



Greenply/2022-23
February 17, 2023

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

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

Dear Sir / Madam,

Sub: Conference Call Transcript

Please find enclosed Conference Call Transcript in respect of conference call for Investors and Analysts held on February 13, 2023 on the financial results of Greenply Industries Limited for the quarter and nine months ended 31st December, 2022.

The same is also available on the website of the Company viz. www.greenply.com/investors

Thanking you,

Yours faithfully,
For GREENPLY INDUSTRIES LIMITED

KAUSHAL KUMAR AGARWAL
COMPANY SECRETARY &
VICE PRESIDENT-LEGAL

Encl.: A/a

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“Greenply Industries Limited
Q3 and 9M FY '23 Conference Call”
February 13, 2023



MANAGEMENT: **MR. MANOJ TULSIAN – JOINT MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – GREENPLY INDUSTRIES LIMITED**
MR. SANIDHYA MITTAL – JOINT MANAGING DIRECTOR – GREENPLY INDUSTRIES LIMITED
MR. NITIN KALANI – CHIEF FINANCIAL OFFICER – GREENPLY INDUSTRIES LIMITED
MR. GAUTAM JAIN – ASSISTANT VICE PRESIDENT, STRATEGY AND INVESTOR RELATIONS – GREENPLY INDUSTRIES LIMITED

MODERATOR: **MR. KARAN BHATELIA – ASIAN MARKET SECURITIES LIMITED**

Moderator:

Ladies and gentlemen, good day, and welcome to the Greenply Industries Limited Q3 FY '23 Conference Call hosted by Asian Market Securities Limited. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call.

These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. Actual results may differ from such expectations, projections, etcetera, whether expressed or implied. Participants are requested to exercise caution while referring to such statements and remarks. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Karan Bhatelia from Asian Market Securities Limited. Thank you, and over to you.

Karan Bhatelia:

Hi, everyone. On behalf of Asian Market Securities, we thank you for joining us on the Greenply Industries' 3Q and 9-month FY '23 conference call. In the panel today, we have Mr. Manoj Tulsian, Joint Managing Director and CEO; Sanidhya Mittal, Joint Managing Director and Nitin Kalani, CFO; along with Gautam Jain, AVP, Strategy and IR.

May I now invite Manoj sir to begin the proceedings of the call. Thank you, and over to you.

Manoj Tulsian:

Thank you, Karan. A very warm welcome to everyone, and thank you very much for joining us today to discuss Greenply's operating and financial performance for Q3 FY 2023. Before discussing our performance and outlook, I would like to put forward a clarification that we have categorized plywood business as a sum of standalone numbers and Greenply Sandila numbers because Greenply Sandila numbers is purely plywood business for better understanding when we are comparing on a quarter-to-quarter basis or on a Y-o-Y basis, and this is after eliminations.

And the objective is to provide fair reporting of our combined plywood business under the 2 legal entities. On our performance, we started the quarter on a weak note, due to festive season, which is very normal during the third quarter of the year. But post the festive season also, the demand pickup was below our expectations.

In our plywood business, we have achieved a sales growth of around 8.7% in Q3 FY '22 on a Y-o-Y basis, supported by volume growth of 2.4% and a realization growth of 6% in quarter 3 FY '23 on a Y-o-Y basis. Despite the demand challenges, we were able to maintain our sales contribution from premium category at around 57% as compared to 55% in trailing quarters, which held us in achieving our best-ever realization per unit of INR 249 per square meter, without any price hike in the last quarter. Our plywood business adjusted operating margin was 10.3% in quarter 3 FY '23 and 10% in 9 months FY '23, a decline of 72 basis points and 30 basis points, respectively, on a Y-o-Y basis.

During the same period, we have achieved realization growth of 6% and 5.3%, respectively. So it is evident that despite our command in premium category business and price hike, the cost

escalations were steep and impacted our margins. In the current scenario, chemical prices stabilized after reaching their peak while the cost of timber remains elevated to some extent. The net debt at the end of quarter stood at INR 556 crores. The year-end net debt is likely to be in line with our guidance of around INR 650 crores and -- which is post the major capex on the MDF line, which will be completed by the year-end.

Going forward, we are assuming no major external challenges we should be able to meet our increased sales growth guidance of 20% for this full year with similar margin profile in the plywood business. In our Gabon business, as indicated in our previous call, last quarter has been very challenging due to energy crisis in European regions, which contributes significant portion of our business. Resultantly, our financials has got impacted severely during the last quarter.

Recently, there has been some positive traction in order inflow, but it's too early to provide any guidance on this in the near-term. From a demand perspective, we remain optimistic on the back of resilient demand in the residential sector, consumer shift towards organized segment and most importantly, our commanding premium category, our value brand reach and innovation.

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

Sanidhya Mittal:

Thank you, Manoj-ji, and good afternoon to everyone on the call. Our plywood manufacturing unit at Sandila with the capacity is 13.5 million square meter per annum has started contributing significantly to our volumes. We have been able to ramp up the utilization to almost 60% now in Q3 FY '23 and our focus to further streamline the machines and labor with an aim to reach 80% to 90% from the next year onwards. Competitive timber cost and product premiumization makes Sandila unit a significant contributor in the overall portfolio. In our asset-light model, we have 2 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 last year and working to streamline the remaining capacity for doors soon. In another such unit at Hapur, UP with a capacity of 7.5 million square meter per annum, construction activities are progressing well, and we are expecting to start trial runs in this quarter. In our upcoming MDF plant in Vadodara, Gujarat, machinery installation and civil construction work has now been completed.

We are expecting to start trial runs in this quarter. Further, most of the sales force for this segment have been recently onboarded, and we are working on the distribution channel and developing a robust marketing strategy to get a good hold in the market. With this perspective, I would like to open the floor for Q&A session. Thank you.

Moderator:

We have the first question in the line of Anand Venugopal from BMSPL Capital.

Anand Venugopal:

So my question is, so the debt has increased substantially. Is this for the new MDF plant? And secondly, what is the --

- Manoj Tulsian:** Yes, yes. Yes, purely on the new MDF plant, as I said, in the opening speech that for the year-end also, we have projected a net debt of INR 650 crores. So we have used around INR 100 crores addition in the debt also during this quarter. And all of it is towards the MDF plant only.
- Anand Venugopal:** And secondly, what is the current size of domestic MDF production in cubic meters? Because how much will it be in 2 years from now given a number of players are putting up new capacity?
- Sanidhya Mittal:** Can you please repeat your question?
- Anand Venugopal:** Yes. What is the current size of domestic MDF production in cubic meters? And how much will it be in 2 years from now, given a number of players are putting up new capacity?
- Manoj Tulsian:** See, right now, it is close to around 2 million CBM annually. And as much as the information, which is there with us, this will be anything around 3.2 million in the next 2 to 3 years because every plant which will come will also take time to ramp up their capacity.
- Moderator:** We have the next question in the line of Udit Gajiwala from Yes Securities.
- Udit Gajiwala:** Just a couple of questions from my end. Firstly, could you give us an overview of the demand scenario, which is currently shaping up outside your standalone business?
- Manoj Tulsian:** Your voice is not clear.
- Udit Gajiwala:** Just asking on the demand situation, which is panning out in the ongoing quarter.
- Manoj Tulsian:** --
- Moderator:** Mr. Gajiwala, request you to kindly go off the speakerphone because your voice is breaking up in between.
- Udit Gajiwala:** This is better?
- Moderator:** This is better, yes. Please go ahead.
- Udit Gajiwala:** So sir, I repeat my question, sir, can you highlight the demand scenario, which is going on currently, say, from January?
- Manoj Tulsian:** Well, quarter 4 also January, if you ask me, I would say that could have been much better, not still as per the expectation, the way quarter 4 should have picked up, has still not seen it really picking up.
- Udit Gajiwala:** And sir, on the subsidiary Gabon front, are you seeing that the orders are geared up or last quarter, we were at nil orders. What is that situation?
- Manoj Tulsian:** Gabon, please, you have to repeat, sorry, but your voice is not so clear.
- Udit Gajiwala:** Sir I'll do, I'll come back in the queue with better network
- Moderator:** We have the next question of the line of Nikhil Agrawal from VT Capital.

- Nikhil Agrawal:** Sir, I just wanted to understand, since you're putting up the MDF plant in the west. So how is the market out there? Like in terms of adaptability, are you taking any steps to increase the adaptability of MDF out there or will it -- I mean, have you started taking any steps?
- Sanidhya Mittal:** So in the west, since our plant is in the west, our primary focus is going to be the Western India market. So I don't think there's a challenge in terms of acceptability. The competition is already selling enough material today in the west.
- So I don't think there's any acceptability challenge there's already a ready market, and we are going to address and capture that ready market very soon. And for sure, the price advantage we'll have in terms of freight, we'll be passing on to the consumer in the western region, which will help us capture the market much faster than planned.
- Nikhil Agrawal:** Okay. And will you be focusing on exports as well or will it only cater to the domestic market?
- Sanidhya Mittal:** I think time will say, we have no export obligation as a company. I believe there are some competition players who had export obligation because of the way they were importing machinery. We have no such export liability. So we will be exporting on the need basis whenever we get good prices or on value-added segment, we will be exporting very little quantity and whenever we get good prices.
- Nikhil Agrawal:** And sir, just one last question. Will you be -- like the machines that you have ordered these are from the German vendor, right?
- Sanidhya Mittal:** Yes, absolutely.
- Moderator:** We have the next question from the line of Achal Lohade from JM Financial.
- Achal Lohade:** My first question is with respect to the ply business. If you look at our growth, it's somewhere around 4%, 5% for the last few quarters, while the competitor is showing a bit higher than us. So can you elaborate a bit in terms of the premium segment growth, nonpremium for us and for the industry?
- Manoj Tulsian:** See the industry, we can't say much, but in terms of this year also, on volume, we have a growth of around 15% and value for the full year, we are saying, we'll be growing around 15% on volume and around 20% in terms of value, okay? And yes, see, if you look at our company, we have a very different business model. We are a premium player. And today, the volumes are actually they are at the economy level. So we are also strategizing that how do we need to improve further in terms of our volume in the premium segment itself. Okay?
- Achal Lohade:** Okay. So you're saying, basically, you are still focused on the premium segment, and that is kind of reflected in slightly lower volume growth. Have I got it right?
- Manoj Tulsian:** Yes, yes, yes.
- Achal Lohade:** And any particular reason why we are slightly nonaggressive for the economy segment? Is it to do with the distribution margin, pricing, competition? Anything you want to highlight, sir?

Manoj Tulsian: Well, look, traditionally, if you see, Greenply has always been a premium player, okay? And there was a time when almost 70% of our business used to come from the premium segment and almost 30% from economy. I'm just talking of, let's say, last year and maybe the year before and earlier also. And that equation to some extent has already changed.

So it is not that we are not growing in the economy segment, but most of the volume growth actually is coming in the economy segment, which will continue to grow. Otherwise, we would not have even got a 15% volume growth. But if you look at the focus for sure, we believe that we are the only one in the country who is serious about the brand in the premium segment, and we will continue to work on that also. We don't want our premium segment not to grow. At the same time, the focus on economy segment is also there. Otherwise, the volumes will not be even to the extent what we have picked up.

Achal Lohade: Got it. And how do you see the growth in FY '24, '25, you think you will be able to deliver a double-digit growth or that's a bit of a challenge as we speak?

Manoj Tulsian: Are you saying 2 years --

Achal Lohade: Yes, FY '24 and '25 in terms of volume growth for the plywood business, sir.

Manoj Tulsian: See, today, I mean, if we really look at, I feel that a 10% volume growth is something which we have started looking at for every year and volume growth, so base is the same. Actually, value growth will totally depend on how the raw material prices are also going up, down or is stable because last 2 years, there has been too much of changes in the raw material prices. But as far as volume growth is concerned, internally, we are very clear that minimum 10% growth, we'll have to try and achieve in the years to come, at least next 2 to 3 years.

Achal Lohade: Understood. And how about margins?

Manoj Tulsian: Well, margins right now is in the range of 10%. We will work towards improving the same. But at the same time, our investments also will go up because if you have to get a 10% volume growth in this business, somewhere our investment on the business will also go up. So marginally, the benefit of the operating leverage may actually get adjusted with my additional expenses. But for sure, double-digit margin is 100% we are looking at.

Achal Lohade: And this is ex of ESOP charge, you mean, basically, right?

Manoj Tulsian: Exit?

Achal Lohade: Excluding the ESOP charge. Can you give us the ESOP quantum for FY '24, '25, roughly, how much would that be?

Manoj Tulsian: '24-'25 or '23-'24?

Achal Lohade: FY '23, '24, '25, if you could, sir.

- Manoj Tulsian:** '23, '24 right now, basis whatever grants has been issued, it is only to the extent of around INR 6 crores, which will be in quarter 1 and 2 and nothing beyond that, at this point in time. Total 3, only 3. Sorry, only INR 3 crores in the next year and nothing beyond that.
- Achal Lohade:** FY '24, INR 3 crores and nothing beyond that, right, sir? Have I got that.
- Manoj Tulsian:** As per the grants, whatever has been issued. So any fresh grants which will get issued, we'll add that cost.
- Achal Lohade:** Got it. Sir, if I may ask on the MDF business, how has been the progress? You mentioned about the trial runs are beginning this quarter. But if you could also highlight is there any cost overrun we have seen? And what kind of utilization are we looking at for FY '24 as a year -- as a full year?
- Manoj Tulsian:** So see, in terms of cost overrun, we had mentioned maybe around a year back itself, that our initial cost was around INR 550-odd crores. And we mentioned that we are able to see a 6% to 7% increase in the cost. We are almost on target, and possibly we will be anywhere around INR 600 crores, maybe INR 595 crores, maybe INR 600 crores. But having said that, there were some changes, additional scope change also, which we did during the journey. So it's not purely, purely cost increase or cost escalation, but a few new things also which we did during this period. So it is including everything. What was the second question?
- Achal Lohade:** In terms of the utilization for FY '24 and '25 and what kind of margins I would look given the current prices where we are?
- Manoj Tulsian:** In terms of capacity utilization, we are targeting that we would be able to start the commercial production from the month of May, mid-May because since we are taking the trial production in the month of March, normally, after that, there is a shutdown, which has to be taken and which lasts for anything between 30 days to 45 days to correct all the ensembles and then the full commercial production will start.
- I mean full means, of course, it will be a ramp-up. We are assuming, given these timelines that we should be able to do somewhere around INR 300 crores of sales in the coming year. At INR 300 crores, margin is something which we'll have to see because initially, you will have a ramp up, you will have a few sizes, and we may not be able to produce the premium products from day 1. So everything will become a part of the ramp-up plan. We are at best trying to cash breakeven on an INR 300 crores sales in the coming year.
- Moderator:** We have the next from the line of Shrenik Jain from LIC Asset Managers.
- Shrenik Jain:** Sir, my question is relating to our MDF segment. So as we are seeing that the influx of imports have increased significantly and as our plant is near the ports. So what will be the MDF pricing strategy? Will we have to sell close to the imports price? And so, previously, at peak utilization, we were assuming an EBITDA margin of 20%. So is there any change in the assumptions for the margins, assuming what are the pricing we plan to sell at?

Sanidhya Mittal:

So our pricing level is going to be very much in line with the competition. In certain markets, especially Western India, where we will have the advantage of being locally present without disturbing our margins, we will definitely pass on the benefit of freight to the local market in the west, so that we are able to capture the maximum market share in that area. And I think 20% should not be challenging. Once the utilizing capacity is probably maybe the year 2 and year 3, which we can easily look at this number or something better at today's realization for sure.

Manoj Tulsian:

Year 1 may not be 20% or may not be equivalent to 20% or plus, because initially, we will ramp up. And as we said, that we'll not be started to produce all premium category from day 1. So those may start after 3 or 4 months. And that also, there will be a ramp-up in the same also. So first year margin can be anything around maybe on INR 300 crores, 14%, 15% itself. But from next year, definitely, as Sanidhya said, basis the other players also whatever is their EBITDA margin, we should be maybe minus 4% or 5% compared to that. And the subsequent year, possibly, we will all be at the similar levels.

Shrenik Jain:

What is the current pricing difference between imports and domestic brand in west?

Manoj Tulsian:

Sorry, come again?

Shrenik Jain:

What is the pricing difference between the domestic brand and the imports in Western India?

Manoj Tulsian:

See, it's -- we don't have these numbers to that extent because we are still waiting for our production to come. But I can only hint on this is there are already other players who are there in the market. We have not seen any significant dips in their margins also during this period. What they have done, they have not even corrected their prices. It's just that they have given some schemes in between. And if it remains so, then I think on a 80%, 90% utilization, our margin also will be much better than 20%. We have said also that imports only happened in the plain category. And we will start focusing as our line is fully prepared, we'll start focusing on the premium category also from day 1.

Shrenik Jain:

Okay. And can you throw some light on the OEM market? I believe 60%, 70% of the OEM market is in South India. How much of the OEM market were MDFs in West India? And also, can you explain us about the sales team strength for MDF, how much like hiring you'll have done for sales team?

Manoj Tulsian:

See, sales team hiring, I will not share exact numbers on that. But now we are fully geared up our batch is joining -- in fact, it has joined today and which has now started undergoing the training also, induction training and everything. So we are now fully geared up in terms of our sales team for Phase 1. For phase 2, maybe we will again start looking at ramping up the team after 6 months or 7 months. And again, the second question?

On OEM, see, on OEM, the way we have looked at and when we conceived this project also in west, there are OEMs who were struggling to get their material on time from some of the suppliers in north or south. That clearly gave us an opportunity, and we have done all our due diligence at that point of time that if we have a local plant in West, they will 100% prefer us compared to others.

Second, we also found that it is like a chicken and egg story. So since there is no producer there, the OEMs also didn't wanted to set up their shop there, though they were convenient doing it in rest of India, but they didn't want it to because of the logistics challenges. So as we have put our plant, we will also see influx of more OEM now coming and setting up their shop in west.

Moderator: We have the next question the line of Arun Baid from ICICI Securities.

Arun Baid: The question was more on the MDF front. Sir, could you just explain like in this MDF plant, we were focusing on what thin MDF, thick MDF and more so on the wood cost because we have heard players in North India have seen a wood cost pressure, so is the case in South India. So how is the wood pricing in western part of the market?

Sanidhya Mittal: Yes. So I'll first answer the wood cost. So our wood cost, definitely, in the current scenario, the wood cost continues to rise across India, it's on the higher side. But now we are in a situation where we've already started building stock for wood because right after we start producing, we are going to see monsoons very soon. So we have to start planning our wood in advance. So our cost of procurement of goods is absolutely at par with anybody who's producing in North India but definitely not as low as south, but our cost is definitely at par with north India or slightly lower than north India.

Arun Baid: Broadly, what would be the range Sanidhya, can you just help us with that?

Sanidhya Mittal: Anything between INR 5,400 to INR 5,500, somewhere between that, will be the average purchase of goods delivered to our plant.

Arun Baid: Okay. And on the thick and thin MDF part, can we make both in this plant or how it --

Sanidhya Mittal: So this particular plant is designed in a fashion since it is our first line that we can give any thickness from 1.5 mm right up to 35 mm. So we have the entire thickness range. And also when it comes to the sizes, we can almost give every size which is selling in the Indian market, whether it's 8x4, 8x6, 7x4, 7x3, I don't know, any size you think of, we can give, 10x4, 12x4, all the sizes.

Arun Baid: And Sanidhya, on the front there was a south player who has taken a price cut 5%, 6%. What's your view because we are going to be in production ASAP. What's your view, do you think the industry will have to take price cuts based on whatever you see on the pricing front or that's not going to be there -- what's your view as a --

Sanidhya Mittal: I think the view is very clear. In the past also, this industry has been slightly cyclic. There is a lack of capacity in the country, the prices really go up and the manufacturers really enjoy a very good margin. Then again, there's a lot of capacity which comes in. There's a lot of fight. The margins come down and then again. But what we've seen in the period when Greenply was one entity, at the lowest time, we've seen 18%, 19% EBITDA margins.

So all our payback, everything is designed on that. And even if you see today with the increased wood costs with our location in west, when we make our calculations, we are much more than comfortable. So the cash flow is designed very conservatively, we are ahead of that, even today with all the increased cost. So I'm not worried.

Manoj Tulsian: And Arun, I think the industry numbers are already there from the other players also. Whatever numbers I have seen, we have not seen any significant dip in terms of their margins. And our own understanding of the market also is that none of them have actually cut down the prices. They have come out with some schemes. And possibly, that is -- they are able to manage at this point of time.

Arun Baid: Manoj-ji, you are right, but they have seen significant dip in margins, significant dip. If you look at Q-on-Q, the margins have come off by a huge number

Manoj Tulsian: If we compare it with the 35%, 36%, then that was unreal.

Arun Baid: No, no, I'm not comparing 36% like, for example, Century revised its margin guidance of 20% to 25%, and they are full utilization. So I'm not comparing with the 30 number at all. So Q-o-Q, they have come out dramatically. If I do that number of the 34%, which was in Q1, then it will be a big fall. This quarter, if my memory is right, the margins of Century was down to 20% to 23% from the peak of 30% to 35% as you mentioned just 2 quarters away. And that too on utilization because they obviously have the benefit of that advantage, which they had. But ballpark, what I'm trying to get to is that, in your view, there would not be any big price cuts in the industry on the domestic side. Is that -- I'm just trying to get that point.

Manoj Tulsian: No, if you ask me, I have always been advocating that margins above 25% in a business like MDF is unreal.

Arun Baid: No, Manoj-ji that margin number is relevant I've said that a number of times, because that is based on CBM. So margins on -- just to get your perspective, the margins of both Green Panel and CenturyPly has come down without taking any price cuts. So that is not the point. You should look at EBITDA per CBM. That is the way you have to model this business, it will not work.

The percentage will not work here, so if you kept your price like that, it does not mean that your margin will be only 15% of 25%. There's a lot of difference there. But anyway, so the point which I'm trying to drive is, you don't think there's going to be price cuts or is there a material price cut we can expect from the industry?

Sanidhya Mittal: I mean with more and more production coming in, there might be a price cut. We have made our cash flows and our planning on the worst, Arun-ji. So we are very confident that we are better than that. It will not be lower than the 18%, 20% on which we've planned our cash flow.

Arun Baid: So just 1 thing, you mentioned INR 300 crores of sales in FY '24. So it's at what utilization --

Sanidhya Mittal: What utilization?

Arun Baid: Yes. For INR 300 crores ke liye

Manoj Tulsian: No are you asking for the full year, see that amounts to around 40%, 45% utilization, okay? But if you will see quarter 4, then possibly in quarter 4, we will be somewhere around 65% to 70% utilization.

- Arun Baid:** Fair. So basically, we are penciling at about 1 lakh CBM sales, right? So like --
- Manoj Tulsian:** Yes, yes, yes. Around that number, yes.
- Arun Baid:** So we are building at 30,000 realizations then?
- Manoj Tulsian:** Sorry come again?
- Arun Baid:** INR 30,000 per CBM realization you have been taking, right in that case? Because 1 lakh CBM --
- Manoj Tulsian:** So will be slightly more than 1 lakh CBM only, I'm saying ballpark, you are almost right.
- Arun Baid:** It is -- if you said, correct me if I'm wrong, is that our focus will be more initially obviously by default with the plain MDF market where the realizations are subbed or it depends on industries with thoda upar neeche but in the sub INR 25,000. And to achieve that INR 300 crores, you have to have a significant mix of your prelam MDF. Just trying to figure that out because then the mix has to be pretty biased to get that INR 30,000 per CBM or ballpark closer to that number?
- Manoj Tulsian:** First of all, I don't know, first of all, Arun, the realization what we are taking is not INR 30,000, okay, for the full year because you are right, it will not work out to that number, okay? Our realization somewhere 1, the overall -- the CBM would be more than 1 lakh. I'm saying more or less, you're right. I think our working was coming to around maybe 1,15,000 1,18,000 CBM or something, okay? So it's 18% to 20% more than the number what you are talking. And yes, in the -- your plain MDF, the realization will be lower. It will be even maybe you guys are better aware of, but it should be in the range of INR 23,000, INR 24,000, right?
- Arun Baid:** No, it's lower sir, lower. Industry is much lower than that number.
- Manoj Tulsian:** Okay. So they have the number. The team has the numbers. So I don't remember all the numbers exactly because we are still learning about this.
- Sanidhya Mittal:** But also one of the reasons why you see the competitions margin lower because they have a lot of export liability. As a company, we will have 0 export liability.
- Arun Baid:** No, true. I was comparing the Century not with Green Panel, that -- they have lot of expertise. Great. And so just 1 clarification. On that INR 300 crores ballpark, you said you'll make 14% 15% margin so that's about 45 --
- Manoj Tulsian:** Yes, Arun most of these numbers right now are assumptions, okay? Everything depends on how we start the plant in this. I think in 1 or 2 quarters, we'll be in a better position to discuss the nitty-gritty of these numbers to that extent.
- Arun Baid:** So just help us with 1 more number here is what would be the depreciation for this plant because that number we'll have, right?
- Manoj Tulsian:** Sorry?

- Arun Baid:** What would your depreciation for this plant? On that INR 600 crores capex, what would be the depreciation for the full year?
- Sanidhya Mittal:** Depreciation for the full year, about INR 36 crores, INR 37 crores. INR 36 crores to INR 37 crores.
- Arun Baid:** Okay. And sir, what would be the interest cost for this plant annualized would be total on the INR 600 crores total number including --
- Nitin Kalani:** Again, around INR 36 crores, INR 37 crores.
- Arun Baid:** Sir okay so when you're saying 36, 36, INR 70-odd crores is our cost below EBITDA, right?
- Moderator:** We have the next question from the line of Udit Gajiwala from Yes Securities.
- Udit Gajiwala:** I just wanted to check on the MDF front, so what will be the cost advantage that we might have in west because we believe that the timber costs will be higher for the GreenPly in west? So are we seeing any savings in terms of limited prices or when we say will be par with key peers because they are in more proximity to the RM availability?
- Manoj Tulsian:** No, raw material cost, as we said, is almost similar to the raw material cost in north, our procurement cost. In terms of chemical costs, we will get advantage being in west and being in Gujrat, okay? In terms of power cost also, since we have put a solar energy system there, hybrid-energy mechanism, we will be much better off in terms of our power cost also. And of course, the new proximity to our end buyers will equalize the logistics cost as it will be for others also. So it will be like very similar, except the benefit what we'll get on the chemical cost and also on the power cost.
- Udit Gajiwala:** Understood, sir. And so largely, sir, from -- if we look at peak utilization, so what kind of geographic concentration are we looking at? Would West be around 40%, 45% of our business or more than --
- Manoj Tulsian:** Well, yes, yes, for sure.
- Udit Gajiwala:** Okay, sir. And sir, lastly, on the overall current demand scenario, if you can highlight for the plywood business, like what kind of -- I mean, next year is looking like for '24, you mentioned like a 10% volume growth. So is it at par with the industry growth or we will be outperforming?
- Manoj Tulsian:** Well, as I've always said that understanding the industry growth is very, very difficult. So we are working on our own strategy. And for next year also, we are, of course, we just started the budgeting process and everything. But our internal guidelines is that we must look at 10% volume growth on a year-over-year basis.
- Moderator:** We have the next question from the line of Ashish Kumar from Infinity Alternatives.

- Ashish Kumar:** Sir, in terms of our ply margins, though, we have got a very large share of premium, but compared to our competition, we still seem to be having a lower margin. Do we see that margin going up to at least 12%, 13% or we will be stuck at the 10%, 10.5%?
- Manoj Tulsian:** See, I don't know when you say competition, but today, we are having just 1 business line and all our costs, everything gets apportioned, all our fixed cost gets apportioned over 1 single business line. So 1, as we have now MDF also going forward, there will be some operating leverage, which will come as a company as a whole. That is 1. And second, I think, as I said, that we are also investing a lot back into the business. So the margins for sure will improve going forward. But I'm not able to tell you at this point of time that whether yes, it will, for sure, improve by 2% next year.
- Ashish Kumar:** Right. And sir, in terms of the debt that we have taken for the MDF, when does the repayment start in terms of cash flows?
- Sanidhya Mittal:** Repayment starts in FY, in the following year, basically, the financial year '25.
- Manoj Tulsian:** '24, '25.
- Ashish Kumar:** '24, '25. And how much is the repayment in the first year, sir?
- Nitin Kalani:** First year it will be -- so every year, it will be around INR 47 crores to INR 50 crores in that range.
- Ashish Kumar:** Okay. And what would be our average cost of debt for the MDF?
- Nitin Kalani:** Average cost of debt per term loan will be around 7% plus basically.
- Ashish Kumar:** Pre-hedged.
- Nitin Kalani:** No, not hedged. We have a natural hedge, actually from the foreign component.
- Ashish Kumar:** How much will the foreign component be?
- Nitin Kalani:** Foreign component is around 25% of the term loan.
- Ashish Kumar:** 25% of the term loan. And so we will -- do we have EPCG requirements as well?
- Sanidhya Mittal:** No we have no EPCG. We've not imported the plant under the EPCG. So we have no export liability.
- Ashish Kumar:** So we will -- but basically for the -- to the extent of the foreign currency risk that we will have to import something -- export something? Sorry.
- Sanidhya Mittal:** Yes. Certain -- and also, there is -- if you see the industry cyclic, right, in India does very well, and it does not do well. So some quantity we want to export to kind of have an alternative market available for us.
- Ashish Kumar:** And we would plan to export, what, 25% of our production?

- Manoj Tulsian:** No, no such plans at this point of time. We have the intent to be also into the export market. So when people look at that as a disadvantage of being near the port, there is also a --
- Nitin Kalani:** Natural hedge will occur at consol level, not at Greenply Speciality Panels level.
- Manoj Tulsian:** Yes. So the intent is always there, but it will all depend on the domestic market scenario, export realization, what type of realizations we can get, demand situations, all those factors.
- Ashish Kumar:** Right. Now because even the people in south are exporting a reasonable percentage given the weak demand in market. So I thought maybe I would like to export in the first year to get the capacity utilization higher. And sir, in terms of supply of timber in western region, you don't see that as a constraint?
- Sanidhya Mittal:** We don't see that other challenge. I mean setting up an MDF plant, the first criteria is to make sure that the timber is available. And we are very confident of the search we've done for, I think, the setting up choosing the location and also are very confident on the current ongoing plantation activities and the initiatives taken between the company and the farmers.
- Ashish Kumar:** And where do you think that initially where we will be getting our timber supply from, so which region? What will be the -- for the initial supply, where do you think how much will be the lead distance?
- Sanidhya Mittal:** Sorry, come again?
- Ashish Kumar:** How much will be the lead distance for proper procurement timber product for us, sir?
- Sanidhya Mittal:** So obviously, the target of the company is maximum 100 to 150 kilometer radius. But practically speaking, today we are doing from a radius of anything between 250 to 300 kilometers.
- Ashish Kumar:** All right. Okay. And you are reasonably confident that we will have an MDF up and running in May?
- Sanidhya Mittal:** Absolutely.
- Manoj Tulsian:** Well, yes, it looks like. And just to add to that, on the timber thing, we have also worked extensively on the plantation side of it, while we speak, we have more than 10,000 acres of coverage in the plantation. Of course, we don't get the crop in year 1, right? But that's a process which we have started there in a big way.
- Ashish Kumar:** No, the absolute basis that can --
- Manoj Tulsian:** Sorry?
- Ashish Kumar:** That will take its own time. That's what I was saying, the initial part of --
- Manoj Tulsian:** Of course that will take its own, but.
- Sanidhya Mittal:** MDF is typically is a 3 year cycle.

Manoj Tulsian: 3 to 4 years. So we started this process around 14 -- 13 to 14 months back. The moment we started this idea of conceiving the plant there, we started working parallelly on the same also. So we are creating something for the future also to derisk any type of worry and help us further.

Moderator: We have the next question from the line of from Jojo Shaju from Alpha Invesco.

Jojo Shaju: Okay. I have a few questions regarding the plywood business. So first question is that in the recent years, we are seeing a lot of products being launched as a substitute of plywood for example, this Reliance Industries has introduced this product called RelWood which is made out of fiber and polynoids and they are not using the wood. But on the application side, it can be used wherever the ply is being used. So I just want to understand a player, a big player like Reliance coming into this industry, do you think it will be disrupting the market?

Manoj Tulsian: See there's 2, 3 things on this, 1, the RelWood is already in existence for the last 4, 5 years, okay? And second, it's not a very carpenter contractor-friendly product because it has a -- it's a composite product, which also has plastic in it, okay? Mostly, this product is good to be used for cladding surfaces or like maybe some flooring surfaces where you have too much of water or exposed surfaces. And the last thing is in terms of comparison with wood prices or the plywood prices, this is significantly high. So because of all these reasons, it has not really picked up into the market. And it's a different product also in terms of usage.

Jojo Shaju: Okay. So it's not directly competing with a plywood product you are saying?

Manoj Tulsian: No, no, no, it cannot.

Jojo Shaju: Because what I understand, like, what I understand, this can be used in furniture, ceiling side. So most of the plywood wherever we can use, it can be used there also. And right now, I believe they are going to scale up the business and if they have the scalability, the prices will also come down in the future, right? So.

Manoj Tulsian: As I said that it is not a direct substitute for plywood. Yes, there are certain applications where one can always look at using this, but then they will have to pay a price also for the same. So it's almost like 1.6 to 2x as expensive as plywood.

Sanidhya Mittal: And I don't think a company like Reliance will wait for scale to come. I mean, if they have the price levels, first give the price the product at a much cheaper cost, get the scale and then increase the price. We know what they did in the telecom sector. So if they had that pricing advantage or anything of that sort of the mind, by now they would have done it and finished it.

Jojo Shaju: Okay, sir. Understood. And sir, second on the sales model for the ply growth. Correct me if I'm wrong, so for the last 3, 4 years, the plywood sales volume was almost flat. I mean in 2019, we sold 57 -- and in 2020, we sold 56 and in 2022, 57.5. So I mean, what is the reason for that? And if you are guiding for 15 percentage volume growth or -- what gives you the confidence for that or what all factors will be leading for this 15 percentage volume growth?

Manoj Tulsian: See, your voice was not totally clear, but what I understand your concern, what you're raising is in the last 2, 3 years, the volumes have not grown, right, is what you're saying?

- Jojo Shaju:** Yes, sir. Yes, sir.
- Manoj Tulsian:** This year, the volumes have grown by 15%, correct? And next year, we are talking of a 10% -- desired volume growth of 10%. 1 of the reasons also is that there are many product lines where we had supply challenges. So in this year, we have been able to mitigate many of the challenges with our fresh plant coming into existence, our capacity ramp-up, which has happened in Bareilly, the new line in Hapur, which will also become operational in quarter 1. So from the product side, at least, we'll not run into any challenges or from a supply constraints. We were actually big time bog-down because of not having the supply for the products where there was demand in the market for our product itself.
- Jojo Shaju:** Okay. Understood sir. And sir, my last question is on the timber price outlook. So you have already mentioned the prices will continue to rise for some period of time. So my question is related how will it be impacting to unorganized players? So can they sustain at this timber pricing levels going forward or do you think there will be a -- I mean, a lot of unorganized players will be exiting this business because of the timber price, anything like that?.
- Manoj Tulsian:** Again, your voice is not clear. This question is with respect to MDF, right?
- Jojo Shaju:** No. So my question is related to the timber price outlook -- so we have mentioned the prices will be going up at least some period of time. My question is regarding whether the unorganized players in the plywood segment can sustain at this timber prices level? Do you think they will be exiting this business because of the higher timber prices?
- Manoj Tulsian:** So see timber prices are already at a high level, okay? We have not said that it will continue to rise. There are no market intelligence, which is saying it will continue to rise. And they are very mixed opinion on the same. Whatever is the price at that today, the market is being sustained, even by the unorganized players.
- But in the long run, personally, we have a view that the way the rules and regulations in this country are changing and the consumer preference, which is also moving towards branded goods player. And you will see more and more branded goods player, all the label players have also started spending money on the branding, it's very good for the branded goods business. So the regulations, like when I'm saying regulations, I'm clearly talking about the GST regulation as it continues to improve in the country: and second, the consumer preference, which is now slowly moving more towards branded goods. These are 2 good signs for any branded players for future.
- Moderator:** We have the next question from the line of Karan.
- Karan:** On the INR 600 crores of capex at Vadodara, any benefit or any subsidy from Gujarat government with respect to green building or water or power, etcetera, and anything having
- Manoj Tulsian:** Yes. There are some subsidies. I think there is --
- Sanidhya Mittal:** There are related subsidies. There are subsidies on capex. There are some employee-related benefits basically and some taxation benefits. Also we have electricity duty exemption the first 5 years.

- Karan Bhatelia:** Okay. Right, right. Also with Europe looking slightly weak. And also last year, we had sent our first consignment from Gabon to US. So any plans to derisk the Europe exposure to U.S. and your thoughts on this?
- Manoj Tulsian:** No. See, the US thing, actually, we are still working on the same, but it is not something which -- 1, it took a lot of time for them to get the material at that point of time. So that feasibility was not coming in terms of -- they were also not happy that if it takes so much of time for the material to reach to them. And second, Europe has started again picking up.
- So I think if Europe comes back to semblance, then there won't be a problem. During this period, we have tried for other countries also, we have tried even for CIS for Africa also, but somehow, nothing major has materialized. So our dependence on Europe for that business is high. Other than Europe, of course, we do in India, and we also do in Southeast Asia. But Europe is the most stable business or it was the most stable business for us.
- Karan Bhatelia:** Got it. Correct. And 2 bookkeeping questions on capex for this year and next year and ESOP for this year and next year?
- Manoj Tulsian:** Capex for this year and next year.
- Karan Bhatelia:** Yes.
- Manoj Tulsian:** Capex, how much --
- Nitin Kalani:** FY '23 should be, as I mentioned earlier, in the last call, around INR 620 crores, INR 630 crores basically this year. And next year, it will be around INR 25 crores, INR 30 crores on a consolidated basis.
- Karan Bhatelia:** Right. And on ESOP this year --
- Nitin Kalani:** It is capitalized, on a capitalized basis.
- Manoj Tulsian:** ESOP this year, for the full year, it should be close to INR 12 crores, this year? 16? This year, ESOP is INR 16 crores and basis the grant which is issued for next year, it is only -- INR 3 crores.
- Moderator:** That was the last question. I would now like to hand it over to Mr. Sanidhya Mittal for concluding remarks.
- Sanidhya Mittal:** Thank you all for taking the time to participate in this call. In case of any further clarifications or query, please feel free to reach to Mr. Gautam Jain. Thanks again, and goodbye.
- Moderator:** Thank you. On behalf of Asian Market Securities Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.