GREENPANEL®

GPIL/2025-2026
May 23, 2025

BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai – 400001

Scrip Code: 542857

National Stock Exchange of India Limited
Exchange Plaza, 5th Floor,
Plot no. C/1, G Block
Bandra – Kurla Complex , Bandra (E),
Mumbai – 400051

Symbol: GREENPANEL

Dear Sirs,

Sub: Transcripts of conference call held on May 22, 2025

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed a transcript of the conference call of the investors and analysts held on Thursday, May 22, 2025, at 5:00 P.M. on the audited financial results of Greenpanel Industries Limited for the quarter and year ended March 31, 2025.

Please take the above on records.

Thanking you,

Yours Faithfully,

For **Greenpanel Industries Limited**

LAWKUSH PRASAD
Digitally signed by LAWKUSH PRASAD
Date: 2025.05.23 18:28:07 +05'30'

(Lawkush Prasad)
Company Secretary & VP - Legal
ACS : 18675

Greenpanel Industries Limited

Q4 & FY'25 Earnings Conference Call Transcript
May 22, 2025

Rishab Barar: Good day everyone and thank you for joining us on Greenpanel Industries Limited's Q4 & FY'25 Earnings Call. We have with us today Mr. Shobhan Mittal – the Managing Director; Mr. V. Venkatramani – the CFO.

Before we begin, I would like to state that some statements made in today's discussion may be forward-looking in nature and may involve risks and uncertainty. A detailed statement in this regard is available in the result presentation that was sent to you earlier.

I would now like to invite Mr. Shobhan Mittal to begin the proceedings of the call. Over to you, sir.

Shobhan Mittal: Thank you Rishab. Good evening everyone and thank you for joining us to discuss Greenpanel's operating and financial performance for Quarter 4 FY'25.

MDF domestic sales volumes fell by 25% year-on-year. This was on account of discontinuing sales of commercial grade MDF in anticipation of implementation of BIS QCOs. Commercial grade in Quarter 4 FY'25 was Nil as opposed to 40,924 cubic meters in Quarter 4 FY'24. Export volumes were higher by 34% at 14,458 on a low base of 10,804 cubic meters.

MDF domestic realizations were higher by 7.4% year-on-year at Rs. 31,214 cubic meters. Domestic realizations increased due to an increase in mix of value-added products to 50% as compared to 44% in Quarter 4 FY'24 and also due to the discontinuation of lower priced commercial grade MDF. Export realizations were higher by 9.6% year-on-year at Rs. 22,389 per cubic meter. MDF EBITDA margins at 16.3% were higher quarter-on-quarter due to EPCG scheme incentives.

Plywood volumes were lower by 12% year-on-year. EBITDA margins at 12.1% were higher due to write back of provisions for turnover discounts. Plywood realizations at Rs. 270 per square meter were higher by 8% year-on-year due to reason mentioned earlier. Post-tax profits for the quarter were lower by 1% at Rs. 29.39 crore as compared to Rs. 29.81 crore in the corresponding quarter. Net working capital at 36 days has shown an increase of 8 days year-on-year due to lower turnover and high inventory levels. Net debt stands at Rs. 165 crore as on 31st March 2025, inclusive of Rs. 336 crore for the expansion project.

I would now like to provide a summary for the financial performance for FY 2025:

MDF domestic volumes fell by 6%, of which commercial grade MDF contributed 3%. Domestic MDF revenue fell by 9.7% due to low volumes and a 3.7% fall in realizations. MDF EBITDA margins at 11.7% fell due to a 3.7% fall in domestic realizations and a 23% price increase in wood prices year-on-year, which impacted EBITDA margins by 6.7%. Gross margins of the company fell by 900 basis points to 46.9%. EBITDA margins at 10.9% were lower by 615 basis points and post-tax profits at Rs. 72.11 crore were lower by 49%. Commercial production has started in the expansion project, and we expect capacity utilization to ramp up over the next 3 to 4 quarters.

We expect an improved performance in FY'26 with the addition of thin MDF in our product portfolio. Domestic furniture manufacturing industry prospects will receive a boost with the expected implementation of BIS QCO from February 2026. This should also lead to increased demand for furniture manufactured in the country and consequently, raw materials like MDF and plywood.

Mr. Venkatramani will now run you through financials in greater detail, post which we will have a Q&A session. Thank you.

V. Venkatramani: Good evening and thank you for joining us to discuss the Q4 FY'25 Financial Performance of Greenpanel.

Net sales during the quarter were Rs. 338.94 crore compared to Rs. 396.08 crore during the corresponding period. MDF sales in value terms fell by 15.3% at Rs. 305.17 crore and contributed 90% of the topline. MDF domestic volume fell by 25% while export volumes were up by 34%. MDF domestic revenues were Rs. 272.80 crore while exports contributed Rs. 32.37 crore.

Domestic realizations were higher by 7.4% year-on-year at Rs. 31,214 per cubic meter while export realizations were higher by 9.6% at Rs. 22,389 per cubic meter. Blended MDF realizations were higher by 5.8% at Rs. 29,961 per cubic meter. Uttarakhand MDF unit operated at 80% and Andhra Pradesh plant operated at 50% with blended capacity utilization at 60% on proportionately increased capacity of 661,899 cubic meters. Plywood sales saw de-growth of 5.3% at Rs. 33.77 crore. Plywood sales volumes were lower by 12% at 1.25 million square meters, and the unit operated at 42% during the quarter. Plywood sales realizations were higher by 8% at Rs. 270 per square meter due to reason mentioned earlier.

In Q4 FY'25, gross margins were lower by 911 basis points year-on-year at 44.6%. EBITDA margins were up by 189 basis points at 15.9%. EBITDA value stood at Rs. 53.85 crore and post-tax profits at Rs. 29.39 crore.

That concludes my presentation. Please start the Q&A session. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Keshav Lahoti from HDFC Securities. Please go ahead.

Keshav Lahoti: I thank you for the opportunity. As you highlighted in call your AP plant is running at 50% capacity utilization. Now possibly you have increased the capacity also at brownfield expansion. So how are the plans on ramp up? I understand you will possibly add a new product portfolio, thin MDF. But possibly this utilization will go down further. And by adding up this unit, what sort of your cost will increase, be it on employee depreciation and interest and other expenses?

Shobhan Mittal: So on account of volumes, from the existing lines, line one and line two, we are expecting about 11%-12% growth in terms of volumes in the coming year. And because the first quarter is quite muted for the new line, so we're expecting about 72,000 cubic meter capacity utilization over the year from the new line. So combined as a company, this would give us about a 30% volume growth, including the production considered for the new line. So, this is what we expect to stand for the current year.

Keshav Lahoti: You said something 72% utilization. What was that, I missed it.

Shobhan Mittal: No, I said the volume expected from the new line would be 72,000 cubic meters. And so that is what we're expecting. The numbers that are mentioned to you are the domestic numbers. And we are expecting about 80,000 cubic meter additional volume coming from the export business. So, resulting in a total volume of about 550,000 cubic meters.

Keshav Lahoti: Got it. Sir, there are sort of one of income in both ply and MDF unit this time. Can you please quantify it?

V. Venkatramani: Yes, in MDF it has come from EPCG incentives. So that contributed Rs. 35 crore during the quarter. And on the plywood side, we have written off turnover discount provisions to the extent of Rs. 1.25 crore.

Keshav Lahoti: Understood. Can you please give me more idea about EPCG incentive like how is it? Will it be coming in the upcoming quarter or the upcoming year?

V. Venkatramani: Yes, so the total incentive expected from EPCG scheme is about Rs. 86 crore. We have accounted for Rs. 35 crore in FY'25. So the balance of about Rs. 51 crore is expected over FY'26 and FY'27.

Keshav Lahoti: So you will be recognized in each quarter proportionately kind of a thing?

V. Venkatramani: Yes, proportionate to the sales executed against those licenses.

Keshav Lahoti: Got it. And what is the status of the import in India?

V. Venkatramani: Imports have come down significantly. April was about 1,100 cubic meters.

Keshav Lahoti: and how do you see the trend going forward?

V. Venkatramani: We don't expect to see any significant increase in imports.

Keshav Lahoti: Thank you. I will come back in queue.

Moderator: Thank you. The next question is from the line of Parth Bhavsar from Investec. Please go ahead.

Parth Bhavsar: Thank you for the opportunity. I have a few questions on exports business. We are targeting around Rs. 80,000 crore. I wanted to get an idea on what sort of indicative margins did we make in Q4?

V. Venkatramani: So it was not 80,000 crore. Shobhanji actually said 80,000 cubic meters.

Parth Bhavsar: Yes. Would the volume be 80,000 cubic meters for FY'26?

V. Venkatramani: Yes, approximately about 84,000 cubic meters. And the margins in Q4 were approximately about 1.75%.

Parth Bhavsar: So, like if we adjust for this EPCG business, quarter-on-quarter our profitability in MDF was almost flattish. Is that the right way to look at it?

V. Venkatramani: That's correct.

Parth Bhavsar: For MDF?

V. Venkatramani: That's correct.

Parth Bhavsar: Thank you, sir. Those were my questions for now.

Moderator: Thank you. The next question is from the line of Pankaj Parab from Molecule Ventures LLP (PMS). Please go ahead.

Pankaj Parab: Thank you for the opportunity. My first question is regarding the realization trend. Imports are now out of the way. And I think that 29% should be the lowest we have ever seen. So can we assume some improvement going further as well in the realizations?

V. Venkatramani: See, as far as FY'26 is concerned, we don't expect to see any significant improvement in the realizations. There could be some small improvement in realizations, but our primary focus would be on expanding volumes both in the existing plants as well as the new plant.

Pankaj Parab: Okay. And my next question is regarding the RM cost, particularly in southern India. So how the RM cost behave there and have you seen any increase and expected to reduction in RM cost?

V. Venkatramani: Yes, we have started seeing some reductions from April. I think we would probably expect to see around 5% to 7% fall in timber prices during FY'26. This is a very preliminary estimate. I will probably be able to give you a better estimate post quarter one.

Pankaj Parab: Okay, that's fine. And any comment on the underlying demand side for the MDF segment?

Shobhan Mittal: What we are noticing is of course that the import concentrated segments are of course shifting towards the domestic side. Market demand for the general growth of the MDF industry continues to remain strong as opposed to other industries at 15% to 20%. And what we foresee is that there are no major additional capacities also coming in. So, with the fact that imports are going to be quite muted and the market is on a growing trend and the fact that no new, large additional capacities are coming online in the next financial year, the benefit of this should shift towards the existing producers.

Pankaj Parab: Yes, that's it for my side. Thank you.

Moderator: Thank you. The next question is from the line of Yash Sonthalia from Edelweiss Financial Services Ltd. Please go ahead.

Yash Sonthalia: Thank you for taking my question. So, I have three questions. My first question is like you said, our new capacity is coming for thin MDF, which will be replacing some of the imports or which will cater to the demand which is currently getting import. So, can you give what's your perspective like what will drive this switch of market share from imports to ours? Will it be cost? Will it be efficiency for the domestic manufacturers to take from us or quality? What will drive it?

Shobhan Mittal: So, I would say it's not primarily imports. Some of the competing companies are already prevailing in the thin MDF segment. Of course, being in the south of India and being highly focused on imports being a price-sensitive segment and the fact that imports are getting restricted, so that would definitely result in opening up a certain percentage of the market share for our industry. And we already have a fairly large and strong distribution network who are currently focused on thick panels. And at the moment, they are obviously satisfying their requirement of thin panels from other sources. But the fact that now Greenpanel as a company is in a position to offer the entire product portfolio, the fact that we're located in the south of India having competitive advantage in terms of freight, also with respect to serviceability and resulting in working capital reduction, inventory reduction for our dealers and channel partners, there would be a preference shift towards us which would result in us gaining market share in this segment for sure.

Yash Sonthalia: Understood, very clear. And second question to Venkat ji, like if you can help me with supply demand specific to South, like what is the supply scenario and demand and broadly, how much demand is in South and supply? Very broad numbers are okay, if possible.

V. Venkatramani: Okay, there only about 3 or 4 MDF manufacturers present in South India. So we have Greenpanel, Century, Rushil Decor and one unorganized company. So the total supply would be about 1.3 million cubic meters and approximately 35% to 40% of the demand is generated from South India.

Yash Sonthalia: Of the total domestic demand, right?

V. Venkatramani: Correct.

Yash Sonthalia: And like you already alluded, there is no capacity coming for next year. But any news from your side, anyone who just announced the capacity, which maybe will come 2-3 years after, any announcement which may you know from unorganized?

Shobhan Mittal: I think, not on the unorganized, but we know that Action is in talks with regards to installing a line in the south of India.

Yash Sonthalia: Okay, a new Greenfield capex or just a line in the existing site?

Shobhan Mittal: No, Action doesn't exist in the South of India from a production aspect. Hence, it would be a Greenfield capex.

Yash Sonthalia: Understood. And one last question from my side, like for last one year our realization in MDF has not increased with regards to the increase in raw material prices. So, what would be the current differentiation between the prices of MDF compared to low end plywood or imports and what it used to be in 23 or 22 a normalized year?

Shobhan Mittal: We can tell you from an import aspect where it would stand. Domestic manufacturing generally ends up depending on the thickness and the product category, anywhere between 8% to 12% more expensive than the imports coming into the country. But that is at the port level. The moment you start transporting imported material further inland, with local freight incurring that, it starts reducing the difference.

V. Venkatramani: Local freight and warehousing costs.

Yash Sonthalia: Understood. So currently it is minuscule, but earlier before this timber price increase and our price being flat earlier, the difference used to be same, or it used to be higher?

V. Venkatramani: The difference used to be around 18% to 20%.

Yash Sonthalia: Understood. Thank you. That's all from my side. Best of luck for the upcoming year.

Moderator: Thank you. The next question is from the line of Tanmay Mohta from Locus Investment Group. Please go ahead.

Tanmay Mohta: Thanks for the opportunity. Actually, I have had a few bookkeeping questions. One was your value-added mix for the quarter in the year and your OEM mix for the quarter and the year. And second, do you expect realization from the export front to sort of increase going forward. And if you could just basically tell me any reason why you feel that exports would be better going forward?

V. Venkatramani: Okay, as far as the value mix is concerned, for the quarter it was 50% in volume terms and 62% in value terms and the figure was similar for the full year also.

Tanmay Mohta: Got it.

V. Venkatramani: Shobhanji, do you expect any improvement in the export realizations?

Shobhan Mittal: No, so as a company, now that we have the thin panel in our product portfolio, and this generally tends to be about, I would say anywhere about 25% to 30% higher price on the export side. So, on a sort of average basis, our export realizations will improve. And this was not factoring in any price increases in the existing product segment that we're catering to. Of course, any dollar movement against the rupee would result in better realizations in rupee terms as well. And with an improved mix of thin and thick panels, overall realizations per cubic meter of export are expected to improve for us.

Tanmay Mohta: Thank you. And just one last question on when you expect the capacity to sort of start shaping and when it can start contributing to the overall produce?

V. Venkatramani: We are targeting capacity utilization of 35% for FY'26.

Shobhan Mittal: But I think we should start getting a substantial contribution of the capacity from quarter two of this year. Because at the moment, the line is still under the control of the plant supplier. And it is still under the optimization phase. Because it's, let's say, a very technologically advanced line. And it's a very high speed line. Hence, it's a longer period of optimization. Hence, we foresee that by quarter two, we should have the line handed over to us and we should start seeing a fair amount of output coming out of it.

Tanmay Mohta: Thank you. All the best. I will come back to the queue.

Moderator: Thank you. The next question is from the line of Rishab Bothra from Anand Rathi Securities Pvt. Ltd. Please go ahead.

Rishab Bothra: Just wanted to understand two things on the P&L front. Has there been a reduction in employee cost and other operating expenses for the quarter as compared to last year?

V. Venkatramani: Yes, like we have mentioned in earlier quarters, we have been reducing the admin expenses, especially as far as branch operations are concerned. So, if you look at it, I think the admin expenses and employee expenses put together have come down by approximately Rs. 15 crore this year and employee costs in spite of 8% increment last year have remained almost fixed year-on-year.

Rishab Bothra: And with respect to EBIT margin, I think improvement in plywood is far better than MDF. So, is there a raw material proportion or is something else to it?

V. Venkatramani: Yes, like I mentioned, it's primarily come from reduction in overhead expenses.

Rishab Bothra: And lastly sir, if you could explain the tax impact publication, there is no tax outgo or tax expense for the quarter. So, what is this pertaining to?

V. Venkatramani: Yes, we had received the Income Tax Refund which was shared by Greenply. I think it probably came in October. So that's why tax expense is almost negative for the full year and very low for the quarter and the second factor is the new plant started commercial production in the last quarter. In income tax if a plant has been operational for less than six months we get income tax depreciation for six months. So while we are charging only three to four days of depreciation in the books of account, we are getting 6 months depreciation deduction in income tax. Hence, both those factors have contributed to keeping the tax impact very low in FY'25. But for FY'26, I would probably expect the tax rate of around 20%.

Rishab Bothra: And lastly sir, what would be the normalized depreciation and interest for next year onwards, I mean next quarter onwards?

V. Venkatramani: I would say depreciation of approximately Rs. 100 crore to Rs. 102 crore.

Rishab Bothra: Thank you, sir. I will come back in the queue.

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

Udit Gajiwala: Thank you for taking my question. In the opening remarks, when you stated that you are looking at around 550,000 kind of world sales volume number for this year and domestic should grow by 30%. So basically, what gives us the confidence that we will be able to expand our market share with this quantum, given that there are a lot of players who are a bit aggressive now with the new capacity?

V. Venkatramani: Okay, so you will have to break-up that figure. What we are saying is on the existing two lines, one at Uttarakhand and one at Andhra, we are targeting 10% to 12% volume growth this year, and we are targeting a 35% capacity utilization in the new plant. So here if you look at it, we will primarily be producing thin MDF. And until very recently, almost 60% of the thin MDF was being imported into India. Now imports have come down substantially. So, during March and April, it has been approximately about 1,100 cubic meters per month. Hence, we think a large part of that market share can be captured by us.

Udit Gajiwala: Got it. And secondly on margin front, right? So if we eliminate the benefit of EPCG that we are getting, on a steady state, what kind of operating margins can we see for MDF in FY'26 and also for plywood?

V. Venkatramani: I think I would be looking at approximately a 12% margin in MDF and a 7% to 8% margin in plywood, of course excluding the EPCG incentive.

Udit Gajiwala: Right, understood. This EPCG benefit, so you will be taking that impact quarterly as per the sales, so balance Rs. 50 crore..

V. Venkatramani: That is correct.

Udit Gajiwala: So for 7-8 quarters, for 2 years like you mentioned, so for 8 quarters…

V. Venkatramani: Yes, it could be anywhere between 6 to 8 quarters.

Udit Gajiwala: All right, that helps us. I will fall back in the queue.

V. Venkatramani: Thank you.

Moderator: Thank you. The next question is from the line of Bhargav Buddhadev from Ambit Investment Advisors Pvt. Ltd. Please go ahead.

Bhargav: Yes, good evening team and thank you for the opportunity. Just to understand this EPCG thing in more detail, is it fair to say that it is actually a waiver on the import of, it's a custom duty waiver which we would have paid on plant and machinery for MDF capex?

V. Venkatramani: That's correct.

Bhargav: Okay. So as such, if we continue to incur more and more capex, this actually can be a sort of a recurring income, right, for us?

V. Venkatramani: No, we will not be incurring any recurring capex. Our capex has been completed as far as the new line is concerned. So that's why I could put a fixed figure to it that the total is Rs. 86 crore. We have accounted for Rs. 35 crore in FY'25 and the balance Rs. 51 crore is expected to accrue over the next 6 quarters.

Bhargav: And the Rs. 35 crore has been also received cash in FY'25, right?

V. Venkatramani: It has been accounted for in Quarter 4, although it was for the full year, because we could account for that incentive only after the plant was commissioned.

Bhargav: Okay. And in terms of cash flow, how much do we have?

V. Venkatramani: Although the export obligations were completed earlier, we could only account for it in Quarter 4 after the installation was completed and commercial production commenced.

Shobhan Mittal: Just to clarify, EPCG obligations can be discharged at a company level. It is not specific to the plant that you have saved duty on. So, because we had an ongoing export business from our previous lines, we were able to discharge the obligation even before this line was commissioned.

Bhargav: Understood. And secondly, if you look at the last one year, Greenply has been making a lot of inroads into MDF led by sort of disruptive pricing. But now that they have reached optimum utilization level, is it fair to say that there will be a lot more price discipline now going forward?

Shobhan Mittal: Yes, you can say that, yes. We are already noticing that.

Bhargav: Okay, so from here on, it is that irrational pricing may not hold now that there is BIS also and optimum utilization has been received, right?

Shobhan Mittal: Correct. So, due to the BIS implementation, we also see the threat from the unorganized segment minimizing going forward because when the new standards are declared and brought into notification, for compliance, there will definitely be a cost increase on account of the unorganized players. And that would result in lesser price-cutting power on their part, or even to the extent of passing on some of that cost on the market, minimizing the difference between them and the organized segment.

Bhargav: And just last clarification, this balance Rs. 50 crore that is pending on the export grant, which will be accruing over the next 2 years, we can assume that the cash flow will also be commensurate, right?

V. Venkatramani: Yes, there is no cash flow impact as such. Basically, by importing the machinery under EPCG scheme, we have avoided a cash outflow. And so now we are discharging the export obligations against that customs duty saved.

Bhargav: You haven't paid the custom duty and hence there is no cash flow in time?

Shobhan Mittal: Correct. Yes. In a way, we already saved this cash flow at the time of capital expenditure.

Bhargav: Okay. So, to that extent, was an increase in capex, which is now getting reversed. That's the right way to look at it. What I am trying to say is that when we import, we would not have paid custom duty but still we would have accounted as a payable which we are reversing.

V. Venkatramani: Correct. That's correct.

Bhargav: Understood. Okay sir. Thank you very much.

Moderator: Thank you. The next question is from the line of Utkarsh Nopany from BOB Capital Markets. Please go ahead.

Utkarsh Nopany: Yes, hi, good evening, sir. My first question is on your MDF volume growth side. If we see for March quarter, our domestic MDF volume has de-grown by 25%. So, can you please explain the rationale why we have registered such kind of a sharp de-growth in our volume?

Shobhan Mittal: So, as mentioned in the comments, in Quarter 4 last year, because of BIS compliance, we had zero sales of commercial-grade MDF, which we had discontinued consciously, as opposed to almost 40,000 cubic meters of commercial-grade sales in the corresponding quarter last year.

Utkarsh Nopany: Okay. So like if we have discontinued the commercial grade sales, is it not likely that our domestic volume is also likely to get impacted in the coming quarters' time? And we are expecting our domestic volume to grow or the existing line volume to grow by 11% to 12%? So, wanted to understand that how we are confident of growing our existing line volume by 11% to 12%?

Shobhan Mittal: Whichever segments or customers were consuming the commercial grade MDF, now will have to satisfy the requirements with the BIS compliant MDF. So, demand has not gone anywhere. It is just a matter of the cases that it will now get replaced by BIS compliant MDF, which was earlier being satisfied by commercial grade MDF. Because no one now can offer non-BIS compliant MDF anymore. So, the demand continues to remain that. And even if they choose to fulfill this by way of imports, it would also again have to be BIS compliant MDF. That's the whole point of the QCO being in place.

Utkarsh Nopany: Okay. And sir like in the current June quarter, do we expect our volume to grow at around 11%, 12% rate on a YOY basis?

Shobhan Mittal: At the moment the unorganized segment is not fully compliant because there is a grace period for BIS compliance. So of course, the first quarter, although it's too premature to say, but the first quarter is still a bit muted, but we expect this to grow over the full Financial Year, the numbers that we are talking about.

Utkarsh Nopany: Yes, fine. Got it. And the second thing, on margin, like if we exclude the benefit of EPCG, then our margin has come under pressure on a quarter-on-quarter basis. It has gone below 5% level. And we are guiding that our margins to go up to around the 12% level in FY'26. So, I wanted to understand that why we are so hopeful that our margin should recover to such a good level in FY'26 when we are seeing margin pressure even on a Q-on-Q basis.

V. Venkatramani: Okay, the actual reason why we are expecting an improvement in the margin, one is we are focusing 10% to 12% growth in domestic volumes from the existing plants. So, improving capacity utilization at the older plants will have a positive impact on the margin. We are expecting wood prices to come down this year compared to what they were last year. And the third point is there will be very small increase in fixed cost with the new plant. So, I am expecting an annual increase in fixed cost of only about Rs. 5 to Rs. 6 crore for the new plant. Hence, it will basically have a much higher operating margin as compared to the existing plants.

Utkarsh Nopany: Okay, and if you can just provide the data of timber price for the March quarter, what it was for North, South and blended basis and what it is right now in the current June quarter?

V. Venkatramani: I will not be able to give you for the June quarter right now. So, we will discuss that post the Q1 numbers. At the moment, I will just give you for the March quarter.

For the North plant timber prices were Rs. 7.15 per kg and for the south plant it was Rs. 6.23 per kg for quarter 3. For Quarter 4, North was Rs. 6.44 and South was Rs. 6.22. Okay, so these are the purchase rates, and the consumption rates were Rs. 6.67 for North and Rs. 6.38 for South.

Utkarsh Nopany: Okay, got it sir. Thanks a lot.

Moderator: Thank you. The next question is from the line of Rishab Bothra from Anand Rathi Securities Pvt. Ltd. Please go ahead.

Rishab Bothra: Basic question with respect to consumption pattern, how has been the sales mix with respect to retail level and B2B level? Who are our main buyers? Is it contractors or is it the OEM and the sales?

V. Venkatramani: Okay. So, if you look at it in terms of sales network, it's primarily B2C because almost 85% of our sales happen through the channel and only about 15% is to the OEM manufacturers. But if you look at it in terms of consumption, majority of the MDF uses raw materials in producing readymade furniture. So, in consumption terms, it's more B2B.

Rishab Bothra: Got it. And with respect to procurement of raw metals, is it the auctioning happening at the timber procurement sites or how do we make sure that we are adequately placed with raw materials so that capacity doesn't remain idle?

V. Venkatramani: See depending upon requirements, we decide how much volume should be purchased from which area. So, if the requirement is small, we purchase from a local area which may be within a radius of 30 to 50 kilometers from the factory and if we require larger volumes we go over a larger area which could be say 150 to 200 kilometers or in extreme case even up to 400, 450 kilometers from the plant.

Rishab Bothra: But do we have contract arrangements with farmers because these are now not so fresh and these are all plantation grade timber. So how does it work?

V. Venkatramani: Yes, we have a network of contractors who procure most of the material for us. Apart from that, we have a few farmers who come directly to the plant and supply the material but that would be a small proportion of the total.

Rishab Bothra: Okay, thank you, sir. Thank you for answering my question.

Moderator: Thank you. The next question from the line of Karan Bhatelia from Asian Markets Securities. Please go ahead.

Karan Bhatelia: I just wanted your clarification and thought process on the margins for the MDF. Now, if you see in the fourth quarter, we are zero commercial grade, like we are selling zero of the low margin product. Assuming that the value-added portfolio percentage remains the same, what will give us the confidence of a double-digit margin?

V. Venkatramani: Like I mentioned earlier, there are three factors. One is the improved capacity utilization in the existing lines. The second is the fall in wood prices. And the third is, I mentioned that fixed costs will be very low at the new plant. We will be adding only approximately 5 to 6 crore of fixed overheads for the new plant. So, these are the three reasons why we are expecting a better operating margin compared to Quarter 4.

Karan Bhatelia: And the Q4 export margins were at 1.75%. And at 80,000, what could be this margin profile assuming that majority is thin MDF exports?

V. Venkatramani: No, majority may not be thin MDF import, so I will not comment on that till we see at least 2 quarters of export performance from the new line. Basically, depending upon how prices would behave, margins are expected to be slightly better as compared to Quarter 4. But I don't know how raw material prices will behave exactly. What I am estimating is about a 6% to 8% reduction in wood prices next year. As each quarter goes, we will get a better idea. So, I will probably have a better estimate in quarter one.

Karan Bhatelia: And what are the sales and marketing expenses for the year gone by?

V. Venkatramani: I think we would be spending approximately about Rs. 20 crore.

Karan Bhatelia: Okay, thank you.

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

Udit Gajiwala: Yes, thank you for follow-up. So if you can just illustrate what will be the capex for the coming fiscal?

V. Venkatramani: We are not expecting any major capex. So, I would say approximately Rs. 25 crore of the balance capex for the new line. And maybe if we decide to do some small capex for the existing business, I would put that at a maximum of about Rs. 10 to Rs. 15 crore.

Udit Gajiwala: So not more than Rs. 40 - Rs. 45 odd crore for the full year?

V. Venkatramani: No, I would say not more than Rs. 30 - Rs. 35 crore, yes.

Udit Gajiwala: Got it sir. Thank you for taking my questions.

Moderator: Thank you. The next question is from the line of Arun Baid from ICICI Securities. Please go ahead.

Arun Baid: Yes, Shobhanji, if you could just tell us, what's the ballpark expected realization for the new thin MDF line in India?

Shobhan Mittal: So, Arun, you see, today our realizations are close to about 30,000 cubic meters, which is a combination of pre-laminated value-added products etc. If I talk about the thin MDF line on a per cubic meter basis, this would be about 15% to 20% higher.

V. Venkatramani: But you shouldn't put that 15% to 20% on that 30,000 figure because initially a majority of the sales will be of the industrial product. So, for the thin-grade industrial MDF, realisations will be approximately about 25,000 to 26,000 per cubic meter.

Arun Baid: So, would it be fair to say that blended bases will have similar conditions, thin-grade MDF, with your value mix there also?

V. Venkatramani: It may take some time for the value mix, because even for the existing lines, it's possibly taken us about 15 years to build up a 50% mix of value-added products. So, I wouldn't say it would take such a long time, but for the new plant to have the same mix of value-added products, it's possibly a 3-year exercise.

Arun Baid: Just one clarification, I am not clear. We were saying that we expect about 11%-12% growth in our India business on the volume front, right? This year what have you planned?

V. Venkatramani: Pertaining to the older plants.

Arun Baid: Yes, yes. And plus 84,000 from the new line in India. Am I correct?

V. Venkatramani: No, 72,000 from the new line in India.

Arun Baid: And 11% growth on the India business, on the new existing lines, right? And exports, you mentioned 80,000 CBM. So we did roughly around 70,000 CBM this year. So basically, we are not expecting any major thing from exports from the new line?

Shobhan Mittal: At the moment, we have taken a very muted number from the new line for the exports. I mean, this is of course a conservative number for the time being and we are focusing on opening up the markets and exploring the markets on this as well. But at this point of time, because the line is not yet fully settled and timber prices are also not very clear to us, hence at the moment from the new line, we have not allocated a very large capacity for the export market.

Arun Baid: Okay, thank you.

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

Keshav Lahoti: So, what was the commercial grade non-BIS compliant sale in FY'25 and secondly this sale possibly will be now BIS compliant, so it is quite possible whatever the sale you might be doing that might be now split between all the players?

V. Venkatramani: See like I mentioned for the commercial grade MDF, sales was nil in Quarter 4. But if you compare FY'25 with FY'24, it was almost similar. The 2 years were almost similar. Approximately 70,000 cubic meters each year. Now post implementation of BIS, neither domestic players nor importers can sell non-compliant BIS material in India. So, nobody can manufacture or sell commercial grade MDF in future.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for closing comments.

Shobhan Mittal: We thank everyone for joining this call and we look forward to speaking to everyone after the next quarter. If anyone has any further questions, please feel free to reach out to us. Thank you and good evening.

V. Venkatramani: Thank you everyone and good evening to you.

Moderator: Thank you very much. On behalf of Greenpanel Industries Limited, that concludes this conference. Thank you for joining us.

Please note: *We have edited the language, made minor corrections, without changing much of the content, wherever appropriate, to bring better clarity.*