Greenply Industries

Operator: Ladies and gentlemen, good day and welcome to the Q2 FY27 earnings call of Greenply Industries Ltd. hosted by Asian Markets Securities Private Limited. As a reminder, all participant lines will be in 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 star then zero on your touchtone phone. I now hand the conference over to Mr. Karan Bhatelia from Asian Markets Securities Private Limited. Thank you, and over to you.

Karan Bhatelia – Asian Markets Securities: Thank you, Nasheya. Welcome to the Q2 FY27 investor call of Greenply Industries Ltd. From the management side, we have Mr. Sanidhya Mittal, JMD, and Sanjeev, CFO. I now hand over the call to Sanidhya for his opening remarks, after which we will open the floor for Q&A. Thank you, and over to you, sir.

Sanidhya Mittal – JMD: Thank you, Karan, and good morning, everyone. It is a pleasure to welcome you all to Greenply Industries Ltd.'s earnings conference call to discuss our financial and operating performance for Q2 and H1 FY27. During the first half of the year, we continued to strengthen our portfolio to enhance customer engagement through technology-led inno- [line issue] and focused brand-building initiatives. In our premium plywood portfolio, we introduced Termi-Vac, a patented nanotechnology-based anti-termite solution designed to provide enhanced, long-lasting protection against termite attacks, addressing a key concern for consumers across the country. We have also strengthened Greenply Gold's value proposition through the introduction of the 11-year Fully Covered Plus plan, which complements its 30-year product warranty by providing specific restoration and related cost coverage to build customer trust and customer delight.

Our product innovations and performance showcased at MATECIA 2026 across our product categories were highly appreciated by all. Through targeted engagement with architects, designers, dealers, and other key stakeholders, supported by interactive product demonstrations, we focused on strengthening brand visibility, driving product awareness, and reinforcing our product positioning in the value-added and premium product segments. These initiatives are aimed at supporting customer preferences, improving product mix, and driving sustainable, profitable growth.

The above initiatives, coupled with our continued focus on product innovation and targeted efforts across product categories and customer segments, have started yielding encouraging results. Initial feedback from dealers and architects on our premium product offerings and innovations has also been encouraging. The positive response is translating into healthy value growth and reinforces our confidence in the premium strategy. Going forward, we believe sustained momentum in the premium category, supported by continued product innovation and a strong product mix, will contribute to margin expansion and enhance overall profitability.

Furthermore, given the healthy growth momentum in the plywood segment and our objective of meeting incremental demand through our own manufacturing capabilities, we are pleased to announce the expansion of our plywood manufacturing capacity at our existing Sandila, Lucknow location. The proposed new capacity will be 15 million square meters, with a budgeted capex of Rs.125 crores, which will be funded through a mix of debt and equity and is expected to commence commercial production in Q4 FY28. The facility will have revenue potential of 320-340 crores at

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full capacity utilization.

The expansion will strengthen our ability to serve the growing market while supporting our long-term growth plans. With this expansion, our total plywood capacity starting Q4 FY28 will be 81.3 million MSM.

Moving on to our ESG and sustainability initiatives, I am proud to highlight a major milestone in our green journey. Greenply has undertaken one of India's largest private-sector afforestation programs under a Verified Carbon Standard, or VCS-validated grouped project titled “Agroforestry Plantation in the Country by Greenply.” We have successfully rolled out the first phase across Gujarat and Nagaland, covering an area of over 2,300 hectares and transforming degraded shrublands and low-productivity agricultural plots into thriving agroforestry ecosystems.

This initiative is deeply collaborative. We have already benefited over 505 local farmers through sapling distribution, hands-on training, and technical support to boost their long-term profitability. Furthermore, participating farmers will directly benefit from a share of the revenue generated from the sale of carbon credits. I am also thrilled to share that a total of 256,688 carbon credits have officially been allotted to Greenply under this program.

Looking ahead, we are fully committed to moving into the second stage of the project, which will expand our footprint to a massive 12,000 hectares across both Gujarat and Nagaland. This framework underscores our commitment to blending strong environmental stewardship with robust socioeconomic value for our grassroots communities, paving the way for sustainable, long-term growth.

Now, I would like to update you on Greenply's Q2 and H1 FY27 financial and operating performance.

Consolidated revenue for Q2 FY27 stood at 799.7 crores, registering a 16.1% year-on-year increase. Our consolidated core EBITDA stood at 89.2 crores, with a core EBITDA margin of 11.2%, representing an expansion of 300 basis points year-on-year.

On a half-yearly basis, consolidated revenue stood at 1,524.6 crores, registering an 18.2% year-on-year increase. Our consolidated core EBITDA was 167.5 crores, with a core EBITDA margin of 11%, representing an expansion of 180 basis points year-on-year.

Let me now share the highlights of our individual business segments.

In our plywood segment, we achieved volume growth of 6.1% year-on-year in Q2 FY27, with revenue of 625.7 crores and value growth of 15.5% year-on-year. Realization stood at Rs.264 per square meter due to better sales of premium products. On the margin front, our core EBITDA margin stood at 10.05% for Q2 FY27, a growth of 180 basis points year-on-year and 160 basis points over the last quarter.

On a half-yearly basis, we achieved volume growth of 9.2% year-on-year, with revenue of 1,152.3 crores and value growth of 15.7% year-on-year. Realization stood at Rs.264 per square meter. On the margin front, our core EBITDA margin was 9.31% for H1 FY27, a growth of 120 basis points year-on-year.

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Moving to our MDF business, we achieved quarterly revenue of 173.9 crores, with volume reaching 54,605 CBM. This reflects year-on-year growth of 18.4% in value and 16.1% in volume terms. The reason for not achieving the targeted growth in the quarter was mainly due to challenges faced because of the monsoons and annual maintenance. Realizations declined to Rs.31,816 per CBM due to the rollback of the price hikes taken earlier. EBITDA margin for the quarter stood at 15.2%.

On a half-yearly basis, we achieved revenue of 369.6 crores, a growth of 25.6% year-on-year, with volumes reaching 112,411 CBM, a growth of 20.4% year-on-year. Realization stood at Rs.32,694 per CBM. Margins on a half-yearly basis were 16.3%, a growth of 350 basis points year-on-year.

In our furniture fittings JV, we achieved sales of 14.08 crores in Q2 FY27 and 27.70 crores on a half-yearly basis. The JV reported a PAT loss of 12.6 crores in Q2 FY27, with our share of the loss amounting to 6.3 crores. On a half-yearly basis, the JV reported a PAT loss of 24.2 crores, with our share of the loss amounting to 12.1 crores.

Our HDF flooring line commenced commercial production in July 2026 and is progressing well. We expect this business to begin contributing to our overall performance in the second half of FY27 as operations ramp up.

Our expansion projects, including the new MDF facility at Vadodara and the new greenfield manufacturing facility in Odisha, are progressing well and, as planned, remain on track for commissioning within the committed timeline. MDF is expected to commence in Q2 FY28, and plywood in Q4 FY27.

On the balance sheet front, we continue to maintain a prudent financial position while investing for future growth. As of the end of the quarter, our consolidated net debt stood at Rs.544 crores, with a debt-to-equity ratio of 0.56x. This remains well within our guided range of 0.7 to 0.75x, ref- [trails off]

Sanidhya: On the balance sheet front, we continue to maintain a prudent financial position while investing for future growth. At the end of the quarter, our consolidated net debt stood at 544 crores, with a debt-to-equity ratio of 0.56. This remains well within our guided range of 0.7 to 0.75x, reflecting our disciplined capital allocation and healthy financial position, even as we continue to execute our planned capital expenditure program.

Looking ahead, considering our H1 FY27 performance and the overall market environment, we intend to maintain our existing guidance for the plywood segment and remain confident of achieving it. For the MDF segment, considering the external operating environment and strategic focus on value-added products and profitability, we revisited our earlier full-year guidance, and we expect to achieve full-year volume growth of approximately 20% while maintaining core EBITDA margins in the range of 15% to 16%.

We remain focused on delivering sustainable growth, improving operating efficiencies, and strengthening our market positions across our key product categories. With this, I would now like to open the floor for Q&A. Thank you.

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Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Karan Bhatelia from Asian Markets Securities Private Limited. Please go ahead.

Karan Bhatelia – Asian Markets Securities Private Limited: Hi, thank you for the opportunity. Sanidhya, I just wanted to understand: over the last 2-3 quarters, plywood growth has been upwards of 10%, and this quarter's growth came in much lower vis-à-vis estimates at 6%. Are there any changes in strategy with respect to premium products or Ecotec? Any thoughts on that?

Sanidhya: I do not think there has been a major shift in the strategy. Greenply was always premium-heavy. If you look at our utilization in this quarter, plant utilization was more than 100%. At this point, until Odisha and Sandila start—maybe another 2 quarters for Odisha to start, and another 4 or 5 quarters for Sandila to start—capacity is a challenge for us. Therefore, in the given environment, we wanted to make the best utilization of the capacity we had.

This year, the Termi-Vac campaign has given us a good boost in the premium segment. So we wanted to improve margins and do the best with whatever resources we have at the moment.

Given that, we achieved 6% volume growth and about 15% value growth. I think that was very good for this quarter. But I do not see that challenge continuing after Odisha comes up. Ecotec is at a sweet price point and continues to grow very sharply. Our branding focus on both Ecotec and the premium segment continues, and the strategy in the market remains the same. Given the lack of capacity, we thought this was the best use we could make of our capacity.

Karan Bhatelia – Asian Markets Securities Private Limited: Right. And on the MDF front, can you throw some light on the recent capacity additions and how you see the demand-supply dynamics for the next 3-4 quarters?

Sanidhya: I see that the fight in the market continues. The unorganized players obviously do not have an endless supply of money. Therefore, the unorganized sector is facing a lot of pressure. I also expect some of them to shut down shops in the next 6 months to 1 year for sure. At this margin level, I do not think they can survive.

Again, in MDF, if you look at our overall production this quarter, our sales were slightly higher than what we produced. Production was affected by disruptions due to the monsoon and the original OEM coming down for annual maintenance. Whatever we could produce, we could sell very easily. Even at a lower sales level, we have been able to deliver our committed margins. I think that is the silver lining. Once we have capacity, we have a very strong name, and I am sure we can sell.

Our capacity will also be added sometime next year, at the beginning of the next financial year. I think the road ahead looks excellent, both profitability-wise and growth-wise. I am quite confident that whatever we have been working on and thinking about is now working out for us.

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Karan Bhatelia – Asian Markets Securities Private Limited: Right. Thank you for the detailed explanation. That is all from my end.

Operator: Thank you. The next question is from the line of Sneha from Nuvama. Please go ahead.

Sneha – Nuvama: Thank you for the opportunity. My question is related to MDF margins. In the second quarter, we posted around Rs.4,700 of EBITDA per CBM. What would be the guidance going ahead? You have guided for 15% to 16% on a percentage basis, but could you guide in terms of EBITDA per CBM, assuming RM inflation, competitive intensity, product mix, and the volume ramp-up that will happen? Is Rs.4,700 the base, and should it improve from here, or how should we look at it? That was the only question. Thank you.

Sanidhya: One second. Sanjeev, can you answer this? I have not calculated the absolute value, but we are very confident that we will be able to deliver this 15-16% EBITDA, given the kind of costs at which we are operating today. If we are producing approximately 60,000 cubic meters every quarter, this is the kind of number we can easily deliver. Going ahead, as value-added products increase further, and as flooring and insulation also start very soon, I think it should improve further from here.

Sanjeev: On EBITDA per CBM, we are confident that we can maintain it above Rs.5,000.

Sneha – Nuvama: Okay, understood. Thank you.

Operator: Thank you. The next question is from the line of Sneha from Nuvama. Please go ahead.

Sneha – Nuvama: Hi, team. Good morning, and thank you for the opportunity. I have a couple of questions. While you answered on the plywood front about volume growth, even if I look at your MDF volumes, the growth has tapered compared with what you were doing. On a quarter-on-quarter basis also, there has been a volume drop. Is there any element of seasonality or a change in competitive intensity? Realizations also continued to decline on a quarter-on-quarter basis. Can you give us some color on what we are actually seeing on the ground in the MDF business?

Sanidhya: In MDF, whatever we could produce, we could sell. If you see our production number for the quarter, our sales were actually slightly higher than our production. We produced 53,000-something and sold 54,000-something. Production was a challenge for us, Sneha, not sales or our ability to do that volume.

Because of monsoon disruptions and annual maintenance, which was planned for 1 day but actually ran for 4 days, overall production capacity fell and we could not produce. I think that was the reason for the quarter-on-quarter drop. I do not see any external-environment or other reason for the drop in volume.

We are very confident that we can easily recover that in Q3 and Q4. However, for the full year, we have still guided to 20% because we missed out on H1. On the margin front, we are confident that we will deliver what we initially guided.

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Sneha – Nuvama: Understood. On the pricing front, how was pricing during the quarter? Was competitive intensity high? Did you pass on—

Sanidhya: Yes, it was very high. The entire increase has been fully passed on, and everyone is absorbing the cost increase today. The 15.5% price hike that everyone had taken in Q1 has more or less been completely passed back. Despite that scenario, we have been able to deliver these numbers and survive and thrive.

Sneha – Nuvama: So you are saying that the 15.5% price increase taken in Q1 has been completely passed back. Where would our cost be, particularly raw material costs? Have they remained elevated, or have they tapered off?

Sanidhya: The increase has been sustained; it has not come down at all. There has been a good 7-8% increase on the cost front because of chemicals. Everything else is more or less stable, but the cost of chemicals has permanently gone up. There has been at least a 7-8% hit on costs for sure.

Sneha – Nuvama: So, in fact, my question is how you are able to maintain a 15% margin given that there has been a 700-800 basis point increase in raw material costs. Secondly, can you also provide some color on how much new capacity has already come up in the MDF industry as a whole and what further capacity additions are likely to happen in the industry?

Sanidhya: Sorry, your voice is a little unclear and muffled. If I am not mistaken, you asked two questions. First, how are we able to maintain this 15% despite the increase in costs? The second part of your question is what new capacities are coming and what the scenario will be after that?

Sneha – Nuvama: Yes, absolutely.

Sanidhya: We have been able to maintain it because we have been working on a better product mix. We are replacing plain interior-grade sales with pre-lam boards. Even if you look at our pre-lam volume, the absolute volume of pre-lam has increased. The absolute volume of plain boards has also increased. Those factors are helping us.

At the beginning of the year, we reduced our energy cost when everybody else's cost was increasing, and that is also helping us. We are building other operational efficiencies at the plant.

A mix of all these factors has helped our margins remain where we had guided. We were fortunate that we did not fall short there. On the second question, the competitive space is really increasing. Action TESA has started its plant in the south, and there is a new player called {? Elexir ?} that is starting up very soon. Our plant is also running ahead of schedule. Next quarter, we will also be able to provide more clarity on when our plant is coming up.

The competitive scenario is increasing, but from day one our focus was very clear: we have the strongest brand name in the country, and selling MDF at the operating price in the market will not be a challenge for us. We are going to make inroads into the plywood segment, where we have been dominant for so long, keep capturing sales, and keep moving ahead. Honestly, considering the name and size of the organization, our capacity is very small today. Even with the next line, I do not see a challenge. My concern and challenge will start from the third or fourth line onward.

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That is honestly how I look at it from Greenply's point of view. Today we are well positioned, and even with the next line, I do not see that as a challenge.

Sneha – Nuvama: Understood, Sanidhya. Thank you very much, and all the very best to you.

Sanidhya: Thank you.

Operator: Thank you. The next question is from the line of Anup Parakh from Anand Rathi Shares and Stock Brokers. Please go ahead.

Anup Parakh – Anand Rathi Shares and Stock Brokers: Hi, team. My first question is regarding the MDF segment. Our EBITDA margins have contracted sequentially. What is the reason for that, and what is the share of value-added products in the MDF sales volume?

Sanidhya: Do you want to answer?

Sanjeev: As Sanidhya explained in the earlier call, the price hike we had taken has already been rolled back. That is the only reason our EBITDA margin has come down.

Anup Parakh – Anand Rathi Shares and Stock Brokers: And what is the share of value-added products?

Sanjeev: We report MDF board and pre-lam separately, and that information is already provided in our presentation. The share of pre-lam has increased, but I do not have the exact percentage right now.

Anup Parakh – Anand Rathi Shares and Stock Brokers: Understood. And sir, what is the reason for improvement in the plywood gross margin in Q2? Also, can you guide us on the plywood EBITDA margins for H2 FY25 and FY26?

Management: The main reason is our focus on value-added products. As Sanidhya has already explained in the opening speech and in his replies, the new technology we introduced has gained good traction in the market. Our value-added products have picked up, mainly Greenply. That is the reason the gross margin has improved.

For H2, as we had already provided guidance, we will maintain a double-digit EBITDA margin if sales go up to around 600 crores and cross 600 crores.

Anup Parakh – Anand Rathi Shares and Stock Brokers: Lastly, on timber prices, how have timber prices fared in Q2 FY25 for both plywood and MDF? What is the outlook for Q3 FY25 as well as H2 FY25?

Management: As of now, timber prices are stable, and going forward also, we assume that prices will remain the same.

Sanidhya: We are not assuming that we will again face a cycle where prices come down. We feel that we are already at the top pricing level, so we do not see scope for further increases from here. If there is any gain, it should be an additional gain to the margin. Whatever margins we are committing for MDF or plywood are based on the existing timber cost. If there is any windfall gain, it

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should be reflected directly in the margin.

Anup Parakh – Anand Rathi Shares and Stock Brokers: Thank you, sir, and all the best.

Management: Thank you.

Operator: Thank you. Ladies and gentlemen, to ensure that our management is able to address questions from all participants in the conference, please limit your questions to two per participant. Should you have a follow-up question, we request you to rejoin the queue. The next question is from the line of Parth Bhavsar from Investec. Please go ahead.

Parth Bhavsar – Investec: Hi, sir. Thank you for the opportunity. I have one question on the Samet JV. How should we think about the timeline for the dilution of our stake in the JV? It has been a drag on our numbers. How should we look at this?

Sanidhya: To remove the drag, I think the organization has taken a very difficult decision. We do not want to remain a 50-50 JV partner; we want to have a minority stake. The head of terms that we signed and announced after the previous board meeting specified January 5 as the end date by which we would dilute our stake and go down to 19%, while the partner would continue to operate the JV.

Even today, because it is a 50-50 JV, we are reporting the PAT loss. However, Greenply stopped funding these losses from Q1. The partner is funding them in the form of advances, and they are running the show. January 5 is the decided end date by which the entire dilution will happen, and thereafter there will be no drag. Whatever drag you are seeing today on the balance sheet is only a line-item entry; Greenply is not contributing actual cash flow for the same.

Parth Bhavsar – Investec: We have invested 105 crores, right? Is there a provision related to this?

Management: On a consolidated basis, whenever there is a loss, we have already taken that loss. The consolidated numbers have already been reduced by the losses we incurred earlier and the losses we are incurring today. Therefore, there is no requirement for any further provision on this.

Parth Bhavsar – Investec: Perfect. Thank you so much for answering my questions.

Operator: Thank you. The next question is from the line of Ritesh Shah from Investec. Please go ahead.

Ritesh Shah – Investec: Hi. Thanks for the opportunity. You emphasized agroforestry and carbon credits. Is there a way to quantify what portion of our sourcing will come through the initiatives we are taking? Will there be any tangible economic benefit? How do you look at the carbon credits that have been allocated? Is there scope for monetization here?

Sanidhya: There is a huge scope for monetization here for the farmers as well as for Greenply. We have registered all the work we are doing with farmers in Nagaland and Gujarat under this program. These are credits received until the end of 2023. We are about to receive another tranche until the end of 2026.

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Each credit represents approximately 1 metric ton of carbon sequestered, essentially 1 metric ton of pollution absorbed. Satellite imaging is conducted, we register the projects, the projects are audited, and eventually a demat account is opened into which the carbon credits come. The credits can then be sold on the exchange.

The monetization for Greenply will be very small; it will not be very large. For the farmers, it will be much larger. The idea is not to generate one-time income or additional income for Greenply. The idea is to ensure that this income goes to the farmers and becomes part of their sustainable income. If that happens over the years and over a period of time, we can obtain continued raw material at the right price, the farmers will be motivated, and ultimately the landowner is the person to whom the carbon credits belong.

Greenply is facilitating this entire process for its own ESG, its own sustainability, the survival of its plant, and farmer motivation. I think every box is being ticked. Today, we have already sold a sample credit at $15 per credit. At that value, I think we will generate almost 25-30 crores of revenue from these carbon credit sales, and Greenply will receive anything between 10% and 20% of this.

That is the economic benefit Greenply can receive at today's value, but I think it is a very small number and not the focus. The focus is that farmers in and around our catchment area will be happy with us, and we will have a long, sustainable journey with them for years to come.

Ritesh Shah – Investec: Would it be possible for you to quantify what percentage of our timber procurement is currently coming through the initiatives we are taking, or what percentage could come through them going forward?

Sanidhya: I would say that today we are sourcing 50%-60% in Vadodara and 100% in Nagaland through this program. Eventually, this program will become national for us. It will operate in every state for us, and we are going to make it bigger. This will be our philosophy at every plant and in the areas surrounding every plant.

Ritesh Shah – Investec: My second question is about the change of heart with respect to Samet. It was a good opportunity for the company, and there were also channel synergies. What resulted in this decision?

Sanidhya: Both our product segments are growing very fast, and both businesses need a serious capex commitment. To further strengthen and grow Samet, I think the JV partner is planning another 400 crores of capex. At this point, I do not think Greenply's balance sheet was ready for that.

The 20% stake that we have will be long-term. We will also receive, on an arm's-length basis, a brand charge, which will be a significant source of other income. Eventually, the partner's vision is to list this company, and Greenply will also have 19%-20% equity at that point.

In the long term, by being outside, Greenply will still benefit from the reputation of the joint brand. Greenply's dealer-distributor network will continue to benefit from selling those products, our risk will come down drastically, and the entire investment will come in. With a majority stake, the partner's focus will also be to divert global sales to the India JV, which will eventually make the

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Indian JV very profitable, large, and suitable for listing.

In the long run, Greenply will still benefit from this 20% stake and from the brand charge, while retaining a stake in the growth. The focus on the balance sheet will mean zero drag quarter-on-quarter, and the focus will be fully on growing the existing MDF and plywood businesses. We have been very vocal that we want to enter chipboard, and at some point we will also enter chipboard.

Ritesh Shah – Investec: I have one last quick question. What is the motivation behind Ecotec Prime versus Ecotec? Also, when we say there is a 20-year warranty on products, what percentage of our revenues would qualify for these warranty schemes? How do we see this number going forward, and how do we provision for it?

Sanidhya: We do not take any provisions. For example, our lifetime guarantee product Club was launched 20 years ago, and even today the annual claim on it is not even Rs.1.5 lakh. We make such claims only when we are very sure.

For example, we are talking about patented nanotechnology-based Virashield. Virashield underwent a graveyard test around 20 months ago. Twelve months after completing the graveyard test, we applied for the patent, and in the 14th month after the test, we launched it in the market. Only when the organization is extremely confident do we take a step like this, where we openly announce warranties and guarantees.

The past gives confidence to us as management, to our auditors, and to our operating team that no provision is required because the company is very confident about what we are offering.

Ritesh Shah – Investec: And Ecotec Prime?

Sanidhya: The general mindset is to move upward. Ecotec 710 and Ecotec MR are undoubtedly the volume drivers and are in the sweet spot of the market. However, Greenply never fails to launch a premium product at every point, at every price point, at every brand, and at every sub-brand level. Ecotec Prime is another step toward further premiumizing Ecotec.

Ritesh Shah – Investec: Can I squeeze in one more?

Sanidhya: Yes, please.

Ritesh Shah – Investec: You indicated that two companies are adding capacity in MDF. You also indicated that some smaller players could potentially shut down. How are you looking at demand-supply and competitive intensity? Supply is still coming, probably down the value curve, so their value or pricing proposition is actually better. Do you see any improvement over the next 12-18 months, wherein MDF profitability can structurally improve for us and for the industry as a whole?

Sanidhya: I think the next 12 months will be worse. After that, things can change structurally once the smaller players actually exit and demand catches up. A lot of new large entrants will not be interested because of the current industry scenario, so new players do not want to enter. The people who have already committed have entered. Smaller players are going to die a natural death,

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and then I think margins for us can start improving again.

We are very confident that, given the way we are operating, we will continue to deliver 15%–16% EBITDA even next year after our new capacity comes in. At this level, I think we can achieve approximately 17%–18% ROCE. Obviously, it can become 20%, 22%, or 23% once some players in the industry exit, overall margins and volumes catch up, and demand becomes greater.

Operator: Thank you. Ritesh, if you have a follow-up question, we request you to rejoin the queue. Ladies and gentlemen, to ensure that management is able to address questions, please limit your questions to two per participant. The next question is from the line of Shruti Mirchandani from Ikigai Asset Management. Please go ahead.

Shruti Mirchandani – Ikigai Asset Management: Hi, sir. I hope I am audible.

Operator: Yes, you are audible.

Management: Yes, audible.

Shruti Mirchandani – Ikigai Asset Management: Thank you. I wanted to ask about plywood. I understand that we are currently constrained by capacity. Going ahead in the second half, to increase volumes, can we do more trading? We are allocating our capacity to premium products. Could we see more trading in Ecotec or perhaps on the slightly less premium side to support volume growth?

Sanidhya: Yes, that is definitely part of the plan. If you look at H1, there were parts of H1 that were very disturbed, including the domestic market. For example, Q1 was also very disturbed because of volume and because outsourcing was significantly disrupted. In H2, we obviously have a higher plan for this, and we are very confident that we will achieve more than 10% annual volume growth in the plywood segment.

Shruti Mirchandani – Ikigai Asset Management: This is helpful. Secondly, in terms of MDF, based on the new guidance of 20% growth for the full year, I think the second-half run rate required is 66,000 CBM on a quarterly basis for Q3 and Q4. Given that you mentioned in the opening remarks that we have capacity of approximately 60,000 per quarter, how are we looking at meeting this 20% full-year growth target?

Shruti Mirchandani – Ikigai Asset Management: {? 75 ?}

Management: We have inventory in hand. Also, we will now be selling quite a bit of flooring in the second half. That is going to help. Sorry [laughs], what is it? I think 63,000 is what we are targeting in the next 2 quarters. I think that is possible from a production and sales perspective. So yes, you are right. 63,000 is what we would like to target in the next 2 quarters.

Shruti Mirchandani – Ikigai Asset Management: Understood. On the wooden flooring part, is it possible to quantify the contribution in terms of revenue from this segment?

Management: It would be difficult to provide a projection right now, but for the next full year we will provide guidance because we will have some base. It should be a couple of crores every month for

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sure. Rs.2-3 crores to begin with every month is a very easily achievable number.

Shruti Mirchandani – Ikigai Asset Management: And would the realization for this be roughly Rs.60,000 per CBM, or am I incorrect?

Management: I would just tell you one thing. It would be in the range of Rs.75,000-plus per cubic meter.

Shruti Mirchandani – Ikigai Asset Management: Okay, understood. One last question from my side is on the Sandila plywood capex. You mentioned 320-340 crores of top line at a 15 million square meter capacity. This implies a Rs.220 realization for plywood. Given that we have achieved Rs.264 now, are we trying to increase this capacity more toward the Ecotec side? I wanted to understand that.

Management: This projection is conservative. The number you are seeing today includes PVC realization, premium plywood, inexpensive plywood, low-end plywood, and some very niche industrial-grade plywood. Everything put together, this is the blended realization you are seeing.

Whatever growth is coming in the years ahead is mainly in the Ecotec segment. A lot of these capacities are also being planned to convert outsourced production to self-manufacturing, which will give the business greater confidence, better margins, and better productivity overall. Hence, the planning is conservative at Rs.220. If we can achieve a better realization, that will also mean a higher absolute number. That would only be positive.

Shruti Mirchandani – Ikigai Asset Management: Understood. This was helpful. Thank you. I will join back in the queue.

Management: Thank you.

Operator: Thank you. The next question is from the line of Rishabh Bothra from Systematix Group Institutional Equities. Please go ahead.

Rishabh Bothra – Systematix Group Institutional Equities: Hello? Hello?

Operator: Yes, sir, you are audible.

Rishabh Bothra – Systematix Group Institutional Equities: I wanted to check. You mentioned that you also wanted to enter chipboard manufacturing. What is the timeline and capex involved in that business?

Management: Our approach to capex in that business will be very different. We are not looking at a very heavy, multi-Conti line or a very heavy setup. We are looking at a dependent setup along with MDF wherever we go, where we will set up multi-daylight lines along with MDF.

Our calculations and understanding indicate that a multi-daylight line complementing an MDF line will be highly profitable. Total capex will be low, and the asset turn will be very different compared with a Conti line. We are not looking at more than 100 crores of capex per line. We are looking at producing 250-300 cubic meters from that 100 crores of capex, with an asset turn of almost 1:2 in the case of particle board. Our approach will be very different, and we would set up the first line

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sometime next year or the year after, depending on the bandwidth of the operating team.

Rishabh Bothra – Systematix Group Institutional Equities: Secondly, with respect to plywood, you mentioned that pre-lam plywood was also in the offing. How has acceptance been in the market, and what kind of realizations are you seeing?

Management: We have only conducted trials so far. Commercial full-scale production is starting sometime in November. We are really looking forward to it, and I feel that it will significantly change the ready-made furniture segment. Eventually, every company will try to offer it. I think Greenply will be the first company in India to do pre-lam plywood at scale for furniture makers.

Rishabh Bothra – Systematix Group Institutional Equities: Lastly, you have appointed a Chief Strategy Officer. His background appears to be in corporate restructuring and business acquisitions. Is anything in the pipeline with respect to acquisitions in the near term?

Management: That is not really the reason we appointed him. He is a good professional and obviously has extensive experience in M&A. However, we did not appoint him because we specifically wanted to acquire something. He is a great resource. The team and the Chairman felt that he was the right person, and the Board felt the same. Hence, he has been hired to contribute to the company.

Rishabh Bothra – Systematix Group Institutional Equities: Understood. Thank you very much.

Management: He is also involved in the IT and purchase functions in addition to strategy. That is another area where he will be focusing.

Rishabh Bothra – Systematix Group Institutional Equities: Understood. Thank you, sir.

Operator: Thank you. Ladies and gentlemen, we request you to limit your question to one per participant. If you have a follow-up question, you may rejoin the queue. The next question is from the line of Aasim from DAM Capital. Please go ahead.

Aasim – DAM Capital: Hi. I have one question. Could you repeat the plywood margin guidance for the full year? You touched 10% this quarter. I wanted to understand whether this is secured and will continue through Q3 and Q4, given that the initiatives have been implemented at the plant level, but you will also need to tap outsourcing to achieve approximately 10% volume growth. What approximate margin are you targeting for this year, and with the Odisha unit coming in, what could it do to margins over the next couple of fiscal years?

Management: The first thing is that, as we have been saying, we sustainably deliver 10% or more. Hopefully, our top line should be 600 crores or more going forward every quarter, and we should sustainably deliver 10%. That was the initial target. We also told everybody that there should be no reason why this company cannot deliver 11%, 12%, or higher numbers.

That will come for a couple of reasons. First, when we reach a number of around 600 crores, the overall scale comes into our plywood segment and we are able to achieve that number. The other reason is that the new manufacturing facility we have set up will also start saving costs for us. That has not come in yet. Toward the end of the year, it should also start contributing.

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If you ask me personally, in H2 I am looking at 10% or more, and we are also looking at how we can touch 10% for the full year. Obviously, that will be the goal for this year. Going forward, if we can achieve this sustainably this year, then next year it will definitely be double-digit or higher, and we can further improve from there.

Aasim – DAM Capital: Understood, sir. Thank you, and all the best.

Management: Thank you.

Operator: Thank you. The next question is from the line of {? Jojosh Shaju ?} from {? Tirthan Capital ?}. Please go ahead.

Jojosh Shaju – {? Tirthan Capital ?}: Thanks for the opportunity, sir. I have a question on the MDF segment. Are we seeing imports return in a significant way? We have seen news that certain companies from Vietnam, Thailand, and Indonesia have received BIS certification. What is the outlook for imports in the second half, or over the next 1 year?

Management: Even if imports have increased slightly, there is still a huge gap between the total quantum that used to come in and where it is today. I do not think we are getting worried or challenged because of that. Geopolitics, the war, and overall freight costs for a product like MDF are also not supporting imports.

In that sense, we are relieved. For us, even today, MDF capacity is very small compared with the name and strength of this organization. We are not troubled by that. Anyone with 3, 4, or 5 lines must be very concerned about it, but we are not concerned because we feel that our overall capacity is honestly very small today.

We should focus on our brand and our network, and we will easily be able to place this capacity in the market.

Jojosh Shaju – {? Tirthan Capital ?}: Understood. I have one clarification on the Samet JV. Will Greenply not commit any further capex for the hardware business? Also, will Greenply increase its stake in the future if the hardware entity achieves sustainable profitability?

Management: If the company becomes very profitable and Greenply's balance sheet has substantial free capital, who would not want to grow their money? We would also want to invest and grow the capital, and there is a provision and understanding to that effect from the partner's side.

The partner's plant is next to Greenply's plant, so the partner will always want support from us in terms of Indian know-how, operations, brand support, and so on. There is no reason for us to fight or refuse to increase our stake. However, all of this will depend on how Greenply's balance sheet is performing at that point and how the JV is performing.

For now, we are removing the drag of the losses every quarter. We still have 19%. On the upside, we will receive brand charges every quarter for the partner's use of our brand. Another upside is that all our dealer-distributors will have another product from the Greenply house, which will increase their margins, provide them with more share, and give them greater visibility in the market.

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I see many positives: we will still have a 20% stake, there will be a good sentiment in the market, we will retain a good name because of the work happening at the sales end for this brand, we will remove the drag from the books completely, and we can focus on MDF and plywood growth, then add chipboard and further strengthen Greenply's growth journey. This is how we are looking at this transaction as of today.

Operator: Thank you. Ladies and gentlemen, we request you to limit your question to one per participant. The next question is from the line of Praveen Agarwal, an individual investor. Please go ahead.

Praveen Agarwal – Individual Investor: Hi. My question continues on the MDF industry theme. Our next line is coming at approximately 200,000 CBM, and we are spending around 425 crores. At a 15% margin and 80% utilization, we are looking at EBITDA of around 80 crores at Rs.31,000 pricing. If I take a 15-year useful life, I have to subtract 30-35 crores from it, leaving us with 45 crores. Therefore, ROCE appears to be 10%.

I am trying to understand why more and more people in the industry are still investing in an asset with approximately 10% ROCE, and what is your view on how long this will continue? Based on my basic back-of-the-envelope calculation, it would require 20% EBITDA margins to reach a 15% ROCE. So where am I [cut off]

Management: Your voice was a little muffled, but I think I understood your question. There is no new entrant coming in. For example, Eleganz decided 4 years ago that it wanted to enter MDF, and 3 years ago it conducted its groundbreaking ceremony and started construction. At that point, it had no situation in which it could backtrack from the project.

Similarly, existing industry players have to keep growing. You are riding a tiger, and the tiger has to keep growing; otherwise, you will be eaten. Every cost will keep increasing year-on-year. Therefore, people have to keep growing when this is their core segment.

However, I think new entrants are moving out. I have said this before as well: on a 3-year or 5-year basis, when we look at the MDF industry, we are very confident of achieving approximately 18% or higher ROCE. On a short-term basis, the current situation does not satisfy us or anybody. Returns are very low today, and because returns are so low, we have consciously improved the asset-turn ratio in the second line in which we invested, to address this concern.

Praveen Agarwal – Individual Investor: Just one follow-up. In terms of volumes, do you continue to see 20% or higher volume growth for the industry as a whole over the next 3-5 years?

Management: Yes, definitely. I see that happening. I see some of the smaller players exiting naturally, and I see demand catching up. Because the industry is performing so poorly, there is no new entrant or large entrant being attracted to this category. That is also very positive and should help us.

I think that another year or 1.5 years from today, everybody should start achieving the incremental numbers that everyone has been expecting for a short period. Then everybody will add capacity again, and the entire cycle will continue. But over the long term—3, 5, or 7 years—when we look at

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this industry, I am very confident that Greenply can generate 18% or higher ROCE.

Praveen Agarwal – Individual Investor: Thank you very much. That is all from my side.

Management: Thank you.

Operator: Thank you. Ladies and gentlemen, that was the last question for the day. I now hand the conference over to the management for the closing comments.

Management: Thank you all for taking the time to participate in this call. In case of any further clarification or queries, please feel free to reach us. Thank you.

Operator: On behalf of Asian Markets Securities Private Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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