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Edelweiss Securities Ltd., Research Division - Assistant VP of Equity Research & Research Analyst

Ladies and gentlemen, good day, and welcome to Greenply's Q1 FY '20 Earnings Conference Call. (Operator Instructions) Please note that this conference is being recorded. I now hand the conference over to Mr. Rishab Barar from CDR India.

Good day, everyone, and thank you for joining us on the Greenply Industries Q1 FY '20 conference call. We have with us today, Mr. Rajesh Mittal, Chairman and Managing Director; Mr. Sanidhya Mittal, Joint Managing Director; and CFO, Mr. Mukesh Agarwal.

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. Rajesh Mittal to begin the proceedings of the call. Thank you, and over to you, sir.

Thank you, Rishab. A very warm welcome to everyone present and thank you very much for joining us today to discuss Greenply's operating and financial performance for quarter 1 -- this FY '20. This is our first call post-approval by the NCLT Guwahati on the Composite Scheme of Arrangement between Greenply Industries and the Greenpanel Industries. As required by the law, that consequent to receiving this approval, we have restated our financial results for the quarter and full year ended March 31, 2019. I trust you have received our presentation comprising these results as well as our presentation presenting our results for quarter 1 FY '20. While we will be happy to take questions on both the presentation, I will limit my opening remarks to the performance of our business in quarter 1 this FY.

Before passing on to Mr. Mukesh, Mr. Mukesh to run you through the numbers for the quarter. Hence, Greenply has been concentrating on building a strong brand over the past few years. Along with this, our emphasis has been on enhancing our efficiencies and expanding our reach and presence. All these measures are now contributing to the strong growth in the volume and is reflecting in the improved operating and financial performance.

We are also confident now more -- of a more stringent (inaudible) systems and the implementation of GST, where an organized player will enforce to raise the prices of competition where there will be more sales. Hence, our consolidated net sales of Greenply for this quarter is to INR 348 crores on a consolidated compared to last year of INR 306 crores at the same quarter, an increase of 13.5% on the standalone business, net sales for the quarter on a standalone basis our -- this quarter is INR 304 crores compared to INR 285 crores of FY -- quarter 1 FY '19, an increase of 6.5%.

Consolidated EBITDA margins increased by 496 basis points year-on-year, that is 11.9%. Consolidated PAT is up by 81.7% year-on-year, that is INR 21 crores. Although our working capital cycle is improving year-on-year basis, although our focus will be to improve it further in coming quarters. Hence, the Board of Directors has also taken the decision for the dividend that is INR 40 paise per equity share of INR 1 each for the current -- for the financial year, last year ended.

Now I will would like to hand over to Mukesh Agarwal, to give the financial numbers. Thank you.

Mukesh Agarwal, Greenply Industries Limited - VP [4]

Good afternoon, everyone. I thank everybody for joining us to discuss the Q1 FY '20 financial performance of Greenply Industries. In Q1 FY '20, our consolidated top line was up by 13.5% compared to year-on-year quarter. Revenue growth was attributed mainly due to Greenply India, which was INR 304 crore and subsidies was INR 44 crores.

In Q1 FY '20, consolidated gross margin is up by 384 bps year-on-year at 41.9%, and with relation in Q1 FY '20 in plywood increased from INR 215 in Q1 FY '19 to 222 per square meter in Q1 FY '20.

Consolidated EBITDA margins increased by 496 bps year-to-year to 11.9%. Standalone EBITDA margin increased to 292 year-on-year to 11.1%. Consolidated PAT after tax was up by 81.7% at INR 21 crores compared to INR 11.6 crore in Q1 FY '19. Standalone PAT increased by 61.5% in Q1 FY '20 to INR 15.7 crores compared to INR 9.7 crore in Q1 FY '19.

Consolidated working capital cycle is at 60 days, an improvement of 7 days year-on-year basis. Standalone working cycle is at 58 days, an improvement of 6 days on year-on-year basis. Consolidated debt-to-equity ratio is at 0.73 as of 30th, June 2019 and 0.92 as of 30th of June 2018.

Standalone debt-to-equity ratio is at 0.48 as on 30th June 2019, and 0.66 as on 30th June 2018. Our CapEx incurred in Q1 FY '20 amounted to INR 6.96 crore, which is mainly in Gabon.

That concludes my presentation. I will now request you to open the floor for Q&A session. Thank you.

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Questions and Answers

Operator [1]

(Operator Instructions) We have the first question from the line of Nehal Shah from ICICI Securities.

Nehal Shah, ICICI Securities Limited, Research Division - VP of Research of Midcaps [2]

Sir, as regards to the standalone numbers, the top line growth has been in lower single-digits. So what has been the performance of the other segments, barring the gold plywood segment, which includes green products like wallpaper, WPC, low-end plywood segment, and how that has been a gold plywood performance for the quarter?

Rajesh Mittal, Greenply Industries Limited - MD & Executive Director [3]

In Ecotec, again, the low-end plywood, along with PVC, we had a volume -- slight volume degrowth of 5%, but we have a realization gain of 7.2%. So overall, if you can see, we have a value growth of -- nominal value growth of 0.5% in the quarter.

Nehal Shah, ICICI Securities Limited, Research Division - VP of Research of Midcaps [4]

Okay. And any reason for volume degrowth in these segments?

Rajesh Mittal, Greenply Industries Limited - MD & Executive Director [5]

Well actually, we have taken a little bit of our price because our price correction is also in quarter 1, that is number one. Number two, as well as we have a little bit tightened of our working capital cycle also. Because of these 2 reasons, our projects sale, specifically project sale has gone down, that has affected a little bit our reported sales.

Mukesh Agarwal, Greenply Industries Limited - VP [6]

If you see PVC, as a category, it has grown in quarter 1 but overall, trading business has come down because we tightened the payments in the project business because of just a slight dip in the Ecotec.

Nehal Shah, ICICI Securities Limited, Research Division - VP of Research of Midcaps [7]

And any guidance for the trading business for the year FY '20?

Rajesh Mittal, Greenply Industries Limited - MD & Executive Director [8]

So in the current year, we are guiding a growth of around -- in the coated business, around 12% to 13%, including PVC and low-end plywood.

Nehal Shah, ICICI Securities Limited, Research Division - VP of Research of Midcaps [9]

Okay. So trading business, we're guiding about 12% to 13% growth?

Rajesh Mittal, Greenply Industries Limited - MD & Executive Director [10]

13% growth, yes.

Nehal Shah, ICICI Securities Limited, Research Division - VP of Research of Midcaps [11]

Despite the fact that we have not grown in Q1?

Rajesh Mittal, Greenply Industries Limited - MD & Executive Director [12]

So this is value growth, Nehal. And in the Q1 also, we had a 1.9% value growth. So we had a volume degrowth, but we have a 7.2% realization growth. So value growth is 2% in Q1, which we are seeing 12% to 13% in next -- in the coming quarters.

Nehal Shah, ICICI Securities Limited, Research Division - VP of Research of Midcaps [13]

So we're confident about giving 16%, 17% the kind of value growth to get to this number for the year?

Rajesh Mittal, Greenply Industries Limited - MD & Executive Director [14]

Yes. We are looking at good growth in coming quarters in this segment, including PVC and Bharosa and Jansathi, which is a lower-end segment.

Mukesh Agarwal, Greenply Industries Limited - VP [15]

And our focus is that on the Ecotec categories, our medium-term category of product, our focus is to -- we are distributing our focus on the project segment from -- to the retail segments like our water-proofs sales in there specifically in quarter 1 has increased justly, I think, to -- by 10%. I would think it has increased by 10%. So our focus is more on the retail segment this time. So where we can improve our margin also and our working capital as well.

Nehal Shah, ICICI Securities Limited, Research Division - VP of Research of Midcaps [16]

All right. And sir, what has been the mix in payment versus trading business? And what has been the growth in both these segments for the quarter?

Rajesh Mittal, Greenply Industries Limited - MD & Executive Director [17]

So in the quarter, we had 29% value from the trading division from the total value we have. And in volume terms, we have a contribution from trading division, 36%. So out of INR 302 crores, net sales, it is INR 7 crores contributed by the trading division, including PVC and Bharosa and Jansathi.

Nehal Shah, ICICI Securities Limited, Research Division - VP of Research of Midcaps [18]

Okay. And what has been the growth in premium versus decorative?

Mukesh Agarwal, Greenply Industries Limited - VP [19]

Premium segment grew by -- in volume terms, grew by around 10%, including decorative. So decorative has given good quarters this -- in Q1 FY '20. And in realization, we had a 0.5% growth from the premium segment.

Nehal Shah, ICICI Securities Limited, Research Division - VP of Research of Midcaps [20]

And trading to be discussed, right?

Mukesh Agarwal, Greenply Industries Limited - VP [21]

Yes. Trading, yes, yes.

Rajesh Mittal, Greenply Industries Limited - MD & Executive Director [22]

Yes.

Operator [23]

(Operator Instructions) The next question is in the line of Achal Lohade from JM Financial.

Achal Lohade, JM Financial Institutional Securities Limited, Research Division - VP [24]

My first question was with respect to the volumes. What we mentioned in the presentation, do they include all or it's only the premium and trading? Does it include the PVC and the low-end plywood, sir?

Rajesh Mittal, Greenply Industries Limited - MD & Executive Director [25]

So the volume includes everything, premium, Ecotec, low-end and PVC. So wallpaper and solids segment does not include any volume because sales contributed by these 2, wallpaper and solids segment is only INR 1.9 crores.

Achal Lohade, JM Financial Institutional Securities Limited, Research Division - VP [26]

It's INR 1.9 crores for the year -- or for the quarter. And in terms of the volume growth outlook, how do you look at for FY '20 for premium as well as trading business?

Rajesh Mittal, Greenply Industries Limited - MD & Executive Director [27]

Well, we are looking around 6% to 7% overall of volume growth in the quantity, and the (inaudible) a little bit will be the related between 1% to 2%. So overall, we're looking at around 8% to 10% in terms of volume growth.

Achal Lohade, JM Financial Institutional Securities Limited, Research Division - VP [28]

Okay. And in terms of the margin, sir?

Rajesh Mittal, Greenply Industries Limited - MD & Executive Director [29]

Margin, we are looking anything close to 11%, 11% on both.

Achal Lohade, JM Financial Institutional Securities Limited, Research Division - VP [30]

And what about the CapEx plan? What is the current -- I see we had -- we have had 139% utilization, so I was just curious in turns of the CapEx plan as well.

Rajesh Mittal, Greenply Industries Limited - MD & Executive Director [31]

So in India, we do not have any CapEx plan. So only maintenance CapEx will be around 10% to 15%. So apart from that, we have a CapEx plan in Gabon. So in Q1, we have a CapEx of around INR 7 crores and balance, another INR 15 crores to INR 18 crores in next 9 months.

Mukesh Agarwal, Greenply Industries Limited - VP [32]

And in India, as you've seen the utilization at 139%. Our way forward to grow in India will be outsourced. And to ensure the outsource, we've already got into a JV where we have bought 30% equity in a factory, which will be done in the factory only for us. So you know, maintaining our focus -- so our focus is mainly to improve our ROC. So to keep that focus on, we have decided that we'll go on a light-asset model where we want someone else to invest 70% and to ensure the right quality. And to ensure the same kind of setup, we've also invested 30% and to also give our JV partners the guarantee that they're going to buy everything to give them that confidence. So we've already gone ahead and done that investment. And in the future, to increase our business, we'll be getting supplies from that plant.

Achal Lohade, JM Financial Institutional Securities Limited, Research Division - VP [33]

And how much would that roughly in terms of the revenue or volume at optimal level?

Rajesh Mittal, Greenply Industries Limited - MD & Executive Director [34]

Mukesh, you will give him the number.

Mukesh Agarwal, Greenply Industries Limited - VP [35]

Around 100 -- so we'll be getting around INR 110 crores to INR 115 crores at our price -- our market price.

Achal Lohade, JM Financial Institutional Securities Limited, Research Division - VP [36]

Okay. And this will be the premium-end only, right?

Rajesh Mittal, Greenply Industries Limited - MD & Executive Director [37]

This is only premium and -- this is all premium and whatever the machineries, everything installed as per our guidelines and as per our requirement for the requirement only.

Achal Lohade, JM Financial Institutional Securities Limited, Research Division - VP [38]

Right. And in terms of the -- so as you said, you will be focusing more on the ROC. So in terms of the mix going forward, would we imagine that 40%, 50% of the volumes could be trading, let's say, next 3 years' time?

Mukesh Agarwal, Greenply Industries Limited - VP [39]

So in value/volume terms, we are targeting more than 50% from the outsourcing model. That includes outsourcing of mat, Ecotec and low-end plywood. And in value terms, we are targeting 50% in next 2 years from the outsourcing model.

Rajesh Mittal, Greenply Industries Limited - MD & Executive Director [40]

And even the JV which we are going, that will be, again, the premium segment only. So that will help to improve our ROC. And in fact, our cost -- whatever our cost at our factory and the cost we'll be buying from the formula which we have made with our JV partner, the cost are almost the same.

Achal Lohade, JM Financial Institutional Securities Limited, Research Division - VP [41]

Right. Right. So it reflects the balance sheet, that's the...

Mukesh Agarwal, Greenply Industries Limited - VP [42]

So, yes, it will reflect too in our balance sheet, yes. Yes.

Achal Lohade, JM Financial Institutional Securities Limited, Research Division - VP [43]

In terms of the -- for the margins, how are these margins -- are these very similar margins? Or will these have -- especially the Ecotec and the low-end, will they have a similar margin profile?

Rajesh Mittal, Greenply Industries Limited - MD & Executive Director [44]

So Ecotec and low-end profile will have a lower margin as compared to the premium plywood and decorative. So generally, Ecotec, we have 18.5% margin, whereas premium product, we have more than 11% margin.

Achal Lohade, JM Financial Institutional Securities Limited, Research Division - VP [45]

Okay. Got it. And sir, with respect to Gabon, what kind of contribution are we looking at for the current year as well as next year and what margins? And what is the nature of this CapEx? What is this pertaining to and even CapEx for next year?

Mukesh Agarwal, Greenply Industries Limited - VP [46]

So this year, we are targeting INR 215 crores on a consolidated level, at the top-level contribution from Gabon. And at margin level, we are expecting 18% from Gabon business. And from the CapEx side, we are increasing our capacity at Gabon. At present, we have a capacity to fill 36,000 CBM per annum. From up to our -- 2019, we are increasing our capacity from 36,000 CBM to 96,000 CBM. So for that, we have to spend around 3 -- around \$2.5 million to \$3 million. So INR 7 crores is for that expansion only. In balance -- next quarter, we will do the balance CapEx.

Achal Lohade, JM Financial Institutional Securities Limited, Research Division - VP [47]

Got it. How much of the -- Sorry, sir. Please go ahead.

Rajesh Mittal, Greenply Industries Limited - MD & Executive Director [48]

Yes. The balance CapEx include our -- some of them for the expansion also some of the business CapEx since the plant is new, so it requires some more CapEx also. So it is -- it includes everything.

Achal Lohade, JM Financial Institutional Securities Limited, Research Division - VP [49]

Got it. And how much of the current 36,000 is consumed for India, like I presume 100% of India requirement is made through Gabon. So how much is the focus?

Rajesh Mittal, Greenply Industries Limited - MD & Executive Director [50]

Actually, at present, we -- from the 36,000, we require only 15% to 20% of the output of Gabon. So balance, we are selling in other customers in India, Southeast Asia, Europe and Middle East. And going forward, once our capacity will become 96,000, our requirement is only 10% of the output from Gabon.

Operator [51]

The next question is from the line of Praveen Sahay from Edelweiss.

Praveen Sahay, Edelweiss Securities Ltd., Research Division - Assistant VP of Equity Research & Research Analyst [52]

Just to follow up to the last participant regarding the Gabon. As we are doing the 15%, 20% of our arithmetic -- you announced selling the 15%, 20% from the Gabon only. So where we are selling mostly from the Gabon?

Mukesh Agarwal, Greenply Industries Limited - VP [53]

So we are selling mainly to India, then Southeast Asia, and we have Europe and the Middle East. And to specify country, 67% of our volume come from -- value come from India and 14% from Spain, then 2% from Vietnam, Indonesia, 13%, and balance from south -- other countries in Southeast Asia.

Praveen Sahay, Edelweiss Securities Ltd., Research Division - Assistant VP of Equity Research & Research Analyst [54]

So sir -- Yes. Yes.

Rajesh Mittal, Greenply Industries Limited - MD & Executive Director [55]

We don't do -- I don't do cadence in case of supply. In fact, our financial in India is around 600 cubic meter per month, okay? And we are supplying now -- at this moment, we are supplying almost 60% to 70% Indian market to the other manufactures as well, but the South Asia market has been opened up further for the face veneer . Earlier, they were the -- South Asian market, we are the supplier of the face veneer or timber for the face veneer around the world. Now they are the net importer of the face veneer from the Gabon. So our focus is on that for this market and for expansion capacity also to more focus on the South Asian market and the European market. But new expansion will be under -- mostly dedicated to mostly to the European market.

Praveen Sahay, Edelweiss Securities Ltd., Research Division - Assistant VP of Equity Research & Research Analyst [56]

Okay. And as we had a 13% from 18% of margin and doing more to the India business, so the -- for the relation of the capacity and kept into the European market mostly, the margin would be the same or will improve from here?

Rajesh Mittal, Greenply Industries Limited - MD & Executive Director [57]

It will be slightly improved since our overhead is a little higher there. The cost is a little bit higher. All the -- most of the unit personnel are from India. So once we have our production pick up, so we increase our

production so our ultimate fixed cost will reduce. So margin is going to be increased -- margins are going to be increasing in the coming future.

Mukesh Agarwal, Greenply Industries Limited - VP [58]

So in next 2 years, we are targeting, like this year, we are targeting 18%. Next 2 years, we have a target to reach 18.5% to 19% by FY '22.

Praveen Sahay, Edelweiss Securities Ltd., Research Division - Assistant VP of Equity Research & Research Analyst [59]

Okay. And how much of total CapEx is that, sir, for this expansion?

Mukesh Agarwal, Greenply Industries Limited - VP [60]

So total CapEx -- we are increasing our capacity from 36,000 to 96,000. For that, we spend around INR 7 crore in this quarter and another INR 20 crore we are targeting in this 9 months.

Praveen Sahay, Edelweiss Securities Ltd., Research Division - Assistant VP of Equity Research & Research Analyst [61]

Okay. So total will be INR 27 crore for this expansion?

Mukesh Agarwal, Greenply Industries Limited - VP [62]

For this expansion.

Praveen Sahay, Edelweiss Securities Ltd., Research Division - Assistant VP of Equity Research & Research Analyst [63]

Okay. And for the 36,000...

Mukesh Agarwal, Greenply Industries Limited - VP [64]

But listen, INR 27 crores include maintenance CapEx at Gabon for the existing unit also.

Praveen Sahay, Edelweiss Securities Ltd., Research Division - Assistant VP of Equity Research & Research Analyst [65]

Okay. So in an initial state, 36,000 CBM, how much of the CapEx do you incur here?

Mukesh Agarwal, Greenply Industries Limited - VP [66]

For the 36,000, we bought land at around EUR 7.7 million. So that was for the entire CapEx. So we have a 10 hectare of land. So now the new capacity will not require any land. So at present, for 36,000, we incurred around \$12.5 million to \$13 million and balanced CapEx will be for the new unit, new expansion. So total CapEx after the expansion will be around 17 -- \$16.5 million to \$17 million.

Praveen Sahay, Edelweiss Securities Ltd., Research Division - Assistant VP of Equity Research & Research Analyst [67]

Okay. Great, sir. The next question is related to the premium wood contribution. How much is it currently direct to our business?

Rajesh Mittal, Greenply Industries Limited - MD & Executive Director [68]

Sorry, I missed that. If you can...

Praveen Sahay, Edelweiss Securities Ltd., Research Division - Assistant VP of Equity Research & Research Analyst [69]

Premium ply, how much is the premium ply contributing currently to our business?

Mukesh Agarwal, Greenply Industries Limited - VP [70]

Premium ply is -- in the value term, it's contributing 64%. Volume term, 64%; value term, 71%.

Praveen Sahay, Edelweiss Securities Ltd., Research Division - Assistant VP of Equity Research & Research Analyst [71]

Okay, sir. And lastly, on the outsourcing business. As you are in the presentation, you had made it clear, like the 55% of your business comes from the outsourcing and also, you had given some JV details. So how much is the JV? And how much is outsourced completely? Can you segregate these numbers?

Mukesh Agarwal, Greenply Industries Limited - VP [72]

So at present, we -- the production from JV unit has not started. So we are expecting the productions should come from early -- late Q2 or early Q3. So at present, we have made outsourcing Ecotec and low-end, so entire is the outsourcing business of Greenply.

Praveen Sahay, Edelweiss Securities Ltd., Research Division - Assistant VP of Equity Research & Research Analyst [73]

And how much is the capacity? In volume terms, how much would be the capacity for the JV?

Mukesh Agarwal, Greenply Industries Limited - VP [74]

It will be -- on the volume terms, per cubic meter, it will be actually...

Rajesh Mittal, Greenply Industries Limited - MD & Executive Director [75]

11 million square meters. 11 million square meters.

Operator [76]

The next question is in the line of Pranav Mehta from Equirus Securities.

Pranav Mehta, Equirus Securities Private Limited, Research Division - Associate [77]

Sir, one thing I wanted to understand is, are the face veneer prices falling from Gabon and even Myanmar? And will that have any impact on the margins?

Rajesh Mittal, Greenply Industries Limited - MD & Executive Director [78]

Yes. It has fallen -- you are right. Look, the face veneer market -- the face veneer prices have been falling down from around \$40 to \$50 per CBM. Even for the Myanmar EBITDA, I think, more than \$100. A little bit this is a challenge in the margin, but we are trying to maintain that we've reduced the cost, in addition the timber prices and other -- and improving the rep sales in other markets like the South Asian market and European market as well.

Pranav Mehta, Equirus Securities Private Limited, Research Division - Associate [79]

Okay. And sir, apart from that, any price increases you're seeing on the other raw materials, at what level?

Rajesh Mittal, Greenply Industries Limited - MD & Executive Director [80]

Specifically, in last 1 month, there is a little increase in all retail prices, specifically because of the rain and everything. So normally, this time of -- this time, normally, there's a price increase of roughly INR 3 paise to INR 4 paise per mm. The same increase this year also but at the same time, the chemical prices has gone down, especially phenol formaldehyde wood prices.

Pranav Mehta, Equirus Securities Private Limited, Research Division - Associate [81]

Okay. And then sir, can you...

Rajesh Mittal, Greenply Industries Limited - MD & Executive Director [82]

Whatever the increases -- if there are any increase, we'll pass on to the market.

Pranav Mehta, Equirus Securities Private Limited, Research Division - Associate [83]

Okay. And can you throw some light on the licenses that were issued in European early on and last year. So are these new units coming up? Or are they facing any problems from the entity because of the unavailability of the raw materials?

Rajesh Mittal, Greenply Industries Limited - MD & Executive Director [84]

No. There is a lot of factories because of the first thing, Ariana, they opened a license. A lot of factories has come in Ariana, especially in the -- and most of the factories are facing the shortage because of the prices. I heard that a lot of factories has already closed down because of 2 reasons. Number one, the steep increase in the prices obviously is popular. And the market is also not that great for the unorganized market also, unorganized product, okay? So there's not so much of demand. So the 2 reasons, I heard that 40% to 50% already closed up. And if you come to UP, they've opened the license not like the Ariana, but there's a lot of factories that are coming up but the new plant has not started any production in the UP so far.

Pranav Mehta, Equirus Securities Private Limited, Research Division - Associate [85]

Got you. Okay. And sir, one more thing on -- in the start of the convo, you said that the GST implementation has been increasing. So can you throw some light on whether you have seen any strict implementation occurring in last, 3,4 months on the GST front?

Rajesh Mittal, Greenply Industries Limited - MD & Executive Director [86]

Yes. Because of (inaudible) bill, there's -- the percentage of unorganized people, billing has been increased like if (inaudible) 20% or 30% has gone up to 40%, 50%, 60%, and which was coming down absolutely with no bill anything. It has been absolutely stopped now. I believe (inaudible) is getting the bill now. Everyone -- every person is getting the bill. So there will be an increase in their cost.

Pranav Mehta, Equirus Securities Private Limited, Research Division - Associate [87]

Okay. And sir, one last question. On the JV front as you're saying, so currently you have formed 2 JVs, right, if I'm not mistaken?

Rajesh Mittal, Greenply Industries Limited - MD & Executive Director [88]

Yes. One -- yes, we've already done the first one, and here, today, we have taken (inaudible) for another. So one will be for -- one JV will focus on plywood, our premium segment of plywood, which we have Optima and other products, okay, and the commercial plywood. The other JV, which we have done for the Ecotec and the film faced plywood.

Pranav Mehta, Equirus Securities Private Limited, Research Division - Associate [89]

Okay. And any more JVs that you are seeing...

Rajesh Mittal, Greenply Industries Limited - MD & Executive Director [90]

We'll have the next -- we'll focus pushing these 2 JV to stabilize first. Then we'll be starting a new focus on the other JV. Our focus will to stabilize these first 2 JV.

Operator [91]

Next question is from the line of Ravindranath Naik from Sunidhi Securities.

Ravindranath Naik, [92]

Sir, what -- based on the UP capacity that we had initiated last year, so with the signing of the JV, we are re-leasing this or we are going slow in the intake capacity or is it just inventory?

Mukesh Agarwal, Greenply Industries Limited - VP [93]

Sorry, friend, your question is not very clear.

Rajesh Mittal, Greenply Industries Limited - MD & Executive Director [94]

Sir, your voice is not audible, Ravindranath.

Ravindranath Naik, [95]

Sir, am I audible right now?

Mukesh Agarwal, Greenply Industries Limited - VP [96]

Yes. It's better now.

Rajesh Mittal, Greenply Industries Limited - MD & Executive Director [97]

It's better now. Yes.

Ravindranath Naik, [98]

Sir, in the UP plant, we were planning to expand the [capacity]. So what is the status of that plant?

Mukesh Agarwal, Greenply Industries Limited - VP [99]

So last year -- last month when we have decided to invest in UP and we had bought the land and the license, so that is when we realized that without any CapEx, we won't be able to increase our production in the existing plants. So what we did is we immediately went ahead and we increased the production in the existing plant without any CapEx by buying [max supplies] from our vendors. And also, later when we realize that the max supplies was a successful calculation with keeping ROC in focus, we decided that we don't need to probably go ahead with the UP investment. So we decided that we will not further go ahead with the plywood plant in UP. Instead, we will get a vendor to set up a plant. And to have us control on the plant, we bought equity in the plant. This will be able to maintain low CapEx, high ROC, and this is -- only going forward, this is our plan for the plywood business.

Ravindranath Naik, [100]

Okay. Okay. So that means you have not invested anything in the UP plant?

Mukesh Agarwal, Greenply Industries Limited - VP [101]

No. No. We have invested INR 24 crores, which includes land and license.

Rajesh Mittal, Greenply Industries Limited - MD & Executive Director [102]

And license and some for the land development in Bombay.

Operator [103]

(Operator Instructions) The next question is from the line of Aasim Bharde from IDFC Securities.

Aasim Bharde, IDFC Securities Limited, Research Division - Research Analyst [104]

Sir, first question is on your Gabon business. So essentially, ply is also planning increasing their capacity in Gabon right now and has plans to sell incremental capacity in India. So is there a threat of overcapacity in sales -- in your sales as well? And could this hurt your margin expectation from this business?

Rajesh Mittal, Greenply Industries Limited - MD & Executive Director [105]

In fact, essentially plywood, they're going to start a plant there. So already, there are a lot of 24 or 25 Indian office. Indian factory is also there. Some Chinese factory is also there. Their production, I believe, whatever the policy level, definitely they'll be selling in the market, and some of the production, they will consume their own. I don't think it will have a big impact in the market, their production. And at the same time, I believe the market of this plywood, especially in unorganized market will further improve in next 3, 4 months' time. If timber will become really something, so their market will also improve.

Mukesh Agarwal, Greenply Industries Limited - VP [106]

I would also like to add on that. To insulate our sales from any such threat, that was the reason from day 1 we had a focus on European, in the Middle East and the Southeast Asia markets.

Rajesh Mittal, Greenply Industries Limited - MD & Executive Director [107]

And just to add on, the things we have already -- we have won the resident [dependability] in the Southeast Asian market, especially sitting in Malaysia to look at our -- all this Southeast Asian market.

Aasim Bharde, IDFC Securities Limited, Research Division - Research Analyst [108]

Okay. Okay. So in the scenario where there will be much more supply coming in into India, you will probably tap into the overseas markets for -- to protect your margins, right?

Mukesh Agarwal, Greenply Industries Limited - VP [109]

Yes.

Rajesh Mittal, Greenply Industries Limited - MD & Executive Director [110]

It has already started supplying to Europe and Southeast Asia. So that will help us going forward once we increase our capacity.

Mukesh Agarwal, Greenply Industries Limited - VP [111]

And to add on one thing more. Before European market, we require specifically the 10 feet material. So our capacity -- new capacity, which we have already explained, which is under expansion, we have a 10 feet -- we'll be supplying the higher length face veneer that is 10-foot by 4 feet for the European market.

Aasim Bharde, IDFC Securities Limited, Research Division - Research Analyst [112]

Okay. Sir, secondly, could you give us a sense on the long-term outlook for plywood in India given that India popularity is increasing now. Earlier today, your competitor mentioned that MDF is seeing acceptance at the retail level and that ply leaders are selling MDF directly. So what is the long-term outlook in plywood for India?

Rajesh Mittal, Greenply Industries Limited - MD & Executive Director [113]

In fact, the plywood market, as such, if you see the whole of [tenant] market, tenant market, which includes plywood, MDF and particular in all 3 product, okay. So plywood market, they're definitely growing 3% to 5%, anywhere in the 3% to 5% India, which includes all the types, branded, unbranded, organized or unorganized. But that is exactly growing. And at the same time, if you see the Indian condition, the plywood, I believe, in the long-term, it will definitely have its own market -- it will have its own market, okay? For ready-made furniture, definitely, MDF will be wood product. And if you see that a lot of MDF, specifically, MDF is bought -- is sold almost by all the plywood retailers now.

Aasim Bharde, IDFC Securities Limited, Research Division - Research Analyst [114]

Right. So for the end customer, India start getting a choice between plywood and MDF. Won't they most likely try out the MDF portion because it's a, it is actually slightly cheaper and b, because of the more preference for ready-made furniture, plywood will actually start -- the market might start to shrink. That's what my question is right now.

Rajesh Mittal, Greenply Industries Limited - MD & Executive Director [115]

In fact, if you see the ready-made furniture, definitely, MDF is there, and different other customer will -- some of the customer will choose the ready-made furniture. But at the same time, people still prefer in India making the furniture with the plywood. If you see there are a lot of all wood furnitures, whatever the premium furnitures and all wood furnitures are made out of plywood only. And a lot this, you've seen a lot of kitchen cabinets, okay? Now kitchen cabinets are using 90% -- they were previously using particle board and MDF. Now, 90% they are using all plywood for these factors purpose. And we are in WPC also, PVC also because that is also in the market. But I don't see any threat in the plywood in the coming at least the next 10 years time.

Mukesh Agarwal, Greenply Industries Limited - VP [116]

And definitely, the absolute loss segment of plywood will somehow get beaten by the MDF, but the market in itself was so huge that we have enough space to grow and capture market share. Because definitely, in times to come, there will be a shift from unorganized to organized. And now since Greenply is available across price points, now you know we have a low-end segment also, the mid-end and the high-end. So everything put together, I think we are very, very well-placed, and we can really grow properly.

Rajesh Mittal, Greenply Industries Limited - MD & Executive Director [117]

And we have a product mix which is very, very stable for the OEMs also. So we were all in a (inaudible). Our product is big. We have all products across all price points.

Aasim Bharde, IDFC Securities Limited, Research Division - Research Analyst [118]

Okay. So this 3% to 5% growth rate that you're seeing in plywood market right now, that you expect to sustain over the next decade, right?

Mukesh Agarwal, Greenply Industries Limited - VP [119]

Yes. Sure. Sure.

Rajesh Mittal, Greenply Industries Limited - MD & Executive Director [120]

This is a market's growth. This isn't our growth.

Aasim Bharde, IDFC Securities Limited, Research Division - Research Analyst [121]

Right. Right.

Mukesh Agarwal, Greenply Industries Limited - VP [122]

And last, other than this 3% to 5%, I think what Greenply would look at on a longer-term business, is that there will be a shift from unorganized to organized. That is going to get Greenply the growth.

Aasim Bharde, IDFC Securities Limited, Research Division - Research Analyst [123]

Right. Right. Understood. And just a clarification on the joint venture that you announced on the BSE. That one is for the nonpremium plywood product, right? That...

Rajesh Mittal, Greenply Industries Limited - MD & Executive Director [124]

That is specifically the joint venture which we have announced today, you mean? It is for the gold segment and the film faced plywood.

Aasim Bharde, IDFC Securities Limited, Research Division - Research Analyst [125]

Okay. So it's not for this trading portfolio of your plywood products?

Mukesh Agarwal, Greenply Industries Limited - VP [126]

No. No. We have already announced too much of that. That is for our premium product category. That currently, today, which we have announced, this is specifically, for the gold and film faced plywood.

Operator [127]

Ladies and gentlemen, that was the last question. I would now like to hand the conference over to the management for closing comments.

Rajesh Mittal, Greenply Industries Limited - MD & Executive Director [128]

Thank you for joining us on today's con call. We're looking forward to talk to you. And if you have any queries, you can either get in touch with us or Mr. Mukesh.

Operator [129]

Thank you very much from most of the management. Ladies and gentlemen, on behalf of Greenply Industries, that concludes this conference call. Thanks for joining us, and you may now disconnect your lines.

Mukesh Agarwal, Greenply Industries Limited - VP [130]

Thank you very much.