



“Century Plyboards (India) Limited Q3 FY24 Earnings  
Conference Call”

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**MR. KESHAV BHAJANKA – EXECUTIVE DIRECTOR**  
**MR. ARUN JULASARIA – CFO**

**MODERATOR:** **MR. NAVIN AGARWAL – HEAD, INSTITUTIONAL**  
**EQUITIES, SKP SECURITIES LIMITED**

**Moderator:** Good day ladies and gentlemen, and welcome to the Century Plyboards (India) Limited's Q3 FY24 Earnings Conference Call.

As a reminder, all participants' 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 call, please signal an operator by pressing "\*" then "0" on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Navin Agarwal – Head, Institutional Equities at SKP Securities Limited. Over to you, sir.

**Navin B. Agarwal:** Good afternoon ladies and gentlemen. It's my pleasure to welcome you to this financial results conference call on behalf of Century Plyboards and SKP Securities.

We have with us, Mr. Sanjay Agarwal – MD and CEO, along with Mr. Keshav Bhajanka – Executive Director, and Mr. Arun Julasaria – CFO.

Please note that this conference is being recorded for compliance reasons. And during the discussion, there may be certain forward-looking statements which must be viewed in conjunction with the risks that the company faces.

We will have the "Opening Remarks" from Mr. Sanjay Agarwal followed by a Q&A session. Over to you, Sanjayji.

**Sanjay Agarwal:** Good afternoon friends. Thank you everyone for taking out your valuable time for attending the Q3 FY24 investor conference call for Century Plyboards (India) Limited. I am Sanjay Agarwal – MD and CEO, of the company. I have alongside me, Mr. Keshav Bhajanka – Executive Director, and Mr. Arun Julasaria – CFO, of the company.

I presume that every one of you would have gone through our numbers in detail. Let me still brief you on the "Key Highlights" of Q3 FY24:

The demand for our products is correlated to the occupancy of new housing units, as our products are used for the interior of houses. The demand for our product comes only after the apartment is ready for occupation. Any real estate project, depending on its size, has a time horizon ranging from 4 to 6 years or say average 5 years. Out of these 5 years, 3 years are for the superstructure stage – steel, cement, pipes, bricks, etc., are used. After this comes at the second stage of completion of the house where tiles, paint, sanitary-ware, electricals, doors, windows, glass, elevators, etc., are required. After completion of 5 years when the building is completed and the apartment is handed over to buyers for occupation, interior work-related materials like plywood, laminate, fitting, drapery, and other home improvement products are required.

The real estate industry suffered with low demand and high ready-to-occupy inventory till 2019-20 or before the outbreak of COVID. In view of piled up inventory, the real estate developers were not launching many new projects. In the post-COVID period, the culture of the workplace was shifted from office to WFH (work from home), and people realized the importance of owning a decent home, which led to a sudden spurt in demand for apartments. People started to invest in buying apartments, which in return resulted in fast depletion of ready-to-occupy inventory, which lasted till '21 and part of '22. The builders started to launch new housing projects post '21 and most of the projects are in the first or second stage as mentioned above. All such projects will start to complete from 2025 onwards. Of course, there are still inventories in this phase from earlier stocks also. We experienced a spurt in demand when piled-up inventory of ready-to-use houses were sold and occupied. We again expect such spurt when ongoing large number of projects will start to deliver in '24 and '25. Till then, especially I must say that maybe from '25, till then the market will remain sluggish. But with our brand pool and sales & distribution network, we shall not only maintain our market share but also book a moderate growth.

On an overall basis, the industry is facing an increasing trend in raw material costs, which cannot be passed on in view of sluggish demand. So, profitability also might be slightly impacted. Overall top line for Q3 on a year-on-year basis was up from Rs. 872.94 crores to Rs. 929.89 crores, higher by 6.5%. However, EBITDA was lower from Rs. 133.47 crores to Rs. 115.81 crores. The EBITDA margins are marginally lower due to company's spending on brand building activities and deputing reputed consultants like McKinsey and BCG for advising the company on capacity building, the benefits of which will accrue in future.

On a segmental basis, all major segments booked top line growth while plywood profitability was majorly down due to Royal Club Dealer Meet expenses of about Rs. 7 crores once in 2 years, which was booked in Q3 and engagement of McKinsey for advising on boosting sale of prime products during Q3. Laminate division profitability was majorly down due to increase in manpower cost for creating a new team of newly launched Sainik laminate, which will take time to ramp up.

MDF profitability is majorly down due to lower average realization and increase of raw material cost. Particle board profitability is substantially down due to lower average realization caused by import competition and higher raw material cost. As Q3 is a period of festivals when carpenters go home and people are engaged in festivals, the working days on interior sites are reduced and sales is reduced. However, such loss of sales is compensated with increased demand in Q4. We historically have Q4 better than Q3. Both plywood and laminate business will have better and increased top line and bottom line compared to Q3. With the BIS standard becoming mandatory from 11th February 2024 for both MDF and particle board. Import competition for these products will substantially reduce and benefit domestic producers both on sale and profitability.

On the scheme of hiving off of logistic CFS division to SPV, we are awaiting certified copy of order sanctioning the scheme. On filing of certified copy of order with Registrar of Companies, the scheme will be retrospectively effective from the appointed date of 1st April 2022. Greenfield laminate unit at Andhra Pradesh has already commenced operations during this quarter, which is a big announcement now for us. The ongoing project of MDF at Andhra is on fast track and will commence operations within the current financial year.

With these remarks, I will open up to all the questions from everyone online.

**Moderator:** We will now begin the question & answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Parth Bhavsar from Investec. Please go ahead.

**Parth Bhavsar:** Sir, looking at your performance for both MDF and particle board segment, I just wanted to understand what sort of competition is there in the market and who all are adding capacity. If you could help me with a number.

**Sanjay Agarwal:** Two people have added large capacities. One is Greenply who have started a plant in Gujarat. And another one is Action TESA who have extended their capacity I think about 800 cubic meter plant or something they have started about 6 months back. These are the 2 major capacities which have come in. And there is about 400 cubic meters have been installed by us at our Hoshiarpur plant only. These are the 3 major capacities. Apart from that, there may be some small manufacturers also, which I am unable to list at this moment.

**Parth Bhavsar:** Sir, on the particle board side, we are facing competition from the domestic players or is it all imports?

**Sanjay Agarwal:** The other competition was from importers with a number of imports. The quantity of imports in Q3 is supposed to be about 1 lakh cubic meters in Q3. I think still it is getting imported. But after 11th of February, all imports without BIS will stop. But of course, the material within the system may take some time to dilute. So, maybe this FY will go into dilution of that. But after that, yes, at least that competition will.... because that is a competition which does not have the.... There are different input costs. So, for them, the question of raw material price or maybe other costs is different and for us it is different. So, that will go away from the system.

**Parth Bhavsar:** Sir, considering the competition that is there in the market both on the MDF and particle board side, do you think any big players like you, or the other guys would delay their CAPEX announcement or delay the projects?

**Sanjay Agarwal:** Whatever I know presently, ours is the next big plant which is coming into production and that will come into production within this financial year. There is no delay about that. And after that, we do not have any decision taken till now at the board level, but I think we are in this business,

and we will be contemplating taking further decisions. And we believe that the capacity and the markets of MDF and particle board in India are huge. And these are small things and temporary things which are happening, and it happens for every product and at every time. So, I don't think this would deter people like us. But yes, sometime in the near future may not be as good as it used to be.

**Parth Bhavsar:** Sir, if you could help me with the raw material cost for MDF for your north and South plant, or at least an idea where it was in Q2 versus Q3.

**Keshav Bhajanka:** In the north, MDF prices have increased and of course over the last few quarters. Considering last quarter, we would have been at around Rs. 6.5 to Rs. 7. We are looking at similar prices continuing for this quarter. Going forward, I don't see much further increase. At the same time, I don't see any reduction. In the South, while we aren't directly buying anything for our MDF unit, we are buying for our Chennai particle board unit. There we have seen a sharp increase in raw material cost. Compared to last year, the costs have jumped by in excess of 50% and there could be further escalation in this quarter.

**Parth Bhavsar:** Would it be at like Rs. 5.5 to Rs. 6?

**Keshav Bhajanka:** No, the South cost traditionally is much lower. Last year, the average for the year would have been less than Rs. 3.

**Moderator:** We will take the next question from the line of Sneha Talreja from Nuvama. Please go ahead.

**Sneha Talreja:** I just wanted to understand the impact of BIS implementation. When could we considerably see improvement in margins? Do you think that imports will start getting affected from now on? How serious is the government on this implementation? Because earlier we were thinking there would be delays or there would be a pushback in terms of at least 3 months or 6 months. There were a lot of predictions being made. Some guidance here would be really helpful.

**Sanjay Agarwal:** The plywood BIS has already been delayed. So, the impact on plywood we really do not know when it will come because even today, a little bit of plywood is also now getting imported in the country. As far as MDF is concerned, the date is final. The 11th of February it is getting implemented. So, no more products can come into the country. Customs will not clear any more material after 11th of February without a BIS stamp. But anybody and everybody in the system might have a material which may last for the next 2 months, may last for 3 months or 2-1/2 months. So, I believe about 3 months' time before you see better times.

**Sneha Talreja:** Sir, given that we also have so many smaller units in MDF based out of north, what's the kind of a cost that they will have to incur to get a license done? Any guidance there? Do you think it will be an easy move for them to basically move to BIS or a lot of them would actually face shutdown?

**Sanjay Agarwal:** As far as India is concerned, I think the manufacturers in India will get BIS and it's not very costly. So, the Indian manufacturers will get the license. It might take some time. And I am sure they must have already taken all the steps and they must be nearly ready. As far as BIS costs are concerned, they are not high.

**Sneha Talreja:** But will it lead to an increase in raw material cost because the kind of raw material that they would be using at this point of time – the smaller units – will that differ with BIS coming into play?

**Sanjay Agarwal:** Yes, there will be a little bit of a shift, but it may not be because their operating costs are already.... We believe that they are quite competitive as far as costs are concerned, and that is how they have survived in the system. Otherwise, by selling about 8% cheaper to us or 9% cheaper to us, they are already surviving.

**Moderator:** The next question is from Rahul Agarwal from InCred Equities. Please go ahead.

**Rahul Agarwal:** Sir, first question, I just want to understand a bit of range here. Here, what could be a base case for short term and then where are we headed in terms of recovery across segments in terms of revenue growth and margins? Just a ballpark range would really help.

**Keshav Bhajanka:** I think you should look at the panel, we are more or less in line with what we have given. In terms of growth, yes, the growth has been really slower. Even Q4 looks very different. But on the margin front, I think we will be more or less in line with guidance. In laminates, again, definitely we will be looking to maintain margins. But the growth that we are looking at, perhaps we are not going to have a very healthy growth. We could have single-digit growth in the current quarter. MDF, we are expecting robust growth, but I am sure that year on year, we will have a 20% plus growth. But the current circumstance is quite dynamic. We will have to wait and see for what the implication of BIS is and how soon that comes into play for me to give you any definitive guidance on margin. For the current quarter, I can safely say that margins for both MDF and particle board both are likely to be lower. Particle boards, the volume is likely to be consistent. We are pretty much at capacity utilization, so there'll be no major change. Going forward, next year onwards, we are hopeful once we add this fully incremental, both MDF and particle board should see an upside in terms of volumes and margins.

**Rahul Agarwal:** Sir, the second question was on brownfield and greenfield MDF capacities. Typically, how much time does it take to reach 90% to 95% utilization? If you could help me understand, let's say you started 400 CBM at the North India plant, what is the capacity utilization today and how does it ramp up over the next 2-3 years, like first year, second year, and third year? And similarly, based on the greenfield capacity, typically how would it ramp up? Obviously, the assumption is that demand is okay, and the competition is bearable. In that circumstance, how does it work?

**Keshav Bhajanka:** I think that given our basis now is that we look at 80% plus capacity utilization towards the second year of operation. That is how we envision any new capacity. Whether brownfield or

greenfield, if you talk about MDF or you cannot discount the market dynamics, but I think going forward, this is going to be the target for both our capacities. In terms of ramp up, in the north part, we are facing certain challenges with some thicknesses in the new line which we have now overcome. Going forward, I think 80% is a fair aspiration and we should be able to achieve for the new line capacity onboard and for the Brownfield expansion that we are undertaking.

**Sanjay Agarwal:** Rahulji, when the markets are in your favor, there will be faster utilization and also enthusiasm. And when the markets are not much in your favor, we also back off a little bit. This is just a human tendency I am talking about.

**Rahul Agarwal:** If I understood it correctly, you said 80% utilization is possible to reach within 12 to 18 months, is it?

**Sanjay Agarwal:** Yes, technically, we can ramp up within 1 year provided the market is there. If we can sell 80%, we can produce 80% in the very first year.

**Rahul Agarwal:** And one question was on the premium products. For plywood, you obviously had this Royal Club Meet. Just to understand some sales trends over here over the past 2 years, how is the Royal Club Prime and other premium players doing for you and how much do they account for in the overall plywood sales?

**Keshav Bhajanka:** We don't share data breakup between our premium and our non-premium categories. That is something that we don't do due to competitive reasons.

**Sanjay Agarwal:** At least we are not doing bad; that much I can tell you, but we are not doing excellent also as far as premium is concerned. The company wants to develop and grow mostly into premium products only. And that is why you will see that we are trying to consult sometimes BCG and sometimes trying to get in McKinsey and Vector and all those. Every effort is to actually try and do better in premium products actually.

**Moderator:** The next question is from the line of Keshav Lahoti from HDFC Securities. Please go ahead.

**Keshav Lahoti:** My question is repetitive that is on the BIS front. If you hear the commentary of other managements, they are more like let's wait and watch how it will shape out. The most bullish on the BIS which I found is Century. What sort of decrease in imports do you expect from BIS? Will it possibly this 1 lakh number can come down to below 50,000? What is your take? Why so bullish?

**Sanjay Agarwal:** We believe that after 3 months from today, for at least 6-7 months till then nobody will get a license. They will take their time. So, at least 6-8-9 months would be without any imports practically because without BIS, it will not be allowed. I have checked day before yesterday the records. Until now, nobody has had a BIS registration. So, I don't think that any quantity can come in. A drowning man will clutch at a straw. In these times, that will be a good thing to

happen to the industry. Of course, a lot of capacity has come in and consumption is growing as it was earlier also. But it will take some time to catch up. That's a normal thing to happen.

**Keshav Bhajanka:** For the international players to manufacture as per Indian standards, they will also need changes, adjustments, and it is not going to be as easy as simply switching on a button and changing. I think all of this makes us reasonably optimistic.

**Keshav Lahoti:** Coming on the CAPEX plan side, what we can see is there is some push of CAPEX from FY24 to FY25. One is on Hoshiarpur ply. Is the expansion running delay? And the second one is on the laminates. The laminates project has been commissioned, but yet you have not spent Rs. 50 crores. Whether the CAPEX size is decreased or how should we see that?

**Arun Julasaria:** Regarding laminates, the project was in phases. Right now, we have started only 1 line. Further lines will be added in the next financial year. Regarding the plywood plant at Hoshiarpur, we are going slow because demand for plywood is now on the lower side.

**Keshav Lahoti:** The second line would cost Rs. 43 crores. And what would be the size? Will it be 2 million sheets?

**Keshav Bhajanka:** There is a little bit of confusion here. I will just clarify. For laminates, we have commissioned the second plant also. Trial production has already started. The majority of the cost should be incurred within this quarter or next quarter later. For the additional 2 lines, additional CAPEX that will be done at a later stage.

**Keshav Lahoti:** Coming on the laminates side, normally we expect 13% to 15% type of margin. We have seen some improvement in margin sequentially but still it is subpar what Century can deliver. When should we expect Century should be back to normal 13% to 15% type of guidance?

**Keshav Bhajanka:** I think right now we are investing in a lot of new trends. If you look at the larger press, we will soon be starting our Sainik physical division. We have already created a separate manpower setup for Sainik laminate which we have launched, which is taking time to ramp up. I think you can look at this as a phase of investment where maybe for 2-3-4 quarters, the investment is disproportionately higher. But after that, like we said, our target will be 13% to 15% or even 14% to 16% long term. We will move back towards that, maybe in a time lag of a year plus.

**Moderator:** The next question is from the line of Praveen Sahay from Prabhudas Lilladher. Please go ahead.

**Praveen Sahay:** My first question is related to the MDF. For this quarter especially, I can see there is a good correction in the realization. Is that due to a competitive intensity, the prices were down and significant correction? Also, if I compare it with the peers, that's a quite significant correction. Is that you are going to maintain at this level and what is the basic reason for this correction?



- Sanjay Agarwal:** I think the competition has heated up in the last quarter and there was not much impact. But I believe that in this quarter, it will be a little higher than even last quarter. So, the prices have gone down by about 7% or 8%. And that should have an impact on the EBITDA and overall profitability.
- Praveen Sahay:** You are largely in North India, and in the fourth quarter onwards, you will expand to South India as well and more of the imports are happening there. Is it fair to assume that whatever the BIS norm implementation, you will get some kind of a benefit in the South? And is it possible like whatever the price correction or the overall realization correction you have got so far, to some extent, you will minimize that with this?
- Sanjay Agarwal:** What I believe because of the addition of so much of capacity – this is my assumption; these things are market related, so nobody knows, but I believe that – we will have better sales starting May and that will actually help us on improving our efficiency and more profitability. But I don't see prices going up in the next 6 months' time. Yes, anything can happen, but I don't see it because for 3 months, you have already stocks here, and after that, you have so much of capacity which needs to be consumed till now. That's why I don't see it. But, yes, after 6 months I see there could be support.
- Praveen Sahay:** Moving to the plywood segment, and as you had mentioned that because of the dealer meet and as well as your consultant hire, your margin profile has deteriorated. Can you give a timeline and if possible, the quantum you are paying for the consultant?
- Sanjay Agarwal:** Consultant's quantum money we cannot tell, actually, but we have given the cost we have incurred for our meeting of dealers, which cost us Rs. 7 crores plus. I think you are mostly concerned about EBITDA. Our guidance is always between 12% to 14%. I believe that even this quarter, even the annualized EBITDA also should be within 12% to 14%. Yes, on the lower part of it, of course, maybe 12.5% to 12.6%. But, yes, we will be somewhere between 12% to 14%.
- Praveen Sahay:** Will we be going to see the cost related to the consultant the way forward as well is what I'm trying to understand.
- Sanjay Agarwal:** Cost related to consultants, these are such things that if we stop learning and when the organizations are at a mid-size and growing and trying to really grow very hard, at that time, some outsider may be needed, may not be needed. Of course, at some time, even the organization gets tired of outside people working with them. It will all depend on the situation. I cannot even tell you at the moment that, yes, what we will do because this is not a decision which I personally take. We, as a team, take the decision. Along with the executives, these decisions are taken. If the need is felt, yes, in the benefit of the organization, we will decide, yes, or in the benefit of the organization, we will decide no. I am talking too theoretically, but yes, that is the way it is actually.

**Praveen Sahay:** Lastly, on the laminate. Laminate realization also was soft quite a bit. Will that the new norm we can see that such kind of a realization to be maintained over here?

**Keshav Bhajanka:** In laminate, there is a slight lucency in the domestic market where we have been facing issues. I think that we have taken strategy and steps in order to fix that. And as I said, it will take a bit of a time lag. So, this is not the new normal. We will be definitely looking at higher realizations going forward. But it may take some time for us to bounce back.

**Praveen Sahay:** This lower realization is on account of what? I missed that.

**Keshav Bhajanka:** On account of a higher percentage of exports.

**Moderator:** We will take the next question from the line of Abhishek from DSP. Please go ahead.

**Abhishek Singh:** Sir, just one thought. Over a period of 12 months, you are commissioning almost Rs. 1,500 crores to Rs. 1,600 crores of CAPEX spread between particle board, MDF, and laminates. At what point in time will you look at your next round of CAPEX? Will you expect the market to like in plywood, you said now the market is weak? What are a couple of led indicators which you will look at before the next round of CAPEX? How should we look at it?

**Sanjay Agarwal:** I think this is the biggest investment CenturyPly is doing in its lifetime. And we are just going to complete within this year including our particle boards capacity. I don't think that there is anything which we will take up within the next 2 months or 3 months or 6 months' time. Yes, we are already planning; we are already thinking about what we can do. And I have seen that the CAPEX done when you are down is the best time for a CAPEX. At this time, you get all your goods cheaper, and you can put up a plant, you can bring it up, you can finish all the problems which a plant faces within the first 12 months. It is a very crucial time actually. I think I have clarified your point.

**Abhishek Singh:** Sir, but this BIS change which is happening first in MDF and particle board and maybe in plywood at a later point in time, do you think that can be a major trigger point for you?

**Sanjay Agarwal:** No, I don't think so. For MDF, it is just 30,000 cubic meters maximum per month. So, that's 1 plant actually you can say. And as far as plywood is concerned, yes, maybe about Rs. 1,500 crores worth of plywood is coming in a year's time. Even compared to the plywood market, again it is not too big of capacity. Yes, it makes a difference as far as the mind of the market or the pools and all those things a little bit change in the psychology of the market. Everybody in the market today can say now I am importing when there are 20 other sellers in the market. Then the number of sellers in the market reduces. That is how it happens most, the psychology changes. But it is not a very big quantity.

- Abhishek Singh:** Sir, just one other thing. In your last cycle, you had aspired to be a Rs. 1 crore mean profit per day company, which you have successfully achieved. Anything that you have articulated for your team internally or internally have decided for the next cycle.
- Sanjay Agarwal:** Keshav is the Young Turk. I think this commitment he should make, not me.
- Abhishek Singh:** But I thought the guidance has to come from the top and he will execute. That is what I thought.
- Keshav Bhajanka:** I think our ambition or pursuit as you know is to grow sustainably. And I think that going forward, we have sort of a vision of Rs. 12,000 crores turnover by FY31. That is going to be the outcome. And of course, as you know the Century, it will have to be profitable turnover growth. We will be looking to maintain ROCE and roughly Rs. 12,000 crores for ply.
- Moderator:** The next question is from V. P. Rajesh from Banyan Capital. Please go ahead.
- V. P. Rajesh:** I have a question on the supply-demand side, as you were talking. When do you think the extra supply that you are seeing in the system across different products will subside or will get absorbed in the projects, etc.?
- Sanjay Agarwal:** It's very difficult to tell you when we will be able to absorb all these quantities. And by then – actually before that – we will take up new more quantities. Actually, we would have taken up investment for further quantities already at that time. But, yes, we must say that whatever we have created now will take about 3 years to.... I think that's a good thing to do. If you can consume all quantities within 3 years, it should be good. Particle board huge capacity coming up and MDF huge capacity coming up. Markets should open up sometime at the end of '24 or maybe in '25. So, I think, yes, 3 years is a good period within that.... But before that, we will have more quantity, I am sure. Our management and our people will certainly embark on further capacities and will decide.
- Moderator:** We will move to the next question. The next question is from Utkarsh Nopany from BOB Capital. Please go ahead.
- Utkarsh Nopany:** Sir, my first question is that during our last earnings call, we were fairly positive and updated the guidance for each of our segments. But if we see the performance for each of our segments, they are pretty weak for the December quarter. I wanted to know what has changed post mid-November that has resulted in such a difference in our performance compared to our expectation.
- Sanjay Agarwal:** Very good question, I must say. If you really see that even during the last call and the performance of Q2, there were not really very good results. We were certainly expecting to do better, weren't we? And in the Q3 also, we expected that we will be able to cover up. Yes, we were a little closer, but then, we were sure that we would be able to do it. But now after 3 quarters and the kind of movement we see in the market, then we see the results every other company is giving – the real estate is booming and we can see that the real estate has a great future at the

moment and we, as a company, within that space, will gain – but now it is becoming clear to us that it is not so fast. It's going to take some more time. The realization has come to us right now that it is going to take some time. Yes, we are very very positive that the future is good. The India story is also working for India. Yes, mid-term and long term, very positive. Short term, yes, there are some headwinds.

**Utkarsh Nopany:** Sir, for the MDF segment, I wanted to know that our current operation is basically in the north region, which fetches better realization and margin compared to the South players. And if we see for the December quarter, our EBITDA margin is almost at par with what Greenpanel has posted for December. Going forward, whether our MDF segment margin is expected to be further impacted once our South plant becomes operational?

**Sanjay Agarwal:** Yes, because of the price changes also, I think EBITDA will be impacted by maybe 2% to 3% further. The South has a different economy altogether because the South cost of timber and north cost of timber is also different. So, the EBITDA, I think, should not be much different from South to north because of the prices of raw materials.

**Utkarsh Nopany:** You mean to say that the margin profile for South and north are almost similar considering the timber prices at the moment?

**Sanjay Agarwal:** Because of the timber prices and raw material prices difference, the South usually will have maybe even if a lower price, it is able to compete and it will have net-net a similar kind of an EBITDA in times to come. Actually, the problem is the timber. Because, across the country, the timber plantation happens and at some time the supply demand thing will happen and there is now less availability of raw material. It was realized maybe about a year or 2 years back or 2-1/2 years back, a lot of plantation had started. But it will take 3-1/2 years minimum to actually get that round. And for plywood, it will take maybe 5 or 6 years to get that round. Till then, the prices might stay a little higher. So, it may be another year or a year and a half's journey or maybe 2 years before the timber prices start softening.

**Utkarsh Nopany:** Lastly, sir, on the depreciation expense part, we have seen that we have done a lot of CAPEX in the last 2 fiscal, but our depreciation quarterly run rate has remained stable in the last 3 quarters. I wanted to get some sense of what would be the quarterly depreciation run rate for the current March quarter and for FY25.

**Arun Julasaria:** In fact, the figures we are giving you in the investor presentations are standalone figures, and we have been historically giving because all our subsidiaries were immaterial. Only one operating subsidiary, Auro Sundaram, that goods also were channelized and sold through the parent company. But now, our new plant is coming in the name of our subsidiary. Depreciation of that plant will be booked there only. But that I am telling of in time to come. Till now, the depreciation is almost on the similar side because we have not made major expansions in CenturyPly itself except adding one more line in Hoshiarpur.

- Utkarsh Nopany:** Sir, on a consolidated basis, what would be the depreciation cost for FY25?
- Arun Julasaria:** I can't tell you the exact figure at the moment because it comes out of computation. So, we shall get back to you after computing what is likely to be in the future.
- Moderator:** The next question is from Adityapal from Motilal Oswal. Please go ahead.
- Adityapal Singh Jaggi:** Sir, post this CAPEX, what would be the total capacity in laminates?
- Keshav Bhajanka:** Rather than looking at it in laminate capacity, because when you have pressers, they are going to be different. In terms of the quantity, we will only look at 72,000 sheets for the 14x6 press because the sheets will be on average 12 mm thick and will be a 14x6 sheet. The two additional pressers should be able to add close to Rs. 300 crores to the top line. I think that is a better yardstick. In terms of volumes, it will not be a like-for-like match.
- Adityapal Singh Jaggi:** Sir, I understand that you can't quantify the export business, but if you can just give us in terms of the qualitative metrics that would be our top 3 markets in exports.
- Keshav Bhajanka:** Currently, our major markets are the Southeast Asian economy and North American economy. Going forward, with the larger-sized pressers, we will be targeting both Europe and the Middle East in a bigger way.
- Adityapal Singh Jaggi:** Likewise, for domestic, which would be our key regions between north, South, east, and west?
- Keshav Bhajanka:** We are a pan-India company.
- Adityapal Singh Jaggi:** But if I were to look at it from a revenue split, is it equally split or there might be a bit more concentrated towards north and South because these are the larger markets.
- Keshav Bhajanka:** The South is our largest market followed by the north.
- Moderator:** The next question is from the line of Nikhil Agarwal from VT Capital. Please go ahead.
- Nikhil Agarwal:** Sir, I wanted to know what would be your FY25 volume guidance and margin guidance.
- Keshav Bhajanka:** You have seen the numbers for the first 3 quarters. For the 4th quarter, we are looking at single-digit growth in both panels and laminates. As we have already mentioned, in panels, we are looking at similar margins to what our guidance is, 12% to 14%. In laminates, we will be attempting to maintain similar margins. However, the expenses for the new South plant could lead to slightly lower margins. In MDF, we should have a volume growth of (+20%) in Q4, but margins are likely to be lower. And in particle board, we will have a similar top line, but margins, again, could be a little under pressure due to raw material prices.
- Nikhil Agarwal:** And what about FY25%?

- Keshav Bhajanka:** Our attempt will be for far more robust guidance, far more robust growth. But we will get back to you on this. At this point in time, with the South plant frozen, I don't want to give you figures.
- Nikhil Agarwal:** What has been the raw material price trend in the laminate segment in Q3 and Q4 now? What has it been? Have the prices been fairly stable?
- Keshav Bhajanka:** There has been an increase in the price of one particular variety of craft paper, the lower end of craft paper, predominantly due to the **(Inaudible) 54:25** spend likely to cut. But other than that, raw material prices have been fairly stable.
- Nikhil Agarwal:** And lastly, what is the capacity of your phase 1 laminate plant that has commenced production? 2 million, right?
- Keshav Bhajanka:** The capacity, like I have mentioned in the previous answer, it is not going to be possible to give like for like because this is going to be a 14x6 press that produces 12 mm boards. That is going to be the standard thickness. We can look at a total of Rs. 300 crores of additional CAPEX at full utilization from the 2 new lines that have been commenced.
- Moderator:** The next question is from the line of Kushagra from Old Bridge Asset Management. Please go ahead.
- Kushagra Bhattar:** Just 2 questions on your pre-laminated MDF segment. Sir, if we understand 25% of your volumes and almost 33% to 34% of your value within the MDF comes from pre-laminated, can you give us a similar ballpark number for the EBITDA contribution as well from the pre-laminated MDF within your overall MDF EBITDA?
- Sanjay Agarwal:** I don't think I have separate EBITDA for both the things, no. Right now, I don't have any but, yes, if you want, we can give you later.
- Kushagra Bhattar:** The second question is, again, on pre-laminated MDF. Can you tell us, is there any overlap between your pre-laminated MDF and pre-laminated particle board segment? Basically, the pre-laminated particle board is also seeing a decent amount of capacity additions by two other players. I just wanted to get a sense like, is there a competition between pre-laminated MDF and pre-laminated particle board segment?
- Sanjay Agarwal:** Technically, 100% of particle boards are used by OEMs. These are the small factories which make furniture, and 100% of the pre-laminated particle board is used by OEMs. They buy it from us or from dealers. As far as MDF is concerned, MDF is going to OEMs, but the pre-laminated MDF is now being bought by contractors who are working at your home or my home also, and they have learned how to use it. Yes, it is going to the OEMs also, but I don't think there is a competition because there are two different kinds of furniture being made by them and different kinds of usage they have. So, I don't think there is a competition between particle board and MDF pre-laminated.

**Kushagra Bhattar:** Last question, sir. You made a very interesting remark on the CAPEX philosophy. Doing it in the downtime can actually sort of benefit you a lot. I just wanted to get a sense with some debt buildup already there but still a decent amount of cash generation and net equity to debt still down, let's say if the opportunity comes up and 6 months down the line, you decide to lap up on CAPEX, what sort of debt levels you are comfortable on your balance sheet?

**Sanjay Agarwal:** As a company, you know that we have been one of the most conservative companies as far as debt is concerned. Particularly, before taking up the present investments, we were for quite some time a debt-free company. As our mindset is there, we are really waiting to become debt-free ASAP. But, yes, I think we will always be working on some kind of ratios which usually people work on. Suppose you have an EBITDA of Rs. 500 crores, we believe that 1:1, 1:2 maximum is what we should look into. But, yes, all these things keep changing because of how we are expecting the demand in the market and how the market will be. We might become more conservative, or we may become a little more open. But, yes, I think this 1:2 should be related to EBITDA. Otherwise, as far as the bank is concerned, we can pay back in about 6 to 7 years' time. Even if we go up to 3x to 4x of our EBITDA, we are quite safe. But we are a conservative company. So, usually we will not be in that area.

**Arun Julasaria:** In fact, we believe in maintaining a very high DSCR. Apart from debt to equity, we also want to make sure that DSCR is on a very high side. It should always be more than 2.

**Moderator:** The next question is from Shubham Agarwal from Axis Capital. Please go ahead.

**Shubham Agarwal:** Just 2 questions. I am just trying to sum up whatever we talked about regarding MDF on this call. Just tell me if I have understood it right. Your margins QoQ will decline in Q4, i.e., the current ongoing quarter, which could be lower by about 200 bps to 300 bps. Then, starting February, though there will be implementation of BIS norms, for the next 6 to 9 months, we could see realizations not really inching up as much because a lot of domestic capacity is coming up. And about 6 to 9 months from there, probably we could see some realization improvement. Is that understanding correct?

**Sanjay Agarwal:** Let me explain. This quarter, yes, we expect the EBITDA to go down, but if we can improve the capacity utilization, it might still not go down as much as we think. That is the clarification for your number 1 thing. And number 2, we believe that the present import stocks may last till April. So, from May onwards, we will be getting the benefit of stoppage of the imports. The prices may not go up 6 months from now, but after 6 months from now, I expect that, yes, we will get support from the market.

**Shubham Agarwal:** And MDF realizations have declined by about 7% to 8% QoQ in Q4. That is also what you are seeing right now.

**Sanjay Agarwal:** Yes. This 7% to 8% is including the Q3 and Q4.

- Shubham Agarwal:** Q3 to Q4, 7% to 8% decline?
- Sanjay Agarwal:** Yes.
- Shubham Agarwal:** Now, coming down to plywood, just if we didn't have, let's say, the dealer event and the consultant costs this quarter, would we still be in the 12% to 13% range or let's say 12% to 12.5% EBITDA margin range.
- Sanjay Agarwal:** For plywood, yes, we expect that when we end this year it should be about 12.5% to 12.6% somewhere there.
- Shubham Agarwal:** I was asking, in Q4 if we didn't have these 2 costs of Rs. 70 million and the consultant cost whatever it is, would we still be in the 12.5% range broadly for Q3 specifically?
- Sanjay Agarwal:** I am saying that we will be able to end this FY24 with an EBITDA of about 12.5% to 12.6%. I think that will clarify the whole thing if I give you some specific EBITDA for this month. Are you looking for that?
- Shubham Agarwal:** No, not really, sir. On plywood, let's say the consultant costs remain in FY25 as well, if the consultant cost remained, you will still be able to achieve 12% to 14%, right? Maybe in the lower end or the higher end, we will see.
- Sanjay Agarwal:** Yes, for plywood, that is our target.
- Moderator:** The next question is from Bhavesh Jain from DB Investment Advisors. Please go ahead.
- Bhavesh Jain:** Sir, we talked about MDF and the competition all about it. We can see the increasing trend of MDF across the industry. And since there is a slowdown in demand currently, can we expect the margins to remain under pressure for around a year or something about?
- Sanjay Agarwal:** I think now MDF is at its bottom. So, I don't expect any further lowering and I don't think that there is any further possibility for anybody. The markets are like that and there is a knee-jerk reaction and new capacities coming in. All those things mixed up and such things have happened. But I don't see any further going down.
- Moderator:** The next question is from Vineet Shanker from JM Financial. Please go ahead.
- Vineet Shanker:** Sir, I just wanted to ask one question. On the MDF side, you said that there will be a 7% to 8% decline in the realization going forward in the Q4 and could also be in the Q1. I just wanted to understand where this decline will be coming from. You see any competition pushing down its prices for volume? Can you highlight on this?



- Sanjay Agarwal:** This happens every day in the market, and everybody is doing it. Nothing specific about whether Century will do it or somebody else will do it. Competition happens like this that one day somebody does and the other day somebody else does and it happens in the market. And everybody wants to secure his own buyers, the permanent buyers. You don't want to let the permanent buyer, or the permanent big dealer go off your hand. This keeps on happening. And whenever the feels are a little softer and we have a feel that, yes, the demands are a little slow, at that time, automatically you start giving up a little bit, little bit. And when the demands are strong, at that time, we start pulling up a little bit, little bit. We go to the dealer, and we say the prices will be up by 2% or by 4%. Right now, we go, and we will say yes, this is the exact price. Then, he negotiates a little bit, or he asks for a larger order. This is nothing that it happens in one day and there is nothing like that it is planned. But, yes, it happens.
- Moderator:** The next question is from Adityapal from Motilal Oswal. Please go ahead.
- Adityapal Singh Jaggi:** Sir, I just want to double click on the previous figure that you said that the incremental capacity from laminates will generate Rs. 200 crores to Rs. 300 crores of top line. What would be the total revenue capacity for this expansion?
- Keshav Bhajanka:** It will be Rs. 500 crores plus.
- Adityapal Singh Jaggi:** Rs. 500 crores will be the capacity that it can generate for you?
- Keshav Bhajanka:** Yes.
- Moderator:** The next question is from Rahul Agarwal from InCred Equities. Please go ahead.
- Rahul Agarwal:** Sir, one question I had on the consultant cost. Qualitatively, which project are they working on currently? Could you explain? Because I think they moved from laminates to plywood and then I am not even sure whether they are working on MDF and particle, I would assume.
- Sanjay Agarwal:** No, we are working on plywood, and we are working on the premium segment. Specifically, this time, very specific to the product.
- Rahul Agarwal:** This is McKinsey, right?
- Sanjay Agarwal:** Yes.
- Rahul Agarwal:** What is BCG working on?
- Sanjay Agarwal:** BCG was earlier working on laminate sales. And now there are certain things which have come up from that program, and they have undertaken that in a very short period of, say, about 3 months to about 4 months, the company is that.

- Keshav Bhajanka:** Basically, the BCG project is on how to maximize earning potential from our existing distribution network. How to leverage the distribution structure that we have to generate maximum earning potential across categories. It is a project that is likely to benefit the company as a whole, but the McKinsey project as the MD has categorically said is of premiumization in the plywood segment. Both of these are short-term support, and they will be completed within this quarter, with no decision as for new extension as of now.
- Rahul Agarwal:** And last question on the CFS division. The margins still appear to be low. Are there any one-offs there even in this quarter?
- Sanjay Agarwal:** I think the CFS division is now stable near this. As far as the present situation or the near future is concerned, some little bit up and down is okay but that is where actually we should stay.
- Arun Julasaria:** To tell you specifically, margins are still on the downside because now Calcutta is a river port so the craft will continue to reduce. So, the margins will not improve.
- Keshav Bhajanka:** So, we should assume 10% as the EBITDA margin for the business, right?
- Arun Julasaria:** Yes, you can't expect better than what we have shown in quarter 3.
- Moderator:** The next question is from Ritesh Shah from Investec. Please go ahead.
- Ritesh Shah:** Sir, my question is pertaining to MDF. On one of the prior questions, you indicated that if the demand is low, then basically we give up that particular part of the demand. How should we understand this? Basically, you are indicating flattish margins. Is there a sort of understanding that despite new capacities which are there in the market, probably the larger guys will focus on the export market and not pump material into the local market?
- Sanjay Agarwal:** No, there's no possibility at all of any kind of understanding. But the markets are like that everybody knows everything, and everybody pretends to show that I don't know anything. But in the markets, we know what the other guy is doing, how much he is offering. If a guy goes into the market and he offers something, the guy will telephone the other manufacturer. Sir, this is the situation happening. This is a very big, you can say, circle within the market which operates. So, there cannot be any understanding, but, yes, the bottom has come. Everybody understands that at these kinds of margins, to go below these margins, and you never know that the prices of timber are not in anybody's control. They may still go up. And it seems that, yes, they will go a little bit further. But, yes, the feeling is always there that the prices will go down. Now the feeling is clear that the prices cannot go down further, and BIS will help there actually.
- Ritesh Shah:** Sir, if I put it the other way round, how much ever might be the demand, it is there anyway. Supply incrementally is going to come. Are we assuming that the inputs will actually go down? And that is something which gives us confidence on pricing and margins?

**Sanjay Agarwal:** There are 2 things in import actually. One is the quantity of, say, 30,000 cubic meters which practically is, you can say, 1.5 plants – big plants – in India. And #2, the import, even if it is 1 plant or 2 plants, it is under the control of 1 person or 1.5 person who is selling it in the market. But as far as the import is concerned, there are maybe 30 importers in the country and all 30 importers are fighting in that market. So, the number of sellers are too many and that actually weakens the feel of the market. I hope you are understanding.

I will tell you in, say, stocks. If suppose some stock is there in the market and there are 1,000 sellers in the market, even if the prices are not going down, everybody knows that everybody is a seller, so it's going to go down. Isn't it? Similarly, there are 30 sellers in the market, maybe only 30,000 cubic meters. But actually, that weakens the market. Now, because of the BIS happening, all those 30 people are being removed from the market. The moment the number of people selling is not there in the market, it will help.

**Ritesh Shah:** Correct, but, sir, will this be a temporary scenario? Because, if I am a trader or if I am an exporter out of Thailand, I will definitely work harder and I will get the BIS approval. Probably, I will also come back into the market after 3 months or 6 months. Is there a scenario which is possible?

**Sanjay Agarwal:** What I believe is that this is a kind of thing which will take maybe another 6 months or 8 months' time or 9 months' time before he gets the BIS. That is number one. But now you look at the exporter. He has to take a BIS he is a large company, he manufactures, say 2,000 cubic meters. Out of that, he exports 300 cubic meters to India or 200 cubic meters to India per day. For 200 cubic meters, he has to go through all this panga of getting the BIS from India. And the Indian government or the officers you know what kind of people they are and how they do all these things. Will he really make a very strong effort to get this BIS just for that small quantity? Because, for him, it's not a very large quantity. Yes, it is important, but it's not a very large quantity. Will he take so much of panga? Even if 1 or 2 people do, will every exporter do this? No, it's not possible. I hope you get what I am saying.

**Ritesh Shah:** Yes, sir. This was very helpful. Sir, just the last question. The material that was going from Southeast Asia to probably the US and Europe – I don't know how much of it was flowing, specifically for MDF – if I am an exporter/manufacturer out of Thailand, given the Red Sea container freight issues, if I look at my incremental cost, it will be hardly anything. So, could there be incremental pressure in India that I will dump material more?

**Sanjay Agarwal:** Very frankly, I am not a person who can comment on this because I have not much of a knowledge on this subject. But, yes, this is an issue and I think this is mostly applicable to Europe. It's not applicable to the USA, I think, so much. But I am a person who should not be relied on for a comment on this Red Sea thing, not much of a knowledge.

**Moderator:** That was the last question in the queue. I would now like to hand the conference back to Mr. Sanjay Agarwal for closing comments.



*Century Plyboards (India) Limited  
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**Sanjay Agarwal:** Thank you everybody for your patient hearing and joining us for the Q3 FY24 Results. We look forward to a much better, very exciting future. See you again.

**Moderator:** On behalf of SKP Securities Limited, that concludes the conference. Thank you for joining us. Ladies and gentlemen, you may now disconnect your lines.