

## Century Plyboards (India) Limited

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Date: 13<sup>th</sup> February, 2025

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Dear Sir(s)/ Madam(s)

**Sub: Transcript of the conference call for Unaudited Financial Results for the Quarter and nine months ended 31<sup>st</sup> December, 2024**

In terms of Regulation 30 read with Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we forward herewith the transcript of the conference call with Investors and analysts held on Tuesday, 11<sup>th</sup> February, 2025 in respect of Unaudited Financial Results for the Quarter and nine months ended 31<sup>st</sup> December, 2024.

This is for your information and record.

Thanking you,

Yours faithfully,

**For Century Plyboards (India) Ltd.**

**Company Secretary**

 **CENTURYLAMINATES**  **CENTURYPLY**  **CENTURYMDF**

PRELAM BOARD | VENEERS | PARTICLEBOARD  
EXTERIOR LAMINATES | DOOR |  | PVC BOARD | CFS





**Century Plyboards India Limited**

**Q3 FY25 Results Conference Call**

**February 11, 2025**



**MANAGEMENT:**

**MR. SANJAY AGARWAL, MD AND CEO**

**MR. KESHAV BHAJANKA, EXECUTIVE DIRECTOR**

**MRS. NIKITA BANSAL, EXECUTIVE DIRECTOR**

**MR. ARUN JULASARIA, CFO**

**MR. SUMANT WATTAS, CEO – MDF BUSINESS**

**MODERATOR:**

**MR. NAVIN AGRAWAL**

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**Moderator:** Ladies and gentlemen, good day and welcome to Century Plyboards Limited Q3 FY '25 Results Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the management's opening remarks. 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. Navin Agarwal, Head Institutional Equities. Thank you, and over to you, sir.

**Navin Agarwal:** Good afternoon, ladies and gentlemen. I'm pleased to welcome you to this financial results conference call on behalf of Century Plyboards and SKP Securities. We have with us Mr. Sanjay Agarwal, MD and CEO; along with Mr. Keshav Bhajanka, Executive Director; Mrs. Nikita Bansal, Executive Director; Mr. Arun Julasaria, CFO; and Mr. Sumant Wattas, CEO for the MDF business. We'll have the opening remarks from Mr. Sanjay Agarwal, followed by a Q&A session.

Thank you, and over to you, Mr. Agarwal.

**Sanjay Agarwal:** Thank you, Navin. Thanks for hosting the call for us. So good afternoon, ladies and gentlemen. Welcome to the FY '25 Q3 Earnings Call for Century Ply. Before we begin, I would like to provide the standard disclaimer. This discussion will focus on the company's historical performance and future prospects and is not intended as an invitation to invest in the company. The results and the analytical presentation have been shared with you and are available on the stock exchange website. I assume you have reviewed this, so I won't go over the figures in detail.

The Q3 FY '25 results align with our expectations. Year-over-year, standalone revenue saw a solid 10.3% increase rising from INR910 crores to INR1,003 crores while consolidated revenue grew by 20.7% from INR947 crores to INR1,143 crores. The company's overall EBITDA margin across all segments stood at 11.5% in Q3, down from 12.6% in Q2. This decline is primarily due to lower volumes in Q3 compared to Q2, which is typically given the festive season in Q3.

The plywood segment is performing well, ranking among the fastest growing segment in the building material industry. It recorded a 19.2% year-on-year revenue growth in Q3, with a 9-month FY '25 increase of 18.5% over 9 months FY '24. The EBITDA margin for 9 months FY '25 rose to 14%, up from 12.1% in 9 months FY '24, driven mainly by higher volumes.

The Laminate segment is facing challenges with revenue declining both year-on-year and Q-on-Q. Despite sales pressure, the company maintained Q3 EBITDA at Q2 level by optimizing marketing expenditures. Standalone MDF revenue remained relatively flat Q-on-Q with a 2.6% year-on-year growth. However, standalone EBITDA improved to 16% in Q3 from Q2 due to better production efficiency.

On a consolidated level, MDF revenue grew by 7% quarter-on-quarter and an impressive 53% on year-on-year. Notably, our newly established plant at Badvel is now EBITDA positive. The particle board segment experienced a 3.1% Y-on-Y revenue decline with an EBITDA margin of 4.8% in Q4. This was primarily due to lower volumes and increased raw material costs. We are

setting up a continuous process facility aimed at improving quality and reducing costs. The operations expected to commence in the first quarter of next fiscal year. While we anticipate growth and profitability to improve once the facility is operational, growth may remain flat until then with continued pressure on margins.

With that, I conclude my opening remarks and welcome any questions you may have. Thank you.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Shubham Kadhi from 3A Financial Services. Please go ahead.

**Shubham Kadhi:** Regarding what is your outlook on the timber prices globally for the next one or 2 years?

**Sanjay Agarwal:** Timber prices globally? Keshav, you have some idea or Nikita, if you have some idea, I don't have any idea about the globally.

**Keshav Bhajanka:** Yes, I will just take that up. If you look at imports into India in terms of timber imports, they are not very substantial as far as our industry is concerned. Timber has started importing some amount of chips and some amount of pulp, which means that domestic prices are now more or less falling in line with international prices. So the only conclusion we can draw here is that going forward, there will be the possibility to import chips if prices rise further. But having said that, we don't see the scope for prices rising much because of disparity.

**Shubham Kadhi:** Okay, sir. And so mainly if we see domestic prices, as you said, are in line -- going to be in line with global. So when can we expect them to fall like previously, you had said like the cycle will continue for another year or so. So post that, can we see an improvement in margins?

**Keshav Bhajanka:** So again, the same statement I made last time. The hope is that within that time period, prices will start reducing. As of now, it's not happened. But going forward, definitely, the prices today seem to be on a much more elevated level. So I think that within the next year or two, they will normalize.

**Shubham Kadhi:** All right. That's it from my end. I wish you the very best.

**Moderator:** Thank you. The next question is from the line of Bhavin Rupani from Investec. Please go ahead.

**Bhavin Rupani:** My first question is related to plywood. Sir, in Q2, we had imported timbers for plywood from various Southeast Asian countries, including Brazil, Africa. Now given INR is depreciating against USD, do you think we are still better off if imports or are we increasing our sourcing from the domestic players now?

**Nikita Bansal:** So there is a purchase decision process that we have. So we keep evaluating from time to time. So there are various types of -- there are, there is acacia, eucalyptus. So there are various forms of material also that we can get in imports. So it's not necessarily just eucalyptus. There is also acacia, there's also pine.

So there are various raw material options that are available. So we keep deciding basis pricing and what is the processing cost of that in our factories because a lot of the things that we get we save a lot in terms of drying and because they come in the dried state. So I don't think it's a simplistic answer just because USD cost is a concern right now, and we will have to change our decision.

Currently, we don't, but we keep evaluating it. It's very dynamic. It also depends on what is the pricing at that moment in the thing. Currently, we are continuing with import. Things may change in a month. But as of now, it is still making sense to continue with import.

**Bhavin Rupani:** Okay. And so what is the proportion of imports as of now?

**Nikita Bansal:** So currently, I would say that we are 75%, 80% depending on import for plywood raw material and about 20% is domestic.

**Bhavin Rupani:** Got it. And we also committed INR150 crores for plywood. Can you throw some light here? What is the location? What is the capacity?

**Nikita Bansal:** Yes. So we are planning to put up our plant in Hoshiarpur. We had actually declared this a little while back, but then we had put it on hold because of the raw material fluctuation, and we had also started evaluating another location, which is Odisha Andhra Pradesh border, etcetera. So after all contemplation, we have come to the conclusion that currently, it makes sense to put up a plant in Hoshiarpur. The work has started in the planning stages.

We already have the land and some basic work has already been done in the first plan that we've gone ahead about 1.5 years back. So I think it will be a year from now where we will have the plant ready and operational. In the meantime, we are already augmenting capacity in our existing plants like we have a plant in West in Kandla.

So we are augmenting capacity there. Some have already happened, some will happen more in the next 3 to 6 months. So since we are growing, we need to keep ensuring that we are increasing our capacity. I hope I've been able to answer your question.

**Bhavin Rupani:** Yes. A follow-up on that. So what is the proposed capacity on this new plant?

**Nikita Bansal:** So it would be about per day capacity about 50,000 into 25 working days.

**Bhavin Rupani:** 50,000...

**Nikita Bansal:** We work on MA. So that would be about – I will get back to you on this.

**Bhavin Rupani:** Okay, Fair enough. And what is our current plywood capacity and what is the incremental Brownfield that you are working on and where will be our capacity post this Brownfield work?

**Moderator:** Ma'am you are not audible right now.

- Nikita Bansal:** Sorry, can you repeat your question? What was your follow-up question?
- Bhavin Rupani:** What is our current plywood capacity and you did mention that we are working on some Brownfield expansions at Kandla. So what would be our capacity post the Brownfield expansions?
- Nikita Bansal:** Okay. So currently, we have about 3,40,000 CBM capacity. And I think we will be expanding it by another I will circle back with the exact figures because I know everything in MA and I'll just have to convert it into CBM and let you know. So I'll circle back in this in the next 5 minutes and let you know.
- Bhavin Rupani:** All right. My second question is related to laminates. Our new laminate plant has started -- has a capacity of almost 9 lakh sheets. Currently, if we reduce stand-alone volumes from the consol volumes, the volumes for subsidiary comes to somewhere around 1,10,000 sheets, which means we are running at almost 50% utilization. However, we still seem to have been making EBITDA losses over here. What do you think is the reason behind this and when do we think we will breakeven from this plant?
- Keshav Bhajanka:** So again, when you look at this capacity, the number of sheets comes in the form of quantity, but it can be a sheet of 6 mm or it can be a sheet of 1 mm. Now of course, if it is a sheet of 1 mm, the profitability is going to be far lower. If it is a sheet of 6 mm, the realization profitability, will be far higher. So because of this, I think currently, the numbers that you are seeing, are slightly skewed.
- They are skewed towards lower-value products. Hence, you're seeing in terms of quantity, a good increase, but in terms of value, a lower increase. So going forward, the capacity utilization is going to be far higher. I think here, rather than looking at it from the point of view of numbers, we should look at it from the point of value.
- Bhavin Rupani:** Got it. And when do you think we will break even at some value or utilizations if you have in your mind?
- Keshav Bhajanka:** Here next year, by Q2, we should be looking at breaking even only as far as laminate is concerned.
- Bhavin Rupani:** Okay. And any breakup over here is possible, what is the domestic volume right now, domestic versus exports, what is it right now?
- Keshav Bhajanka:** We don't share that information.
- Bhavin Rupani:** Got it. The next question is related to particle board, sir. How should we understand the utilization of particle boards for year 1 and year 2?
- Keshav Bhajanka:** For the new capacity?
- Bhavin Rupani:** Yes, sir.

- Keshav Bhajanka:** Once the new capacity comes on board, we will pretty much be putting a hold on the current capacity. The volume will be transferred to the new line because the operating parameters in the new line will be far better. It's a continuous press versus a multi-press, which we currently have. So by definition, wastages will be lower, resin consumption will be lower and EBITDA will be higher.
- So I think within the first year, we will be able to hit close to a 50% plus capacity utilization of the stand-alone new line capacity, and second year onwards, we will ramp up.
- Bhavin Rupani:** Got it. And sir, the last question is related to tax rates. So we have two new plants, particle board and laminates. I'm presuming the tax rates over there are lower. So how should one understand what would be the blended tax rate for Century as a whole?
- Keshav Bhajanka:** The tax rate for the B unit for Century Panels is lower, but the tax rate for the Chennai plant will be in line with the tax rate for the company. So I think the CFO can answer this better, but the basic lower tax benefit that we'll get will be from Bud, which means from the new MDF plant, the new laminate plant, and the new--CFO if you would please clarify.
- Arun Julasaria:** Yes. The particle board plant at Chennai is coming from Century's applicable tax rate is 25% for a new company that we have for Century, which is running our new MDF and the new PVC plant tax is 15%.
- Bhavin Rupani:** Sir, any sense on the blended rate? It could be somewhere around 23%...
- Arun Julasaria:** The profitability of both. So difficult to imagine at the moment. You can say in the plant, we will have losses this financial year. We may not have tax depending upon what...
- Nikita Bansal:** I would like to just answer your question on plywood. So the capacity at full utilization would be about 80,000 CBM. And as far as the expansion in our West and some other factories, it's about 15,000 to 20,000 CBM. Currently, we are already at a very high utilization percentage. So because of that we are expanding. So I think we are at 90% to 95% utilization capacity already.
- Moderator:** Thank you. The next question is from the line of Hrishikesh Chandrakant Bhagat from Kotak AMC. Please go ahead.
- Hrishikesh Bhagat:** So on the MDF South capacity, is it fully 950 CBM that is installed or is it lower today?
- Sanjay Agarwal:** So right now, it is a bit lower. I would say the capacity right now is more around 750 to 800 CBM per day. When we take the press extension, the capacity will reach to 950 CBM to about 1,000 CBM as you mentioned. Recently, we've seen a slight increase in capacity on account of the installation of the pre-heater. So just to summarize, right now, we are at about 800. We will go up to 950 to 1,000 after a little bit of capex that we take in terms of line extension.
- Hrishikesh Bhagat:** Sure. So effectively, if I work with 800 per CBM, you guys are already above 50% utilization at least in the South capacity. So the question has more to do with in terms of the South

production, is it now fairly stable in terms of mix like in terms of high-grade MDF or is it largely still a low-grade MDF in terms of commodity, that's what the question is?

**Keshav Bhajanka:** So Hrishi basically, in any new plant, you will first start selling the mass products and then gradually as you delve deeper into the market, you will start selling the value add. So currently, the majority of our products are in the lower-end DI category, premium plus prelam etcetera, takes some time to ramp up and we are ramping up. But I think next year, towards H2 you will see us reach somewhere close to the same figures that we have in Hoshiarpur in the Badvel unit.

Last quarter, you will also see that we have taken a hit because of some degrade to initial days, we had a lot of degrade. Now we had to get rid of that chocker block in my plant. So because of our realizations have been lower this quarter, realizations will look way better.

**Hrishikesh Bhagat:** Okay. So the purpose from apart from realization, the idea is that if you start moving to high-grade MDF then potentially from the incremental utilization standpoint, probably it should peak around somewhere around 80%, 85%. That's what the point is in the sense on once the stability and once you have the market in place in terms of -- The utilization should peak at 80%, 85%. That's what the question is?

**Keshav Bhajanka:** Yes. Depending on the product mix, see, for us, the ideal scenario is utilization peaks at 75%, that means 100% is premium. But I don't see that happening. But still, you're absolutely right. You can take 85% as peak utilization considering the quantum of premium products we are looking to add.

**Hrishikesh Bhagat:** Okay. Thanks.

**Moderator:** Thank you. We'll take the next question from the line of Sneha Talreja from Nuvama Wealth. Please go ahead.

**Sneha Talreja:** Just two to three questions from my end. And sorry if at all, I'm repeating it. Just wanted to understand the scenario on the Plywood segment. We've seen a continuous outperformance coming in from you. I wanted to understand that the industry is growing that strongly? How are we gaining market share, some reasons and how sustainable these market shares could be, and your outlook on this particular segment?

**Nikita Bansal:** So see the industry itself, if I really look at Plywood as an industry I think we said it several times that Plywood as an industry will continue to grow at 5% to 7% year-on-year. It won't grow in double digits just because there are a lot of other wood panel products like MDF particle boards that are coming in. Growth will continue at 5% to 7%.

And we have always said that as a company, if I really look at the industry, we used to be a few years back about this basis turnover, we used to be about 4% to 5%. Today, we've reached 9%. So somewhere we are gaining market share. And that has been through our various strategies that we keep doing. And our goal is ultimately in the next 4 to 5 years to reach 15% market share.



But having said that, is there a shift towards branded? Is there a thing there is really no study or data on Plywood industry that is there and easily available? So everything is extremely ad hoc and something that is a big perception that we have. So it's very difficult for me to really say that is there a shift unbranded to branded. What are we doing good? We are doing these things that we are doing at the same time.

What is really working to give us that result? I think it's the combination of everything that is helping us result in our delivery. So I hope I've been able to answer is there anything particular more you would like to know, I would expand on that.

**Sneha Talreja:** No, I think Plywood -- okay, I'll put it other way. What are the things which are not succeeding in the laminates segment to put it as? I mean you are outperforming significantly in the Plywood front. What are the things you're trying to replicate in laminates that's not working out for you?

**Keshav Bhajanka:** I think in laminates, we have not been able to execute. We had good strategies. We've been able to revise a number of new interventions, for instance, increasing team size for architect working, for instance, introducing semi laminates, but the execution on ground hasn't been as good as Plywood. And I think towards that end only, we have now taken the decision to bring about a change in leadership.

I'm sure with the change in leadership and with a course correction that we have already taken, we should be able to execute better on the ground and that should result in better numbers going forward.

**Sneha Talreja:** Any change in guidance that you would want to give out or any new guidance for FY '26 for all the divisions?

**Keshav Bhajanka:** Not currently.

**Sneha Talreja:** Not currently. Sure. Let's me get back. Thanks Keshav.

**Moderator:** Thank you. The next question is from the line of Keshav Lahoti from HDFC Securities. Please go ahead.

**Keshav Lahoti:** Sir, firstly, a small clarification the guidance mentioned in PPD is for Q4 or H2?

**Nikita Bansal:** Q4.

**Keshav Lahoti:** Okay, understood. And secondly, I want to understand, firstly, congratulations on a stellar MDF performance. So your peers have reported the numbers. So kind of 15% healthy margin on MDF side, while peers are talking about increase in timber cost for this quarter also, while you have mentioned your timber cost for MDF decreased in this quarter. So what things you are doing different, please let us know?

**Sanjay Agarwal:** Yes. So I'll answer. We've invested significantly behind production efficiencies. So that's done us well this quarter. Also on the product mix side, while in South, we are still ramping up to

value-added products. In North, we are focusing a lot on our value-added products that also helps us in profitability. So I would say these are the two main reasons that are driving profitability for us.

**Keshav Lahoti:** And your timber costs have reduced sequentially, right...

**Sanjay Agarwal:** Not really. Look, timber cost is something that is not fully in the control of the company any which ways. So it is what it is for everyone, right? In North, our timber prices are already 7 plus. In South, we are at about 6 plus. So that's moving in line with industry. We haven't seen a reduction in timber costs Q2 or Q3.

**Keshav Lahoti:** And lastly, how should we read the situation in particle board industry? While the margins of particle board industry is so low, recently, a large capacity by Greenlam has got commissioned and now Century also plan to enter this market. And the industry margin is so low and when we are seeing new supply coming up in this industry, how will the industry scenario looking for next 1 or 2 years?

**Sanjay Agarwal:** See, you're right. I think every industry goes through these phases of overcapacity and under capacity. Particle board for sure, we see a lot of capacity coming up, like you rightly mentioned. Also margins are under pressure primarily on account of increased raw material prices and also sales pressure. But this is the time for the industry to also innovate and step back.

So new technology will come in, which will give certain efficiencies. People will invest more in other kinds of products. So I think this is a good time for the industry to sit back and reflect on what more value-added actions can be taken. But these are cycles, they happen.

**Keshav Lahoti:** Understood. Got it. So we expect particle board to breakeven at EBITDA as well as PAT in FY '27?

**Sanjay Agarwal:** Yes, that's what you would aim for.

**Keshav Lahoti:** Both the PAT also breakeven, right?

**Sanjay Agarwal:** Sorry, can you repeat your question?

**Keshav Lahoti:** PAT breakeven will also happen in FY '27?

**Sanjay Agarwal:** PAT breakeven.

**Management:** Yes, that will be the attempt.

**Keshav Lahoti:** Okay. That's it. Thank you.

**Moderator:** Thank you. The next question is from the line of Praveen Sahay from PL Capital. Please go ahead.

**Praveen Sahay:** Congratulations for the best set of numbers. My first question is related to the MDF. As in the previous participant's answer, you mentioned that improvement in the GM is because of a product mix change. But if I look at your stand-alone, there is not much improvement in the realization. So sequentially, I'm looking at the number, realization is almost flat, whereas your gross margin profile has improved. So what exactly...

**Keshav Bhajanka:** So if you look at our realizations in prelam, quarter-on-quarter, our realization has gone up by 4.4%. And plain MDF, you see there is also a product mix change that might have taken place because of which you're not seeing the realization improvement. Like-for-like, if we sold the same product, there will be an improvement in realization. This could be due to a mix change within plain MDF.

**Praveen Sahay:** Okay. Got it. Second question is, as you had also given the guidance for the fourth quarter, around 40% plus of sales that required around -- if considering the realization to be same, around 55% plus of a growth in the volume. So do you expect even a lot of capacities are coming in, you are able to maintain that more than 50% volume growth numbers for MDF?

**Keshav Bhajanka:** I think most of the new capacities have already come in. So considering that we were able to do it as of the previous quarter, I think we should be able to maintain our guided growth.

**Praveen Sahay:** Okay. And on the plywood side, definitely, like last three quarters, volume numbers has been very strong. And like how -- like way forward from here onwards, what exactly the capacity addition is a more driver you are looking at to further increase your market share? And what exactly you are looking at to increase the market share there over here when you are at somewhere around 9% of market share already? So any color on that?

**Nikita Bansal:** I think definitely capacity expansion is to cater to the increase in market share that we would like to do. So the growth will be catered by expansion. But at the same time, I mean, we have to continuously keep deploying various strategies on ground, whether it be in terms of various programs that we keep doing, whether it be in terms of availability, whether it be in terms of channel expansion, whether it be in terms of really developing our Sainik 710 brand because that is where the belly of the market lies further growing the brand of Century Ply.

So I think it is not very easy to say that there is one strategy that we are deploying and that is what is going to lead to result. So I think it's a combination of a lot of activities happening, whether it be in terms of team, in terms of building up the team, in terms of digital infrastructure. So there are so many things that go in. It's just that the intention is towards reaching that.

I mean there are a lot of things that in the last -- I think from COVID to now, there were a lot of things that worked in our favor. There are a lot of strategies that failed. But that does not mean that we stop putting those efforts. And ultimately, some result into what we have been able to gain in from 5% to 9%. So similar things will keep happening.

**Praveen Sahay:** So in this segment, how much in the last 9 months...

- Moderator:** Sorry to interrupt, sir, I would request you to rejoin the queue for follow-up questions, please.
- Praveen Sahay:** Okay.
- Moderator:** Thank you. We'll take the next question from the line of Harsha from Key Securities Limited. Please go ahead.
- Harsha:** Firstly, I congratulate for your results. And my question is like how you managed to achieve your year-on-year growth despite weak market segment? And how will you see your market in the next 6 months?
- Sanjay Agarwal:** You see, you have seen that the growth has basically come from 2 sectors, MDF, where we have installed new capacity. And we also, as a company, Keshav as a leader for MDF has taken it very strong lead and full team has been put into pressure into South India and the growth is coming from South India.
- So the plant has reached the full capacity also as we had earlier thought of. As far as plywood is concerned, of course, whatever we have been trying too many things, new, new things, some of them have really failed and we have done away with them. There are certain things which have really succeeded, and we are now pushing harder on them. So -- but it's a very, very difficult situation in these markets.
- Right now, yes, we are doing well this year. Next year also, we will probably look for similar kind of growth. And I hope that the markets will also improve by then the government is also trying to do a lot of things. I hope this kind of a growth will continue.
- Harsha:** And my next question is, how would you see your market in next 6 months?
- Sanjay Agarwal:** Yes, that's what actually -- I believe that the markets are only going to improve because the market has been slow for some time. And now with the win in Delhi and Maharashtra and one of Karnataka state high court state none other state BJP won, I think they have also -- they must have got their confidence back. And I think they will start now spending the money also a lot, the investment cycle will also start and they have requested the businessmen also industrialist also to increase their investments in the country.
- I'm sure things are going to change. They cannot remain as today because the markets are slow. You can see in all the results we are seeing for third quarter. I certainly believe that the H1 of the next year will be much better than what we have today.
- Harsha:** Okay sir. Thanks. That's it from my side.
- Moderator:** Thank you. We'll take the next question from the line of Amit Purohit from Elara. Please go ahead.
- Amit Purohit:** Sir, on the volume growth outlook for plywood, so we have -- I mean, if I look at the historical trend has been that for FY '24 was not so great in terms of the revenue growth for us in the

plywood. And then FY '25, we saw a very strong growth likely in more than teams kind of. Would you say that now the strategies are in place, which will give you confidence of a double-digit outlook in plywood should not -- it's a doable thing that is -- I don't know if you've answered this, but just wanted to check your thoughts on this?

**Nikita Bansal:** Yes. So -- see, we have given the outlook that in Q4 we will grow at that 12% going forward, and that has been our statement throughout that we will grow at 12%. But we cannot predict any year and that is why we always give a number that we feel can be done. If you see this year, I have been saying 12%, but we are outperforming that 12%, but we still give a conservative number just because the market is so dynamic.

It may not be just strategies alone that play alone -- so yes, we may have got strategies right for this year. Whether they will continue to work next year because there is so much how the market changes, how the scenario changes, what does the competition react to different things. So I think we are right now not talking about growth numbers for next year. Whenever we come with that, we will discuss it more.

But I think as a division, we will always give numbers which we feel are doable. If we outperform great, if we don't -- but yes, currently, we are on the track that, yes, we've got something right and it's going right for us. Whether it will continue, we don't know.

**Amit Purohit:** Okay. No, I just was wondering if this is a base effect thing or would it -- this is something more to it?

**Nikita Bansal:** I mean, is there ever a strategy that is baked and go for all years. I don't think it has to be dynamic. You have to keep changing strategy, you have to keep adapting to various market scenarios. So I would say let's see how everything unfolds. Yes, we are definitely on the right path, and we definitely have the right vision in place.

**Amit Purohit:** And would the loyalty program that paint and the carpenter loyalty program, that allocation, how it would have moved over the last 1 or 2 years, if you could share that?

**Nikita Bansal:** You mean in terms of budget?

**Amit Purohit:** In terms of -- yes, the budget probably, say, '22, '23, '24, till now, what would that -- if anything which will give some sense on?

**Nikita Bansal:** So we actually don't budget it. It is something we generate within our pricing itself. So there is no budget as such. And at the same time, these are 2 fine details for us to share over this call.

**Amit Purohit:** Sure. Okay. And second, on the MDF part, I wanted to understand, I mean, your guidance of 15% for Q4, that presumes that the stand-alone MDF would have at least 18% to 19% kind of EBITDA margin, right? Is that a fair -- this 15% first is on consol right now because 40% Y-o-Y growth would also be consol for Q4?

- Keshav Bhajanka:** Yes. Earlier, we had given numbers for profitability on stand-alone, but for volume on consol. This is because we weren't very sure of how that would scale up. 15% was for stand-alone, and we are sure that 15% can be achieved for standalone. If you're looking at consol, I would say that the blended EBITDA numbers would be closer to what they were in this quarter.
- Amit Purohit:** Sure. Okay. And there is one -- I mean, I was just doing a math. I don't know if you would be able to help me out in this MDF, which is basically the console minus the standalone performance and I see significant savings on the overhead cost, especially on the new plant. Anything one-off thing or should we take that as a...
- Keshav Bhajanka:** I think it's operating leverage and the benefit of economies of scale. So there has been nothing significant that is one-off in the current quarter.
- Amit Purohit:** Sure. I will take this offline. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Utkarsh Nopany from BOB Capital Markets Limited.
- Utkarsh Nopany:** Sir, my first question is on -- again, on MDF segment margin. So I just wanted a clarification from you. If we see the industry leader margin has contracted sharply on a quarter-on-quarter basis in December quarter, whereas if we see for our MDF segment margin, the EBITDA margin without the impact of forex, there has been a 700 bps improvement on a quarter-on-quarter basis despite our realization going down by 2%.
- So can you please explain why our margin has improved on a quarter-on-quarter basis, which is an aberration compared to the industry trend?
- Keshav Bhajanka:** I think it is better efficiencies as far as our new plant is concerned. Last quarter, if you look at it, on a standalone basis, while we weren't very far off from where we are in the current quarter. But on a consol basis, we are very, very far apart. So the new plant, of course, there have been operational efficiencies that we have brought in.
- Alongside that, I think that in terms of timber, we have benefited slightly from having higher inventory, which has reduced the cost. But overall, I think this is predominantly due to operating leverage and due to operating efficiencies that we are able to generate.
- Utkarsh Nopany:** Sir, on a quarter-on-quarter basis, your revenue has remained roughly same. So the operating leverage benefit would not have kicked in. And if you could quantify what would have been the reduction in the timber cost for us on a quarter-on-quarter basis?
- Keshav Bhajanka:** Operating leverage, when we are discussing operating leverage, I meant year-on-year. So the overhead cost definitely gets split up. Quarter-on-quarter, like I said, in any plant, when you are in your first or your second quarter, there will be wastages, there will be higher consumptions, you need to ensure quality is met. So all of those things have definitely led to us being able to give a higher EBITDA number in Q3 compared to Q2 as far as the Badvel plant is concerned.

- Utkarsh Nopany:** And sir, going forward, can we maintain similar kind of a margin run rate, say, from the March quarter onwards, what we have delivered in December quarter at least for MDF segment?
- Keshav Bhajanka:** Yes. Our attempt will be to maintain similar margins.
- Utkarsh Nopany:** And sir, second question is like, can you please quantify what kind of a pricing action we have taken for each of our segment in December quarter and whether we are planning to take in March quarter as well for MDF plywood and for laminate?
- Keshav Bhajanka:** For MDF, we have taken close to 3% to 4% blended increase pan-India as far as prices are concerned. For laminate and for plywood, I don't think we have taken any increases as far as last quarter is concerned.
- Utkarsh Nopany:** Okay. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Shivkumar Prajapati from Ambit Investment Advisors Private Limited. Please go ahead.
- Shivkumar Prajapati:** First question is like, I guess, from today onwards, BIS on some wood panel products was about to be effective. So is it effective from today like any update if you could share?
- Nikita Bansal:** Yes. I think BIS is getting effective in different products at different times. So say, for example, plywood is 28th Feb is the date. I think in MDF it is 11th or 12th Feb is the date. And I think it is very -- I think if you give us a day or so to know whether it really got effective or not. But this time, it seems that the government is extremely serious about this being put into motion. In terms of import, it will be done on these dates. In terms of domestic, I think we are doing it in a staggered manner over big, small and micro up to August.
- Shivkumar Prajapati:** My second question is the follow-up on the previous question. Like if I'm not wrong, you mentioned that you have taken price hike of around 3% to 4% on MDF during the previous quarter. Is my understanding correct?
- Keshav Bhajanka:** Can you repeat the question, please?
- Shivkumar Prajapati:** Like you mentioned that we have taken price hike on MDF the previous quarter around 3% to 4%.
- Keshav Bhajanka:** Yes, absolutely correct.
- Shivkumar Prajapati:** Okay. That's it from my side. Thank you. Best of luck.
- Moderator:** Thank you. We'll take the next question from the line of Rishab Bothra from Anand Rathi Share and Stock Brokers Institutional Equities. Please go ahead.

**Rishab Bothra:** Sir, I wanted to understand on the demand perspective for each of the segments. What are the key drivers you see will be meaningful in next 2, 3 quarters, which will demand, the plywood, laminates, MDF and particle board?

**Sanjay Agarwal:** I think I have already spoken on this because I believe that under currents have been slow and government was not at a very confident footing because of the results of the annual -- of the 5-year central elections and then local elections. But after these three big wins and now the government has also adjusted and the kind of budget they have given.

So I think all of this will actually now in a few months, I think there should be a recovery. And it is only -- it's a question of mindset. If people feel positive, things will become positive. So that's why I believe that H1 should be much better than the last 3 months, 4 months, 5 months, whatever has gone.

**Rishab Bothra:** I agree this is on a broader level. But in case of plywood, let's say, dealer demand will be available from housing space, laminates, could it be export or domestic? And in MDF and particle board, will it be OEMs or dealer distributor level. So I wanted some color on that front?

**Sanjay Agarwal:** So as far as plywood is concerned, it all depends on the high upper middle class or the upper class, HNIs housing actually. So I believe that a lot of sales has happened and a lot of new residences and offices are getting now interior decorated. So I believe that some demand have started coming in, and we are benefiting out of that only.

Otherwise, this kind of a growth would not have been possible. And I think this should now continue for some time. And more and more sales are happening. We are seeing the kind of registration fees being collected in Maharashtra or in Gurgaon. They are certainly a very positive sign.

Yes, of course, even after buying a person probably a year to settle down his mind who is the interior designer, what kind of design he wants to do and all that might be happening. But I'm sure that this is what will really propel the further growth as far as plywood is concerned. As far as MDF and laminate is concerned, I would like Keshav to...

**Keshav Bhajanka:** I think for laminate, both the domestic as well as the export markets, I won't read to a substantial increase in demand. Exports have been doing well for some time now, and India is growing steadily in export of laminate for quite a few years. I think with the new larger sized presses, we should be able to take advantage of this trend as well. And of course, the domestic market will continue to grow.

As far as MDF and particle board are concerned, I am very confident that we will see an increase in domestic demand. There is growing traction and both OEM and home consumers or the retail segment, they are likely to grow in line with the government's initiatives towards housing for all and other such initiatives related to real estate.



We should see -- you see two large plants of MDF came into production. One is Century Ply, another XM had come into production, and both are mostly doing well. I think both have crossed 50% capacity utilization because MDF is the one which is really growing much faster than plywood. A lot of furniture is getting converted into usage of MDF.

So I expect that within next about a year's time, whatever capacity has been created should be absorbed. So I don't see much headwinds or any kind of a problem in coming time as far as these things are concerned.

**Rishab Bothra:** Got it. And lastly, on input cost, what would be the delta in case of wood price increase, let's say, by 5%, which segment will be affected the most? I guess laminates don't have timber consumption as such, large timber consumption as compared to...

**Sanjay Agarwal:** No timber consumption as far as laminate is concerned. Laminate is made out of paper, craft paper and all that.

**Rishab Bothra:** Correct. So only the plywood, MDF and particle board will be impacted. And if you could sell out what percentage plus or minus is there in case of increase or decrease in timber cost by 5%...

**Sanjay Agarwal:** For MDF, the price quarter-on-quarter has increased by about 5% to 7% in North and in it's slightly higher. It's about 10% to 12%.

**Keshav Bhajanka:** This is for MDF related to MDF. For plywood, I think there hasn't been any material spike in raw material prices in the last quarter, but if it has been miniscule.

**Sanjay Agarwal:** I think for plywood, what has happened, we are getting good imports of core veneer and face veneer both from different countries. So there is not one country, but many countries which are now exporting to India and the demand is being met. And that is why the local price rise also had been curtailed that it is not increasing. Otherwise, it would have gone to the roof.

So for last about 6 months' time, I don't see any increase as far as plywood raw material prices in India is concerned because of the import prices. And I don't see until something very big, something which we do not see right now happens after Trump, anything can happen, of course, but I don't see much happening really there.

**Rishab Bothra:** Got it. Increases...

**Sanjay Agarwal:** Yes, plywood is capable of taking that price rise also. It has -- we have taken about 4% price rise in this year, present year also. So next year, again, if it happens, we will be able to take a price rise.

**Rishab Bothra:** Got it. And lastly, if I may chip in. Anything update on the container freight business? What kind of capital can we get released? And how soon can it happen?

**Moderator:** Could you please repeat your question Mr. Agarwal had got disconnected from the call.

- Sanjay Agarwal:** Yes, please. Yes.
- Rishab Bothra:** So I wanted to understand what kind of capital can be released from the container freight business? Any update on that front? How soon that can happen?
- Sanjay Agarwal:** Container freight station, very frankly, is doing much better this year. That much I know. But right now, I'm unable to really answer any question on that division. CFO can throw better light. I know this division is doing much better than last year. That much I know.
- Arun Julasaria:** No, container freight station, this business is doing good now. increasing we don't have any plan of expanding capacity in this business. Of course, we are now entering into operations that we have separate ports. So we are working on that business. We are also working on whether we can have some rev partner who can help us in this business. So a lot of things are on drawing board in fact. So we shall update at right time.
- Sanjay Agarwal:** So no plans as of now and port operations will be in a different entity?
- Arun Julasaria:** We don't have any hiring of plan.
- Rishab Bothra:** Thank you, sir.
- Moderator:** Thank you. We'll take the next question from the line of Bhavin Rupani from Investec. Please go ahead.
- Bhavin Rupani:** Sir, do we have any export obligation from our new MDF plant and particleboard plant in South India?
- Keshav Bhajanka:** Yes, we do have an export obligation from the MDF unit. And currently, we are not in line to meet the same because the raw material prices have shot up drastically, but we are working on all available options, and we are sure that within the 6-year time horizon, we'll be able to meet our export obligations.
- Bhavin Rupani:** And what is the time lines within which we have to export.
- Keshav Bhajanka:** 6 years.
- Bhavin Rupani:** 6 years, sir?
- Keshav Bhajanka:** Yes.
- Bhavin Rupani:** Okay. And quantum, if that is possible?
- Keshav Bhajanka:** I think CFO will get back to you with exact details. I don't have the data ready on me.
- Bhavin Rupani:** Got it. And sir, last question is related to plywood. Just wanted some sense which category is growing faster? Is it the Sainik one or the premium category is growing faster and if you can give the breakup, if that is possible?



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*February 11, 2025*

- Nikita Bansal:** We never give this breakup, but just to give you a perspective of everything, if you have to deliver 18% to 20% growth it cannot be behind just one segment. Both segments have to grow at a very double-digit growth numbers for you to deliver that level. Having said that, I've repeated this in every call that the belly of the market lies at the Sainik segment. So the growth -- our expectation is that the growth level of Sainik has to be higher than that of [inaudible 56:56], but that does not mean that Century is not growing at a very high pace. So I hope that answers your question.
- Bhavin Rupani:** All right. Thank you so much.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question in the queue. As there are no further questions, I would now like to hand the conference over to Mr. Agarwal for closing comments. Over to you, sir.
- Sanjay Agarwal:** Thank you. Thanks to all of you for supporting Century Ply with very positive hopes for the Q4 and the H1. And I believe that things will be much better under currents will certainly improve in coming times. We close today's call. Thank you.
- Moderator:** Thank you, members of the management. On behalf of SKP Securities Limited, that concludes this conference. We thank you for joining us, ladies and gentlemen and you may now disconnect your lines. Thank you.