



Greenply/2020-21
September 1, 2020

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

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

Dear Sir/Madam,

Sub: Conference Call Transcript

Please find enclosed Conference Call Transcript in respect of conference call for Investors and Analysts held on August 17, 2020 on the financial results of Greenply Industries Limited for the quarter ended 30th June, 2020.

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

Thanking you,

Yours faithfully,
For GREENPLY INDUSTRIES LIMITED

KAUSHAL KUMAR AGARWAL
COMPANY SECRETARY &
VICE PRESIDENT-LEGAL

Encl.: A/a

Greenply Industries Limited

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Greenply Industries Limited

Q1 FY '21 Earnings Conference Call

August 17, 2020

Moderator Ladies and gentlemen, good day and welcome to the Q1 FY21 Earnings Conference Call of Greenply 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 call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Mr. Rishab Barar from CDR India. Thank you, and over to you sir.

Rishab Barar: Good day everyone and thank you for joining us on the Greenply Industries Q1 FY21 Conference Call. We have with us today, Mr. Sanidhya Mittal – Joint Managing Director; Mr. Manoj Tulsian – JMD and CEO; and Chief Financial Officer, Mr. Mukesh Agarwal.

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

Manoj Tulsian: Thank you Rishab. A very warm welcome to everyone presents and thank you very much for joining us today to discuss Greenply's operating and financial performance for Q1 FY21. In the midst of this continuing pandemic, I hope and pray that all of you are safe and also taking care of your health as this will help us out to come out stronger.

During the first quarter and as it continues into the second quarter, one of our priorities have been on the safety and wellbeing of our employees. We have taken all possible precautions and allowed employees other than of course from the sales team who has to be on the field and the plant team which of course has to be at the manufacturing locations, the flexibility to operate from home. This has actually improved productivity and at the same time, it has delivered cost benefits too. Looking at this unprecedented and difficult time, we also took a COVID policy for all our employees as an additional protection.

The swift adaptation to this sudden changed environment was enabled by Greenply's inherent focus on technology and processes. In fact, this exercise has



given us some good insights. We realized that for many team members it is not necessary for them to consistently attend office and they can work from anywhere and still be productive. We propose to implement this on a continual basis, and as a first step, we have actually discontinued some of our smaller branch offices already and that's working well.

Automation does result in significant savings that will sustain and deliver continued benefit over the long-term and we will continue to explore avenues to do so. Since the company is already ahead in use of technology and digital platform, we could well use this period to be connected to all our stakeholders through virtual meetings, and also organized a lot of training programs for our sales and other teams, which went very well. While this period has been a challenging one for most businesses, Greenply has looked at this entire period as an opportunity to reinvent itself and we look at all its systems controls and processes, and how the company can now work and the next phase of digitalization, to be more cost efficient and faster in all service aspects. We assure that this will create value in the near and long-term.

Let me now touch upon some financial numbers though the financial numbers are not at all good comparative. Greenply, the standalone entity's net sales for the quarter stood at Rs.107.1 crore compared to Rs.304.2 crore in Q1 FY20, a decrease of almost 65%. In line with our focus on profitable growth, and our earlier mentioned efficiency initiatives, our standalone gross margins increased by 49 basis to 41.2%. Standalone EBITDA margin is at (-4.7%) compared to 11.1% on a Y-o-Y quarter. Strong collections during the quarter resulted in reduction in receivables on a sequential and Q-o-Q at the standalone level.

We were able to reduce the standard loan debt by more than Rs.60 crore in last one year, out of which almost Rs.40 crore between March and June '20. Our average realization in plywood also increased from Rs.222 in Q1 of FY20 to Rs.224 per square meter in Q1 FY'21.

As we all know that business got impacted during the quarter due to the COVID-19 pandemic. April 2020 was a complete washout month for us. The factory operations resumed sometime in the middle of May 2020. Factory in West Bengal again got impacted by the Amphan Cyclone for a brief period and operations resumed in the first week of June 2020 in our West Bengal factory. The Gabon facilities were less affected, as we had mentioned in our previous call and the capacity utilization was almost around 81%. Gabon sales was lower than expected because of logistics issues which we faced in Q1 but hope the same would be made good in Q2.

Overall, we feel that we have done a decent job in Q1 looking at the continued uncertainty, and with only around six weeks of working. As the environment opens up, we believe we are well-poised to deliver improved performance. The strength of our brand, our well-entrenched distribution network, and a healthy balance sheet only reinforces this conviction. Our energies will have a three-pronged focus namely:

1. Enhance our efficiency.
2. Go digital.
3. Work on distribution network.

All with a focus on:

- Profitable growth.
- Improving ROC.
- Creating value for our stakeholders.

These initiatives will of course help us to strengthen our brand and prove our leadership in the categories in which we operate.

To bring in a culture of holistic growth and to take everyone together in this journey of success and reward, the board has approved the grant of ESOP to the eligible employees subject to approval of the shareholders. It will be a pleasure to discuss your thoughts and views during the Q&A session. Thank you so much.

And I would now like to hand over the call to our CFO for some detailed financial numbers. Over to you Mukesh

Mukesh Agarwal:

Good day everyone. I thank everybody for joining us to discuss Q1 FY20 Financial Performance of Greenply Industries. I pray that these difficult times for all of us pass quickly and we all remain healthy as things stabilize. It is pertinent to note that the figures for the quarter are not fully comparable as factories were running at extremely low capacity utilization in Q1 FY21 due to lockdown and the ongoing pandemic.

In Q1 FY21 our consolidated top line was down by 62.0% compared to the year-on-year quarter and gross profit was down by 57.9%. Our Gabon subsidiary revenue was Rs.25.1 crore in this quarter despite the pandemic and although on a sequential quarter, sales contribution was on the lower side. We are confident that this business will be a strong growth contributor in the future.

Consolidated EBITDA margin is at (-2%) compared to 11.9% on year-on-year quarter. Maintenance CAPEX incurred in Q1 FY21 in Indian business was around Rs.25 lakhs and in Gabon was around Rs.45 lakhs. Consolidated debt has reduced to Rs.230.7 crore in Q1 FY21 from Rs.267.4 crore in Q4 FY20. Working capital days stand at 180 days in Q1 FY21 versus 60 days in Q1 FY20 which is temporary situation due to the pandemic and lockdown.

As discussed by Mr. Manoj earlier our emphasis continues to be on rationalizing cost and improving our financial ratios. I would like to hand over the call to the moderator to open the floor for the Q&A session. Thank you.

Moderator:

Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. We take the first question from the line of the Vijay Karpe, Individual Investor Please go ahead.

Vijay Karpe:

My question is for Mr.Sanidhya, how has been the appointment of Manoj Tulsian helped the company. How is his experience and expertise helped us during this challenging times?

Sanidhya Mittal:

Good morning. So, Mr. Tulsian's appointment in the company has really helped the company because Manoj Tulsian has a very strong background. He's come from an EPC business where he really understands the construction industry. And before that, he has also worked for consumer business. So, he has a great idea about our

business, number one. Number two, his experience will really help us professionalize the whole culture and will help us to achieve new heights.

Vijay Karpe:

Okay, And my second question is regarding the cost cutting measures that we have taken during Q1 and have we taken any more cost cutting measures in Q2, can you also give some details on the automation in which you are talked about in the opening remarks. And also the outsourcing model as well so has that held us during such times because the overheads will be lower because of that.

Sanidhya Mittal:

Mr. Manoj will be the right person to answer this question. So, Mr. Manoj over to you.

Manoj Tulsian:

The cost measures, which we have taken, some of those measures will continue to give us benefit in the long run. We have done quite a bit of work in terms of improving our efficiency at the plant level. And those will all be permanent in nature. We have learned to work with reduced number of laborers, which is giving us higher productivity during this period. We have renegotiated most of our contracts, be it related to the IT platform, be it related to the rental, be it related to any other consulting areas. So, we have looked at every nook and corner of the company, every cost. And we are trying to renegotiate most of those contracts. Those benefits, some of them will be permanent in nature. Some of them may continue for another two quarters.

In terms of automation, Greenply already stands at a good platform and this really helped us during Q1, when we were quickly able to connect to all our stakeholder's through the virtual meeting platform, doing all our internal training. We did our entire appraisal during this period. And we are also in connect with all our trade community partners, our architects, our carpenters, and we also in a way, told them that, this is going to be the new normal in future, where gone are the days when you have to wait for our sales team professional to come and sit at your shop or at your office, and then only your order can be processed or then only maybe a discussion on business can happen. And we are trying to push this, because this is in the interest of everybody. And as I said in the opening remarks, that we have learned very fast that we can really be more productive by avoiding too much of this travel. And we are trying to push this even at the sales level that you can even work from a remote place and you can easily get connected to these digital platforms. So, in any case on the SAP, we had moved to S4 HANA and that is also helping us in a big way. Our Salesforce automation platform is already working well, and we are doing more additions to that. Looking at the pandemic situation that a person anybody working in the Salesforce can actually log in from wherever he is and there is a geo tagging so we know exactly which all visitors he has visited. He can also look at slowly maybe we'll move to the level where we can even get the orders punched straight away from the dealers' end and which can get linked to our system main server. So, on time delivery order punching also in the system. So many initiatives, actually, it's a long laundry list, not that everything will happen in the next one or two months. We are also adopting bar coding technologies, where every piece of our sheet which will ply which will go anywhere in the country will be tagged with a barcode and we will come to know, this has been invoiced to which all dealers what the problem with any particular sheet, if there is anything in the country. So, there are a lot of projects which we have worked upon. And yes, it will be now a continuous journey for next two, three years. Because the way the digitalization is happening in the country, and the pace and the strength of the same, we don't want to miss out from the same. And the best thing is that, Greenply has already been on a good platform. So to build up from here with new ideas and new thoughts, and adopting these new technologies will be easier and fast.



- Vijay Karpe:** Okay, and anything as the outsourcing model helped us during such times?
- Manoj Tulsian:** No, see first of all, if you really look at quarter one, as I said, we only work for around six weeks, if technically you see and within those six weeks also, there has been so many opening and closing of towns, district, cities. So, not that much outsourcing, in fact even our in-house team has done a great job during this period.
- Vijay Karpe:** Okay, and one last question. Is there any oversupply of face veneers in Gabon and is it true that 95% of the units there are loss-making presently?
- Manoj Tulsian:** Well, yes in Gabon the success story has been minimal. Okay, maybe even Sanidhya can correct me, but we are the only Indian company right now, which is working well there and working profitably. So to some extent I won't be able to say 95 or not. But yes, I would say this statement is quite a valid statement.
- Moderator:** Thank you. The next question is from the line of Shrenik Bachhawat from JM Financial. Please go ahead.
- Shrenik Bachhawat:** Sir could you please me with the reasons for realization improvement in this quarter?
- Manoj Tulsian:** A few steps I would say, we have to some extent, as I said that we are clearly looking at this pandemic as an opportunity for us to correct many things. And what we have tried to do also is to correct the market operating price the MOP and trying to move more towards the national pricing. So, some of the earlier discounts which we were giving in certain pockets, we have tried to control them and that has reflected in this improvement in your price.
- Shrenik Bachhawat:** Sir, could you please help me with the volume and value mix for premium versus mid plywood in this quarter?
- Mukesh Agarwal:** So, during the quarter Q1 FY21. in the volume terms Premium contributed around 64% and outsourcing from Ecotec, Bharosa, Jansathi and PVC contributed 36% whereas in value terms Premium contributed 73% and mid-segment and low end contributed 27%.
- Shrenik Bachhawat:** So, sir I believe gross margins improvement would be a function of realizations improvement am I correct in the understanding?
- Mukesh Agarwal:** It's a product mix also. So, in the quarter, as I said 73% is contributed by the Premium, and that is one of the reasons why we had better realizations in Q1 as compared to year-on-year quarter. So, volume terms you will find that on year-on-year basis in this quarter it was almost same, but in value terms it improved by 2%.
- Manoj Tulsian:** And also, to add to that, to some extent the raw material prices remain slightly softened. During the first quarter we feel that may continue for some time for sure and some value engineering, as I mentioned that we have done a lot of work on the manufacturing platform. So some value engineering also would start reflecting further. There is some very minimal gain which has come in Q1 but you would be able to see more of that going forward in Q2 onwards.
- Shrenik Bachhawat:** So, are there any reductions in the raw material cost like timber cost if you could highlight some details on that?

Manoj Tulsian: So, chemicals we could see a drastic reduction and on the timber price it's was slightly soft and I hope that if it continues like this, then that will be advantage for the entire business.

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

Achal Lohade: Sir. My first question, I don't know if you kind of answered that already, how has been the month of July and August, compared to last year have we improved the run rate to what level has it improved?

Manoj Tulsian: July, we are almost between 65 to 70%. And, I hope the same will remain in the month of August too. And then we have to see because, one very important thing more than these numbers is how fast the fear from the mind of people is removed and how fast we get, in a way, exit from this pandemic, either through a vaccination or through the herd immunity. But if you really see still the market, the major markets like Mumbai, Kolkata, Delhi, Pune, Nagpur, Ahmedabad and even Chennai, and parts of Tamil Nadu had not totally opened up fully. So, only now in the month of August we are seeing the glimpse of improved things happening. And the next important thing also which for our business is which you all understand is even now, the gated societies are not allowing labor to come in a mass way and work and allow them to work in a particular project site. So, that mindset may still take another month or so for societies to allow that to happen. When that happens, then the demand will further pick up.

Achal Lohade: Right. So, internally what will be the expectation, to go back to the normalized level so that happen by December or you think it could go up to March?

Manoj Tulsian: As I said, we Indians are always very optimistic people. And if you personally ask me, I was even assuming that from August onwards, that was my assumption the month of June, based on all the public domain knowledge that possibly by August, things will start getting into the normalizing phase. But as we are today in the midst of August, we still see that possibly another two months for things to happen though Russia has already announced a vaccination. But for them also to come into production and to serve their own country and then maybe the rest of the world. It may go up to November, December. That is what some of the feeling we're also getting from some part of the country. But even India might be prepared with a vaccination somewhere around October or September end and by the time it comes into production and this it is like November. So, any guesswork on the numbers is now totally related to how fast the situation normalizes. The business is there, the inquiries are there, people are willing to work, there is a demand. But the fact remains that when the labor is missing, then your somewhere where your secondary gets hit.

Achal Lohade: In terms of the mix, how is the mix from metro normally, not in the pandemic time, but normally how much revenue comes from metro, how much is from Tier-1, Tier-2 cities and all?

Manoj Tulsian: See normally from the metros we almost get around 50 to 60% revenues. So, if you can see with most of the metros not performing, if we have still reached to around 70% number or 65% to 70% number, the team is working hard on the field. So, we are reaching to the Tier-2, Tier-3 cities also but not everything gets converted immediately into a good volume. But for sure we are creating a base for our long term group. So, in a way you can say that we are just all the initiatives what we are

taking during this period is to make us future ready. And whenever the growth bounces back I am sure that with the type of effort which we are taking in every area, we will bounce back faster than others.

Achal Lohade: And just to clarify this metro when you mean 50% to 60% those are the four, five cities right?

Manoj Tulsian: No, we take the extended metros also so, for me even Pune is a part of the metro.

Achal Lohade: So, broadly like top 10 cities will be 50%, 60% or is that a fair understanding or?

Manoj Tulsian: Well yes you can put around that 50%, 55%.

Achal Lohade: Understood. And second part is, are you seeing supply disruption from the unorganized players or the smaller players, is that helping in terms of the growth for us, or recovery for us?

Manoj Tulsian: Well, I definitely see that as an opportunity. And that is one of the area again we have started working in and when we are going to Tier-2, Tier-3 cities we can see the glimpse of that, there is supply side challenges which is taking place on the unorganized side and which for sure will allow us a strong foothold. We have a strong balance sheet; our distribution network is good. And if you are able to expand further on the same, by keeping our policies intact and coming out with some new products over a period of time, then I'm sure that we will be able to capture a good part of the unorganized segment market also, when I am saying I would also say that, the organized players. Depending on the type of effort what they continue to put in.

Achal Lohade: Right, so factually you're saying that as of now, you are seeing supply disruption from the unorganized for the Tier-2, Tier-3 town, is that fair?

Manoj Tulsian: Yes. We have felt so, our market team has given such feedback.

Achal Lohade: Got it. And in terms of Gabon, my colleague asked about sorry, some someone else asked about this. Lot of units in Gabon are making losses. So can you help us understand #A) in terms of how are we different from others in terms of cost or pricing, and #B) in terms of the revenue estimates what we have earlier we were talking about 320 odd crore at the peak revenue in couple of years' time if you could give some sense from a medium term perspective?

Manoj Tulsian: So, I would tell that maybe we understand our business well compared to others, so we did a few things right in terms of establishing the team there, taking the team along and understanding the nuances of that place and quickly adopting to those nuances and still performing. Okay, even I was very new to this business, but I could definitely give credit to the Gabon team and the management here, that we did a few things right so that we could establish ourselves quickly out there. And we will continue to perform. This for sure when I have looked back in the last two, three months on the numbers and the various discussions which we were having, at least I'm confident that we will continue to do well there. As far as the talking about these numbers of Rs.300 and 330 crore, yes for sure we have capacity to go up to those levels. But this year, this pandemic year for certainly has pulled us back. So, the growth what we were looking at during this year, I don't think we will be able to grow in Gabon. So, because, Gabon, if you have seen the numbers and everything, last year, its dependence on India was quite high. And to tell you, in the first six months

we will do hardly any business with India. But the good part is that the team again was very proactive there to look and search for new markets, so we have created a good strong foothold now in the European market and also in the Southeast Asian market. So, to some extent, our dependence on the India thing has come down. There's some signs of recovery now from the Indian markets some inquiries again, have started coming to our Gabon facility, Q3 we will have supplies even in the Indian market on this. So looking at everything, this year our Gabon facility will do well, of course it will not grow but it may not have a massive de-growth also.

Achal Lohade: Right, but in terms of your take the estimate, I'm not really looking at FY21 right now but, if I have to look at let's say, two years down the line are you looking at the same numbers what you had probably looked at say six months back, or you think there is a risk to that number?

Manoj Tulsian: I don't see a risk to that number, because in my previous call also, I mentioned that some of these US based companies who were earlier looking at the Southeast Asia market for their veneer import, have tried to discontinue the same because some of those material was of Chinese origin and even US, is a very strong market for our product. And we have sent, first container which is still yet to reach there. And if it works, well then that becomes another opportunity for us to create a market over a period of time. So, the team is doing a lot of work and I'm sure that the only thing said that whatever growth we perceived for this year, we are actually behind by let's say 12 months, so the numbers will very much happen and we have some more plans also. Which we are just now, right now we are just on the drawing board. But we are confident that the facility will continue to do well for us.

Achal Lohade: Just a clarification on the Gabon pricing, how have prices behaved in last let say two or three quarters have they come off or they remain fairly stable?

Manoj Tulsian: No, the prices are fairly stable in the last two quarters if you ask me the places are fairly stable.

Moderator: Thank you. The next question is from the line of Karan Bhatelia from Asian Market Securities. Please go ahead.

Karan Bhatelia: Sir in the presentation you have mentioned that external sales from Gabon are . 9,841. So can I like the breakup as to how much was to India and how much was to Europe, Middle East and Southeast Asia?

Manoj Tulsian: Well, exact numbers Mukesh can give, I would say Mukesh, if I'm not wrong only maybe around 10% out of this would be to India 10% or 15%, around 15%. Mukesh can you share the numbers?

Mukesh Agarwal: Yes, so in the Q1 FY21 we sold to Greenply India around 938 CBM. And total sales were 6653 CBM in Q1 FY21. And whereas in corresponding quarter of FY20, our sales to Greenply India were 1627 CBM and total sales was 11,468 CBM. Whereas external sales in Q1 of FY20 last year was 9841 CBM and in this quarter it is 5715 cubic meters.

Karan Bhatelia: Correct. And sir, then what is this number in the presentation, 9841?

Mukesh Agarwal: This is Q1 FY20, external sales Q1 FY20 and sales to Greenply was 1627. Total was 11468, this is face veneer sales.

Karan Bhatelia: Okay got it. And if you can give me broad breakup of how much was to Europe, Middle East and Southeast Asia and where are we seeing increased traction?

Mukesh Agarwal: Okay, so for this Q1 FY21 our total sales were external was 5715 and Greenply India was 938 CBM. So, total was 6653 CBM, so 42% in the value terms contributed by Europe, 5% other customers in India, 17% to Greenply India, 34% to Southeast Asia and 1% to other countries.

Manoj Tulsian: We are not there in Middle East; we are not there in that market.

Karan Bhatelia: Okay, and do we see more players entering into the Laos market post some ban on Laos and Myanmar and how are competitive intensity shaping up there as in how many numbers of players currently will be there, how many are currently operational and how many are expected to commence the production in next one or two quarters?

Mukesh Agarwal: So, Gabon in last six months we have not seen any players starting their manufacturing facility. So, like few players from India they have their manufacturing units, few from China they have their manufacturing unit in Gabon. So, we have not seen any new players coming in, in last six to nine months.

Sanidhya Mittal: And in fact, the smaller Indian players who are only dependent on the Indian market, they are also facing a lot of challenges because of the poor demand here in India.

Mukesh Agarwal: So, all these players what we are referring they basically, they are dependent on India and Southeast Asia, whereas from our revenue maximum is being contributed from European market. So, we started this new machine in November 2019. So, this new machine was basically to supply to the European market.

Manoj Tulsian: And some facilities are still there from the Indian houses only but you have not yet even commenced those facilities and we are not sure, whether they would be willing to do that or not, because if the business was India centric, then all those people suffered there big time. And we are able to de-risk ourselves because we quickly move to the other territories. And, and as I said that, the response is good, the business is regular, even during this pandemic period, we have consistent flow of orders. So, that is all keeping us floating above the water and helping us to do well.

Karan Bhatelia: Also, sir if you can somewhat throw some light and as to how are the realization in this market and some color on the margin profile and on the working capital, just trying to understand, why are others not getting so aggressive in the overseas market?

Manoj Tulsian: In the overseas market?

Karan Bhatelia: Yes. So, we have like, somewhat trimmed down our dependence to a great extent from the Indian market, right ?

Manoj Tulsian: Yes.

Karan Bhatelia: So, why are other not focusing so much on the Southeast Market and the European market?

Manoj Tulsian: We can't exactly comment on that. But, for sure maybe the team structure how they would have made their mindset itself of mainly looking at those units as a backward integration. Whereas we didn't look at our business there purely from a mindset of a backward integration. So, we started with some dependence on the India business but we quickly assessed, and as Mukesh also said, then we set up our second line also, because we went to the other markets in search of demand and regular business. So, that was a de-risking strategy which worked well. And as I said that now, we have already ventured into the US market also, we are seeing an opportunity because of whatever is happening between US, China and we are trying to explore that also, I'm sure that if that works out then we will have good amount of business traction coming even from US markets.

Karan Bhatelia: Correct, but it's almost three quarters, that we are trying to de-risk on the Indian side. So, are we seeing better realizations, from the newer geographies or the margin profile is different or they are light on the working capital? So what is the key advantage?

Manoj Tulsian: Well, see the advantage clearly is that as I said that we are the one player who had a sustainable business model there. It is not too much about margin profile differences because the prices in India also came down last year significantly in the Indian market and which affected the margin of our Gabon facility, but it is more about, you have a facility which is working well, you have all the tie-up which is being done in that, now the only way is to keep working on it and improving the financial performance of the business. Our team is working on that and we will continue to work on that, we know it's a good investment which we have made, and we will only make it better.

Karan Bhatelia: Sir on the two equity partnerships of less than Rs.5 crore, so how are things shaping up there, they have like commenced operation?

Manoj Tulsian: No, because of the pandemic thing. Things have got delayed there also. So, one facility will only start sometime in maybe November or December and which will stabilize by February, March and the other one may go up to Q4, in Q4 it may start.

Karan Bhatelia: But our investment is done right?

Manoj Tulsian: Yes. We had a very miniscule investment.

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

Bhavin Chheda: Two questions, one is on the capital expenditure plans what is the sustainable CAPEX in India and Gabon? And what is any growth CAPEX if any. And second thing on the, is this margin improvement sustainable because I see the ad spends were lower in this quarter though they would surely pick up going forward. So, obviously the operating leverage will also pick up. So, any guidance on the margins part?

Manoj Tulsian: So, on the margin part, for sure the type of efforts what we are taking and as I said that we are not leaving any area untouched, in terms of making the business efficient and my own past experience says that it will convert into improvement of margins. So, this year being the sales in Q1 being so low and it's not even comparable, as you rightly said that once the sales volume picks up, we will definitely see an iota of improvement of margins in our business. And also at the



same time if you really see on the working capital side also we are working extensively, Q1 has been very good for us that we were able to reduce our borrowings by almost Rs.40 crore in 1 quarter and we are confident that, we'll be able to sustain these debt levels and maybe the debt levels can further come down the way we are working in the market and the way the activities are going on in the market at this point of time. So, the idea is purely to continue to work on improvement of margins. And so, that brings a lot of improvement in the RoCE both one from the working capital side, the improvement and second from the margin profile. And as I said that, whatever activities we are doing, whether it is on the IT front or whether it is on the plant front, or whether it is on the salesforce front, these are all activities, we are only trying to target from a perspective of being future ready. So we want to be the leader when the next wave of growth comes in the country, with a profitable business.

Moderator: Thank you. The next question is from the line of Kaustav Bubna from Rare Enterprises. Please go ahead.

Kaustav Bubna: Sir, I had a question on your outsourcing model. Is it correct that you'll have tied up manufacturers from the more middle to low segment plywood, is that correct?

Manoj Tulsian: Yes.

Kaustav Bubna: So, I had a question on that, let's say because of COVID and all this economic impact, which has been caused due to it, what if those manufacturers are in trouble and have to shut down does Greenply come to their rescue or do you just let that business die out and find new manufacturers, how does that work and also how many manufacturers are you tied up with right now in that model and how do you expect that to grow, etc.?

Manoj Tulsian: Well, first thing first, we have not seen any signs of distress, two of the facilities where we have a miniscule investment also, I just mentioned in the call some time back that, those facilities will only come up in full scale operations, maybe starting from Q4 and Q1 of next year. And financially there is no problem. So most of the work has been done and, there's always a assurance from Greenply to feed them. So, as long as Greenply is able to feed them, I don't see any challenge in terms of these units, getting into any level of distress And the same stands true even for our other partners, we work with three or four more partners in the country. They are well off, they have not seen any sign of real distress in terms because they are our partners and they have been getting regular businesses from us and their cost structure to their facility structure, everything is where even Greenply has invested some of its mindset and some of its intelligence to make them efficient. So, once a player is efficient and they work with some of the very structured companies like Greenply, for them, we don't see that they will face any type of challenges. See the unorganized players and we are talking about those players, who doesn't have a balance sheet at all. So maybe they were making money but you understand, they were the players who do a lot of business not only on bills, but without bills also, and because of that neither they have a balance sheet nor they have any profit shown into their books because they also don't want to pay tax. So, unfortunately in a situation like this even if the government comes out with so much of plan for MSMEs and other than this, ultimately the bank will look at some documents right, some collateral. So, they are not being supported even through the banking segment and that is where they will face a lot of challenge and they are facing a lot of challenge.

Plus, they work in a very unorganized way, their labor continuity, their processes, their procurement, everything is so unorganized, and it is purely, and purely mindset



is only to be in business to make money. And possibly they don't even understand what is long term sustainable business model, some of them who really understand that over a period of time they start growing and becoming better, but most of them they only look at this short term approach of making money today. So they definitely are into a lot of trouble.

Kaustav Bubna: Okay. And just one question on your growth. Could you give some more detail about this United States opportunity, what are the demand dynamics over there and what's the addressable opportunity for us? And you were also talking about, the senior management is drawing up some further growth plans, which are still not confirmed, but could you just give us some indication, which direction you're going is it new, is it some new segment, is it existing segment capacity increase, etc.?

Manoj Tulsian: So, let me put it in two, three different perspective. First, let's close the Gabon thing what you are talking about, see this US thing which I've spoken about is early days. The opportunity is huge in US, the opportunity so big that I can totally dedicate my entire Gabon facility to the US manufacturers, if they finally accept our material, and the pricing and everything. So, such big is the opportunity out there. But these are early days as I said that our first consignment has not yet reached also, they will do their trials and you know how US market works. But for us, we feel that once we are quality oriented, once we are service oriented, if the business is there for sure we will have an opportunity to grab a portion of that slice. And that further de-risk us and we reach to more continents. So, why I mentioned about US is only because I see that as a big opportunity. If we are able to succeed in the initial few supplies, then this business will open up for us and then our capacities can be used properly because then we are dependent on not any single market. Europe in any case, as I said even during the pandemic period continued to give us orders month-on-month basis. So, we got orders even in the month of April, May, June, July, August, September so, we have a visibility. The only thing is earlier they used to give us orders for maybe a period of three months or four months. Now, they are giving order for the month, on a consistent basis. So, that is about the Gabon facility.

Coming to the India facility, if you really see directionally there are two things where we are focusing at this point of time and as I said, we have really used pandemic period as a good period to correct many things. So, the two areas where we really want to focus one on the P&L in terms of margin improvements, and look at every cost, look at a every way of how we can make our business efficient, and as I made a remark even in my opening call that as our organization we are very forward looking and we don't mind even after this pandemic settles down for some of our team members to continue to work from home. So, we are those the front movers in terms of adapting to any new mindset which shows some ways of improvement in efficiencies.

Kaustav Bubna: So, the point is in the India business going ahead, I had asked this question last quarter also what's your focus, is it on growing the business incurring new CAPEX and finding growth avenues or is it on reducing debt, improving margins and just having a steady state payable cash generating business, what is the direction you're looking at?

Manoj Tulsian: Okay, so as I said, the first thing what we are doing is we are right now concentrating on margin improvement and improvement in working capital management which means, we are working on strengthening our balance sheet and also the profitability from the existing business. Once it is done, then we will continue to look at the opportunities one, both growth in terms of organic and inorganic growth. In terms of organic growth, we continue to look at new product



introductions, which is like in the last one year we have introduced Absolute which is a product which caters very well to the OEM demand. We are the first one to introduce E0 as a product which is emission free product. Now during this pandemic period, when everybody has become more cautious about their health and safety and more and more people are working from home, our emission free product, would be a buzzword going forward. Because this is that product which actually is with zero emission on the chemicals which is released while the furniture or the plywood is there at your home, so when more people are working from home, this will be a big hit. This is our own thinking going forward and more and more people would love to have this product at their home. So one on the product side, we will continue to look at opportunities within our category. And we will look at also, segments which are related segments going forward. And then the next thing would be when you have a strong balance sheet, you can wait for an opportunity for a good inorganic growth also at any point of time, the moment you get a good opportunity, but ultimately it is all about value creation for the stakeholders. So whichever way we will always look at improving our ROC going forward, and we'll try to be asset light and debt light.

Moderator: Thank you. Next question is from the line of Arun Baid from BOB Capital. Please go ahead.

Arun Baid: Sir you just mentioned that your focus is going to be margins and working capital improvement. I'm not talking of FY21, because this is abnormal year. But broadly, what kinds of trajectory they're looking at our margins say in FY22, FY23. And you also mentioned that the focus is on getting the debt, in debt light. So, when can we expect Greenply to be a debt free company, I am talking on consolidated basis sir as a vision, so that as investors we can monitor how the steps are moving towards that?

Manoj Tulsian: Well, in terms of margin, I would say that by FY23, this is a pandemic year FY21. But for sure by FY '23, our internal vision is to grow at least the margin by 400 basis points, if not more. So, I am sure some of those things will start reflecting even in this year also, despite being a pandemic year. We feel that some of those will even on a lower turnover also, we will try to manage our margin of last year, which is a big statement which again I'm making at this point of time. But yes, there has to be some semblance in sales. It's not that we just end up doing a 50%, 55% of last year sales and for sure, I will not be able to protect the margins in double-digit. But yes, if you are at a decent level then this year also, we will be able to protect our margin of last year, which itself means that when the growth comes the margin improvements would be visible.

Arun Baid: And from debt front?

Manoj Tulsian: See on the debt front, again, by on the steady state of affairs of business, assuming that there are no inorganic opportunities.

Arun Baid: I am not talking of this year, FY21 sir beyond?

Manoj Tulsian: No, that's what I am saying, that by FY23 if on a steady state of affairs with the same line of business and this for sure, we will be at a negligible debt if not zero. And we will use the strength of our balance sheet as I said, we'll keep our ears and eyes open and there are so many good businesses nowadays we find which runs into distress because of poor managing skills. If we have a very strong balance sheet, then we will just keep our ears and eyes open to tap that opportunity if it

comes in between, but on a steady state of affairs, I'm sure that by FY '23 end we will be debt free or very negligible debt.

Arun Baid: Okay. And sir you just mentioned that this year, we'll be having similar kind of margins as FY20. Assuming some kind of sales, so sir what will that number be, as what number you said we will be at that 10%, 11% margin, which was last time?

Manoj Tulsian: Even with a, I would say with a 15% to 20% drop in sales compared to last year, we would be able to manage our margin profile.

Moderator: Thank you so much. We take the next question from the line of Ravindranath Naik from Sunidhi Securities. Please go ahead.

Ravindranath Naik: Sir, one question what is your contribution from OEM supply, what is the contribution of sales coming from OEM and what is the outlook there you are looking at?

Manoj Tulsian: Mukesh, can we have the exact number, OEM contribution?

Mukesh Agarwal: So, Mr. Ravindranath, we discussed that we supply and we try to supply our revenues through our dealer/distributor. So, we are supplying to OEMs directly, not much may be 8% to 10%.

Manoj Tulsian: Because we don't track the numbers that way, so honestly, we will not be able to give you the exact numbers. But Mukesh this is also a good point and we should try and see how we can simulate that data for future and create some better insight in terms of our OEM business.

Ravindranath Naik: But the region I am asking that, one of your competitors actually, the MDF actually demand is growing due to the OEM demand. So if something can come up through you then that would be helpful for the company in terms of growth.

Manoj Tulsian: Okay, so let me answer it, then your exact point. For sure, this will help the plywood business also, for the simple reason that when you see a substitute or against the China imports, there were two things one, the China imports, yes, people were going and buying truckloads of material and container loads of material from China. Again, let me tell you that whatever we may speak the dependence of any country on China is extremely high. So it's just not going to dial down in a day. But for sure people have become more conscious and there will be an opportunity for transfer of business from China to India, which means to the Indian OEMs. Now look at the scenario in a slightly different way, earlier and also the people who were going and buying this Chinese furniture, they were buying it for their residential use also in a big way. Whether they were in the luxury segment or the mid segment, but now when it will come to the OEMs in this country, and that's just, let's assume people like you and me, when we will now buy these furniture, even the readymade furniture for our home, for our permanent home. We would not like to get too much into the MDFs, there would be a lot of opportunity for plywood-based furniture also, which will come up. So for sure, first thing there is no negative for us, it is only going to be positive for us and that is why our team is working extensively with these OEM partners, directly and indirectly both to tap this opportunity and grow the business.

Ravindranath Naik: Okay. And secondly sir region wise can you, in the first quarter although you've achieved in June, July you have achieved a 55% to 60% of your last year sales, but

which region is contributing more to your growth or contribution is more, if you can give North, South and West in terms that would be helpful sir?

Manoj Tulsian: Well like any other business because I heard many other commentaries, and this is really surprising that even we have done well in south. South has contributed extremely well in this overall number and then the rest of the country whether it is North, East, West or Central; we divide our business into five zones. Rest of the zones have almost performed in a similar way. So, South has clearly been the leader and I've heard this about many other businesses also.

Mukesh Agarwal: So Ravindranath, just to add what Manoj said, so from South India in Q1, we had a revenue of around 43%/ 44% and North and West was around 10% to 12% and East was around 15% to 20% and Central again around 15%.

Manoj Tulsian: As I said, other than South most of the divisions are in and around the same set of numbers. South has clearly been the leader.

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

Aasim Bharde: Just a follow up to an earlier comment on OEM. Did you say that out of your current plywood sales 8% to 10% is to OEM directly?

Manoj Tulsian: No, not directly, Mukesh you can clarify again.

Mukesh Agarwal: Directly and through our dealers also.

Manoj Tulsian: The channel partners.

Aasim Bharde: So it is mix of about 8% to 10%?

Manoj Tulsian: Yes, together and this number is not a sacrosanct or a truly worked out number, so we are using some estimation also in this because we have not worked out those numbers in that fashion, but more or less what Mukesh is saying we will be in line.

Aasim Bharde: Okay. Sure and if we could just talk about this Absolute product that you talked about, that is catered towards the OEMs directly. What kind of a potential do you see going forward maybe over the next 5 years plus and should it be a good competitor to MDF and particle board?

Manoj Tulsian: See, that is the pure idea, because let me explain, this product is not that we are the only one in the country, which is selling this product. There are other companies also which are doing it, but we also introduced this because what happens is that this is a calibrated ply, and when there is a calibrated ply for OEMs, when they use it in the machine everywhere it becomes much easier for them to actually give the right shape to their furniture. So, this is something where we are maintaining an absolute, this is a 16 mm ply, and it's a fully calibrated ply. So, that gives a good opportunity for us to go to the OEMs and tell them that look this is a fully calibrated ply and then second thing it is not MDF, this is ply so which gives much lasting years rather than the MDF and that is where we are seeing some traction, we have already seen some good traction in the last two months in South and even to some extent in West. If we work well this can become a good category keeping in mind that there will be a lot of substitute which will happen to China imports.

Aasim Bharde: Okay and just final question, what is the price differential between your normal mid-market plywood and this direct OEM plywood?

Manoj Tulsian: It is not that, we have a full basket of products and spread under different categories and different brands. So, if you will really see that it is not that this absolute would be something much cheaper or much expensive. You have to just look at those categories and within those categories, it is not expensive it is almost at par. And we have to also understand, when you look at this China imports, let me also put some light on this, as I said I don't know whether it got noticed or not, but when you do imports from China, they are expensive. And the second thing no one knows whether they are using MDF, they are using particle board what is exactly that they're using, in those readymade furniture's. So, these Indian OEM operations will always be cheaper compared to these China imports, especially on the furniture category. And that is where it is a change of mindset, this pandemic for sure is going to give that mindset to people to start operating in India because a lot of buzz has now been made about this Atmanirbhar and also the way even some tensions which has prevailed between even India and China. So, this is a good opportunity overall.

Moderator: Thank you. The next question is from the line of Kedar from Composite Investment. Please go ahead.

Kedar: Sir my first question is regarding the working capital situation. So has there been any increase in the credit period we extend to our distribution channel through Q1?

Manoj Tulsian: Kedar, if that would have been the case, then our receivables would not have come down by almost around Rs.80 crore. So, yes we have actually slightly become strict only on that. And trust me if we would have continued to do the business the way we were doing in the previous year, I would have definitely given you another sales, because that would have been a push sales. So, as I said that, this year we are taking as a year of correction for ourselves to be future ready.

Kedar: Okay. And the current number that we have been able to sort of optimize, so I'm guessing that, that is what the company will strive towards going forward and try to keep to sustainable, correct?

Manoj Tulsian: 100%

Kedar: Okay. And sir second question is regarding the distribution and the retail channel that we have. So, are those distribution exclusive to us or do they distribute other brands as well. How does the market work on that sir?

Manoj Tulsian: There are very few players, in the country, in this business who are like a single brand outlet. Most of them operates on an NBO basis and most of them also continue to have some portion of the unorganized selling also.

Kedar: Okay, sir so in that situation if they are stocking obviously other brands as well. So any color on how the other organized players in the market have been working in terms of their credit terms, is it that the entire industry is trying to move towards a more optimized operation or are we alone in trying to optimize the operations?

Manoj Tulsian: Well difficulty to say, for sure what we have to see is how we can improve further, and we have a, we have a strength, something which we need to understand that there is a lot of inherent strength in the brand. And we need to perform to the

potential of the brand. So, I would not be able to comment on the other players, some of the players are already quite disciplined also, let me not that, let me not take away that also, that some of the players I believe are already quite disciplined in this business in terms of their working capital management, and maybe we are slightly late, but we are also catching up fast.

Moderator: Thank you. The next question is from the line of Kaustav Bubna from Rare Enterprises. Please go ahead

Kaustav Bubna: I just had one, missed the part on calibrated plywood. Just wanted to know as per the manufacturing process of low pressure laminates where in the laminate the MDF or particle board is used in the manufacturing process in itself. It is not like HPL where you stick the laminate on top of the plywood, can the same manufacturing process be used in just like how MDF and particle board stuck with the laminate in the manufacturing process in itself. Can the same be said with calibrated ply also?

Sanidhya Mittal: I would like to answer this question. So, that is not possible in case of plywood because the impression of the lower layers of the veneer usually comes on the LPL so that is not possible on plywood. However, calibrated plywood has its own use, it has been majorly used as a carcass of the furniture. So major readymade kitchen manufacturers in the country who would want to buy calibrated plywood from us.

Kaustav Bubna: Okay, got it. Who else does this, does Century and all do this, what's your competition here apart from imports?

Sanidhya Mittal: Apart from imports our competition is some of the slightly more unorganized players whose focus is only this segment. Again, that was only price driven and not technology or not product driven, but we have really worked on the pricing as well as the calibration technology. So, we have been able to offer a very good product at the very attractive pricing. Plus you see, after GST has come in, OEMs also get the input credit for the material they buy. So now slowly, the OEMs are also interested in dealing with the organized players.

Moderator: Thank you. The next question is from the line of Ravindranath Naik from Sunidhi Securities. Please go ahead.

Ravindranath Naik: Sir the joint venture reported a loss in this quarter, what is the outlook there and second that depreciation is low, what is the reason for that if you have covered that, then please clarify me and the interest rate reduction because we have to pay some date during the quarter. So, will it reflect in the coming quarters, those are the three questions, thank you.

Manoj Tulsian: So, on the first thing the loss of the JV is for our Myanmar facility. And since there were hardly any operations because of COVID, we hope by the year end at least, we will be at a breakeven level on that facility and second question?

Ravindranath Naik: Depreciation.

Manoj Tulsian: Depreciation is because as the plant didn't operate in the month of April, and also part of May, we have applied the shift-based depreciation mechanism and because of that it is lower but, starting from Q2 it will come back to your Q4 levels. And you said, yes interest for sure we will start now reflecting from Q2 onwards you can see a downward trend, in the interest expenses.



- Moderator:** Thank you. The next question is from the line of Vijay Karpe, Individual Investor Please go ahead.
- Vijay Karpe:** My question is, majority of our sales come from the South. So, will it be a good idea of setting up a unit over there in the south. Thank you.
- Manoj Tulsian:** No, very interesting. But we cannot only remain strong in South. We have to be strong in other territories also and I'm sure the other territories will catch up with South also very fast in the next 12 to 15 months, the type of efforts what we are taking. So we have not really thought about that at this point of time. Maybe only when we really need those capacities or something, then we'll see if we need those much of extended capacities, then for sure we will look at that as also as an option, but nothing immediately.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for their closing comments.
- Sanidhya Mittal:** I would like to thank you all for taking the time to participate in this call. As we said, Greenply's established understanding and position in the space, combined with our well-developed systems and processes has helped us not only combat a difficult environment, but also build a platform for the future. We look forward to speaking with you in the next con-call post our Q2 FY21 Result Announcement. Thank you.
- Moderator:** Thank you. On behalf of Greenply Industries Limited, that concludes this conference. Thank you all for joining, you may now disconnect your lines.