Greenply/2020-21
July 17, 2020

The Manager
BSE Limited
Department of Corporate Services
Floor 25, P. J. Towers, Dalal Street
Mumbai - 400 001
Security 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 June 29, 2020 on the financial results of Greenply Industries Limited for the quarter and year ended 31st March, 2020.

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

Greenply Industries Limited

Q4 and FY '20 Earnings Conference Call Transcript

June 29, 2020

Moderator: Ladies and gentlemen, good day. And welcome to the Greenply Industries Limited Q4 and FY '20 Conference Call. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this 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. Rishab Barar from CDR India. Thank you and over to you, sir.

Rishab Barar: Good day, everyone. And thank you for joining us on the Greenply Industries' Q4 and FY '2020 Conference Call. We have with us today Mr. Sanidhya Mittal – Joint Managing Director; Mr. Manoj Tulsian – JMD and CEO; and Chief Financial Officer, Mr. Mukesh Agarwal.

Before we begin, I would like to state that some statements made in today's discussion maybe forward-looking in nature and may involve risks and uncertainties. A detailed statement in this regard is available in the results presentation which has been sent to you earlier. I would now invite Mr. Manoj Tulsian to begin the proceedings of the call. Thank you and over to you, sir.

Manoj Tulsian: Thank you, Rishab. 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 and FY '20.

Firstly, amidst the crisis, I hope that all of you are safe, and also taking care of your health as this is most required thing for all of us to win this battle against the pandemic. I will touch briefly upon the numbers shortly. However, I would like to take some time out to mention to you on how the pandemic has affected us, and also measures which we have taken to come out strongly during this crisis.

Our business was doing well before the crisis began. And then we were hit with the nationwide lockdown. Our factories were shut for almost two-month period, which has affected business overall. Now, at present, our factories in India are running at a lower capacity utilization of anything between 50% to 70%. Gabon operations was much better during this period and was not affected so badly, and only saw a shutdown of close to around a week.

Currently in terms of safety and precaution, we are taking adequate precautions for all our employees and especially following the WHO guidelines which have been enforced. And we hope that we will be able to take care of this pandemic with respect to all our employees. We have done multi-level of sanitization wherever it is required. And all our employees are absolutely comfortable working in this environment. Logistics and labour is another area where there has been some impact, the former has now smoothened out. And the impact from the latter has actually been minimal with a large number of our workers being local. However, construction labour and carpenters are still missing from the scene in most parts of the country, especially South and West.

The consolidated net sales for the quarter stood at Rs. 343.8 crore, which includes Rs. 47.5 crore from our Gabon facility. Gross margins are lower by 98 basis points at 38.9%. Our standalone entities' net sales for the quarter stood at Rs. 296.3 crore compared to Rs. 342.9 crore in Q4 FY '19, a decrease of 13.6%. Because of the lockdown, we could not service orders worth almost Rs. 60 crore in Q4, otherwise we would have reported a growth of somewhere around 3% to 4%. Gross margins have reduced by 18 basis points at 37.1%. Our average realization in Q4 FY '20 in plywood increase from 216 per square meter to 219 per square meters in Q4 FY '20.

Q4 PAT includes a one-time impact of Rs. 49.97 crore, which is shown in the exceptional item because of the excise duty refund matters as per the apex court order. During this unprecedented time, we received this unprecedented order and almost around 100 companies who were involved in the same have to face the music. But in any case, we have to respect apex court's order. And on a conservative basis, not only the principal amount, but we also went ahead as per the Board's direction to provide the interest. Mukesh ji will share more detail about the thing. I would also like to inform you, however, that under the advice of our legal counsel, we are making a representation to the Union Government for relaxation on the order and also filing a review petition before the honorable Supreme Court.

The environment continues to be uncertain, making it in appropriate for us to give any guidance at this point of time. You would also appreciate that a reasonable proportion of our business is dependent on the real estate sector, which is also faced with its own set of headwinds. Home renovation, which is another area of opportunity for us, looks to be attractive. So there are negatives and the positives which is all going ahead for our type of business, which we can discuss at length when we open up our Q&A session. However, we have some comfort also on the part of both homeowners with regard to allowing carpenters and other skilled labours into their homes. So let's see that how that works out and pans out, and that may quickly again regain a lot of traction back to our business.

The Board of Directors of the company had their meeting held on 27th June also recommended a dividend of 40 paise per equity share for the face value of Rs. 1 for the financial year ended March 31, 2020. We will be happy to discuss your thoughts and views during the Q&A. I would now like to hand over the call to Mr. Mukesh Agarwal for the financial numbers.

Mukesh Agarwal: Thank you, Manoj ji. Good morning, everyone. I thank everybody for joining us to discuss the Q4 and FY '20 financial performance of Greenply Industries. I hope and pray that all is well with you and your loved ones. Safety is the most critical at this time. At Greenply too, while we have begun operations in our facilities, safety for all our employees is our key focus. Manoj ji has touched upon top-line and gross margins for the quarter. So, I will start with discussing EBITDA.

Consolidated EBITDA stood at Rs. 31.2 crore. Consolidated margins were lower by 343 bps year-on-year at 9.1%. Standalone EBITDA stood at Rs. 26 crore. Standalone EBITDA margins decreased by 148 bps year-on-year to 8.8%. Consolidated loss after tax amounted to Rs. 21.5 crore compared to PAT of Rs. 29.7 crore in Q4 FY '19. Standalone Q4 FY '20 loss after tax at Rs. 24.6 crore, compared to PAT of Rs. 18.4 crore in Q4 FY '19. In Q4 FY '20, number includes one-time exceptional item of Rs. 49.97 crore that we will discuss in detail.

Consolidated working capital cycle as on March 31, 2020, is at 78 days compared to 63 days in March 2019. Standalone working capital cycle as on March 31, 2020, is at 68 days, which is higher by 15 days as compared to March 2019. Consolidated debt to equity ratio at 0.71 as on 31st March, 2020, and 0.75 as on March 2019. Standalone debt to equity ratio at 0.40 as on March 2020 and 0.43 as on March 2019. Our consolidated long-term debt has reduced by Rs. 20.5 crore in FY '20. However, short-term debt increased by Rs. 37.9 crore, primarily because of low collection in last two weeks of March due to the onset of COVID.

In FY 2020, consolidated net sales stood at Rs. 1,415.8 crore, an increase of 0.8% from FY '19. Gross margins increased by 174 bps at 41%. EBITDA stood at Rs. 157.7 crore, an increase of 7%, and PAT stood at Rs. 47.3 crore. On a standalone basis, net sales stood at Rs. 1,263.1 crore, a decrease of 1%. Gross margins increased by 179 basis point at 38.9%. EBITDA stood at Rs. 133.9 crore, an increase of 6%, and PAT stood at Rs. 32.6 crore. PAT includes impact of Rs. 49.97 crore as one-time exceptional item of excise refunds, along with interest.

CAPEX incurred in FY '20 in Indian plywood business amounted to Rs. 23.85 crore, and CAPEX incurred during FY '20 in Gabon was Rs. 18.5 crore, basically for the new expansion that happened in November 2019.

I will now discuss in detail the exceptional item of Rs. 49.97 crore which we have accounted for in this quarter. Pursuant to an order pass by honorable Supreme Court, the company may have to refund a maximum principal amount of Rs. 27.09 crore in respect of excess refund which was received from Excise Department. While there is no clarity with regard to applicability of interest in line with our conservative accounting policy, we have estimated and interest amount of Rs. 21.20 crore from the date of various refunds till 31st March, 2020, at the prescribed rate.

In addition to this, the company has to reverse income of Rs. 20.99 crore in respect of pending refund receivable from Excise Department for the period from April 2008 to 16th May 2015. Since this amount has not been received by Greenply, there is no cash flow impact. The said honorable Supreme Court ruling pertains to a year prior to the demerger of the company. As a result, our principal amount of Rs. 27.09 along with interest, if any, shall be shared by Greenply Industries Limited, the demerged company, and Greenpanel Industries Limited, the resulting company, in a ratio of 60:40. Therefore, the company has recorded provision of its share of 60% for principal and interest amounting to Rs. 16.26 crore, and Rs. 12.72 crore respectively. These two amounts, along with the non-cash reversal of Rs. 20.99 crore add up to the total amount of Rs. 49.97 crore.

Our balance sheet and our efficient operations have contributed to an improved financial, and operating performance has also helped us well during the quarter. While the environment continues to be fluid, we are confident that our attributes, along with the determined team will see us coming out of the pandemic as an even stronger company.

I would like to hand the call over to the moderator to open the floor for the Q&A session. Thank you.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin the question and answer session. We have a first question from the line of Nehal Shah from ICICI Securities. Please go ahead.

Nehal Shah: Sir, my first question would be on the demand for the plywood segment, particularly in the wake of your current pandemic. What is the kind of disruption are we likely to see through the year? Obviously, again, it's very, very difficult to quantify that. But considering the ground checks what you guys would have done so far, what is the likely disruption you are seeing in the near-term for the next couple of quarters? And my second question is on Gabon, as to what is the kind of, again, the disruption in volumes are we likely to see for the rest of the year? Thank you.

Manoj Tulsian: Coming to your first question on the demand side. As you also mentioned that it is very difficult at this point of time to really predict how things will go. So, what we are really doing is that we are taking a short-term strategy of one quarter after another quarter. So, April as you know was a total washout, but in May the activities picked up and we started our factories also to some extent for the demand. And in June, the activities have further picked up. The entire team right now is on the field and we are seeing improved traction in some part of the country. And I think more traction is in from North and East, and maybe central part, because what is happening is this migrated labour mostly work in the Western part in the Southern part of the country, they have all moved back to their hometown. So the labour availability in the some central part and East is much better and also some part of North is much better compared to West and South. So, we have a lot of focus in these territories at this point of time, and we are making sure that we don't miss out on this opportunity at all.

In terms of Gabon, actually, Gabon was not really affected so badly. In my opening speech I mentioned that we only had to take a shutdown of anything between 7 to 10 days. And even in the first quarter, Gabon has done decent numbers. They had some problem with respect to the logistics again. And because of which whenever we declare the June numbers we will talk about it, that some of the material which was in ready position they could not dispatch because of the logistics issue. But otherwise, the demand scenario for our Gabon operations is quite good. Europe has been giving orders to Gabon continuously, and we have been supplying to Europe even in the month of April, May and June, all the three months. And now we are seeing some traction even coming from U.S., that I think might turn out to be a big boon for us going forward. Because right now with all this debate going on between U.S. and China, somewhere U.S. has put a lot of restriction on Chinese made material. The supplies which were going actually from China or even Chinese materials going via Southeast Asia has been put on check, and U.S. is now looking at other alternates. So I think that might be a good inroad for us going forward. So it's too early to say, a lot depends also on the election, and how the things work out in U.S. in November.

Nehal Shah: Right. And, sir, on the cost side, how are we working? So, sales disruption probably is not in our hands. But the only thing which is in our hands in such kind of crisis is only the cost savings at this point. So what are we doing as far as cost saving initiatives are concerned? And where we curtailing our cost in specific?

Manoj Tulsian: So, Nehal, I think it's a good question. And I know that everyone will be thinking about this. Let me put it now in a very positive way that in this crisis situation Greenply is trying to come out even stronger, and we are able to create some platforms that we feel will help us now in future also. During this entire lockdown, the full lockdown and the partial lockdown period, our team actually worked extremely, extremely well. I mean, I can tell you that most of our team members may be 70% of the company people were working for 14 to 16 hours during this period. And during this period, we have not left any area of costs being untouched, in every area whether it is related to plant cost, whether it is related to our sales and marketing cost, whether it is related to our distribution cost, whether it is related to our corporate cost, whether it is related to our HR cost, each and every area we worked, sat there during this period to see that how we can be lighter on the cost side. And that has shown a lot of advantages to us during this period. And we are quite comfortable now, with regards to the type of cost reduction measures which we have taken. And I am sure that this will help us a lot in the future.

Nehal Shah: So can you quantify these costs? And what are these costs where we have done these exercises, largely?

Manoj Tulsian: See, as I told you, I mentioned all the areas. I mean, we have not left any area untouched. But just to give you a feel, all these costs somewhere is giving us a 1.5% to 2% of reduction to sales value.

Nehal Shah: Okay. So 1.5% to 2% accretion on margins, largely?

Manoj Tulsian: Yes, yes. Provided everything else remains same, yes, there can be an uptick in the margin. But this year, since we know that sales are not really sure, that is the only thing where nobody is sure. So this will definitely help us during this year to protect our margin. And we continue to take action; it is not that we have just left it. We are working on our working capital management in a big way, whether it is receivables, whether it is inventory. We are also working on other productivity enhancement proposals at plant level in terms of how much labour we can cut down, we have almost cut down maybe 10% of the labour workforce and we are able to produce the same quantity which we were doing earlier. So, we have gained major insight into many of those areas when we felt that we can improve. And we have taken quick actions. And the best part is that the team has responded extremely, extremely well during this situation. So that is a big plus point for us as an organization.

Moderator: Thank you. We have next the question from the line of Achal Lohade JM Financial. Please go ahead.

Achal Lohade: Can you help us first in terms of how was January, February and March, specifically? And number two, in terms of Y-o-Y, you have talked about the capacity utilization, but if you could give some indication about how the May month was comparatively compared to last year May month, and June as well? That would be helpful.

Manoj Tulsian: Sorry, I didn't get your first question about January, February and March. What exactly you want to understand on that?

Achal Lohade: In terms of the volume growth in January, February and what was the quantum of decline in the March?

Manoj Tulsian: Okay. And your second question was with respect to Q1 scenario in May and June, right?

Achal Lohade: Yes, May and June. That's right.

Manoj Tulsian: So let me answer the second question first, and then maybe I will ask Mukesh ji to answer with the exact numbers for January, February and March. So in terms of May, we were somewhere around 50% of our normal month. April, as I told you, was like almost a washout. And in terms of June, we are now improving to somewhere around 70% to 80%.

Achal Lohade: Okay. And January, February and March?

Manoj Tulsian: Mukesh ji, can you answer January February and March volume query?

Mukesh Agarwal: Yes. So January and February as compared to last year January and February, we were almost at par. But March; because of the onset of COVID, we lost volume for last two weeks. And basically, in March last two weeks were very important because of the quarter end month and year end month. So that loss of volume has resulted in the overall capacity utilization which was less by around 17%. So March was around, you can say, 60%, 65% only, because in last two weeks we do more than 40%.

Manoj Tulsian: And March, as I mentioned in my opening speech also, that we had orders worth almost Rs. 60 crore which we could not finally dispatch. And also, somewhere it affected our collections also, because you know that in March most of the dealers also try to complete their annual target so that they get entitled to the volume discounts. And normally, the last week of March is always very good for our type of businesses, any consumer businesses. So that was straight hit to our Q4 numbers. And also, to some extent, collection also got delayed. So whatever we had planned in Q4 in terms of our closing numbers, we could not do because once everything went under lockdown, we just didn't receive anything in the last 7 to 10 days in terms of collections.

Achal Lohade: Got it. This is very helpful, sir. My second question was with respect to the industry. Now as you have kind of said in your remarks that there are some labour issues in terms of the carpenter availability, etc. And in terms of home renovation, we also hear that consumers might be a little uncomfortable. So in terms of the readymade furniture, what is your opinion in terms of the total size? Where do we fit into that? And if you are seeing any trend in pickup in readymade furniture in terms of any structural change you are looking at? And how do we participate in the same?

Manoj Tulsian: So post this COVID situation, I mean, we are still in the partial lockdown situation. So it's very difficult at this point of time to really gauge whether the readymade furniture market will pick up further or what will happen. Maybe you people have to give us some more time and when the market opens up and we see the behavior trend in the next two or three quarters, we'll be in a better position to answer this. But let me highlight a few things, which I think it is worth discussing. The first point itself is because of so much of spat which is going on between China and other countries, so whether it be China-U.S. or whether it be China-India, I think a massive amount of imports which happens from China in terms of furniture somewhere will get stemmed. We don't know what exactly the government will come out with policy wise, because this in any case is a nonessential item, so I think government may take steps to make sure that the imports are being stemmed. If that happens, then in any case, for our type of business, there will be a big opportunity.

Coming back to the domestic demand side also, I feel that this new culture of working from home, on the one side we feel the real-estate right now is going through a tough time, but I personally feel that actually there is a huge opportunity which may come up going forward on the residential side of real-estates. Today, real-estate might also be suffering at certain price points, but at a decent affordable price point, I feel real estate will jump back into good volume very fast. And what may happen as a scenario change, because many companies, including even our company, has started contemplating and has started allowing many people to work from home and it is working extremely, extremely well and very productive. So you may see actually going forward that many of the houses instead of two-bedroom starts becoming three-bedroom, and one of the bedroom gets converted into an office room where people can work from home and you really set up your desk and everything as per your office environment. So that may call for a lot of renovation work in the households going forward. And the new houses may also have one extra room which can be used for these types of work-from-home culture. So I feel that there is a lot of opportunity in terms of demand metrics.

And the third most important thing, this is the time when the branded players with a strong balance sheet can really do much, much better than the unbranded ones. Because the unbranded ones have not done much in terms of their working capital management. We all know that, that they are not so strong in managing their working capital, they just play a price game. And this is the time when we are seeing that there is a traction which is also that the unbranded players or the dealers who were dealing in unbranded material is now slowly willing to and happily willing to shift to the branded goods. So I think, GST which happened around two, three years back and now this COVID will actually accentuate this process of dealers moving from the unbranded to the branded goods industry. And that can be a big upside for us going forward if we work well towards it.

Achal Lohade: Just a clarification on the same. Have you already seen kind of the dealers catering to unbranded products are now moving or asking for our dealership? And B, have you also heard anything about Yamunanagar, if the plants are still shut down, have revived? What is the current situation out there?

Manoj Tulsian: So initial signs are positive, to answer your first question. And in terms of Yamunanagar, whatever I mentioned at this point of time is based on some of the experiences which we have felt in the last one month, that many of the small operators are not even able to kickstart their business once again, they are not even able to come out of this blow. And these are all very positive signs for us, for all branded goods player, I would say. Not only in our category, but I think even for other businesses, this will be a paradigm shift towards branded goods players. Because in India there is a huge unbranded segment in most of the categories.

Moderator: Thank you, sir. We have next question from the line of Arun Agarwal from Kotak Securities. Please go ahead.

Arun Agarwal: Sir, my first question is on the raw material side. If you just throw some light how the pricing on the raw material side is panning out currently? And in the fourth quarter, we also saw gross margins being a bit on the lower side, could you just explain the reason for that?

Manoj Tulsian: Good morning, Arun. I think on the raw material side, whatever we have experienced in the last 30 days, we have had some inventories also at the time of closing. And we kickstarted our real production in the month of June only. But I can only tell you that the prices are on the softer side. So there is no incidence where we had to give an increase compared to the prices at what we were actually buying in the month of January, February and March. So that's also a good sign at this point of time.

Arun Agarwal: So no major correction on the raw material front? I mean, it is a marginal correction from what it was, given the demand?

Manoj Tulsian: As I said, the price is soft only. So there will be some advantage only in the near-term for people like us.

Arun Agarwal: And sir, on the fourth quarter gross margins were lower. Any specific reasons for that?

Manoj Tulsian: Mukesh ji, would you like to comment?

Mukesh Agarwal: Mr. Arun, the gross margin for Q4 FY '20 was 37.1%, whereas in the corresponding year-to-year quarter it was 37.3%. So basically, the product mix, so in this quarter the volume from the low end and Ecotec segment was comparably better as compared to the premium. So though there was a product mix from the decorative segment for the quarter, like we had a good volume, but we lost volume in the last 12 to 15 days because of COVID. And from the raw material side, as Manoj ji highlighted, there is no such pressure. In fact, in the chemical side, we had a gain because of the crude.

Arun Agarwal: Sure. Sir, on the working capital and on your loan, could you just help us out. You had explained a bit on increase in working capital and we understand the reason for that. But could you help us out how is it panning out now? And I mean we are closing the first quarter now, so how the collections have been? I mean, we have been able to get the collections on the receivables and on the inventory, how the situation is right now?

Manoj Tulsian: So Arun, as I mentioned that one of the areas where we are working extremely, extremely passionately, including our entire team, is on the working capital management. And we are pretty happy with the type of improvement what we have seen in Q1, especially on the receivables front. And as far as inventory is concerned, inventory, we have not been able to do much during Q1 because, as I said, we have to get realigned because there were certain raw materials which suddenly we had to stop producing in the last week of March and April. So we have just realigned. But yes, going forward, we are trying to see that can we bring down our overall inventory by at least 10%, if not more, during this particular year.

Arun Agarwal: Okay. And sir, one small last question here. Could you just help us out on your new joint ventures that we were talking to start about? Any changes in the plan? Or are they still as per time line?

Manoj Tulsian: No, mostly, they are as per the time line only. A few months here or there may be based on the basis the demand. But I think somewhere between the first facility can kickstart anytime in Q2, maybe Mukesh ji, you are updated on this, you can answer this with some exact date.

Mukesh Agarwal: Sure. So Arun ji, initially our target was to start the first equity participation company. Now this is not a joint venture because our stake in both the companies is less than 20%, so it's associate. So initially, our plan was to start in Q1, but because of COVID ,any day in Q2 we can start as per the demand. And the second unit, initially, we plan to start in Q3. So we have not yet changed the date. We will see the performance of the demand in the quarter two and we will take a fresh call when we can start, maybe in Q3 or early Q4. So second unit is basically for the doors and the GCWP sheet and first unit is basically for the plywood.

Arun Agarwal: Okay. And sir, CAPEX for this year?

Manoj Tulsian: CAPEX, we don't have much CAPEX during this year, except the normal operating CAPEX which we will do. We don't have any major CAPEX plan as of now.

Mukesh Agarwal: So as Manoj ji said, this year we will have around Rs. 5 crore to Rs. 10 crore of maintenance CAPEX in India, and around Rs. 4 crore to Rs. 5 crore of maintenance CAPEX in Gabon.

Moderator: Thank you. We have next question from the line of Bhavin Chheda from Enam Holdings. Please go ahead.

Bhavin Chheda: Good presentation which has majority of data. The one data which I missed out, if you are sharing the face veneer volume numbers in the quarter and full year?

Mukesh Agarwal: Sure. Good morning, Bhavin. So face veneer volume is around 10,761 CBM in Q4 FY '20 as compared to 9,465 CBM in Q4 FY '19.

Bhavin Chheda: Sorry, last year was?

Mukesh Agarwal: Q4 FY '20 was 10,761 CBM, cubic meters, and Q4 FY '19 was 9,465 cubic meters.

Bhavin Chheda: And full year volume, sir?

Mukesh Agarwal: For the full year, face veneer volume was 33,660 CBM, and last year it was 27,400 CBM. This is only face veneer. We have other small businesses in Gabon, we also sell sound timber and timber, but the volumes are less as compared to the face veneer. So we supply timber, but that business contributes only 10% to 15% of the total business at Gabon.

Bhavin Chheda: And sir, these are the production volumes. I believe, face veneer is internally consumed also when it is transferred to India. So if you can share the merchant sales volume?

Mukesh Agarwal: So these numbers what I shared for quarter and 12 months are the sales numbers.

Bhavin Chheda: These are the sales number from Gabon, right?

Mukesh Agarwal: Yes, without including the supplies for captive consumption to Greenply India, So Greenply India, for the full year, we supplied 6,287 CBM as compared to 5,970 CBM for the year. And in the quarter, we supplied 1,063 CBM as compared to 2,689 CBM in the corresponding quarter.

Manoj Tulsian: So Bhavin, let me give you a picture when you are looking into so much of these numbers. For our Gabon operations, to some extent we have derisked our dependence on the India volume. So if we talk about last year, in Q1 if the dependence on the India volume was close to around 75% to 80%, in Q4 it just dropped down to anything around 20%. So that is a big derisking which has even happened. And then during this year also, whatever we have seen in Q1, there was hardly any sales to India. Q2 also we feel the Indian demand may be tepid. And in Q3 and Q4, maybe the demand from the India side can pick up, which can actually only add up to the Gabon number for this year. That's a good shift which has happened, so it has become India agnostic.

Bhavin Chheda: And I believe as your presentation said, Gabon capacity has been expanded from 36,000 to 96,000 CBM in logs. And you also mentioned 70% utilization. So then this number doesn't tally with the 70% utilization number. So how should I look at it into FY '21?

Mukesh Agarwal: So Bhavin, this number what you said, the installed capacity is not for the full year in FY '20 because the increased capacity was available from November '19. So it's pro rata only for 5 months. And for FY '20, the increased capacity will be available for the full year.

Bhavin Chheda: Right. No, sir I'm saying last quarter it was available, so last quarter our number was close to 11,000, including internal consumption at Greenply. So if I take 11,000 x 4, that's 44,000. So that is also less than 50% utilization. So I was just trying to figure out that.

Mukesh Agarwal: Well, annualized output utilization of 31,000, and we achieved 10,000 for the quarter only. So average utilization of the capacity in Gabon in Q4 was 137% in Q4 FY '20, whereas it was more than 200% in Q4 FY '19.

Bhavin Chheda: Okay. Sorry, sir, quarter four production sales volume you mentioned was 10,660 plus 1,000 internal consumption.

Mukesh Agarwal: Yes, 10,760 and production was 10,641, and we purchased locally 1,067 CBM from the local vendors, and we supplied that to Indian market. So our production in Gabon for Q4 was 10,641, Bhavin, and purchase of veneer in Gabon was 1,067 CBM.

Bhavin Chheda: Yes. So if I divide the 10,661 by 24,000 a quarterly capacity.

Mukesh Agarwal: This 96,000 is not the output capacity; this is the peeling capacity of logs. Output capacity is somewhere between 50% to 51% of the input capacity.

Bhavin Chheda: Okay. So we have to calculate on that number, okay?

Mukesh Agarwal: Yes. So our output capacity is close to 49,000 CBM.

Bhavin Chheda: Okay. So we should calculate on 49,000, you mean?

Mukesh Agarwal: Yes, 50% to 51% of 96,000 CBM. In the presentation also we highlighted that 96,000 is the capacity of peeling of logs.

Bhavin Chheda: Okay. So output capacity will always be 52%?

Manoj Tulsian: Yes. And that is the reason, Bhavin, that we have also started, to some extent, outsource model there also. So we are using, to some extent the outsourced model also at times.

Moderator: Thank you. We have next question from the line of Kaustav Bubna from Rare Enterprises.

Kaustav Bubna: So I had a few questions. Basically, post demerger, what would you say would your vision be for this company's different segments be in? And the CAPEX it would incur for those respective segments, plus the debt levels going ahead, what's the overall vision for this company post the demerger of five years down?

And the next question would be on the premium plywood segment. Just wanted to understand, according to you, how do you see product competitive dynamics looking like? So I mean, I understand that Bison Board is like a competitor to premium plywood for partition walls. So just like that, what different competition do you see coming up in the premium plywood space in the next 10 years? Are we secure from any disruption and those things?

Manoj Tulsian: Kaustav, I think any strategy at this point of time, we are not very sure that how it is going to work out. In the next 12 months or so, we have to be extremely, extremely careful about a few things, which is the cash flow management. And when I say cash flow management, I think that is something which you can put into that block of even a long-term vision, because as a business we want to be higher on ROCE and ROE. And keeping that in mind, we will continue to work quite a bit on our working capital management, whichever way. In the short run, for sure, it is more of tactical, but this even in the-long term has to continue the way it is. The other areas where, for sure, we want to concentrate in terms of our vision statement, it's slightly early for me also to comment on a few things, but I would still like to add a few pointers.

We will continue to work on productivity enhancement across, whether it is today, whether it is after a couple of years; we will continue to work on our distribution network across the length and breadth of the country. And then we will continue to invest on the various brands which we have. So this is for the given set of businesses what we have, mainly in the plywood and veneer segment. And then we will continue to look for opportunities for expanding the business profile, the product profile going forward. But I think we will be in a better position once we strengthen our balance sheet in the next 12 months, we pass this COVID episode into this country and we are totally out of this. Then thinking of new investments or thinking of adding new product line would make a lot of sense into our business. But that will also be one of the ways for us to grow in future, keeping our ROCE always higher, keeping the working capital management and spending a lot of money on the branding side.

Kaustav Bubna: Okay. And on this question, what is your stance on your current debt levels? And assuming that you won't have any major CAPEX; do you have any aspiration to be like a net debt-free company? Or that's not a concern, I mean, that's not a priority?

Manoj Tulsian: No, aspirations will always be there to be debt free, okay? But I think the first point what is important at this point of time is to make sure that our debt level doesn't goes up and we are working towards it, even during this tough time to bring it down. And I'm quite confident the way the team is working right now, the level of energy which is being exuberated by the team during this year, I mean, it's a bold statement to make at this point of time, but I'm quite bullish that we will be able to reduce debt during this year also.

Kaustav Bubna: Okay. And could you just comment on the premium plywood aspect of the question and the competitive dynamics of their product-wise?

Manoj Tulsian: Well, I think on the premium product side, we will continue to work on that side. We have our own product lines where we will work further because we feel that the market on that side also would be there. In fact, we have a very different thought process. When you see today, that the way the government is working on initiatives towards the rural side, we feel the pocket size on the rural will improve further. And they will have a lot of aspirations actually to even look at niche products in all the brand categories. So we are bullish on that, that on the premium side also if we continue to work, like in Q4 we launched a product which is 0 emission. So from a health and environment perspective, that is extremely, extremely positive that the emission level will be 0 and especially in the COVID times when most of the people are working from home, bringing out such product is like a winner. So we will continue to work on those areas where there is a lot of R&D which is being involved and continue to give market some niche products going forward.

As of competition, the competition will always be there. And I think that the size of the market itself is so big and looking at the way the India is going to grow in the next 5 to 10 years, I think more and more players will also have their own space. Today, if you really see the entire plywood business itself, our own numbers, some internal working and whatever we could gather from various agencies, is anything between $3 billion to $3.5 billion. And looking at the size of our company, we are miniscule, though we are a branded goods player. So I think there is a lot of opportunity for us to grow and even for others to grow, and that only strengthens overall market. If we get actually a fair competition on the niche side, it only grows the market, because more and more companies will come and spend towards branding and that will bring in much more awareness about different categories of products, and I think that will be good for the industry as a whole. And we being in the industry for last 30, 35 years, we, for sure, will work, and we will have an advantage to work on the technology side and this to come out with good nice products in the premium segment.

Moderator: Thank you. We have next question from the line of Aasim Bharde from IDFC Securities. Please go ahead.

Aasim Bharde: Just two questions. Firstly, you talked about residential real-estate, rather renovations and perhaps people going for an extra room for a home office per se. So does this mean that you are seeing headwinds in commercial real-estate going ahead? And would this prompt MDF and particle board players would compete even more with plywood at the regulation level? Because my sense is MDF and PB is more prevalent in commercial currently. So yes, what is your sense on this?

Manoj Tulsian: Well, Aasim, how I would take your question is that, yes, I personally feel, and that is what we also internally discussed that the residential side can actually see a big uptick going forward, okay. Which means that for some point of time there might be pressure. See, all these things, for sure, depends on how long this COVID lasts; because somewhere in the past also we have seen that the memories of people are short-lived. If this COVID vanishes in the next two months entirely worldwide, then I think work-from-home culture and everything, again, will go back to the same working from office and people will just forget it quickly. But if this is something which is here to stay for another 12 months or so, then I'm sure that this becomes the new normal, I mean, this is out of compulsion rather than anything else. And we see a lot of advantage also. As I said, also with a very progressive mindset, even we have allowed so many of our people to work from home. I mean just to give you an example, we were running almost 25 commercial establishments in the country and during this period, we have closed down six such establishments only to test that whether we can work from home.

Aasim Bharde: Yes, sir. No problem. Sir, I take your point on the residential fee that you were addressing. Sir, my main concern actually was that any uptick in residential to work from home would possibly come from, I mean, would come at a cost of commercial real-estate going down, which is where MDF and particle board are more prevalent, that's what my sense is. So I just wanted to understand that we, as a plywood company, I mean, how can we safeguard ourselves from this competition and target this new market opportunity that you were talking about?

Manoj Tulsian: No. So first thing first, Aasim, since you have a concern on MDF, we are not there in MDF at this point of time, right, and very miniscule on the particle board also. So for us, there is nothing negative, as I said, it all depends on how long this COVID environment continues. If it dies down shortly, then I think everything will be back to the way it was. If it continues, then we personally have a feeling that you might see a lot of uptick in residential. Commercials may come down for some point of time or the commercial has to rethink about maybe a co-sharing of offices and all those concepts. Which means, for sure, you may see to some extent for some time, commercials, there might be some slackness. So let's see. It is early days. Every month we get a very different scenario, every day we get a very different scenario, whether it is in this country or abroad. So let's wait for some more time rather than making a very bold and conclusive statements on these things.

Aasim Bharde: Sure, sir. No problem. Sir, just second question. I just noticed that for Gabon your EBITDA margin in Q4 is only 11% versus 21% Q-o-Q and 28% Y-o-Y. So could you just help me understand what happened there?

Manoj Tulsian: Right. So I was expecting this question, both me and Mukesh ji, thanks you raised it. See, actually, what happened is, maybe Mukesh ji can throw some more color on this, but broadly I will tell you that we had implemented SAP S4 HANA in Gabon facility also during Q3 only. And Q3, it has not got fully implemented. So the margins in Q3 what got reported were slightly on the higher side which got corrected in Q4 when SAP fully got implemented and they did their full valuation of inventory and everything. So if you really see for the full year, the margin profile is somewhere around 15.6%, which is very much in line with the previous year, which previous year was slightly better. But this year, again, as I said that since we have taken a lot of effort in terms of cost initiatives and cost reduction and efficiency buildup, we again feel, unless things become abysmally bad in the country or worldwide, we will be able to protect our margin in both the places, both in India and as well as in Gabon.

Mukesh Agarwal: Yes. Aasim, if you see our Q3 numbers, where our margins reported was around 73% for Gabon in the quarter three, so, as explained by Manoj ji, we implemented SAP in Q3 for Dubai and Gabon Company and there was some system error which we rectified in Q4 this year. So the effect of that was around 6%. So if you add that 6% in the 11% what we achieved in Q4, margin would be around 16.75% to 17%.

Moderator: Thank you. We have next question from the line of Arun Baid from BOB Capital. Please go ahead.

Arun Baid: Sir, just a few questions. One is, can you highlight what's our rural and urban mix in sales?

Manoj Tulsian: Rural and urban mix?

Arun Baid: Yes, sir, rural and urban mix in sales in plywood in India?

Manoj Tulsian: We don't have the numbers being measured at this point of time, Arun, in this fashion. Maybe we can do some tabulation and we can come back to you.

Arun Baid: Okay. Sir, let me put the question the other way around. If you can just give us some indication about what's our top 10 city sales in the overall business of Rs. 1,260 crore, roughly?

Manoj Tulsian: Business from the top 10 cities?

Arun Baid: Yes.

Manoj Tulsian: Mukesh ji, do you have it somewhere readily?

Mukesh Agarwal: Yes. Arun ji, so out of four regions, if you see, south contributes the maximum in the plywood segment, followed by north and then west and east is around 15%. So from the city wise we have Bangalore, Delhi, then Calcutta, Mumbai. So if you consider top 10 cities in India, so they contribute around 40%, 45% of our total revenue.

Arun Baid: Okay. And just one more follow-up was that, somewhere earlier Manoj ji had mentioned that 1.5% to 2% savings would be there in case of margin because of the initiatives we have taken. So the question is this 1.5% to 2%, are you trying to say, is based on Rs. 1,260 crore turnover we have? Or when we look at is the absolute number, if I do a broad number, is 1.5% of Rs. 1,260 crore, it brings Rs. 20 crore to Rs. 25 crore. Is that the right number, sir, we're looking at sales?

Manoj Tulsian: Yes, Arun, you are right. Somewhere in terms of absolute number, it worked out to anything around Rs. 20 crore, plus or minus a couple of crore. And as I told you that the team is very gung-ho, so many of these projects we have already even implemented. Some of them are still in the pipeline, and we continue to work on the pipeline. So I am sure that even if a few places there are a few surprises which may happen going forward, we will get a few more projects where we will continue to save cost and make the business lighter in terms of the expense proposition. So that's why I mentioned that maybe 1.5% to 2% is something on the overall last year sales is something which we can look at an absolute level of savings. But depending on this year sales, it will all pan out that whether this adds up to margin or whether it protects my margin. As of now, we feel the way our team is working, the way we have the plans, assuming that things start improving from the month of September, October, we feel that we will be in a position at least to protect our margins.

Arun Baid: Okay. And sir just to reconfirm, you mentioned on the call that we will look at reducing our debt. Is that correct, sir?

Manoj Tulsian: Absolutely.

Arun Baid: For FY '21?

Manoj Tulsian: No second thought.

Arun Baid: Sir, when you are saying, I mean, because the consol debt has gone up if you look at for the full year, so that will go back to its FY '19 numbers or more?

Manoj Tulsian: Honestly, I am not putting any numbers, as I told you, because the year is very, very challenging. If I come to know that yes, COVID is out of this country from July end, I can give you some better number or picture. But by the initiatives which we have taken, I am sure that we will be able to reduce our debt for this year, for sure.

Arun Baid: Sir, but it should anyways happen, because if you look at it, you don’t have any CAPEX. I am sure like all other companies; your debtor collection will be very good in the first quarter. You don't have CAPEX, so logically there should be a good reduction in debt anyways, right, sir?

Manoj Tulsian: That's the reason I have this confidence.

Arun Baid: Sir, I was more looking at a number of perspectives, that debt reduction by Rs. 5 crore is reduction, and debt reduction by Rs. 30 crore, Rs. 40 crore is also a reduction. So if I was look at, are you looking at the higher end or it's just like a normal reduction? I was just trying to get that.

Manoj Tulsian: Okay. Let's do one thing, give us one more quarter and we will give you a much better and clear picture. Does that sounds better?

Arun Baid: Sure. Yes.

Mukesh Agarwal: Arun ji, in the current year, we have a repayment of long-term debt which is close to Rs. 23 crore at a console level. And last year also we reduced our long-term debt, as we mentioned in the opening remarks, by around Rs. 20.5 crore. But because of COVID, in last 15 days we lost collection both in India and at Gabon. So otherwise, there would have been a substantial debt reduction in the month of March. But we lost collection in last two weeks of the March.

Arun Baid: Yes, but Mukesh ji, the fact is that debt in the short-term went up by Rs. 40 crore. So you are right, you reduced the debt by Rs. 20 crore, but debt actually went up by Rs. 17 crore on a consol level because of whatever happened, right?

Manoj Tulsian: Yes, Arun, you are right, and that is the reason we are talking about the consolidated debt, irrespective whether it was short-term or long-term. And whatever we are promising you is on the overall debt, okay? See, the year at this point of time, I can tell you that sometimes it is so easy to discuss for us also, but trust me, the way our team is today working in the country, hats off to our team with the level of energy. At times, there are still restrictions for them to move around easily and they go to the market or they go and meet the dealer at 5:00 in the morning or 6:00 in the morning. So these guys right now are giving their best to the organization. And we are trying to make sure that we become much more efficient on our working capital management. We have already initiated certain actions. And we hope we live to those actions. And that's why I am saying; maybe by September we will be in a much better position to give you a much clear-cut position. Because by the time, a lot of these things on COVID will also get clarified and we will also see that some initiatives which we have taken, how it works out. But my promise is that for sure we are only trying to see that we will not allow the debt to go up.

Moderator: Thank you. We are taking the last question from the line of Karan Bhatelia from Asian Market Securities. Please go ahead.

Karan Bhatelia: Sir, how are things shaping up on the Myanmar side? Because in FY '19 we had a good profit of Rs. 5 crore, Rs. 6 crore? So how are the things shaping up there? And what is the update?

Manoj Tulsian: Well, not much happened in the previous year. The demand from India side was also weak. And maybe, Sanidhyaji, you want to add something on this?

Sanidhya Mittal: So the face veneer market in India in the last financial year wasn't that good, and there were a lot of challenges in the Myanmar operation. Hence, we see this result. Though at cash level, there is no loss. I think Mukesh ji will be able to add here.

Manoj Tulsian: Yes, there is no cash loss.

Mukesh Agarwal: One thing. Last year which you referred, it was a gain of around Rs. 4.9 crore. So basically the profit was because of the revaluation of our underlying currency. Earlier, we were preparing our balance sheet and financial statement in the local currency which is kyat, and last year we converted that to U.S. dollar. So entire profit was because of the revaluation of the currency or you can say representation of our financial balance sheet in the new currency. And our share in this is only 50%. And at the cash level still we are gaining, so at cash level there is no such loss. So this year also this Myanmar market, this Gurjan timber is totally dependent on Indian market. And the Indian market was not good in Q3 and Q4. During Q3 in the Gabon also we felt a lot of challenges from the Indian market, and that was the reason why we shifted our focus to European and Southeast Asian market. So there we cannot shift to Southeast Asian market and Europe, so still we are dependent on Indian market. So as the things improve after the COVID or maybe during the COVID, so probably this year we may have marginal profit or we may have a loss but not at cash level.

Karan Bhatelia: Correct. And sir, secondly, now that many plants would have relocated from Myanmar and Laos to Gabon. So how is the competitive intensity shaping up in Gabon? How do we see the realization and the margin trajectory on a very sustainable level?

Mukesh Agarwal: So in last three to six months, we have not seen players moving to Gabon, okay? So only one large payer we heard that they are moving to Gabon, otherwise there are a few small players from India and other part of the globe, a few from China, they are operating in Gabon. But after March, they are struggling. And before Q2, we were totally dependent on India and Southeast Asia. And after Q3, we started supplying to Europe. And now, as Manoj ji said, we are focusing also on the U.S. market. So that helped us in Q4 and in the Q1. So other players, they do not focus on the European market because this new plant which we started in November 2019 is to supply material to the European market and going forward to the U.S. market.

Karan Bhatelia: Right. And sir, if you can like broadly segregate our plywood portfolio into like mass product, mid category and the premium end of sales? So if you can like throw some ballpark number. Because what we have witnessed since last couple of quarters, there have been more sales of the low end and the Ecotec kind of products. If you can broadly break up the plywood portfolio in terms of percentage-wise, that would be good?

Mukesh Agarwal: Sure. So in Q4 FY '20, premium product contributed 64% and Ecotec and the Bharosa, Jansathi, including PVC, contributed 36%. And in the value terms, premium product contributed 73% and in value terms, Ecotec, Bharosa, Jansathi contributed 27%. As compared to the corresponding quarter, 64% contributed in this quarter and the corresponding quarter it was 65%. So almost at 1% loss in the volume. But at the value level, it was 73% in the corresponding quarter and in this quarter also it was 73%. And for the full year, volume from the premium segment was 63% as compared to 64% in the 12-months FY '19. And in the value terms, premium product contributed 72% as compared to 73% in the corresponding 12-months.

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

Sanidhya Mittal: I would like to thank you all for taking the time to participate in this call. We are happy with our performance in the quarter under review. These are unprecedented times, but we have found ways to combat the challenges while ensuring safety is given top priority. I pray that all of you and your loved ones too stay well and safe. We look forward to speaking with you in the next con-call post our quarter 1 FY '21 results announcement. Thank you.

Moderator: Thank you very much, sir. Ladies and gentlemen, on behalf of Greenply Industries Limited, that concludes this conference call. Thank you for joining with us. And you may now disconnect your lines.