



Greenply/2022-23

May 18, 2022

The Manager

BSE Limited
Department of Corporate Services
Floor 25, P. J. Towers, Dalal Street
Mumbai - 400 001
Scrip Code: 526797

The Manager

National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex
Bandra (E)
Mumbai - 400 051
Symbol - GREENPLY

Dear Sir / Madam,

Sub: Conference Call Transcript

Please find enclosed Conference Call Transcript in respect of conference call for Investors and Analysts held on May 16, 2022 on the financial results of Greenply Industries Limited for the quarter and year ended 31st March, 2022.

The same is also available on the website of the Company viz. www.greenply.com/investors

Thanking you,

Yours faithfully,

For GREENPLY INDUSTRIES LIMITED

**KAUSHAL KUMAR AGARWAL
COMPANY SECRETARY &
VICE PRESIDENT-LEGAL**

Encl.: A/a

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“Greenply Industries Limited Q4 FY-22 Earnings
Conference Call”

May 16, 2022



MANAGEMENT: **MR. MANOJ TULSIAN – JOINT MD & CEO, GREENPLY INDUSTRIES LIMITED**
MR. SANIDHYA MITTAL – JOINT MD, GREENPLY INDUSTRIES LIMITED
MR. NITIN KALANI – CFO, GREENPLY INDUSTRIES LIMITED
MR. GAUTAM JAIN – AVP, STRATEGY & INVESTOR RELATIONS, GREENPLY INDUSTRIES LIMITED
MODERATOR: **MR. DHIRAL SHAH – PHILLIPCAPITAL PCG DESK**

Moderator: Ladies and gentlemen good day and welcome to the Q4 and FY22 Earnings Conference Call of Greenply Industries Limited hosted by PhillipCapital PCG Desk. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Dhiral Shah of PhillipCapital. Thank you and over to you sir.

Dhiral Shah: Thank you Lizann. Good evening, all, thank you for joining us on the Greenply Industry Q4 FY22 conference call. We sincerely thank the management to allow us to host the call. In the panel today we have Mr. Manoj Tulsian – Joint MD and CEO of the company, Mr. Sanidhya Mittal – Joint Managing Director, Mr. Nitin Kalani – CFO of the company and Mr. Gautam Jain – AVP Strategy and Investor Relations.

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

I now invite Mr. Manoj Tulsian to begin the proceeding of the call. Thank you and over to you sir.

Manoj Tulsian: Thank you Dhiral. A very warm welcome to everyone present and thank you very much for joining us today to discuss Greenply’s operating and financial performance for Q4 FY2022.

To start with let me share some insights on our financial performance in the current quarter; on a standalone basis we have achieved a volume growth of around 8% and realization growth of around 7% in Quarter 4 FY22 on a YOY basis. As a result, our top-line increased by over 15% to Rs. 414 crores in Quarter 4. We expect to see the volume growth to continue in the next year as well. The inflationary input costs are creating pressure on the margins although the increase in wood prices are partially compensated by a small decline in the chemical prices. The overall situation is still volatile.

On a full year basis, we have achieved the adjusted core EBITDA margin of 10.3% with standalone business and a PAT margin of 6.5%. The rising input costs has impacted the gross contribution despite price hikes taken during the year. At the same time better economies of scale and reduction in interest cost resulted in PAT improvements. We expect margins to improve further backed by reasonable volume growth and some stabilization in raw material price during the current year. In our Gabon business on full year basis, we have achieved revenue growth of 24% with EBITDA margins of 11.7%.

Considering improving demand scenario in Europe and Southeast Asia market and resolving logistic challenges, we expect further scale-up of business operations during the current year. On working capital front, we have improved further to 29 days on standalone basis as on 31st March 22 as compared to 34 days during the previous year. We are also delighted to have partnered with IPL 2022 as an associate partner for Lucknow Super Giants which will surely help us increase the brand visibility in the Northern markets. From a macro perspective after prolonged period of falling demand, the demand for both residential and office segments started showing signs of stability. On trailing basis strong growth momentum was seen across major cities in residential segment during January to March '22 period. In addition, the China plus One strategy of many global companies would play a key catalyst for Indian wood panel industry. Also, the government initiatives like promotion furniture plasters will accelerate the growth further.

The company is continuously working towards increasing capacities and building capabilities across all facets of the business to capture the growth opportunities that lie ahead.

Now I would like to hand over the call to Sanidhya to update on our expansion projects.

Sanidhya Mittal:

Thank you Manoj ji and welcome to everyone on the call. I'm glad to announce that we are on fast-track mode in implementing our new project. In our Greenfield plywood manufacturing unit at Sandila Lucknow, the financial closure for the project is done and the construction is completed. Commercial operations are expected to start very soon. In our new MDF plant in Vadodara Gujarat the financial closure for the project is done and civil construction work is under full swing. The dispatches of imported machinery have just started and are broadly on schedule. As there is a steep increase in raw material and logistics costs, we are struggling to avoid cost overruns. We see a small increase in the range of 5% to 7% over the initial project cost. We can provide further concrete numbers once we will reach at more advanced stage. From timeline perspective we are still on our schedule to start commercial production by end of FY23. In our asset light model, we have added two manufacturing partner units in Bareilly, UP for manufacturing of plywood and allied products. We are fully utilizing the first unit capacity and the second project we have started partial production in Q3 FY22 and expect the remaining to start soon. Our another such plant in Hapur, UP should be operational by Q4 FY23.

Speaking about the demand scenario in the plywood industry; the organized plywood players are expected to witness higher volume growth going forward due to increase in demand from the real estate and the shift of market away from the unorganized player.

With this perspective I would like to open the floor for Q&A session. Thank you.

Moderator:

Thank you. Ladies and gentlemen, we will now begin with a question-and-answer session. The first question is on the line of Venkat Samala from Tata Asset Management.

Venkat Samala: I just wanted to understand that we have achieved 8% YOY volume growth, given the strong outlook that we've seen in Q4 and that continuing into Q1-Q2 as well. Do you think you perform to the best of abilities or we face did some challenges in Q4 and if you would like to give some kind of an outlook for what we should expect in FY23?

Manoj Tulsian: No, Venkat. I think in terms of Quarter 4 we didn't face much headwinds. Fortunately, most of the things were in place. Of course, as we mentioned slightly on the raw materials side that volatility continued but the momentum is good, as I also mentioned in my opening speech and we feel the same will continue this year though there can be again some headwinds in terms of the interest costs started moving up. Nevertheless, we are very bullish that the sentiments will remain very positive and we again look for a volume growth of anything between 10% to 11% for this full year and maybe incremental benefit on account of price increase what we have taken in the last year of 3% to 4%. So, a (+15%) growth is very much visible for this year also.

Venkat Samala: Just on the raw materials side, we do see an impact on the standalone margins QOQ. Could you help us understand what kind of price hikes have we taken and is this sufficient enough to offset the pressure that we are seeing on the RM side?

Manoj Tulsian: We have been continuously taking price increase but despite all this if you really see there was some pressure on the gross margin, I think we're on 120 basis points. We have taken another price increase again in this quarter which will culminate to anything between 1% to 1.25% on the overall business. Let's see, I think though every time we expect that the raw material prices stabilize or maybe it will start slightly coming down but that has not happened unfortunately in the last 6 to 8 months. As of now, I would say we are almost covered but if there are any further price increase then again, we might have to take a call. Whenever that happens there is always a time lag. There would be some impact in the increasing price trend of raw material on the margins but not much I think from here on. Also, if you really see just to add to that, in Quarter 4, we also had higher spent on the marketing expenditure by almost 1.7%. Our normal expenditure for the full year is close to around 3.5% but in Quarter 4 we spent around 5.2% because to some extent there was the IPL cost and also, we did TVC burst. All of them came in Quarter 4 only. That is another thing because of which you should see to some extent there was some pressure on the margin.

Venkat Samala: So just that you had given guidance on the revenue side anything that you could provide on the margin front assuming whatever RM costs are there the kind of stay on.

Manoj Tulsian: If I am talking of 15% growth where 10% to 11% volume growth and I certainly feel that we can improve the margin by 100 basis points during the year if not more. Of course as I've always been mentioning, we have been investing a lot of money back into the business in terms of financing our process capabilities everywhere but given the same, despite the same on a margin profile we have been good only. We have invested quite a bit of money on the operation side.

We'll continue to do so. Over and above that we still feel that there is a possibility that we can improve the margin by 100 basis points during the year.

Venkat Samala: So, 100 basis points over FY22 margins, right?

Manoj Tulsian: Yes.

Venkat Samala: So, I am assuming that the exit margins for FY22 around Q4 should be meaningfully better, right?

Manoj Tulsian: No, I'm saying a full year margin of around 10.3%. I'm looking at anything between 11% to 11.3% for this full year.

Moderator: The next question is in line of Praveen Sahay from Edelweiss Financial.

Praveen Sahay: First question is related to your outsourcing volume, for a quarter it has increased. Is it because of what you had in the initially remark said about the two of your outsourced partners, is it because of that? Is it sustainable over here way forward?

Manoj Tulsian: We have been using our existing capacity almost to the full. The new in-house capacity in Sandila is only going to get operational from next month. We are just going to do some trial run in the next one week or so. So, the volume growth which is coming is also to some extent because of this outsourced model where we have our tie-ups.

Praveen Sahay: This quarter we had seen a higher contribution, so those contribution will continue or with the commissioning of the plant this will go back to the previous level?

Manoj Tulsian: I think Praveen initially it might slightly dip and then again it will catch up because if we have to do a 10% volume growth both has to move in tandem.

Praveen Sahay: The next question is related to the GMEL, where we had seen the volume down and it's also the realization were on the higher. It's because of the higher pricing the volume has seen down or the overall demand was on the lower side.

Manoj Tulsian: No, we have been maintaining this even in the past all those things what we could have done on the cost side or operation side has been done. We are definitely geared up for growth there but the headwinds are mainly either sometimes raw material supplies, sometimes the domestic logistics and most of the time not getting the vessels. Those challenges, not getting the vessels is one challenge which continues still and to some extent some challenge on the raw material availability. But having said that I think what we should look at is the full year margin because there is a lot of play which happens when there is a particular country sale or a particular product mix sale. I think what we should look at is the full year margin. That will be a better indicator rather than just looking at a Quarter 4 margins.

- Praveen Sahay:** The last question is related to your receivable which has for a year reduced significantly. Would you maintain this level over here or with the improvement in the volume and the contribution of outsourcing it will likely increase from here?
- Manoj Tulsian:** In terms of number of days I think we have become disciplined. It should not go up. In absolute value it can go up as the sales grows.
- Praveen Sahay:** So, it will maintain over here?
- Manoj Tulsian:** Yes. The that's how it looks like.
- Moderator:** The next question is from the line of Shrenik from LIC Mutual Fund.
- Shrenik:** My first question is could you please throw light on the distribution strategy for MDF like is it completely overlapping with the current channel or have we started working on the distribution for MDF already?
- Sanidhya Mittal:** I think 10% of the trade is common and 90% will be new distribution network which we are going to build. We have already finalized our sales head and he will be joining us in the next 2 months. Then we'll start building the sales infrastructure and we will start building the network and start working on the network. As of today, the demand is very high. In Western region there is no other manufacturer. Without affecting our margins, we feel that we will easily be able to penetrate even in the west and yes in the other regions we will also be selling some quantity where we'll have to work much harder than the amount we are working in the west.
- Shrenik:** What will be a differentiation versus the other Green brand for MDF?
- Manoj Tulsian:** Differentiation in terms of?
- Shrenik:** What will be our proposition to the distributor dealer to keep our product?
- Sanidhya Mittal:** I don't think there is honestly much product differentiation. All the MDF in the market is kind of same but obviously at some point there will be a brand which will play. The same MDF is available with our brand name versus another brand name. There comes a choice at the end of the day for consumer preference also, though the consumer involvement in MDF category is very low.
- Manoj Tulsian:** I think we have a strong brand. We would be also present in all the categories which the other companies are. At present I think it's the brand play and with time for sure we will also look at whether we can come out with a product which is something which is missing in the market. But right now, the range will be the regular range which the others are also catering to.

Shrenik: My last question, so our vision was to reach 14% margins. I believe that would obviously be delayed but how much delay can we expect on that vision?

Manoj Tulsian: If you really asked me, we are continuously improving on the margin front. As I said we have been investing a lot of money on the business. We are preparing our business for the next 10 years. If you really ask me, we are very comfortable with the way the progress is happening within the organization in terms of various parameters. I think it is a matter of time, this year for sure if we are able to do (+15%) growth I'm expecting 100 basis points of improvement of margins. And then possibly next year can be much better because good amount of investments have already happened on the operational efficiency side. Next year growth will possibly bring in some operating leverage also which will add up to the margin. Also, when the raw material prices stabilize, I'm sure that that will also help us to improve margin further.

Shrenik: Can you give a light on the Gabon operations, when can we expect normalization as it is experiencing issues so while?

Manoj Tulsian: It's something which is beyond us. Even since last four to six quarters, I've been maintaining this that whatever we could have done we have done. This year slightly looks more promising and we are also slightly more bullish on the margin improvement front. Maybe we can improve the margin there by 100 to 150 basis points for sure during the year. Again, everything depends on the availability of the containers and the shipping line. If that normalizes then for sure the year can be good. Otherwise, the year can be very much like the previous year.

Moderator: The next question is from the line of Sneha Talreja from Edelweiss Securities.

Sneha Talreja: Firstly, I will just go ahead with first question on demand, are you seeing any kind of a pullback in terms of demand with cost going up significantly, whether it be in the wood-panel space or across the space with home construction activity taking a hit? Just wanted your overall sense on the demand first.

Manoj Tulsian: Nowadays the demand and a traction is being measured on a weekly basis. One week we see the things doing very well and the other week we see slightly there is a slowdown. Having said that as I mentioned in my opening remarks that we are definitely seeing some positive traction on the home building side. If that continues then for sure the demand will remain bullish and as I have always been maintaining that there would be a shift which is happening and which will continue to happen from the unorganized to the organized. Of course, none of us have any data for the overall industry. But if you see some of the major players the type of growth what we have shown in volumes is not something by which the market overall industry would have grown. That clearly shows that we are gaining on market share as far as organized peer is concerned. That is another opportunity for organized players and like us.

- Sneha Talreja:** That should also mean that we should be easily able to pass on the raw material cost inflation given that there's a shift which just happening, given that demand also looks decent, is the understanding correct on the domestic front that you are able to pass on the raw material cost?
- Manoj Tulsian:** We have been able to do it. If you see the last 1 year, we have almost increased our prices by maybe we know 10%, out of which 7% almost had reflected in the previous year. I mentioned maybe around 3% will possibly reflect during this year out of the 10% increase what we have taken. So, the pass on has been there. For sure you'd have seen that we have grown only, it's not that in any of the quarters we have not grown. With all these things the time is good. It's just that we'll have to continue to work hard.
- Sneha Talreja:** Secondly on the MDF front, although you said that brand will play a role but the customer doesn't have much the maybe decision-making factor. So just wanted to get a sense from you how much do you think is a proportion of demand in MDF coming in from commercial versus a retail residential like an OEM versus from the distributor?
- Manoj Tulsian:** I think the market would be around 70-30. Our advantage would be Sneha, that we are situated in the west of the country so that for sure for us will be an advantage.
- Sanidhya Mittal:** I would just like to add that in MDF outward freight will play a very important role because the product cost is very low and in western India as on date there is no manufacturer of MDF at present. Neither is anybody putting a capacity in western India. Without affecting our bottom line, we will be able to pass on the freight benefit to the consumer which we feel by that way we'll be able to tap at least 50%-60% of the western market to start with.
- Sneha Talreja:** The agenda will be in the first year of operation or sooner or later, at least 50% to 60% of the western market we should be able to get it because of the freight cost advantage?
- Sanidhya Mittal:** Yes, exactly because we pass that on to the customer.
- Sneha Talreja:** Anything on the raw material, I'm sure that you had done your basic study in everything but whatever is going on in the current scenario with raw material prices escalating, any availability issue that you foresee after your new plant starts or still it's on the smoother side?
- Sanidhya Mittal:** I think as of now we do not see a challenge of raw material availability in Gujarat but yes pan India the timber prices have gone up and subsequently gone up in Gujarat as well. But there's no availability challenge that we will not get raw material in the future over there.
- Sneha Talreja:** So just with the higher prices but you should be able to get the raw material.
- Sanidhya Mittal:** Absolutely.
- Moderator:** The next question that's in the line of Achal Lohade from JM Financial.

Achal Lohade: My question was if we look at the volumes, we have been around 56-57 million square meters since FY19. Now I get FY21 was impacted because of COVID, so this 11%-12% volume growth is it on a lower end given the kind of real estate momentum we are talking about. Just wanted to get a color if this is base number, realistic number or this is conservative estimate?

Manoj Tulsian: No, I won't say this is a conservative estimate. It is more realistic because somewhere we have to also see from the supply side, as I said we were running almost our manufacturing facilities at full capacity. Now there is a new capacity which is coming, so 10% to 11% volume growth is something which I think we can meet with the capacities what we have and definitely we'll try for something better. But at this point of time this seems to be the most realistic.

Achal Lohade: Also wanted to check given FY20 towards the fag-end we were impacted because of the lockdown, from a volume number and just again sorry I'm harping on the same 56-57 million square meter number. Is it fair to say that the industry has remained flat over the last 2 years compared to FY20-FY22 the industry was flat or you think the kind of distribution rejig related market share loss what we had, is that the reason why the numbers look flat on a 2-year CAGR basis for FY22?

Manoj Tulsian: Extremely difficult to answer this question. I can only say that there is an opportunity for branded players like us for inclusive growth. That is what we continuously try to strive for. Industry numbers we all struggle to really get. It's such a fragmented industry. It's very difficult to put any estimation.

Achal Lohade: Any sense you can talk about in last 12 months what is the cost inflation in each of the raw material pieces, timber and the chemicals if you could highlight what is the increase in the pricing of these raw materials over last 12 months?

Manoj Tulsian: On the timber side, we have seen a jump of almost around 20%-25%, on the chemical side some of the chemicals even became 2 times, 2.5 times and then it almost came down to the previous level. There are number of chemicals which we use, so like when I'm saying melamine which was like at the one point of time Rs. 130, went up to Rs. 270 and then came down to round again Rs. 135-140. Of course, we don't use currently that much of melamine. And phenol prices went up significantly in the last 1 year almost by 35% to 40% and the formalin prices has also gone up by around 8% to 9%.

Achal Lohade: The timber price increase, is it largely in the fourth quarter or it has been up 20%-25%?

Manoj Tulsian: No, throughout the year. In fact, we were assuming that at the end of Quarter 4 it will start slightly coming down which is normally the trend but this year it has not happened.

Achal Lohade: The cost inflation will be similar if not more for the unorganized player or you think Yamuna Nagar didn't see that kind of a cost increase.

- Manoj Tulsian:** No, it will be similar only.
- Achal Lohade:** Any color on the Yamuna Nagar market like have you seen plant shutting down or they are reviving or any color on that? What your team is talking about?
- Manoj Tulsian:** Whatever we had gathered information post the pandemic, the plants which had shut down, we have not heard too many of those plants opening up and the plants which were running are jolly well running also. It's like a status-quo in the last 6 to 9 months.
- Achal Lohade:** I am asking about this Gabon, if I recall 2 years back or prior to pandemic we were talking about Rs. 300 crores, Rs. 250 to 300 crores kind of an annual run rate over 2-years but obviously it hasn't panned out. So, in terms of the issues, you mentioned certain issues including vessel availability; you think is there an issue with the demand as well globally or it's more to do with the constraints what you have at your end which is impacting the momentum?
- Manoj Tulsian:** No, as I said there is no concern what we see as of today on the demand side. Europe, the demand is very good. Even South East Asia demands have picked up. India is always a mixed bag. I don't see any challenge on the demand side as of now. Only when we start fulfilling the entire orders in the month, then we'll come to know whether the demand side challenge is there or not. Today we are sitting on almost a 2.5 to 3 months of order backlog at any point of time. Also, to tell you on this number what you said Rs. 250-300 crores so I think we have reported around Rs. 183 crores sales for this year. There is also a domestic sale which happens from Gabon. We use the same face in India also for our own consumption which is around another Rs. 40-45 crores odd. If you see from the Gabon perspective, there sales have been around Rs. 230 crores odd. It just that, that gets knocked off when we do the consolidation to the extent of whatever we have used for our domestic manufacturing. Reaching to that number of 300 as I said, if some of the challenges are taken care of which is beyond our control; hitting those numbers is not such a big deal in the next six quarters.
- Achal Lohade:** You are saying we can touch that number in six quarters once things normalize?
- Manoj Tulsian:** Yes, because see technically we are already doing around 230 crores odd of business from there. What you're talking is 250 to 300. I am even looking at 300 as a number which is like another 20%-25% from here on, that seems possible. We have the means to deliver those numbers. It's just that this shipping line challenges has to go away and maybe some amount of luck in terms of availability of raw materials. We faced some challenges in the previous year at times in terms of getting the raw material on time and even the quality of raw material at times because of which also margin took some beating.
- Achal Lohade:** Any particular reason of raw material issue? Just clarifying on that.
- Manoj Tulsian:** No, no particular issue. It's just that sometimes the extended rainfalls and other type of challenges which is very normal to our type of business create some issues.

- Moderator:** The next question is from the line of Darshil Jhaveri from Crown Capital.
- Darshil Jhaveri:** I just wanted to ask about the new capacity that's coming in Lucknow. As per the presentation it shows a revenue potential of Rs. 250 crores. Assuming it won't run at full capacity in the first year and we might start for three quarters. Can you give any color on how much revenue can come from new capacity this year?
- Manoj Tulsian:** This year since it will be like nine-month operations, we are for the full nine-months we are expecting to do somewhere around Rs. 120-125 crores odd of turnover and next year possibly we would be able to hit anything between 220 to 240 for sure.
- Darshil Jhaveri:** Also, just one more clarification. The 10% growth in volume, does that account for the Lucknow capacity increase or that just from existing capacities?
- Manoj Tulsian:** No, it takes care. It also accounts for the Lucknow capacity.
- Darshil Jhaveri:** So, then that would be a very flattish growth in terms of volume because Rs. 120 crores could easily come around?
- Manoj Tulsian:** Those are all premium products. So, in terms of volumes, it will be lower when you look at that, the price composition is higher for the same.
- Darshil Jhaveri:** Sorry to clarify. In the Lucknow price composition is higher, right?
- Manoj Tulsian:** Yes, because that is mainly our flagship brand.
- Darshil Jhaveri:** What is the difference between the margin in our own manufacturing and outside manufacturing?
- Manoj Tulsian:** If you take all the costs into account the difference would be only around 3% to 4%.
- Darshil Jhaveri:** Gross profit?
- Manoj Tulsian:** Yes.
- Moderator:** The next question is from the line of Venkat Samala from Tata Asset Management.
- Venkat Samala:** Just a clarification. Since you've mentioned that you were able to do largely pass on the price escalation that you've seen on the RM side. Whatever lower margins that you're expecting in FY23 versus our guidance would that be largely on account of investments that we've been making?
- Manoj Tulsian:** Lower margins?

- Venkat Samala:** Yes.
- Manoj Tulsian:** No, we are not expecting lower margins.
- Venkat Samala:** No, I mean versus the 13%-14% guidance you have previously given. You said that whatever price escalation has happened those were largely passed it on. So that difference that you think is largely on account of investments? Would that be a right assumption?
- Manoj Tulsian:** Your voice was not very clear. You might have to repeat it again.
- Venkat Samala:** What I wanted to understand was now that you've said that most of the price escalations that you've seen on the RM side, you were able to largely pass it on through price hikes. The 100 bps increase that we're seeing in margins YOY, in FY23 over FY22 that is still meaningfully lower than what we had originally guided for. That differential between what we had guided for and what we going to be achieving in FY23, would that be largely on account of investments that we are doing for the longer term? Would that be a right assessment?
- Manoj Tulsian:** See I'll tell you. First thing when we had mentioned about 4% it was and I think someone had asked me also that point of time. It was more out of a gut feel looking at the as is there is ways, the way we were working. It was not very scientifically calculated but as things has been unfolding and as we have been investing into the business, it is finally adding up to my margins also for future. So, I mean 14% when we said yes, I still stand by it. It very much looks possible over a period of time but to add one plus one and make it eleven is something which I may not be able to answer that way. But yes, we will be on an improving trajectory. If this year we are able to improve 100 basis points, next year again as I said we'll get economies of scale also. Maybe who knows next year we are at around 13.5% type margin.
- Venkat Samala:** Longer term that trajectory is still intact?
- Manoj Tulsian:** There is no going back on that. I think 14% is a doable and the way we are working on many aspects of the business, the way we are becoming efficient day by day that is very much doable. It's just a matter of time.
- Moderator:** The next question is from the line of Rajesh Ravi from HDFC Securities.
- Rajesh Ravi:** My question pertains to first on the growth guidance which you gave. As I see for the full year standalone top line is close Rs. 1,400 crores and you are guiding Rs. 140 crores contribution from the new unit plywood implying flattish growth number from the existing operations. Is this understanding correct and?
- Manoj Tulsian:** From the new plant I am guiding around Rs. 120 odd crores. we will just start the trial production. Sometimes you can even go wrong for a month or something, right? This I am giving you the best estimation for this year of Rs. 120 crores odd. It will still be a 100 also.

- Rajesh Ravi:** The rest Rs. 22-40 crores incremental is what you're looking at growth from the existing line?
- Manoj Tulsian:** Yes.
- Rajesh Ravi:** Second, if I compare your gross margins with your immediate peer, the market leader both of you are and I see that despite they delivering 30% gross margin, their EBITDA margin is higher versus yours. While your gross margin is 37%-38%, your EBITDA margin comes down to 10.5%-11% vis-à-vis CenturyPly is close to 14%. Would you have any color on why the differential exist at EBITDA level?
- Manoj Tulsian:** I think when you're comparing the two companies, I have not seen all the numbers for sure but after the gross margin possibly we have today one line of business only, right? So, all our costs get allocated to this one line of business. So, definitely I think they will have an advantage and edge over in terms of allocating their costs including their marketing over heads and everything. That might be one of the factors and the second factor would be to some extent we have different business models. Our target customers and theirs, they will always be a difference also in the business profile. So that also may play a factor. I'm not very sure. I think these will be the only two reasons.
- Rajesh Ravi:** Second on the MDF of this financial year-end; your targeting commercial operations. First year of FY24 what sort of revenue you're looking at from the new unit?
- Manoj Tulsian:** Rs. 350 to 400 crores.
- Rajesh Ravi:** By second year, you would be operating at full utilization?
- Manoj Tulsian:** Well, we think that we will be able to reach around not full but yes maybe the 80%-85%. That can be around Rs. 650 crores odd.
- Rajesh Ravi:** Margin profile, what sort of margins you're looking in that business?
- Manoj Tulsian:** We had done all our projections everything basis the margin of 20%. Today the business is running at a very different margin level. I understand it may be anywhere between 28% to 30% but as I also understand from my technical team that it takes some time to stabilize production and to improve on efficiencies and improve on margins. We will take some time to reach the level of margin which the others are making. Because they have been already into this business and they would have stabilized their plan for last 3-4-5 years. It's a continuous journey but that can be a difference of maybe 3% to 4% max. If the other mature players are operating at 30% 2-years down the line, I think we will be able to reach around 25%-26% for sure.
- Moderator:** The next question is from the line of Chirag Lodiya from Value Quest.
- Chirag Lodiya:** My first question was on, what would be the peak debt and cost of debt for us this year?

- Manoj Tulsian:** I think our net debt will be somewhere around Rs. 600 to 625 crores odd and the cost of the debt, this is mainly all term loan today, if we really see. So, the India debt cost would be in the range of around 6.25 to 6.5 today depending on if the interest rate goes up this will also move up.
- Chirag Lodiya:** If you can give us gross debt numbers that would be helpful?
- Manoj Tulsian:** Gross can be around 700, I think.
- Moderator:** The next question is from the line of Ishrat Khatri from Omkara Capital.
- Ishrat Khatri:** I wanted to know; we were trying to figure out why there is no capacity for MDF in the west of India? And we heard that the wood cost per ton is significantly higher. So, if in the South it's about Rs. 3,000, in the West it's about Rs. 4,000 to 4,500. So, is that true first and if yes will we have a higher cost for manufacturing?
- Manoj Tulsian:** We have not come across any such scenario.
- Sanidhya Mittal:** I don't think so we've come across any such scenario and also there is no facility in the West because there was not much plantation available in the West and with our study and the report we've done and all the research we've done before setting up this facility and before going ahead with this investment; our study clearly shows that we'll have enough raw material for one plant to sustain. And West clearly is a very good market. And also even if the timber cost is slightly higher, all the chemicals are either manufactured in the West or imported in the West because of being close to the port. We'll definitely have certain advantage in the inward freight and in the cost of procuring raw materials compared to other manufacturers. Even if our wood cost is slightly higher, I mean we can compensate a little bit there.
- Moderator:** The next question is from the line of Arun Baid from ICICI Securities.
- Arun Baid:** Just one clarification. You said Gabon has issues. In future we should not expect any investment from us in Gabon, right?
- Manoj Tulsian:** We have not been doing any investments per se. This scenario of this challenge what has actually got built up is only after the pandemic. So, but things have been easing out and that's why I am slightly bullish but I'm not putting all the cards on the table at this point of time. This shipping line issue if it gets resolved, we'll definitely give you good numbers for the year.
- Arun Baid:** No, I am just clarifying that in future we plan no more CAPEX in Gabon, right?
- Manoj Tulsian:** As of now, we have no plans in hand.
- Moderator:** The next question is from the line of Nikhil Agrawal from VT Capital.

Nikhil Agrawal: I just wanted to know like out of our total volume sales during the year, what percentage of it belong to the premium category of plywood and what percentage of it belong to the mid-segment the cheap segment plywood?

Manoj Tulsian: If you see our own production which is almost, I think 50% today so it's like 50-50 actually.

Nikhil Agrawal: And could you give me the realizations, the difference between the realizations of the premium and cheap segment?

Manoj Tulsian: Realizations?

Nikhil Agrawal: The difference between the realizations between the premium segment plywood that you have sold and the other category of plywood, the mid-segment and the cheap segment plywood?

Manoj Tulsian: What we manufacture in-house is mostly the realization would be upward of Rs. 85 to 90 at the net level and the mid-level and the lower level is anything between Rs. 55 to Rs. 90 types.

Moderator: The next question is from the line of Aasim Bharde from DAM Capital Advisors.

Aasim Bharde: Just wanted a couple of clarifications. Firstly, on the 10% to 11% volume growth expectation. Does that also include the outsourcing component and if not, how much that would be? Secondly on the Gabon revenue expectations of Rs. 250 to 300 crores, six quarters from now that does not include Greenply India, that's what I hear, these are the two clarifications I want.

Manoj Tulsian: No, it includes that's why I mentioned that number of 230 but that is the type of capacity which is getting used there and 300 is with reference to 230. Well look as I said six quarters or four quarters, if the problem gets resolved even this year can be much better. We have everything here, team in place, our productivity numbers are good, order book is there. We have been actually declining because in between there was so much of challenge and we cannot keep adding to our inventory means produce and keep adding to inventory. So, we have to decline orders also. So, only when the situation normalizes and we have a time period when we are able to serve the order in that particular month only, then we will really come to know also on the demand side of the challenge. Right now, it looks very rosy.

Aasim Bharde: On the outsourcing bit if you can just talk about that?

Manoj Tulsian: Let me just answer that, that portion is also included.

Sanidhya Mittal: Overall we're looking at a 15% value growth in which 10% to 11% is the volume growth.

Moderator: The next question is from the line of Karan Bhatelia from Asian Market Securities.

Karan Bhatelia: What would be ESOP cost for next 2 years?

- Manoj Tulsian:** It is 15 for this year and 3 for next year.
- Karan Bhatelia:** Rs. 3 crores for FY'24?
- Manoj Tulsian:** Yes. This is the grants which has already been issued.
- Moderator:** The next question is from the line of Udit Gajiwala from Yes Securities.
- Udit Gajiwala:** Just one clarification like the volume growth that we are talking about of 10% to 11%. It's similar to the trajectory that we saw in Q4 of this year and with the stance that you are taking that the industry tailwinds and also the formalization of industry? Is it more conservative or how should we look at it?
- Manoj Tulsian:** Quarter 4 is always a better quarter if you will see from panel business. Despite that we have grown by around 8% in this Quarter 4. So, we have grown by around 8% in Quarter 4. Taking a full-year growth of 10% to 11% I think is realistic.
- Moderator:** The next question is from the line of from Priyam Khimawat from ASK Investment Managers Limited.
- Priyam Khimawat:** If I understand correctly you were alluding to a Rs. 600-650 crores revenue in MDF on a 2,40,000 capacity. But right now, you highlighted that in FY25 at 85% capacity we'll be doing a similar kind of revenue. I think earlier our estimate was of 27,000 per CBM like kind of revenues. So, is that assumption now changed and we are assuming a higher per CBM revenue?
- Manoj Tulsian:** Yes, because see if the market remains similar the per CBM realization will be higher. This is basis the same assuming that the market, the prices remain what it is today.
- Priyam Khimawat:** No but we are talking about seven-eight quarter down the line in FY25 with more capacities coming in. Do you think this kind of pricing will sustain?
- Manoj Tulsian:** Well, if you ask me, I sincerely feel that there would be some level of corrections which will happen but we all have to wait and see it.
- Priyam Khimawat:** And any kind of exports which you will be looking for?
- Sanidhya Mittal:** I will still answer that question. We will be having no export liability as such but yes, we might export 10% to 15% of our total capacity just to kind of ensure ourselves that in bad times or when there is over capacity in India, we have another alternate market where we can always dump a little bit of our production. But if you look at the margins today in export versus domestic obviously it makes more sense to sell 100% of our capacity in domestic.
- Moderator:** The next question is from the line of from Achal Lohade from JM Financial.

Achal Lohade: Yes, just a clarification. You mentioned Rs. 350 to 400 crores revenue in the first year of operation that is FY24. Just thought of clarifying. Have I got the number right because that assumes that in the first year itself, we will be touching about 65%-70% utilization? That means not much of teething issues like what you were kind of?

Manoj Tulsian: So, one we are getting full year. We are assuming that we'll start our trial production and maybe to some extent some very basic level of commercial production also in Quarter 4 which means we get a full visibility for the next 12 months. And as is given to understand and as the past experience of some of the other lines how they've improved on the efficiencies, we think in 6 months' time the efficiencies can reach to anything around 60% to 70%. It all depends but I think that's a doable number.

Nitin Kalani: And Achal just to add, current pricing actually indicates a 100% capacity.

Manoj Tulsian: What Nitin is saying that on the current pricing, the same revenue would be around...

Nitin Kalani: 730 and then we are talking about the 50% utilization, not 65%.

Achal Lohade: I am bit lost. You are saying 50% utilization for the full year?

Manoj Tulsian: See on the current pricing, the same earlier Rs. 600 crores of, Rs. 650 crores of estimation what we were giving will realistically will be around Rs. 720 to 750 crores. When we are talking about 350 to 400, we would be only doing around 50% capacity and not 65%.

Achal Lohade: That 700-720 is for the full year, at full utilization?

Manoj Tulsian: Yes, because the prices have moved.

Moderator: The next question is from the line of Rajesh Ravi from HDFC Securities.

Rajesh Ravi: Only one question on what is the CAPEX amount due for this financial year? I recall, everything will be incurred for the MDF this year and how much is pending?

Manoj Tulsian: We have around Rs. 420-425 crores odd to be spent during this year on MDF.

Rajesh Ravi: This would, plywood everything is done in terms of CAPEX in FY22?

Manoj Tulsian: No, plywood some Rs. 30 crores of capitalization will happen in the first quarter.

Rajesh Ravi: Total would Rs. 450 crores odd you are saying?

Manoj Tulsian: Yes, and another let's say Rs. 20 to 25 crores of my maintenance CAPEX for my existing facilities. In total it can be around Rs. 475 crores odd.

- Rajesh Ravi:** For next year any major CAPEX you're looking at currently?
- Manoj Tulsian:** No. As of now no such major plans.
- Rajesh Ravi:** In terms, you would have some recurring that this much CAPEX we need to keep on adding new capacities and all? This is the only question.
- Manoj Tulsian:** Well again at this point of time we have also announced one this associate partners facility how we call it is in Hapur. That will give us some additional turnover or capacity for next year. We might look at one or two more such partnership which may not envisage major CAPEX from our side other than our maintenance CAPEX. Maybe something which goes into MDF once the line becomes operational. I am not really sure at this point of time but maybe if something further goes up into the MFD line next year.
- Rajesh Ravi:** Your thoughts on particle board business? Anything like that as many players are thinking about.
- Manoj Tulsian:** So, we are already doing a large investment work, so let us settle down. So, and I think the only good thing which we can mention at this point of time that our project is running on time. Our implementing partners were extremely happy with the type of progress what they have seen, fingers crossed. I think we will be able to come out with our commercial board, first commercial board in Q4 of this FY.
- Moderator:** Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Sanidhya Mittal for his closing comments.
- Sanidhya Mittal:** Thank you for taking the time to participate in this call. In case of any further clarification or queries, please feel free to reach out to Mr. Gautam Jain. Thanks again and goodbye.
- Moderator:** Thank you. Ladies and gentlemen on behalf of PhillipCapital PCG Desk, that concludes this conference call. We thank you for joining us and you may now disconnect your lines. Thank you.