

GPIL/2020-2021  
February 12, 2021

**The Manager**  
**BSE Limited**  
**Department of Corporate Services**  
Floor 25, P. J. Towers, Dalal Street  
Mumbai-400001  
**Scrip Code: 542857**

**The Manager**  
**National Stock Exchange of India Limited**  
Exchange Plaza, Bandra Kurla Complex  
Bandra (E),  
Mumbai - 400051  
**Symbol - GREENPANEL**

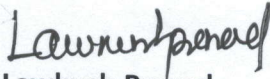
Dear Sir/Madam,

**Sub: Conference call transcript**

Please find enclosed Conference Call Transcript in respect of conference call for Investors and Analysts held on January 27, 2021 on the unaudited financial results of Greenpanel Industries Limited for the quarter ended December 31, 2020.

The same is also being made available on the website of the Company at [www.greenpanel.com/investor-conference-call-transcript/](http://www.greenpanel.com/investor-conference-call-transcript/).

Thanking You  
Yours faithfully  
For **GREENPANEL INDUSTRIES LIMITED**

  
Lawkush Prasad  
**Company Secretary & AVP-Legal**



**Encl: As above**

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**Greenpanel Industries Limited**  
Q3-FY21 Results Conference Call Transcript  
January 27, 2021

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**Moderator** Ladies and gentlemen, good day and welcome to the Greenpanel Industries Limited Q3 and 9M FY21, Investor and Analyst Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the 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. Rishab Barar from CDR India. Thank you and over to you sir.

**Rishab Barar:** Good day everyone and thank you for joining us on the Greenpanel Industries Limited Q3 and FY2021 Conference Call. We have with us today Mr. Shobhan Mittal – Managing Director and Mr. V Venkatramani – CFO.

Before we begin, I would like to state that some statements made in today's discussions may be forward-looking in nature and may involve risks and uncertainties. A detailed statement in this regard is available in the result presentation that was sent to you earlier.

I would now like to invite Mr. Shobhan Mittal to begin the proceedings of the call. Thank you and over to you, sir.

**Shobhan Mittal:** Thank you Rishab. A very warm welcome to everyone present. And thank you very much for joining us today to discuss Greenpanel's operating and financial performance for Q3 FY21. I do hope that all of you and your families are safe and well.

Business has gained momentum in this quarter; net sales were up 38.3% year-on-year at Rs.312 crores. Gross margins were up by 370 basis points year-on-year at 54.9%. EBITDA margins were up by 680 basis points, due to operational leverage in both the segments and focus on wastage reduction and cost optimization. PAT is up by 2526% year-on-year to Rs.34.31 crores. Net working capital days at 33 has shown a reduction of 10 days compared to the corresponding quarter last year.



Net debt has reduced by Rs.47 crores during the quarter and stands at Rs.452 crores as on 31st December 2020. We're targeting net debt of Rs.400 crores as at 31st March 2021 and Rs.250 crores as at 31st March 2022. We're targeting double digit growth in Q4 also and are optimistic for better margins in the future quarters.

I will now request Mr. Venkatramani to run you through the financials in greater detail.

**V Venkatramani:** Thank you everyone. I do hope that all of you and your families are safe and well. In Q3 FY21, our top line was up by 38.3% at Rs.311.59 crores compared to Rs.225.31 crores in Q3 last year. Plywood sales grew by 6% at Rs.62 crores and MDF sales grew by 49.6% at Rs.249.59 crores. Plywood volumes rose by 12% at 2.52 million square meters and MDF volumes increased by 43.2% at 1,23,723 cubic meters. Uttarakhand MDF unit operated at 108% and APE plant operated at 85% capacity utilization with blended capacity utilization of 93% for both the MDF plants put together. Plywood unit operated at 87% during the quarter.

In Q3 FY21, gross margin improved by 370 basis points year-on-year at 54.9% as compared to 51.2% in the corresponding quarter. Gross profit grew by 48.3% at Rs.170.98 crores as compared to 115.29 crores in Q3 FY20. EBITDA grew by 98.2% at Rs.70.12 crores as compared to 35.37 crores in the year-on-year quarter. EBITDA margins were up by 680 basis points at 22.5% compared to 15.7% during the corresponding quarter.

Profit after tax increased by 2526% at Rs.34.31 crores versus Rs.1.31 crores in the corresponding quarter.

I will now discuss the financials for the nine-month period from April to December 2020. Net sales stood at Rs.615.85 crores compared to Rs.603.13 crores in the corresponding period. Gross profit during the period was Rs.332.01 crores compared to Rs.314.51 crores in nine months FY20. EBITDA stood at 108.42 crores compared to Rs.93.88 crores in the corresponding period. PAT for the period stood at Rs.18.3 crores compared to Rs.9.51 crores in the corresponding period.

Dispatches for plywood during the nine months stood at 5.43 million units, with capacity utilization at 62%. MDF sales volumes were 233267 cubic meters with blended capacity utilization of the two plants at 57%.

Our debt-to-equity ratio stands at 0.66 as on 31st December 2020, compared to 0.77 as on December 31st, 2019. Net debt reduced by Rs.47 crores during Q3 to Rs.452 crores as on 31st December 2020.

That concludes my presentation, I would now request you to open the floor for the Q&A session. Thank you.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Nehal Shah from ICICI Securities. Please go ahead.

**Nehal Shah:** Sir my question is on margins. Now we have been able to show good traction and margins, with the higher operating efficiencies coming into play. Now, as we know with the recent price hike taken in the month of December, where do we see margins, structurally going forward over the next few quarters and also, with the demand being as strong as what you've witnessed with the operating or rather with the capacity utilization likely to be higher for both the plants. Where do you expect margins say for the next year? What would be your guidance with respect to that? Thank you.

**V. Venkatramani:** Okay, Nehal as far as the MDF segment is concerned, we had operating margin of 24.45% during the current quarter. And while we have taken some price increases during December and January, raw material costs have also increased during the current quarter. So going forward, at optimum capacity utilization, when we reach capacity utilization of 100% and beyond, we could be targeting an improvement of about 200 basis points in the margin.

**Nehal Shah:** So this is for both the plants put together?

**V. Venkatramani:** That's correct.

**Nehal Shah:** And sir with respect to volumes, how are volumes looking like and what are the key triggers for such a strong growth in the current quarter and how it's likely going forward?

**V. Venkatramani:** The current quarter looks good, we are targeting almost 100% capacity utilization in MDF during the current quarter. And going forward, we should be targeting 100% capacity utilization in MDF. And since this is a European plant, we can look at capacity utilization of a maximum of about 110%. So, I would say we could possibly look at utilization between 100% to 110% for the next financial year.

**Nehal Shah:** And this is for both the plants or for...?

**V. Venkataramani:** Both the plants.

**Nehal Shah:** And sir my last questions is on FOREX, what has been the FOREX loss for the quarter?

**V. Venkataramani:** Forex loss can be split into two parts. If we look at the first part where it's gone to interest, about Rs.7 crores of forex loss has been taken to interest. And about Rs.1 crore has been taken in other expenditure which is above EBITDA.

**Nehal Shah:** So, total is Rs.8 crores?

**V. Venkataramani:** Yes, that's correct.

**Nehal Shah:** Right. And sir if you look at the consol versus the standalone numbers, there has been some loss in the subsidiary so can you quantify that?

**V. Venkataramani:** We had sold off some assets in the subsidiary. So there the loss was approximately Rs.3.35 crores. And there was also an operational loss of about Rs.50 lakhs during the current quarter, primarily because we could not export due to non-availability of containers and ships. So although we currently have export orders of approximately 30,000 plus cubic meters, there are constraints with respect to availability of containers and ships. So probably that constraint is likely to be there in the current quarter also.

**Nehal Shah:** Right, but we are through to with the asset sale?

**V. Venkataramani:** Yes, that's completed, it's a one-off item.

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

**Neha Talreja:** My question was relating to your exports market only, could you give the breakup between domestic and exports and how much is the impact due to the shipment availability which you were talking about?

**V. Venkataramani:** Okay, our total MDF sales for the quarter was about Rs.250 crores. In volume terms, about 1,23,000 cubic meters. Of this, 1 lakh cubic meters came from the domestic markets and the value of the same was Rs.217 crores, and 23,000 came from exports and the corresponding value was Rs.32.26 crores.

**Neha Talreja:** Okay, got that sir. And sir my second question was pertaining to the exports market, in the sense we were hearing of anti-dumping duty, has it been implemented and what are the current pricing differentials between the imported prices and domestic market?

**V. Venkataramani:** Shobhan Ji, can you take that?

**Shobhan Mittal:** Yes. Basically, the anti-dumping that has been announced a couple of weeks back, that is basically the sunset review, which is a renewal of the anti-dumping that was already applicable on MDF products. So, that has been confirmed now by the government and the margins have been slightly higher than previously implemented in the previous set of anti-dumping measures that the government had announced, which has just lapsed. So, that would allow us a slight improvement on pricing in the coastal cities, like in the south of India and also in the west.

However, there are two additional investigations ongoing at the moment, which is the countervailing duty and also anti-dumping duty on thin MDF. Those had yet to be finalized by the government. But hopefully we're expecting an answer, at least on the CVD very, very soon, because the timeline is near to the decision now.

**Neha Talreja:** Sure. Any timeline when is the decision date since you have mentioned it?

**V. Venkataramani:** It's very hard to say but we are hoping that we will have some clarity in February on that, whatever the government's decision may be on that.

**Neha Talreja:** Sure, that was helpful. And sir my last question was relating to your CAPEX, Mr. Venkat sir you could take it up, what are you looking at in FY22?

**V Venkatramani:** We had announced a Capex plan of Rs.55 crores which can be split into two parts. One is increasing the capacity of the two plants by adding some additional machinery which will enable us to take the total capacity of the two plants from 540,000 to 650,000. So, if we look at the current capacity, Uttarakhand has 15,000 and Andhra has 30,000. However, if we have a good flow of orders, they can operate at about 110%, which means Uttarakhand can do 16,500 and Andhra can do 33,000. And now with this Capex, we can take the Uttarakhand capacity to 18,000 cubic meters per month and Andhra Pradesh capacity to about 37,000. So, basically the overall capacity will be expanded from 540,000 to 660,000. So that's first part of the Capex. The second part is related to reducing cost of operations. One of the key raw materials in MDF production is Wax. So, with the installation of this new machinery we expect to reduce the consumption of Wax by about 30%.

**Neha Talreja:** Sure. So that will help in the margin improvement at a later stage?

**V. Venkataramani:** That's correct.

**Neha Talreja:** By when you expect this to get operational, the capacity addition as well as the value-added product thing, there are two things?

**V. Venkataramani:** Somewhere by November, December 2021.

**Moderator:** Thank you. We take the next question from the line of Balaji Vaidhyanath from Nafa Asset Management. Please go ahead.

**Balaji Vaidhyanath:** You have mentioned that MDF margins were about 24.5% for this quarter, so if I were to look back at say some historical numbers be it in FY2016, FY2017, at which point in time, the margins were upwards of 27%, 28% for the MDF division at that point in time. Are you seeing

that happening this time around as well, considering the Capex that we're putting in and also the general demand environment?

**V. Venkataramani:** The benefits of the Capex which we are doing will probably be available only in quarter four FY 2022, maybe a month or two in the third quarter. So, I wouldn't expect that to have a substantial benefit for the next year. But hopefully the full benefits of that should be available in FY23. That's why I mentioned in an earlier question, that probably the margins can move from about 24.5% and they could see an improvement of 200 basis points, which would take that to probably about 26.5%. But keeping the historical margins, what we also have to consider is that prices as compared to historical have come down by about 20%. So, a lot of work has gone in wastage reduction and cost optimization, which is helping us to post healthy margins currently.

**Balaji Vaidhyanath:** Okay. Sir my next question is, if you could quantify the actual price hikes that you have taken in December, and also in January?

**V. Venkataramani:** We had taken a price increase of 3% on 7th December which was applicable pan India except the southern states. We had taken a price increase of 3% for the southern states on 1st January, and in the middle of January we had taken another price increase of 3.5% across again, pan India, except south.

**Balaji Vaidhyanath:** So this is by and large to negate the RM prices, right?

**V. Venkataramani:** That's correct.

**Balaji Vaidhyanath:** Okay. So just trying to understand how the margins have expanded even in this quarter, because the price hike has come only in the fag end of this particular quarter, whereas the raw material prices have actually gone up more than the increase in prices?

**V. Venkataramani:** Yes, if you look at it, price hikes were there for probably only about 10 to 12 days in this quarter and that to excluding southern India, whereas raw material prices had gone up in the middle of October itself. But, then the operational leverage, the fact that we operated at about 108% in Uttarakhand and about 85% in Andhra Pradesh with a blended capacity utilization of 93% helped to improve the margin significantly.

**Moderator:** Thank you. The next question is from the line of Mahesh Koshia from Finvest Advisors. Please go ahead.

**Mahesh Koshia:** Sir, now looking at the market behavior and the competitors' actions, how do you see the volume growth, et cetera taking place in the market in these pre COVID times and whether we will be able to maintain these kinds of margins, which are coming from operating leverage and some of the cost reduction measures, increase in capacity, et cetera. And

looking to the market behavior especially from the competitors, do you think that we will be able to maintain this kind of margins in MDF?

**V. Venkataramani:** There is not a lot of new capacities, which will be available during FY22 and possibly most of FY23 apart from Rushil's capacity, which is expected to be online during the next financial year. So, yes at the moment except for exceptional circumstances like repeat of COVID or any extended lockdown due to increase in COVID numbers, we have an optimistic view on the markets.

**Mahesh Koshia:** Okay. So, you think that the market will be able to absorb these prices?

**V. Venkataramani:** Yes, we have been able to implement the price increases.

**Mahesh Koshia:** Okay. And sir which are the markets and towns, cities, et cetera from where you are seeing this increasing demand. Are you seeing from the metros or small towns and geographic wise which part of the country North, East, West, South if you can just tell something?

**V. Venkataramani:** So, we have witnessed larger growth exceeding 30% in the smaller towns and cities and some lower growth in the metros primarily in the western part, where things are yet to settle down as compared to other parts. So, yes probably unless we see a repeat of any extended lockdown due to COVID, we will continue to see improvements in the western states also and that should help us to achieve optimum capacity utilization in Q4 and the next financial year.

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

**Achal Lohade:** My first question was the price increase what you have affected in MDF, will that offset the entire cost increase or there is more to be effected to in order to negate the entire RM cost inflation?

**V. Venkataramani:** Yes, the price increases we have taken should negate the raw material cost increases.

**Achal Lohade:** Okay. Number two is, in terms of the industry growth given our domestic volumes have gone up significantly, is that the case with the industry or have we gained market share at the cost of somebody else? Can you please throw some light on the imports as well for let say in third quarter?

**V. Venkataramani:** Apart from Action, other players were operating at close to optimum capacity utilization except some of the smaller unorganized players. And actions, capacity utilization must also have gone up considerably during the third quarter. Although we do not have the numbers since



it's an unlisted entity, but based on report from the sales team, Action's numbers have also improved considerably.

**Achal Lohade:** So, the industry growth, what is the extent of industry growth in your estimation for third quarter And what kind of growth are you looking at for the industry for next couple of years if one were to talk about that?

**V. Venkataramani:** The industry as a whole must have grown by more than 25% during the third quarter and we should be looking at growth of 15% to 20% during the next financial year.

**Moderator:** Thank you. The next question is from the line of Madhav Marda from Fidelity International. Please go ahead.

**Madhav Marda:** Actually, most of my questions were answered. But if you could just speak a little bit more about the sort of the demand trends that we're seeing in the market, that more sort of momentum one of the key drivers demand for India. And also, if you could just help in highlighting how the mix between trade and non-trade sales are for us and how that could evolve in time to come back, who our key customers are, how much it has been close to retail versus B2B?

**V. Venkataramani:** The first part of your question regarding the key drivers, we can identify three or four drivers. One, we are taking market share away from the cheap plywood segment, which has been significantly impacted by COVID. Many of them have shut down or are operating at reduced capacities. The second part is possibly people are diverting to readymade furniture primarily because they are reluctant to allow carpenters and contractors into their houses to do their furniture with plywood. The third part is I would say the constraints which we are facing in exports namely non-availability of containers and shifts is also impacting imports. And the fourth part is, India is now becoming a hub for furniture exports to US and Europe. So, that has helped to generate demand for MDF.

**Madhav Marda:** Okay. And on the receivable sales mix for us like B2B versus B2C and like?

**V. Venkataramani:** Like, if you look at the sales through the channel, which is dealers, retailers, that would be about 70%-71% of the volume and the balance 30% would be to the OEM furniture fabricators.

**Madhav Marda:** And our capacity will be close to 650,000 after this expansion, do we have more scope for Brownfield or debottlenecking or we have to go Greenfield only after this?

**V. Venkataramani:** We have sufficient space in Andhra Pradesh. So, although we have not taken a call on when we will do our next expansion or whether it will be

a Greenfield or Brownfield, we have the space in Andhra to do a Brownfield expansion.

**Madhav Marda:** And to what extent would that be, how much content of capacity can be at there at the same land parcel?

**V. Venkataramani:** Shobhan can you take that?

**Shobhan Mittal:** Sorry, can you repeat that last question?

**Madhav Marda:** My question was that, at the Andhra Pradesh location how much capacity can we add by our Brownfield, how much space do we have now?

**Shobhan Mittal:** Infrastructure, land wise we have space available for any capacity that we can add, because of the space available there was already planned for two subsequent lines. So, it was completely boiled down to our sort of choice and discretion as to what capacity can be added there. Because it would be, apart from the land availability everything would be installed as a new line so we are quite flexible in choosing what capacity to add.

**Moderator:** Thank you. The next question is from the line of Agastya Dave from CAO Capital. Please go ahead.

**Agastya Dave:** Sir most of my questions again have been answered you have been very nice in the way you have given the commentary, sir I had a question which goes back in the past and the last time the prices hit a high and then there was a severe correction. So, how far are we from encountering a similar situation or are we in a situation where the demand has probably recovered enough that demand supply issues and dumping issues won't happen. And the second thing is sir you mentioned two things. One is that raw material prices are going up. So could you quantify that and what is your expectation over the next few quarters, because there's a lot of distortion in the supply chain. So it's very difficult to estimate anything from at least my end. And, second you have mentioned that you're going to undertake a second part of this CAPEX, which would help to reduce the consumption of wax by 30% and can you quantify how much, what kind of impact that would make. Thank you sir.

**V. Venkataramani:** Okay. So, regarding the last part of question on wax consumption, our total wax consumption would be approximately 2 lakh tonnes per month or Rs.1.8 crore across both the MDF plants. So, this should help us to reduce the consumption by approximately 30% which in value terms would be approximately about Rs.50 to 55 lakhs per month. And sir could you please repeat the first part of the question?

**Agastya Dave:** Sir, if we go back in the past, one, gentleman, I asked you a question that last time the margins the peak margins were 27%, 28% and you mentioned that the prices were 20% higher than they are today. So, there was a steep correction in MDF prices, right? So, challenges we faced and the industry faced that time are we anytime soon, because there are a number of plants coming in sooner or later all the capacities which are not operational today will start operating. So, is the demand strong enough in your eyes to prevent such a steep fall, and related to raw materials you mentioned that the prices are going up. So, can you quantify those how much have they gone up. What is your take in the entire thing?

**V. Venkataramani:** Regarding the new capacities, which are expected to come up in FY22 or FY23, at the moment we only have Rushil's capacity of approximately 800 cubic meters per day, which is expected to start production sometime in the next financial year. Apart from that, no major expansion has been announced by any of the key players in MDF. So, in case someone starts to build a capacity now, probably that would be operational around the end of FY23 or FY24. Hence, we have sufficient time to get the current capacities absorbed in the market before any major expansion hits the market towards the end of FY23 or FY24. And even today, apart from Century which has mentioned that they would be looking at a new plant in southern India, no other player has announced capacity expansion plans. So, we are reasonably optimistic that prices would be stable for the next couple of years. There's not much of a surplus capacity coming in, although a few small unorganized players could set up capacities with second hand Chinese plants. But again, those are not our key competitors. And regarding the raw material price increases, we have had about 10% increase in both the major raw materials which is wood and chemical resins. So the quantum of price increases which we have taken it's sufficient to absorb those cost increases. And probably we would look at further price increases in case there is further raw material price increases and market demand permits us to do so.

**V. Venkataramani:** Thank you. The next question is from the line of Gaurav Sood from Kanav Capital. Please go ahead.

**Gaurav Sood:** Sir could you talk to us more about value added products contribution this quarter, how they are picking up?

**V. Venkataramani:** There's has not been any significant improvement in the value mix. The quantum of pre-laminated MDF has gone up during this quarter by almost 60%. But if we look at the composition of plain MDF and the value-added products that was about 91% in the corresponding quarter last year and value added products contributed about 9% whereas, in this quarter plain MDF contributed about 87% and value added product contributed about 13%.

**Gaurav Sood:** Okay. Sir, two quarters back you did mention that you are trying to expand our distribution network to reach out more to Tier II, Tier III cities. So, could you please give us some update on our distribution strength right now, our reach in terms of number of new distributors that we have been able to account?

**V. Venkataramani:** Yes, we have approximately about 1315 distributors for MDF pan India and we had about 1085 at the beginning of the financial year. So, we have had increases of about 230 dealers between July and December, there was no activity during April to June. So, between July and December, we have added approximately 230 dealers in MDF and about 50 dealers in plywood. So, the plywood dealer count has gone up from about 370 to 420. And the MDF dealer count has gone up from 1085 to 1315.

**Gaurav Sood:** Okay, great sir. So, for the plywood division as we knew that there is news we do not have a lot of space at our UK plant to expand the capacity. Are there any plans to further do CAPEX in that division one non-compete with our earths while to company concludes?

**V. Venkataramani:** We are not looking at any capacity expansion in plywood.

**Gaurav Sood:** Okay, so we just continue with what we have at the moment?

**V. Venkataramani:** That's correct.

**Moderator:** Thank you. The next question is from the line on the Nehal Shah from ICICI Securities. Please go ahead.

**ehal Shah:** Sir can you throw some light on the current quarter or rather the Q3 the ROCE?

**V. Venkataramani:** Okay, just give me a moment. The pre-tax ROCE for this quarter was 17.8% and post-tax was 15.6%. And the return on equity was 19.2%.

**Nehal Shah:** Right sir. And sir with the kind of volumes and margins we are likely to see next year, what is your target with respect to ROCE for next year?

**V. Venkataramani:** We should be targeting pre-tax ROCE of about 22% and post-tax ROCE of about 18% to 18.5%.

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

**Vijay Karpe:** Are we facing any raw materials availability issues and also are we facing any capacity constraints in wood flooring division?

**V. Venkataramani:** No, we are not facing any constraints, either in availability of raw material or in the flooring division. Although, we did face some constraints in wood availability at the Andhra Pradesh plant post the Cyclone in December, but now it's getting back to normal.

**Vijay Karpe:** Great. And what is the industry growth rate that we are expecting separately for plywood and MDF for the next five years?

**V. Venkataramani:** That's a very difficult question, Vijay. So, I'll stick my answer to the next couple of years. So we should be looking at an industry growth of about 15% to 20% in MDF and plywood, we are not really very much aware because our capacity is very small but then, plywood in normal times grows by about 3% to 4% and in good times grows by about 6% to 8% considering the industry as a whole.

**Vijay Karpe:** Okay. Where I was trying to get to was that is plywood going to see the light of the day 10 to 20 years down the line and why are we not doing any expansions in plywood?

**V. Venkataramani:** Two reasons, we feel that margins and profitability are higher in MDF and probably MDF will do better in the medium to long term with people's liking for readymade furniture increasing and also the mobility of people shifting from one place to another. Hence, we would prefer to concentrate our energy and resources on the MDF segment or possibly we could also look at particle boards in future.

**Moderator:** Thank you. The next question is from Pranav Gala from IWealth Management. Please go ahead.

**Pranav Gala:** I just had two questions sir. First one, what will be our capacity in Uttarakhand and Andhra Pradesh post the expansion?

**V. Venkataramani:** The capacity in Uttarakhand will be 18,000 per month or 2,16,000 per year and the capacity in Andhra Pradesh will be 37,000 per month or 4,44,000 per annum. So, both plants combined we should have capacity of about 6,60,000 cubic meters per annum.

**Pranav Gala:** Okay. So, sir around 2,16,000 at Uttarakhand and Andhra Pradesh would be for the quarter 4,44,000 right?

**V. Venkataramani:** It's not for the quarter, for a full year. So, like Uttarakhand will have a monthly capacity of 18,000 cubic meters per month or 2,16,000 cubic meters per annum and Andhra will have a capacity of 37,000 cubic meters per month or 4,44,000 cubic meters per annum.

**Shobhan Mittal:** Venkat, I would just like to issue a clarification here, the system that we are installing for the expansion of the capacity only provides additional capacity on thicker MDF. So, it does not provide additional capacity on

thin MDF because of the limitation of the press speed. So, a lot of this expansion of capacity also depends on what the final product mix that we will get in terms of the market demand. So, it's very hard to pinpoint that number if the additional demand comes in the form of thin MDF. So, this needs to be noted.

**Pranav Gala:** Sure.

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

**Udit:** Just on the exports front that you mentioned that we have 30,000 CBM order already in hand. So, when do we expect it to materialize?

**V. Venkataramani:** Udit, it's very difficult to answer because we are still facing constraints on availability of containers and ships. So, possibly this quarter also we will see, exports reducing from earlier quarters so, probably we will be somewhere between 6000 cubic meters to about 8000 cubic meters per month unless we see a significant improvement in availability of containers. But yes, if the situation improves, we would be possibly looking to speed that up. Take exports to about 12,000 cubic meters per month.

**Udit:** And sir in the opening remarks you mentioned about your net debt target to come down. Can you please repeat that?

**V. Venkataramani:** Our net debt was Rs.452 crores at the end of the current quarter and we expect to bring that to Rs.400 crores by 31st, March 2021 and Rs.250 crores by end of FY22.

**Moderator:** Thank you. The next question is from the line of Abhisek Ghosh from DSP Mutual Fund. Please go ahead.

**Abhisek Ghosh:** Just couple of questions. What would be the proportion of imports in India in FY20 and what would it be now?

**V. Venkataramani:** So imports were somewhere in the range of 25% to 30% in FY20. And although I don't have any exact numbers, they should have reduced significantly during the current quarter as well as the nine-month period, but I don't have any data for that.

**Abhisek Ghosh:** Okay. And sir what would be the difference between landed prices of imports vis-à-vis the Indian production any sense around that?

**V. Venkataramani:** There are two broad segments in MDF. One is the thick MDF which is 6 millimeters and above, there the price difference is in the range of 6% to 8%. And the other category, which is below 6 millimeters the thin MDF, there the price difference is 25% plus.

**Abhisek Ghosh:** Okay. And sir just one last question from my side, are you also seeing some amount of unorganized or semi organized place in Yamuna Nagar trying to put MDF capacity, is that a trend that you're seeing? I know you alluded to a point that, that may not be direct competition for you. But are you kind of seeing that happening, and if you can just help us understand?

**V. Venkataramani:** Yes, there are currently about four or five unorganized manufacturers with small capacities in MDF. And we could possibly see another two or three putting up capacities in future, although I don't have any details, but based on market feedback from the sales team. Some of them are targeting to put up new capacities, which could be online, either in FY22 or FY23.

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

**Karan Bhatelia:** Sir, we've seen realization dip for the plywood portfolio from Rs.259 to as low as Rs.244. So is there any change in product mix or how do we see about this?

**V. Venkataramani:** Yes, there's been a change in product mix. The quantum of decorative veneers, which is priced at a significantly higher premium compared to the normal plywood, that has seen a dip, because people are probably preferring a lower cost option in laminates. So that's the reason for the dip in the plywood realization.

**Karan Bhatelia:** So, can I have like premium and non-premium mix compared to the earlier contract?

**V. Venkataramani:** It is not exactly premium and non-premium so, plywood is like the base material for furniture whereas, decorative veneers are a surfacing material.

**Karan Bhatelia:** Correct. And what could be this as a part of our overall revenue?

**V. Venkataramani:** Say decorative veneers should be lower than 10%. So, approximately about 7.5% to 8%. But if the normal plywood is priced at about Rs.230 to Rs.240 a square meter, then decorative veneers is about Rs.550 a square meter.

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

**V Samala:** So, just with respect to the margins on MDF and plywood segment. So if you could just highlight what kind of margins would you be looking at these segments for the next fiscal year, I know that you alluded that the addition of, the value added machinery would help you in generating

cost savings of 200 bps in the MDF segment. But, before that value addition happens, what kind of margins could we expect in MDF and plywood?

**V. Venkataramani:** Okay, like I have mentioned we had margins of 24.5% in MDF and about 14.6% in plywood for the current quarter. Since the expansion will probably be effective only for one quarter next year. So margins in MDF should probably be improving by about 50 to 100 basis points in the next financial year. And plywood margins should be in the range of about 15% next year.

**V Samala:** Okay. So 25% for MDF and 15% for ply is what we can expect for FY22?

**V. Venkataramani:** Sure.

**V Samala:** Right. And another point that you spoke about, while you were alluding to the demand triggers for the MDF, about the export that you're seeing in the readymade furniture category. So, I know it's still the nascent stage, but could you highlight some of the trends or numbers, anything that you would have come across?

**V. Venkataramani:** No, you're correct. It's still at a very nascent stage. So, I don't really have any numbers for that. Basically, it's based on the inputs that I have received from the sales team.

**Moderator:** Thank you. The next question is from the line of Aasim Bharde from DAM Capital.

**Aasim Bharde:** I just needed one clarification on your Brownfield capacity possibility in your AP plant. So when you say you can add two more lines there, is that for 3,50,000 CBM each?

**Shobhan Mittal:** Yes, we have the space available to do it. But it's not necessarily that we may choose to go with the capacity expansion of that size.

**Aasim Bharde:** Okay. And any rough estimate for on a per CBM basis how much would the Brownfield CAPEX cost at this AP plant if we look for something as big as this scale?

**Shobhan Mittal:** The moment that would be very hard to estimate because, if you look at our previous investment of about Rs.700-750 crores, this was close to three years ago when we had signed the contract with the current valuation of the rupee against the euro. Actually, it won't be accurate for me to give a number to that at the moment, because we haven't really explored any possibilities of an expansion at the moment. So, it will be very hard for me to put a number to that.



**Moderator:** Thank you. The next question is from the line of Keval Ashay who is an Individual Investor is. Please go ahead.

**Keval Ashay:** So, I have two questions. So first is, what are the plants that company has after the MDF capacity reaches 100% and we have another small expansion that we had. So are we going to increase the marketing expense and go for branding or something like that?

**V. Venkataramani:** Shobhan, can you take that please?

**Shobhan Mittal:** Sorry, I didn't hear it properly. Can you please repeat that?

**Keval Ashay:** Yes, sure. So what are the plans that we have after the MDF capacity reaches 100% then we have a smaller expansion that we have. So are we going to increase the marketing expense and then go for branding? So do we have that plan?

**Shobhan Mittal:** No, I don't think there will be any substantial increase in marketing because, all our manpower, sales infrastructure are in place and we were probably choose to reallocate some of our marketing expenses in different areas, but not necessarily mean increase in the marketing expense in terms of percentage as such. So, I won't say that with the additional capacity coming in there would be an any significant increase in the marketing expenses.

**Keval Ashay:** Great, got it. And the second question is, so can you give us the updates on antidumping duty on thin MDF, if we can get?

**Shobhan Mittal:** Sorry, any updates on the?

**Keval Ashay:** Antidumping on thin MDF?

**Shobhan Mittal:** Did you say antidumping, sorry your line is not very clear.

**Keval Ashay:** Yes, antidumping duty on thin MDF?

**Shobhan Mittal:** So, anti-dumping duty on thin MDF, it could be in two forms. Like I mentioned earlier, the CVD investigation, which is the countervailing duty investigation that is ongoing, is applicable to the entire product portfolio, which includes thick and thin MDF both, and then there is a separate investigation ongoing for thin MDF specifically. So, any sort of dumping duty application on thin MDF would be subject to the outcome of such investigation which will happen over the course of the next few months.

**Moderator:** Thank you. The next question is from the line of Utkarsh Somaiya who an Individual Investor is. Please go ahead.

**Utkarsh Somaiya:** I have two questions, One question is again on the capacity, I just wanted to know the management's thought process about how capacity will expand after the Capex is going to happen this year, given that the demand is so good, and there's not much supply coming in the market. So, just a few thoughts, I don't need numbers, it's just?

**Shobhan Mittal:** So, Utkarsh the capacity at the moment, we still have a long way to go where, in terms of fully utilizing our existing capacity we have the small capacity increase coming in by way of the small Capex that we're doing. And more importantly, we would like to optimally utilize our production capacity in the most profitable manner. So, at the moment, we are still servicing, sort of less profitable segments of the market, which we would like to convert to the more profitable segments both in terms of the customer segments as well as in terms of the product mix as well. So, the focus for the moment would continue to remain on that. I don't think that we would see any decision on a substantial capacity expansion over the next year, year and a half at least. We are also keen to bring down our debt load before we embark on to any additional major substantial capital expenditure.

**Utkarsh Somaiya:** What is the level of depth that you are comfortable having on your books?

**V. Venkataramani:** So, we are targeting net debt of about Rs.250 crores by the end of FY22. So, at that debt level, we would possibly be comfortable at doing new capital expenditure, but again, we would not like to invest in a new plant till we have the optimum capacity utilization, product value mix and margins. So, even if debt reaches a comfortable figure, we will possibly look at fresh capital expenditure only when we have the optimum mix of volumes and product.

**Moderator:** Thank you. The next question is from the line of Senthil Nathan who an Individual Investor is. Please go ahead.

**Senthil Nathan:** Sir, just want to understand is that the supply chain is the main reason behind this kind of utilization in the domestic side and tomorrow if the supply chain becomes normal, will we be able to maintain the margin after our improvisation on the cost side?

**V. Venkataramani:** See the margins would be dependent on the capacity utilization, the mix of domestic and exports as well as the product mix and also raw material prices. But yes, looking at the current demand scenario, we are fairly optimistic of business volumes and margins during the current year and the next financial year.

**Senthil Nathan:** Okay, and if at all if you are expecting anything on the CVD, how much it would be sir, and how much the price difference on thin MDF will come down from the current 25%?

**V. Venkataramani:** That's a very difficult question to answer.

**Shobhan Mittal:** Yes, it's too premature to answer, we don't like to sort of guess on these things when it comes to the matters of the government. So it will be very, very hard to put a number to that at the moment.

**Moderator:** Thank you. The next question is from the line of Mahesh Koshia from Finvest Advisors. Please go ahead.

**Mahesh Koshia:** So, I just wanted to know, in answer to one earlier question, you had given that in thick, the price difference varies between 6% to 8% and in thin board by how much?

**V. Venkataramani:** More than 25%, possibly in the range of 25% to 30%.

**Mahesh Koshia:** Okay. And you think that this kind of price difference will continue?

**V. Venkataramani:** It would depend on the extent of CVD and when it's implemented. So, if CVD is implemented and depending upon the percentage, the price difference could come down, possibly by about 40% to 50%.

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

**Achal Lohade:** Sir, just wanted to check what is the mix in terms of thick and thin MDF for us at the moment and what is the potential we can go theoretically?

**V. Venkataramani:** The current mix is 70:30 and it will continue in that manner.

**Moderator:** Thank you. The next question is from Balaji Vaidhyanath from Nafa Asset Management. Please go ahead.

**Balaji Vaidhyanath:** Sir compared to plywood industry, which is a little more fragmented, do you think the MDF industry would be much more consolidated in general because of the higher capital intensity involved in this particular industry?

**V. Venkataramani:** Yes, it appears to, at least in terms of large plants, I would assume that it could continue to remain a consolidated industry.

**Moderator:** Thank you. The next question is from the from Nehal Shah from ICICI Securities. Please go ahead.

**Nehal Shah:** Sir my question is on margins. Currently our north margins are higher than the south plant margins. What will make our south plant margin equivalent to the north margin, if at all that's possible?

**V. Venkataramani:** Yes, when the south plant operates at optimum capacity utilization and it has the same mix of domestic and exports as the northern plant. Theoretically, yes southern margin should be slightly better than the northern plant.

**Shobhan Mittal:** Also, if the dumping duties do come in, the primary beneficiary of that would be the south plant because it is catering to the south and the west markets. So that would substantially improve the margins if the duties come into place.

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

**Vijay Karpe:** Venkat, we manufacture both plywood as well as MDF, so what is the price difference between our MR grade plywood and HDHMR of the similar dimensions and thickness?

**V. Venkataramani:** Shobhan can you take that question please?

**Shobhan Mittal:** You said MR grade plywood and?

**Vijay Karpe:** I will repeat my question. So what is the pricing difference between MR grade plywood and HDHMR MDF?

**Shobhan Mittal:** HDHMR MDF compared to MR grade plywood would still be I would say 25% to 30% cheaper. The MDF would be 25% to 30% cheaper and now when I am talking about MR grid, when I am talking about that percentage, I am referring to the organized segment plywood, not the unorganized side of plywood.

**Moderator:** Thank you. The next question is from Pranav Gala from IWealth Management. Please go ahead.

**Pranav Gala:** Sir, just wanted to know, what will be our utilization levels that we're expecting after the new plant comes in from quarter four?

**V. Venkataramani:** No new plant is coming in.

**Pranav Gala:** The Brownfield expansions.

**V. Venkataramani:** It's not really an expansion we are just adding some machinery to remove the bottlenecks from production. And that is, likely to be implemented during November, December next year. So it will probably have the full capacity available for Q4 next year.

**Moderator:** Thank you. The next question is from Madhav Marda from Fidelity International. Please go ahead.

**Madhav Marda:** Sir, just wanted to understand you mentioned that you wanted to improve your value mix in terms of the customer mix, is what you were referring to. Could you just help us understand what that means exactly, and who are these customers who are sort of better paying?

**Shobhan Mittal:** Sure. When we say the customer mix, we're referring to like large format OEMs, who currently consume a fair chunk of our capacity specially in the south plant. Now, these guys are primarily consumers who traditionally have been dependent on imports. And we have started catering to them where pricing, of course is in-line with what the imported prices are. So, in the long term of which we, if we don't get any benefit out of the anti-dumping and prices improving in that customer segment, then we would obviously like to convert that business into a general sort of retail segment where realizations are higher. So, I'm talking about large format OEMs, where pricing is a challenge.

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

**Karan Bhatelia:** Sir for FY22 and 23, what domestic volume and export volume mix are you targeting from the south plant?

**V. Venkataramani:** It's very difficult to answer currently primarily because the non-availability of containers and ships has impacted our exports. The export volumes were only about 23,000 during the current quarter. But like I mentioned, we have orders of more than 30,000 cubic meters currently. So depending upon, the improvements in availability of containers and ships, I think export volumes could be anywhere between 80,000 per annum to about 1,20,000 per annum.

**Moderator:** Thank you. The next question is from V Samala from Tata Asset Management. Please go ahead.

**V Samala:** Sir just wanted to understand, I know that now at this point in time there is a supply constraint with respect to the containers which is constraining your exports. But, in a more general sense, do you think the export opportunity for the Indian MDF exporters has improved post the pandemic like we've noticed in some of the segments like textiles, tyres, or API, et cetera?

**Shobhan Mittal:** There's been a substantial improvement, our product has been very widely accepted and also to the extent that our product is actually considered superior to a lot of our South East Asian counterparts. We are actually in a position where we are having to refuse to accept additional orders from new clients. So, we're just trying to service our existing clients. So acceptance has been good and we have seen that if we choose to do so, we can definitely increase our export business.

But again, it's a choice of allocating capacity to the most profitable segment and export clearly is a very, very competitive segment. So, it's not the most lucrative segment that we want to allocate our limited capacity to, given the current situation.

**Moderator:** Thank you very much. We'll take that as the last question. I would now like to hand the conference back to the management team for closing comments.

**Shobhan Mittal:** We wish to thank you, thanks everyone for joining this call. And we also look forward to speaking to you again, on our next quarter call. If anyone has any further questions or clarification, feel free to get in touch with us please. Thank you.

**V. Venkataramani:** Thank you very much.

**Moderator:** Thank you very much. On behalf of Greenpanel Industries Limited, that concludes the conference. Thank you for joining us, ladies, and gentlemen, you may now disconnect your lines.