Greenply/2021-22
February 18, 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 February 15, 2022 on the financial results of Greenply Industries Limited for the quarter and nine months ended 31st December, 2021.

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 Q3 FY2022 Earnings Conference Call"

February 15, 2022

ANALYST: **MR. KARAN BHATELIA – ASIAN MARKET SECURITIES PRIVATE LIMITED**

MANAGEMENT: **MR. MANOJ TULSIAN - JOINT MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – GREENPLY INDUSTRIES LIMITED**
MR. SANIDHYA MITTAL - JOINT MANAGING DIRECTOR – GREENPLY INDUSTRIES LIMITED
MR. GAUTAM JAIN, AVP STRATEGY AND INVESTOR RELATIONS

Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY2022 Earnings Conference Call of Greenply Industries Limited hosted by Asian Market Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Karan Bhatelia from Asian Market Securities Limited. Thank you and over to you Sir!

Karan Bhatelia: Thanks. Good morning, everyone, and on behalf of Asian Market Securities we thank you all for joining us on to the Greenply Industries 3Q & Nine Month FY2022 Conference Call. In the panel today, we have Mr. Manoj Tulsian, Joint Managing Director and CEO; Mr. Sanidhya Mittal, Joint Managing Director; and Mr. Gautam Jain, AVP Strategy and Investor Relations.

Before we begin, I would like to state that some statements made in today's discussion may be forward-looking in nature and may involve risk and uncertainties. A detailed statement in this regard is available in the recent presentation that was sent to you by the company earlier. May I now, invite Mr. Manoj Sir, to begin the proceedings of the call. Thank you, and over to you, Sir!

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 three FY2022.

Before proceeding I would like to welcome Mr. Nitin Kalani who has joined us as CFO and he is also attending this call.

To start with let me share some insights on our financial performance in the current quarter. I am pleased to inform you all that as per our previous guidance of sustaining the revenue growth momentum of quarter two FY2022, we have achieved consolidated sales of Rs.421 Crores a growth of 23.7% on Y-o-Y basis and standalone sales of Rs.373 Crores a growth of 20.3% on Y-o-Y basis.

On the margin front, we faced challenges. Our Q3 FY2022 consolidated adjusted core EBITDA margins declined by 130 basis points on trailing basis to 10.9%. This happened due to the under mentioned factors.

First a steep keep hike in both the key raw material prices timber and chemicals. Although we have taken reasonable price hikes during the last quarter, but it was not sufficient to cover the increasing raw material prices. In order to maintain our profitability, we have already taken next round of price hikes of almost 2.5% during this month.

Secondly, our sales mix has changed as our own manufacturing contribution has reduced to 62% in quarter three from 65% in quarter two FY2022 and the revenue share of manufacturing partners and trading revenue has increased. Going forward our manufacturing is likely to increase once again as our new Greenfield project at Sandila, Lucknow starts production, which is expected to happen anytime in quarter one FY2023. To put things in perspective these margins exclude non-cash cost of ESOPs of around Rs.3 Crores in this quarter.

On consolidated basis, working capital days has slightly gone up from 39 days in September 2021 to 42 days in December 2021. Going forward, all efforts are directed to keep that in check. In our Gabon business, we have achieved sales of Rs.48 Crores in the last quarter, a growth of 58% on Y-o-Y basis and a decline of 14.5% on Q-o-Q basis. The logistics issues that still prevail are affecting the productivity hence impacting the margins. From demand and realization perspective, we expect it to be positive for next year driven by strong demand from European and Southeast Asia, SEA markets. From macro perspective, we maintain our optimism on the wood panel industry in the backdrop of solid fundamentals for economy and the promising outlook of the housing sector. The number of factors like low interest rates, falling house prices, and state government stimulus, supporting the housing market revival, we are witnessing tremendous growth numbers in home sales. Although commercial real estate is yet to pick up we expect the trend in housing segment to continue over the long run.

Adding to our outlook, we applaud government's decision to allocate Rs.48000 Crores under the PMAY Pradhan Mantri Awas Yojana in this union budget for 2022-2023. As the company prepares to new level of horizons by expanding the capacities as well as entering into new lines of business, we are working vigorously enhancing the management bandwidth across the functions directed towards long-term growth plans.

In addition to building team, we have also strengthened our processes and systems to improve our business factors. To name a few, we have already done a lot of IT projects implementation and many more to be rolled out soon, which are directed towards process and turnaround time improvement etc. We have implemented very strong commercial decision policies and protocols directed towards credit controls, inventory management, better realizations and gaining market share. We firmly believe this would be a critical key success factor in our future growth.

With many more such initiatives, now we have very clear strategic roadmap for next few years. 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 morning to everyone on the call. I am glad to announce that we are on fast track mode in implementing our new projects. In our Greenfield Plywood manufacturing unit at Sandila, Lucknow, the plant's machinery erection work is underway, trial runs are expected in March 2022 and commercial operations will commence in Q1 FY2023. All the Capex has been done and no further investment is to be made in this unit. In our new MDF plant in Vadodara, Gujarat, all plant and machinery have been ordered and construction activities are going on under full swing. The project should achieve COD by Q4 of next year. In our asset light model, we have two manufacturing partners for manufacturing of plywood and allied products. The first project has started production of plywood during last year and now we are fully utilizing the capacity. The second project has started partial production in the last quarter and balance will start in Q1 FY2023. Further, we have signed up another manufacturing partner for manufacturing of plywood and allied products in Hapur, UP. The unit will have capacity of 7.5 million square meters per annum, the plant should be operational by Q4 FY2023. Talking of the plywood industry scenario, the industry is moving towards the steady growth path with organized sector growing at the cost of unorganized players in the market. Owing to consumer affinity for durable and branded products and working capital constraints among the unorganized players the market share is shifting from unorganized to organized. Also with some organized players in related industry entering into the plywood segment, the industry will expand and more and more faster towards organized segments. Hence we take this as a welcome step. With this perspective, I would like to open the floor for Q&A session.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Achal Lohade from JM Financial. Please go ahead.

Achal Lohade: Good morning. Thank you for the opportunity. My first question was in terms of the volume growth. We have been growing a little lower number in terms of growth. I just wanted to understand in terms of the industry, I know it is hard to say, but what is the industry growth in last nine months, was that a sharp decline or was that a positive growth, and what kind of market share gain have we seen.

Manoj Tulsian: You only answered your question it is very hard to say whatever volume growth the industry has gone through, as I always keep maintaining that we struggle to get such type of data, but I would say how we are looking at things is for growth within the industry and I keep maintaining what I have said earlier also that there is so much of opportunity for organized players during this period when their supports in terms of housing sector doing well and market share moving from unorganized to organized. I think what we are looking at is the growth within the industry and that is what we are trying to target also clearly.

Achal Lohade: In terms of the expectation, how do we look at, you said in your opening remarks that the sales momentum has picked up for real estate, residential has picked up commercial will pick soon. If I were to ask you from next three year perspective, what kind of growth can we look at for us specifically given the manufacturing, the JV and also the distribution part how do we look at the growth?

Manoj Tulsian: If I say from the industry perspective, first thing I am very bullish that yes this year if you see the numbers, I was looking at a lot of numbers also we keep tracking. On the real estate side, we have almost reached to now FY2019 level and looks like that now we will start crossing those numbers going forward next year. On the commercial space side, we still find that there is a lag, but there are certain pockets in the country, which is still doing better than the other pockets, and I am sure that it will bounce back because my own feeling is the way today after the pandemic things have changed where now both the things are getting equally promoted, the work from home concept as well as work from office, which means you need more space be it the home side, be it the office side. I have also been interacting with certain MNC players who have been saying that the same office space earlier if they were occupying at let us say 100 square feet per person. Now it will be maybe 150 square feet per person, so what they have done is they have created some spacing, which means that the office space does not come down, but the number of people sitting in that office comes down, which means again that there would be certain amount of number of people whom they would be allowing to work from home and then in work from home again if there is a two BHK home, people need to make it three BHK because you need that separate office space and there are certain data and I was talking to a few more consulting houses who said they have started giving all type of allowances also for setting up office at home. With these types of things, I think the industry momentum should be very strong and adding to the same interest rates if you really look at today, I mean this is the minimalistic rates which we are today looking at. Yes we talk about inflation, we talk about maybe interest rates slightly going up also, but still I feel that in the next two three years the interest rates for housing will still be some 7.5 or 8% max, which will still be a very good rate for consumers who really want to buy a new house for themselves. Looking at these things, there is quite a bit of opportunity from the external side also adding to the same the shift from unorganized to organized. Within the company, for sure yes we are looking at expansion of capacity, so while we are talking the Sandila plant will be operational in quarter one and even the earlier two JV's which we have signed 50% of facility in one of the JV's will become operational and now we have done another tie-up in Hapur, so that facility will become operational sometimes in Q3. We are totally geared up in terms of dealing with the volume growth also and to add to that further, I would say that as an organization we are targeting at least 5% to 7% volume growth going forward with the type of efforts what we are taking though I am not assuming the industry to grow, I am just assuming that we will be able to grow within the industry.

Achal Lohade: If I hear you correctly, you are saying you are bullish on the industry prospects but you are not looking at or assuming any industry growth but you will grow at 5% to 7%.

Manoj Tulsian: Yes 5% to 7% of volume growth.

Achal Lohade: My second question was you have taken 2.5% price hike in the fourth quarter, does that cover your entire RM cost inflation if you could quantify each of the components of RM, how much has been the cost escalation in last nine months or 12 months on Y-o-Y basis.

Manoj Tulsian: No, I would not be able to share because that will be too detailed. What I can give you a perspective is two things; one the recent price increase what we have taken was to cover my cost differences, which we could see up to December, but while we are talking, the prices are still not stable, so there are some chemical prices, which is again started moving up and there is a timber prices also, which is slightly high in January, I do not know maybe we might have to look at another price increase in quarter one again. It is an extremely volatile situation the way we have looked at in the last 12 months and though we tried to cover up all the increase, but somehow there is always a lag. The raw material prices are moving faster than what we assume, so we will wait and see.

Achal Lohade: I would imagine that the cost inflation will be much higher for the unorganized, so what kind of price difference are we seeing say a year back between us and then, and now has that narrowed meaningfully?

Manoj Tulsian: Yes our own perspective and some test checks say that the gap would have reduced by maybe 2% to 3% from the earlier time of a year back to now.

Achal Lohade: Would you be able to quantify what was it earlier and what is it now?

Manoj Tulsian: The difference where the industry was operating was around 10% or 11% and maybe now it is around 8% to 8.5%.

Achal Lohade: Okay fine. Just last one clarification in terms of the margin guidance earlier you were talking about 13% to 14% margin guidance for the next couple of years, would you stick to that or is there any change in that?

Manoj Tulsian: We had taken a lot of initiatives and I was quite confident that maybe I had given a two year to two and a half year perspective and I felt that we would be able to do it much before that, but because of this unprecedented raw material price volatility even supply chain volatility, which is there, we have been just changing the raw material cost increases and because of that some of the margins, which we could have achieved has not been achieved, but for sure I am still confident that margins will improve even further. Once the raw material prices are much more stable, I would be able to give you better direction and clarity. The other thing, which we have maintained earlier also, is to see in this business that how we are able to improve the ROE, so that is another number to track going forward for Greenply as a company when it comes to plywood business.

Achal Lohade: Got it, thank you. I will come back in the queue for further questions.

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

Sneha Talreja: Good morning Sir and thanks a lot for the opportunity. Firstly, I just need some clarity on the previous participant's questions wherein you said that you are targeting 5% to 7% volume growth. Is it for a specific duration that you are mentioning like Q4 or is it for FY2023, I just wanted some clarity on that particular guidance.

Manoj Tulsian: No, I am talking of next year because I personally see a lot of opportunity to grow within the industry. If there is industry growth, it happens that number will get added, but this is a number, which in a way I am trying to say that we will gain market share and that market share mostly will come from the unorganized sector that is what we are targeting.

Sneha Talreja: This is over and above what the normal growth rate you will be seeing plus 5% to 7% on account of shift from unorganized to organized?

Manoj Tulsian: Yes. If the industry grows, of course, we are a major participant in the same right, but I am saying that what we are trying to internally see rather than getting into that debate that how do we improve our market share, so a 5% to 7% volume increase also for us is not difficult;

if we do a few good things in the right perspective, that is something which is achievable. Over and above that if the industry grows by another 3%, 4% then for sure that number adds up.

Sneha Talreja: Okay. The reason I was asking this is if I look at any other peers in the building material space whether it be peers in the wood panel space itself or even any other space, everyone given the low base of what you have seen for this year or last year is guiding for double digit volume growth, so 5% to 7% growth so your company actually looks relatively very low, so just wanted to ask the reason for being so conservative here.

Manoj Tulsian: No this is gaining market share; because those are very assuming statement. If the industry grows at 8% then my number becomes 8 plus 5 or 8 plus 7 maybe 14% volume growth. I am sure others might be talking of just overall growth, whereas I am talking of gaining market share and this market share as I am clearly saying, we are targeting is from the unorganized segment because we see a lot of opportunities there.

Sneha Talreja: Got that and secondly I just wanted some clarity on your margins. This quarter you gave a couple of reasons that your outsourcing percentage has increased, because of which margins have come off that is one reason and there can be raw material. I understand the raw material will cool off at certain point of time, but if your mix keeps changing towards the JV or the procurement that you are doing through outsourcing. What are the ways you will be able to inch up these margins to the earlier guidance of 14% or 15% odd eventually, what are the levers for that?

Manoj Tulsian: It is a very interesting thing what you are talking. We are also doing some work on this. We will have even more clarity in a couple of months, but I will give you the perspective. One, the Sandila plant; once this becomes operational, this plant is going to cater to the premium segment, so that helps us in improving my margins. Second, we have also been learning a few things we started with our first two manufacturing partners concept; there we had certain amount of learning, so we are doing some course corrections where we made certain mistakes and that will help us or that has helped us in better drafting and understanding of these future manufacturing partner contracts which we are signing and that will help us in improving our margins further on that platform also. Given a scenario, if your value segment continues to grow faster than this, then yes, we will again have to debate this and we have to see that what needs to be done, but right now I think margins can improve further because once the premium segment production becomes up and running, we will again gain back on the margins.

Sneha Talreja: Sure, but in the near-term, can we expect margins to hover somewhere about here or maybe marginally up with raw material prices cooling or you passing it on?

Manoj Tulsian: I still feel, for sure, we would be able to maintain this margin and the only chance is to grow from here in terms of margins.

Sneha Talreja: So, at least the bottom is achieved. We will not go below this level until and unless there is another steep price increase.

Manoj Tulsian: No. Because we are not doing anything per se there we get a confidence that it will further come down. Whenever there is a raw material increase, we are trying to pass it on the only challenge is that there is always a lag and unfortunately in the last one year, we have only seen the prices going up. It slightly cooled down in the month of December and we were optimistic that okay now possibility is stable and it will come down, but again in January and January end, we are seeing that again suddenly it has gone up. The market is very uncertain, so you will always see a lag of maybe one quarter, but there is nothing per se which will bring down the margin further. The certain improvements also, which we have done and I am very hopeful that the margins get stabilized at these numbers or it can improve further. Even on the consolidated numbers, if you are talking, on Gabon also you will see the margins are minimalistic. There also we are only hoping that we are in the worst end of the cycle and only things can improve from there. There cannot be anything worse than that.

Sneha Talreja: Understood, in fact once you were speaking of Gabon, any clarity on the container availability and all those freight rate issues. Are they eased up, are we now able to cater to those orders, which we were kind of pushing or we were not taking those orders and not catering to certain markets; have those concerns ease now?

Manoj Tulsian: Good, that I mentioned all these things around a year back and we still face almost all the challenges what you said. It is a difficult environment but good that we are atleast surviving. We are still able to do a level of business where we are still in profit, but as I said that these type of opportunities only makes the company stronger because then we keep looking at options where we can further be efficient and we can further improve on productivity aspects. A lot of things had been done. Once the cycle rebounds, maybe we can surprise the market, but I will not put any timelines because I still feel that even next two to three quarters, things on the supply chain side and this may remain very similar to what it is right now.

Sneha Talreja: Got that Sir. One last one if at all I can just ask, where you mentioned a lot in your opening remark with respect to the structural changes that you are making, whether it be regard to the credit policy, the pricing, gaining market share; are those changes done with? Credit policies, we pretty much said the last quarter, also we had done with good part we have still seen some improvement, although my idea was those structural changes are not done with it, so when can we start expecting the growth now, if those structural changes had happened and also the similar set of things we have seen a lot of changes with your employees set also senior management changes, head changes, are those changes slaos done or are you expecting some more changes to be done in the coming futures. Some clarity there would be helpful. Thank you. The market side, with respect to credit policy, the discounting policy, pricing the one that you are doing with your distributor change. Are those structural changes done with and some of the other changes, which I spoke about were related to your employee changes or maybe the IT things that you are doing in the company; are those changes done with or is it a continuous process?

Manoj Tulsian: If you see last year's Q3 FY2021, we had done a decent job and we had done as I said if I recall at that point of time also I would have mentioned that most of the corrections were done, but something was still left for to be done in Q4 of last year. If you see on growth, we are almost grown at 20% compared to last year quarter 3 and looking at knowing that the market may not have grown, the numbers are good. Now, those basic changes and everything has been done, but as you get into and you have more insights, you have more opportunities to do things, so I would always say that it is a continuous process. The basics have all got corrected; there are no differences now. We are just building up now. We could not have built up last year when we were just doing it and try and understand that is the big change what we have brought in not only for the external environment but even for the internal environment because when a company operates in a particular manner and we want to change things the internal acceptability itself is also not easy, so we have gone through all those and now that is all past and improvements are always possible; we will continue to do that and I think growth will continue to happen now, no more, because of these type of things it is going to hamper my growth. It is given now in the market and is given now to the team that this is the new way of working and everyone actually is very, very happy. The feedback today is that both the internal team as well as the external team are extremely happy with the changes what we have done. It was painful, but it is over and everyone is happy and what was your next question?

Sneha Talreja: More or less done. We were just asking about employee-related changes also. Are those mostly done?

Manoj Tulsian: Employee-related changes is a continuous process that will continue to happen as and when and where we need that, yes changes need to be done. We are a growing organization; we are adding new verticals and new segments, so we have lot of place also for accommodating the existing team also and also adding new talent. It is a continuous process; it will continue to happen even for the next two years.

Sneha Talreja: Sure understood thanks a lot Sir and all the very best.

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

Venkat Samala: Hi! Sir thanks. Thank you for the opportunity. My question is just you have partly answered this before as well, but I just wanted to understand when you mention 5% to 7% kind of volume growth from market share gain, how does this tie in with the double digit volume growth that we have spoken about entering into FY2023? Has anything changed there?

Manoj Tulsian: Well, as I said that this 5% to 7% volume growth, which we are looking at, is basically market share game and this gets topped up with whatever industry gain will happen. Earlier only we have discussed that industry is growing at 3% to 4%, so even if it is 3% to 4%, we will be in double digits, but the fact of the matter if you really look at in the past there were three, four years when we have not achieved any volume growth, so this hopes and expectations have come because we have corrected many things that I just mentioned in the last query and the team itself is very bullish that has opened up a lot of new avenues for us to look, which in the past sometimes we were not able to look at the opportunities. It is all about how my team is behaving today. The momentum in the team is very bullish and we are able to do the right things together. It is a number it can be even better than this, but I have just put a perspective.

Venkat Samala: Understood. The optimism that we had maybe Q2, Q3 that kind of still continues, right. I mean there is no change to that.

Manoj Tulsian: No, absolutely.

Venkat Samala: Okay. Maybe a near-term question; generally we have witnessed seasonality being favorable to us, Q4 versus Q3, right and this again in the context is that we are now behind the base when we were enjoying the lower base. Now Q4 FY2021 onwards, the high base would also be sort of kicking in right. In that context, how do we see Q4 of FY2022 pan out now?

Manoj Tulsian: No, I do not buy this argument of a high base or something. I just look at what is the opportunity today in the market and as a team we feel that there is a lot more what we can do and that is why I did not even comment or I did not even said that if the industry grows then I will grow if the industry does not grow I will not grow. When there is so much of opportunity to grow, we must look within ourselves and see which are those pockets and corners where we can grow. See of course, we have to also keep in mind that we had certain limitations in terms of even the volume increase and that is where the new capacities are also getting added, so that eases out the pressure because we deal in within the panel also we are dealing some multiple product lines so sometimes it happens that you have production constraint for a particular product category and there is a mismatch in terms of order versus the supply side. As and when these things are also getting corrected, I hope that possibly we are missing out something maybe a 1%, 1.5% growth also because of those mismatches, which we are trying to figure out, trying to correct through adding capacities. All those things happen, and then definitely these numbers will improve only, so the question of base does not come into play. We have a long journey to play. In this point of time, we start talking about the large base and all those then so we are actually doomed.

Venkat Samala: My question was just that the usual seasonality wherein Q4 is stronger than Q3 that will still play out in this quarter also right; there is no change to that.

Manoj Tulsian: Yes, I do not see a big change nowadays if you will see how our stack up is, is it is not a big change, but yet normally Q4 is slightly better than Q3.

Venkat Samala: Understood and one last question is how do we look at this ESOP cost quarterly run rate. I am not just talking about the Q4, but maybe running into FY2023 or FY2024 as well, how should we look at it. Should we look at it as an absolute number or as a percentage of revenue? Any color on that would be helpful.

Manoj Tulsian: See ESOP cost, first of all it is non-cash cost, so we have separated that out because when we compare any period to period, then it does not give us the right comparison. It is a non-cash cost. Second the ESOP cost would be higher for the next two years and then it will taper down, maybe you can assume around 1% of sales or 1.2% of sales for next two years, and then it tapers down quite a bit, but in any case, we have started reporting it separately our adjusted core EBITDA. So that is the number what we should focus at.

Venkat Samala: Understood and one last question for this MDF whatever Capex that we were kind of envisaging for the MDF plant; with the increase in commodity prices, is there any change to that cost or is that largely built in I mean that contingency?

Manoj Tulsian: No. Contingency we are actually taking initially very tight costs. We are still doing our work, but as we say there is a chance that it may slightly go up; commodity prices are just crazy and we are still trying to do everything and we are trying to time it also at times, but this is something which other than God nobody can time it better. When we try to time it, we go wrong again. Over and above today the logistics challenge , The sea freights have gone up significantly. Every cost has gone up and over and above the uncertainty. It would be a great job, I can tell you if you are able to do it within 550 - 555, looks it will cross that number, but we are still trying to see whether we can contain it within that number.

Venkat Samala: I understood. If at all it exceeds, would it be within 5%-10%.

Manoj Tulsian: Yes, it should not go beyond that. We are really working very hard and we have also tried to squeeze the project implementation timeline, so we are trying to save through that opportunity also. Within 5% to 10% yes, for sure, we will be able to manage this.

Venkat Samala: I understood. Thank you and wish you all the best.

Manoj Tulsian: Thank you. The next question is from the line of Abhishek Ghosh from DSP Mutual Fund. Please go ahead.

Abhishek Ghosh: Hi! Sir, thank you so much for the opportunity; just a couple of observations. If I look at your ad spend that is kind of come down, as a percentage of sales that is just about 2%, 2.5%. If I look at prior periods, it used to be higher. At the same time, if I look at the distribution network over the last one, one and a half year that seemed quite a bit of fillip particularly into the rural and urban. How should we look at it if I just look at broadly the distribution you have strengthened a lot, but the ad spend has come down, but at the same time you also rationalized your working capital days now. If you can just broadly help us understand along these two three aspects.

Manoj Tulsian: When we look at numbers on a quarter-to-quarter basis sometimes these perspectives do come up, but our ad spend in quarter four is very high. We have another TVC which is going on during this quarter, so by the quarter end and year end, we will be back to that 3%, 3.5% numbers and you will see that increase in cost during this quarter, which will get booked. As a company, we are not bringing down our ad spend, overall marketing spend below 3%. We continue to look at investing on that front and so on marketing also we have a rejuvenated team, we have a new marketing head who has joined and looking at things again from a different perspective and we are planning many things for next year, but as far as those total budgetary cost would be there; we will not exceed more than 3% even for next year and that is how I look at, at this point of time, which will be good enough for us to give us a better larger visibility with the sales growth number that percentage is remaining the same. We will continue to spend on the brand side. There is no cutting corner there.

Abhishek Ghosh: The dealer addition that one has seen in the rural and in semi urban, it is almost doubled in last one year. How should one look at that? Any benefits of that, are you already starting to see. Just some thoughts there.

Manoj Tulsian: No. We have got certain benefits from this increasing dealer base, but at the same time we are doing other works also; we are doing a lot of work on the secondary side also not only on the primary side. We are working on the depth and distribution and we are also working on demand generations. We actually learned a lot also from going into rural because there were a lot of supply chain issues and other things, which we faced as a hurdle in terms of what we were assuming will work versus what actually the market was expecting us to do. There are some course corrections which we have started doing. Certain portion of that dealer network, which we created but it stopped or I would say it started giving us negligible yield will again come back into the process. I think next year again we will get traction because we have done some course correction on the logistic side and we are continuously working on that and that is going to help us only. As we enrich our depth and distribution, it is going to enrich overall numbers. When I am talking of improving markets share; it is because there is a lot of work, which is happening on the ground level. It will be very unfortunate with so much of effort what we are putting, if we do not get those numbers and possibly again we have to sit on the drawing board and look at where we are making mistakes again.

Abhishek Ghosh: Just two small ones. When your MDF plant gets commissioned next year, what will be the peak debt likely to be at?

Manoj Tulsian: You are talking of the consolidated debt, right.

Abhishek Ghosh: Yes, I am referring to the consolidated debt.

Manoj Tulsian: I think on a debt equity basis, we should be slightly less than one and on an absolute number it can go up to around 600 - 620 odd Crores.

Abhishek Ghosh: Just one last question, you have mentioned that the plywood this way you are incurring a Capex of 113 odd Crores, the revenue potential is 250 Crores per annum, which is getting commissioned in three, four months time. When do you expect to realize this revenue of 250 Crores? Is it going to be a two-year journey or is it going to be more like three, four years? Any thoughts on that.

Manoj Tulsian: No. By H2 of this year, we would be almost at around 90% capacity utilization. In H1 maybe, we will only reach to around 50% to 60%, so the subsequent year we will be running at a full.

Abhishek Ghosh: This 250 Crores of revenue potential you can achieve in 2024 from this new plant. Right.

Manoj Tulsian: Yes.

Abhishek Ghosh: Sir my question was this 250 Crores itself of incremental revenues unless it gets substituted by something else on a current base route itself give you a 13%-14% kind of a growth, so I was more coming that why this conservatism of those just 5%, 10%, 12%, I think this is plant itself can give you a 14% growth, am I looking at a little differently or is there any some other angle to that.

Manoj Tulsian: I will tell you two things again, I think some of you are not trying to understand the perspective. One I am talking about the volume growth, not the value growth so when I am talking at a 5% to 7% volume growth, it is in the premium segment then the value growth will be better. Second thing, I am saying that whatever will be the industry growth that in any case we will be participating, so if the industry grows by another 4%, 5% that can be additional volumes. If my volume grows at 11%, 12% the value can grow at 13% to 15% easily.

Abhishek Ghosh: Okay Sir, that is super clear and super happy. Thank you so much and wish you all the best.

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

Sonaal Kohli: Thank you for giving me this opportunity. I wanted to understand from you that in the real estate industry would you have a perspective of what growth rate was the industry growing at on a five-year basis on a three-year CAGR basis.

Manoj Tulsian: The housing sector growth rate, you are talking about.

Sonaal Kohli: No your industry plywood, which is a proxy but they may not be perfectly correlated.

Manoj Tulsian: If you are looking at the past data you are saying, right last five years.

Sonaal Kohli: No I am talking about that real estate business definitely not last five years. I was referring to 2004 to 2010 kind of period when real estate industry was growing, which is a generic expectation from the markets whether it does or not is a different matter, but people expect the cycle to be push, so I am just trying to get a perspective of what happened in the past cycle.

Manoj Tulsian: No I do not have that insight, at this point of time Sonaal, but we can always get back to you do some more homework and come back to you.

Sonaal Kohli: Secondly, one clarification in your remarks you have been talking about industry growth was 3%, 4%, 5%, 6%. One clarification here when you talk about growth rates considering there must have been one offs and for the industry both in Q1 and there will be some one-offs during December, January due to Omicron as well, I wanted to get a perspective when you make the statement of 3%, 4%, 5%, 6% growth for the industry , are you talking on a normalized base because 2022 was definitely not a normal year as far as the industry is concerned?

Manoj Tulsian: Yes I am talking on a normalized base only. I do understand that even this year is not a very normal year, so I am just not talking about what is my next year growth target. What I am talking about is matching market share from the unorganized sectors by different things what we are doing at the ground level, so that is all on a normalized base. This year is still not a normalized numbers. We had disruptions in quarter one again this year, so my next year overall number or our value growth will be much higher.

Sonaal Kohli: Secondly. Considering you are more at premium and there is finally for us as investors I mean volume frankly does not matter because you grow 30% then your volume growth is 5% hardly of any consequences to anyone, so I wanted to understand considering your new capacity is coming up in premium, can you give us some perspective that what would be your value added growth so let us say if your volume grows by 5% or 10% whatever that number is hypothetical, how much more would your value growth happen based on what you know today.

Manoj Tulsian: If I understand your question, what I can say is that setting up this unit in Sandila is also again strategic. We get certain advantages in terms of our raw material costs and other costs, which helps us to get better margins from the produce of that particular plant and that will help us in doing a number which is in terms of value proposition which is better than my volume growth. I do not know whether I have been able to answer your question or not.

Sonaal Kohli: Sir I was coming not from a strategic perspective, I was coming from a premium because premium pricing is way higher than normal, so for us investors who do not understand these kind of nitty gritty then neither do we have access to the data, it will really help us if you can give a broad perspective hypothetically to make it easier. Your overall growth is

10% maybe 5% industry growth, 5% over and over industry growth how much would be your value growth? Would it be like 15 or would it be like 12 or would it be like 20.

Manoj Tulsian: No. If overall volume grows by 10% on a normalized scenario, it will not happen only in the premium segment; it will also happen in the value segment, so then the 10% will result into maybe 11% and 12% growth only; not significantly higher because see the company will grow in that particular mix only. We are present in the premium segment. We are present in the value segment also. We are concentrating on both the segments because there are different markers and different consumers and we are also setting up the capacities, which will be able to cater the demand on both those segments also.

Sonaal Kohli: You are not expecting over two years, on which to change in a very significant way it could be slightly around there but not a very big change.

Manoj Tulsian: No.

Sonaal Kohli: Understood Sir. This is pretty helpful. If your 250 Crores gets absolved there will be to match this you are expecting outside this 250 Crores partly also grow accordingly, right. Am I understanding correctly?

Manoj Tulsian: Your voice was not very clear. Can you just repeat the question?

Sonaal Kohli: My apologies what I was trying to say that considering you said that by FY2024 your 250 Crores of new plant will get absolved and then you said that your product mix is not going to change very materially, so accordingly for your product mix to remain similar to what it is now, the non-premium part of the business will also have to grow to match this 250 additional turnover on the premium side. Is what I was asking you.

Manoj Tulsian: Absolutely you have really hit the nail.

Sonaal Kohli: Great Sir. This is very helpful. Thank you so much.

Moderator: Thank you. The next question is from the line of Sanjay Awatramani from Envision Capital. Please go ahead.

Sanjay Awatramani: Good morning and thank you for giving me this opportunity. Sir my question is on any further Capex for the next year. Can you give us some timeline and guidance on Capex part?

Manoj Tulsian: Are you talking of the normal Capex, the routine maintenance, Capex or are you talking about this plant expansions what we are doing?

Sanjay Awatramani: Plant expansions, I would be expecting something Sir.

Manoj Tulsian: Our total for Sandila most of our Capex will happen within March and for the next year we will have close to around 450 to 500 Crores getting invested in the MDF facility and other than that we will have our normal routine Capex of around 15 to 20 Crores.

Sanjay Awatramani: Any competitions we are facing in this premium segment; if you can name some.

Manoj Tulsian: No. There is nothing which we can really discuss or we can point out.

Sanjay Awatramani: Okay. Previously you gave some margin guidance, which you said that we will be able to maintain this and not go below this margin, so that will be in the range of? If you can quantify that.

Manoj Tulsian: This quarter we have done a 11% if you see our adjusted core EBITDA, so 11% is a doable number and as I said the type of initiatives what we have taken with sales volume growth; of course one thing, which everyone does not speak about I had also spoken around a year back that we are re-investing also a lot on the business on our processes and systems despite that we have improved on our margins in the last 12 months by almost more than 1.5%, so I am just placing that on record and even if you will look at our EBITDA to PBT percentage also improved because our interest costs reduced substantially that was another 1% advantage what we got during this period. Now coming back to your question 11% is the margin which we have achieved during this quarter and my statement is that we can only improve further from here.

Sanjay Awatramani: Last one from my end. Any revenue guidance for overall FY2023? If you can highlight something in that.

Manoj Tulsian: We are just doing a budgeting process, but if you ask me if anything less than 15% for sure is not at all acceptable, so it has to be 15% plus.

Sanjay Awatramani: Okay so 15% plus for FY2023 from FY2024 whatever we achieve in Q4 plus.

Manoj Tulsian: Yes.

Sanjay Awatramani: That Is all from my end. Thank you so much and good luck Sir.

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

Arun Agarwal: Thanks for the opportunity Sir. My first question is on the quarterly number. Can you just explain why was the profit from joint venture higher on this quarter?

Manoj Tulsian: There is a small one-off commercial tax case where the auditors have said that we will have to take that as the income because that is a refund, which is to be seen in the next three to four months; it is around 1.5 odd Crores.

Arun Agarwal: So that is 15 million out of the 26 million.

Manoj Tulsian: Yes.

Arun Agarwal: Since we are ramping up capacities with the manufacturing partners, I believe that comes part of the joint venture profits right.

Manoj Tulsian: No. It will not come as a joint ventures. They are all like partnership firms, so whenever they will have to do this they will do it through dividends, so that will be upstreaming of dividend because they do not fall under the definition of associate or JV and that is why we are using the term manufacturing partner. We have an investment in all these things, which as a company will decide it should be less than 20%, which means it does not qualify as per the definition of the accounting standards neither as an associated nor as a JV.

Arun Agarwal: Okay but the sales that happens from these joint ventures or the associates what we talk about, they happen first to Greenply and then it goes from Greenply books to the distributors now.

Manoj Tulsian: Yes, so in a way it is like trading sales for us.

Arun Agarwal: Okay. It is a part of trading sales alright.

Manoj Tulsian: That is why, in the presentation also we have started capturing that separately for everyone to understand what is my pure, pure trading purchase and sales; what is my purchasing sales on account of all these manufacturing partners and my own manufacturing.

Arun Agarwal: Yes, we saw the thing. Another question; can you share what sort of price hikes we have taken so far this year?

Manoj Tulsian: We have taken almost around 8% of price increase.

Arun Agarwal: This increase of 2.5% which we have taken in fourth quarter right.

Manoj Tulsian: No. That is separate.

Arun Agarwal: Okay. If we add this, it comes to more than 10% price hike.

Manoj Tulsian: Yes.

Arun Agarwal: Then we talk about whatever volume growth numbers you have been sharing so this taken together would look to be more than maybe 15% what you have guided then even if you take 5% or 5% to 7% growth without an industry growth that should translate into more than 15% revenue growth for you.

Manoj Tulsian: As of now yes. If you add up those numbers it is like that, but you never know the way the volatility is there in the market, who knows if tomorrow the raw material prices start coming down then again things might be very different.

Arun Agarwal: Yes, I am talking on the numbers as of today.

Manoj Tulsian: Right.

Arun Agarwal: Okay that is all from my side. Thank you.

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

Udit: Thank you for taking my question. I just wanted to ask that we are talking about gaining market-share from the unorganized largely so will our growth in the trading business be more as compared to own manufacturing.

Sanidhya Mittal: He is asking that when will the trading business volume grow higher than the own manufacturing.

Manoj Tulsian: Well, as I said that the mix may remain almost similar over a period of time, but as new capacities gets added at different point of time, you may see some swing in the mix on a quarter-to-quarter basis.

Udit: Right and Sir largely on the demand side, as we are seeing the prices going up. How does it impact the demand or how are we seeing the demand for Q4 and coming year?

Manoj Tulsian: The demand right now is good. Q3 is of course because of this Omicron again there were some headwinds, again some level of uncertainty, but we were able to sail through. The demand will remain good. There are certain level of uncertainty, if you see the external market is extremely, extremely challenging; you see the volatility in oil prices the volatility in all the commodities; supply chain for sure is a disruption all along, so there are a lot of external factors for sure, but I still feel that people have taken most of these things into stride and are moving forward, so the demand will remain good going forward. We do not see much challenge.

Moderator: Thank you. The next question is from the line of Vijay Karpe from Bryanston Investment. Please go ahead.

Vijay Karpe: Yes thank you for the opportunity. My question pertains to the new plant expansion that we are doing. What I wanted to understand is; does this new MDF plant have its own captive power plant as well and how is the new UP Sandila plant different from our old plant in terms of modernization, new machinery, and Capex requirements, ex the inflation.

Sanidhya Mittal: No. Captive power we are just doing some work. We are still not decided on that for the MDF plant. Of course, we will not be able to do a full tie up, but a reasonable tie up is possible, which we are exploring and once we finalize maybe, we can always share with you. In terms of the Sandila plant own plant versus a JV plant, yes technology wise we will not be much superior because in terms of plant and machinery, we only guide them but the only thing as you know that when you set up your own facilities there are additional costs. Now in this case for sure when you look at the Sandila plant, we had additional investment also because there is a large chunk of land, which is lying there unused which will be used for future expansion then there has been additional licensing cost because we did not had a license there and our even overall office construction space and labor quarters and all those things are something, which we do so that is where when we set up our own facilities they become expensive compared to any of these manufacturing partners.

Vijay Karpe: What was the production numbers and sales volume for the quarter and also I think a few quarters where I had asked this question of why we are not setting up our own plant in the south or getting into some tie-ups because after that one of our competitors has already announced setting up a new plant in the south.

Manoj Tulsian: Are you talking about Plywood or are you talking about…

Vijay Karpe: Plywood.

Manoj Tulsian: Well your point taken. We are also looking at the pockets where the gaps are and we will definitely look at this also.

Vijay Karpe: The production and sales volume for the quarter?

Manoj Tulsian: It is there in the presentation. Production is 8.4 million square meter and sales volume is 15.6.

Vijay Karpe: Last question from my side is there any timber availability issue for the plywood because what I am getting from the ground is the timber availability for MDF is there, but for plywood, which requires for filling and all that is a little constrained.

Manoj Tulsian: Yes, we have seen some challenges, not purely from the availability perspective, but also from the pricing perspective and that is again it is a demand-supply thing only. When the supply is lower the prices tends to move up and that is where the timber prices have gone up in the last one year, so definitely to some extent that is a challenge.

Vijay Karpe: Got it. Thank you so much.

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

Achal Lohade: Just a clarification. In the last call, we talked about ESOP charge of somewhere around 5 Crores for FY2023, but while in today's conversation you indicated it could be 100 to 200 basis points, so if you could just clarify what we are looking at for FY2023 and 2024 in terms of ESOP charge?

Manoj Tulsian: No. In that call, we also clarified that, that was the cost pertaining to the last ESOP what was being granted and there would be further, which will be granted in the month of March so there would be costs associated with that for the coming year. Keeping that in mind, we mentioned that it is better to look at around a 1% charge plus for the next two years.

Achal Lohade: 1% for next two years right.

Manoj Tulsian: Yes I think that will almost mostly absorb most of the costs.

Achal Lohade: This is basis the current ESOP plans, which we have approved and not the ones which we could potentially approve later.

Manoj Tulsian: No. It is out of the current ESOP scheme only.

Achal Lohade: Okay understood thank you so much.

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

Sonaal Kohli: Sir one clarification. The EBITDA margin of 11% you said could be your bare minimum is it post ESOP cost or pre ESOP cost, because it is more or less recurring for the entire 2023 and 2024.

Manoj Tulsian: No. What we are talking now referring every time is your adjusted core EBITDA margin which is 11%.

Sonaal Kohli: Secondly why would you expect your margins to be 11% constraint when you have done a price hike? I presume the Q3 or have you seen cost further go up in Q4 compared to Q3.

Manoj Tulsian: Yes, that is what I mentioned that in around December, we felt that the prices are slightly subdued or coming down, but in January again we saw it went up significantly, so again whatever was the lag we felt that we take this price increase and it will cover more than adequately and then we see another round of increase now if that increase is sustained increase on the cost side then we might have to again either look at a price increase in maybe quarter one or it affects my margin to some extent, which we might have to absorb that is why I said that 11% seems to be a base level because we will have operating leverage to some extent, we have these volatilities and we have been passing on this price increase I mean the entire industry has been passing on, so keeping all these things in mind, I think 11% is a number which is a base number.

Sonaal Kohli: It is not the minimum number it is your base number, right.

Manoj Tulsian: Yes.

Sonaal Kohli: Secondly, you mentioned about the 15% revenue growth next year again for the sake of clarity for all participants; are you referring to a normal days because the Q1 revenues are pretty low so if I make your Q1 revenues to be normal next year; it essentially your business will grow by 12%, so are you looking at only 3% extra growth next year or you are talking from your normal base you are expecting a 15% growth next year.

Manoj Tulsian: No. Right now as I said we are still doing we just started our budgeting process and as you have done some math, I have also done some math and that gives us that comfort that maybe 7% to 8% for sure is the increase because of the disruption of one month and that is why I said that 15% plus for sure is the number which will come up.

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

Rishab Bothra: I just wanted to understand based on the production number slide, the capacity turns out to be 26 million square meters, while on the manufacturing excellence, it is 34.9 million square meters because of the reassessment, so there is a still room for scope for enhancement of utilization levels. Correct.

Manoj Tulsian: To some extent yes in certain pockets.

Rishab Bothra: Overall capacity will increase to 58.4 million square metre once all expansions are done.

Manoj Tulsian: Yes.

Rishab Bothra: Sir just wanted to understand the need for JV partners. What sort of incremental value do they add in our manufacturing process and what kind of you mentioned that the plant is readily available, but since the current JV which we are doing the plant will be set up afresh right, so what was the need for them and secondly what is the raw material sourcing need for us and where are we sourcing from? Can we backward integrate acquire forest or something of that sort.

Manoj Tulsian: No, so when you are talking of the need of the JV let me put it so this Hapur JV or actually I would use the term manufacturing partner, which we have gone into is in a way a model which is creating a capacity as well as substituting my existing trade what I am doing, so this facility we have created mainly for our the value brand Ecotech, which right now we have been buying totally which was totally a trading model so we are moving slightly away from the pure, pure trading model to this manufacturing partner model, which gives us much larger comfort in terms of the delivery and quality and performance everything. Now at the same point of time, if we are able to in the short run see a better traction then of course we have the trading capacity is also being there, but we would like to move to some extent to our these manufacturing partner concepts for the value brands also going forward because the ROE is better and our comfort what we have seen in terms of quality, in terms of delivery in terms of logistics is always better. Raw material sourcing it is mainly from the north the YamunaNagar belt itself or the UP belt, so it is mainly from there only, otherwise, if you see my other pockets like for east we have a plant near Calcutta so we do most of the sourcing in and around and we still get raw material maybe which travels from

UP. For Rajkot again we have Gandhidham and UP. Over and above this, of course for Nagaland, we have our own sustained forest there, other than this we are concentrating on the plantation side and we are continuously working on that in adding those acreage also, so over the period of time that will be another comfort, which we will draw to our own agri forestation.

Rishab Bothra: Lastly Sir. In the JV what is the scope for enhancing the stake in the terms of agreement. Are these exclusive JV, I mean the product are sold to Greenply only or they can sell to other entities as well?

Manoj Tulsian: No, so the model remains very clear that we are not looking at increasing our stake. We do not even think that way because we want the other partner also to come with that exuberance that over the period of time he can make money. He gets the assurance that there is assured sale and we get the assurance that it is exclusive facility, which works fully and solely for us, so we can always maintain our quality and performance and everything. We can take our systems to their doorsteps so for them it is learning, for them it is the peace of mind that they do not need to go to the market. For us it is exclusivity and for us it is better quality, better performance and implementation of our systems and processes at their place also.

Rishab Bothra: Lastly, if you could split the revenue into your premium category and mass category Q-on-Q as well as Y-o-Y.

Manoj Tulsian: I do not have it right now. On a nine month basis?

Rishab Bothra: Yes you can provide offline as well, not an issue. Last one. in our market dominance area who is the next competitor?

Manoj Tulsian: Century for sure.

Rishab Bothra: Where we are positioned as second and who is the first one; again Century?

Manoj Tulsian: Well. It is a close number one, number two game. I think right now they are slightly ahead of us.

Rishab Bothra: Why I am asking this is, are we cutting down on prices to gain market share or giving discount and rebates to our distributor and dealers.

Manoj Tulsian: No. We do not have that mindset and I said that I do not know about the competitor, but if you would have heard me I am maintaining that we want to gain market share from the unorganized market because that market segment is huge, humongous so there is no need to do this undercut and gain shares in the short run does, not helps.

Rishab Bothra: I will come back in the queue Sir, thanks for answering my queries.

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

Nikhil Agrawal: Good afternoon Sir. Thank you for the opportunity. I needed some clarity on your manufacturing and trading and the partner thing, like the 15.6 msm sales that you have shown, does that include the trading sales as well.

Manoj Tulsian: Nikhil, what I will do now, I will ask Gautam maybe; he will have an offline call with you and he can explain to you. 15.6 includes, but if you want to understand slightly larger detail he can explain to you.

Nikhil Agarwal: Okay Sir no issues. Sir just a couple of more questions; could you just send me your stake in the joint venture?

Manoj Tulsian: As I said they are all less than 20%, so we try to limit it to 19% I do not remember the exact numbers but most of it would be around 19%.

Nikhil Agarwal: Sir what was your EBITDA margin in the plywood business?

Manoj Tulsian: 11%.

Nikhil Agarwal: This includes all your three categories inclusive.

Manoj Tulsian: Three categories means!

Nikhil Agarwal: Your own manufacturing, manufacturing partners, and trading.

Manoj Tulsian: Yes, it is a blended margin yes.

Nikhil Agarwal: Sir if I may just ask you one question more. Could you just tell me the combined capacity of your trading and manufacturing? Is it the 10 msm, that includes only your manufacturing partners, the JV, that does not include the trading.

Manoj Tulsian: If you look at slide #13, I think it amply clarifies most of your queries what you are raising. If you once look at it and then possibly if you have any confusion you can still speak to Gautam or Gautam can reach to you.

Nikhil Agarwal: Okay thank you. That is it from me.

Moderator: Thank you. We will take one last question which is from the line of Dhiral Shah from PhillipCapital. Please go ahead.

Dhiral Shah: Good afternoon Sir and thanks for the opportunity. My question is pertaining to your Greenfield Capex of Sandila. Generally, we have seen that in plywood the asset turnover is around three to four times, but in our case it is something around 2 to 2.2 times, so why is such a low asset turnover.

Manoj Tulsian: No. I clarified this let me again clarify. There is first a land cost which is for my overall piece of land since it is a new subsidiary, we had to transfer the entire land as per the UP Government agreement what we had signed, so it is sitting there but it is not getting utilized only one third of that land is getting utilized that itself is around 30 Crores plus and then we have licensing and our own factory building where we are even doing labor quarters, so that is another around 15 to 20 Crores of extra cost, which is there. If you take out the 50, 60 Crores, my machinery cost will be only to the level of 50 to 55 Crores. On that if you will see, we will be actually around 4 times, 4.5 times or even more.

Dhiral Shah: Okay. Got your point and lastly as you said that maybe we will be outperforming 5% to 7% volume growth, so this will be over a longer period of time we are talking about maybe sustainably over next three to four years?

Manoj Tulsian: Yes that is what we are eyeing at in terms of improving our market share and that should be over and above whatever is the industry growth that is how we look at it.

Dhiral Shah: Okay sure. Thank you so much Sir.

Moderator: Thank you. As there are no further questions from the participants I now hand the conference over to Mr. Karan Bhatelia for closing comments.

Karan Bhatelia: One question from my end. While we are preparing for a Greenfield Capex in Lucknow and in last two years we have signed the third manufacturing partner, what is the thought process when you decide whether to go ahead with the Greenfield or to tie up with the manufacturing partners or to purely rely on the trading model.

Manoj Tulsian: Always a debatable point Karan, but how we look at it is once we are gone for those initial two manufacturing partners, we also mentioned that if given a chance that is the way we want to look at in the plywood business to improve our ROE over a period of time, but we wanted the model also to stabilize slightly. We also wanted to see what goes right what goes wrong in an arrangement like that, so that we have a certain level of learning, which we can apply before we look at more such arrangements . but in the meanwhile looking at the type of demand possibility, which we were looking at and even on the cost side we felt that we already have a chunk of land, which is in the heart of raw material and that gives us an advantage of setting up the plant and saving on the margin front, so we should not sit idle and we should set up one plant so that when we have demands and growth, we should not get stuck on the supply side. Now again as I said we had certain learning; we are using those learning now again and concentrating to develop a few more, these manufacturing partner arrangements and this particular case Hapur what we have done is purely right now from the mindset of strengthening our value segments the Ecotec, which was totally on our outsource model and this facility will really pepp it up in terms of quality, productivity, performance everything, so that was the idea behind this.

Karan Bhatelia: Also. Is it correct to assume that over plain vanilla trading model, those vendor base are finding it difficult to operate now that we are done with COVID first wave, second wave, third wave and many of them have taken a shutdown. Correct to assume that as well?

Manoj Tulsian: You are talking about the overall environment.

Karan Bhatelia: Overall to plain vanilla trading model because many plywood branded players had many outsourcing partners as well, which work on a pure trading model, correct to assume that few of those have taken a shutdown because of a challenging macro environment on the supply side and on the raw material sourcing as well.

Manoj Tulsian: Yes.

Karan Bhatelia: Okay go it Sir. Any further questions operator.

Moderator: No Sir, we do not have anyone now.

Karan Bhatelia: So with this we conclude the call. Any closing remark you want to make management team?

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

Moderator: Thank you. On behalf of Asian Market Securities that concludes this conference. Thank you for joining us and you may now disconnect your lines.