Centuryply Reveals its Game Plan for Growth

Keshav Bhajanka, executive director, Century Plyboards India Ltd (CPIL), sat down with SH to discuss the state of the industry, the company's new Medium Density Fiber Boards (MDF) business, investment in the African nation Gabon, and more. Here is Bhajanka's first-person account.

BY MRINMOY BHATTACHARJEE



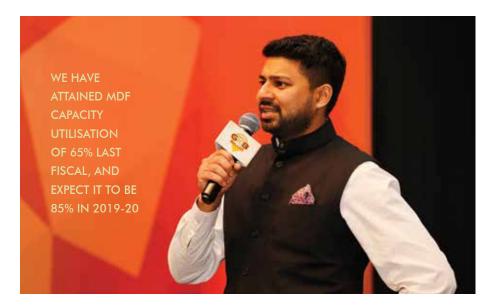
ST: Opportunities for Organised **Players**

In our assessment, the demand for interior infrastructure

products in the country is set to grow. The rise in urbanisation, push for nuclear families, increase in per capita income, besides the government's drive for ambitious affordable housing programme will fuel the growth of wood-based products in the residential real estate segment. Moreover, the office space absorption that hit an all-time high of 47 million sft, which is up 5% year-on-year across nine leading states during 2019-20, has strengthened the growth momentum of our industry. The implementation of Goods and Services Tax (GST) has decreased the price gap between the organised and unorganised players. This situation is quite interesting, as companies that were serving the mid-price segments now possess the potential to compete well with unorganised players.

MDF is the Future

We believe that the domestic MDF market will drive the Indian furniture industry. While MDF accounts for nearly 80% of all the manufactured furniture internationally, plywood accounts for 80% of the furniture produced in India. This situation is tipped to change as



global furniture retailer IKEA, as well as home-grown players such as Home Town, Pepperfry, and Urban Ladder, are driving the market towards factorymade furniture. These furniture retailers increasingly prefer MDF over plywood for enhanced affordability and superior surface finish.

We entered late in MDF manufacturing in 2017, with an installed capacity of 1,98,000 cbm per year at Hoshiarpur in Punjab. But, we have succeeded in capturing a market share almost equivalent to that of players present on this turf since the past eight years or more. We have attained MDF

capacity utilisation of 65% last fiscal, and expect it to be 85% in 2019-20.

Upping the Game by Investing in Gabon

In the plywood business, wood constitutes a significant component of any manufacturers' raw material cost. Over the past few years, we have been sourcing face veneer from our units in Myanmar and Laos. But an export ban imposed by the government of these two countries has disrupted our raw material supplies from these sources. Nevertheless, we had created adequate raw material inventory as we could anticipate the

development, and have been able to met demand for our production.

However, to secure raw material supply in the future, we have invested nearly ₹30 crore for setting up a face veneer unit in the African nation of Gabon. We have built the capacity of ~2,500 cbm per month, based on a careful evaluation of sustainable timber sourcing and the logistics issues. The long-term competitiveness of this initiative has been secured by going in for Gabon's Okume species, which is almost 35% cheaper than the timber from Myanmar. The final delivered cost of timber from its origin is expected to account for only 5% of the total cost of plywood for us. The unit is expected to be operational by the end of Q3 FY20 and will fulfil raw material needs for our mass brands Sainik and Bond. The veneer supply from Myanmar, since resumed, will cater to the manufacturing of our premium brands.

Influencing with Experiential Retail

The company has strategically set up the exclusive veneer boutique CenturyArena at New Delhi's Kirti Nagar, which is the furniture hub of north India. Here we have invested around ₹five crore for setting up the 2,000-sft experience centre, which aims to capture the imagination of consumers with a comprehensive product portfolio. Our consumers will have easier access to a broad category of veneers under one single roof, as Delhi is an important hub for veneers in the entire NCR region and north India. The experience centre boasts the largest veneer display in NCR region. Our unique centre aims to be conjoint between the consumers and the company, where both experience and trade expectations meet. We also have plans to expand in other locations with similar or smaller retail formats - Century Arena Express - for offering consumers the opportunity to experience our range of products.

