



“Century Plyboards 4Q FY 2015 Post Results
Analyst Conference Call”

April 30, 2015



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*Century Plyboards (India) Limited
April 30, 2015*

Moderator: Ladies and gentlemen, good day and welcome to the Century Plyboards 4Q FY 2015 Post Results Analyst Conference Call, hosted by Ambit Capital. 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 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. Achint Bhagat from Ambit Capital. Thank you and over to you Mr. Bhagat!

Achint Bhagat: Good afternoon, ladies and gentlemen. Welcome to the 4Q FY 2015 conference call of Century Plyboards. We have with us here to the management of Century Plyboard represented by Mr. Sajjan Bhajanka, the Chairman and Mr. Arun Julasaria, the CFO. Now I request the management to briefly take us through the highlights for the quarter following which we will open up the floor for questions. Over to you Sir!

Sajjan Bhajanka: Good afternoon friends, I am Sajjan Bhajanka, Chairman of the Company and I am accompanied Mr. Sanjay Agarwal, CMD, MD and CEO and Mr. Arun Julasaria, CFO. We welcome you all to this interactive session. Before we start interaction, I would request Mr. Julasaria to brief you about our results 2014-2015 and thereafter the house would be opened for interaction.

Arun Julasaria: Good afternoon ladies and gentlemen. Welcome again for discussion for financial results 2014-2015. We shall be discussing historical numbers and future outlook of the company. This is not to be considered as an invitation to invest in shares of the company.

First, I will take you through basic figures of the company for the whole financial year that is financial year 2014-2015 versus 2013-2014. Our topline grew from 1284 Crores to 1565 Crores showing an increase of 281 Crores that is 22% growth. Our EBITDA margins have gone up from 148 Crores to 264 Crores that is 78% jump and PBT has gone up from 69 Crores to 180 Crores that again is 159% jump. PAT has gone up from 67 Crores to 151 Crores yet again it is 125% jump.

In view of improved profitability and as per our declared dividend policy, we have also declared final dividend of 125%. This together is 75% is already paid as interim dividend, we made 200% dividend for this financial year.

Now I will take you through segmental financial results for our business segment. First I will take you through Plywood segment. In Plywood segment, our turnover, our topline grew from 966 Crores to 1152 Crores that is showing a growth of 19% and in laminate our



*Century Plyboards (India) Limited
April 30, 2015*

turnover grew from 242 Crores last year to near about 300 Crores that is showing a growth of 24%. Then in our CFS operations it grew from 55 Crores to 71 Crores that is showing a growth of near about 30% and in others which are basically businesses in trial stage grew from 20 Crores to 40 Crores, a growth of 106%.

EBITDA margins in Plywood increased from 121 Crores to 206 Crores that is 18% growth and in laminates it grew from 19 Crores to 36 Crores and in logistics it grew from 23 Crores to 32 Crores.

On forex part, I would like to tell you that this year we did not have any forex loss rather we had made about 4.5 Crores worth gain in total. This is basically due to in between appreciation of Rupee and appreciation of Rupee against Euro by year-end. Our forex exposure has come down from near about 300 Crores on an average during the year 287 Crores by end of the year so it is near about 35% down compared to last financial year. In that way we have derisked ourselves from forex risk.

So these are the basic figures. We would like to answer any particular questions. Any questions, relating to numbers, can be addressed to me and any qualitative questions can be addressed to Mr. Bhajanka and Mr. Agarwal.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question-and-answer sessions. The first question is from the line of Subramaniam Yadav from Subhkam Ventures. Please go ahead.

Subramaniam Yadav: Sir, just a question regarding your volume growth, Sir, if I am looking at the 19% growth for the Plywood segment, if you can break me up the realisation growth and the volume growth that would be much better?

Arun Julasaria: Mr. Yadav, in fact in Plywood segment, we are having different process. We are having our Prime Plywood, we are having our Secondary Brown Semi-Plywood then we are having Decorative Plywood then we are having Commercial Veneer also, Face Veneer, which we call, so I will tell you that if we total out all sorts of Plywood that is our Prime Plywood, Semi-Plywood and Decorative Plywood then our volumes have gone up from 176000 cubic meter last year to 197,000 cubic meter this year. So the volume growth is near about 12% where our total value growth is 22%. So you can say near about 12% was the volume growth and rest was the average realisation growth. That is near about 9.7%.



Century Plyboards (India) Limited
April 30, 2015

Subramaniam Yadav: But total revenues grew in 19%, you are saying that volume has grown by 12% and the realisation by 22%?

Arun Julasaria: But as I said, I spoke about only Plywoods. There is also a Commercial Veneer. In Commercial Veneer we had less revenue. I am telling you the figure of that also in commercial veneer the volume has dipped from 450000 cubic meters last year to 350000 cubic meters this year and realisation has gone up but in total value terms the value has gone down because of shortage of timber we are less inclined to sell the veneer. We are consuming for our own factory and whatever was left out that is only we will sell. So in total, if you see the Plywood segment the total value growth is 19% you are right.

Subramaniam Yadav: Same in the case of laminates?

Arun Julasaria: In laminates compared to thereabout 2047000 in last year this year we have sold 25.5 lakhs sheets. That is domestic and on exports we have sold 8.66 and 10.44.

Subramaniam Yadav: Sorry Sir. I could not get. This year how much was domestic laminates?

Arun Julasaria: Domestically, we have sold 2546000 sheets and in our export we have sold 1044000 sheet.

Subramaniam Yadav: 1044000, okay. How do you see this volume growth increasing, and realisation maybe going forward because already our products are priced point at a premium to other products, so going forward also maintaining that kind of a price point would be kind of a difficult so overall the growth of 25% what you are guiding can be at a risk? I was just trying to understand that this year also we have taken roughly 22% hike realisation, you mean. So next year also and our product being premium than the other in terms of the price point, if you look at Greenply or anything our product is at a premium. So I was just wondering whether can we take this 22% realisation growth next year vis-à-vis we are 12% maybe volume growth again.

Arun Julasaria: You mean to say value growth you are talking about. Total we have booked this year 22% growth. We have specialty thing is that we will be to maintain this 22% growth next year. Am I right?

Subramaniam Yadav: Yes. Mr. Bhajanka will answer you.

Sajjan Bhajanka: We commissioned our two new lines at the beginning of the last year, so the total increase gradually during the year and at the end of the year we reached 100% capacity in laminates.



*Century Plyboards (India) Limited
April 30, 2015*

So now we are short of capacity to meet our domestic demand and export. So like in February or March we are running to almost full capacity and now we need to even increase our capacity so we have already taken a decision to enhance this by another two lines during the year. So which will be commissioned by maybe in the last quarter of this year but meanwhile we are taking all the steps to increase production like working the plant on all seven days and maintenance to be done like few hours every week in running mode. So that way last year we were short of the capacity, total it was around 35 lakhs or 36 lakhs so this year we are likely to cross around 45 to 48 lakhs.

Subramaniam Yadav: In laminates?

Sajjan Bhajanka: In laminates.

Subramaniam Yadav: In plywood Sir volume growth how much would that be this year?

Arun Julasaria: Generally our target is sacrosanct all the year if we try minimum 15% growth and 10% value growth. So that most law it has been all for the last so many years, I remember from 1997 onwards so around 25% growth we have maintained. In some years it was 20% to 21%, some years even 30%, so our target is 15%. We are targeting 25% growth and wherein 15% would be contributed by the volume and 10% would be the value.

Subramaniam Yadav: Good Sir. Just last one question. Are we finding some difficulty in the tier III cities or tier II cities because of some slowdown in the rural that is what we are seeing in all the companies from FMCG to maybe to other companies. So is there any kind of a slowdown what we are witnessing in these segments or in these areas?

Arun Julasaria: At the moment we are witnessing some slowdown, the expected growth we are not seeing, we are expecting that we shall not be able to supply the material because of much more than the capacity, but it has not happened so far, but we have outgrown the market, we are outgrowing the total industry, we have outgrown our competition so that way we have done better and maybe we shall try to achieve that in future also but if Modi says then we have to relook at everything.

Subramaniam Yadav: Thank you very much.

Moderator: Thank you. The next question is from the line of Nehal Shah from Antique Stockbroking. Please go ahead.



Century Plyboards (India) Limited
April 30, 2015

Nehal Shah: Sir, congratulations for good set of numbers. Sir, few questions from my side. One is with regards to plywood division. Now we have always been saying that we will be achieving close to 25%. In fact some of the times we have also said that 25% looks very much likely despite the slowdown, but if you look at the current quarter the growth has been just about 10.5% and obviously March is a quarter where we tend to do a lot of push, so despite that 15% growth what is that you are looking forward as far as plywood growth is concerned?

Sajjan Bhajanka: Nehal, actually we are preparing ourselves for the post GST period. So, like there would be a great migration from unorganized to organised sector once the GST is introduced. At that time, like many of the smaller players may not be in a position to compete because their incentive of the tax **(indiscernible) 16.05** and removal or underpayment would be taken away. So that time there would be a big migration. To that now we are more concentrating on secondary brands. So far we were avoiding that. Like our Maxima, our Semi these things we were limiting ourselves as per the capacity available, but now trying to add capacity also and source some capacity outside our own capacities also so these will contribute and then again tier II and tier III cities so whatever is there may be some risk, but still that will be new territory for us because once we open to the lower level then many new shops will open, they will buy the initial material to store in their shop and later on they will add to volume also. So that way we are expecting growth and again we are arranging outside India like the availability of raw material because our niche area is premium plywood. For premium plywood we need long lasting hardwood like wood, hardwood timber, so for that it is not available. In India it is merely planted in timber. So we have to import, but gradually one after another all the exporting countries they are banning the export of raw timber like Myanmar did last year so similarly many other countries and many African countries they have banned the export of raw timber. So now we have to do the initial processing outside India and then to bring it. I am happy to inform you and all other participants that under some arrangement we have commissioned two units in Laos so that we have 51% stake through Century Singapore. We have created a subsidiary at Singapore where already existing player in Vietnam and Laos one company of Indian origin, so we have tied up with them. They had one existing units to that also they have merged with us and one new unit we have started in Laos so these two units together now we have four lines together in the two units that will increase to eight lines within a few months. So that we are securing raw material for our niche products that premium plywood and again we are tying up within the country and we are optimizing production in all the existing units.

Nehal Shah: Sir, but still my question does not get answered. Just to basically understand whether 25% kind of growth which we were expecting is it considering the environment remains the



Century Plyboards (India) Limited
April 30, 2015

same for the next couple of quarters which looks likely do you think a 25% growth guidance for the plywood is now under serious threat?

Sajjan Bhajanka: Nehal, if the ground reality things and other things if it does not improve then it may be doubtful. But we are sure that lot of things will come in the housing where we would be working and once the housing segment picks up then there will be robust demand and again this GST because all the suppliers other people so there is realignment is already going on in the country. So if that as the GST application is more clear there would be new alignment and whatever it is we have outperformed market all that are in succession irrespective of whether the overall growth is there or not we shall try our best.

Nehal Shah: Sir, can I have the breakup between the plywood, commercial veneer and decorative veneer for 4Q as well as for FY 2015?

Arun Julasaria: For FY 2015?

Nehal Shah: Yes Arun Ji?

Arun Julasaria: Tell me what specific figure you want?

Nehal Shah: I want a breakup for plywood, commercial veneer and decorative veneer for the plywood division in 4Q as well as FY 2015?

Arun Julasaria: I can tell you FY 2015 figures right now. I will tell you in volume terms first. My prime plywood last year volume was 144000 cubic meter, this year this is 152000 cubic meters. My semi plywood last year volume was 28000 cubic meter, I am not speaking old figures in this, 20000 cubic figures, this is 40000 cubic meter this year. Decorative plywood my volume last year was 3760 cubic meter and this year it is 4560 cubic meter. Regarding commercial veneer last year my volume was 43500 cubic meters and this year 37500 cubic meters, so minus 18% volume wise.

Nehal Shah: But in terms of value if you can just help me?

Arun Julasaria: Should I speak all?

Nehal Shah: In value terms the core plywood, commercial veneer and decorative veneer.



Century Plyboards (India) Limited
April 30, 2015

Arun Julasaria: In case of prime plywood the value was 667 Crores last year and this was 762 Crores this year. In case of semi plywood it was 103 Crores last year and it is 159 Crores this year. In case of decorative plywood, this was near about 58 Crores last year and this is 72 Crores this year.

Nehal Shah: Commercial veneer?

Arun Julasaria: Commercial veneer this was 131 Crores last year and this year it is 137 Crores.

Nehal Shah: 137 versus 131.

Arun Julasaria: 131 versus 137 so realisation wise there is a growth of 28% but volume wise there is less volume of by 18%.

Nehal Shah: Sorry, you said value terms 28% growth?

Arun Julasaria: Yes, realisation.

Nehal Shah: But value wise it is a growth of around 5% to 6% in commercial veneer.

Arun Julasaria: Near about 4%. Laminate series you also maybe interested in that. So in laminate total laminate sales last year was 2.9 million sheets and this year this was 3.6 million sheets. Average realisation for sheet last year was 639 and this year it is 679. So the average realisation has gone up by 6% whereas volume has grown up by 22%.

Nehal Shah: Sir, my last question is which of our existing plywood units are enjoying excise benefits today?

Arun Julasaria: Like at the moment our Guwahati unit is enjoying the tax benefit. It has exemptions of tax exemption and then even that is exempted with Income Tax then we have local VAT exemptions also and then we are getting like insurance subsidy and interest subsidy. So they are available and Guwahati particularly this year the raw material cost is the lowest there because the units in Assam are not doing well whereas we have augmented our production and due to less demand in Northeast prices of the raw material has come down and otherwise also you will notice all over the segments like chemical cost had come down, timber cost in the country has come down, of the plants and timber and the eucalyptus and the popular veneer available within the country the pricing has come down. So only prices increase over the state veneer, but there we are self sufficient because we are getting all the



Century Plyboards (India) Limited
April 30, 2015

face veneer, either the stock we are carrying from the last year or we were importing it from our Myanmar unit and this year we shall be getting from both Myanmar and Laos.

Nehal Shah:

Sir, that is the only facility, which is today getting the excise benefit, Guwahati?

Arun Julasaria:

Regarding face veneer I would like to add CFS is also exempted. Our three units, our Guwahati unit and our two CFS they are entitled to tax exemptions. My Guwahati unit is in Northeast so it is entitled to ATIE exemption and they will last till 2018-2019 assessment year and in case of these two container freight stations one will last till 209-2020 and one till 2020-2021. Apart from this I have also piled a huge amount of MAT credit. They were 44 Crores till date, earliest expiry of MAT credit is 2021-2022. So in total I can say for the next ten years I am going to remain in MAT and out of one subsidiary that Auro Sundaram in Roorkee, Uttarakhand that is also enjoying the exempt service. Again Myanmar is exempted because we are taking **(indiscernible) 26.45** so that is also under exemption and Laos units are also exempted.

Nehal Shah:

What would be our tax bracket going forward?

Arun Julasaria:

In fact we may end up paying MAT because MAT will have to be compulsorily paid, which is near about 21% today and depending upon the revenue mix I will be getting MAT credit. So, going by the current revenue mix variable I will get MAT credit of nearabouts 6%. So my PBT PAT difference we will be having near about 15%. 15% will be carried in MAT credit. I can use till next ten years.

Nehal Shah:

Thanks a lot for taking my question.

Moderator:

Thank you. The next question is from the line of Jignesh Kamani from Nirmal Bang. Please go ahead.

Jignesh Kamani:

Congratulations Sir for good set of numbers. I want to say from Myanmar what would be the total sales of face veneer and out of that how much we would use internally and how much has been sold to open markets?

Sajjan Bhajanka:

At the moment in fact there are many categories, but the best category that the headed veneer usually we are bringing to our factory and the lower grades only we take to the market, so the B, C, D, grades so that is our strategy and in Myanmar also we started the year with two lines then during the year we added two more lines and now we are adding two more lines. So already fifth line is under installation and within another three months



Century Plyboards (India) Limited
April 30, 2015

we shall install sixth line. So that is our target for this year. So the Myanmar that will grow from there and initially like productivity was not that good, so now labours, everything is well set and we are getting good productivity, so that way things will improve from Myanmar and similarly in Laos we have already commissioned one unit recently and one unit we acquired from our partner very recently whether that will come in working from 15th of this month. So these two units there they are also augmenting capacity to double and totally two lines if the units are there which we are doubling, so four lines in each unit.

Jignesh Kamani: But in terms of your revenue how much revenue Myanmar unit does from face veneer in FY 2015 and how much will be sold outside you can say?

Sajjan Bhajanka: Veneer we are expecting minimum around 200 Crores revenue should be there from Laos and Myanmar.

Jignesh Kamani: I am asking about FY 2015, no tax?

Sajjan Bhajanka: Laos is not commissioned and Myanmar we can tell you.

Arun Julasaria: I am just telling you, please go with your next question in between.

Jignesh Kamani: Just want to check right now as you mentioned the face veneer prices increased close to around 28% to 30% so just want to check what kind of margins face veneer is enjoying right now. It will be around 30% to 35% kind of operating margins?

Arun Julasaria: For face veneer again it is subjected to many things. So earlier, the bulk of that came from the inventory we had, so that is almost exhausted. We are carrying a lot of timber to produce face veneer, so that Keruing, which we are using and gradually market is accepting those timber. So that veneer we shall be selling at a lower price than the Garjan, but with a better margin. So that will change the situation a big and Garjan will come from Laos and Myanmar units so because they are second set so exact forecast because again the season is over, the rain in Laos so new season will start in December so full working we will get after December in Laos unit. Like Myanmar yes this will be good this year. Myanmar will contribute. It should contribute good amount to revenue also and to profit also.

Jignesh Kamani: So next year you mentioned about 200 Crores kind of revenue from the face veneer, 200 Crores will be outside sales you can say or it will include the sale to Century internal also?



Century Plyboards (India) Limited
April 30, 2015

- Arun Julasaria:** On ballpark figure I can say near about 50% of the production we consume, we have around 50% of that we sell in fact we grade it into different grades. Only that grades we use so that our quality is far excellent, so long as we sell it in the market, so almost 50:50, 50% of our production we consume in-house and 50% we sell.
- Sajjan Bhajanka:** Again there are out of the timber, we manufacture pet and core so core 100% is used by us. We do not sell core whether we buy core from other manufacturers.
- Jignesh Kamani:** So in future if our face veneer price is expected to come down because Myanmar almost there are 10 more you can say players have come in Myanmar and set up plants.
- Sajjan Bhajanka:** In between there was tendency of some reduction in face veneer prices but again in between there were lot of new materials experimented. So some recon veneer from China was experimented in the face veneer market, (indiscernible) 32.56 from Africa, but somehow all the species could not gain ground. So again the demand for the Keruing that is Garjan and Keruing is the same so that is intact and in the recent days the price of Keruing and Garjan gradually increased and whereas other timbers like Beech or (indiscernible) 33.21 from Africa, Beech from Europe, so these timbers the veneer prices have come down.
- Jignesh Kamani:** But margin in the face veneer has come down because of the expected oversupply from the Myanmar? Earlier there was a scarcity instinct we are the first one to enter Myanmar?
- Sajjan Bhajanka:** But actually last year also the margins were not very high. As far as Century is concerned, because they are best grades are released by Century only and the lower grade otherwise also they are needed to the core. So our advantage was that the best grades we got at a lower price. So that way our own raw material cost came down and our profitability in the plywood increased. So that was the main advantage of our (indiscernible) 34.11 units.
- Jignesh Kamani:** Second thing is if you take how is the working capital cycle between plywood and laminates separately? Since laminates will have a higher number of SKU compared to plywood and dealer and distributor need to maintain more number of variety?
- Sajjan Bhajanka:** I think for this I will invite Sanjay Agarwal. He will throw some light, plywood and laminate marketing separately?
- Sanjay Agarwal:** Can you repeat the question?



Century Plyboards (India) Limited
April 30, 2015

- Jignesh Kamani:** I just want to check what is the working capital incentive of say laminate and plywood separately because laminate you require more number of SKU and design compared to plywood, so I believe working capital in the laminate business is much higher than the plywood and as we are growing more and more on laminate and slightly lower on the plywood so consolidated how you can say we will shape up our working cycle?
- Sanjay Agarwal:** I will tell you both the businesses are different in fact. You know plywood is an extended product where dealer keeps the inventory. He is not selling to today, it will sell tomorrow, but in case of laminate, dealers will not keep inventory because this is designed in colour specific.
- Jignesh Kamani:** So inventory you can say borne by us?
- Sanjay Agarwal:** Inventory even we do not manufacture. We manufacture as per requirement. We keep the design paper ready but we manufacture sheets as and when we get orders. We keep minimum stock at our RDC, Regional Distribution Centers and we keep on feeding RDCs as per requirement, but we also do not keep huge inventory of each and every SKU except regular SKUs. So that way the basic working capital cycle for both businesses is almost same. It is not that different.
- Jignesh Kamani:** Sir, number of (indiscernible) 36.10 for plywood and laminate would be almost similar?
- Sanjay Agarwal:** You can say almost same because in case of plywood, we keep the inventory. Our dealers keep the inventory, so inventory does not remain with us. In case of laminate we do not manufacture the inventory, we manufacture as per requirement. We keep the paper stock only, and you know design paper we have to keep that is almost 20% of total cost.
- Jignesh Kamani:** Thanks a lot Sir.
- Moderator:** Thank you. The next question from the line of Chinmay Garg from Dron Capital. Please go ahead.
- Pathik Gandotra:** This is Pathik Gandotra, how are you Sir? How are you doing?
- Sajjan Bhajanka:** We are doing fine.



*Century Plyboards (India) Limited
April 30, 2015*

- Pathik Gandotra:** I had just one question. I am still not clear about when you say plywood revenues say quarterly 291 Crores, Sir that is commercial plywood and how much of that is actual plywood, commercial veneer, in revenue terms?
- Arun Julasaria:** You are asking about which number in fact?
- Pathik Gandotra:** I am asking for the fourth quarter number for plywood, which is 291.8 Crores?
- Arun Julasaria:** This is for which period you are quoting?
- Pathik Gandotra:** For this quarter?
- Arun Julasaria:** For March 2015 quarter?
- Pathik Gandotra:** Correct.
- Arun Julasaria:** So, what exactly you want to know Sir?
- Pathik Gandotra:** What you call plywood revenue is commercial veneer a part of that?
- Arun Julasaria:** Yes, commercial veneer is a part of that.
- Pathik Gandotra:** How much is that?
- Arun Julasaria:** That is in this quarter this is 29 Crores.
- Pathik Gandotra:** So what was it in corresponding quarter last year?
- Arun Julasaria:** Last year this was 38 Crores.
- Pathik Gandotra:** So that means the growth that we are seeing of 19% is primarily because of decline in commercial veneer, right?
- Arun Julasaria:** It is not decline; we have not inclined to sell more of commercial veneer because we need it now.
- Pathik Gandotra:** I understand but if I exclude commercial veneer?



Century Plyboards (India) Limited
April 30, 2015

- Arun Julasaria:** Yes of course, you can say the volume if you compare year-on-year then the volume of the commercial veneer was down by 22%.
- Pathik Gandotra:** Correct and volume wise if I count, how much was it up in plywood excluding commercial veneer?
- Arun Julasaria:** Plywood including commercial veneer these are different SKUs in different figures, so if you add up all these this will mess up.
- Pathik Gandotra:** I will tell where the confusion is. The decline has happened in the commercial veneer sales then it is appearing that the plywood revenues have grown slowly.
- Arun Julasaria:** Yes, plywood revenue has gone up.
- Pathik Gandotra:** I want to know how much is the growth in only plywood revenue if we exclude commercial veneer?
- Arun Julasaria:** Give me one minute I will total out and tell you because I have a few figures. I will add up and tell you, meanwhile you can go ahead with your other question.
- Pathik Gandotra:** That is what was the only thing the way we are understanding if that is the case then there is no slowdown in plywood revenues because if the growth in plywood is very strong?
- Arun Julasaria:** Yes.
- Pathik Gandotra:** Because I am hearing there is a lot of and I have also read a lot of analysts write ups on this and it is appearing that people are concerned that there is a slowdown in the growth in plywood revenue, but it does not appear so, right?
- Arun Julasaria:** Yes, plywood more than compensated loss of commercial veneer.
- Pathik Gandotra:** Correct, I mean the slowdown in revenue growth is primarily because the commercial veneer decline, right? Am I correct?
- Arun Julasaria:** Yes.
- Pathik Gandotra:** Is it the right way of looking at it or am I making a mistake?



Century Plyboards (India) Limited
April 30, 2015

- Arun Julasaria:** There is no decline. Plywood segment in fact there is no degrowth in plywood businesses. Whatever degrowth is there in volume terms that is only in commercial.
- Pathik Gandotra:** So the revenue which is growing and we just worked it out, what is looking like an 11% growth in revenues...?
- Arun Julasaria:** You can compare any period with any period in plywood there is growth.
- Pathik Gandotra:** That is looking like 15% right?
- Arun Julasaria:** Yes.
- Pathik Gandotra:** If you give me for the full year how much is the commercial veneer business?
- Arun Julasaria:** Commercial veneer business?
- Pathik Gandotra:** Yes.
- Arun Julasaria:** You want the volume?
- Pathik Gandotra:** I just want the value. Volume we will talk about later, just the value first.
- Arun Julasaria:** Value is more or less same. Value was 131 Crores last year and this is 137 Crores and the volume was down by 18%.
- Pathik Gandotra:** What was the volume of plywood in tonnage terms for this quarter?
- Arun Julasaria:** Volume of plywood this quarter?
- Pathik Gandotra:** This quarter?
- Arun Julasaria:** I will just tell you.
- Pathik Gandotra:** In this quarter only, I want to know just for this quarter?
- Arun Julasaria:** It was near about 2% growth. This was 49000 last year and this is 50000 or more this year.
- Pathik Gandotra:** In total commercial veneer volume or plywood volume?



Century Plyboards (India) Limited
April 30, 2015

- Arun Julasaria:** Q4 versus Q4.
- Pathik Gandotra:** Plywood volume.
- Arun Julasaria:** Yes.
- Pathik Gandotra:** So the growth was essentially due to realisation? Is that correct?
- Arun Julasaria:** Yes.
- Pathik Gandotra:** What was for the year plywood revenue growth?
- Arun Julasaria:** In fact I will tell you usually our fourth quarter is the best quarter but as we have been inversely booking high growth till nine months maybe that our competitors work under pressure and they started to pass on lucrative schemes in the market to regions and volumes, but we stick on the policy that we will not compromise on pricing front, we may afford to compromise the volume but not the profitability.
- Pathik Gandotra:** I understand.
- Arun Julasaria:** So if we would have given the similar schemes then my fourth quarter would have been even better, but we have stuck to that. We felt that our brands will bring back the customers to us and you will find that our bottom-line has not only remained unimpacted it has improved in fourth quarter despite there is no growth.
- Pathik Gandotra:** The results, Mr. Julasaria are very impressive. There is no issue. We are very happy with the results. My essential question was that...
- Arun Julasaria:** Sometimes we have to take a call with volume and profitability.
- Pathik Gandotra:** I understand that.
- Arun Julasaria:** So it depends upon the volume impact?
- Pathik Gandotra:** What is it looking like in the near terms, say this quarter and the next quarter have volumes picked up?
- Arun Julasaria:** You mean to say the quarter which is going on?



Century Plyboards (India) Limited
April 30, 2015

- Pathik Gandotra:** Yes.
- Arun Julasaria:** One month has passed?
- Pathik Gandotra:** Yes.
- Arun Julasaria:** Generally April is the worst month, but March everybody has tried their best all the sales people to meet their target so April generally it is low but this year it should be better than the last year. That we shall maintain and then already the indicators are very good because whatever new initiatives we have taken we are opened up to new sectors like tier III or so, so we have started getting volume from there also.
- Pathik Gandotra:** So you are confident of getting a 12% volume growth for next year in plywood right in FY 2016?
- Arun Julasaria:** Definitely we shall. We have some capacities not fully utilised during last year so those will be utilised this year.
- Pathik Gandotra:** I mean it is only the capacity which is the constraint on your growth otherwise there is enough demand is that what you are saying?
- Arun Julasaria:** The demand you know sometimes demand is there otherwise you have to create demand because if you see the overall market in the country and we are hardly catering to the 7% to 8% only. So from 8% to 9% we can always grow.
- Pathik Gandotra:** I understand. Next year we should look forward to as you said 25% topline growth at least?
- Arun Julasaria:** Yes that is sacrosanct. Our business is already there. We always test on ECP for the two years, so we have already taken some steps of getting some new capacities during the year then we are taking some steps, which will add more capacity next year, next financial year so that way we always because simply from the existing capacity we cannot get all the volume 25% so we sometimes acquire new units, we add new lines, we add up new capacity so that way our target is there, we have to increase 25% every year. We have been maintaining from the last 17 to 18 years.
- Pathik Gandotra:** Final question I had was on margins. So this year your margin has improved drastically over the last year obviously so there is 16.5% for the margin for the full year and about 18% odd for the last quarter. If I take annually, you think the margins will improve next year if I



Century Plyboards (India) Limited
April 30, 2015

take annual margin of 16.3% for FY 2015. So you think the margins will improve from there for next year.

Arun Julasaria: Last year unusual thing happened because we had a big hit on forex. Last year we lost around 45 Crores due to forex, if you add that and you decrease your 5 Crores gain this year so there is a difference of 50 Crores. So last year 69 Crores plus 50 Crores is 119 Crores so against that this year it is 150 Crores. So that way it is in the line.

Pathik Gandotra: I understand, but I am saying that going forward if you are making a 16% EBITDA margin as we are calculating on your number do you think 16% to 16.5% that will improve?

Arun Julasaria: This year it is a little better than our expectation and otherwise we always target EBITDA margin of 16% to 17% so that we maintain all the time and now because gradually this year also you will notice one thing our finance cost has also come down. So that way earlier we were getting a lot of inventory of timber so we have to store by zone and we have to carry it for the next up to March. So this scenario has changed. Now, under the changed circumstances...

Pathik Gandotra: Finance cost will come down going forward also?

Sajjan Bhajanka: That timber because earlier this Keruing or Garjan timber which was available from Myanmar was available in three months only and we need to utilise for the rest of the year.

Pathik Gandotra: You are confident of maintaining like I am just saying what you had said, I think, a 27% topline...?

Sajjan Bhajanka: We are confident. We take with the confidence of Mr. Modi. If Modi says then all the doubt will be cleared.

Pathik Gandotra: I know. Sir, the issue is a lot of the companies in the building material segment are showing growth which is slightly lower. We have seen a lot of other companies like...?

Sajjan Bhajanka: In Calcutta I am President of one chamber, Bharat Chamber so there we invited Mr. Jayant Sinha. So I had a lot of interaction with him on the dais and off the dais so there he was very sure they have taken a lot of measures in this budget and also they have 20 big bang reforms so those will take some time to yield results and they have big plans on housing with infrastructure, 100 smart cities then 500 cities to upgrade and early revolution 5 Crores housing units so maybe it will take some time to the power sector, infrastructure, housing, it



Century Plyboards (India) Limited
April 30, 2015

will need plywood and it will be mix maybe some of the low income group but the higher income group would be there and we have given them one scheme to government from our chamber with face sheet and he was very (indiscernible) 49.15 about it when I explained to him that for three years the government should give some subsidy and in the meantime this will bring down the interest rates from the present 10% to 9% to 8% and fourth year onwards to 7% and until it is higher than 7% they could give this subsidy of 3%, 2%, 1% gradually so that means they give this subsidy with 7% interest and 3% capital repayment with 10% people would be able to afford and take the new housing units. He was very positive about that. He assured me that they are working on this business and maybe something will come out.

Pathik Gandotra: Thank you.

Moderator: Thank you. The next question is from the line of Avinash Agarwal from Sundaram Mutual Fund. Please go ahead.

Avinash Agarwal: Good afternoon Sir. Sir, just wanted an outline on the capex for this year FY 2016 what will be our capex and if you could tell what all units you are adding this year?

Arun Julasaria: As you might have noticed, our policy in the company is asset like model so far we are not believing in creating big assets or big investment on the capital so that is there. Whatever capital outlay is there we should get four to five times of turnover. So far we are doing that. Like our Laos unit again the capacity would be huge, but we have made an arrangement like this that all the infrastructures factory fed, factory power, this is provided by our local factory unit, where the value of the timber and other things so that way our capital investment is not much in Laos. Similarly in Myanmar we have already invested now adding more lands would add the capacity by 50%, but again capital outlay would be hardly million or million and a half to two million not more than that and like our Particle Board Plant so may be total investment would be around 60 Crores. So it is a little bit different because 60 Crores would give us a turnover of 100 Crores so it is a little different from all module, but again there raw material is very less because Particle Board we sell the making from the timber wastage generated in our plant. So mostly it would be that or otherwise we shall be buying sawmill dust from the nearby sawmills or sawmill wastage. So our raw material cost would be below too big a kg. So that way this will give us better margins. So in spite of lesser turnover ratio we shall again keep our profitability intact. So that way and laminates we shall add two lines this year. So 60 Crores would be invested in that one Particle Board Plant but around 50 Crores will get ECB so all capital for the company



Century Plyboards (India) Limited
April 30, 2015

would be hardly 10 to 12 Crores. Similarly the Laos and all Burma would be another 10 to 15 Crores. Laminates two lines we shall add so that will cost us around 30 Crores, but again we shall get around 25 Crores from the FIG (ph) so total company's contribution would be around 25 Crores to 30 Crores altogether out of the accrual of past years.

Avinash Agarwal: Sir, you mentioned out of 60 Crores what will we get as 50 Crores in that Particle Board Plant?

Arun Julasaria: It will be debt in the form of capital and commercial borrowings CB.

Avinash Agarwal: ECB?

Arun Julasaria: We are exploring option of borrowing in foreign currency because that carries substantially lower interest rates but the effective interest rates would be 3% to 3.5% on that and dollar risk is there but in Particle Board Plant there is scope for export also because we are combining it Particle Board along with the three laminated plants. So with that if price and demand in India is okay otherwise we have all the scope to export the product.

Avinash Agarwal: This 25 to 30 Crores you mentioned is actually the equity internal accruals that we will use to fund these?

Arun Julasaria: Next year the investments maybe 110 Crores out of which our overall investment would be 34 Crores.

Avinash Agarwal: Thank you.

Moderator: Thank you. The next question is from the line of Achint Bhagat from Ambit Capital. Please go ahead.

Achint Bhagat: Couple of questions from my side. Sir, firstly even if you were to adjust for the forex losses and gains in this quarter and last quarter that means 4Q FY 2014 your margin seems to have expanded sharply to about 17.5% and I believe that majority of this has come from savings and raw material. Could you give us some quantification in terms of what were these savings from face, core and crude linked derivatives?

Arun Julasaria: I will give you a general idea. Now like lot of units have come up in Myanmar and we are bringing face in India but they do not have market for core, so we are buying core from them or they have brought down the core prices. The core which earlier we need to buy for



*Century Plyboards (India) Limited
April 30, 2015*

say around \$350 that core is now available for \$470. So core price will come down, in northeast it has come down, timber price in northeast has come down and even in northern India the timber and popular prices have come down and due to this petroleum price craze the price of the ethanol formaldehyde and paraformaldehyde so these have come down. You will notice that in the second and third quarter we took some price increase so we maintain up to last. We have not reduced any price. So that way our margins improved by the end of the year or the fourth quarter. So in third quarter again the margins improved, third and fourth quarter. So we pray that due to our brand equity, due to our strong team we are able to maintain this price without reducing it, so if we can continue the good margins then it will help us in future.

Achint Bhagat:

Appreciate Sir. Sir, it appears that from what you are saying that the low core prices might stay and I remember in the last quarter you said that you have built some barges to store your crude linked derivatives which should have an inventory for a couple of quarters so how much inventory do you have left and how much of the low cost inventory you have left, if I remember that the cost as you are mentioning in the last quarter for crude linked derivatives has fallen by roughly 50%.

Sajjan Bhajanka:

Now though inventories which we had in our factory last year basically those we are now creating in our Burma unit and in our Laos unit, because we have Garjan and Keruing in India this timber is no more coming so those inventories we are creating there. This is one thing and the second thing, Achint there like the rules of the forest and now relations with our partner, so part of the funding comes from our partners also. They are local agents so there we can bring the timber to our factories and then we have to make payment at the time of conversion of the veneer and the preference of the veneer in Laos. In Myanmar also there is flexibility. We have to give a little advance and then we can book the timber. So say 20% advance we pay we can book the quantity and then 80% we have to pay at the time of actual delivery. So that way we are able to book the quantity also and at the same time we are able to keep our things a little low and in India we have replaced it from cheaper timbers. Earlier Keruing was around \$600 per cubic meter so now we have replaced from the timber like Beech from Europe, the blended cost is around \$180 to \$190 and similarly Papua New Guinea and Solomon Islands again the landed cost is around \$300 so the yield would not be as good as the Keruing yield, Garjan and Keruing yields, but the timber cost is much low so even our margins will improve because if we are able to manufacture plywood out of this \$300 timber or sold raw timber and can sell in the market at the same price then obviously our margins would increase.



*Century Plyboards (India) Limited
April 30, 2015*

- Achint Bhagat:** Sir, one last question on this is what is the like-to-like cost of faced veneer right now as compared to last year? So let us say last year from procuring it from Myanmar to converting it into faced veneer in India for an X amount what is that amount today? Is it X minus 5% or 10%?
- Arun Julasaria:** It would be minus 10% of the all time high and if it is 10% of the price at the beginning of the year. So in between prices have gone up by 20%, so it has come down by 10% but still it is 10% better than at the beginning of the year.
- Achint Bhagat:** The price of face veneer?
- Arun Julasaria:** Face veneer. Now the tendency is higher because ultimately the people had come back for Garjan and demand is much more than the supply because in India we had a lot of capacity and in between some Garjan started coming from China, this Myanmar timber and these things were smuggled out from the border to China they are manufacturing and sending to India but the Myanmar government did a big crack down on that illegal smuggling and it is virtually stopped. So now Garjan veneer stopped coming from China, so it is creating some dismay and again Malaysia and all we are not getting this veneer.
- Achint Bhagat:** So basically net-net it seems that core timber is the key cost saver out here?
- Sajjan Bhajanka:** As far as we are concerned, we have secured all requirements and at the same time because our six units in Myanmar and eight units in Laos so 14 units and earlier in India prior to this Burma ban we had around 13 to 14 units only, so that maximum capacity we had created abroad. So that way Century should be able to maintain its own products and for our premium products we will be able to maintain it and for our secondary products we will replace the same. It will no more be Garjan we will replace to Beech from Europe at \$200 or we will replace it to MLH from Solomon Islands and Papua New Guinea at \$300.
- Achint Bhagat:** Sir, just last question from my side. In terms of the dealer addition this year Sir, what was the rate of dealer addition in both ply and lam and do you expect to continue this in the next year also?
- Sanjay Agarwal:** Achint, you want to know the number of dealers this year.
- Achint Bhagat:** Number of dealers and also the percentage increase in dealers both in ply and lam?



Century Plyboards (India) Limited
April 30, 2015

- Sanjay Agarwal:** I think we have added about 13% is the ultimate addition. We have added much more but then we have a system of counting those who are only sustained we count in our numbers and we have got 13% increase in our total sales volume also if you really see.
- Achint Bhagat:** So 13% would be in ply and in laminates?
- Sanjay Agarwal:** Laminates actually I do not have the numbers right now. I am noting it down then by tomorrow I will be able to give it to you.
- Achint Bhagat:** So that means that you will continue to add dealer at this rate or now that your base is already a little bigger than earlier?
- Sajjan Bhajanka:** But we have done this. Last year say we have increased the base of quantum for a dealer to become our dealer. So the numbers total percentage may not be exactly same as last year but now whatever we will be adding will be much solid dealer once you add them they will not go out. Last year we found that it was 800, 30 or 40 of them go out of our purview again at some or the other so then those 30 or 40 are actually a (indiscernible) 1.3.57 number they show it for a quarter then after that they are not there so they do not help us in any way, but what we have done we have taken a larger base that he must buy so much quantity so much in a quarter then only he becomes a dealer. So that will give us some more true picture of whatever we do now.
- Achint Bhagat:** Perfect Sir. Sums up my question. Thank you.
- Moderator:** Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to Mr. Achint Bhagat for his closing comments.
- Achint Bhagat:** Thank you everybody for joining in into the call and special thanks to the management for taking out time and addressing questions on investors and analyst. Have a great day.
- Sajjan Bhajanka:** Thank you everybody.
- Moderator:** Thank you members of the management. Ladies and gentlemen, on behalf of Ambit Capital that concludes this conference call. Thank you for joining us. You may now disconnect your lines.