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CENTURYPLY®

Date: 20th May, 2022

BSE Ltd. Phiroze Jeejeebhoy Towers Dalal Street Mumbai- 400 001 **Scrip Code: 532548**	National Stock Exchange of India Ltd. Exchange Plaza, Bandra Kurla Complex, Bandra (E) Mumbai- 400 051 **Scrip Name- Centuryply**

Dear Sir(s)/ Madam(s)

Sub: <u>Transcript of the conference call for Audited Financial Results for the Quarter and Year ended 31st March, 2022</u>

In terms of Regulation 30 read with Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we forward herewith the transcript of the conference call with Investors and analysts held on Tuesday, 17th May, 2022 for Audited Financial Results for the Quarter and Year ended 31st March, 2022.

This is for your information and record.

Thanking you,
Yours faithfully,
For Century Plyboards (India) Ltd.
Digitally signed by Sundeep Jhunjhunwala
DN: cn=Sundeep Jhunjhunwala,
email=sundeepj@centuryply.com, c=IN
Date: 2022.05.20 18:31:15 +05'30'
Company Secretary

"Century Plyboards India Ltd. Q4 FY22 Post Results Conference Call"

May 17, 2022

MANAGEMENT: **MR. SAJJAN BHAJANKA – CHAIRMAN, CENTURY PLYBOARDS INDIA LIMITED**
MR. SANJAY AGARWAL - MANAGING DIRECTOR, CENTURY PLYBOARDS INDIA LIMITED
MR. KESHAV BHAJANKA – EXECUTIVE DIRECTOR, CENTURY PLYBOARDS INDIA LIMITED
MS. NIKITA BANSAL – EXECUTIVE DIRECTOR, CENTURY PLYBOARDS INDIA LIMITED
MR. ARUN JULASARIA – CHIEF FINANCIAL OFFICER, CENTURY PLYBOARDS INDIA LIMITED
MR. NEHAL SHAH – CHIEF STRATEGIC OFFICER & HEAD (INVESTOR RELATIONS), CENTURY PLYBOARDS INDIA LIMITED

MODERATOR: **MR. ARUN BAID – ICICI SECURITIES LTD**

Moderator: Ladies and gentlemen, good day and welcome to the Q4 FY22 Earnings Conference Call of Century Plyboards India Ltd. hosted by ICICI Securities Ltd. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Arun Baid from ICICI Securities Ltd. Thank you and over to you, sir.

Arun Baid: Good evening all. On behalf of ICICI Securities, I welcome you to the Q4 FY22 Results Con-Call of Century Plyboards. We have the top Management of the Company with us who will give their opening remarks post which the floor will be opened for question and answers. Before that I would just like to highlight the safe harbor, which was given by the Company in the PPT, which is released to the exchanges. Over to you, Sanjay sir.

Sanjay Agarwal: Thank you everyone for taking your valuable time out for attending the Q4 FY22 Century Plyboards Investor Conference Call. I am Sanjay Agarwal – Managing Director of Century Plyboards India Limited. I have alongside me Mr. Keshav Bhajanka, Ms. Nikita Bansal, both Executive Directors, Mr. Sajjan Bhajanka – Chairman, our CFO – Mr. Arun Julasaria, Mr. Nehal Shah – Chief Strategic Officer and Head of Investor relations. I presume that every one of you would have gone through our numbers in detail.

Let me still brief you all on the key highlights of Q4. After delivering good record sale in Q2 and Q3 this year, it gives me real pleasure to share that we have achieved a new record once again of exceeding Rs. 895 crores revenue in a single quarter and Rs. 3,000 crores topline in a financial year, which is the highest ever till date. While January sales got impacted due to COVID third wave, February and March 2022 bounced back strongly to register the highest ever revenue in Q4.

Our plywood and particle board segment recorded a double-digit year-on-year volume growth while laminate and MDF segment delivered single digit year-on-year growth for the quarter.

Our MDF and particle board segments delivered highest ever EBITDA margin till date with MDF and particle board reporting margins of 32% and 29% respectively for the quarter. This was driven by demand across both the categories. Despite the sustained input cost pressure in core segment of plywood and laminate, we have been able to mitigate a large part of our gross margin pressure by taking corresponding price increases, though with some time lag and also through our operating leverage.

Our overall gross margins recovered 40 bps quarter-on-quarter to 35.5% in Q4 FY22 and the overall EBITDA margin for the quarter stood firm at 18.2% quarter-on-quarter. Despite rising timber prices and our sustained aggression in brand spends, 6% in Q4 versus 4.7% and 3.4 % year-on-year.

Our plywood margins stood at 15% largely driven by operating leverages and our ability to pass on. The laminate EBITDA margins were also at 15% for the quarter.

Price increases we have taken during the quarter and financial year, plywood 3% to 3.5% in Q4 and 7% to 8% in FY22 and 2.5% to 3% post Q4. **(Inaudible) 5.03** improved Q4 by 13% to 14% in FY22 and 3% post Q4. MDF nil in Q4, but 20% in FY22. Particle board nil in Q4, but 15% in FY22 and 5% post Q4. Our MDF Brownfield expansion at Hoshiarpur is as peer schedule and is expected to come on stream by end Q2 or beginning of Q3 FY23.

Our South MDF CAPEX has received all requisite approvals and the machinery has been ordered. We expect the facility to commission in H2 FY24. Our Greenfield laminate manufacturing unit in Andhra would come up in 2 phases. The first phase is expected to become operational in Q2 FY24.

Our working capital stands comfortable at 63 days in FY22 an improvement of 6 days compared to the last financial year. We remain a net cash positive Company with net cash position of Rs. 175 crores as on 31st March, 2022. Our Q4 FY22 ROCE stood at a healthy 35.2%.

Now I hand over to our CFO, Shri Arun Julasaria for his comments and then it will be open for question and answers.

Arun Julasaria: Good evening ladies and gentlemen. I am Arun Julasaria, CFO of the Company.

First of all, I would like to give the customary disclaimer that this call is to discuss Company's historical numbers and future perspectives. In no way it should be construed as invitation to invest in the Company. Our MD – Mr. Agarwal has taken you through all the macro and micro figures. So, I would not like to add much to it, but I would like to share that once on this call only some time our MD said that he had a dream of earning at least Rs. 1 crore per day, so that we have already surpassed, instead of Rs. 365 crores, this year we have earned Rs. 476 crores.

Now a new dream will be set. First time we have crossed our topline to Rs. 3,000 crores. Our blended income margins have drastically improved from 15.8% to 18.6% and if you see the overall figure of EBITDA margins is up from Rs. 334 crores to Rs. 557 crores. So, a hike of around 66.7%. this year we have made changes in our taxation system. Earlier, we were following the old tax regime where the tax rate applicable was 30% availing all chapter VI deductions, but now we have migrated to a new tax system where the applicable tax rates will be 25% and we will have to forego all applicable deductions. So, after making all the comparisons we found that our tax outflow is almost same, so we have migrated to the new tax system and now onwards we will remain with the new tax system of 25% and we will now be claiming tax exemption in respect of only one unit in Assam.

This year, we have also written off the credit for net credit of Rs. 30 crores. After taking the effect of writing off, net tax effect is around Rs. 6 crores more, which would have been if we'd have followed the old tax system, but there are benefits of migrating to the new tax system. Lot of times tax authorities make unidentified arears so now we will have Rs. 30 crores cushion for any unjustified deductions made by department till last financial year. Almost all segments of the company have done well. MDF has done exceptionally well and EBITDA margins of plywood have surprisingly improved from 10.8% to 14.1%.

With these words, I will make this forum open for discussions. Kindly go ahead with your questions.

Moderator: Thank you very much, sir. We will now begin the question and answer session. The first question is from the line of Rajesh Kothari from AlfAccurate Advisors.

Rajesh Kothari: Just two questions from my side. One is on the raw material front, any significant cost increases have you seen currently on the raw materials and second on MDF, I missed you your 2 lines. By when our MDF capacity is coming on stream and some update on that.

Sanjay Agarwal: As far as raw material is concerned, yes there are some increases in North India, not in South India, not so much in our Kandla unit also and not so much in Guwahati unit also, but yes there is an increase in North India, but then overall whatever increases of cost had happened, we have been able to pass it on by price increases and yes there is always a lag and that much of a burden the Company bears, but ultimately it gains. So, that is it as far as the price increase is concerned. As far as MDF capacity is concerned, the Hoshiarpur plant will be up by end of Q2 or beginning of Q3 and Andhra Pradesh plant should be on by FY24 H2 and Q3 beginning. All the machineries have been ordered. The land is in our control. All the approvals have come from the government. So, thing are now in our control.

Rajesh Kothari: So, you say by when it will start AP?

Sanjay Agarwal: AP will start in Q2 end or Q3 beginning FY 24.

Rajesh Kothari: On the plywood side, since you are seeing very strong demand traction, can you give some details on that, what is resulting in to such a strong growth because I think it's been almost like 4 quarters where we are seeing such kind of a growth. So, is it that the import has reduced significantly that is helping and how do you see the different steps you might have taken in the last 2 to 3 quarters, like last time you were talking about go-to market approach and many more such strategic decisions, so if you can give some color on that, that will be useful.

Nikita Bansal: Actually plywood demand for us and the same is increasing is because number 1 real estate has again started booming. The plywood is increasing for everyone for the industry overall, but we have been doing consistent branding now for 2 years straight and we are going to continue that for the third year and branding is really helping in reaping us benefit. Last year we did branding on Sainik as well as Century and both brands have benefitted from this advertisement. Every year, we try and come up with new attributes and features, like we come up with ViroKill, then we came up with Firewall and enhancing the product has helped us. Other than this I also think that as we have mentioned in the past that we have been working continuously on improving the GPM. Definitely, the minute you focus the energy of the field on to channel expansion, on to getting better lead conversion, things improve and that is what is reaping us benefit and we hope we continue to grow this way. We expect next year that we will have a 20% growth.

Rajesh Kothari: And what kind of margins would you like to see in plywood segment, how do you see the margins in that?

Nikita Bansal: Between 13% to 15% EBIDTA.

Rajesh Kothari: And what about the laminate segment, how do you see the growth and margins in laminate?

Keshav Bhajanka: I think in laminates, our objective has always been a 20% topline growth and I think with the initiatives we have taken particularly with BCG coming into play, we can look at a long-term growth of 20% without fail. The margins, as you already know, we have given a guidance of 14% to 16% and we will be looking to maintain the same.

Rajesh Kothari: You are talking about the laminate segment, am I right? So, basically the current margin is at 12.8%. So, from 12.8% you are saying that the margins will inch upwards to 18% to 20%?

Keshav Bhajanka: Current margins are not actually 12.8%, if you look at it, there is 2.5%+ impact from the BCG project. So, that is more of the nature of a long-term investment, but it is being debited as an expense right now. If you consider that, we are well within 14% to 16% range.

Rajesh Kothari: So, basically in the next 3 to 4 quarters, you would continue to see this BCG expense, am I right? And the volume growth, which is being right now flattish, fourth quarter also the volume growth is about 1%, so you are saying that will also improve? What are the reasons for that?

Keshav Bhajanka: In Q4 after January, we had limited growth in February and March, but I think this has been common to most laminate manufacturers. Going forward, I am sure from Q1 onwards, we will see much better targets.

Moderator: Thank you. The next question is from the line of Kartik Mediratta from Niveshaay. Please go ahead.

Kartik Mediratta: My question is related to MDF. If you see MDF realization per CBM has increased 30% to 40% YoY, going forward for the upcoming quarter, can you expect a jump in realization?

Sanjay Agarwal: I think no further jump is expected actually and there may be once all production capacity has come up, we can look at a little bit of softening, but still I think we will be within our projections, which we have been always projecting that yes that 25% margin is our actually long-term target. So, sometimes when the markets are doing well, it may go up and now maybe in a year or maybe a little later, it may come down a little bit, but still we can only think that it will still maintain to be more than 25% actually. So, I don't see a jump in it. I think this is good enough and any more jump will be greedy, isn't it?

Kartik Mediratta: And what is the current realization, Rs. 31,000 approximately per season?

Management: Yes, the current realization is approximately Rs. 33,000….

Kartik Mediratta: And the margins are sustainable for MDF?

Management: No, that's what we said so the margins which are currently at around 33,000, could sustain for probably next 1 to 2 quarters and when the capacity gets added, particularly in the North of India, there is increase in timber prices, which if we are not able to increase prices, we might see some softening in margins through the year. So, if you look at the FY23 margins, you could estimate margins to be anywhere in the range of 25% to 30%. And that is largely because of timber prices increasing in North of India. However, timber prices in South of India remain very-very much stable.

Kartik Mediratta: And what are the raw materials used in MDF and what are their costs versus a year ago?

Sanjay Agarwal: To tell you the cost is very difficult of every item, but the main items are resin and timber.

Kartik Mediratta: What is the cost currently of resin and timber?

Sanjay Agarwal: It is very difficult, at different places, different times, there are different types of timber, how can I give you the timber prices and resin prices and all that. We will need to appoint consultant to probably understand all that.

Arun Julasaria: I will just try to explain what is the present status. In North India, presently we are buying timber at the rate Rs. 5 and we consume around 1.6 ton of timber in making 1 CBM of MDF and so timber cost is around Rs. 8. And similarly glue cost is depending on various types of glue because the price is a mix of higher grades and lower grades. So, the average price of glue would be around Rs. 25 and it consumes around 15% glue. So, it would be to the tune of Rs. 3.5 or Rs. 4, 4000 cubic meter of this, 8000 plus 4000. So, this timber and glue cost would be Rs. 12,000 around, and then manufacturing and other costs are there, labor, electricity. Electricity is also a major cost, that is again more than Rs. 2,000 per ton.

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

Hrishikesh Bhagat: I have two questions, firstly on particle boards. If I look at the volume, last two quarters it has been in range of 19,000 to 20,000 CBM, which obviously includes the pre-lam also, so just wanted your perspective whether further volume growth is possible or do you think there is a capacity constraint and debottlenecking is necessary?

Sanjay Agarwal: Actually we are trying, the plant we have bought is of 180 cubic meter per day only. We can actually plant capacity is 5,400, but we are manufacturing about 7,200 cubic meter per month. We are engaging BCG now to work on it and maybe we will get some more production out of it. We are already contemplating for doing capacity expansion, but till now we have not taken a decision. So, yes, till then we can say that there is a capacity constraint.

Management: Just to add further here, last year we did around 72,000 CBM in particle board. This year we're likely to do anywhere between 77,000 to 80,000 kind of a number.

Hrishikesh Bhagat: The second question is on the A&P spend, obviously Nikita did allude to that you are spending for ViroKill and other campaigns, so what was the absolute amount on A&P in FY22?

Management: Keshav will be able to provide you with the exact details because there is a little bit of variance. ATL includes a lot of things. So, it includes TV, radio, etc. So, as a cumulative, I am sure, he will be able to provide you details separately.

Keshav Bhajanka: Just to give you a percentage, in terms of percentage, our A&P spends at least in plywood, which is the largest part of the turnover was 6% compared to 4.7% QoQ and 3.4% YoY.

Moderator: Thank you. The next question is from the line of Jignesh Kamani from GMO & Company. Please go ahead.

Jignesh Kamani: If you talk about MDF, our volume has declined QoQ, so it is partly because the Omicron in January or the demand has been slightly soft in the initial part of the year?

Management: If you look at our capacity, last year we got the benefit of opening inventory and as a resultant, our volume was pretty much higher. Now it has come to a normalized volume for the quarter. So, that ways, we actually have run out of capacity so as to say, but otherwise we will continue to have this kind of quarterly volumes until we come up with the brownfield expansion.

Jignesh Kamani: So, demand continues to remain strong?

Management: Yes, demand continue to remain strong.

Jignesh Kamani: On the laminate side, our gross margin has declined QoQ, so is there any pressure on the gross margin, what is the issue there? we are able to hold on the EBIDTA margin, if you CAN comment on that part also?

Management: So, in laminates, our number the key raw material has seen a substantial increase in cost including phenol, melamine, and kraft paper. We have been able to pass on a bulk of that price increase, but there is a time lag and it takes some time for the price increase to be passed on. So, because of that gross margins have been under pressure. Having said that, now we're seeing some easing of the raw material cost as well and going forward I think we will be able to maintain margins between 14% to 16% as I had guided earlier.

Jignesh Kamani: In QoQ, our gross margins have been under pressure, but we are able to maintain our EBIDTA margin in the laminate segment, so have you cut down in the advertisement or any other part in laminate?

Management: No, I think operating leverage has helped because we have grown, so that has helped us negate the cost to a certain extent.

Moderator: Thank you. The next question is from the line of Abhishek Ghosh from DSP Mutual Fund. Please go head.

Abhishek Ghosh: If you look at the balance sheet, there is an increase in the amount of inventory build up, so if you can just broadly help us understand, is it because of supply shortages you want to build up higher amount of raw materials inventory or what is it affiliated to if you can just help us with that?

Keshav Bhajanka: I don't think there is a very substantial build up in inventory. I think we are preparing for a growth spurt in demand in Q1 of next year and going forward, so I think this is all to do with the same. We basically have taken a higher AOP for this year and in line with the same, we are provisioning for that growth by virtue of having some additional finished wood stock.

Abhishek Ghosh: And just in terms of if you look at your broad operating cash flow now, so you are generating broadly about cash flow in excess of about Rs. 110 to 120 crores on a quarterly basis, so, broadly that Rs. 500 crores of operating cash flow, So, given the kind of CAPEX plans that you have, you will not have to pick up any debt or anything of that sort, is that a fair estimate to make?

Keshav Bhajanka: I think it depends on the timing of the various categories that we have. So, even if we do take some debt on the books, it will not be substantial. It could be in the form of a bridge financing for a year or so depending on the timing of cash flow based on all our current CAPEX plan. In case, we go into more CAPEX projects, then we will have to look and reevaluate, but as of now, you are correct. We do not see much debt needed to be taken on, may be some slight debt for a quarter or two, something of that sort.

Abhishek Ghosh: And broadly since you operate out of multiple segments, if you can just broadly talk about how is the competitive scenario because we're not seeing similar kind of growth for rest of the building material products, is it coming out of market share gains or is wood panel a category, which is seeing much higher growth than the rest of the building material category, if you can throw some color on that, it will be helpful.

Keshav Bhajanka: I think definitely we have had some market size gains in approximately 5 to 6 segments. In particle board and MDF, there is a limitation in terms of the total amount of manufacturing capability in India and because imports have reduced, the entire industry has jumped. So, MDF and particle boards, it has been very good sailing for all the players, not just us, but in plywood, laminates, I think our operational excellence has shown through. Particularly in plywood, the combination of characteristic such as ViroKill, firewall and new GTM have led to sustained market share improvement and I think going forward our objective will be to gain the market share in all 4 segments.

Abhishek Ghosh: Just on the plywood part of it and in terms of the competition from the unorganized players, we are seeing a lot of stress, so do you think is that also kind of benefitting you guys in growing much faster than the rest of the product?

Keshav Bhajanka: We are putting me in a bit of a spot because I was trying to avoid this answer, but you are right, unorganized is under severe pressure and definitely we being market leaders are benefitting. Going forward, I think we will be able to gain further due to this shift, but we will have to wait and watch.

Abhishek Ghosh: Just one last question, if you can answer this because you have seen much more cycles, the growth for Century has been much better in the last 3 to 4 years with market share gains, very strong balance sheet. Where do you see risks to these going forward given that your CAPEX commitment will be far higher than what you have done in the past? What are the 1 or 2 risks that you are seeing and you would just want to be wary of the that?

Sanjay Agarwal: The only risk is actually, which I really do not see within a very short period, if MDF and particle board starts in a big way if they start importing into India, so that is one area I see and that will also will be for South India because North India even earlier and even tomorrow because of the distance from the port, we still are very much protected. So, whatever new capacities are coming, even they will be protected. South India may see some problems in the future. In plywood, I don't see much of a risk because plywood is a low CAPEX plant and we are actually very slowly and very steadily, we are trying to make in-roads into small towns and dealers and sub-dealers and everybody is being watched and directed. Nowadays, IT has become so good and these apps and call centers all these have become so good and advertisement we are able to take that risk in our mind and in our essence also. So, I really don't see much problem with plywood division. Laminate, we have hired BCG, so again if there was some certain risk of flat or not much of a growth, but with BCG involvement, I am very sure that new strategies are coming out and in maybe next year or two, things will be really looking better only. I would love to come out with risks so that we are always ready for it.

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

Sneha Talreja: I just have 2 questions from my end. Firstly, could you give us a breakup in terms of what has been the domestic and exports related growth in laminates division and FY22 breakup between the domestic and exports division?

Management: So, exports traditionally has been a much lower value contribution for us, but last year exports did phenomenally well. The growth was substantial. It was 30%+. So, it was far higher than our domestic growth.

Sneha Talreja: So, FY22 share for exports would be?

Management: The share for exports would be 25%.

Sneha Talreja: And similar question with respect to Sainik and non-Sainik business what would be the percentage share in each and what is the kind of growth that we have seen in FY22 for Sainik as well as the premium segment?

Management: We normally don't share those figures. I am sure that the team can provide you with the guestimate later on.

Sneha Talreja: Anything specific related to laminate segment this quarter that we saw that only 1% volume growth versus I know you alluded to the fact that January was weak and February and March did not pick up that well, but any particular reason of not picking well in laminates versus we saw very strong growth for plywood, MDF as well as even particle board, so just wanted to try and take some sense on the laminates division, what is happening there?

Management: I think the recovery run rate last year, I am talking about FY20-21 was a little different. Laminate Q1 FY21 did phenomenal and the base as such was very high. If you look at the figures, I think the QoQ growth between Q3 and Q4 was substantial last year. So, I think we were already operating at a higher base and with that together with a very slow January, we weren't able to show the growth, but going forward I think now the base is established and we should be growing well on it from this year on.

Sneha Talreja: And lastly your expectation on the MDF division, you have of course given the timeline of commissioning of both Hoshiarpur as well as your AP plant, but what are your expectation in terms of realization as well as what is the capacity addition that you are looking at, both considering the fact that we are seeing number of capacity additions happening at the industry level?

Sanjay Agarwal: As far as MDF is concerned, we can see whatever capacity till now has come has been absorbed very well by Indian consumer and everyday a new OEM is coming up, lot of export possibilities, lot of furniture parks are coming up in India. So, we see actually consumption of MDF is really going up in India and the growth of MDF is much faster, much better than any other building material in India right now. As far as the prices are concerned and EBIDTA are concerned, we have already spoken that EBIDTA may soften a little bit once the new capacities come up, but then still we do not expect it go below our usual mindset that we will not go below 25, so I still think it will not go below 28%, 29% or 30%. Right now, it is much higher than that. So, that much of softening may come in after sometime.

Keshav Bhajanka: Just to add to the MDF point, we have always done a better capacity utilization than most others. So, I think you will give us the benefit of doubt that we will be able to exhaust our capacities faster than the industry will otherwise. I think MD already it in the call that our expansions are well on track. We are looking at operations commencing in the Hoshiarpur expansion from Q3 this year and we shall have the Andhra plant up and running by H2 next year.

Moderator: Thank you. The next question is from the line of Jignesh Kamani from GMO & Company. Please go ahead.

Jignesh Kamani: Just on the demand on the MDF front, generally it is a replacement to cheap plywood and if you take about MDF, the realization is up around 25%+ YoY while plywood price hike has been around 7% to 8% or at max 10%. So, are you seeing some of the low segments where MDF used to replace plywood, now people are using more of plywood because price gap is no more commensurate?

Sanjay Agarwal: MDF is much-much cheaper than plywood, even the local plywood, much-much cheaper than local plywood. So, still even after all these increases, still the cheaper plywood will be replaced, that is number 1. Number 2, there is a problem with cheaper plywood. The cheaper plywood is actually trying to cheat the customer in a way by actually giving wrong brands or by giving wrong declarations. We have come out with firewall and now I see that everybody else is claiming firewall. So, these things cannot really stand the test of time. So, this is the number 2 item. So, I don't see that this price increase or whatever 25% to 30% has happened, will have any problems, yes the other one thing you are seeing that our highest grade of MDFs which is you know the Premium Plus we are saying. So, there yes, we can say that going ahead, if further prices increase or something happens then that may take some beating. But the percentage of that is not too high. So, if that keeps on increasing, yes that segment may take a little bit of beating.

There is one more thing which we have to realize that MDF has a wonderful stability of dimensions. So, if somebody said it is 18mm so it is mostly 18mm throughout the sheet. So, it is much easier to work on MDF if we are using machines. And to use plywood, it is little difficult as far as machines is concerned. So, whoever is using a machine, will find difficult to replace MDF as a plywood.

Jignesh Kamani: Understood. Second thing, all the new capacity which used to come in MDFs have already come in, I think fully absorbed including the Rushil's last capacity. Now incrementally only your capacity is coming after, end of second quarter. Considering buy on demand as you highlighted, do you think that it will, margin might remain elevated at least for next one year because no additional supply is coming and demand continue to remain healthy.

Management: I don't see that in one year any capacity coming up, but yes, then there are I think there is a plant by Action and then our plant is coming up. And certainly, some more small other plants will come up, we must take it for granted. But just think of it the total capacity increase will be hardly maybe 2000 cubic meter or so in a year or maybe 2500 cubic meters per day. So, it is not going to really make much of a difference. But yes, I still believe that some softening may happen that is as a investor to you I should give you a warning. So, that is the point. But still I don't see much -- happening, I don't see a big issue out there that I don't see at all.

Management: For a country of our size, the total production and consumption of MDF in the country is very, very meager, is only 2 million cubic meters. So, it is nothing considering our population, the same is more than 50 million cubic meter in China. And again, if you take all the panel products, then also ratio in India is comparatively much lower. So, there is a lot of scope for MDF to grow, and it will grow on itself, it will grow at the cost of cheaper plywood, and it will find room for consumption the organized furniture, and not only plywood, it has potentiality to replace many other products like gypsum board, other thing for the fall ceiling, for the partition, for many things, it can replace. So, it will not only replace plywood. So, that way it has better scope and our project capacity is very small. So, it has to go maybe in another 10 years to maybe four or five folds.

Moderator: Thank you. The next question is from the line of Priyam Khimavat from ASK Investment Managers. Please go ahead.

Priyam Khimavat: Now that we have already ordered machinery for Andhra site, can you share some broad direction about what kind of capacity we are looking at? Will it entirely be an MDF plant or are we still contemplating a fungible MDF and particleboard capacity?

Management: No, we are not considering a fungible capacity there. It is dedicated MDF unit. And it will have a capacity of 950 cubic meters, which of course we will try to get it up beyond but the base capacity will be 950 cubic meters per day.

Priyam Khimavat: Will it be in two lines or initially from the beginning it will be 950 CBM per day.

Management: 950 CBM from day one.

Priyam Khimavat: Due to inflationary pressure witnessed in metals and logistics are we seeing any substantial increase in overall cost of CAPEX in our budgetary estimates?

Management: Definitely, there has been a substantial increase in the cost of steel and other structural work. And there has also been a lot of pressure from European suppliers, due to the various inflationary pressures that we are facing. But I think we have been able to navigate through them quite well. As of this point in time, I don't see any substantial increase in the overall CAPEX --

Priyam Khimavat: And have you -- similar person in Germany for which you use it in your Hoshiarpur plant?

Management: Hoshiarpur we haven't ordered from a German manufacturer. For Hoshiarpur we had ordered from one of China's manufacturers called Yalian. This time we have gone for Siempelkamp which is one of the German manufacturers and yes it is a plant only MDF Siempelkamp.

Management: Hoshiarpur second plant, is from a German company that 400 capacity that is from German company. And original was from a Chinese company and this is again from German company Siempelkamp. And another thing was another company, there are two German companies in Germany Dieffenbacher, so 400 is from Dieffenbacher and 950 is from Siempelkamp. And earlier was from, but we are highly satisfied with the Yalian that was cost effective, that was very good giving us very steady production, very quality production. But due to this China India tussle so that time India government was not allowing Chinese to come to India. So, seeing all these problems, we had to divert. Otherwise, we are happy with them. Maybe in future if everything is normal, our more plants will come, most of them maybe from the Yalian only.

Priyam Khimavat: One last question, you alluded that Action is coming with a new capacity? Can you help me with what per day CBM are they looking at? And when is it coming online, onstream?

Management: It will be again, 800 to 900 cubic meters per day.

Priyam Khimavat: And by when are they looking at commissioning that?

Management: Maybe a year from now.

Management: Just one correction here, this Action line as the Chairman suggested would be between a 600 to 800 cubic meter line, and the line would be commenced from mid next year.

Moderator: Thank you. The next question is from the line of Udit Gajiwala from Yes Securities. Please go ahead.

Udit Gajiwala: Just one clarification about the laminate and the plywood growth that you mentioned, how much will be driven volume growth and what will be the value growth in the same?

Management: I will give you guidance for each of the segments so plywood we expect 15% volume growth and 20% value growth. For laminates we expect to 15% volume and value growth. For MDF we expect 25% plus volume and value growth. And for particle boards we expect 10% volume growth and 20% value growth for the current fiscal. And over we expect 20% plus volume growth for Century Plywoods for this year.

Moderator: Thank you. The next question is from line of Rajesh Ravi from HDFC securities. Please go ahead.

Rajesh Ravi: My question pertains to first on the plywood business, what is the capacity expansion that is happening and by when that is expected?

Nikita Bansal: So, this year, we expect another 10% capacity expansion, but that will happen in our existing plants itself. We have been doing this for the last one and a half years. And the Hoshiarpur plant that we had spoken about, we are yet to procure the land. So, once we procure the land, we would be able to speak about it in definite terms in terms of segments.

Rajesh Ravi: So, this Rs. 50 crore is for the existing 10%?

Nikita Bansal: No, the Rs. 50 crores is for the Hoshiarpur plant.

Rajesh Ravi: And what you are mentioning is normal debottlenecking driven capacity expansion.

Nikita Bansal: Yes.

Rajesh Ravi: So, what would be the total capacity post these expansions for your plywood?

Nikita Bansal: So, currently it is 3 lakh CBM we expect it to be 3.30 CBM by the end of the year. And this year we had about a 78% utilization.

Rajesh Ravi: And follow up on this plywood. How much would be your outsourced volume in the plywood segment of total volume or revenue?

Nikita Bansal: It's a data we don't like to share. Okay, but majority for us is in-house – 80% to 85%.

Management: All the Century brands manufactured in our factory only.

Nikita Bansal: Even the Sainik.

Management: The waterproof grade we manufacture 100% in our factories, only the commercial grade of non-Century part of that we outsource.

Rajesh Ravi: And any other business segments where you have also sold in other than the ply?

Nikita Bansal: So, we outsource the PVC boards that is sold under the name of Century Starke.

Rajesh Ravi: No, in terms of the major segments like your MDF or particle board and all?

Nikita Bansal: None.

Management: Two products we are not manufacturing at all, these are outsourced only.

Rajesh Ravi: And coming to the particle board, you said that the current capacity, the volume numbers are much higher, ahead of your capacity. So, what sort of capacity expansions are there in pipeline in the particle board? You are targeting 10% volume growth if I heard correct --?

Management: The 10% is only from again debottlenecking and taking up new measures and all that, we are working on thinking about a new capacity, but still, we are yet to take a final decision. We are contemplating maybe ideas and locations and what kind of machinery, what kind of capacity and all that. So, discussions are on but decision is yet to be taken. As and when we form a decision and we get it through the Board, we will be certainly informing all of you.

Management: holding us from taking decision that we foresee a very big market in future for particle board, but you know, at one particular place to put up a big capacity, sometimes it becomes challenging. So, our all the research says you should go for country press with a capacity of 800 to 900 cubic meter per day for particle board, but last what Associate Decor or what we have seen -- would never utilize that capacity. And if you put a big plant at a one location then sometimes resourcing raw material, it also becomes difficult.

So, like all considerations are going on. And we are doing the market research about the availability of raw material and the market. So, we are trying to take decision in favor of a bigger capacity, but we don't want to take risk. So, it is getting a bit tight.

Rajesh Ravi: And on this particle board and MDF are the business, the sales market similar in terms of the customer segments similar or how different are they

Management: No, they are different. Like particle board is solely consumed in the mechanical furniture manufacturing capacities like OEMs and furniture manufacturers even IKEA they mostly use particle board. And MDF be used in the furniture like costly furniture or people they want better products they especially order for that. And then mostly used along with the plywood in tailor-made furniture.

Rajesh Ravi: So, retail sales would be much slower for both these products. Is this understanding correct --?

Management: Particle board is not likely to pick up very soon. It would be primarily -- organized manufacturers of furniture. And MDF, yes, it is replacing many existing products. Not only plywood, like other boards also it is replacing. So, the MDF, I think has more traction.

Rajesh Ravi: And last question on the laminates, the two phases, the capacity expansion 2 million sheets each, when would the second line expected to be commissioned? And will the capacity spread out between Rs. 200 crores, 100 – 100 each?

Management: Yes, the activity is spread out a little more towards the Phase-I and Phase-II we will be looking at about 135 and around 70 in the Phase-II and remaining two capacities will only come in from FY25 onwards.

Management: By the end of FY25.

Moderator: Thank you. Next question is from the line of Gaurav from Bowhead India. Please go ahead.

Gaurav: Had few questions, one is, you shared your revenue guidance, what will be the EBITDA guidance and PAT guidance for FY23 if you can share anything?

Management: Margin guidance, so I would again reiterate margin guidance for each segment, plywood segment we expect anywhere between 13% to 15%; laminates, we expect 14% to 16%; MDF we expect 25% plus and also for particle board similar 25% plus.

Gaurav: And overall how does it translate to?

Management: So, this probably translates to 10% plus PAT margin, and you can do your homework by calculating these margins?

Gaurav: For laminate how much did you guide for FY23, I missed that number.

Management: Yes, laminate we have guided for 15% plus volume and value both.

Moderator: Thank you. The next question is from the line of Kanishka Sorcar an individual investor. Please go ahead.

Kanishka Sorcar: So, I have a couple of questions. So, first one, I think you guys have done a tremendous job in terms of putting the brand in the minds of people, fantastic advertisements. And so I want to know, one thing, first thing first is that, if I want to understand your dealership network, Pan India, pre-COVID, just before the COVID struck, how much was that? And how much does it stand today?

Nikita Bansal: So, I think exact details will be able to provide after the call. But when we talk about channel expansion, we have to do channel expansion especially in plywood in both segments. So, in Sainik pre-COVID, we were pretty much at a number of say 200, today, we are at a number of 900. But when it comes to Century, we are being able to extract from even the Sainik channel as well as our existing channels. So, the channel expansion must have been in from a range of

1500 to maybe 2000 not a substantial increase there. But we have been working aggressively on the sub-dealer expansion. So, those numbers are very high.

Kanishka Sorcar: So, you don't have to give me a number, you can give me a percentage. So, what is the plan for this expansion in this financial year?

Nikita Bansal: In this financial year, we want to double our channel presence whether it be through sub-dealer to dealer we want to double it.

Management: We should take into account that law **(Inaudible) 00:58:47** so it is not going to be that if we double the dealership network, you turnover doubles so the growth guidance given as per what was mentioned by Nikita earlier.

Kanishka Sorcar: So, the reason of me asking you is that what I understand is the demand that is expected in the real estate because we saw the cycle start sometime around last year onwards. Now I just want to understand few generally, when the real estate starts moving up in terms of the buying behavior, what is a lag period? So, when you actually see the market getting into the zone of very high demand for building material, particularly the products which you deal in?

Management: See for us, there is a bit of a difference. We are not like other building material companies where we are going into projects, it's not that the builders purchase it and giving it to customers. Our journey begins when it goes from being a house to a home. When the individual home buyer buys his house or office and starts the work of making it into a room with furniture with furnishings and so on so forth. Some ours would typically come a little bit later, ours would come once the inventory starts selling and once people start taking products.

Kanishka Sorcar: Yes, so I wanted a projection so exactly that part so when people move into their, start building their homes, when you see that So, sitting in May today and the real estate cycle moving from last one year, do you expect that in the bulk of the demand and the upside that is basically the flight will start somewhere around December or it could be little later than that.

Management: I think we have already started to see the benefit. If you look at the home registrations, they have been very high for the past year or so. And I think this is already benefiting us. So, going forward, I think it is only going to strengthen.

Kanishka Sorcar: One big point here, you guys, look, you know, why is it that your capacity is so constrained today, and even though you are putting those plants in, I don't see that we will have too much of a capacity because you are already working at 78%. So, what is your plan to kind of mitigate that constraint and actually capture this growth? Because I, from my point of view, I see your brand doing very well. And it can only go up from here. So, what is the plan of getting into the pole position over the next three years? So, could you put some thought on it?

Management: I think we are already in the pole position, as far as this is concerned, we are market leaders. And when it comes to execution, the quality of execution that Century Ply has is far better than the rest of the industry. The first MDF plant the company established was in 16 months, whereas it took others nearly two and a half years. So, I think that advantage we have on our side.

Management: Let me also take this point. Actually, now, any capacity which we are bringing, we are not bringing for a year or two. So, it should be sustainable. So, say, any capacity we create now, we are creating it for next 25 years. So, these things buying land or getting license and renting and erecting a plant, and after three or three year, because we have to hire a lot of workers also so, it is not so easy that we can do it like switch on and switch off. So, we have to take a lot of precautions.

So, once we are sure this trajectory will continue, because when we compare to China, we are nowhere China, China's plywood consumption is 200 million cubic meter and whereas our population is more or less same. So, with that 10 million to 200 million India is 2 million MDF to 50 million of China 1.5 million of particle board to 35 million of China particle board so, we are nowhere in this. So, simply thinking our middle income group is expanding, the market is expanding. So, with that, I don't see any reason that we will not expand at a very faster pace, but the ground realities are not so. I mean I always tell Sanjay this will expand in 5 years or 10 years, it will become four times. Then Sanjay give me data for last 20 years, sharing whatever said or done it is expanding at the rate of that same 10%. So, you can calculate now also for next 10 year, it will expand at 10%. So, expanding our capacity overnight or very fast I think may become counterproductive in some time. So, we are a little cautious. And the moment we are fully confident then we will expand capacity very rapidly, because putting up the capacity in plywood doesn't take much time within a year we can set any capacity. MDF, it takes almost two years, particle board again year and a half or so.

Kanishka Sorcar: The last question that I have is that this raw material which you have which completely fluctuates because the availability of wood, is there any plans of I don't know much actually, that's why I am asking you is there any plans of structurally to move into plantations so that you can actually have vast plantations which can actually be used for captive purposes, any plans on that?

Management: But there are many limitations in India, like land holding ceiling. So, you cannot in most of the states you cannot hold more than 15 acres 20 acres like restrictions are there. And government lands are there where we can do plantation, but government is very conservative, because it may be politically counterproductive for them. The people will say they have distributed the land of the country, or government land to the industrialist or these all things. So, government is vary of that. So, these things are there holding us. And then again these large Agriculture Reform Bill these again backfired. So, the law of the land needs to be changed a bit.

And this plantation, even for plantation, for cutting the trees for leasing it there are a lot of constraints. So, we are very strongly pleading with the Central Government. And we are pleading with them that it should be shifted to agriculture from the forest. For all the practical reason, plantation is done by a farmer is done on the farm land only. And so and is the replacement of the case probe by farmer. So, there is no reason that the Forest Department should take the ownership of the grown-up tree. And after that they regulate putting up the industry and other things, issuing the license. And then the vested interest group will go to court and block it. So, these games are going on, but I am very sure that things will change very soon. And when that trajectory is very clear, that time definitely we shall enter the plantation. But it would be very stable and long-lasting business.

Moderator: Thank you. Ladies and gentleman due to time constraint, we take one last question from the lineup Nikhil Agarwal from VT capital. Please go ahead.

Nikhil Agarwal: My question was regarding the laminate segment, like in Q4FY22. And in Q4FY21 and quarter two of '22, your laminate margins were very good, like gross margins around 42%. So, like, was it because of inventory gains or was it because of some price hikes that you had taken, like what was the reason behind that if you can highlight?

Management: So, in quarter four of last year, it was good to due to the fact that raw material prices were substantially subdued. And in Quarter 2, what happened was that during the second phase of COVID, our Chairman told us that demand is going to be pent-up, we are going to continue production to the maximum amount permissible. And at that point in time raw material prices were further subdued. So, due to this bold decision, we were able to enjoy I think the highest segment in laminate segment in Q2 of this year. After that raw material prices suddenly shot up. And to the extent I think I mentioned in the previous calls that certain raw materials went up by 400 so we see a tapering of margins in laminates.

Nikhil Agarwal: Just one last question, I am sorry if I am asking this again. Like, could you just highlight on the margin guidance for each segment?

Management: Segment wise margin guidance is plywood we are looking at 13% to 15% EBITDA long term sustainable. Laminate 14% to 15% EBITDA long terms sustainable. MDF and particle board 25% plus EBITDA margin.

Moderator: Thank you. I now hand the conference over to Mr. Arun Baid for closing comments over to you, sir.

Arun Baid: On behalf of ICICI Securities, I want to thank the Management for giving us a chance to hold this call and all the participants for being there. Any closing comments, you want to give Sanjay?

Management: I would really like to thank everybody for attending the call and all the questions around. Hope to see you next quarter with good numbers and good economy all around India. Thank you.

Moderator: Thank you. Ladies and gentlemen on behalf of ICICI Securities Limited that concludes this conference. We thank you all for joining us and you may now disconnect your lines.