

Greenlam/2023-24

June 05, 2023

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Dear Sir/Madam,

Sub: Transcript of Earnings Call

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the Transcript of Earnings Call held on May 29, 2023 to discuss operational and financial performance for Q4 & FY 23.

Kindly take the above information on records.

Thanking you,
Yours faithfully,

For **GREENLAM INDUSTRIES LIMITED**

PRAKASH KUMAR BISWAL
COMPANY SECRETARY &
VICE PRESIDENT – LEGAL

Encl: A/a



“Greenlam Industries Limited Q4 FY'23 Earnings Conference Call”

May 29, 2023

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 29th May 2023 will prevail



MANAGEMENT: **MR. SAURABH MITTAL – MANAGING DIRECTOR & CHIEF
EXECUTIVE OFFICER, GREENLAM INDUSTRIES LIMITED.
MR. ASHOK SHARMA – CHIEF FINANCIAL OFFICER, GREENLAM
INDUSTRIES LIMITED.
MR. SAMARTH AGARWAL – VICE PRESIDENT - FINANCE, GREENLAM
INDUSTRIES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Greenlam Industries Limited Q4FY'23 Earnings Conference Call.

This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing ‘*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Saurabh Mittal – Managing Director and Chief Executive Officer, Greenlam Industries Limited. Thank you, and over to you, Mr. Mittal.

Saurabh Mittal: Good afternoon everyone, a very warm welcome to all of you to Greenlam's Quarter 4 Earnings Call. On the call, I am joined by Ashok – our CFO, Samarth from the Finance team and SGA our Investor Relations Advisor. The results and presentations have been available on the stock exchanges and the company website. I am hoping that you all have had a chance to look at the results.

So, I will give you a quick brief on how we see the demand situation in both the domestic and international market and then give you an update on where the CAPEX situation is with the various endeavors which are ongoing with the new facilities and capacity expansion.

DOMESTIC MARKET

So, on the domestic front we believe the demand is pretty reasonable. We have been able to grow both in volume and value for value across categories versus Q3 sequentially and Q4 of FY'22.

On the domestic market with the introduction of products across price points in laminates with the Gujarat factories takeover we think now with us having products across various price points, our ability to enter markets to cross sell and up sell partners to higher products and also fill in the gaps in the market have increased considerably. We are increasing our focus on adding channel partners going on to more geographies and introducing new products.

With the introduction of plywoods too, we think our strength in the market will only increase, with us becoming a more important partner with the dealers and with the influencers. And otherwise by and large throughout the country we are driving more numbers and we are driving more work on the ground to be done.

On the domestic I think other noteworthy point would be we think the shift from unorganized to organized is continuing and we see unorganized companies and players getting weaker. And organized and larger brands and better managed companies getting stronger. So, we see that trend in the laminates clearly. And even in the plywood we hear that the mid-sized, unorganized companies are struggling with markets and profitability and sales etc.

INTERNATIONAL MARKET

On the international market we continue to be focused in the international markets as far as laminates are concerned. For certain product categories in the international markets currently we are constrained by capacity. With the Andhra Pradesh facility getting into production in Q2 of this financial year for certain dimensions and for certain markets that will kind of move up the export numbers post the factory starts in.

With the Gujarat facility too, we have added certain product, certain markets which in the past we had ignored for or we were not able to serve due to capacity restrictions. So, overall, in the exports markets too we think we should be looking good in the exports market too.

Certain markets which were having currency challenges I think the intensity of the problems have reduced, but there are still some challenges but by and large we think the international business and export business should do well for the organization. So, that is broadly more like a helicopter view on where the markets are in domestic and exports.

PERFORMANCE UPDATE

On the performance updates, we surpassed the Rs. 2,000 crore milestone revenues in FY'23. And we also surpassed Rs. 100 crores in profit after tax in FY'23. This is the first time we did as the Greenlam Industries. And across parameters, gross margins, net margins, EBITDA margins, working capital cycle I think across various operating parameters we have improved and we have done this in Q4. Losses in the veneer and allied categories have reduced. Margins in the laminate business has expanded and likewise ROCs have also improved to about 24% odd.

On the CAPEX front the Gujarat facility has more or less stabilized. We are also upgrading the facility with the third production line which went into production on May 17th. And we hope that very soon we should bring the plant to maybe 80% to 90% utilization level.

With the upgraded capacity of Gujarat, the total laminates capacity is now 21 million sheets. This will become about 24.5 approximately with the addition of the Andhra Pradesh laminate facility. The plywood plant should start in the month of June 2023. The Andhra Pradesh plant of laminate should begin commercial production in Q2 of FY'24. And the particle board plant should start production towards the end of Q4 FY'24, so that's on the capacity creation and expansion which we are undergoing.

So, broadly you know that's it from my side and obviously I will be happy to answer your queries and questions in the Q&A session. I will now hand over the call to Ashok. Ashok will take you through the financial and operational highlights of the quarter and the year. Ashok, over to you.

Ashok Sharma:

Good afternoon friends. I will take you through the quarterly performance and then move on to the annual performance.

QUARTERLY PERFORMANCE

For the Q4 on a consol basis our net revenue for the quarter grew by 15.2% on a year-on-year basis and grew by 6% on a sequential basis to Rs. 534 crore as compared to Rs. 463 crore in Q4 last year. Gross margin grew by 390 basis points to 48.8% in this quarter from 44.9% in Q4 last year. On a sequential basis the gross margin grew by 50 basis points.

EBITDA margin was up 320 basis points and it stood at 13.9% in this quarter as compared to 10.7% in Q4 last year. On a sequential basis, the margin was up by 300 basis points. EBITDA in absolute term grew by 49% to 74%, Rs. 74 crore in this quarter in comparison to Rs. 50 crore in Q4 last year. Net profit for the quarter stood at Rs. 46 crore as against Rs. 25.7 crores in the Q4 last year.

ANNUAL PERFORMANCE

Moving on to annual performance, consol net revenue for the year grew by 18.9% on a year-on-year basis to Rs. 2,026 crore in comparison to Rs. 1,703 crore last year. The gross margin was up by 210 basis point to 46.7% from 44.6% last year. Gross margin in absolute term grew by around 25% to Rs. 947 crore this year as compared to Rs. 759 crore last year.

The EBITDA margin was up by 50 basis point to 11.5% from 11% last year. EBITDA in absolute terms grew by 24.5% to Rs. 233 crore as compared to Rs. 187 crore last year. Net profit grew by 41% and it stood at Rs. 128 crore this year as against Rs. 90 crore last year.

SEGMENTAL PERFORMANCE

Laminates

Laminates, for this quarter laminate revenue grew by 16% on a year-on-year basis and 7.1% on a sequential year basis. And it stood at Rs. 492 crore as compared to Rs. 424 crore in Q4 last year.

Volume growth stood at 16.8% on a year-on-year basis. And with this domestic laminate revenue grew by 11% on year-on-year and 2% on sequential basis. Volume growth stood at 26.7% on a year-on-year basis.

International laminate revenue grew by 20.9% year-on-year and 12.2% on sequential basis in value term. In volume grew by 5.3% on a year-on-year basis.

EBITDA margin stood at 15.6% a growth of 270 basis point on a year-on-year basis and 320 basis point on a sequential basis. Production volume were at 4.55 million sheets at a utilization level of 96%. Sales volume for the quarter stood at 4.67 million sheets and our average realization for this quarter was Rs. 1,008 per sheets.

Moving to annual performance, laminate revenue grew by 19% on a year-on-year basis to Rs. 1,852 crore from Rs. 1,556 crore last year. Volume grew by 3%. Domestic laminate revenue grew by 25% in value terms and in volume terms it grew by 15.6%.

International laminate revenue grew by 13.6% in value terms, however in volume terms it degrew by 9.3%. EBITDA margin stood at 13.1% a growth of 40 basis point over last year.

Production volume were at 17.40 million sheets and at a utilization level of 99%. Sales volume for the year stood at 17.04 million sheets and our average realization for the year was Rs. 1038 per sheet.

DECORATIVE VENEER & ALLIED SEGMENT

Now I will move onto another segment, decorative veneer and allied segment which consists of decorative veneer, engineered floors and engineered doors.

In the Decorative Veneer segment revenue grew by 6.8% on a year-on-year basis however it degrew by 4.9% on sequential basis to Rs. 42 crore from Rs. 39.56 crore last year. Volume grew by 8.4% on a year-on-year basis. Revenue of decorative veneer business grew by 18% for the full year Rs. 274 crore in comparison to Rs. 147 crore in FY'22.

Volume grew by 11%. Sales volume for Q4 stood at 0.32 million sheets. The previous Rs. 173 crore is for the entire veneer and allied business. Sales volume for the veneer for the quarter stood at 0.32 million square meter and for the year as a whole it was 1.21 million square meter.

Capacity utilization for the quarter was 19% and for the year as a whole was 29%. Average realization for the quarter stood at 859 per square meter and for the year stood at 877 per square meter.

ENGINEERED WOOD FLOORING

Revenue for the engineered wood flooring business degrew by 20% on year-on-year basis and degrew by 22% on a sequential basis to Rs. 8.5 crore this quarter as against Rs. 10.5 crore in Q4 last year. For the year engineered wood flooring business grew by 16.4% to Rs. 42.7 crore as against Rs. 36.7 crore last year. However, capacity utilization was 8% in this quarter and 12% for the year as a whole.

ENGINEERED DOORS

Revenue for the engineered door business degrew by 8% on year-on-year basis and degrew by 29% on sequential basis to Rs. 6.4 crore this quarter as against Rs. 6.9 crore Quarter 4 last year. For the year as a whole, engineered door business degrew by 9.4 to Rs. 24.3 crore as against Rs. 26.8 crore last year. Capacity utilization for this quarter was at 16% and for the year as a whole it stood at 15%.

Net debt for the quarter ended stood at Rs. 312 crore as against Rs. 148 crore at the end of December '22. This is on account of project debt which was drawn in this quarter. Net working capital for this quarter stood at 66 days and for the year as a whole stood at 70 days.

That's all from our side. I would now like to open the floor for the question and answer.

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. We have the first question from the line of Mr. Achal from JM Financial. Please go ahead.

Achal: Just couple of clarifications I wanted to check on, a) with respect to the gross margin improvement, if you could elaborate a little bit. And specifically if I look at the EBITDA level improvement QoQ quarter-on-quarter it's fairly large, while the gross margin improvement is 30 bps, the EBITDA margin improvement is 280. So, just wanted to understand is that entirely due to operating leverage? Is there any write backs or anything which we should be aware of?

Ashok Sharma: No Achal, there is no write back in terms of that. So, there are a couple of things, one the revenue went up from in comparison to last quarter revenue were up by nearly around Rs. 30 crore to Rs. 32 crore. And gross margin has improved 48.9% to 49.2%. The expense were not gone up in the same proportionate and some of the expenses like we did not do in this quarter which may happen in the next quarter like one of the advertisement which we do normally every quarter so that has not happened in this quarter that may happen in next quarter.

So, yes some of the, what you are saying, some of the expense may go up in the quarter, but overall trajectory will remain towards the higher EBITDA in comparison to last year what you have seen.

Achal: Is it possible to quantify what is the A&P in this quarter in absolute number and compared to 3Q and 4Q of 3Q FY'23?

- Ashok Sharma:** I will come back to you on this --
- Achal:** Second question I had with respect to volumes, I mean if I look at the volume growth of 17% YoY obviously it is great. But it's also to do with the low base. So, how do we look at the volume growth for FY'24? And if you could also give some sense about domestic and exports how the volume growth would look like?
- Saurabh Mittal:** So, from a volume growth Achal, capacity available to us in FY'24 will be partly for the full year or 11 months capacity of three lines of Gujarat and Gujarat factory started last year probably end of August/September. So, we would have that capacity available with us. We will also have the Andhra Pradesh plant getting into production in Q2. So, clearly capacities available will expand. Also with us entering certain segment of markets that we were not meaningfully present in also drives more volumes. So, clearly I think if you look at FY'24, we should be looking at maybe like 10%, 12% kind of a volume growth at least, we are talking laminates right now.
- Achal:** So, in the last quarter you had talked about I think 13% to 15% you would maintain that when you say at least I presume you would maintain that or you think --?
- Saurabh Mittal:** Well I have not made my note of what I talked last quarter, but obviously the endeavor will be in that direction. And like I said earlier in the call also for certain export categories we are running full with certain capacities and those capacities are coming up in the Andhra Pradesh plant so when they get into production, I think will also have a little bit of push there. Those are normally the bigger size laminates so you might not see big quantity numbers growing, but you will see hopefully reasonable value coming up there, but it should be in that direction more or less.
- Achal:** Just a clarification on this margin part, what is the margin you think because for the full year the laminates EBITDA margin was somewhere around 13%, what is the number one can look at the range, one can work with?
- Saurabh Mittal:** So, it's hard to give a margin but as we talk right now with higher revenues with more size and scale, with cost at the moment being about stable. And as you probably know in the laminates business we have a big chunk of exports and imports coming in. And we were severely under stress in FY'22 with margins and cost going up and that's kind of normalized now to pre-COVID level. So, more or less I think on ground situation looks normalized from a sea freight impacts and imports and in export in terms of cost. So, I think if we are able to drive the volumes and with the way things are looking now, if something dramatically changes obviously one can't say about that, but we should be looking in a decent range in what we have done in maybe Q4 types, we should be somewhere in that direction.
- Moderator:** Thank you. The next question is from the line of Udit Gajiwala from Yes Securities. Please go ahead.

Udit Gajiwala: Firstly follow up on the previous participant, what kind of revenue growth should we expect, are you expecting to take any price hikes, given that the Gujarat plant will be more of a mass-market product. So, will the revenue growth be lower than the volumes?

Saurabh Mittal: So, overall as a company we are saying we should be like a 20% to 25% revenue growth considering the Gujarat plant, considering plywood plants starting in the month of June and also considering Andhra Pradesh is actually starting in Q2, so we should be like a 20% to 25% kind of a revenue growth target for FY'24.

As far as price hikes are concerned, I don't see us taking price hikes in laminates or veneer products. While as you know that we always work towards improving the value mix of the product so maybe the prices per sheet increase may not happen, but if you are able to improve the value mix by selling higher value items maybe the price realization kind of improves, it will improve from where it is right now.

Udit Gajiwala: So, similarly what kind of debt level should we be looking at in FY'24 and of the CAPEX if you could just highlight that how much we have incurred for each project and what is expected in '24 that would be helpful?

Ashok Sharma: Udit, so for these two new project which is plywood and laminate and particle board we have spent close to around Rs. 450 odd crore till now in this. And we expect another around Rs. 500 crore will be spent in this and some might move on to the next year, in terms of that. And in terms of debt, net debt level we were at Rs. 312 crore in this quarter we expect the debt to be in the range of around Rs. 750 crore by the end of this year.

Udit Gajiwala: This is net debt, right.

Ashok Sharma: Yes this is net debt.

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

Sneha Talreja: Just wanted one clarity, on the domestic front while we have done great amount of volumes with a very strong growth. On exports we are not yet back with the volumes that we have achieved. One thing that you mentioned was that AP plant will come and right now its capacity utilization constraint that you have, but how were we earlier doing at least 20% to 30% higher volumes in the exports market which was a previous high, some clarity there would be helpful.

Saurabh Mittal: So, I am not sure, are you asking what the volumes are or are you saying we are not achieving those volume growth in exports that is what your question is?

Sneha Talreja: So, how were we earlier doing higher export if we are currently lacking capacity we had earlier done much higher export volumes.

Saurabh Mittal: No, but we are not, not doing exports in Q4 in volume growth is about 5.3% more than Q4 of FY'22. And value is about 23% higher. And versus Q3 sequentially, the export volume was over 13%.

Ashok Sharma: Sneha as we mentioned previously also in this year for couple of quarters we had challenges in some of the export markets where the currency challenges and all this thing so which has impacted in let's say Quarter 2 and Quarter 3. And we are now slowly and gradually coming back to normal. If you can see in this quarter the growth was in volume terms also growth was 5% and in the value terms also the growth is there.

What sir was mentioning in some of the variant we have the capacity constraint which is primarily with bigger size of laminates wherein as of now we have more orders but we cannot ship even though the overall capacity may not be within 100% because of Prantij, but in the Prantij we manufacture only 4x8 kind of a thing, bigger variety we are having more orders which will get resolved once our Naidupeta plant comes in because there we will have all the three sizes, that is what --

Sneha Talreja: So, that is happening from Q3 onwards because Q2 will have the commissioning happening.

Ashok Sharma: Yes, we will have this for the Naidupeta it is planned in Q2.

Sneha Talreja: And you also mentioned on the margins parts which is helpful that operating the leverage certain amount of gross margin improvement. So, given that our volumes will only increase from here on, are these sustainable margins that we should assume from the coming quarters?

Saurabh Mittal: Well like we said earlier the environment of cost is still in front of us. So, if we are able to drive more volumes and maintain realizations by cross country working on value mix improvement while we also push for more volumes in every segment of the market. So, yes, maybe we should be able to sustain it but one can't say for sure in certainty, but yes we think we should be in this phase.

Sneha Talreja: And lastly on the door side of it with whatever Ashok sir was mentioning on the call, the numbers part. I think the numbers for the doors division looked sequentially as well as YoY down. Any significant thing happening on the doors front would you like to highlight any vision for this particular segment on the doors and the flooring business, how are we now looking at this segment given that we also have particle board, plywood all of those coming up?

Saurabh Mittal: So, if you look at quarter-on-quarter flooring business is at 7.8% which has 25% value down, but realization has gone up because we have not been able to do any exports in both floor and door segment, because of challenges in the markets at that point the sea freight conditions and imports and exports all the restrictions were there.

On an annualized basis flooring is done about 16.5% more than FY'22 we have done almost Rs. 42 odd crores. And doors on about 11% lower overall at about Rs. 22.42 odd crores. So, we think we are very close to kind of bringing the business to profitability. I think with cost, bonus under control, we need certain volumes, we need more volumes in the segment to improve the business. The realizations have gone up in both the flooring and the door business because largely the focus has been on the domestic market in this business. So, yes that's why are in this business.

Moderator: Thank you. The next question is from the line of Praveen Ranjan Sahay from Prabhudas Lilladher. Please go ahead.

Praveen Ranjan Sahay: So, it's related to the laminate and allied product business. If I look at from the last three quarters your realization is continuously going down, is it because of some product mix or the softness or the correction in the prices, if you are reducing the pricing?

Ashok Sharma: Yes, Praveen as you see that we have entered into liner or maybe the starting category of the laminate with the start of our Prantij plant which is at a lower price point so that's why. We have not reduced the price in general for our laminate. But on account of this yes the overall price realization looks to come down a bit. But that is being met through the value mix increase in the other business other than the Prantij business. But yes, there is some impact on the overall. But there is not much of it if you compare from the last year, let's say Q4 of last year it was 1001, this year also it is 1008 so this impact is going up by 0.7%, yes of course if you compare from the Quarter 3 then it is like 2% down on a sequential basis but nothing in general price reduction which has happened as such.

Saurabh Mittal: Praveen on the pricing like Ashok rightly mentioned there has been general reduction and there is a marginal reduction in realization versus Q3 versus. In certain cases, case to case, you know we have corrected due to competition intensity and with RM cost coming down, sea freights coming down, we have corrected some pricing and it's very marginal.

Praveen Ranjan Sahay: Can you also give some color on the domestic and the export realization. Is that the domestic is on the lower side versus the export?

Ashok Sharma: Yes so as of now if you see the domestic prices are lower in comparison to exports prices and that's because the difference in the unit is, you see in the domestic side mostly the 8x4 laminate sheets are being sold whereas in the export market there are bigger size laminates as well as the boards are being sold where the unit realization is higher than the sheet prices.

Saurabh Mittal: So, it's a part of a product is a bit different in exports they are thicker products and maybe larger units also. So, maybe this is not the best comparison, but for simplicity sake and to bring something for certain calculation --

- Praveen Ranjan Sahay:** Related to your veneer segment I can observe that on the sequential basis production has been down whereas sales has improved in the volume terms. So, like you had production in the last quarter and which you are able to sell in this quarter is it something like that happened?
- Saurabh Mittal:** That's what my guess is, yes. You may check your maths.
- Moderator:** Thank you. The next question is from the line of Rajesh Ravi from HDFC Securities. Please go ahead.
- Rajesh Ravi:** So, first of all in terms of the total project, all the ongoing projects, is there any cost escalation which you look forward to like in the particle board and the laminates plant?
- Saurabh Mittal:** So, there could be certain escalations in civil cost, in construction cost etc. but it's all more or less manageable, but in machineries and all not much escalations. And somewhere sea freights have come down which were taken earlier so we have not been able to exactly determine it, but there could be some escalations in the cost.
- Rajesh Ravi:** Fair to assume that they would be closer to 5% or more than 5% than the earlier stipulated CAPEX.
- Saurabh Mittal:** Well, you know plus minus little bit, hard to give you a number at the moment. But it's more or less not in that range.
- Rajesh Ravi:** And secondly this Rs. 500 odd crore which you are expecting to spend in FY'24, could you give a breakup of the same across the three units ply, laminates and particle board?
- Ashok Sharma:** We will share that offline.
- Rajesh Ravi:** And the volume guidance which you are giving slightly north of 10%, isn't that conservative number given that you have 5.5 million sheets capacities from the Prantij plant which will be ramping up I assume as per the utilization this year. Even this AP plant which you will be setting up given that you are already constrained of capacities and you have a strong distribution both in domestic and exports market. So, are you building up a slow ramp up, are there some constraint which will slowdown the utilization of the new factories?
- Saurabh Mittal:** No, nothing like that but we are just see that sometimes just to convert action into reality just takes some time so I don't think it's conservative I think it's more reasonable but there are always some or other surprises which come in, obviously we will not stop it and say, if we can do more, more will be done, I think it's more fair to expect that.
- Rajesh Ravi:** Because what sort of utilizations we should factor in for the Gujarat plant and for the new Andhra plant, assuming the Andhra plant is available for six months and the Gujarat plant is available for full year now?

- Ashok Sharma:** So, Gujarat plant is already seven month, it is up and running and we are as of now it is close to around 75% to 80% in that. And we have told in the beginning of the call also, at an expanded capacity we are expecting a similar kind of a thing in the next year, in this year. And for the Andhra plant we have budgeted 50% to 60% in the first year from the day the commercial production starts so let's say six months -- for at 50%, 60% where the difference will be there -- more sheets and board, whereas the other plants are predominantly only sheets.
- Rajesh Ravi:** The other plant is Gujarat only sheets, low-end sheets.
- Saurabh Mittal:** Mostly sheets, correct, yes.
- Rajesh Ravi:** So, if we are building those sort of numbers we would be looking north of 20% volume growth, am I missing something?
- Saurabh Mittal:** Ashok will run the math again, and maybe you know chat with you on that, okay.
- Moderator:** Thank you. The next question is from the line of Hrishikesh Bhagat from Kotak Mutual Fund. Please go ahead.
- Hrishikesh Bhagat:** So, two questions from my side. Firstly with regards to this foray into the plywood now considering the plant is fairly close to commercialization. Now how do we see the A&P spent and probably promotional spent, how would they stack up for FY'24 that's my first question?
- And second question is related to particle board now considering the sea freight correction that you highlighted obviously imports must have also gone up. So, any impact you are seeing on the particle board industry because of the higher imports?
- Saurabh Mittal:** So, on the plywood our strategy is to largely focus on South India and not go pan India with the plant being in Tamil Nadu. So, our A&P spends will be largely localized and not massive in nature. And the factory starts in the month of June you are right on that, that's on the ply piece.
- On the particle board you are right, sea freights have come down which definitely expands the possibility of boards being imported. As you are aware that the model of particle boards is that nearly 80% of revenues will come from pre-laminate particle board and not from plain boards so the whole focus will be on in a way decorative particle boards if I may use the term where we laminate the particle boards with deco paper and then ship to the market.
- So, yes, it will have some impact in terms of more imports that's what we are guessing, but by and large I think from a model we don't see much challenges because our eventual sale in the market is not plain boards, it's going to be pre-laminated particle boards. The plain board sale if any do will just be a stop gap or a small part of the overall revenue mix.
- Moderator:** Thank you. The next question is from the line of Bhavin Rupani from Investec. Please go ahead.

- Bhavin Rupani:** The first question is how should one understand the pricing or with the raw material cost declining, do we plan to pass on the benefit to the customer?
- Saurabh Mittal:** So, like we said earlier to some of the participant in general we have not reduced any prices, case to case in certain categories we have done some correction we might have to do some correction.
- Bhavin Rupani:** And how should one understand the margins from Prantij plant, Gujarat plant, will it be possible for you to quantify it?
- Saurabh Mittal:** No, very hard to give you that number because if we produce only a certain category product in that factory, so in between running the math of that plant vis-à-vis others will not be a fair comparison. So, I think we will have to look at the Prantij plants margin in totality as the laminate verticals margin, but that's a decision the company is taking on some products to be produced in some plant from to be and the other plant considering availability of raw material cost, freight etc.
- Moderator:** Thank you. The next question is from the line of Abhishek from DSP Mutual Fund. Please go ahead.
- Abhishek:** Just couple of questions given that the sea freights have now normalized, how does your overall competitive scenario and pricing scenario in the export markets is looking, are you able to become more competitive now because that had been kind of been working against us, just some thoughts there?
- Saurabh Mittal:** Like you rightly mentioned Abhishek, with sea freight normalizing, our competitiveness versus our international competition people who are producing laminates and ply categories in respective countries our competitiveness actually expands with the normalized availability of containers, normalized selling brands and normalize freight. So, we think we will be taking away the market share from the international laminates business. And with a base of teams, warehousing, distribution by and large is in a good position we think we can get more market share in the international business.
- Abhishek:** And the other thing is also in terms of the domestic laminates, how is the competitive scenario there particularly from the semi-organization and the lower end of the value segment, any color that would be helpful?
- Saurabh Mittal:** Not much has probably changed in terms of competition intensity. But we do think and we do know that lot of the mid-sized, lower-level companies are having challenges with sales and with collections and all of that. So, I think as such nothing has dramatically changed, but we think those companies are getting weaker and we are probably taking some share gradually from that segment.

Abhishek: And usually in the general wood panel and especially in plywood also since we will be entering now are you seeing this sharp increase in timber prices that one has seen how will your procurement be, you have enough sourcing as far as the timber is concerned. And any repercussions of the same on the unorganized because their ability to manage pricing is much difficult, so some color on that will be helpful?

Saurabh Mittal: So, as far as timber sourcing from domestic market is concerned is relevant to the plywood and the particle board business and both our factories plants are coming up in South India. So, as we talk right now we are kind of now entering the raw material buying phase for the plywood factory, for the plywood plant. And I think we will know more, we will talk next, but as we see things now, obviously our wood cost have risen sharply, especially in North India and slightly in South India. Our guess is if wood costs do go up you go and pass on the price increases to the market. We do know that at the moment the rate of increase in south is lower than North and other parts of the country. But I think will be a bit more wiser in the next three to six months when we actually go and buy raw material and consume raw material.

As far as the unorganized companies are concerned, clearly I think the organized companies have a better position when these things happen because the buying capacity, their payment capacity is superior and contractors and farmers and aggregators have organized company as a preferred buyer than the unorganized companies. Yes, so this is a sense we have at the moment.

Moderator: Thank you. The next question is from the line of Ankur Kumar from Alpha Capital. Please go ahead.

Ankur Kumar: First question is on what will be our peak revenue potential at current prices when we go to full utilization considering all CAPEX done?

Saurabh Mittal: So, so considering the peak utilization of Andhra Pradesh plant or what we invested in Gujarat plywood particle board, we think the peak revenues will be in the band of Rs. 3,500 crore to Rs. 3,600 crores approximately with the investment we are doing now, unless we are able to further improve any value mix or improve utilizations but by and large I think we will be somewhere in that space.

Ankur Kumar: And can we expect like three years for us to reach those levels?

Saurabh Mittal: Well that is the endeavor you know what happens at the market I don't know but yes.

Ankur Kumar: On margins that you said that lower A&P spend, so can you please quantify that number, as in how much was it versus history --?

Ashok Sharma: For this quarter only normally one quarter will be in the range of around Rs. 6 crore to Rs. 7 crore.

- Ankur Kumar:** So, this quarter it was much lesser.
- Ashok Sharma :** One portion of A&P expenses which didn't happened in this quarter which is around Rs. 6 crore to Rs. 7 crore.
- Ankur Kumar:** For the last Q4 or full year what was the number, basically just wanted to know how much have we reduced on that?
- Ashok Sharma:** It has gone up and the year as a whole if you see then it has gone up in terms of that, it's only that one line item expense didn't happened which is around Rs. 6 crore to Rs. 7 crore only, otherwise the overall expense has gone up.. If you see in this year the overall expense has gone up in comparison to previous year.
- Ankur Kumar:** And what is our expectation for next year, how much of A&P would we like to do?
- Ashok Sharma:** It's difficult to give you in terms of that but this will be in line with what it is there in the current --.
- Saurabh Mittal:** I think as a percent probably would be similar because plywood will have lower revenues and higher A&P as a percent so probably as a company percent probably will be similar I guess.
- Ankur Kumar:** And last question would be you said revenue we expect 20% to 25% growth for this year but volumes side you said only around 12% to 13%, but you also said that pricing we don't expect much jump so can you please clarify --?
- Saurabh Mittal:** Yes, because plywood revenue would also come in the overall revenue. We talked about the volume growth of only laminates and not the other categories so we said for laminates 10% to 12% type of a volume growth. But we also let you know prices may not increase but our endeavor is constantly to improve value mix and the plywood revenue coming in for about six to nine months then the revenue is coming in for veneer we didn't talk about volumes of that. So, considering all of that we said 20% to 25% kind of a revenue target growth.
- Ankur Kumar:** And our brand is quite good in the market, but if I look at our margin is, it seems lesser than the competitors say Century and Stylam types.
- Saurabh Mittal:** I am not sure whether what you are saying is correct so I think maybe Ashok needs to review once, because I think you have to see the margins and also you have to see return on capital employed, so as you probably know sometimes margin can be higher but ROC gets weaker --. Ashok has to run a math with you on that.
- Moderator:** Thank you. The next question is from the line of Nikhil Agarwal from VT Capital. Please go ahead.

- Nikhil Agarwal:** My question was on the employee cost, since you have been, you have about three new plants coming up in the next one year. So, what sort of growth should we see in the employee cost?
- Ashok Sharma:** If you see in terms of this also we are building up the team for the newer verticals, plywood vertical new team has been built. We are expanding the team to expand our overall reach in the laminates. So, we believe that it will remain in this range bound at least for this year.
- Nikhil Agarwal:** Remain in the range bound, so about --
- Ashok Sharma:** About same as a percentage in terms of what it was there in the FY'22.
- Nikhil Agarwal:** And if you could throw some light on the raw material prices like I believe chemical cost have stabilized but what about cost on the craft paper front, like what have the prices been out there?
- Saurabh Mittal:** It is stable as of now in this quarter, in the last quarter and this quarter as of now what we are talking. The laminates, the craft paper prices, the chemical prices as you said that it is stabilized and bit softened in comparison to previous year, previous quarter.
- Nikhil Agarwal:** One last question if you could throw some light on the unorganized market and how have they been fairing and what would be the price differential if any like between the organized players and the unorganized players?
- Ashok Sharma:** Yes it is already as we mentioned at the beginning of the call that it is ongoing process and whatever we have the understanding and knowledge that unorganized players are weakening on let's say on quarter-on-quarter or otherwise the organized players growth are higher than the overall industry growth. So, we believe that they are taking market share from the unorganized segment in terms of this.
- Nikhil Agarwal:** Any reason why the unorganized sector they are weakening like any specific reason?
- Ashok Sharma:** There are number of reason in terms of their size not investing, in terms of their consumer preference are moving not only in our segment in every other segment that consumer segments are moving in terms of the organized product because they offer the value for money in terms of even though cost can be moved but they offer value for money, good quality, good choices, availability of the material. There are end number of reasons that why people are moving towards the organized segment kind of a thing.
- And basically the main difference earlier was mostly the people, unorganized guys do a lot of evasion which is also coming under pressure from the government. So, we believe that going forward also it is move towards the organized rather than the unorganized.
- Moderator:** Thank you. The next question is from the line of Achal from JM Financial. Please go ahead.

Achal: The question here is that in terms of the mix for laminates, in terms of B2B and B2C, in terms of end usage any more perspective you can provide, how much of the laminate would be directly consumed by the customer or how much would go in the institutional setup?

Saurabh Mittal: We can't provide like much information on this but as you probably know that homeowners buy a laminate which is aided by influencers, which is architects, IDs so if your question is, what's the mix between residential and commercial that could be one potential way to look at it or if your question is, what's being done by carpentry and what's being done by OEMs, so I am not sure what you wish to ask, if you help me understand more clearly.

Achal: Both aspects if you could?

Saurabh Mittal: So, our guess overall market would be more like a 60% to 65% residential, 35% to 40% commercial. And I am not sure that has changed maybe geography to geography some changes might be there. As far as carpentry and OEM is concerned, so clearly we see carpenters larger carpenters, contractors opening workshops with mechanized furniture, panel manufacturing and then installing furniture fit outs on the site, but I can't put a percent to it.

Achal: Where I am coming from in terms of the particle board you did mention that 90% of our sales will be pre-laminated.

Saurabh Mittal: That's correct.

Achal: So, I am curious to understand if it will come at the cost of laminates because ultimately the customer has a choice between the customized laminated furniture or readymade furniture, so I would --

Saurabh Mittal: I will explain. Yes, so I said 80% not 90%. And pre-lam particle board is largely an offsite manufacturing product which means that one has to work on the boards in a workshop or in a factory or in a OEM setup. So, typically because of the dimension of the board which on an average will be higher than laminates and it will be thicker and carrying so many SKUs is not practical onground in India. So, goods from the manufacturing plant of the company will get shipped to fabrication plants directly. So, in particle board mostly its specification driven model, focused on OEMs or furniture manufacturers doing commercial furniture, doing kitchens at times. In India usage particle boards in kitchen is still very limited, although internationally a lot of kitchens use particle board. So, mostly it is going to be commercial furniture, loose furniture, study tables, TV trolleys, desktops etc. which will be consuming particle board. The number of SKUs would be fewer than laminates in terms of design options and texture options, so that's where we are.

So, currently also if you see, and we said that in our reports earlier too Rs. 4,000 to Rs. 5,000 crores of market does exists of particle boards. So, I think we will end up taking share of

unorganized companies thereto because good quality of boards are not available, quality of lamination is very inferior, the physical and surface properties are very poor. So, this is how we look at it.

Achal: With respect to this Rs. 5,000 crore market, how much of this will be currently imported and basis our cost of production, what would be the price difference between us and them?

Saurabh Mittal: I don't have the maths right now because we are still a bit away from commencing it. So, obviously we have done our work and all that, but maybe we can respond to you in a more meaningful manner at a later point in this particular product.

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

Udit Gajiwala: Could you quantify the EBITDA level losses for the wooden door and floor segment for the quarter and the full year?

Ashok Sharma: So, for the quarter floor and door having a loss of Rs. 2.7 crore at EBITDA level. And for the year as a whole it is having a loss of Rs. 9.7 crore.

Udit Gajiwala: This is both put together.

Ashok Sharma: Yes, doors and floors.

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

Rajesh Ravi: I have few follow up questions, this Andhra Pradesh laminates project, once this particle boards is fully commissioned how much of this the laminates would go for captive usage?

Ashok Sharma: Rajesh in this case when we are talking about the pre-lam particle board, in this the entire laminate is not need to be laminate and need to be put on that. It's only the top layer of laminates which is decorative paper that only need to put. So, both these facilities are independent of each other, laminate is not going to be used in most cases on the particle board.

Rajesh Ravi: So, just wanted to understand as a particle board unit will have a separate lamination, laminate print lamination unit I mean the laminate producing or it will be made from the laminate plant which is getting commissioned next quarter.

Ashok Sharma: That's what I was trying to tell you. The laminate, only the top layer of the laminate which is the decorative paper only will get, so it will have a separate line for this.

Rajesh Ravi: Okay, so the -- not include, the current capacity which you are mentioning?

Saurabh Mittal: So, there are two independent process. Pre-lamination of particle board is different from high pressure laminates which we say laminates, in terms of the pressing line, the dimension, the cycle time etc. they are two independent ones. The only thing common between them which can be possible is a deco paper inventory.

Rajesh Ravi: And for the laminates exports market, what is the growth outlook and where are you positioned given -- in terms of your focus on the exports market, given that we have strong regional distribution across markets --?

Saurabh Mittal: So, we said earlier, I think we should look at reasonably good or decent growth in the export markets. I think this will continue; I think we have been growing at a certain pace over the last several years. I think this year too if you are talking of 10% to 12% quantity growth it also includes the export market. So, the export market should also grow in a little bit plus, minus this year in FY'24. And we also set certain categories of export markets these capacities at the moment more challenged but once the Andhra Pradesh factory comes in, we will also have some more capacities to push exports in certain dimension and in certain markets.

Rajesh Ravi: And in the particle board when you talk about the market size of Rs. 5,000 crore could you also explain in terms of volume terms -- what could be the market size in India?

Saurabh Mittal: Yes, so I think that math, you can have an independent chat with Ashok at later point , so we will have the entire breakup of volumes in the domestic, imports, price realization, that can be independent conversation.

Moderator: Thank you. The next question is from the line of Bhavani Kumavat from Phillip Capital. Please go ahead.

Bhavani Kumavat: So, just wanted to understand on the international business front, how is the demand scenario currently on international side?

Saurabh Mittal: It's hard to give you one blanket answer because we operate in about 100 countries right now. But overall, I would say if I use the most appropriate word that comes to my mind is reasonable. Some markets are doing better than the others, but like we said with sea freight conditions normalizing and with us expanding more capacities we should look at taking more market share from international competitors.

Bhavani Kumavat: Just wanted to understand about your distribution model in international business versus the international players there?

Saurabh Mittal: I can explain like in very brief, you know I can give you a quick brief. So, it has a dual approach we have a distribution model, we are partners and again it varies on geography to geography. I must say that first. So, we are partners having holding stocks on the ground. And then going out to joineries, cabinet manufacturers, furniture producers, etc. some large OEMs we should

directly, because they have a lot of consumption. But we have sales teams in most markets which work with their channel partners in certain markets they work with architects, interior designers, builders, developers to generate demand so different geographies have slightly different operating model basis the condition on ground.

Bhavani Kumavat: And what will be the pricing difference in the international market?

Saurabh Mittal: I think it's very hard to give you one blanket answer because different geographies have different product offering in terms of thickness, dimension etc. so we can't give you one flat answer because every geography has a slightly different approach but as you can see the average realization of exports is slightly higher on a per sheet or per board basis, because certain markets of exports take more or consume more larger size products than the normal 4x8 which gets consumed in India.

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

Ashok Sharma: Thank you everyone for joining the call today. For any further query, you can get in touch with us or to SGA, our Investor Relations Advisor. Thank you.

Moderator: Thank you very much, sir. On behalf of Greenlam Industries Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.