



“Century Plyboards (India) Limited  
Q3 FY2022 Earnings Conference Call”

January 31, 2022



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**Moderator:** Good day, Ladies, and gentlemen, welcome to Century Plyboards (India) Limited's Q3 FY2022 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference 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. Navin Agrawal – Head, Institutional Equities at SKP Securities Limited. Thank you, and over to you, Sir!

**Navin Agarwal:** Good afternoon ladies and gentlemen. On behalf of all of us at Century Plyboards and SKP Securities, it is my pleasure to welcome you to this financial results conference of Century Plyboards India Limited. We have with us Mr. Sanjay Agarwal - Managing Director and CEO along with his colleagues Mr. Keshav Bhajanka - Executive Director and Mr. Nehal Shah – CSO and Head, Investor Relations. We will have the opening remarks from Mr. Sanjay Agarwal followed by a Q&A. Thank you and over to you Mr. Agarwal!

**Sanjay Agarwal:** Thank you for taking your valuable time out for attending the Q3 FY2022 Century Plyboards Investor Conference Call. I am Sanjay Agarwal - Managing Director of Century Plyboards India Limited. I have alongside me Mr. Keshav Bhajanka and Mr. Nehal Shah - CSO and Head of Investor Relations.

I presume that every one of you would have gone through our numbers in detail. Let me still brief you on the key highlight for Q3, and I also wish and hope that everybody is fine during this COVID pandemic and we hope that this is no more a pandemic but an endemic now.

Let me start with the CFS segment first. Earlier our commentary was that we would hive off our CFS in a wholly owned subsidiary and we are happy to share now we are taking a step further and have decided to demerge this business all together that means we are committed to exit out of this business within next 18 to 24 months. The reason for this easier exit is the current bid, which we want, which will transform this division from a slow going CFS business into an integrated port operation business. After we have won the bid, we have been receiving interest from national and international investors already, and hence we presume that the exit will be much easier and beneficial.

Besides this we assure you that as a company we stay invested into our earlier commitment that our focus will stay on the businesses, on the lines we are into, and we assure all of our investors so for coming at least three years.

Coming to our key focus area, which is wood panel business. After delivering a record Q2 numbers, it gives me immense pleasure to share that we have achieved a new record once again of achieving 845 Crores revenue in a single quarter. While October 2021 sales were



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strong, November sales got impacted due to festive holidays and extended marriage season. However December 2021 bounced back beyond our expectation. Within bracket I must say that it was the best month ever in CPL's history, which gives us enough confidence of good times to continue. This also gives us confidence into all the efforts we have undertaken that they are resulting positively for the company. Pleased to share that our December volume in plywood and MDF segments were double digit higher compared to the earlier best September month indicating the buoyancy in demand in both the segments. While laminate December volumes were a tad lower compared to September, particle board volumes were lower by double digit due to floods in Tamil Nadu, which impacted timber availability very badly. The business is now backing into its usual glory.

Despite the sustained input cost pressure, we have been able to migrate large part of our gross margin pressure by taking corresponding price increases. Now that happens with a little lag across product segments and also through operating leverages while our gross margins were down by 230 BPS year-on-year to 47.6% in Q3 FY2022. Our overall EBITDA margin for the quarter stood firm at 17.9% a contraction of near 70 BPS year-on-year.

Price increases we have taken considerable price increases in Q3 across product segments, 3% to 4% in plywood, 4% in laminate, 18% in MDF, and 12% in particle board. As some price increases were taken in second half of the quarter. The full impact of those price increases will get reflected only in Q4. Our MDF Brownfield expansion at Hoshiarpur is as per schedule and is expected to come on stream in Q2 FY2023. Our south MDF Capex has received all requisite approvals, and the groundbreaking also happened in Q3. We have finalized capacity of 950 CBM per day at a Capex outlay of 600 Crores, and we expect the facility to come on stream by S2 FY2024, and here I must mention that Keshav Bhajanka has been handling this project single-handedly, and he even got the Chief Minister to come for groundbreaking and the negotiation with the machinery supplier SimpleCam has brought down the total Capex for a 950 CBM project.

We are also putting up a Greenfield laminate manufacturing unit in Andhra Pradesh in two phases with an installed capacity of 4 million sheets and a capital outlay of 200 Crores. Our working capital stands reduced to 48 days in Q3 versus 68 days in Q2 FY2022, but I must say that we should still not expect this to stay exactly like this, but we will be trying our best to keep it as usual within whatever we had 50 or 54 days or something, we will like try to keep it within that.

We remain a net cash positive company with net cash position of 217 Crores. Our Q3 FY2022 ROCE stood at a healthy 35.6%. Outlook, while we enter into Q4 with COVID third wave impacting January 2021 sales. We expect the lost sales to be covered in February and March



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as our production has not been hurt at all. We also believe our gross and EBITDA margin are likely to see sequential improvement across the product segment driven by recent price increases and expected operating leverages, but we still maintain our guidance as usual for ply at 13% to 14%, laminate 14% to 15%, MDF 27% to 28%, particle board 24% to 25%.

So ladies and gentlemen I hope I have been able to touch all the points, which concern our investor, and now I open the question lines, so that anybody can ask a question he or she wishes.

**Moderator:** Thank you very much Sir. We will now begin the question-and-answer session. The first question is from the line of Rahul Agarwal from Incred Capital. Please go ahead.

**Rahul Agarwal:** Good afternoon and thank you for the opportunity. First question was on laminate margin. The way to understand this was essentially this is a temporary number 12.8% EBITDA margin for laminates in third quarter and purely because of higher input prices in price hikes a bit which we have highlighted that there was some lag effect. So broadly we should assume that fourth quarter should come back to the normal 14%, 15% range, is that understanding correct.

**Sanjay Agarwal:** Yes, the understanding is correct. These margins going to be taking with a pinch of salt because we also have close to 5 Crores expenditure on Boston Consulting Group who have been taken on as a consultant to grow sales in the laminate division, this is an expense that will last for another couple of quarters and post that, which is no longer than the balance sheet, if we remove this expense, margins in this quarter were also closer to 16%.

**Rahul Agarwal:** This is 5 Crores per quarter, right.

**Sanjay Agarwal:** Yes, per quarter.

**Rahul Agarwal:** And Sir, second question then I will come back in the queue was on the port development contract. Would you explain as you mentioned a 200 Crores total Capex, I would imagine there will be a debt equity here and plus obviously this will be spread out over three to four years, but as you have highlighted that you will want to exit the overall business including the CFS over 24 months. Could you highlight what is the commitment from CenturyPly and why has this come as a negative surprise to us because essentially I thought we are not really planning to invest into the CFS business. Thank you. That is my second question.

**Keshav Bhajanka:** It is a very, very good question. You see, this is something which we are doing with the viewpoint to demerge the business going forward. The objective here is very simple. We will only be focusing on our core businesses, if you look at this business individually today it is



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not performing very well. With this new development this becomes a very good value proposition and as such the business will be demerged and there will be other entities who will be coming into the same country's involvement in this is going to be minimal, the total Capex required is 200 Crores over two phases, right now we are not even discussing phase two the Capex requirement is only 95 Crores over the course of the next three years and that is what we are looking at. I think the entire demerger process should be completed within next 24 months and Century is again I would like to re-emphasize we are focused on our core sectors only. This development will inch, so that we could define this as a strong equity investment and this business will no longer when we have had the Century.

**Sanjay Agarwal:** And just to add what Keshav said the capital commitments in Century Plyboards would be only limited to 35 Crores.

**Rahul Agarwal:** That is the equity competent, right.

**Sanjay Agarwal:** Yes.

**Rahul Agarwal:** Okay got it. I will come back in the queue. Thank you so much for answering my questions.

**Moderator:** Thank you. The next question is from the line of Rajesh Kothari from AlfAccurate Advisors. Please go ahead.

**Rajesh Kothari:** Good afternoon Sir, thanks for providing the opportunity. First of all congratulations for a great set of numbers. Sir, in this overall when you look at the outlook of this industry considering that real estate overall industry is doing really very well, which actually comes for your kind of a product whether it is styles or plywood probably about two, three years after the sales or registration happens. So currently kind of demand environment what we are seeing which is very robust there is primarily it is driven by what factor.

**Sanjay Agarwal:** You see, you all know that a lot of actually work in progress or there was a lot of real estate which was actually lying and sold also and we know that the record number of registrations happening in a City like Mumbai when some special discounts were given by the local government for registration so all those things are making the difference that is number one. The second thing why a Century Plyboard kind of a company is getting special growth there are number of measures we have undertaken over the last two, two and a half years and all those measures are actually resulting we have involved BCG, we have involved Vector, we have our GTM has totally changed the go to market or whether it is plywood or whether it is laminate or whether it is MDF also is not like what it used to be in the olden days everything every person is being monitored and it is very, very, only focused on growth not on the maintenance so much. Maintenance part is only just 30%, 70% focus has shifted to growth.



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So all those things are now have started giving us the results and I hope going forward they will prove of course they are a risk because we have changed the way we operate, but now they are showing the results we believe that in times to come they will do they will give us whether better results.

**Rajesh Kothari:** And Sir, my second question is on this the logistics segment. Currently I think this business makes about 20, 25 Crores EBITDA correct me if I am wrong on an annualized basis. So once this new project starts I do not know what is the first year of operation of this new project how do you see the total logistic business EBITDA.

**Sanjay Agarwal:** The new business should have a turnover of close to 100 Crores plus at 90% capacity utilization, I think that we will be looking at the EBITDA margin of 25% to %30 on the same this is a conservative estimate it could even be slightly higher you are right the current business does have an emitter frequently close annually and both these businesses put together should have an EBITDA of 40 to 45 Crores four years time.

**Rajesh Kothari:** So basically in the first year will be which here will be first year so basically this project starts from when.

**Sanjay Agarwal:** The first year of operation will be year 2025.

**Rajesh Kothari:** You mean April 1, 2025.

**Sanjay Agarwal:** Yes April 1, 2025, so FY2025.

**Rajesh Kothari:** And very first year itself it can do 25 Crores EBITDA or it will take time for ramp up.

**Sanjay Agarwal:** It will take time, first year the EBITDA is going to be low, first year we are assuming that we will be at 60%, 65% capacity utilization and then we will move forward from there.

**Rajesh Kothari:** Understood great Sir, thank you Sir, I will come back in queue. Wish you all the best.

**Moderator:** Thank you. The next question is from the line of Girish Choudhary from Spark Capital Advisors. Please go ahead.

**Girish Choudhary:** Yes, thanks for the opportunity. A couple of questions from my side just again hopping on the margins in the laminate segment this has been pretty volatile over the last year or so and the couple of quarters to say 20% plus and now back to 13%. So how one should read this and then what would be a steady level to expect.



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**Sanjay Agarwal:** You see we had given guidance from this last time as well I do not think 20% plus is sustainable in laminates. We were targeting doing 16% to 17% on an annualized basis and I am very confident that we are going to finish along that line of course. This quarter because melamine prices increased drastically, melamine prices increased from the \$800 levels to \$3500 levels, which is an increase of 300% plus. So that impact came predominantly in the last quarter, some of it will be impact in this quarter, but we have taken price hike against the same I think this quarter you will be looking at better margin closer to 15%, 16%.

**Girish Choudhary:** Secondly just a clarification on this logistics business capex. So of the 200 Crores capex Century will be putting in only 35 Crores. So what about the rest is there a partner coming in or will it be funded through internal accruals?

**Sanjay Agarwal:** As of now the 200 Crores will go to two phase right in phase one become it was maybe total of around 90 Crores, 95 Crores not more than that and we will be investing only 30 Crores in that quickly we will be taking on that but this is going to be in a separate entity altogether and in the separate demerge entity we could be looking to take up some partners. As the MD has already mentioned we have received a lot of interests post this development and we are actively exploring at a good valuation to take on a partner in the same.

**Girish Choudhary:** Got it. Lastly on the particle board segment you have been consistently operating in excess of 100% despite that there is no intention or I just wanted to know the thought process on the expansion in this category margins are pretty good 26%, 27% and recently we also seen a large capacity addition from Greenlam. So what are your thoughts on this business?

**Sanjay Agarwal:** See, we have I think I do not really remember, but I think we have a little spoken earlier also that we are working we are actually yet to decide but we are working on expansion of the capacities all different kinds of module possible and we are doing a completely deep dive into the sizes, into the market, into the location of the plant and all those are going on I think very soon we will be in a position to take a decision and go ahead with that we will be able to announce our decision actually, but till now the decision has not been taken but it is at the final stage. So as and when we take the decision I am sure it will be informed, but yes it is you are very right that we need to go into that direction and we will be going into that direction.

**Girish Choudhary:** Got it sir. Thank you and all the very best.

**Moderator:** Thank you. The next question is from the line of Sneha Talreja from Edelweiss Securities. Please go ahead.

**Sneha Talreja:** Good afternoon Sir, and thanks a lot for the opportunity. A couple of questions from my end; firstly going back to logistics business is there any such large contract that we have bid for which could come in as a surprise at a later stage.

**Sanjay Agarwal:** No, there has been no bid other than this. This is the singular bit that they have made and thankfully they have been allotted the same.

**Sneha Talreja:** okay no other bids where decision is still pending to come.

**Sanjay Agarwal:** No other bids and it is categorically decided that there will be no more bids going forward. This way action done to make sure that this entity will become viable on its own going forward and it was a one-off decision and we are going to stick to that.

**Sneha Talreja:** Sure, got that, and you also mentioned about demand being very strong again from December onwards, how is the trend that we are seeing from Jan onwards is it the double-digit demand growth again back and you also mentioned that demand is coming back from untold inventory and all you are getting sold. Have you done some analysis wherein it has got a direct correlation with the amount of registrations that we are doing or is it a PAN India level demand that we are currently seeing.

**Sanjay Agarwal:** You see in January first few days the demand was very poor the outlook was not good because of COVID we had a number of team members who were unwell who were. So the first 15 days the outlook was not good at all, but the recovery in the past 10 days has been fantastic and I think they are looking if this is the case they are going to be looking at another very strong quarter. With regards to registration data we tried doing a correlation but we saw that in markets where registrations were good also and in markets where registrations going so good both those markets were doing well. So we were not able to actually take out any sort of a correlation and we have been growing PAN India and we are seeing growth in more geographies both Urban and rural. So for us we have not been able to find any try to link with the data.

**Sneha Talreja:** Sure got that and my last question was related to certain new products you definitely mentioned that you are open to the particular board market which is now a well-explored market with two players like Greenlam and Marino announcing entry but there are lot of other product categories that we are seeing on ground which are maybe pretty niche but where opportunities are high are you open to those kind of opportunities in the wood panel space and are you open to looking at new categories apart from the regular plywood laminates and MDF and particle board division.

**Sanjay Agarwal:** What are that these items you are renting it?

**Sneha Talreja:** So basically we actually see a lot of panel work in the market we see a lot of charcoal work these days in the market there is a lot of niche wooden flooring is a very basic on a very big market where you all are not there are you all open to such kind of niche category also to enhance the growth.

**Sanjay Agarwal:** No, you see wooden flooring, I can tell you wooden flooring is a very small business on India level whether at some time in the past we had entered into the segment and then we exited this is the number one point. As far as the wood panel segment is concerned particle board, MDF and plywood are the three main categories apart from that there is another product known as OSB Oriented Strand Board which I still be as a company do not see any possibility at the, but yes in future if we see the possibility in the market we will go for it because that is our line of business and will certainly get into it. There is a product known as PVC board we are already into it importing and marketing into the market because it competes with our product and it is being used by all the architects and IBs and contractors so for that as and when we see the market expanding in the future then we may consider then in this PVC board maybe in future we may enter into this because that is a business which is exactly competing with our plywood and our MDF so but we are already in the business and PAN India we have dealers and distributors for that. There is one thing more which cement board actually cement wooden board you can say. So we are into it in a small way we are trading at the moment but we do not see much of a great business going on or expansion happening in times in near future whether this product has been there for last 20-30 years in India but has really not done very well. So we do not see a big future for this so we are not looking into going great guns or going big time into it at all and these are the all the products which I think I know about is there anything else you have you can certainly have that. Just to add-on in the plant in the south the laminate unit that is coming in the south will have a larger product which is going to be a 14x6 press, this press is meant for compact laminates and toilet cuticles. So this is a new line of business which is it is made from the same laminate but it is not it is for a particular segment in a particular usage for toilet cuticles and restrooms. This will be operational from next year.

**Sneha Talreja:** That is helpful. Thanks a lot.

**Moderator:** Thank you. The next question is from the line of Venkat Samala from TATA AMC. Please go ahead.

**Venkat Samala:** HI! Thank you for the opportunity. Just one clarification, if you could throw some more color as to when did you put that bid for the logistics segment and because the backdrop behind asking this question is that when you held the five-year analyst meet recently there was no indication given of this. So just wanted to understand more on this.



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- Sanjay Agarwal:** So the biggest put in place more than a year ago. The reason it was not given is because again the purpose of this even after winning the bid. The purpose is the same we are looking to remove this entity into a separate entity. Now it becomes a more viable proposition but yes it was a complete oversight on our part we should have mentioned that we had put in place update in the five-year roadmap that was an oversight on the company's behalf.
- Venkat Samala:** Understood and I am sorry, I am asking you to sort of reiterate this but you are categorically stating that there will be no more than that 30, 35 odd Crores equity investment from your end right for this particular venture moving forward.
- Sanjay Agarwal:** Yes, 100% after this the venture will need to be self-supported it needs to become an entity on its own and it will run as per whatever financials that business has and he will have zero cash infusion into the business beyond that and Venkat just to add further more it is not only that we are not going to infuse in logistics, but again besides the initial penny which will be spending over the next two, three years it will be only and only within the wood panel space.
- Venkat Samala:** Understood, that helps. Thank you, thanks a lot.
- Moderator:** Thank you. The next question is from the lineup Akshay Chheda from Canara Robeco. Please go ahead.
- Akshay Chheda:** Thank you for the opportunity. Sir two questions from my side. In the plywood space how do you see the unorganized player shaping up especially in the Yamuna Nagar also because there were talks that they were facing challenges due to the working capital pressure etc. So how are they shaping up I mean are they still continuing to face challenges now. That was my first question, and second question is that since we have taken around 2% to 4% of price hike in the plywood. So now what would be the pricing difference between say a branded player like us and say an unbranded player. So basically I just want to understand that is there some market shift that is happening which is also helping us in posting such robust numbers. So yes, these are the two questions from side. Thank you.
- Sanjay Agarwal:** See, as far as I have been even in all my earlier declarations and discussions I have been very, very clear that Indian manufacturers even small ones are quite good at fighting it out in the market but yes I have firmly believed that the shift is happening and but happening slowly, very slowly. If it would not have happened we would not have grown the way we have grown and I am sure overall the market has shrunk overall the market has certainly shrunk, but we have grown, but this will happen at a very slow pace and in smaller manufacturers there are most of them will survive few of them may actually not may not survive. That is always has been happening and that will happen in future also. The second question you asked the price difference very frankly there is a price difference and even if it goes up by 3%, 4% or if it

reduces by 3%, 4% that does not really make much of a difference if the difference goes up by 10%, 15% the gap guidance by that much then it might make a difference. So I think I have been able to answer your question that the local people have tried to take increase in the prices they have failed to do so we have been able to take so the price gap might have increased by 4% or 5% but that is okay that does not really hurt. The only thing which has hurt them is actually the raw material because the imported raw materials were not available to them in between at different times but the prices are actually much more than because we are direct importer so all those things have happened from time to time, but yes otherwise I do not take them as a very weak competition I never take them as a weak competition actually.

**Akshay Chheda:** Okay understood. Thank you, Sir.

**Moderator:** Thank you. The next question is from the line of Hrishikesh Bhagat from Kotak AMC. Please go ahead.

**Hrishikesh Bhagat:** Thanks for the opportunity. My first question is what was the A&P spend that is there probably in FY2012 and for 9 months for this year and how do you see that A&P spend panning out over the next two years. The second question is related to capex spend for FY2023 and FY2024.

**Sanjay Agarwal:** So I think in terms of A&P spend Nirav will give you the exact figure but as always we are within the targeted percentage we will not exceed the same and going forward next year we are looking to continue in the same way we are looking to have an aggressive campaign very similar to this year it has aided us in growing our volumes and I am very confident that next year we should have even more robust campaign perhaps with not much more additional expenditure. In terms of capex the capex plans are the same as we had guided earlier if you have the new MDF plant that is coming up with the laminate unit and that is our primary capex the Hoshiarpur unit should become operational within Q2 of this year.

**Hrishikesh Bhagat:** But this 600 Crores capex I saw 600 CBM now the capex for 900 CBM how will it be spread out over 2023 and 2022.

**Sanjay Agarwal:** The majority of the capex will be coming over the course of the next 16 months now this timing of it will depend on the machinery dispatch etc. we will get back to you, but the majority will be happening over the course of next 16 to 18 months.

**Hrishikesh Bhagat:** And you are fairly confident that 2H 2024 this capacity should come that will not be a challenge in the sense with the timeline with machinery and all this.

**Sanjay Agarwal:** We are very confident H2 FY2024 this capacity will definitely come.

- Hrishikesh Bhagat:** Thank you.
- Moderator:** Thank you. The next question is from the line of Achal from JM Financial. Please go ahead.
- Achal Lohade:** Congratulations for the great numbers, Sir. My question is in terms of the plywood business obviously third quarter has been extremely good, better than second quarter but if I were to look at nine months the growth in terms of volume on a two-year CAGR is about 8% now the question is a) is that largely in terms of the market share gain in the premium segment economy segment if you can give some color in terms of the mix for the current quarter or nine months versus last year.
- Sanjay Agarwal:** I think there is a mistake in the data because Q3 was not bigger than Q2. Q2 is actually larger than Q3. So I think perhaps there is something wrong with that data point. Achal it is more to do with revenue growth because of realizations being higher but in terms of volumes there has been a decline of 2.3% quarter-on-quarter.
- Achal Lohade:** Yes, so I was more checking from the volume perspective for nine months and in terms of specifically for economy and premium segments how they have done.
- Keshav Bhajanka:** Yes, sure. If you look at our Sainik segment yes I think MD would touch base on that.
- Sanjay Agarwal:** No, but I think Club Prime on year-on-year has grown about 11.4% and Sainik MR has not grown too much it has grown by only 3.8% whereas Sainik TF has really grown beyond 50% so and that will better our position because the prime cannot grow more than about 8% to 10% that is the growth we really plan and we really plan that the major growth will come from Sainik 50% to 40% that will bring down the average price because actually you are selling a lower price segment more and that quantity is getting more and more so average price will go down but that does not mean that the price of all the goods are going down. As far as prime is concerned that is our bread and butter and our eyes are all focused on our prime segment and that has grown by 11.4% and I do not remember in last four or five years actually we have done a double-digit growth in our prime. So I think that is a good thing to happen.
- Achal Lohade:** Sure and in terms of the margin profile between prime and non-prime are they similar what kind of margin difference is there.
- Sajjan Bhajanka:** You see Prime certainly has a much better profit. There is no two things about it and Sainik will have lesser profit, lesser price. I would not like to really get into the real detail of how much profit we make in the Prime and how much profits we make and sell it, but overall you see the company's profit is going up and we have been able to still maintain our EBITDA within the range that we have been always discussing. So I think that should be even looking



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forward even going ahead sometimes the EBITDAs may go up but then we are in my speech also I told that we are looking forward to maintain it within that percentage we have always declared not today but for last few years I think we are in the same segment.

**Sanjay Agarwal:**

Achal just to add our focus on value addition always remains which is premiumization where we are focused on Club Prime has always been very, very strong and that is why we have been able to get the double digit growth even in Sainik segment we have immediately turned back to a value addition where our Sainik PF has started really doing well so in fact even on the distribution side we are seeing a lot more dealer addition in the Sainik segment particularly for the platinum so even within the economic segment our thought process is to continue to increase premiumization by virtue of selling more of PF versus MR.

**Achal Lohade:**

Understood. Just one more question with respect to the project. So what I wanted to check is that this win is more incidental rather than really the thought with respect to demerger is that understanding right because I mean I am just curious to know on one hand we have a CFS business on the other hand we are talking about port operations which are somewhat different business than really handling the container or doing getting custom cleared in the CFS so just wanted to understand if this is more incidental than really from a demerger perspective.

**Sanjay Agarwal:**

See as far as the operation of this port is concerned you see we are not building a port building this port what we have got will cost actually 1000s of Crores very frankly and we are getting it for a song very frankly. The operations we are actually already on the all the operations we will be doing we operate big cranes we do stevedoring we are doing a transportation we own I do not know how many trailers we own exactly I do not really remember also all the operations are very, very well known to us and we are doing them on day in and day out basis because of our CFS. We are handling cargo at the port same thing we will be doing and we have understood it and decided only after understanding it very, very deeply. Now why do we want to demerge it. That is because basically we are getting a very big boost back from investor community that is one of the reasons that yes otherwise I would love to keep it in Century Plyboard but then it seems that our investors are not happy so why not we have no problem. Number two we also believe that by adding this port in the CFS this is becoming our business potential opportunity because the kind of calls we have received in last two, three days it is just amazing so that is why we believe that coming going ahead actually now demerging it will bring in better value for all of us.

**Achal Lohade:**

Understood and just one clarification on the laminate piece in the second quarter call we had talked about the laminate realizations are too high these are not sustainable third quarter we see that obviously this has improved further with the price hike but just wanted to get color

in terms of the laminate realization how do you see it what has driven this increase is that only price increase is like makes or is that export driven.

**Sanjay Agarwal:** No, but we have never said that realizations are going to taper off we had said that profitability in the last quarter that profitability is unsustainable realizations in laminate have gone up and they will go further in the current quarter we took our last price increase in the month of December so if you look at the laminate realization for Q4 they will be even higher than Q3.

**Achal Lohade:** Understood so that means you were more talking about margins than really the realization now.

**Sanjay Agarwal:** Yes, we were talking about margin a 20% EBITDA margin that in laminate was not sustainable that was the point we are trying to make.

**Moderator:** Fair point. Thank you so much, wish you all the best.

**Moderator:** Thank you. The next question is from the line of Nikhil Agrawal from VT Capital. Please go ahead.

**Nikhil Agrawal:** Good evening, Sir. Thank you for the opportunity. I wanted to understand you said that your realizations in the laminate segment but your quarter-on-quarter revenue has fallen down and your sales of per state also fell down so it is because the market has not, they are not taken the price hike surely I mean the market has not reacted positively to the price hike?

**Sanjay Agarwal:** No this is the trend every year you will see in the laminate sector Q3 is typically weaker than Q2 because in Q3 we have one less amount of operation in a sense Diwali, Durgapooja Chatpooja all of these come in the same quarter. So Q3 is the weaker quarter the price increases have not led to this, this is the annual phenomenon and you will see in Q4 the volumes are going to look far better.

**Nikhil Agrawal:** So but we do not see the same pattern in plywood MDF and particle board we only see this in laminates.

**Sanjay Agarwal:** In plywood also in terms of volumes Q2 is normally slightly higher than Q3 the simple reason being that in Q3 we have Diwali, Durgapooja and during this time period work yes sales do slowdown that is a bit in MDF and particle board I think that, that skew is not as better as predominant.

**Nikhil Agrawal:** So we can expect better growth in volumes in Q4 it is like that what the maximum of that is.

- Sanjay Agarwal:** That is what FDS communicated on us opening speech.
- Nikhil Agrawal:** And sir like what is the maximum capacity utilization across all your segments like MDF< Plywood, laminate, and particle board.
- Sanjay Agarwal:** Yes, so laminate so in the quarter which has just gone by the capacity utilization has been at 86% for plywood the capacity utilization is at 81% for MDF the utilization has been hovering around 95%, 96% and for particleboard it is more than 100%, 103% to be précised.
- Nikhil Agrawal:** So like through debottlenecking what is the maximum cultivation that we can achieve.
- Sanjay Agarwal:** So let the debottlenecking happen and add the capacity so currently since you are talking about debottlenecking we have debottlenecking going on in couple of our factories particularly in Chennai and in Guwahati I think you will soon hear us adding capacities there it will take time probably over the course of next two to three quarters so current capacity remains at 3 lakhs we would increase our capacities through debottlenecking in this financial year and possibly over the next 16 to 18 months through the addition of our Hoshiarpur factory.
- Nikhil Agrawal:** Okay Sir that is it for my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Udit from Yes Securities. Please go ahead.
- Udit:** Yes Sir, thank you for taking up my question. Most of the questions have been answered. Sir, if you can just help me what will be your domestic and export split into the laminate business.
- Sanjay Agarwal:** In laminates our state has been more or less consistent over the course of the past four, five years we are looking at close to 25% to 30% by volume for export. I think going forward we are going to be looking to grow exports at a slightly faster pace this is going to be aided by the new capacity that comes in the south which has larger sizes but I think exports will inch up to 30% plus of our total volumes.
- Udit:** Sir like you mentioned that the price I exactly took will come with a lag impact so but looking at the current situation from your end are their raw material prices still charging and would you take another price hike during the quarter.
- Sanjay Agarwal:** As of now there is no further price increase that is being caught up on there has been a tapering in certain raw materials and we should get the benefit of that going forward it is a very dynamic scenario prices have; I have not seen commodity markets by volatile in my entire

career. So I would not like to comment much on it right now but at this point in time there is no further pricing increase that will be thought of in the laminate particle.

**Udit:** Got it. Thank you and all the best, Sir.

**Moderator:** Thank you. The next question is from the line of Rahul Agrawal from Incred Capital. Please go ahead.

**Rahul Agarwal:** Yes, Hi! Thanks for the follow-up. Just a couple of questions firstly on the MDF realizations they have been highest ever and this might be a function of multiple factors right strong demand price hike sales mix I saw pre-lam MDF at 22% of total sales and there might be also an element of lower imports into South India is this sustainable at this level or what should we build.

**Sanjay Agarwal:** I could not hear the question could you just put up the question actually.

**Rahul Agarwal:** Sir, I was talking about the MDF realizations my sense is there are multiple factors driving this there will be price hikes strong demand sales mix in terms of higher pre-lam MDF sales and also there might be lower imports in South India is this sustainable here at 32000 or any thoughts Sir on this.

**Sanjay Agarwal:** See this question I think have been raised I think earlier also and I understand that from investor community this is a very good question you see it will always you will see that every industry is identical and so will be MDF. So as and when the factors change and the factors what are the factors the supply and demand. So demand is growing say at a pace of say 15% per mm so that is on an average you can say sometimes it may be 15 or 12 or 14 or 18 something like that but then the supply may change drastically because suddenly some new extra plants may come up suddenly imports they become viable so all those sectors are there for every industry so as and when those sectors come in we have seen those times earlier also and those times may come but I do not see anything in next one and a half, two years I really do not see much of a challenge very frankly there is not much capacity coming up only one plant which I think ours only in North India which is also 350, 400 cubic meters per day which is happening. So I really do not see much of a challenge in next two years time. Now what will happen when our new plant will come in at that time whether the imports will be easier to make or what we will understand in times to come but I can tell you any investor must always have discount that there will be a cycle there will be bad phases and good phases in every industry.

**Rahul Agarwal:** So is that the demand is higher than the supply today for MDF is that the situation in the country today.

**Sanjay Agarwal:** I would say it is higher than the demand we are able to meet up whatever the demand is there and I think all the capacity presently is being utilized if somebody is unable to utilize it might be due to his own internal vision so I really do not feel that there is not too much of a demand otherwise we would have been under pressure to increase the prices again which we really do not see at this moment.

**Rahul Agarwal:** Got it sir and secondly the tax rates for nine months have been higher at 30% any specific reason for this.

**Sanjay Agarwal:** We do not actually say we are still utilizing our MAT credit vis-à-vis the same it showing a 30% of the actual payout in the company is only 17% or 18% Abhishek will get back with the exact details and from next year we will in any case move on to the 25% ratio.

**Rahul Agarwal:** So basically we are under the old text regime next financial year we will move on to the new tax regime with tax rate at 25.15%.

**Sanjay Agarwal:** Yes.

**Rahul Agarwal:** Got it Keshav thank you so much all the best.

**Moderator:** Thank you. The next question is from the line of Praveen Sahay from Edelweiss Financial. Please go ahead.

**Praveen Sahay:** Thank you for taking my question. So just a clarification what is the current capacity of a Plyboard and the MDF right now.

**Sanjay Agarwal:** So current capacity of plywood is at 3 lakh CBM and the current capacity at Hoshiarpur MDF facility is 2 lakh CPM.

**Praveen Sahay:** And can you give again reiterate that for the MDF two of the capacity expansion timelines when that is a Brownfield and to Greenfield.

**Sanjay Agarwal:** Yes, so I will just give you the synopsis of what has been current capacity addition and the timelines as well. So we will be coming up with the expansion the Brownfield expansion in Q2 of the next financial year and we will be coming up with the Greenfield unit in Andhra by H2 of FY2024.

**Praveen Sahay:** So by H2 of FY2024 our expanded capacity would stand at 1900 CBM so Hoshiarpur will be 600 plus 350 and the Greenfield project at Andhra would add another 950 so total will be 1900 CBM.



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**Sanjay Agarwal:** Okay great that is it. Thank you, thanks a lot.

**Moderator:** Thank you. As there are no further questions, I now hand the conference over to Mr. Sanjay Agarwal for closing comments. Over to you, Sir!

**Sanjay Agarwal:** Ladies and gentlemen thank you. Thank you for your time and thank you for your interest on Century Plyboards. We hope that we will be able to deliver similar results.

**Moderator:** Thank you very much. Ladies and gentlemen, on behalf of SKP Securities Limited that concludes this conference. Thank you all for joining us and you may now disconnect your lines.