



“Century Plyboards Limited 1QFY2018 Post Results  
Analyst Conference Call”

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**Moderator:** Good day ladies and gentlemen and a very warm welcome to the Century Plyboards Limited 1QFY2018 Post Results Analyst Conference Call hosted by Ambit Capital. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, 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. Nitin Bhasin, Director Research from Ambit Capital. Thank you and over to you Sir!

**Nitin Bhasin:** Thanks. Good afternoon folks. Thanks a lot for joining us. We have today all the Senior Management from Century Plyboards with us to discuss the results released the day before yesterday. We have got Mr. Sajjan Bhajanka, Chairman, Mr. Sanjay Agarwal, Managing Director, and Mr. Keshav Bhanjanka, Executive Director, and also we have CFO, Mr. Arun Julasaria. Sir we will start a brief introduction from you in terms of the results and how do you see the market today and then we will open it up for questions. Thank you. Over to you Sir!

**Sajjan Bhajanka:** I am Sajjan Bhajanka, Chairman of the company and I have with me MD, Sanjay Agarwal, Mr. Keshav Bhajanka, my son and Executive Director and our CFO, Mr. Arun Julasaria. So before we start interacting, I will request Mr. Arun Julasaria to give you a synopsis of the results and the performance.

**Arun Julasaria:** Good afternoon ladies and gentlemen. Before I start, I shall like to state that this concall is just to discuss company’s historical numbers and future outlook. It should be in no way taken as an invitation to invest in the company. Results along with analytical presentations are already circulated to you, so I will just take you through basic figures.

The quarter under review was the quarter of transition to India’s historical tax reform GST. There were widespread rumours and differences that there will be much destocking at all levels of traders and retailers and procurement chain will also be considerably disturbed. Our aggressive marketing strategy could overcome destocking problem and we booked growth of around 8% YoY.

The first issue is the procurement of quality of raw material, which resulted in pressure on our bottomline. However, we followed our consistent policy of consistent best quality ignoring adverse impact on the bottomline.

Now I will just tell you the basic figures year-on-year basis we booked at 8% topline growth. EBITDA margins were reduced for the reason mentioned above from 17% to 14%.

Profit before tax was Rs42 crore against Rs51 crore in corresponding 1Q. Profit after tax also reduced by almost Rs9 crore to Rs34 crore against Rs43 crore last year. Now I request you all to please come out with your questions.

**Moderator:** Thank you very much. Ladies and gentlemen we will now begin the question and answer session. We will take the first question from the line of Prashant Kutty from Sundaram Mutual Fund. Please go ahead.

**Prashant Kutty:** Thank you for the opportunity Sir. Congrats on good sales growth numbers, but just want to ask you firstly with regard to the margin side of it. You were just highlighting that probably the focus of a little more on topline, if you could just little bit explain as to in terms of what are the reasons for a weaker margin performance across all the segments especially both plywoods and laminates?

**Arun Julasaria:** It is a very difficult period because there are a lot of changes going on.

**Prashant Kutty:** I am sorry Sir there is an echo actually.

**Sajjan Bhajanka:** A lot of changes were going on in the industry. The biggest was the GST, so first like it was like a birth pain, so our own laminates duty was reduced from 29% to 30% to 18% and the people they were skeptical in buying the material because they were directly going to lose around 10%, so sales particularly in domestic market was very low and similarly exports very good like last quarter export was up may be around 25% to 30% and first two months again we had problem with the laminate division because we were converting on the seven-day working, so the labours they wanted seventh day to be overtime day. They wanted wages at double the rate for the seventh day, so which we had to fight and ultimately they have agreed on staggered holiday basis week off and now we have increased the manpower and we are operating on seven day, 24 hours and particularly the month of July we have very good production almost all-time high and good domestic sale and good exports, so that way the problem in the laminate has been taken care of.

Another thing like USP used to be the low raw material cost because we had a unit abroad in Laos and Myanmar and we were getting veneer at a much cheaper price face veneer also and core veneer also, but last year Myanmar Government they banned the cutting the tree and such raw material was not available in Myanmar, so we had to curtail our production drastically. Similarly Laos also we had problem. Laos the government banned the export of veneers and even cutting of the trees, so in Laos and then we have converted one of the unit in the plywood unit and we have already started importing plywood and maybe around 250 containers have already come to India, but the low-cost veneer core and face that is no more

available to us, so that is increasing our domestic cost of the raw material and then otherwise also like glue and other things cost were gradually rising, but just seeing the implication of GST, other things, uncertainties in the market, so we have not taken the price rise and as such margins were squeezed. So now as this part is over, we are expecting that this we shall gradually take price rise and we will bring back our profitability to almost all level, but this may not be possible in the second quarter because anytime we revise price, we have to revise with one month's notice, so almost second quarter would be over by that time price rise impact would come.

That is one thing and then again on the plywood front, we have increased sales and we were expecting a very big jump in the volumes post GST, but it has not happened because so far there is no practical change in our industry because the unorganised they are very much there and so far they are more or less operating in the old style because rather it has become more convenient for them because the way bill has not been introduced. All the states barriers have been removed. There is no check at the interstate borders, so now material is freely moving from manufacturing states to consuming states and so far there is no check and measures, but hopefully within a month or two with the introduction of the E-Way Bill things should improve.

The only thing, which has changed so far they were enjoying up to Rs1.5 crore and almost 75% units were keeping themselves of a total annual turnover of Rs1.5 crore only and so they were enjoying full exemption, so now that scenario no more exists because from the day one from July 1, 2017 they have to pay full duty 28%, so that is saving grace and some of the units who had like customers insisting for the full bill or a different places, so those are facing problem and where the manipulation was going on or the people they were amenable, so there is practically no impact of this, but our sales increased in the month of June also before GST because it was already announced that plywood there will not be any reduction in the duty and in July it was more or less as per the last year, a little bit more than the last year may be 5% to 6%, but now we hope plywood would improve.

Profitability would improve in the future and raw material domestic core prices have come down like Northern India where the plantation timber is available, but we were very much dependant on the imported hardwood for our core, so there the prices have gone up because of Myanmar and Laos problem, so we are also changing to the circumstances and now we are more reliant on the domestic core, so our prices are coming down for core. The MDF we have already commenced the trial production on July 29, 2017, so it will take may be the whole of the August would be consumed in stabilizing the plant and September we hope to start regular production and either somewhere in September we should commence the commercial production or may be as per accounting advice we may commence the same on

October 1, 2017, so that depreciation could be appropriately adjusted, so that is seen as far as the MDF is concerned, but the first trial run and the coming out of the first board was very, very smooth, quality wise very good. Our entire team and the suppliers they were jubilant and another is particleboard, so particleboard our major competitor was Associated Wood that is a South India-based company, but it was struggling and has become NPA and they were somehow trying to survive and in the process they were offering any price, any cash discount and we had to compete with them. So now I think there is some problem with their production and so from this month, we are operating it full capacity and we have cleared almost entire backlog. So our production this month was around 4,000 cubic meters and whereas sales were 5,500 cubic meters so that is a good sign. My team they are working on revising the price upwards and competitors from North India and due to the GST, they have already increased around 5% prices.

As far as we are concerned there was virtually no impact of GST because in north some units were exempted. They were getting tax exemption. So their scenario is changed now and laminates, yes our expansion is on track. The machines have arrived and hopefully in another two to three months we shall enhance our capacity by another 50% so adjusting four lines are now operating around the clock and at almost 20% over the installed capacity and we have ample export order, ample domestic orders and they probability also more or less on track. CFS division this okay more or less it is normal, not to do much ups and down and gradually there is some impact of GST but now things have settled so there would be normal growth in CFS division so broadly I shared with you. Now I welcome questions.

**Prashant Kutty:** Couple of follow ups Sir one is you told me that the laminate business you said production and sales actually revised back to normal in July right?

**Sajjan Bhajanka:** In June arrived and now it is almost July was the whole time high production also and sales both domestic and export together was a whole time high.

**Prashant Kutty:** Incrementally in terms of the margins, laminate margins should ideally improve because this last quarter would have been a case of leverage, weak leverage, which is why your margin would have been bad; now what should be expected?

**Sajjan Bhajanka:** Laminates should improve because it is the only product where duty GST is revised downward from 28% to 29% to 18%. So on the inventory in channel and other things there is some impact of the lower revision but now for future it will be good because we are able to reduce prices by 10% and so it will improve our compatibility and market penetration.

**Prashant Kutty:** And we have reduced the prices already for laminate?

- Sajjan Bhajanka:** Yes we have already reduced.
- Prashant Kutty:** Last thing Sir in terms of the plywood side you said that we will probably not be getting anymore low-cost veneer. So does that mean that we will get back to old EBIT margin regime of 12-13% kind of number because we have been enjoying these good margins for the last two to three years now? So are we reaching that cycle of lower margins of 11%, 12% and 13% because until last quarter we were almost about 15-16% of margin?
- Sajjan Bhajanka:** May be on the cost part there may be 1% to 2% rise in plywood this thing, but we are expecting very strong growth in the volumes so may be on the EBIT front, there would be some impact on the margins, but volume will make up more than that and we are taking measures to reduce our cost so earlier we were importing veneer now we have identified some timber where still exports is permissible and we have shifted to that timber so that timber itself is much cheaper, so earlier like we were importing Keruing timber so the landed cost used to be 600 and veneer price were comparative to the timber price is 600 and whereas our cost in Laos and Myanmar was lower but now we have shifted to another timber which is from Solomon Island and the landed cost of timber is around \$350 and that is giving us almost the same yield so that way our phased veneer cost has come down and but may be there would be 1% to 2% impact on the core and veneer cost due to this and Myanmar would resume in the fourth quarter. Fourth quarter new material will come. They have already allowed the cutting of the trees and they have given the permit for fresh tree activities so we are expecting in January or February, the full supply of timber will come into the factory then onward we shall be able to again enjoy the benefit of low price.
- Prashant Kutty:** Okay, you are saying Myanmar ban has been removed right now?
- Sajjan Bhajanka:** They have allowed the cutting of trees again and earlier also they announced that this ban is temporary for one year. There is a lot of inventory so we want to dilute it and now onward it will be regulated so this time they reduced like the total quantum of permits issued, but it is sufficient because earlier exports were allowed for timber and now exports is totally banned so for domestic industry that this quantity is more than enough.
- Prashant Kutty:** Even Laos the ban has been removed?
- Sajjan Bhajanka:** No. On the veneer export, the ban remains, which is why we converted into the plywood and now seeing the profitability and other things in plywood may be we shall enhance the private capacity for that.
- Prashant Kutty:** Thank you very much Sir and all the very best. Thank you.

**Moderator:** Thank you. We take the next question from the line of Anshuman Atri from Haitong Securities. Please go ahead.

**Anshuman Atri:** Thank you for the opportunity. Congratulation for the performance in a difficult quarter.

**Sajjan Bhajanka:** Thank you for congratulating, but we are also not very happy. Last so many quarters we were able to improve the performance so our entire team now they are banked upon to improve the things in future.

**Anshuman Atri:** Sir my question is regarding aggressive marketing and advertisement spends. So what all steps were taken by Century to grow volume in this quarter and I am sure the industry would have seen decline in terms of volumes?

**Sanjay Agarwal:** What we have done is that in the last four or five months instead of being on the television and all other advertising, we have gone to the market now and we are doing the market activities in a very big way and we have seen that this market activation is giving us immediate returns. So we believe that this is the basic reason for our growth in the 1Q otherwise earlier we were advertising on television, which was building our brand, but was not giving us results in our sales, brand for a long-term, but no results in the short-term, but this market activation is really helpful that has good have immediate result in the market.

**Anshuman Atri:** So was there any increase in equity spends on advertisement and marketing?

**Sanjay Agarwal:** No we have very firm rule of our Chairman that we must limit our expenditure on advertising and promotion within that particular percentage, which we have never exceeded in any of the years.

**Anshuman Atri:** In terms of demand for the plywood so you mentioned that July onwards the laminate demand has improved so how do you see for the next, in the second half what kind of volume growth you will see in your plywood segment and how would expect the industry to grow in the second half?

**Sanjay Agarwal:** In laminate actually the 10% duty has gone down. So we certainly believe that we will have much better market in times to come. As far as plywood is concerned we are very, very positive, but for the moment for this quarter because the government has delayed the introduction of e-way bill, the smaller manufacturers are actually having a full day because now they do not have any kind of check post, they do not have any way bill which was earlier there by the states and now they do not have e-way bill also so they are having field day absolutely right now for this quarter I do not see much growth possible for people like

us but the moment e-way bill will be introduced at that time, they will have tough time. I am talking to them and they are also very, very worried about this and when e-way bill come, they will not be able to do as they are doing, but they are taking a short cut for a short time so it is okay. So I think the volumes will build up only from 3Q and we expect much better volumes in 4Q only. If e-way bill were introduced from July 1, 2017 then you would have seen volume growth from 3Q, but now we expect the volume growth from 4Q.

**Anshuman Atri:** Okay Sir, second question is regarding cost saving. So you mentioned about this rooftop solar and other initiatives being taken by Century so what is the potential savings we can see in the next one year or two years what are all the initiatives, which you are taking?

**Sajjan Bhajanka:** We have almost 25 lakh square meter plus square feet plus, 25 lakh square feet plus area under all the factories and if we install rooftop this solar cells, then at least daytime we still have free power that we will be there so and now we are like contracting the people so the cost is around Rs5 crore per megawatt so that is very viable. The power cost would be much lower than our present cost so two things would be there we shall save on the power cost and the first unit we are installing it is Chennai unit and if it is successful then simultaneously we shall install solar power, solar cells in all other units.

**Anshuman Atri:** Thank you Sir and all the best.

**Moderator:** Thank you. We take the next question from the line of Kunjan P from JP Morgan. Please go ahead.

**Kunjan P:** Thanks for taking my question. Just two clarifications one on this with regards to the unorganized small players. I am slightly confused if we are facing so much RM pressure and constraints in terms of whereas place is banning the cutting of trees are not the RM constraints in anyway affecting the competitive positioning of the small players how are they managing to deal with it? Secondly, on the margins and this is where I have struggled in the past also that we tend to see a lot of volatility in the margins specifically for the plywood segment. So what is realistically that you would target that this is a longer sustainable margin for the plywood segment?

**Sajjan Bhajanka:** Earlier our biggest pain was competition with the unorganised. We were paying almost 28-30% taxes whereas they were enjoying full freedom from taxes so that was the scenario and then they were doing all clandestine removal and all other things so now at least legally we have come at the level playing field and the smaller players, they are very much worried because this is the question of time way bill government recently allowed the state government to reintroduce way bill at their level because lot of state governments their



complain about this so many of the state governments, they have already introduced and when the central way bill would be implemented in that case they will be withdrawal the state way bill, and then central way bill would be connected with the central computer system so it would be e-reversible and like once when that the validity of e-bill is one day to 15 days, as per the distance but now what they do issue one challan and keep on rotating that the same truck will come deliver the material come back, deliver the material so in e-way bill that will not be possible because the moment it is issued it will contain the description of the goods, the challan number everything, destination and source. So that way it will very difficult to manipulate later on and now.

**Kunjan P:** Raw material in the sense that core and the face veneer?

**Sajjan Bhajanka:** But now in India we have plenty of plantation timbers and plantation timber of both the types, hardwood is also there; softwood is also there, like popular and these things are categorised as softwood. Eucalyptus is a hardwood, (inaudible) 29.41 South, Silver Oak these all hardwood, rubber is in the medium category so that way we have plenty of timber, India is surplus in plantation, prices of plantation timber have come down. So this scenario is good for us for the small players but taxation is making a big difference because earlier plywood was available at 50% of the price and still people were buying our product and now they cannot sell at 50% to the price so the best could be 70% of the price and then may be we shall have a bigger share of the market, but as far as raw material is available there is no problem only there is some problem for the phased veneer so that somehow our new area is open for phased veneer that is Gabon, there is another timber Acume so that is started replacing the market and we are now dependent on the PQ variety, which is coming from Solomon Island and then Myanmar would resume production from last quarter of this financial year and from Laos there we will get finished product.

**Kunjan P:** Okay and on the margins, was there any kind of discounting that we did in this quarter because our growth is completely at odds with what the market would have grown or the largest competitor of yours has grown so was there any kind of aggressive marketing push or any price discounting that you guys did in the last year?

**Sajjan Bhajanka:** The one clear thing was that we have not raised our price. So far in once or twice a year we are increasing the price as per the increase in the raw material prices, glue prices, the labor, electricity so they are constantly rising and accordingly we are also adjusting our sales price, so this year we have not taken but the last few months under particularly this quarter we have not taken any rise whereas the pressure on the cost that is one thing and second thing so far we were very, very conservative. We were not compromising on the profits and margins even sometimes we were compromising on the volumes so this time we have taken

because foreseeing the future this time, we are little aggressive and we are like aiming for higher volume also so we are compromised a little bit with the profitability. I think Sanjay can add some.

**Sanjay Agarwal:** We have not seen any difference at all, but only because of our market activation strategy we have gained the attention of the market and that is why we have gained this share.

**Kunjan P:** Thank you so much Sir.

**Moderator:** Thank you. We take the next question from the line of Dheeresh Pathak from Goldman Sachs Asset Management. Please go ahead.

**Dheeresh Pathak:** Sir this e-way thing if you can explain again not very clear first of all I do not understand what it was and how they are benefiting? Unorganised is having a field day you said, can you just explain again the field day?

**Sajjan Bhajanka:** Yes in this GST mechanism the people they have to issue challans, send the materials and then they have to file return starting from 10<sup>th</sup> of next month and up to 20<sup>th</sup> of next month, there are three types of returns so 10<sup>th</sup>, 15<sup>th</sup> and 20<sup>th</sup> and until for this 40 days they have not taking off the document only there are generating document and it is with them so with e-way bill the moment they dispatch material from their factory, they have to generate e-way bill where they have to give all the details of the material, quantity, price and who is the ultimate buyer, his address, the distance and as per that depending on the distance this e-way bill would be recorded in the central computer system and where they will also record all the details. It will decide the tenure of the bill if it is within 100 kilometers destination then it will be valid for one day only and maximum it is valid for 15 days from the day of generation. Suppose it is generated from Hoshiarpur, Punjab, and it goes to Trivandrum, Kerala, so the maximum permissible 15 days would be allowed, so it is like that mechanism and every truck, every vehicle consignment has to carry e-way bill. If it is not found then they will confiscate goods, they will impose very heavy penalty, so that is the stipulation and there may be some accidents something then transporters they are allowed, they can generate a secondary e-way bill where they will give details of the original e-way bill, reasons for the delay, any accident anything and then the new e-way bill for the extended period would be generated. So now this mechanism is not there. Earlier mechanism, the state waybills those are also not there and there were checkposts on all those states borders, so they are also removed. So that way now their life is much easier until the e-way bill introduced.

**Dheeresh Pathak:** The other benefit of the GST regime was that everybody in the value chain would want input credits and therefore somebody who is using unorganised goods would not be better off because he cannot then further claim credits on the value ad that he does, so that also suppose to benefit organised players right, so even though this e-way bill is not there and therefore those check points are not there, so this is more like a logistic thing where they are having advantage because they can go and check across borders, but that other benefit – the earlier benefit that of having input credits being available so that also supposed to benefit that benefit you are not seeing?

**Sajjan Bhajanka:** No. We are seeing that benefit. There's CST and other things. Cost has reduced by 2% then another thing is multiple implication of CST and then due to the checkpoints removed on the state borders so the trucks are moving very fast, so already 10%, 15%, logistic benefit is there, which we are experiencing and then any country or any trade or any profession there are people may be 10%, 15% are there, whatever duty is imposed they will comply and there are 10% to 15% people whatever low duty imposed, whatever benefit you give they will not comply, they will cheat there and majority this 70% would be influenced by the rate of duty, by the compliance level, by the checks and measures, by the penalty, so the strong is mechanism of monitoring it more and more people will start complying and logistic cost will come down. Now we had to keep godowns on every state and in Maharashtra inside the Octroi, outside the Octroi, so all things have passed so that way now we are like taking measures to create may be seven to eight hubs in the whole country, so from those hubs we can send material within 24 hours to any shop, so that way that will reduce our logistic cost and then these barriers are not there, or other things are not there then we can take benefit of like other mode of transportation like Kolkata to Chennai we can send from the sea route, containers through the small ships, similarly railway we can use now, so the containers through railway, through ships so that way the logistics would improve and with the higher compliance then everybody start paying tax, like Mumbai many of dealers they are not buying material from those unorganized material. They say we want bill, we want full GST paid, if you can give we will buy from you and we have some extra like sales from people diverting from unorganized to organized.

**Dheeresh Pathak:** So in such cases, clients you are taking from unorganised and now are wanting unorganised, suppliers to pay taxes and GST compliant bill, so they, the unorganised would have had to increase prices right to that extent?

**Sajjan Bhajanka:** Yes, because there are two things, one is like our ultimate buyers, so there may be around 40% are institutional, they need full bill, they will pay by cheque, they need full bill and then 60% are domestic buyers or for house, there are also people they are working through the architect, interior decorators, contractors, so they also need full bill and this is going on,

but say X, Y, Z or somebody sell it, people going for furnishing through the contractors they do not bother about the bill. If it could be proved that they are getting cheaper material without bill so they will go for that.

**Dheeresh Pathak:** Thank you so much.

**Moderator:** Thank you. We will take the next question from the line of Jignesh Kamani from GMO. Please go ahead.

**Jignesh Kamani:** I want to understand more details on the Myanmar now timber I can say the cutting is allowed, but are they allowed to sell or only they have to supply to government body and only government body will be able to supply to or export to the other participants or buyers?

**Sajjan Bhajanka:** No, earlier also technically Myanmar Timber Enterprise that was only agency authorised for cutting the forest or supplying to the mills, so what they are doing they were issuing permits and all the loggers they were appointing each contractors and those contractors were operating on behalf of MTE, Myanmar Timber Enterprise, so they were like bringing the material and it was delivered to their depots mainly in Yangon and they were paid charges as cutting charge, as rafting charge, as transportation charge and that way they were paying and at the same time there were two categorisation of material, one was for export, and one was the export reject, so export reject usually they were allowing those contractors to buy at the government price and then government has reserve price say around 50% material government was directly taking through their depot and in that depot government was auctioning that material and where they were commanding premium in the auction and at the same time whatever free sale they allowed to the contractors, the contractors were taking premium like suppose we are buying from X contractors, so government is \$400 per stem, so they will negotiate okay, we can supply you at 300 premium, so at 700 that rate is fixed, we enter into contract for the whole year and then they keep on supplying us \$700. Whereas in the government auctions it could be 700, it could be 800, it could be 650, so that depends on the demand and supply and how many people bidding there, so that was the mechanism, so now also this permit would be given Myanmar Timber Enterprise would monitor the things, but again they never had any equipment for logging, it was all through contractors and private, so they were doing the logging and it was coming and we are going and there are some other methods like some clear filling, for some hydel plant, for some road constructions, so those were allowed to the public, whoever is the contractors they had to pay royalty for removing those timbers from those projects and they were allowed to free sale, so that is the scene.

**Jignesh Kamani:** So in that case you will see the interest from timber cutter all will come down because there is much more control of the government now and the pricing in the supply both?

**Sajjan Bhajanka:** Earlier when the timber export was allowed and when the timber cutting was banned, so there was a gap of one year in between that and during that then almost the entire trade was transferred from export to domestic and it was very, very smooth and seamless and initially there was dip in the price, in auction that time we are buying when the timber export was banned at \$800 then price came down to \$600 and whereas in India veneer rate increased so that gave us a lot of profit in India, but after that again the domestic price increased at almost 800 level and now that level is very remunerative, contractors are earning money and government is also happy, so I do not see any problem and like logging and availability of timber through auction, without auction would continue as it was before.

**Jignesh Kamani:** Thanks a lot.

**Moderator:** Thank you. We will take the next question from the line of Chandra Gopal from JM Financial.

**Chandra Gopal:** Thank you for the opportunity Sir. Just on this veneer part of it, commercial veneer we were selling so I suppose now from Q4 onwards you are getting Myanmar timber again, so we will be continuing this commercial veneer right Sir?

**Sajjan Bhajanka:** Yes, our capacity is intact there. In Myanmar the moment we get sufficient timber we should be able to resume the full productivity.

**Chandra Gopal:** Basically I wanted to understand how is the margin difference between the plywood, which we sell and the commercial veneer, which we sell to the local players in India, how much is the difference, if you can give some indication there?

**Sajjan Bhajanka:** Earlier our methodology was producing veneer. A grade veneer mostly we are consuming for ourselves and B and C grade veneer, we used to sell in the market and now we have timber in Myanmar during that before it was banned, so took some land from Myanmar Timber Enterprise in their depot and we dug some ponds there and filled with water, so underwater timber is kept, it could be kept for even five years without any deterioration. So we purchase timber, we put it there in those ponds in Myanmar and gradually we are using that timber. So in the process, cost is little increased, interest cost is increased and putting in the pond, digging the pond, it was little costly. But now also we are getting fresh timber, **but now earlier we are like selling 400 CFT per day**, now we are **playing 1200 CFT per day**, so trying to prolong that timber up to the next season when the timber would be available

freely and in the meanwhile meeting our demand of that Keruing veneer from that and may be another one two units are only operating in Myanmar, most of the other units have closed down.

**Chandra Gopal:** So basically I just wanted to understand margin differential, which is there with the B and C veneer, which we sell.

**Sajjan Bhajanka:** Now the volume has come down.

**Chandra Gopal:** The volumes are, but will it again revive after 4Q?

**Sajjan Bhajanka:** Yes, because material is not available and with that the volume was big so some A grade material also we are selling, which was surplus now even the A grade is not sufficient for ourselves, so we are not selling any A grade material and even we have started using B grade also for some lower brands we have started using B grade also.

**Chandra Gopal:** Sir MDF market so basically a lot of capacities are coming up in India, so how do you see that panning out over the next two, three years if you can throw some light. I know you have spoken earlier also, but the thing is MDF penetration is very low and it is not picking up at that fast a base in India; the confidence that we get from the market that our growth will be like 25%, 30% plus in MDF that I just wanted to understand?

**Sajjan Bhajanka:** MDF is a very good product, very stable and all the maneuvering as possible, you can make DIN on that, CNC machines you can use, it can hold, engage screws, there is no problem and it is comparatively very stable and at the moment it's available at 50% of the plywood price below USD \$400 per cubic meter, whereas the plywood cost is USD\$800 plus, so that way and so far the limit was the availability, the restrictive factors was the availability, so there was a time may be around 1990s two units started production 100 cubic meter each, Mangalam and this one New Wood, New Chem Plastics Unit, but that time neither they could promote this product or so virtually they could not realize a good price of that, because with such a small quantity they could not market and virtually both the units there were NPAs went to BIFR or the New Chem ultimately close down and this Birla unit they also gave to their grand daughter Vidula Jalan, so she is managing, so that was the scene. Then around 2010 within a year or something around 1200 cubic meter capacity came and within a year almost entire material was consumed, so they were not able to sell 200 cubic meter earlier from 1990 to 2010 and after that 1200 cubic meter was sold, it was consumed by the market and in addition to that the imports were growing at the rate of 50% per annum, so there is appetite but whatever material is available it is being sold and more people they are changing to MDF wherever they can do, so my take is that it is 50% cheaper

and it is a good product so gradually with the availability of more and more material for many uses people will convert to MDF and world over they have done it. In China the plywood share has come down to 25%. In India still it is 90% plus, so gradually plywood H2 decline, it would be replaced by MDF and particleboard and all the OEMs, the organized manufacture of furniture they are using only MDF and particleboard, they are not using any plywood.

**Chandra Gopal:** In this OEM category also the margins are like that 30% plus you expect similar margins or OEM category will be a lower margin for MDF?

**Sajjan Bhajanka:** Like selling price would be more or less the same. It will depend on the logistics, if we manufacture in North India and if we are able to sell entire production in North India then nothing like it. If we are not able to sell and partly will bring to South India the nearest port for North India is either Kolkata or Kandla or Mundra, so the logistic cost from the nearest port is very high, so one way it is the import cost plus logistic cost that will be the benchmarking price and in South India at every place you have port, you start from Kandla downward, Mumbai, Goa, Mangalore, Cochin, Tuticorin, Chennai everywhere you have ports continuously, so there very tough this thing is there, but what we will do if they are more manufactures we will join hands and will promote the product, like we will make the MDF sheets or something in India and we will promote the product only not promoting any particular brand or any particular company we will continue it as per our market share and accordingly we will promote this and I foresee that within another five years there would be minimum 25 MDF brands in the country and may be we shall have 4, 5 out of those 25.

**Chandra Gopal:** Great Sir. Thank you so much Sir.

**Moderator:** Thank you. We will take the next question from the line of Amit Purohit from Emkay Global. Please go ahead.

**Amit Purohit:** Congratulations. Thank you for the opportunity Sir. I wanted to ask two things, one is on the GST like we indicated that you will have some savings on the logistic cost and all, so have we actually come up with some number or benefit that probably we will get on the overall GST and would that be good enough for us to have our margins maintained on the plywood segment?

**Sajjan Bhajanka:** There is a clear-cut saving of 2% on the CST and other Octroi and other tax as a tax. This is one thing and another thing is logistics, so we have assessed that if we could rightly manage it with redistributing our distribution network like hubs at a limited place, so with that we shall be able to reduce our logistic cost by around 20%, so we created a special team for

that, people are working and we are going to close many of the godowns at many places and we will limit the number to existing 40 something godowns to may be less than 10.

**Amit Purohit:** Okay and this would bring this back to around 14% kind of EBIT margin in plywood you think or still we will have to take a price increase actually to pass it on that?

**Sajjan Bhajanka:** The unorganised they had clear handicap of 30%, so that is no more, so even they were offering at 50% we are competing with them and still we are maintaining our volumes and now this handicap is over so I think will be much better.

**Amit Purohit:** Sir, in terms of our growth outlook for FY2018?

**Sajjan Bhajanka:** I will ask Sanjay, but he is targeting that in next year or two he will double the volume.

**Sanjay Agarwal:** Let us wait and watch. We are certainly absolutely clear that there was a handicap now that handicap is not there, at a 50% extra price we have been able to grow to such an extent then with 20% extra price only in future, why will we not grow, I can ask you this question actually.

**Amit Purohit:** Any target that you are looking at least FY2018, you have indicated a 20% plus you would maintain and stick to that at this point in time.

**Sajjan Bhajanka:** Yes, this year it may be 20% or may be with value growth is there is something more , so the volume growth would be 20% we think and in addition if we garner some value growth, so that will be in addition to that.

**Amit Purohit:** Thank you for the opportunity.

**Moderator:** Thank you. We will take the next question from the line of Romil Jain from JM Financial. Please go ahead.

**Romil Jain:** Thanks for the opportunity.

**Sajjan Bhajanka:** Jain brought a very big team. I think it is third question from JM Financial.

**Romil Jain:** I am on the PMS side, I just needed one clarification as you mentioned that the Myanmar ban, which was there since last year, was that on export or was that on the cutting of trees?

**Sajjan Bhajanka:** Exports they have banned may be from April 1, 2014, so exports of timber was banned, no raw timber, not even Son timber was banned, so after that for two years they allowed the



cutting of the tree for the domestic supply. So 2016 January, they banned the cutting of the tree, so the last season we did not get any timber, so now we are surviving on the timber we purchased in the earlier season and now they have allowed again cutting of the trees, timber in Myanmar from April 1 this year, but it is time-consuming process issuing the permit to mobilising the equipment, cutting the forest, bringing the material and traditionally it used to come in the first quarter of the financial year – for the calendar year.

- Romil Jain:** So now exports are still banned, but they have allowed cutting, you mean to say that?
- Sajjan Bhajanka:** Yes, because there is increased establishment of industry in Myanmar. But now most of them have been closed down.
- Romil Jain:** So you would be buying the raw material and then making the finished goods and importing into India right?
- Sajjan Bhajanka:** Yes again that veneer and we have put up machines for plywood also, so may be we will start manufacturing plywood also there.
- Romil Jain:** So in that case then will our margins, which primarily came down this quarter because of the raw material should go back may be not to a very high extent, but still normalise over the period.
- Sajjan Bhajanka:** There is level playing field now and ours is one of the most efficient organisations. Our interest cost is very low. We have skilled people with us and more or less I can say also is well managed, so that give us some extra margin and then the other people like nobody can operate at loss so anybody is buying timber, making veneer, bringing to India and selling it, so they will also have some margin and with better management may be we are having a little better margin.
- Romil Jain:** In March 2017 that means 4Q quarter in that if you see our margins, gross profit primarily was quite high, so that was primarily we had the low-cost raw material available there?
- Sajjan Bhajanka:** Because from like Laos we are now dispatching the last consignment of veneer, which they allowed against the old stock when they banned that time there was some stock, they made the inventorisation of that, so now we are expecting last consignment of around 52 containers, but earlier every month we are getting 100 plus containers, so this 52 containers are coming after two months and before that we have got 100 containers in three months, so that is the scenario, but earlier we were getting material, the old material which was there

gradually getting it processed and importing, so like that was there and now things have to some extent dried up.

**Romil Jain:** Just one last clarification from India also as you mentioned the prices on the timber and raw material side are lower, so any specific reason we do not buy much from there or we will start buying now?

**Sajjan Bhajanka:** It depends like we have factory in Roorkee, Uttarakhand so there core we are buying 100% local core. In our canal factory we are buying 100% local core. In our Kandla plant we are not allowed to buy local so we are 100% importing from Vietnam and some other countries. Kolkata it is mix. We are getting from UP also and most we are importing and whatever timber we are processing we get core and phased out of that. It is more or less same thing in Chennai, but Chennai what we have done now we are getting some forest, the Tamil Nadu government forest are there, the plantations are there and they have grown few species like Eucalyptus, Milliard and other things in big numbers and now that crop is available, so we are buying that and we are making our own core in Tamil Nadu and hopefully this will be self sufficient in our core requirement from the plantation timber and the best part of that around 30% wastage we generate that straightaway will go to our particleboard plant free of cost.

**Romil Jain:** Thanks a lot.

**Moderator:** Thank you. We will take the next question from the line of Ronald Siyoni from Sharekhan Limited. Please go ahead.

**Ronald Siyoni:** I just had one bookkeeping question, how much was the forex loss or gain, which was included in other income and interest expense during the quarter?

**Sajjan Bhajanka:** Mr. Julasaria I think will take your question.

**Arun Julasaria:** The amount of forex loss rather in this quarter, forex loss, which is included in plywood segment.

**Ronald Siyoni:** Segment-wise we do have, but just in the other income part and the interest expense part, which you had mentioned during last quarter in the financial result.

**Arun Julasaria:** No, in fact we did not say anything in other income part.

**Ronald Siyoni:** This time you do not have any other income or in interest also?

- Arun Julasaria:** Yes.
- Ronald Siyoni:** Thank you.
- Moderator:** Thank you. We have next question from the Kamlesh Kotak from Asian Market Securities. Please go ahead.
- Kamlesh Kotak:** Good afternoon Sir. Just wanted to understand this we have reported 32% decline in commercial veneer volume, so is this still coming from our imports, from where is it coming?
- Sajjan Bhajanka:** Last year more or less it was coming from the imports commercial veneer in Laos, and Myanmar units we are generating, we are keeping for our use the better grade and the rest we are marketing.
- Kamlesh Kotak:** So still, this year also we could import this 8969?
- Sajjan Bhajanka:** Myanmar, still today also we are importing. We have timber there, our own requirement we are meeting, that is our first priority and because the volumes are down so we have less surplus to sell in the market.
- Kamlesh Kotak:** Which you see that from December it can again?
- Sajjan Bhajanka:** December onwards for one year at least if they do not change the policy then December onward should be good, this would be back to old volumes and with reduction in number of units in Myanmar because many units finally closed there.
- Kamlesh Kotak:** Secondly Sir just I wanted to understand on the laminate front we have seen a 28% jump in the volume for exports of laminate whereas the realisation of that has come down by almost 13%, so how you see that export market shaping up for us?
- Sajjan Bhajanka:** Yes I think Keshav will answer this question.
- Keshav Bhajanka:** Basically in the export markets you need to enter new countries with not necessarily the highest range of products, but we have been developing in a few countries for the past three years, which is now started to materialize. It started off with a new range in Thailand. We have started off with a new range in Indonesia and we are seeing good volumes in these markets. Even those are profitable. So even if the realisation is lower, the costing for that product is also lower, these are profitable products. But overall, yes the realisation will be a

bit subdued because we are promoting the lower ranges as there is increased volume in the new market.

**Kamlesh Kotak:** But then what kind of margin we should see for the year in December?

**Keshav Bhajanka:** For the year in laminates we should see 15% to 16% margins.

**Kamlesh Kotak:** We will get that normalised margins coming back again, is it?

**Keshav Bhajanka:** Yes.

**Kamlesh Kotak:** Thirdly I just wanted to understand about the MDF plant. When are we commercially launching these products and how we are going to market it through dealer distribution? How many dealer distributors we have appointed and what kind of growth you will see year?

**Keshav Bhajanka:** The marketing, Sanjay will take it.

**Sanjay Agarwal:** As far as MDF is concerned, we have hired a full team separate from our plywood because I think there will be a lot of pressure as far as MDF is concerned because it is a new product for us. And across the country, the dealers are same plywood dealers, but they may not be our dealer, the marketing and selling of MDF is little different from plywood. So we have appointed distributors across the country, we have appointed dealers under them across the country and people are there, now let the product come, in every respect the whole system is absolutely ready through distributors and dealers.

**Kamlesh Kotak:** So when are we planning to launch it commercially Sir?

**Sanjay Agarwal:** The launch actually we have produced the first piece on 28<sup>th</sup> or 29<sup>th</sup> of last month.

**Sajjan Bhajanka:** This Saturday we are going to start almost regular productions. My people and the suppliers of machines they say now we should aim for the regular production once we start we should not stop, but there would be intermittent stop and rectification of some errors, so I expect that within August things would stabilise and by the end of August we shall have some material, which we can send to the market and September onwards may be we shall be able to operate at 60%, 70% capacity and from October onwards 80% plus we shall be able to operate for the remaining period of this financial year.

**Kamlesh Kotak:** How are you going to price it? Is it going to be in benchmarking to Greenply or is it import parity or how we are planning to put up the pricing?

- Sajjan Bhajanka:** It will be benchmarked with our peers, the Green.
- Kamlesh Kotak:** Lastly, about the particleboard, why that business is still not scaling up? You were guiding for about Rs50-60 crore of revenue, still we have not got any major traction there. So is it stabilise the Chennai plant or particleboard, are you see that business?
- Sajjan Bhajanka:** Like the trends have reversed now, so this is the first time this was the month earlier whatever we were manufacturing we were not able to sell because people they had some loyalty and in particleboard internationally there is glut so prices have down to minimum and imports are freely available, people were importing and particularly the associated wood they were in like trouble. So they needed cash badly, so they were selling it any rate, at any discount you give some advance to them they were selling the material. So there are immediate competition and they are product-wise well established, people were buying. So now we are supplying material to more than 50 OEMs and users and now like the last month against production of 4,000 cubic metre, we could sell 5,500 cubic metre, so around 1,500 cubic metres, we could clear from the backlog. So that way this one month volume may be almost equal to the last quarters volume. So that way things are improving and now also we have installed one short cycle land, high capacity short cycle land. So now we are almost in a position to give 100% value-added product against the plain particleboard now we can give prelaminated particleboard. The particleboard is used as prelaminated only, earlier people, they were buying particleboard from us and they were doing prelaminating and selling to OEMs, now we have sufficient capacity of prelaminating, so mostly now we shall be directly selling to OEMs, so that way intermediary would be removed and now Sanjay is already planning to increase cost may be 2.5% on board and may be for certain thickness a little more than 2.5% and we have orders for one month.
- Kamlesh Kotak:** So what kind of revenue we are targeting for this year and what kind of margin we can make out of this business?
- Sajjan Bhajanka:** EBITDA should be very good because our direct cost we have only three crore, one is the like timber, so that timber we are buying now say around Rs2,000 a tonne and we need less than one tonne for one cubic metre of particleboard and the glue cost may be another Rs2,000, so Rs2,000, Rs4,000 and Rs1,000 something for power, so our direct cost is including labour only it is only at Rs6,000, so Rs6,000 to Rs7,000 and the selling price is minimum Rs12,000 plus. So there should be margin because earlier volumes were not there and value addition was not there, this high capacity short cycle press we have commissioned only may be 10 days back.
- Kamlesh Kotak:** So what kind of volume we are seeing for this year Sir?

- Sajjan Bhajanka:** Our plants would run at full capacity. This 4,500 cubic metre almost every month and almost 70-80% value-added product, but it is like the value is not great and this volume is not great, so the total scope may be Rs75 crore, Rs80 crore.
- Kamlesh Kotak:** Structurally as you see that MDF Laos was pretty high growth and many producers will be coming in. We are also targeting MDF four-five plants in the long-term. Do you see that, that will cannibalise our plywood demand per se?
- Sajjan Bhajanka:** Yes, I foresee that.
- Kamlesh Kotak:** So, in the plywood demands what kind of growth you see or it will start degrowing as soon as one or two years down the line?
- Sajjan Bhajanka:** No, the capacity also would not be available because in India, overall the panel market will grow because the low cost housing, other things, this thing, that thing and like housing revolution yet to take place and that would be the next area of growth because after bread and clothing, the house is the thing and infrastructure again there are limitations, so next growth would be coming to India through the low-cost housing and for that like plywood would be required because India is carpenter base, other they do not go for the readymade furniture, it is tailor made, so generally that mechanism is there, so plywood gradually it will give way to other products, but it cannot happen overnight.
- Kamlesh Kotak:** May be five years down the line?
- Sajjan Bhajanka:** May be 10 years, after 10 years, I foresee that now this other panels are hardly 10%, plywood is 90% after 10 years may be it will be 50:50, but plywood would not decline. Plywood there may not be growth in plywood and other products will grow rapidly, so plywood would be static and that time the total volume of the market may be 200% of present volume, so plywood remaining at present level would contribute to 50%.
- Kamlesh Kotak:** Thank you very much.
- Moderator:** Thank you. We will take the next question from the line of Sneha Talreja from Edelweiss. Please go ahead.
- Sneha Talreja:** Thank you Sir for taking my question. Sir my question is pertaining to particleboard unit, last year just wanted to know what was the utilisation rate as you were saying it full capacity we can do somewhere about Rs75-80 crore, would that include even the pre-laminated unit?

- Sajjan Bhajanka:** Yes with value addition.
- Sneha Talreja:** With value addition and what was the utilisation rate of this unit in FY2017?
- Sajjan Bhajanka:** But our capacity, if we operated full capacity then 54,000 cubic meters we can produce and without value addition this would be Rs65-70 crore and with value addition it would be Rs80 crore around.
- Sneha Talreja:** Last year we did in volume term?
- Sajjan Bhajanka:** Mr. Julasaria will give you.
- Arun Julasaria:** We started this unit in the month of August only and we could produce 45% operated capacity, I mean to say for the month.
- Sneha Talreja:** 45% including the value addition we did in the prelaminated unit?
- Arun Julasaria:** Value addition we could produce around 20,000 cubic metres and value addition was around 6,400 only because we were making pre-lamination capacity.
- Sajjan Bhajanka:** That time like this short cycle press, bigger press has recently commissioned may be 10, 15 days back.
- Sneha Talreja:** What was the contribution of Sainik in this quarter?
- Sajjan Bhajanka:** Sainik volume this quarter I think it has come down due to this month. What is the volume of Sainik?
- Arun Julasaria:** I will tell you Sir. It was 13,682 cubic metres against 12,339 cubic metres in 1Q last year.
- Sneha Talreja:** Value-wise?
- Arun Julasaria:** Value-wise I cannot say at the moment because really we have to segregate because some of the discounts are common.
- Sneha Talreja:** Sir, looking at your MDF segment, which is now expected to get into production or commercial production from next quarter itself. So what are we expecting for this year in MDF?
- Sajjan Bhajanka:** May be it will continue to around Rs170 crore?

- Sneha Talreja:** Around Rs170 crore?
- Sajjan Bhajanka:** There also we are going for value addition like short cycle press already we are installing it and then we have many plans like to establish one door unit for which we have tied up with the Goldea. They are one of the largest door manufacturers out of MDF in China, so we are tying up with them 40:60 joint venture, 60% to the Century and near about MDF plant, so there we shall manufacture low-cost door made of MDF and then we are also planning for flooring tiles, so in that factory we can manufacture HDF also, so out of the HDF product we shall be producing this flooring tiles then we also want to try to use this as a net panel for decorative veneer, so with that like reconstituted decorative veneer may be we shall be able to offer at a very, very low price that will revolutionalise the market.
- Sneha Talreja:** Any progress on either of these projects like at least the door parts which we have already had a JV with Chinese partner?
- Sajjan Bhajanka:** Nearby land we have identified and may be it will take another five-six months to establish this unit, but all the mechanism and know-how and all and joint venture modalities of that this all have been decided.
- Sneha Talreja:** What will be the investments?
- Sajjan Bhajanka:** In the first phase it is not big, it may be Rs60 crore. We can double the capacity, triple the capacity later on as per the demand.
- Sneha Talreja:** What is the target Sir? How much will be value addition out of MDF unit? Are we seeing something of that sort that 20% or 30% will be utilised?
- Sajjan Bhajanka:** The mechanism would be to this joint venture we shall sell MDF at market price, as per the MDF unit Century Ply is concerned there would be any value addition, but value addition would be in joint venture.
- Sneha Talreja:** Okay, got it Sir.
- Unknown Speaker:** We have, definitely, we are likely to look at this strong topline growth, which will be primarily driven by MDF and doors and panels and all and we may achieve our topline growth target of 20%, but if I look at the profitability part going forward especially in current year, so this definitely plywood is under pressure in terms of margin because of low cost veneer is going away, MDF also we were expecting a higher turnover contribution is already Rs170 crore now, so do you think that?



**Sajjan Bhajanka:** We have not much time because up to September things would stabilise and other things and after that we shall start giving the material to the market, so initially it will take some time to build the momentum and there would be some inventory into the channel, which would not be sold ultimately. Once channel is fully stuffed after that whatever we manufacture it will go to the market, but some buffer or cushioning effect would be there in between.

**Unknown Speaker:** Exactly, that is what my point was that probably though at topline, we may maintain 20% growth, but at bottomline this year in FY2018 you see that the growth may be slightly muted off just 5% to 7% for this year?

**Sajjan Bhajanka:** Already around 10%, we are maintaining with existing products, whatever MDF would be there, it is totally in addition to that and particleboard has also now started contributing last year it was negligible, so we are operating at full capacity, so we hope that we shall continue the same to the end of next financial year.

**Unknown Speaker:** Thanks.

**Moderator:** Thank you. Due to time constraints we will take the last question from the line of Pranav Mehta from Equirus Securities. Please go ahead.

**Pranav Mehta:** Thank you Sir for taking my question. Basically wanted to understand on this new capacity that you are developing with Chinese player and the solar panel that you are going to install at all your plants. So how much would be the cost saving from that solar plant Sir, panels and all that?

**Sajjan Bhajanka:** I think Keshav will take it.

**Keshav Bhajanka:** We have been able to strike a deal whereby the cost of solar energy will be 3% as an AMC, the basic cost will be around Rs4.5-5.0 crore for 1 megawatt and we will get 14 lakhs unit of electricity free, now if you look at Chennai plant 14 lakh unit will come at about 1.1 crore, so compared to that we will only be paying the interest, as such it is a very good cost saving that is going to be incurred on account of our solar project, this is the first that we have put into play, the first unit should go live by October, post the assessment, we will see, we have already done a detailed plan and we are going to go plan that out plant by plant after that.

**Sajjan Bhajanka:** Again this will be deemed as a green incentive like we are supposed to generate 10% power from green sources so otherwise we have to pay some penalty, so it will take care of that.

**Pranav Mehta:** About this joint venture with the Chinese company, so what kind of margins we will be able to make there and what kind of revenue target you are contemplating for next and when will the plan be coming up?

**Sajjan Bhajanka:** We have some projections, but our Chinese partners they are very excited seeing the labour price here. In China, the minimum wage is Rs30,000 per month wherein in India it is still Rs7,000-8,000. So that way it is almost 25% and then even they were thinking of importing some MDF from India to China, although just I could not understand, so they were finding our projected price is very, very competitive and even cheaper than to their price in China. And the next thing they have promised us the production cost in India would be much cheaper and we shall divert lot of our export orders to India. From China, they were exporting to European and to some other countries; they have indicated that we should develop it. We have plenty of order, so we will start exporting also from our Indian wages.

**Pranav Mehta:** Okay and Sir about the new ventures that you have ventured likes PVC sheets and door skins, and all that. Sir how is it panning out?

**Sajjan Bhajanka:** Here you know everything will be there because they make all the solutions even the steal doors, the skins they manufacture, the PVC doors and other painted doors, so they are manufacturing door frames also, the windowed door, door frames, window frames and the whole range of these products they are manufacturing in China and there is very big area that they were manufacturing, they are manufacturing more than 3,000 doors per day and spread over very big area and they have a very big display also, though all they gave like live demonstration of doors and windows, all polished, be polished other things solid wood.

**Pranav Mehta:** Okay and Sir one last question regarding this MDF. So in MDF, what kind of EBITDA margins can we expect?

**Sajjan Bhajanka:** We expect it would be 30% plus because again the place where we are putting MDF that is the richest source of the plantation timber, Hoshiarpur, it is adjacent to Gurdaspur and then out of that Himachal is there, Jammu is there and this side, that side, in the east side of that is Uttarakhand, the entire belt is rich in plantation and somehow there is not enough demand for plantation so prices if substantially come down that is not good thing, people are eagerly waiting of our commissioning of the production. So that the price would go upward, but availability is plenty and usually for MDF plants keeping the raw material, but it is not the prime raw material. It is a secondary raw material leftovers, which is available between Rs2-2.5/kg. So that material is maybe 25% of the total availability, but in our area the total availability is more than five times of our requirement. Hopefully, we shall get 25% in the

leftovers from the vicinity only. If we have to go long way, then the logistic cost will be high. So in Punjab, Hoshiarpur, we do not think so.

**Pranav Mehta:** Okay. That is all my side. Thank you.

**Moderator:** Thank you very much. That was the last question. I would now hand the conference over to the management for their closing comments.

**Sajjan Bhajanka:** We thank all of you from the depth of our heart for supporting Century Plywood and with your support only we are maintaining our image as one of a leading plywood manufacturers and with the difference and we shall try our best to give the best value to our investors and wherever possible to add value to the products, bring some value-added products, keep on expanding. So, the growth would be all round the organic, inorganic. Maybe one thing which I forgot to mention there would be one more angle that if there is shifting from unorganised because seeing the future prospective for plywood little blip, so we shall not like to add very much to the capacity. If otherwise it is not like in Punjab, we will put some plywood capacity because the leftover would be used in MDF. So, we shall get free raw material in MDF and timber cheaper, so in the next page, we shall put a plywood capacity also in Punjab, but in future we will restrict it and then in between if there is more demand, we shall buy material from some wood manufactures, we will tie up with them and maybe will market that product with low margin, so in that traded material maybe EBITDA would be less and but that would give us additional volume and added profit, so we are trying for that. Thank you very much for your patience. I think it was more than one-and-a-half hour. Thank you very much.

**Moderator:** Thank you. Ladies and gentlemen on behalf of Ambit Capital that concludes this conference call for today. Thank you for joining us. You may now disconnect your lines.