

Century Plyboards (India) Limited

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Cin No : L20101WB1982PLC034435



Date: 29th May, 2024

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Dear Sir(s)/ Madam(s)

Sub: Transcript of the conference call for Audited Financial Results for the Quarter and year ended 31st March, 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 Monday, 27th May, 2024 in respect of Audited Financial Results for the Quarter and year ended 31st March, 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
Q4 FY '24 and FY '24 Earnings Conference Call”

May 27, 2024



MANAGEMENT: **MR. SANJAY AGARWAL – MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER – CENTURY PLYBOARDS
(INDIA) LIMITED**
**MR. KESHAV BHAJANKA – EXECUTIVE DIRECTOR –
CENTURY PLYBOARDS (INDIA) LIMITED**
**MR. ARUN JULASARIA – CHIEF FINANCIAL OFFICER –
CENTURY PLYBOARDS (INDIA) LIMITED**

MODERATOR: **MR. NAVIN AGRAWAL – HEAD INSTITUTIONAL
EQUITIES – SKP SECURITIES LIMITED**

Moderator: Good day, ladies, and gentlemen and welcome to Century Plyboards (India) Limited's Q4 FY '24 and FY '24 Earnings 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 opening remarks conclude. 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 Agrawal, Head, Institutional Equities at SKP Securities Limited. Thank you and over to you, sir.

Navin Agrawal: Good afternoon, ladies, and gentlemen. It's my pleasure 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; and Mr. Arun Julasaria, Chief Financial Officer. Please note this conference is being recorded for compliance reasons. And during the discussion, there may be certain forward-looking statements. These must be viewed in conjunction with the risk that the company faces. We'll have the opening remarks from Mr. Sanjay Agarwal, followed by a Q&A session. Thank you and over to you, Sanjayji.

Sanjay Agarwal: Thank you, Navinji. Thank you. Good afternoon, ladies, and gentlemen. I am Sanjay Agarwal, MD, and CEO of the company. I welcome you all on the earnings call of Century Plyboards (India) Limited for the year and quarter ended 31 March 2024.

Before I proceed with call, I still like to mention the customary disclaimer that this call is just for discussing company's historical numbers and future guidelines. In Norway, should be construed solicitation for investing in the company. I am accompanied by Mr. Keshav Bhajanka, Executive Director and Mr. Arun Julasaria, CFO of the company. Results, along with analytical presentation were hosted on company and the Stock Exchange website and I hope you all have gone through the same. I will not like to spend time on repeating the same.

Overall, top line for Q4 on quarter-on-quarter basis was up from INR909.67 crores to INR1,025.64 crores, higher by 12.7%. EBITDA improved from 12.3% to 15.3% while all segments contributed to top line growth. In this quarter, we have taken impairment of INR19.60 crores on account of binding contract for disposal of our investment in subsidiary, Century Singapore Private Limited, which was building in operating overseas asset at Laos. Apart from this, we have also taken INR4.46 crores impairment in respect of one more subsidiary, Century Infotech Limited as its business is also non-operational. With these impairments now, company is now not left out with any asset requiring impairment.

During the quarter, the scheme of hiving off of CFS division to 100% SPV was finally approved by NCLT and given effect from appointment -- appointed date first April '22. During the year, greenfield laminate and MDF units at Andhra Pradesh set up by company's wholly owned subsidiary, Century Panels Limited, commenced operations. Operations at Buddha units are gradually picking up. The industry -- our industry is facing increasing trend in cost of principal

raw material timber, which cannot be passed on fully in view of sluggish demand, so profitability will remain moderate. In case of MDF industry is facing oversupply caused by recent addition of capacities, which are still to be absorbed by the market.

Going forward, for current financial year, we expect double-digit top line growth across all segments. While Plywood segment is likely to grow nearly by 10% with EBITDA margin ranging between 12% to 14%. Other segments will book higher growth by utilizing recently added new capacities. Laminate with the addition of capacity at Andhra is likely to grow at 20%, with EBITDA margins ranging from 10% to 12%. MDF also with addition of capacity at Andhra is likely to grow at 40%, with EBITDA margin of 15%.

We expect new ongoing capacity of particle board at Chennai to commence operations by end of current financial year. If it happens early, we may have a better growth. Otherwise, particle board will remain flat. For looking after our MDF and Particle board businesses, we have appointed Mr. Sumant Wattas as CEO. Mr. Sumant has been partnered with BCG, Boston Consulting Group and has been associated with our consultancy projects for the last 4 years. He brings industry as well as professional expertise.

With this, I rest my opening remarks and invite questions from you all.

Moderator: The first question is from the line of Keshav Lahoti from HDFC Securities.

Keshav Lahoti: Sir, remember in last call, the laminate outlook was we were expecting to be back to 13% to 15% in 2 to 4 quarters, the guidance was. But now laminates margin earlier, used to guide 12, you're guiding 10 to 12. There's a sharp drop in margin guidance. So what has changed in the industry scenario?

Keshav Bhajanka: Keshav here. I'd like to address that. See in laminate, there's going to be a gradual ramp-up of the capacity that we are taking up -- that we have taken up in Andhra Pradesh. If you look at last quarter also, we have been 12% plus. There was a onetime exceptional write-off, which was because of an entry tax rates, which was quite a few years earlier. So because of that, the EBITDA margin is looking at sub 10%.

Otherwise, if you take that 2.8% impact, we are 12.4%. However, the Andhra capacity is going to ramp up gradually and towards the same because the capacity is very high into depreciation factor and higher fixed overhead, we have guided for a lower EBITDA margin. In steady state without Andhra, our margins will be anywhere between 12% to 14%.

Keshav Lahoti: Okay. Got it. So H2 should be like 12% to 15% right away to see H2 FY '25?

Keshav Bhajanka: It will increase as Andhra scales up. But for the entire year, we're looking at 10% to 12%.

Keshav Lahoti: Got it. And Andhra would be your export-focused plant, right?

Keshav Bhajanka: Yes. Andhra will be predominantly export focused.

- Keshav Lahoti:** Got it. So normally, export margins would be better for you versus domestic?
- Keshav Bhajanka:** We would have similar margins but considering that these are large-sized compact Laminate, there is a chance that margins could be slightly better going forward.
- Keshav Lahoti:** Got it. And particle board, in your opening commentary, you said the flattish revenue in FY '25.
- Keshav Bhajanka:** Particle board we have said flattish revenue because we are hoping or expecting that the new line comes into operation by Q4 of this year. However, as we have seen recently that due to this entire issue of Chinese technicians, engineers not getting visas, plants have been getting deferred by a few months. So if the plant comes into operation, we will definitely have a 25% growth for the year. However, if the plant takes a little time or it comes in operation towards the end of Q4, then this year will be flattish, and we'll get the benefit of the new plant from next year onwards.
- Keshav Lahoti:** Got it. Understood. One last question from my side, what is the ad spend for this year?
- Keshav Bhajanka:** We have always had a targeted spend of 2% to 4% and we are going to be within the same bracket.
- Moderator:** Next question is from the line of Praveen Sahay from Prabhudas Lilladher India.
- Praveen Sahay:** Can you give the capacity for the laminate right now?
- Keshav Bhajanka:** Capacity for laminates. Just give me a second. You are asking for overall capacity.
- Praveen Sahay:** Yes, overall capacity right now.
- Keshav Bhajanka:** So our overall capacity post-Andhra would be, just 1 second, this is all on a rated capacity basis. We will get you with data. Mr. Sanjay Agarwal, who is sitting with us, will share the data shortly.
- Praveen Sahay:** Should I go ahead for second question?
- Sanjay Agarwal:** Yes, yes.
- Keshav Bhajanka:** Yes, please.
- Praveen Sahay:** Yes. So the next question is related to the Plywood and in the Plywood, as you have guided for 10% of growth in the revenue. So how is the capacity they are -- capacity and the capacity utilization you are looking at and also the plant capacity at the Punjab when it is expected to come?
- Sanjay Agarwal:** So the Punjab plant is on the hold actually, we are not making much of a progress because of the raw material situation there in Punjab and the future there also still looks bleak. So Punjab plant may or may not come up. But otherwise, also the load capacity, so Plywood capacity is actually -- we had at a utilization of 87% in Q4. And for the whole year, we have used 81% of

the capacity. So we still have possibility of increasing it by 10% this year. As far as capacity is concerned, there is no problem.

Praveen Sahay: Okay. And related to the margin in this segment itself, if I look at your commentary, it is like increased trend in the raw material.

Sanjay Agarwal: I'm unable to hear you, please speak be a little louder.

Praveen Sahay: Yes. So related to the margin in the Plywood itself, as you had mentioned earlier in the commentary that facing increasing trend in the raw material, still you are guiding for 12% to 14% of a margin profile. So how is possible with -- you are expecting some price hike or some product mix changes? What exactly you are looking at to deliver on the higher side of the margin?

Sanjay Agarwal: See as far as our plywood is concerned, we are able to pass on some of the cost rise, like even in this May, even in this market, we have taken a 2% price rise. So -- and even last year, there has been some price, cost rise as far as the raw material is concerned, but still we have been able to deliver the EBITDA. So -- and because it is a branded product, it's possible we have delivered it in the past.

So we are quite confident that within this year also, we'll quite be able to pass -- we'll be able to deliver. There is one more thing. You see our capacity utilization goes higher and higher; it makes a little bit of a difference as far as the costs are also concerned. I hope you understand that. So the capacity utilization from 80%, to say 88% to 89%, that makes a difference to our bottom line.

Praveen Sahay: Okay. And for a full year, how much of the price hike you have taken in the Plywood?

Sanjay Agarwal: Last year, we have taken just a second. I have the right number.

Moderator: Praveen, do you have any follow-up question?

Praveen Sahay: I have one...

Sanjay Agarwal: Last year, we have taken a 2% price rise.

Praveen Sahay: Okay, sir. Last question sir related to your MDF because if I look at your EBIT margin and EBITDA margin, there is good amount of a difference. So is it only because of a new plant coming and depreciation numbers is on the higher side?

Sanjay Agarwal: Can you repeat the question, please?

Praveen Sahay: So for this quarter, if I look at your EBIT margin is nearly around 10% and EBITDA margin is around 16.5%, so there is a good amount of depreciation is there in this quarter. So is it because of the Andhra unit, which has commissioned or how to read these numbers?

- Arun Julasaria:** Yes. You are talking of this figure. You are talking of consolidated figure or stand-alone.
- Praveen Sahay:** No, no. I'm talking only about the MDF segment.
- Arun Julasaria:** MDF figures from our PPT.
- Praveen Sahay:** Yes. So for MDF figure from you PPT as well as from the result update.
- Arun Julasaria:** Our PPT figures are stand-alone figures. So any depreciation of new plant is not factored in that.
- Moderator:** Next question is from the line of Chirag Jain from Yogya Capital.
- Chirag Jain:** I was trying to more understand on the MDF side, which we are expanded -- expanding into. The other players also are expanding into the same thing which you are trying to do. So how -- what are you looking forward for FY '25 and '26 in terms of MDF segment? That was my first question now.
- Keshav Bhajanka:** I think that if you look at MDF, for the coming year, our prime objective is going to be ramp up capacity utilization of the newly commissioned capacity in Andhra Pradesh. And I think we are very well poised to deliver a strong growth in the market because still now, we are focused on only the North market. This was because of our having capacity only in the North. Now with the South plant becoming operational, I think we can rapidly ramp up capacity. Next year, the objective, of course, will be to reach as close to full utilization of the expanded capacity as possible.
- Chirag Jain:** So don't you see something of price pressure -- thriving pressure coming up in the market due to a huge capacity coming into the market into the same year and everybody trying to ramp up their capacity in the same year?
- Keshav Bhajanka:** I think that, yes, there will be pricing pressure. But given when you look at MDF, you need to litigate with the holistic picture. Today, if you look at the total capacity, I have seen that most people look at total capacity regardless of whether it is a continuous press or to the multi-gig press. In MDF, as you well know, there is a clear 10% to 15% EBITDA difference between a continuous line and a multi-life press.
- So when we are talking about huge capacity additions, we should also factor in that at current EBITDA margins, it will be very difficult for multi-life players to survive. So going forward, if we only count the continuous capacity that is there in India, I think sooner rather than later, we will have equilibrium between demand and supply. So we have to see how it plays out. But for centuries, we have always been able to ramp up our capacity faster than the industry. And I'm sure this trend will continue.
- Chirag Jain:** Without changing the realizations.
- Keshav Bhajanka:** The realizations have dropped, and we will change the realizations as and when the market dictates the same. I think that is something beyond your or my control. So going forward, we'll

play it by the year. But yes, I'm fairly confident that we'll achieve the guidance like we have given.

Chirag Jain: Okay. Also second, my question -- second question was on the prelam side. We have higher realizations in the prelam side. So why don't we focus on that side?

Keshav Bhajanka: I think we do focus on that side. And we don't only have higher realization in prelam, we also have higher realizations across our range of products. For instance, our premium plus, which is a value-added product has a far higher realization than DIR. So there is a continuous exercise to grow across our value-added products and we have been growing year after year, quarter after quarter. You will see the trend continuing.

Chirag Jain: Yes. So what was the margin difference between a plain MDF and the prelam MDF?

Keshav Bhajanka: We don't share that data.

Chirag Jain: Second question was on the Plywood side. The Plywood industry of the unorganized segment is very -- it is lying almost 40% idle. So why don't we acquire some of them rather than expanding on our own?

Sanjay Agarwal: See, the kind of industries these small units are, today the kind of quality we make, it is impossible to manufacture that kind of a quality in these small units. We were discussing even internally that people must be wondering why don't we acquire, but there's no reason for us to acquire anymore.

Chirag Jain: Okay. Sir, last question before I get back in the queue. Can you please confirm the Andhra plant is coming up with the prelam MDF or the plain MDF?

Keshav Bhajanka: We are coming up with every form of the MDF, including prelam. So you will see the Andhra plant having every SQ and every type of...

Moderator: Sir, sorry to interrupt you. May I request you to speak a little louder, please?

Keshav Bhajanka: The Andhra plant will have prelam and every other possible value-added product in India.

Moderator: Next question is from the line of Souvik Mohanty from Nuvama Wealth. The line for the participant is dropped. We move on to the next participant. The next question is from the line of Adityapal from MSA Capital Partners.

Adityapal: Just quickly, I wanted to understand the split for laminates revenue between export and domestic.

Keshav Bhajanka: Currently, our total split will be less than 25% towards exports, 75% domestic.

Adityapal: Okay. And sir, just wanted to get a bit on the qualitative side of things. How is the Laminate revenue looking in the domestic market? Do you see a strong pickup, which are the growth pockets and what would be the -- on the competition side, how would things be panning out?

- Keshav Bhajanka:** From Q2, we do see a strong growth. Q1, I think, could be a little affected because due to the election season, demand has been a little sluggish in laminates domestically. Q2 onwards, we are definitely seeing a strong growth. We are launching a new catalog with regards to our Bond segment, which should help us. We are also launching 12 individuals as a result of the new capacity that has been commissioned in Andhra Pradesh. As such, overall, we are looking at 20% plus growth for the year as a whole with flatish Q1.
- Adityapal:** Understood. And sir, a bit on the -- how the -- are you seeing an increase in competitive intensity from the existing players? And second, sir, for Century going forward for Laminate segment, do you see exports being a bigger growth lever than domestic?
- Keshav Bhajanka:** Currently, considering the base of exports is small, it's just the percentage of growth in exports is likely to be higher. This is also due to the fact that the under-capacity is predominantly dedicated towards exports with 2 larger size presses, but domestic shall also grow at a very healthy click. So we are seeing growth in both, but you're right, the percentage may increase a little more towards export.
- Adityapal:** Understood. And sir, any color on the competition?
- Keshav Bhajanka:** I think Laminate has always been a very competitive industry. But considering the current scenario, it is very similar to what it was earlier. It has not changed too much. But yes, we are working towards further differentiating our product categories to stand out more in the market and gaining some of the market share that we have perhaps lost in the domestic market in the past year.
- Moderator:** Next question is from the line of Amit from Elara Capital.
- Amit:** Sir, just one question on the Plywood side. One point is just to understand your assumptions of 10% top line growth, what would be the value and volume for do you have?
- Sanjay Agarwal:** This 10% projection is on the value side.
- Amit:** Yes. So volume would be like 7%, 8% and similar to what people said increasing...
- Sanjay Agarwal:** Should be about 8%, 8.5%, yes.
- Amit:** Okay. Okay. And on the Plywood side, you indicated of EBITDA margin anywhere between 12% to 14%. The assumption is more to look at the full year numbers of FY '24 when you were building it because Q4 of exit has been -- I know there is a seasonality, but Q4 has been about 15% or so. So it's...
- Sanjay Agarwal:** What happens you see in Q4, there are always some additions, some substructions, some things will provide it little higher earlier, you may credit, or they were not provided a debit and there were some advertisement expenditures were a little lesser in Q4. Production was a little higher

than probably usual, but you have seen that for the last so many years, we are maintaining this 12% to 14% and we have been very consistent.

So that's why we believe otherwise that way the things have changed with MDF from where to where the things have come. So market forces can force anybody to accept anything actually. But in plywood because of our brand and all, we have been able to maintain EBITDA. In some quarters, it might be a little higher or lower, but on an average, it will be between 12% to 14%.

Amit: And second question is on MDF, similar, I mean 40% growth largely volume-led because there is competition. So we've seen a realization drop. Do you think that should continue?

Keshav Bhajanka: Sorry, I didn't understand your question.

Amit: I'm saying the assumption of 40% growth in MDF for next year. That is largely volume back, right? Or you expect a realization decline and the volumes could be higher?

Keshav Bhajanka: The assumption is 40% on value growth, considering that realizations will be lower, volumes will be higher than 40%.

Amit: Okay. And similar on the EBITDA margin, when you look at exit of Q4, it's about 16% and we are guiding for a 15% so -- are you looking at a significant competitive intensity higher and that consumption is...

Arun Julasaria: The low capacity that comes into play will take some time to ramp up. So that is the first point. And secondly, timber prices have been elevated from time now and we don't see any reason for them to correct within the near term, say, within this year. So due to these 2 factors, I think that margin of 15% is something that we can target. Going forward, with the implementation of the IS in February next year and an easing of timber prices gradually perhaps in the next year, we should look at better margin.

Moderator: Next question is from the line of Rajesh Kumar Ravi from HDFC Securities.

Rajesh Kumar Ravi: Yes. Sir, I have a few questions. First, could you discuss on the timber prices? How are they being in the North and South? And what is the outlook? And secondly...

Sanjay Agarwal: So I will keep answering, it will be better, because otherwise, I will forget your questions. Timber price difference is about INR1 between South and North, South is cheaper, and North is more expensive. And the North prices run faster. So first they increase and then the South catches up, it is how it has been happening until now.

Rajesh Kumar Ravi: And what is the outlook, sir, when do you expect the price correction -- prices to stabilize or see a pullback?

Sanjay Agarwal: I don't see in at least next 18 months, we really don't see that the prices should correct because there was a gap in between in plantation because the prices had gone below and the farmers were not planting, somewhere, I think, around '22, they have again, started -- restarted planting. So

we expect that somewhere in '25 and maybe '26 beginning, we should start getting that plantation 3 to 4 years. So that's why actually that gap has to be there.

Rajesh Kumar Ravi: So the whole of...

Moderator: Rajesh Kumar, sorry to interrupt you. May I request you speak a little away from the mouthpiece? Your voice is coming a little muffled.

Rajesh Kumar Ravi: Yes. Is it better now?

Moderator: Yes, please.

Rajesh Kumar Ravi: Okay. Sir, do you expect this FY '26 also the gross margin for the industry to be under pressure because of?

Sanjay Agarwal: I cannot comment on FY '26 till now. But for FY '25, we are very sure that there cannot be big changes. FY '26, there could be changes you see, we do not know. Like Plywood, the core, the prices have not really gone up too much because import started. The prices of local core went up so high that the import is started and that has stopped any increase in the core prices. So that might happen with MDF also, but we do not know at this juncture, that is not clear to any of us.

Rajesh Kumar Ravi: And sir, what is your net debt outlook given the ongoing expansions? And how much is the total capex you have outlined with the around INR500 crores to INR600 crores for FY '25?

Keshav Bhajanka: The capex guidance is already given in the investor presentation.

Rajesh Kumar Ravi: Right. Okay. So net rent, how you're looking at this number to increase?

Keshav Bhajanka: I think again, in terms of our debt projection, we have a very healthy internal cash flow generation. And from here on, the only substantial capex that you are seeing is the Chennai project. So if you factor that in, I don't see a very substantial addition going forward.

Rajesh Kumar Ravi: So around INR400 crores, INR500 crores addition would be possible this year on a net basis.

Keshav Bhajanka: We will be able to get back to you with that data offline.

Rajesh Kumar Ravi: And last question is on the margin outlook for MDF and PV. I understand these 2 sectors are under pressure. But 15%, is it conservative or do you see -- because if you as a market leader, you and the other players talking about 15% margin for the MDF, isn't it a very green scenario?

Keshav Bhajanka: To be honest you, we have to give guidance as per the current demand situation in the market. And as for the prevalent market forces. As per that, yes, 15% is what we are realistically seeing. It is not conservative, not aggressive. And we are going to achieve -- we are going to attempt to achieve the same. Regarding the rest of the market, I think as you go throughout the year, you'll get further clarity on the same.

- Rajesh Kumar Ravi:** Sure. Sir, last question on the particle board, which is a sizable project. And given that 2 other projects would also -- one more project will be ramping up at similar times. What could be the utilization ramp-up? Will it be like 70% utilization? It will take 3 years, 4 years? Or did the utilization...
- Keshav Bhajanka:** We will get back to you with that data, but our capacity utilization has always been far better than the industry. And I think, in particular, that is what you will see again.
- Moderator:** Next question is from the line of Souvik Mohanty from Nuvama Wealth.
- Souvik Mohanty:** I had only one question. In the fourth quarter, there's an increase in margins of supply whereas the timber prices, which is common for both MDF and Plywood, this has improved for Plywood -- Plyboard versus MDF it has declined.
- Sanjay Agarwal:** Timber consumed in MDF and Plywood are different. Timber consumed in MDF is very -- is only 3 to 4 years old, whereas the timber consumed in Plywood is at least 7 years old. And that is why the purchase prices are also quite different in both the cases. In Plywood, timber prices, what had happened, it increased the prices of core increased and immediately, import of core had started from many countries, from Asia, from Vietnam or from even including Brazil, they have started exporting too. So that's why the prices of the core and thus the prices of that timber, both got restricted, and they have been restricted now wherever they are.
- So not much price increase has happened during the last 7, 8 months. And in plywood, there is one more thing, we are -- it is a branded product. So we are able to pass on some at least if not the full cost, we are able to pass on some of the cost to the consumer also. It does not depend on whether local Plywood unit in Yamunanagar increases their price or not, still we can increase to some extent. So that is why both the timber prices increase does not really result into the same kind of result.
- Moderator:** Next question is from an Bhavin Rupani from Investec India.
- Bhavin Rupani:** Thank you so much.
- Moderator:** Bhavin, sorry to interrupt you. Can you please speak through the handset?
- Bhavin Rupani:** Sir, as per media reports, unorganized players in South has taken some 5% to 7% price hikes recently. Do we plan to take any price hikes in Plywood segment?
- Sanjay Agarwal:** See the small Plywood manufacturers have been announcing these increases in last 1, 1.5 years, they have increased their prices many, many times. But we know for sure that those prices have really not been affected in the market. They announced but then ultimately, everybody has to sell in the market and there are more than 1,000 sellers in the market. So the prices have not increased. As far as we are concerned, yes, we have taken the price range of 2% from first of May, effective first of May.

- Bhavin Rupani:** Sir, what you're saying is unorganized flares have been announcing price hikes, but they are holding it back is that?
- Sanjay Agarwal:** Yes, they always fall back. They try to insist because it is segmented seller situation. So in that, actually, it has never been possible for them to increase the price. That is the story, let's say, 2 to 3 years.
- Bhavin Rupani:** Okay. Got it, sir. Sir, as far as Plywood is concerned, what will be our proportion of Sainik and non-Sainik volumes? Or is it possible to share.
- Sanjay Agarwal:** That actually have never shared because it is a competitive information. So it is better we don't share. It is good for our health.
- Bhavin Rupani:** Fair enough, sir. Is it possible to share the growth rates, if not the volumes?
- Sanjay Agarwal:** Overall growth rate is about 10%. So last year, I think we have clubbed about 7.5%, 8%, something like that. This year, it will be about 2%. We are trying for more, but we are committing to 10%.
- Bhavin Rupani:** This was about Sainik, sir?
- Sanjay Agarwal:** No, no. I'm saying overall, Plywood...
- Bhavin Rupani:** Is it possible to bifurcate between Sainik and non-Sainik.
- Sanjay Agarwal:** No, it is not. Always the Sainik will be a little more than the prime material, but then I am unable to divert the percentage. So I'm happy to know that you have understood, and you remember, there are different brands Sainik and prime, yes.
- Bhavin Rupani:** Sir, as far as particle board is concerned, we have mentioned 25% volume growth of particle boards. So when do we expect our new plant to be commissioned.
- Keshav Bhajanka:** Our expectation is for the new plant will commence within Q4 and should give us some traction in Q4 itself. However, considering the fact that there have been certain delays, including in our MDF project because restrictions that have been placed on movement of individuals, particularly with regards to any machinery coming in from China, we are a little cautious on that front. If the plant comes in operation towards the back end of Q3 or the early part of Q4, we should be able to achieve this growth. However, if the plant is dispersed, then we might see the benefit in the next year and this year could remain flattish.
- Moderator:** Next question is from the line of Utkarsh Nopany from BOB Capital Markets.
- Utkarsh Nopany:** Sir, my first question is on the depreciation policy. So if I see our depreciation rate has gone down from 6.3% in FY '22 to 4.6% in FY '24. And this might be due to the commissioning of our laminate and MDF project towards end of Q4 FY '24. So if you can guide us what would be

your quarterly depreciation run rate from this June quarter onwards? And what would be our normal depreciation rate on a sustainable basis going forward?

Arun Julasaria: I cannot reply to your question instantly because depreciation you see in the results is average of depreciation of various assets. So it depends upon the types of assets additions. And apart from this, CEO talking of which figure you are talking about standalone figures or consolidated figures?

Utkarsh Nopany: Sir, I am talking about consolidated figures. I'm just giving you a sense over the last 3 years.

Arun Julasaria: In case of consolidated figures, depreciation figure has come down because the depreciation charge is only proportionate because operations so far in the plant has started in March only. So the depreciation chart in books is only for few days of the parts. So next year, from Q1 onward, it will be for the whole quarter.

Utkarsh Nopany: So can you give some sense like what would be the quarterly depreciation run rate, since we have done largely most of our capex? So what would be the run rate from June quarter onward?

Arun Julasaria: That I'll have to calculate what will be the full depreciation for the quarter. And then I will be able to tell.

Utkarsh Nopany: Sir, why I'm asking, sir, because our -- we have done a capex of INR1,500 crores, our gross lock has more than doubled but our depreciation expense on an annual basis has hardly gone up by INR25 crores over the last 2, 3 years period.

Arun Julasaria: I am telling the depreciation for the new plant only for few days where you are seeing the low figure for the whole year. Block figure is early on date, but the depreciation is for the period only. On the existing asset, it was for 365 days, whereas for new additions, it was only for few days.

Utkarsh Nopany: Fine, sir. Sir, my second question is like we saw that our Laminate sales volume has gone down on a Q-on-Q basis despite we have started our greenfield unit in AP, can you please explain the rationale for that? And what would be your current set of utilization of our AP Laminate and MDF plant in the month of May? And at what operating rate our AP Laminate and MDF unit is likely to become breakeven at EBITDA level and by when it is likely to be achieved?

Keshav Bhajanka: You've asked 4 questions; I will go one by one. In Q4, if you look at it overall, it was not a very good quarter for us and their certain challenges with regard to some export markets. Due to that, the volume figure is lower. However, quarter-on-quarter, the revenue figure is higher because domestic has a higher realization for us than export.

Secondly, with regards to new capacity coming into play, any new capacity that you bring into the market takes some time. There are feeding issues that take place. And it has taken us some time to ramp up the capacity in Andhra as far as Laminate is concerned. We should get the benefit of that within the current quarter and going forward.

From next quarter onwards, we're likely to get a good benefit out of the same. Regarding both Laminate and MDF unit, we are likely to be at EBITDA positive level within H2 of this year itself, exact figures, I don't have with me.

Moderator: Next follow-up question is from the line of Keshav Lahoti from HDFC Securities.

Keshav Lahoti: First, I just want a clarification on Ply side. So what I've understood the Ply price hike has been 2% in Q4 as well as FY '24. So FY '24 should be higher than 2%. And what has been the price hike in May month for Ply?

Sanjay Agarwal: You see the last price take, I think -- in this year, we have taken on first of May, but the effective first of May, it has been already affected on all our sales from first of May. In last year, I think we did not take in Q4. It has taken some time July. It was taken in July '23.

Keshav Lahoti: Okay. Understood. Got it. Yes. And how has been the progress on Sainik Laminates side?

Sanjay Agarwal: Just a second. Keshav?

Keshav Bhajanka: Sainik Laminates, we are still trying to ramp up our volumes. As of now, I would say that we have only launched in a few markets, and we have decided to hold the launch in further markets till we are able to get a concrete strategy. We are working on it. I think this year, we should see far more traction in Sainik Laminates.

Keshav Lahoti: Okay. So the traction is taking longer than what you might have earlier anticipated.

Sanjay Agarwal: Much longer.

Keshav Lahoti: Got it. Understood. And what might be the key reason for this? What are the key takeaways so far?

Sanjay Agarwal: I think any new product category will take time to learn. Century has always been a player in the premium segment. When you're entering a new segment, it does take some time. But hopefully, we will follow in the success of Sainik Plywood, which, as you know, helping the revolution. It is taking some time, and we will try to form that sooner up than later.

Keshav Lahoti: Got it. And what sort of capacity utilization you're anticipating for AP MDF plant in this year?

Keshav Bhajanka: I can say for the overall capacity utilization for MDF, we will be looking at close to 70% utilization of the total capacity. It's difficult to segment it because certain markets will move from North to South catchment depending on the profitability. As you know, the timber price on the South is a little lower. So we are rehashing some markets.

Moderator: Next follow-up question is from the line of Bhavin Rupani from Investec India.

Bhavin Rupani: So can you provide the status of all the ongoing projects? And what is the expected commissioning timeline?

- Keshav Bhajanka:** As far as the ongoing projects, I'll tell you for all the major projects. The laminate project in Andhra Pradesh has been commissioned. The first 2 presses have been commissioned. The MDF project in Andhra Pradesh has been commissioned. The PVC project that we have undertaken in Andhra Pradesh has been commissioned. And the last -- the large projects that we are looking at, particle board is likely to be commissioned within Q4 of this year as we have already mentioned in the call. The Plywood decision, as the MD has already stated will be taken after some more due diligence. We still have excess capacity, and we are planning for where to set up into new Plywood unit. So this is a status of all expansions.
- Bhavin Rupani:** Got it, sir. Sir, next question is related to MDF. Sir, we have been guiding 15% margins in FY '25 versus approximately 17% that we clocked in Q4. So do we expect any price cuts over year? Or is it due to higher raw material costs that we expect?
- Keshav Bhajanka:** There has already been a certain price cut as far as the no market is concerned. And in the South as well, once we have launched new capacity in Andhra Pradesh, we are now more in line with outpricing. As you know, it is not going to be a big impact on EBITDA because the South cost will also be lower than the North. However, considering the current consecutive landscape and considering that we have just setup our largest capacity ramping it casually over the course of the year, I think that 15% is of sale line.
- Moderator:** That was the last question in the queue. As there are no further questions, I would now like to turn the conference over to Mr. Sanjay Agarwal for closing comments.
- Sanjay Agarwal:** Thank you. Thanks to each one for attending the call. Looking forward to a better and more promising '24, '25. See you next quarter. Thank you.
- Moderator:** Thank you very much. On behalf of SKP Securities Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.