

GPIL/2024-2025
February 7, 2025

BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai – 400001

Scrip Code: 542857

National Stock Exchange of India Limited
Exchange Plaza, 5th Floor,
Plot no. C/1, G Block
Bandra – Kurla Complex , Bandra (E),
Mumbai – 400051

Symbol: GREENPANEL

Dear Sirs,

Sub: Transcripts of conference call held on February 6, 2025

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed a transcript of the conference call of the investors and analysts held on Thursday, February 6, 2024, at 4:30 P.M. on the unaudited financial results of Greenpanel Industries Limited for the quarter and nine months ended December 31, 2024.

Please take the above on records.

Thanking you,

Yours Faithfully,

For **Greenpanel Industries Limited**

(Lawkush Prasad)

Company Secretary & VP - Legal

ACS : 18675



Greenpanel Industries Limited

Q3 & 9 Months FY25 Earnings Conference Call Transcript February 06, 2025

Gavin Desa: Good day everyone, and thank you for joining us on Greenpanel Industries Limited's Q3 & Nine Months FY25 Earnings Call.

We have with us today Mr. Shobhan Mittal - the Managing Director, Mr. V. Venkatramani - the CFO.

Before we begin, I would like to state that some statements made in today's discussion may be forward-looking in nature and may involve risks and uncertainties. A detailed statement in this regard is available in the Result Presentation that was sent to you earlier.

I would now like to invite Mr. Shobhan Mittal to begin the proceedings of the call. Over to you, Shobhan.

Shobhan Mittal: Good afternoon everyone and thank you for joining us to discuss Greenpanel's "Operating and Financial Performance" for Q3 FY'25.

MDF domestic sales volume was flat year-on-year and grew by 11% quarter-on-quarter.

Export volumes were lower by 7.6% year-on-year since we consciously stopped exports to those customers who were not prepared to compensate us for the steep increase in wood prices.

Mdf domestic realizations were lower by 5% year-on-year at Rs.29,867 per cubic meter.

Export realization were higher by 2% year-on-year at Rs.19,479 per cubic meter.

India's EBITDA margins at 5.1% were impacted by steep increase in wood prices.

Plywood volumes were lower by 17% year-on-year. EBITDA margins at 3.1% were impacted by lower volumes. Plywood realizations at Rs.252 per square meter were higher by 1.2% year-on-year.

Post-tax profits for the quarter was lower by 75% at Rs.8.5 crore as compared to Rs.34.61 crore in the corresponding quarter for reasons mentioned earlier.

Net working capital at 36 days has shown an increase of 11 days year-on-year due to an increase in wood inventories.



Net debt stands at Rs.104 crore as on 31st December 2024 inclusive of Rs.219 crore for the expansion project.

Work is progressing on the expansion project, and we estimate commercial production towards the end of Q4 FY'25.

Mr. Venkatramani will now run you through the Financials in greater detail, post which we will have the Q&A Session. Thank you.

V. Venkatramani:

Good afternoon, everyone, and thank you for joining us to discuss the Q3 FY'25 Financial Performance on Greenpanel Industries.

Net sales during the quarter were lower by 7% at Rs.358.12 crore compared to Rs.384.99 crore during the corresponding period due to a fall in domestic realizations and lower plywood volumes.

MDF sales fell by 6% at Rs.325.93 crore and contributed 91% of the top line.

MDF domestic volumes were flat year-on-year while export volumes were also lower due to pricing issues.

MDF domestic revenues were Rs.287.01 crore, while exports contributed Rs.38.92 crore.

Domestic realizations were lower by 5.5% year-on-year at Rs.29,867 per cubic meter, while export realizations were higher by 2.2% at Rs.19,479 per cubic meter.

Blended MDF realizations were lower by 4.2% at Rs.28,079 per cubic meter.

Uttaranchal MDF plant operated at 82% and Andhra plant operated at 58% with blended capacity utilization at 66%.

Plywood sales saw de-growth of 16.1% at Rs.32.19 crore. Plywood sales volumes were lower by 16.9% at 1.28 million square meter, and the unit operated at 44% during the quarter. Plywood sales realizations were up by 1.2% at Rs.252 per square meter.

In Q3 FY'25, gross margins were lower by 1,285 basis points year-on-year at 43.2% due to a fall in domestic realizations by 5.5% year-on-year and steep increase of 25% in wood prices year-on-year.

EBITDA margins were down by 1,229 basis points at 5%. EBITDA in value terms stood at Rs.17.78 crore and post-tax profit at Rs.8.50 crore for the reasons mentioned earlier.

That concludes my presentation. We may now start the Q&A session. Thank you.

Moderator:

Thank you very much. We will now begin the question-and-answer session. First question is from the line of Parth Bhavsar from Investec. Please go ahead.

Parth Bhavsar:

Thank you for the opportunity. In your remarks you mentioned that this quarter was even largely impacted by raw material costs and lower prices both in exports as well as domestic market. So, wanted to understand, what was the timber procurement cost both in North and South for the quarter and how do we see it going ahead?

- V. Venkatramani:** Okay. Timber procurement prices were Rs.7.15 per Kg in North India and Rs.6.23 per Kg in South India with blended rate of Rs.6.66 per Kg for both the plants put together.
- Parth Bhavsar:** Okay. How do we see this going ahead? Is this the peak for us because there was a sudden jump on a quarter-on-quarter basis and normally cost, how do we see it going ahead?
- V. Venkatramani:** I would say we are probably towards the end of the cycle, but I won't completely rule out few percentage points increase in the next couple of quarters.
- Parth Bhavsar:** Okay, and a few data points. What were the share of value-added products during the quarter?
- V. Venkatramani:** It was 49% in volume terms and 61% in value terms.
- Parth Bhavsar:** Okay. Besides this, how has the competition been in the domestic market as well as the imports? So, I wanted to understand in domestic markets are companies going aggressive and taking price cuts and even we are following the suit and is it because of the pressure because of imports since BIS norms kick in anytime and there's a pressure from imports since everyone would want to sell it off whatever the inventory is left?
- V. Venkatramani:** There was some pressure from imports. If you look at Q2FY'25, we had imports of approximately 10,000 cubic meters per month and during Q3FY'25 it was between 20,000 to 22,000 cubic meters per month. So, the imports percentage increased in Q3 FY'25 and I think you rightly mentioned that this possibly happening before BIS comes into effect. As far as domestic realizations are concerned, we have not taken any price cuts in the current quarter, but if you remember, we had taken a 4% price cut towards the middle of August. So, part of that impact of the price cut happened in this quarter. Because in the previous quarter it was effective for 45 days only, the full impact did not come in the previous quarter, part of the impact was seen during the current quarter.
- Parth Bhavsar:** Got it, and one last question. What was the profitability for exports in margin terms or whatever you can help me with?
- V. Venkatramani:** I would say it's low single digits because the volume of exports was very low. So, we were only taking orders which were making a positive contribution to the fixed cost.
- Parth Bhavsar:** Right. Any rough numbers as well?
- V. Venkatramani:** So, the total exports for the quarter were 19,978 cubic meters at an average realization of 19,479. The realization is low because majority of the consignments were on FOB basis, that is the freight cost was paid by the customer. Like I mentioned, it was in low single digits.
- Moderator:** Thank You. The next question is from Keshav Lahoti from HDFC Securities. Please go ahead.
- Keshav Lahoti:** Thank you for the opportunity. Firstly I want to understand the volume guidance which you have given earlier for H2 and FY'26. I want to understand one more thing, as you are eyeing very strong growth of 35% in FY'26 because your new plant will be coming up. But is really capacity constrained or demand is a challenge for you? So, coming up with new capacity, whether we will speed up the growth rate of the company?

- V. Venkatramani:** Okay. As far as the current year, I don't think we will be able to meet the guidance which we had given in the last con-call. I think at the moment, our efforts are to ensure that domestic volumes at least reach the level which we did in FY'24. As far as FY'26 is concerned, I think we will be targeting 8% to 10% volume growth on the existing capacity and capacity utilization of between 40% to 50% for the new plant.
- Keshav Lahoti:** Okay. Got it. And what is the outlook on the timber prices? Again, if we take the exact rate of timber prices, whether the timber cost will increase in next quarter, and what is the outlook for this?
- V. Venkatramani:** There will definitely be an impact as far as the consumption rate is concerned, because there will be some inventory effect of the price rises which happened during the current quarter. So, yes, unless we see a significant fall in timber prices in February or March, I think consumption cost will be higher in Q4FY'25 as compared to Q3FY'25.
- Keshav Lahoti:** Okay. What sort of increase should we expect in Q4FY'25 if timber prices stay stable from here?
- V. Venkatramani:** Timber prices are volatile. Like I mentioned in the opening comments that we have seen a 25% increase in wood prices year-on-year. So, it's very difficult to forecast the trend. And till the new crops come around July, I think there could be some increase in wood prices. But it's very difficult to forecast the trends.
- Keshav Lahoti:** Okay. Got it. That's it. Thank you.
- Moderator:** Thank you. Next question is from Shraddha Kapadia from Share India. Please go ahead.
- Shraddha Kapadia:** I wanted to understand the major industry demand scenario? Also, region wise if we are seeing any green shoots which is visible? And also in terms of the demand/supply if you could give a basic understanding about the same?
- V. Venkatramani:** Okay. So, in terms of capacity, we are currently at about 4.2 million cubic meters and if we add our capacity which is expected to be operational in Q4, we should be around 4.5 million cubic meters for the country as a whole in terms of capacity. And I expect that market demand will probably be somewhere between 2.7 to 2.8 million cubic meters for the current year. So, there will still be a significant gap between supply and demand, which will probably be bridged over the next two years.
- Shraddha Kapadia:** Okay. Also, any update on the BIS norms, do we expect it to be implemented this month itself and any updaters?
- Shobhan Mittal:** The date has been announced as 11th February and although there has been no official announcement recently, we expect it to be implemented from that date.
- Shraddha Kapadia:** Okay, sir. Thank you so much for the update.
- Moderator:** Thank you. Next question is from Utkarsh Nopany from BOB Capital Markets. Please go ahead.
- Utkarsh Nopany:** Yes. Hi! Good evening, sir. Sir, my first question is on the pricing side. So, what we have seen is that the rupee has weakened quite a lot in the past few weeks. So, wanted to understand from you, whether this is likely to help the industry to take some price hike in the current March quarter even in an oversupplied situation?

Shobhan Mittal: You see, the only silver lining is the increase in dollar rate, is that imports are going to get more expensive and the segment where that affects us the most is the OEM segment. So, anyways, the hope that the QCO, the BIS norms come into place, imports will start getting restricted from February. So, in that segment, I think, yes, there may be some opportunity for a price increase, but the retail segment primarily today pricing is sort of defined by the domestic competition and the increase in the dollar rate was not going to affect the domestic competition pricing or costing in any which manner. So, at the moment, I don't see a possibility of price increase in regular retail segment.

Utkarsh Nopany: Okay. And what is the share of our OEM sales volume in December quarter?

V. Venkatramani: It was 21% for the quarter.

Utkarsh Nopany: Okay.

V. Venkatramani: 21% of the domestic volumes.

Utkarsh Nopany: Sir, lastly by when our MDF project is likely to be commissioned?

V. Venkatramani: It will be commissioned towards the end of March.

Utkarsh Nopany: Okay. Thanks a lot.

Moderator: Thank you. Next question is from Shivkumar Prajapati from Ambit Investment Advisors. Please go ahead.

Shivkumar Prajapati: My first question is, how is the demand outlook in the US and Europe region?

V. Venkatramani: We don't follow the demand situation in Europe and US because we are not supplying those markets. Our exports are primarily to the Middle East and to the neighboring countries.

Shivkumar Prajapati: So, idea was to understand like once the US and Europe demand picks up, the Vietnamese and other Indonesians they are supplying in India, would start supplying to those regions. That's the reason I quoted this question.

Shobhan Mittal: Not necessarily because transportation of plain boards is a challenge to Europe and US from Asia in general. So, it's not like the Thais or the Malaysians or the Vietnamese are dependent on these markets for the plain boards. Yes, if furniture exports increase, then the internal consumption will increase, that's for sure, but it's not going to affect the plain board exports.

Shivkumar Prajapati: The sales promotion expenses for this quarter seems quite low; they're just a 0.7% and earlier it was 2.2%.

V. Venkatramani: Yes, as demand conditions have been impacted, we have reduced our promotional expenditure during the current year.

Shivkumar Prajapati: Okay. Got it. Thank you.

Moderator: Thank you. Next question is from Sneha Talreja from Nuvama. Please go ahead.

Sneha Talreja: Hi team, thanks a lot for the opportunity. Just wanted to gauge the reason for such a sharp drop in MDF margins. I overheard timber prices going up, if at all we could

quantify that? Along with that, is there any other reason why margins have come down to around 5%-odd?

V. Venkatramani: I see three reasons. So, first, there has been an increase in timber prices. So, quarter-on-quarter there's been a 17% increase in wood prices primarily due to an increase of 22% in South India and year-on-year there's been a 25% increase in wood prices. Secondly, we had introduced a new scheme towards the middle of August which had an impact of about 4% on realization. The impact of that was partial in Q2FY'25 since it was implemented from middle of August. Hence, the balance impact of that is reflected in this quarter. And third, because of the increase in wood prices, there has been a significant increase in fuel costs which were also impacted by the monsoon because during the wet period, you require more wood to get the necessary heat. And lastly, in Q2FY'25, there were some one-off items in the other income like Insurance claim and interest income on tax refund. So, the other income for this quarter is low by almost 2.5% as compared to Q2FY25. So, these are the primary reasons for the fall in the MDF margins.

Sneha Talreja: Understood. So, secondly, what I wanted to understand is we also have taken some price hikes which we have spoken about, when can we see the impact of that in terms of realization growth and henceforth margins?

V. Venkatramani: No, we have not taken any price increase or price cut during the current quarter. I think some of the competition was planning for a price increase around the 5th of November. But I don't know whether it has been implemented or whether it has been implemented partially or fully, I'm not really aware of that.

Sneha Talreja: But do you feel discounts continuing?

V. Venkatramani: Discounts in Q2FY'25 are continuing.

Sneha Talreja: Understood, sir. The discounts were continuing, right? In Q3?

V. Venkatramani: Yes, it's continuing in Q3FY'25 as well as in the current Q4FY'25.

Sneha Talreja: Understood, sir. That's helpful, sir. Thank you so much.

Moderator: Thank you. Next question is from Resha Mehta from GreenEdge Wealth. Please go ahead.

Resha Mehta: Yes, firstly, just a few clarifications. So, one, as you said, the MDF imports in India on an average per month in Q3FY'25 were to the tune of 20,000, 22,000, is that number correct?

V. Venkatramani: Yes, between 20,000 to 22,000 per month.

Resha Mehta: And you would attribute this steep rise to any specific reason?

V. Venkatramani: I'm not aware of any specific reasons, but there's a possibility that it could be because of the expectation of BIS implementation from February. Hence, OEMs who are the primary importers, have possibly stocked up before BIS implementation. It also happened last year when BIS implementation was expected that imports went up significantly just before BIS was expected to be implemented.

Resha Mehta: Right. And on the MDF realizations, right, so both if we look at the domestic as well as the export realizations, they have declined quarter-on-quarter and a decline has

been much more steeper on the export side. So, what would be the reasons for decline in realizations in both domestic as well as export for MDF?

Shobhan Mittal: Okay. As I explained primarily because most of the exports during the current quarter, which is almost 80% of the exports were on FOB basis, where the freight was paid by the customer and hence our realizations were lower as compared to earlier quarters. And on the domestic side, we had introduced a new 4% scheme for our dealers during the middle of August. So, part of that impact is reflected in the current quarter.

Resha Mehta: But exports, we were always largely FOB, right, or has there any -?

V. Venkatramani: No, we are largely C&F.

Resha Mehta: Okay. Got it. And when was the last price hike taken in MDF in the domestic market?

V. Venkatramani: I think probably around November '22 as far as I remember.

Resha Mehta: Okay. And the reason for stocking high wood inventory would be in anticipation of the rainy season or the further expectation in terms of the inflationary trend?

V. Venkatramani: Yes, to some extent, the monsoons and also because the harvesting season starts from January, so there's not much labor available to cut the trees because they are engaged in other activities like harvesting, rice, etc., So, there is a shortage of labor to cut trees and hence we stock up because of the harvesting season.

Resha Mehta: But would it have anything to do with the inflationary expectations?

V. Venkatramani: Not really, because overall, we keep wood inventory of 3 weeks, and if we maintain an inventory too large, the timber tends to crack and quality deteriorates.

Resha Mehta: Right. And the next question is on the ply segment. So, for nine months we have seen a volume degrowth of almost 16%. So, when is it that we stop seeing this kind of volume degrowth? Because I understand that we have done some kind of restructuring in the ply segment, right, and the others apportioned this is that, the margins have been improving over the last two, three, quarters, right, so we have moved to a positive trajectory despite the realizations being flattish and the utilization levels have also gone down. So, two questions here. When do we see some at least a volume degrowth stopping? And second what is the reason for improvement in margins despite weak realizations and lower utilization?

V. Venkatramani: Yes, the reason for the margin improvement is because we have been reducing the admin costs. We are economizing on cost that helps to build the margins because there's not been too much inflation in wood prices on the plywood side, because a lot of wood imports are happening from Africa. And wood prices have been relatively stable on the plywood side, gross margins have remained stable. And it's primarily because of low volume that EBITDA margins have been significantly impacted, but some cost reductions have helped to improve the plywood margins to a very small extent.

Resha Mehta: And when do we see this decline in volume degrowth?

Shobhan Mittal: On your second question, we have taken some very drastic measures and changes within the plywood business model. Initially, there were internal changes within the sales team. Now, we're in the process of completely revamping our dealer distribution network as well. Hence, it's taking a longer period because we're sort of

consolidating the dealer base, appointing larger size dealers and distributors. So, there have been major changes in the plywood business model as we have relooked it as a completely fresh page. So, I think that starting next financial year, we will start seeing the impact and the benefit of that. So, for next year, we are hoping anywhere between 15% and 20% volume improvement, if not more.

Resha Mehta: Which is from Q1FY'26 onwards, right?

Shobhan Mittal: Yes.

Resha Mehta: And also, so we now have a common sales team across ply and MDF. So, are we seeing any synergies because actually one would expect that we should be able to penetrate more into our existing MDF dealers with a common sales team and at least we should stop seeing volume decline, right?

Shobhan Mittal: So, a lot of the MDF dealers are already sort of married to more sort of established plywood brands before. So, it's a bit of a challenge to sort of convince them to move away and they don't like to carry multiple brands in the same product segment. So, where they might be my MDF dealer, they might already be associated with another branded company in the plywood segment. So, it's a bit of a challenge to convince them, but yes, we are trying to leverage our existing network to a large extent and convincing them and that is why things are taking a bit longer than expected. But, as I mentioned earlier, hopefully, Q1FY'26 onwards, we will start seeing the gains in this.

Resha Mehta: Right. And as you all said that we have been consolidating our dealers here on the ply side. So, any numbers that you would like to share here that we were at X-dealers and now we have reduced to Y-dealers or something of that sort?

Shobhan Mittal: I think it's a bit too premature to do that at this point of time. So, we will have more clarity on that towards the end of the financial year as to where we stand. Many are in process, many are being reviewed.

Resha Mehta: Right, right. Alright. Thank you so much.

Moderator: Thank you. The next question is from Parth Bhavsar from Investec. Go ahead.

Parth Bhavsar: Sir, I have two sets of questions. One is in Q3, how has the industry grown, any idea in the domestic market, a rough estimate?

V. Venkatramani: October started off quite well, but since diwali, we are seeing a muted demand.

Parth Bhavsar: Okay. Fair enough. And you mentioned that your base capacity would grow at 8% to 10% and you look to operate the new capacity at 40% - 45% utilization. So, obviously the 40%, 45% utilization won't directly come from Q1, right? It would gradually ramp up to 40%, 45% in Q4 maybe. So, what sort of profitability do you see for FY'26 on EBITDA per CBM terms because that would be a higher fixed cost in the first two quarters as well for the new plant?

V. Venkatramani: I won't give you guidance on the margin, but the new plants will help to improve the margin substantially, because the incremental fixed costs will be very low apart from the power and fuel cost and some addition of manpower on the plant side. So, there are no significant increase in fixed cost for the new plant. So, I think once we start the new plant and we achieve that capacity utilization of around 40%, I think we will see a significant improvement in the margin.

Parth Bhavsar: Okay. So, when do you expect this facility at what utilization would it roughly breakeven?

V. Venkatramani: I think it should be definitely breakeven if we achieve a 40% capacity utilization as well.

Parth Bhavsar: Okay. Fair enough. Thank you so much. Those were my questions.

Moderator: Thank you. That was the last question in the queue. I would now like to hand the conference back to the management team for closing comments.

Shobhan Mittal: Thank you, everyone for joining this call, and we look forward to speaking to everyone again post the next quarter and at the end of the financial year. If anyone has any further questions, please feel free to reach out to us. Thank you.

V. Venkatramani: Thank you, everyone and have a good day.

Moderator: Thank you very much. On behalf of Greenpanel Industries Limited, that concludes the conference. Thank you for joining us, ladies and gentlemen.

Please note: *We have edited the language, made minor corrections, without changing much of the content, wherever appropriate, to bring better clarity.*