



Greenply/2021-22  
June 19, 2021

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

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

Dear Sir/Madam,

**Sub: Conference Call Transcript**

Please find enclosed Conference Call Transcript in respect of conference call for Investors and Analysts held on June 15, 2021 on the financial results of Greenply Industries Limited for the quarter and year ended 31st March, 2021.

The same is also available on the website of the Company viz. [www.greenply.com/investors](http://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**  
**Q4-FY21 Earnings Conference Call**  
**June 15, 2021**

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**Moderator:** Ladies and gentlemen, Good day and welcome to the Greenply Industries Limited Q4 FY21 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing “\*” then “0” on your touchtone phone. I would now like to hand the conference over to Mr. Gautam Jain from Greenply Industries Limited. Thank you and over to you Mr. Gautam.

**Gautam Jain:** Good morning everyone and thank you for joining us on the Greenply Industries Q4 FY2021 Earnings Call. We have with us today Mr. Sanidhya Mittal – Joint Managing Director, Mr. Manoj Tulsian – Joint Managing Director and CEO and Mr. Mukesh Agarwal – Chief Financial Officer of the company.

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 made available on our website and provided to stock exchanges. 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 Gautam. Good morning everyone and a very warm welcome and thank you very much for joining us today to discuss Greenply operating and financial performance for Q4 and FY2021. Hope everyone is safe and healthy.

From overall business perspective we have witnessed strong demand uptake in Q4 of last year. The growth factors could be mix of pent-up demand, upswing in realty sector and consumer demand shift towards organized players.

At Greenply we are very confident on industry growth trends especially in the organized market where we have a leadership presence. Our latest capacity expansion plan announcement in Lucknow is the testament on this belief. On a full operational basis, we can generate approximately Rs. 250 crores of revenue from this plant with some incremental margin profile and assuming no further COVID related lockdown, so this plant should be operation by end of Q4 of this year. In the last reported quarter on consolidated basis, we have achieved the topline growth of 15% with gross margin improvement on 94 basis points on a YoY basis. Although, it is not a like-to-like comparison as we had almost 15 days of business loss during last quarter of

FY20 due to COVID related restrictions and lockdowns still it is a decent performance on all parameters considering continued headwinds.

Similarly, on consolidated basis our net working capital has reduced significantly by 25 days to reach 53 days for FY21. I feel there is a further scope of reduction by 4 to 5 days during this year. Our consolidated ROEs have increased by 140 basis points to reach around 14% level now. In Gabon operations, we have achieved significant scale of operations with efficiency improvement during the previous year. However, current business environment remains challenging due to non-availability of containers and vessels. We believe normalcy will return for Gabon operations after such issues would be resolved.

As an industry leader we are committed to stay ahead in the industry curve by providing innovative and environment friendly products with focus on sustainability. I am very happy to inform that Greenply became the first and the only company in the country to introduce zero emission plywood products.

Greenply also became the first company to have successfully achieved the FSC-FM certificate in the interior infrastructure segment in India. This certification achieved for our Tizit plant and it confirms that the forest is being managed in a way that preserves biological diversity and benefits the lives of local people and workers while ensuring it sustains economic viability. The above initiatives and investments are expected to yield results in the long run for the company in terms of growth, profitability and sustainability. I would now like to hand over the call to Mr. Mukesh Agarwal to discuss our financial performance. Over to you, Mukeshji.

**Mukesh Agarwal:**

Thank you Manoj ji. Good morning everyone. I thank everybody for joining us to discuss Q4 and FY21 financial performance of Greenply Industries. I am happy to say that despite several operating challenges we have achieved decent performance in last quarter and full year. I do hope that all of you and your loved ones are safe and healthy. Our consolidated entity net sales for the quarter stood at Rs 395.6 crore compared to Rs 343.8 crores in Q4 FY20 an increase of 15.1% on YoY basis. Consolidated gross margin for the quarter improved by 94 basis points to 39.8% on YoY basis. Consolidated operating margins also improved to 12.5% versus 9.1% in the previous corresponding quarter. Standalone net sales in Q4 FY21 stood at Rs 358.3 crores versus Rs. 296.3 crores in Q4 FY20 an increase of 20.9% on YoY basis. Standalone gross margins for the quarter improved by 204 basis points to 39.1% on YoY basis. Standalone Q4 FY20 EBITDA margins tentatively strong at 13% an improvement of 419 basis points on YoY basis and PAT stood at Rs. 28.2 crores versus loss of Rs 24.6 crore in Q4 FY20 due to exceptional items. Our average realizations in plywood have improved to Rs. 222 per square meters in Q4 FY21 against Rs. 219 per square meters in the corresponding period last year.

On full year consolidated basis receivable days has reduced sharply to 61 days in FY21 as compared to 90 days in FY20 although the inventory days have increased to 56 days from 46 days in FY20. The net working capital days has reduced to 53 days as compared to 78 days in

FY20. The improvement reflects improved collection and disciplines across our supply chain. In FY21 on consolidated basis, we have done maintenance CAPEX of around 23 crores and expecting similar maintenance CAPEX in the next year as well.

In addition, planning for further CAPEX of Rs 90 crores for our new Lucknow plant. Our balance sheet continues to be robust consolidated debt has reduced to Rs 191.7 crore as on March 21 from Rs. 267.4 crore as on March 2020. At standalone basis, Greenply is now completely net debt free with total debt of Rs. 58.5 crore and cash and cash balance of around Rs 124 crores as on 31<sup>st</sup> March 2021. Consolidated debt equity ratio also continuous to decline and standing at 0.44 as on March 21 as compared to 0.71 as on March 2020. The board of director has recommended dividend at the rate of Rs. 0.4 per equity share subject to the shareholders' approval at the ensuing annual general meeting.

I would like to hand over the call to the moderator to open the floor for the Q&A sessions. 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 Shanti Patel from Shanti Patel Investment Advisory. Please go ahead.

**Shanti Patel:** What is our capacity utilization in the year 2021 and how much you are expecting in the ensuing year and who are our main competitors in the industry and the last question what is the return on capital employed and return on equity and in future in the ensuing year what will it be?

**Manoj Tulsian:** Our capacity utilization in the previous year is close to around 107% to 108% and this actually we are saying 107% because we have done progressive improvements in our plant in balancing the equipment in the last 5 to 6 years, but that certification we have still not got from a chartered engineer. So, basis the same it actually crosses 100%, but we still have capacities to produce further. Normally in a year we go up to 140%, 145% in terms of our capacity utilization. In terms of competition, of course today for us we look at Century being our competitor and both of us are in the listed space and then there are many small players and what was the other question.

**Shanti Patel:** Return on capital employed and return on equity in the current that is 2021 and how much you are expecting in the coming year?

**Mukesh Agarwal:** ROE for the standalone entity is 14% and ROCE pretax is around 19% for the full year and the ROCE post tax is around 14.7%..

**Shanti Patel:** Sir consolidated not standalone consolidated return on capital and return on equity?

**Mukesh Agarwal:** So, return on equity on consolidated basis is around 14% and pretax ROCE on consolidated basis is around 15.6% and post-tax is around 12.34%.

**Shanti Patel:** And the current year how much you are expecting?

**Manoj Tulsian:** Current year Shanti we had good plans if you really look Q4 we closed very well and we started the year with a same level of momentum, but as you see Quarter 1 has been a disappointment and will be a disappointment for most of the businesses in the country because of lockdown I mean only leaving the essential ones. So, we have to slightly wait and see that when do we really get into the full groove of normal business, but assuming that everything gets over by June and from July we are back to the normalcy. In any case there will be a improvement of 1% to 1.5% on both these parameters during the year that is what we are expecting.

**Moderator:** Thank you. The next question is from the line of Udit Gajiwala from Yes Securities. Please go ahead.

**Udit Gajiwala:** Sir, can you just give a more details on your CAPEX plan I understand it is Rs 90 crores for 13.5 Mn sqm capacity if I am not wrong?

**Mukesh Agarwal:** For Lucknow plant which we proposed for plywood product.

**Manoj Tulsian:** So, that is for our Lucknow plant and other than that we will have a normal operating CAPEX which will be close to around Rs 20 crore.

**Udit Gajiwala:** By what period do we expect to utilize it fully so for example we begin the commercial production as per your expectation of Q4 this year, so by what quarter will it be fully operationalize the Lucknow plant?

**Manoj Tulsian:** In Q4 actually what we felt that the demand was so good that somewhere maybe we actually slightly missed out on the sales and keeping that in mind since we had land we felt that let us quickly put up this facility. We the basis the way the things are in the country and even we feel that the demand will remain good in our segment. In FY23 by Quarter 3 we should be in a position to utilize almost 85% to 90% of the capacity.

**Udit Gajiwala:** Sir, last question will be we have seeing from the industry point of view where the organized players are gaining shares, so how far do you think that this is sustainable, and do we still expect in this coming two years or whatever times organized will be gaining more market share?

**Manoj Tulsian:** As we have been mentioning this and I am sure the other players also keep mentioning that there are no organized data on the same, we also keep getting a lot of fillers from the market, from our trade community. Having said that for sure there is a shift which is happening from unorganized to organized and the way the GST implementation in the country is improving every passing day plus also these two pandemic waves have accentuated the entire process of

shift. So, the dealers also are now more comfortable dealing with more organized players who have a steady balance sheet where the supplies are not getting disrupted there are no other issues and this we have heard from even other businesses similar consumer driven businesses, building material segments. So, I think it is going to stay here and going forward this will be a momentum, and which will be good for all organize businesses.

**Udit Gajiwala:** Last just one question can you give us the premium mix of shares in terms of volumes and value for the quarter and full year?

**Manoj Tulsian:** Well in terms of value it was 70-30 and in terms of volume it was somewhere around 64-36.

**Udit Gajiwala:** This is for the quarter or full year?

**Manoj Tulsian:** For the quarter.

**Udit Gajiwala:** And the same for the full year?

**Mukesh Agarwal:** For the premium around 4% was there from our outsourcing unit so premium was around 72%, 73% in the value term and balance was from the trading division.

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

**Sonaal Kohli:** I have three questions firstly as far as your Bharosa and Jansathi brands are concerned, are you Pan India currently with these products and what is the challenges to scale these up and any plans we have to aggressively grow this considering consolidation in the sector that is my first question the second one is in terms of your growth plans any plans over next one, two years to enter into new extensions like MDF exports or other building materials and the third in terms of margins what kind of margins one can expect in a steady state for you whenever this COVID issues are there?

**Manoj Tulsian:** Your first question is on Bharosa, Jansathi so see we are already Pan India present and we started the concept of Bharosa and Jansathi with a certain detailing in mind, but if you really see in the last 12 to 15 months one there has been unprecedented raw material price increase also which has happened. Second thing the pandemic off and on so some markets opening again closing and all those. So, what we found that we grew up to a level and then somewhere we were getting stagnated on the same and because of so much of change in the raw material prices which also led to a lot of pressure on the selling price. We are reworking our strategy in terms of future growth if you ask me personally I see a lot of potential in terms of growing this brand, but we will have to do some course corrections which we are internally deliberating and let us hope so that we are able to get a good growth in Bharosa brand in the next two to three years. As far as other businesses are concerned as we mentioned in the last call also that our

first objective was to strengthen the balance sheet which we have been able to do a certain level and then the second objective of course was to make sure that our bread and butter brand and business which is plywood, we have a sustainable growth because of that we felt the need of setting up another facility so we are doing that and then of course we will continue to look at new opportunities into the building segment and as and when we find something which is interesting we will try to work out something, we will take the board approvals and come back in the public domain for the same. As far as margin is concerned I think last year has been a year of challenge for most of the businesses including our business and there has been unprecedented price increase on the raw material side. Despite the same we have been able to improve upon our margins which was one of our promises made to the investor community around 6 to 9 months back. We will continue to work upon the same. Barring these aberrations which is happening because of like Q1 suddenly there is so much of pressure May was not at all good even June it is now picking up. So, these type of aberrations do hit the margin profile for the full year basis, but yes, if you look at my Q4 performance and if you are able to maintain that steady state of affair of Q4 going forward then 12% to 12.5% to 13% margin is something which we can look at and I can only tell you there is a continuous focus of the company every senior management to make sure that we continue to work hard towards improving this margin.

**Sonaal Kohli:** Sir, just a follow up is there any because the company hit up in the past is there any agreement which protects you from entering into MDF etcetera which may prevent your entering into this specific segment?

**Manoj Tulsian:** As I said we are looking at a overall building material segment and as far as MDF is concerned I think there is a mutual agreement which is there that on a mutual consent basis both the companies are allowed to get into each other products. So, as and when if it is required then only we will get into that discussion also.

**Sonaal Kohli:** But nothing protects you from implementing MDF if there is an opportunity available for them you feel this is right for you?

**Manoj Tulsian:** As I said that there is a mutual consent which is there in the arrangement. So, those mutual consent has to be taken and once that is in place then I do not think that if we really think about going into that there should be any problem.

**Sonaal Kohli:** And sir let me rephrase my question then do you think there will be a challenge in picking up mutual consent in case board want to get into this?

**Manoj Tulsian:** We are jumping the gun let the stage come how do I mention anything about it I do not see in the family any such issues. So, if you ask me as of today I would say I do not see any challenges, but I mean how do I really see at this point of time only when we travel the pathwe will be able to tell you.

**Moderator:** Thank you. The next question is from the line of Sneha Talreja from Edelweiss Securities. Please go ahead.

**Sneha Talreja:** My question is related to the margins actually so basically how much is the raw material cost that we have already seen an increase and how much of it we were able to pass it on if at all you can give some sense on that?

**Manoj Tulsian:** See raw material increase has been phenomenal in the whole of last year and most of the material has gone through a increase of 40%, 45% if I have to compare a price on a like-to-like basis over a period of 12 months. So, we tried to take multiple price increase in the previous year, but I think we still could not pass on everything to the market when I was looking at the numbers that is what most of the people have done. So, the rest of the improvements what has happened is because of the internal efficiencies which we have tried to build up in the last 9 to 12 months. So, if you look at both of them together then we have been able to marginalize the raw material cost increase.

**Sneha Talreja:** So, how much would have been the total price increase that we should have taken and let us say FY21?

**Manoj Tulsian:** See last year we have taken two price increase which combined was around 3% to 3.5% and this year further we have taken a price increase of anything between 1.5% to 2%.

**Sneha Talreja:** And that across your product categories including Bharosa, Jansathi?

**Manoj Tulsian:** I would say not across the product categories, but yes, overall increase if you will see it will come to around 1.5% to 2%.

**Sneha Talreja:** Sir my second question is broadly related to the industry growth we definitely have seen a very challenging year, any sense that you could give how much according to you the industry would have degrown in this particular year any broad number there should be helpful, just to get a sense that we are definitely not seeing a big shift happening from unorganized to organize, just to get a sense that how much could have been the benefit of that particular shift?

**Manoj Tulsian:** Actually, see it is too early to get into since there are no published data on all these things we also keep gathering information from here and there. In fact, I would request some of you to help us out to get these numbers for better clarity. So, we look at all of you to get our understanding improve. So, actually putting any number would not be fair from my side because we do not get and as long as we do not get some concrete information it is not fair to share.

**Moderator:** Thank you. The next question is from the line of Venkat Samala from Tata AMC. Please go ahead.



**Venkat Samala:** My first question is I mean if we compare our growth year-on-year with Q4 FY19 levels because I mean that is the way to look at it in a normalized environment, so our growth was largely flattish compared to some of our competitors who grew in strong double digit, so could you help us understand what were you missing here?

**Manoj Tulsian:** We actually were travelling a different journey if you really look at in the last 9 to 12 months we have been doing lot of correction also, we have made lot of changes in our policies with the trade and that will always have a effect because things which we have been doing for years and if you want to change that we have to give enough time to our trade also to settle down with the new set of policies and you can see the impact of those things happening in terms of our balance sheet, in terms of reducing the receivable. See our idea was clearly to get into a different mindset where we want to help not only the organization, but every stakeholder who is attached to the organization in terms of improving their ROE. So, this is something which we have even worked with our dealers, and you know that when we do that, when you reduce your receivables finally there is a correction which happens in the channel inventory. So, we have allowed that time to happen because look the idea is not to show numbers in the short run only of course we are too much bound and there is always a pressure to perform every quarter, but the strategy is long drawn the idea is that we have to take people along, we have taken our trade community along with us and create a sustainable and profitable business going forward. So, all our steps in the last year though despite being a very tough year from all the sides we continue to be convinced about what we are trying to do from a long-term perspective, and we started working on the same. So, even in Q4 to some extent channel inventory has got corrected and we have allowed that to happen. We are not looking at this point of time about what the competition numbers are doing or not because if my channel inventory has got corrected that means my secondary are happening. So, I am not worried about the same if you see between the last 12 months our receivables have come down by almost 170 to 180 crores. So, we all understand that is the amount of channel inventory which gets corrected. So, if you add those numbers and even if you add up 60%, 70% of that number you get the right assessment.

**Venkat Samala:** Now that bulk of that heavy lifting is done so to speak so I mean can we expect a normalized growth here I mean wherever the industry recovers I am just trying to understand when can we start comparing ourselves with the peers in terms of growth?

**Manoj Tulsian:** I think even starting this year barring a few aberration, but I think now it is a good time to actually look at that if you want to compare of course every company has a different way of looking at it slightly different markets which we cater to, but from this year you can do that because most of the corrections which we were trying to do in the channel inventory has taken place still we know that certain part of the country there are trade partners who are carrying excess inventory and we are telling them to further reduce their inventories and help them improve their ROE. So, we are trying to work with our trade community finally to give them a better return on their capital employed, help them with some automated platforms on the

digital side so that they also invest lot of their time in growing their business. So, it is a continuous journey it is a long journey we do not see results happening immediately, but I can tell you that we are on a journey where we will only continue to improve on a quarter-to-quarter basis.

**Venkat Samala:** Is it fair enough I mean in H2 we are expecting so what I am trying to understand is that when can we expect growth which would be commensurate to the potential of our growth?

**Manoj Tulsian:** Well, if you ask me I have the desire even to do it in the month of June also.

**Venkat Samala:** I am just talking about when the demand environment improves obviously it should improve it is just a question of when, so I am just trying to understand that if that happen in a period of time, so when can we expect to that our growth number hits the potential that we can achieve, and bulk of the exercise largely done with?

**Manoj Tulsian:** So, I think you can understand you can get the pulse that we have even gone ahead with the new investment in the plywood segment that clearly speaks about our own bullishness on the business front and I am sure that the demand side is good this is what is a filler which we are getting from our trade partners also, but after the second wave to some extent and the challenges again has come back in terms of labor running away so even if there is a trade wants inventory at times we are into a problem how to unload the stock, how to deliver it to their end consumers. So, lot of challenges are there which are very I would say short term in nature hopefully from Quarter 2 itself we will start seeing good traction because demand per se is there everyone is just opening up for waiting for things to open up and mid of June and I can tell you even though we were very bullish about the month of June we felt everything will be back on track from the first week itself, but it is taking its time.

**Venkat Samala:** How do things planned now I mean as on today versus what we would have been expecting pre COVID?

**Manoj Tulsian:** So, that is what I am saying that in the May in any case was like bad because everything was under lockdown technically and even in June we felt that we will be able to start shipping good material from the first week itself, but then there are virtual lockdowns which is still there labor is not there with the trade community and they are slightly circumvent at this point of time, they want the market to open up. They have orders, they have placed the orders on us, but they have restricted the dispatches at this point of time. So, I am assuming June slightly we will have to wait and see how the last 10 or 15 days goes, but possibly from July most of the businesses I am just not talking about my business, and I have checked with other people there is similar state of affairs even for other companies possibly from July we are all back on track assuming that there are no more surprises which the God has for us in terms of any further third wave and all those challenges.

**Venkat Samala:** We had enough already.

**Manoj Tulsian:** Still yes, at this time it was slightly more painful.

**Venkat Samala:** First thing is what would be the normalized growth expectation for the company that investor should expect here on in your core bread and butter business?

**Manoj Tulsian:** On a volume basis for sure so this year definitely if you would have given a full year performance and if the momentum of Quarter 4 would have continued we would have done a decent growth over last year, but that is also because last year Quarter 1 was almost like a washed out quarter. Now again we are in a similar stage where if you really look at it most of the companies will have a similar state of affairs like last year Q1. So, in last year most of the companies only started selling in June this year April people sold May and June has gone bad. So, looking at the same this year still we feel that yes, we will have a double-digit growth I am assuming that you know from July we work full-fledged, things are back to normal and then from next year onwards the 10%, 12% volume growth is for sure something which we will be targeting.

**Venkat Samala:** Sir that is the steady state growth that you are expecting in a normalized scenario actually?

**Manoj Tulsian:** Absolutely that is the minimum which we have to do.

**Venkat Samala:** And one last thing I just wanted to understand when you said that you are internally deliberating about the growth prospects of Bharosa and Jansathi, are you thinking about moderating your growth aspirations here on?

**Manoj Tulsian:** No as I said that actually we personally see that there is a humongous opportunity, but because of too many things happening at the same point of time in the last 12 months we will have to slightly rework every point, every nook and corner of how we started, what has happened. So, there are few things which are course correction where we feel we need to change our ways and the second the challenges which has been posed on us in the last 12 months in terms of raw material price increases and how the other brands and other products in the market have behaved in terms of their pricing strategy and then work out a strategy again and get going. We are also looking at change in our distribution plan for the same. So, there are number of things which we have already learned in the last two years and we are reworking the model to again see because from a potential perspective I personally feel that there is humongous potential somehow we need to work in the right way and for that maybe in the next few months also we might have to experiment a few things a few model give sometime and see whether that is working or not and possibly in 12 months time we will be able to establish a better model and then grow well on that brand.

**Venkat Samala:** And last thing revenue mix if you could just share between your Greenply brand Ecotec and Bharosa, Jansathi in terms of value?

**Manoj Tulsian:** See including Bharosa, Jansathi we were doing last year 1,000 crores.

**Mukesh Agarwal:** For the full year Bharosa, Jansathi contributed around 40 crores and PVC contributed around 41.5 crores and Ecotec contributed around 230 crores and balance was from the premium and the decorative business which is around 686 crores.

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

**Arun Agarwal:** Sir my first question is on the demand side you talked about like April we did some sales, May was bad and June we are sort of moving up gradually if you were to put some numbers here, could you help how this first quarter because it is almost like we are at the end of the quarter now, so how the first quarter is planning out vis-a-vis our earlier targeted numbers that we would have thought about it pre second wave?

**Manoj Tulsian:** I do not see exact numbers I do not want to share at this point of time, but I have given enough fillers. As I said April for us was almost normal barring the last 4 or 5 days when we could feel the impact we could have done better. May was almost like a lockdown we still did some sales and June we are definitely looking at doing much better sales than May. So, that is how the concept would be, but it will be no way near what we had assumed for Quarter 1 after a very bullish Quarter 4.

**Arun Agarwal:** On demand side could you also just help us out because I think we had ventured into the rural side as well, so how that particular decision is planning out?

**Manoj Tulsian:** Well rural side has done well, but this time during Quarter 1 rural is actually hit badly even more than the urban. So, the wave is very different this time compared to the wave which was in pandemic 1. Having said that, our work has yielded us result so almost 6% to 7% of our business has now started coming from our rural penetration that is the new segment of penetration which we have done in the last 8 to 9 months.

**Arun Agarwal:** Sir, we expect this segment to grow faster than the other geographies going forward for us given anyway the base is low for us?

**Manoj Tulsian:** That was the idea, but as I said that initially when you kick start something you get a momentum and then you get a stability and then you have to again correct it and go to the next step. So, I think next 3 to 6 months we will see that first thing we are able to sustain this 6% to 8% volume of business because the mindset of rural is very different than the mindset of urban and we are also learning in the same and then of course I think there is a large

opportunity there so we will continue to work on the same and if we work then why would we not get the results.

**Arun Agarwal:**

Sir, on the margin front we had expressions of relatively higher margins than what we are doing currently and we are also in a scenario where we are facing cost material or raw material increases and it is being difficult as you talked about passing the entire cost to the customers, how do you see other cost saving initiatives that you would have last year some of those cost might come back and some new cost initiatives that you would have this year, so could you just throw some light on that?

**Manoj Tulsian:**

Look as I said we have worked a lot internally in the last 12 months lot of internal efficiencies have been built up on the plant cost and we have done major substantial savings improvements there, we have done savings in some of the other costs like rationalizing people also and then there were certain forced savings like on the area of travel, we have also tried to look at the branch models and whether we need so many physical branches so we have cut down on a few branches also. So, wherever we could save something we have done that. So, there was an opportunity for us to cut down on a certain cost which we felt we can during this period. At the same time there would be new cost also which we will be entering so we have been working now on a digital platform, we are working on IT automations, we are working on our distribution model, which is a supply chain model, we are also working now extensively on further augmenting our branding initiatives. So, there would be new cost which will be coming and we will continue to invest on people also, but keeping all those things in mind also we had felt last year that there was an opportunity to grow the margin by 300 to 400 basis points over a period of 24 to 30 months, the initial signs are good as I mentioned to someone else that despite significant increase in the raw material cost and we not being able to pass on that entire thing to the market we were still able to improve upon our margin profile. So, with some better time, better traction and all these automations what we are trying to do branding initiatives on which we are working, supply chain management which we are trying to strengthen further through a lot of automation processes, we will still get some more benefit going forward and the rest would be operating leverage. So, if things goes right from here another 12 to 18 months we will see further improvement in margins. This year looks challenging because we will be reinvesting a lot of money, but by next year you will see further improvement in margin.

**Moderator:**

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

**Shrenik Bachhawat:**

We have done some channel checks in Yamuna Nagar around April, May and we are working on that almost 40%, 50% plant there was shut as the demand markets of Central and West India were shut due to COVID and also raw material cost pressures they are facing, so could you help us understand how is the scenario there and whether these plants that are shutting down will be able to comeback so we can get some tangible sense about the shifts from unorganized to organized?

**Manoj Tulsian:** We are seeing much such cycles in the past, we have all assume yes, there is a time now when the organize will really bounce back and it will dent the unorganized in a big way, but every time we also find that these unorganized segments bounces back. So, whatever you said today is more or less a reality in terms of the last two, three months we have also heard the same. Some of them will be in a difficult situation the way we look at business today for them to bounce back. So, you will see further cutting down on some of the manufacturing units and some of them will bounce back. So, that for sure is going to help businesses establish businesses like ours.

**Shrenik Bachhawat:** Also sir what I was getting a sense that the newer players that have entered the ROC in the businesses have reduced in plywood over the last few years, so the newer business have entered in newer CAPEX are facing issues can that also be an issue for newer plants?

**Manoj Tulsian:** I am not very clear on your this question what exactly are you trying to ask?

**Shrenik Bachhawat:** The return on capital in plywood business has declined over the years, so the industry people have been telling that the newer players who have started new plants are facing issues as the cost of plant is much more than the legacy players, do you think that is going to be entry barriers for new players?

**Manoj Tulsian:** If you are asking for us or you are asking for others?

**Shrenik Bachhawat:** For the newer players?

**Manoj Tulsian:** For the newer players yes, I will agree with you because ultimately we have to respect experiences which we gain over a period of time. So, we understand we learn we do post correction and then we again get going. For a new player yes, there can be a challenge because if they have to setup businesses at this point of time the way the steel prices have gone up the other commodity prices have gone up. So, cost of putting a plant will further go up for them establish players like us we understand we know that if my cost is slightly going up here practically what do I need to make sure that this is a short-term thing and I have these initiatives and advantages on which I will click. For a new player yes, it will be difficult it is not going to be easy for at least in the next 12 to 24 months the way things are and lot of thing will also depend upon the type of consolidation which will happen post this second wave. There is definitely a consolidation which will happen in the market which is going to benefit the organized players.

**Shrenik Bachhawat:** Sir as you saying that unorganized to organized shifts is taking place at a slow and steady pace, but also other organized players are looking at the old panel and plywood space in an aggressive manner like Kajaria has entered plywood, Skyline is putting up a plant of plywood, so do you think the competition within the organized can increase over the next two, three years?

**Manoj Tulsian:** Sir I have a very different way of looking at it so I would not like to comment on any individual name, but I have a different way of looking at it more the organized players faster would be the shift from unorganized to organized this is how I look at things because when you have more organized players you have better branding, better visibility. The difference between the types of products which we bring in versus the unorganized people understand that and then so there is a level of education which happens amongst the people, amongst the consumer and you automatically start seeing a shift which takes place. So, I would presume more the merrier, I do not see that as a threat.

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

**Ashish Poddar:** I have two questions one is on the Gabon margin so last year it was very suppressed, how is the situation now and how are you looking at in coming years because in earlier period we have seen almost 18%, 20% kind of margin there, my second question is on the CAPEX so far we were focusing more on the outsourcing model we have always talked about asset like model following and now we are also expanding on building in house capacity, so what is our strategy there in next three, five years?

**Manoj Tulsian:** Ashish first question is on Gabon. See in terms of Gabon I slightly covered in my opening speech, but I will tell you that as an organization whatever we could have done we have tried to do it in the last two to three quarters in terms of cost rationalization, in terms of building of efficiencies. The plants are operating at a very efficient level at this point of time. We have good visibility even on the order book, the challenges remain is that of shipment and we have been facing this challenge since the lockdown has opened up. So, almost last we are sitting in June I would say starting October only we started facing this as a challenge in terms of getting the vessels and you all know that the sea freights have gone up that is crazy the way sea freights have gone up across the world and second is the availability of the vessel also. Both these things have posed a challenge on us in terms of growing that business at this point of time. So, whatever we could have done from our side we have done we have worked on the cost, we have kept everything ready the team is there, order book is there, but we are trying to cut down to some extent we are at this point of time I would even say that we are rejecting some of the new orders because we are not able to service it. So, if things do not change and I presume that this crisis of vessel which is there looking at the pandemic situation this can continue for 2 to 3 quarters. If it continues then you know we are where we are at this point of time. We will have to wait for that portion of the supply chain to improve and if it improves then for sure we will be on a much better margin trajectory, but at this point of time it is very difficult to really give a picture. So, you can assume next few quarters we will be somewhere around what we have been doing or what we have done in Quarter 4. Quarter-to-quarter there can be slightly some few better quarters or few quarters which might be slightly subdued, but not the type of performance which we are getting around 18 to 24 months back. So, this year slightly made even subdued on Gabon operations.

**Ashish Poddar:** And your CAPEX strategy?

**Manoj Tulsian:** See CAPEX strategy of course we wanted to work on a asset light model and so we had two such relations which has started working one has started working the other one will get operationalized maybe by the end of June or maybe in the second quarter, but finding such partners also at times is not easy it is like a marriage. You have to get the right set of people who understand our mindset our branding mindset. So, that is one and second of course as I mentioned that in Quarter 4 somewhere we felt that if we could have produced more we could have sold more and then we had this land in place and it is in Lucknow. So, strategically the land is at a very good place we will get certain advantages on the raw material being in the heart of the raw material belt. So, we felt that okay why not we do one investments from our side and then we look at it. So, this gives us good feed for next two to three years and then we look at it in between of course our these two relationships also matures we learn from it and if these are on the right directions we are able to get partners in future and we will again look at developing new partnerships.

**Ashish Poddar:** So, in Rs. 90 crore Lucknow CAPEX how much have we already spend in Q4 and what is due in FY22 and then what is the plan on FY23?

**Manoj Tulsian:** We have hardly spent money other than the land which we had procured earlier. We are going to use the same land. Almost the entire CAPEX will happen from now onwards up to let us say January, February that is the plan and be operational in the month of let us say March.

**Ashish Poddar:** So, again FY23 will be lean in terms of CAPEX?

**Manoj Tulsian:** Yes at least in the plywood we are not seeing any more CAPEX in the near future of course the regular CAPEX operational CAPEX of Rs. 18 to 20 crores is something which will continue to happen.

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

**Karan Bhatelia:** Sir, just to take the conversation ahead from the previous participant just wanted to understand the ROC profile when we look at own manufacturing compared to when we look at the outsourcing, so can you throw some light to that?

**Mukesh Agarwal:** You are right Karan the return profile from own manufacturing is less as compared to the outsourcing what we do from our new relationship in UP and in fact the return on capital is better in case of trading division like Ecotec, Bharosa, Jansathi because there is no investment in fixed cost and the only investment we have to do in receivables and some in inventory. So, return profile from the outsourcing business is more than you can say 28 or in the range of 28% to 32% as compared to the own manufacturing products.



**Karan Bhatelia:** And own could be somewhere ballpark number if you can share if I have to make some comparison between the own manufacturing and the outsourcing ROCE?

**Mukesh Agarwal:** If you see our standalone ROCE pretax was around 19%. So, for this year because Q1 was completely wash out Q2 was a recovery quarter. So, ROCE from the own manufacturing could be anything between you can say 13% to 14%.

**Karan Bhatelia:** Sir, we also had sent our consignment to US market, and we were kind of positive, so any concrete update from there?

**Manoj Tulsian:** Gabon operations as I said we are facing a different challenge today. We are rejecting the orders. So, even we are not able to fulfill our requirement for Europe at this point of time at any point of time I have at least 70, 80 containers which is waiting at the door for the shipment. So, that is the type of challenges which we are facing. US first consignment yes, first of all it took a lot of time to reach there, but we got good feedback, but in a situation like this we are also not trying to pursue that too much and we are waiting you know we are not able to even serve our regular customers and US is a huge market, but the response on the first consignment was good we got our payments everything is done. I think first thing would be to bring back the business to a good level of margins and then we can always look at growth, growth opportunities are there let me put it that way. Today, if you really look at even South East Asian markets we are hardly getting orders they are also going through a situation of lockdowns. Despite of that what you see in Quarter 4 is a decent number. So, business opportunities are there the manufacturing facility is working at a good efficiency level we are quite confident about that once things improve we can improve our business there, the potential is there, but as I said that I am also painting a picture that if you ask me personally next 6 to 9 months I do not see this vessel thing improving, the way I have been reading articles, the way I have been talking to many of the C&Fs to some of the freight forwarders those scenario if it changes it will be very good for us, but does not seem to be changing that much. So, we might have to live with a few quarters with the things the way they are and then possibly we will see better year the next year for sure we are hopeful will be much better than this year.

**Moderator:** Thank you. The next question is from the line of Romil Jain from Electrum Portfolio. Please go ahead.

**Romil Jain:** Sir my question is one on the raw material side which you had mentioned that has gone up, so which are the materials that we are seeing increase in the cost and what are the trends going ahead that is one and second on the reading on the real estate as a house because your direct complementary to the real estate so just some understanding on that?

**Manoj Tulsian:** The raw material the basic timber prices as well as all the chemicals be it in phenol or Formolene or melamine they have all increased substantially. So, every raw material actually has gone up and like melamine has gone up almost by 100% if you see on a year-to-year basis

in a 12-to-15-month period. So, that is the type of increase which has happened as far as the real estate sector and our linkage is concerned I think real estate going forward will improve in terms of traction because what is happening one change which we for sure will see a shift which will happen is this culture of work from home and when I am talking to some of my friends, industry friends in the IT businesses and this I am finding that those companies have become very comfortable now with their team working from home and when I am trying to understand the model from them what looks like most of the IT companies the matured IT companies who can actually really think out of the box, who can take bold decisions that the larger ones they have started realizing that they do not need their 100% people to sit in office. So, you may see a scenario where 40% of these workforce they operate from home and once that happens which means that you will more and more requirement of residential homes and the second thing would be that if you have to sit at home and most of us I know in your particular industry you guys are operating from home only you understand the type of challenges which every family is facing you have kids they need one room to sit and do online classes you need to occupy some space. So, what you will see is people will start graduating from a 1 BHK to 2 BHK and 2 BHK to 3 BHK and even a 3 BHK going to a 4 BHK. So, everybody will need to add one room going forward. Second, once you do that you will be more comfortable doing something with a nice decked up furniture and furnishing because you would be seeing and spending time in that particular room almost 8 to 10 hours every day. So, then you will see also good amount of traction and requirement for our type of business. So, I personally feel that things will be better only for our type of businesses going forward.

**Romil Jain:** And what is the view on advertising and marketing from here on, how much are we going to do are we going to increase that?

**Manoj Tulsian:** This year as I said Quarter 1 has been disappointing so we have to be slightly careful in terms of our spends, but as a strategy I can tell you that we will continue to invest on our branding initiatives because that is one of the important pillars for businesses like us to continue to do well. I am not throwing any number at this point of time till things become very normal, but this you will see that may be going forward we might actually even add up a percent in terms of our spend from our exiting levels. So, we earn better, and we continue to spend on our brands.

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

**Sonaal Kohli:** I wanted to understand what was your advertising spent in Q3 versus Q4 because we started seeing I think more of your ads in television. Secondly, was there any one-off cost like employee cost or director cost or any other cost commissions which you have reduced in the initial quarters, but in Q4 as you started seeing better tractions you loaded the quarter with more cost so just trying to understand the true profitability in case there is any one off cost in the Q4?

**Manoj Tulsian:** So, Sonaal the second question actually you have answered I can only say yes, because in terms of the director commission and all those first two quarters actually up to H1 if you really see there were hardly any profits. So, there was no approval of commission at that point of time only with the performance of Q3 and Q4 those numbers have come into picture. So, you have answered it right and in terms of ad spent actually how you should look at it on a annualized basis.

**Mukesh Agarwal:** Sonaal just to give you the quarter numbers on ad and promotions so Quarter 4 was around 2.8% on standalone basis whereas in Quarter 3 it was at 4.2%.

**Manoj Tulsian:** Quarter 3 actually we invested in terms of the film making and other things some of those cost which had gone there. Quarter 4 we started our advertisement, and which continued in Quarter 1 also so you will see a cost coming in this year also.

**Sonaal Kohli:** If you can see we can understand your two recurring profitability for a Q4 future kind of situation where some of the past quarters cost got loaded in Q4 in the very broad number, so the reason why I am asking this let us see we have a similar quarter two or three quarters down the line, so what would be a recurring EBITDA margin or a profit just for a like-to-like comparison if it is possible for you to share?

**Manoj Tulsian:** See there are two ways of looking at it Sonaal one way is we earn slightly better and we leave everything on the tables and show that we have improved largely on the organization. Second way is to look at a long-term sustainable business growth. So, my idea is I understand what you are trying to say a similar Q4 because of some loadings here if you remove some of them maybe the margin would have looked better by half a percent to 75 basis points in Quarter 4 itself that is what you are trying to say.

**Sonaal Kohli:** I was trying to understand what that number would have been?

**Manoj Tulsian:** So, what I am trying to say is that yes, if we are able to replicate our performance of Q4 going forward in many of the quarters the margin can be slightly better also, but then we will reinvest a lot back into the business because if I have to get a sustainable growth of 10% to 12% on volume basis we will have to reinvest on lot of initiatives. So, keeping the margins at existing level again there is a need to reinvest on to the business. So, one way is that we look at a short term approach and pass on the entire margin on the P&L account and show that yes, we have arrived. The second way is to continue to reinvest certain portion of it. So, looking at all those things on a steady state of run of Q4 we might be at these margins and if we are able to get better margins we would like to reinvest into the business.

**Moderator:** Thank you. Due to paucity of time, we would take the last question from the line of Arun Baid from BOB Capital Markets. Please go ahead.

**Arun Baid:** Just one clarification we have this guidance of 13% to 14% EBITDA margins by FY23 for our India business, is it on or how is it?

**Manoj Tulsian:** Well Arun I think it is very much on. The only thing which I was trying to mention to the previous query was we are also reinvesting back into the business and that is what we have to only factor in. I am not going to look at things only from a short-term perspective. Yes and I also mentioned that last year was a year of unprecedented increase on raw material cost. We could not pass on the entire burden despite of that we were able to protect our margins and you know that we were almost 20% down on sales. So, on a year-to-year basis you see a similar margin on a Quarter 4 basis you see a much-improved margins. So, definitely there are pockets where we can see where we are very optimistic that things are on the right track, but I would love to reinvest on the business also. Keeping that also in mind I think despite all those plans also hitting 12.5%, 13% margin next year should not be a challenge maybe even slightly better than 13.

**Arun Baid:** Sir, just one more point to this when you said Gabon is having its own issues so you said broadly at Q4 should be extrapolated for the full year, so we did roughly 150 crores in FY21 from Gabon, are you trying to say that is the right number to look at for the full year for FY22?

**Manoj Tulsian:** Well yes, the way we look at things I think 150, 160 is something for sure we can look at I am not seeing a challenge in doing that number. We can definitely do much better than that. So, my point is because of these issues we are getting stuck otherwise even doing 170, 175 should not be a challenge.

**Arun Baid:** And that would be at current margins because the margins right now reported for the full year is about 13.2% that should be a margins we should think about in FY22 also for the full year?

**Manoj Tulsian:** Well I would say that we should look at Q4 margins exact margins is around 11.5%.

**Arun Baid:** So, without other income it is 9.3%?

**Mukesh Agarwal:** Gabon was around 8%.

**Arun Baid:** 8.6% for Q4, but I think we can look at a margin profile of 11% to 12% for sure and it can be better only. See I am very bullish if you really ask me I am very bullish from the internal improvements what we have done. If the market supports us if some of these logistics things support us then we will do much better, but I am only trying to give a picture which is the reality today.

**Moderator:** Thank you. Ladies and gentlemen that was the last question for today. I would now like to hand the conference over to Sanidhya Mittal from Greenply Industries Limited for closing comments.

**Sanidhya Mittal:**

I would like to thank you all for taking the time to participate in this call. We are happy with the progress we are making across our businesses and the result of our various initiatives. We are looking forward to speaking with you in our next concall. 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.