



Greenply/2023-24
July 29, 2023

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 July 25, 2023, on the financial results of Greenply Industries Limited for the quarter ended 30th June, 2023.

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

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“Greenply Industries Limited
Q1 FY '24 Earnings Conference Call”
July 25, 2023



**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 – ASSISTANT VICE PRESIDENT,
STRATEGY AND INVESTOR RELATIONS – GREENPLY
INDUSTRIES LIMITED**

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

Moderator:

Ladies and gentlemen, good day, and welcome to Greenply Industries Limited Q1 FY '24 Earnings 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 and other 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 cautious 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 then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Karan Bhatelia from Asian Markets Securities Limited. Thank you, and over to you, sir.

Karan Bhatelia:

Thanks, Seema. Hi, everyone, good evening. On behalf of Asian Markets Securities, we thank you all for joining us on the Greenply Industries 1Q FY'24 Conference Call. In the panel today, we have Mr. Manoj Tulsian, Joint Managing Director and CEO; Mr. Sanidhya Mittal, Joint Managing Director; and Mr. Nitin Kalani, CFO; and Mr. Gautam Jain, AVP, Strategy and Investor Relations.

May I now invite Manoj ji to begin the proceedings of the call. Over to you. Thank you.

Manoj Tulsian:

Thank you, Karan. A very warm welcome to everyone and thank you very much for joining us today to discuss Greenply's operating and financial performance for Q1 FY 2024. In our plywood business, we have achieved a marginal growth in sales volume and a 3% growth in realizations in the last quarter as compared to the corresponding quarter of last year, a better product mix and price hikes taken during the last year has supported in better realizations in the last quarter.

On a full year basis, we still aim to achieve 10% volume growth. The gross contribution in the last quarter improved to 39.5% from 36.3% in the corresponding quarter, supported by better realizations and manufacturing cost efficiencies. However, the adjusted core EBITDA margin in our plywood business declined by 50 basis points to 8.7% in the last quarter as compared to the corresponding quarter. This is mainly due to enhanced branding and marketing activities during the quarter.

This has led to advertisement and promotion expenses reaching 4.8% levels during the quarter as compared to normalized spend of 3% to 3.5% of sales for the year. A bigger challenge of cost escalations and timber prices are still persistent. With the objective of protecting our margins, we are planning to take some price hikes during this current quarter, although the benefit of the same mostly would reflect in the second half.

Assuming no further cost escalations and efficient price hikes, we should improve our margins to double-digit level for the full year. Our Gabon business continued to remain under pressure due to demand side challenges, However, the quarter's performance has slightly improved as

compared to the previous quarter. On a consolidated basis, our debt levels are elevated due to investments in MDF business and the related working capital requirements, which has gone into the business.

It should start reducing as the MDF business starts generating cash flows. To achieve higher scale and operations, we continue to invest in our brand, people, processes and technology. As an industry leader, we have also undertaken plantation activities on a very big scale by planting over 27.8 million saplings in over 34,700 acres of land across the country.

We have started our ESG journey and have voluntarily published our first sustainability report. We are the first in the wood panel industry in India to do so. With this, I would like to hand it over to Sanidhya to provide more insights on our MDF business.

Sanidhya Mittal:

Thank you, Manoj ji, and good evening to everyone on the call. I'm happy to inform you that we have started commercial operations of our MDF facility in the quarter under purview. We have successfully tested all the product thicknesses and categories in the plant. In our sincere effort towards sustainability, we have become the first and the only MDF producing company in the country to have FSC FM certification.

From branding perspective, we have launched the MDF products with the brand name Greenply MDF. For efficient marketing and distribution, we have a full team on board across the regions. We have already successfully set up a core distribution network across the region. As a strategy, our focus is more on the western and central region of the country. However, we are distributing across the country.

In the last quarter, we had a commercial operation started on the 5th of May. During the quarter, MDF business clocked sales of INR18.1 crores with a net loss of INR14.8 crores. Since these are our first few days of operations, the financial performance does not reflect to the true potential of the business. We expect the financial performance to subsequently improve from here on.

For the full year, we are confident on achieving INR275 crores to INR300 crores of sale. As a product category, we are foreseeing the market expansion due to cost effectiveness, innovative product usage and rapidly gaining acceptance by consumers. With this perspective, I would like to open the floor for Q&A session. Thank you.

Moderator:

Thank you very much. We will now begin with the question-and-answer session. We take the first question from the line of Mr. Keshav Lohathi from HDFC Securities.

Keshav Lohathi:

Sir, firstly, I wanted to understand about MDF. Is it possible to share like 6,000 premium volume was for the quarter. What was the main volume? And what sort of volume you target for FY '24? And should we expect EBITDA breakeven in Q2?

Manoj Tulsian:

Sorry, can you repeat the first part of your question, please?

Keshav Lohathi:

Yes. So I just want to understand what sort of volume was done in the June month for MDF? And what's the volume target for FY '24? And should we expect EBITDA breakeven in Q2?

- Sanidhya Mittal:** Yes. So I think this INR18.1 crores of sales -- Gautam, what is the exact CBM number?
- Gautam Jain:** 6,000 CBM.
- Sanidhya Mittal:** 6,000 CBM. We have achieved this over the -- over May and June, basically.
- Gautam Jain:** 55 days of May and June.
- Sanidhya Mittal:** 55 days, we've achieved this. And we've done lots of trials. The vendor has handed over the line to us, and they have left in quarter 1 itself. For the full year, we still stick to our commitment that we will be producing 1 lakh CBM material, and we will be selling everything we produce, and we're typically trying to touch anything between INR275 crores to INR300 crores.
- Keshav Lohathi:** Okay. Understood. So quarter 2 EBITDA assumption is correct, right? EBITDA breakeven?
- Sanidhya Mittal:** Hopefully, yes, that's the target definitely.
- Keshav Lohathi:** Okay. And 1 lakh CBM, how should be the export and domestic mix look like?
- Sanidhya Mittal:** So we are assuming that in our case, Greenply has zero export liability. Hence, export will not be an area of focus. However, just to fight with tough times, we might consider exporting to 3% of our capacity. And we will only focus on certain value-added products which we get. Because as a company, we have zero export liability. So we don't want to focus on export, the realizations are very low our realizations for the quarter for being at the first quarter and the product mix not being what it's supposed to be, we are quite satisfied.
- Keshav Lohathi:** Okay. Understood. Understood. One last question from my side. If we see the ply performance, one, you have highlighted due to higher A&P spend, the EBITDA margin is looking less. But if I see Q-on-Q, your gross margin, there is a jump about more than...
- Moderator:** Sorry to interrupt you, Mr. Keshav. Ladies and gentlemen, thank you for being on hold. The line of the management is now reconnected. Thank you, and over to you, sir.
- Keshav Lohathi:** So my question is on ply segment. If we see the ply gross margin have increased by 320 bps year-on-year, but still the EBITDA margin is down. I do understand you said one of the factors was A&P, which might be 100 or 150 bps, but are there any other factors?
- Manoj Tulsian:** Well, yes, I'm certain other costs also have gone up in terms of some selling and other sales-related costs have gone up during the quarter because -- and today, if you really see, the market is slightly subdued at this point of time.
- Keshav Lohathi:** Okay. So what is the idea behind increasing the A&P spend in a muted quarter.
- Manoj Tulsian:** No. See, there are certain marketing activities, which are planned during the year, okay? Like the first quarter, we had already signed up for the IPL. So that is the event which will happen in quarter 1 only irrespective because we already signed on to the same. So these type of aberrations during the year will happen.

And you know clearly that the accounting started now very clearly says that whenever you spend this money, you have to book it into that quarter irrespective. So in a particular quarter, even if we spend around 5% or 6% of the sales for that particular quarter, we'll have to report all those numbers during that quarter only.

For the full year, however, we are still assuming that we have taken a budget of anything between 3% to 3.5%, and we should try and maintain within that number.

Moderator: We will take the next question from the line of Ms. Sneha Talreja from Nuvama.

Sneha Talreja: Just two questions from my end. Firstly, I just wanted to understand the pricing as of now. How are you pricing your MDF products in the market? And what is the raw material availability looking like? Are you getting it from West or how many kilometres far for you to go for raw material availability of MDF, so some clarity there on the MDF side.

Sanidhya Mittal: Right. So I'll first answer on the raw material side. So our -- more than 60% dependency is on local raw material, which typically means 200-kilometer areas of our factory. And the balance raw material is coming in practically from all parts. We are also -- maybe potentially we could also look at importing something in the middle of this year. As far as raw material cost is concerned, we are not at all worried because we are absolutely at par with any of our competitors sitting in North. Definitely, prices in South are slightly more advantaged than what it is in West. And what was the other question, other than the raw material?

Sneha Talreja: How have you placed the pricing?

Sanidhya Mittal: Right. So our pricing is pretty much at par with competition. In certain markets, however, we are priced anything between 1% to 2% cheaper than competition in markets where there's too much competition. For example, NCR, and that is our introductory price for say the first financial year. And by the end of the financial year or next year the beginning, we will be at par of the competition.

Sneha Talreja: Sure. And just wanted to understand, you also maintained your guidance of double-digit margins in plywood. So how do we see that happening? Because we have clearly low single digit right now. So where are we looking at margins going ahead, what are the plans in the plywood business, which can take our margins forward from here?

Manoj Tulsian: So two things. One, I think our performance in the quarter has not been as good as what we perceived at the beginning of the year. And I'm expecting a bounce back from quarter 2 onwards, the market has not been so supportive, I would say, I mean, that's at least what we felt in quarter 1. So once -- if our run rate improves from quarter 2, we'll get the benefit of operating leverage. And second, we are also taking a price increase in the coming months. So both these initiatives hopefully will help us to go back to double-digit margin.

Sneha Talreja: Understood. And lastly, if I may. We saw some bounce back happening in Gabon with margins also improving, but again suddenly as even Gabon's performance getting impacted back again, what's the status here, what is the demand scenario in Gabon at this point of time? Are there any green shoots in the market, so some clarity even there would be helpful.

Manoj Tulsian: So as I mentioned in my opening speech also that, that is slightly a very uncertain market where we have not been able to do anything which gives us some very sizable visibility going forward. We are actually measuring quarter-to-quarter basis at this point of time. And I mean, I've been maintaining this for last almost 6 to 8 quarters, but some challenges or other keep coming and hitting that business.

So we are not so bullish about it. I think how I can place it at this point of time is we are looking at how can we reach to a breakeven level on a quarterly basis. That's the first target. The demand side is not so exciting even now for the Gabon business.

Moderator: The next question is from the line of Mr. Udit Gajiwala from Yes Securities.

Udit Gajiwala: Sir, firstly, on MDF, when you say that from next year, your prices will be at par, but -- with the peers, but how do you see the overall industry prices shaping up from FY25, given that multiple capacities are coming up?

Sanidhya Mittal: I think it's very difficult to predict something like this. You don't know what the government stand is going to be. You don't know in case of MDF, what the ocean's freight rates will be, how the imports will be. So I think more capacities coming in is one problem, imports coming in is another problem, ocean freight is another issue. So I think a lot of these factors put together control how the pricing in India is going to be like.

But however, in the value-added category, so inferior grade for me is nonvalue-added, everything else in my portfolio from me is value-added. So however, the other products, they seem to be kind of unaffected, which is kind of insulating the industry and helping us to perform in times when import has opened up an ocean. So I don't see that as too much of a challenge. And given the capacity has, we don't have a very large capacity. So I'm very confident we'll be able to sell and move ahead. People who have multiple capacities should worry. I mean, we are not worried.

Udit Gajiwala: Understood, understood. And sir, are you hearing anything? I mean, given that antidumping duty is unlikely to come, but are there any developments on the CVD that you're hearing from the ministry or any update on that front?

Sanidhya Mittal: I think it's too early for us to apply. I think you have to be a manufacturer 2 years old to get into that process and appeal to the government. However, obviously, we keep in touch with the industry to know what others are applying, but no news on that front. And we are imagining that that's not going to happen. So we have to -- given the scenario, we need to strive. So we are making all our calculations and working on that. If that happens, then it's an additional tailwind we get.

Udit Gajiwala: Got it. And sir, lastly, if I may squeeze for -- do you maintain for FY25 to -- I mean, basically to ramp up your MDF capacity in 3 years. So is that still on what you had targeted earlier?

Sanidhya Mittal: Absolutely, absolutely. We are looking at 1 lakh CBM this year, slightly higher next and the third year, we are looking at a full capacity utilization. And definitely, like as our cash flow

allows us, we'll keep adding value-added -- we'll add more short cycles and we'll keep doing value addition in MDF to further improve the realization and make sure that we're profitable.

Manoj Tulsian: By next year, we can do around 1.60 lakh to 1.80 lakh CBM -- 160,000 to 180,000 CBMs. The annualized number for this year itself, if you take the full 1st quarter should be like annualized rate of 120,000 CBMs. That's what we are hoping. So next year, 150, 170, something which for sure we will do.

Moderator: We'll take the next question from the line of Mr. Karan from Asian Markets.

Karan: Sir, we did send our first consignment from Gabon to U.S.A., and we were slightly optimistic of a bigger order if it clicks, so any update on the same?

Moderator: Karan, sir, you may go ahead with your question.

Karan: Yes. Sir, we did send our first consignment from Gabon to U.S., and we were slightly optimistic if it clicks. So any update on the sales?

Manoj Tulsian: No, it actually didn't work out. We didn't get any subsequent inquiry from them, okay? So at this point of time, we don't see anything with U.S.

Karan: That's right. And on our standalone plus Sandila, we've seen good inch up of the working capital days. So what explains that? And how do we see that shaping for the coming quarters?

Manoj Tulsian: See, we are somewhere around 40, 41 days now working capital. So we are around 40 days, okay. And I think we should be in this range only, maybe it can come down by around 2 to 3 days, mainly primary also quarter 1, we carry some extra inventory because of the rainy season. We carry some extra inventory on the raw material side also. And -- but otherwise, I think this is the level possibly where we will be stabilized, 38 to 40 days.

Karan: Right. And last from my side. Sir, you mentioned of 1 lakh CBM of sales. So if you can give some breakup of to value add and now non-value add for our MDF portfolio? And how do you see that shaping for the next 2 years?

Manoj Tulsian: Sorry?

Karan: Sir, while we are targeting 1 lakh CBM this year for MDF...

Sanidhya Mittal: Yes. Yes. I think it is -- it will be like a speculation to kind of predict in advance how they're going to sell. We are committed to make that much material and sell. And obviously, anything other than interior is our preference to sell, that is value added.

Manoj Tulsian: Preference is clearly value added, but since it's a new facility, and you all know that there is a ramp-up also, which takes place. So everything also depends on how well we are able to ramp up.

And by quarter 4, I think new people will be able to understand the trend also because by that time, we will almost be through, we'll be very -- we're doing our sustained level of production. So possibly quarter 4 will be a good reflect of the mix, which we are able to sell.

- Moderator:** We take the next question from the line of Mr. Bhavin Rupani from Investec.
- Bhavin Rupani:** Sir, my first question is related to MDF. Sir, can you tell us what is the import parity price of MDF right now?
- Sanidhya Mittal:** From both landed cost of somebody else?
- Manoj Tulsian:** Import parity price, he is saying. It's something around -- something around INR20,000 -- around INR20,000 per CBM.
- Bhavin Rupani:** Sir, that is the landed price, right?
- Manoj Tulsian:** Yes.
- Bhavin Rupani:** Can you just break it up between the cost and the freight?
- Manoj Tulsian:** I think around 10% is what you can consider. Out of that, so -- actually 18 plus 2, 2.5x.
- Bhavin Rupani:** Sir, can you just repeat it. Could not get it, sir.
- Manoj Tulsian:** It's around base price of INR18,000 plus, let's say, INR2,000 to INR2,500 other components. Yes, somewhere around 18,000, yes, \$220 per CBM is the price. So INR18,000 will be the base price and then around INR2,000 to INR2500 as freight and other components.
- Bhavin Rupani:** Sir, my next question is related to plywood. Sir, with Sandila now up and running since last week...
- Moderator:** The line for Mr. Rupani seems to be disconnected, sir. We move on to the next question from the line of Mr. Achal Lohade from JM Financial.
- Achal Lohade:** Sir, my first question is with respect to plywood business. In the conference call for fourth quarter, you had indicated we are confident about 10% to 12% volume growth, we were in mid-May or probably end of May. And we see that the volume growth is actually just 2%. So is it fair to say that June was extremely weak to have this kind of a number? Or -- and b, when you say 10% for the full year, it implies a 13% kind of a volume growth for 9 months. So is it basis being macro improving alone? Or are there specific steps which you want to elaborate what you're doing, which should drive the volume growth from here on?
- Manoj Tulsian:** So first thing, you are right, June was nowhere near the expectations what we thought, okay? And so that was clearly a dampener, and going forward, yes, as I said, that we'll try to do a 10% volume. I agree with your numbers. It's not going to be easy. But we are prepared, right? We are prepared as a company. We have been doing a lot of things on the ground, and we have also been doing some good activities on the branding side despite like the margins are slightly lower,

but we are not going to stop some of those things, some of those initiatives now from here on going forward because I think many other things we have already corrected in our system.

And so I mean, I would say my team is prepared. We just need some level of push from the market. And I truly believe that the market is good, market will bounce back because -- I mean, I don't see that there is any reason that the market should be subdued. Though we have been hearing this from some other industry players also and even in the building material, but we are all optimistic that the market will bounce back.

And the market bounces back, plus the level of ground activity, what we have already done, the way we are doing things, I'm pretty confident that we should be very near to that number. 10% for sure is difficult, 13% rightly thing. But we are prepared, and we have taken that as an internal task also, how to make up in these balance 9 months. Let's see.

Achal Lohade: Got it. Sir, is it possible to get some clarity in terms of how the premium segment has done in the plywood versus non-premium? Or what has been the volume growth for the first quarter?

Manoj Tulsian: Volume growth. Just one second. We'll get back on this.

Achal Lohade: Sure. Where I'm coming from is that we have another equally large player who has been outperforming in terms of percentage growth, the difference between 2 of you has widened quite significantly in the last 4 years. So I'm just trying to understand the underperformance? Is it to do with the segment exposure like we are focusing a lot more on premium. We are spending on the A&P, but the bulk of the growth is probably happening in the nonpremium. Is it to do with that? Or is it to do with simply the receivable tightening what you have done? And if there is a rethink with respect to being a bit lenient, which would drive the volume growth?

Manoj Tulsian: No, I don't think, first of all, receivable corrections and other things are still playing on the mind of our dealers. It's something which is already done and dusted. Okay. Coming back to the difference, see I would say that we have to look at our model, our business. We are different in terms of what we do things. Yes, in the last couple of years, I mentioned also in the last few calls that we suffered quite a bit in between on our capacity platform also.

So especially when the price increase takes place consistently into the market, the trading model creates lots of challenging because it was like every month, they will ask for a price increase. And they know that we have no other choice. So if we done after volume, we'll have to just agree to their prices. If we agree to their demands, then they continue to ask some crazy price increase month after month. So we pass through that difficult time.

We also learned that this trading model is not something, which really works in all types of situations. Our capacities at Bareilly actually never did which we are expecting that our Bareilly plant will give us good additional capacity. So some of the line of products where we had good orders, we...

Achal Lohade: Sir, I'm lost. I'm not able to hear you after what you were talking about Bareilly plant, but I couldn't follow up.

- Manoj Tulsian:** So what I'm saying is that we had issues even in terms of capacity enhancements because we are expecting a lot from our Bareilly plant to give us new capacities in certain product lines, but that never happened. Even while we speak, we had one full line for our doors business there, but till date also, we have not been able to even start that line. So those are putting loss of business to us also because we had orders. We were expecting every month that the line will be up and running and that is somewhere we will lose customers. So we face these type of challenges. But I think many...
- Achal Lohade:** I can hear you. I can hear you.
- Manoj Tulsian:** So we know we had these type of challenges. Some of these challenges still continue, like Bareilly was a clear disappointment to us. And because of that, somewhere our capacities in some product lines, still we are rethinking on how to gear up those capacities. So we had some of these challenges.
- Achal Lohade:** Can you elaborate on this? What is the exact challenge? Is it internal, external, availability of raw material or equipment?
- Manoj Tulsian:** No, no, no. It is not about availability of raw material. It is about the facility could not really produce the product, okay? And somewhere, again, this JV model on which we worked has not given us very successful result. So we are also rethinking that is -- because of that only, one of the step also was to put up a facility in Sandila. So one, let me summarize, receivables issue has not created any challenges. Second, yes, we have our way of looking at our business. Third, we had supply side issues also.
- Achal Lohade:** Understood. Sir, just a couple of questions on the MDF. You mentioned you don't expect any antidumping duty related measures. I was just curious to understand your thought. Is it that we are very, very competitive and that's why you can't argue that you require any such measure? What is driving that thought actually?
- Sanidhya Mittal:** I think we are too new to comment on this, honestly. I have mentioned that we are not calculating in our margins that, that is going to come in. We are imagining for our practical working that this is going to be a scenario. Imports are going to be open and the market will be challenging. In this scenario, Greenply needs to thrive. So we are working on that. In case the industry or the government decides to put something like that, then it was an added tailwind to us.
- Achal Lohade:** Fair point, fair point. And just in terms of the new capacities, anything incremental in the last 3, 4 months, you have come across in terms of new players entering into MDF industry or new capacity?
- Sanidhya Mittal:** Honestly, not at all. The listed players, I'm sure you guys are aware, and we are also very well aware of the big players, what and where they're putting up the capacity. And rest, we are actually working hard to sell MDF and focus on the ramping up rather than focusing on who is coming. So honestly, we don't have an answer on that.
- Achal Lohade:** Understood. And if you could just quantify...

- Moderator:** Thank you. We'll take the next question from the line of Mr. Hrishikesh Bhagat from Kotak.
- Hrishikesh Bhagat:** So first question is related to the plywood. I think you did speak about the working capital. But clearly, on the receivable days part of working capital, that also has at least on plywood. When I look at both stand-alone plus Sandila capacity. So is it that we have, again, slightly loosen the terms of credit? Or is it something else? How should we read it?
- Manoj Tulsian:** No, it is not. See, first of all, it is not anything significant. Second, there are 2 lines of business. One is the trade business and second is the institutional business. Whenever we do institutional business and that is where also we have a lot of focus in the last 2 to 3 quarters, the institution of business receivable days are different compared to the trade base. So they are normally always higher by 30 days compared to the trade day. So it's not that we have any major issue from our discipline. And that's why I said that this looks like the new norm because the institutional business is growing.
- Hrishikesh Bhagat:** Sure. I think that's helpful. The second is, when I look at the console interest cost, it is INR13 crores, clearly on the debt of INR700-odd crores looks fairly low in terms of annualized interest cost works to less than 8%. So has some part of interest -- is the MDF interest fully reflected? Or it's some part it's still capitalized on balance sheet?
- Manoj Tulsian:** See, borrowings -- first of all, the borrowings also has increased in these 3 months over a period of time. Our opening borrowing was not around INR750 crores. So quarter 2 will be a true reflection of our interest costs.
- Hrishikesh Bhagat:** Okay. So that will be somewhere around how much on an annualized basis, if not on the quarterly basis?
- Nitin Kalani:** I think MDF will be about INR39 crores. MDF interest cost will be about INR39 crores. And other interest cost will be about, I would say, for INR6 crores roughly to INR45 crores on an annualized basis for overall business.
- Hrishikesh Bhagat:** Yes, annualized, yes. Sorry, it was not clear, the annualized interest.
- Manoj Tulsian:** The annualized interest cost is -- saying -- our CFO is saying, would be somewhere around INR45 crores to INR46 crores.
- Nitin Kalani:** And then in addition, there will be a Gabon.
- Hrishikesh Bhagat:** So I was asking consol. On the console level, it would be helpful.
- Nitin Kalani:** So INR52 crores to INR53 crores, let's say. INR52 crores, INR53 crores.
- Hrishikesh Bhagat:** So effectively on the same run rate what we have on the Q1 effectively. That's what it seemed, okay.
- Manoj Tulsian:** It can be slightly more, also depends on the interest cost rate. But yes, in this range only.

- Hrishikesh Bhagat:** Okay. The last is on the -- from here on, I think clearly, the -- I believe the MDF capex is now over with these commissioning capacities. Now what will be the next leg of capex or growth venture, the growth avenues that we are looking at? And I think, obviously, considering, say, 1 or 2 years down the line, post that MDF capacity stabilized.
- Manoj Tulsian:** See, I think we have also declared one more venture, a 50-50 JV venture on hardware. That is not going to be a major investment in terms of the equity side, can be to the tune of -- these are very initial numbers which I'm saying, but can be to the tune of around INR30 crores to INR40 crores over a period of 2 years to 2.5 years.
- And of course, we'll have regular capex both for the plywood business and even MDF also, there would be some level of regular capex, which would be there. So at this point of time, these are the things which we are looking at. And then maybe let's speak and comment after a year or so.
- Moderator:** The next question is from the line of Mr. Abhishek Maheshwari from Skyridge Wealth Management.
- Abhishek Maheshwari:** Could you throw some light on your debt repayment schedule?
- Manoj Tulsian:** Debt repayment schedule? This year, we don't have any major repayments. What is the amount?
- Nitin Kalani :** This year, I'll just say -- one second. This year, our debt repayment will be about INR41 crores, INR42 crores. Next year, it will be INR56 crores. The following year, it will be INR64 crores. Giving you visibility for next 3 years.
- Abhishek Maheshwari:** Sir, secondly, when you say -- sorry?
- Nitin Kalani:** This is at consolidated level.
- Abhishek Maheshwari:** Secondly, sir, when you say that your advertisement cost would be at around 3%. Do you mean on a consolidated basis or only for plywood because I would have thought, sir...
- Manoj Tulsian:** No, this is on the India business, which is plywood plus MDF together.
- Abhishek Maheshwari:** Okay. So because I would have thought that -- because we are a new player here, we would probably have to do more marketing and advertisement expenditure to gain that credibility and market share?
- Manoj Tulsian:** No, I think, see, ultimately, everything is under Greenply brand, okay? So whatever architecture we have done is on a common platform. And so even if I'm doing, let's say, around INR300 crores on MDF, I have INR9 crores to INR10 crores, which I spend on the MDF account also. So that is good enough.
- Abhishek Maheshwari:** Understood. And sir, could you talk a little about how the demand is, Tier 1 versus Tier 2, Tier 3. Because as you said, the quarter was not as good as So where is the pressure coming from? Is it the Tier 2, Tier 3 or Tier 1?

- Manoj Tulsian:** No, I don't think we can differentiate at this point of time somehow except barring a few markets, which I would not like to mention on the call, but I have seen rest of the country almost behaving very similar, slightly surprising. But more or less, the demand has been very similar throughout the country, except a few markets.
- Abhishek Maheshwari:** Okay. So do you think there's a seasonality element to it or is it just something abnormal that happened?
- Manoj Tulsian:** No, not a seasonality, I would say, okay? Because as I said, we were prepared to do better numbers, but how -- somehow the traction in the market was really poor. My own check in the trade as well as with some other industry players also, including the Building Materials segment overall, we found that -- and nobody is able to give a reason behind it. That is the funniest part of it.
- So -- but the demand everyone is saying somehow that demand is missing. There have been people who have been mentioning because the liquidity is missing, we are not getting our payments. So our trade partners have been saying is that we are not getting our payments, but you guys take your payments on time. But ultimately, look, it is all tertiary based. There's no point pushing the inventory to the trade because if we just jam it there also, it is going to hit me at some point of time. So we have kept that discipline on and -- but overall, I would say the market has remained slightly subdued.
- I don't know you guys also must be talking to so many industry players. So what is that is the information with you all, but this is what at least we found out when we were slightly not able to do our numbers. I mean the budget numbers for quarter 1, we were also trying to find out from external resources and didn't get a very great response.
- Abhishek Maheshwari:** Okay. Understood, sir. And one last question regarding timber availability. So I think timber prices have gone up. It's been going up for a couple of quarters now. Do you think that in coming quarters, it will start moderating because whenever the prices go up, plantations increase substantially and then there is normalization. What are your thoughts on that?
- Manoj Tulsian:** So at this point of time, yes, truly it remains a challenge. We don't even see the prices coming down in the near future, which is like for sure, another 6 to 9 months. Our expectation is that maybe after 5 or 6 quarters, the prices should start coming down when the new crop starts coming and hitting to market. At this point of time, clearly, we see availability is a challenge and then it is pushing the price upward.
- Moderator:** We take the next question from the line of Mr. Dheeresh Pathak from WhiteOak Capital.
- Dheeresh Pathak:** In MDF, what is the distribution set up currently? Can you please explain on that?
- Sanidhya Mittal:** So as in -- like what do you want to know about? Format of distribution, like how do you want me to explain about the distribution?

- Dheeresh Pathak:** So what is the structure, like how many warehouses you set up, how many distributors, how many dealers, what kind of reach you've got? What are you focusing on? Just elaborate a little bit on how you're trying to reach the market.
- Sanidhya Mittal:** So I think MDF -- firstly, we have 0 warehouses across the country. I don't think any brand is operating on the warehouse model in case of MDF because freight here in MDF is a very, very critical component because the end product is quite a low price product compared to plywood - or compared to any other panel products in our industry. So there's no double handling or go down for that matter. We are really focusing on the Western region, which is Gujarat, Maharashtra and Rajasthan.
- However, we are very successful already in North India, which is one of the major markets of MDF. We have also started supplying to South. We have also started supplying to East and Northeast. So we are pretty much present all over. As of now, we already have more than 250 active dealers/distributors/wholesalers who are already working with us and have done more than two or more transactions.
- Dheeresh Pathak:** Okay. So for a large company who is already established, this 250 would compare and contrast with how many numbers, let's say, Green panel would have?
- Sanidhya Mittal:** I don't think publish this data or I am aware of this data. But definitely, my target for the year is to reach about 800 to 900 direct dealers/distributors.
- Dheeresh Pathak:** Okay. One last question. What is the investment in Gabon?
- Moderator:** The next question is from the line of Mr. Ritesh Shah from Investec.
- Ritesh Shah:** Sir, I'll just take the prior one first. Sir, what was the investment in Gabon that we have?
- Manoj Tulsian:** Investment in Gabon?
- Ritesh Shah:** Gabon.
- Manoj Tulsian:** What are you asking, exact number?
- Ritesh Shah:** Total capital employed for Gabon?
- Nitin Kalani :** It should be around INR255 crores, INR260 crores.
- Ritesh Shah:** INR255 crores to INR260 crores. Okay. Sir, my second question is specific to the plant in Baroda. In the presentation, we have indicated a different type of boards, thin and thick boards. I just wanted to have some clarity on what type of line is this because one of our competitors, they have put on new thin board line. Now this is thin board line. So I just wanted to get a context on what sort of technology have we put up at the Baroda plant? The reason I'm asking this is I wanted also some colour on the type of MDF imports, whether it is thin board or thick board. So do we have something which is something different and it insulates us from imports?

Sanidhya Mittal:

So I think I would tell, like for our line, I would comment that it's a very -- a line which can produce everything. So typically, globally, when a company has one line and they're starting and they're venturing into MDF, you need to have a plant which can produce across thicknesses, across grades so that you can establish yourselves in a secure market.

And then going forward, as you set up more lines in the same location or multi-locations, then you can opt for different lines and you can divide as to what you're producing on which line. But in our case, I think our line is capable of producing anything between 1.5 mm to 35 mm in thickness and almost all sizes, width being a feet width, so we can almost produce any size of the market demands.

And as far as the grade is concerned, yes, our line is definitely capable of what others are making. It is also capable of making boilo, which, other than action that are nobody else is supplying in the market. So this is more than our 1,100 density board. 1,050 to 1,100 is the density, and this is 100% fire retardant because of density itself. So we have achieved trial production and the trial production is very, very successful. Sometime in Q2, we'll be launching the product in the market. All other grades have already been launched.

Ritesh Shah:

And how would you qualify the import?

Moderator:

We take the next question from the line of Mr. Aasim from DAM Capital.

Aasim:

So I just wanted to understand the value-added MDF segment and the reasons why that should not be affected by multiple capacities coming in the near future. So basically, what are these products? Are these unique to each player and so competition is no and hence, no price competition? I can understand imports not being a factor, but from the other incumbent player, I just wanted to understand your thoughts on that.

Sanidhya Mittal:

I mentioned that it's not a threat from import. And I did not mention that we are not worried about other players coming in, my value added will continue as it is. We are not worried when imports come in because value-added is selling as it is without a change in the realization. What -- the challenge when imports open up is which becomes the challenge to solve.

Aasim:

Sorry to interrupt. Import, I can understand. So I guess I missed the point. So as domestic peers are setting up, they would still be fair competition on the value-added side, right?

Sanidhya Mittal:

Absolutely. They will compete in every side, but all the domestic players don't have capability of building everything. For example, none of the big guys today have launched Boilo equivalent which Action Tessa, which kind of selling in a monopoly. He's the only guy who's selling it in the country. And in the third month of production, very proudly, I can say my team has already achieved and successfully done the production -- trial production of that particular grade.

So we'll keep innovating. We'll keep focusing on it. And obviously, the brand Greenply is going to get milked in the value-added segment. So we already have a loyal base of consumers, architects, interiors, contractors who otherwise are using our plywood or is associated with us or have a brand loyalty. So definitely, over a year, that is the low hanging fruit for us, which we are going to encash on.

- Manoj Tulsian:** And I think, Sanidhya, also one more thing is one advantage which we have, which we have been speaking from day one is that you set up the plant in West. So that gives us some amount of freedom and the type of response what we have got from the players in Maharashtra and Gujarat is very welcome.
- So because for them, they have been able to now reduce the time of transportation and everything, for them sourcing has become easy. It's like overnight supply for them. So some of these things will work as an advantage. But yes, you are fair in your question that competition would be there. More and more players will come, there would be competition.
- Moderator:** The next question is from the line of Mr. Bhagwat from Prosperity Wealth Management.
- Bhagwat:** My question is related to depreciation. Whether the Q1 number is reflecting the proportionate amount for the full year?
- Manoj Tulsian:** Q1 numbers for MDF?
- Bhagwat:** Sir, I'm saying on the consolidated level, sir, it's around INR13 crores. So, is that proportionate for the full year?
- Manoj Tulsian:** So I'll tell you, see, the simple way of looking at this is that for the plywood, the full depreciation is charged. Even for Gabon in the console, the full depreciation is charged at the running rate. Only for MDF, the depreciation is for 2 months because the commercial production started in the month of May. So on a quarterly basis, I think your depreciation will increase by around INR2.5 crores, INR3 crores per month year.
- Nitin Kalani:** So full year, it will be about INR31 crores for MDF this year. Next year, it will rise to say about INR34 crores.
- Manoj Tulsian:** So I think how he is to understand, whatever is our console depreciation for this quarter, next quarter, we'll be around INR3 crores to INR4 crores more than this. And then that will be the normal level.
- Bhagwat:** Okay. So around INR55-plus crores in the range of that?
- Nitin Kalani:** On a consolidated basis?
- Bhagwat:** How much is console depreciation?
- Management:** Yes. Consolidated depreciation would be...
- Bhagwat:** How much it is for the quarter?
- Sanidhya Mittal:** INR13 crores.
- Manoj Tulsian:** INR13 crores. So then you should assume quarter 2 will be somewhere around INR15.5 crores to INR16 crores. So 16 into 3, 48; 13, so INR62 crores to INR63 crores for the full year.

- Bhagwat:** Okay. Understood, sir. And regarding to our A&P spend, what was the amount for Q1, if you can say?
- Manoj Tulsian:** A&P spend?
- Bhagwat:** Yes, sir, the amount for Q1.
- Manoj Tulsian:** No, we said it is 4.8% for the quarter.
- Bhagwat:** 4.8% for the quarter. So as per the estimated amount, so is there any remaining amount that can be spent for the upcoming quarters -- three more quarters in this year?
- Manoj Tulsian:** Well, for the full year, we said that for the India part of the business, our spend would be in the range of 3% to 3.5%.
- Bhagwat:** Okay. So we can say this is the full amount for the entire year? So there will be no A&P spend for the remaining quarters for this year?
- Manoj Tulsian:** No, no, there will be A&P spend in the remaining quarters also. For the full year, the average will land at somewhere around 3% to 3.5%. For the first quarter, it says it was 4.8%. So in the remaining 3 quarters, it will be slightly lower than the first quarter spend percentage.
- Moderator:** We'll take the next question from the line of Mr. Arun Baid from ICICI Securities.
- Arun Baid:** Just one clarification. Sir, assuming we do the INR275 crores, INR300 crores of revenues from MDF, at the PBT level, will we breakeven?
- Sanidhya Mittal:** Sorry?
- Arun Baid:** Assuming we do the INR275 crores, INR300 crores of revenues which we targeted for our MDF business, will we breakeven for the full year at that PBT level?
- Sanidhya Mittal:** I don't think we'll break even at that level for the full year at PBT. We will still have a small loss at the PBT level. But at the cash level, yes, we will be positive. We will have no cash loss.
- Manoj Tulsian:** And I think Sanidhya is right. Arun, quarter 2 is something where we will get a fair idea because in quarter 1, we just did around 50, 55 days of operations. And right now, the plant is still stabilizing. So there are additional costs also, which we have been bearing -- what we have seen in the first 2 months. Allow us quarter 2. If in quarter 2, we are able to do somewhere around INR90 crores to INR100 crores of sales, we'll get a reasonable idea about our running costs. And then, we'll be able to give you a fair picture.
- Arun Baid:** Okay. Just if you can help us with the interest cost for MDF plant, which you expect for this year? Just for the MDF plant?
- Manoj Tulsian:** For the full year, INR39 crores.
- Moderator:** We'll take the next question from the line of Achal Lohade from JM Financial.

- Achal Lohade:** Just wanted to know in terms of timber price, if you could give a sense what is the extent of increase Q-o-Q and Y-o-Y for the company as a whole?
- Manoj Tulsian:** Timber prices?
- Achal Lohade:** Timber prices. Timber cost, how much has it gone up for us on a Y-o-Y and Q-o-Q basis for first quarter? In terms of rupees per kg sir.
- Manoj Tulsian:** Okay. So we don't have the exact number. I'll tell you, but what I remember, between last quarter and this quarter, we have seen some extent of increase, but this quarter, for sure, maybe we will see an increase of around 10% on the timber prices compared to quarter 1.
- Achal Lohade:** In second quarter, you're saying?
- Manoj Tulsian:** Yes, quarter 2. And that's why I also said that we are looking for the price increase also starting August.
- Achal Lohade:** And has the industry also taken some price increase from the -- especially the unorganized side? And what's the difference of the price as we speak in terms of the selling price for the like-to-like product?
- Manoj Tulsian:** No. See, like-to-like product, again, there will always be a difference between a brand and unorganized base. But we have seen that, that gap has somehow reduced now to around 11% to 12%. This is whatever level of research which we have done in the recent past.
- Moderator:** Ladies and gentlemen, that was the last question for the day. I would now like to hand the conference over to Mr. Karan from Asian Markets for closing comments. Thank you, and over to you sir.
- Karan Bhatelia:** Thank you, ma'am. Sir, any closing remarks you want to make?
- Sanidhya Mittal:** 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.
- Moderator:** Thank you, on behalf of Asian Markets Securities Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.