



Greenply/2024-25
February 10, 2025

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 07, 2025 on the financial results of Greenply Industries Limited for the quarter and nine months ended 31st December, 2024.

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



“Greenply Industries Limited
Q3 FY '25 Earnings Conference Call”
February 07, 2025



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**

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

Moderator: Ladies and gentlemen, good day, and welcome to the Greenply Industries Limited Q3 FY '25 Conference Call hosted by Asian Markets Securities Private Limited. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

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

Karan Bhatelia: Thanks, Rico. Hi, everyone. A very good morning. On behalf of Asian Markets Securities, we thank you for joining us on Greenply Industries' 3Q and 9 months FY '25 conference call. In the panel today, we have Mr. Manoj Tulsian, Joint Managing Director and CEO; Mr. Sanidhya Mittal, Joint Managing Director; and Nitin Kalani, CFO. May I now invite Manojji to begin the proceedings of the call. Thank you, and over to you, sir.

Manoj Tulsian: Thank you, Karan, and good morning, everyone. It is a pleasure to have you all on this call. I will be updating you on Greenply's operating and financial performance for quarter 3 and 9 months FY 2025. I would like to share with you that we have achieved a consolidated revenue of INR614 crores during the quarter, which is a growth of 5.6% on a Y-o-Y basis. Our consolidated core EBITDA for the quarter was at INR54 crores, a growth of 7.2% on a Y-o-Y basis.

The core EBITDA margin for the quarter was at 8.8% as compared to 8.7% in quarter 3 FY '24. Our PAT for the quarter was at INR24 crores. Quarterly PAT had an impact of, A, MTM gain of INR4.62 crore on our forex currency loan taken for our MDF business; and B, share of loss from our furniture and fittings JV amounting to INR4.72 crores. So it almost nullified, both the items together.

On a 9-month basis, our consolidated revenue was at INR1,839 crores, which is a growth of 16.4% on a Y-o-Y basis. Our consolidated core EBITDA was at INR170 crores, which is a growth of 33% on a Y-o-Y basis. The core EBITDA margin was at 9.2% as compared to 8.1% in 9 months FY '24. The PAT was at INR75 crores.

Now I'll share some of the individual business highlights. In the plywood business, our volume growth for the quarter was 2.8% Y-o-Y and a value growth for the quarter was around 5.6% on a Y-o-Y basis. On the margin front, our core EBITDA margin for the plywood business for quarter 3 FY '25 was 8.4% as against 8% in quarter 3 FY '24. The margin improved on a Y-o-Y basis by 40 basis points.

On a 9-month basis, we have achieved a revenue of INR1,445 crores, a growth of 7.5% on a Y-o-Y basis. Our core EBITDA grew by 11.3% on a Y-o-Y basis to INR119 crores over 9 months FY 2025. The EBITDA margin stood at 8.2%.

Moving on to the MDF business. Our revenue in quarter 3 FY '25 was INR134.6 crores and volume at 42,259 CBM. While our realizations improved to INR31,850 per CBM, which is an increase of 2.2% over the last quarter. Our EBITDA margin declined to 10.4% as against 11.8% in the previous quarter. This was due to high raw material costs and unexpected plant shutdown in the month of December, which led to lower volume sales. More details on the MDF business will be shared by Sanidhya later.

Moving on to our furniture and fittings JV. We started with the entire Phase 1 product range manufacturing from almost November end. We expect to see some sales in quarter 4 where we launched the business and showcased the abilities to our dealers. We have already participated in 2 flagship exhibitions in the last quarter at Delhi and Mumbai, and the initial response to our product group has been very, very encouraging.

On a consolidated basis, our net debt levels are at INR413 crores. At the year-end, our debt on a cautious approach would be around INR450 crores as guided earlier, which means our net debt-to-equity ratio at the year-end would be around 0.55 despite expansion and setting up of 2 new line of businesses.

So on March '22, our debt equity was somewhere around 0.55, and then the whole capex cycle played in the last 3 years, where the peak debt equity went up to 0.98 in March '23, and then it dropped down to 0.71. And this year, it is dropping down to 0.55. Next year, we see this dropping further despite announcing the new investments in Odisha for our plywood expansion.

With this statement, I would like to hand it over to Sanidhya to provide more insights on our MDF business.

Sanidhya Mittal:

Thank you, Manojji, and good morning to everyone on the call. In our MDF business, we are progressing steadily. Our sales in the quarter was negatively impacted due to an unforeseen plant shutdown in the quarter due to equipment failure. The Siemens motor developed a technical snag and had to be sent to Mumbai for repairs.

During the quarter, our EBITDA margins were lower due to higher raw material costs and plant shutdown. As a result, we are reducing our full year margin guidance to 13-14% as against earlier of 16% plus. However, in the fourth quarter, we believe that the revenue will substantially be better and margins will be stronger.

Construction of our HDF flooring line has been delayed by 6 months due to the late arrival of major equipment, which is likely to arrive in the month of March and will be fully functional in the month

of May '25. Construction of our glue plant is also likely to be completed in this quarter. With this, I would like to open the floor for Q&A session. Thank you.

- Moderator:** The first question comes from the line of Sneha Talreja from Nuvama.
- Sneha Talreja:** Congratulations on resilient MDF performance despite the shutdown. The first question is, I just wanted to know the impact of the shutdown on the volumes or the revenues of the MDF division.
- Sanidhya Mittal:** Can you just repeat your question? You wanted to know the impact of the shutdown on the MDF revenue.
- Sneha Talreja:** Yes.
- Sanidhya Mittal:** I think it would be --
- Manoj Tulsian:** INR10 crores...
- Sanidhya Mittal:** About INR10 crores, I think.
- Sneha Talreja:** About INR10-odd crores.
- Sanidhya Mittal:** Yes.
- Sneha Talreja:** And what would be the exports of MDF in this particular quarter?
- Sanidhya Mittal:** Export numbers are negligible in our case because the revenues in exports are much lower than in the domestic segment. And since we have a very limited capacity, only one line to sell, our focus is only the domestic market.
- Sneha Talreja:** Understood. And could you also quantify average timber prices? Just want to see the increase in prices for timber, both on Y-o-Y as well as quarter-on-quarter.
- Sanidhya Mittal:** INR6.7 was the weighted average rupees per kg, was the weighted average cost in the last quarter.
- Sneha Talreja:** You mean Q3?
- Sanidhya Mittal:** Sorry, come again?
- Sneha Talreja:** INR6.7 per kg was Q3?
- Sanidhya Mittal:** Yes.
- Sneha Talreja:** What would it be in Q2, sir, for reference?
- Sanidhya Mittal:** It was INR6.5, around --

Manoj Tulsian:

There was a 3% increase in raw material cost on a quarter-on-quarter basis.

Sneha Talreja:

Understood. Lastly, if I may, how is the demand environment? We could see volumes of plywood division slowing down, that's stating a bit in terms of overall weakness in demand environment. How are you reading it? Is there any concerning point, or do you see things picking up at this point of time?

Manoj Tulsian:

Yes. I think the demand scenario is that it has not really picked up. But added to that, the major problem, what we saw that, even if the demand was there in pockets, liquidity was a serious challenge. And we didn't wanted to compromise on our receivables policy. Otherwise, we could have done better sales. But once we do away with a stringent policy what we have, it will have repercussion in the longer term.

So I could clearly see that we would have lost maybe easily 1.5% of volume just because we wanted to be controlling our receivables. Another sign which we saw, and why I'm saying on the receivable cycle is that, dealers who were always regular on paying on time, okay, whether it was on advanced payment basis or whether it was on a due date basis, some of them also could not, this time during this quarter, pay as per their payment cycle.

So that was a concern where -- and mostly, everybody was only saying, sir, we are not getting our payments, though there are orders, but we are also trying to hold back. So that was the scenario. I think liquidity was a larger issue than the demand. And that's where it has got muted. But I think there are external steps also which is taken by RBI now to infuse liquidity. Election years, sometimes the projects get delayed in terms of starting also.

But for sure, I see now going forward, things will be very, very positive for panel business and for plywood business. A, because of the implementation of BIS regulations, which will definitely curb imports in the near term. I don't know about the long term. And also, it will boost the organized players because with a stringent implementation of BIS standards, which is from February, there would be pain for the unorganized people.

So I clearly see that these are tailwinds which will help the business in future, leave aside the domestic growth story. Also one more point, Sneha, on this, that when you see last 3 years' real estate data, the luxury and the ultra-luxury segment, which used to be around 10% of the total volume sales units has now almost become 30%. So these are very good signs for organized players like us.

So I clearly see that there is a lot of opportunity now from here on for people like us in plywood business or MDF business.

Sneha Talreja:

Just one follow-up. You also spoke about the BIS implementation. Has the notification been out or is there any deadline to that notification coming out?

- Manoj Tulsian:** So it was to be implemented in February end. I think the date was 25th of February or so. So I'm sure that the final whatever notification or something which has to come will come. Because the ministry has been very vocal in many of their statements, even including print media, that they are not going to give any further extension on the same.
- Sneha Talreja:** Any pre-dumping that you're seeing would be a concern, which would take like 4 to 6 months to ease out or something on that sort, which was happening last year?
- Manoj Tulsian:** Of course, that has happened. But -- yes, so that can be 2, 3 months, because the importers have to put working capital from their side. And they are assuming that in 2, 3 months, everything will get normalized. So one is their fund situation also. Second, they believe on optimism that in 2, 3 months, all the export-oriented units, which is sitting in Vietnam and all those places will get a QCO approval. So those things remains to be seen because the process just started.
- But I think all in all, the situation for people like us, for businesses like us, the scenario is going to be very, very good going forward.
- Sneha Talreja:** Understood. And last one, I'm sorry for this one. What would have been an effective MDF price hike in the current quarter? And also could you quantify any plywood price increases taken given timber prices have further moved up?
- Manoj Tulsian:** MDF price increase is around 1.5% during the quarter. And on the plywood side -- plywood, you are saying in the last quarter?
- Sneha Talreja:** Yes, Q3.
- Manoj Tulsian:** Q3, the price increase was around 1.5%. And we are also taking another price increase during this quarter, which will also be in the range of 1.5%.
- Sneha Talreja:** And anything that you're taking in MDF as well?
- Manoj Tulsian:** Nothing as of now. Sanidhya?
- Sanidhya Mittal:** No, nothing as of now.
- Manoj Tulsian:** Okay. Right.
- Moderator:** The next question comes from the line of Udit from Yes Securities.
- Udit:** Sir, firstly, since you mentioned that there was more pain because of receivables, have you seen any loss of market share or that demand must have shifted to some other player? Could that be the case?
- Manoj Tulsian:** Well, it can be. Look, I mean, it all depends because as I said, that maybe we have, to some extent, lost some amount of opportunities because we wanted to be stringent on our receivables, okay? But

I think it was -- we all felt that it's a prudent decision at this point of time because with a lot of semblance, we brought this stringency in our own receivable policy over the years.

So -- and I said that there would be tailwinds, which will give us a lot of opportunity now. And as we have worked a lot on automation in the last 2, 3 years, we are prepared actually now that when the growth momentum would be there, we would be able to do better than maybe many other players in the industry.

Udit: And sir, in the press release, you have mentioned that in the plywood, you are seeing margins to improve to about 10% by Q4.

Manoj Tulsian: Yes.

Udit: Given -- so till now, if I may ask that how has the situation turned? Has these receivables eased off -- I mean, the credit -- maybe it has eased off or it is purely because of the price hike that you have further inculcated?

Manoj Tulsian: No, we have received money, but I won't say that it has totally eased out. There is a lot of chase on the collection side, because if you don't collect money, then again, it may restrict our overall growth during the quarter. But I think things will ease out. I can definitely see that this quarter will be much better than the previous quarter, no doubt about it.

And at the same point of time, we have taken many actions on the cost side also. As well as, as I just said, that we are also taking another price hike of around 1.5% effective February. So of course, it is not for the full quarter. But all these things, our initiatives clearly shows us that we should be able to move to 10% plus margin.

Also because the volume sales in quarter 4 will be much better than the volume sales in quarter 3. So operating leverage will also play. With all these factors, I mean, definitely, we believe that we should be crossing 10% margin for quarter 4.

Udit: And sir, lastly, any kind of volume growth what you are envisaging for FY '26, maybe for plywood and also for MDF, how do you see it panning out?

Manoj Tulsian: I think we'll just start our budgeting process, and we would be able to give you a much better guidance in the next call.

Udit: Okay, sir. And sir, just last, if I may --

Manoj Tulsian: But I said that I can see that the environment is becoming very positive for players like us in organized segment. Because I already -- I hope you heard whatever I said on Sneha's this. So I see a lot of buoyancy going forward. Also, one more thing which is very relevant to mention that, last 4, 5 years has been a period when raw material prices have only moved up, okay?

I get a very strong now view from my team that maybe another 6 to 9 months, but we will see this raw material prices, supply is improving and the prices slightly start coming down. So these are all good signs for players like us who have worked hard in the last 4, 5 years to strengthen our internal core and to get prepared to deliver when there are tailwinds.

And also, that is the reason that we have announced this new investments in plywood because if we don't do that at this point of time, then possibly we will miss out big time on our growth in FY '27.

Udit: And sir, can you please just once elaborate on those investments or the capex for plywood?

Manoj Tulsian: It's already announced. I think INR134 crores, to be very precise is the number what we have declared. This will give us a new capacity of 13.5 million square meters, which is almost an addition of 25% capacity over our present manufacturing capacity.

Moderator: The next question comes from the line of Aishwarya from ithought PMS.

Aishwarya: Sir, my question is regarding the industry's situation right now in the MDF and in the plywood as well. First, I'll start with MDF. My question is to you that there's been a lot of dumping from China and Vietnam on the different styles and different MDF. And because of that, the industry share of our Indian organized players is getting divided, because of which the revenues which used to come in are not coming in.

And -- because the certification have been in talks, but I mean, there's no confirmation yet. And if it does come in, how much percentage of -- how is it going to help organized players?

Manoj Tulsian: So Aishwarya your voice was not clear. I think what you are trying to mean is that, there is a lot of imports which is happening on MDF and which is hurting the domestic industry. And in case you are saying since there is no final date for the QCO implementation, but if that happens, how is it going to help the domestic industry, right? That's what you're asking.

Aishwarya: Absolutely, sir. Yes, sir.

Manoj Tulsian: Sanidhya, would you like to answer this?

Sanidhya Mittal: Yes, I'll answer this. So I feel that you are absolutely right, there is a huge quantity of import coming in. And the fact that QCO is coming in February and February is the last date to import, so people have imported extra inventory as well. So post mid-April or starting early May, I feel that there will be increase in the domestic volume because I feel people have stocked up typically for 2, 3 months extra.

So post May onwards, I think the demand should be better. And also there should be a scenario where the increased cost is passed on. Today, the increased cost of timber is not getting passed on because of the subdued demand because of imports in a big way. So the moment imports are out, I feel there should be better demand, also better pricing available.

Overall, for the domestic industry, we look at imports getting shut and QCO coming. I think this will be very beneficial overall.

Aishwarya: Sir, because you guys are in the business and you must have some idea about what kind -- if the certifications come in, right, what kind of effect it will have in the business. So if you can give me some idea on that. Like -- because I don't have any idea about it. So if you could give me some idea on how much --

Sanidhya Mittal: You're trying to talk about the size of the material that is coming in, right?

Aishwarya: The certification, sir. Once it comes in, how it is going to impact the business? I'm sure it will be in the good way, but how much of percentage or something like that?

Manoj Tulsian: It's difficult to mention in terms of percentage and this. But yes, for sure, that is the whole objective also that the Made in India concept has to be promoted. It also depends that how many licenses are being issued to these exporters who are sitting in these countries, what you mentioned over the next 12 months. And then they have to -- I mean, it's just not about issuing the license.

They have to also adhere to the guidelines of the respective standards. So time can only say. But I think for us, it's a very positive move only. For the domestic players, it's a very positive move only.

Aishwarya: Sir, just one more question on the plywood side. I read somewhere that there has been a lot of issues in sourcing timber, good quality timber. Because of the COVID, the harvesting season, right, it's become slow or something like that, and it's not recovered yet. So people are also importing timbers to meet the demand. But as you told you are not able to pass on the cost, what's the problem going on that side, sir?

Manoj Tulsian: Yes. So import of timber has taken place, has been taking place. Even we have been importing timber and all the players -- all the large players have been doing that. Even maybe mid-sized players also from time to time have been doing that. Because the prices of timber -- first of all, availability and then the prices have shot up so much at times that both becomes a questionability, at that price whether you want to source that quantity.

So -- but as I said that the filler which is coming from my plantation team is we are now nearing the end of this cycle of high timber prices. They are saying that another 9 to 12 months for sure, the timber availability will improve in India. That will continue to improve, and that will bring down the prices also. So we have almost crossed this cycle.

And it's a cycle. It's like any other agri commodity, it's a cycle. Last 3, 4 years, we were caught on the wrong side of it. And possibly from the next year, we will be on the positive side of it.

Moderator: The next question comes from the line of Karan Bhatelia from AMSEC.

Karan Bhatelia: Yes, Sanidhya, with respect to the MDF capex, any thought process now?

Sanidhya Mittal:

Sorry, come again.

Karan Bhatelia:

I wanted to have some clarity on the MDF capex. Any thought process on that?

Sanidhya Mittal:

I think it's still too soon for us to think of another capex. Obviously, when we strategize our business or when we discuss, we are quite excited about thinking of growth or thinking of new lines, etcetera. But looking at our balance sheet, looking at this line further stabilizing, I think this moment will still be an early moment to comment when we are going to do the next capex. Depending on how the profits are, how quickly we are able to pay back this and looking at our balance sheet, we will decide. I think it's still too early to think about capex right now.

Karan Bhatelia:

But we did...

Sanidhya Mittal:

Are you talking about the current capex related to the flooring line? I don't know, what are you talking about? It's for the new capex, right?

Karan Bhatelia:

Yes, yes. Also, we were focusing on the brownfield capex. So is that on cards very soon?

Manoj Tulsian:

So, brownfield, honestly, we have a provision to increase 20% of the capacity of this existing line, where we've already kind of incurred the cost because we've already imported the equipment for extension and it's been lying with us for the last 1 year. But since we have only one plant, expanding this line by 20% means disrupting supply for 30 days.

And at the moment, we are not in a position to take that risk given that we only have one plant and now we have a good OEM as well as a distributor dealer network base who somehow left competition and is with us. So to continue the service and to provide them the material, we are not being able to take a 30-day shutdown.

So that's the reason that the brownfield expansion is in a way on hold at the moment, number one. Number two, we are adding a flooring line to our existing MDF line. which will help us increase the value-added sales and help us improve the product mix further. So that is the existing.

And as far as the new capex is concerned, there's nothing on the cards at the moment given our balance sheet the way it is today. Once we are able to pay back and the margins improve, things get better, we'll definitely think of going further.

Karan Bhatelia:

And on the Samet joint venture, what is the visibility we have for '26, '27 on top line, bottom line and the total investment by both the parties?

Manoj Tulsian:

So we are just starting our budgeting exercise, Karan, because the whole plan, I would say, in a way, got delayed by 5 to 6 months because the machineries which were to come from Turkey got delayed and then the installation of the same, all those things. So as I said that last month was the first month when we started the production properly with the new machine.

And so -- and this month, we have a full-fledged dealer meet, inviting and showcasing them our products and the factories and everything. So once all those things is done and we get our initial response, we'll do our budgeting exercise. I think in a couple of months, we would be in a good position once we discuss with our Turkey partners also.

But just a ballpark number, I would say that definitely, we feel that touching anywhere around INR80 crores to INR100 crores in the coming year is a number which is doable. But it is very, very early because we will just step into the market. In 2 months' time, we'll get a feel of the market and then we can really crystallize on the numbers, whether it can further go up or whether it can remain around that number.

Karan Bhatelia: And one last question was on the plywood capex. So will this be only for the premium kind of a portfolio or it will have a mix of mid and economy and premium? And the timeline for this?

Manoj Tulsian: No, it will be mixed only. And the timeline, we are expecting that in quarter 4 -- end of quarter 4 next year, we will be doing our trial runs, and we should be prepared for FY '27 to start commercial production from that particular plant, because there are still few approvals which is pending, so the work will still not start. The work may only start after a couple of months or so. And that's why we are assuming that post the same, it will take around 10-odd months for us to bring the whole facility.

Moderator: The next question comes from the line of Bhavin Rupani from Investec.

Bhavin Rupani: Sir, we had a few quarters before talked about getting into laminate segment, though initially on trading model. So what is the status right now over there?

Manoj Tulsian: Not much, Bhavin. We thought about it, but then we thought that we have too many things on the platter. We have done it in a very small way, but I don't think it is at this point of time worth mentioning. Maybe we look at it how it pans out in the next 1 or 2 quarters. And then if it becomes meaningful, we'll come back to all of you with our business plan on the same. Also, maybe the next 2 quarters will give us the clarity whether our approach is right and what should we do about it.

Bhavin Rupani: Sir, any kind of revenues that we are generating as of now or is it very small?

Manoj Tulsian: No, no, not worth mentioning, yes.

Bhavin Rupani: Sir, you mentioned about -- as far as fiber is concerned, you mentioned about taking price hikes in this quarter as well. But have the unorganized players in Yamunanagar or Kerala have taken price hikes? And do you think because of our price hikes, the differential between our prices and unorganized players will increase and demand may move towards them?

Manoj Tulsian: Bhavin, your voice is not very clear. I've not been able to pick up your question properly.

- Bhavin Rupani:** I was asking that you had mentioned about price hikes, that you are taking price hike as far as plywood is concerned. But have unorganized --
- Manoj Tulsian:** You're still not clear now. Bhavin, sorry, your voice is not at all clear.
- Bhavin Rupani:** Sir, you had mentioned about taking price hikes in plywood segment.
- Manoj Tulsian:** Yes.
- Bhavin Rupani:** But have the unorganized players in Kerala, they have taken any price hikes? Any sense on that?
- Manoj Tulsian:** No. I mean I have not really tracked that whether how many players are taking or have taken. But we have been hearing that in pockets, some of these people have taken, but I won't say that it's a very industry loud noise that, yes, all of them are going for a price increase or something.
- Bhavin Rupani:** Sir, any idea or sense on what is the pricing differential between our product and their product? And is there any increasing differential which could lead to demand moving towards unorganized from organized?
- Manoj Tulsian:** No, I don't think so, because when we have taken this price increase, we have taken it with our own internal study. And wherever we saw that there are gaps and we can, because even margins for sure was subdued for the last many quarters. So wherever we felt that, yes, there is an opportunity, and it is not across the country, okay? So it is in markets and in products where we felt that, yes, there is a gap, and this gap can be mitigated. It can be reduced.
- Bhavin Rupani:** Sir, as far as -- you also mentioned that timber prices are expected to come down after 9 to 12 months. But do you think if timber prices decline, maybe unorganized players will choose to pass it on to the customers and hence, forcing us to bring down our selling price as well.
- Manoj Tulsian:** I think, again, I'm very bullish particularly on this implementation of QCO because once these standards are really implemented and these are being followed and there are proper checks, which is done by the department, this can be a big positive tailwind for the organized players. That will in itself differentiate between the organized players and the unorganized players.
- So this truly is going to make a difference, the way it looks like the way whatever we have discussed in various segments and in the -- even at the CI levels and other places, it comes out that this can be a big game changer. But it all depends on the implementation in this country. So right now, the signs are very, very encouraging.
- So if that happens, I mean, it automatically differentiates between the rightful organized players and unorganized players. Because we all know that there is an iota of difference in the product level itself. So that will pose a lot of problem for them to cater to the various standards. And if they really cater to, then their prices will shot up.

So that will not be very then exciting for the dealers to get into that. Rather, they would lap up organized players' products.

Bhavin Rupani:

And sir, last question on timber. Can you give us some lead indicators which can help one predict what is the demand-supply scenario in that segment? Or let me put it another way. What are the lead indicators which makes you believe that timber prices are expected to decline after 9 to 12 months?

Manoj Tulsian:

So like I said that we have a plantation team, which works day in and day out, and it's a large enough team. And since they are in the field, they know that what is the progress on the timber, which has been actually sown around 3, 4, 5 years back. They have been continuously tracking it. And that's why maybe if you go back to my calls around 3 or 4 quarters back.

I would have mentioned that it looks like it will -- the timber prices will continue to for another 6 to 8 quarters. So this is all basis the feedback from our team and our ground level research, which gives us that confidence.

Bhavin Rupani:

Any data points that we can track? Is it possible -- any data points that we can track to get a sense on where the timber prices will move going ahead?

Manoj Tulsian:

No, I think the proof of the pudding will be in its eating. So once the timber -- so what has happened in the last 12 months, the sign is that the timber prices, where from it started from that point, it went up and then again, it tapered down. So if you truly see between last March and this March in Yamunanagar and the UP belt, the timber prices are almost at the same level now.

So that's a good encouraging sign that finally, this year, it has slightly tapered down. And maybe that might be a lead indicator. And if you people monitor it now for the next 2 quarters, for sure, that may give more comfort and confidence.

Bhavin Rupani:

And sir, last question on MDF pricing. We have taken a price hike of 1.5%. So is this price hikes across all the players? Or maybe -- so yesterday, one of the player indicated that they have not taken any price hike in South. So is it just that we were able to take the price hike? Or are there any price hikes in northern part of the country?

Sanidhya Mittal:

I think it is across players this price rise. And most players have been able to implement. Players with too much capacity or maybe too much pressure related to import. If their OEM sales are very heavy, they must have had difficulty in certain pockets to take the price rise. But I think overall, as an industry, there's a huge raw material pressure and there's a demand pressure.

So companies with smaller capacity it was easier for them to implement. Companies with larger capacity, I guess it was getting difficult for them to implement. But I feel most players have taken this kind of a rise to meet their cost.

Moderator:

The next question comes from the line of Nikhil Gada with Abakkus AMC.

- Nikhil Gada:** Just firstly, can you provide us the current mix for timber? As in how much are we importing vis-a-vis how much are we sourcing locally? And what would be the price differential that we are getting as of now? And whether is it that we are doing it only for plywood or also for MDF?
- Manoj Tulsian:** Nikhil, I don't have the numbers readily. Maybe I'll ask my team to provide you the same subsequently. We are doing this for plywood, but we are not doing this for MDF.
- Nikhil Gada:** And sir, the price differential, if by any chance you have it handy?
- Manoj Tulsian:** Well, it will range in the difference of around INR2 type per kg. But again, not all timbers and of the same this can be imported. And the species are different. So it is not a one-to-one comparison. And you can also not use it across. So there are lots of challenges in that also. But yes, to some extent, in certain plywood category we can use that in some minimal proportion.
- Nikhil Gada:** And are we largely sourcing this from Myanmar and all those places? Or can you give from where are we sourcing?
- Manoj Tulsian:** From wherever and whenever it's possible, we are doing it. And I think all the industry players are doing it. But again, as I said that internally, we are getting a good feel that, possibly we are almost reaching towards the end of that cycle. Let's see. But all these things is -- because we have been under this pressure for the last good 4 years post COVID continuously, right?
- Nikhil Gada:** Correct.
- Manoj Tulsian:** So normally, this cycle lasts for 3 to 4 years. It's still elongated. We are still believing that maybe the pain will remain for 2 to 3 more quarters.
- Nikhil Gada:** Sir, one last question on the plywood front. Can you sort of help us understand what is the current demand-supply scenario in the industry? And this BIS norms, I'm assuming is also on plywood. So does it anyway -- because I'm sure there's not so much of an imports on plywood. But can it any way sort of boost us up in terms of our volumes?
- Manoj Tulsian:** No, absolutely. I made that in my opening remark and I think a few of the analysts also checked. I think it's a very positive sign for the organized players because this one, it will control -- it will bring plywood to a particular product quality level, which is a differentiator, but which does not get valued in this country. So plywood actually sells at a very strong price point rather than being sold on functionality, okay?
- So even branded good players, when we add functionality, we don't get the real worth of the same. So the time has come, thanks to government. And I'm sure, as I said, that implementation is the key, but the original signs are very, very encouraging. The signs which we are getting from the department is that they will do random checks, not only at the factory, but they will also pick up material from the market, which is having any IS stamping.

Of course, every product has to have IS stamping. And they will take it to lab and test that whether it conforms to that particular standard or not. And if not, that they will -- then they will penalize in terms of maybe cancelling or withdrawing the license of that particular vendor or manufacturer for a good 3 months, 6 months and some --

So if those stringencies are being followed, I'm sure the quality of the product will improve and the quality of the product will improve, it will definitely hit the unorganized market.

Nikhil Gada: Sir, and just the demand-supply scenario, if you have any --

Manoj Tulsian: See demand-supply scenario, post-election, I think one, the projects got delayed, okay? A lot of money definitely comes after the elections on the consumption side. But this time, one, yes, the projects were delayed because of the election. Second, somewhere the liquidity surely was a big issue, which we saw in the market, which we still see in the market. But I think that we have all read that RBI is taking those initiatives.

They have taken initiatives already also. So that should ease out. And I also mentioned that when I was looking at some data, the residential sales in the country where the volume of luxury and ultra-luxury used to be around 10% 3 years back, is now almost around 30% or 31%. So these are very encouraging signs for any branded goods player.

So coupled with this discipline on the QCO side, BIS side and even traction of residential sales on higher price points, I think these things are very, very positive signs for businesses like us.

Nikhil Gada: Sir, anything on the supply front? As in, are we seeing some capacities getting shut or something purely because of the higher timber prices, etcetera? And are we seeing a situation where we are like the demand and supply are doing sort of a neck-to-neck, so just from --

Manoj Tulsian: Look, these are all research-based data only, which we just pick up from the market. There are no reports. But surely, yes, the unorganized has felt the heat in the last few years in terms of continuous increase in the material prices. But as I said that plywood sells in the country on a price point and not on functionality.

Now, from now onwards, you will see that it starts selling on functionality. When that happens, the real heat of the price increase will be felt by the unorganized players. And that will bring down the difference between the 2 drastically. And that then encourages better sales and traction for organized players like us.

Moderator: Ladies and gentlemen, the last question comes from the line of Ashutosh Khetan with Asian Market Securities.

Ashutosh Khetan: I just wanted to ask the volume growth guidance of plywood and MDF for FY '25.

Manoj Tulsian: For the coming year?

- Ashutosh Khetan:** Yes, yes. For FY '25, yes.
- Manoj Tulsian:** So we're just doing our budgeting. We just started the process. Give us a couple of months. In the next meeting, we will share that in detail.
- Ashutosh Khetan:** No, no, sir, for FY '25 only this year?
- Manoj Tulsian:** FY '25. So FY '25, the volume, I think we are at around 5.7% right now. And with quarter 4, we will try to be anywhere around 7% plus. Not easy, but definitely, we have plans. Let's see how it pans out. And for MDF, we had initially targeted almost a 50% growth over last year. We should be around that number for the full year.
- Moderator:** Ladies and gentlemen, that brings us to the end of the question-and-answer session. As there are no further questions from the participants, I now hand the conference over to the management for closing comments.
- Sanidhya Mittal:** Thank you all for taking time to participate in this call. In case of any further clarifications or queries, please feel free to reach us. Thank you.
- Moderator:** Thank you. On behalf of Asian Market Securities Private Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.