Greenpanel Industries Limited

Q4 & FY20 Earnings Conference Call Transcript
June 19, 2020

Moderator: Ladies and Gentlemen, Good day and Welcome to the Greenpanel Industries Limited Q4 and FY '20 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 phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Rishab Barar from CDR India. Thank you and over to you, Mr. Barar.

Rishab Barar: Good day everyone and thank you for joining us on the Greenpanel Industries Q4 and FY 2020 conference call. We have with us today Mr. Shobhan Mittal, Managing Director, and Mr. V. Venkatramani, CFO. Before we begin, I would like to state that some statements made in today's discussion maybe forward looking in nature and may involve risks and uncertainties. A detailed statement in this regard is available in the results presentation that was sent to you earlier. I would now like to invite Mr. Shobhan Mittal to begin the proceedings of the call. Thank you and over to you, Sir.

Shobhan Mittal: Thank you, Rishab. A very warm welcome to everyone present and thank you for joining us to discuss Greenpanel's operating and financial performance of Quarter-4 and FY 2020. I do hope that all of you and your loved ones are safe and well. We all pray for an early end to this pandemic. Let me give you a quick brief on the financial numbers. Net sales are up by 35% at Rs. 227.19 crores. Gross margins are up by 850 basis points over the year-on-year quarter due to change in MDF and ply mix, reduction in wastage, and improvement in quality at the Andhra plant. EBITDA margins are down by 70 basis points. The margins for the quarter were impacted by currency losses to the extent of 1.31% while the year-on-year quarter were boosted by currency gains to the extent of 7.39%. On an apple-to-apple basis, EBITDA margins for the quarter adjusted for foreign currency gains and losses stood at 20.4% as against 12.4% in the corresponding quarter. Our post-tax profits for the quarter were impacted to a significant extent by foreign exchange mark-to-market losses of Rs. 13.83 crore on long term borrowing of our Andhra MDF plant and exceptional item relating to 40% share (Rs 10.84 crores) of Greenply's provisional liability for repayment of excise refund received in the past years. The results for the quarter were to some extent also impacted by the COVID-19 pandemic.

We have had a strong quarter on the back of good volume growth in MDF. Sales volume growth stood at 38% over the corresponding quarter, MDF EBITDA margins adjusted for Forex losses and gains improved by 1217 basis points to 24.08% from 11.92% in the corresponding quarter. Although our plants were shut towards the end of March due to the lockdown, we still managed a healthy capacity utilization of 69% for our plywood plant and 73% for our MDF plants. We have since resumed operations albeit at lower utilization levels. Operational enhancements have also enabled continued working capital improvements. Our working capital days have reduced 20 days over the corresponding quarter. There is a lot of uncertainty at this point with the changing nature of the pandemic, hence we will not provide any guidance for FY 2021 at this point of time. I will now request Mr. Venkatramani to run you through the financial numbers in greater detail. Thank you.

V. Venkatramani: Good Afternoon everyone, I thank you for joining us to discuss the Q4 and FY 20 financial performance of Greenpanel Industries. In Q4, our top line was up by 35% compared to the year-on-year quarter. Net sales stood at Rs. 227.19 crores compared to Rs. 167.83 crores in Q4 FY 19. MDF sales volume grew by 38.3% while plywood business had volume growth of 18.4%. MDF sales grew by 38.9% in value terms at Rs. 177.16 crores whereas plywood business had a value growth of 24.1%. In Q4, gross profit grew by 15% at Rs. 132.20 crores versus Rs. 83.44 crores in the year-on-year quarter. EBITDA grew by 30.8% in value terms at Rs. 43.45 crores compared to Rs. 33.23 crores in the corresponding quarter. Gross margins were up by 850 basis points while EBITDA margins were down by 70 basis points for reasons mentioned earlier. PAT for the quarter stood at Rs. 6.69 crore compared to Rs. 12.14 crore in the corresponding quarter due to reasons mentioned by Mr. Shobhan Mittal earlier in the call. A look at the annual numbers now. In 12 months FY 20, net sales was up by 45% at Rs. 830.33 crores compared to Rs. 570.82 crores in the corresponding year. MDF sales volumes grew by 60% while plywood volumes grew by 50%. MDF sales value had a growth of 43% while plywood sales value grew by 53%. In FY 20 gross profits grew by 40% at Rs. 448.48 crores versus Rs. 320.06 crores year-on-year. EBITDA grew by 43% in value terms at Rs. 137.33 crores compared to Rs. 96.17 crores in the corresponding year. Gross margins were down by 206 basis points due to significant increase in MDF exports sales.

MDF export volumes grew by 144% to 104903 cubic meters from 42981 cubic meters in FY 2019. MDF export volumes constituted 33% of total volumes in FY 20 versus 22% in FY 19. EBITDA margins were down by 30 basis points due to currency losses and gains. EBITDA margins adjusted for currency losses or gains actually improved by 200 basis points. Plywood sales in Q4 FY 20 stood at 1.93 million square meters versus 1.63 million square meters in the corresponding quarter with capacity utilization of 69%. MDF sales volumes were 90,355 cubic meters versus 65,341 cubic meters in the corresponding quarter with blended capacity utilization of both the MDF plants put together at 73%. Capacity utilization in Uttarakhand and AP plants were 76% and 72%, respectively. Our debt-to-equity ratio was 0.78 as on March 31, 2020 compared to 0.85 as on March 31, 2019. We have taken moratorium of March installment of HDFC Bank and Axis Bank aggregating to Rs. 5.50 crore. We have also taken moratorium of LBBW Bank installment falling due on April 15, 2020, for € 2.10 million approximately Rs. 17 crore. That concludes my presentation, I now request you to open the floor for the Q&A session. Thank you.

Moderator: Thank you very much. Ladies and Gentlemen, we will now begin the question and answer session. We take the first question from the line of Praveen Sahay from Edelweiss. Please go ahead.

Praveen Sahay: Sir, my question is related to the exceptional item which you had given some liability related to the excise refund, so can you elaborate more like why that actually has come up?

V. Venkatramani: This was related to the period prior to demerger of the company from Greenply, so as part of the demerger scheme, we had agreed to share the joint liabilities if any liability arose either in connection with the units now with Greenply or the units which are now being transferred to Greenpanel. In a recent Supreme Court judgment, companies have been told that they may have to refund part of the excise duty refund which they had received for past years and Greenply's Nagaland unit was one of the units which had received the excise refund relating to that period, so the total liability on that account is approximately Rs 27.4 crores and our share as per the scheme of demerger is 40% of the total. Although there is a process of appeals and reviews, we have, as a matter of abundant precaution, provided for this liability, which we may have to pay to Greenply in case the final judgment in this matter is adjudicated on or off before March 31, 2022.

Praveen Sahay: That is only related to the Nagaland unit?

V. Venkatramani: That is only related to Greenply's Nagaland unit.

Praveen Sahay: There is no other unit of yours or even Greenply?

V. Venkatramani: That is correct.

Moderator: Thank you. We take the next question from the line of Kaustav Bubna from Rare Enterprises. Please go ahead.

Kaustav Bubna: I just wanted to get a sense from you on, taking into consideration the disruption which has been caused due to COVID and the supply-demand dynamic you see going ahead and how do you think that would affect realizations with thin and thick, the different qualities of MDF and any like understanding improvement between the organized players, could you just speak a little bit about that?

Shobhan Mittal: Currently, it is very hard to estimate how the pandemic situation would play out and in the export side we are quite confident that by June or July, we should be back to our pre-pandemic levels already. However, for the domestic market for us to be back to pre-February levels to attain those levels I do not foresee that we may be, October-November before we start seeing such numbers. On the realization side at the moment obviously we do not have any plans of any price corrections etc. because I think all the organized players do understand that correcting prices would just result in everyone correcting prices and that would not result in an additional demand or anything of that sort; although we do not have any sort of formal understanding, but I think the picture is quite clear that no one would at this point of time consider any price corrections in the market and from the demand side like I said, we are looking at least October-November before things go back to normalcy in the domestic market.

Kaustav Bubna: Your turnaround, correct me if I am wrong, I do not know if I have the figure right but around Rs 100 crores of operating cash flow in the year?

V. Venkatramani: Our operating cash flow was about Rs 137 crores in FY '20.

Kaustav Bubna: A part of this money will be used to repay the debt, right?

V. Venkatramani: If you look at it, the cash flows were used last year for debt repayments. We retired debts of around Rs 89 crores in the first nine months of the year, although the closing balance sheet figures do not reflect that because of currency losses. Our debts have gone up by Rs 26 crores due to the Forex adjustment, but on a real basis we had repaid about Rs 89 crores in the first nine months of the year.

Kaustav Bubna: This coming year with the first two quarters probably being a little muted, you have liquidity comfort on that?

V. Venkatramani: We have liquidity comfort and we have also taken moratorium on some borrowings like on the domestic front we have taken moratoriums for the installments which were falling due on March 31st and on the Forex loan we had taken a moratorium for € 2.1

million loan from the German bank, so overall we have taken moratorium of approximately Rs 21.5 crores, which would help us to tide over the current year.

Moderator: Thank you. We take the next question from the line of Nehal Shah from ICICI Securities. Please go ahead.

Nehal Shah: Sir, on the demand side where do you see MDF demand in the post-COVID environment in particular probably six months down the line?

Shobhan Mittal: We foresee that we should start reaching our pre-February levels by October-November. It is very hard to estimate because certain markets are operating, certain are still limping, lots of the consumer sort of crowd which is the carpenters and contractors are still stuck in villages and they are not back to operations and work, at the moment the situation is extremely unclear.

Nehal Shah: That is what I said, basically I am looking post couple of quarters once the normalcy comes in, do you think MDF demand structurally is likely to be much better compared to pre-COVID levels because of likely incremental demand coming in for modular furniture?

Shobhan Mittal: MDF in general we are serving the market, I think the growth rate pre-COVID we should, if you are asking would it incrementally go higher than the pre-COVID growth rate of the market, I will not say that in the current situation because what we are foreseeing is that there is definitely with various restrictions on China especially for export of items to the US. There is a lot of demand shifting towards India and furniture happens to be a very large part of that. So that would definitely result in an increased demand for MDF consumption within India as well, so we have already been contacted by various furniture makers of the people who are 100% export oriented, who have seen that we have so much interest coming in from the US now because the sourcing from China has stopped and we are in talks with these guys, but how much of that materializes post-COVID is to be seen.

Nehal Shah: Lastly, Venkatji on the margin side, can you just help us understand as to what portion of these margins could be sustainable considering that we will have significant operating deleverage at least for next two-three quarters in the current fiscal?

V. Venkatramani: It is very difficult to give an estimate of margins for the current year because to a large extent it depends on what volumes we are able to generate from the domestic and the export markets. I would not like to give any sort of guidance at this point of time. Probably we might be in a position to do that when we discuss the Q2 results.

Nehal Shah: Sir, on the cost side how much on the costs are we likely to rationalize in the current fiscal?

V. Venkatramani: I think we would see a substantial reduction in manpower costs. We have taken certain steps like rationalization of manpower and also taken some pay cuts, so I think we will probably see a substantial reduction on the manpower cost side which may see a reduction of about 14% to 15%, but I think nothing substantial on the administrative cost side where some costs like insurance is likely to go up because premiums have been revised by insurance companies and we are likely to see a substantial reduction in travelling and associated costs.

Nehal Shah: So that should net off against each other largely?

Shobhan Mittal: Net-net there will still be saving. Considering the increase in the premium etc., I think net-net there will still be a reduction in the operating cost.

Moderator: Thank you. The next question is from the line of Shrenik Bachhawat from JM Financial. Please go ahead.

Shrenik Bachhawat: Sir, I want to know regarding the debt repayments in FY '21, and we might have to pay Rs 11 crores to Greenply, so do we need any fundraise for meeting these obligations?

V. Venkatramani: Our debt repayments will probably be around Rs 55 crores in FY 21 and reimbursement to Greenply is unlikely to happen in FY '21 because of the various legal steps which will be taken by Greenply. I do not see any reimbursement happening to Greenply in FY 21 and post the moratoriums that we have taken in March and April, I think our cash flows are sufficient to support the balance debt repayments.

Shrenik Bachhawat: Sir, gross margins have gone up significantly essentially, so what are the reasons for the gross margins going up because realizations have not improved?

V. Venkatramani: Utilization levels have increased substantially and when utilization levels increase there is also associated improvement in power cost and reduction in wastage, improvement in quality, so those have helped to improve the gross margin.

Shrenik Bachhawat: Sir, regarding the China-India issue that is going on currently, so if we talk importing the raw materials from China, is there any significant impact on cost structure for us?

V. Venkatramani: We do not import any major raw material from China, For MDF most of the raw materials are procured from domestic sources and even on the import side, not much MDF comes from China, most of the imports happen from Indonesia and Vietnam, so we are unlikely to see any major impact because of the India-China crisis.

Moderator: Thank you. We take the next question from the line of Ashish Poddar from Anand Rathi. Please go ahead.

Ashish Poddar: Sir, my question is on the Plyboard. While MDF, it is understandable that we have a large debt and there were some Forex related things and other stock, but in plywood we saw significant margin contraction in Q4, so what is the reason there?

V. Venkatramani: It was primarily due to the dip in the volumes and in case of decorative veneers, which have a higher margin, that also fell to a substantial extent and there was a considerable sales disruption from around the March 15th so I think that had a significant impact on the plywood margins and to some extent on the MDF margins also because if we had a full quarter, I think probably you would have had top line increase of another Rs 25 to 30 crores, which could have helped to improve the margins.

Ashish Poddar: Sir, if I look at the total sales it is up by 24% YOY, but there is a significant contraction in margin from 15% to …?

V. Venkatramani: If we look at it year-on-year, there were certain raw material price increases which happened during July 2019, so that had an impact on plywood margins both in Q3 and Q4, but the main reason was the operational leverage, so I think if operational leverages improve on the plywood side, we could see that going back to about 10.5% to 11%.

Ashish Poddar: How is the situation on the raw material side in terms of sourcing or you have enough inventory and you are not looking for any purchases as of now?

V. Venkatramani: We are comfortable on the raw material side, there is no pressure as far as sourcing raw material is concerned.

Ashish Poddar: On the deferred tax side, if you can give some clarity how long it will go and in what manner?

V. Venkatramani: It primarily comes from unabsorbed depreciation, so there is no time limit as far as utilization of the deferred tax asset is concerned, but probably we would be able to utilize that credit within the next four to five years.

Ashish Poddar: So you are saying that every quarter we will see these kind of numbers coming in?

V. Venkatramani: Not really, it is very difficult to do detailed tax working every quarter because some of the things get clarified only at the year-end. Hence we should see a substantial difference in deferred tax only at the year-end since major adjustments happen will probably happen at the year end.

Ashish Poddar: So in Q4, we will see that lumpy number coming?

V. Venkatramani: Yes, that is correct.

Ashish Poddar: How is the situation on the MDF side, we saw good volume number in Q4 despite some loss of sales and definitely Q1 and Q2 will be tough, but in terms of overall understanding of the industry, how do you see this industry going forward, I am also relating with the news that a company like Pidilite also tying up with Pepperfry for their supplies and that is on the expectation of ready-made furniture demand picking up sharply. Are we also thinking in the similar line and are we talking to somebody in a similar manner?

Shobhan Mittal: We are very, very optimistic about the future of MDF in India for sure, I mean that is why we are geared up with such a large capacity and with the market trend shifting towards more ready-made furniture and manufactured furniture as opposed to local carpentry jobs, this would directly give growth to our MDF consumption in the country, no doubt about that. We are also very much in touch with these large format consumers. In fact, vendors of Pepper fry and Urban ladder etc., already do consume our MDF as well and we are in the process of doing nationwide tie-ups with them where our products get approved and specified, so that the vendors can start consuming them. So in the long run, the future definitely is very bright for MDF in general because we have seen the growth doing much higher than comparative products in the past years and I think this would continue in the long run.

Ashish Poddar: Do you see any possibility of any exclusive tie-up with these kind of players or is this a case anywhere in the world where these online or ready-made furniture companies have exclusive tie-up with MDF player or that sort of manner?

Shobhan Mittal: You see what will also happen as the demand is growing, there is more and more local manufacturing also which is going to start happening. At the moment, a lot of the ready-made furniture in the country is being imported, but as the demand grows, local manufacturing would start as well, people will start catering to the demand of the ready-made furniture by manufacturing locally and in that case also, consumption of MDF for domestic producers would go up, so like I said, we are in tie-ups with some of these guys already and talks with some of these guys, it is an ongoing process, but I will not say that we have any exclusive tie-ups where they will only consume our MDF.

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

Sneha Talreja: Sir, it is pertaining to the anti-dumping duty on MDF, can you give some color on that, has the duty been imposed and what is the import scenario currently in this side?

Shobhan Mittal: There are two different matters going on at the moment, one is the anti-dumping which is already in place has to be renewed or rather extended and at the same time the Government has initiated investigations into what is called a counter-vaiing duty so that is a new case altogether where a different format of duty called the counter-vaiing duty would, the Government is investigating and if merit is found in the investigation then they would implement counter-vaiing duty on imports as well, so there are two different kinds of duties which are in play at the moment and obviously both if implemented would be very, very beneficial for the domestic industry and I would still say that close to 30% to 35% of the current demand is being met by imports especially parts of South India or Mumbai etc. where ports are close, they are heavily dependent on imported materials.

Sneha Talreja: Sir, also have we seen some kind of a reduction in the imports after this COVID impact or as such the demand is so down that we are not able to analyze any kind of a difference as of now?

Shobhan Mittal: At the moment, I will not say that we have seen a reduction, the reduction is of a general demand, I will not say that people have moved over, but with the current foreign exchange scenario and the impact we see some benefit where people, the cost gap between domestic and imports have shrunk because of the Dollar going up. The international prices in general have been on an upward trend, so there are cases where importers are now looking at taking more pragmatic view of the cost difference between the domestic producers and imports, and actually shifting demand towards the domestic producers.

Sneha Talreja: Sir, what could be the current pricing differential in that case between the international prices and the domestic prices in South market?

Shobhan Mittal: If we talk about purely at the Port level like I said city of Bombay or Chennai for that matter, I would say anywhere between 12% to 15%.

Sneha Talreja: So we would be still higher by around 12-15%?

Shobhan Mittal: Correct.

V. Venkatramani: That can again be split into two parts, as far as the thick MDF is concerned which is 5.5 millimeters and above, there the price difference is about 6% to 8%, but on the thin MDF side, which is below 5.5 millimeter, there the difference is pretty steep at between 25% to 30%.

Sneha Talreja: The current counter-vaiing duty is on thin MDF if I am not wrong, right Sir?

V. Venkatramani: There is no CVD at present, the Government is contemplating imposition of CVD which would be at a fixed percentage on the price.

Shobhan Mittal: Current anti-dumping duty is on thick MDF, not on thin MDF.

Sneha Talreja: The one which is proposed is on thin MDF?

V. Venkatramani: No, it will be on all forms of MDF, in plain, Prelam, everything.

Sneha Talreja: Sir, has the Rushil factory come up in South, have they started the production or any other new capacity which we were hearing in Yamunanagar and all, there are three to four marginal producers which were expected to start, have those producers also started at this point of time or they have delayed the plans as well now?

Shobhan Mittal: There have been one or two smaller players that have started production, but no further concrete investments are going on even in the small format plants at the moment. Looking at the current market scenario, I mean plans would get deferred.

Sneha Talreja: May be one or two have come, maybe the others would slightly delay it?

Shobhan Mittal: Yes.

Moderator: Thank you. We take the next question from the line of Pratik Shah from Investec Capital. Please go ahead.

Pratik Shah: Sir, I wanted to understand the spread of revenues that is B2B versus B2C, that is one, and secondly from a geographic point of view say concentration to Tier-1, 2 versus the rest or East, West, North, South, Central, some data point over here basically just to understand the company better?

Shobhan Mittal: We try to route majority of our sales through our supply partners through the dealer and distribution network, so if you talk about direct consumers who we are dealing with ourselves, I would say as a percentage that is about 10% to 15% and that is primarily also because these consumers generally tend to expect a longer credit periods and up to 60 days, 90 days which we are not very comfortable with, so keeping that in mind and keeping payment security in mind, we are generally routing most of our sales from the dealer distribution network, so the direct consumers large format OEMs I would say, business amounts to may be about 10% to 15%. If you talk about the division of sales between zones, now what we have done is that we have divided the markets based on two geographical locations of the manufacturing facilities that we have so the North and East is being catered by the Rudrapur plant which is in Uttarakhand and the South and the West are being catered by the Andhra Pradesh plant along with the export market. I think at the moment as a percentage of sales I would say about 30% to 35% would be the North of India, about 25% to 30% would be the South of India, and of the balance about 20% would be the West and the balance would be the East.

Pratik Shah: Sir, just a follow up to your prior answer, if the sale had to move to the e-commerce website, what would our strategy be or what would it mean to us when it comes to pricing and basically profitability because it is a platform wherein the pricing becomes visible to the competition as well and to what couple of peers have already on boarded on the e-commerce platform, so what is the thought process and what could be the consequences of that?

Shobhan Mittal: The pricing of ours as well as our competitors is very, very transparent already, so it is not that we foresee a big challenge of the competitors knowing our pricing because you know we are all dealing with the same dealers, distributor network, main dealers and distributors carry multiple brands, so the pricing is fairly clear of each other's to all competitors for that matter. I do not foresee that e-commerce would give an additional impetus to sales, because our product is not something that a direct consumer buys, it is not a design product, it has to be fabricated, a carpenter has to process it and the product knowledge for an end consumer of our product is also not to the level that, they are highly influenced by carpenters and architects etc., so I do not foresee that e-commerce becoming like a mainstream supply channel for us.

Pratik Shah: Sir, if you could provide some color on raw material sustainability, you have given a couple of pointers in the presentation, but if you could provide some more color on, that, and other was what is the sustainable working capital days that we should look at, we have done a phenomenal job on inventory days, but what is the questionable level that one should look at going forward?

Shobhan Mittal: I will let Venkat handle the working capital answer, but with regard to the raw material sustainability issue, majority of our raw material is actually eucalyptus which we are sourcing from farmers. This is a very fast growth crop, and trees especially for the MDF production are ready to be harvested in a span of one-and-a-half to two years from planting and for the plywood business, it is maybe three years or four years. So being such a short cycle and a fast-growing crop and the fact that this is coming from the farming community, we do not foresee raw material sustainability to be a challenge to us at all. Obviously, there are cycles where if the demand goes down, planting stops then the prices start going up and the planting starts again, we do not foresee availability or sustainability to be a challenge in the future.

V. Venkatramani: Regarding the working capital situation, our net working capital was 45 days as at March 31st, so I think we will be around a similar level in future also, possibly we could see some reduction in inventories and corresponding reduction in creditors also. But on a net level I think we would be around these levels only.

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

Karan Bhatelia: Sir, just one clarification, out of the total Rs 13.8 crores MTM currency losses, how much of it is in the EBITDA and how much is it below the EBITDA level?

V. Venkatramani: If we look at this quarter, Rs 2.97 crores is above EBITDA and the balance is below EBITDA.

Karan Bhatelia: So the below EBITDA is adjusted in the interest cost or it is adjusted as interest charge?

V. Venkatramani: About Rs 10.86 crores is adjusted in the interest cost.

Karan Bhatelia: Also Sir, in terms of raw material prices concerned, so how is the eucalyptus wood priced for plywood and MDF in Q4 or if you can comment on a yearly basis that would be great?

V. Venkatramani: We had seen some price increases in eucalyptus wood on the plywood side, but other than that raw material prices have been fairly steady during last year and we expect that to remain steady during the current year also.

Karan Bhatelia: Why was there an increase in price, is it because of the competition or what?

V. Venkatramani: It was not exactly because of competition, I think there was some seasonal reduction in availability of eucalyptus because poplar prices had gone up substantially, so some of the unorganized units which used to consume poplar shifted to eucalyptus, thus creating a pressure on eucalyptus prices. It happened around July last year, but post that prices have remained stable during the balance period of last year and the current year also.

Karan Bhatelia: Sir, out of the total debt in the balance sheet of Rs 540 crores, can we break up into the Euro loan and domestic loan and how is the interest expense as a percentage of total loan?

V. Venkatramani: Our total borrowings were about Rs 540 crores of which the Euro loan which is unhedged is about 37.8 million Euros, so approximately Rs 310 crores. We have 9.9 million USD loans which is fully hedged, that is approximately Rs 75 crores. Our domestic borrowing are approximately Rs 60 crores from HDFC Bank and Rs 20 crores from Axis Bank. Total term loans are around 470 crores and we have working capital Rupee loans of Rs 70 crores.

Karan Bhatelia: In terms of rate of interest on the Euro loan is how much?

V. Venkatramani: The Euro loan is at Euribor plus 0.5%, but since the Euribor is negative, we are paying 0.5%.

Karan Bhatelia: For the USD loan which is fully hedged, 8%-9% is the correct estimate?

V. Venkatramani: Including the hedging cost, the total cost is 9.25%.

Karan Bhatelia: On the domestic side we will have similar number?

V. Venkatramani: That is again around 9% to 9.5%.

Moderator: Thank you. We take the next question from the line of Praveen Sahay from Edelweiss. Please go ahead.

Praveen Sahay: Sir, is it possible to give the utilization for the MDF for both the units?

V. Venkatramani: For Q4, the Uttarakhand plant operated at 76% and the Andhra plant at 72% with the blended capacity utilization of 73%, and for the full year Uttarakhand plant operated at 68% and the Andhra plant at 57% with blended capacity utilization of 60%.

Praveen Sahay: In the opening remarks, you had mentioned regarding the export contribution is some 33%?

V. Venkatramani: Yes, on a volume basis it is about 33% and on a value basis it is about 22%.

Praveen Sahay: Can you give some color where exactly, which location the MDF export happening?

V. Venkatramani: Primarily the Middle East, then we have exports to Southeast Asia and Korea?

Praveen Sahay: Majority is in Middle East?

V. Venkatramani: That is right.

Praveen Sahay: Also if I look at your annual number, there is a good reduction as a percentage of sales for ad and promotion and logistics cost, so is there a further room for that also in the coming years to improve?

V. Venkatramani: We will not be doing any substantial increase in promotional costs this year, so probably it will be maintained at a similar percentage.

Praveen Sahay: If I just remove FY 21, the way forward as well because logistic cost is around 5% of the sales, so is there a further improvement you are expecting in that segment?

V. Venkatramani: Not really, we are not seeing any substantial reduction in logistics cost.

Moderator: Thank you. We take the next question from the line of Achal Lohade from JM Financial. Please go ahead.

Achal Lohade: Sir, my question was with respect to the imports of furniture as you were kind of telling in one of the answers, could there be a possibility of substantial change to that, where these imports come from and given the Government is talking about raising the duties on the same, could that also mean that can potentially benefit the MDF market?

Shobhan Mittal: Currently, majority of the furniture imports I would say are in the Southeast Asian countries as well as China and import duties are in, they are talking about implementing further duties on furniture imports, so definitely that would in turn result in a higher demand for locally manufactured furniture, which would in turn result in higher demand for India, so yes it is definitely a positive thing.

Achal Lohade: Let us say theoretically, I mean how large is this import market, could it like mean the entire domestic capacity can be fully utilized in that situation?

Shobhan Mittal: It is hard to estimate the size of the furniture market itself, but I mean if the import, I would say if you talk about ready-made furniture, 70% to 75% or even higher would be imported today. If that was converted to domestic manufacturing, then yes we need many more MDF plants for sure.

Achal Lohade: Last question if I may, with respect to MDF, I know it is more B2B for you, but would you have any estimate in terms of the end consumer, how much would that be commercial, how much would that be residential because if we understand at this point in time, the commercial could take a little bit longer time to revise, we will see a bigger compared to residential, so just wanted to check your perspective on the same?

Shobhan Mittal: I would say currently our higher percentage of consumption is definitely on the commercial side because residential is still dependent on individual carpenters who are more sort of comfortable with plywood as opposed to MDF, but at the same time we have a very substantial amount of consumption which is going to locally made furniture which is going into the residential side as well, but yes majority of the sales, a higher percentage would definitely be commercial consumption at the moment.

Achal Lohade: If I look at the E-com side in terms of the furniture, how much of their MDF demand is kind of met by the domestic, could that be 40%-50% or it is less than 10%-20%?

Shobhan Mittal: Of the furniture which is locally produced, 60% to 70% of that demand of that consumption is met by local producers, but at the same time there are vendors who are completely dependent on importing MDF and selling in bulk, that model continues to remain open till we are able to plug the imports coming into the country by way of anti-dumping or by way of CVD. But vendors who are more inland and where imports are not as feasible and also small-format vendors who do not have the infrastructure to import directly, their demand is being met by the domestic producers completely.

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

Karan Bhatelia: Sir, how has been the South market shaping up post the Rushil Décor's new plant that is commissioned or two lakh cubic meters per year, so has it like changed the dynamic in terms of realizations or product mix?

Shobhan Mittal: At the moment, that has not changed anything, in fact my estimation would be that prices would actually improve a little bit in the South of India when Rushil starts off because that old plant of course it is a heavily OEM-dependent market and also heavily impacted by imports as well. But I foresee that post the new plant starting up, there would be slight improvement because the investment is high, it is a European line now and with the interest cost involved etc., they will not be able to sustain at the same price points where they are currently operating at.

Karan Bhatelia: On the CAPEX front though it is too early to like have a grace but like Rs10-15 crores of maintenance CAPEX we foresee for the near future?

Shobhan Mittal: I think our maintenance CAPEX would probably be around Rs 5 crores for the current year.

Karan Bhatelia: If you can break up the Rs 25 crores CAPEX that we have had in FY '20, so mostly it is maintenance CAPEX or some other heads?

Shobhan Mittal: It was a mix of maintenance CAPEX and also some equipments which we had procured for improving efficiencies at the Andhra plant.

Moderator: Thank you. We take the next question from the line of Abhishek Joshi from CGS-CIMB. Please go ahead.

Abhishek Joshi: Sorry if I had missed this, but I just wanted to ask what is our current capacity utilization levels?

V. Venkatramani: For Q4, our plywood capacity utilization was 69% and MDF capacity utilization was 73%. For the full year plywood capacity utilization was 78% and MDF capacity utilization was 60%.

Abhishek Joshi: Sir, I am asking for the month of May post lockdown what has been the capacity utilization level monthly if you can give?

V. Venkatramani: It would be very, very marginal because currently we are selling mostly from our existing inventories, so capacity utilization would be negligible.

Abhishek Joshi: What kind of CAPEX we are looking to incur during this year?

V. Venkatramani: They would probably be routine maintenance CAPEX of approximately Rs 5 crores.

Abhishek Joshi: What is the situation with our dealers right now, I mean how much percentage of our dealers are operational right now or how much percentage of our market has opened up, can you give an idea of that?

V. Venkatramani: It would be difficult to give an estimate because it varies from area to area, so I will not be able to give you an estimate at this point of time but probably the impact is substantial in the Metro cities where the affected cases have been increasing on a regular basis and not so much in the smaller towns and the rural areas. However, it is difficult to give an estimate at this point of time.

Moderator: Thank you. Ladies and Gentlemen, that was the last question for today. I would now like to hand the conference back to the Management for their closing comments.

Shobhan Mittal: Thank you everyone for joining on this call and we really hope that this pandemic situation is over soon and business can go back to normal. If anyone has any further questions, please feel free to contact us and we will be very happy to answer them. Thank you so much.

V. Venkatramani: Thank you everyone and take care and maintain all safety precautions.

Moderator: Thank you. On behalf of Greenpanel Industries Limited that concludes this conference. Thank you all for joining and you may now disconnect your lines.