

Century Plyboards (India) Limited

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Dear Sir(s)/ Madam(s)

Sub: Transcript of the conference call for Unaudited Financial Results for the Quarter ended 30th June, 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 Wednesday, 7th August, 2024 in respect of Unaudited Financial Results for the Quarter ended 30th June, 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 (I) Ltd
Q1 FY '25 Results Conference Call”
August 07, 2024



Management: **Mr. Sanjay Agarwal**
Managing Director and Chief Executive Officer
Mr. Keshav Bhajanka
Executive Director
Mr. Arun Julasaria
Chief Financial Officer
Mr. Sumant Wattas
Chief Executive Officer – MDF Business

Moderator: **Mr. Navin Agrawal**
Head - Institutional Equities – SKP Securities Ltd
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Moderator: Good day, ladies, and gentlemen, and welcome to Century Plyboards Limited Q1 FY '25 Results Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the management's opening remarks. Should you need assistance during the call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Navin Agarwal, Head, Institutional Equities. Thank you, and over to you, sir.

Navin Agarwal: Good afternoon, ladies, and gentlemen. 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; Mr. Arun Julasaria, Chief Financial Officer; and Mr. Sumant Wattas, CEO, MDF Business. We'll have the opening remarks from Mr. Sanjay Agarwal, followed by a Q&A session. Thank you, and over to you, Sanjay.

Sanjay Agarwal: Thank you, Navinji. Thank you. I welcome you all at FY '25 Q1 Earnings Call of Century Ply. Before I start, I would like to state customary disclaimer that this call is just to discuss company's historical numbers and future perspectives. In no way, should be construed as invitation for investing in the company. With us along with analytical presentations are sent to you and also posted on the stock exchange website. I presume you all have gone through them, so I will not be repeating the numbers.

Although the industry is continuing to struggle for growth and issue with the raw material availability and price. On an overall basis, the results are in line with guidance shared by us in last call. On year-on-year stand-alone basis, our total revenue was up from INR862 crores to INR952 crores.

On a consolidated basis, it was up from INR891 crores to INR1,005 crores, posting a growth of 10.5% on stand-alone and 12.8% on consolidated basis. Plywood division posted better-than-expected year-on-year growth of 14.9% with EBITDA margins of 14.4%. Compared to other players, our better raw material linkages helped us to keep our costs under check.

Aggression on the part of sales team put sales ahead and improved sales mix. This resulted in continued substantial improved profitability compared to our peers. We continue to maintain our guideline of sales growth of 10% plus, with EBITDA margins between 12% to 14%. Although Laminate division this growth guideline improved EBITDA margin to 12.3%.

Our Andhra facility is ramping up will add the sales of Laminate segment, we can expect to see guided growth in coming quarters. Newly setup MDF facility at Andhra has picked up exceptionally fast in very first quarter of operation. And a year-on-year growth of 47.3% volume to MDF segment.

New facility is ramping up very fast, and we expect it to be EBITDA positive by third quarter. MDF market is in huge supply pressure leading to correction in average realization. While we

expect substantial growth, we are unable to predict improvement in average realization consequential improvement in EBITDA margin.

Going forward, we expect 40% plus value growth with some improvements in EBITDA license. Particle board industry is under new pressure, both at average reason and raw material cost front. Number of small players are there in the industry. We are coming up with a facility with continuous process, which will result in improvement of quality and also reduction in cost.

This new facility is expected to start by end of this financial year. We shall expect growth and profit improvement after our new facility starts as until then, we expect to maintain flattish growth. We have also set up PBC board facility at our Andhra location. This has started production in the month of May 24. This facility is also ramping very fast and will add to almost INR100 crores revenue by next year.

The conviction on account of sale of our Singapore subsidiary along with lowest step-down subsidiaries as completed in the month of April '24. We have taken impairment loss of INR24.06 crores for the same in our last year accounts, which was reflected in our spend on accounts as exceptional items. However, as the transaction is completed in April '24, we have derecognized all assets, liabilities, and minority interests in some subsidiaries in current quarter in our consolidated account.

The resulting difference amounting to INR13.33 crores is shown as exceptional item in consolidated profit and loss account in compliance to accounting standards. With these words, I rest my opening statement, and we are open for questions from all of you. Thank you.

Moderator: The first question is from the line of Rahul Agarwal from IKIGAI Asset Management.

Rahul Agarwal: Sir, no questions on guidance today. I think that we interview, and the presentation made it very clear across segments. I have 2 questions. I just wanted to set the context right, keeping ROC focus, and I can see Century nearing capex competition in the next 7, 8 months both opex and capex intensity as well as balance sheet leverage looks like peeking out right now.

So 2 questions. Firstly, on plywood second on MDF On plywood Sanjayji, do we see a structural cyclical turnaround going forward in terms of volume growth because when I look at last 7,8 years excluding fiscal '22, '23 post-COVID, I think the segment grew single digits for many years. Do you see a double-digit volume growth sustaining over the next 5 years given where macros, competition, and substitution parts for plywood...

Sanjay Agarwal: Let me answer the question, then you ask the second question. You see, I think in India, the things are so dynamic that we are all talking about so much of growth. We are talking about very high GDP growth. But at the same time, we are seeing that the price are really not growing. We are seeing that the FMCG books are at a growth of maybe 2% or 2.5%.

So we all believe in the story, the India story is absolutely there and everything positive is happening. There's no 2 things about it. But to predict for the long-term growth of 14% will not

be right on my part. But I have been telling that we are doing too many experiments. We have found the best of the things through our experiments, and we have implemented them across our country now in all our branches and our products.

And we think that yes. That is what is really resulting in the present jump as far as plywood is concerned. We will certainly love to have this kind of a growth because the growth has continued for the first quarter. It has continued from July, and it seems that, yes, it will continue for some time. But for 5 years, I don't think anybody has the capability to tell you.

But I can tell you, plywood because it's a branded product and brand will always keep profits and the sale within a particular parameters. It will probably -- it can go only up without our expectations, but it will not go too low that is what we have seen over so many years. You can ask your second question, Rahul.

Rahul Agarwal:

Got it. And secondly, a similar question on MDF, like would you like to call it a bottom here because only 2 quarters since centralizing into India business. The EBITDA margin is falling below 15%. My sense is hence for the margin should stay, let's say, till next 2 quarters, most case you get the new plantation timber and then we see a strong up cycle not only for Century, but for the entire industry as demand supply mismatches are covered over the next 5 years. So would you like to call a bottom in terms of margins for MDF? That's my second question.

Management:

If you look at our -- if you look at our standalone numbers, so we had about 14% margin. And I think that, yes, this would be the bottom because going forward, we are going to attempt to increase value-added products, we are going to attempt to increase capacity utilization. However, timber costs have increased slightly higher. So that is the challenge that we're all grappling with. But by and large, I think, this will be the bottom. And going forward, with increased capacity utilization, we should definitely see some room for it.

Moderator:

The next question is from Keshav Lahoti from HDFC Securities.

Keshav Lahoti:

I want to understand one thing. The laminate plant got commissioned in Jan. So if commercial production started from this quarter or in Q4, also some production has happened? And secondly, in this facility, what our competition says the NSR is as high as INR6,000 per sheet. Is it a right interpretation?

Management:

I'll take that the Laminate facility it came on board in January the first few months ago just tile production and to ramp up the uses more export-oriented has taken a little longer. As we cargo certification also actually has just come in within the coming August of. So that is why -- and yes, the average realization from this facility will be higher because a large chunk of it will be compact laminate and that too larger size.

So if you're look at it in per sheet basis, it will be higher. But overall, the current two hot presses that we have there, the total turnover that we can expect at peak utilization will be about INR250 crores. So it is similar to what one standard press of 8 by 4 will be giving us the past slightly higher.

- Keshav Lahoti:** Okay. Got it. Understood. And on this MDF plant, we can see a small increase in capex to INR730 crores earlier INR700 crores was the guidance. So is it like you're adding something new? Or is it in the equipment or something cost as close it is a hike in cost?
- Sanjay Agarwal:** Costs have been shooting up. And I think there are certain elements that we had expected to be completed at lower cost for instance, roads in media, et cetera, have cost, slightly higher than what we had thought. So this was predominantly an increase. Not due to any addition in terms of plant machine gain, but due to an escalation in cost.
- Keshav Lahoti:** Understood. Got it. Last question from my side. Firstly, on the ply side, this quarter, we did 14.5% margin, and the company has also taken the hike in June, so that will fully get played out in next quarter. and what we hear, ply industry is also planning next quarter -- next round of hike. So what sort of hike you are planning possibly in this quarter? And will you like to up the margin guidance to something like 15%? And lastly, on the progress on Hoshiarpur ply, which earlier call, you highlighted is on hold. So what are the plans on that side?
- Sanjay Agarwal:** Hoshiarpur is put on hold because -- what we expected in Hoshiarpur is the kind of plantation issue that happen, we saw that the plantation was not happening and more of this timber was coming from UP and then there are areas like Odisha. So we -- the plant is still on hold. We are about our other facilities, which are existing. As far as your question our EBITDA are concerned, we have -- given the -- in my opening statement, we're saying that we still maintain.
- As far as the price increase is concerned, we increased 2% from 1st of May, and we have increased 2% from 1st of August. We have increased 2% from 1st of June and 2% from 1st of August. The 4% price has been taken across in all of our plywood products. But the cost of raw material has gone up.
- On the region for a higher EBITDA can be higher quantity of sales or growth in the growth is higher than a little bit of EBITDA will be higher. But then that also I cannot say that we can sustain that for a very long period. That could be there for 3 months or 6 months. So our guidance will be 12% to 14%.
- Moderator:** The next question is from the line of Praveen Sahay from PL India.
- Praveen Sahay:** First question is related to the plywood. So earlier call, you had given us some volume growth guidance in the plywood in the range of 8% to 8.5%, while you had delivered a far better number in the Q1. So is there a further reason in the volume growth for the plywood? And at what realization...
- Management:** we have given a guidance.
- Praveen Sahay:** So 10% is our revenue. So still you're holding 80% around volume growth?
- Management:** 10% volume growth, yes.

- Praveen Sahay:** Sorry, just to clarify this, in the sales growth guidance, you had given a 10% for the plywood.
- Sanjay Agarwal:** Yes. But I maintain that we should have about 10%, maybe 11%, maybe 12% of the value growth. For the moment, yes, we have higher growth. And if the Q2 also goes accordingly higher and we may revise our guidance for the whole year. But right now, I will be little cautious.
- Praveen Sahay:** Okay. And also, if you can highlight...
- Management:** Will be the all less series going around, Bangladesh and what is happening with Israel, we really don't know what is going to achieve.
- Praveen Sahay:** So basically, my question is from where you are getting this kind of volume growth, 13.5% of volume growth in the plywood. So from where you are getting this -- how -- is that the market share gain been, or you can say that...
- Sanjay Agarwal:** From where, but actually, we were doing a lot of experiments in our sales team and our sales method. I think we have been able to consolidate them, and we were able to implement that across the country, and that is helping us. We are not the same company which we used to say 5 years back. So it's a completely change way we operate with -- that we operate with a dealer for our dealers or our contractors everything has changed. Maybe that kind of data or study you get in India will be very difficult and not so organized.
- So we all speak to each other, and we speak to media we try to understand, yes, what is going around. So that's totally that yes, whatever we have done is giving us very well. And the quality -- our quality has really improved because the percentage of complaints have more than our percentage of component 0.0 something and even that has also halved -- there is a reduction of 50% in our complaints. I mean that is also will result in good sales section.
- Praveen Sahay:** Okay. Sir, the next question is related to the MDF so in the guidance you had given a 15% margin guidance for '25. And I understand fully with the AP plant commissioning your margin on overall MDF segment has deteriorated. So how -- like how in the next 9 months, you are confident of delivering for a full year of 15%, even if I look at a consolidated basis, it's 1.5% for a quarter.
- Sanjay Agarwal:** On a standalone basis, we are confident of this 15%. For Andhra you're right, it will take some time to ramp up, but we are confident that by Q4, even the Andhra capacity or even the consolidated margin, will be at 15% plus. The 15% steady sales margin, yes you are right, with Andhra ramping up, the overall consolidated margin could be a little bit lower.
- Praveen Sahay:** Okay. Okay. And second thing is on the realization related to that because the realization in the opening remarks on so as I said, in the MDF it's a decrease and the way forward also we expect some degradation. So do you believe with the south plant coming up, usually, our realization is expected to go down from here as well what we are right now?

- Sanjay Agarwal:** I don't think so. I think in the south currently, we do not have a very high percentage of value-added products. Pre-lamination line also started producing from the second half of July, we actually had a much lower share of Pre-lam MDF in our Andhra facility. Going forward, we are going to increase our value-added products and that should give us slightly higher realization. Having said that yes, South as the market perhaps will not have high realization as we were doing earlier, but I don't see realizations dropping much further from here. They could improve the share with the product.
- Praveen Sahay:** And lastly, sir, if you can give some numbers related to the timber pricing. So how is the north timber price in this quarter or the past quarter? And how has the number on Y-o-Y or sequentially.
- Management:** I'll take that question. In an MBS in North, our timber price is between INR6.5 to INR7 per kg. In South, it is about INR1 cheaper. So it's in the range of INR5.5 per kg.
- Praveen Sahay:** Okay. And how has it sequentially, how much it has increased.
- Management:** As compared to last quarter, it has increased marginally in the range of 5% to 7% for the rest of the year, while we hope it remains steady, but given the plantation cycle, it's hard to pay there to fall business, it might mainly still increase in the next 2 quarters. But it's very difficult to say for sure.
- Moderator:** The next question is from Sneha Talreja from Nuvama.
- Sneha Talreja:** Three questions from my end. From you mentioned a lot on that -- you mentioned about prices, margins bottoming out prices also bottoming out, than maybe we should think improvement. Is it based on the fact that we have brought up some price hikes here? Or will it be based on the fact that our utilizations ratios would improve, and our value-added mix would improve...
- Sanjay Agarwal:** You talk about wood or MDF?
- Sneha Talreja:** MDF.
- Sanjay Agarwal:** Yes, in MDF currently, while there is no clear visibility of price hike, but considering the state of margin across the industry I think it is only logical that prices should start to increase. However, as of now, we don't have any price rise in if there is a development, then if there's an opportunity we will definitely take on.
- But having said that, value-added products are going to increase perhaps because if you look at it in the first quarter, like I mentioned, from Andhra, we had zero pre-laminated MDF. And that, of course, is a much higher value-added product. So once these products start increasing and as margins increased slightly -- sorry, you'll see a realization increase slightly.
- Sneha Talreja:** Understood. And my second question was related to how much more write-offs will be pending from the overseas subsidiaries, are we done because the write-off or there are more write-offs.

- Management:** No, there is no write-off as such this is just an adjustment to comply with the content. We've had an opening balance sheet which contained all the figures of subsidiaries, which now seem to be succeed. The production was completed last year only. Sorry, impairment was taken last year only. But conjecture was completed on 25th April. So, this is just removal of those balances and resulting difference. We have to root to obtain those accounts because AS dictated. Relevant accounting extended dictated.
- Sneha Talreja:** Understood. Sir, this is largely done.
- Management:** Yes. You can call it the investment.
- Sneha Talreja:** Understood. And sir, my last question was on MDF, could you actually tell the utilization rates for our new facility AP and what would be the Hoshiarpur plant running at this point of time utilization wise.
- Sanjay Agarwal:** Currently, at Andhra first quarter, we are at a very low utilization. As you know, we will be at less than 20%. Quarter 2, of course, we are planning to ramp it up substantially higher. And in sharper capacity, we will be running at close to 85% to 87%.
- Moderator:** The next question is from Shubham Aggarwal from Axis Capital.
- Shubham Aggarwal:** I have -- the first question is regarding the gross margins. So I was just comparing the consolidated and stand-alone gross margins for Laminates and MDF. And what I see is that there's a gross margin loss from those new subsidiary that we've incorporated. I just wanted to get a context like how should we look at it.
- Sanjay Agarwal:** So basically, have sold maybe less than 10,000 cubic meters from capacity the that is substantially large in the first quarter. So because of that, all the expenses over into None of that is in ours. And in gross margin, we also account for factory overheads. So our gross margin is not only down materially, but it also takes into account factory overhead. And we are seeing it. However, going forward, with Andhra ramping up in late quarter, you will see a drastic change in the picture.
- Shubham Aggarwal:** Got it. Got it. And the second thing is, in the opening remarks, you mentioned something about essentially doing something specifically that helps keep the RM inflation for plywood under check? I just missed that. If you can elaborate and explain to us, what is -- if that helps essentially control our impression of that.
- Sanjay Agarwal:** We have done over quite some time, we have been in agreement, and we have certain agents with raw material suppliers, not only in India, but overseas also. So we are now having a very good supplies from the best of the suppliers in Brazil even Vietnam. So many of the countries, we have connected for quite some time. And now we are able to ensure that we give the raw material at the right quality and the right place.

And you also know that there is so much a problem in one as far as the container sale is concerned. I hope you are hard about the freight fee rate has really increased all around. And there also, we have been able to many much better than anybody else because of our CFS, we are intestinal the lines in the world. And that's how we are able to get a better rate also. All these things have been dented in ensuring the quality, in ensuring the quantity both at the right pace.

Shubham Aggarwal: So I understand is your -- so it's now viable to import the RM for plywood and you are doing that. And incrementally, that share of share is increasing, and that will keep increasing until the RM prices are high in India once like all other players you also.

Sanjay Agarwal: Yes. And tomorrow is the metal prices after a year or 2 years is the fall down if they reduce, Then importantly, top -- but when the moment and import from so many companies comes into, but we increased the increment in the prices of raw materials will slow down in a very big way because we get the local supplier and quarter competition from now overseas. And there, the prices are quite stable because there are so many countries are where we are lead to supply.

Shubham Aggarwal: Got it.

Management: One point here, we should also take into account that our large inaction, which is Pan India, including 3 factories that are for based and 3 factories that are more domestic port-based, helps us substantially. In times like this, our port-based factories actually give us a substantial advantage, whereas when domestic raw material costs are low, the landlocked factories are the ones in Gorkhi, Guwahati, and Karnal to be particular, give us a substantial advantage. So, strategically we are well-placed to cover either scenario.

Moderator: Next question is from Nikhil Agarwal from Kotak AMC.

Nikhil Agrawal: Sir, my question was regarding the impact of BIS norms that would be coming in said, do you see a sizable import reduction post that?

Sanjay Agarwal: Sorry, could you repeat the last part?

Nikhil Agrawal: Sizable import reduction post the implementation of BIS.

Management: Definitely, you see the MDF boards being imported into India today does not match Indian substations and do not match the quality of MDF and themes play the manufacturing. For instance, if you see the ID or wax content, of any of the imported boards, you will see that there is a huge difference between what we are currently making and what is getting imported.

So I don't think that it will have -- it is going to have a major impact -- and taking a BIS license in itself for our international player will take some time. But even in the long term for them to comply in the follow-up quantity that India purchases from maybe some of these manufacturers, it's not going to be easy.

- Nikhil Agrawal:** Okay. And even if they match up to the BIS standards and then improve the product quality, what would be the increase in their cost of production?
- Management:** It could be substantially increase in the cost. Today, for us to manufacture this similar product role in tail 20% cost saving. So for them, there will be a 20% cost jump.
- Nikhil Agrawal:** Sorry, I think that is 20%?
- Management:** For them, it will be a 20% cost increase in order to meet the current standard acquiring manufactured by us or the other branded domestic player.
- Nikhil Agrawal:** All right. Understood. And what about the unorganized smaller unorganized players? Like are they BIS compliant? Or are they also on the same thing as the...
- Management:** It varies from player to player, there are a lot of none. So we can't simply say one size fits all. It depends. I would say that some are compliant, some are not.
- Nikhil Agrawal:** All right. Understood. And do you plan -- with this Andhra facility once it transcend, do you plan to export as well?
- Management:** It will depend on profitability. But yes, we have already exported some containers. And going forward, I see there is scope to export, but it depends on value.
- Nikhil Agrawal:** All right. Lastly, could you just help me with the MDF imports into India for the last 3 months.
- Sumant Wattas:** This is Sumant here. I can take that. Look, the MD who referring to this whole shipping freight increase rather reduced the MDF import somewhat, usually the MDF imports are in the tune of 25,000 to 30,000 CBM per month. If I look at the last 3 months data, I would believe it's about in the range of 15,000 to 16,000 CBM. So it's come down by about 50%. But as the freight crisis emerges, we see that the trend goes upwards or downwards but it's come down in the short term on account of freight.
- Moderator:** The next question is from Abhishek from DSP.
- Abhishek Ghosh:** Sir, just a few questions. In the plywood segment, when we look at the volume growth, it's almost about 14% for the current quarter. Now this is happening at a point in time when the overall building material demand when we look at it is subdued. So how should we look at your growth trajectory in plywood when things normalize, given that so much of the take rates have happened, some market share perspective? And is it more coming from the panics of the world, which is largely competing within semi-organized to the unorganized?
- Sanjay Agarwal:** This time, we are seeing that even in Q1 and after that, both semi and our prime material are doing, both of them have grown well. I cannot say that the earlier I just said in this call only that how long we will be able to sustain it. But we believe that our -- everything we have done the changes in our sales process and our quality, both are now doing very well. So we expect to get some more share of market from our competition and equally 4% of it also.

And I also see that the market is slowly changing from totally the lowest class, the lowest cash of is to the belly of the market where the customer is asking for a little better prior. They are not ready to buy the best, but still they are now looking for the very big level. So I think that change in also happen. It's going to be very big for the industry. But yes, we are here to wait and watch.

Abhishek Ghosh: Okay. Sir, just another thing, just one thought. In terms of that when the raw materials go through such sharp increases over a sustained period of time, what we usually observe is that the unorganized tends suffer a lot. And this is an industry that not is probably the highest I was more trying to understand from that perspective because the bit to take price hikes the unorganized unbranded is far, far lower. So from that competitive thing...

Sanjay Agarwal: We are pleased that is very cost for them, but you see we Indians are a very different breeds, we Indians are so pakka that we will find some way out because the given the small manufacturers in unorganized structure they all are bear themselves in the market and in the factory. So they find some way out to survive. Few of them may stop production, both who have something else to do or something big to do. They will stop getting into fly -- so new people coming into plywood and even MDF they will stop totally now. But those who are there, will try their best. So I don't take Indian entrepreneur to be...

Abhishek Ghosh: Fair, fair point. So my next question, you partly answered. Given the profitability curve MDF has seen, how could we locate capacity addition on MDF, how do you see it over the next 12 to 18 months in terms of the capacity addition in MDF in the country?

Keshav Bhajanka: I don't think is going to be any -- Hi Abhishek, Keshav, here. I don't think there's going to be any substantial in MDF capacity going forward. In fact, a number of the smaller peers under tremendous pressure and quite a few of the peers, even the ones that have recently set up a -- so currently, in this scenario, I don't see much crash additioning happening in the next couple of years. I think 1 line is coming close to completion. But other than that, I don't see any capex in the medium -- short to medium term.

Abhishek Ghosh: Okay. Okay. That's helpful. Just in terms of the employee cost, we have seen a sharp increase on a sequential basis. Is it just with the annual increments and other things getting reflected in the first quarter and then it stabilizes over the next 3, 4 quarters? Or is it to do with some other inflationary elements?

Management: We have actually increased our term fee substantially we are investing towards in MDF, as you know, we have a massive growth target for this year. So yes, in focus more on the market. So I think there are number of things where increment has played a role. But other than that we're also scaling up and we are provisioning for a larger growth going forward.

Abhishek Ghosh: Okay. Okay. And one last other thing in terms of -- if I look at your capex projections that you gave there is a sharp reduction in the capex program from FY '26 onwards after you commission or particle board line. So FY '26, one should see sharp deleveraging that would happen for century ply given healthy operating cash flows.

Management: At this point in time, yes. Because currently, we don't have any closing capex. And I think considering the current scenario, and we have already taken on large capex. We are not going to go for any substantial capex for the next year, 1.5 year after So they'll be sharp deleveraging effect taking place.

Moderator: The next question is from risks Hrishikesh Bhagat from Kotak Mutual Fund.

Hrishikesh Bhagat: So one question. See, when I look at your various segments, say, plywood, laminates, obviously, the margin variability is fairly low across the longer cycles in the plywood in the narrow range of 13%, 15%. Laminates also fairly in that range. And that is also getting reflected in the segmental ROCE for each segment, the larger bench time to a fairly good whereas same in case of MDF, the variability is fairly large on the margin front across the cycle.

This has been the second cycle were seeing margins coming fairly to low single digit. So -- and for industry as a whole, it not before you. So my question is, do you feel that MDF eventually could matter to that plywood or laminate kind of? Or do you think that this margin volatility will remain inherent and the cyclicity in this segment?

Keshav Bhajanka: This is Keshav here I think if we look at this as a product category in any 5-year horizon, you typically guide for 25%. The last cycle that we were talking about over the year 2018, '19. So any 5-year cycle, we'll be looking at close to 25%. But having said that, as you know the market in MDF itself with premiumizing. Our value-added product percentage is increasing. As you know, premium plus, which is a higher category material.

That material is now being sold in the form of semi-branded product. So I will see that over the course of the next 5 to 6 years, what you are saying is correct the margin variability remain should reduce. But even otherwise, any high year time period, I think MDF will have close to 25% EBITDA margin. But it should go down over the course of time.

Moderator: The next question is from Bhavin Rupani from Investec.

Bhavin Rupani: Sir, you mentioned about raw material linkages. Can you please elaborate what proportion of linkage we have versus our total raw material requirement right now?

Sanjay Agarwal: I think it is difficult to tell you what percentage are linked. But yes, whatever we are importing that 1 we have done wonderfully with the biggest of the suppliers and the best of the suppliers. And it keeps on varying very frankly, even if I tell you that so much percentage has been linked, but it still -- it keeps on hearing on local availability. We still look for that if you can do from the local market, it is better for us. And it really does not matter where you get your remote gets in our quantity and quality.

Bhavin Rupani: All right. Sir, is it possible to quantify what would be lended prices of imported raw material versus existing domestic prices?

- Sanjay Agarwal:** Yes. It's the imported raw material is a little higher. Say about 3%, maybe 3.5% or 4% is higher than the local, but the quality is better. The imported raw material quality is much better. So that actually suffices for its higher base.
- Abhishek Ghosh:** And sir, as far as plywood is concerned, what would be our current utilizations?
- Sanjay Agarwal:** So our capacity is now at 3,39,000 about 3,40,000 cubic meters and utilization in '24, '25 is about 75%. We are actually increasing our capacity across all our plants. We are nearly 5%, 10% every year. So some of small capex have been undertaken in most of the plants, especially the plants which are on ports, the Chennai Plant, Kolkata plant, all these we have taken up.
- Bhavin Rupani:** Sir, my next question is related to particle board. Sir, how should one understand the utilization levels in particle board in first year of commissioning?
- Management:** I think that currently particle board is going through for the difficult scenario. And because of this, the new line is substantially because the EBIDTA margin in the new line will move far as continuously. Having said that once we start the new line at that point in time, temporarily, we may have to shut down the existing capacity. Like I said, the EBITDA margins in the new line are going to be higher than the existing line. To hold the new capacity, I think by the exit of year 1, we would comfortably be at 50% plus capacity utilization.
- Bhavin Rupani:** And at what level should I assume your breakeven?
- Management:** 50%.
- Bhavin Rupani:** Sorry?
- Management:** 50%.
- Bhavin Rupani:** 50%. All right. And lastly, on the pricing of MDF and. Particle board. Currently, we are experiencing declining prices across all the -- for all distributors. So just wanted to understand how are the prices decided. So it is desired by the association? Or is it that each and every company decides when and how much price increase or decrease one should take?
- Management:** There can be no association. I think if you cannot have a consortium. So it is individually by players and splay the comparative intensity of the market we look at various factors such as the current price of imports, our own brand strength and then we decide on pricing. And each company does it on their own.
- Moderator:** The next question is from Amit Purohit from Elara Capital.
- Amit Purohit:** So just on -- you highlighted the changes that you've taken one; I understand the fleet on the Street was kind of increased, and that's visible in the employee cost. And second, I think some time a few years back, you started with this order has arrived and then you had this influencer engagement program, anything else beyond this, which you would like to highlight maybe a

separate team has been set up for B2B? Is that also if you could just qualitatively address what are the actions that you have taken.

Sanjay Agarwal:

No, all those experiments, which is various experiments we have done. We have done -- so all we have done experienced in every aspect of sales. And all those experiments have been now completed and we have found out the best, which really give us the best results. And they have been -- also earlier, we were doing into some branches are not some branches, we are operating in different way some branches we are setting in operation in a different way.

Now we have found that, what is the way to operate how to control at the central level. And that -- all those systems have been implemented across the country. It's not necessary that this will continue to give us this kind of a growth for all the time to come. But yes presently, these are the visions, and the quality seems to be the reason for the growth presently. And actually, we have not done anything very new. What we have done is all the old wine and new bottle in sensually we have organized working in all the areas still. So they are now not thinking what to do. Everybody knows what they are going to do.

Amit Purohit:

And sir, you indicated that the smaller players, the cost of doing the business has probably increased. And so is that -- I mean, broadly, that is resulting to them shutting down or some of them shutting down of the business?

Sanjay Agarwal:

For plywood, are you talking about plywood?

Amit Purohit:

Plywood Yes, sir.

Sanjay Agarwal:

Plywood, there are about 3,300 units across the country. Even if 100, 200 shutdown, it makes no difference Frankly, actually, it makes no difference. And the smaller guys are also there in these 3,000 people are there in this industry for long. So they understand the industry. They have their own local markets, suppose somebody is operating in Siliguri.

He is operating in Siliguri has got excellent connections with the dealers and all that. So the chances of openly closing down is going to take some time. The only thing which can do this is the consumer. If the consumer starts demanding a better quality. It is happening, which I can see now that, yes, from the lowest side of the quality, they are now shifting to the belly of the market, which is a medium quality product like semi or a little lower than semi.

That is happening in some ways. Otherwise, you would not have gained so much in semi in the last 5 years. There was no -- nothing known as semi or at that level in the market. So I see that, that change is happening, but India is a different country, all are the smartest guys.

Amit Purohit:

Regionally, if you see, where is this change you are seeing that consumers are moving up recently Anything -- I mean we understand...

Sanjay Agarwal:

Yes. I tell you, Eastern India is doing very, very well. Eastern India and Southern India, 2 regions, 2 bones are really doing very well in this. West, I am unable to understand the West

actually because the maximum money is the maximum growth lies in the west, but still that area still consumes lot of lower-quality product. And same is true for the North.

Amit Purohit: Okay. Okay. This is helpful. And sir, on the sourcing of raw material, you indicated import and domestic, you take a decision based on the pricing and whatever best suits you. But right now, what would be the mix like for import and domestic sourcing?

Sanjay Agarwal: Very frankly I avoided the question because I myself don't know the exact acceptance.

Amit Purohit: Okay. No problem, sir. And sir, on the new facility of AP the overhead cost basically would be the fixed cost, right? So that would remain...

Sanjay Agarwal: The facility at AP, yes?

Amit Purohit: So you -- that would remain fixed for both laminate, MDF and whatever improvement we will see now is on the gross profit side, which is current loss because we have factory overheads, which are present, right?

Sanjay Agarwal: Yes.

Moderator: The next question is from Keshav Lahoti from HDFC Securities.

Keshav Lahoti: Just a clarification on the MDF side, the 15% guidance is including AP plant, right?

Management: No, The 15% guidance is not including AP plant, 15% provision on steady state basis. However, the endeavour will be to reach as close to it as possible, due Andhra taking some taking some time to scale up. It could be marginal.

Keshav Lahoti: Understood. Got it -- because the volume you were taking AP -- so the clarification was -- so that is stand-alone 15% you are guiding.

Management: Yes.

Keshav Lahoti: Understood. Got it. And what's the progress on the laminate -- how is that shaping up?

Management: It is not extent we wanted. I think that within the next 1 year, now we have corrected strategy, and we are looking at certain course corrections within a year, we'll be able to stabilize it to a far higher.

Keshav Lahoti: Okay. Got it. And MDF guidance is including the laminate guidance is including the AP one, 10% to 12%?

Management: Yes.

Keshav Lahoti: Okay. And are we seeing any sort of cost pressure in laminates on the kraft paper or something? And do the -- do you have any plans to take a price hike?

- Management:** We have already taken a price hike as on the 1st of August. And this is close to a 3% price, this is due to raw material cost.
- Keshav Lahoti:** Okay. Got it. And what sort of raw material pressure we have seen in Laminate side?
- Management:** There is an increase in the cost of both chemical unless like increased fee cost of aircraft.
- Moderator:** The next question is from Udit Gajiwala from Yes Securities.
- Udit Gajiwala:** Congratulations on of numbers on plywood specifically. So just to understand, one bit that the demand that you are witnessing in plywood, would it be that be from any specific in our sector or metro specifically driving or is it the Tier 2, Tier 3?
- Sanjay Agarwal:** Actually, the market for plywood and especially for Century Ply, we have gone down to below even 75,000 tons we have gone now. So we are seeing pull from everywhere. This time for the whole of first quarter for the month of July. And this has been happening for some time because we know that the metros to grow in metro is much more difficult because there are so many -- everybody who starts a la brand or facing facility.
- He comes to all the spent metro during the first 1 or 2 years. So for us to actually sustain and grow the Tier 2, Tier 3 terms are more important. So we have taken up many strategies so that we keep growing there. The metros are easier. Outside metros is a real challenge where the smaller companies cannot reach and not even do their supply chain.
- They are a company like Century Ply for us, it's very easy to have a supply chain which will supply across the country and the overhead. We can supply anywhere in the country within, say, 12 hours' time, 24 hours' time, this is the kind of management we have now.
- Udit Gajiwala:** Got it. Got it, sir. And just last one on the particle boards where you are mentioning a lot of pressure around. So that's still your confident of in the 50% utilization what type of situation that you feel would change in terms of margin at pricing at?
- Management:** I said FY '26 end, you'll be looking at a 50% utilization. Of course, the ramp-up will take some time. And like I have said we should have a higher EBITDA margin than current margin. The situation is it fee because one BIS comes into place from a done, we'll be able to give a lot more clarity and margin in market.
- Moderator:** The next question is from Praveen Sahay from PL India.
- Praveen Sahay:** Sir, related to the Laminate, can you give how much is the export contribution for Q1 as I understand that because of containers and all.
- Sanjay Agarwal:** We don't normally share those numbers.
- Praveen Sahay:** Basically the last quarter, you had given some indication is less than 25% on the revenue.

- Sanjay Agarwal:** We even increased onto 6% to 4% as Andhra scales up. But we normally refrain from giving the break-up.
- Praveen Sahay:** Okay. And how is the utilization on overall Laminate facility?
- Sanjay Agarwal:** On the existing Laminate capacity in Q1, we will be at a 75%-plus utilization. For Andhra as you know, scale-up is taking time, we will be at less than 10%.
- Praveen Sahay:** Okay. And also on the realization front. So especially in the Laminate, how is the domestic realization because you had taken a price hike in the August. So last quarter, how has been the realization is that a flat sequentially? Or is there some deterioration because of product mix?
- Sanjay Agarwal:** Sorry, I didn't get your question.
- Praveen Sahay:** Sir, the realization in the laminate for the first quarter FY '25, how has been on a sequential basis?
- Sanjay Agarwal:** On FY '25, we've had a marginally lower realization and that is due to a slight change in the product mix. But I think in this quarter with the price increases, we will see higher realization.
- Praveen Sahay:** Okay. And this you are talking about excluding export?
- Sanjay Agarwal:** Sorry?
- Praveen Sahay:** This, you are talking about excluding exports, the domestic realization you are talking about.
- Sanjay Agarwal:** The realizations that we gave are including -- but yes, domestic is a larger contributor and the increase in realization should be there because the market prices have been hiked.
- Moderator:** Thank you very much. That was the last question in queue. I would now like to hand the conference back to the management team for closing comments.
- Sanjay Agarwal:** So I thank all of you for your interest in Century Ply and attending this call. We believe in India story and in spite of whatever happens across the world, we are very positive that the times to come will be very positive for interior industry and building products industry. With all the hopes and positive notes, see you again next quarter. Thank you.
- Moderator:** Thank you very much. On behalf of SKP Securities Limited, that concludes this conference. Thank you for joining us. Ladies and gentlemen, you may now disconnect your lines.