

GPIL/2021-2022
August 6, 2021

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

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

Dear Sir/Madam,

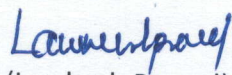
Sub: Conference call transcript

Please find enclosed Conference Call Transcript in respect of conference call for Investors and Analysts held on July 28, 2021, on the unaudited financial results of Greenpanel Industries Limited for the quarter ended June 30, 2021.

The same is also being made available on the website of the Company at www.greenpanel.com/investor-conference-call-transcript/.

Thanking You,

Yours faithfully,
For **GREENPANEL INDUSTRIES LIMITED**



(Lawkush Prasad)

Company Secretary & AVP – Legal

ACS:18675



Encl.: As above

Greenpanel Industries Limited

Corporate Office: Thapar House,
2nd Floor, 163, S.P. Mukherjee Road,
Kolkata, West Bengal - 700026
Tel No : +91 33 4084 0600
F : +91 33 2464 5525

Business Office: 3rd Floor, Plot No. 68,
Sector-44, Gurugram-122003, Haryana,
Tel No.: +91 124 4784600
F : +91 124 4784699
Email: info@greenpanel.com

Registered Office:
Makum Road, Tinsukia 786125, Assam
CIN L20100AS2017PLC018272



Greenpanel Industries Limited

Q1 FY22 Earnings Conference Call Transcript

July 28, 2021

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY22 Earnings Conference Call of Greenpanel Industries Limited. 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, please signal for 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.

Rishab Barar: Good day everyone and thank you for joining us on the Greenpanel Industries Q1 FY22 Conference Call. We have with us today, Mr. Shobhan Mittal – Managing Director and Mr. V. Venkatramani – CFO.

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

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

Shobhan Mittal: Thank you, Rishab. A very warm welcome to everyone present on call and thank you very much for joining us today to discuss Greenpanel's operating and financial performance for Q1 FY22. I do hope that all of you and your families are safe and well.

Volumes were lower quarter-on-quarter due to the second wave of COVID-19; impact was higher in the domestic markets especially in the south zone and on the plywood segment in particular. Plywood revenues were down by 45% Q-on-Q.

MDF domestic revenues were impacted to the extent of 28% quarter-on-quarter while export revenues doubled. Net sales were up 247% year-on-year at Rs. 299.24 crore. Gross margins were up by 1,194 basis points year-on-year at 56.2%. EBITDA margins were up by 2,969 basis points due to operational leverage in both the segments, continuous focus on reducing wastage, price improvement and superior product mix. PAT is up by 184% year-on-year to Rs. 28.57 crore. Net working capital days at 33 has shown a reduction of 56 days compared to the corresponding quarter last year.

Net debt has reduced by Rs.18 crore during the quarter and stands at Rs. 358 crore as on 30th June 2021. We are targeting reduction of net debt by Rs. 150 crores during financial year 2022. Capacity utilizations in MDF are improving month-on-month and hopefully a strong platform is being built for a robust 2022 financial year.



I will now request Mr. Venkatraman to run you through the financials in greater detail. Thank you.

V. Venkatramani: Good afternoon everyone. I thank you for joining us to discuss Greenpanel's Q1 FY22 financial performance. I hope that all of you and your families are safe and healthy.

In Q1 our net sales increased by 247% at Rs. 299.24 crores compared to Rs. 86.25 crores during the corresponding quarter. Plywood revenues grew by 132% at Rs. 45.27 crores while MDF sales grew by 280% at Rs. 253.97 crores. MDF domestic revenues contributed Rs. 200.16 crores while exports contributed Rs. 53.81 crores. Plywood sales volume rose by 124% at 1.75 million square meters and MDF volumes increased by 221% at 1,12,735 cubic meters.

Uttarakhand and Andhra Pradesh MDF units operated at 82% and 95%, respectively, with blended capacity utilization of 91% for both the plants. Plywood unit operated at 61% during the quarter. In Q1 gross margin rose by 1,194 basis points year-on-year at 56.2% compared to 44.3% in the corresponding quarter. Gross profit grew by 340% at Rs. 168.29 crores as compared to Rs. 38.20 crores in the corresponding quarter. EBITDA margin were up by 2,969 basis points at 22.3% compared to negative 7.4% during the corresponding quarter. EBITDA in value terms stood at Rs. 66.59 crores compared to negative EBITDA of Rs. 6.41 crore in the corresponding quarter. Profit after tax increased by 184% at Rs. 28.57 crores versus loss of Rs.34.07 crore in the corresponding quarter.

Our debt-to-equity ratio stands at 0.51 as on 30th June 2021 compared to 0.80 as on 30th June 2020. Net debt reduced by Rs.18 crores during the quarter to Rs. 358 crores as on 30th June 2021. That concludes my presentation.

I would now request the operator to open the forum for a Q&A session. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session.

The first question is from the line of Chirag Lodaya from Valuequest.

Chirag Lodaya: I wanted some quantitative detail. If you can just help us understand what was the North and South volume, value and margins for this quarter?

V. Venkatramani: For the North plant volume were 34,818 cubic meters at an average realization of Rs. 27,943. For the South plant volumes were 77,917 cubic meters at an average realization of Rs. 20,108. Of the total volumes, domestic volumes were 78,277 cubic meters at an average realization of Rs. 25,571 and export volumes were 34,458 cubic meters at an average realization of Rs. 15,617. Regarding the operating margins, it was 27.99% for the Uttarakhand MDF plant and 21.95% for the Andhra plant with blended EBITDA margin of 24.26% for the MDF segment.

Chirag Lodaya: Secondly, is there any one-off element in other expense in this quarter?

V. Venkatramani: No, not in other expenses. There's one item in the interest costs which includes currency losses. So, we had a total currency loss of Rs. 7.6 crore of which Rs. 0.7 crore is above EBITDA and Rs. 6.90 crore is an addition to interest cost.

Moderator: The next question is from the line of Amit Vora from PCS Securities.

Amit Vora: My question relates to the export realization. You did mention the number for Q1 FY22 around Rs. 15000 if I heard it right. What would be the current numbers because we are in Q2, if you can give that realization number?

V. Venkatramani: Q1 although there was a marginal improvement compared to the preceding quarter where export realizations were around Rs. 14,747. Realizations for this quarter were Rs. 15,617 because we had a mix of old orders which were at lower realization. But international prices have gone up substantially in the interim period. I'm estimating that for Q2 our export realizations would be up by close to 20% as compared to Q1.

Amit Vora: And what would be our EBITDA margins on this same corresponding Q1 FY22 to the current, what could be the margin jump in this segment?

V. Venkatramani: I couldn't get you, could you please repeat that?

Amit Vora: I'm saying that what would be our EBITDA margins for this realization, the 20% extra realization what could we be our EBITDA margin?

V. Venkatramani: I won't be able to give you that data because raw material costs have gone up and ocean freights have also increased but prior to the pandemic our export margins were close to 10%. So, I'm assuming that they should move up to about 500 basis points.

Amit Vora: What was our export margin in Q1 FY22 if that is possible to give?

V. Venkatramani: No, I don't have that data immediately.

Amit Vora: A second question is that, so we have three divisions export of MDF, direct OEM and trade. If you could just give us a brief outlook on how they are looking right now and what were the margins for these and is there anything that you can give forward guidance on this?

V. Venkatramani: It's difficult to give a forward guidance right now because the impact of the pandemic is still there across the country and even in the international market. I would refrain from giving any guidance at this point of time. But regarding the other part of your question, so if we look at our volumes, of the total MDF volumes, about 69% came from the domestic market, about 31% from exports. Within that 69% domestic market, the retail contributed about 68% and the OEM segment contributed 32%.

Amit Vora: The margins for these two would be different, for retail and OEM?

V. Venkatramani: We don't calculate margins at dealer level and OEM level. But yes, on an average OEM realization would be about 5% to 6% lower as compared to retail.

Amit Vora: Last thing on the margins, the margins for your export and the domestic, how are they shaping, how are they right now? I'm just trying to understand, are the margins getting closer for both the segments or are they still far different?

V. Venkatramani: Yes, they would definitely be significantly different even at this point of time because if you look at Q1, our blended MDF margins were around 24%. So, I would estimate that possibly domestic margins would be in the range of about 28% and export margin would probably be around 15%.

Moderator: The next question is from the line of Achal Lohade from JM Financial.

Achal Lohade: My question is if I look at first quarter compared with fourth quarter, I see the gross margins have improved while the EBITDA margins actually dropped. I see most of that is coming from the other expenses. So, wanted to check is there a gross margin difference between exports and domestic? And number two, are these exports on CIF and that's why the logistic cost of these export orders are actually part of other expenses?

V. Venkatramani: Yes, that's correct. There's definitely increase in the other expenses because the logistics costs of exports are included in that, and exports have gone up significantly. If I remember export volumes were about 13% in Q4 whereas they were about 31% of the total MDF volumes in Q1. Definitely there has been a significant increase in logistics cost. At the gross margins level, Yes, I would still say yes, probably export realizations from Q2 onwards will be closer to the OEM segment of the domestic market. But yes, they would still be at a significant discount to the retail realization.

Achal Lohade: Just a clarification; how much of the total exports are on CIF basis?

V. Venkatramani: Almost all.

Shobhan Mittal: Majority of them.

Achal Lohade: So, is it fair to say that the realization increase is also to do with this ocean freight increase and that's why the gross margin on the face of it will appear higher but at EBITDA level it could be actually lower right compared to the market?

V. Venkatramani: No, there will definitely be the improvement at the EBITDA level also for exports. Although it's not reflecting in this quarter, I think it will reflect in the second quarter onwards. Like I mentioned earlier that we expect the export realizations to go up by about 20% as compared to Q1. Definitely we'll see a significant improvement in export margin from Q2.

Achal Lohade: Just a clarification, you mentioned logistics cost in your presentation.

V. Venkatramani: That's only for the domestic segment, that does not include export.

Achal Lohade: Secondly in terms of this volume, you mentioned that the domestic was impacted because of the situation in South. As we speak how is it playing out in the month of June-July, are we seeing an improvement or YOY growth in volumes in the domestic segment from a June 2019 perspective?

V. Venkatramani: We are definitely seeing improvement in volumes in the domestic segment. May was definitely down significantly but we have seen improvement both in June and July. Hopefully yes, the situation started to improve from the middle of June, and we are seeing further improvements in July. But if you ask me whether we are close to what we were in the fourth quarter, no, I think we still have quite some distance to travel. So, possibly part of that would be made up in Q2 and the balance in Q3 provided there are no further significant disturbances.

Moderator: The next question is from the line of Ravi Sundaram from Sundaram Family Investment.

Ravi Sundaram: My question is, now in South you mentioned the demand is improving a bit. You have a new player in the market now and they have started commercial production. I think a couple of months back. Are we seeing some oversupply or some demand impact due to new players coming in?

- Shobhan Mittal:** As of now definitely there would be some increased competition, but I think what is the silver lining at this point of time is that imports into the country are obviously under pressure because of the international pricing and due to the restrictions. That is insulating the additional supply coming in from the competitor. We've not per se faced a major challenge in terms of additional supply from a competitor or reduction in demand for that matter as of now. The situation is quite comfortable.
- Ravi Sundaram:** Just that you touched upon the import that would come into this country. So, a couple of days back we noted an article which said the finance ministry has not approved the ADD proposal. What are your thoughts on that as we see ADD is not approved, first of all is that news correct and if it is correct what is the impact?
- Shobhan Mittal:** So, the ADD actually in all honesty we were not very hopeful of the ADD coming in any which ways because generally as per WTO standards if anti-dumping has already been implemented for a period of 10 years, renewal is almost next to impossible to get that. But what is really in the pipeline in which we are hoping for a positive response is the ongoing investigation for the countervailing duty. And I think we are expecting a notification of that within a week or 10 days or so. That is what the industry is hoping for a new preventative measure for imports to be restricted into the country.
- V. Venkatramani:** And regarding the second part of your question, in case that CVD also does not come through, because of the steep increase in international prices, I think that would divert a lot of supplies away from India. So, even if there are supplies coming into India there would be possibly very close to domestic prices. We don't see any major disruption as far as the domestic markets are concerned.
- Moderator:** The next question is from the line of Prashant Kutty from Sundaram Mutual Fund.
- Prashant Kutty:** Just want to ask, as you would probably be debottlenecking some of our capacities. So, wanted to check how much would that add up to our capacity incrementally and given that we are again back to that. Obviously last quarter we did +100% we are again back to the run rate of about +90% kind of number, by when do you think we would need capacity expansion going forward?
- Shobhan Mittal:** The enhancement of the capacity, which is in the pipeline, I would say because the increase in capacity is dependent on the product mix that we continue to receive but I would estimate an average of a 15% capacity increase from the modifications that we are doing which will come online towards the end of the year. Going forward of course like we've always maintained that although we are at high-capacity utilizations but there is still a lot of room for improvement in terms of the right product mix as well as the right customer mix. Today we are servicing a lot of lower profit OEM segments and exports also to that matter are lower realization. We would like to optimize our current capacity with the right sales mix to the right channels. We don't foresee any new capacity expansion project being undertaken before next financial year because the objective is to reduce the debt load to a comfortable level by the end of this financial year as well. So, any new capacity expansion on a greenfield or brownfield basis will only be taken up starting next year. What I'm saying taken up means the discussions and the conceptualization would only be taken up next year, not this financial year.
- V. Venkatramani:** And to add a clarification, our current MDF capacity is 540,000 cubic meters. If we have a good flow of orders, we can possibly get closer to about 595,000 cubic meters which would mean a capacity utilization of 110%. Along with this new machinery addition, we expect our capacity utilization to reach close to about 660,000 cubic meters.

- Prashant Kutty:** The second question is more so just now in terms of you were highlighting that you probably are servicing more of low institution clients. What's the current retail to institutional mix at this point time? Also, when you're talking about our Rs. 25,000 kind of realization that we've kind of made up for the domestic business, what is the potential for that to kind of work as a share of retail keeps increasing? That's something which I just wanted to have check on.
- V. Venkatramani:** Of our total MDF volumes 69% came from the domestic segment and 31% from export and of the domestic volumes 68% came from retail and 32% from institutional client.
- Prashant Kutty:** This would have been what a year back or 6 months back is that number would have been, the retail versus OEM?
- V. Venkatramani:** I would say if you looked at the corresponding quarter last year is not really a comparison because the volumes were significantly lower. Last year in the first quarter we did total volumes of about 20,600 whereas in this quarter we have done about 76,500. So, on a percentage basis the mix was 76% for retail and 24% for OEM.
- Prashant Kutty:** I was checking about a normalized quarter, during a normalized quarter Q3-Q4 was more normal quarter. My question is rather that are we seeing that share of retail to keep increasing and where do you think can that share settle down? Like you said like right now it's about 65%-35%. Do you think that can probably set something like 25% kind of a number which means without doing anything with the realization there is actually a scope for increase without any price increase alone that's what I'm trying to understand?
- V. Venkatramani:** That's correct. So, like I mentioned the mix was 68% and 32% for the current quarter and over the next 9 months of the current year and FY23, our target is to have a mix of about 80% retail and 20% institutional.
- Moderator:** The next question is from the line of Sneha Talreja Edelweiss Securities.
- Sneha Talreja:** First question is related to pricing. You mentioned that there can be somewhere about 20% QOQ increase in prices in exports market, any substantial size increase that we've taken in the domestic market as well?
- V. Venkatramani:** There has been improvement in the domestic pricing. We have taken a price increase of 4% in the current quarter which was effective from around mid-May. But if we compare Q-on-Q our domestic realizations have gone up by 12% because we had taken a couple of price increases in the last quarter, in the March quarter which was not fully reflected in that product realization. Overall quarter-on-quarter domestic realizations have improved by about 12%.
- Sneha Talreja:** The other question was, you mentioned that duty didn't come because with respect to anti-dumping duty because there was a period of 10 years where the duty was already there, and it was very difficult for it to come back. Is there any cool-off period as the current imports which are done more related to the container availability and the higher freight rate which may normalize maybe 6 months or maybe 1 year down the line when the situation normalizes? Is there any provision wherein we can again fight for ADD and by when can that be expected or is there a cool-off period?
- Shobhan Mittal:** I think at the moment the focus is on the CVD investigation at this point of time. Also, with the current international pricing which will in eventually percolate to the Indian supplies as well, pricing will not be that big of a challenge with regards to imports.

However of course going forward if CVD for some reason is unsuccessful and the dumping prices happened to appear again then definitely the industry has an option to seek the assistance from the government for the investigations. But this is obviously not being considered at this point of time because the situation doesn't prevail.

Sneha Talreja: One last question from my end, we have been hearing a lot of new capacity expansions coming in MDF space. Any colors that you can give with respect to what is the existing capacity it stands at and what might be the current utilization? What is the kind of capacity expansions that you have seen both from the larger as well as the smaller players as per your survey?

V. Venkatramani: I think by the end of FY22, domestic capacities will be close to about 2 million cubic meters. We should have a capacity utilization of about 72%. Although some of the capacities will probably be operational for a part of the year. So, on an annual basis capacity utilization would be around 72% and regarding the capacities which are expected to be operational over the next 3 years, I think India will probably have domestic capacities of about 2.7 million cubic meters and capacity utilizations should be close to about 90% at that point of time.

Moderator: The next question is from the line of KR Senthilnathan from NAFA AMC.

K. R. Senthilnathan: What is the receivable days with respect to OEM and with respect to domestic market and export market?

V. Venkatramani: Our terms are 28 days for retail and for the OEM segment they vary between 30 to 45 days. We have cash discount policies in place to encourage both the segments to pay faster. The retail segment is much more active in utilizing those incentives. I would estimate. So, I would estimate on an operational basis, the retail segment would be paying us on an average of about 18 to 20 days and the OEM segment in around 35 days.

K. R. Senthilnathan: And exports?

V. Venkatramani: Exports normally come between 15 to 22 days.

K. R. Senthilnathan: When you look at international lumber prices, is there anything which we have to correlate with respect to MDF or it is totally Independent?

V. Venkatramani: It's totally influenced by the domestic supply and demand because all the supplies come from domestic plantation timber. It does not appear to have a correlation with the international lumber prices.

Moderator: The next question is from the line of Mohammed Patel, an Individual Investor.

Mohammed Patel: My question is in FY21 in the related party transaction there was a commission of Rs. 11 crore paid to Greenpanel Singapore Pte Limited and the sales have reduced from Rs. 52 crore to 0, so can you just explain this?

V. Venkatramani: So, prior to FY21 we used to have a revenue model with Greenpanel Singapore which is a wholly owned subsidiary of the company. We used to invoice on them and they in turn used to invoice on the final customers. We used to incur a lot of bank charges and courier charges for sending the documents across to Singapore. So, post that we shifted to a commission model where the export sales are entirely accounted for in the domestic book and Greenpanel gets a commission on those exports sales.

Mohammed Patel: We pay commission to the Singapore subsidiary, right?

V. Venkatramani: Yes, that's correct.

Mohammed Patel: My second question is that in earlier calls you have mentioned that you don't sell to OEMs directly, rather you route your OEMs through your dealer network because of high credit. But from last quarter you have started giving the breakup of OEM and retail, so what has changed between then and now?

V. Venkatramani: We said that we do not actively encourage sales to the OEM segment but obviously you cannot ignore them because they are a large segment of the market. We keep our sales team focused on expanding the distribution network but yes to have a significant level of capacity utilization, we do supply to the OEM segment. Like I mentioned earlier, we do not encourage high credit to the OEM segment. Normally credit days vary between 30 to 45 days.

Mohammed Patel: Can you just help me with the cost of wood per metric ton for the last quarter, the raw material?

V. Venkatramani: It would be different across both the plants. For the Andhra plant, it was about Rs. 2.85 a kg and for the Uttarakhand plant it was about Rs. 3.45 a kg.

Moderator: The next question is from the line of Vijay Karpe from Bryanston Investments.

Vijay Karpe: My question is I understand the logic of improving the product mix, the customer mix and also the domestic mix. But why are we delaying the new capacity expansion, a new plant because it might reduce our capacity market share in the country and our peers may get ahead?

V. Venkatramani: Not really, if you look at the Brownfield expansion which we are doing currently so that will give us almost another 20% capacity addition from 540,000 cubic meters we would move to 660,000 cubic meters. That should take care of our additional capacity requirements for FY22 and FY23. At the same time, we want to have the optimum realizations, the optimum customer mix, the optimum product mix, and these things do take some time to achieve specially expanding the retail network takes quite a bit of time. We want to keep the focus of the sales team on those areas and not pile up additional volume pressure on them which would have a negative impact as far as operational issues are concerned. At the same time, we would be carrying a substantial amount of debt on the books. We decided to have a significantly lower debt on the books before we go into any significant expansion.

Moderator: The next question is from the line of Bismuth Nayak from RW Advisors.

Bismuth Nayak: If I understand it correctly, the export prices have gone up by 20% QOQ. Is that correct?

V. Venkatramani: That's correct.

Bismuth Nayak: Is it attributable only to container charges or there are other factors? Please help us understand that.

V. Venkatramani: It's not attributable to only container charges, I would say there's a mix of factors. Ocean freight rates have gone up steeply over the past 8 to 9 months. And obviously there are logistics issues, availability of containers and ship. And raw material prices have gone up in India as well as across the globe. I think it's a confluence of all these factors which have had a bearing on the international prices.

- Bismuth Nayak:** As the ocean route stabilize and other factors normalize, will it go back to \$200 kind of price, anything that we are seeing there?
- V. Venkatramani:** I don't think that will happen because like we mentioned, we have seen a 10% increase in raw material prices last year and almost another 5% increase in the first quarter. I don't think international prices will go back to around \$190 or \$200.
- Bismuth Nayak:** ADD on thick MDF has been only from Vietnam we are having it right for the period till March 2022. So post that all the players in India can import from all the South-East Asian nations as well as, right?
- V. Venkatramani:** But you know things have changed. I think even that ADD on Vietnam will not make any difference because Vietnam has come out significantly into exports of value-added furniture because a lot of furniture exports have shifted from China to other countries. So, countries like Vietnam and Indonesia are now significantly into furniture exports. I don't think they would have significant spare capacities for exports of MDF to India.
- Bismuth Nayak:** Our distribution expansion plans, and everything are going on as commented?
- V. Venkatramani:** No, I wouldn't say it's in line as per comments because the first quarter was substantially disrupted due to the second wave of COVID. We hope to cover some of the last ground in the remaining three quarters.
- Bismuth Nayak:** What is the difference if ADD is applied or CVD is applied. If you can help me understand that?
- V. Venkatramani:** The CVD is imposed as a percentage of the value whereas ADD is imposed as fixed value per cubic meter. There would be difference in the composition of the duty structure.
- Shobhan Mittal:** The logic of implementation of ADD and CVD are very different. ADD basically means if someone is dumping, selling material below their cost of general production. CVD is implemented even though they may not be selling below their cost. However, if their cost is lower due to benefits given by the respective governments; whether it is income tax subsidies, whether it is land subsidies, interest subsidies hence which in turn make their cost lower that is when CVD is implemented. The ground of investigation is very different.
- Moderator:** The next question is from the line of Jignesh Kamani from GMO & Company.
- Jignesh Kamani:** If you compare with March quarter, how is the run rate in the July month, both for domestic and export? And just to understand the pent-up demand; if you take out non-South market which opened up much earlier than South, how is their pent-up demand and the recovery rate?
- V. Venkatramani:** We are still I would say substantially below what we were in the March quarter. I think in the March quarter, domestic volumes about 87% of the total volume whereas if you look at the month of June or the month of July, domestic volumes are about 62% of the total. Yes, definitely hope for significant improvement in domestic volume and we are hoping that as more and more states come out of the lockdown, it's not only the dealer community which was impacted by the lockdown. Lots of carpenters also went back to their native villages in anticipation of a nationwide lockdown so that has also disturbed construction activities. Going forward, I think we will continue to see improvement on both the factors and that should lead to better domestic volumes.

- Jignesh Kamani:** But safe to assume that non-South, East are recovering much faster and close to the March level before it opened up 15-20 days earlier than the South?
- V. Venkatramani:** Yes, I would say yes. If you look at the domestic volumes in North and South, I will say there's not much difference between the domestic volumes of both the places although South volume should be significantly higher than North because of the difference in capacities. So, yes, we are hoping that domestic volumes in Southern and Western regions will continue to improve going forward.
- Jignesh Kamani:** With additional inventory in hand, we will better gear up for the any pent-up demand this time compared to last year, right?
- V. Venkatramani:** Yes, that was the reason why we built up some additional inventory in the month of June because we did lose some sales last year in Q2 because of pent-up demand for which we were not adequately prepared. We decided to take a temporary increase in inventories in the month of June which we are hopeful that will be liquidated in July and August.
- Moderator:** The next question is from the line of Rusmik Oza from Kotak Securities Limited.
- Rusmik Oza:** On the plywood segment, we have operated at 61% utilization Q1. Last year it was 71% and last to last year it was 78%. Can we go back to the 78% utilization in fiscal year '21 and EBITDA margins were slightly low in Q1. Can that again go back to 12.5% which is the run rate of FY21?
- V. Venkatramani:** I think as the volumes improve we will definitely see improvement in the operating margins because we did see an improvement at the gross margin level. But since capacity utilizations were at very low levels; EBITDA margins did drop from the March quarter. But yes, as the volumes improve in the plywood segment, we will definitely see an improvement on the EBITDA margin. And yes, I would say, definitely the plywood segment has been more impacted than MDF because of the reliance on carpenters. Hopefully that situation will sort out over the next couple of quarters.
- Rusmik Oza:** My second question was related to MDF. As you said, you want to increase the share of domestic from 68% to 80% somewhere next year. What would be the strategy taking the 68% to 80%, that is number one. And two is, will that lead to blended EBITDA margins going from 24% to around 20% or so?
- V. Venkatramani:** The strategy for that is to increase the retail distribution network. As of March, we had about 1400 dealers in the MDF segment, and the target is to add another 800 dealers during FY22 and FY23. So, in case we are able to achieve those targets, I think we should be on track to achieve that percentage for the retail segment.
- Moderator:** The next question is from the line of Pranav Gala from I-Wealth Management.
- Pranav Gala:** I had two clarifications. You were saying that the logistics cost which you have shown in the presentation is only for the domestic. Could you give the percentage for the entire logistics cost for Q1 and Q4?
- V. Venkatramani:** I don't have that immediately so if you can drop me a mail, I will share that data.
- Pranav Gala:** The second question was I just wanted to understand, what was the reason even if so, we were having a good utilization of +90 percentage for this quarter as well? What was the major reason that we saw a fall in our EBITDA margin for MDF as well as on the consol basis?

- V. Venkatramani:** That was primarily due to the steep increase in exports volume like I mentioned earlier the ratio of domestic to exports was 87% and 13% in the March quarter whereas in this quarter the mix was 61% for domestic and 39% for export. And since the export's realization are significantly lower than domestic, so that has impact on the EBITDA margins.
- Moderator:** **The** next question is from the line of Karan Bhatelia from Asian Market Securities.
- Karan Bhatelia:** In FY21 we had to forgo lot of export orders because of the logistical challenges and we did somewhere 80,000 CBM. And already for the first quarter we are at +34,000. How do we see that for the entire year FY22?
- V. Venkatramani:** We will continue to keep exports as a balancing factor for achieving maximum capacity utilization at the Andhra Pradesh plant because it's not feasible to export from Uttarakhand because of the long distance to the port. Exports will continue as a balancing factor and as the domestic markets improve, we will be reducing the exports volumes accordingly. I think in Q2 we will continue to see a significant volume of exports but probably once the domestic situation improves, we will start reducing exports from the third quarter onwards.
- Karan Bhatelia:** In continuation to this, you mentioned the 20% higher realization in the export market. So, just wanted to see how is the price delta now compared to inputs versus our price?
- V. Venkatramani:** Our domestic realizations in this quarter were about Rs. 25,500 and export realizations were around Rs.15,600. So, from Q2 I think we will see a realization of close to about Rs.18,500 for exports and probably domestic realizations could improve from about Rs. 25,500 in Q1 to about Rs. 27,000 in Q2.
- Moderator:** **The** next question is from the line of Arun Baid from BOB Capital Markets.
- Arun Baid:** Venkat ji just one clarification. You mentioned that we are not back to Q4 levels so but if I look at Q1 your volumes is about domestic is about 78,000. If I assume 2 months of operations, you are broadly at about 39,000. If I look at Q4, our average was about 40,000 monthly I am talking of. You were pretty much on track. Are we seeing any change in the month of July there significantly? Volume wise I am saying. Forget the mix because the mix might be different because of high exports. What I am trying to understand is are we at around 35,000-40,000 CBM in the month of July for the month in domestic market?
- V. Venkatramani:** No, I don't think we would reach those levels. I think for the domestic market we will probably be somewhere about 27,000 cubic meters in July.
- Arun Baid:** That you expect to go towards that 35-40 in the ensuing months assuming there is no lockdown in the near term because right now India is not fully opened up?
- V. Venkatramani:** Yes, I would expect that to improve as we come out of the lockdown.
- Arun Baid:** If that happens and with exports numbers going up by about 20% realization, our margin should go up significantly from here on.
- V. Venkatramani:** That's definitely an expectation so if at some point of time we reach those levels or even get close to those volume levels in Q4; I think we will definitely see an improvement in the operating margins.
- Moderator:** **The** next question is from the line of Abhishek Ghosh from DSP Mutual Fund.

Abhishek Ghosh: In terms of the domestic application of MDF, do you see lot of change since your focus is also gone into more of retail. The application of MDF in the domestic market, do you see a major change. Could you just help us understand that aspect, will be helpful?

Shobhan Mittal: Can you please repeat that?

Abhishek Ghosh: Shobhan ji where I was coming from is earlier you used to understand OEMs used to be large user of this of MDF in India but slowly we are also seeing even for lot of these smaller works acceptability of MDF has gone up and which is where you are seeing lot of traction as far as the retail segment is concerned. If you can just help us understand the, has the application of MDF in the overall wood panel industry, how is that kind of changing? If you can just throw some light, that it will be helpful.

Shobhan Mittal: I think what is happening is firstly availability of plywood especially in this unorganized segment is becoming more and more of a challenge specially because people are looking for alternatives in this cheap segment of plywood because plywood production cost is going up due to raw material availability, labor availability etc. And people who at this segment of plywood are not able to progress to the premium segment of plywood because surely because of the cost difference. Hence the alternate materials are being used such as MDF which fall in the same size category and this in turn is also resulting in acceptance of carpenters who don't have a choice but to use MDF as an option. I think the other thing also is that because of the widespread acceptance of ready-made furniture coming into the market and their price point, fabricators of furniture also have to compete and, in those segments, then obviously MDF becomes a much more lucrative product because of, surely because of the price point and the convenience and the time for conversion that it offers. There are multiple factors that are contributing to the wider acceptance of MDF. At the same time of course because a larger number of MDF producers are present in India today. They are all jointly putting in effort to increase acceptance of MDF. Even in rural areas the older traditional using of plywood continue to prevail but people are starting to use MDF in new applications. People have realized that painting cost on MDF is much lower than it would be as opposed to trying to put a laminate or a veneer on plywood. Hence newer modern applications are coming up. Painted panels with solid paint are a new trend that are being accepted widely. People are no longer choosing to go for veneer or laminates for that matter. That is also increasing acceptance of MDF. I think it's a mix of multiple things. It's new applications plus compulsion due to non-availability of cheap plywood plus at the same time increase in acceptance of the product.

Moderator: The next question is from the line of Jigar Shah from ICICI Securities.

Jigar Shah: Have we recovered 100% in July as against March monthly quarter of in terms of MDF volume for both domestic and exports?

V. Venkatramani: No like I mentioned, we are significantly below MDF volumes in March for the domestic segment. So, as I recall MDF volumes were about 41,000 in the March quarter and we expect to touch about 27,000 in the July quarter. So, definitely we are significantly below March level.

Moderator: The next question is from the line of Utkarsh Somaiya, an Individual Investor.

Utkarsh Somaiya: Why are the other expenses and employee expenses increased as a percentage of sales in Q1? What is your normalized finance cost excluding your foreign exchange profits or losses?

- V. Venkatramani:** Other expenses have increased because of a significant increase in the volume of exports and the ocean freight cost, container handling expenses, agent handling expenses, all these are accounted for in other expenses. Since we have seen a significant increase in export volume from levels of about 18,000 in the March quarter to about 34,000 in the June quarter so other expenses have increased. Increase in employee expenses is partly due to a lower turnover in this quarter or sales were I think about 22% lower in this quarter compared to the March quarter and also the impact of the annual salary increment.
- Moderator:** The next question is a follow-up from the line of Chirag Lodaya from Valuequest.
- Chirag Lodaya:** You said For Q2, domestic realization would be around 27,000. Is it May pricing being reflected for the full quarter or there is further price increase which you have initiated in the month of July?
- V. Venkatramani:** It's a part of the May price increase getting implemented in Q2 and also some improvements in the product mix. I think we will probably see a higher volume from club and exterior grade product which have a significantly higher realization.
- Moderator:** The next question is a follow-up from the line of Prashant Kutty from Sundaram Mutual Fund.
- Prashant Kutty:** Just one clarification I had. While we continue to see a debt reduction quarter-after-quarter and you have always maintained that you probably would want to become a debt free. Just wanted to know is there any change in the time line of that becoming debt free sooner. Can you probably accept something like happening in this year itself?
- V. Venkatramani:** We don't have a target to be debt free because growth will always require some amount of debt and I think for at least the next capacity expansion we will be taking some amount of debt because internal accruals will not be able to finance the entire capital expenditure. But yes, our target is to bring the debt levels to slightly below Rs.200 crores before we get into the next phase of expansion. So, currently our debts are about Rs. 405 crore at the gross level and about Rs. 358 crore at the net level. We want to bring the net debts to below Rs.200 crore before we get into the next phase of expansion.
- Moderator:** Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to the management for closing comments. Over to you.
- V. Venkatramani:** Thank you everyone for taking interest to participate in this call to discuss Greenpanel's operational performance for Q1 FY22. I hope that you will join us in future calls for the next quarter and subsequent quarters. In case any questions have been left unanswered, please drop me a mail so that I can revert. Thank you very much.
- Shobhan Mittal:** Thank you everyone and be safe. Thank you.
- Moderator:** Ladies and gentlemen on behalf of Greenpanel Industries Limited that concludes today's conference call. Thank you all for joining us and you may now disconnect your lines.