

GPIL/2025-2026

August 04, 2025

BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai – 400001

Scrip Code: 542857

National Stock Exchange of India Limited
Exchange Plaza, 5th Floor,
Plot no. C/1, G Block
Bandra – Kurla Complex , Bandra (E),
Mumbai – 400051

Symbol: GREENPANEL

Dear Sir,

Sub: Transcripts of conference call held on August 1, 2025

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the conference call of the investors and analysts held on Friday, August 1, 2025, at 12:00 Noon on the unaudited financial results of Greenpanel Industries Limited for the quarter ended June 30, 2025.

Please take the above on records.

Thanking you,

Yours Faithfully,

For **Greenpanel Industries Limited**

Company Secretary & VP - Legal

ACS : 18675

Encl. As above



Greenpanel Industries Limited

Q1 & FY '26 Earnings Conference Call Transcript

August 01, 2025

Rishab Barar: Good day everyone and thank you for joining us on Greenpanel Industries Limited's Q1 FY '26 Earnings Call.

We have with us today Mr. Shobhan Mittal – the Managing Director; Mr. V. Venkatramani – President (Finance); and Mr. Himanshu Jindal – 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 result presentation that was sent to you earlier.

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

Shobhan Mittal: Thank you Rishab. Good afternoon ladies and gentlemen, and welcome to our Quarter 1 FY '26 Earnings Call.

While sequentially our domestic MDF volumes grew by ~2% versus Quarter 4 FY '25, there was a degrowth of ~8.5% versus Quarter 1 of last year, largely due to the discontinuation of 37,000 cubic meters of commercial-grade MDF sales post-implementation of BIS QCOs. Excluding this, domestic sales grew by 47% on a like-for-like basis.

On the domestic front, though demand continues to be robust, growing at a lower-to-mid double-digit CAGR, the recent bunching up of capacity additions led to price and credit aggression by peers to quickly gain relative market share, impacting volume growth.

The excessive build-up of inventories at the channel, both domestic and imported, before implementation of BIS, which are yet to be fully liquidated, is also another reason for a less-than-expected volume growth in Quarter 1.

On the exports front, our volumes were almost flat sequentially but de-grew by 40% year-on-year. Obviously, exports has been more of an opportunistic play for us, and we have been taking conscious calls based on possible volumes versus margin play. The recent geo-political situation, especially in the Middle East, also disrupted movements, impacting volume growth.

Plywood sales are yet to stabilize, although we have already taken steps to improve synergies with our existing MDF business, both on markets as well as on costs. This will take a bit more time, but we are confident of a revival over the next few quarters.



Our domestic realizations, both for MDF and also plywood, remain flat year-on-year, while the MDF export realizations improved by ~7%. As a consequence, our MDF revenue degrew by ~12% versus last year, and our plywood revenues were lower by 3% as well, consolidated revenues from both segments being Rs. 323 crore in Quarter 1.

On the operations front, we were able to stabilize the new thin panel plant at Andhra Pradesh - this, though, came with the initial hiccups and cost inefficiencies impacting margins and should get normalized from Quarter 2 onwards.

Timber prices are on course correction already and were lower by 7% sequentially, leading to an improvement of ~2.5% on gross margins, consolidated gross margins being 47% for Quarter 1.

Consolidated operating EBITDA excluding the impact of currency movement on the euro borrowing for the new plant was Rs. 13 crores or 4% of revenues. MDF at 4.4% and plywood at 0.6%.

On the industry front, the tailwinds for the sector are becoming more and more visible now with each passing month. Some very clear green shoots which should play out over the short to medium term being:

1. further expected reduction in timber prices,
2. no further meaningful capacity additions in the sector,
3. slowing down of MDF imports, run rate for Quarter 1 already being 1,000 cubic meters to 1,500 cubic meters versus recent historical highs of 15000-20000 cubic meters per month and
4. Play of BIS norms and stricter implementation of these covering the smaller domestic players from September onwards, apart from the QCO on furniture expected next year.

Moving ahead to facilitate sales, apart from some of the more visible actions we took recently, example, the change of sales lead and convergence of ply in MDF sales team to complement product offerings to the channel, we simultaneously continue on our quest to strengthen our branding presence and channel connect.

In Quarter 1, we rewarded our 150+ top-performing channel partners at Bali, Indonesia, reinforced our ambitions to scale up via our annual sales conference, re-strengthened our in-shop branding across 2,000+ dealers and sub-dealers, ran HDWR campaigns both physically and also digitally, launched thin MDF & HDWR doors and also revamped a loyalty program app for a more seamless experience for our partners and the associated carpenter fraternity. This should help improve our connect and salience of our products going forward.

To summarize, while Quarter 1 was fraught with a few exceptions, some clearly beyond our control, example, FX movements, and while there are still challenges, especially on pricing for now, our renewed focus will be to recoup lost volumes and regain market share going forward over the next 9 months. Our aim is to counter pricing pressure through expected reduction in both raw material and other variable costs, as well as fixed cost optimizations and operating leverage by increasing volumes.

With this, I request our CFO – Himanshu Jindal, for financial and other updates. Over to you, Himanshu.

Himanshu Jindal: Thank you, Shobhan Ji. Good afternoon, all. Since we have already covered revenues along with the underlying details on volumes and realizations, let me briefly give you more details on the exceptions impacting Quarter 1 and along with the balance sheet aspects for the quarter.

On the exceptions which impacted Quarter 1 results,

the first one was the impact of adverse currency movement, the Euro/INR, the FOREX loss on Euro borrowings, which is the ECB, being Rs. 27.6 crores, and on CAPEX, there is another Rs. 2 crore. Almost Rs. 26.5 crore of this is unrealized, which is nominal mark-to-market, non-cash.

The second piece was initial stabilization of the new thin panel plant, which Shobhan Ji already talked about, which is what led to a higher consumption, largely on power and fuel. This impacted margins by another ~3% versus the last fiscal.

Apart from these, there was also the first-time capitalization of the new plant, which was absent last year, obviously, which is what resulted in a higher interest and depreciation expenses of Rs. ~10 crore. Counting these in, the reported EBITDA was negative Rs. 12.4 crores, the PBT was negative Rs. 47.4 crores, and the PAT was negative Rs. 34.6 crores.

On the balance sheet front, our working capital requirements did increase mildly, as expected, given the new MDF plant coming into operation March end last fiscal. The core cash conversion cycle expanded by 11 days to 47 in Quarter 1.

Our gross debt at June end was Rs. 386 crore, bulk of which is for the new plant at AP, which is almost at par with the March figures despite repayment of the scheduled tranches in Quarter 1 due to the unrealized FX loss on the Euro-denominated borrowings. Counting the cash and bank balance on hand, the net debt was Rs. 233 crore. And there was zero utilization of our funded working capital facilities, implying a comfortable leverage and liquidity position and thus financial strength for the company.

On that positive note, we can open the Q&A, please.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Keshav Lahoti from HDFC Securities. Please go ahead.

Keshav Lahoti: Hi, thank you for the opportunity. Sir, as you know, possibly Q1 should have not been how possibly we might have expected earlier. Will there be any curtailment and guidance on the volume and on the margin side, what you have guided earlier?

Shobhan Mittal: We are not changing anything on the guidance side in terms of volume or margins at this point of time. As mentioned earlier as well, there is pricing pressure in the market, but we are going to counter that with cost savings, both on the variable and fixed side, as well as operating leverage. And as of now, we want to maintain our guidance for the volume as well as our margins.

Keshav Lahoti: So, this implies that you need to sort of achieve big growth on the later 9 months. So, that means, you will be more possibly aggressive on the pricing side. And what sort of price cut you have taken in last few months?

Shobhan Mittal: There have been schemes already in place from July. And as a company, we are very comfortable with our balance sheet at this point of time. Now the focus of the company is strongly going to be on recouping the market share that we have lost and on the growth side.

So, yes, pricing pressure will be there. We will work strongly to negate that with optimization of cost and leveraging our volumes. And that is our expectation at this point of time.

Keshav Lahoti: What sort of schemes you have given in July? And secondly, possibly as the new plant has come up for you, normally payers give higher discount in the market. So, will Greenpanel follow a similar practice?

Shobhan Mittal: Sorry, can you repeat the last part of your question? I didn't catch it.

Keshav Lahoti: As I was saying, right now your new plant has come up. So, the capacity utilization is low. Normally, what happens, players practice giving higher discount than other players in the market to gain market share. Your commentary is more aggressive on the growth side. Will Greenpanel follow a similar strategy?

Shobhan Mittal: We are monitoring market and geographies very closely. The new plant is also catering to a certain segment of the market where pricing is slightly different than the retail market because thin panel is going into a different segment of consumption. So, we are responding accordingly how each segment and each geography is playing out and accordingly tailoring our schemes to that.

So, there will be a dynamic approach, there won't be a sort of blanket kind of scheme. There will be a dynamic approach to how we address schemes in different product segments and different markets looking at the competition.

Keshav Lahoti: Do you have any quote, any number? What is the average fee you have given a discount in July month? What would be average?

Shobhan Mittal: In July, I think on an average basis, I would say it could be somewhere around about 3-odd percent.

Keshav Lahoti: Ok. What is happening on the earlier you used to sell commercial grade MDF, which we have stopped now. So, same growth is coming on that side. So, how you are handling that part? Possibly that dealer, you are not able to possibly regain that dealer and possibly convert that to more quality MDF, better get it from thin panel and then...

Shobhan Mittal: No, so, what we have noticed is that we have been able to convert a lot of that volume into a standard industrial grade because commercial grade was basically competing with industrial grade or the cheaper industrial grade from unorganized segment. So, we have been able to convert those volumes into our industrial grade sales. And not entirely, but the majority of it has already been done so.

Moderator: The next question is from the line of Ritesh Shah from Investec. Please go ahead.

Ritesh Shah: I will just pick up from the prior question. Sir, if one had to understand the market sizing, what historically we have indicated is around 2.4, 2.6 million CBM at the country level. What part of this would be commercial grade? The reason to ask this question is, it is a sizable knock-on volume that we are taking when you indicate around 37,000 foregone. Just trying to understand the market landscape and I will just take a pause over there.

- Shobhan Mittal:** I would say the commercial grade was an offering on our part. It falls in the industrial category only. It was an offering on Greenpanel's part to be able to compete with the imported segment and the unorganized segment.
- There is no commercial-grade segment per se. It was, let's say, a more competitively priced product with some cost savings in terms of density and glue consumption to be able to compete with imports. But this category falls in the industrial segment. And in today's market, I would say the industrial category would still account for about 60% to 70% of the total market size.
- V. Venkatramani:** To just add to what Shobhan Ji said, there was a lot of inventory lying with the channel partners from imports which happened before the implementation of BIS and also from unorganized companies, the smaller MSMEs to which BIS implementation will be effective from August.
- I would say that we are not able to convert our entire commercial grid to the industrial category. So, possibly the balance conversion will happen during Quarter 2.
- Ritesh Shah:** Thank you, Venkat sir. Thank you, Shobhan Ji. But I just have a follow-up question over here. I understand the price point of math. Basically, we want to be competitive, but it honestly perplexes me when we say that it is because of BIS, the volumes have fallen. Like, how should one read into it? Is it about price point or is it about quality? Because the production should go, price point was always correct. Or is it like the market is undercutting us significantly, specifically for the unorganized space? That is where our volumes are actually taking a knock.
- Shobhan Mittal:** I am not saying that because of BIS volumes have fallen. We had a certain segment of voluminous sales coming to us from the commercial grade, in anticipation of BIS and for complying with BIS because I had to be fully compliant with BIS from February onwards. We removed that segment offering from our portfolio, which was helping us compete with the imported as well as the unorganized segment, both in terms of quality and in terms of price competitiveness.
- As Mr. Venkat is saying, now that we see that imports getting more and more diminished and the volume is disappearing from the market, even the inventory is disappearing from the market, it provides us with an opportunity to now go with our industrial segment and convert that even further. So, because that category of material is becoming lesser available in the market, imports have gone out of the picture.
- Ritesh Shah:** What we are saying is we had certain non-BIS portfolio which was there. Would you draw a parallel for the other industrial player, other peers at the listed companies in the space? Like, will they have a similar problem to what we had or is it something which is specific to Greenpanel?
- Shobhan Mittal:** No, the commercial grade offering was specific to us.
- V. Venkatramani:** I will take that further. Since the commercial grade was primarily going into the OEM segment and a large number of OEMs are based out of South India, it was not really applicable to players operating in North India specifically. So, North players would not have been impacted by that because most of the OEMs are operating out of South India.
- Ritesh Shah:** Correct. And, sir, Shobhan Ji, you just touched upon this. You indicated that we will move from commercial to non-commercial. So, is the market ready for that? Is there

appetite for that? And if you could highlight, what is the differential? Is it like Rs. 8,000?

Shobhan Mittal: So, the non-commercial is industrial. And of course, the largest segment of the market is industrial. Industrial is the standard in the market.

Ritesh Shah: So, what is the market is ready to absorb?

Shobhan Mittal: Well, yes, absolutely because...

Himanshu Jindal: Ritesh, you know, I will just add to what Shobhan Ji and Venkat Ji just mentioned. I think please try and understand this as a product offering that we had to compete against unorganized play or imports, yes. That category was not applicable for the others in the industry. Why? Because obviously a lot of entrants came in very recently, in the last two - three years, in the organized space. So, we were there in the market with this product to be able to compete against a particular section of suppliers.

Now that the BIS has already kicked in, this product offering has already been shut down voluntarily upfront by Greenpanel. And now we are converting everyone into industrial. This is exactly what is happening. So, there is enough market for industrial where people are buying. Obviously, this is a low value, low margin product. But the bulk of the market is this.

V. Venkatramani: Just to add to that, what Himanshuji is trying to explain is that the commercial category will disappear from the market over a period of time because it is a non-BIS compliant product. Imports, like Shobhan Ji mentioned, have already come down significantly, I would say, approximately by about 90% what we witnessed during Quarter 1 and the current month.

And since BIS is applicable for MSME players also from August, assuming that implementation happens from that date, they will also not be able to produce the commercial grade. So, over a period of time, the entire market for commercial grade will be converted into industrial grade.

Moderator: The next question is from the line of Praveen Sahay from PL Capital. Please go ahead.

Praveen Sahay: Just continuation of the last participant question. What is the realization difference between the BIS-compliant versus the non-compliant, you know, the MDF?

Shobhan Mittal: The general difference of the industrial and commercial-grade product was anywhere between 6% to 8%.

Praveen Sahay: And the next question related to the pricing, as you had said, that timber price correction is there and there are some price challenges. Last quarter, you had given for a month 5% of scheme. Now again, in July, 3% of scheme. So, the way forward or the rest of the quarters in a year, what kind of a price correction you are building in? Because you had given a volume and a margin guidance already. So, what is your take on that?

Shobhan Mittal: I think a lot of the schemes are also dependent on how the raw material price corrections are going on for all the producers, and people are reacting to the market pressure accordingly. So, I would say, to give a very farsighted sort of information on what the schemes will be, it is very hard to say.

That is why even as a company, we are also releasing very short-term schemes to counter the month-on-month pressures. And if this month is going to be, for example, hypothetically, 5%, it is hard for me to say that will it continue to be 5% next month or will it go down to 3% or will it go up to 6%.

So, it is not possible for me to factor that in right now and tell you that this is what's going to happen because a lot of players are in the picture right now. Competitors' activity, raw material prices, market conditions. It is not easy for us to predict that.

Praveen Sahay: Anything on the industry capacity, sir? How much is the addition this year or next year is expected?

V. Venkatramani: We are not expecting any major capacity addition in the MDF segment during FY '26 and '27. There might be a couple of additions in the unorganized segment, but we are not expecting any major capacity additions in the organized segment.

Moderator: The next question is from the line of Udit Gajiwala from YES Securities. Please go ahead.

Udit Gajiwala: Good afternoon, team. Just to reiterate one part that you mentioned that you are sticking to the welcome guidance, which was 5,50,000 CBM. So, that just translates your ask rate in the North of 35%-40% for nine months. So, can you just explain how is that possible for you to achieve? And what will be the base impact of this commercial grade which you have discontinued for the balance 9 months?

Shobhan Mittal: Sorry, what was the second part of the question? What will be the...

Udit Gajiwala: For the last 9 months of FY '25, what was the contribution of this commercial grade? Q1 you had mentioned is 36,900. What was it for the balance 9 months?

V. Venkatramani: Yes, it was 43,000 for Q2 and Q3. And as you know, there was zero commercial grade in Quarter 4. So, we had approximately 80,000 cubic meter of commercial grade sales last year. 37,000 happened in Quarter 1 and the balance 43,000 over Quarter 2 and Quarter 3.

Udit Gajiwala: Yes, sir, precisely. If that will continue to be in the base for these coming two quarters, how are we confident of achieving that 5,50,000 CBM mark for this year?

Shobhan Mittal: What we mentioned earlier, we are now focusing very strongly on the market share expansion. And as I mentioned earlier, I think cost is working in our favor. And as a company, our focus is now on the market share. We are not chasing margins.

I am not confident that there will be any price increases in the market, but we are confident of cost savings, both on the variable and the fixed side, that will enable us to be able to compete even with the unorganized segment to a large extent because we have a lot of operating leverage available to us by way of increasing volume. So, we are going to play on that. As of now, our target is to stick to our guidance and achieve that number. And there will, of course, be a bit of aggressive play both on the pricing side, cost-cutting side, and taking market share from what we have lost.

Himanshu Jindal: Yes. Maybe if I can add to what Shobhan Ji said, I think what we need to appreciate as Greenpanel, we have the biggest capacity. Yes, today with Line 3 coming up. Operating at less than 50% capacity utilization don't make sense. Yes, we have been disciplined all this while playing by whatever the market norms were.

Today, the ask is very simple. We need to deliver volumes. Yes, I think that's the number one priority. To be able to do so, whatever it takes in terms of whatever it takes as schemes or discounts going out to the market, to supplement that will be met out from the savings that we are expecting, both from the variable and the fixed cost optimization that we are undergoing right now, and also from the operating leverage that is going to play out with the volumes coming in.

I think that is what we are chasing. We have got a very strong balance sheet today with untouched working capital lines and a lot of cash reserves available already. I think that is the whole thing which should drive guidance and achievement of results.

See, Quarter 1 is a very short period. I think just on the basis of one quarter where there were multiple things happening apart from the line free stabilization, etc. There is still about nine months. The only request that I have is at this point in time, let's discount Quarter 1 and let's work on what is remaining for the balance year. Yes, 9 months are going to be critical. And we will see every quarter, every month how things go.

Udit Gajiwala:

Precisely, sir. I completely buy that point. The only challenge is the 9-month ask rate. So, are you all factoring your internal targets, excluding the commercial grade, and that is what you are working and stating that it can be a 40% growth? There is just some disconnect on achieving those numbers or maybe we may see how 9 months pan out for sure. But there is still that disconnect that the ask rate is too high for 9 months, given that you still have 43,000 each quarter.

Himanshu Jindal:

Completely with you, but please do appreciate there is something already like Venkat Ji said. 36, 37 out of the 80 is already in the base on Quarter 1. So, half of it is in Quarter 1. The balance is spreading out into Quarter 2 and Quarter 3, largely in Quarter 2. Yes. So, thereafter, Quarter 3, Quarter 4 are largely quarters where there is no base impact coming into play.

So, let's hold on to it right now. Let's see how Quarter 2 goes by. A lot cannot be said on the call in terms of how we are going to work. Yes, but there are things very clearly on our minds, along with Shobhan Ji. He is already chairing a lot of meetings with our sales and operations also. I am sure things are going to happen. Just wait for it.

Quarter 1, like my peers explained, was also brought with this BIS, people moving away, post the BIS implementation. They still had stocks which are getting liquidated in the market as we speak. It's come down, but it's not completely disappeared. Let August happen. Let the MSMEs also get covered by the BIS regulations. We will see how things progress.

Moderator:

The next question is from the line of Akash Shah from UTI Mutual Funds. Please go ahead.

Akash Shah:

Just wanted to ask, if you can quantify the cost saving, that would be great. If quantification is not possible, then at least directionally, can you please share what is being done? And how the fixed and variable costs will be coming down in future, in the coming quarter?

Himanshu Jindal:

We start with timber, first of all. Timber, the prices are already cooling off as you already know. So, there is some impact which has already come into picture in Quarter 1 consumption. We know our purchase rates. They are coming down as well. So, there is still some 2%, 3% at least on gross margins, which can improve via the timber cost saving.

The other piece is, like I shared with you, Quarter 1, we had this new line coming up, which was going through stabilizations. I had to run this line more as a compulsion to ensure that everything that I need to produce on this line, at the best economics, gets done, right?

So, there were multiple, let me say, restarts, shutdown of these other two lines, plus a continuation of Line 3 had economics, which are not going to be the economics going forward. So, there is automatically 2%, 3% of additional contribution, which is going to be available the moment I run my lines consistently.

So, all in all, my margins should automatically improve. There is a lot of work which is being done as I speak, which is privy to us. We will demonstrate and then things automatically you can see.

Now, coming to the fixed cost, see, I have invested for 100%. My capacity utilizations are 50% today. Correct?

Akash Shah: Yes.

Himanshu Jindal: So, from 50% to 100%, I have two options possible. Either I cut down all my costs and bring it down to 50%. Yes, number one strategy. The other is I focus on volumes. Right? Do everything that I need to do to be able to recoup volume share losses. Right? Regain market share, given the capacity that I have, and simultaneously work on these other things that I told you, which is work on working capital, the variable cost, etc., etc., and optimize my fixed cost. Things which I can defer, I will defer, which are luxuries at the moment. Things which are discretionary are things that I am going to cut down very clearly. This is something which is already happening.

On the other fixed costs, things which I don't think are necessary, I will take a call maybe in Quarter 2, Quarter 3, anytime, right? So, we are gradually progressing. I don't have a very definitive answer right now. But yes, on margins, I think, with volumes coming in, the operating leverage is going to play out, and that should also solve some part of my problem.

Does that answer your question?

Akash Shah: Sure. This certainly helps. Thanks a lot. And just one more follow-up question is, if a company focuses on improving the volume growth, and certainly if there is a sort of aggressive focus on volumes and there is certainly competition in the market, so there is certainly a possibility that we have to try and give a bit higher discounts or schemes to the channel to try and push volumes. So, don't you think because of this realization will come down a bit and as a result, there will be some impact on margins as well?

Himanshu Jindal: See, I said we have buffers to play with on the cost front, correct? I am saying again, and something that Shobhan Ji reiterated, we will see as how, it could depend on the markets, it could depend on the product, etc., etc., how the schemes are going to be structured out.

More importantly, please do appreciate there is premiumization also happening, right? This will eventually play out, which would help me arrest the decline in my realizations. The costs are not going to increase so much. They are going to come down. And realizations, maybe they will dip a little. But I will try and manage the entire equation in a way that we are able to come back with stronger margins over a period of time.

Akash Shah: Just last one. So, what are the changes in the sales team that we are doing? I know that we have converged the ply and MDF business sales team and also we have recently changed the sales head, but apart from that, any key other changes that you would like to call out on sales front?

Shobhan Mittal: Basically you are asking if we can predict how much would be the sales price reduction? Is that what you said?

Akash Shah: No, sir. I am not asking that. I am just asking any key change that we have made on sales team front? Or let's say sales strategy front.

Shobhan Mittal: On the sales team front, it is a constant endeavor to improve the sales team, reworking, etc. We do have a new sales head in place who has joined us about 4 months ago.

A few of the zonal heads have also been put in place and they have been added as well. We have divided some of the zones for better focus. So, I mean, on a top level, those are the changes that we have done. But apart from that, there is no major restructuring, I would say.

Moderator: The next question is from the line of Utkarsh Nopany from BOB Capital. Please go ahead.

Utkarsh Nopany: I just need a few data points. So, if you can help me. Over the call, you mentioned that we are offering average scheme of 3% to our dealers for July month. What it would be on an average for the June quarter?

Shobhan Mittal: In the June quarter, for a month, we had a scheme going on on industrial grade. And what I said about July was that an average payout across the schemes that we ran would have been about 3%.

Utkarsh Nopany: And we are offering the scheme for both the unit for the North and the South unit for July month.

Shobhan Mittal: No, so it varies from products and geographies. For example, in certain markets, it could be on value-added products. In certain markets, which are more concentrated on the industrial product, we will only offer schemes on that. In certain markets, it is on both.

Utkarsh Nopany: And second question is on the subsidy side. So, we have stopped recognizing the subsidy benefit from this June quarter onward. If you can help me how much subsidy amount we have accounted for in Q1 of FY '25 and in FY '25?

Himanshu Jindal: There is nothing which has been accounted for in these two years, Utkarsh. See, more importantly, I think that this note has been going out for quite a while. There is something like Rs. 116 crore of subsidies that we are supposed to receive for the old line that we installed in AP, out of which we have accounted for 35. The balance is on hold. Till the time we get more clarity, we are hopeful that this money will come soon. But let's see.

Shobhan Mittal: But Himanshu, we stopped recognizing it a while back. It is not from June. I don't know if I misunderstood you.

Himanshu Jindal: Absolutely. Absolutely.

- Utkarsh Nopany:** And sir, another question is on the thin MDF plant. So, if you can just help me out at what rate we operated our thin MDF plant for July month, and how much you expect that the plant utilization to get ramped up by the coming March quarter? And what would be our sales volume and revenue for thin MDF plant in the June quarter?
- Himanshu Jindal:** I can share something for sure. And maybe Venkatji, please add whatever you wish to. See, I think the idea is to run this plant at least 30%-35% this year. In quarter one, we were running already at 33%, this capacity. Not everything got sold though. In July, let us wait for the full quarter to come into play. Maybe October, November, whenever we are having our next call, I will give you more data, more insights.
- Moderator:** Thank you. The next question is from the line of Shivkumar Prajapati from Ambit Investment Advisors. Please go ahead.
- Shivkumar Prajapati:** Thanks for having my question. I just want to understand the margin sensitivity in respect to the decline in timber prices. So, for example, if you say there is a decline of say 5% to 10% of price in the timber, then how much of margin expansion we can expect? Either it is 2%, 3% ... on an estimated basis?
- Himanshu Jindal:** See, with a rupee, I think it should be roughly around 2% to 3% on the margin.
- Shivkumar Prajapati:** For 5% of decline?
- V. Venkatramani:** So, like if there is a 10% decline in timber prices, what will be the gain in the operating margins?
- Shobhan Mittal:** A 10% decline in timber prices should contribute about, I would say about 4%.
- V. Venkatramani:** No, it will contribute 3%. It will contribute 3%, keeping the current realizations and raw material prices, it will contribute 3% at the margin level.
- Shivkumar Prajapati:** Understood, sir. And my next question is on the MDF import. Suppose this BIS implementation, you had already mentioned that 90% of the imports, I mean, the imports are down by 90%. So, sir, what about the BIS licenses? How many players did get the license? And how much time did it take to get a license? And the players who have already got the license, they belong to which country?
- Shobhan Mittal:** As far as my information now is, it is that two players have so far obtained licenses to continue to supply and be BIS compliant. But please do keep in mind that it is not as simple as just getting licenses. It is also them modifying their production quality to comply with BIS. Now, India is still, for these exporters out of Southeast Asia, India is still a small dumping ground. Every supplier is maybe sending 3,000 cubic meters-4,000 cubic meters individually. So, in order for them to produce specific BIS compliant material and increase cost, it is not that straightforward that they will just get a license and start supplying. It will also result in cost increases, given the domestic market pricing cost competitiveness will also come into question. So, with BIS compliance and with the current market conditions and pricing, that is prevailing in the Indian market, at the moment, I do not see imports to be a threat going forward.
- Shivkumar Prajapati:** That is helpful. Sir, another question is on this EPCG amount. Did we record any EPCG amount for the quarter?
- V. Venkatramani:** Yes, it was Rs. 5.1 crore for the quarter.
- Shivkumar Prajapati:** Okay, sir. So, that means our margins for MDF is below 3%, the EBITDA margin, if we exclude the EPCG amount?

V. Venkatramani: That is correct.

Moderator: Thank you. The next question is from the line of Rishikesh from Kotak Mutual Funds. Please go ahead.

Rishikesh: Hi, good afternoon. Can you help me with the CAPEX number for FY'26 likely, considering that new capacity is done? Any new CAPEX likely for us over the next 1 year or 2 years?

Shobhan Mittal: No new CAPEX is planned.

Rishikesh: And second is, if I look at it, obviously, last cycle, clearly, we probably peaked out at Rs. 300 crore plus operating cash flow. Now, incrementally, let's say, considering compared to last cycle, the capacity has definitely gone up. So, what will be our thought in terms of capital allocation? Because obviously, this cycle, potentially, even if, say, margins don't revert to the same level, but still, there's a reasonable amount of cash generation that will accrue for us, even, let's say, Rs. 250 crore - Rs. 200 crore cash flow. So, any thoughts in terms of probably long-term capital allocation on this?

Shobhan Mittal: I think, of course, the focus is first to service. We are driving strongly also to recover additional working capital investments that have happened. So, of course, the primary focus is to service the debt that we have. And as there are no capital expense requirements in the future, we will also have to service a little bit of the working capital requirement for sales growth as well. So, apart from that, at the end of the year, based on any surplus cash flow, we will be taking a call.

Rishikesh: Thank you.

Himanshu Jindal: And to add to that, what Shobhanji also mentioned in the previous concall, that we are interested in expanding our plywood capacity, but we will take that decision once we cross, 80% utilization on the existing capacity.

Rishikesh: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Yash Sonthalia from Edelweiss Public Alternatives. Please go ahead.

Yash Sonthalia: Hi. Thank you for the opportunity. Firstly, I want to understand on the sequential basis, excluding the cost and product mix of new plant. Can you help me with the product mix margin, how sequentially margin product mix and realization and utilization improve for the older plant, both North and South?

Shobhan Mittal: Himanshu, Venkatji, do you have that calculation by any chance? Venkatji, you might have it?

Himanshu Jindal: Not readily, but you know, just to tell you, I think ...

Shobhan Mittal: He wants the individual plant wise?

Yash Sonthalia: No, I am okay with the both plant combined, just wanted to understand excluding the impact of new plant and lower grade from that plant, how the business has improved sequentially with timber prices decreasing and premium mix increasing?

- V. Venkatramani:** Okay. I will take that question. So, if we look at the value addition part, split it into two parts, the older plants and the new plant, the entire production and sales at the new plant comprised of the industrial grade. There were no value-added products in the new plant. So, if we remove that and look at the value-added contribution from the older plants, it was 50% of the total domestic volumes, which is the same as we have achieved in Quarter 4 as well as the last financial year. And to look at the margin profile, yes, the new plant definitely disturbed the margins because it was operating at a low-capacity utilization. Since MDF is a continuous processing plant, certain overheads like power and fuel cost, are almost similar whether you are operating at 80% or 30%. So, that makes a big difference. And as we see the improvement happening in capacity utilization over the next couple of quarters, I think we will see a significant improvement in the economics of the new plant.
- Yash Sonthalia:** Clearly understood. Sir, what I wanted to understand is sequentially how older plant gross margin and operating margin improved because the product mix and timber prices both were in the favor, if you can quantify?
- V. Venkatramani:** See, I would say. We have seen already some improvement in the gross margin as compared to Quarter 4 because of the fall in timber prices. But we did not get the, I would say the full impact of that in the margins, primarily because of operating inefficiency in the new plant, because it was going through the stabilization phase in the first quarter. As we progress, I think we will see that happening from Quarter 2, Quarter 3 onwards, plant efficiency improving, producing products which are in demand in the market, because during the stabilization phase you are testing the quality of the entire range, right, from 1.5 millimeters to say 25 millimeters just to ensure that the plant is operating correctly. But now that phase is behind us, so we will be producing products for which there is a demand in the market. As the production scales up and that also brings in some operating efficiencies in raw material consumption, we will definitely see margins improving both for Plant-3 as well as the existing plants.
- Yash Sonthalia:** Okay, maybe I will take that offline. And second question, like mentioned in the presentation, the newer plant produced initially a lower grade MDF and we also provided some discounts to liquidate the inventory. So, when can we expect this to normalize and when can we expect the overall production to start for value added? Because imports are already on the lower side, so maybe we can grab the opportunity, if I am not wrong.
- V. Venkatramani:** See, regarding the products, like I mentioned, we will start seeing the improvements in Quarter 2. There might be a slight overhang of the trial production during Quarter 2, but it will definitely improve significantly from Quarter 3. And regarding the production of value-added products, Shobhanji, can you please take that question? When are we likely to start producing the value-added grade?
- Shobhan Mittal:** In line three?
- V. Venkatramani:** In line three, correct.
- Shobhan Mittal:** So, I think we still need this quarter to stabilize the line. I think the **European Engineers** are still, you know, they are meant to come back to settle the line. There needs to be some replacement of parts as well, which we are awaiting. So, I think towards the end of the Quarter 2 is when we will see stabilization of the line completely.
- V. Venkatramani:** So, probably we will start producing the value-added category from Quarter 3.
- Yash Sonthalia:** Understood.

Moderator: Thank you. The next question is from the line of Pathanjali Srinivasan from Sundaram Mutual Fund. Please go ahead.

Pathanjali Srinivasan: Sir, thank you for the opportunity. I have a couple of questions. One is, what is our expectation in terms of breakeven for the thin MDF lines? At what level of utilization will we be able to breakeven at?

Himanshu Jindal: 40% capacity utilization, you should be able to see money coming in.

V. Venkatramani: Normally, for MDF, the breakeven happens between 55% to 60%. But as we have mentioned in earlier calls, since the fixed expenses for line three are much lower than the older plants, we have just added some employees at the plant level, no addition in the sales or the corporate teams. So, the fixed cost will be much lower for the new plant. And hence, that is why Himanshuji mentioned a lower breakeven point for the new plant.

Pathanjali Srinivasan: Yes. Sir, but just following up on that, I think we mentioned that the full year, we are targeting around 35% utilization. So, would it be correct to understand that this year we would not breakeven at this plant?

V. Venkatramani: Yes, it is a possibility.

Pathanjali Srinivasan: Okay, and just one more question. This foreign currency, that loss that we reported this quarter, are we like not hedging it? Any reason why we are not doing that? And also, will it be a continuing thing or is it going to like go away from the subsequent quarters?

Himanshu Jindal: You see, the FX loss which happened in this quarter was exceptional. You are aware of the tariff wars and the consequence of this on the euro-dollar, largely on euro-dollar, which is why you are seeing fluctuations. Now, what we need to understand and appreciate, we have a 10-year loan on the new line, which is largely what we have as gross debt today. Now, the repayments of this is to be made every six months, for the next 10 years. To get a hedge in place for a full 10-year, A, the markets are not there. B, even if someone wants to sell it to us, it is going to be ultra expensive, even if there is something possible. So, I think the company here has been following a very, I think the right approach, which is not to hedge the entire exposure, but to hedge tranches, which are going to be due in the short term. Because of this extreme volatility, you are seeing a consequence on our P&L. I think what we need to also appreciate see, when we talk about foreign currency versus INR, the INR loans are basically, there is a very single straightforward interest rate that you need to look at. But when you look at a foreign currency loan, you are looking at two aspects. One, the interest rate itself, which in case of Euros, have generally been between 0% to 3%, currently at around 2%, 2.5% for us. On the contrary, on the currency side, when you study the fluctuations over the year, you will find that obviously, this is correlated to the inflation differentials and the interest rate differentials. Correct? So, that is, even for the borrowings that Greenpanel took in the past, for us, it was roughly 3% on an average, for the full tenure of the loan. So, 2%-3% on interest, 2%-3% on currency fluctuations, that translates to not more than 6% of overall expense getting booked under various heads. For this reason, I think commercially, it makes sense for us to keep things where they are. As of now, as you are already aware, Euro is already cooling off post the EU-US deal, which happened very recently. It has come down already to 1.14. So, we will keep monitoring and if there is a need and there is an opportunity, we will try and see what we can deploy in terms of hedges. But for now, at least the volatility which was there till 30th June was unhedged.

Pathanjali Srinivasan: Got it. Thank you.

Moderator: Thank you. The next question is from the line of Pritesh from Lucky Investments. Please go ahead.

Pritesh: Can you tell me what is the contribution margins at the current pricing in the MDF? So, at what contribution margins are you operating?

Himanshu Jindal: Pritesh, you see our gross margins already, which was 47%. Beyond that, there is power, there is fuel, there is stores, there is consumables, etc., coming into play. I do not think we report so much granular details on contribution. There is a wide variety of products that we service, various markets, various strategies that we deploy. So, for those reasons, I do not think contribution is something that we mention in the public domain. But gross margins is very clearly a proxy of what we are doing.

Pritesh: I have the gross margin number. It's okay. My second question is on the industry number of the capacity, or let us say the market, which was mentioned 2.4, 2.6 million PA, can you tell me what will be the industry capacity utilization? And in that, if you have to tell us what will be the so-called unorganized name that you keep mentioning in the call. So, what will be the unorganized share of the capacity? So, I want to know what will be the industry capacity utilization, what will be the unorganized share of the total capacity?

V. Venkatramani: Of the total industry capacity, which we estimate at 4.25 million cubic meters, the organized share is 65%-66% and unorganized share is between 34%-35%. And, as far as the demand is concerned for the domestic markets, we estimate that last year the industry did approximately 2.8 million cubic meters, which I think would translate into capacity utilization of somewhere between 60%-65%.

Pritesh: And 50,000 CBM import, which means 50,000 x 12, so about 6 lakh, 6 lakh on 4.2 million. So, let's say that's another 15%, which can be serviced via India capacity. And do you believe somewhere in your assumption that some of these unorganized capacity via BIS, etc., will find it difficult to operate? And hence, you have a certain volume growth number assumption made for you, for your company? Is that the assessment that you guys have in your mind?

V. Venkatramani: Okay. Imports were not as high as 50,000 per month. If we look at financial year FY'25, they were probably in the range of 20,000 to 22,000 cubic meters per month. So, approximately, I would say about 10% of the domestic demand. So, that's what the imports part was supplying. And as far as the unorganized segment, which is still not under BIS, we are not really aware of how much volumes they are contributing in total or through the commercial grade. So, I think that impact will be visible over the next two quarters, always assuming that BIS is implemented for the MSMEs from August onwards. I think probably the date is 11th or 12th August, when it's supposed to be implemented for the MSME and the smaller category. Assuming that's implemented on that date, I think probably over the next two quarters, we will be understanding how much they were contributing in total or through the commercial grade.

Pritesh: Without quantifying, do you believe that you will grow faster? So, are you assuming somewhere that you will grow faster by virtue of the unorganized losing share in the whole process?

Shobhan Mittal: As Venkat Ji has mentioned that we are not depending on what exactly others will do to grow volumes. We are looking at the measures that will be implemented by us to ensure that we achieve the guidance given. So, yes, to some extent, it's correct, the reduction in imports, fall in imported inventory, implementation of BIS for the MSME and the smaller category will definitely help us in achieving the guidance. But

we are not solely relying on those. We are also taking our own steps to ensure that we achieve the volume and margin guidance.

Pritesh: Thank you very much and all the best to you.

Moderator: Thank you. The next question is from the line of Tanmay from Locus Investment Group. Please go ahead.

Tanmay: Actually, I have two questions. So, first part of the question was on the timber prices which are falling. So, I just wanted to understand if this is more of a demand or a supply side sort of reduction in prices and how do you think this is going to sustain going forward? And is there still that differential between the North and South prices? And if yes, then what is the sort of potential? And my second question was on the tariff plan. I just wanted to understand that with the tariffs being imposed on India, is there any, will there be, do you think there will be some inventory dumping into India and the war in Thailand which has just sort of come about and a lot of our suppliers from Middle East staff from Thailand. So, do you see any change in our sort of business mix because of that?

Shobhan Mittal: Sure. So, on the raw material side, basically the availability of timber is increasing. You know, plantations are coming to a point of harvesting and timber availability is increasing. So, that is resulting in increased availability and let us say lesser pressure on the pricing. Between the North and the South, there still continues to be anywhere between 20% to 25% of price difference on timber price, north being the higher one. And with regards to, I think the tariffs may not affect us directly because we still have to see during the summer months in the Middle East there is less activity any which ways. So, we still have to see how the situation in Thailand affects supplies to the Middle East. Maybe that will result in some gain to us, but that is yet to be seen. It is not evident just yet.

Tanmay: Got it. Thank you.

Moderator: The next question is from the line of Parth Bhavsar from Investec India. Please go ahead.

Parth Bhavsar: I had a few bookkeeping questions. I wanted to understand what was the timber cost in North and South in Q1?

Shobhan Mittal: Himanshu, you should have the average consumption rate for quarter one?

Himanshu Jindal: The consumption rate on average was around 6 in quarter one. North and South differential was around 50 paisa each. North was a little expensive. With the new season and the new quarter beginning, I think the prices are already coming off. Yes, there is still a long, a huge differential versus where we were in the quarter.

Parth Bhavsar: Got it. You mentioned that there is 7% to 8% pricing differential between industrial and commercial grade MDF. So, I wanted to understand how would the margins look like for like between the two, like what would be the margin differential between the two?

Shobhan Mittal: Venkat ji, you want to take that up? The commercial versus the industrial?

V. Venkatramani: The price difference, like mentioned, was between 6% to 8%. But, like we have spoken on earlier calls, the density of the product is also lower as compared to the industrial grade, since we were primarily competing with imports in that product

category. So, taking both those factors into consideration, I would say probably the margin difference was somewhere between 2.5% to 3%.

Parth Bhavsar: Perfect, sir. That helps. Thank you for answering my question, sir.

Moderator: Thank you. The next question is from the line of Bhargav from Ambit Asset Management. Please go ahead.

Bhargav: Yes, good afternoon, sir, and thank you very much for the opportunity. Sir, my first question is that, is it fair to say that we will have the highest unutilized capacity in South? And the related question is that, given that the timber, the prices in South are lower versus pan-India, and assuming that our fixed cost as the utilization ramps up also is sort of lower, and herein I also include the freight cost, given that we have a capacity in South. Is it fair to say that we will be the most competitive in terms of supplier in South, which obviously is the largest market for India?

Shobhan Mittal: Well, it's safe to say that, because with a singular location in such a large capacity, of course, fixed costs are very economical. And having this surplus capacity, once we start increasing volumes, this is going to substantially improve product costing overall on the contribution side. And we've been mapping now, given the different timber pricing in the North and the South, and we regularly map the freight aspect, the raw material aspect, and decide which geographies are better served and more profitable for the company. So, we keep this very fluid and dynamic. So, in a month, maybe a certain geography is still being served from the North, but the next month, if it becomes more competitive from the South, because of lower timber price and freight being competitive, then we have the option to shift it to the other plant. So, yes, and as volumes go up, this competitiveness for us will increase.

Bhargav : And the supplies which Greenpanel does in South India, I am sure that they don't do just from their South plant, given that the new capacity is just on board. So, how much supply would be coming from the other Pan India plants in the region?

Shobhan Mittal: So, there is pretty much, apart from the flooring products and plywood, the South is 100% being serviced from the South plant only.

V. Venkatramani: Prior to the new plant, which has a capacity of 2,31,000 cubic meters, we already had a capacity of 444,000 cubic meters in South.

Bhargav: Yes.

V. Venkatramani: I would say, like Shobhanji clarified, apart from flooring, the entire MDF business for South India is met with the South plant.

Bhargav: Okay. And is it fair to say that from Q1, can we expect that the gross and the EBITDA margins would have bottomed out? And from here on, it should only improve given that the scheme in the second quarter is lower versus the earlier quarter, and as the capacity utilization ramps up, the operating leverage should also kick in?

Himanshu Jindal: So, Bhargav, you are right. I think your presumption is right. I think this is the way we have to look forward.

Bhargav: Great. Thank you very much and all the very best.

Moderator: Thank you. The next question is from the line of Shivkumar Prajapathi from Ambit Investment Advisors. Please go ahead.

Shivkumar Prajapathi: My first question is on the penetration level of ready-made furniture. A given MDF demand is 60%-70% comes from this ready-made furniture. I just want to understand, do you have any data handy so that we can understand what is the penetration level in different states? Assuming Tier-1 would be having a higher penetration level. And second one is the co-working space companies, the office or TFC, these players are trying to enter into the furniture manufacturing businesses. So, did you receive any queries from their side?

Shobhan Mittal: Unfortunately, this penetration data is not so easily available. But definitely larger cities have a higher penetration of ready-made furniture making and acceptability compared to the Tier-2 and Tier-3 cities where carpenter making is still very prevalent. But any concrete data is not really very easily available, especially differentiation between cities or zones in India. So, that is the situation. And sorry, what was your second question?

Shivkumar Prajapathi: The second question...

Shobhan Mittal: Sorry, the co-working spaces... So, we, I mean, we have not, as of now, we are dealing with certain large format OEMs, but any new entrant who is planning to enter, I mean, no, we have not received any specific queries as such.

Shivkumar Prajapathi: Okay sir, got it. Thank you.

Moderator: Thank you. The next question is from the line of Keshav Lahoti from HDFC Securities. Please go ahead.

Keshav Lahoti: Hi. Thank you for the follow-up. So, this quarter, ad spend has been on the lower side. How should we see it going forward? What sort of ad budgets do you have for this year?

Shobhan Mittal: So, the major reason for the lower ad spend was on account of IPL as well. IPL, which we have discontinued, was a substantial number for the previous year. And apart from that, the numbers will continue to be consistent compared to last year. There is not going to be too much of a difference going forward for the remainder of the year.

Keshav Lahoti: Consistent as a percentage or in absolute term you are talking?

Shobhan Mittal: In absolute terms.

Keshav Lahoti: Got it. That is helpful. That is it from my side.

Moderator: Thank you. The next question is from the line of Yash Sonthaliya from Edelweiss Public Alternatives. Please go ahead.

Yash Sonthaliya: Hi. Thank you for the follow-up. On the BIS norms, we are hearing from different places that the norms are being diluted by many peers, and they are able to supply the products very easily and the grades what we are expecting is not coming. So, what is your take on it and how can it impact your new plant?

Shobhan Mittal: I think this is completely contradictory to the information that we have because firstly, there has been no change in the BIS norms in terms of grade, that has been ongoing so far. And based on the new norms that will come in, which are still on the publication stage and hopefully will go into effect in the next, hopefully couple of months, those will tend, will actually be more segregated and more stringent than

they are today. So, I do not understand where this point of dilution comes from or how some manufacturers are commenting that it has been diluted.

V. Venkatramani: It could also be due to the fact that BIS was not applicable to MSME and smaller players from the date it was applicable to I would say the organized category. So, with expected implementation of BIS for the MSME and the smaller players from August 11th or 12th, I would say we should expect full implementation and also expectation that there would not be any violation of BIS QCOs from the date it is implemented.

Yash Sonthaliya: Very clear, sir. And my last question, like, we always allude the schemes we provide to the distributors, sometimes 3%, sometimes 5%. So, just want the clarity, like last quarter if we are saying 3%, then this quarter 5%. These are always incremental or the change of the scheme we provide, 3 to 5, 5 to 3, on the average basis?

Himanshu Jindal: So, these change every month, every quarter. I do not think that is a top up to what happened in June.

V. Venkatramani: And 5% that was mentioned for the first quarter, it was not applicable to the entire quarter. I think it was probably there for a period of about 45 to 60 days.

Yash Sonthaliya: Very clear, sir. Thank you for answering all of my questions and best of luck for the coming quarters.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to the management for closing comments.

Shobhan Mittal: Thank you everyone for joining this call. And if anyone has further questions, feel free to reach out to us. We look forward to speaking to everyone next quarter. Thank you.

Moderator: Thank you. On behalf of Greenpanel Industries, that concludes this conference. Thank you for joining us.

Please note: *We have edited the language, made minor corrections, without changing much of the content, wherever appropriate, to bring better clarity*