



Greenply Industries Limited

Q4 FY17 Earnings Conference Call Transcript

May 29, 2017

Moderator Ladies and gentlemen, good day, and welcome to the Greenply Industries' Limited Q4 FY17 Earnings Conference Call. 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 * and then 0 on your touchtone telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rabindra Basu from CDR India. Thank you, and over to you, sir.

Rabindra Basu Thank you, Inba. Good afternoon, everyone and thank you for joining us on Greenply Industries Q4 and 12 months FY17 Earnings Call. We have with us today Mr. Shobhan Mittal, Joint Managing Director and CEO, and Mr. Venkatramani – the CFO. Before we begin, I would like to state that some of the statements made in today's discussions maybe forward-looking in nature and may involve risks and uncertainties. A detailed statement in this regard is available in the result presentation that was sent earlier.

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

Shobhan Mittal Thank you, Rabindra. A very warm welcome to everyone present and thank you very much for joining us today to discuss Greenply's Operating and Financial Performance for the Q4 and FY2017. I will talk briefly about the performance of our businesses, before passing it on to Venkat to run through the numbers for the quarter. Our performance has improved within a quarter of demonetization. We anticipated a slightly longer turnaround. However, it has recovered much faster and showing signs of improvement in the coming quarters. Our plywood business has shown a decent recovery and delivered performance in-line with pre-demonetization levels. A full recovery is still some time away given that the real estate pick up is yet to happen in a meaningful way.

Our MDF business has shown a relatively good recovery and posted a growth of 8.4%. This was aided by a pickup in the replacement market and higher exports as well. Given the competition and higher exports we have had a marginal decrease in realization for the quarter and the year-end. I must mention however that despite a lower top line our gross margins have expanded owing to a better product mix, improvement in yield and fall in raw material prices. Our MDF plant in Andhra Pradesh is progressing on schedule and should get commissioned by third quarter of FY2019.



I would now like to hand over the call to Mr. Venkat for the financial numbers. Venkat over to you.

V. Venkatramani

Good afternoon, friends. I thank everybody for joining us to discuss the Q4 and FY2017 financial performance of Greenply. In Q4 FY17 our top line was marginally lower by 0.3% compared to the y-o-y quarter.

Plywood revenues were lower by 3.9% and contributed 68.6% of the net revenues. Of the 3.9% de-growth in plywood revenues, 3.5% de-growth can be attributed to the end of the excise exemption at plywood unit in Pantnagar, Uttarakhand. MDF revenues grew by 8.4% and contributed to 30.8% of the net revenues. In Q4 our gross margins improved by 470 basis points y-o-y to 47.9% due to better product mix, improvement in yield and fall in raw material prices.

Average realizations in plywood were lower by Rs. 7 per square meter from Rs. 238 to Rs. 231 per square meter. Our plywood realizations had actually improved by Rs. 5 per square meter considering the impact of end of excise exemption at the Rudrapur Plywood unit. In Q4 FY17 MDF realizations were lower by about 3.5% from Rs. 26,673 in the corresponding quarter to Rs. 25,737 per cubic meter in Q4 FY17, primarily due to exports, we did not have any exports in the corresponding period last year. Domestic realization per cubic meters were Rs. 25,737 compared to Rs. 26,673 in the corresponding quarter. Exports for Q4 FY17 were 4,770.43 cubic meters at an average realization of Rs. 17,824. We continue to invest in brand building, which in turn enables us to maintain our strong market share. Our ad expenditure in the quarter was 5.1% compared to 2.5% y-o-y and 3.5% in the immediately preceding quarter. EBITDA margins for Q4 FY17 were up by 60 basis points at 16.8% owing to healthy gross margins. Capacity utilizations in the quarter were 110% for the plywood segment and 113% for the MDF segment compared to 109% in plywood and 100% in MDF in the y-o-y quarter.

Profit after tax was marginally higher by 0.5% at Rs. 41.87 crore, primarily due to increase in tax rate from 24% to 29%. In continuation of our efforts towards better working capital efficiency, working capital days have decreased by 9 days to 40 days compared to the y-o-y quarter and a decrease of 13 days compared to the immediately preceding quarter.

That concludes my presentation. I would now request you to open the floor for the Q&A session. Thank you.

Moderator

Thank you very much, sir. Ladies and gentlemen, we will now begin the question-and-answer session. We have the first question from the line of Manish Ostwal from Nirmal Bang. Please go ahead.

Manish Ostwal

My first question is related to advertisement expenditure, on a yearly basis it has improved from 3% to 3.8%. So going forward, for the GST, definitely we will again be looking to gain more market share from unorganized to organized sector. So how do you see this number moving over the medium term?

V. Venkatramani

So I think we'll maintain our ad spends. So possibly those should stabilize somewhere between 3% to 3.5%. But that will depend on the demand conditions in the market and also depending upon when our new MDF unit starts production. So subject to these two factors I think we will be maintaining ad spends between 3% to 3.5%.

- Manish Ostwal** Okay. And second question, sir you did comment upon the demand recovery post demonetization. If you could throw some comment or light on the geography where you see some recovery of demand and in some of the geography still the demand is very slow or sluggish.
- V. Venkatramani** We have seen improvement in all the four geographies, although there might be slight variance in the degree of improvements. So I think South was the best performing sector even during Q3 FY17 when we felt the full impact of demonetization and South has possibly had the best recovery also. But, we have seen significant improvement in all the four geographies as compared to the immediately preceding quarter.
- Manish Ostwal** What should be the tax rate for the full year FY18?
- V. Venkatramani** I think we should be looking at a tax rate of 29% for FY18.
- Moderator** Thank you. Our next question is from the line of Nehal Shah from ICICI Securities. Please go ahead.
- Nehal Shah** Sir, if you can just throw some light on the visibility in plywood going forward considering the fact that plywood remains at 28%, which was a tax incidence. So where does this go now? What about the incremental tax credit and the landing cost which is going to go down at the dealers' end? So will there be any benefit of that versus the unorganized players?
- V. Venkatramani** I think there should be some nominal benefits because we'll see the end of the CST regime. Entry tax and Octroi will also be subsumed in GST. So we should see some benefits. But however, we are still not having clarity on the exemption or the refund mechanism we currently have. We have excise exemption at the MDF unit and also we are entitled to a partial refund of excise duty at the Nagaland factory. So there's still not complete clarity on these two points. I think we will get some clarity post the next GST council meeting. Apart from that, GST should have a very nominal impact.
- Nehal Shah** Okay. And sir, how about the growth visibility in this quarter, and particularly in the month of June, considering that the implementation might take place on 1st of July?
- V. Venkatramani** Yes, we are facing a very difficult situation, as far as the plywood segment is concerned. There is a strong resistance on the dealer side to lift material. So we are possibly looking at a small de-growth in plywood.
- On the MDF side things should continue to remain normal and we are yet to see any impact of GST.
- Shobhan Mittal** Sorry to interrupt you. On the MDF side, what is also negating a little bit of the concerns that people have is the fact that we have taken a marginal price increase in the month of April, which has been implemented from May, which has also resulted in some additional orders from dealers who are interested in obtaining the benefit of old prices still. So hence we've seen a substantial amount of orders with regards to old prices and the price increase, which is negated to a certain extent of reservations with regards to GST.
- Nehal Shah** Alright. And sir, finally, what kind of guidance, are you looking at especially in MDF and ply considering the current environment and the GST thing playing out in between Q1 FY18 and Q2 FY18?

- V. Venkatramani** We are looking at a challenging year as far as top line growth is concerned during FY18. Our efforts will be to achieve 5% to 7% growth in top line during FY18, although demand conditions will probably dictate what kind of growth we actually achieve. And at a normal situation we should be looking to improve our operating margins by about 50 bps, but however that would depend on the refund mechanism or the excise exemption mechanism we have currently for our products. So if there is any change in the mechanism that is operating currently, that will have an impact on the margins.
- Moderator** Thank you. The next question from the line of Anand Bhavnani from Samiksha Capital. Please go ahead.
- Anand Bhavnani** First question is about MDF pricing. So sir, with capacities of competitors coming in this year and with rupee having appreciated, which might reduce the impact of anti-dumping duty. So sir how do you see pricing for MDF in domestic market for FY18?
- Shobhan Mittal** Well, I do not foresee that the imports are going to create a lot of challenges because once again the plant is located in the North of India where the domestic players are sort of insulated from the threat of the imports. However, we are yet to see any substantial capacities actually start production, Century's plants as far as we know is delayed to a certain extent, Action's also is. So in immediate term, we do not foresee a big challenge. However, what we also foresee is that when we do start our plant in the south of India, we would be transferring the capacity that has been currently sold to the South of India to the North of India. That would result in substantial freight savings on that particular portion of the quantity that is currently being sold to the South of India. So even though we may have to reduce our pricing in terms of competition we will in turn also be able to see some cost savings on account of regionalization of our sales which should allow us to keep our margins at similar levels.
- Anand Bhavnani** Okay. And sir, if I am not mistaken, in addition to Century and Action, there's third player, Artisan coming up with a unit in MP for MDF?
- Shobhan Mittal** There are talks of certain smaller players who are setting up plant in Yamuna Nagar. However, there is nothing confirmed in terms of capacities or what stage the projects are in at the moment. But in all honesty, I think the organized players would be Action and Century in the long term, which would pose a threat of competition to us. The smaller players are less worrisome for us.
- Anand Bhavnani** Okay. And sir, my second question is about issuances of licenses to plywood units in Haryana. So there was a news article whereby Haryana government has planned to issue 500 wood processing unit license. So do you see these licenses in anyway being operationalized and there being increase in competition in Northern Indian markets for plywood?
- Shobhan Mittal** Well, I think when you say 500 licenses this may be a plan. However, the state governments are very much directed by the central government and the Supreme Court that licenses can only be issued after detailed investigation of how much raw material is available in the state? How much is being currently consumed by the existing manufacturers? And how much can be allocated to new plants on a sustainable basis? However, they may have said that we will issue 500, but this is all dependent on what quantity someone wants to setup and finally how much raw material becomes available? So I do not think that 500 new licenses will ever actually get issued and 500 plants will come up. Another thing is that smaller players today are very much at threat of running out of business. So I do not foresee with the GST implementation and the prices getting narrowed with organized players that smaller

or unorganized players would really want to enter into small production capacities in a state like Haryana. So I do not foresee that to pose a challenge to the plywood business.

- V. Venkatramani** I feel it could also be that there are a lot of unorganized units, which are operating without license. So possibly the state government might be looking to regularize those units by issuing license. That could also be a possibility.
- Anand Bhavnani** Yes. So in general, if the competition doesn't change much, it probably remains the same.
- Shobhan Mittal** Sure.
- Moderator** Thank you. Our next question is from the line of Gaurav Nagori of Spark Capital. Please go ahead.
- Gaurav Nagori** Just couple of question on our CAPEX plan. So how much CAPEX have we spent so far for the MDF plant?
- V. Venkatramani** We have spent Rs 393 crores on the Andhra Pradesh unit upto March 2017. We have invested approximately Rs.23 crore in the Gabon unit. So total capital expenditure is Rs.416 crore, till March 2017.
- Gaurav Nagori** Okay, and how much is remaining in MDF plan to be spend in FY18?
- V. Venkatramani** There will be approximately a spend of further Rs.350 crores, majority of which will happen in FY18 and partially in FY19.
- Gaurav Nagori** Okay. And sir, have we raised the debt for the MDF project?
- V. Venkatramani** We have raised Rs.190 crore of debt for the MDF unit upto March 2017.. Out of the Rs.393 crore that we have spent on the MDF unit, Rs.190 crore has come from debt and the balance Rs.200 crore from internal accruals, and the QIP of Rs.50 crore.
- Gaurav Nagori** Okay. What is the average cost for this, interest cost for this Rs.190 cr?
- V. Venkatramani** Going forward we might take a hedge for the euro loan which have sourced from a German bank, so total cost including hedging cost should be about 7.5% to 8% i.e for the overall debt that is the overseas debt as well as the domestic debt all put together.
- Gaurav Nagori** Okay. Second question on the CAPEX that we are doing in UP and Gujarat. So I just want to know what will be the CAPEX breakup for these two projects and what can be the potential revenues at 100% utilizations for these two projects?
- V. Venkatramani** For the Gujarat unit, total capital expenditure will be approximately Rs.40 crore, which will be spent during FY18, and at optimal capacity utilization, we should have approximately revenues of Rs.125 crore to Rs.130 crore. For UP, we will be spending approximately Rs.115 crore, and revenue should be approximately Rs.300 crore to Rs.325 crore.
- Gaurav Nagori** And sir, lastly just want to know your opinion on the competition in MDF industry, meaning we used to do margins of 30% plus, then it reduced to 25% - 26% given

that we have increased our exports and now with all these players including the capacity, what do you think the margins will stabilize at in the...?

- V. Venkatramani** If we look at the current financial year, we have had operating margin of 27.15% in MDF, but to an extent that was also impacted because of the drop in top line during the third quarter. Hence I think we should be able to maintain the MDF margins, because we'll be exporting only the incremental production over approximately 1,80,000 cubic meters, and exports in the existing plant at Pantnagar in Uttarakhand will be a temporary phenomenon till we start the new plant in Andhra Pradesh. Once the new plant starts production, the exports will be completely shifted to the new plant and the existing unit will cater only to the domestic markets.
- Gaurav Nagori** Okay. Sir, but given that Century's coming in north and then Action Tesa expanded their capacity. So do you think in North also there will be a competitive pricing from the competition and probably the margins will come off from current levels as well in next 2-3 years.
- V. Venkatramani** Yes, over the longer term I think MDF margins would stabilize between 23% to 24%. Although there could be some savings because of freight optimization that we will be catering to South India exclusively from the new plant. Today we sell a substantial count almost 30% of our existing production is sold in Southern India. So there will also be some freight optimization but overall I think, yes in the longer-term MDF margins should stabilize around 23% to 24%.
- Moderator** Thank you. Our next question is from the line of Achal Lohade from JM Financial. Please go ahead.
- Achal Lohade** If you could talk a little bit about the raw material price, the gross margin expansion, how do we look at it going forward as well?
- V. Venkatramani** During the last financial year, we saw the impact from raw material prices in Q3 and Q4 where the major expansion in gross margins came about. Although raw material prices had started to reduce from June, July, the impact on our raw material consumption came in the Q3 and Q4 primarily because we follow a weighted average system and there is some time before the impact happens on our consumption rates. But in the Q4 there was hardening of wood prices, especially in the MDF segment where prices have gone up by about 5%. And that's the reason why Mr. Mittal also informed that we have taken a price increase in this quarter, , I mean the current quarter, the first quarter of FY19, This price increase should take care of the increase in raw material prices.
- Achal Lohade** Would it be possible to comment what was the turf price and what is it currently? How was it for the fourth quarter for the private segment?
- V. Venkatramani** The raw material prices softened to about Rs. 3 per kg for the MDF segment and currently, it's ruling at Rs. 3.15 per kg. So prices have gone up by about 5%.
- Shobhan Mittal** Actually, recently the prices have gone up further. So they are currently at about Rs. 3.25.
- Achal Lohade** Okay. And any specific reason for the sharp increase in such a short period?
- Shobhan Mittal** Basically because of the new government policy in Uttar Pradesh with new CM coming in, he has really tightened on the freight element there. Earlier trucks were coming with 20 tonnes of timber; however, now it's very strictly restricted to 15 tonnes

which has resulted in a freight impact, which has in turn increased cost of the raw materials.

- Achal Lohade** And that is unlikely to change immediately at least...?
- V. Venkatramani** Yes, it's unlikely to change, that's correct.
- Achal Lohade** Okay. And how about the raw material prices for ply segment? What was it at the bottom and how is it now?
- V. Venkatramani** So plywood prices, raw material prices have moved up from about Rs. 580 to Rs. 605.
- Achal Lohade** Okay. And I believe it has gone down to about Rs. 400?
- V. Venkatramani** From Rs. 5.80 a kg to Rs. 6.05 a kg.
- Achal Lohade** So do you think the current gross margins of close to 47%-48% is sustainable going forward?
- V. Venkatramani** Yes, I think so. We should be able to maintain the gross margin.
- Achal Lohade** Just another question if you could talk a bit about the raw material sourcing for veneer etc. how is the Gabon plant doing and is there any change in the regulations out there in other geographies?
- V. Venkatramani** Myanmar government has announced that log felling ban is being lifted, but there is not much clarity on how things will operate going forward because it's said that all the cutting will be done under the control and supervision of the Myanmar Timber Enterprise, which is a government concern and private loggers will have to dispose of the entire quantity to the Myanmar Timber Enterprise. So we'll be able to take a view on that only after a couple of quarters of operation under the new system, and our Gabon commercial face veneer plant should start operations in June.
- Achal Lohade** Would there be any impact of that in terms of our margins or the sales growth momentum, etc.?
- V. Venkatramani** It will depend on how much of consumptions we split between Myanmar, Indonesia and Gabon. So that will determine the ultimate raw material cost, but yes, Gabon face veneer prices will be lower than those we are currently sourcing from Myanmar and Indonesia.
- Achal Lohade** Last question from GST point of view. Earlier we were hoping that we would be off close to 18% instead of the 28%. Given that we are at 28%, how do you see this shift? Do you see the earlier gradual shift will continue? Or you think it may get halted because now unorganized has more incentives to be out of the fold?
- V. Venkatramani** We will have to look at a couple of quarters of actual operations before we can determine the momentum of the shift, but yes, I think couple of factors will determine the same. Earlier there was no excise duty on wood. So if there is no input duty on the raw material, and manufacturer was evading excise duty on plywood the savings were substantial. Under GST, rate for wood in the normal shape has been fixed at 18%.

So even if somebody is evading excise duty on the final product, if he is paying GST on the raw material, the savings will be substantially lower compared to the earlier taxation structure. Hence that will also determine to some extent how fast the shift happens. Its a very positive development that wood has also been brought under GST. But yes, the momentum of the shift will be clear only after say December or March.

- Achal Lohade** And the second factor, you said the first factor is the earlier, the exercise on wood, and you said there are two factors?
- V. Venkatramani** What I said was that even earlier we were very close to the 28% rate, which has been fixed under GST. So earlier our total tax outgo in most parts of the country was about 26%. So yes, if there is any cost increase we will pass on that cost increase to the consumers.
- Achal Lohade** Any clarity you have on how the refund mechanism will work with respect to the facility?
- V. Venkatramani** We still don't have any clarity on the refund mechanism. There was a statement by the Revenue Secretary that the center would look to refund 58% of the central GST which gets allocated to the center. And 42% of the allocation goes to the states; the states could take their own view on that. Possibly we will get clarity after the next meeting of the GST Council on 3rd June, or could be at a later date also.
- Moderator** Thank you. Our next question is from the line of Anshuman Atri from Haitong Securities. Please go ahead.
- Anshuman Atri** Sir, my question is regarding the MDF facilities. We've heard that there were few price hikes taken in by the industry. Then how do you see the pricing trend with new capacities coming up and how do you see the margins in terms of say, raw material availability in the country? And how will the competitors behave with the new capacities coming up?
- V. Venkatramani** We have taken 3.5% price hike, which will be effective from 1st June. This was mainly to cover the increase in the raw material costs, primarily the wood prices during the last five months. And our next action of course will depend upon the refund mechanism under GST. At present, we don't know have clarity on how the refund mechanism is going to operate. So based on that we will take the next price hike.
- Anshuman Atri** Okay. And in the plywood segment, are we seeing pressure on the unorganized segment in terms of coping up with?
- V. Venkatramani** At the moment, no. I think the liquidity in the cash system has improved considerably compared to what it was in December and January. We have seen improvement in cash liquidity in the subsequent month. So at the moment, I don't think the unorganized segment is facing a major challenge. To some extent, they have been forced to increase the credit period to the dealers, because of the shortage of liquidity in the cash segment. But yes, it would again depend on how liquidity functions in the cash segment going forward. So if liquidity is comfortable as far as cash is concerned in the economy, I don't see any major impact on the unorganized segment.
- Anshuman Atri** Okay. In the plywood segment given the raw materials, how would they move and any plans of price hike in this segment?

- V. Venkatramani** We had taken a small price hike of 2% in the last quarter, that is in the March quarter. Part of that was implemented in the March quarter and the full impact will be available in the current quarter. We will take future pricing decisions once we have clarity on the full impact of GST.
- Anshuman Atri** And how are you seeing the hardwood prices move, globally and in India?
- V. Venkatramani** We don't import wood from outside the country. Hence we are not really tracking the global wood prices. But like I mentioned, in India prices have moved up by about 8% in the MDF segment and about 5% in the plywood segment.
- Shobhan Mittal** In fact on the MDF segment they are to a certain extent low, reasoning is because it's primarily due to the effect of the UP Government's change of stance on this front. However, in the south, where the new plant is located, the prices are still fairly stable.
- Anshuman Atri** Okay, this is only applicable in UP, 8%?
- Shobhan Mittal** Yes, The North India plant in Pantnagar has been more affected due to the price increase due to the UP government's policy change.
- Anshuman Atri** Yes. So this 5% to 7% growth for the Greenply in FY18, so how do you expect the industry to perform?
- V. Venkatramani** It's a very difficult question. I don't think we have much clarity on how top line growth is going to be impacted by GST. So I said it's going to be a very challenging year as far as top line growth is concerned, but our efforts would be to achieve at least a 5% to 7% growth in top line.
- Shobhan Mittal** Please do keep in mind that for FY18, we will eventually run into capacity restrictions on the MDF side. We had about 105% capacity achievement. At best, we can try to push it up to 110%. So growth on the MDF side would be muted due to production capacity restrictions, which we have informed of in the past as well that this particular year would have some vacuum in terms of capacity availability of production.
- Anshuman Atri** Okay. Not this year, I think the growth coming back, on back of new capacity?
- V. Venkatramani** Sorry?
- Anshuman Atri** FY19 we'll see the growth coming back because of the new capacities coming?
- Shobhan Mittal** For FY19, again the plant only starts in the Q3. So it would be a truncated year. FY20 is when we will really see input from the new plant coming in.
- Moderator** Thank you. Our next question is from the line of Anand Bhavnani from Samiksha Capital. Please go ahead.
- Anand Bhavnani** Yes, sir. I wanted to understand the status of our Gabon project. Is it on time? Are we slated to operationalize it in the Q2 of FY18?
- V. Venkatramani** Yes, definitely, we should be starting production in the month of June.
- Anand Bhavnani** Okay. And sir I understand, we will be getting veneers from the Okoume trees there for the Indian market. So would it be for our own consumption or would we will be also supplying to other industry players in general?

- V. Venkatramani** We are setting up this plant in two stages. Finally, we will have six peeling lines at that unit, of which three should start operation in the month of June. So when the facility is fully operational, I think we would probably be consuming 1/3rd of the total production. But since we propose to start only half the plant in June, we will be consuming a higher share in the initial months.
- Anand Bhavnani** Okay. And sir, the second question is about ply imports. Now there was a development in US. They banned the import of Chinese plywood, they applied anti-dumping duty in the month of April. So do you think there is a possibility of Chinese players exporting plywood to India and there might be some kind of dumping in India?
- V. Venkatramani** Even today, China exports a small quantity of plywood to India. But they also face very strong challenge from the unorganized plywood segment. So I think that situation should continue going forward also. So even the Chinese manufacturer's face a very strong challenge as far as competing with the unorganized plywood segment is concerned.
- Moderator** Thank you. Our next question is from the line of Kamlesh Kotak from Asian Markets Securities. Please go ahead.
- Kamlesh Kotak** Sir, just could you help us understand how much investment we are planning for this Gabon and Indonesia plant?
- V. Venkatramani** Indonesia, we don't have any plant currently or we are proposing to set up any plant in Indonesia. So currently we source face veneer from third parties in Indonesia. And as far as the Gabon plant is concerned, yes, we would be investing about Rs.100 crore in phases.
- Kamlesh Kotak** So, how much in phase one, sir?
- V. Venkatramani** So approximately about Rs. 40 crore in phase one.
- Kamlesh Kotak** Okay. Secondly sir, from an industry standpoint, say, not near-term, but over the next 3 to 5 years, you see the plywood and MDF industry would grow in India? If you can share some thoughts on that.
- V. Venkatramani** I think, as far as plywood is concerned, in normal if you take a 10-year view, plywood will grow at about 5% to 6%. It normally grows with the country's GDP, and as far as MDF is concerned, I think MDF will grow at a faster rate of about 12% to 15%. But over a period of time, I think once India moves to the readymade furniture segment, so we will see a very strong growth happening in the MDF segment, although that would probably be over a period of 7 to 10 years.
- Kamlesh Kotak** And sir, with regards to our company, how you see the contribution from the two business, maybe once you have full production coming from the new plant, or then how you see the contribution is going to change?
- V. Venkatramani** I think over a period of time, both MDF and plywood will move to a ratio of 50-50, as far as our top line is concerned.
- Kamlesh Kotak** So you don't see any major disruption in the demand for plywood or maybe any cannibalizing because of the...?
- V. Venkatramani** At least over the next 3 to 4 years, I don't think we will see any major impact on plywood.

- Kamlesh Kotak** Okay. But beyond that, it may be a case that it will start to degrow as an industry?
- V. Venkatramani** I think, overall, if you look at plywood, yes, I definitely think that over a period of time the unorganized segment of plywood, that is the cheap plywood segment, which currently has a market share of about 35% in the plywood segment, so that would be completely taken over by MDF. And possibly over a longer time period of 10 to 15 years, I think the middle segment will also shift to MDF, but I think, yes, definitely premium plywood will continue although growth rates might not be very strong, but I don't see the dangers of the premium plywood segment being substituted by MDF.
- Moderator** Thank you. Ladies and gentlemen, that was our last question. I now hand the conference back to the management for closing comments. Over to you, sir.
- Shobhan Mittal** Thank you very much everyone for participating in the call. If anyone has any further questions, please feel free to contact Mr. Venkat directly. And with this, we would like to close this call. Thank you so much.
- V. Venkatramani** Thank you very much.
- Moderator** Thank you. On behalf of Greenply Industries Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.