GPIL/2024-2025
May 06, 2024

BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai – 400001

Scrip Code: 542857

National Stock Exchange of India Limited
Exchange Plaza, 5th Floor,
Plot no. C/1, G Block
Bandra – Kurla Complex , Bandra (E),
Mumbai – 400051

Symbol: GREENPANEL

Dear Sirs,

Sub: Transcripts of conference call held on May 02, 2024.

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed transcript of a conference call for investors and analysts held on Thursday, May 02, 2024, at 5:00 P.M. on the audited financial results of Greenpanel Industries Limited for the quarter and year ended March 31, 2024.

Please take the above on records.

Thanking you,

Yours Faithfully,

For Greenpanel Industries Limited

LAWKUSH PRASAD
Digitally signed by LAWKUSH PRASAD
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Greenpanel Industries Limited
Q4 FY'24 Earnings Conference Call
May 02, 2024

Rishab Barar: Good day everyone and thank you for joining us on the Greenpanel Industries Limited's Q4 and FY24 conference call. We have with us today, Mr. Shobhan Mittal, the Managing Director, Mr. V. Venkatramani, the CFO. Before we begin, I would like to state that some statements made in today's discussion may be forward-looking in nature and may involve risks and uncertainties. A detailed statement in this regard is available in the results presentation that was sent to you earlier.

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

Shobhan Mittal: Good afternoon, everyone and thank you for joining us to discuss Greenpanel's Operating and Financial Performance for Q4 FY24. MDF domestic sales grew by 23% while export volumes fell by 75%. We consciously stopped exports to large customers since it was not economical with a 12% quarter-on-quarter and a 30% year-on-year increase in wood prices. Overall, MDF volumes were 7% lower at 127,239 cubic meters compared to 137,265 cubic meters in the corresponding quarter.

MDF domestic realizations were lower by 11.9% at INR29,058 per cubic meter due to introduction of volume schemes in Q4 and change in product mix. Export realizations were higher by 17.1% at 20430 per cubic meter.

MDF EBITDA margins at 16.4% were impacted by reduction in domestic realizations due to launch of volume-based schemes in Q4 and change in product mix, lower export volumes and 30% year-on-year increase in wood prices. Plywood volumes were lower by 30% and operating margins at negative 10.4% were impacted by lower volumes and increase in raw material prices.

Plywood realizations at INR250 per square meter were lower by 6.7% year-on-year. This was due to the reduction in decorative vineyards volumes. We have restructured our plywood sales team to recover market share and reach optimal capacity over the next two quarters.

Post tax profits for the quarter were lower by 57% at INR29.8 crore as compared to INR68.9 crore in the corresponding quarter for reasons stated earlier. Net working capital at 28 days has shown an increase of 11 days year-on-year due to lower turnover and high inventory levels. We have improved the debtors' days from 9 to 7 days. We have chosen to be disciplined with our credit terms which has obviously had some impact on our sales, since competition is offering attractive credit terms. Net debt stands at negative INR156 crore as on 31st March 2024.

We paid INR 34 crores from internal accruals towards MDF expansion project during Q4, aggregating to INR150 crores till date. Apart from this, spends from borrowing aggregate to INR200 crores till date. Work is progressing on the expansion project and we expect commercial production in Q3 FY25.

Mr. Venkatramani will now run you through the financials in greater detail, post which we will have the Q&A session.

V. Venkatramani: Good afternoon, everyone and thank you for joining us to discuss the Q4 FY24 financial performance of Greenpanel Industries.

Net sales during the quarter were INR396.08 crores compared to INR440.58 crores during the corresponding quarter. MDF sales fell by 6.6% at INR260.41 crores and contributed 91% of the top line. MDF domestic volumes grew by 23%, while export volumes fell by 75%. Overall, MDF volumes were 7% lower at INR1,27,239 cubic meter compared to 1,37,265 cubic meter in the year-on-year quarter. MDF domestic revenues were INR 338.34 crores, while exports contributed INR 22.07 crores. Domestic realisations were lower by 11.9% year-on-year at INR 29,058 per cubic meter, while export realisations were higher by 17.1% at INR 20,430 per cubic metre.

Uttarakhand MDF operated at 80% and AP plant operated at 77% with blended capacity utilisation at 78% on capacity of 6,60,000 cubic metres. Plywood sales saw a degrowth of 34.6% at INR35.67 crores. Plywood sales volumes were lower by 30.4% at 1.42 million per square metre and the unit operated at 51% during the quarter. Plywood sales realisations were lower by 6.7% at INR 250 per square metre due to change in mix as mentioned earlier. Plywood sales realisations excluding decorative veneers were flat at INR250 per square metre.

In Q4 FY24, gross margin was flat year-on-year at 53.7%. EBITDA margins were down by 510 basis points at 14%. EBITDA stood at INR 55.44 crores and PAT at INR 29.81 crores due to reasons mentioned earlier.

I'll now update you on the performance details for 12 months FY24.

Net sales degrew by 12.1% at INR1,563.92 crore. MDF sales were lower by 8.7% at INR1,401.71 crores, while Plywood sales saw a degrowth of 33.5% at INR 162.21 crores. Gross margins were down by 230 basis points at 55.8%. Gross margin in value terms was down by 15.5% at INR 873.19 crores. EBITDA margin was lower by 730 basis points at 17.2%. EBITDA in value terms fell by 38.4% at INR 268.33 crores. Post-tax profits were lower by 44% at INR 142.68 crores.

Overall MDF sales volumes were down by 4.3% at 4,84,953 cubic meters with blended capacity utilization of the two plants at 74% compared to 78% in the year-on-year period. Dispatches for Plywood were lower by 28% at 6.18 million square meters with capacity utilization at 54% compared to 74% in the corresponding period. Gross debt (including borrowings of INR 186 crores for expansion project) to equity ratio, stands at 0.20 as on 31st March 2024 compared to 0.16 as on 31st March 2023. Net debt as on 31st March 2024 stood at negative INR 156 crores compared to negative INR 187 crores as on 31st March 2023.

That concludes my presentation. Please start the Q&A session. Thank you.

Moderator: Thank you very much. The first question is from the line of Keshav Lahoti from HDFC Securities. Please go ahead.

Keshav Lahoti: Thank you for the opportunity. Sir, is it possible to bifurcate the lower NSR in two parts? What is due to incentive scheme and what might be due to change in product mix? And secondly, what was the sale of low-cost MDF in this quarter and what was its NSR?

V. Venkatramani: Okay. So, if you look at the fall in domestic realisation quarter on quarter, there was a fall of about 8%. And of this, 4.2% can be attributed to the volume schemes and about 3.8% due to change in product mix.

Keshav Lahoti: What was the low-cost MDF total sale and NSR for this quarter?

V. Venkatramani: The volume of low-cost MDF was 40,924 cubic metres at an average realisation of INR 21,029.

Keshav Lahoti: Okay. Got it. Got it. And any volume target for FY25? What sort of growth you are targeting?

V. Venkatramani: On the MDF segment, we are targeting a 15% volume growth for FY25. And in the Plywood business, we are targeting a volume growth of about 8%.

Keshav Lahoti: So, the ply performance, which was already very, you know, sluggish, have another quarter of a bad hit. The margins are negative and on such a low base, the 8% volume growth. So, how should we see the ply segment going forward?

V. Venkatramani: We expect the environment to be stable in the plywood business and definitely, it has taken time to get the plywood business out of the degrowth. And there has been restructuring both in the sales team as well as the dealer network, which is obviously taking time. And we expect that to be completed during the current quarter. So, I think, we should see the improvement in the plywood volume starting from Q2FY25.

Keshav Lahoti: Okay. Got it. And what is the sense on the margin on ply? Like, how is the margin looking for FY25, will more be like a flattish margin?

V. Venkatramani: We are not giving any margin guidance at the moment because of various factors which would influence the margins. Like, imports are likely to resume from May, since BS implementation has been postponed for a year. And selling prices are under pressure while there is significant inflation in wood prices. So, we will reassess the situation and then, see whether we can give a margin guidance post Q1FY25.

Keshav Lahoti: Okay. Got it. And one more thing, is the incentive scheme still relevant in Q1FY25 or is it stopped now?

V. Venkatramani: Yes, it will be operative in Q1FY25 and then we will reassess at the end of the quarter.

Keshav Lahoti: Okay. But like what we have seen in MDF, prices were more like a flattish for last two years in spite new capacity coming, import picking up. But this time the prices have taken a knock and still it's not picking up. So, what is the sense on this argument? How has the industry changed? When you expect the prices to pick up?

V. Venkatramani: I don't think we will see prices picking up at least during Q1FY25 and Q2FY25 because there was significant expansion in domestic capacities last year and imports more than doubled during FY24 compared to FY23 and more capacity additions are happening during the current year estimated at approximately 850,000 cubic meters. At this point of time, I think, we are not looking at increasing pricing in the MDF segment.

Keshav Lahoti: Okay. Got it. Thank you. That's it from my side.

Moderator: Thank you. Next question is from the line of Sneha Talreja from Nuvama Wealth Management. Please, go ahead.

Sneha Talreja: Hi. Good evening, more on the opportunity front of the pricing-wise, when do we see the raw material prices cooling off, especially in case of timber, in case you can get some balance?

V. Venkatramani: The primary reason for inflation in wood prices has been due to lack of plantation activity during the COVID phase of 2020 and 2021, which has resulted in reduced availability of timber. Normal plantation activities resumed during 2022 and we expect the first output from those plantations to be available around June - July 2025. So, at this point of time, we don't see any possibility of a significant reduction in wood prices. Rather, we are expecting that wood prices will be stable till around June, July 2025.

Sneha Talreja: Sure. So, just one more year of high raw material prices and six months of low-price increases, at this point of time, what we could see?

V. Venkatramani: That's correct.

Sneha Talreja: Okay. And in terms of value addition, any new thoughts in terms of how can we increase our value added by any strategy that we have at this point of time, or what is the proportion that we are likely to start increasing our value added?

V. Venkatramani: We are focused on value addition, but considering that, we are targeting a volume growth of 15% in the MDF business, and since export volumes are expected to be flat, that will mean we'll have to grow at about 18% in the domestic segment. So, I don't see any significant appreciation happening in the value mix. We would expect the value mix to be stable on a percentage basis, along with a significant increase in volume.

Moderator: Thank you. Next question is from the line of Hrishikesh Bhagat from Kotak Asset Management. Please go ahead.

Hrishikesh Bhagat: Yes. So, two questions. First, do you think that the domestic MDF prices in South or where there's high import is close to import parity prices, or do you think probably still the prices could have downside risk relative to imports, imported prices?

V. Venkatramani: See, like I mentioned, imports were relatively low during the quarter four of the current year, compared to around 85,000 of imports in Q3. Imports during quarter four were around 45,000 since BIS was expected to be implemented from February. So, I think we are expecting imports to resume from the current month, but I think we'll have to wait for two months to analyse how much imports are coming in and also how much of an impact increased ocean freight rates will have on imports. So, I think I'll be able to offer you, a clearer reply to this question after June 2024.

Hrishikesh Bhagat: I'm asking for the quantum question. It was more related to whether the price if someone is importing MDF today.

V. Venkatramani: So, that's what I said, we don't have clarity on what price imports will be coming in because the ocean freight rates have gone up significantly. So, whether the overseas exporters will be, increasing their selling price to absorb the additional ocean freight or whether they will take a hit on the margins is not clear at this point of time.

Hrishikesh Bhagat: Okay.

V. Venkatramani: So, we will have to wait for the new material to come in and see what the new prices are. Because if they decide to pass on that forced increase in ocean freight rates, that will reduce the competitive intensity. We'll just have to wait for the new material to come in before we can assess what kind of an impact it will have on domestic pricing.

Hrishikesh Bhagat: And the second question is, what's your assessment on the MDF growth in FY '24? In the sense, how much demand must have grown according to you? Because if I look at your number on FY '24, obviously, there's an impact of capacity shutdown and some other impacts also. What's your assessment? How much demand must have grown in FY '24?

V. Venkatramani: See, I don't have any numbers for demand growth at this point of time because, most of the results are pending to be released. But considering that imports have more than doubled and domestic capacities have gone up significantly and we did not see any volume degrowth in the domestic segment, I think demand has been fairly stable. So, possibly we could expect a minimum growth of 10% plus.

Moderator: Thank you. The next question is from Kushagra Bhattar from Old Bridge Asset Management. Please go ahead.

Kushagra: Thanks for the opportunity. Just two questions. One, on your volume growth expectation of 15%, I'm just trying to understand your new capacity will start only post Q3FY25. So, majority of it is going to be from the existing capacities, which, implies that you should be working on minimum 85% utilization. Now, this is something you achieved only in FY22, which was one of the good years because there was no capacity competition, no imports.

But this time, with all the pressure, the situation looks a little different. So, I'm just thinking, like even if you sort of go to 85% utilization, what are your expectations on realizations? So, how are you thinking about trade-offs between utilization and pricing for the coming year, which is FY25?

V. Venkatramani: Like I mentioned earlier, it's difficult to comment on pricing at this point of time, because we would necessarily be reacting to competitive action on pricing. But as far as demand is concerned, demand has been reasonably good over the past year and even during the month of April, which is normally considered a slow month.

So, we have had multiple rounds of discussions with the sales teams, and their targets for growth are much higher than, the 18% domestic volume growth that we have guided for. So, I think at this time, we are highly confident of achieving that volume growth number.

Kushagra: All right. So, the second question is just more like a data question. If you can help us with the share of the OEM sales in your overall sales, how has that number been for you in Q4 and FY24?

V. Venkatramani: OEM sales were 27% of the domestic volume in Q4FY24.

Kushagra: And total FY24?

V. Venkatramani: I haven't looked at the numbers for the full year, so I will get back to you on that.

Kushagra: So, next question is on the future capital allocation. So, do you sort of see any cost disadvantage by being, majorly a single product company? So, the cost disadvantage could be on the distribution cost or the marketing cost, which other players are able to distribute over multiple products. So, on these lines, are you thinking of allocating capital, let's say, two years down the line somewhere else? Because your current balance sheet is also strong, and even after this capex, in the next two years, you will be net cash again. So, any sort of plans on the future capital allocation, whether this will be also in MDF, or the newer segments are also something you're looking at this point of time? Yes, those were my questions.

V. Venkatramani: We are making a significant capacity addition in MDF, which is approximately 35% of the existing capacity. So, I don't think we would be looking at any, addition in MDF capacity in the foreseeable future. We are looking at expansion in the plywood business, but of course, that would depend on how soon we achieve optimum capacity utilization in the existing business.

In case, we achieve capacity utilization of around 85%-90% in plywood by the end of the current year. We would be looking to maybe increase the plywood capacity. But at the moment, we are not looking at increasing the MDF capacity further for the next two to three years. And also, we are not looking at any new product.

Moderator: Thank you. Next question is on the line of Vinamra Hirawat from JM Financial. Please go ahead.

Vinamra Hirawat: Domestic MDF volumes, they've grown, a solid 23% year-on-year. This mid-20% yearly growth trend in volumes, do you see this continuing into FY25 and FY26, or is this due to a low base in Q3 and Q4 last year?

V. Venkatramani: I won't say a low base in Q3 and Q4. I think it was more of a low base in the first and the second quarter last year. And at this point of time, we are not giving any guidance for FY26. So, we will reassess the situation at the end of the current year and then, see what kind of volume growth is possible in FY26.

Vinamra Hirawat: Got it. But as of FY25, you're expecting this mid-20s volume growth in MDF?

V. Venkatramani: Not mid-20s. I said overall growth of 15% in the MDF business. And since we expect exports to be flat, that would translate into 18% volume growth in the domestic segment.

Vinamra Hirawat: So, one of the questions was your exports being flat. You see it at the 11,000 CBM level going forward until there is a change in wood prices, or even when there's a change in wood prices, do you not expect to scale up your exports?

V. Venkatramani: We achieved volumes of around 93,000 cubic meters last year and we are targeting almost a similar number this year. Hence, the quarterly numbers for exports would be approximately about 23,000 to 24,000 cubic meters. So, on an average, about 8,000 cubic meters per month.

Vinamra Hirawat: My final question is, after modeling your export and domestic realizations for MDF, it almost seems like your export realizations are kind of a leading indicator for domestic realizations because of the two, three quarter lags, domestic realizations almost always are following your export realizations. Is this a fair assumption? And have you seen this in your business?

V. Venkatramani: No. Not really, because there's no connection between domestic and export realizations. Export realizations are dependent on international MDF prices. Since we are competing with exporters from other countries like Vietnam, Thailand, etcetera. And domestic prices are a function of domestic competition. So, there's no connection between the two prices.

Shobhan Mittal: Just to add to that, the only place where there would be a direct link between export prices is because imports into India are also sort of defined by the international export pricing. And the OEM segment pricing also sort of links to that because the primary competition in the OEM segment, especially on the port areas, is the imported material. So that's the only link between international pricing and the domestic pricing. But the retail pricing, you know, otherwise is very insulated from the import pricing.

Moderator: Thank you. The next question is from the line of Parth Bhavsar from Investec Capital. Please go ahead.

Parth Bhavsar: I have two questions. Sir, you mentioned that there is a big capacity addition coming in in FY25. I guess the number was 850,000 CBM. Am I right?

V. Venkatramani: That's correct.

Parth Bhavsar: Can you help us with a breakdown, if possible? Like apart from the organized players, like all the listed players, any other names you could help us with?

V. Venkatramani: Yes, basically four players, our capacity of 230,000 cubic meters. Right. Century's capacity of 310,000 cubic meters. They started commercial production in March, but I'm considering that in the current year because dispatches did not happen from that plant in March. I'm considering that as a capacity addition in FY25. And a couple of capacity additions from unorganized players.

Parth Bhavsar: Approximately 300,000.

V. Venkatramani: Approximately. Correct.

Parth Bhavsar: The other question was on export margins. So if you could guide us a number, like if it broke break-even or percentage-wise, how much was it versus domestic?

V. Venkatramani: It's at break-even level. You know, we are doing exports as long as there's a positive contribution to the fixed cost.

Parth Bhavsar: Okay.

Moderator: Thank you. Next question is from the line of Praveen Sahay from Prabhudas Lilladher. Please go ahead.

Praveen Sahay: My question is related to the low-grade MDF and the OEM. As you had said that the 27% contribution in Q4FY24 and also you had given around 40,000 plus of CBM contribution from the low-value MDF.

So is this where you are operating currently to continue going forward like of 27% odd number on the OEM to continue as a volume or the low-end if I consider the export it is also of the same low-grade the 40,000 number quarterly rendered would continue the way forward or is there a material change you are expecting in the FY25?

V. Venkatramani: Our targets are lower. So, we are targeting that the OEM contribution should not exceed 20%. So that's the target we have given to the sales team, but at the same time we have also informed them, that if they are getting any additional orders since we are not operating at optimum capacity. So if they are getting any additional orders from the OEM segment so they are not to reject that, they are to accept those. So internally, our target is to keep the OEM business at around 20% of the domestic volume.

Praveen Sahay: And the low-value MDF any indication like how much of the contribution you are going to maintain there as well?

Shobhan Mittal: I think the only restriction where we see a challenge is in the OEM segment. So that segment has been restricted. When it comes to margins in the retail segment between industrial grade and the commercial grade, I think they are fairly even because the benefit we get from producing the lower grade is that we are able to produce higher volumes. So that nullifies the lowering of the prices. But we do restrict in the OEM segment because that's based on the import pricing. So that's restricted to, I would say, about 8,000 to 9,000 cubic meters around 9,000 cbm a month. Again, that is subject to the demand in the rest of the domestic market. The moment we are able to sell higher volumes in the rest of the domestic market, we will curtail that further in the OEM segment.

Praveen Sahay: Okay, got it. A second question is related to the RM prices because RM prices are continuously going up timber prices. And also there is competitive pricing I believe in the MDF realization of the pricing side. So from the fourth quarter to now the timber prices further has increased. How you will see the realization or the margin profile of the MDF business to be in the coming quarters and a year?

V. Venkatramani: So, like I mentioned earlier we are not giving any margin guidance at this point of time just for the reasons you mentioned because while we are not looking at any reduction in selling prices, we might be forced to take action in case of competition reducing prices. And again, timber prices are increasing month-on-month. So compared to the average pricing for Q4FY24, we have again seen a 7% increase in timber prices during April. Hence, for these reasons we are not giving any margin guidance at this point of time. We will reassess the situation after Q1FY25.

Praveen Sahay: That's it, sir. Thank you for answering my question. All the best.

Moderator: Thank you. Next question is from the line of Utkarsh Nopany from BOB Capital Markets. Please go ahead.

Utkarsh Nopany: My first question is on MDF pricing side. So, if you see most of Asian market currencies has started depreciating quite a lot against INR in this calendar year. So, I wanted to know do you see any risk of further price correction in the market because of the currency effect?

V. Venkatramani: Not really sure about that. Yes, definitely it happened in the past that if the currency is depreciating, there has been a change in selling price. But since we have not had much of material arriving in India during March and April, we'll have to see at what pricing the imports come in from the month of May. Because like I mentioned earlier, we have seen a significant increase in ocean freight rates. So, we'll have to see whether they're going to absorb that and take a hit on the margins or whether they are going to pass on that price increase.

Utkarsh Nopany: The reason why I'm asking is like India imports roughly 75% of MDF from Thailand and Vietnam. And Thailand currency has depreciated by more than 8% in this calendar year. So, the imported MDF prices might become very competitive. But you were saying that we are not seeing any price correction of imported MDF at the moment on the ground?

V. Venkatramani: No, I'm saying that we don't have any visibility on import MDF pricing because due to the expected impact of BIS implementation imports were very low during March and April.

Utkarsh Nopany: Okay.

V. Venkatramani: And new imports are expected to come from the month of May. So, we'll just have to wait for the new consignments to arrive before we see at what price it's coming in and whether that's likely to have any impact on our pricing to the OEM segment.

Utkarsh Nopany: Got it, sir. The second question is like our MDF quarterly production run rate has not moved up since March of 2021 quarter as we were trying to act as a price stabilizer in the market by sacrificing market share. Now we have taken some price cut in the current March quarter. Then also our MDF quarterly production was down by 2% on a quarter-on-quarter in the current March quarter. Now you have mentioned that we are targeting to grow our domestic volume by 18% at a time when industry is likely to see large capacity addition of 850,000 CBM in FY25. So, do you see local MDF prices to come down further in near future because we are changing our pricing strategy to gain market share?

V. Venkatramani: Okay. We have not changed our pricing strategy to gain market share. We rather did it to protect our market share because if we had not reacted to competitor's action on pricing, we would have lost market share. But like I mentioned earlier, demand has been reasonably good in the MDF segment as compared to other building material products during the last couple of quarters and that's the reason we have been gaining volume. It's not that we have gained volume because of cut in prices.

Utkarsh Nopany: So, in order to protect the market share do we intend to further cut down the prices?

V. Venkatramani: We are not looking at reducing prices, but what I said earlier was that if competition takes any pricing action, we'll have to respond to that, but we are not looking at any price reduction.

Utkarsh Nopany: And lastly, what would be the estimated capex for FY25 and 26?

V. Venkatramani: So, for FY25 it's expected to be around INR 200 crore and another INR50 crore in FY26.

Moderator: Thank you. Next question is from Udit Gajiwala from Yes Securities. Please go ahead.

Udit Gajiwala: Yes. Hi, sir. Thank you for taking up my question. So sorry to come again to the margin front, but earlier today on a television interview you mentioned that you will be looking at full year to be at an exit run rate of the Q4 margins for MDF which are at 16.5 provided that prices don't decline further. So just to follow up on that statement are you looking at 16.5 as the base case I mean margins for 25 and if prices go further, it will further decline?

V. Venkatramani: That was in response to the question whether inflation in wood prices would have any negative impact on the margins. So, what I mentioned was, that even if wood inflation continues into the next few quarters, the fact that we are targeting 18% growth in domestic volumes. We'll have the operational leverage to ensure that's the base margin for the current financial year.

Udit Gajiwala: Understood. But given that, you have already seen a 7% rise in timber in April month. So, it is suffice to say that at least for coming fiscal margins could even decline from 16.5% level because the capacities are just starting...

V. Venkatramani: Unless we see a significant decline in selling prices, we don't see a decline in operating margins beyond what we achieved in Q4FY25.

Udit Gajiwala: Got it. And lastly, the import grade MDF that you all have started, what would be the margin difference versus our blended margins?

V. Venkatramani: See, it's currently the same as the industrial MDF because we took a 5% price increase in February for the new product. So currently the margin is similar as the industrial MDF.

Udit Gajiwala: Got it. Thank you for answering sir.

Moderator: Thank you. Next question is from the line of Aniket Kulkarni from BMSPL Capital. Please go ahead.

Aniket Kulkarni: My question was regarding the MDF capacity. Can you tell me what was the MDF capacity in India at the end of H1 FY24 and what was the capacity at the end of H2 FY24? So how much capacity has come up in the second half? Also how much capacity is expected to come up in the end?

V. Venkatramani: See I won't be able to say exactly how much capacity has come up in the second half, but the capacity at the beginning of the year was approximately about 2.3 million cubic meter and at the end of the year it was around 2.9 million cubic meters. So approximately 600,000 cubic meters during the year.

Aniket Kulkarni: Okay. That is helpful. And can you tell me how much capacity is expected to come up in entirety in FY25?

V. Venkatramani: 850,000 cubic meters for the full year.

Aniket Kulkarni: Thank you so much. This is very helpful. Thank you and best of luck for the coming quarters.

Moderator: Thank you. Next question is from the line of Nikhil Agarwal from VT Capital Markets. Please go ahead.

Nikhil Agarwal: Good evening, sir and thank you for the opportunity. Just wanted to know about the demand situation because I spoke to a couple of dealers and they said that they're sitting on a lot of inventory. So, is that affecting your volumes in any case?

V. Venkatramani: It could be that some dealers are sitting in additional inventory because, some extra lifting does happen during the month of March because most dealers try to get into the highest level of annual incentive. So, it could be some extra inventory in the dealer's channel at the end of the month, but we expect that should be normalized by the end of April.

Nikhil Agarwal: Okay. And could you throw some light on the April domestic volume numbers?

V. Venkatramani: We did approximately 35,600 cubic meters in April in domestic and approximately 8,000 cubic meters in export.

Nikhil Agarwal: Okay. And so, you said 7% has been wood price inflation in April over March, right? On an average...

V. Venkatramani: Not over March. On an average over Q4.

Nikhil Agarwal: Okay. And this is for both the plants?

V. Venkatramani: Yes, blended for both the plants.

Nikhil Agarwal: Okay, lastly, just wanted to understand, like, once the import, once the BIS norms are implemented, what sort of increase in realizations would the import see? I mean, barring the freight cost increase, which is there right now, when the BIS norms are implemented, because of the BIS norms, what is the expected increase in realizations in the NSR for the imports?

V. Venkatramani: I have absolutely no idea at this point of time. We'll have to wait for BIS implementation.

Nikhil Agarwal: Okay. That's it for me. Thank you so much.

Moderator: Thank you. Next question is from the line of Balaji Baidyanath from NAFA Asset Manager. Please go ahead.

Balaji Baidyanath: Good evening, sir. Just wanted to understand this postponement of BIS norms. Was this something unusual or it was like, an uncontrollable thing that happened and what are the chances of this kind of postponement getting repeated again next year?

Shobhan Mittal: No. So, no, it's a very common practice, where people, who have interest in imports would make applications to the Commerce Ministry for postponement, grounds of which may be that the domestic industry is not fully themselves compliant with BIS and, that the type of material that the importers want is not available locally. There are many grounds they use to request the Commerce Ministry and based on certain merits, the Commerce Ministry may grant an extension but, we don't foresee this to get extended further. The domestic industry is fully compliant with, BIS norms already. In fact, it was even before the notification came as we were pre-empting a positive notification. So, we don't foresee this to get extended further at all. So, I think starting next February, this will definitely get implemented.

Balaji Baidyanath: Okay. Secondly, on the timber prices, you mentioned that low plantations during COVID had an impact. So, now, when do we see that normalizing in terms of timber prices cooling off? Would you see it in the next one year or any kind of timeline that you have on that?

V. Venkatramani: Yes, plantation activity resumed in 2022. So, normally it takes a three-year plantation cycle. So, we expect the first output from those plantations to be available around June - July 2025.

Balaji Baidyanath: Thank you very much. All the best.

Moderator: Thank you. Next question is from Harsh Shah from Dalal & Broacha Stock Broking. Please go ahead.

Harsh Shah: Yes. Thanks for the opportunity. Two questions. Basically, two data points. Firstly, if you could help us with the average timber cost in North and South for us for quarter four?

V. Venkatramani: So, North was INR 6.29 paisa and South was INR 5.28 paisa blended was INR 5.65.

Harsh Shah: And secondly, if you could, kind of help us with the repayment schedule. So, what sort of repayment would happen in FY25 and FY26?

V. Venkatramani: Repayments during FY25 would be around INR27 crore.

Harsh Shah: Okay and FY26?

V. Venkatramani: FY26, I haven't got the schedule of repayment for the new borrowing. So, that will be available only after the entire borrowing is completed. So, possibly, we'll get that, schedule around July - August '24. But the repayment for the new borrowing is expected to start from May 2025.

Harsh Shah: Okay. Yes, that's it from my side.

V. Venkatramani: Thank you.

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

Ritesh Shah: My first question is on the management reject, specifically on the market and distribution side. Has there been any major change in structure basically you had indicated in the last call that you were looking for some changes in structure? So, provide some updates over here, I think that would be great. Specifically, on MDF as well as supply?

Shobhan Mittal: Yes, that's an ongoing activity. Dealer expansion is going on in certain markets where we've seen a large number of players working on very small quantities. We have consolidated on a wholesale model where stocks are being maintained by a single larger dealer. So, we are restructuring multiple aspects. Also, focus is there on the value-added products where stock availability in Pre-Lam segment becomes important. We are again consolidating the Pre-Lam distribution network where appointing larger dealers are able to maintain stocks and support the local network.

So, that's been going on. Another major restructuring on the ply side where we are consolidating the plywood and the MDF sales team so that a larger number of team members take up the responsibility to sell plywood because their reach is higher. Because we have a much larger MDF team compared to this. What that would allow us to do is to leverage on the larger sales team that we had and at the same time allow us to reduce the number of team members were there focusing only on the ply resulting in a cost reduction as well. That's a new structure that we have taken up in the coming year in order to allow us to leverage the sales team as well as the dealer network for plywood sales.

Ritesh Shah: My specific question was given there were quite a few senior level exits or probably it was by design. Have we replanned those people?

Shobhan Mittal: Absolutely. This was all part of a restructuring that we had undertaken. The team structure is very much in place now.

Ritesh Shah: Should we assume that there is a single head now for Ply and MDF at the India level and there will be regional heads. What is the new structure like? If you could please help us understand.

Shobhan Mittal: So, it's safe to assume that there will be a single head for the Ply and MDF division. Like I said, we are amalgamating the two teams now and going forward that is how we are planning to structure it. There would still continue to be certain people who would solely be responsible for Plywood, especially in the zonal management level, but the team below would pretty much be given common responsibility for both product lines.

Ritesh Shah: Right. And to reflect this, has there been any change in the dealer incentive structure given there might be a common channel which could be selling both the products?

Shobhan Mittal: The Plywood business works quite differently to, the MDF business. We may have different competitors in the Plywood segment, different credit terms in the Plywood segment compared to the MDF. So even if there is an overlap, of products within the same dealer, we would still have two different policies and two different, schemes, running for each product line.

Ritesh Shah: Sure, that's helpful. My second question is again broadly at the industry level. You indicated around 850K of capacity addition. Are we hearing any incremental supplies for that which could potentially hit the market in FY27, FY28?

V. Venkatramani: No, at this moment, we have not heard of any incremental. And we don't go on rumours. We base our information on the fact that orders have been placed for machinery. That's when we consider it as, because people could be exploring capacity additions, but unless they are placing an order for the equipment, we don't consider it in our number.

Ritesh Shah: Sure. And lastly, can you give broad headline numbers you indicated at India level, the capacity would be like 2.9. Can you give a broad number on imports, exports, just trying to understand the consumption growth for MDF in the country for the fiscal?

V. Venkatramani: If we look at FY24, I will say broadly, the volume of imports would have been approximately 350,000 cubic meters. Exports, I'm not very sure, although we are the largest. I think basically, it should be in a range of approximately 150,000 to 160,000 cubic meter.

Ritesh Shah: Sir, overall demand, demand growth at the country level. So, again, 2.9 million of capacity, so 350K of imports and I think you said 200, 150, 160 of exports. What will be the consumption? So, what will be the utilization level on this 2.9 million of capacity? I'm just trying to understand year-on-year?

V. Venkatramani: At the moment, I don't have the numbers for FY'24. So, I would say it would be possibly around 2.4 million cubic meters, but I'll possibly be able to give you a better idea by the end of the current month.

Ritesh Shah: Right. Sir, what I was trying to arrive at is will demand at India level be upwards of 20% volume growth, Ballpark or more than that?

V. Venkatramani: Difficult to say for FY24 because I'm still waiting for the numbers. Possibly I'll be able to give you a better idea by the end of the current month.

Ritesh Shah: Sir, you indicated that the timber prices could go down from June next year on the basis of the plantations which have been done. So, I'm just trying to understand what is the extent of plantations which have been done. So, I'm trying to derive some tonnage which will incrementally come and hence there would be some deflationary impact on the timber prices. Just trying to look at the demand supply?

V. Venkatramani: I don't have that data immediately in hand. So, we will discuss this one-on-one, say, on Monday coming week.

Moderator: Thank you. The next question is from the line of Aasim Bharde, from Dam Capital Advisors Please go ahead.

Aasim: Hi. So, I had a question on the MDF pricing scenario. So, your value-added product portfolio would also be about 50% of volume. Is this basket as a whole also a victim of price competition and so we are indirectly cutting prices by giving incentives?

V. Venkatramani: Yes, that's right. The volume-based incentives are for the interior category, the commercial category, as well as the value-added product segment.

Aasim: So, it's across the board. Okay. At least I would assume to that one way to put a floor to blended realization was to improve the value mix. Since your commentary rules out any improvement in value mix this year, are we already at a level where the mix cannot realistically rise further?

V. Venkatramani: No, I wouldn't say that. But whenever you have a significant volume growth in a certain year, there's not much scope for improvement in the mix of value-added products on a percentage basis. It will, of course, increase on an absolute volume basis, but it's difficult to increase that significantly on a percentage basis.

Aasim: Is there a rough mix that is like optimal, you may still have room to grow, but surely 100% is not a number that is realistically achievable. So, is there a rough number that you think that value mix can achieve?

V. Venkatramani: Yes, I got it. I got your question. So, our desired mix would be about 65% of the value-added products.

Aasim: Okay. And that should ideally be achieved in, say, what three, four years' time or can it be faster?

V. Venkatramani: I would say possibly about three years. That's including the incremental capacity coming in.

Aasim: Understood. Thanks a lot.

Moderator: Thank you. Ladies and gentlemen, I now hand the conference over to the management for closing comments.

Rishab Barar: Thank you, everyone, for joining this call. We look forward to speaking to you next quarter. If anyone has any further questions, feel free to reach out to us and good evening to everyone.

Shobhan Mittal: Thank you very much.

V. Venkatramani: Thank you, everyone, and have a good evening.

Moderator: Thank you. On behalf of Greenpanel Industries Limited, that concludes this conference. Thank you for joining us.

Please note: *We have edited the language, made minor corrections, without changing much of the content, wherever appropriate, to bring better clarity.*