



Greenply/2022-23
November 9, 2022

The Manager
BSE Limited
Department of Corporate Services
Floor 25, P. J. Towers, Dalal Street
Mumbai - 400 001
Scrip 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 November 7, 2022 on the financial results of Greenply Industries Limited for the quarter and half year ended 30th September, 2022.

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

'Madgul Lounge', 5th & 6th Floor, 23 Chetla Central Road, Kolkata-700027, West Bengal, India

T : +91 33 24500400, 30515000 **F** : +91 33 24500410, 30515010 | **Toll Free** : 1800-103-4050 **Whatsapp** : 9007755000

E : sales.ply@greenply.com **Web** : www.greenplyplywood.com | www.greenply.com | www.askgreenply.com

Registered Office : Makum Road, Tinsukia - 786125, Assam, India | **Corporate Identity Number** : L20211AS1990PLC003484



“Greenply Industries Limited
Q2 FY '23 Earning Conference Call”
November 07, 2022



MANAGEMENT: **MR. MANOJ TULSIAN – JOINT MANAGING DIRECTOR
AND CHIEF EXECUTIVE OFFICER – GREENPLY
INDUSTRIES LIMITED**
**MR. SANIDHYA MITTAL – JOINT MANAGING
DIRECTOR – GREENPLY INDUSTRIES LIMITED**
**MR. NITIN KALANI – CHIEF FINANCIAL OFFICER –
GREENPLY INDUSTRIES LIMITED**
**MR. GAUTAM JAIN – VICE PRESIDENT – STRATEGY
AND INVESTOR RELATION – GREENPLY INDUSTRIES
LIMITED**

MODERATOR: **MR. KARAN BHATELIA – ASIAN MARKETS SECURITIES
LIMITED**



*Greenply Industries Limited
November 07, 2022*

Moderator: Ladies and gentlemen, good day and welcome to the Greenply Industries Limited Q2 FY '23 Conference Call hosted by Asian Markets Securities Limited. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call.

These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. Actual results may differ from such expectations, projections, etcetera, whether expressed or implied. Participants are requested to exercise caution while referring to such statements and remarks. 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 star and then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Karan Bhatelia. Thank you, and over to you.

Karan Bhatelia: Hi, everyone. And thank you for joining us on the Greenply Industries 2Q and first half FY '23 conference call hosted by Asian Markets Securities Private Limited. In the panel today, we have Mr. Manoj Tulsian, Joint Managing Director and CEO; Mr. Sanidhya Mittal, Joint Managing Director; Mr. Nitin Kalani, CFO; and Gautam Jain, VP, Strategy and IR.

May I now invite Mr. Manoj Sir to begin the proceedings of the call. Thank you, and over to you.

Manoj Tulsian: Thank you, Karan. Very warm welcome to everyone present, and thank you very much for joining us today to discuss Greenply's operating and financial performance for quarter two FY '23. To share the overall perspective, last quarter was a mixed bag of challenges and opportunities. From a demand perspective, consumer sentiments have been positive, especially during the festival season, supporting good sales momentum. Although on the costing side, we have faced similar headwinds of continued rise in timber prices with easing of chemical prices. On standalone basis, we have achieved sales growth of 14.8% in quarter two FY '23 on a Y-o-Y basis supported by volume growth of 7.2% and realization growth of 6.5% on a Y-o-Y basis.

The recently launched Green Platinum in premium brand category supported both volume and realization growth during the quarter. Also our largest and latest plant at Sandila aided in serving the demand uptake. On a Y-o-Y basis, operating margins declined due to steep rise in raw material prices, as mentioned earlier and increased marketing expenses also. However, on a sequential basis, it has improved due to better product mix.

We have maintained our prudent working capital management that stood at 28 days for the previous quarter. In our Gabon business, we achieved sales of almost INR 59 crores in the last quarter with a growth of almost 5% on a Y-o-Y basis. This was supported by added capacities and billing of dispatches done in previous quarter due to better mobility. European power and energy costs to remain volatile on supply versus demand in winter and Russia, Ukraine war, and that has created new level of challenges for the Gabon business. And this will remain under



watch for us in the quarter three and quarter four. We are not very optimistic in terms of the performance of our Gabon business in quarter three and quarter four for sure at this point of time.

In India business, we remain optimistic on the back of surge in housing demand, improving consumer sentiments and shift towards branded products. To cater to the new age customer segment, we have introduced a 10 by 4 extra large plywood sheet first time in India with granular structure and aesthetics. We believe this new introduction will enhance our brand portfolio propositions further.

With this statement, I would like to hand over to Sanidhya to update on our new projects and manufacturing partners.

Sanidhya Mittal:

Thank you, Manoj ji, and good evening to everyone on the call. Most importantly, our latest and largest Greenfield plywood manufacturing unit at Sandila, Lucknow has started commercial production during the last quarter. The plant's capacity is 13.5 million square meters per annum, contributes to almost 28% of our plywood capacity in India. Equipped with the state-of-the-art technology, it is one of its kind in India having single line plywood production. The plant has been strategically located for better proximity of major raw materials and will help to cater to emerging demands in North and Central markets efficiently.

Our focus is on streamlining the machinery and labor, and expect to reach 75% to 80% utilization levels by Q4 FY '23. In our asset-light model, we have two manufacturing partner units in Bareilly, UP for manufacturing of plywood and allied products. We are fully utilizing the capacity of the first project. In the second project, on increasing demand for doors in the market, we have started partial production in Q3 FY '22 and expect the remaining to start soon. This will enhance our ability to cater to growing demand in this segment.

Construction activities at our newly signed plywood partnership unit in Hapur, UP with the capacity of 7.5 million square meters per annum is going as planned. It is expected to be commissioned by the end of the fiscal and supports to serve the mid-segment plywood market.

In our upcoming MDF plant in Vadodara, Gujarat, major machinery dispatches are completed and installation is in progress. Civil construction work is going on as scheduled. Due to some bottlenecks in international ocean freight movement and congestion at ports, we might experience some delays in remaining machinery inflows. However, we're still trying to complete the project in our timeline of Q4 FY '23.

We have also started other groundwork activities of building the team for this new segment and recently on boarded an experienced person to drive the MDF sales. Alongside, we are working on the distribution channel and developing market strategies to cater most of the opportunities.

Talking of the demand scenario in the plywood industry, healthy traction in real estate sector post Diwali will support the growth. The momentum is expected to continue beyond as well with



improving consumer sentiments towards homeownership, especially in semi-urban and rural regions and government thrust on spending in infrastructure.

With this perspective, I would like to open the floor for Q&A session. Thank you.

Moderator: [Operator Instructions] We have the first question from the line of Arun Agarwal from Kotak Securities.

Arun Agarwal: Sir, my first question is on plywood demand. You talked about the momentum continues there, could you just help us out what sort of volume growth we are looking at for the industry and maybe for the company this year?

Manoj Tulsian: See, in terms of industry, again, I have been saying this that we don't get any such published data. It's very difficult to say that at what percent the industry is growing. We have grown this time in volume. We had a volume growth of around 6% to 7% on a Q-on-Q basis and we feel that for the full year, we can have a volume growth of anything between 12% to 14%. This is also helped by our new capacities now, which is coming in place in Sandila. So on the supply side, we are better off and that will help us to grow on the volumes.

Arun Agarwal: Correct, sir. Sir, I mean, so second half, we will still be somewhat in single digit growth, is it, because the first half base was slow last year? So if you look at second half to second half, how are we placed in terms of growth?

Manoj Tulsian: As I said that in the second half, we are trying to look at a replica of quarter 2. Quarter 2 multiplied by 2 is what we are targeting at second half, H2.

Arun Agarwal: All right. Sir, the other question is on the manufacturing partners that we talked about. I think we're talking about that we are fully utilizing their capacity. But if I look at the sales volume breakup, it seems that for the past two quarters or so the manufacturer, the manufacturing partners' sales volumes have come down. So just trying to...

Manoj Tulsian: Well, yes. So there are two reasons. One, of course, there has been some production challenges also at their end. The plant has not been able to fully stabilize. In bits and pieces there has been some bottlenecks. And also one portion of the plant, which is door manufacturing, we even still could not start. I mean we just kick started with a very small pilot launched finally in the previous month, which is, actually, this month, in the month of October. And we are expecting that, that will start going now in production and ramp up starting from November. So I think primarily it is the efficiency issue at the plant level.

Arun Agarwal: Sir, just one last question here. Sir, depreciation and interest cost has increased on the consolidated level. If you look at standalone numbers, I mean there's not much increase there. But at the consolidated level, that has increased. So can you just throw some light on that?

Manoj Tulsian: Yes. So to some extent, whatever, one, the loan in Gabon has slightly gone up. And second is also that the earlier facility whatever we were taking in Gabon was all backed by the green side



standalone guarantees. We have withdrawn some of the guarantees and we have shifted those loans to Gabon. So we've taken, converted those loans to Gabon banks, where the pricing is slightly higher. So we felt that it is better to delist that. And that actually challenges the Gabon team also further to stand on their feet properly and try and make that much of money that we are able to not only meet the interest, but also start repaying. It was more of a strategy call.

- Arun Agarwal:** And what about the depreciation? Why the depreciation would have increased?
- Manoj Tulsian:** The depreciation is, Sandila has now been capitalized. So you will have new stream of added depreciation in the overall of that.
- Arun Agarwal:** That would be in the standalone books, correct?
- Manoj Tulsian:** No, at the consol level. Sandila is another subsidiary.
- Arun Agarwal:** Okay. The Lucknow plant is a subsidiary, is it?
- Manoj Tulsian:** It is a subsidiary, yes.
- Moderator:** Thank you. We have the next question from the line of Sneha Talreja from Edelweiss. Please go ahead.
- Sneha Talreja:** A couple of questions from my end. Firstly, your...
- Moderator:** Ms. Sneha, your voice is not very clear. Could you kindly come on the handset mode?
- Sneha Talreja:** A couple of questions from my end, please. You mentioned about your guidance. So you said that [MSM 0:11:51], 12% to 14% guidance. Secondly, you also said that you want to revise that, you also want to do 17% MSM for volume, percent for volume in the coming two quarters. That actually brings me to the question that in that case, you will be actually doing 16% to 17% [inaudible 0:12:08]
- Manoj Tulsian:** Sneha, your voice was not very clear. Can you repeat the question again?
- Moderator:** Ms. Sneha, can you hear us?
- Manoj Tulsian:** I think we lost her.
- Moderator:** Yes. We move on to the next question. I now invite Mr. Udit Gajiwala from Yes Securities. Please go ahead.
- Udit Gajiwala:** What can be the peak revenue that we can expect from the Sandila facility that we have started?
- Manoj Tulsian:** See, if you talk from a capacity perspective, we can touch anything around INR 250 crores. But I would say optimally the plant will run somewhere around INR 200 crores to INR 220 crores.



Udit Gajiwala: And sir, on your comments on what type of timber escalation can we expect further and also on the chemical front, if you can throw some light for H2 and FY '24 as well?

Manoj Tulsian: See, we have been waiting for, I mean just waiting that timber prices will soften. And this has not happened in the last 12 to 15 months. It has just gone against all the trend charts what I understand, what I have seen of the past many years. But we've just seen some signs of slight softening in the timber prices. Chemical prices have come down to a certain extent. They are again stable at those prices. It all remains to be seen from there also whether they will go down further or not. See, most of the commodities, we have seen so much of corrections which has happened, but unfortunately, in timber, that has not yet happened. It's actually a cyclical crop. And as far as chemicals is also concerned, we all have seen corrections in chemical prices. Whether it will go down further or not remains to be seen.

Udit Gajiwala: And sir, any price hikes that we took this quarter and any anticipated for the remaining part of the year?

Manoj Tulsian: No, quarter 2, we could not take any price hikes. In fact, there was, as I said that since the raw material prices continue to move up, we were just trying to do some working. It has affected our margin to the extent of almost 0.8% to 1% during the quarter. Having said that also, we didn't wanted to take any further price increase at this point of time because the numbers might look good, but the whole quarter was slightly topsy-turvy. At times, we felt that the demand scenario is very good. And other times, we felt that it is weak. So we had to balance it out. And now that we have some additional supply coming from Sandila, we have the opportunity to grow our volumes also, which for some time was not taking place.

Udit Gajiwala: And sir, you have talked about repeating your Q2, I mean, Q2 numbers into Q3 and Q4. So that is somewhat, something around for the H2 could be something 34 million type of a number, just a ballpark on the volume front. So that is kind of a growth of 16% to 17% as compared to previous year, whereas you're guiding for 12% to 14%. So is there some missing...

Manoj Tulsian: I think last year we did around 57.5 million MSM. And this year then, it will turn out to be around 67, right. So how much is the growth coming?

Udit Gajiwala: 16% to 17%.

Manoj Tulsian: 16%. So whatever will be the number, if it is 16%, I stand corrected. It will be around 16% then.

Udit Gajiwala: And sir, just lastly, sorry, to bring it up back, just on the margin front. Also, if you can throw some guidance when will we see margins inching up back?

Manoj Tulsian: No, margins at this point of time, I think it's slightly difficult to guide. As I said that the market looks good at times; the market at times doesn't look so encouraging also. I'm sure that you people would have heard that from others also. We are trying to work our way out. And as I said that now that we are slightly supported better off on the capacity, we are trying to make sure that we are able to utilize those capacities and grow on volumes also. So, at this point of time and



with a similar performance, I don't see any further improvement in EBITDA margin. Our marketing spend also we are slightly up. If you see on a Y-o-Y basis, last year, we were around 2.5% same quarter. This year, we are at around 3.5%. We think we'll continue at 3.5% for the full year also. So we won't get any advantage. Neither we want to draw any advantage out of that because we feel that these are investments on a longer horizon. And so whatever is needed to be done to the business at this point of time for future growth, we'll not back out, we'll continue to invest, even if in the short run there is some impact on the margins.

Moderator: Thank you. Participants who wish to ask a question, may press star and one on your touchtone telephone. We have the next question from the line of Manan Shah from Moneybee Investment Advisors. Please go ahead..

Manan Shah: You mentioned in your opening remarks about some delay in the plant and machinery for the MDF unit. So is this delay purely due to logistics? Or I believe our supplier is a German company, is our supplier guiding for some delay to power issues that are being faced over there?

Sanidhya Mittal: I think I'll answer this question. This is mainly on account of congestion at ports. And even after the ship is reaching India, by the time the ship actually gets berthing, it's like another eight days to 10 days. And then getting those goods from the port to the site and all of that is becoming a challenge. There is no major delay from the end of the supplier.

Manan Shah: Right. So the delay should not be more than 10, 15 days, right?

Sanidhya Mittal: Hopefully, yes, fingers crossed. As of now, it looks like we can achieve our committed target of quarter 4 FY '23.

Manan Shah: March?

Sanidhya Mittal: March, yes. Looks like March is achievable.

Manan Shah: Secondly, on, from the data, it seems that the MDF imports are on an increasing trend. So is this putting any pressure on the realizations on the MDF front? And also post our commissioning on the capacity, our capacity, do you envisage any softness in the realizations on the MDF side?

Sanidhya Mittal: So I think the current level, we see the listed players and their margin. So honestly, when we see these margins, we feel very encouraged, but we also feel that these margins are not sustainable. So on a long run, honestly, all our paybacks and calculations are made at 18%, 20% level EBITDAs. So I'm not worried on a long run. But in the short run, yes, we were also expecting that the whole industry is enjoying a 30%-plus EBITDA number, we'll also get that. But that looks very difficult. Because, you have rightly pointed out the problem. Yes, there will be import and there will be capacity challenges in the shorter run within India because everybody is trying to put a capacity, including us.

Manoj Tulsian: And also a 30%-plus margin is also not sustainable. So we have been discussing this that possibly there has to be correction. Otherwise, there would be substitutes, which will come back. So



*Greenply Industries Limited
November 07, 2022*

anything between 22% to 25% margin looks sustainable, but who knows how things pan out. Today, nowadays, it's very-very difficult to really give a very forward-looking view.

Manan Shah: Also from your answer to the earlier participant on the demand side, you mentioned that some months you felt there was strong demand, while some months, so if you can just throw some more color on that side? I mean, what are you trying to exactly say?

Manoj Tulsian: No. Look, last year, we were seeing a very steady trend, even in any particular month. Of course, at that point of time, we were slightly marred with the supply side challenges. And we even faced that maybe till quarter 1. Now Sandila has come into place, so we got some relief in terms of getting some extra supplies. Once our Hapur comes into place by quarter 4, then next year, again, we will have better supplies. Even in Bareilly, like as I said, the door manufacturing facility has not really kick started for us what we were presuming...

Manan Shah: Sorry to interrupt you. My question is not on the supply side. I'm asking on the demand side. You mentioned that...

Manoj Tulsian: Last year, we didn't feel, it was very smooth in terms of our sales pattern also throughout the month. This year, we are seeing at times pressure for a particular week, and then we suddenly see that the sales team is very gung-ho and they say, Sir, very good uptick again into the market. Though finally, we have been able to deliver numbers. So we didn't find that as a challenge. And that's why we were very optimistic also going forward. But yes, it was not so smooth as it was last year.

Manan Shah: And are you anticipating any correction in the realizations on the plywood side?

Manoj Tulsian: See, I think if the raw material prices, I mean, if the timber prices starts coming down, then we will have to see because how the other players also behave is going to be very-very important. We, in any case, if you see, our dependency is on our premium segment, more than the value segment, and that's something where we are predominantly present as category one player. So if other players drop prices, then definitely there will be pressure on our premium segment.

Manan Shah: Right. But current trend is stable or?

Manoj Tulsian: Current trend is stable.

Moderator: Thank you. We have the next question from the line of Parth Bhavsar from Investec India. Please go ahead.

Parth Bhavsar: Sir, congratulations on a good set of numbers. Sir, this might be a little off, but I wanted to understand, so I found this document, where there is a summary that you gave out, which is on farm forestry. This is a Greenply Industries Limited, Tizit, Nagaland. So can you throw some light on this? Like you mentioned the area and the coverage. And what could this bring on the table like going ahead?



Greenply Industries Limited
November 07, 2022

Manoj Tulsian: Parth, we have not been able to get your question properly. I don't know if it's, the voice was not totally clear.

Sanidhya Mittal: Can you just repeat your question, please?

Manoj Tulsian: So you might have to repeat it, yes.

Parth Bhavsar: So there's this document that you, GIL have uploaded, which says, there's this Farm Policy Agreement with Tizit, Nagaland, which basically is of 602 hectares of land. And from where you can, you will be able to source raw material supply, eucalyptus and everything. So can you like guide us on like what could this bring on the table going ahead when you start procuring material from here?

Sanidhya Mittal: So as a policy, Greenply in every single factory location where we have, we try and plant and try and promote plantation in and around that area. Nagaland being difficult in a different territory, we work with the tribals there. We give them saplings at the market cost, and they grow it and they sell it back to us. Also, as a trial, we've got a small piece of land, where we are doing this trial on our own, where we've already planted this plantation. And in the future, we will be able to kind of supply, like secure supply for our plant and also move towards our sustainable journey and try to make sure, that whatever we consume, we plant more than that.

Parth Bhavsar: Right. So sir, from this plant, like when will the supply start flowing in? Any rough idea?

Sanidhya Mittal: So I mean, in Nagaland, we started all activities in 2011. I don't have the exact data. We can get back to you, for this 600 hectares or whatever you're talking about, for this, we don't have the exact data. We can come back to you. But in 2011, we started and today, our plant is kind of running on the plantation timber which we've done, since 2011 till today. So we've kind of increased the life of the plant, because previously the plant was dependent on forest timber and for timber which is coming from the forest. But now, the plant is completely running on plantation-based timber. And this plantation, we've been working since 2011.

Parth Bhavsar: And sir, this is like completely, like utilized at the Nagaland facility only?

Manoj Tulsian: Yes.

Sanidhya Mittal: In Nagaland, there is a legal law. You cannot transport wood, timber in the form of timber. You can transport end product, but you cannot transport timber out. And in every single plant we have, we have our own team which promotes plantation. So we educate the farmers. We give them the sapling at the market cost and we tell them to grow it and sell it back to us.

Parth Bhavsar: But this is like end-to-end agreement, right? Like you give them saplings as well like you also procure material from them.

Manoj Tulsian: No. See, it is actually in a way creating more availability. They are not bound to sell their crop to us, but it is, like we are only working towards creating better availability. In turn, what has



happened, the other larger players also now have started looking at doing the same. So I can only say that Greenply as a house started this as a practice, and now others also are talking to us. And we can also see some of the other players who have started talking about it and investing some amount of their time on developing this.

Parth Bhavsar: So sir, like basically, the farmer would be able to sell it at the market price as well like if he chooses to, right?

Manoj Tulsian: Yes.

Sanidhya Mittal: See, he will sell it to us also only at the market price. There's no pre-agreed price.

Manoj Tulsian: There is no discount. There's nothing. It's just we are working towards creating the availability. That's it.

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

Achal: Yes. My first question was, can you help us in terms of the cost inflation? What is the effective cost of increase in terms of the timber cost, in terms of the chemical cost, if you could help us on a Y-o-Y basis?

Manoj Tulsian: Gautam, the numbers?

Achal: Like for timber maybe if you could help us with rupees per kg, that would be of great help.

Manoj Tulsian: So we have this year's number only right now. We can get the last year number also. This year, we will, if you see at timber, from April to October, there is an increase of almost 10%. And in terms of chemicals, as I said, yes, phenol was lower by almost 12% to 14% during this period, from April to October. Melamine has come down significantly, but we don't use that much in plywood. So that has dropped by almost around 45%, 50%. But formalin has also come down. Formalin has dropped by around 25% to 30%.

Achal: My second question was with respect to the unorganized players. Given, I would imagine the timber cost inflation will be similar, if not higher for them. So what is the feedback on the, how the unorganized players are surviving? Or are they back in full strength in the market? What I'm trying to understand is that while our volume growth was pretty decent, is that the industry growth or is that the market shifting?

Manoj Tulsian: Well, as I said that it's slightly difficult to predict and say that, for sure, if you ask me at my end, the industry is not growing in terms of volume at 15% for sure. The growth, what we see, is coming more in MDF as a business. So having said that, it's purely, the play is a shift from the unorganized market to the organized market. That's how I can actually say.

Achal: Sir, if you could help us with the mix in terms of the premium and the economy and sub-economy?



Manoj Tulsian: So premium versus value, we are at 60-40 in terms of value, and if you look at the volume side, it is almost 50-50.

Achal: And how do you see that evolving over next two years, three years?

Manoj Tulsian: See, the market's sweet spot is slightly at the tip of the value segment. And we have tried to remain afloat by launching new products. So in my opening comment, you would have heard that we launched Green Platinum in the premium segment. And that has done very well. We have re-launched our Club also. So we just did so. So I think even that will have some more traction, because we are that one player in the plywood segment whose dependence on premium segment is very-very high compared to anyone else. So we'll have to continue to do something to remain better off there. Value segment, for sure, is doing well.

Achal: And how much would be the margin difference between value and the premium?

Manoj Tulsian: No, that I would not like to share on the call.

Achal: No problem, sir. And just last question, if I may, with respect to Gabon. You said that we obviously are not too optimistic on Gabon's performance given the European issues. Any sense on the quantification of that? Do we expect it to fall by like 30%, 40%, 50% in the second half? And also margins?

Manoj Tulsian: Yes. So see, normally speaking, for this year, we were expecting Gabon to do very well because we are seeing some easing out of some of the problems, like even the shipping side and other things. But things have changed. And as I said for H2, we might see a drop in terms of sales by even 50% to 60%, because my Europe business is 60% of the total business. So you can actually see. And today what has happened, despite, because of this gas issues and other things in Europe, either whatever orders we had at the end of quarter 2 have been put on hold with no clarity from the European suppliers.

It's not that they don't want to buy, but they are all at this point of time cautious. So they are saying, we are also waiting to see how things pan out. Then only we will take a call when do we need the supply. Or some of the European suppliers have actually, for the time being, canceled their orders. So as of today, we are sitting on zero orders for Europe. So if you straight away look at that, then my volume of business only remains is 40% of, let's say, even a Q2 number.

Of course, we are trying to look at more geographies, but it is not so plain and simple that suddenly we try and we get some big traction. We are also looking at optimizing the costs wherever possible. But quarter 3, for sure, and it's anyone's guess, doesn't look at all good. Possibly, we'll even incur larger loss there. We're only trying to see how we can minimize the damage. And this also, again, anyone's guess, but looks like it might even extend to Q4.

Moderator: Thank you. We have the next question from the line of Nikhil Agrawal from VT Capital. Please go ahead.



- Nikhil Agrawal:** I just wanted some more clarity on the debt that you have taken in the first half of the year. Your debt has increased by about INR 200 crores to INR 250 crores. So is it mostly for the MDF plant? And what is the interest cost for the debt?
- Manoj Tulsian:** Yes. Purely, the debt, whatever has gone up, has only gone up on our MDF and to some extent in Gabon. And Sandila will be a small number, I think.
- Sanidhya Mittal:** Very small.
- Manoj Tulsian:** A very small number, Sandila. So it is only for the capex plant, except in Gabon. And in terms of pricing, both Sandila and this, which are new loans, they are in the range of around 8% to 8.25%.
- Nikhil Agrawal:** And sir, could you quantify the amount that has been taken for the MDF plant? And how much is remaining?
- Manoj Tulsian:** The total loan facility -- no. Are you talking about the total loan facility or drawn till date?
- Nikhil Agrawal:** Sir, drawn till date for the MDF plant and how much is yet to be taken?
- Manoj Tulsian:** So the total facility is INR 400 crores, and we have approximately right now taken around INR 190-odd crores.
- Nikhil Agrawal:** So INR 210 crores is yet to be taken in this FY '23?
- Manoj Tulsian:** Yes. Mostly, this will be drawn by March.
- Nikhil Agrawal:** And sir, have you taken the loan from an Indian bank? Or is it from the German bank you have been...
- Manoj Tulsian:** No, it's a mix from both. We have derisked on both sides.
- Sanidhya Mittal:** We Indian bank two third and one third of the total debt for MDF is international debt.
- Manoj Tulsian:** International.
- Nikhil Agrawal:** And sir, just one last question. I missed out on your -- on the part of the margin guidance that you had given. You said that margins are not expected to improve from here going forward in this FY '23?
- Manoj Tulsian:** Yes. For the next six months, I presume that the margins may remain in this level only. And -- yes.
- Nikhil Agrawal:** Sir, do we see that -- the margins falling going forward because of the Gabon operation that you just mentioned -- because of the Gabon operations that you just...



- Manoj Tulsian:** So the -- what I mentioned was at my stand-alone level, because of Gabon, yes, there can definitely be a hit because Gabon quarter three, as it looks like. Because we're already sitting in the month of November -- it will be a loss quarter. A larger loss than what we have seen in quarter two. And quarter four also remains to be seen, but I don't know whether things will improve by quarter four or not. If it improves, then maybe we'll make it up.
- Moderator:** Thank you. We have the next question from the line of Dhiral from Phillip Capital. Please go ahead.
- Dhiral Shah:** Sir, what was the utilization of Sandila plant in H1?
- Manoj Tulsian:** What was the...
- Dhiral Shah:** Utilization, sir.
- Manoj Tulsian:** Utilization H1. Actually, it's quarter two -- quarter two, we were between 15% to 17% range. Correct?
- Nitin Kalani:** Exit month was around 40%, 45%, the September month.
- Dhiral Shah:** And sir, you are guiding that by Q4, we would be running at 75% to 80%, right?
- Manoj Tulsian:** Yes, for that quarter.
- Nitin Kalani:** For that quarter.
- Dhiral Shah:** And sir, what kind of growth we have seen in the premium category as well as value category?
- Manoj Tulsian:** Premium category we have not seen major growth. I think just maybe 2% or 3%. Rest all is in the value segment.
- Dhiral Shah:** And sir, what kind of price hike we would like to take in order to protect our gross margin at least in the standalone level?
- Manoj Tulsian:** No, we have not yet thought about it, looking at the market conditions and as I said that we just now, I mean, maybe the last few days, we are seeing some signs of softening in the timber prices. Now whether that is sustainable, not sustainable, I don't know. It remains to be seen. So if that happens, then, for sure, there is no thoughts of increasing prices further.
- Dhiral Shah:** So any percentage, sir, how much we have seen the softness?
- Manoj Tulsian:** Around 3% to 4%. But it's too early. I mean we just got some initial signs. I mean it's like a couple of days old thing only.
- Dhiral Shah:** And sir, our Hapur facility will be coming from Q4? Or it will again go to Q1 in terms of utilization, commercial utilization?



- Manoj Tulsian:** Well, I think it will become operational sometime around March only. But our previous experience when we were actually doing it for Bareilly was not so good. Even in Sandila, there was delay. MDF, for sure, we are doing it on time. So maybe a month here or there.
- Moderator:** Thank you. We have the next question from the line of Arun Agarwal: from Kotak Securities. Please go ahead.
- Arun Agarwal:** Sir, my question is on your capex. So could you just help us out what is your consolidated capex you're looking at? And if you could also bifurcate them how much you have or investing in different plants here. And how much of that you have -- some part of that would have come in FY '22 as well. So if you could just help us out how much came in FY '22, how much we are doing in FY '23?
- Manoj Tulsian:** Are you talking about MDF or...
- Arun Agarwal:** Sir, it includes your Lucknow plant, which we have already done the capex. So how much was this year that we have done? And for MDF, we would have possibly done something last year? And how much was that? How much we are doing this year? And maybe something on Hapur, how much we are doing...
- Nitin Kalani:** H1 so far has been INR 243 crores. We have already spent in terms of capex, cash capex. On a full year basis, we believe the capex number would be around INR 600 crores to INR 625 crores, basically, including the full capitalization or full spending on MDF and capitalization of Sandila plant, basically. So these two things. And routine capex within Greenply would be 10 crore to INR 15 crore, maybe INR 20 crores at the maximum. So that comes up to around INR 630 crores.
- Arun Agarwal:** And sir, our net debt is now close to around -- I think it's around INR 480-odd crores now. So where do you see this net debt moving ahead now? And when do we expect the debt to come down -- start coming down?
- Manoj Tulsian:** See, this year, it will only go up further, okay? As you would have heard just -- the previous gentlemen he asked. We still have around almost INR 200 crores of debt, which will get added for MDF itself. We are, minus the cash generation, we are looking at a net debt position of approximately INR 650-odd crores.
- Arun Agarwal:** That would be at the end of this year, right, sir?
- Manoj Tulsian:** Yes. That's what we have been guiding, I think, since the beginning of the year. So we are more or less around that number only.
- Arun Agarwal:** But sir, another thing, just one clarification here. We have done INR 243 crores in first half, and you're saying around INR 625 crores would be in the second half? Or it's the total number you're guiding for the full year?



- Manoj Tulsian:** No, it's the total number. You see, it's actually the capitalization number what he's talking about. The cash outflow will not be to that extent.
- Nitin Kalani:** So it's capitalization I'm talking...
- Manoj Tulsian:** This is capitalization, not cash outflow.
- Arun Agarwal:** That's for the full year you're talking about, correct?
- Manoj Tulsian:** Yes. Because MDF will get capitalized...
- Nitin Kalani:** In this year.
- Manoj Tulsian:** Yes, In this year. Right now, everything is under CWIP.
- Arun Agarwal:** And the first half, you've talked about cash payout capex, right, INR 243 crores?
- Manoj Tulsian:** Yes, that is cash payout.
- Nitin Kalani:** It's cash capex.
- Moderator:** Thank you. We have the next question from the line of Rajesh Kumar Ravi from HDFC Securities. Please go ahead.
- Rajesh Ravi:** While most of the questions are answered, one is pertaining to the MDF plant. Two questions. First, basis current import realizations and domestic pricing, what is the difference between the two in terms of realization?
- Manoj Tulsian:** You're saying domestic and international?
- Rajesh Ravi:** Yes, imported price, how cheaper they are compared to domestic like-to-like products?
- Manoj Tulsian:** I think, yes...
- Sanidhya Mittal:** I think at this time, it's very difficult for us to comment on this as we are entering this business and we're not a part of this business, though, we have been tracking the category since the time we've made a mind to invest in the category. Yet imports have definitely opened up, but the I do not have an exact number to tell you at this moment.
- Rajesh Ravi:** No, my purpose of asking this is I just want to understand how much is the margin compression. If at all imports normalizes closer to pre-COVID levels, that the prices may move down for domestic players by that amount. So just wanted to understand that. Because you also concur that this 30% plus margins currently are unsustainable and the sustainable number should anything be between 22% to 25%. right? So that should largely be driven by the parity in the realization numbers?



- Manoj Tulsian:** See, if you look at the import trajectory, mostly it is the interior grade which actually comes and hits in the India market. There are many other value-added products which is being manufactured in India only. So those are not something which is being imported. So yes, at the interior level maybe there will be a competition for sure. But the other categories will continue to grow and be manufactured here only in India.
- Rajesh Ravi:** So interior grade means this less than five MM thickness is generally considered, what, interior grade, sir?
- Sanidhya Mittal:** No, I think it's the resin type of the board and board category. So there are three grades for selling: interior, exterior and HDMR. These are the three grades which are being sold in the market. Usually, competition is in interior grade with import, because the world produces interior grade in mass quantity at a very low cost and that's what they want to dump in our country whenever there is a global crisis.
- Rajesh Ravi:** And sir, by next year, FY '24, would be a one full year of operations for your MDF. So what is the ballpark utilization level for FY '24 you're looking at? Obviously, it may change, but what is your prima facie understanding?
- Sanidhya Mittal:** So like next year being the first full year, we are expecting anything between 50% to 55% full year utilization.
- Rajesh Ravi:** And generally, for your cost to stabilize, what sort of utilization numbers would be the number you're looking at?
- Manoj Tulsian:** Well, I think at that number also, we might break even, okay? But it all depends on how we ramp up the other sizes and the value-added products, because the margin profile is very, very different.
- Moderator:** Thank you. We have the next question from the line of Mr. Achal from JM Financial. Please go ahead.
- Achal:** Just one question I have with respect to your comment about the post-Diwali pickup is pretty decent. Just wanted to check how has the October month been? And is the channel so when you say demand was pretty good in the festival, is that the secondary sales? Or is that the primary sales you were indicating? And how is the channel's inventory?
- Manoj Tulsian:** See, if you see last month, it was a month full of festivals. In fact, all the festivals fell in that one month only. So the secondaries were not so good in the month of October, because when you have Durga Puja, Diwali, a Chhath, all of them coming in one month, then labour tend to go back to their town, hometown. But the primary was good, and which actually gave us that feeling and momentum that the market traction is good. The dealers are positive. And they themselves mentioned at most of the places that they have lots of orders in hand, projects in pipeline. And most of that secondaries will start happening in the month of November and onwards.



- Achal:** Understood. And the channel inventories is optimal, is it lower? Any comment on that?
- Manoj Tulsian:** No. Are you asking about us or overall? Because see, we even...
- Achal:** Overall channel inventory.
- Manoj Tulsian:** So I think the industry is getting more and more disciplined. We also changed our way of working around a couple of years back. And if you would have seen our working capital, you'll see that there is absolutely no pressure in terms of the working capital. Things have got more disciplined in the industry. More and more players are now looking at working capital management. So I don't think that the channel is flushed with extra inventory.
- Achal:** Just one last question, if I may, we're hearing that the semi-urban, rural is kind of a bit under stress. Is that the experience you also share? Or is it really different for us?
- Manoj Tulsian:** We had started that journey around 18 months back, I would say. We made some inroads. But I think we could not continue that momentum. We learned a few things, because, if you have to be penetrating in the rural market and this, we will have to do a few things right, which we have started working upon. So the market for sure is very good there. Only thing is we'll have to work our way towards the thing. So there is a team which is working on the same.
- Moderator:** Thank you. We have the next question from the line of Rishikesh from Kotak. Please go ahead.
- Rishikesh:** So the first question is the MDF capex, I think the INR 555 crores. Is there any escalation in the project cost? Or it remains at the same level?
- Manoj Tulsian:** Well, we mentioned around 6% to 7% increase in the overall cost. That is also a factor of a few additions in scope also from what earlier we perceived initially. So the cost may land up anywhere around INR 580 crores to INR 590 crores.
- Rishikesh:** Sir, the second question is, the equity contribution for this project in the sense that partly it's state funded and partly -- obviously, it will be our own equity. Is it largely funded now? In the sense, have we contributed fully? Because the backdrop of this question, where I'm coming from, is that your debt status in this guidance has not changed materially. And if I look at it compared to our first half cash flow generation of somewhere around INR 3 crores, clearly, it slightly doesn't add up because I believe then probably we will require more debt compared to what we are guiding. Correct me if I'm wrong here.
- Manoj Tulsian:** No, you're absolutely right. So your first question, whatever equity we were supposed to put, we have already put our equity, okay? Now as far as the operating cash flow is concerned, yes, there were certain challenges in some of our subsidiaries. One, the Sandila plant started -- got operational. So there was some extra working capital which we built up there. And I think in another couple of months or three months, we'll stabilize and maybe we'll actually bring it down.



Second, even in Gabon, the situation was such that we had to advance certain amount of money to our suppliers to get better raw material in terms of costs. That also will get corrected in the next three to four months. So internally, yes, we want to make sure that we end up the year with a decent operating cash flow, which helps us to manage our guidelines.

Rishikesh: But for that, you remain sure, confident that probably whatever you're guiding, INR 600 crores, will be the peak debt?

Manoj Tulsian: No, we said around INR 650 crores.

Rishikesh: Yes, INR 650 crores.

Moderator: Thank you. We have the next question from the line of Dhires Pathak from WhiteOak. Please go ahead.

Dhires Pathak: Sir, what are the logic for taking 1/3 of the debt in euro, did you say?

Manoj Tulsian: Well, the euro loan is a fixed loan. And whatever we take India loan is a variable. So we just tried to mix and match that we'll have a certain portion of the loan which is on fixed and then the India loan is on a variable term.

Dhires Pathak: So euro is a fixed rate loan? What is the rate? And do you hedge it?

Manoj Tulsian: No.

Dhires Pathak: What is the rate?

Manoj Tulsian: Rate, we are not willing to share because of obvious reasons.

Dheeresh Pathak: But you'll be selling most of the output in India, right? You'll not be exporting MDF? So you will exposed...

Manoj Tulsian: We are open to do that. The market conditions and how we ramp up and the demand supply situation will guide that.

Sanidhya Mittal: And also, we'll always want to sell a little bit of our production outside, because in case of a crisis ever in India, we should have an alternate market.

Dhires Pathak: But given that we're hardly able to compete with imports coming into India, those people who also will be selling would be more competitive in the market. So where do you think Indian companies can be competitive in the export market, in which country?

Sanidhya Mittal: If you see the listed players today, some of them are already exporting. And in their segmented result, you can see their export data. In spite of imports coming in, they have been able to export.



Yes, definitely, export is not that profitable, but we can look at a small percentage, I don't know, maybe like a 5% number, that we sell 95% of our production in India ideally and a 5% export market we create for unforeseen situations. When there is a crisis in India, we can try and ramp that 5% to a higher number there in case there is a situation like that in the future.

Manoj Tulsian: And we might be advantageous in terms of selling from our plant in the Middle East area because we'll get certain benefits maybe on the freight component.

Dhiresh Pathak: And did you say that at 50%, you will break even at the MDF plant, right? Did you say that?

Manoj Tulsian: Yes, 50% yes, almost around that number. But I also said that it all depends that -- no, not industry scenario only, but also that what is the mix of the sale. Because if we are able to ramp up and do better on the value-added products, then the breakeven can even be lower. And if you're not able to do it, then maybe it might be slightly higher. So a lot depends on the mix and the...

Dhiresh Pathak: What is your absolute fixed cost at the plant on an annualized basis?

Manoj Tulsian: Sorry?

Dhiresh Pathak: What would -- because the breakeven would be a function of the revenue and the gross profit, but the fixed cost would be a factual thing, right, that you need to cover to breakeven. So what is your fixed cost so that we can have our own understanding of at what value-add you will breakeven?

Manoj Tulsian: I don't have the numbers right now. We don't have. But I think it should be somewhere around between INR 100 crores to INR 120 crores annually.

Dheeresh Pathak: And have you established the distribution network? Or is it going to be the same distribution network that you have to apply?

Sanidhya Mittal: See, we are in the process of establishing a sales team. So our sales head just joined like one and half months ago. And we are now building the team. And there will be a new network and also there will be an overlap of the existing network. So yes, from a -- I could say like probably 20% of our dealers are already dealing in MDF with some or the other brands. And we feel that these dealers will be the low-hanging fruits for us. So we are definitely going to go to them. And also, they want to create a new market where there is a trade which is only selling MDF.

Dheeresh Pathak: And for your ply, what is your share of volume between the various buckets like value, premium, mid?

Manoj Tulsian: No, we mentioned in terms of value it's 60-40, 60 being premium. And in terms of volume, it's almost 50-50.



Moderator: Thank you. We have the next question from the line of Rishab Bothra from Anand Rathi. Please go ahead.

Rishab Bothra: Yes. Sir, just going through the notes to accounts, you have mentioned that you will be investing in Renew Green. So what would be the investment amount totaling...

Sanidhya Mittal: Sorry, can you just repeat? Sorry?

Gautam Jain: Renew Green.

Nitin Kalani: The overall investment will be about INR 5.75 crores between the two entities where we're investing, basically. So Greenply will invest for 3.1% stake. Greenply Specialty Panels will invest for 28.4% stake, basically. So overall, it will be 31.4%, hitting around that percentage. And overall investment will be about INR 5.75 crores.

Rishab Bothra: Not that major. So...

Manoj Tulsian: And this is also part of the increased cost, what we spoke about in MDF, which was not in the original scope.

Rishab Bothra: And sir, secondly, our '24 and '25 capacity. I think own manufacturing will stand at 48.4 million square meters, correct?

Manoj Tulsian: '24 and '25?

Rishab Bothra: Yes. I mean there are no further major capex for plywood. 48.4 would be the capex which -- I mean, installed capacity which you will be having?

Manoj Tulsian: Yes. As of now, yes, whatever we have declared is what will be there. We'll continue to see how we will...

Manoj Tulsian: No, Hapur, of course. But Hapur -- he is not taking our own manufacturing.

Rishab Bothra: That is partner manufacturing?

Manoj Tulsian: That is partner manufacturing.

Sanidhya Mittal: Our own manufacturing, this is what the level will be. We haven't decided any other...

Manoj Tulsian: At this point of time, yes.

Rishab Bothra: And partner manufacturing, it would be 17.5% when Hapur comes up?

Manoj Tulsian: Yes, correct.

Rishab Bothra: There are no other opportunities being explored at partner level?



- Manoj Tulsian:** Well, not at that scale where we became an investment partner. Of course, we keep looking at opportunities, where, if we are able to make a few of the industries spend the money and we try and buy out their capacity. So such type of discussions are always on and a few such things has to happen. Because the business will continue to grow, so we will need more capacity and now that we have put one Sandila plant and we have another joint venture partner, this Hapur. So we are now looking at some other arrangements also in terms of increasing the capacity.
- Rishab Bothra:** Correct. And last question, sir. If you could throw some guidance number for FY '24 margin and top line growth -- I mean
- Manoj Tulsian:** It's too early.
- Rishab Bothra:** But since MDF would come and '24 would be only 50% utilized. So there would be pressure on bottom line because of higher interest and depreciation cost, correct to assume?
- Manoj Tulsian:** Well, MDF, as we said, independently, we are looking at, if we are able to deliver around INR 300 crores plus turnover, we should be almost breakeven for the MDF business.
- Rishab Bothra:** Breakeven at EBITDA level or below, I mean, PAT level as well?
- Manoj Tulsian:** At PBT level. We can still do some fine tuning and come back, maybe Gautam can come back and tell you. But I think -- what I remember, at PBT level, we will be able to increase around INR 300 crores, INR 325 crores max. As I said, again, that is a factor of how well we can ramp up on some of the value-added products and what type of thicknesses we are selling in the market. So that can always change that number to some extent.
- Moderator:** Thank you. We have the next question from the line of Parth Bhavsar from Investec India. Please go ahead.
- Parth Bhavsar:** Yes, sir. Sir, you earlier mentioned about MDF markets that it comprises of interior, exterior and HDMR, right? So I wanted to understand like would it be possible for you to give us a market mix in terms of India? Like what India, what is the demand like for interior, exterior in percentage terms? Like if you could give a market mix?
- Sanidhya Mittal:** Sorry. Can you please repeat your question?
- Parth Bhavsar:** You can hear me? Hello?
- Manoj Tulsian:** Your voice is not totally clear.
- Moderator:** Mr. Parth, if you kindly come on to handset mode. Your voice is not very clear.
- Parth Bhavsar:** Yes. Sir, just wanted to know, like you said that MDF market comprises of interior, exterior and HDMR. So wanted to know the market mix in India. So how much would be, of the total demand, how much would be interior demand for interior, exterior or HDMR, if you could throw some light?



- Sanidhya Mittal:** I think it will be very difficult to give you the exact breakup of the Indian market. As you know, every player in the country not listed. And we only see the listed players segmented results. So it will be very difficult for us to comment.
- Manoj Tulsian:** They also don't give those numbers in terms of...
- Sanidhya Mittal:** They don't give the grade breakup, yes.
- Manoj Tulsian:** They don't give the breakup in terms of interior, exterior on this.
- Parth Bhavsar:** Any broad numbers, if you could help?
- Sanidhya Mittal:** I think it's around 40% on like the interior grade. And rest everything put together is 60%.
- Parth Bhavsar:** Perfect. And sir, in this interior, exterior and HDHR, what would be like, what would come under value-added?
- Sanidhya Mittal:** I think HDHR and Pre-lam would be value-added, and interior, exterior is pretty much bread and butter.
- Moderator:** Thank you. We have the next question from the line of Karan. Please go ahead.
- Karan Bhatelia:** Team, we did some exports from Gabon to US in past. So can that be a big opportunity? And are we looking to de-risk Europe exposure?
- Manoj Tulsian:** Well, this is something we again discuss internally also. Our Gabon team is working on that. But they have some specific requirements in terms of certifications and other things, which they reached subsequently. So it's not that immediately we'll be able to do much of that US business, but we can build that up in future.
- Karan Bhatelia:** Right. And I also wanted to understand your production mix when it comes to a standalone entity and, yes. I need wanted to have some clarity on the production when it comes to a standalone entity and when it comes to other entities in UP or Sandila. So how different is the product mix?
- Manoj Tulsian:** No, not much. We are gearing up to produce most of our range at all the factories. Because in plywood also logistics cost is humongous. And now that we have a location in North, we are trying to streamline our production, I mean, the products. And creating the capability in such a way that most of the plants will be able to cater to their local market and needs with all our products.
- Karan Bhatelia:** No, I meant with respect to premium and value. So I believe Sandila plant will be more of a premium?
- Manoj Tulsian:** No, so all our -- no. It's a mix. And because of this increased capacity, we are also looking at if to some extent, we can start, which we have started also in a miniscule way, some portion of the value also in our plants.



Greenply Industries Limited
November 07, 2022

Karan Bhatelia: Got it. I think that was helpful. I think we don't have any further follow-ups. Any closing remarks that the senior management would like to make?

Sanidhya Mittal: Yes. I'll just make the concluding remarks. Thank you all for taking time to participate in this call. In case of any further clarifications or query, please feel free to reach to Mr. Gautam Jain. Thanks again, and goodbye.

Karan Bhatelia: Thank you on behalf of Asian Market Securities Limited that concludes this conference. Thank you for joining us, and you may now disconnect your lines.