



**“Century Plyboards India Limited
4QFY2020 Earnings Conference Call”**

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Moderator: Ladies and gentlemen, good day and welcome to Century Plyboards India Limited 4QFY2020 post results Conference Call hosted by Ambit Capital. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing “*” and then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Dhruv Jain from Ambit Capitals. Thank you, and over to you, Sir!

Dhruv Jain: Thank you. Welcome to CenturyPly 4QFY2020 earnings call. We have with us Management of CenturyPly today for the comments. Over to you Sir for opening comments. Thanks.

Sanjay Agarwal: Good afternoon, friends. I am Sanjay Agarwal, MD and CEO of the company. Keshav Bhajanka, Executive Director; Nikita Bansal, Executive Director; Mr. Arun Julasaria, CFO of the company, have joined me in welcoming you to the fourth quarter and annual results call for CenturyPly.

The year, as you all know, has ended with turmoil and since entire world has got affected by pandemic, I am sure you all have got bored hearing all this, but yes, that is the fact. Although we have done satisfactorily well in tough times, but still considerable amount of loss in sales and margins have happened.

We expect current situation to get better after 2Q. Frankly, we expect that 3Q, we should be returning to quite near to normal. Although we have resumed our operations and sales have started picking up but getting back to normal level rather seems really challenging because we can see that situations are changing. Guwahati is closed. Chennai is now closed. Bombay is still opening closing, opening closing.

Overall, last year was satisfactory in terms of financial performance. The sales, of course, did not grow much and then we were affected by the last 15 days, which is the most important time for sales annually. But there is a silver lining, EBITDA, barring impairment loss showed tremendous improvement.

Net profit remains flat. Our debts reduced considerably. We could have been debt-free by first half of current fiscal, but due to current situation, it seems that it will take some more time. Financial ratios were favorable and working capital cycle showed very good improvement as debtor’s days improved and inventory level had considerably reduced in our plants.

In plywood, we achieved highest monthly sales in immediate preceding quarter and expected slight growth in 4Q. But of course, right now, we have a very easy way out because of the Covid we took a beating.

Laminates did well in the year gone and very good improvement in margins have happened as promised by Keshav last year vis-à-vis the year last.

MDF segment also performed significantly well with 19% jump in revenue from preceding year and EBITDA at almost 25%. Particleboard has reached optimum capacity utilization and revenue grew marginally. As informed earlier, also, we are at optimum capacity utilization and need new capacity enhancement for both MDF and particleboard. Most of the homework is done, but in the present situation, it is impossible to take a final decision. Our CFS division is under pressure due to competition and as well as because of COVID, the import and export have been very, very adversely affected. Thus, it affects the CFS division most.

Now I will hand over to CFO, Mr. Arun Julasaria, who will take you with key financial data for current quarter post which we are open for question and answers session. Thank you.

Arun Julasaria:

Good afternoon. I am Arun Julasaria, CFO of the company. First of all, I will like to speak the customary disclaimer that this call leads us to discuss company's historical numbers and forward-looking ideas. In no way it should be construed as an invitation to invest in the company.

We have already mailed you a detailed presentation showing analysis of segment-wise numbers. I hope you all have received the same. So I will not discuss numbers in too much detail, and I will take you through only key figures.

As you are aware that our Laos subsidiaries, business of Laos' subsidiaries was closed down for the whole year, so we have taken impairment there. So our share of impairment was Rs. 45.63 Crores, which we have recognized as business loss in standalone accounts, and that has been taken in plywood segment.

The EBITDA margin of plywood segments, are considerably low because of this impairment loss. Bearing this impairment loss overall financial results for the whole year are satisfactory. Revenue stood at Rs. 2,282 Crores against Rs. 2,263 Crores last year almost flattish with slight improvement. As you are aware that country was locked down due to COVID-19 in later part of the March month and these two weeks were quite crucial for us because the dealers tend to buy maximum in these two weeks for availing maximum trade discounts. Our sales team also tried to earn maximum incentive, which is based on their sales performance. So these 2 weeks are quite crucial, and we estimate that we lost around Rs. 90 Crores revenue because of this lockdown and accordingly, also lost our bottomline to that extent.

EBITDA margins considerably improved from 13.5% to 15.6% without considering this impairment loss. Profit after tax was almost flattish. On foreign exchange front, we did not have significant loss.

As on March 31, 2020, USD 10 million were hedged at Rs. 75.68 but as on date, all our exposure is open.

Regarding tax credit, we are still following old system because we have got MAT credit. So till that MAT credit is fully utilized, we shall like to remain in old system, although we will keep on reviewing this as and when we think fit.

On balance sheet front, company net worth for first time crossed Rs. 1,000 Crores. Debts have substantially come down from Rs. 468 Crores to Rs. 188 Crores despite liquidity crunch, working capital cycle reduced from 86 to 67 days.

The term loan taken for our Punjab unit, MDF unit was fully prepaid. Plywood as such has done well, but EBITDA margins for plywood are bit lower compared to last year. Laminates have done exceedingly well. EBITDA margin has improved from 8.8% to 13.5%. In case of MDF, we have now reached optimum capacity. EBITDA margins have also reached to 24.7%. While planning the project, we thought of 25% EBITDA margin, so we have achieved those 25% EBITDA margins.

And now for further growth in MDF and particle board, we need new capacities. We had a plan to set a plant in U.P. but for the time being that project is kept in abeyance. We informed you in the last call that our license for MDF and particle board unit in U.P. was challenged in green bench. So green bench have, for the time being, have quashed all the licenses issued by U.P. government. So as on date, technically, we do not have license, but as per Supreme Court directions in earlier decisions, if any industry is backed on agro-forestry timber, it does not require licensing. So U.P. government will have to notify alternate system, and they can bypass this licensing requirement. We expect positive developments, and we shall have the necessary permission without license to set up that plant in U.P. But considering the COVID situation, we have kept project in abeyance for the time being, we shall take call at right time.

Like MDF and particle board also, we have reached an optimum capacity and optimum EBITDA margins of 24.3%. Here again, we need capacity, which I discussed for U.P. plant. In case of logistic business, although there was a bit of degrowth due to competition, but we could maintain our EBITDA margins.

With this, I will conclude my discussion on numbers. For any number related query, you can call us separately or you can ask question here also. But I request as the promoters are on this call, you confine your questions to qualitative aspects only and number related queries can be separately referred to us.

With this, I invite questions from you all, please.

- Moderator:** Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. Our first question is from the line of Subrata Sarkar from Mount Finance. Please go ahead.
- Subrata Sarkar:** Sir, just one simple question, like, Sir, recently, has India imposed like there is additional import duty on MDF? And if so, how will it impact us?
- Arun Julasaria:** I do not think till now there has been any additional duty has been decided.
- Sanjay Agarwal:** On MDF, there was country-specific antidumping duty. It was even before this COVID situation arose and that is continuing. That is continuing. That is country-specific and thickness-specific.
- Subrata Sarkar:** Yes Sir, is there extension on that?
- Sanjay Agarwal:** No that is continuing. That is continuing. That is still valid.
- Arun Julasaria:** There is no new development. That is continuing.
- Subrata Sarkar:** Okay. It is valid till what period, Sir?
- Sanjay Agarwal:** Till it is withdrawn.
- Subrata Sarkar:** Okay. There is no specific time period?
- Arun Julasaria:** Yes.
- Moderator:** Thank you. Our next question is from the line of Madhav Marda from Fidelity Investments. Please go ahead.
- Madhav Marda:** Good afternoon. I just wanted to get a picture from you on the MDF industry in India if you could just help us with the industry level capacity utilization in the domestic market? Also, with the INR depreciating, I would assume that makes us stronger versus imports. Of course, margins have recovered very well in the industry in the last one year compared to FY2019. So do you think that 24%, 25% margins are here to stay, like for the next two to three years?
- Sanjay Agarwal:** See, I will first speak about the future a little bit because the present drive in the present situation you have seen government has identified furniture as a very thrust segment for Indian exports becoming reliant on furniture and becoming a force in the export market. Furniture is one of them. So if that happens or if that materializes in next one, one and a half years or two years also, so the market for particleboard and MDF is going to really grow a lot. Even if it does not fructify too much, but still, it will give a lot of support to MDF and particleboard industry because all the readymade furniture is

made of only particleboard and MDF. The capacity today is approximately 1,800,000 cubic meter, so around 4,500, 5,000 CBM per day and you see that our capacity is fully utilized, practically, we are there at 90%, because Green had come up with one plant in South, but I believe that because of their exports, now they are doing quite well as far as they have improved their situation. But exactly, I do not have the numbers at the moment. Axon also has put up a plant. So I think they are also having some spare capacity. But in times to come, it is very, very clear that because of the government's thrust and now the government putting in some more duty, import duty, some kind of a protection on all the thicknesses. Right now, it is not there in all the thicknesses. So the import will go down further and local players will have much more flexibility to play within India. So the coming times are good.

Madhav Marda: Against the 18 lakh CBM capacity, how much is the demand right now in India for MDF?

Sanjay Agarwal: So actually, I do not have the data right now in my hand. So there is no point in giving you approximate data, there is no point in giving you that. Of course, I can calculate and give it to you.

Madhav Marda: I can just take you from you offline later. But I think my question then would be Sir, that the margin for MDF has come back in FY2020 like what has driven the improvement in margins? Do you think like this is sustainable for the next two to three years?

Sanjay Agarwal: You see, as a manufacturer, I always believe that it is sustainable. I do not see that in present situation, the prices of raw material will go up. I do not see financing costs going up. I only see that imports can go down. I only see that the industry will have to go and do better because of the focus on furniture. So there are all the positive signs that, yes, we will be able to maintain somewhere near this or maybe improve a little bit. But nobody knew COVID will happen?

Madhav Marda: Of course. My question was just given more longer-term because for the good improvement.

Sanjay Agarwal: So we are quite hopeful. We are very, very hopeful, and that is why we are talking that we are looking at putting up 1 more plant actually.

Madhav Marda: Got it. Sir, just last question on MDF, our biggest customers for MDF who would be our biggest customer and it is obviously more of a B2B business, right versus B2C?

Sanjay Agarwal: It is all B2B business, most of it. But yes, MDF has started getting into B2C also. Particle board is still mostly B2B. We have all throughout India, we are in touch, we call them OEM, and original equipment manufacturers so all these converters who convert from these panels to finished readymade furniture, so we are in touch with all of them. Even Godrej, you all know that is a big manufacturer or there is a space where you all must have heard these names so all of them are doing quite well. Because we are in touch with them, so they are our customers. We usually give sale directly to few of them, most of them. They go through some kind of a distributor locally.

- Madhav Marda:** Thank you so much.
- Moderator:** Thank you. We will take a next question from the line of Ashish Poddar from Anand Rathi. Please go ahead.
- Ashish Poddar:** Thank you Sir for taking my question. Yes, I just want to understand your sense of what the kind of recoveries we have seen after easing of lockdown. So it is almost two months now when we have seen this. So what is your sense about the demand pattern in the last two months and is there a case that whatever demand we are seeing currently is coming from the existing projects and in absence of new project announcement, perhaps in the coming quarters, you will face more distress than whatever numbers we are talking about currently?
- Sanjay Agarwal:** Very good question. You see April was actually a wash out, I think, for everybody. There cannot be any discussion. May, we have done about 30%. That is what I had expected a little lesser than what we did actually, but then we achieved 30%. This month, we are looking at 50%. So I think we will be able to cross 50%. Now for some industries, we read in newspaper that some industries are reaching at 70%, 75% for paints and all that we have heard. But the situation of the market, I do not think is ready for reaching 70% or 80%. Yes, we can produce. But selling it in the market, maybe a little more logistical issues are there, people are unable to go in the market, Bombay, Chennai we all know about Delhi, we all know about situations everywhere. So you cannot really force people to go and work. So that is the first part of it.
- The second part of that there can be demand reduction because of no new projects, are being awarded. Yes, that is our apprehension, too, very frankly. We believe that till June, even in July, the old projects will be supporting us, some part of August, but sometime in August, maybe we may face. But you must be hearing in newspapers also, you must have read that some of the workers are now returning back. We expected that the workers or the contractors will not return back. But then we already see that, yes, they have already started coming back. If you live in a city and we go out today in Bombay or Kolkata where you see the traveling time has come back to normal original half-an-hour, one hour, one and a half hour time, so everybody is already on the road.
- So we are actually dying to go back. We are even now the threat also and the fear also in the mind is not that much now. It has reduced to a great extent, actually. Even I am ready today, whether I believe that I might have passed through COVID and I have already developed immunity that is my conviction in my mind. But actually, that is what has to happen. If I am not affected, I know I will be affected. Nothing can now stop it and we will have to just cross it. So there is a saying that we will get used to and we will learn to live with it. So yes, what you said is a little right? Yes, there is a possibility. We cannot deny it.
- Ashish Poddar:** Thank you so much and good luck.

- Moderator:** Thank you. We will take a next question from the line of Jignesh Kamani from GMO. Please go ahead.
- Jignesh Kamani:** Just wanted to talk about 3 division, particle board, plywood and MDF. As per your estimate, which will revive first and which will revive last? And second thing, if you think about the end-use wise, breakup between the residential and commercial use, how is the breakup between plywood and MDF?
- Sanjay Agarwal:** Very good. See, I think or rather what we see in the markets also, I think MDF and particle board will revise faster because the involvement of the contractors is a little lesser there. So it is possible to still run the OEMs by small factories and actually produce the finished goods and sell them, and the customer can just buy and use it. So we believe there are no -- if you ask me the second question, I have no reply. Whether there is a data or there is a study, no, there is nothing.
- Jignesh Kamani:** If you think about end-use wise, like plywood and MDF, how much percentage goes to residential usage and how much go to commercial usage?
- Sanjay Agarwal:** So we believe that most of this plywood is going into residential only. Yes, plywood, there is a plywood, which we call it a commercial plywood. That plywood is used in office commercial things because commercial furnishing requires change very fast. Maybe in 10 years time or 8 years' time, you want to change the furniture. That is why actually people can go for commercial-grade plywood, and that is much cheaper and it can be still compared in some way with MDF. Otherwise, MDF is cheaper, so MDF is used mostly in commercial. But yes, now it is because of the readymade furniture's, the readymade furniture's use only MDF and particle board.
- Jignesh Kamani:** But I believe commercial is mostly using particleboard, right?
- Sanjay Agarwal:** Commercial is using particleboard and MDF also.
- Jignesh Kamani:** Okay. So from the particleboard, MDF consumption, safe to assume 50% to 60% going to commercial and only 30% to 40% going to residential use?
- Sanjay Agarwal:** Yes, actually what happens is in residential you have to still do some cleaning, you have to use your wet cloth that is people give this mind also there is an issue that it may open up, it may be laminate for particle board is very light product. So that is the reason that particle board is used lesser in residential, but all the readymade furniture is made of particle board and MDF only. So, if you want that cheaper readymade product than that will be made of particle board if you can afford a little higher of that you can go for an MDF product.
- Jignesh Kamani:** My last question, have you seen that people are down-trading now because of the income level has gone down and replacing plywood with MDF.

- Sanjay Agarwal:** This is a question in many people's mind, but then in Indian conditions, see, as far as Century product is considered, the user of Century plywood is the top strata of people seriously. So for them, actually, it is making no difference neither it was today or it will be tomorrow.
- Jignesh Kamani:** But if we take from Sainik to MDF.
- Sanjay Agarwal:** Yes, yes, yes. Sainik to MDF and all that. So that is okay, that we are also ready, and there are many, many people who are now coming up who were not using furniture yesterday, now people have started using the furniture. Till yesterday, he was just buying some cot and putting some civil customer to make even sales and all that, but now he is going for furniture because he wants -- he has earned some money and he wants to progress in the social ladder. So there are many, many new people coming into plywood also. So this is okay. This will -- so in other countries, actually, you see the transformation from plywood to MDF are so quick. In India, neither it will be quick nor it will be anywhere near the percentage which it has happened in other countries. It cannot happen.
- Jignesh Kamani:** Thanks a lot.
- Moderator:** Thank you. Our next question is from the line of Dhruv Jain from Ambit Capital. Please go ahead.
- Dhruv Jain:** Just one question from my side. Sir, over the last two or three months, have you seen the trend of consolidation playing out considering plywood industry has a lot of unorganized players. So due to cash flow issues, have some of them gone out?
- Sanjay Agarwal:** You see, because of the GST earlier, people used to create too many small, small factories, the smaller guys; they used to create too many factories to save more of excise duty. After GST, this one change has happened that they have consolidated among themselves. They are not dividing 1 factory's production into two or three small, small names and these things. Otherwise, there is nothing much worth in our industry to consolidate. What do we consolidate, tell me? Is there anything I can buy, those small factories are just too small. You cannot really buy them. To put up that extra capacity in my existing factories will be much cheaper, much faster, much more quality oriented. What we can do is we have developed this Sainik plywood or all these small brand one or two, they can be outsourced with quality control and branded separately and sold. So that is happening, that is taking its own sweet time to grow. But I think that is it. There cannot be much of consolidation in our industry actually.
- Dhruv Jain:** Okay Sir, thanks.
- Moderator:** Thank you. Our next question is from the line of Nehal Shah from ICICI Securities. Please go ahead.

- Nehal Shah:** Congratulations, Sir. Congratulations for indeed, very good cash flow management. That, I think, is a very, very good silver lining what we have seen in the numbers. Sir, my question would not be rather on volumes, on sales volumes because that is beyond our control, and we do not know as to how the situation would pan out. But my question would more be on the cost side, which is actually under our control, right, more under our control. So what are we actually doing or proposing to do as far as cost-saving initiatives are concerned, which are the areas of operations are we looking to control costs?
- Sanjay Agarwal:** I think let Keshav take this.
- Keshav Bhajanka:** I think we have been able to take substantial savings in our costs overall. I think over the course of 2 months, we have saved over Rs. 10 Crores a month with regards to our total cost, and I think that for the immediate future, we should see a saving. What we have done is we have reduced salaries. At the same time, we are committed that we will be paying back a certain percentage of the deduction in case the company comes back into profit, which I am sure it will. So as such, I think that there is going to be a reduction in the cost for now. But once we come back into profit, it is actually a deferment more than out in our cost reduction, and there are certain areas where we are working very hard to reduce costs, and one of those areas, the director's remuneration has been made zero, employee costs have been reduced to a certain extent, and other costs also rent, et cetera, we are renegotiating. So I think we are more cost light company at the moment.
- Nehal Shah:** What about E&P sales?
- Keshav Bhajanka:** I think that we will take a call on as and when time progresses, as and when the market develops, we will be taking a call on that. As of now, in the first quarter, the cost has reduced substantially. But going forward, we will be taking a call month by month.
- Nehal Shah:** So basically, it will depend on how the volumes are resurfacing post the first quarter.
- Keshav Bhajanka:** It will depend on a couple of things. It will depend on the visibility that we have for the market. It will also depend on the sort of brand proposition that we will be forwarding. So I think as time progresses, we will be able to give you a clearer picture.
- Nehal Shah:** Sure, thanks a lot.
- Moderator:** Thank you. Our next question is from the line of Susmit Patodia from Motilal Oswal Asset Management. Please go ahead.
- Susmit Patodia:** Good evening Sir. Good evening to the team. I hope everyone is fine and safe. Sir, my first question is, if you could tell us a little bit more detail about this impact of China, assuming, as you know, right now, most of the goods are not allowed to enter from China or being evacuated from the port. So how

does this impact both our plywood, we understand the furniture part, but does it have any impact on the plywood business?

Keshav Bhajanka: You see, in terms of plywood, we never substantially import into India from China. So I do not think there is going to be a big impact. Yes, in the case of MDF and particle board, more than the anti-China sentiment or something of that sort. I think the issue is that the rupee has depreciated to Rs. 75, and I think that has increased the cost of imports substantially. So I think that plays into our hands.

Susmit Patodia: Got it. So it is an indirect benefit that would then lead to the higher consumption of MDF.

Keshav Bhajanka: Definitely, because the cost goes up by close to 10%.

Susmit Patodia: I just wanted to know, let us say, for some reason, we do not get the go ahead in U.P. How much would there be a hit for any investment that we would have done there?

Keshav Bhajanka: There is 0 hit as of now, so thankfully. Our investment has nothing we have one person, a senior person who is employed, but that again is the miniscule expense?

Susmit Patodia: So no ordering of plant and machinery nothing, nothing has been done.

Keshav Bhajanka: No. Since the license was put on hold, since it was challenged in the NGT, we took a conscious decision to defer the placement of the order of plant and machinery and purchase of land. Everything is identified, but as of now, no order has been placed.

Susmit Patodia: Got it, and last question, Keshav for you is, if you could give us a little more detail about the sales transformation program that you were doing, where are we in that journey now?

Keshav Bhajanka: Could you just repeat that, sorry, your voice broke?

Susmit Patodia: So Keshav, the sales transformation journey that you were spearheading. I just wanted to know where are we in the journey and how much is left to cover the entire country.

Keshav Bhajanka: So it is very, very funny to say this, but I think COVID was a blessing because we have been trying to roll out an SFA pan India, a sales force automation app over the course of the past 2 years, and during the 2 months of lockdown, since there was not too much physical work that we could do, we got behind it and we are able to roll out the entire SFA app pan India. So initially, there are a lot of teething issues, but I think this is one of the most significant changes that we have brought about with regards to how the sales team operates in the market, and the benefits of this, I mean, I think there will be a very clear and immediate benefit. Maybe we would not be able to see in terms of volumes

because of the current scenario, but I would say it was a big change in the way we have been operating, and it is going to help us long-term in a very, very considerable way.

Susmit Patodia: So SFA we too are now fully implemented across the country now?

Keshav Bhajanka: SFA for us is implemented pan-India. With the exception of maybe 1 or 2 locations, where there is no work that is happening right now. So in certain geographies, smaller geography, maybe there is an issue, but otherwise, it is rolled out pan India.

Susmit Patodia: Okay, congratulations for that all right. Thank you.

Moderator: Thank you. Our next question is from the line of Achal Lohade from JM financial. Please go ahead.

Achal Lohade: Thank you for the opportunity. First, I wanted to check if the new capacity in U.P. does not go ahead. Do we have any alternate site in mind? So why I am asking is because if we have already reached the optimum utilization then and given the time lines for Greenfield expansion, would not it be like wise to also look at alternate site and if we have planned anything on that?

Keshav Bhajanka: So that is a very interesting question because there are two parts to it. As you know, we have been able to set up our capacity faster than anybody else in the industry. We started in Hoshiarpur in 16 months from the day that we broke ground. Our new capacity, we are planning to set up even quicker than what we set up Hoshiarpur in because now we are more knowledgeable and now we are in a better position to execute the MDF project, that being our first and this being second. Having said that, the Supreme Court of India, which is the foremost authority, has already given a comprehensive order that states that MDF does not require license. Right now, it is caught up in the bureaucracy. We are working very hard to get the registration process done. But technically, I do not need a license to set up an MDF unit. We have a plan B; of course, in Hoshiarpur we have created this space for an additional line. We did this when we established the first line, thinking that we will double our capacity. But considering the raw material cost benefit that Uttar Pradesh is likely to provide, our preference is still U.P. Of course, we do have the backup. As of now, we are not even thinking about the backup because the cost advantage is very significant in Uttar Pradesh, and I am sure that within the next 3 months, we will be able to give you positive news on this front.

Achal Lohade: Got it. Second, when you kind of elaborated on the cost reduction, I could not hear it clearly. You said you could save Rs. 10 Crores for two months. Did I hear right?

Keshav Bhajanka: Rs. 10 Crores per month.

Achal Lohade: Rs. 10 Crores per month.

- Keshav Bhajanka:** Over the course of 2 months. So Rs. 20 Crores over the course of 2 months.
- Achal Lohade:** Okay, and that includes the salaries part of it right?
- Keshav Bhajanka:** Yes. Yes. A substantial part of that is from salaries. There have been other cost reductions also. Our interest cost has reduced considerably compared to last year and so on and so forth. But a substantial part of the saving has come from salaries.
- Achal Lohade:** Understood. Would it be possible to give us what is the monthly fixed cost, salary and the other office overhead, factory overheads, etc?
- Keshav Bhajanka:** I think our CFO would be better placed to give you this information. Arun, if you could just pass on this information?
- Arun Julasaria:** Can you please repeat your question?
- Achal Lohade:** Just trying to understand that the cost fixed versus variable so what would be our fixed cost run rate on a monthly basis broadly would that be like Rs. 30 Crores- Rs.40 Crores a month?
- Arun Julasaria:** Our fixed cost fees, is around Rs. 30 Crores a month. Without reduction it is around Rs. 30 Crores a month.
- Achal Lohade:** And post reduction it is about Rs. 20 Crores?
- Arun Julasaria:** So with reduction it is about Rs. 22 Crores.
- Achal Lohade:** Understood. That is very helpful, Sir. Just last question, if I may. In terms of the plywood front, you have indicated that the consolidation is not really that material given the small-scale in the unorganized fashion. But is it fair to say that some of these unorganized will go out of the business in this FY2021, and they may not revive permanently? Or you think it could be that they could go out of the market temporarily, but they will again come back.
- Keshav Bhajanka:** Once bitten twice shy, that statement, I think, in this regard, holds very true because a lot of times in the past, we have felt that this change was likely to take place. So when demonetization happened, I think all of us, myself and you thought that this change would take place, when GST was implemented, again, all of us thought this change will take place. So I think we really need to watch and see how things pan out. It is a very difficult question to answer right now. But yes, there should be some consolidation. We will wait and we will comment on this as time progresses.

- Achal Lohade:** That is great. Just last question, if I may, with respect to the mix. Could you please help us with the premium volume of laminates for FY2020, premium plywood?
- Keshav Bhajanka:** I will just pass this to Arun again. Yes, I think Arun would be better placed.
- Nikita Bansal:** So the value is approximately 71% in premium and 29%
- Achal Lohade:** This is in terms of value.
- Nikita Bansal:** Yes.
- Achal Lohade:** Volume term?
- Nikita Bansal:** Would be around 37%.
- Achal Lohade:** I am sorry to harp you on that. In terms of this in FY2019, how different would that be?
- Nikita Bansal:** FY2019 completely it is approximately 65-35 in the volume and 75-25 in the value.
- Achal Lohade:** Got it. That is very helpful. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Sneha Talreja from Edelweiss Securities. Please go ahead.
- Sneha Talreja:** Good evening Sir and thanks a lot for taking the question. I am sorry if I am repeating this question if you broadly answered. I just wanted to understand about your laminate segment. is there any one-off impact on margins here? Also secondly, how much is the exposure portion of laminate division right now?
- Keshav Bhajanka:** So I could not hear your question completely. But if I got it right, you were talking about the margins and the margins have come back in this quarter and therefore are they likely to continue, right? I think that was your question.
- Sneha Talreja:** Yes, some color on that?
- Keshav Bhajanka:** Long term, we have always said that EBITDA margins for laminate should be in the range of 15% to 16%. Last year was a tough year, but before that, we were at 15%, 15%, and this year, in Q4, we would have actually done even better. So I am sure that in the long term, we can look at 15%, 16% EBITDA margins for laminates, definitely. In terms of exports, exports are about 25% or 20% to 25% of our turnover by value.

- Sneha Talreja:** Sir, if at all you could mention how much was the laminates export last year as a percentage of sales?
- Keshav Bhajanka:** I do not have that data on me right now, I am sure that my team I pass on the data to you.
- Sneha Talreja:** Sure. In that case, could you give some color that, are we seeing export demand to be much higher? And are we seeing this mix change in the laminate division.
- Keshav Bhajanka:** Definitely. Currently, our exports are doing well. I think we are at 90% of last year in terms of export volumes. So exports are doing better than the domestic market because some of the markets that we are exporting to have fared better as compared to India in terms of the spread of COVID. So some markets are still operating, and there, the demand is still strong. So for the next few months, I think there will be a higher percentage of export turnover compared to domestic. In percentage terms, there will be a slight increase of export as a percentage of total.
- Sneha Talreja:** Sure, Sir that was helpful.
- Moderator:** Thank you. The next question is from the line of Siddharth Rajpurohit from JHP Securities. Please go ahead.
- Siddharth Rajpurohit:** Good evening Sir. Sir, there is a probability that we may have to live longer in this situation. So do you see more of the furniture industry getting more factory ready and being supplied for installation at the end use? I mean, like what is the norm in the developed country, where the products are being developed?
- Keshav Bhajanka:** There are a few factors to this. If you look at developed countries, one of the biggest reasons behind the high percentage of readymade furniture is that in developed countries, the cost of manpower is extremely high. If you compare India's cost of manpower to developed country, we are actually nowhere. So I do not think that this trend is going to suddenly change just because of the pandemic. Definitely, in the interim period, when there is a shortage of labor, at that point in time, readymade furniture would, in all likelihood, do a little better. But I do not think that there is going to be a grand change in the trend just because of the pandemic. So I do not think that is going to happen.
- Siddharth Rajpurohit:** Okay. One question to Mr. Julasaria. Sir, in the cash flow, we have sale of property and plant of Rs. 98 Crores. What does that pertain to? Is this anything with regards to in-house?
- Arun Julasaria:** Rs. 98 Crores, it should not be.
- Siddharth Rajpurohit:** Sir, in the current year, if you see sale of property, plant and equipment of Rs. 98.39 Crores.
- Arun Julasaria:** Let me see. I will just answer your question.

- Keshav Bhajanka:** So one part of this is from the sale of one floor in the current new office building that we have made, so that has generated some cash flow, but I am sure that the CFO would be able to give you more detail going forward.
- Siddharth Rajpurohit:** So that is the only question. Sir can give me during the call, you can take another question.
- Moderator:** Thank you. The next question is from the line of Arun Baid from BOB Capital. Please go ahead.
- Arun Baid:** Of our total plywood sales what proportion would be coming from the top 10 cities of the country Sir?
- Keshav Bhajanka:** We do not actually have a figure per se. But what I can tell you is that even when it comes to cities, you need to define the area because suppose we look at Calcutta. When we talk about Calcutta branch, we speak of it as 1 branch, but there is a lot of up country sales that takes place. So I can do the working and my team can get back to you with the figure for the towns. It becomes a little difficult because cities and the up country when we speak about the city, it is the metropolitan area, right? But a lot of sales take place in the adjoining suburbs and in areas that are not part of the metropolitan, the geographical metropolitan. So we will get back to you with data exactly on the 10 cities. But at the moment, I do not have it on me.
- Arun Baid:** Thank you.
- Moderator:** Thank you. The next question is from the line of Abhishek Ghosh from DSP Mutual Fund. Please go ahead.
- Abhishek Ghosh:** Thanks for the opportunity. I just wanted to understand one thing. If you look at your revenue mix, it tilted to almost about 50%, 55% coming from plywood where the growth also has been a little muted in terms of if you look at last four, five years, and if you look at your laminates and MDF and particleboard, the growth has been much better and with margins being much healthier. So if you were to chart out a more like a 3-year, 4-year strategy for you, where do you see this proportion settling down for the individual product because the incremental capacity addition will also move towards the MDF and PB. So how should one look at it from more like a 2 to 3-year perspective, if you can just help us with that?
- Keshav Bhajanka:** Can I take this in a slightly different way? You see today, even in the plywood, we are barely 4% of the total market. So I am 100% confident that the market will grow maybe slowly, but we will be growing faster than the market. So plywood turnover will go up and having said that, you have seen that in MDF and particle board, we have ramped up our capacity to 100% within the first 2 to 3 years. So it is definitely a growth area for us. Sitapur will effectively double the turnover of the MDF and particle board division once it comes on board. So within the first 12 months of Sitapur being

operational, we should see our MDF and particle board turnover double of what that is today. Assuming that happens in the next 2 years, definitely, there will be a switch towards MDF and particle board. The percentage of overall turnover will increase. So the laminates, I believe that, yes, we can look at 15% growth going forward but plywood as well I would not say that this low growth is likely to continue. I think we are well positioned for 10% growth. Actually so we were well positioned for 10% growth prior to the pandemic. We saw it in the last quarter also. But yes, in terms of in relative terms, MDF and particle board will be growing faster.

Abhishek Ghosh: Okay. So to that extent, your margin profile will also inherently improve because of the better revenue mix, is that the right way technically?

Arun Julasaria: Yes. The blended EBITDA margin will increase.

Abhishek Ghosh: Okay. Fair enough, and Sir, just one thing to Arun Ji while we have seen a very sharp decline in the overall debt position, but that is not completely reflected in the interest cost tenements if we see. So I am saying going forward is and think will that the benefit will be more back-ended and will we see impact in FY2021, what is your look at it?

Arun Julasaria: The debt reduction you are seeing the debt reduction figure at the year-end. So debts will come down gradually over 12 months' time.

Abhishek Ghosh: Okay, and even looking at the quarterly interest cost, it is still at about Rs. 8.5-odd Crores. If you were to analyze that number, which will arrive at Rs. 35 Crores kind of a number with corresponding debt being far lower. So I am just trying to understand that.

Arun Julasaria: In fact, what happened in between, we had the surplus amount also. We have borrowed say, by way of WCDL now we have to borrow 50% of our cash credit; we have to borrow in the form of WCDL. But in between, we have a surplus. So we park that into liquid funds. So that is reflected in other income and interest income.

Abhishek Ghosh: Okay. So I should look at net interest number rather than?

Arun Julasaria: Yes.

Abhishek Ghosh: Okay. Sir, does this Rs. 188 Crores include all the kind of interest-bearing instruments? Or are there any kinds of exceptions?

Arun Julasaria: Yes all except current maturity.

Abhishek Ghosh: Except current maturity.

- Abhishek Ghosh:** So what would be that amount Sir, current maturity?
- Arun Julasaria:** That is classified as a current liability. So that is not included.
- Moderator:** Thank you. Our next question is from the line of Karan Bhatelia from Asian Market Securities. Please go ahead.
- Karan Bhatelia:** Sir just wanted to understand the effect of cyclone on our financials.
- Keshav Bhajanka:** So this is one area where we are extremely, extremely proud. The day after Amphan, the very same-day after Amphan, our laminate unit started production again in Calcutta. We were able to get the plywood unit up and running within 20 days, and I was in the factory the day after Amphan, and if you saw the level of damage, you would have said this is 3 months out. So we have been able to ramp up and gear up very, very well, and they are back to production, like I told you. With regards to financial impact, it was all under insurance. So I do not think there will be any substantial financial impact? Yes, the 15, 20 days where plywood was not functioning, the overhead cost for that can be considered as the financial impact, that is it.
- Karan Bhatelia:** Okay. Sir, can you like split how are sales into retail and institutional and how are things shifting up there?
- Keshav Bhajanka:** Extremely difficult to do that. Sorry, it is extremely difficult to do that because even if you look at a large project, a lot of the time projects are supplied through dealers. As a percentage of our overall sales, our direct sale is not even 5%. So for me to give you a figure of institutional versus retail becomes very difficult because I look at it from direct billing point of view, 95% of my sale is retail.
- Karan Bhatelia:** Okay. Because we envisage better recovery in the retail replacement compared to the institution project, and this is where my question was coming from.
- Keshav Bhajanka:** Again, the entire modus operandi for us is even institutional orders are being routed through retail. So because of that, it is very difficult for me to give you any sense of it right now.
- Karan Bhatelia:** Thank you. That is it from my end.
- Moderator:** Thank you. Our next question is from the line of Prashant Kothari from Pictet. Please go ahead.
- Prashant Kothari:** I just wanted to understand how you are managing the working capital so well. I mean, there are other businesses who have probably been a bit more relaxed with their dealers, but here, it seems that our receivables have gone up substantially. So what exactly have you done there to bring down the receivables?

- Keshav Bhajanka:** So our debtor policy is very, very clear. Our outstanding days are very well defined, and we do not make exceptions to this for the sake of short-term gain in sales. So I think that is one area where we have really been able to ensure correct management practice. Other than that, 1 more thing that we have done is we have reduced inventory. So as you know, we have hired a consultant called Vector and they helped us with a refreshment system that enables us to work with lower inventory compared to what we were doing earlier. So I think both these put together has helped in a much healthier working capital cycle for us.
- Prashant Kothari:** Is the working capital cycle very different in MDF versus plywood?
- Keshav Bhajanka:** Definitely. MDF, the debtor deal is far lower than plywood.
- Prashant Kothari:** Okay. So as the sales mix changes in the future, as you are seeing MDF and particle board will kind of grow faster than ply. Then it would mean that the working capital would also improve like structure.
- Keshav Bhajanka:** Yes. If you look at the different divisions, I think the CFO can give you a breakup, but you should see a further reduction in the working capital structure as a higher percentage of our sales once the new plant comes, and then there should be a further squeeze in the working capital cycle.
- Sanjay Agarwal:** There was one more reason. There was one more reason for reduction of working capital cycle. Our Chairman, actually, in the beginning of this year, he took it with decisively that we must reduce our stocks across country. So the special analysis was done and real efforts were made towards it and the basics of stocks were also changed for all the items that, yes, this item was being stored for 20 days. Now it should be stored for 15 days, 16 days so all those have really made a lot of difference to our working capital cycle, actually. Everything makes a difference, a very small thing, and he decided in the very beginning of the year that this has to be done. So it happened.
- Prashant Kothari:** Okay, and just a new plant that you were putting up for MDF, would it come under the 15% tax regime?
- Sanjay Agarwal:** It should, why not?
- Keshav Bhajanka:** Yes, incorporated a separate company for this purpose. So we will be getting a 15% tax rate for the new plant.
- Moderator:** Thank you. We will take our next question from the line of Siddharth Rajpurohit from JHP Securities. Thank you.

- Siddharth Rajpurohit:** Julasaria ji, just wanted the answer on that cash flow question of 98 crores consolidated and then Rs. 38 Crores in standalone?
- Arun Julasaria:** I will come back. In fact, I do not have the detail at the moment. So I will come back to you. Please call me personally.
- Siddharth Rajpurohit:** Sure, Sir, and can I get the current maturities also Sir, is it possible in the debt?
- Keshav Bhajanka:** Yes, just 1 minute.
- Arun Julasaria:** That figure, I need to give you in fact. Okay.
- Siddharth Rajpurohit:** I will e-mail you for both the things.
- Arun Julasaria:** Yes.
- Moderator:** Thank you. Our next question is from the line of Susmit Patodia from Motilal Oswal Asset Management. Please go ahead.
- Susmit Patodia:** Sorry to come back. I wanted to know for whatever reason if the UP permission does not come through timely, is there a backup plan because this is such a high-margin and low working capital segment for the company?
- Keshav Bhajanka:** So like I already mentioned, when we came up with the plant in Hoshiarpur, we actually have created the entire infrastructure. I do not even need to put in another shed. In my existing shed, I have left space for another line. This is not a plant that we are setting up one year or two years. But there is a long-term cost advantage that we are getting out of the Uttar Pradesh? That is the reason we are putting so much cost in it. Otherwise, setting up the unit in Hoshiarpur is a very easy exercise for us. To be honest, it requires maybe an 8 to 9 months timeframe to establish a 67% increase in capacity there. So that is an easier exercise for us, but Sitapur will be more beneficial long term.
- Susmit Patodia:** Okay. Okay. So I mean, let us say, worst-case scenario, if whatever happens, we can still go ahead and take a decision on Hoshiarpur as well.
- Keshav Bhajanka:** 100%.
- Susmit Patodia:** Okay, and is there a time line that you have set for yourself that you could share with us, saying, okay, by this point, if we do not get through in UP, we are more ready?

- Keshav Bhajanka:** We are very hopeful that within the next 3 months, we should be able to give you positive news about U.P.
- Susmit Patodia:** Because you have removed it from your capex plan for this year. So that is why it is a little more intriguing.
- Keshav Bhajanka:** It cannot be frozen at this point in time. We did not want to leave it there. Our Board also told us that is better that to take it out and once you come back on it because you already got permission from them, we can put it back. Our Board has already approved the investment.
- Moderator:** Thank you. As there are no further questions from the participants, I now hand the floor back to the management for closing comments. We hand the floor back to the management of Century Plyboards India Limited for closing comments.
- Sanjay Agarwal:** Thank you friends. Thanks a lot for taking out your time and joining us in these difficult times. As a management I can assure that our company will stay at the highest and the best possible corporate governance and our efforts are there to get back to our original situation first, our original sales and profits and everything ASAP and in this all support of everybody including the investor community is very important. Hope to see you when we again come back to you for Q1 FY2021 earning call. Thanks a lot. Thank you so much.
- Moderator:** Thank you members of the management. Ladies and gentlemen, on behalf of Ambit Capital that concludes this conference. Thank you joining us and you may now disconnect your lines.