88% of the top line.

MDF export volume stood at 27,430 cubic meters. Domestic volumes were 88,368 cubic meters and overall MDF volumes were 1,15,798 cubic meter.

MDF domestic revenues were Rs. 290.95 crores, while exports contributed Rs. 49.22 crores.

Domestic realizations were lower by 1.26% at 32,925 per cubic meter, while export realizations were lower by 25.05% at Rs. 17,945 per cubic meter. Blended MDF realizations were lower by 6.28% at Rs. 29,376 per cubic meter.

Uttarakhand MDF operated at 69% and Andhra plant operated at 76% with blended capacity utilization at 74% on capacity of 6,60,000 cubic meters.

Plywood sales had a degrowth of 37% at Rs. 44.99 crores. Plywood sales volume were lower by 37.1% at 1.58 million square meters and the unit operated at 58% during the quarter. Plywood sales realization were up by 1.1% at Rs. 285 per square meter.

In Q1 the gross margins at 58.1% increased by 368 bps sequentially and fell by 343 bps year-on-year.

EBITDA margins were down by 1126 basis points at 18.7% due to the reasons mentioned by Mr. Mittal earlier in the call.



EBITDA stood at Rs. 72.16 crores. PAT was lower by 52% at Rs. 37.26 crores.

Gross debt-to-equity ratio stands at 0.13 as on 30th June 2023 compared to 0.20 as on 30th June 2022.

Net debt as on 30th June 2023 stood at negative Rs.165 crores.

That concludes my presentation. Please open the floor for the Q&A session. Thank you.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. We have our first question from the line of Harsh Shah from Dalal & Broacha.

**Harsh Shah:** Couple of questions from my side firstly, any color on the gross margin expansion that we have seen sequentially and related to that how do we look at the gross margin in the coming quarters, considering the fact that the timber prices are on a rise?

**V. Venkatramani:** Gross margins should be at this level provided the mix of domestic and exports remains the same. And we could see a fall if there is an increase in the export volume. So, two reasons, as I said gross margins are more or less likely to remain at this level of 58.1% for the company as a whole and 59.6% for the MDF segment provided there's no major change in the domestic-export ratio.

**Harsh Shah:** And any sort of EBITDA margin guidance you would like to give for the MDF segment for the whole year?

**V. Venkatramani:** We have already given guidance of 23% to 25% for the MDF division and at this moment we are fairly confident of achieving that guidance.

**Harsh Shah:** And just ask one question, how is the demand shaping of MDF in the domestic market?

**V. Venkatramani:** Shobhan Ji can you take that?

**Shobhan Mittal:** Of course, there is some pressure on the demand side. Well, on the demand side the market is growing as per the historical industry norms. Of course, there is an added pressure of additional supplies that have come in and import prices have fallen, which has resulted in additional imports coming in, but we don't foresee this to be very long-lasting and we are quite confident of achieving at this point of time the growth numbers that we had initially projected and the margins that we had initially projected.

**Moderator:** We have our next question from the line of Praveen Sahay from Prabhudas Lilladher.

**Praveen Sahay:** So, I have a few questions. First related to your maintenance, shut down, is it just one-off or regular yearly maintenance shutdown that happened in the Company?

**Shobhan Mittal:** No, this is a one-off because basically this was a long-term wear and tear part of the press that had to be changed, which was planned for a long time. This has changed for the first time since the plant has been operational for almost 14 years, so this was a one-off and it's not a regular occurrence.

**Praveen Sahay:** Secondly, on the inventory days as in the press release & PPT you had mentioned because to maintain the timber before the monsoon so is it because of the timber prices or the availability of a timber is one of the challenges, this is the reason why you had increased your inventory?

**Shobhan Mittal:** It's a mix of both. Timber availability has been a little muted over the past couple of months and keeping in mind the approaching monsoons, which generally tends to be a low harvest season for the timber, is the reason why the company has chosen to build up inventories. But this happens on a yearly basis, we pre-plan the lack of availability during monsoons and increase our raw material inventories accordingly.

**Praveen Sahay:** So, is there any increase in the timber prices in the last quarter or the current quarter?

**Shobhan Mittal:** Yes, as Mr. Venkat in his comments has mentioned that there has been a price increase in the timber prices across all segments.

**Praveen Sahay:** Any number if you can give like how much it has increased?

**Shobhan Mittal:** Venkat do you have that?

**V. Venkatramani:** As compared to the Quarter 4 timber prices were higher by about 2% at Uttarakhand and 3% at Andhra plant.

**Praveen Sahay:** And that price are maintaining right now or it's on the higher side?

**V. Venkataramani:** Rudrapur logs prices are stable but again in the 1<sup>st</sup> Quarter Andhra prices are risen by I think excess of about 10%.

**Praveen Sahay:** One clarification on the promotion expenses, there also you had mentioned there is a good improvement happened. So, in the past I had seen that the quarterly run rate of a Rs. 5 crores to 6-odd crores, but now it's around Rs. 15-odd crores, is it one-off something there you had or wanted to carry on like this run rate?

**V. Venkataramani:** I would not say it's one-off because we will be doing branding activities regularly, but definitely yes compared to our yearly target of brand expenditure between 2% to 2.5% of revenue, in this quarter the spend was about 4% of revenue.

**Shobhan Mittal:** And that is primarily on account of the IPL sponsorship and the TV campaign that we engaged in. However, this cost will of course aggregate over four quarters, whereas the TV campaign will generally be twice a year. So, the cost gets divided over the four quarters eventually.

**Praveen Sahay:** And the last questions are related to the realization on the domestic side, there are lot of capacities that are planned for this year. So, how you are looking at this domestic realization to shape up in the year?

**Shobhan Mittal:** I would say we are confident of maintaining our margins. The company is targeting certain segments where realizations would be lower but would then in turn get compensated by the additional volumes that we would generate. There will be certain segments where realization would come under pressure. However, the majority of the sales in the retail segment where the company is currently engaged in over there, we do not see a major challenge of realization at this point of time.

- Moderator:** We have our next question from the line of Keshav Lahoti from HDFC Securities.
- Keshav Lahoti:** Sir, as we have seen in Q1 the demand has been muted and new capacities are also coming up. So, would you like to revise your target of volume growth downwards what you were expecting earlier?
- Shobhan Mittal:** At this point of time as we mentioned and Mr. Venkat has said that we are confident of achieving the initial guidance that we have mentioned, both on account of volume growth as well as the margins so we would like to maintain that for the time being.
- Keshav Lahoti:** As we heard that the export prices will increase from Q2. So, should we expect the mix to change more towards exporting in Quarter 2 onwards?
- V. Venkataramani:** We would possibly be targeting a greater volume from the domestic segment.
- Keshav Lahoti:** What sort of timber inventory do you have right now?
- V. Venkataramani:** Timber inventory across both the plants put together approximately 90,000 tons.
- Keshav Lahoti:** That would meet your production target?
- Shobhan Mittal:** No, that would be roughly for about 15 to 20 days of production.
- V. Venkataramani:** It would be higher for Uttarakhand plant, so that would probably be around one month, and Andhra would be about 3 weeks.
- Keshav Lahoti:** One last question from my side. As we are seeing new capacities coming up and the imports are also picking up, should we expect the realization to correct at this point of time?
- Shobhan Mittal:** The pressure of pricing on account of imports is on the OEMs and the large consumer segments who are direct importers. On the retail side at this point in time, we are not seeing any substantial pressure on account of realizations, so they have been maintained. Yes, on the OEM side there have been pressure on realizations and also the same is applicable to the export market as well because overall international pricing has come down, which is reflected in the realization.
- Moderator:** We have our next question from the line of Richa Agarwal from Equitymaster.
- Richa Agarwal:** Sir, my question is again on realizations. In the domestic mix, the share of value-added products have gone up recently and yet there is some kind of a compression on realization so I just wanted to understand that what kind of improvement do you expect in realizations with the target of 65% kind of a value-added product mix and second is what kind of margin difference if you could give us some kind of range between value-added and non-value-added products?
- V. Venkataramani:** Like we mentioned we will be targeting better volumes from the domestic markets and also targeting segments which traditionally have contributed a lower realization. So, there could be changes in the realization in the succeeding quarters. But what we are targeting is in spite of also having volume with lower realizations, we would be able to achieve margin guidance with higher operational leverage. Regarding the mix of value-added products,

it has gone up in this quarter. So, if we look at both Q1 and Q4 of last year, Q1, I think in volume terms the mix of value-added products was 49% and in Q4 it was 51% whereas the mix of value-added products is 54% in this quarter. So, we will be targeting growth in the mix of value-added products over the current year and the next financial year so that we can achieve the target of 65% for value-added products over the medium term.

**Richa Agarwal:** There was a note on some kind of tax rate shifting. So, could you give us a sense of what kind of effective tax rate do you expect in the coming year?

**V. Venkatramani:** We expect the effective tax rate of 25% for the current year.

**Richa Agarwal:** What is the funding mix for this 6 billion CAPEX and how much of it has already been incurred?

**V. Venkatramani:** We have spent approximately Rs. 67 crores to date and we have not taken any borrowings for this. All the payments have been made from internal accruals. Overall, for this Rs. 600 crores CAPEX, we are targeting borrowing of around Rs. 260 crores and the balance from internal accruals.

**Moderator:** We have our next question from the line of Nikhil Agrawal from VT Capital.

**Nikhil Agrawal:** Just wanted a clarification regarding the timber prices in the Andhra plant, you did not give the number during the current quarter what has the increased been?

**V. Venkataramani:** For Q1 as compared to Q4 last year, prices at the North plant have gone up by 2% and the South plant by 3%. And during the current month, Rudrapur has seen a slight reduction, whereas Andhra the price change has been over 10%.

**Nikhil Agrawal:** 10% increase, right?

**V. Venkataramani:** Yes.

**Nikhil Agrawal:** And sir any price hikes are you planning to take because of this increase in the timber cost?

**V. Venkataramani:** No, we are not seeing any price hike currently. We are targeting to make up this cost increase with lower resin prices and with additional volumes in the domestic markets.

**Nikhil Agrawal:** Any guidance on the plywood segment like your margins have improved quarter-on-quarter so anything on that for the year?

**V. Venkatramani:** We should be looking at the guidance that we have given during the Q4 con-call, double digit volume growth and 8% to 10% operating margin.

**Nikhil Agrawal:** And just one last question. You are maintaining your margin guidance in the MDF segment for about 23% to 25% and again this quarter we saw margin reduction quarter-on-quarter and a bit because of the increase brand spends as well as due to the plant shutdown. So, can we say that the margins have bottomed out in the MDF segment?

**V. Venkatramani:** Yes, definitely.

**Moderator:** We have our next question from the line of Jignesh Kamani from GMO.





**Jignesh Kamani:** I just want to know how is the price movement for the chemical for us and if you include both timber and the chemical together, how is the raw material cost movement in the first quarter?

**V. Venkatramani:** We had seen a marginal reduction in Q1 as compared to Q4 of last year. But I think during the current month we are seeing greater fall so probably as compared to Q1, we'll have resin prices lower by 10% in this quarter.

**Jignesh Kamani:** So, is it fair to assume that whatever the increase in the timber price is more than offset by the chemical price and net-net and the raw material cost market level we are at neutral.

**V. Venkatramani:** Probably yes, because timber increase has happened primarily at Andhra, not in the North plant. So, and this resin price fall has happened across both the locations. So, net-net, we should be able to manage the cost.

**Moderator:** We have our next question from the line of Falguni Dutta from Jet Age Securities.

**Falguni Dutta:** Sir. I just have one question. What is the share of OEM volumes in domestic volumes for us?

**V. Venkatramani:** Particularly for this quarter, I'll come back to you on that but during the last financial year, for Q4, I think the OEM mix was between 10% to 12%. I'll check for the current quarter and come back to you.

**Falguni Dutta:** 10% to 12% of the domestic volumes or 10% to 12% of total volumes?

**V. Venkatramani:** Domestic volumes.

**Moderator:** We have our next question from the line of Achal Lohade from JM Financial.

**Achal Lohade:** What I wanted to just a clarification on the previous participants question. You said 10% to 12% of the domestic volume is OEM. Is that only the direct OEM you're talking about or the sales through the distributor to the OEM?

**V. Venkatramani:** No direct OEM sales from the Company because as far as the dealer sales are concerned, we don't have the data for that.

**Achal Lohade:** But is it fair to say that retail buying would be relatively small even now. Of course, it would have gone up over the last 3-4 years, but otherwise it would be still product picked up by the fabricators or the furniture makers.

**V. Venkatramani:** Yes, as far as consumption is concerned, it would primarily be the furniture fabricators as compared to a pure residential play.

**Achal Lohade:** And just one more clarification with respect to the I think Shobhan you talked about direct importers where there is a price reduction. So, can you elaborate a bit in terms of how you segregate this into various buckets in terms of the parties who are importing or thick or thin MDF boards or plain or value-added or pre-lam boards?

**Shobhan Mittal:** So, there's very clear information available as to who the primary importers are. Our target, of course, are two segments of importers, one who are importing and retailing in the in the local markets that they are based in and two which are the basically the OEMs who are large enough to import



themselves and consume. So, there are two segments of imports. The majority of this is in the thick MDF segment. Of course, from a point of competition we do not target selling to people who are retailing or who are trading the material, but people who are importing and consuming are now being targeted as possible customers because that segment will not disturb our existing retail segment where the prices would be higher because they are going to be processing the material and selling it further and not directly trading into the retail market.

**Achal Lohade:** And I presume this is what you are saying when you are talking about domestic volume growth, you're targeting to improve and which will be coming at a lower price. Have I understood right?

**Shobhan Mittal:** Yes.

**Achal Lohade:** Could you elaborate what would be the price difference and the margin difference here?

**Shobhan Mittal:** Depending on the location of the market, whether it's North India or West India, it could be anywhere between 5% to 10%.

**Achal Lohade:** Commensurate there will be some cost savings as well with respect to distribution related cost is that fair?

**Shobhan Mittal:** Actually, we had launched a different category of product which is priced at about 7% to 8% lower than our standard industrial grade product, but on that particular product, we are also managing to have savings to that tune by way of density reduction because timber cost is higher, resin costs are corrected. So, we are able to maintain the properties of the product by reducing the timber quantity and increasing the resin content and hence net-net we are saving, which we are passing it on to this segment which is helping us compete at still decent margins with the imports.

**Achal Lohade:** And just to clarify, you are saying 23% to 25% margin for MDF segment for the full year. Have I understood right?

**Shobhan Mittal:** Yes.

**Achal Lohade:** And in terms of the volume growth 12% to 15%?

**Shobhan Mittal:** That's right.

**Moderator:** We have our next question from the line of Rajesh Ravi from HDFC Securities.

**Rajesh Ravi:** My first question pertains to the volume growth 12% to 15%. Could you suggest this could be more back ended or even September quarter, we are looking at a positive number in terms of volume growth?

**Shobhan Mittal:** So, I think this would be gradual over the three quarters. We are not going to see, you know, a very substantial growth in the next quarter, but it would average out over the next three quarters and the end result because, you know, we have just taken traction in this OEM segment, which is import dominated and because most of these consumers, because imports have a longer lead time, hence, they already have inventories and planned orders for the next one to two months. Hence, taking traction in this segment will take that much time. So, I would say that we start seeing the effect of this towards the end of quarter

two and the subsequent quarters. So, this would get evened out over the next three quarters in a gradually increasing manner.

**Rajesh Ravi:** And then two follow-up questions on the same. So, you know, the second half number would primarily mean that you would be growing more than 20% sort of on a year-on-year basis. The second question is on the OEM and retail sales. So, what is the backup you are looking at for FY25 once this OEM penetration stabilizes? So, whenever FY24, FY25, I believe you are saying that you just started to accelerate on the OEM side. So, you know, you have been more retail focused so far.

**Shobhan Mittal:** Yes. So, we are confident that this segment could contribute up to 8,000 to 10,000 cubic meters of sales on a monthly basis.

**Rajesh Ravi:** 8,000 to 10,000. This is a sustainable number you are looking at. Around 8 to 10 or 12 sort of a number you are looking at on a full-year basis, right?

**Shobhan Mittal:** Yes. Correct. This is of course as a company our objective is always to sell to the most lucrative segment where the price realizations are higher, right. Depending on the company's capacity we mark out segments which are the most lucrative. Of course, at this point of time, that is a retail segment. As and when capacities are getting limited or the demand in a certain segment starts picking up, then we reallocate our selling capacities to those more lucrative segments, but at this point of time, given the situation that the new plant is coming up, I think we are quite confident that we will continue to cater to this segment and gradually, we will reach that number of 8,000 to 10,000 cubic meters per month from this segment.

**Rajesh Ravi:** So, that would be around close to 15%, 20% of the total volumes you are targeting from the OEMs. Okay. And the second question is in terms of margins for the OEM. How would it be different compared to your retail margins?

**Shobhan Mittal:** So, as I just said earlier depending on the location and depending on the market, I think pricing in this segment is about 5% to 10% lower. However, we are catering to this segment with a lower cost product at our end which we have recently launched as well, which recovers some of that benefit that we pass on to the OEMs. At the same time, there is also a good value mix within these OEMs, because some of them, for example, are consuming the higher-grade products, which is a club grade product, which is a value-added product for us which contributes to higher margins as well.

**V. Venkatramani:** Before we take the next question, in response to an earlier question, I would like to inform you that the mix of OEM was 12% of the domestic volumes in this quarter.

**Moderator:** We have a follow up question from the line of Praveen Sahay from Prabhudas Lilladher.

**Praveen Sahay:** So, is there any impact on the rain or the flood in the North India to your timber procurement or in any of the plant?

**V. Venkatramani:** No, I had not heard about any major impact of floods on raw material procurement, but yes, there was some disturbance in, I think, in July due to people going out to pour water into the Ganges. Hence there was disturbance

in transportation of finished goods during the current month, but we did not have faced any major impact of the floods.

**Praveen Sahay:** Second question, sir, related to the logistic expenses. They also increased to around 5%, 5.5% of the sales. So, if these numbers to maintain for an entire year because they are also previously, it was in the range of around 4%, 4.5%, 4.6% of the sales, so why if it has increased or is this continue for rest of the year?

**V. Venkatramani:** As we had mentioned earlier during the call, the Uttarakhand plant was shut for about 19 days during April, and we tried to make up some of the losses from the south plant. So places like Delhi, UP were catered to from the South Zone, which resulted in a substantial increase in freight costs. So, now that things are back to normal, I think we should be seeing lower freight costs in subsiding quarters.

**Moderator:** We have our next question from the line of Utkarsh Somaiya, an individual investor.

**Utkarsh Somaiya:** I just wanted to confirm the guidance. You said you will do a 15% volume growth in MDF and around 10% to 12% growth in plywood, right?

**V. Venkatramani:** No, we had said 10% growth in plywood and 12% to 15% growth in MDF.

**Utkarsh Somaiya:** So, also assuming last year's revenue was Rs. 1700 to 1780 crores, so this growth guidance turns out to be Rs. 2,000 crores, 2,030 crores. So, does that sound like a fair number?

**V. Venkatramani:** I would not like to comment on the value figure right now because like we mentioned earlier in the call that we will also be catering to OEMs with lower value product. So, it's difficult to give an exact number, but yes, I think we should be somewhere around Rs. 1900 to 1950 crores.

**Utkarsh Somaiya:** So, by that we have done Rs. 380 crores this quarter. So, we would have to maintain a run rate of Rs. 550 crores per quarter for the next three quarters to meet that approximately Rs. 2,000 crores number and we have never done Rs. 550 crores above historically. So, does that seem to be plausible?

**V. Venkatramani:** Like I mentioned that the maintenance shutdown at the Uttarakhand plant also had an impact on the dispatches for the quarter. So, yes, we are targeting that revenue guidance we had given in Q4.

**Utkarsh Somaiya:** So, the next three quarters will be record quarters for the company in terms of revenue.

**V. Venkatramani:** It may not be every quarter may not be equally similar.

**Utkarsh Somaiya:** Sir, in that case, we will have to do more than Rs. 600 crores.

**V. Venkatramani:** But we could see a significant improvement in the figures starting from the second quarter.

**Utkarsh Somaiya:** And one more question regarding the market scenario. From whatever we are hearing from other competitors and distributors, there has been pressure in

pricing in the market which is not expected to improve anytime soon. So, do you still stick by your comment that things have bottomed out?

**V. Venkatramani:** Yes. As we mentioned earlier in the call if we did not feel that things have bottomed out, we would not have maintained the revenue and the margin guidance.

**Utkarsh Somaiya:** Sir, I get that, but when things are going very good 12 months back, there was no indication from you that this would happen, and our profits have halved since a year. So, that's why I am just trying to understand is this a conservative guidance you are giving? Is it more optimistic?

**V. Venkatramani:** It's neither optimistic, nor conservative. I think what we are giving is the guidance which we feel is appropriate at this point of time.

**Moderator:** We have our next question from the line of Karan Bhatelia from Asian Market Securities.

**Karan Bhatelia:** We did mention on the sequential cost escalation in timber in North and South. So, also can you give us a percentage cost escalation on a Y-o-Y basis?

**V. Venkatramani:** Sure. So, if you look at Q1 FY23, North plant was around 4.9% and South plant was around 3.06% and in the current quarter, North plant was 5.68% and South plant was 3.98%.

**Karan Bhatelia:** And sir, how do you see exports shipping for the current year? Because we will be also launching these. So, we have also launched a new brand for OEMs which will be 7% to 10% cheaper. So, correct to assume exports will kind of come down slightly compared to the earlier estimates?

**Shobhan Mittal:** Yes, you can assume that because we are curtailing because of the pricing pressure in the foreign markets. We are curtailing export volumes. You know, we are letting go of orders which are not suitable to us in terms of profitability and cost, but at the same time reallocating that capacity to sort of let's say higher realizing OEM sales in the domestic market.

**Karan Bhatelia:** So, that that will be a better proposition compared to export you feel?

**Shobhan Mittal:** Absolutely. Also, in the export market at this point of time, this lower-density product is not being offered because that is at this point of time not at par with the other products available in the market.

**Karan Bhatelia:** I have one more question. Sir, we will be launching the thin MDF from the AP plant next year. So, how different is the realizations in margin compared to the thick MDF as of now?

**Shobhan Mittal:** I won't say the realizations are very different. They would be similar realization per cubic meter would be higher, but also the cost to produce per cubic meter would be higher. What that would allow us to do is to tap into a large segment of the market that we are currently not catering to from the south plant because thin MDF contributes almost 35% to 40% of the total MDF consumption.

**Moderator:** We have a follow up next question from the line of Nikhil Agrawal from VT Capital.



**Nikhil Agrawal:** Sir, just a clarification on the resin prices in Q1 which had fallen down by 10%?

**V. Venkatramani:** No, in Q1 the fall was about 2% to 3%, but I said in the current month we have seen a fall of about 10% as compared to Q1.

**Nikhil Agrawal:** And Q1, it was 2% to 3% quarter-on-quarter, right?

**V. Venkatramani:** Yes, Q1 as compared to Q4.

**Nikhil Agrawal:** And so, what would be the domestic export mix in the current quarter? I think I missed out.

**V. Venkatramani:** In Quarter 1, it was 76% domestic and 24% exports.

**Nikhil Agrawal:** And the OEM mix in FY23 sales?

**V. Venkatramani:** In FY23 it was 12.6%.

**Moderator:** We have our question from the line of Kushagra Bhattar from Old Bridge Capital.

**Kushagra Bhattar:** One question just to understand the industrial grade and the OEM things which you are highlighting. At this point of time, if you can give some color of how industrial grade prices have trended in the first quarter and also how different is the cost of industrial grade for CBM versus exports which you have mentioned in the past at around 17,500 per CBM? And when the OEM sales pick up, what percentage of OEM sales would be industrial grade for you?

**V. Venkatramani:** I'll just add one thing. So, in quarter one, the mix of industrial was 46% of the domestic volumes and value-added products was 54% of the domestic volumes.

**Shobhan Mittal:** So, coming to your question, the cost of the export material as opposed to the industrial grade material is not very different. The difference is, of course, at realizations in the export market is lower than that of the domestic trade. The commercial grade that we have launched is like I mentioned earlier about 7% to 8% lower in terms of pricing, but that is also compensated by a lower production cost due to the lower density of the product itself.

**Kushagra Bhattar:** What percentage of OEM sales you are planning would be just industrial trade versus value added, which is 46-54 at this point of time for domestic, but for OEMs there would be 80-20, 90-10, 70-30, just trying to get more sense?

**Shobhan Mittal:** Yes, I would say OEM segment would be very, a much higher share of the industrial of the commercial grade or the lower density product, I would say to the tune of almost 75% to 80%.

**Moderator:** We have a follow up next question from the line of Utkarsh Somaiya, an individual investor.

**Utkarsh Somaiya:** Sir, what is the operating cash flow for this quarter?

**V. Venkatramani:** It was Rs. 63 crores before working capital changes and we invested about Rs. 52 crores in working capital during the quarter.

**Utkarsh Somaiya:** And correct me if I am wrong, last quarter I think last quarter the same was Rs. 95 crores, right?

**V. Venkatramani:** No, last quarter was about Rs. 53 crores.

**Utkarsh Somaiya:** What is the sustainable number we should go with quarterly operating cash flow?

**V. Venkatramani:** I think we should be targeting approximately Rs. 70 to 75 crores.

**Utkarsh Somaiya:** And sir, your new CAPEX of Rs.600 crores, how much revenue that can generate incrementally?

**V. Venkatramani:** So, initially when we start the plant, it would probably have an asset turn of 1:1 and then as the mix of value-added products improves, we should be targeting somewhere between 1.3 to 1.4, asset turn of 1.3 to 1.4.

**Utkarsh Somaiya:** So, with the entire capacity, what will be a peak revenue?

**V. Venkatramani:** Somewhere around Rs.800 to 850 crores.

**Utkarsh Somaiya:** No, peak revenue isn't including your current 660,000 cubic meters.

**V. Venkatramani:** That's very difficult because it would also depend upon the mix of domestic and exports.

**Utkarsh Somaiya:** Just a ballpark, nothing specific, like a range.

**V. Venkatramani:** So, about 3,000 crores for the MDF segment.

**Utkarsh Somaiya:** And plywood remains the same, right?

**V. Venkatramani:** Yes, plywood, that would probably be around 270 crores to 280 crores.

**Utkarsh Somaiya:** And your EBITDA margins right now which you are guiding for 23%, 24%, so post expansion, do you expect any operating leverage to kick in plus value addition to go up and hence margins to increase?

**V. Venkatramani:** That would happen only when optimum capacity utilization is achieved and we have a normal mix of domestic and exports, but yes, when we start the capacity next year, we will have a truncated year and also capacity utilization will not be anywhere close to optimum. So, yes, that will have a significant impact on the operating margin.

**Utkarsh Somaiya:** So, can we assume over long periods, 25% will be a steady state margin? I mean, some quarters it can be up, some it can be down, but 25 is a fair?

**V. Venkatramani:** Yes, steady state should be around 25%, 26%.

**Utkarsh Somaiya:** And sir, one more question. You once mentioned that you may want to enter some new product line other than MDF which you said it's too early to disclose. So, anything on that?

**V. Venkatramani:** No, nothing currently.

**Utkarsh Somaiya:** But are there talks going on within the management and within the board to explore anything other than MDF?

**V. Venkatramani:** Yes, we are always exploring opportunities both within MDF and new products. So that's not closed at any point of time, but we are nowhere close to making a final decision at this point of time.

**Utkarsh Somaiya:** But FY27 and FY26, I guess, you will have probably 500 crores of cash flow per year, which is a big number. So, that's why I was asking.

**V. Venkatramani:** No, that's also significantly far from where we are today. So, I think yes, we will definitely be looking at expansions over the next two to three years.

**Moderator:** We have our next question from the line of Sanjeev Goswami from Fractal Capital Investments LLP.

**Sanjeev Goswami:** I understand that your maintenance shutdown at the Rudrapur plant for 19 days and we also mentioned that there was loss of sales volume of 6,000 tons because of that, but if I look at your production number, that seems to be higher than your sales num, almost 6,000 tons. So, how do you explain that because how are you planning to ensure that sales does not move down but you are still producing more than the sales.

**V. Venkatramani:** Yes, I will explain that. So, we had about 5,000 cubic meters stuck at port because of the delay in arrival of the ship.

**Sanjeev Goswami:** And sir, can you also give some scenario in terms of what's really happening with the imports? If I look at the imports volume for last three months at least it flattened at around 45,000, but the import realizations have still gone down slightly over the last three months. So, where do you see the imports currently happening?

**Shobhan Mittal:** Imports, yes, they are sort of stable at this price and at this quantity at this point of time. We don't foresee this increasing dramatically. I think these are already at a peak. You know, supplies to India are highly dependent on international pricing of their other lucrative markets, but I don't foresee that import quantities would substantially rise beyond what we are seeing at this point of time. In fact, with the corrective measures that the domestic industry is taking in for example, as I mentioned, we are now targeting certain OEMs who are depending on imports by way of new product offerings, of course, at competitive prices, we could see a reduction from this point on post the material that is already in pipeline and the orders that are in pipeline have been exhausted.

**Sanjeev Goswami:** So, the second question is actually on the sales guidance that you have given. If I look at the next nine months, you will have to grow at almost 18.5% to achieve the target of 12% full-year volume guidance that you have for MDF. How much of it is driven by the invested growth and how much is given by the fact that we are getting into new initiatives like OEMs or increase the market share? How much will you attribute to the industry part of it, sir?

**Shobhan Mittal:** It's hard to pin a number to it at this point of time. I think, as I mentioned going forward, we should look at an 8,000 to 10,000 cubic meter additional sale



coming from the OEM segment and then the balance would be from the regular industry.

**Sanjeev Goswami:** And how big is the OEM segment right now for industry growth?

**Shobhan Mittal:** When you say how big means in terms of consumption?

**Sanjeev Goswami:** Yes, in terms of consumption.

**Shobhan Mittal:** Again, a very difficult number to say, but because there are hundreds of OEMs, some of them doing 100 cubic meters a month, the largest ones' going up to 2,000, 2,500 cubic meters a month. So, given the entire universe, we are targeting a very small number from this segment.

**Sanjeev Goswami:** So, your business projections are more driven by the OEM discussions that you are having rather than what share of market that you want to take.

**Shobhan Mittal:** It's a mix of both. You know, we are expecting to ride on the industry growth as well as get additional sales from the OEM segment.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to the management for closing comments. Over to you.

**Shobhan Mittal:** Thank you everyone for joining this call. We look forward to speaking to you over the next quarters and if anyone has further queries, please feel free to reach out to us. Thank you.

**Moderator:** Thank you. On behalf of Greenpanel Industries Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.