



Greenply/2023-24
November 9, 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 November 6, 2023, on the financial results of Greenply Industries Limited for the quarter and half year ended 30th September, 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
Q2 FY2024 Earnings Conference Call”

November 06, 2023



ANALYST: MR. KARAN BHATELIA – ASIAN MARKETS SECURITIES LIMITED

MANAGEMENT: MR. MANOJ TULSIAN – JOINT MANAGING DIRECTOR & 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 – ASSOCIATE VICE PRESIDENT - STRATEGY & INVESTOR RELATIONS – GREENPLY INDUSTRIES LIMITED



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Moderator: Ladies and gentlemen, good day, and welcome to the Greenply Industries Limited's Q2 FY2024 Earnings Conference Call hosted by Asian Markets Securities Limited. This conference call may contain forward-looking statements about the company, which are based on beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. Actual results may differ from such expectations, projections, etc., whether expressed or implied. Participants are requested to exercise caution while referring to such statements and remarks. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing "*" 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 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 for joining us on the Greenply Industries Q2 & First Half FY2024 Conference Call. In the panel today we have Mr. Manoj Tulsian, Joint Managing Director & CEO; Mr. Sanidhya Mittal, Joint Managing Director; Mr. Nitin Kalani, CFO; and Mr. Gautam Jain, AVP - Strategy & IR. May I now invite Manoj Sir to begin the proceedings of the call. Thank you and over to you!

Manoj Tulsian: Thank you Karan and good evening, everyone. It is a pleasure to have you all on this call. I will be updating you on Greenply's operating and financial performance for Q2 and H1 FY2024. First of all, I am happy to share with you that we have crossed Rs.600 Crores in consolidated revenue in this quarter, which is the highest ever for Greenply in a single quarter. I am very confident that this trend will continue in the upcoming quarters and with this our consolidated sales for this financial year will approximately grow at a CAGR of around 22% over FY2022 and a CAGR of around 13% over FY2020 if we are to compare the performance against the pre-COVID era.

Now I will share some highlights of the business wise performances. In our plywood business revenue growth was 9.7% on a Y-o-Y basis majorly driven by 11% sales volume growth. On a half yearly basis, we have achieved approximately 7% volume growth. With this we are fairly confident of achieving our annual volume growth of 8% to 10% as guided earlier. On the margin front our adjusted core EBITDA was at 7.9%, which includes a one-time expense related to entry tax amounting to Rs.3.2 Crores which is non-recurring in nature. In addition to that, we have booked major expenses related to our new brand



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ambassador campaigns and TV ads. The raw material costs witnessed an increasing trend in the last quarter; however, we see stabilizing timber prices here on. We have taken some price hikes during last quarter in certain product categories. The full impact of the same would be visible in H2. Considering the above we expect margin improvements in H2 FY2024. Despite the increase in our turnover our working capital is at healthy level of 31 days for the plywood business, and we will continue to focus on the same.

Moving on to MDF business, I am extremely happy to share with you all that we have achieved cash positive performance in the first full quarter of operation itself. During this quarter our EBITDA margin was at 15.5%. We are also confident that we will meet our indicated 1 lakh CBM sales volume for FY2024. More details on the MDF business will be shared by Sanidhya later on. Our Gabon business continued to be under pressure due to severe political unrest in the initial part of the quarter and also supply-side challenges. Although we are working hard to come out of this situation and closely aligning with the policies of the newly constituted government, we do not see an immediate turnaround. Hopefully we should be able to provide you better directions by the year end. On a consolidated basis, our net debt levels are at Rs.713 Crores, which is well within our guided peak net debt level of 750 Crores. In the upcoming quarters we will also be making investments in our furniture hardware JV. However, despite the change we are confident of remaining below our indicated maximum net debt range of Rs.750 Crores including such investments. We are committed to maintaining our brand leadership position and accordingly we are thrilled to have Junior NTR as our brand ambassador. I am glad to share with you that both Greenply and Junior NTR share mutual values of sustainability and a deep commitment to the environment. We are confident that his charismatic PAN India image will help us reach a wider audience and create greater awareness about the critical role of eco and health friendly products such as our zero-emission plywood range and MDF range within the home interior space. With this statement I would like to hand it over to Sanidhya to provide more insights on our MDF business.

Sanidhya Mittal:

Thank you Manojji and good evening to everyone on the call. In our MDF business we are progressing well. I am happy to share that we are at positive cash flow from operations in last quarter much ahead of our original plans. Its results are meticulous planning and team effort, brand strength and commercial discipline. During the quarter we have installed a few short cycle presses as well for production of pre-lam MDF boards. In addition, we have launched other value-added product categories like CARB and Boil Pro. Being a premium player we will introduce other innovative products and value engineered products to serve all categories of consumer segments going forward. In the last quarter we almost sold 31000 CBM with a blended realization of 28500 per CBM. As our share of sales of value-



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added product increases the realization should also increase consequently. For the full year perspective, we are well on course of achieving sales volume of 1 lakh plus CBM as guided earlier. With this perspective I would like to open the floor for Q&A session. Thank you.

Moderator: Thank you very much Sir. We will now begin with the question-and-answer session. We take the first question from the line of Sneha Talreja from Nuvama. Please go ahead.

Sneha Talreja: Hi Sir, good evening and thanks a lot for the opportunity. Just couple of questions from my end in your opening remarks you said that timber costs have already started cooling off could you highlight this further and where do we see now our margins going ahead and have, we taken it has been a substantial price hike to offset now any further timber cost from here?

Manoj Tulsian: First thing I am not saying that the timber prices will start coming down. What we are now feeling is that timber prices will possibly stabilize because it is already very high and we do not see because to some extent the popular prices are slightly corrected, which will slightly ease out the pressure on the eucalyptus also going forward. So, keeping that in mind, I am assuming that possibly the timber prices have peaked, just an assumption our internal discussions we may go wrong also on the same. In terms of price increase as I said in the speech, we have taken price increase on some of the product categories and which was taken in the month of August partially and on some of the products in September also, so this quarter it is slightly start reflecting for the full quarter, so that will help my margin to improve and even for Q4.

Sneha Talreja: Secondly on the MDF front firstly congrats for achieving a 15% EBITDA margin and being cash positive in the first full quarter of operations itself. You have already specified you would be doing 1 lakh CBM in this particular year given that you have already 15% EBITDA margin now where do you see the EBITDA margin strength given that your overall guidance if I am not wrong was around 22%, it is full operation so where do we see the EBITDA margin pending now given that the 15% positive?

Manoj Tulsian: Sorry, we did not get your question. Your voice is not absolutely clear so maybe you can just repeat the question.

Sneha Talreja: I am saying that you have already achieved 15% EBITDA margin, which is phenomenal in the first quarter of full operation just wanted to understand given that now utilization should be further increasing where do you see this trend going forward, do you maintain the earlier guidance, or do you want to inch it up from here?



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Manoj Tulsian: I think I do not remember mentioning 22% but our basic focus was that whatever others are making we will be making very, very, similar margins compared to any other branded player in the sector so we are still very confident that going forward once we are at full scale we will be making the same margins anybody else is making because currently there is a lot of import, the market is in oversupplied, you do not know what the pricing tomorrow will be, but I am very sure and confident that whatever the market is making or other players are making we are definitely going to make as much as they are going to make.

Sanidhya Mittal: I think just to add to this 22% we would have said when we are doing a full-fledged operations you may expect that type of a margin maybe next full year of operations or around that number. Do not hold us again next year first quarter itself that we said 22%, but I think a full year of operations where maybe once we are targeting around 700 odd Crores of sales that type of a margin assuming that similar margin trend continues as the market is today will be possible and in H2 definitely our margins profile will be better than Q2 also. So, there would be some incremental margin performance in H2 also.

Manoj Tulsian: Understood Sir. Thanks a lot. This is helpful, all the best.

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

Udit Gajiwala: Hi, Sir. Congratulations on a great set of numbers. Firstly, on the plywood we have grown could you let us know what is the demand scenario, is the demand more in the premium end or it is in which of the brands have we seen the major growth coming in?

Manoj Tulsian: Thank you first of all. No, the premium end side demand we have not been able to see there has been a drag on the premium end, maximum the total growth, but what has happened is in the value segment only.

Udit Gajiwala: So, do you see when this mix also improving would it yield to our plywood margins as well that the change in product mix?

Manoj Tulsian: Well to some extent slightly it is also reflecting in this quarter itself. Of course, we had some one-off expenses. Of course, we are also doing a higher strength on marketing side which I think I mentioned around a couple of quarters back that we would be investing more on the marketing side, but yes there is some impact of the product mix change already reflected on the margins. Now as I said that we have taken some amount of price increase in



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the value segment only that will help us to slightly improve the margins. If there is some cool-off in the raw material prices it will further help us to that extent and yes, our efforts on growing premium still continues. Yes, maybe I can say that as a team we have not been successful in the same, but there is a decent amount of effort which is going on to improve and bring growth in the premium segment, so the moment if it happens then that will also add up to my incremental margin profile.

Udit Gajiwala: In MDF coming to it specifically right now our value-added portion is lower, of course because we have started, so are we getting, what is our placement of prices versus the imports or the current domestic players in the like-to-like product?

Sanidhya Mittal: So, I think I will answer this we are very much priced at par with current domestic player. In southern markets as entry strategy, we have priced ourselves about 2%-2.5% cheaper than competition. However, that is for a very short period as entry strategy for this financial year. From next year our strategy will be to sell all products at par with competition because Greenply is a player who always believed in selling the value added and the branded goods, so we do not believe in selling cheap. However, MDF at present we are selling 2%-2.5% on an average cheaper, which is our entry strategy.

Udit Gajiwala: What would be the same versus the import pricing currently?

Company Speaker: I think import pricing will be substantially lower than, we believe around Rs.19000-Rs.20000 per CBM is the landed cost at importers' warehouse and our average realization and interior rate which would like-to-like when we say 19000-20000 for them is selling in the trade for about 25000-26000 and the other value added products are selling at even higher and we are very, very clear and focused on the value added segment. So, as we grow the value-added segment you will see our blended realization also pretty much at par with the competition by the end of the year you will see us getting this.

Udit Gajiwala: Got it and lastly on the furniture hardware business that you mentioned in the opening commentary could you explain what is the business strategy or any plans over here and what would be the size of investment?

Manoj Tulsian: I think we announced previously also we have kind of a JV with the Turkish partner Samet. They are the leaders in their category in Turkey and have exports in more than 22 countries from Turkey itself. It is a 50:50 JV and so we will bring in the products on 80-20 concept. The 80% selling product is first where we will start manufacturing those products in India and the 15% to 20% of the slow moving will continue to import from them. Till we see a



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level of viability the whole project will come over the period of next four years in terms of phase one, phase two, phase three and as of now the estimates what we have put together we would be closely investing around 300 to 350 Crores together between the two partners equally with a portion of equity and debt, and next year sometime in Q1 we are trying to see that if we are able to commission the plant in end of Q1.

Udit Gajiwala: Thank you Sir. I will fall back in the queue.

Moderator: Thank you Sir. We will take the next question from the line of Kesharwani Karan from ICRA. Please go-ahead Sir.

Kesharwani Karan: The sale has been increased by 23% from the last year so breakdown into supplies and the volume growth?

Manoj Tulsian: Sale has been increased by 23% on a consolidated basis. So, I think that is not the right you are looking at it because one last year base we did not have the MDF business, MDF business only started in first quarter of this year and in Q2 we have done close to around 89 Crores, which is straightaway addition to the overall number which is reflected in the growth and in the plywood business the total growth which we have done is close to around 7% and the Gabon business has actually not shown any growth so that number to some extent maybe it is slightly lower only compared to last year H1.

Kesharwani Karan: What is the percentage of A&P(Advertisement) as compared to last year?

Manoj Tulsian: So, on the A&P side, we have in the first six months our total expenditure is close to around 4.1%, which for the last full year was at around 3.1%.

Kesharwani Karan: Got it. Thank you.

Moderator: Thank you. We take the next question from the line of Mr. Kunal Tokas from Fair Value Capital. Please go ahead Sir.

Kunal Tokas: I just want to ask that do you compete with the paper industry for your raw material that it is wood that comes from tree plantations and if yes then how do you see that competition playing out in the future like will it lead to higher prices for all or will it lead to more area under plantation, which will lead to lower prices in the future?

Sanidhya Mittal: So yes, we do compete with paper mills to buy raw material, but however with the given knowledge I have about paper industry they can use only debark material. So, for them it



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becomes slightly more challenge to serve the same material directly from the farmer compared to us, well we in MDF can use material with bark and also as far as species are available in the market, I think paper industry has a limitation in the number of species. We are slightly more open towards other species as well. So, I think our pricing will always be slightly lower than paper industries, but yes, we are competing with them in different areas to buy the material.

Manoj Tulsian: Just to add to that the whole timber forestry farming also depends on the cycle. We are today at the worst end of the cycle, and I think the cycle looks like may continue for another 12 to 15 months and then you will have good crop coming back. The moment that happens then the supply side on the timber will improve significantly, that is the assumption, and which happens once every eight to ten years. So, we are almost at the end of the cycle, maybe last 12 to 15 months we might have to face this challenge of higher timber price and then possibly it will come down. Yes, it may not come down to the level what it was around four or five years back, but definitely we feel that it will correct a lot as the supply side improves significantly.

Kunal Tokas: That was my only question. Thank you.

Moderator: Thank you. Next question is from the line of Ritesh Shah from Investec India. Please go ahead, Sir.

Ritesh Shah: Hi, Sir. Thanks for the opportunity first, congratulations for commendable performance on the MDF side. Just wanted to have some more details on the distribution basically region wise sales if you can help with something you did indicate on our pricing strategy to start with, but how we are making this successful just wanted to understand that that is the first question?

Sanidhya Mittal: On MDF?

Ritesh Shah: Yes, Sir.

Sanidhya Mittal: I think our focus obviously is primarily West because our plant is there; however, looking at North India as well because NCR is one of the largest markets of MDF and it is also not very far from the Gujarat facility. So yes, the second focus area becomes North and the upper north and NCR and obviously since the brand has its own network in East and South as well and all set of their own loyal dealers, so yes certain percentage of sales is coming to South and East also, but our focus in South and East is much lower compared to West and



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North, our main markets is West and North. If you want to split today, I would say 75% of our material is getting sold in West and North, 25% is getting sold in East and South and our prices also in East and South are much higher compared to West and North, obviously to compensate the extra freight.

Ritesh Shah: So, would it be possible for you to quantify how many distributor dealer networks that we have, and what is the overlap right now so the existing network versus new appointed distributed leaders?

Sanidhya Mittal: I think I can give you an approximation. I cannot give you an exact number. I think roughly we will be working with 300 plus direct customers who are already established and are working regularly with us number one. Number two what was the other question you said?

Ritesh Shah: The overlap with the existing network, when we say 300.

Sanidhya Mittal: Overlap with the existing network, I would say hardly 20%, I think 20% dealers must be common out of this 300% and rest 80% for new and unique who have joined hands with the brand, yes.

Ritesh Shah: That is encouraging. Just a related question, Sir, how have we got this volume growth in market share gains how should you understand that?

Sanidhya Mittal: You are talking about MDF again?

Ritesh Shah: Yes, only MDF.

Sanidhya Mittal: So I think, Greenply is a very well known brand and I think because we are a well known brand and the product is absolutely at par with any other manufacturer in terms of quality and we have a brand edge and because of our geographical location which is West and which is a unique location and nobody is in and around West and because of our aggressive marketing activities and our strategies I think that is the reason why we have been able to probably eat into the shares other had, I do not think the market has grown so much, especially when imports are coming in so much and people are putting new capacities. I do not think the growth has happened, but yes definitely we must have eaten somebody's share or the other.

Manoj Tulsian: Just to add to that ultimately the strength for us is one brand, second, our presence in West which clearly gives us an edge in terms of our distribution and third service. So, one of the



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reason also that we went into West was that there is no clutter there and we will be able to get straightaway business from the Western part of the country.

Ritesh Shah: My second question was on working capital. Again, the performance has been pretty good. Sir, how should we look at this specifically if you look at inventory days since June to September, it has reduced, receivable days has also reduced by around from 48 to 42 possible for you to segregate it between ply and MDF just to appreciate your performance? Thank you.

Manoj Tulsian: So, working capital days what we have given in my opening speech is primarily on the plywood I would say, and I think it is 31 days which I mentioned there. See depending on quarter-to-quarter run rate also that will somehow change. So maybe Q3 performance may not be as good as Q2 because Q3 are always subdued, so the same 31 days maintaining the same principle which we have and the commercial tightness which we exuberate it can go up to maybe 37 or 38 days because of again a lower sales days and Q4 again it can again come back to 32-33 days. So, I think plywood business we should now look at on an average anything between 35 to 40 days that is the ideal number which we feel if we are able to operate it will be a good number. For the MDF I think it is too early because we just started operation, we just started even launching some value added products and we are expecting that the sales will improve in Q3 and Q4. I would rather say, I do not know Sanidhya may comment, but I think we should wait for some more time for things to stabilize and we can give you a better picture for next year maybe sometime in Q4.

Sanidhya Mittal: Also like our commercial policies when MDF is very much at par of the competition. So, I think almost I do not know the exact number but almost 40% of our total sales is also APD change and the 7 day sales and the 14 day and the 21 days of credit policies pretty much at par with the industry. So, in credit there is no relaxation.

Ritesh Shah: That is quite encouraging Sir. If I just squeeze in one, which is on specific to again MDF, will we be looking at exports and if at all what is the margin profile that we would be looking at or will we continue to focus only on the domestic sales relying on our branded distribution that is one and the second question is on sourcing on timber, basically for the Gujarat plant I think we had earlier indicated at the very start that will serve something from South and gradually over time that will reduce so is that the incremental margin driver what is the timeline that we should look at over here? Thank you.

Sanidhya Mittal: On the timber front we are very, very clear that if you look at our timber cost even in the last quarter for MDF that is pretty much at par with any manufacturer of MDF in Northern



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India. So hence we have no problem to compete in terms of our costing in North and in West and it is true that at the moment we are not only sourcing from South, the resources from some other parts of India also and sourcing from Gujarat, but the way our plantation drive and with the way we have been working since before the plant started since the financial year, even before the plant started we are very confident that we will be self-sustaining. So, we have almost planted about 2.7 Crore saplings before the plant started and this financial year itself, we are planning approximately 1.5 Crore saplings in a 150-kilometer radius of our plant. So we are working hard enough to ensure our own raw material sustainability and a better future and see pricing is all demand supply driven, will be very unfair for me to comment on that because I will keep changing, but as far as the sustainability is concerned and raw material availability and running of plants is concerned, I am not worried about choosing Gujarat in fact, from the market point of view we feel that we have done a very, very good decision by putting up the facility in Gujarat. One because of ease of working and second all the big markets are very, very close to us.

Ritesh Shah: And exports?

Sanidhya Mittal: Exports we do not have any export liability as a company and in the MDF segment, given the domestic realizations, I feel exporting is a waste of time in my opinion, so we will continue to sell in the trade. If we are unable to sell and we still want to achieve our capacities, we can always sell plain material in the market slightly higher than in export prices through domestic importers.

Ritesh Shah: Sure. That is all from my side. Thank you so much. All the very best.

Moderator: Thank you, Sir. The next question is from the line of Arun Baid from ICICI Securities. Please go ahead Sir.

Arun Baid: Sir, just carrying on the MDF front we already have one quarter of revenue. Sir, ballpark what is our gross margin in this business for now because in Q2 we will mainly have the non-pre-lam business just to understand how the gross margins were there?

Sanidhya Mittal: I think it is too early, I believe this is too early to comment. I think going forward with the pre-lam added etc., and once we are on full scale, I think then things will really change for us. At this moment it is very difficult, but if you still want to know for the last quarter and I am sure Gautam and Nitin Ji can give you the number as to how much the gross margin was.



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Arun Baid: Because the idea to ask that question I hope Gautam will get back to you the data, but the idea of the question was because when pre-lam comes in our margin should be way, way better because the relation there are massive right, compared to your industrial rate, so just try to get that because if your Q2 numbers are pretty good on the MDF front so Q3 you should get some incremental revenues from pre-lam and Q4 should be much bumper which is typically the better quarter across the board, so just trying to get that because then your guidance, margins without pre-lam is at 15%-16% we should be way better than that, it is this year itself better idea to understand.

Manoj Tulsian: Q3 also in September we have sold the value-added product the whole of September. So yes, you are right and that is what we said that in Q3 the margins according to us will improve further and further in Q4. But look ultimately, we have to test the water we are just a very new player and initially everything looks good, but we have to be there, we have to be consistent in supply, distribution, service, everything. So let us wait for a few quarters, of course yes, the margins improve, and we will come back to you, and we will get the numbers.

Arun Baid: So, the idea, because you said you sold something in pre-lam in Q2 itself because the realization if I look on quarter-on-quarter Q1 obviously you had very low sales, but still your realization there was 28546 and if I look at this quarter it is 28540 so there was no increase so that is why I assume the pre-lam sales has not happened that was my assumption.

Manoj Tulsian: Also, that you have to see the other mix also how much of the interior got sold in Q2. So what Sanidhya is trying to say that maybe one or two more quarters we will also get a lot of clarity in terms of the mix what we are able to sell, how the market is panning out, lot many questions will get answered to us also internally, but your concern is right, and we are also hoping the same thing that Q3 margin will be better than Q2 and Q4 should be better than Q3.

Arun Baid: Just one more question was, you mentioned about 300-350 Crores of investment in that new venture. Just how much would that move in FY2024 and FY2025 from an equity perspective?

Manoj Tulsian: 300 Crores out of which it is first 50:50, so our share is somewhere around let us say 150 to 175 and of that 20% is our equity, let us say 20%-25%, so roughly we are estimating over a period of next three to four years 40 Crores is the equity which we need to infuse. Most of it however maybe around 25 to 30 Crores, maybe 25, maybe 30 will go in the next 12 months.



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Arun Baid: Just to get some more sense in this business, I have no clue of this business, but in this business assuming we put 30 odd Crores and the partner put 30 odd Crores first for your operations can give what kind of numbers, how do you look at this business?

Manoj Tulsian: First year you said, or you are saying overall capacity what it will generate out of this investment?

Arun Baid: So, my first question was first and then I will come to the each of the questions.

Manoj Tulsian: Well, look first year we are assuming right now that possibly we will be able to commission the plant by the end of Q1 of next year, which means June, the balance nine months we are hoping maybe we will be able to do a turnover of around 100 Crores or so in the beginning and balance nine months 100 Crores. Yes, that is the maximum which we look at in year one and since it is a 50:50 JV the consolidation will be a line item consolidation, so the topline the sales will not get added, it will not get consolidated.

Arun Baid: How profitable this business would be, Sir?

Manoj Tulsian: Actually, maybe by the second or third year of operations the EBITDA margin can be extremely, extremely healthy. It can even go up to 20% plus, it can even range 25% plus.

Arun Baid: Just a followup here, full assuming 300 Crores of capex or 350 Crores of capex, is done, how much can the revenue from that business?

Manoj Tulsian: 800 Crores of capacities is what it will lead to, but this is not something which is scalable like any other business, so incrementally we can assume like in 3 years of full operation we should be able to reach to around 300 Crores which can be a great number in year three.

Arun Baid: Who would be your competition right now in the market?

Manoj Tulsian: Competition for this business. So, the competition is Hettich, Hafele, and a few Indian companies like Ebco, Dorset, Godrej small player, but Godrej also and a few more international brands but they are too miniscule. See we will clearly get the advantage of being the second player in the country after Hettich to have a full manufacturing facility and that will be a big advantage for us to get traction and second again in our existing channel itself there is a good possibility that we will be able to create distributors because our existing channel is very bullish and very gung-ho on this new product line which we have spoken to them.



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Arun Baid: Just one thing on the plywood business, do you expect like obviously you have numbers for the month of October, but do you expect typically our premium share to go back to normalization in second half of this year?

Manoj Tulsian: Well, I mentioned this and I mentioned even in my earlier call that as a company we still believe that we have the right products, but we are the innovators and our zero emission category is something which is really we want to push this into the market and we are seeing some new players also getting added with zero emission plywood, but last three, four quarters we have seen that the market is slightly moved towards the value segment so that remains a challenge because the more we are able to improve it, it will help our margin to grow. That is a clear belief and Greenply brand has always been the leader in the premium category, though I still maintain the leadership, but we need to grow. I can only share at this point of time it is a desired statement. There are efforts, but we have not seen that result in the last three quarters for sure.

Arun Baid: Any geography we did really well in Q2 for us in plywood business can you tell that, any particular geography which we did really well?

Manoj Tulsian: No, I think, it is actually no, we have almost grown well in most of the areas, 1% here or there, but the growth has been very similar across the country.

Arun Baid: The trend continues in October.

Manoj Tulsian: Well again Q3 as you know is a festival period and traditionally Q3 will be slightly subdued compared to Q2, but I think when you look at the macro economics at this point of time things looks good. I have always been advocating this that things look good for building material segment. Yes, some glitches would be there depending on some economic news and other things, but overall, things look good for branded players. If we continue to do the right things we will continue to grow in this business.

Arun Baid: Thank you very much. Best of luck.

Moderator: Thank you. The next question is from the line of Mr. Mohit Agarwal from IIFL. Please go ahead, Sir.

Mohit Agarwal: Thanks a lot, for the opportunity. I had a couple of questions. So firstly a clarification on the MDF segment you mentioned about the value added products could you quantify during second quarter what was the share of value added products in the 31000 volume that you did and where would you like to take it I understand it will take a few quarters for you to



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realize that, but where would you ideally want to take it on a steady state basis and by when do you think you will be able to achieve it the share of value added in MDF?

Sanidhya Mittal: I think at this point it will not be fair to share, we would want it to be 100% ideally speaking, but that is not practical. So, totally depends on what the sales team can achieve, how much the brand can attract and how much we can focus on our value-added sales. I think time is going to say and our hard work is going to speak that how much we will be able to achieve. For the last quarter what we achieve, the team can share the data. You can get in touch with Mr. Nitin Kalani. He will share the data with the share of value added for Q2, but going forward I think it will be unfair to decide how much it will be. Our aim is for the highest like whatever we can maximum we do not want to stop on that.

Mohit Agarwal: But any ballparks are there, any like a 50%-60% share is what you would want to achieve at least?

Sanidhya Mittal: Ideally speaking yes, but I think time should say whether we can achieve it or not, but ideally speaking yes, 50% should be exterior, HMR, boilo, pre-lam put together.

Mohit Agarwal: My second question is on the plywood business, you mentioned so we have 11% growth this quarter and 7% growth for first half, and you mentioned that the growth is coming in from value segment is it possible to kind of quantify how much is the value segment growing and how much is premium growing, just want to understand the divergence between the growth rates of premium and value?

Nitin Kalani: The premium segment has not grown as I mentioned in the beginning. Value term 56% now earlier it was 58%, and mid segment is 41% last quarter and Q2 is 43%, so 2% increase in mid segment.

Mohit Agarwal: 43% is the value segment, right?

Manoj Tulsian: Yes. One year or maybe four quarters back it was 37% so then you can see the shift from 37 to 43 over last four quarters.

Mohit Agarwal: Understood, perfect. That is all from my side.

Moderator: Thank you, Sir. The next question is from the line of Balaji Vaidyanath from NAFA Asset Managers. Please go ahead Sir.



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Balaji Vaidyanath: Good evening. Just wanted to understand there is a metric that you track in terms of the pricing differential between the value ply versus top end MDF and if so, how that pricing differential has moved because you mentioned that the value ply is doing much better in your overall five segment, so at what point does it becomes, the customer becomes indifferent between a, top end MDF versus value ply?

Sanidhya Mittal: I think value ply is growing because if you see the pyramid of the plywood industry the value segment is much larger and the premium segment is very small, and we are already having a significant share in the premium segment. Hence the value is growing much faster than the premium that is the plywood story because of the market and I think MDF, and plywood are clearly different needs of the consumers and depending on different need and the consumer chooses or the furniture manufacturer chooses, or the converter chooses depending on the need. I think they are very different needs when he is coming in to buy value plywood he is coming into the different mindset, when he is coming in to buy MDF which is premium or the cheaper MDF does not matter. He is coming in with a different mindset because I think the end use according to an end customer might be, okay at the end of the day furniture going to be made, but the type of furniture, the use of furniture, the finish the carpenter or the contractor or the designer wants to achieve on a given furniture in MDF is different to plywood. So yes, it varies. The need varies.

Manoj Tulsian: Also, like Sanidhya saying well depending on the end consumer needs, so one clear differentiation still which remains in the country is whether you are using it for your personal use and in residential versus if you are using it in any of your investment properties or commercial needs. So, in commercial needs more of MDF get sold for the reason because most of these OEMs or the high-end contractors were set up a shop for making furniture, they want something where the thickness variations and nothing should become an obstruction to them. So, for them it is like mass production, but still in terms of the product per se there is a lot of difference between plywood and MDF. So, the home users and everyone who wants a good longevity in their products, and they still relies a lot on plywood only. Second, MDF again there are different uses also because MDF is much beyond furniture as an industry, so it has many other usages. Ply is purely furniture usage only.

Balaji Vaidyanath: You are saying that the cannibalization is very minimum in terms of sales?

Manoj Tulsian: To some extent that cannibalization is going to happen as I said because for OEM you will see slightly higher attraction on the MDF side because plywood is a very natural product and whatever one can do, but you may still see some level of thickness variation of course



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that goes into micro MM but that is not something which a machine understands. So, when it comes to OEM people still prefer MDF because they get better productivity the machine understands that, but when it comes to carpentry work, when it comes to labor, when it comes to reliability, strength, durability, then people still look at plywood as an option and that in this country will continue for sure, for long.

Balaji Vaidyanath: The actual reason that I am asking is I am wondering why that when there is a raw material price hike, timber price hike, why is it that you are not able to take price hike in the end products considering that the region where you are present does not have any import threat, at least in the southern region there is threat of imports, etc., but being in West and North there is very minimal import, so there is a raw material pressure you can take the price increase?

Sanidhya Mittal: I think at this moment price increase in MDF is not a question because there are a lot of imports, number one. Number two, there are many people who already added capacity or are in the process of adding capacity, so I think everybody is wanting to secure their own market share, secure their own customers, secure their own volumes and at this given point I do not think it is possible to further increase prices, in fact to hold on to prices will be a challenge.

Manoj Tulsian: I think if you really ask us our priority at this point of time is to scale up business without disturbing the price which already others are able to get into the market so that we maximize our throughput and we maximize our margin also.

Balaji Vaidyanath: So, this import of MDF is a threat even for Western region?

Manoj Tulsian: Yes of course, import of MDF is a threat to everyone. We are also very near to the port to that extent, but it is okay, it is all on the interior grade only. This also we have mentioned earlier that the whole import takes place only on the interior grade and the imports if you see last couple of years of data, maybe if it was around 10% or 11% of the total MDF business in country it is around maybe 13% to 14% today if you really look at of the total MDF consumption into the country and that is mainly interior grade, so that is where somebody earlier asked that what is our plan on the VAP products mix and sales and that is where most of the MDF players in this country, they concentrate that.

Balaji Vaidyanath: I was just asking in terms of the Bureau of Indian Standards coming up with a new notification for import of wood products wanted your views on that in terms of how difficult it would make the life for importers?



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- Sanidhya Mittal:** I think it will definitely make the importers life slightly difficult. I think however this was applicable from the end of the year, so it is still a wait and watch and how much will that help us time will say, and it is good that the government is taking such measures to make sure that Indian manufacturers are getting protected.
- Balaji Vaidyanath:** Thank you so much and wish you all the best.
- Moderator:** Thank you, Sir. The next question is from the line of Keshav Lahoti from HDFC Securities. Please go ahead, Sir.
- Keshav Lahoti:** Thank you for the opportunity. Sir, as we highlighted in call the timber charges are on par with North prices, but North price is currently 30% higher than South prices, so how will you be able to compete with import in Western market when you have a higher timber prices and what is your timber price per kg in Q2?
- Manoj Tulsian:** See the prices of timber in North and West are almost similar, in South also the prices have gone up and today if you really see they are only cheaper by around Re.1 a kilo type which would be in terms of percentage maybe around 14%-15% if you take that, but between North and West there is no difference in the landed price.
- Sanidhya Mittal:** We are not trying to compete with the import. We are selling at a much higher realization than import. Import average realization in Rs.19000-Rs.20000 pwe CBM, while as our average realization for interior grade in the trade is about Rs.25000 per CBM and as you keep going higher exterior HMR, boilo, it keeps getting higher, and boilo for example our realization would be like Rs.65000 per CBM, though the sales volume is very low but we are the second player in the country to have this category, there is nobody else in the country has this category.
- Keshav Lahoti:** No, my point was more from like when the import price and your price differential becomes bigger than 20%, then people might decide to shift to imported products because of the pricing difference, so possibly if you have a higher tender price at your end, you need to sell it at a higher realization so possibly that makes room for import to gain market share?
- Manoj Tulsian:** See, to some extent that I said that we see 1% or 2% increase as a total percentage of consumption in India on the import side, but you have to also understand like today in West we can even serve a very small quantity. We can serve the quantity to the end user on a daily basis. When it happens to import, we have to carry certain amount of inventory. Also, once the price is decided maybe they get the consignment after one month or two months,



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so the uncertainty over what can be the price of the couple of months. So, there are factors otherwise today import would have been big time into this country. Yes, it is a decent number, but the status also understands that there is always a plus and the minus. The pros and cons are always there for anything which we import into the country and mainly on interior grade the fight with importers on interior grade is not on other grades.

Moderator: Thank you. We take the next question from the line of Kushagra from Old Bridge Asset Management. Please go ahead.

Kushagra: Hi. Thanks for the opportunity. Just two questions one given that you are already on 52% utilization levels in MDF segment where do you see your cost per CBM settling in for your interior grade MDF if you can give some color over there, that will be helpful, so we have seen a comparison, I would say we have seen some of the larger players report or sort of clocking around Rs.17000 to Rs.18000 per CBM I am just trying to get a sense of where will you settle in once your utilization level ramp up?

Sanidhya Mittal: I think it will be too early to say, I think at the end of the year we will be in a better position to reply on this because if you look at the number of months from May 5, 2023, we started so hardly being five months of operation till Q2 end. So, it is still too new to comment on this. Lot of our costs might be slightly higher today because the volumes are comparatively lower. We are slightly newer players compared to others. Would not be comparable by the year end or next year Q1 we will be in the position to give you a real picture.

Manoj Tulsian: Yes, at this point of time the overall margin which we are able to derive from the business for the next few quarters will be relevant, will be the factual thing because we also get to know, and we have to also understand our cost structure as Sanidhya saying we might be, and this is one business where you get better consumption propensity only with majority. So, we will also continue to improve on the cost structure. Those are other sweet points which are still there and that is what we understand about the industry that it takes around anywhere between nine months to 12 months minimum to mature on the cost side. That there would be breakdown, there would be stoppages, there would be new samples, and there would be a lot of things which initially we would be experimenting with. So, I agree with Sanidhya that these questions will become more relevant sometimes in next year.

Kushagra: Alright. The second question is on capital allocation. So the sense we should give on the JV in terms of investments and asset turnovers and EBITDA our peak revenue the broad match says that the payback terms should be five to six years so if you can confirm to that or something more to it and a related question is what are the debt levels which you are



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thinking of carrying on your balance sheet over the medium-term as well given the amount of cash flows which you will be able to generate hence forth?

Manoj Tulsian: So, first question on the hardware I have just given a ballpark number, you never know maybe in the first 12 months itself because we have a good distribution strength, and the product qualities are very good and cost wise we would be definitely much better because we would be manufacturing, I said 100 Crores, we might even look at maybe doing 200 Crores in year one itself. So, it is too early. There is no point right now commenting on payback and all those. I have given you the ballpark thing. Yes, the margin profile is good if it is more than 25% because these are all high end engineered products and the total investments over the phases what we have agreed with the JV partners is anything between 300-350 Crores and that can give us the capacity of 800 Crores in terms of manufacturing. So, these are the facts at this point of time as we mature maybe next year, we will be able to share better perspective on the same. It is too early, I mean, what is the point of commenting on this thing at this point of time.

Kushagra: Alright, just on debt and thanks all the best.

Manoj Tulsian: On the debt side like we have given guidance that one as an organization we want to be within debt equity of one at any point of time. We also said that we will peak out our debt somewhere around 750 Crores. We still maintain that and the whole idea is finally to be within that this 1:1 level.

Kushagra: Sure. Alright. Thank you. All the best.

Moderator: Thank you. We will take the next question from the line of Akshay Chheda from Canara Robeco. Please go ahead, Sir.

Akshay Chheda: Thank you for the opportunity. Just one question. Sir, how should we look at this 11% volume growth in this year, is it that finally demand is coming back in plywood, of course you did mention that the third quarter because of seasonality would be weak, but would it be that fourth quarter would be better than second quarter and then FY2025 will be better than FY2024 so do you think that things are improving from your own or too early for that?

Manoj Tulsian: Well for this year first, yes, Q3 as like any other year because of a lot of festivity is always the subdued quarter. So, the Q3 numbers possibly will be, and I mean should be lower than the Q2 numbers, but Q4 again the number improves because that is a good season. So, for the full year as I said we are at 7% right now in H1. We are hoping that if you are able to



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clock around 9% in H2 then for sure we are at 8% volume growth and as I have always maintained in plywood business if we do the things in the right perspective and if we do not have any supply side challenges then we always will try to grow the volume between 8% to 10% for next few years for sure. Even though the market does not grow, but I think the shift from unorganized to organized and our own better working, our own performance will help us to grow to that extent for sure between 8% and 10%.

Akshay Chheda: Okay Sir.

Moderator: Thank you. Ladies and gentlemen that was the last question for today. I would now like to hand the conference over to the management for closing comments.

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

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