



Greenply/2022-23

August 10, 2022

**The Manager**

BSE Limited  
Department of Corporate Services  
Floor 25, P. J. Towers, Dalal Street  
Mumbai - 400 001  
Scrip Code: 526797

**The Manager**

National Stock Exchange of India Limited  
Exchange Plaza, Bandra Kurla Complex  
Bandra (E)  
Mumbai - 400 051  
Symbol - GREENPLY

Dear Sir / Madam,

**Sub: Conference Call Transcript**

Please find enclosed Conference Call Transcript in respect of conference call for Investors and Analysts held on August 8, 2022 on the financial results of Greenply Industries Limited for the quarter ended 30th June, 2022.

The same is also available on the website of the Company viz. [www.greenply.com/investors](http://www.greenply.com/investors)

Thanking you,

Yours faithfully,

**For GREENPLY INDUSTRIES LIMITED**

**KAUSHAL KUMAR AGARWAL  
COMPANY SECRETARY &  
VICE PRESIDENT-LEGAL**

Encl.: A/a

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# “Greenply Industries Limited Q1 FY23 Earnings Conference Call”

**August 8, 2022**



**MANAGEMENT:** **MR. MANOJ TULSIAN — JOINT MD AND CEO**  
**MR. SANIDHYA MITTAL — JOINT MANAGING**  
**DIRECTOR**  
**MR. NITIN KALANI — CHIEF FINANCIAL OFFICER**  
**MR. GAUTAM JAIN — AVP, STRATEGY AND INVESTOR**  
**RELATIONS**

**MODERATOR:** **MR. DHIRAL SHAH — PHILLIPCAPITAL (INDIA)**  
**PRIVATE LIMITED**

**Moderator:** Ladies and gentlemen, good morning, and welcome to Greenply Industries Limited Q1 FY23 Earnings Conference Call hosted by PhillipCapital India Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '\*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Dhiral Shah of PhillipCapital, PCG Desk. Thank you, and over to you, sir.

**Dhiral Shah:** Thank you, Michelle. Good morning everyone and thank you for joining us on the Greenply Industries Q1 FY23 conference call. In the panel today, we have Mr. Manoj Tulsian, Joint MD and CEO, Mr. Sanidhya Mittal – Joint Managing Director, Mr. Nitin Kalani – CFO and Mr. Gautam Jain – AVP Strategy and Investor Relations.

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

I now invite Mr. Manoj Tulsian to begin the proceeding of the call. Thank you, and over to you, sir.

**Manoj Tulsian:** Thank you, Dhiral. A very warm welcome to everyone present and thank you very much for joining us today to discuss Greenply's operating and financial performance for Q1 FY2023.

To start with, our performance during the quarter was the outcome of our concerted focus on staying resilient in a challenging macro environment of high input costs and the geopolitical uncertainties.

Let me share some insights on our standalone financial performance in the current quarter:

We achieved the volume growth of 79.5% and a realization growth of 3.1% in Quarter 1 FY23 on a YOY basis. The top line increased by 85% to Rs. 395 crores in Q1 FY23 on a YOY basis again. Considering good traction of volume growth in Quarter 1 and supported by our recently commissioned Sandila Plywood Plant in Lucknow, we are confident to achieve our top-line growth guidance for the full year FY23.

Our growth in the last quarter could have been better, you know, had we commissioned our Sandila plant and one of our partnership plant facility in Q4 of last year. So, there were some amount of capacity constraints which we had to go through in Quarter 1.

Sustained recovery in real estate from the past couple of quarters would continue to gain momentum even with the increased input cost and interest rate hikes by RBI. So, at this point of

time, we are not really still worried in terms of the market traction. The growth is expected pan-India with inclination towards tier two and tier three cities where the desire for the large and better furnished homes has propelled the demand and we assume that that will continue in the near future.

Our adjusted core EBITDA margin stood at 9.4% in Quarter 1 FY23. That's a 100-basis point decline from Quarter 4 FY22. Primarily, this is due to sharp increase in raw material prices as well as the change in product mix, which resulted in a impact of almost 5% on a QOQ basis, although we have taken further price hikes in this quarter of almost 2%, but that only became effective, you know, starting June. So, we'll see the impact in this quarter, but that was not I think sufficient to absorb the entire cost increases. Going forward, we expect the overall raw material prices to start softening from Quarter 3 onwards, which possibly will have result in improvement of margin profile.

At the forefront of driving innovation, we recently launched Green platinum in the premium segment. The product features with 2x resistance and 2x waterproof. It is a new generation product with better value proposition. The initial response has been encouraging and we expect this launch will definitely support us in meeting our top line guidance for this year. We continued with our prudent working capital management and the net working capital cycle stood at 29 days at the end of June 22 at par with March 22 levels.

We are also on track in many of our improvement initiatives, which we have been talking in the past in the areas of IT automation, product offerings, enhancing capacities, line balancing, distribution reach and the brand building initiatives.

As far as the Gabon business is concerned, we have achieved a robust sales of almost 59 crore in the last quarter with growth of almost 24% on a YOY basis. This was majorly on account of improvement in supply chain and logistics. Order book has never been a challenge till date. Operating margin was 13.2% in Quarter 1 FY23 improved by almost 453 basis points on a YOY basis. The demand scenario continues to look good from the European and South Asian markets as far as the Gabon business is concerned. The overall outlook is favorable and we are well-positioned to deliver long-term consistent growth.

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

**Sanidhya Mittal:**

Thank you, Manoj ji, and good morning to everyone on the call.

Let me share the progress of our new project initiatives:

In our Greenfield plywood manufacturing unit at Sandila, Lucknow, we have achieved commercial production and the unit will support to cater the growing demand. In our upcoming MDF facility in Vadodara, Gujarat, the machinery dispatches and installation has started and

civil construction work is going as scheduled. Due to some bottlenecks in international ocean freight movement and congestion at ports, we are expecting some delays in machinery inflows. However, we are still trying to complete the project in our timeline of Q4 FY23.

In our asset light model, we have two manufacturing partner units in Bareilly, UP for manufacturing of plywood and allied products. We are already fully utilizing the capacity of the first project. In the second project, we have started partial production in Q3 FY22 and expect the remaining to start soon. Our another plant with the manufacturing partner for manufacturing of plywood and allied products in Hapur, UP should be operational by Q4 FY23.

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

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

**Pranav:** Sir, I wanted to understand on the Gabon part of the business. So, now with Europe facing severe problems on importing from Russia, with wood being the top five commodities imported from Russia by the European Union, do you think that there is some structural shift going on for Gabon wherein you will see very strong growth coming in for the Gabon unit?

**Manoj Tulsian:** So, yes, I would say that, you know, our market, European market has always been good for us and we have not seen any problem during this period also. If you see the robust performance, it is also because the throughput from the European sales has been good and actually you answered the question itself. Looks like the traction will improve further. So, we are very hopeful, you know, this year that Gabon possibly will continue to run, you know, at the existing run rate of Quarter 1, if not better.

**Pranav:** And sir, my other question was related to this only, that since wood is now becoming a kind of scarce commodity for European Union and European Union being a large supplier to the Germany and Italy and all of those guys being the large supplier to the EU itself and to the other parts of the world, do you think that structurally for at least the next one or two years we will see wood price is not coming down and because of that the overall prices will also not come down very substantially for plywood and let's say, MDF and particle board?

**Manoj Tulsian:** Are you talking about the international market or for the domestic market?

**Pranav:** Yes, sir, because in domestic market itself, we are also facing a lot of challenges on the wood supply, particularly the unorganized side. So, just wanted your thoughts on the same.

**Manoj Tulsian:** So, on the domestic market, yes, for sure, you know, there has been very mixed, you know, I would say a continued mixed environment in terms of increase and decrease in certain categories of the raw materials. So, in Quarter 1, we saw the chemical prices again going up and even the timber prices to some extent only going up. Quarter 2 now we have seen a scenario where the

chemical prices have eased out, but the wooden timber prices have not. In fact, they have actually further gone up.

When we are talking to the industry players, when we are talking to the supplier source and everything looks like, you know, this might stabilize at this price and you know, I mean, everyone is talking to the price is crazy. So, that's a wish list basis the past experience that it should not go up, but I think, you know, something which remains to be seen.

**Pranav:** And sir, on the international side?

**Manoj Tulsian:** No, international side, you know, at this point of time, we are not seeing, I mean, at least for us in Gabon, we are not seeing an increase in the prices of timber. It's the other operating cost which is creating a problem. So, like, you know, fuel has become a crisis commodity there and if I just talk about between Q1 and Q2, because of sharp increase in fuel prices almost to the extent of 30, 35% there, I might have to take a 1% hit in my margin only on account of that. So, of course, we are going back to the our customers and you know, we are taking a price increase to mitigate that. So, you know, something or the others has been hitting Gabon more from these operational environment challenges.

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

**Udit Gajiwala:** Sir, could you please explain that what kind of volume and value growth are we expecting for FY'23 and given the, you know, macro scenario, what confidence do we have in this?

**Manoj Tulsian:** I think, Udit, we had given a guidance at the beginning of the year of overall growth of around 15% plus. We maintained the same guidance on the revenue side and out of which, we were talking of a volume growth of 10 to 12%. So, we still maintain the same. So, we think very much we can do all these numbers.

**Udit Gajiwala:** And so what kind of price hikes, you know, we should expect going ahead given that you have stated on the timber prices which is a key RM? So, do we see that more price hikes could follow in the industry? And how does it help us, you know, by not losing market share to unorganized or something like that?

**Manoj Tulsian:** Well, I think, you know, so, let me answer the second thing first. See, you know, again, there are no industry data which says whether the overall volume of the industry is growing or not. So, you know, if we assume that the overall industry size is similar then players like us have grown during this period and which for sure is improvement in market share from the unorganized players. That is one.

Second, in terms of coming back on the price increase, you know, it is something which we have been continuously working. We have passed it on in the past also. You know, there is a

significant increase which has happened in the last 12 months, very volatile situation all along and over and above that in Quarter 1 also, we took a price increase of close to around 2%, but that was only effective in the month of June. So, we get the benefit during this quarter and while we are sitting in the first week of August, we are looking at maybe one more price increase in the value segment and not in the premium segment. And then again, you know, we are watchful. We are careful. We will see how things pan out in Quarter 3 and maybe directionally, we will look at it what needs to be done next.

**Udit Gajiwala:** And sir, just the last question if I may squeeze? Are we seeing any escalation into our CAPEX cost for the MDF business?

**Manoj Tulsian:** Yes. You know, last time also we said that it was approximately looking like around 7% though a few things still are to be ordered. But I think it should be in that range.

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

**Sneha Talreja:** Just an extension to the previous participant's question. So, you mentioned that, you know, you're maintaining the growth guidance to about 10 to 12 odd percent. Even if you assume a 12% of volume growth, you're actually guiding for a 0% nine months growth for the rest of the period. Just wanted to clarify that part. Why is 0% volume growth in the coming nine months?

**Manoj Tulsian:** Yes, I knew that this will be coming. See, if you see at the beginning of the year when we had given a guidance of overall 15% plus, I was keeping in mind the type of challenges which we are facing on the capacity side. So, what has happened is, you know, that our dependence on the trading model of business is also very, very high, but there is always a learning. You know, whatever we do in business, we have some type of learning.

We faced challenges in the last, you know, two to three quarters in terms because there is a continuous price increase, you know, which has been happening on the raw material side and in the increasing price trend, you get to understand that there will be supply side constraints coming from the trading partners because, you know, the moment there is a price increase, they don't have the patience to wait for negotiating and all those things, and when as a company we have so much of dependence and at times you will end up either paying them a higher price or you end up, you know, somewhere compromising on the supply side.

Our own plant, you know, Bareilly facility, which was due to be operational in Quarter 4 somehow for some reason or the other has still not become operational. Sandila plant, which also we felt that, you know, we would be able to get a full production in Quarter 1 had just started, you know, doing production and we are only thinking or seeing that it reaches a good production capacity by Quarter 3 and our Hapur facility, in any case, is going to come in Quarter 4.

So, I would say that, you know, we have the supply side challenges because of which, I think, somewhere there will be this subdued growth during this period and because of which we maintain that guidance. But we can only be slightly better than that.

**Sneha Talreja:** But according to that even after Sandila's plant, we are facing these issues. As you said, the right impact of the same plant will come in H2. So, Q2 could be a trouble in terms of volume where we could see a dip also. Is my understanding correct?

**Manoj Tulsian:** No, not a dip, but what will happen is that, you know, we can better use the Sandila facility. So, once my capacity is up and running, I have that option that in case I am getting any trouble, facing any trouble from the trading partners, I can use that facility and optimize my facility to use and produce, you know, my value segment from that plant in the near term. So, at least on the volume side, we will not face a real challenge in terms of, you know, some of the supply side challenges which we faced in Quarter 1.

**Sneha Talreja:** So, secondly on the margins, last time you also guided for around 11 or, you know, around 100 that's sort of an improvement from FY22 level, which means actually more than 11% margin for the plywood business.

**Manoj Tulsian:** Correct.

**Sneha Talreja:** This particular quarter, we have seen some bit of pressure because of the raw material prices and as you said, you only see cooling down happening post Q3. So, again, some sense there where the margins looking at now for FY23? Is there any revised guidance again here?

**Manoj Tulsian:** No, we are not revising the guidance, you know, but as I said, Quarter 2 also looks that possibly because one price increase which we are looking at to take in the value segment may only come in the month of September and the impact of that again starts reflecting from Quarter 3. Also, there is an assumption that, you know, this unprecedented, continued increase in raw material prices will soften in Quarter 3. If it doesn't, then we will have to look at ways and means, other means to, you know, further look at price hike to improve the margin. So, Quarter 2, I would say that, you know, I am looking at maybe some pressure to continue, but from Quarter 3, it will improve. And having said that, I think, you know, we will still, at this point of time, we are trying to see that we don't drop on our margin compared to last year for sure for the full year. That's the immediate thing what we are looking at.

**Sneha Talreja:** Sir, one last one if at all, I mean, just squeeze in regarding our MDF business, although I know it's yet to come in. But how's the scenario that you're seeing in the western market given that, you know, one of the leader in this particular space has recently, you know, spoken about some amount of subdued demand which they are forecasting, along with the fact that raw material price threshold is something that is already seen in the market and they're unable to take price hike? What's your sense? Are you seeing imports coming back? Are you seeing subdued demand



in the MDF segment or we are, you know, again happy with our earlier guidance's and you know, we will be able to quickly ramp up the unit? What's the sense there?

**Manoj Tulsian:**

I would say a few things and then maybe I'll ask Sanidhya to add further on that, if I'm missing out on anything. See first thing, you know, what we are looking at in the MDF business is that the MDF business can continue to grow at 20% in the country, if not more in the next few years.

Second thing, if you really look at, we always believe that the margin today where it has reached possibly is not sustainable. I mean, we had done all our calculations at only 20% margin, but I think, you know, looking at today the margins which we see is almost in the range of 35%, our fair assumption is that, possibly, it will not drop down below 25% even in the near future.

Third thing, in terms of imports, you know, where I was just looking at some data though the sea freight has come down, but it is still significantly high. So, I don't see again there is an opportunity for imports to happen in the country. In fact, possibly, you know, I mean, this is slightly a wish list, but possibly a scenario may develop that India as a country starts exporting in the next two, three years and not because of the pressure in terms of, you know, pricing or something or demand, but maybe because there will be a natural benefit in terms of efficiencies which may come in in this country and all are very organized players who are actually the MDF players in the country. The market is more of an organized market, if you see. So, these are very advantageous things what I see from an MDF perspective.

**Sanidhya Mittal:**

I would just add that, you know, we will remain to be the only MDF plant in western India. So, you know, and the product cost is very low and the outward freight will play a very important role. So, you know, we've already started working in the market. We've already started collecting data. We're already meeting MDF dealers across the country, especially focusing on West, because in West, we will be able to have a pricing advantage in the market because of the outward freight component. So, without disturbing our margins, we'll be able to capture the market at a lower price because of the outward freight saving. So, you know, our focus we would want to sell 50, 60% of our production in the west and the balance across India.

**Moderator:**

The next question is from the line of Nilesh Doshi. from India capital Markets Private Limited. Please go ahead.

**Nilesh Doshi:**

Sir, my question is related to the volume, and it is on a quarter-on-quarter basis. See, our total sales volume was 17.1 MSM in the Quarter 4, '22, and it is now 16 MSM in Quarter 1, '23. Why? First question is why there is a sales was down? Number two, mainly the sales is own manufactured product is down, not the trading and the JV manufacturing and because of that, I think the margin is shrink, because we are claiming that we are producing the branded and our realization is higher in our own manufacturing products and margin is, therefore, the high. Kindly explain the reason for the same, sir?

**Manoj Tulsian:** So, first thing first, you know, if you see Quarter 4 in our industry has always been better than any other quarters and normally, the Quarter 1 is slightly subdued, but if you see during this quarter, we have actually done reasonably well, you know, because when we compare from Quarter 4, of course, we wanted a similar volume. That's what we were trying to drive and in my opening speech, I somewhere mentioned also that we missed out on certain amount of volume because we were not able to get or, you know, we were not able to regularize the supply side. And coming in terms of what was your second question?

**Nilesh Doshi:** See, because we manufactured the branded products and we claimed that our realization is higher compared to the trading volume and so the margin may be shrink in this quarter. Is it the right understanding?

**Manoj Tulsian:** Well, yes, again, that also I mentioned in my opening speech, Nileshji, that, you know, there is a shift. There is a change in product mix also, which we saw in Quarter 1, and we are assuming that that may continue, though, of course, you know, we as a company are mainly dependent on the premium brand. We are leaders in that premium brand category, but because of continuous price increase which has happened in the last 12 to 14 months and also to some extent, there were some visible signs of some slowdown. There were some cash flow issues, which our dealers community has been mentioning. We saw that there was some level of possible down trading which was happening and which also reflected in our numbers, and that's where, you know, because we were not prepared to that extent, even our trading partners were not prepared to that extent to deliver those type of volumes, somewhere we missed out on the volumes also.

**Nilesh Doshi:** Sir, recently, we introduced a new product. I forget the name of that product, but is it under the premium category or it is the value category?

**Manoj Tulsian:** No, it is the product is Green Platinum and, you know, it is a state-of-the-art product. Thanks to my R&D team and this is something which is not there in the market, you know, after the E-0 launch, I think this is the next level of, you know, innovative product which we have launched in the market, and this is in the premium segment.

**Nilesh Doshi:** And sir, when our own manufacturing capacity will be operated at near to 100% capacity of all the plants?

**Manoj Tulsian:** Well, my existing plants, I think, is running right now at 90% plus, but I can only tell you that we are very hand to mouth in terms of, so we may speak about 100 is the capacity, but I think it's almost an optimum utilization of the capacity. So, we were just now waiting for the Sandila plant, which is my new capacity, and another plant which we spoke about in Hapur which is under construction which will start giving me new capacities in Quarter 4 as of now.

**Nilesh Doshi:** Sir, increase in the raw material price is the industry scenario. So, the other players are facing this problem severely than the our branded like the Greenply or Century or any other name. So,

can we are not in a position to pass on the completely the raw material price hike to the ultimate finish good?

**Manoj Tulsian:** No, Nileshji, you are right also in what you are saying, and we have been passing it on, but as I said that if you see, Greenply is a company. We were always a leader in the premium segment. Because of this continuous price increase in the premium segment, somewhere it is now going slightly beyond the sweet spot, and that's where you will see that the traction in the value segment has improved significantly. But in any case, if, as I said, you know, earlier also that if we are assuming that the overall industry is not growing, but a company like Greenply has grown both in volume and value, then it is purely that there is a shift that we are able to increase or gain market share from the unorganized.

**Moderator:** Thank you. The next question is from the line of m Priyam Khimawat from ASK Investment Managers. Please go ahead.

**Priyam Khimawat:** Sir, you alluded that despite some delay in machinery imports, we are expecting our MDF plant to come in by Quarter 4 of this year. So, are we talking about commercial production here or just trial runs to begin?

**Manoj Tulsian:** No, Quarter 4 we are assuming trial runs only, and then from Quarter 1 of next financial year, commercial production.

**Priyam Khimawat:** And at what speed are you expecting the MDF plant to ramp up? Should we expect 60, 70% utilization in the first year or will it be significantly lower at 40, 50% levels?

**Manoj Tulsian:** See, we have spoken about this. I think, we would be in a position to almost ramp up the entire capacity or the utilization in over a period of three years. And year one, if we are able to start commercial production, let's say Quarter 1, or maybe early Quarter 1, then first year, surely, we are looking at achieving anything between 40 to 50% utilization. So, year one, 40 to 50, year three, almost near 100. That's how it should be, you know, plus or minus 5 or 10%.

**Priyam Khimawat:** So, I just wanted to understand about timber availability at a plant in Gujarat. Is the timber cost in west at similar levels to what it is in say south or will we have to pay a premium because of short availability of timber there?

**Sanidhya Mittal:** So, I think, I'll answer this question. So, compared to south, we'll definitely be paying a higher price, but our prices will be very, very similar to what it will be in the north.

**Priyam Khimawat:** Can you quantify that percentage premium which will be retained?

**Manoj Tulsian:** Over south?

**Priyam Khimawat:** Yes.

- Manoj Tulsian:** Over south it will be close to around 10 to 15%. And one more thing, Priyam, what we have done is, you know, we started working with the farmers there since we conceived this project. So, while we are talking, we have almost done sapling distribution of more than, you know, 10,000 acres of coverage area and we continue to build up on the same. So, I think that is another risk mitigation exercise which we have really done well, and we'll continue to build up on the same.
- Priyam Khimawat:** Just one more thing. What is the timber cost as a percentage of our sales what we are expecting or a percentage of raw material?
- Manoj Tulsian:** In MDF?
- Priyam Khimawat:** Yes.
- Sanidhya Mittal:** I think, 52% will be the just the timber cost. The balance is chemical and other.
- Manoj Tulsian:** The raw material cost.
- Sanidhya Mittal:** Of the raw material cost.
- Manoj Tulsian:** 50% of the total raw material cost will be MDF, will be timber cost.
- Sanidhya Mittal:** Just a crystal ballpark.
- Manoj Tulsian:** Yes, just a ballpark number.
- Moderator:** Thank you. the next question is from the line of Arun from Kotak Mahindra Bank. Please go ahead.
- Arun:** Sir, my first question is, you mentioned that there were some supply constraint challenges to volumes from our trading partners, correct?
- Manoj Tulsian:** Yes.
- Arun:** But sir, when we look at the volumes, you know, that possibly what you have given, you know, we did some 6.7, I mean, the volumes that we have given in the past four quarters, we see the volumes of the trading partners actually being higher and our manufacturing plants' volume actually are lower. So, any color on that, sir?
- Manoj Tulsian:** No, absolutely. So, what I am trying to tell you is that I have missed out on a potential growth opportunity. So, see, you know, whatever we were assuming our draw rate was from our trading partners, we went beyond that, but we could have done even better if we had these capacities in hand whichever way, you know, whether in at the trading platform or whether within our own

manufacturing platform. So, we could have even done better. So, I am saying somewhere, you know, missed out on the growth.

**Arun:** And so on the margins, you talked about maintaining margins at least for the FY23 at least at similar levels to FY22, if not more. This would be excluding the ESOP adjustment or how that would work out?

**Manoj Tulsian:** No, whichever way you look at, whether, you know, pre-ESOP or post- ESOP, in fact, actually, what we are talking is net of gross of ESOP.

**Sanidhya Mittal:** Adjusted.

**Arun:** Gross of ESOP.

**Manoj Tulsian:** Adjusted, yes.

**Moderator:** Thank you. The next question is from the line of Bismith Nayak from RW Advisors. Please go ahead.

**Bismith Nayak:** So, just one few clarification. First is for the next nine months, due to supply constraints, the volume growth will be marginal only. Correct?

**Manoj Tulsian:** Yes.

**Bismith Nayak:** And if Q1 mix sustains, do you think that 11 to 11.5% margin guidance that you had, would it hold? Or do you want to revise that?

**Manoj Tulsian:** No, I'm not revising it. At the same point of time, as I said, that Quarter 2, I still see some amount of pressure because we felt that, you know, the raw material prices overall will ease out in Quarter two. The chemical prices eased out, but the timber prices have not. The timber prices have only gone up in Quarter 2. Our own industry experts and the sourcing side, they have all been mentioning that come Quarter 3, it should either soften, or it should be on similar lines.

So, we are again looking at another price increase in the value segment, but that price increase will only now happen earliest, you know, and maybe will become effective from, let's say, 1st of October time. So, we will gain again some incremental, you know, margin from Quarter 3. Keeping that in mind, I am saying and that since in Quarter 1, we lost out almost 100 basis points.

Of course, there was a small quantum of even, you know, increased marketing spend during the first quarter compared to my overall budget. So, maybe that also might actually start slightly reflecting in the margin going forward. Keeping that in mind plus this, you know, on the raw

material side whatever is our thought process, I believe last year margins, we will surely try and achieve the last year margins.

**Bismith Nayak:** And this Gabon plant, the whole transfer, basically export to EU? Have you seen sequential pickup month on month because we are hearing news of EU recession and all?

**Manoj Tulsian:** No, we have not been impacted at all. The business is robust. The order book from the European territory is also very robust and that's why I mentioned somewhere in the beginning that we are definitely looking at replicating the Quarter 1 performance in the next three quarters also, which itself means, you know, we are talking of almost 25 to 30% growth over the last year numbers on the top line side.

**Moderator:** Thank you. The next question is from the line of Praveen Sahay from Edelweiss Wealth Management. Please go ahead.

**Praveen Sahay:** So, first question is related to the premium plywood realization. So, can you give the numbers from the FY19, how much has increased?

**Manoj Tulsian:** I don't have the number right now, Praveen. Maybe, you know, if you then take those numbers later, I will ask Gautam. You can check with Gautam. He will be able to give you those number. There is a significant increase. You know, I can only give you some number, which is the at the back of my memory, but I would rather suggest that you take it from Gautam. But it might be a increase of around 10% or 11% over FY19 you said or FY20?

**Praveen Sahay:** I said around 11%, sir. So, my main question is, as you had also said that the down trading happening in the market and that's in the premium volume. So, are you expecting to, you know, reduce the prices to bring back the volume in the premium segment? Or you will rely more on the, you know, the lower grid, the volumes to pick up?

**Manoj Tulsian:** So, you know, in the value segment, for sure, we see better traction for which we will have to fine tune our supply side issues and in the premium segment, as I mentioned, we just launched one new product, you know, which is not there, which is state-of-the-art product. The initial feedback from the trade had been very good and we were just trying to build up on the same so that, you know, if there is any level of drop in the premium segment, this new launch will be able to in a way hold that, you know, downward movement and we have something more in the pipeline. So, you know, we are trying to do that by introducing better products into the market and safeguard, if not improve the premium segment. The whole idea is how we can improve the premium segment, but that had not been the fact in the last one quarter.

**Praveen Sahay:** And what is the difference between the realization of premium versus value product?

**Manoj Tulsian:** This is something which, you know, I would not love to share, Praveen.

- Moderator:** Thank you. The next question is from the line of Kuber from IDBI Capital. Please go ahead.
- Kuber:** So, I just wanted to know the, from the demand per se, what is the current demand from both MDF and plywood segment? I mean, I just wanted to know the on-ground reality from our customers.
- Manoj Tulsian:** See, it is a very mixed, you know, if I talk about the first four months, let's say, you know, not even three-month, it's quite a mixed bag. I am talking about plywood purely because MDF is still not started selling. So, we are just doing our research and we are doing some market feeling on MDF. In terms of plywood, it is a mixed bag. Even within a month, we see one or two weeks not doing good at all and then suddenly, we see the other two weeks coming back strongly and because of all those, you know, Quarter 1 numbers are there before you. You can see that there is no significant drop compared to even Quarter 4. Quarter 4 is always a very, very robust quarter. And coming to Quarter 2 also, July month was good. Coming to Quarter 2, July was okay. August has just started. You know, let's see how it goes.
- Kuber:** And what next, sir? I mean, remaining three quarters, are we seeing good sense of recovery or demand?
- Manoj Tulsian:** Well, you know, whatever guidance we gave at the beginning of the year which was like, you know, 15% topline growth, 15% plus, we are pretty confident that, you know, we would be able to do that.
- Moderator:** Thank you. The next question is from the line of Aasim Bharde from DAM Capital Advisors Limited. Please go ahead.
- Aasim Bharde:** Sir, first question, wanted to get a sense on, you know, Gabon Face Veneer's future. So, assuming a 20 to 25% revenue growth for FY23, how would that look on volume and utilization levels there? And going forward, is there a plan to add capacity soon or would growth start to taper down or flat line by FY24 or FY25?
- Manoj Tulsian:** So, I think, you know, we have been waiting for this time when actually Gabon starts reflecting better growth. If you see last 4 to 6 quarters, we have been maintaining that whatever was in our control, we had tried to manage it, managing the operations efficiently, managing our production lines efficiently. Order book has always remained healthy in the last 5 to 6 quarters, but somehow post the pandemic these challenges on account of shipping line and containers availability has hit us hard. Right now there are some signs, you know, which gives us that positivity that, you know, we may continue to do this volume of around a similar revenue volume in the next 2 to 3 quarters, because the order book is still again very robust and there were ease out on the pressure on the supply chain side.
- I think, you know, how we were looking at it and maybe we can come back with more granularity of data that the facility plus we had one, you know, opportunity there in terms of one additional

facility, which was not operational. So, that we have tried to sign off in case, you know, we need better traction or we get better growth. So, keeping both the facilities in mind, we have capacities. Earlier we were talking of around anything between 250 to 300 crores. Now it looks like we can even go up to 350 to 375 crores with the existing arrangement what we have. So, one or two years of growth for sure will be possible and then, you know, it needs to be seen, but it's the wish list because something or the other has always kept on hitting Gabon, especially after the pandemic, which is more of the external issues rather than the internal issues.

**Aasim Bharde:** Just a follow-up. So, I think Face Veneer peeling capacity is 96,000 CBM. In terms of Face Veneer capacity, how much would that translate to on an overall capacity basis?

**Manoj Tulsian:** No, that is Face Veneer only no?

**Aasim Bharde:** Peeling and Face Veneer is the same thing.

**Manoj Tulsian:** The saleable capacity you can almost divide it by two.

**Aasim Bharde:** So, that's why I think you would be still closer to full capacity utilization, I think, as per my rough calculation, not counting the additional facility that you talked about.

**Manoj Tulsian:** Yes. But with the additional facility, you know, we can go up to the around 70 to 75,000 CBM also on a saleable basis.

**Aasim Bharde:** And my second question, sir, just wanted to understand about the supply difficulty on the plywood side from our trading partners. So, you did mention that they hike prices immediately. They don't have the patience. So, you end up deferring your purchases from that channel. But what gives them the confidence of pushing prices towards you so quickly, given that, you know, even branded players are pushing price cycles a lag. And I'm sure this should be the case across the industry. So, why, what is giving them the confident basically?

**Manoj Tulsian:** No, so I will tell you, you know, what happens that the industry, everyone understands what is the matrix in terms of dependability. So, when they understand that, you know, we don't have alternate channel or we have not created those capacity somewhere, we are dependent on them, then these things becomes an opportunity for them. And also, there were some challenges which all of us know, which has happened because of, you know, a urea issue in the Yamunanagar belt also. So, many of the factories had to shut down which were not using possibly the industrial grade urea there. So, because of that, there was already a dip in the supply side and over and above that, when you have a raw material availability issue and also the prices going up, then sometimes these smaller players, they lose patience, and they just look at that whosoever is willing to pay them a higher price, they just want to move to them. So, these are learnings for us, you know, and we faced and felt some of these things last year itself and that's where we started also building up on some additional manufacturing partner models just to de-risk



ourselves. So, it is a matter of time. We have taken the steps. Maybe a few more quarters, but slowly and gradually, you know, we would be able to de-risk ourselves also.

**Aasim Bharde:** Would you know how many facilities in the Yamunanagar belt might have taken production curtailment because of the urea issue?

**Manoj Tulsian:** That's a extremely difficult question. No one even knows how many, you know, units are operational there in Yamunanagar. Every nook and corner there is a unit which is operational, but yes, from the industry sources, from the people we get a feeler that many of the, and you know, those are not necessarily permanent shutdown. Those might be even temporary shutdowns, but shutdowns has happened during these four months.

**Moderator:** Thank you. As that was the last question for today, on behalf of PhillipCapital (India) Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.