



Greenply/2024-25  
November 4, 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 October 29, 2024 on the financial results of Greenply Industries Limited for the quarter and half year ended 30th September, 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

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**TRANSFORMING INDIAN SPACES**



“Greenply Industries Limited  
Q2 FY '25 Earnings Conference Call”  
October 29, 2024



**MANAGEMENT: MR. MANOJ TULSIAN – JOINT MANAGING DIRECTOR  
AND CHIEF EXECUTIVE OFFICER – GREENPLY  
INDUSTRIES LIMITED**

**MR. SANIDHYA MITTAL – JOINT MANAGING  
DIRECTOR – GREENPLY INDUSTRIES LIMITED**

**MR. NITIN KALANI – CHIEF FINANCIAL OFFICER –  
GREENPLY INDUSTRIES LIMITED**

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

**Moderator:** Ladies and gentlemen, good day, and welcome to Greenply Industries Limited Q2 FY '25 Earnings Conference Call hosted by Asian Market Securities. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as on date of this call.

These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. Actual results may differ from such expectations, projections, et cetera, whether expressed or implied. Participants are requested to exercise caution while referring to such statements and remarks.

As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

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

**Karan Bhatelia:** Thanks, Neerav. Hi, everyone. On behalf of Asian Market Securities, we thank you for joining us on the Greenply Industries 2Q FY '25 and First Half Conference Call. In the panel today, we have Mr. Manoj Tulsian, Joint Managing Director, and CEO; Sanidhya Mittal, Joint Managing Director; and Nitin Kalani, CFO. May I now invite Manoj ji to begin the proceedings of the call. Thank you, and over to you, sir.

**Manoj Tulsian:** Thank you, Karan. Good morning, everyone, and wishing you all Subh Dhanteras and warm wishes for the festival of lights. It's a pleasure to have you all on this call. Now I will be updating you on Greenply's operating and financial performance for quarter 2 and H1 FY 2025.

I'm happy to share with you that we have achieved a consolidated revenue of INR640 crores during the quarter, which is a growth of 12.8% on a Y-o-Y basis. Our consolidated EBITDA for the quarter was at INR58 crores, a growth of 19.6% on a Y-o-Y basis. The EBITDA margin for the quarter was at 9% as compared to 8.5% in quarter 2 FY '24.

Our profit after tax for the quarter was at INR18 crores. The quarterly PAT was negatively impacted due to the following reasons:

- a. MTM loss of INR4.6 crores on our forex currency loan taken for MDF business due to sudden appreciation of euro;
- b. share of loss from our furniture and fittings JV amounting to INR3.5 crores; and
- c. share of loss of INR0.9 crores from our Middle East business.

On a half yearly basis, our consolidated revenue was at INR1,224 crores, which is a growth of 22.7% on a Y-o-Y basis. Our consolidated EBITDA was at INR116 crores, which is a growth of 53.1% on a Y-o-Y basis. The EBITDA margin was at 9.4% as compared to 7.6% in H1 FY '24. The profit after tax was INR51 crores.

Now I'll share some highlights of the individual businesses. In the plywood business, our volume growth for the quarter was 5.9% Y-o-Y and value growth for the quarter was about 7.5%. On the margin front, our core EBITDA margin for the plywood business for Q2 FY '25 was 8.3% as against 7.6% in quarter 2 FY '24. The margin improved on a Y-o-Y basis by 70 basis points. On a half yearly basis, we have achieved a revenue of INR966 crores, a growth of 8.5% on a Y-o-Y basis.

Our volume growth for the first half of the year is 7.2% Y-o-Y. We would like to maintain our guidance of 8% to 10% growth on a full year basis. Our core EBITDA grew by 11% on a Y-o-Y basis to INR78 crores in H1 FY 2025. EBITDA margin stood at 8.1%.

Moving on to MDF business. Our revenue in quarter 2 was INR126 crores and volume at 40,553 CBM. The revenue was negatively impacted due to the 7-day plant shutdown in the month of September and also due to the impact of intermittent power supply caused by Gujarat floods in the month of September.

While our realizations improved to INR31,169 per CBM, which is an increase of 1.1% over the last quarter, our EBITDA margins declined to 11.8% as against 16.6% in the previous quarter, which is attributable to the following reasons:

- a. lower sales compared to quarter 1; –
- b. reduction in finished goods inventory, resulting into under-absorption of overheads, that was because of the shutdown, which we had to take;
- c. increase in RM prices, which could not be passed on and
- d. the onetime increase in employee costs at the time of increments.

More details on the MDF business, of course, will be shared by Sanidhya.

Moving on to our furniture and fittings JV. We are behind our planned timelines for revenue scale up as they were delayed by almost a quarter in dispatch of machines from our JV partner. These machines, however, have arrived at the plant in the month of October and trial runs so far have been successfully completed.

We are almost now ready to start the entire Phase 1 product range manufacturing from November '24. On a consolidated basis, our net debt levels are at INR347 crores, which are optically at a lower level as we had undertaken a one-off large procurement of certain imported raw materials against LC.

The impact we estimate is to be around INR70 crores for the same. These LCs are likely to mature by March '25. Apart from this, MDF value-added product capex which is likely to happen in this quarter and the next quarter will also result into debt increase. Hence, we maintain our guidance of INR450 crores as the closing debt for the year.

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

**Sanidhya Mittal:** Thank you, Manoj ji, and good morning to everyone on the call. In our MDF business, we are progressing steadily. Our production in this quarter was negatively impacted due to the reasons highlighted already. However, we are likely to achieve our overall revenue growth guidance of 50% year-on-year.

While during this quarter, our EBITDA margins were lower for the reasons highlighted earlier by Mr. Tulsian, we would like to maintain the full year guidance of 16% plus margins. I'm happy to share with you that our realization has improved to INR31,169 per CBM during this quarter. The realizations are likely to increase further as we build our HDF flooring line in the second half of the year. The installation of the line is likely to be completed in Q3 FY '25. Construction of our glue plant is also on track and is likely to be completed in this quarter. With this, I would like to open the floor for the Q&A session. Thank you.

**Moderator:** The first question is from the line of Sneha Talreja from Nuvama.

**Sneha Talreja:** Just a couple of questions from my end. What is the scenario with the timber price? Could you quantify the timber prices on a Q-o-Q and a Y-o-Y basis, how it has fared for us? That's one. Secondly, in MDF margins, it solely because of the operating deleverage? Or has it to do anything with the pricing action taken in the industry?

**Nitin Kalani:** So the timber prices during the quarter were INR10.50 for plywood. And for MDF, it was around INR6.50 per kg

**Sneha Talreja:** And sir, what was the same in previous quarters and last year in case we can get the Q-o-Q and a Y-o-Y...

**Nitin Kalani:** The increase in ply timber prices was about 13%- 14% year-on-year. And for MDF, it was an increase of about 6% from the last year same quarter.

**Sneha Talreja:** And a Q-o-Q basis, what that would be?

**Nitin Kalani:** Q-o-Q basis, ply increase would be about 8% and MDF would be about 3%.

**Sneha Talreja:** And have we taken any price hikes to pass on the same? Or is it an that's impact coming on the margins only?

**Nitin Kalani:** So some price increases were taken. For certain categories, we have taken price increases across India, but in phased manner. So the price increases were taken in 1st of August and 1st of September, we can't disclose the category-wise price rises we have taken, but it is ranging between 2% to 3% in plywood segment. In MDF, it was about 1%, 1.5%.

**Sneha Talreja:** When was the price hike in MDF taken?

**Nitin Kalani:** 1% to 1.5%.

**Sanidhya Mittal:** In MDF, I mean -- not in the previous quarter, in this quarter. Yes. In the current operating quarter.

- Nitin Kalani:** It will be starting from 1st of October.
- Sneha Talreja:** So okay. So the impact on MDF margins is also because of the raw material prices increasing. The same would actually go away because you've taken a price increase on 1st of October? Is my understanding correct?
- Manoj Tulsian:** Sneha, your voice is not very clear. You're talking about MDF or plywood?
- Sneha Talreja:** MDF, sir.
- Manoj Tulsian:** Okay. Can you just repeat the question once again?
- Sneha Talreja:** By when can we see the normalized level of margins. The way I'm trying to understand it, is it because of operating deleverage alone or were raw material pricing playing the role? So I think there was raw material price increase, as you mentioned. I think the same should not be seen in Q3? Is my understanding correct?
- Manoj Tulsian:** Yes. So I think we mentioned in my opening speech just now that there were 3/4 reasons because of which during the quarter for MDF, we had a margin of around 11.8%. But because of some increments which we have not thought about that, that is the pass on which will happen. So there was under-provisioning, which is like a onetime charge, which came in the month of this quarter.
- And then slight increase of raw material prices and also lower volume compared to previous quarter because of shutdowns. So 3 to 4 factors and also liquidation of inventories, which always has a higher overhead charge to that. So quarter 3, quarter 4, we'll bounce back to the guidance what we gave around 16% for the full year. And so for quarter 3 and 4, we are assuming that our margins would be slightly better than 16%. So that the full year average is around 16% or so.
- Sneha Talreja:** Understood. And on the plywood margin, of course, we've been hovering around that 8% range given there is steep increase in raw material prices, though we are taking price increase. When do we see this actually moving towards the 10-odd percent? What is it that we are expecting, raw material prices to cool off or further price increases to take or operating leverage to drive it? Some color would there also would be helpful.
- Manoj Tulsian:** Well, it's something which my promoter also keeps asking me, Sneha. You are sounding like my promoter is asking all these questions. So, Sneha -- jokes apart. Anyone's guess, okay, we took a price increase in quarter 2 almost to the extent of 2% to 2.5%. And I think all the leading players have taken that type of a price increase in quarter 2. And that looks like it has been absorbed by the market. So we have not seen any headwind at least taking this price increase.
- But this price increase in plywood, I think, has happened almost like after maybe 4 or 5 quarters. And yes, the raw material prices, as Nitin mentioned, has slightly gone up. If I see the trend of last 15, 20 days, it has again slightly cooled off, okay? And my team is saying that maybe in quarter 4, the raw material prices will again go up. So in the near term, these type of fluctuations will keep happening. We'll see.

If it continues to only move up, then I think the whole industry, and we also need to take a price increase maybe in quarter 4, but it is too early because we cannot see the margin dropping any further. I think it is not good for the industry also, the margins drop below this.

On the long-term basis, our estimation still remains the same. Our team is very optimistic that starting calendar year '26, the raw material prices will start to ease. So we'll have to wait and see. Their estimate is that, yes, the whole of FY '25 still can remain challenging. It can remain at these price levels, it can slightly go up or maybe slightly come down. But we don't see any drastic reduction on the raw material prices in the next 2 to 3 quarters.

And after that, possibly -- that's the basis that our team is educating us. So that's where we stand today. We are taking efforts. to see that we don't go below this number because we quickly want to reach back to 10%, at least the double-digit numbers, but let's see. I mean, as long as we are not able to touch those numbers, there's no point talking about it.

**Sneha Talreja:** Understood. Sir, 1 last question, if at all, I can squeeze in. How is the demand scenario at this point of time? Plywood has been growing single digit for us. MDF, of course, because of the capacity expansion also has been much, much better than plywood. But as a general demand scenario given that we had extended rains, how is it going according to you? How is industry growth versus how are we able to pan out through?

**Manoj Tulsian:** See, I won't say that quarter 1, of course, there were a lot of headwinds because of that election being there. Quarter 2, things for sure has improved, okay? But I don't think it has reached a desirable level. There is not much effort which is needed today to get this level of growth. Of course, we still feel that whatever guidance we have given, we will be able to meet our guidance. Market can be better. And we hope that maybe starting quarter 4, things will start looking up from the market perspective also. So that can be a tailwind which we can see going forward.

**Moderator:** Next question is from the line of Praveen Sahay from Prabhudas Lilladher.

**Praveen Sahay:** So the first question is related to the MDF. As in the opening remarks, you had mentioned about 50% of a growth. So for a full year, you wanted a 50% of growth or the next half, you are expecting a 50% growth in the volume?

**Sanidhya Mittal:** I think on a full year basis, we're expecting.

**Praveen Sahay:** So if you are expecting a 50% of growth for a full year, that means the next half in the range of around 17%, 18% of the volume growth you are expecting? Is that calculation correct? Or because this quarter impacted of a shutdown, but you much have done a better number, I believe. So is that a calculation fine? Or you are expecting some more?

**Manoj Tulsian:** No, you're right, you are saying quarter 2 to quarter 3 and 4, right?

**Praveen Sahay:** Yes, yes. Second half, 18% -- if I calculate, it's coming 18% of a growth.

**Manoj Tulsian:** Yes, you are right, you are right. I mean, yes, it adds up to the same number. And we are very much prepared to do the same.



- Praveen Sahay:** And what is the reason for the shutdown of 7 days in the quarter?
- Sanidhya Mittal:** It was the annual maintenance of the main press line of MDF.
- Praveen Sahay:** Okay. Okay. Fine. Got it. And also, this price hike, you had said about the MDF in this quarter. Is that taken by you or other peer set as well in the market? And have you seen this absorb...
- Sanidhya Mittal:** In the industry, I think, everyone at this moment is really troubled because of the higher raw material prices. So I think it's in a way, I think the industry is only taking a rise. So we're also benefiting during that rise.
- Praveen Sahay:** Okay. Fine. Coming to the plywood. Plywood, in the first half, you had given a 7% of a volume growth and now guiding for 8% to 10% of a volume growth. So from mid-section, like if you can give us some highlights on the premium side of our business or the commercial grade, where you are seeing growth is coming in? Or is that a market share gain you are envisaging with these volume growth?
- Manoj Tulsian:** Praveen, one that the growth will remain equally between the premium side and this. Good that this year, we are not degrowing any further on the premium, we are slightly growing only. But of course, the economy side is growing faster than the premium side. That is already there.
- And as far as the market share is concerned, I think it's anyone's guess. For sure, if you really look at the journey of some of those -- the good companies in plywood, the way we have grown in the last 4, 5 years, clearly, does not look like that the market has grown by that size. So we are improving overall in terms of the market share for sure because I don't see that the plywood industry has grown at a level of 8% to 10% in the last few years.
- Praveen Sahay:** Right. And what's the reason for that? Is that some challenges the regional players are facing in terms of the RM procurement? Or we are becoming more aggressive in the commercial / economy grade?
- Manoj Tulsian:** I think everything, if you see, as a company, we have worked a lot in terms of our own process, disciplining our sales force, looking at avenues and working a lot on the ground level. So I can definitely make that statement that, yes, the team effort in a structured way has also improved.
- But we'll not take all the credit for the same. I think the external forces which we have been talking about in the last 2, 5 years, slowly, there is slightly better discipline in terms of GST compliances and other things in the industry also. The new generation for sure, wants to be better complied. That always gives scope for the branded goods player to improve their business.
- And the same point of time you also rightfully mentioned about this increasing raw material prices, the way this has gone up in the last 3, 4 years and it continues to move up, has also pushed back certain manufacturers because they were only playing on price point. So one, the raw material price is going up after a while, it does not remain so attractive.
- And if you really see, even the branded players have not really hiked the prices to that extent in the last 2 to 3 years. So that clearly puts a pressure on them.



And the second thing is also the availability of material. So we as large players are also struggling to get the material at all our factories on time. So I'm sure they must be facing a larger challenge for the same. So there are mixed factors.

**Praveen Sahay:** Right. Got it, sir. And last clarification on the INR70 crores LC. Is that RM procurement related to the plywood?

**Manoj Tulsian:** Yes.

**Praveen Sahay:** Okay. And that's going to normalize by year-end?

**Manoj Tulsian:** Yes, it's going to normalize, one. Second, in any case, look, the inventory levels, both in plywood and MDF will also go up. So because we normally increase the inventory levels to prepare for our quarter 1 and 2. So keeping both the reasons in mind, the guidance we had given for around INR450 crores debt, looks like we will be at those levels around March.

**Moderator:** Next question is from the line of Udit Gajiwala from YES Securities.

**Udit Gajiwala:** Congratulations on a decent set of numbers. Firstly, if you can explain from a more 2 to 3 years' point of view, if you look at the plywood growth with the handover of the real estate inventory likely due, could we see more of a double-digit growth for the company, say, in next 2 to 3 years, if you look at the CAGR growth?

**Manoj Tulsian:** Udit, I think slightly early at this point of time to give that view. See, we have some limitations on our capacity side also. And you also know that some of our partnerships, which we have done with a few players also didn't work to that extent. So that has also pushed us back because we were always counting on those capacities.

So for us as a player, in the near term, I think there are some capacity issues, which may also restrict us in terms of the growth in next 8 to 10 or 12 months. But then as I think we mentioned in the last call also that we are now planning to set up another plant. We are just on the drawing board, and we're doing our homework, and we'll have to come back to you people with the news of setting up of a new plant and new facility.

So once that happens, then if the market is good, I'm sure our opportunity to grow slightly faster would be there. And since we have been investing so much of money, if you really see in the last 3 years, we are first invested on a plywood plant, then we invested on MDF and then on Samet. So we are slightly cautious also looking at our capital allocation.

**Udit Gajiwala:** Understood. Understood, sir. And sir, secondly, on the MDF margins for H2, like currently, the imports are softer because of this container issues. But if that gets eased and imports come back, then do you see any challenges on the margin front? Or again, there being some price undercutting in the industry?

**Sanidhya Mittal:** I think by the time the import problems starts getting -- the container issue starts getting solved, hopefully, the BIS will kick in. And because of that, people will be scared, and the volumes will be tapered. And finally, I think the market and the industry is ready for a price rise. So hopefully,

ahead, things looks better only for MDF. As we've mentioned before also in the previous calls that we have only 1 line to sell and 1 capacity to sell with our brand name. So we don't look at demand as a challenge for us given that the capacity is limited.

**Udit Gajiwala:** Understood. Understood. And sir, just a follow-up. I mean, do we see a scenario of prebuying happening before the BIS norms kick in or because of this container, that looks a bit unlikely. I know it's a bit a stretch question, but just to get...

**Sanidhya Mittal:** Also, the neighbouring countries which are main producer of MDF, there's a lot of disruption at there end also, at their raw material and because of, I think, excessive rainfall and -- it's a full cycle. So they are also at the troubled end as far as their raw material and their operations are concerned. So I don't really see imports starting again anytime soon in a big way.

**Udit Gajiwala:** Understood. And lastly, if you can help with the capex amount that we'll be spending for this coming fiscal?

**Manoj Tulsian:** In MDF?

**Udit Gajiwala:** Yes, MDF and maintenance, both.

**Sanidhya Mittal:** Okay. Nitin ji?

**Nitin Kalani:** So the question is, if I understood correctly, about capex in MDF and ply. Is that correct?

**Udit Gajiwala:** Yes.

**Nitin Kalani:** So capex in MDF would be backloaded this year. So second half, we would see a sizable capex being incurred on those 2 areas which we mentioned earlier, the glue plant, which is under construction. I would say that will be finished in the third quarter. And there is a HDF flooring line, which will come in the fourth quarter, basically.

So we expect the commissioning of flooring line to happen, say, in the mid of fourth quarter essentially. So I think those 2 capex areas on the MDF side. And on the ply side also, there will be some capex, which is backloaded. So a result of that is what expected to drive the debt number on the range we have guided of about INR450 crores apart from the one-off LC thing, which we explained earlier.

**Udit Gajiwala:** Is it possible to quantify the capex amount that we'll be incurring?

**Nitin Kalani:** capex would be about INR45 crores to INR50 crores, all put together, in the second half we're talking about.

**Udit Gajiwala:** And how much have we spent in H1?

**Nitin Kalani:** H1 was a small number. Just give me a second, I'll just tell you the exact number. So capex was about INR25 crores in the first 6 months consolidated.

**Moderator:** Next question is from the line of Nikhil Agrawal from Kotak AMC.

- Nikhil Agrawal:** Sir, my question -- this is regarding unorganized segment in the MDF space. Like how is the competitive scenario in the West compared to the rest of India from the unorganized players?
- Sanidhya Mittal:** So the unorganized in MDF is a lot smaller compared to plywood. And particularly in West, we are quite lucky because they hardly focus. These players are more dominant in the North. And because of that, they try and focus more in North because of obvious reasons, their freight costs, et cetera. So that way, to a great extent, we are insulated from the B players as far as West is concerned.
- Nikhil Agrawal:** All right. All right. Got it. And sir, just a clarification, you said that you've taken a price hike of 1% in MDF from 1st October, right?
- Sanidhya Mittal:** I mean, effectively, yes, you can see we'll get 1% to 1.5% in this quarter, yes.
- Nikhil Agrawal:** Okay. And any more price hikes on the cards in MDF...
- Sanidhya Mittal:** The way cost has gone up, especially on the timber side, we definitely want to take, but it's again, market scenario. If everybody in the industry is taking and the market is accepting, definitely, we'll also push. But it depends.
- Nikhil Agrawal:** Right. Sir, but mostly in West, like I believe, you've captured a major market share, like a kind of decent market share in the West. So maybe -- I mean, I believe it would be easier for you to take the price hikes out there, right? Given that unorganized is also kind of not dominant over there?
- Sanidhya Mittal:** Honestly, unorganized, firstly, these guys are not being able to produce all products we are producing. And unorganized is not honestly such a threat because when we are going to the market, we are not competing against unorganized. We are straight competing against the top 3, 4 branded players who have Conti-roll plants like us. It all depends on their pricing. And when the industry has more capacity than demand, they are also willing to deliver at the same cost to West that I'm delivering to my distributors and dealers.
- Moderator:** Next question is from the line of Utkarsh Nopany: from BOB Capital Markets.
- Utkarsh Nopany:** Yes. Sir, my first question is regarding the MDF segment. So if you can guide us like what would be the current price difference for the plain MDF between domestic and imported product in port area? And also, if you can give some sense like how the ocean freight rate from Thailand and Vietnam to India has behaved during September quarter and in the current October month?
- Sanidhya Mittal:** Honestly, we are not competing with the imports. So we are not keeping a tab on the import. So even within MDF, our focus is on the higher density products, which are not being imported. So it's very difficult to give you a pricing as to what is the imported. But just to give you an approximate idea, it must be around INR21,000 per CBM. And if you see our blended realization, it's much higher than that. So hence, our focus on interior grade or on the grade which gets imported is very low.

**Utkarsh Nopany:** Okay. And sir, regarding ocean freight, whether it has started coming down very sharply or it continues to remain pretty high?

**Sanidhya Mittal:** I'm not very sure on that, that whatever scenario of ocean freight. And these days, it's so dynamic with a global issue, suddenly the freight changes and the container availability changes, I think COVID has taught everyone how to make use of opportunity, I guess.

**Manoj Tulsian:** Just to add to that, Utkarsh, the ocean freight, as Sanidhya is saying, we all know that it's skyrocketed around, I think, first quarter and continued even until mid of August, then it suddenly dropped big time, okay? And then again, last month, I would say -- actually this month itself, in the month of October, it again started going up, not to those previous levels, but it has gone up. And then again, there is a voice that it will come down after 15 days. It has become so dynamic that someone has to track it on a daily basis while booking every consignment.

**Utkarsh Nopany:** Okay. And sir, like for furniture fittings, like whether we have booked any revenue in September quarter?

**Manoj Tulsian:** No. Hardly we've -- I think we have booked a turnover of around INR1 crores, Nitin?

**Nitin Kalani:** Yes, yes, INR 1 crores.

**Manoj Tulsian:** That much only because our major machineries, which will give us good volume and our go-to-market strategy was with all the products into the market. So that will start now because the next phase of machines, which was being required, which was part of the Phase I, but important machines, got delayed by almost a quarter. So our whole plan of going aggressive into the market with the whole city, which was planned initially for July has now moved to almost November.

**Moderator:** Next question is from the line of Parikshit Gupta from Fair Value Capital.

**Parikshit Gupta:** Congratulations on a good quarter. I have 1 question, probably not the best question that you would want to answer right now, but this is about the unorganized sector in MDF. So let me just give you some context here.

So we do understand about the structural shift of products using MDF in the country and MDF being relatively more insulated from the unorganized players. Now we are based in New Delhi. So we did visit a couple of dealers and distributors of engineering wood products across brands.

And once anonymous feedback was the need of creating awareness with the customer base about the quality, meaning the longevity of organized products -- sorry, branded products versus the locals because there is a significant difference in cost and while in the short term, raw material prices are expected to be high, but as the domestic timber plantations come in play, prices are expected to be moderated.

Now while I understand that in terms of Greenply's capacity, demand is enough, and you already articulated that your competition is with the organized players. But essentially, I would love to know the strategic initiatives to further insulate this product from the unorganized sector. And it is a question which spans to the medium to the long term, please?

**Sanidhya Mittal:**

So firstly, I don't look at the need to be further insulated from unorganized because see, the moment we talk about a multi-delight player, they are not -- I think 7.5 and below, they're not viable. So the moment they hit the market, they're telling dealer, please give me order only for the thick thickness.

And also when you compare prices, their manufacturing cost is about 10% to 12% higher than ours. So they can never sell drastically cheaper than us. They go sell a fake product in the market, and that's how they call themselves cheaper. So a branded player would probably go sell HDMR as HDMR, but unbranded player would go mix green color and try to play with HDMR.

And hence, you'll find the product cheaper. So if you compare apple-to-apple, they can never be cheaper than us because the cost at factory doorstep for manufacturing. They are at approximately 10% to 12% higher than us. So that is the first thing. And the second thing is I don't see the reason to further insulate ourselves because I don't look at them as competition.

**Parikshit Gupta:**

I completely understand, sir. The quality is visible. And I've seen it firsthand. And while these stark differences do exist. But the customer base, especially in the retail sector is not super aware about the differences. They just go to the dealer and say, sir, this is what I want to do. I want to remodel my house. Please give me something within my budget. So my question was more about any initiatives that you might be thinking about in order to increase the customer awareness?

**Sanidhya Mittal:**

I mean, see, that's an ongoing activity, we'll always do. Right now we are very new. Obviously, we have to do much more in this category than we are doing in plywood. And once we mature, then we do it lesser than what we will do right now. But obviously, it's a continuous activity.

Every time we launch a campaign or we're doing any brand communication or we're doing any point-of-sale display, branding, it is all to basically educate our end consumer and to continue the pull of the brand Greenply and the word Greenply because of which dealer distributor, everyone is basically dealing with us.

**Moderator:**

Next question is from the line of Karan Bhatelia from Asian Markets Securities.

**Karan Bhatelia:**

Just wanted to understand the capacity expansion in the MDF industry over the next 2, 3 years from today?

**Sanidhya Mittal:**

Okay. So you want to know about the industry. Honestly, I feel you all will have a better answer because you all track the industry much closer than us. As far as the large listed or the players who are like us, I don't think there are too many plans now. other than, obviously, 1 facility going up and running this year. As far as the unorganized is concerned, as I mentioned, we're not really tracking them. And with the way today's raw material prices is, I don't even know how long they can survive.

**Karan Bhatelia:**

And also in the earlier calls, we did mention of some debottlenecking or some brownfield capacity expansion at our MDF Vadodara plant. So when can you see that?

**Sanidhya Mittal:**

Honestly, we already have the extension equipment and all the balancing equipment, and the plant is designed per 1,000 cubic meters. The biggest challenge for us at this moment is that we

need a long shutdown to get this up and running. And since today we are hand to mouth as far as sales is concerned, we are not being able to take this call. We're still deliberating as to whether we need to do it now or we need to first have an expansion in this business with another line and then do it. So we're still thinking.

**Karan Bhatelia:** Right. And just last question from my end. We've mentioned the pre-lam sales in the presentation. That's approximately 10% to 12% of our total sales. So how do we plan to take this portfolio ahead?

**Sanidhya Mittal:** We want to double our sales in this category. We are relaunching our entire portfolio in pre-lam. I think this month, we'll be relaunching. And we are increasing the offering in that category as well in both finishes and designs. And we feel that, that business should double up. And ultimately, that's how margins will get made if we are able to create value-added products and sell them.

**Moderator:** Next question is from the line of Harsh Shah from Dalal & Broacha Stock Broking.

**Harsh Shah:** Yes. If you can quantify how much the MDF industry may have grown in, say, Q2 or H1 of this year? Would it be double digit?

**Sanidhya Mittal:** I think the industry growth for the last couple of years has definitely been double digit. But for the quarter or for the H1, I think, industry growth will be difficult for us to comment. But we are assuming that it's growing at the same pace that it has been growing for the last 3, 4 years.

**Harsh Shah:** Okay. So a related question. So what I'm failing to understand is that if the industry growth has been kind of, say, double digit, right? So I mean what are the players or what level of demand the industry would be taking price hikes? I mean, I'm not understanding as to what is restricting the price hike, even though the timber cost has gone up significantly for the MDF division.

**Sanidhya Mittal:** What was restricting the players for price hike was the larger players having too much capacity and new entrant of large players. So before Greenply came in, we are hardly 14, 15 months in this business. So before we came in and before even our competitor putting up last 2 lines maybe in the last financial year. So with all of us coming in -- with 2 large players coming in with larger capacities, I think it became challenging for the industry to absorb the capacity. As the capacity is getting absorbed and the lower-grade import is getting restricted, I think price rise will also be possible, and the good continuation and growth of the industry will also be possible.

**Harsh Shah:** So would it be a case wherein, say, H2 of the next financial year or as sir mentioned earlier, say, from CY '26 wherein the timber costs would start kind of moderating, right? So would there be a situation wherein, say, when the timber cost does go down, the players may enjoy a better margin. And then the need for a price hike would never be there. I mean, is there a possibility that could happen at the price hike, say, 5% to 7% may never happen only?

**Sanidhya Mittal:** I don't know. I mean, these are like too many what ifs. I think timber has been a demand-supply. It's a cyclic product. Obviously, the price of timber will go down once the supply increases. And again, it will go up also. It's like a 3, 4-year cycle. It continuously keeps coming down and keeps going up.

And I think the margins will also behave like that. Margins in times when timber is very high, margins will slightly dip; and times when timber is drastically hitting a low, I'm sure we'll get an incremental margin and for that period, we'll enjoy something better.

**Moderator:** Next question is from the line of Rishab Bothra from Anand Rathi Shares and Securities.

**Rishab Bothra:** Yes. Two questions. One, we look at the manufacturing production units. We have 3 formats. One is own manufacturing, partner, and trading. So partner manufacturing is slightly going down day by day. How are we placed in that front? Will it increase in time to come? Or will it vanish off?

**Manoj Tulsian:** Rishab, so I mentioned earlier also that -- and in the earlier calls also that, that is something a format which we perceived, and we started around 3 years back, but somehow it didn't go so well. And yes, so we only have 1 unit now under that model, where maybe slightly the numbers will improve.

But on the overall number, that will not make a drastic change. And we have become very conscious also that whether this model in the future will be workable or not. And that's why we started looking at setting up our own facilities.

**Rishab Bothra:** Okay. So our facilities will be of what size and what quantum of capex will be required?

**Manoj Tulsian:** No, we're still doing some homework on that, okay? And I think once we do our homework and we get the Board approval, we'll immediately come back to you people also with the entire detail.

**Rishab Bothra:** So 2, 3 years down the line, what would be our revenue mix in terms of MDF and plywood?

**Manoj Tulsian:** 2, 3 years down the line, I don't have off-the-cuff number, but of course, we are looking at setting up the next plywood facility -- and then it looks like that we will be on our peak capacity utilization in MDF next year. So -- and if you are assuming that, yes, everything goes well. Then the year subsequent, we need to have another facility in place if we have to continue to grow in MDF. So that will be a larger decision because again, it will call for capex. So if that happens, then the numbers after 2, 3 years in terms of mix would be different. And in case we delay that, then the numbers would be different. So there would be those what-if scenarios.

**Rishab Bothra:** So why I put this question is I was trying to understand our margin profile. Plywood has 10%, 11% and MDF has, let's say, 15%, 16% average margin profile. So will it end up to 13%, 14% levels or beyond that is what my aim was to understand how...

**Manoj Tulsian:** See, the math clearly shows so, okay? Because one, the growth on MDF is faster than growth in plywood. And the margin profile of MDF is better than plywood. That's why somewhere we have started working that what happens once we are able to almost utilize our capacities on MDF by next year.

We already started discussing that internally because that calls for capex also. And yes, if you ask me, overall, I definitely feel that one, MDF business in India is too miniscule and it will



continue to grow at a healthy pace, which means Greenply definitely will have that space to participate on a larger platform.

And that means that overall the margin profile for the company will inch upward. All those things are the scenario, which is like -- I mean that all of us can understand that. And the whole idea of also getting into MDF was that, one, yes, it's a future product; and second, the margin profiles are much better. And when we have free cash flow, why not put it at a place where it gives us better return.

**Rishab Bothra:** Correct. Lastly, sir, slightly a strategic level question. Since all non-compete clauses have been more or less 5 years plus have been there. So each one of you can expand your product categories to be one-stop solution for home decor?

**Manoj Tulsian:** Yes.

**Rishab Bothra:** So the rationale behind the merger were to have 1 product separate categories in each individual company. What I look ahead, 3, 4 years down the line, everyone will be into each category, each of 1 category. You are moving into MDF, Greenlam moving into particleboard and plywood. So my understanding, correct me if I'm wrong, the things could there be a possibility of again a consolidation in the Green Group.

**Sanidhya Mittal:** I don't think that is a possibility or that is an option. The businesses are very, very separate businesses. And if you look at, 90% or 85% of the operating revenue is coming from 1 core category, so Greenlam's 85% top line must be coming from their core business.

And if you look at the Greenply, our core revenue is coming from plywood. If you look at Panel, their core revenue is coming from MDF. So everybody remains too focused on their key category. Obviously, since the industry is big and the balance sheet size of each of the respective companies is now good enough to support other businesses also, to increase their share in the market, they're doing that. But we still have a very strong understandings in place between the 3 group companies to say, where we still in certain categories, we do not keep the word green.

For example, when Greenlam sells plywood, they don't use the word green. If at all, we sell laminate, we do not use the word green in the category of laminate, and they don't use the word green in the category of plywood. So there is an understanding to protect the interest of shareholders, and every stakeholder involved in the demerger. And going forward, yes, they will be entering each other's category, but their core categories still remain their core category.

**Moderator:** Next question is from the line of Rahul Agarwal from Ikagai Asset Management.

**Rahul Agarwal:** This is Rahul Agarwal from Ikagai Asset Management. Sir, just 1 question. Actually, not a question, a clarification to a couple of them. Firstly, on the MDF, on the Gujarat, Vadodara plant, before we started constructing this plant, obviously, we would have an internal understanding of what should be the payback on this.

Obviously, the MDF sector is very cyclical, and it's behaved, how it's behaved over the last 2 years? In your view, is the payback period materially changed for you on this plant specific?

Like how do you look at your peak EBITDA, your peak ROCE on this project? Just the overall qualitative sense is also fine.

**Manoj Tulsian:**

No, I think, first, we are very much on track because when we had conceived this also, we have conceived this at a margin profile of 18% once our full capacity is in place, and we are able to ramp up to the full capacity. And we are still maintaining that we can see that the internal efficiencies, which will get further built up when we are able to fully utilize the capacities on an optimum way.

So even from here, 16%, moving to 18% by next year, on a given state basis, okay, on an as-is-whereas basis, I think is doable, which means that we are very much on track on as per our business plan. Yes. I keep saying this, and we all keep maintaining this that if there are tailwinds and the overall price increase is substantial by all the players, then those numbers can even be higher. But on a given state, we clearly see that next year, again, we'll be able to improve the margins by around 200 basis points.

**Rahul Agarwal:**

Right. No, I understand that. So basically, what it means, what kind of payback period does that imply, assuming a normal situation and...

**Manoj Tulsian:**

We were looking at 5 to 6 years, Nitin, can correct me. But I think -- that was the period which we were looking at, Nitin, right, around 6 years.

**Nitin Kalani:**

So I'll, again, probably handle it in a different way, Rahul. See we look at overall our weighted average ROCE basically in this business of 20%. Given that the capacities are initial -- in the initial setup phase, those numbers are not very close to those numbers basically, but those are on track, I would say, to achieve the targets essentially. So my sense is that next year, we should be very close to achieving that 20% ROCE kind of a criteria from the business, basically.

**Rahul Agarwal:**

This is pretax...

**Nitin Kalani:**

5 to 6 years of payback, you can say.

**Rahul Agarwal:**

Got it. This is before tax, right?

**Nitin Kalani:**

This is before tax, right.

**Manoj Tulsian:**

Yes, before tax. Yes.

**Rahul Agarwal:**

Yes. Okay. Got it. And second question was on the fitting side of it. So my understanding is we're investing INR250 crores equity plus debt, asset terms are about 3x. So peak sales possibly is INR750 crores whenever it happens. And peak margins could be as high as 35%. Just wanted to know the gestation period to reach this peak utilization. Would it be 3 years? Or would it be like more than that?

**Manoj Tulsian:**

Peak utilization, which means are you saying that when can we touch the number of INR750 crores, INR800 crores? Is that what you're trying to say, right?

**Rahul Agarwal:**

Yes, yes.

**Manoj Tulsian:** Well, I think it will build up, okay Because when you look at the industry, there are players who have taken a good 15, 20 years also to build that up. Our target, first of all, is next year, how can we break even into the business for the full year. That is our first target.

And if it is done, then yes, we internally feel that we can be very, very aggressive in the same given our network distribution and the goodwill what Greenply enjoys in the market. But I think if you are to talk about INR750 crores, INR800 crores, it will take its time. In the next 3 years, possibly, we would be looking at anything around INR400 crores to INR500 crores as a best-case number.

**Rahul Agarwal:** Got it. Got it. And what would -- so I mean just pardon me for my lack of understanding in this business. But does this project come in phases in terms of, would you fully invest INR250 crores at one go and then that capacity ramps up over 5 years? Or will you also invest in phases and say -- and the P&L gets builds up in phases? Is that how it works?

**Manoj Tulsian:** Yes, yes. Actually, that was the whole plan because -- so we divided it into 3 phases. Phase 1, the large set of machineries which was to come, has come just now and some trial productions have happened, and we are happy with the trial production. So there was a Phase 1 where, of course, we have built up the entire civil construction. We have all the utilities, and everything already invested. But only the machine part of it, the manufacturing part of it has been divided into 3 phases.

So the Phase 1 machines are already in place now, I can say, okay? And then we had a plan of investing in Phase 2 sometime around next year, end of the year -- next calendar year, end of the year. But -- and the third phase after another year. But it is on basis how we are able to ramp up our sales. And there is another factor of BIS which is coming into play. So I think timing-wise, we are on the right side.

Second, at what speed we can ramp up. Third, at what level when we go to our customers, they would demand more range of products from us. And the scenario would be that, of course, I mean some of these things, we will start selling on a trading basis right now, which means lower margins.

And when we produce the same thing in-house in India, we'll get better margins. So that is a trade-off -- so it's a business where we have a very close watch for next 12 to 15 months, and we will take decisions basis the flow.

**Moderator:** Next question is from the line of Varun Pratap Singh from AAA PMS.

**Varun Singh:** Sir, my first question is regarding the MDF segment. So do you see further scope for realization improvement over the next 2 quarters? And in the first half of current financial year, whatever 2% improvement has happened? I mean, you ascribe this improvement because of the sales mix? Or it is only because of the price hike that we have taken?

**Sanidhya Mittal:** So first half, whatever improvement we've had is purely on the account of product mix. In H1, there was no price increase whatsoever. So whatever impact you're going to see of price rise is from Q3. And in Q3 also, as of now, we are only looking at about 1%, 1.5% as of now. If scenario

is further easier and is better and everybody in the industry is further going up, then definitely, we'll also further go up in Q3.

**Manoj Tulsian:** And also just to add the operational efficiencies also, which got built up from this year. So product mix improvement as well as the operational efficiency.

**Moderator:** Next question is from the line of Shaurya Shah from Equirus Securities.

**Shaurya Shah:** So just wanted a clarification. So it was mentioned that the capex for MDF will be backloaded. So am I correct to give us that there's an underconstruction MDF plant which is expected to come online by 3Q and the MDF flooring line by mid 4Q-'25. So is this correct?

**Nitin Kalani:** It was the glue plant we referred to. So right now, we procure glue from outside essentially. And with this inside in-house glue plant, it will be a kind of raw material security essentially, which we'll ensure. And HDF flooring line is a new line, basically, which will use our existing MDF product, and we will produce the flooring using that line essentially. So it's an extension. It's a value-added product for the existing line. I hope that answers your question.

**Moderator:** Next question is from the line of Yash Sonthaliya from Buoyant Capital.

**Yash Sonthaliya:** Just a small clarification I want to understand, like our pre-laminated sales has decreased on Q-o-Q, but as realizations improved on Q-o-Q and we didn't take any price hike. So which of the product category in MDF we increased our mix?

**Sanidhya Mittal:** So I think we have other value-added products also in our portfolio. And our main product focus is Boilo, which only 1 or 2 players in the country have the capability to produce. So we sell that product and then we also sell our HDMR, which is called HDMR 710 by Greenply. So these products give us a higher realization compared to interior grade. So on blended basis, value-added products have gone higher.

**Moderator:** Ladies and gentlemen, we'll take that as the last question. I'll now hand the conference over to the management for closing comments.

**Sanidhya Mittal:** Thank you all for taking time to participate in this call. In case of any further clarifications or query, please feel free to reach us. Thank you.

**Moderator:** Thank you very much. On behalf of Asian Markets Securities Private Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.