



Greenply/2020-21
February 25, 2021

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 February 11, 2021 on the financial results of Greenply Industries Limited for the quarter and nine months ended 31st December, 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.: As above

Greenply Industries Limited

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Greenply Industries Limited Q3 FY21 Earnings Conference Call February 11, 2021

Moderator Ladies and gentlemen, good day and welcome to Greenply Industries Limited Q3 and Nine Months FY21 Earnings Conference Call. 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. Gavin Desa of CDR India. Thank you and over to you sir.

Gavin Desa: Thank you. Good day everyone and thank you for joining us on Greenply Industries Limited Q3 and 9MFY21 Earnings Call. We have with us today Mr. Sanidhya Mittal - Joint Managing Director; Mr. Manoj Tulsian – CEO and Chief Financial Officer -- Mr. Mukesh Agarwal.

Before we begin, I would like to state that some statements made in today’s discussions may be forward-looking in nature and may involve risks and uncertainties. A detailed statement in this regard is available in the result presentation that was sent to you earlier. I would now like to invite Mr. Manoj Tulsian to begin proceedings of this call. Thank you and over to you, Manoj.

Manoj Tulsian: Thank you, Gavin. A very warm welcome to everyone present and thanks very much for joining us today to discuss Greenply operating and financial performance for Q3 and 9MFY20-21.

To begin with macro perspective as everyone is experiencing, we are also witnessing positivity in our business environment. Although not as buoyant as capital markets, but we are experiencing good demand traction across the market and across all the product range. In the last reported quarter, we had seen major uptick in demand side, but due to some logistics issues in certain pockets, we have not achieved our desired revenue numbers. Considering the fact that most of those issues are resolved now, we are expecting better H2 of this year as compared to H2 of last year.

On margin front as discussed in earlier calls, we will maintain our target for this year of double-digit margin at operating level for the full year. From long-term perspective, we are committed to improve by 400 basis points in overall margin points by FY23 end. Our continued rigor on optimizing credit discipline is yielding results in terms of sharp reduction in working capital. During the previous year, we



had debtor days of around 89, which is on 31st March 2020 which has been reduced to around 72 days in the last quarter. As we continue to further strengthen the credit monitoring processes, we aim to reduce it further to under 60 days.

Primarily due to this exercise, I am glad to inform you that first time in the history of this company, we have bank FDs of over Rs.100 crore at this current moment. At standalone level we are now net debt-free and as per our existing business plan, we are targeting to be net debt-free on a consolidated basis by the end of FY23. Through this channel, I would also like to communicate that although our efforts, investments and strategies are focused on immediate performances, we are also preparing the organization for our long-term growth prospects. To name a few such initiatives – our increasing rural penetration across the country would provide very prolonged reach to mass consumers. To appreciate our strengths and areas of improvement in making the organization employee friendly we have participated in the prestigious Great Place to Work survey. I am happy to inform that, we got certified as a great place to work and in addition our plants have achieved the distinction of being in the top 30 manufacturing companies. To strengthen our way of working, we are investing in IT and systems, process orientations and cost optimizations as well. These initiatives and investments are expected to yield results in the long-term for the company in terms of growth, profitability and sustainability.

I would now like to hand over the call to Mr. Mukesh Agarwal to discuss our financial performance. Over to you, Mukesh.

Mukesh Agarwal:

Thank you Manoj. Good day everyone. I thank everybody for joining us to discuss Q3 and 9MFY21 financial performance of Greenply Industries.

I am happy to say that we are doing much better and moving towards normalcy businesses wise. However, I do hope that all of you and your loved ones are safe and healthy.

Our consolidated entities net sales for the quarter stood at Rs. 339.2 crore compared to Rs. 344.9 crore in Q3 FY20. A decrease of 1.6% and higher by 15.1% as compared to Q2 FY21. Consolidated gross margins for the quarter improved by 92 basis points to 41.9% on Y-o-Y basis. Consolidated operating margins remain healthy at 12.8% versus 11.6% in the previous corresponding quarter, despite the decline in top line.

Standalone net sales in Q3 FY21 stood at Rs. 308.9 crore versus Rs. 318.4 crore in Q3 FY20, a decrease of 3% and higher by 30.1% as compared to Q2 FY21. Standalone gross margin for the quarter improved by 283 basis points to 41.1% on Y-o-Y basis. Standalone Q3 FY 21 EBITDA margins are relatively strong at 12.8% and improvement of 173 basis points on Y-o-Y basis despite a decrease in sales, while PAT stood at Rs. 24.3 crore versus Rs. 18.6 crore in Q3 FY20. Our average realization in plywood remains the same at Rs. 219 per square meter in Q3 FY21 against the corresponding period last year. Receivables as on December 2020, have declined to Rs. 201.4 crore while debtor days too have reduced from sharply to 72 days from 90 days as on September 30th, 2020 and 89 days as on December 2019. Working capital days too are lower at 60 days when compared to 80 days and 70 days at the end of the sequentially and corresponding quarters, respectively. All these numbers which are on a consolidated basis are a reflection of improvement, improved collections and discipline across our supply chain. The lockdown in Europe and non-availability of containers impacted order flow and consequently revenue and profit growth in the quarter under review. We believe normalcy will



return for our Gabon operations after Europe opens up and improve the availability of containers.

Maintenance CAPEX incurred for nine months FY21 for Greenply consolidated amounted to Rs. 16 crore and expecting further maintenance CAPEX of around Rs. 4 crore in Q4 FY21. Our balance sheet continues to be robust, consolidated debt has reduced to Rs. 188.8 crore in nine months FY21 from Rs. 267.4 crore as on March 2020. At standalone basis Greenply is now completely net debt free, having made a net repayment of Rs. 77 crore in the ongoing financial year. Consolidated debt equity ratio also continues to decline and standing at 0.46 as on December 2020, as compared to 0.65 as on December 2019. I would like to hand over the call to the moderator to open the floor for Q&A session. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. First question is from the line of Nehal Shah from ICICI Securities. Please go ahead.

Nehal Shah: Now the question would be on the growth side, now we have almost come to par volumes compared to last year with a decline of just about 2%. Now this was obviously done along with sharp curtailment and receivables, which have been reduced by 20 days compared to three quarters ago. Now, with such tightening already under the belly, so now we have all the ammunition to fire, particularly with the industry tailwind now being pretty strong than in last three, four years. So, is it fair to assume that we should be now clicking in almost a very high decent double digit growth going forward considering the low base we have and the levers as far as industry growth which is seeing much better than earlier?

Manoj Tulsian: Thank you Nehal. Actually, you have answered your question also. So, yes it was a tough journey, it looks easier when you people are able to see the numbers. But, I can tell you that and every company when it goes through this process, it's a real challenge. It's not only managing the external environment, but it's also managing the internal environment and bringing in that belief system in the internal team also that we have been able to give a decent performance in Q3. I think we could have been even better in Q3 performance also. But we were also caught in a few areas, few operational areas I would say where, at times logistics was slightly a challenge in getting the logistics support. At times some issues were there even on the raw material side for a brief period. So, if those challenges were not there possibly we could have given you a flat quarter, on a Q-o-Q basis. So, coming back to your point, yes, we had maintained this in the past that we will give our best. The best part is that, as you rightly said, the market traction is also there. It's good for all the organized businesses, we have seen many of the companies also doing very well. And even for us, the signs are good January has been very robust and we will definitely look at a higher, double digit growth for next year. Looking at the base being low.

Nehal Shah: Sure. And my second question would be on margins. So again, commendable on the kind of margins, we have had, despite the fact that our capacity utilization has been lower Y-o-Y and assuming that the product mix would have been muted, because of the current environment. So, are we likely to hit that 14% margin bracket much earlier than what we envisaged for, considering that we have levers up our sleeves like higher utilization going forward, operating leverage, and also product mix change, what's your sense on that?

Manoj Tulsian: The sense is again what is coming out is greed., Now that we have given certain positives in a shorter time. Look, as I said that the journey looks easier than when

we actually travel it, I can only assure you and the entire investor community that we are well on target for the 400 basis points, what we have spoken about and nothing stops us. It's not that is the place where we are just going to be casual and, we feel that we have arrived. Even, we had internally not thought that we will maybe cover half of the journey so fast. And having said that, the moment our pocket size increases, our investment on the business also goes up. Because, as I had mentioned, in the last call that we are not looking at this business on a short term basis, we are now looking to build up the company for the next one decade minimum, if not more. So, we will invest also good amount of money, keeping those upsides from the investments also, which will come and reflect in the in the quarters to come, if we are able to do 14%-14.5% by FY23 and it will be a good job. So, there will be a higher spend also, which should go in building up the organization, on every front.

Nehal Shah: No, but with the kind of numbers being shown it seems coming much-much earlier than what we are targeting by FY23, probably it may come in next couple of quarters also?

Manoj Tulsian: So, that is always as I said, that is always good and healthy. And we will continue to invest back in the business.

Moderator: Thank you. The next question is from the line of Arun Agarwal from Kotak. Please go ahead.

Arun Agarwal: Sir, my first question is on the demand side, so could you just help us out how now the metros have been doing because metros have been a laggard as compared to Tier 1 and Tier 2 cities. And how are we panning out on the rural side also, we started something last quarter, so you could just throw some light on that?

Manoj Tulsian: Thanks Arun. On the metro side, we have improved our business, market share by around 5% to 6% on a quarter-on-quarter basis and I am saying about my own... if I break my own 100% sales, we were at around 36%, 37% which has moved to around 42% to 43%. And we still feel that it can improve further because the tightening, so the last leg of improvement is actually happening in the metro cities in terms of receivable tightening. So, we feel that there is a scope and of course, there is a traction also which is there. In terms of rural, we continue to strive on that rural penetration story and our team has worked, they continue to work and we will continue to work on the same. Last quarter also, we have added close to around 100 plus dealers into the kitty.

Arun Agarwal: Okay, and these 100 for, the total number of rural leaders would be now how much?

Manoj Tulsian: It's close to around 200 plus.

Arun Agarwal: Okay. And sir if you could also just throw some light on the premium and economy, how these two segments are doing for you?

Manoj Tulsian: Premium and economy ?

Mukesh Agarwal: Arun. On the premium side, in the volume terms, contributed around 60% in the quarter, and the economy and the low end contributed to the volume terms around 40%. Whereas in the value terms, premium contributed 70%, low end and mid segment contributed around 30%.

Arun Agarwal: All right, thanks sir. My other question is on the margins front, we talked about, we may have some operating leverage benefits going ahead given that better volume growth going forward in double digit, but on the cost side have we sort of gained all the benefits of cost control measures that we have taken in the past two to three quarters or there is some more benefits, we can see from those measures going-forward?

Manoj Tulsian: So, if you see on the direct cost control side whatever we could have done, we have done it. Now, with the business growing some of those cost will even come back. On the efficiency side, we continue to work, and there are projects which keep coming. So, I am sure that we will get more benefit out of building up efficiencies. If you ask me today, I don't have that I have cleared the projects today, which can say how much benefit it can actually give us, but as an organization, we continue to work in each and every area of the business to see that how we can continue to build up efficiencies. So, I am sure that and that is one of the reasons when we spoke about this 400-basis points improvement. This we mentioned around, maybe two calls back at that point of time we were at the peak of pandemic and we still had that confidence looking at the way we were running things, that this looks to be possible. And this is precisely the reason we mentioned that. And with positive growth also, better growth we can also get some amount of benefit on account of operating leverage, and we are more confident now that delivering this number will not be difficult, possibly as Nehal asked sometime back we can even do better. But we are not, at this point of time willing to revise the guidance, because that puts a lot of pressure on the type of projects and improvements what we need to do in the next two years.

Arun Agarwal: Alright. Sir related question to cost, on the logistics side we saw 100 bps increase on your logistics cost both on Y-o-Y and Q-o-Q. So, could you just highlight as to why exactly this was, and will it sort of move back to the earlier level?

Manoj Tulsian: Well, we are also working on that, there are two, three reasons which I can give you because of which the cost have gone up, one as I said sometime back that logistics slightly was a challenge in Q3. Getting the transporters and the trucks the way we desired and that is where there was some amount of increase. Also, the diesel prices, also went up during this period and the third thing is, that we have also opened up some regional warehouses to cater to this rural demand. So, there is an additional cost which is getting reflected, but the same thing we are also recovering in terms of our sales side. So, it is not affecting my margin overall.

Arun Agarwal: Okay. And sir last question from my side, is on the raw material side if you can just help us out how the raw material prices are behaving. Did we see some pressure, maybe somewhere in third quarter we're seeing some pressure in fourth quarter and did we take any price hike?

Manoj Tulsian: Yes, in the fourth quarter definitely we have seen increase in the raw material prices and we have also taken a price increase effective 1st February, so basically, it's a pass on.

Arun Agarwal: So, we will be able to pass on 100% of those increase or we are absorbing?

Manoj Tulsian: The type of increase what has happened till date, we have already passed it on to the market from 1st February.

Moderator: Thank you. The next question is from the line of Shrenik Bachhawat from JM Financial. Please go ahead.

Shrenik Bachhawat: Sir, I wanted to understand what would have been a plywood industry growth in 3QFY21. And is the logistic issue only the reason for our underperformance versus our peer?

Manoj Tulsian: No. See the first point honestly, we don't have the answer. I mentioned in the previous call also that there are no such data which clearly tells us about the market size. So, we are concentrating on how and what we can do in the company without looking at whether the market is growing or not, we have to grow. So that is one, second, as you said your question was that whether the degrowth was only because of the logistics, is that what you said or?

Shrenik Bachhawat: Yes, and like our underperforming figure, was it purely because of the logistics and supply issue?

Manoj Tulsian: No, logistics and supply issue of course would not have given us a 15% or 18% growth from what we have delivered, it was clearly off the way we have done the credit control in the system. And if you ask me, I am personally not worried about it, because it is a given fact that when you correct the credit policy in the trade, your primary drops because the dealers have the typical mindset of actually reducing their inventory, converting that into cash and giving it back to the company. So, my secondary's has been good, my primary has been slightly weak to the extent of maybe the receivables, extra money which we have collected from the system. So, I'm not worried and now that most of it has been done, we will be back on growth trajectory.

Shrenik Bachhawat: And sir my next question is for Gabon business, initially we were expecting 18% EBITDA margin, but now we are expecting around 14% to 15% EBITDA margin, so has our project ROCE expectations followed for the Gabon business?

Manoj Tulsian: Gabon, slightly we keep facing some challenge or the other. If you see last quarter, we have been facing a typical challenges that one, of course COVID, has played some spoilsport in the last few months. One or two cases also if it surfaces there, suddenly the government takes some very stringent measures. So, that actually hits a very normalized operations. Second, we are facing challenges in terms of getting containers and vessels there. So, as of today also we have a huge inventory, which is actually lying at the dock, waiting for vessels and because of that, we have reduced our order intake on a big way, because if my old orders are still lying at the dock, I can't look at taking fresh orders and then create pressure on the system. So, looking at all these things, the sales are also lower, and when the sales is lower we cannot even think of a margin of 18%-19%. It's a different basket of product, it's a simple business. And the volume only plays a key there and given the other type of situations like logistics supports and other things, if they are in control, I don't know in the near future immediate, near future I don't see a margin of anywhere near 17%-18%.

Shrenik Bachhawat: And sir Gabon realizations are around Rs. 54,000 in second quarter and in this quarter, I can see it is Rs. 39,000. So, what is the main reason for such a sharp growth in realizations at Gabon?

Mukesh Agarwal: So basically, it's a product mix, so Shrenik in earlier quarters we sold veneer and we have different grades, A grade, B grade and C grade. So, in this quarter, we

reduced our inventory for B grade and C grade and that is the reason why we have drop in realization in Q3.

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

Pritesh Chheda: Thank you sir for the opportunity, I have two, three questions one in plywood if you have to make incremental investment at what asset turn will that incremental investment come at?

Mukesh Agarwal: So, first of all we have decided that we will go for light asset model, but we are open for any new investment going forward. So, in that step, we have invested in two companies based in UP and one of the units already started production in Q3. So, going forward, we will explore such type of opportunities and coming back to your question for asset turnover in plywood for new investment in Greenfield project could be anything between 3 to 3.5.

Pritesh Chheda: Okay. What is the capacity utilization of your assets last year at Rs, 1,300-1,400 crore of revenue?

Mukesh Agarwal: So, in 12 months our capacity utilization was 142% last year. Existing capacity is 24.9 million square meters including decorative veneer.

Pritesh Chheda: Okay then on the working capital side sir what is the more sustainable net working capital now, after the changes what we saw in the last six, eight months?

Mukesh Agarwal: At standalone basis we are at around 42 days and at the consolidated level we are at around 60 days.

Manoj Tulsian: So, this 42 days with further work on the same it can be brought down to around 36-37 days.

Pritesh Chheda: Okay, so there is further scope?

Manoj Tulsian: Yes, there is.

Pritesh Chheda: And my last question is, you mentioned that you will report or revert to double digit growth. should it mean, also mean that you would go your sales would be higher than what you recorded in FY20, in the corresponding year?

Manoj Tulsian: Well, look we are doing our budgeting process but looking at the type of traction that is there, we are also very bullish. But give us some more time we will come back. Definitely the number will be a good number.

Moderator: Thank you. The next question is from the line Bharat Sheth from Quest Investments. Please go ahead.

Bharat Sheth: Just want to get sense, of course earlier when we are talking that premium volume is higher but if we look at our volume, Q-o-Q growth is much higher 26% whereas value growth is 15%, so if you can help us in understanding, what exactly is playing out?

Manoj Tulsian: Bharat can you elaborate the question again you're comparing which period?

- Bharat Sheth:** Q-o-Q, Q2 vis-a-vis Q3, so in Q2 volume sales million square meter was 11.1 and Q3 it is 14 million, so which gives a 26% growth, whereas value growth is around 15%. So, wanted to get some sense, what exactly is playing out there?
- Mukesh Agarwal:** So, out of that 11.1, mid segment contributed 4.5 million and in Q3 of the current year out of 14 million, mid and low segment contributed 5.6 million. So, that is the main reason so, you can say growth over quarter-on-quarter basis and Y-o-Y basis in mid segment and the low segment including PVC segment.
- Bharat Sheth:** Okay. So, how do we really see going ahead down trading is really playing out when volume is growing but downtrading is normal thing or how do we see from here onward?
- Manoj Tulsian:** So, Bharat it is not actually downtrading we have a basket of products right, and what we really see is there are different markets for the same, so we are also now penetrating, and we are trying to penetrate in a big way as I mentioned sometime back on the rural side, where we were not so strong. And our initial thought process, is that in the rural market, it will be mid and lower segment which will go well. So, if that happens, then there will be some change in terms of the product mix. But it remains to be seen sometimes we also get feel from some other companies that this perception is not right actually the rural market is flush with money and they want to go more premium than the urban market. So, it remains to be seen give us a few more quarters we will also get more clarity on this.
- Bharat Sheth:** Okay. So, of course, so this double-digit growth or what we are talking say, that is in value term or volume terms going ahead?
- Manoj Tulsian:** Both.
- Bharat Sheth:** Sir when we are talking of this 400-basis point margin improvement in couple of years, so which are the areas that we are targeting and in this whole journey of course, we have just begun so where we are in, how do we see in FY22-23?
- Manoj Tulsian:** If you really look at there are certain discipline on the sale side also, which we have done in terms of reducing the discount percentages in the market, more now going on the MOP practices, strengthening the market operating practices also, we are building up efficiencies as I mentioned that in each and every area, we are looking at how we can automate things and bring down our cost. So, it's no single area, which can give us this type of incremental margin, we have to work on every area and every area we feel that there is a scope when we really look at with critical eyes that there is always a scope to improve. And then some portion if you really see which has already traveled into the margin, better margin is a few things which has been done possibly in the rightful manner.
- Bharat Sheth:** Taking this mix and realization if we really look at in FY17 when our volume was around 50 million square meters, whereas we realize the total sales was 1,600 plus, so, realization was around Rs.354, which has come down to say Rs. 258 or Rs. 243 in Q4, Q3 and Rs. 258 for nine months. So, what exactly has really caused mix to change over a period?
- Mukesh Agarwal:** So, one of the reason for what number you shared for 2017 is a merged entity number. So, at that time Rudrapur unit was part of the Greenply, now after demerger that entire unit transferred to Greenpanel and from there we were producing decorative veneer and premium plywood. And the composition of low end



was nil at that time in 2017, because we started low end in Q4 2018. And the contribution from mid-segment which is Ecotech brand was low in the total plywood segment. So, all these factors the realization in the low segment and the mid is 40% low as compared to the premium segment.

Bharat Sheth: Going ahead now, when we want to expand our market reach, so what is our strategy investment in increasing number of optimum dealers in rural and metro how do we really see and how do we see the mix also metro vis-à-vis rural?

Manoj Tulsian: No, as I said that when we are doing expansion in the rural market, where we are also trying to expand in urban market, but you will always see that the growth in the rural market and the opportunity is much higher. So, our first belief is that in the rural market we will be in the mid and lower segment, but time will only say because there are also precedent theories which says that rural market they look for more premium things, they look for better brand, better quality and higher value added products. So, maybe in next three to four quarters when we will have a decent size of growth there we will to see that how this mix has undergone a change and there is nothing which stops us, even if we start with mid and lower segment with them, we can always even add premium products with them over a period of time.

Bharat Sheth: Sir last question, sorry I missed that, how much is the total gross debt and net debt at consol level?

Mukesh Agarwal: So, at consol level gross debt is Rs. 188.8 crore and at standalone level gross debt is Rs. 66.14 crore.

Manoj Tulsian: And net debt at consol level is around Rs. 80-83 crore.

Moderator: Thank you. The next question is from the line of Sonaal Kohli from Bowhead. Please go ahead.

Sonaal Kohli: I had two questions, in terms of currently you have only focused on plywood. So, do you intend to remain that way or at some considering you have a much better balance sheet, you may consider entering into new areas, allied areas at some point of time. Secondly, you mentioned about January growth rate, if it's possible for you, can you share that kind of growth rate and can we extrapolate that for the quarter or it's difficult to say right now?

Sanidhya Mittal: So, I'll answer the first question first. Our balance sheet is very healthy and we definitely want to be present in other building materials also. So, we definitely keep on exploring the idea of entering different products. But we are very very clear that we will enter only that category which kind of goes with our existing line of products. And we are in the process of thinking and maybe in the coming quarters, we will be able to tell you where we are thinking to invest and further grow the story of Greenply. That is the first question and the second question, as far as January numbers is concerned, it's very difficult to comment right now, because just by looking at January, we can't say how February and March will be. Overall the environment is good, the numbers should be good. But, it is not the right time to comment about Q4 numbers.

Sonaal Kohli: And sir there is a lot of pent up demand which is helping you in January and February numbers and some point down the line maybe in June quarter there could be a revenue shock or something like this, as the pent up demand goes away. What are your thoughts about it?



Manoj Tulsian: Well, actually this is something which we should be checking with you people, who are sitting with so much of data on different industries and different companies, because most of the businesses are showing good traction and good growth. And, we are also in the same boat at this point of time. I personally feel that post COVID, there is a lot of change, which is coming in the way people worldwide are looking at things. It's a change in the method of living, it's a change in the method of thinking. And this is something which we are also, we mean when I'm saying I've even heard other companies that we are not able to decipher at this point of time, that how is it going to work. Second, to some extent, it has dented the unorganized market, maybe for a limited period but during this period there has been a dent on the unorganized market. Whether they again bounce back, because in the past, they have bounced back, is something which remains to be seen. If not then for sure, that also helps the Indian domestic business. And the third thing, all this China story and this is also helping India as a base, because there are restrictions, which is there today on import categories in many of the areas. And at the same time, there are industries or big houses, which is looking at now India as the base. So, there are a lot of positives, which I actually see post the pandemic. And I'm sure that, we will continue to grow much better than the other countries in this next decade. So, keeping all these things in mind, and the type of work when we come to our individual business, the type of effort what we are putting here in the company, I'm very sure that we would be doing quite well.

Sonaal Kohli: Sir lastly two things, firstly, on the ROCE side for any new businesses to look to, on a steady state is there any minimum ROCE which you would look to before you get into a diversification, I'm not saying about year one, but let say year third or fourth, once you're settled in that business and secondly, when you talk about unorganized market coming back, what are you as a firm taking steps, so, that you take advantage of the current weakness, so that even when the online market comes back, we have capitalize this opportunity and therefore even if they come back your base is much higher than what it was, before the organized sector was hurt?

Sanidhya Mittal: I will answer the first part of the question. For any new business, we will at least look at 18% to 20% ROCE to start with, if we are getting those levels then only will we look to enter any new business and we are definitely not going to go to any unrelated category, even within building materials. So, anything which goes with our line, there's only thing we're going to focus on and minimum 18% to 20% ROCE.

Manoj Tulsian: And can you just say your second question again, in a brief you're saying that if unorganized market comes back, what are the things which the companies can do before that so that it does not affect us, is something you were saying?

Sonaal Kohli: Let me rephrase it, what I meant was any great management takes steps to capitalize on the opportunity. So even if the status quo returns, is there anything you have done, or you intend to do that let's say six months down the line when online sector comes back you have capitalize the opportunity, not only from a two quarter perspective, you reach a new normal in terms of your share as compared to the unorganized sector, assuming everything is back to normal and online sector is also coming back is it something which you could do, to have a relatively higher market share than was in the pre-COVID period for yourself?

Manoj Tulsian: So, the first thing itself is to work hard on the tertiary side on the secondary, the team is putting all the effort to generate demand. The second thing is, as I said that we are doing a rural penetration. So, once we are able to create a good base and we are able to improve the logistics support to them, they will remain with us because what has happened during this pandemic time, many of these small

dealers, they have also faced a lot of challenge who were totally dealing with the unorganized segment. And there is a convert, which I feel personally is taking place for all the segments, where certain level of the dealers are now willing to work with the organized players. And over and above that, as I mentioned that as our kitty grows we would be doing more activity on the brand building side also. So, when there is a brand building activity along with that, we work on the logistics and the secondary, possibly we will be able to hold back our share or grow our share.

- Sanidhya Mittal:** Also, I would like to correct myself, I meant 18% to 20% ROCE not EBITDA sorry.
- Sonaal Kohli:** Sir, lastly you said that in terms of, these are the various steps you would take or taking to have a higher share, but from a regulatory side do you think GST is now working is it much better than last one year or do you expect it to be much better than today now in six months and therefore you could benefit in any way from that?
- Manoj Tulsian:** From the GST side?
- Sonaal Kohli:** The compliance of the GST, GST is already there, but any material change in that currently as compared to the past or expected in next six months?
- Manoj Tulsian:** Well, my belief system is extremely strong in this whereas, many others differ on the same. But India as a country is improving on the digitalization platform in a big way. The government's network the way they are linking their portals is commendable. And keeping all these things in mind and the level of surveillance and watch with the government has improved, I sincerely feel that in next two years time the unorganized segment will have to take a hit when it comes to non-GST compliances. So, I don't see any negative for businesses like ours, it can only be better.
- Moderator:** The next question is from the line of Sachin Kasera from Svan Investments. Please go ahead.
- Sachin Kasera:** My question was regarding commentative rate that there was a difference between primary and secondary. And you mentioned, because you were tightening the norms, the primary sales but the secondary was much better. So, if you could give us some sense, what was the secondary growth vis-à-vis the primary growth for the quarter?
- Manoj Tulsian:** No, see that's what I tried to mention that again there are no applied sciences which can say that what exactly was the number. But normally what we have seen when we correct the credit cycle in the market, the traders have the mindset of selling the material and paying and squaring of the receivables. So, the ballpark calculation is that if we have reduced our receivables by close to around Rs. 130, 140 odd crore during this period by tightening the credit days that is the type of inventory reduction which has happened in my pipeline. So, that is what in a way you can say is the incremental opportunity if we are not corrected this policy, we might would have at least done maybe half of that during this last nine months itself, at least Rs. 60 to 70 odd crore could have reflected in our nine-month number.
- Sachin Kasera:** Sure, sir my second question was regarding your subsidiary so if you could tell us what is the long-term thought process there say over a two, three-year period, are we looking to dispose it up that or what exactly how does that company fit in the scheme of things from a medium-term perspective?

Manoj Tulsian: So, I don't think there's any such thought at this point of time. Also, it helps us in a way in our captive consumption because we also draw our face veneer requirement from the same operations, and it has been doing well other than that there have been hiccups which has been coming and hitting that operation for some reason or the other. We have developed good Europe market; we have developed good Southeast Asia market. As I mentioned, in my last call we had just started our journey even in the US market, the first container which is there got good response, we got order for one more container. And this is the way the export business also develops over a period of time. So, business per se, we don't see there is anything negative, yes margins can take a hit for the reasons which are sometimes very cyclical in nature. But we definitely feel that the team has done a good job there, we are quite settled in terms of the team, which is there, quite settled in terms of the way we are managing the business. So, there is no such idea at this point of time to sell it off. In fact, too early to say, but in the near future, if we are able to improve our margins to something, then we might look at whether it calls for any further investment there or not but that's too early a statement to make.

Sachin Kasera: Sure. And last question is of the capital allocation policy, if we look at the standalone level, at a net level you're almost Rs. 35-40 crore of cash and going by the performance, we should have Rs. 125 crore next year. You mentioned to the core business, not too much CAPEX is required, and that you are only looking at some adjacent categories. If you could give us some clarity over the next two, three years, how are we looking in terms of utilizing the cash flow in the sense, how much will we use towards CAPEX for the core business or other categories and how much you are looking to return to the shareholders?

Manoj Tulsian: So, we have scope to grow in other categories, clearly we have scope to grow in other categories. The scenario was very different, maybe a year back in terms of the strength of the balance sheet versus where we stand today. So now at least, you are able to raise this question and we are able to think on those lines one year back, you would not have raised this question and we would not have even answered anything on that line. So, things keep changing. And at this point of time, we have opportunity to create a new vertical to create new business and as Sanidhya mentioned, that the one thing which is very clear is that we will only look at related products, we will only focus in building material segment. Keeping these things in mind, we are also, we would be so one way is that we are today looking at strengthening the core business. Once we feel that we have reached the comfort level, we also start looking at opportunities where to invest, how to invest and what type of capital allocation we can do and what type of free cash would be there. Too early a question really to answer explicitly on the way forward.

Moderator: Thank you. The next question is from the line of Ashish Poddar from Anand Rathi Research. Please go ahead.

Ashish Poddar: Sir, it was heartening to know about market share gains in the metro market, which you mentioned but, if I look at your competitor, in the last few quarters at least we have seen superior performance from them in terms of swifter recovery. So, is there anything missing in Greenply, or Century is doing much better than Greenply and gaining more market share, any comment on that sir?

Manoj Tulsian: No, Ashish let me again explain what I said, what I said is that in my 100% sale, the share of metros which was around 37% to 38%, has grown to around 42% to 43%. Because we were doing this correction in the credit policy, and metros were the last one to get corrected so it's not about gaining market share from competition I have never mentioned or tried to mention.



- Ashish Poddar:** No, so that is one aspect sir, but if I look at your Y-o-Y growth number vis-à-vis will your competition, they have done much better in the last two quarters. So, I'm guessing from that.
- Manoj Tulsian:** So, that's what exactly I tried to mention even some time back also, that since we are doing a credit correction, there is a channel pipeline correction which has taken place.
- Ashish Poddar:** But sir on the working capital, they have also tightened their working capital, so it's not like they are giving more credits to the market, so we have seen the similar thing in the case of Century also.
- Manoj Tulsian:** If you ask me, I would say they were already disciplined on this particular aspect. And we are just catching up on this particular aspect now that you are taking that name and because they had done this correction maybe, I don't know when but, that is purely the reason that since now we have done the credit correction, there will be pipeline inventory correction which has happened.
- Ashish Poddar:** Okay. So, nothing to pinpoint, but we are not lacking behind in terms of any other aspects which your competition is doing so, let me ask you this question?
- Manoj Tulsian:** No, we don't think so.
- Ashish Poddar:** So, that's fine sir. On the Gabon side of the business, earlier we were talking about Rs. 200 crore plus of revenues and 18% plus kind of EBITDA margin. So, do you think that it is achievable in FY22?
- Manoj Tulsian:** FY22, well at this point of time we are only looking at Q4 because the challenges continue, maybe we will give you some better clarity after the Q4 results, because yes though we aspire to do those type of numbers we have capacities also built up, but as I said that right now, we are not even booking fresh orders, because we have so much of material which is already awaiting at the dock for the vessels to arrive, we have reduced our order intake. Now, once we have reduced the order intake somewhere it will hit a few quarters from here, maybe the Q4 of course and maybe even Q1 and then we will see that where do we reach. It is doable from a capacity perspective, but from the other challenges what we are faced, I won't be able to give you with a comfort that yes, we can touch that number in the next year.
- Moderator:** Thank you. The next question is from the line of Hrishikesh Bhagat from Kotak AMC. Please go ahead.
- Hrishikesh Bhagat:** Sir just on this 400 bps margin expansion, this is on the base of FY20. Is my understanding right or is it on any other base like?
- Manoj Tulsian:** Yes, FY20.
- Hrishikesh Bhagat:** and secondly you did cover in one of the earlier participants question on the roadmap to this 400 bps improvement but just wanted to understand on the cost front, considering during pandemic already there was a fair bit of cost rationalization that happened. So, even against that backdrop you see fair bit of scope to reduce cost. So, is it largely on the manufacturing side or which aspects do you see or any fixed cost side or you see savings, if you can throw some light on that?

- Manoj Tulsian:** So, on the manufacturing side. Yes, we worked very hard during the pandemic time we continue to work looking at saving even the last penny in terms of building of efficiencies, we have achieved certain level of comfort also there with our hard work. In terms of other costs, there are certain costs which in the next two years might actually go up like, we are building up a team, we are investing on IT as a platform. And at the same time, we feel that when you look at your existing other costs, even like a logistics costs to, we have a lot of thrust to look into how we can improve on the cost. So, given one side is the external challenge, where they can be increased because of the increase in diesel prices and others the other side is that we know how we can be more economical. So, we are trying to see that how we can use better technologies, better processes, and try and first come back if there is iota of increase which happens because of the external pressure and second, can we see some more benefit out of the same. So, picking up those big ticket items and we are trying to see that what best we can do. The experience has always been that when you start looking at it that way, we are able to save in any company for that reason is able to save something out of it.
- Hrishikesh Bhagat:** Sure. And last question from my side, if you can throw give some idea about the likely CAPEX in FY22 and probably FY23 also, if that, that will be really helpful, thank you.
- Manoj Tulsian:** FY23 is far off in terms of CAPEX program and everything. For our regular business, the normal CAPEX which we have been doing like this year also we will be around Rs. 19-20 crore.
- Mukesh Agarwal:** So, in nine months we have done around the Rs. 16 crore of CAPEX and probably another Rs. 4-4.5 crore in this quarter and next year also the maintenance CAPEX should be around Rs 17-18 crores
- Manoj Tulsian:** Depreciation is also around Rs. 17-18 crore.
- Hrishikesh Bhagat:** Okay. And any investment in any of the JVs or any new JVs that we are looking, anything or existing JVs any investment in this?
- Mukesh Agrwal:** In this current quarter. we have invested another Rs.60 lakh for unit 2, which we are planning to start in Q1 or late Q1 FY22, and otherwise unit one already started as I shared. So, no further investment, as we are restricting our investment up to 20% or below 20%.
- Manoj Tulsian:** See the only thing which I can add here is that, the type of growth which we are looking at and then we will see that if there are any capacity mismatches and how to deal with the same. So, if that calls for investment and if that is the best option, then we might look at doing something on that front.
- Moderator:** Thank you. The next question is from the line of Venkat Samala from Tata AMC. Please go ahead.
- Venkat Samala:** So, firstly you did mention about the recovery in the urban segment, can you throw some light as to how project segment is doing for you?
- Manoj Tulsian:** Okay. There is good traction from the project side business also and we further see a lot of hopes because the type of initiatives which is being now taken by government in augmenting infrastructure and this, we feel that will only continue to do better.



Mukesh Agarwal: So just to add what Manoj said, so project sales in Q1 was around 7% to 8%, whereas in Q3, it is close to 9.5%.

Venkat Samala: Okay, and have it normalized, in terms of revenue mix?

Manoj Tulsian: I won't be able to say whether, that is a normalized number or not.

Mukesh Agarwal: Historically, if you see we had sales from project and OEMs close to 10% to 12%.

Manoj Tulsian: But there is a scope that even that can be improved further, because if the government policies are very positive, then there can be a good amount of traction from the project business also going forward. Of course a very high percentage of that also, to some extent puts a dent on your margin.

Venkat Samala: Sure. And you did mention that working capital days now you've improved to 42. And then there's some scope to bring it down further to 35, 36 days. So, do you think that is a more organic process and most of the pushing that you would be doing is largely done and therefore we won't be seeing impact of that in Q4, is that the right way to look at it?

Manoj Tulsian: No, I am not really clear on the question.

Venkat Samala: So, I am just trying to understand that in the journey that you embarked to improve the working capital days, so are you behind the work in terms of impact on the revenues of that, and Q4 onwards therefore you won't be seeing any impact from these particular aspects?

Manoj Tulsian: Yes, I did mention that.

Venkat Samala: Okay, thanks for confirming and just wanted to understand so you did mention that now you are looking to add more number of dealers on the rural front and therefore argument your presence there, so any ballpark numbers that you would like to share, in the next one or two years how many dealers are you looking to add?

Manoj Tulsian: Well, because it's a journey which continues, I put a number here, from next quarter, you will start holding my neck for the same in terms of where we have reached. Please give us time, the breathing space. I can only tell you that the team is doing a commendable job. And whatever numbers we will be able to build up will keep coming back to you and sharing those numbers with you for the next one year. In the next one year, wherever we reach will be a decent number and then going beyond that will be very, very difficult will not be so easy. So we continue to build up for next 12 months.

Venkat Samala: Understood, right. And one more thing that I do observe is that despite your revenue mix shifting more towards the mid and the lower category, the realization level per unit has not actually dropped in fact they are flattish Y-o-Y. So, is this a factor of lower discount that now you are offering? Is that the right way to look at it or is there any other factor also that would have helped you?

Manoj Tulsian: So, you are more or less right on the inferences what you have drawn.

Venkat Samala: Right, sure. And one last question, if I may so you did mention that in terms of capital allocation now that you are largely net debt free in the standalone business,



you would be exploring entry into other related business segments. So, in terms of CAPEX spend, when could that come in, would that be coming in FY22, because I don't want the exact numbers. But is it possible that you would start a CAPEX on that in FY22 or that's more like an FY23?

Manoj Tulsian: Look now that we have cash on the balance sheet and we know that yes, we will have this cash, we will start looking for opportunities. It's very difficult to say, as Sanidhya also mentioned, that we will be rational in our investment decisions. But, it's very difficult to say, we will continue to work on this now and look for opportunities. You can even hear something from us in the next six months, it may even take 12 months before we get into some new categories or new investment.

Venkat Samala: Right. But again four quarters earlier this is a fair assumption at this point in time that we would hear something from you on this front?

Manoj Tulsian: I think so because even in next year we will have a comfortable surplus cash from our existing business line and keeping that in mind. Yes, we'll work on that and see that what are the opportunities and where we can work on those opportunities quickly.

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

Achal Lohade: My first question is, with respect to, when you talk about looking at category, is it fair to say that it would be in the wood panel or it could be outside wood panel? You did say it will be in the building material, but just wanted to get some more color on that.

Manoj Tulsian: See, at this point of time as I said, we would be exploring various ideas, I cannot be specific, because whatever ideas we generate, we have to go back to the board, we have to discuss and then come back. So, coming out with a straight answer at this point of time is, I don't think that it is right for us to put a straight answer to this, because all the ideas have to be bounced back with the board, we have to also see what makes sense, what doesn't make sense and then finalize the same basis the board approval, so, you have to give us time for this answer.

Achal Lohade: Sure, I understand and this factually if you could answer this in terms of the non-compete given the demergers, which has happened in the past. So, for which category till what are we restricted in terms of entering or entry?

Manoj Tulsian: So, there are there are two categories if you see the demerger, which has happened in the past one is on the laminate and second is on the MDF. Laminates, the non-compete arrangement is up to almost the year end, financial year end of '21, I think November and MDF, we are allowed to think and go for investments even today. So that's the position on the two.

Achal Lohade: Okay. So, effectively there is no non-compete for the MDF businesses is that so?

Manoj Tulsian: Yes.

Achal Lohade: Okay, understood. And, with respect to the product mix in the ply segment for the premium and the non-premium what is the margin difference at EBITDA level?

Manoj Tulsian: What is the margin?



Achal Lohade: Difference in terms of EBITDA margin for the premium and the non-premium ply?

Mukesh Agarwal: So, at the premium level, the margin in the plywood segment we have sub brands. So, that margin varies from 11.5% to 13%, 13.5% and decorative also it varies depending on the utilization. So, it can vary from 11% and at peak it can contribute around 13.5% to 14%. And for the mid segment EBITDA margin could be around 9, 9.5% and for low segment it is around 8.5% to 9%.

Achal Lohade: And when you talk about 14%, you are talking about the blended margin is that so or?

Mukesh Agarwal: The 14% is for the decorative at peak, decorative section.

Manoj Tulsian: Yes, the 14% which we are talking about is yes, it is a blended limit.

Achal Lohade: Right, understood. And just one more question, with respect to if I look at the EBITDA for the ply segment, what we provide and what is the reported EBITDA, there is a loss, which I suppose it's towards the wallpaper. So, how do you see these losses, reducing. In the first nine months, we've had close to Rs. 4.5-5 crore of EBITDA loss. So, can you elaborate a bit on this difference between reported EBITDA and ply EBITDA?

Mukesh Agarwal: So, in this quarter there is no loss from the wallpaper division, in quarter/ nine months.

Achal Lohade: Okay. I am looking at sir reported standalone EBITDA of Rs. 37.2 crore for third quarter and EBITDA what we have said is Rs. 39.5 crore for the plywood. So, there is a Rs. 2 crore of loss, so I was just curious to understand that?

Mukesh Agrwal: So, the EBITDA is Rs. 39.43 crore only.

Achal Lohade: Okay. So, when you talk about EBITDA does it include other income?

Mukesh Agarwal: Are you talking about standalone?

Achal Lohade: Yes, standalone sir.

Mukesh Agrwal: So, EBITDA is Rs. 39.43 for the quarter. This Rs. 39.43 crore includes other income also. And that other income includes GST refund for our Nagaland unit, which is Rs. 1.2 crore out of Rs. 3.44 crore other income, and we have Rs. 2.2 crore that includes interest from fixed deposit and other miscellaneous income and insurance claim received.

Moderator: Thank you. The next question is from the line of Akash Jain from Money Curve. Please go ahead.

Akash Jain: Most of my questions are answered just one question I wanted to ask. So clearly, plywood base is much larger than the MDF base currently. But there obviously on a lower base thing much higher growth in MDF, if I just try to look forward and see over the next five, seven years what will happen, can you give us a sense of how this industry will pan out in the sense that will lower end plywood move to MDF, how will this whole industry scenario change in your opinion, just a little bit of sense on how plywood and MDF will grow over the next 5, 7, 8 years according to you?



- Manoj Tulsian:** See, the base of MDF is lower. So, given the type of restrictions which is there and the type of traction which is coming in the country in terms of readymade furniture and even the type of export which used to happen from China, some of the people are looking at India now for those type of furniture export, MDF will continue to grow well, the base is lower, but there are capacity constraints also on the MDF side. So, which can check the growth and then you see new investments coming and again you see a growth in the industry. It's a high CAPEX business, so you will always see limited players only entering that business. Plywood per se, post the COVID I am personally positive because you will see a lot of these concepts which can undergo a change and new concepts like work from home, especially for the IT businesses and other businesses where it does not make any difference, now this is what the companies have realized that employee can sit at anywhere and can work from home, there could be a lot of traction on the real estate side going forward. And you will see that when people are trying to create an office, at the residential space, they will always look at the long-term aspect of furniture built up, which means ply because in terms of durability, and this ply is much better than MDF. So, there would be traction in ply and there would be continued traction in MDF. Because of the base, maybe as industry MDF can grow faster than ply, will grow actually faster than ply.
- Moderator:** Thank you. The next question is from the line of Arun Baid from BOB Capital Markets. Please go ahead.
- Arun Baid:** Manoj, just one question here is that you had set some targets with regards to margins with regards to working capital, and we are on track for it very much. Just one thing from the company's growth perspective with regards to your top line, what do you think is a sustainable growth, which you would like to target? I am not talking about F22 because the base is low, obviously we should forget about that, but beyond that what you will target, there is timeframe between for you to have adjustments to be done, which you are doing right now?
- Manoj Tulsian:** Well, if you ask me, I will certainly look at a 10% to 12% growth on the plywood business for sure.
- Arun Baid:** Okay, and so if we add a new category, whichever category we get into in the next one year or two years then we can look at the higher double digit growth in that case, otherwise at least 10% to 12% volume growth would be visible for us from FY23 I am talking about.
- Manoj Tulsian:** Yes.
- Arun Baid:** Just one clarification, you said we'll have high double-digit growth obviously in FY22. What I am trying to understand is at least we lost about Rs. 60 crore sales, which you mentioned on Q1 call after the Q4 results which we had. So, we have ballpark at Rs. 1260 odd crore, Rs. 1267 crore to be precise in FY20 from plywood perspective and just a Rs. 60 crore business was lost, so Rs. 1320 would have been our number in FY20 assuming came after March. So, at least are you confident today seeing the markets value, we will be over that number in FY22?
- Manoj Tulsian:** Look the methods have undergone a change, the way we were doing business till March and the way we are doing business after March. So, for me actually those number are not comparable. But as I said that the market is good today, we are able to see good traction. The correction what we have done initially was very painful, but the dealers have accepted it well and they are the dealers who are like families

for us and they have been with Greenply for decades. So, they also understand that the company is moving in the right direction, they're trying to see that in the entire value chain the ROCE improves and we become more efficient in the value chain. So keeping these things in mind, we are hopeful and we are bullish that things will pan out well, but I will not take that number, the way you have said, we will go all out to see what is the opportunity in the market we will also see the type of limitations which we have for the next 12 to 15 months and within that we will try to see what best we can do.

Moderator: Thank you. The next question is from the line of Vijay Karpe from Bryan Stone Investments. Please go ahead.

Vijay Karpe: Sir you mentioned the growth beyond FY22 will be 12% on the volume side, what will be on the value side?

Manoj Tulsian: It is a guesstimate at this point of time, it's more intent statement. And somebody said on the volume side, but I can say that what I'm looking at is the volume value growth of 10% to 12%.

Vijay Karpe: So, we are planning to invest a very high percentage of 3%-4% into advertisement so where is it going into and I don't see green going very aggressive on the virus shield product compared to its closest rival, so what is your take on it?

Manoj Tulsian: You will get to hear very soon from us also, there are few things which we are working upon, you will get to hear very soon from us also on the same. In terms of visibility, we are right now more on the digital platform. And now we have plans to spend even of course we are doing the budgeting also and we have plans give us some more time and you will get the answer to many of these questions what you have asked.

Vijay Karpe: Sir you talked about RM issues what were these and two, one of our largest competitors has got into Gabon now, so will that lead to any oversupply there?

Manoj Tulsian: No, first of all in Gabon market there is nothing which is going for the local consumption. So, if you see our subsidiary it is either for some captive consumption for us, or it caters to international market, including India. And what I understand what you're talking about the competition, what they have mentioned is, they are looking at all of captive consumption for themselves only.

Vijay Karpe: Okay, and lastly is the MR MDF product getting into plywood sales?

Manoj Tulsian: Difficult to say, we have mixed information on the same that there are certain categories where there might be this kind of relation which might be happening.

Vijay Karpe: Okay. And lastly wanted to get back to the ad spends of 3% to 4%, are these mostly going into digital strength?

Manoj Tulsian: Yes, it's more of the BTL activities.

Moderator: Thank you. Next question is a follow up question from the line of Shrenik Bachhawat from JM Financial. Please go ahead.



- Shrenik Bachhawat:** Sir, I wanted to understand what would be the price difference between us and the Tier-2 organized brands like Kitply and National?
- Sanidhya Mittal:** The price difference between us and the Tier 2 brands will be at least 10% product-to-product if you compare dealer landing.
- Shrenik Bachhawat:** And is there a big difference between the product quality of ours and Tier 2 brands?
- Sanidhya Mittal:** Yes, definitely there's a big difference and at Greenply we're trying to create a lot of differences. So, if you see our entire production processes is calibration, and we have the 4 press technology. So basically, we press our material four times. None of these people have this technology, neither do they follow this, number one. Number two, we are the first brand who's completely moved to E0 and E1 category where it is emission free plywood, which is very very important for the health. So, none of these players have that kind of facility. So, these are just some visible differences, I'm talking about large differences. Obviously, if I sit there a lot of smaller differences also.
- Shrenik Bachhawat:** And, I just checked the demerger document and I can see a 7 year non-compete clause for MDF could you please throw some light on that?
- Sanidhya Mittal:** So, basically if you read the demerger clause it says 7 years or unless mutually agreeable. So, both the boards have mutually agreed that there is no non-compete going ahead.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for their closing comments. Thank you and over to you.
- Sanidhya Mittal:** I would like to thank you all for taking the time to participate in this call. We are very happy with the progress we are making across our businesses and the result of our various initiatives. We look forward to speaking with you in the next concall post our Q4 FY21 result announcement. Thank you.
- Moderator:** Thank you very much. Ladies and gentlemen on behalf of Greenply Industries, that concludes this conference. Thank you all for joining us and you may now disconnect your lines.