



Greenply/2024-25  
May 25, 2024

**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 May 22, 2024, on the financial results of Greenply Industries Limited for the quarter and financial year ended 31st March, 2024.

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

Thanking You,

Yours faithfully,  
For **GREENPLY INDUSTRIES LIMITED**

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

Encl.: A/a

**Greenply Industries Limited**

'Madgul Lounge', 5th & 6th Floor, 23 Chetla Central Road, Kolkata - 700027, West Bengal, India

T : +91 33 24500400, 30515000 | E : kaushal.agarwal@greenply.com | www.greenply.com | CIN : L20211WB1990PLC268743  
Registered Office : 'Madgul Lounge', 6th Floor, 23 Chetla Central Road, Chetla, Kolkata - 700027, West Bengal, India



“Greenply Industries Limited Q4 FY24 Earnings  
Conference Call”

**May 22, 2024**



**MANAGEMENT:** **MR. MANOJ TULSIAN – JOINT MANAGING DIRECTOR  
& CEO, 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 MARKET SECURITIES**



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**Moderator:** Ladies and gentlemen, good day and welcome to Greenply Industries Q4 FY24 Earnings 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 expectation 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, etc., 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 “\*” then “0” 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, Mr. Karan.

**Karan Bhatelia:** Thank you. Hi, everyone. On behalf of Asian Market Securities, we thank you for joining us to the Greenply Industries 4 Quarter and 12 months FY24 Conference Call. In the panel today, we have Mr. Manoj Tulsian - Joint Managing Director & 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.

**Manoj Tulsian:** Thanks, Karan, and good morning, everyone. It is a pleasure to have you all in this call. I will be updating you on Greenply’s operating and financial performance for Quarter 4 and FY2024.

First of all, I am very happy to share with you all that we have achieved the consolidated revenue of Rs. 600 crores during the quarter excluding revenue from discontinued operations, a growth of 40.4%. The discontinued operations refer to our Africa business operations controlled by our Middle East entity, GMEL, in which we have given up majority control during the last quarter.

We have received the purchase consideration and effectively deconsolidated the operations as we move into the New Year. We are referring to all the numbers, whether for this year or the comparable numbers for last year in this communication without GMEL, unless specifically called out. Our revenue CAGR in FY24 over the financial year 22 is almost 26% on a comparable basis, much ahead of our earlier guided revenue CAGR number of 22% for this period. During the quarter, our consolidated EBITDA has also grown by 22.8% on a Y-o-Y basis to Rs. 59 crores and the margin during the quarter was at 9.9%. The full year consolidated EBITDA excluding the discontinued operations is at Rs. 191 crores, an increase of 12.6% Y-o-Y on a comparable basis.



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Now, I will share some highlights of business wise performances:

In our Plywood business, our growth for the quarter was 9.4% Y-o-Y. We have achieved our annual guided target growth rate with a Y-o-Y volume growth rate of 8.6% for FY24. We guided a volume growth rate of anything between 8% and 10%. On the margin front, our adjusted core EBITDA margin for the Plywood business for Quarter 4 was at 8.6% as against 11.5% in Quarter 4 of FY23. The margin declined on a Y-o-Y basis by almost 290 basis points due to increase in raw material prices by almost around 1% and higher advertisement expenses by around 1.8%. The EBITDA margin, however, improved by 60 basis points on a Q-o-Q basis. Our profit after tax for the quarter was at Rs. 29 crores, which includes the impact of gain on sale of 51% investment in GMEL to the extent of Rs. 4.5 crores.

Moving on to MDF business:

Our revenue in Quarter 4 was at Rs. 131 crores and volume at 45,764 CBM. I am happy to share with you all that we have also improved our EBITDA margins during the quarter to 14.1% as against 13.5% in the previous quarter and we have delivered a PAT positive performance during the quarter. This is practically the third full operating quarter. So we are very much on our guidance and our hard work that within the first year of operations, we will make this PAT positive. Of course, more details on the MDF business will be shared by Sanidhya.

On a consolidated basis:

Our net debt level are at Rs. 502 crores against previous quarter debt level of Rs. 497 crores excluding the GMEL which is well within our guided peak net debt level of Rs. 540 crores as mentioned earlier. During the year, we have also made investments in our hardware JV amounting to Rs. 25 crores and the commercial operation of the JV started in the month of March. The JV is likely to commence full Phase-1 operations by end of June, mid-July and is expected to benefit from upcoming BIS implementation of certain furniture hardware products.

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

**Sanidhya Mittal:**

Thank you, Manojji and good morning to everyone on the call. In our MDF business, we are progressing well.

I am happy to share that we have achieved revenue of Rs. 131 crores and also having a positive PAT in this quarter ahead of our original plans. It is the result of our meticulous planning, team effort, brand strength and commercial discipline. During the quarter, we have installed a few short cycle presses as well as ramped up production of our pre-lam MDF boards. Being a premium player, we will be introducing other innovative value engineered products to serve all categories of customer segments going forward. We are also confident of achieving better margin profile in the business as we enter the new financial year. The full year volume of approx.



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1,25,000 CBM was 25% more than what we guided 1,00,000 CBM for FY24. In the last quarter, we have sold 45,764 with a blended realization of Rs. 28,640 per CBM. On a year to date basis, our sales realization per CBM is 29,279. As we progress in the New Year, we will be focusing on capacity building for value added products, working on operational efficiencies and improving yields.

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

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Ritesh Shah from Investec. Please go ahead.

**Ritesh Shah:** Sir, my first question is more data keeping, if you could please help on the volume split on the ply side between premium and others on volume as well as value basis for Q4 this year, last year and if you can help with full year number also that would be great?

**Manoj Tulsian:** See, the mix has not changed. I was looking at the mix between Q3 and Q4. The mix, I think is almost same. We will just give you the volume value numbers.

**Ritesh Shah:** Meanwhile, can I ask you few other questions till we have the data point?

**Manoj Tulsian:** Yes, I think we will get back on this volume value data. It is very similar to Quarter 3, which I have seen. I am not carrying the numbers right now. We will get back to you on the same. Please go ahead with the other questions.

**Ritesh Shah:** So the reason to ask this question, basically, if we look at the Q3 data, we see a steep jump on ex premium as a category. I think it was upwards of 23%-24%, whereas for premium there was a decline. So just wanted to ascertain, is this saying something which is the new normal that we are looking at whether we have created our strategy on placement on economy side to actually drive more volumes. So that was the question that I was coming to?

**Manoj Tulsian:** I think Ritesh, if you clearly see the trend is, the growth has come on the mid segment, okay. This year, the volume growth, whatever has come is purely because of the growth in the mid segment. The premium segment has hardly grown. If you truly ask me, I think it is around the 1% growth what we have registered there. Going forward, we might see a similar trend. So we have a team, a separate team which works on the premium side of the product, the separate team which works on the mid-side of the products. So growth is something for in any case we are going to taper it, we are going to work on the growth, we are not going to leave any of these segments. We have product lines. Yes, as a company, of course, anyone would desire that the premium segment should grow because that clearly helps the margin profile also to improve. There is a team which is working. We have been increasing our ad spend. We have been doing a lot of things strategically also to see how we are able to get more into the market with our good set of products in the premium category. But yes, last year, we didn't see any success, maybe the



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silver lining is at least we have not de-grown on the premium segment in absolute terms. And the data on value volume is now there with Nitin, he will just.

**Nitin Kalani:** The volume for our premium brands was flat year-on-year basically for the quarter and for our economic segments, it was plus 13% in terms of volume and value was plus 12%. This is only for ply and other segments grew more than, I would say, high teens basically.

**Ritesh Shah:** My second question is on MDF. Sir, would you like to put some volume guidance number for the next fiscal along with some color on value added products along with something on the margin profile and how do you see the macro evolving over say next 6 to 9 months?

**Manoj Tulsian:** See, in terms of overall volume growth, we have taken an internal target of trying to achieve 200,000 CBM volume for the full year, but the rest of the thing, I will request Sanidhya actually to ask in terms of between value added products and how he is looking at the market, so these questions, Sanidhya.

**Sanidhya Mittal:** I think market as far as the realizations of the competition is, it is challenging, but our advantage at Greenply is that our capacity is very limited compared to other players in the market. So we have the power to say no and we are trying to focus more on trade and less on OEM. So we have kind of restricted our overall OEM business at about 13%-14% of our topline and the balance 85%-86% is now coming from, maybe 87% close to is coming from trade. So I think this will really help us as a strategy for the first line, till we have only one line up and running. And this way we can ensure that even in tough times we can maintain our margins and we can maintain our paybacks, etc.

**Manoj Tulsian:** The market overall looks good in MDF. We continue to assume that the market will grow at a pace of around 15%. So that surely gives us a lot of tailwind in the MDF business and for us, what we need to concentrate is that one, we are able to consistently produce and deliver. Second, as we said earlier in our calls that we continue to build up on the internal efficiencies because that is the key and we have always maintained that that takes time. But I think we are on the right path and that is how you will see that, almost every quarter you will see our margins improving.

**Ritesh Shah:** And sir, last question on furniture fittings, in the last call you had indicated a revenue of Rs. 300 crores in 3-4 years with margins of around 20%?

**Manoj Tulsian:** Yes.

**Ritesh Shah:** Would you want to revisit those numbers or if you can give some specific color for the fiscal ahead, what we will look to target along with margin profile, ROCE profile?

**Manoj Tulsian:** No, there is nothing actually revisiting those numbers. First year, we actually first thing we have set up the plant at a very rapid speed in 6 months. Yes, when you do so many things at such a



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rapid pace, there are a few machines or other things which we were expecting to come by March or April because of the shipment and other things, a few of them has got delayed. That is why we are assuming that from July, we should be in a position to start manufacturing the products what we had put in our business plan. And in terms of the other preparation like getting the team in place, we have most of the teams in place, at least the head of functions, the team below them are getting recruited. Most of it are in line, they will get completed within June. So, from quarter two of this year, our sales will start on that business. First year, we are not expecting any big numbers and the first year maybe we will slightly be incurring some loss also because initially we will have to invest also on the marketing side to showcase this product to the whole of the market and trade. So, first year in any case in our business plan, there is a minuscule loss possibly, which will be there. Next year, we can see major ramp up in terms of numbers and next year we will also try to see those slightly early, but we will try to see that at least next year, we are not at all, at PAT level, we are at least at quids in or if we are able to generate some profits. Year third, which will be actually after 18 months, we definitely expect this business to get ramped up to anything beyond Rs. 200 crores as annualized revenue with a healthy EBITDA. What I've also said is this business, the type of capacity, what we are going to set up in phases, which will be with a total investment of close to around Rs. 250 crores can give us a revenue of almost Rs. 800 crores. And as and when we are able to reach to a level of Rs. 500 crores plus the margin profile can even further improve to 25% and above because these are purely high end engineered products.

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

**Udit Gajiwala:** Firstly, on the MDF front, you'll have displayed a good resilience, but we have seen your ASPs coming down with the industry. So, how do you see this price movement panning out with imports likely to go up again from this month and of course the capacities are coming up?

**Sanidhya Mittal:** I think we mentioned earlier also that the fact that we have only one line which is up and running. We have the power to say no because we have limited capacity, and we want to focus being a premium player and a branded player, we want to focus on the value-added segment and the trade distribution network, which is pretty set and month-on-month we're getting progress there and we are kind of restricting our plain board sales and our OEM sales to ensure that our bottomline is not impacted and we can grow healthily, sell our production into the market. So as far as our capacity is there, we are not worried to sell it.

**Udit Gajiwala:** Understood. And sir secondly like what Ritesh was asking previously what will be the CAPEX plan and the debt reduction that you'll have in mind for next 2 years?

**Manoj Tulsian:** So Udit, I think this year in terms of whatever visibility right now what we have created, we might look at a CAPEX of anything around Rs. 70 to Rs. 80 crores as a company. And the subsequent years, we are still not chalked out our plan, so we will get back to you in Quarter 2



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or Quarter 3. And in terms of debt profile, I think this year, from Rs. 500 crores, we might look at a reduction of Rs. 50 odd crores or so maybe a net debt of Rs. 450 crores by the year end is what we are targeting, which clearly will further strengthen our debt equity to maybe around between 0.55 to 0.6.

**Udit Gajiwala:** Understood. And sir just follow up is Rs. 70- Rs. 80 crores of CAPEX includes any further investment that will be requiring to the Samet JV?

**Manoj Tulsian:** Samet JV, yes, our total capital commitment is close to around Rs. 40 odd crores. We have invested 25 till 31st March while we speak, we have put another Rs. 5 or Rs. 6 odd crores and so the balance Rs. 9 or Rs. 10 crores will come during this year only. If there are any other cost overruns or something, a few cost overruns we have envisaged as per the first project first phase, not big numbers. So that might be incremental because initially what is happening is a lot of money is also going into GST credits and other thing which we will be able to recover over a period of time. So, we might have to put maybe extra Rs. 4- Rs. 5 crores, each JV partner. So, Rs. 15 to Rs. 20 crores is something what we are assuming that we will be funding this year further.

**Udit Gajiwala:** Got it. And lastly sir, on the plywood front, if you would like to give any guidance for 25, what kind of a growth in volume terms are you looking at with the margin profile?

**Manoj Tulsian:** So, as I've been maintaining previously also, 8% to 10% is what now we have taken as an internal target. Given the situation right now, yes last few quarters have not been so great in terms of any tailwinds. Even when you look at quarter one, quarter one might remain subdued, like last year also quarter one was subdued, this year quarter one might remain subdued not only from a demand perspective but also from this general elections, which is going on, which will slightly maybe dampened the spirit at this point of time, but my assumption is from quarter two and if we are able to see a stable government, there will be a big tailwind which I'm envisaging from Quarter 2. And if that happens, then 8% to 10% volume growth for us as a company should not be difficult.

**Udit Gajiwala:** And sir margins, would you be able to maintain at 8% to 10% volume comes up then the current margins, do you see any improvement with the product mix changes or something like that?

**Manoj Tulsian:** So, I'll not commit at this point of time, but we are taking again lot of internal initiatives to see every rupee what we are spending. There was a challenge in the previous year in terms of truly taking a price increase from the market. But this year in phases, in markets we would be looking at doing some corrections which can help our margin to improve. As I said, there is a significant thrust on the premium end also to improve the volumes there. So, if that happens that also will help us to slightly improve our margins. Our ad spend last year was almost high by 1.1% on an annualized basis. So that is another factor also which brought down the margins. But if we need to invest in the business and we want to create this business for the future, then I think those type





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of initiatives and strategic calls we will have to live with. So that was the type of investment which we made last year. This year also we have planned that in absolute value our marketing spend is only going to go up, but maybe as a percentage of the total business, it might be at the same level or it might slightly come down. So, with these initiatives, for sure, I'm very hopeful that our margins on the plywood business only should improve by 50 to 75 basis points if not more.

**Udit Gajiwala:** And just to clarify this 1.1% of advertisement that was up, so what was the total percentage as to revenue, your ad spends for the year?

**Nitin Kalani:** There in our presentation, the overall spend was 3.4%.

**Manoj Tulsian:** It is there in the presentation.

**Udit Gajiwala:** Okay and noted, sir.

**Moderator:** Thank you. The next question is from the line of Achal Lohade from JM Financial. Please go ahead.

**Achal Lohade:** Sir, can you help us with the timber prices for the 4th Quarter FY24, what was it for the plywood business I'm asking first and what was it like in same time last year?

**Manoj Tulsian:** Achal, I don't have the numbers right now, but.

**Nitin Kalani:** It was around 9500 for plywood.

**Manoj Tulsian:** No, previous year he is asking.

**Nitin Kalani:** Previous year was 8000.

**Manoj Tulsian:** I think Achal, this year too it was around Rs. 9.5 in that range, but look we buy this material at different places in this. So on an average, this was the price. If I recall, I think last year at a similar time, it was somewhere around maybe Rs. 7.7 to 8.

**Achal Lohade:** And how is it moved in this quarter? First quarter FY25 has it further gone up, stabilized?

**Manoj Tulsian:** No, it has not really gone up further. It is in the same range, but I also don't see any chance of this coming down during this financial year.

**Achal Lohade:** And if I see from let's say 3 or 4 year perspective because we are seeing this timber shortage or scarcity for last few years now, how do you see this? Has that been passed on by the peers, especially the unorganized? What has been the price increase given the mix, obviously we are



unable to figure out but like-to-like product, how much have we taken price increase over last let's say three years, would you have that number?

**Manoj Tulsian:** Ballpark, I can tell you, if I remember, I had seen some data. So maybe if you really see the realizations have almost gone up by around 10 odd percent in the last 3-4 years. So that is the type of increase which I can say has happened more or less broadly. But the last year was, I think, a difficult year in terms of pass on and even unorganized faced a lot of challenge because of the increasing prices. So, these are good signs. If you truly see for the large, branded players, national players. Second, you asked about the trend. I think in terms of the trend, I'm extremely hopeful that we are nearing this end of this cycle in next 12 to 15 months in terms of this higher price. We will see good number of volumes coming back into the market and when that will happen, we will see the prices to drop. So, next year means FY26 somewhere in the second half, we will definitely come across a reduction in these prices of raw material.

**Achal Lohade:** Understood. Nitin, if you could help with the mix of the premium you have talked about the Y-o-Y change, but would it be possible to get that number? How much was the mix of premium plywood in terms of volume and value for FY24?

**Manoj Tulsian:** It is 43-57 Q4.

**Nitin Kalani:** 43-57.

**Achal Lohade:** Sorry, 43% is premium volume and how much is value?

**Nitin Kalani:** No, 43% is the economy brands basically 43% and 57% is our own manufacturing, which is largely the premium brand.

**Achal Lohade:** And this is volume. How much would the economy as a percentage of value?

**Nitin Kalani:** Value would be 35% to 36% economy and 64% premium brand.

**Achal Lohade:** Correct. And this is for the 4th Quarter or for the full year Nitin?

**Nitin Kalani:** It's only for the 4th Quarter.

**Achal Lohade:** And would you have that for the full year?

**Nitin Kalani:** Full year, I'll get back to you.

**Achal Lohade:** Sure. One more question I had was with respect to ESOP charge. Would you be able to quantify how much was that for 4th Quarter FY24?



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- Manoj Tulsian:** Full year was around Rs. 3.5 crores. I was reading it somewhere and Quarter 4 was very, very miniscule, Rs. 30 lakhs.
- Achal Lohade:** And it will remain kind of this for coming quarters or is there a change?
- Manoj Tulsian:** At this point of time, I think it will have this run rate only.
- Achal Lohade:** I wanted to check on the MDF with respect to while obviously you are focusing on the retail part of it, but the pricing part, how do you see that evolving, do you see a good 5%, 7%, 10% kind of a drop likely and in that case, because you've talked about improvement in margins, would that still remain and what will drive that margin improvement?
- Sanidhya Mittal:** I think if you see our realization quarter-on-quarter, I think our realization dropped from Quarter 3 to Quarter 4 and in spite of the realization drop, there is an improvement in margin. I think it is mainly because of improving a lot of operational efficiencies at the plant level. So that is one reason why the profitability has improved and will continue to improve, number one. Number two, going forward, one has to really focus on the value-added products and the right mix. So, if we are focusing on the right mix on the average, our realization for CBM should not be further affected. At least that's what we're wanting. And another reason why we feel that there won't be further price drops is because for the entire industry, the raw material prices are going up. So, in this kind of a scenario, I don't think any of us have room to actually take a price cut further.
- Achal Lohade:** Sanidhya, sorry if you could elaborate a bit with respect to the RM price for the MDF, how much was that for us Q-o-Q what has changed? How much has it changed and how do you see it?
- Sanidhya Mittal:** Q-o-Q, it's slightly come down, but it's kind of flattish only. I would say it's around Rs. 6000 per ton. I think slightly higher in the prior quarter.
- Achal Lohade:** And with respect to value-added mix, would you be able to share what is the current number, what is like medium term target?
- Sanidhya Mittal:** I think the current number is mentioned in the presentation, right? Nitin, what is the number? Prelam number, how much we are doing?
- Nitin Kalani:** Prelam are about 12%.
- Sanidhya Mittal:** 12% of the overall sales is in prelam and within the plain boards, even today I think almost 65% - 70% of plain boards is still interior grade. We need to work more on the HDF side. We are already working and trying to sell more of that. So, we feel that in the year to come we will really improve in that segment.



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- Manoj Tulsian:** Achal, just to give you those numbers on the volume and value, the volume for this year 12 months premium is 43 and mix is 57 and value is reverse 57 and 43. For the previous year, it was 48 and 52 volume mix and value mix was 61 and 38.
- Moderator:** Thank you. The next question is from the line of Sneha from Nuvama Wealth Management. Please go ahead.
- Sneha:** Just couple of questions from my end. When I look at your inventory days, it's up Y-o-Y, also your payables is slightly up. May I know the reason for this change in trend both in inventory and the payable side?
- Manoj Tulsian:** Yes. So, Sneha, clearly our raw material inventories both for timber and core, we have increased that inventory in the month of Feb & March, assuming that there will be a pressure in first quarter in terms of on the pricing side and availability. So, this was a strategic call which we had taken and because of that you see those numbers being spiked.
- Sneha:** And the same way for payables, you're getting extended?
- Manoj Tulsian:** Yes. So similarly, there will be some impact on the payables also. It is the result of the same only.
- Sneha:** Understood. Secondly, what I wanted to check is while you mentioned that you don't expect further drop in MDF realization from the quarter, which has been ended already March 31st till now. Have you seen any price cuts by any of the players if not you? Any new competition?
- Manoj Tulsian:** I don't think we have seen any further price cuts.
- Sneha:** So, you expect that quarter one versus quarter four, at least realizations are likely to remain stable, only like-to-like products, not playing around with mix here?
- Manoj Tulsian:** It should. Yes, it should remain flat.
- Sneha:** Understood. Just one update, any other entry of new players that you're seeing in the MDF market, or can you actually specify which other players are likely to come up with capacity this particular year, just to get some demand supply trend here?
- Sanidhya Mittal:** I think listed players are having the large capacity, so Century inaugurated a large capacity in South and Greenpanel also at the end of the year, planning another capacity in South. These are the ones we know about, the large ones and Action TESA also I think Q3 last FY, they have also inaugurated another line. So, yes, I think these are the major capacities I feel.
- Sneha:** It is largely in South?



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**Sanidhya Mittal:** Majorly in South. So that way Greenply will always have the advantage of being the only player in West at least as on date.

**Sneha:** What's your regional sales mix in that sense?

**Sanidhya Mittal:** So, we try to concentrate most of our sales to West and North. Obviously, we do some sales in South and East as well, but that is very limited and majority sales come from West and North.

**Sneha:** Would you quantify that for FY24 if possible, like your sales mix regional?

**Sanidhya Mittal:** I think almost 70%-75% of sales is going to come from North and West.

**Manoj Tulsian:** Yes. East is very miniscule. Yes, 75% almost would be West and North itself.

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

**Praveen Sahay:** So, first question is related to the plywood. In the plywood segment on the yearly basis, you have increased your advertisement as a percentage of sales. So, with these I can see also the realization is almost a flat for an year, so you are more focused on the economy side of the business because there also there is a good improvement I can say the trading volume. So, what exactly to read through these numbers? Because advertisements are increasing, your economy segment is improving, your realization is almost the same. So, it's a more for the volume base. Are you doing this in this segment?

**Manoj Tulsian:** No, Praveen, look, as a branded goods player and especially when we are adding new categories, like we have added MDF. Now we are also looking at adding hardware fittings, and maybe a few other things going forward. So, the investment on brand has to be continuous. There was a period when we were not investing so much on the brand advertising and marketing and as the balance sheet strength is improving as our capability overall to spend is going up, this investment will continue. See, we may say that first of all the logic of the investment is only towards premium segment is not right. It's overall investment on the brand. So even if you are selling a mid-segment product or we are selling today MDF, what do you see largely as a success, what we have got in MDF in year one of course I think production is something which internally is a success, which the team has driven. But when you look at the sales side traction, it's clearly the brand. Had it not been with Greenply MDF, I'm not very sure whether you would have been able to deliver these type of numbers in year one. So that shows the strength of the brand. So, our investments in the brand has to continue. It will always have an effect on the premium products as well as the value products. So, the strategy is very clear that with deep pockets, this investment has to be consistent and in the range of 3% to 4% of our annual revenues.

**Praveen Sahay:** 3% to 4% of your annual revenue, because I am looking at your plywood business only and they are that's what the increase.



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**Manoj Tulsian:** See right now right now what was happening is since we only had one segment, which was plywood, the entire cost seemed to be very, very high. And our capability in West was also limited to the extent of plywood volumes and business. As we are able to grow, and we have added MDF now. MDF will be sizeable by the end of this year. So, our capability to invest goes up and as I mentioned at the beginning in terms of percentage to sales for the overall consolidated numbers, maybe even if you are in that range of 3%, it will be a good enough number to as an investment on the brand side.

**Praveen Sahay:** Got it, sir. Next question is related to the MDF. As you had mentioned that 200,000 CBM target for 25 so from where you are seeing the majority of your volume to come in, already Sanidhya has already mentioned that you maintained 13% OEM, 87% of our trade. So, is that a geographical expansion you will go with, how to bring such kind of a growth?

**Manoj Tulsian:** So, Praveen, I'll maybe say and Sanidhya can add also on the same. First thing, last year if you really see, we had around the 10-month working, if you truly see we had a 10-month period. So, we get extra couple of months. The brand is already established, right. The network is already established and our strength is by virtue of the plant being in West, our strength is West followed by North and then by South and East. So, we will continue to concentrate there and wherever we are now able to do regular business and cater to their monthly requirements. That automatically adds 2 months of sales and then there is the growth over and above the same for which the team is working. We are looking at a mix where predominantly 65%-75% has to be sold within West and North. And we also maintain that slowly we will see more traction in West when you will see that now that we are established players there, we will see more OEMs, we will try to work with the OEMs also to come and set up their shop in that region so that for them they also get economies of scale. So, these are all things on which we have started working upon.

**Praveen Sahay:** And you are looking only for the domestic demand, not for the export?

**Manoj Tulsian:** The exports in terms of realization is not something which is very, very interesting at this point of time. We can always do that. If we really feel that we are not able to sell our volumes in the country, then we have that option. We have that advantage and disadvantage both being very near to the port, so at that point of time we will look at it as an advantage being very near to the port and we can do that. But, prima facie in our strategy map at this point of time, we are not looking at exports.

**Sanidhya Mittal:** And also as a company, we have no export obligations as far as the MDF business is concerned.

**Moderator:** Thank you. The next question is from the line of Nikhil Agrawal from VT Capital. Please go ahead.

**Nikhil Agrawal:** What would be your MDF margin guidance for FY25?



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- Sanidhya Mittal:** I think we should be in the range of 15% to 16% because I think this year that the huge pressure on the realizations, I don't think there'll be any improvement going further on the realization, but we should definitely improve from the existing level of this quarter. So from 14.1, we should definitely improve to anything between 15% to 16% for the full year annualized.
- Manoj Tulsian:** See, every quarter we will be able to improve our efficiencies and that will surely help our margins to improve further.
- Nikhil Agrawal:** And sir, don't you think like the realization would have an uptake after the **BIS norms** are imposed? Like do you not think that can increase the realization during the second-half of the year?
- Sanidhya Mittal:** I think it's delayed to February the implementation. So post February, maybe in quarter four, maybe half of quarter four, we can get slightly higher realization, definitely there will be.
- Manoj Tulsian:** Yes, I think it is everyone's guess. Once those things are being implemented, the overall realization should start moving up. If not during the year, but that impact can start from Q4.
- Nikhil Agrawal:** And any price cut taken in Q4 for plywood and MDF?
- Manoj Tulsian:** No, plywood, nothing. In fact, as I mentioned that in plywood, we are looking at in different pockets to correct our prices. And MDF?
- Sanidhya Mittal:** Not really. Not a price cut. I think the lower realization is basically on the product mix, it's not on price cut.
- Nikhil Agrawal:** And Sir your realizations in the plywood segment, it has gone down considerably for the manufacturing partner segment. It has gone down significantly quarter-on-quarter, so could you explain what happened on this?
- Manoj Tulsian:** Look, so I'll give you one reason for that is the mix itself, because we had partnered with two entities which were reflecting those as manufacturing operations, what was that Nitin, how do we say that? Business with manufacturing partners, right, that business if you really see has just come down to now around 2% of the total. Some of the products which we thought we would be able to get it manufactured from them and take it to the market. We started manufacturing those which are in the value segment within the factories, so when you will see that then you will automatically see that, yes, the realizations will show some amount of pressure, but the overall realization as a company has not dropped.
- Nikhil Agrawal:** And sir lastly with regards to the MDF segment, have you given any schemes also as such or was it primarily because of the value of the product mix and the realization, have you given any discounts to the dealers or something?



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**Sanidhya Mittal:** I don't think we've introduced any new discount in Quarter 4, whatever was our ongoing scheme is what has continued.

**Moderator:** Thank you. The next question is from the line of Karan Bhatelia from Asian Market Securities. Please go ahead.

**Karan Bhatelia:** Just wanted to get some sense on the retail and B2B mix for plywood and how has been the growth in FY24 if you see?

**Manoj Tulsian:** Karan, I don't have the numbers right now, but yes, B2B business has done well. It has for sure grown over maybe 20% in the last one year and that's what at this point of time I can tell you. It is an opportunity, clearly. But when you grow the B2B business, yes, there will be some pressure on the realization also because it's very, very competitive. So, there's an opportunity, of course, to grow, but at the same point of time, there is always be a pressure on the margin also.

**Karan Bhatelia:** Right. And I was trying to find the dealer distributor count as on FY24, so possible to highlight the net dealer additions for plywood and MDF separately for FY24?

**Manoj Tulsian:** I don't have that number, but I think this year we didn't concentrate on adding many new dealers. We have a good dealer base and what we have only tried to do during the year, especially in plywood is wherever there were opportunities, there were some issues or concerns for which the business was not doing well, we spoke with them and we felt that let's first of all the dealers who have done business with us in the past or who have been doing business, but they're not consistent to work on them to see that how they can become more consistent with us. Because in plywood, one of the challenges always is that there are no exclusive brand outlets. All of them are multi brands. They keep not only the brands, they also keep Yamunanagar material. So the scope is quite a bit. It is all about penetration with the right products.

**Karan Bhatelia:** And sir, don't you think the volume guidance looks slightly on the cautious side we think timber cost move 50% in last 3 years, lot of pain at Yamunanagar. So don't you see you are slightly cautious on the volume guidance for next year?

**Manoj Tulsian:** Karan, the issue remains that there are no industry structured data which talks about plywood as a whole, how is it doing, how is it growing. We keep getting this data information, everything in bits and pieces, we keep talking to you people to get some market intelligence up. I'm just putting this number at 8% to 10% as a growth number, assuming that there is hardly any growth in the overall plywood business. Some of the people in other industry experts or maybe who are very much close to the market and all those, they say maybe the plywood growth as an industry is only 2% to 3%. But I cannot actually vouch for any of these numbers, so the only way to look at it is that internally we set up a target and we make sure that we are minimum on those numbers, if not more.





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- Karan Bhatelia:** Right. And last question from my side, Sir, what's wrong with this equity partnerships, they are good 17-18 million square meter and we are not getting the desired results from there. So, how do we want to continue this business going ahead?
- Manoj Tulsian:** You are talking of the two JVs which we have done right?
- Karan Bhatelia:** Two equity partnerships in UP other thing.
- Manoj Tulsian:** Yes. See, so that didn't go well and I think I mentioned this around 3 or 4 quarters back also we tried to work with them, but at times we find that it is not so easy to develop this as a model and that's where we then again started concentrating back on our own manufacturing strength and peer-to-peer trading arrangements. So that has not gone well.
- Moderator:** Thank you. The next question is from the line of Utkarsh Nopany from BOB Capital. Please go ahead.
- Utkarsh Nopany:** My first question is for MDF segment, assuming we operated full capacity then also our ROCE would be hardly high single digit at the current EBITDA per unit of Rs. 4000 per CBM, which we have clocked in the March quarter. So wanted to understand what would be the sustainable EBITDA per unit for the MDF segment and by when it is likely to be reached in your viewpoint?
- Sanidhya Mittal:** I think Rs. 5,500 to Rs. 6,000 is a healthy margin where we will be able to make a decent ROCE and I think EBITDA number will be close to 18% to 20% or in the range of 18% to 21%, yes, around 20%. And I think this is a cycle, the industry is putting capacity and then the capacities will get utilized. And then again, people will put capacity. So, I think every 2-3 years, there will be a cycle. And in the history also, until 2018 Greenply operated in the MDF business also before we demerge. So, we have seen a 10-year average of about 18% to 20% EBITDA. So, on average if you see on a longer-term period, I think that is what the industry should make to maintain a healthy margin if we don't maintain that margin, there's no point putting more capacities.
- Manoj Tulsian:** And you will see, look, it is like if the margins come below that you will see less of new capacities coming into the market and then you will see upward price correction and the margins of the existing players will go up. But as Sanidhya is saying over steady state, we always maintain this. In fact, when we had gone to the drawing board also while we planned for getting into MDF, we always assumed 18% plus healthy margins, to add sustainable margin of 18% to 20% and if you are able to do that, then I think this business is good enough. But you will get spikes in between when the 20 can become 24, 25 and then it can again come back to the same 17 and 18 levels.
- Utkarsh Nopany:** And sir, like we were planning to debottleneck our MDF capacity from Rs. 2,40,000 to Rs. 3,00,000. So by when it is likely to be completed and how much cost we are going to incur for that?



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**Sanidhya Mittal:** So, we have given overall cost estimate in the MDF side of about Rs. 50 crores. This included the line extension. However, we have imported the line extension, but we are not able to decide when we are going to extend the line because we will have to take a shutdown for that. And at this moment, we are not in a situation to disrupt our market. So, there was a timeline in which we had to buy the extension. So, we ended up buying the extension within that timeline from the OEM. But I think the market scenario will tell us whether we will be able to do it this year or whenever we get an opportunity window, that time we're going to do it or we're going to do it whenever we install the second line, which might be 2-3 years from now.

**Utkarsh Nopany:** Okay, so my second question is for plywood segment, our plant operated at 97% rate in this March quarter. So, what would be our peak capacity utilization for plywood segment and what would be our sustainable EBITDA margin for this segment over the next 2-3 years point of view?

**Manoj Tulsian:** Look, one, we had done some more line balancing at all our plants which has helped us in terms of improving the capacity, I don't have the exact numbers, but clearly it shows that for this year's growth, we will be able to cater to our requirement by this additional capacities which we have been able to create and that has not come at a huge cost. Also, we will continue to invest in bits and pieces on the plywood side maybe next year, sometime we might even look at either additional capacities by virtue of investments or maybe look at a new location also. And in terms of margin profile, I think this is one business which should be giving us around 10% margin on a steady state, anything less than 10% really does not excite at all. So that is the number, the first number which we are trying to now target to reach to 10% and then to for sure to see that we are able to sustain that and if you are able to go beyond the same, that looks very much possible because what has happened if you really seen in the last 3 years, the prices of raw material have gone up significantly, but that is not the pass on which has happened in the market. So, there is for sure a pressure on the pricing side in the market. And as I mentioned, I think the first call which was happening with Ritesh or Udit, they asked it. I can clearly see and that is what we have been talking to our plantation team and this. The new crop should start hitting sometimes in H2 of the next financial year. Once that happens, we all might be surprised with the incremental margins, which will be because of the tailwinds. Whatever I am saying you right now is on a steady state assuming the same pricing trend and other things to go. Also, if you see last year, the price increase, no one had been able to pass on any price increase to the market. So, acceptability of the market now to take certain amount of price increase is better than what it was previous year. So, we are looking at multiple factors, positive factors and that gives me a belief clearly that the margin profiles will improve.

**Moderator:** Thank you. Due to time constraints, that will be the last question for the day. I now hand the conference over to the management for closing comments. Over to you, sir.

**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.



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**Moderator:**

Thank you. On behalf of Asian Market Securities, that concludes this conference. Thank you for joining us and you may now disconnect your lines.