"Century Plyboards Q2 FY 2016
Post Results Analyst Conference Call"

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Moderator: Good day ladies and gentlemen and welcome to the Century Plyboards Q2 FY 2016 Post Results Analyst 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 this conference please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Achint Bhagat from Ambit Capital. Thank you and over to you Sir!

Achint Bhagat: Good afternoon, ladies and gentlemen. We welcome you to the 2Q FY 2016 earnings conference call of Century Plyboards. We have with us here to the management represented by Mr. Sajjan Bhajanka, the Chairman and the CFO of the company Mr. Arun Julasaria. I would request the gentlemen now to give us quick comments on the Q2 results and then we can open up the floor for questions.

Sajjan Bhajanka: Good evening friends. I welcome all of you to this call. Before I hand over to Arun Julasaria our CFO to give you analytical explanation of the data I will give you a broader view about the company and outlook as you are tracking the plywood industry you are aware that it is divided into two segments organized and unorganized and organized is being small segment only catering to around 30% of the market. Unorganized commands 70% but last few years organized has been growing at a faster pace and it increased its share from 10% 10 years back to present 30% and as we have disused in past we are eagerly waiting for GST which should be a game changer and the moment GST is introduced there would be very rapid migration from unorganized to organized and meanwhile we have improved, although market wise it was very challenging there was demand recession in last couple of months but fortunately from the mid-August things started picking up and September was one of the best month for Century. With one-and-a-half better performance we have made up the loss of the last quarter and ended this first half year with good performance and with better figure growth over the past half year and we are already trying to secure our future with raw material so that is very important for our type of business because Century depends on long durable hardwood for its core plywood division and for that we are highly dependent on the imports. So earlier we were importing timber making plywood it was very easy but now one after another country they are stopping the export of raw timber like all of you are aware Myanmar stopped it a year before and Indonesia stopped long back and last month only Laos also declared no export of timbers but fortunately before timber was banned in Myanmar we were there with our unit ready. So there was no gap for our company at least and similarly now we are present in Laos we are already there in big way because from India we are almost first mover in Laos. We have started ~~(inaudible) 4.26~~in three locations and all together now we have nine filling lands in Laos. So that would be sustainable source of raw material for our company and may be we will be getting some surplus veneers from Laos which we shall be marketing to other plywood manufactures in India and in similar land now we are also exploring possibility in Indonesia. So Laos earlier they were not giving any new license for the wood based segment but seeing our performance in last couple of months they have given us one FDI license where we can have it in our own name and they have allotted around 20 hectares land to our company. So we working on war-footing and the license where we got that is the largest timber availability area in Laos and we have also got licensing in Indonesia in two regions Sumatra region and the Kalimantan region, both are rich in the timber, which we need. So that we are working and meanwhile last conference I shared with you that we are putting up the Particle Board Plant which is almost ready and hopefully in January we shall commission it two months ahead of our projection. Earlier we were supposed to complete it by March but progress is very good and hopefully our first board from the Particle Board Plant would come out in the month of January and as I have already shared with you the bulk of the raw material would be our in-house wastage like we buy timber we peel it and the leftover are easily boiled in the boiler, still that will be used in making Particle Board and for boiler now as coal is very cheap we may shift to coal for our fuel requirement and again because lately MDF demand is increasing in the county and already the Government of India they have imposed anti dumping duty on MDF, we had a license in Punjab. It was issued long back so we got the license revived so that is the one of the biggest license in Punjab for plywood capacity and MDF capacity. So we got the license revived we paid the fees earlier otherwise likely to be left but now because all the units in Uttarakhand they are going to lose their tax benefit this year so almost their tax holiday period would adjust within 2016 and hopefully we shall start our MDF plant within the calendar year 2016. So we have already contracted for the machine. We have purchased the land and so we are working very fast and we have contract that within a year they will deliver the first board. So we are quite confident that it is 600 cubic meter capacity almost equal to the greens present capacity and fortunately there is a company in China ~~**(inaudible) 8.21** machinery~~ and that is now emerging a~~i~~s one of the biggest manufacturer of MDF plant and that is quite cost effective. Their cost in comparison to European company is much lower. So in China more than 60% plants were supplied by them in last five years and all of them we have registered many plants are doing better than the European plant. They are quite innovative. They have introduced many new ideas. Particle Board is likely to start in January. MDF we have frozen and it will be like the total cost of the 600 cubic meters project would be within 240 Crores and our license includes a big plywood capacity. So that

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we sell initialize and depending on the progress of the GST we shall take it further. If GST is coming from the April next year we shall expedite and we shall put the full capacity. So we have licensed for 8 lands of plywood in Punjab so far it was the largest single license given by CEC for any of the company in India. So that is general outlook and plywood laminate now we are utilizing the full capacity and not only that now we have started working seven days a week. So maintenance is on land one by one machines we do it and now we are running it all three shifts, all seven days and now we have already achieved higher capacity then the installed capacity. So it is working at 100% plus capacity MDF and you might have seen that constantly it is giving us better results our laminate division. So that way and our even the MDF plant there also we are starting three laminating facilities and later on we shall add like flooring also with that. So this is general outlook and now I will hand over to Mr. Julasaria. He will give you financial analysis and after that we shall answer all of your queries.

Arun Julasaria: Good evening ladies and gentlemen. It is nice to speak to you once again. First of all I would like to speak with the disclaimer that this concall is just only to discuss the historical figures and company's future plans etc., and is not to be considered as an invitation to invest in the company. The financial results have already been published few days back and you all must have seen and analyzed those. We will be very free to answer of your specific query. Without taking much time I will just only mention few key figures. If we compare year-on-year Q2 versus Q2 you will find that our topline has gone up from 407 Crores to 442 Crores showing a growth of 9%. EBITDA has grown from 64 Crores to 74 Crores that is 16% increase and PBT has increased from 42 Crores to 50 Crores that is 19% growth and PAT has increased from 35.7 to 46.2 Crores that is an increase of 29% and if you make the comparison of Q1 of 2015-2016 with Q2 of 2015-2016 you will find that our topline has gone up from 371 Crores in Q1 to 440 Crores in Q2 that is a 19% increase. EBITDA has also gone up from 66.7 Crores to 73.8 Crores. PBT has gone up from 44.75 Crores to 50 Crores that is showing 12% increase and PAT has also increased from 39.7 Crores to 46.2 Crores an increase of 17%. So that is about the basic figures. Before we go for detailed question and answers I would like to speak a bit about forex scenario in fact because we are an import based company and forex is a subject of concern for you all. I tell you that Q2 has been a turbulent period as far as forex scenario was concerned. Rupees highly depreciated in between somehow it is now stable and till date that is for the whole of six months we have incurred 10.78 Crores forex loss out of which 2 Crores is book loss and the balance is reinstatement loss which may reverse if the situation improves and it is less than the hedging cost if we would have hedge the entire amount in this year from the beginning then the hedging cost would have been more than the loss and we hare restated all our forex liability at the rate of 65.74 per US Dollar and 73.80 per Euro and the total reinstated amount in INR terms is near about 217 Crores out of which 80% is in US Dollar, 19% is in Euro and 1% is in other major currencies. So predominantly my exposure is in US Dollar only followed by Euro and you will find that if you analyze our results most of my forex loss is contained in borrowing cost because the saving in interest was more than the forex loss which I have suffered, so most of that have gone into borrowing cost. Now we will be free to take any your any specific questions.

Moderator: Thank you very much Sir. Ladies and gentlemen, we will now begin with the question and answer sessions. We have the first question from the line of Dhawan Shah from Indsec Securities. Please go ahead.

Dhawan Shah: Hi Sir congratulation for the good set of numbers. First question is related to the MDF plant I mean you just have highlighted about the laminate line in MDF plant which will be around three lands. So the capacity will be around 3.6 million sheets is that correct.

Sajjan Bhajanka: This is you are asking about the MDF.

Dhawan Shah: No I am asking about the laminate capacity that you have mentioned.

Sajjan Bhajanka: The capacity is we have four lands for four lands traditional capacity is 4 lakhs sheets per month. So for with that it is around 4.8 million per annum.

Dhawan Shah: No that I understand but you have highlighted that the laminate capacity will be expanded I mean you have a land in MDF.

Sajjan Bhajanka: Yes usually we make a very significant so if we are making bigger laminate then the number of sheets comes down. So we make even 1 mm, mostly it is 1 mm then we make some for export which is either lower or higher but if we convert into the notional area then now we are operating at 4 lakhs sheet plus capacity per month.

Dhawan Shah: Yes that I understand Sir but my question is for future I mean our capacity utilization for laminate is almost 100%. So we are going to expand our lines.

Sajjan Bhajanka: Yes we have to but initially we have decided first we shall utilize full capacity on seven days basis and after that we will do some churning and some low realization items those we will discontinue and we will concentrate on the high value added products and once we have achieved that then with that may be at the same venue we shall add more capacity or we may think of putting up the next unit in the Western India.

Dhawan Shah: One more question can you please give me the volumes for Sainik in this quarter in the first half?

Sajjan Bhajanka: Pardon can you please repeat your question please Sir.

Dhawan Shah: Can you please provide the volume numbers for Sainik in this quarter and for the first half as well.

Sajjan Bhajanka: Yes sure volume figures for Q2 Sainik are 13,152 cubic meter.

Dhawan Shah: 13052?

Sajjan Bhajanka: 13,152.

Dhawan Shah: Okay and for the first half.

Sajjan Bhajanka: For the first half the figure was 9520.

Dhawan Shah: Okay so I mean like is that understanding correct that the Sainik is driving the growth for the private segment and other prime plywood is mean witnessing pressure from the lower demand.

Sajjan Bhajanka: I can say that you are right because so far the prime plywood is concerned growth is there but if you talk of steep growth dramatic growth then we can expect from the economic segment product which we have recently launched that is saving and you will find that the growth percentage you will find more because the initial base is low in case of the Sainik plywood because we have launched this product lately and here like the premium plywood and this thing it has limited market and once there would be migration from unorganized to organized so that will be in the lower segment and we are preparing ourselves and we were promoting Sainik brand earlier we have never advertised for Sainik so it is a first time we have released separate campaign for Sainik and the basic idea is to prepare ourselves to meet the demand when there would be migration from unorganized to organized.

Dhawan Shah: Sir I mean what is your expectation for the volume growth full year for Sainik brand itself.

Sajjan Bhajanka: We expect that volume growth should be single digit I cannot spill out the number exactly at the moment because six months are still left Dhawan but we expect volume growth in single digit.

Arun Julasaria: It will be somewhere the value and volume all together the topline growth would be somewhere would be within 15% earlier we have targeted 25%. This we have been maintaining for last so many years but from the next year things will change because we shall have three new capacities Particle Board Plant then by the end of the year MDF will also come and in the meanwhile the plywood capacity in Punjab that will be operational before that and we are targeting it somewhere in April next year along with this GST.

Dhawan Shah: Okay and at this moment our plywood plant is running at around 25% utilization.

Sajjan Bhajanka: Yes plywood capacity I will tell you we have produced near about in Q2 we have produced near about 38,000 cubic meters. So you can say it is near about 75% to 80%.

Dhawan Shah: Okay so ~~I mean now I mean that we are not seeing~~ I mean huge demand for the real estate so what is our expectation I mean for the utilization for plywood itself I mean will it reach to around 90% I mean.

Sajjan Bhajanka: We are expecting I mean the demand should come anytime but so far it is baling us. Today also the prime minister is speaking and you guys speaking about 50 million new housing units in another four years, so 20 million in the urban sector and 30 million in the rural sector. So if the 50 million 5 Crores new housing unit comes. So you can imagine what would be the demand. So but so far due to the various reasons high cost, the present housing rate other things, high cost of finance. So somehow things are not picking up but from last other things are changing. We are seeing good growth in the demand in wherever in August we could not fulfill all the holders in September we could not fulfill all the holders so because in between we are operating at low capacity not the 100% capacity may be 75% to 80% so our entire infrastructure was geared up like that labors and everything. So we just now toning it up and may be the demand continues like this then our existing capacity would adjust within no time.

Dhawan Shah: Okay and I think we were talking about price rise for plywood products. Have we taken any price hikes from September October itself.

Sajjan Bhajanka: Actually there is reduction in the raw material cost. As I see it is very low and the like raw material prices have come down. So thereby already little pressure that some people in the other segments have reduced the price. So we have not reduced the price. We are maintaining it and selected products we have raised the price but hedge like plywood volume it is the same but Sainik is increased so the price we increase for certain products that is offset with some lower like value product. So that where overall our volume and value growth is the same. So per unit if you say then price is more or less same in this thing we have grown 7% volume wise and the 7% is value wise. So that is where per unit for the period is same and may be we have increased price for certain products which is offset by the more sale of the low value product.

Dhawan Shah: Okay thank you so much for all the answers.

Moderator: Thank you. The next question is from the line of Sneha Talreja from Emkay Global. Please go ahead.

Sneha Talreja: Good evening Sir just wanted to know what is your capex plan for the next two years I mean one is the MDF plant wherein you are looking for some 20 to 40 Crores apart from that what are the other plants.

Sajjan Bhajanka: It is all together 300 Crores.

Sneha Talreja: Okay that is for FY 2016 and 2017.

Sajjan Bhajanka: This will start within this year only because we have already today we are signing the land agreement for our Punjab deal and then we are freshly order for the machines. So all the payment so it is starting right now. So may be within one year from now we shall be investing that money.

Sneha Talreja: Okay so that 300 Crores for all your plants.

Sajjan Bhajanka: Yes and this will be normally around 70% would be on the LC, long-term LC, bank credit and may be some bank finance and 30% would be our like contribution. So that is idea and that money we have we are not utilizing on these three accounts. So that is now zero withdrawal against the limit of 200 plus Crores limit. So that money is already with us.

Sneha Talreja: Okay and Sir if at all you can break it up between FY 2016, 2017 and 2018.

Sajjan Bhajanka: Mr. Julasaria will explain.

Arun Julasaria: You see that our MDF plant will cost near about 240 Crores along with that we are coming up with the plywood facility that will go near about 60 Crores. So this will make 300 Crores. 300 Crores will be spread over current financial year and next financial year. The current financial year out of this 300 Crores 20 Crores will be spent on land. So that will be incurred in this financial year then 31 Crores is civil work. So part of that you can take 15 Crores will be spend in this year and then the planting machinery cost of near about 150 Crores out of these some amount of advance will go to plant supplier that you can 10% to 15%. So near about 15 Crores will be spend in this financial year and balance will be spend in next financial year.

Sneha Talreja: Okay and Sir one more question actually Rohan will be taking it.

Rohan: Hi Sir, Rohan this side. Just initially we were following your earlier transcripts. So you are seeing that industry dynamics is slightly challenging in current scenario. Sir have you seen any pickup in a demand in a scenario in current quarter or something.

Sajjan Bhajanka: Yes this I already explained the things started changing from the mid August. So August month our inventory was adjusted and some orders were left pending and then the September we operated at the full capacity as per the availability over car and other things and still we could not meet all the order. So the things are changing and even the October was good. October was good although.

Rohan: Sir it is just pre-festive season demand or there is some significant changes in an economy or demand drivers you are seeing.

Sajjan Bhajanka: No normally in plywood festive season is low in demand because people their targets their houses to be completed.

Rohan: Absolutely right sir.

Sajjan Bhajanka: Dasara and if not Dasara then within Diwali. So by this time they are on finishing mode. Thy plywood is a preliminary work, foundation work. So that is in July, August they complete that and then are in the finishing mode but this year after August only demand is started picking up and this was good October is good.

Rohan: Sir if pre-festive season is good which otherwise is not the case what then will you attribute this demand sector. Why there is a demand in October if it is not a pre-festive. What is the reason?

Sajjan Bhajanka: I think on the housing loan front the FI they have reduced the rate and they have so lately there is some pickup in the loan also home loan also and there sales also picking up for the housing unit.

Rohan: So that is the builder profit demand which you are seeing is picking up or because if my understanding is right then the furniture work and our plywood comes at the last even that inventory have been handled over to the final consumer but if you are seeing that only in I mean demand has been picking up in real estate then this should not be in our case right then our demand should not be picking up right now may be after a year or.

Sajjan Bhajanka: Two scenarios. One is handing over the units. So the moment people purchase it and immediately after that they start furniture work. If it is a big apartment or something then they appoint a architect and they take sometime in designing but if it is small apartment or small unit then instantly they appoint contractors and carpenters and start making wardrobes, almirah and bed and immediately the material is listed and that is there and some like some projects are also coming hotel and some office buildings. So there is demand because this is we were also little depressed earlier in the first quarter and we were in the month of July but all of us started changing from the other.

Rohan: Okay once again little bit more in the same line. So it is coming from metro Tier I, Tier II or which cities you are seeing the traction coming up.

Sajjan Bhajanka: The Tier I and Tier II.

Rohan: Tier I and Tier II while there is no significant pick up in metros and Tier I and once again this Tier II.

Sajjan Bhajanka: In our case exactly we shall come to know after sometime because our distribution network is like that. We bill direct to say around 1500 people but our ultimate dealers and distributors and subdealers they are to the tune of 15000. So the 1500 sell to them. So they are in Tier II, they are in Tier III also so like the neighborhood area even small towns near the big towns so we do not do direct billing to them. So that way it is mix of that but the bulk of the plywood is sold on the like Tier I the highest, Tier II is the net and Tier III is yet to percolate. Like that is small city.

Rohan: Sir if there are also any difference in consumption behavior like you said the economy is likely to do likely to grow at a steep rate then higher end segment. So is something like trend like that the Tier II, Tier III cities use more economy product and that going forward if remains same probably will have a impact on our realizations and margins.

Sajjan Bhajanka: There was time when 10 years back total sale of plywood India was 5000 Crores and the share of organized sector was 500 Crores. So that time we were wondering if the total organized sector size is 500 Crores then where is the space for us to grow. So after that fortunately our share of the organized sector increased the overall market also increased from 5000 to 20,000 and then our share from 10% to 30%. So now we have around 6000 Crores to cater and then it is definitely inclusion of more, earlier the small villages did not know what plywood was, even in the big cities the jhuggi, jhopdi and other things there was no percolation of plywood but now things are changing. It has become general thing. Earlier it was thing of luxury otherwise people were going for their readymade furniture, plastic or steel. Now things are changing. So that way market is expanding and then there are many more uses.

Rohan: Sir just last question from my side and if you have any we will queue again. Sir initially in Q1 you had muted growth guidance for the industry as well as for the company. So now what you see that expect for FY 2016 and 2017 in terms of growth at topline for the company.

Sajjan Bhajanka: This year we sell somewhere between 12% to 13% or say things are better to maximum 50%.

Rohan: For this year and how you see the scenario next year.

Sajjan Bhajanka: Next year for our company should be better because 60 to 70 Crores additional sale which will get from particle board which would be commissioned in this year itself then Punjab plywood division will commissioned very fast and if GST come in effect from April 1 then our capacity would be the limit. Whatever capacity we have that would be the limit then I am hopeful that we shall operate all the units at full capacity and maybe we have to make arrangement with other small units either invest through some equity or the tie up their capacity because in that scenario for them to do the marketing now people come to Punjab they take cash and take the plywood, and there is all the adjustment, clandestine, undervaluation, this will be things of the past and under full compliance regime then there would be lot of change in the selling pattern.

Moderator: Thank you. The next question is from the line of J Radhakrishnan from IIFL. Please go ahead.

J Radhakrishnan: Sir thanks for the opportunity. Congrats for the great set of numbers.

Sajjan Bhajanka: Thank you Radhakrishnan.

J Radhakrishnan: Sir can you please give what is the Veneer sale for this quarter?

Sajjan Bhajanka: You mean to say commercial Veneer.

J Radhakrishnan: Yes normally you make Veneer sales commercial Veneer which is not part of the normal plywood sales.

Sajjan Bhajanka: You want volume or value.

J Radhakrishnan: Value.

Sajjan Bhajanka: Volume and value both, no problem. We have showed 11,715 cubic meters of Commercial Veneer this quarter and value of this was 43.7 Crores.

J Radhakrishnan: 43.7 Crore and was this was in Q1 Sir.

Sajjan Bhajanka: Pardon.

J Radhakrishnan: In first quarter how much this was?

Sajjan Bhajanka: In Q1 the quantum was 9133 cubic meters and the value was near about 36 Crores.

J Radhakrishnan: Near about 36 Crores. Sir one thing if you can please clarify because if you see there is good growth in plywood revenues per sale but there is sequential decline in margin. I believe the costs are coming down so and you have taken may be price increases marginally in higher value products or largely retained it and why this decline in margin on a sequential basis if you can explain us that will be helpful Sir.

Sajjan Bhajanka: In our case you would not find decline in profit margins. You will find that we are maintaining our EBITDA margins. Although you are right that on at industrial level the margins are declining.

J Radhakrishnan: No Sir for us the plywood margin.

Sajjan Bhajanka: These things are not going up. The raw material cost is either stagnant or bit on higher side but in our case we are having competitive advantage because we have moved always move to new territories where raw material is cheaper than the earlier territories. So on an average basis our raw material cost is either remain in static or going down in that way we are retaining our profit margins.

J Radhakrishnan: Sir EBIT margin has come down from 17% in 1Q to 15.8%. So I believe there is.

Sajjan Bhajanka: At EBIT level you find that difference in due to forex loss.

J Radhakrishnan: Due to forex loss. So that difference is primarily because of forex loss so next quarter.

Sajjan Bhajanka: At EBITA level difference is not that much.

J Radhakrishnan: Okay so next quarter if there is no change in rupee we should bounce back to 17% kind of margin. Can we assume that?

Sajjan Bhajanka: We should.

J Radhakrishnan: Okay Sir. Thanks that's all from my side.

Sajjan Bhajanka: Whatever raw material advantage we are having we are continuing to have those are not diluted now.

J Radhakrishnan: Yes Sir and more data if you can share me what is the price differential now between Sainik and other premium category brand what we sell Century Ply.

Sajjan Bhajanka: I mean to say we have.

Arun Julasaria: 15% cheaper.

J Radhakrishnan: 15% cheaper and that is continuing for quite some time now. Can we assume that?

Sajjan Bhajanka: Yes that will continue and there are marketing strategy like that and Sainik we used some plantation timber also which we really do not use in the premier grade.

J Radhakrishnan: Sir you provided the volume for Sainik. Is it possible for you to provide volume for the premium categories if that is not a difficulty?

Sajjan Bhajanka: Yes I can give you. In Q1 this except Sainik we sold 31,847 cubic meters and in Q2 we sold near about 39,385 cubic meters.

J Radhakrishnan: Thanks Sir that's all from my side.

Moderator: Thank you. The next question is from the line of Achint Bhagat from Ambit Capital. Please go ahead.

Achint Bhagat: Hi Sir couple of questions. Sir you mentioned that the forex loss in the first half is about Rs.10 Crores. Am I right?

Sajjan Bhajanka: Yes.

Achint Bhagat: And I would assume that majority of this loss will be in the second quarter?

Sajjan Bhajanka: Majority of orders will be placed in the ongoing quarter. Forex loss, yes majority of forex loss was in second quarter.

Achint Bhagat: Sir just trying to get a sense in which part of your P&L does it show because this forex loss in above EBITDA is only about 9 million and your interest cost is largely flat so year-on-year. So how it is booked Sir and where is this gone?

Sajjan Bhajanka: Yes. I am giving you the figures please. Our Forex loss in Q1 we had total 3 Crores 14 lakhs forex loss out of which 4.39 contained borrowing cost and 1.33 Crores profit was content in EBITDA. Whereas in Q2 we had total forex loss of 7.63 Crores out of which 6.72 Crores is content borrowing cost and balance is content in EBITDA.

Achint Bhagat: Okay 6.72 Crores is finance cost.

Sajjan Bhajanka: Finance cost and 0.21 Crores is in EBITDA and 0.7 Crores was unallocable. If there would not have been any forex loss then our interest cost, finance cost would have been negligible because virtually we have not utilized bank credit and only for a very small part of that may be 100 Crores was interest bearing and out of that also bulk of that was either in ECP or in the dollar denominator. So it carrying very low cost like buyer credit is the main source of finance for Century Plywood. So this 200 some Crores the forex debt usually it is in the shape of buyers credit. Where the effective rate is less than 2% there is a bit of scope for the like the interest differential margin.

Achint Bhagat: So why I was asking this question is that in Q2 of FY 2015 last year your interest cost was about Rs.12 Crores your entire finance cost and in Q2 of last year I assume there were no forex losses. So my question was that is it safe to assume that there is no forex loss in the next quarter. So your finance cost will go to as well as 6 Crores.

Sajjan Bhajanka: Can you please repeat your question Sir.

Achint Bhagat: Sir what I am asking is that is it safe to assume that in the third and fourth quarter if there is no forex loss the overall finance cost will be higher of what it is in this quarter more like 5, 6 Crores. This is fair to assume that.

Sajjan Bhajanka: Yes we can say this almost half of borrowing cost it is in the shape of forex loss. There is no forex loss in coming quarters then interest this borrowing cost should be half of that.

Achint Bhagat: Okay Sir I get the point. The second question I have Sir you mentioned that demand has improved and enquiries have improved etc., so what I was trying to understand is that is that your getting into the market share of the smaller unorganized player because you are saying that there is a several of them have shutdown or there is genuine demand in on ground because when we speak the multiple of other competitors whether you know it is a direct comparable in ply or other categories this says that demand has been poor. So is it that is the company initiatives due to which volumes have been better or is it that the overall environment has improved.

Sajjan Bhajanka: We have grown better than the competitor and even better than the total growth in the market and this is ongoing thing and migration from unorganized from organized. That is organized sector is growing at a faster phase and particularly this quarter was good for Century Plywood and we could do better.

Achint Bhagat: Okay and last question is how the liquidity situation was the channel as because last time we spoke you Sir that channel liquidity remains slow and hence stretch to working capital cycle, any improvement in the channels liquidity?

Sajjan Bhajanka: It is there is no overdue outstanding. Usually we give credit for two months that is our system and within that we have various players of the cash discounts. So people if they pay within 15 days they get 3% cash discount if they pay within one month they get 2% cash discounts. So there is plus are there so ultimately because we operate on SAP and there is lock for two months. So nobody can exceed two months. If it exists two months immediately they stop it. So that where credit control is there. We have two types of limits, one is the time limit and another is the overall limit. So suppose we have allotted a limit of 1 Crore to some customer. So the SAP will not allow credit beyond that. So that way this thing and automatically and only the difference is sometimes people avail more cash discount and pay upfront and sometimes like they take credit. So we are more beneficial in the case of credit because the cash discount is more than the interest outgo.

Arun Julasaria: In fact at macro level if we see compared to Q1 in Q2 my average debtors have come down from 70 days to 65 days.

Achint Bhagat: Okay and this will be the level where it will remain by the let us say the end of the financial year as well.

Sajjan Bhajanka: Last year it was 63 days normally two months we take benchmark. So in Q1 this have gone up little bit by 10 days and these are gradually coming down. So we should be need about 60 to 62 days by year end and similarly for finished goods inventory also which is near about three to four weeks. It was 30 days in case of Q1, which have come down to 19 days in Q2. So my working capital cycle has drastically improved compare to Q1 in Q2.

Achint Bhagat: Get it Sir, last question one sir overall capex is complete in MDF and ply and let us say expansion in your raw material sources as well. What will be the peak debt of the company let us say end of FY 2017.

Sajjan Bhajanka: Either at the moment my total debt is that includes both long-term and short-term is 432 Crores. So 430 Crores so in next one year I will be reaching near about 240 Crores more debt but all debt will also be repaid. So near about 200 we are ranging. Out of 300 total capex up to next financial year we shall be raising 200 and we shall be repaying some old loans so that way the impact will be 150 Crores increase.

Achint Bhagat: So around 600 Crores should be the rough number including buyer's credit by end of next year.

Sajjan Bhajanka: Yes including buyer credit including like credit optioning, buyers credit everything together.

Achint Bhagat: Okay perfect Sir, thank you.

Moderator: Thank you. The next question is from the line of Baidik Sarkar from Unifi Capital. Please go ahead.

Baidik Sarkar: Hi Sir, thanks for taking my questions. Congrats on great numbers. I am sorry Sir I missed this in your opening comments but the tax rates for the current quarter is actually low just some color on that and what is the console tax rate you are looking for the financial year.

Arun Julasaria: Tax rate at current quarter in fact we put this more in our Guwahati factory in fact that is tax exempted.

Sajjan Bhajanka: Like the profitability like it is being in Northeast the raw material cost is very low and then we have excise exemption. We have sale tax exemption there and we have another division that container freight station that is also tax exempted. So our like the overall what tax we are paying that is the MAT only we are paying and part of the MAT is refundable so that we take the MAT credit. So for time being the tax outgo is less.

Baidik Sarkar: Okay great got that thanks for that Sir and as far as your entire year is concerned I am sorry I missed the number what did you say your entire year revenue outlook growth is looking like.

Sajjan Bhajanka: Entire year revenue.

Baidik Sarkar: Yes your revenue growth outlook for the full year.

Sajjan Bhajanka: It is 1700 Crores plus.

Baidik Sarkar: 1700 Crores plus okay so which is about may be about 9%, 10% right.

Sajjan Bhajanka: That is right.

Baidik Sarkar: Okay and when did you say your MDF facility would go live.

Sajjan Bhajanka: Within December next year.

Baidik Sarkar: December next year and your would you have sense of what a peak debt level would be that is after financing your MDF foray and considering your repayment for the current year, semblance of what your peak debt say next year would be like.

Sajjan Bhajanka: Including all long-term, short-term considering the repayments and fresh launch and fresh debt will be ranging for our Particle Board and MDF it should be within 600 Crores.

Baidik Sarkar: Okay and is the pricing both for the laminates as well as the plywood segment looking comfortable. I am just trying to understand is there any pressure from the channel to give some price cut discounts or are we considering any price hikes. Just some color on that.

Sajjan Bhajanka: Like plywood and MDF those are totally different segment. MDF is more in usual OEMs. They make the readymade furniture and there is certain dedicated use for that and it is more used for pre-laminating. So the market of the MDF is totally different. So there should not be any impact firstly on our plywood sales but the overall when MDF will grow like is growing all over the world. It has grown in China, in Europe. So then plywood was little bit causality. So like the scenario which we are seeing there we can see the MDF will grow at a much faster phase and plywood will grow at a slower phase may be there will be very marginal growth in plywood and MDF growth is phenomenal.

Baidik Sarkar: Thanks Sir but my question actually was on the pricing discipline on laminate and plywood that is for H2 are we expecting any pricing pressure given the softness in building material generally. I just wanted your perspective on that.

Sajjan Bhajanka: We are no more selling as commodity. Ours is a branded product. So when Century wants to buy a Century they want to buy and otherwise also at the moment we are costliest in the India like for nearest peer we are minimum 5% costlier and then even we are up to 15% to 20% costlier then the smaller and unknown brands.

Baidik Sarkar: Okay got that thank you very much and wish you all the best.

Moderator: Thank you. We have the next question from the line of Kritika Subramanian from IIFL. Please go ahead.

Kritika Subramanian: Hi Sir just one clarification. Your MDF expansion is of 600 cbm per day is that right?

Sajjan Bhajanka: Yes this is capacity.

Kritika Subramanian: Alright and the capex for that would be 240 Crores.

Sajjan Bhajanka: Yes for MDF part.

Kritika Subramanian: Right for MDF part.

Sajjan Bhajanka: Right so Sir just correct if I am wrong I understand that generally in order to set up a Greenfield the cost per cbm is generally around 15,000 to 18,000 per cbm but Sir as per this capex our cost has comes to around 10,000 to 11,000. So I just needed to ask you if there is any more capex to be incurred or how we are able to manage it Sir efficiently.

Kritika Subramanian: This is mainly we are buying Chinese plant. So the cost to the plant is very less because if I am correctly remembering green for the similar capacity in the year 2009-2010 there we spent 350 Crores.

Sajjan Bhajanka: Okay that is very helpful Sir.

Kritika Subramanian: But now there is a strict competition that like the Helen that Chinese company it is now almost becomes number one in the MDF machinery and they have supplied 37 plants in China in last four, five years and virtually they wiped out the European competitor.

Sajjan Bhajanka: Alright Sir thank you so much.

Moderator: Thank you. The next question is from the line of Dhawan Shah from Indsec Securities. Please go ahead.

Dhawan Shah: Hi Sir, just two questions. One is relate to the EBIT margins for laminate segment I mean we have guided around 9% to 12% kind of margins in two years. Now if I see I mean in the first half only we have achieved around 12% margin. I know I mean we have replaced low margin laminates to high margin but what will be your guidance for FY 2016 and 2017 regarding the laminate margins.

Sajjan Bhajanka: The laminate margins improving along with increasing utilization of capacity. Now we are almost to the peak of the capacity. Now we will be going for more value added products. The moment we go for more value added products the margins will further improve.

Dhawan Shah: Okay so what will be your guidance can you quantity.

Sajjan Bhajanka: I cannot figure out but definitely.

Dhawan Shah: But this will be sustainable right.

Sajjan Bhajanka: About 1% to 2% improvement in EBITDA and EBIT level.

Dhawan Shah: So I mean this 12% margin is sustainable for around two years is that correct.

Sajjan Bhajanka: Sure.

Dhawan Shah: One more question is related to the short term and long term advances on the balance sheet. So that has jumped by around 600 Crores cumulative. So can you please explain to it?

Sajjan Bhajanka: Let me see which figure you are referring.

Dhawan Shah: Long-term advances for first half is around 1000 Crores and short-term advance is around 1100 Crores something.

Arun Julasaria: Something wrong. Our short term loans and advances you are talking about.

Dhawan Shah: Long term advances and short term advances both.

Sajjan Bhajanka: You are talking in current assets.

Dhawan Shah: Current and non-current asset book.

Sajjan Bhajanka: In current assets this has gone up from 67 Crores to 114 Crores 113 some. You are referring to this figure only.

Dhawan Shah: Yes 67 to 113 and 79 Crores to 100 Crores.

Sajjan Bhajanka: Which another figure is 79 to 100 Crores long term loans and advances.

Dhawan Shah: Yes.

Sajjan Bhajanka: I am just looking. We will come back with this answer, any other question meanwhile.

Dhawan Shah: No Sir.

Sajjan Bhajanka: The amount has gone up mainly due to I mean to say we are going ahead with this Particle Board Plant. So we have given lot of advances to capex supplier. So depending upon the nature of advance it is either kept in short-term or long-term apart from this whatever advance tax we have paid that is also kept in long-term advances. Usually at the year end when we make the final provision we negativate provision with the advance and the amount comes down and by year end when this Particle Board project will be through these all advance this will be adjusted and capitalized and we have advance some money for our that Singapore subsidiary Century Singapore which ultimately is funding and like operating our loss operation. So there also we have given some money and now like we have kept the further investment in Laos Indonesia would be out of the earning of that subsidiary only but now we have may be around 25 to 30 Crores we have given them.

Dhawan Shah: Okay got it Sir thank you so much.

Moderator: Ladies and gentlemen that was the last question. I now hand the conference over to the management for their closing comments.

Sajjan Bhajanka: We thank all the participants and we are really very happy that you are reposing your faith in the company and you are tracking our company, investing in our company and in last two years we are saying now the institutional investors and they are more than 15% in the company. So the maintenance is almost near the highest permissible level of 75% to may be our holding is around 74% and earlier starting with 0 now the institutional investors fund the other they are to the tune of 15% and it is your support, your faith in the company and your better rating of the company. So we are thankful for that. Thank you very much.

Moderator: Thank you very much members of the management. Ladies and gentlemen, on behalf of Ambit Capital that concludes this conference call. Thank you for joining us and you may now disconnect your lines.