



**“Greenlam Industries Limited  
Investors and Analysts Meet Conference Call”  
October 31, 2023**

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**MODERATOR:**    **MS. MANASI BODAS – STRATEGY GROWTH ADVISORS**

**Manasi Bodas:**    Good evening and a very warm welcome to all for the Investors and Analysts Meet 2023 of Greenlam Industries Limited. I am Manasi Bodas from Strategy Growth Advisors. Today we

have with us on the dais, management represented by Mr. Sourabh Mittal, Managing Director and Chief Executive Officer, Mr. Ashok Sharma, Chief Financial Officer, and Mr. Samarth Agarwal, VP Finance from Greenlam Industries Limited.

We will first take you through the presentation which contains overview, key strategic initiatives, and growth drivers. After the presentation concludes, we will be open to take questions from the audience.

I would now request Mr. Sourabh Mittal to address the audience. Over to you, sir.

**Saurabh Mittal:**

Good evening friends and a very warm welcome again from my side for the Analysts meet and the Investor Conference. Samarth and Ashok will take you through the business presentations and I will be happy to address your queries and questions post that. So I will hand over the dais to Samarth now and then following which Ashok will take you through the numbers. Samarth.

**Samarth Agarwal:**

Thank you, sir. Good evening to everyone. Thank you for taking out time from a busy results season and to hear us out.

We will just go through the presentation in a brief. The presentation is already uploaded on the Stock Exchange and I hope you got a chance to look at it. So we will just start with the presentation on a brief note that what we have done and how the business, we have structured the business for a multi-year and a sustainable growth outlook that we have. So over the last 18 months, we have executed the projects, we have announced the projects in December 21. We have executed them. A couple of them has been on stream.

One of them is under construction. These have been a record delivery in terms of times where we have demonstrated how we have set up the plywood unit in Tamil Nadu, Tindivanam and how we have done the laminate unit in Naidupeta, Andhra Pradesh. These commissioning demonstrates that the company is dedicated to look at maintaining capital efficiency and continuing to add shareholders value and making a sustainable growth over the next period of time.

Just to give a glimpse, you know, the capacity that we have in the laminate business was about 15.62 million sheets. And over the last 18 months, this has increased by almost 57% to now 24.52 million sheets, which is by acquiring and turning around a plant in Gujarat, which is in Prantij, which has a capacity now of 5.4 million sheets and in Naidupeta, Andhra Pradesh, which has a capacity of 3.5 million sheets and boards. With the Naidupeta unit, you know, we also introduced our second large size of laminates, which is 6 by 14.

Earlier we had 6 by 12 in Nalagarh. Now we have added 6 by 14. This Naidupeta plant and Prantij plant, both are proximate to the port, one on the western side and one on the southern side of the country, which gives us a leverage in terms of quicker turnaround times and in terms of quick delivery and servicing the customers.

So just to give a brief of who we are and what we have done and where we started all this journey almost three decades back now. We laid the foundation of our first laminate unit in Behror,

Rajasthan in 1993. The laminate business has been spearheaded by Mr. Mittal sir over the last two and a half decades.

He has been involved deeply into the business with a professional team running the show here. We have, you know, from a two-manufacturing unit to now five units, one in Behror, Rajasthan, Nalagarh, Himachal Pradesh, Prantij, Gujarat, Tindivanam, Tamil Nadu and Naidupeta, Andhra Pradesh. The products that we manufactured in the wood panel industry, you know, from a substrate which is now plywood to laminates, Veneers, flooring, and doors.

Since we are a large exporter in the laminate business, the certifications that we have, the standards that we maintain in terms of our certifications, which goes to matching the European standards to the Asian standards, we have all our PEFC, FSC certifications in place and we can be as good as any international player on the laminate business.

So as a true leader in the business, we have the largest capacity of laminate as of now. We are the largest exporter of laminates for last 12 consecutive years and we are the only manufacturer of real wood floorings in the country and the first organised manufacture of engineered doors.

Again, a first in the industry that we have been funded by International Finance Corporation for our project in Naidupeta, Andhra Pradesh. That's one of the first things that has happened in the wood panel industry. We have a very eminent board which has been very engaging, highly value additive.

We have added members in the Board led by Mr. Shiv Prakash Mittal sir, who is the Non-Executive Chairman, Mr. Saurabh Mittal sir, Parul ma'am, Sandip Das ji, Matangi ma'am, Yogesh Kapur ji, Rahul sir and then Mr. Jalaj Dani sir. So all these Board Members are actively providing their inputs to the business as well. So, on a growth journey, if you look at it in the 1993, when we laid the foundation of our first Behror plant, then in 2005, you know, sorry, in 2002, we started the decorative veneer business.

In 2005, we started the first international subsidiary. Then in 2009, we set up the Nalagarh unit, the second laminate plant of the group or the business. Then we have set up the subsidiaries in UK in 2012.

Then the major event happened, which is the demerger in 2014, October 2014, precisely nine years from today's date. Then in 2019, you know, we have added the another, we have acquired another company in Switzerland and we have incorporated Greenlam South, under which we are doing the large capex plans as of now.

Then we have acquired HG Industries Limited, which is having the plywood unit and is actually on the verge of getting merged with Greenlam Industries. And then we issued our first listed NCDs in 2022 and acquired Prantij plant and successfully turned it around as well. Also, we raised equity in 2022 to the extent of 195 crores.

And then in 2023, we have commenced the production for the plywood as well as the laminate unit. So this is the journey that we have gone through in the last three decades, which is again, you know, setting up this show for the future to come.

A glimpse of our major brands here, led by Greenlam Laminates.

Under the laminate brands, we have Greenlam Laminates and NewMika. Then we have a Greenlam Clads brand for the interior and exterior clads. And then the Sturdo brands, which does the restroom cubicles and the locker solution.

On the wood business side, you know, we have Decowood Veneers, again, a flagship brand for natural engineered antique veneers. Then you have Mikasa, which handles the door, floor, as well as the recently launched Mikasa ply brand as well.

Coming to the products, you know, I'll take you through the individual products that we have and how these products are relevant and have created the business.

The flagship business or the majority of the business that comes from is the laminate business. Laminate, as we all commonly use in all our day-to-day furniture's and, you know, our interior works is, you know, comes in various thickness, sizes, finishes, textures, and, you know, right from three feet by seven feet to a six foot by 14-foot sizes that has been recently added.

You know, over 10,000 SKUs that we do, which can, you know, which comes into various finishes, which is your matte, suede, gloss, super gloss and your thicknesses, which can range from 0.6, 0.7 mm to as high as 25 to 30 mm as well, which is used for manufacturing, you know, your cubicles, your restrooms, your locker solutions. It has various applications in your day to day, you know, interiors, you can use it in furniture, you can use it for your facade claddings.

You can use it for your interior panelling and practically all your surfacing solutions, laminate has an answer to it.

Coming to the clads, which is your interior and exterior clads, this is one of the most sustainable products and an alternative used for your facade cladding, a highly appreciated category creation in the industry wherein, your exterior, your home exteriors can be beautifully facade with the, using the laminate. So these are more sustainable. These are anti-graphite, these are anti-dust pollution, UV rays protective, comes with a large warranty from our side. And clad has been, clad and the Sturdo business, which is your restroom cubicles, which is covered here, is a kind of a category creation itself. So these are being widely used in the international market and these are being adopted now in the domestic market and kind of opens up avenues for, you know, higher usage of an alternate usage of laminates in various forms and sizes.

On the restroom cubicle side, we have just now launched a latest collection and a refreshed, completely refreshed collection of our restroom cubicles. A couple of samples have been placed at the back. We would love you to see those samples and catalogues.

These restroom cubicles have been designed by the eminent British designers and comes in different shapes and, you know, from application perspective. Also, these, along with these restroom cubicles, we do provide shower panels. We do provide stand-in benches, stand-on platforms, benches, vanities, etcetera, which can now be made using our compact laminates. So that can be one of the larger usage, again, a category creation there where you can make higher usage of laminates across the industry.

Coming to melamine-faced chipboard, right now we don't have the motherboard production facility that is under construction with the particle board coming up in the Naidupeta. Right now, we only do a lamination on the chipboard. We buy a chipboard and do a lamination and set it as a complementary product to an OEM segment.

And melamine-faced chipboard is one of the largest used product in the furniture industry, in the office fabrication, in any of your ready-made furniture's, all your office interiors, your kitchen works, your furniture's can use melamine-faced chipboard, which is pre-laminated particle board also, as we call, and being extensively used now.

Coming to the wood category, you know, again, veneers led by decorative Decowood veneer brand is again the largest in the industry that we have. Decowood veneers comes under three subcategories, which are natural veneers, engineered and teak. Again, an alternative to laminates, you know, which is an expensive, this is natural wood, which is applied on your furniture, all your premium housing, premium offices, your premium areas where decorative veneers can be used as a furnishing or a surface product.

On the engineered wood flooring, again, we are the only manufacturers of engineered wood flooring in the country wherein we use the entire, the top layer of the product is the veneer. The bottom layer is made out of the pine wood. It's a real wood flooring that is an alternative to the flooring requirements. Keep your floors cool, gives you a very aesthetic, look of the floors. And this is one of the premium, you know, used in the premium housing and the premium condominiums, the flooring segment here.

Coming to the engineered wooden doors and frames, again, we are the only organized manufacturer of this category in the country where we manufacture doors which are used in hospitality, used in education, used for your any public areas, your interiors, your house doors, etcetera. So we have a, you know, unlike a traditional doors which are made on the site, we are doing it an offsite where we manufacture the entire door at the factory. We're using CNC machines and these are made to order sizes and that can be installed at the projects.

So, these are largely B2B business wherein, you know, these are not retail where we are present and where five or a 10-door order can be taken. But these are large project businesses where we take larger size orders.

Coming to the recently launched product, which is plywood, you know, this this facility is based in Tindivanam, Tamil Nadu, the single largest location manufacturing of plywood's with a capacity of 18.9 million sheets. This comes in various size again and thicknesses and can be, you know, again, a substrate product which is giving us a migration from a surfacing solution company to a substrate company now.

So, with this and with the particle board getting added in the next year, we will be integrated player wherein, you know, we provide a substrate solutions as well as the surface solutions also. So, on the plywood, again, this has been the quality has been very well received. We manufacture 100% calibrated plywood. And again, you know, plywood is a very, very widely used material in the wood panel space.

So coming to the green credentials again, as I said, that we being the largest exporter of laminates in the country and we export to length and breadth geographies across the world, our certifications do match any level of international players. We're in either it's a European standards or an American standards. And, you know, a couple of certifications like I, you know, we are certified.

Our products are largely certified for IGBC green building. We have Green Guard Gold and again, Green Guard certification, so on and so and so forth. So, these certifications make the product comparable to any of the international players that you have.

Now, again, one of the important slides there wherein you will find the capacities consolidated. We have five manufacturing units right from north, which is in Nalagarh, northwest, which is Behror, Rajasthan. Then on the west, which is Gujarat and then southern, there are two factories, one is in Tindivanam for plywood and then one in Naidupeta for laminates and particle boards.

Out of this, four of the factories or four of the plants produce laminates except for Tindivanam. All of them has laminate production facilities. We have the largest capacity in the country for laminates, which is 24.5 million sheets per annum.

Again, for the decorative veneers , and floors and doors, the capacities are 4.2 million square meters for veneers , 1 million square meters for floors and 1,20,000 doors per annum and door floor and Veneers are in Behror only, which is in Rajasthan plant. Rest of plants are largely laminates and one is in Tindivanam for plywood.

So particle board plant that we have announced shall come up by quarter four of this financial year. This is again based out of Naidupeta. We have a corporate office in Delhi and we have two experience centers that we have created, one in the one in Kolkata, which is the eastern part of the country and one in Ahmedabad. So these experience centers kind of displays all the products and the applications that we have and gives a customer one roof, you know, display of all the interior requirements that he would have.

And so, this is all this infrastructure is supported by nine regional distribution centers, which are strategically located across the country and our staff or rather our employees, which are there almost in 200 odd cities present on ground, which are working in terms of generating the business. And this is largely supported by the overall employee strength, which is roughly about 6,500 plus as of 30th September.

So, pictures of our manufacturing units. The first one in Behror on top of left, the right one is Nalagarh, Himachal Pradesh. The last, the left on the bottom row is Prantij, Gujarat. The middle on the bottom row is Tindivanam, Tamil Nadu. And the right one on the bottom row is the Naidupeta plant.

Coming to the global footprint, you know, as we are widely present in Indian length and breadth, we are equally widely present in the international market as well. We have eight operating subsidiaries, you know, and 15 regional offices that we have almost 130 people working on ground for us across geographies and exporting, which are helping us in exporting the products to more than 100 countries across the globe. So, as you can see, right from America to Africa,

to South America, to Middle East, Europe, UK, Asia, we are widely present across geographies and the material is either sold or redistributed across.

And all these sales happen predominantly in our own brand. We don't do large part of white labelling. So mostly we have built those distributions, globally as well, wherein we are selling under Greenlam's brand and people know the brand, the product is established. The market opportunity is pretty large. That way, you know, as exports have been almost 50% of our laminate business over the last so many years, I think that market also remains very important and strategically important for us, for our growth.

Just to give you a summary on the market sizing, you know what we estimate again, no numbers here in terms of any reports and all, but largely from our own estimates, we say that the domestic market of laminate is roughly INR12,000 odd crores with INR3000 crores exports happening from India and INR9000 crores is the domestic consumption. Out of this INR9000 again, we kind of we believe that INR3000 is the unorganized segment and INR6000 is the organized segment to which we are a part of. In terms of the market share, if you look at it, 15% is largely the share in the domestic organized market and 25% is the exports from India happening. So we are largely the largest exporter and holding almost 25%, 30% of the market share for the exports happening from India.

I think more than this is the opportunity which is on the international scale. Internationally, we estimate that the laminate market is roughly \$8 billion that is poised to grow to roughly \$10 billion to \$11 billion as we move ahead. And that market presents a large opportunity wherein we have invested in for last so many years in terms of building the infrastructure that can so that that leverage can be taken in order to exploit those markets, make a reach more deep, deeper and kind of address or kind of, you know, make more meaningful inroads in each of those markets as we grow.

So roughly what we export as of now is \$115 million is the international revenue that we derive from the laminate international markets. So, these figures are mostly on the March side, as of 31st March, we will update it as on September.

So last five years, summary of the financial numbers, you know, how we have grown consistently over the years since '19 to '23, except for the COVID year where the degrowth was, which I believe was there for across the industry.

But apart from that, if you look at it, the margins have been quite stable, except for I think 2022 where we saw a dip on account of raw material fluctuations that we had quite a significant raw material fluctuation. And if you look at the ROCE, again, these ROCE have been computed without taking into account the capital that is deployed for the projects that we have undertaken in the last 18, 19 months. So, except for that project, project capital employed, the ROCE has been pretty healthy across 17%, 18% band and return on equity also.

We raised equity last year in FY '22-'23, and hence you find that the base is higher in terms of the equity. And hence, you know, the ROE numbers looks to be a little subdued as of now. But as this capital gets on to, you know, we sweat this capital more by way of manufacturing, we

believe that, you know, our numbers and the ratios are can significantly improve from this from here on.

So, coming to the fact that, you know, what whatever we have invested or we are investing, you know, how the prospects look like and what is the address or the market that we're looking at. Just to give you a glimpse that, you know, we have been a surface solution provider. We are now looking to become an integrated player in the wood panel industry where we provide the substrate as well.

So, plywood is already there. Particle board shall come in sometime. So with this, you know, the building blocks of the wood panel, which is your plywood, MDF, particle board, laminates, so all these, you know, categories where the entire wood panel industry stands. We want to be a meaningful player in terms of the substrate as well as the surface solutions and become a, you know, a mark of respect and a mark of recall where Greenlam becomes the flagship recall brand across segments and across categories that we operate at.

So again, from a domestic addressable market, you know, earlier, if you look at it, our opportunity was only laminates and veneers, roughly INR14,000 odd crores kind of addressable market, which now, by the addition of plywood, now stands at roughly about INR44,000 crores. Plywood, we believe, continues to be the largest market size as of now, while the MDF and particle board is also growing.

But I think plywood, since being an age-old product, has been the category leader till now. But as we see more involvement of online furniture's or more organized carpentry goes on, you would see that, the share of the other substrate product will also rise. And with the experience in the decorative space that we have, I think we are very well poised to take on this opportunity and grow as we move ahead.

And when the particle board also comes on stream, I think the addressable market will be roughly about INR49,000 crores, INR50,000 crores, which was roughly INR14,000 crores. So now you can look at the kind of opportunity we are looking at it and the kind of the depth in the business that we have. And to the ability to address these market opportunities in a meaningful manner that will help the company to grow forward.

So, what we are doing with our earnings, I mean, where the earnings are deployed, how we are looking at it? So, if you remember, in December '21, we undertook one of the largest investment cycle of our history with almost INR1,200 crores of capex being deployed, which will kind of double up the gross block that we have as of now. And these investments are poised to really provide a future of the growth in the space that we operate.

So that's the largest investment that we have done as of now, which will broad base our revenues, move from the laminates, move from the surface to the particle board to plywood, which is the substrate products, extending beyond two locations now to five and entered the Western India and the Southern India also.

And these manufacturing units is being strategically located across country helps you to kind of service the entire nation across geographies and not even the domestic space, but also on the



international front where the proximity to port will help you in terms of servicing the customers and do the catch up on the international market opportunity that you have.

So, why we are optimistic and what makes us so confident about these investment, these cycle, these large growth phase that we have? It is largely, the India story seems to be poised for a multi-year expansion. We believe that this is going to go for a while. The manufacturing across segments, across has just started. We've seen capex cycles across. I think this will drive some sort of demand there.

Again, the demand for residential and the commercial space has risen with the residences, houses or the commercial applications, which is your hospitality, education, IT, healthcare, etcetera. So we are seeing a surge, the real estate that way. Post-GST, I think there's a move towards the more the organized sector.

People are moving or liking the brands or more in the organized sector. There are higher compliances issues which are making life difficult for the unorganized segment. And that creates -- largely creates a way for the organized companies to grow higher.

Particle board sector is kind of an inflection point, we believe. We saw what happened to MDF about a decade back when MDF was started. We believe that with the online, furniture market, more organized carpentry, more mechanized carpentry happening. I think even the particle board is at the same, similar kind of inflection point and will grow as the category expands, meaningful player comes in and the offering becomes more qualitative rather than being quantitative as of now.

So Indian consumers are also recognizing brands and are willing to pay price for a quality product. They recognize, they understand that branded players, large players offer quality and price points can be a secondary matter for them. And they also want that there should be a single shop where you can have all the products which are made available. So that kind of things helps you in terms of leveraging your product portfolios. Yes, so that's on the domestic front that we have.

On the international markets, again, international opportunity is very, very large. We have been present in the international markets since 2005. We had made meaningful infrastructure, people and play there. And that kind of leverages us in terms of making a meaningful revenue from the international markets. As you see, almost 50% of the laminate comes from international market, laminate business. And that market is something which is very wide in terms of their size.

However, that opportunity is yet to be caught up in for us, for players like us, where we exploit those markets more, make our reach more efficient, more deepened and kind of expand geographies and all. And also India, as a manufacturing hub has been recognized as a large laminate exporter -- quality laminate exporter, wherein Indian players are more respected. They are predominantly the first recall or an option which the international players or substitute for the international markets.

Then cost of production in the international market is unfair. They are finding it difficult to sustain. We have seen a lot of geopolitical issues around. We've seen inflationary issues in the

large economies, which makes a dent on the local manufacturing. Again, giving a flip to players like us to make more meaningful inroads.

Larger size of laminate that we have introduced, again, that's a category we have been unable to service earlier. But now with that 6x14 size and a combination therein, I think we are poised to reach out to a large segment of customers which were missing earlier. And with the two plants located, one in west, close to the western ports and one in the southern ports, the Naidupeta is very close, about 70 kilometers, 100 kilometers from Chennai or from Kattupalli ports and all. That makes your lead time very, very short in a quicker turnaround time, faster servicing and the easy access to the to shipping out your products across.

And also, as I've already said as well, we are equally well certified in terms of the quality and the certifications as any other European or an American player would be.

So on the investment side, again, what Greenlam has achieved in the last eight years since the demerger, we're kind of looking to replicate that in a much shorter time now. We've charted out a five-year growth strategy in 2021. We are on that stream and kind of achieving that in time.

We'll position ourselves as an integrated, a surface and a solution provider. And I think the brand that comes in will be a much more respected brand that that will come out of premium in the markets. So, where we were present were only laminates, floors and the veneers. Now, with the investments, we would have particle board and the plywood also coming up. So, plywood has already started. Particle board will again be there by the next year.

So, coming on to the business update on the laminate front, the Prantij plant that we acquired in June 2022 with a capacity of 3.4 million sheets was upgraded to 5.4 million sheets in May 2023. That plant has been turned around in a record time and now operating almost at 100% capacity utilization. Again, this plant being near to the western port also opens up our opportunities for exports from that plant.

This has strengthened, the company's ability to service products and segments which were not there earlier. So, we were not on the commodity side. So, we can have a large, meaningful play on the commodity side as well. However, having said that, this plant not only manufactures commodity laminates, but also on the mid and the premium side also.

So practically, we are not differentiating amongst our plants that what is being manufactured at what place gradually and over the time all these plants kind of manufacture as per the need of the hour and as per the product that is required.

On the plywood, again, which is in Tindivanam, Tamil Nadu, this is the single largest location plywood unit with a capacity of almost 18.9 million sheets, sorry, 18.9 million square meters per annum. My apologies. This is commenced operation in June 2023 now. And the brand name under which the plywood has been launched is Mikasaply.

We again in the mid to the premium segment, you can all see the plywood samples outside and the back of the hall. So again, this this belt again, this plant again is being near to the agroforestry belt. So, since plywood requires a lot of wood or agroforestry wood that is being serviced from

your Tamil Nadu, Andhra and Karnataka belt where you get the agroforestry wood and then convert that to a plywood. So that kind of helps us in achieving the raw material mileage also. This this plant is closer to those belts and all.

And the southern market is the largest market for any product, we believe, in the wood panel space, including plywood. Even for laminate also the largest market for us is the southern market only. And we believe it is one of the more-faster adopting market for mechanized furnishing, furniture market for more organized carpentry, which helps you in terms of position yourself as a meaningful player in those markets.

Just one thing to note that the plywood that we produce is 100% calibrated, which is a must and an essential and which gives you a better surface finish, which is a very -- must for any kind of mechanized manufacturing that you do. And this the product has been very well received by the channel partners. That's the feedback from our and I think we would love to hear any channel checks from your end as well.

On the laminate side, the -- so this is the fourth laminate plant that we have added in Naidupeta, which has a capacity of 3.5 million sheets and boards. Why we say boards? Because we are making a larger size laminates also here, which is 6x14. And this the investment that was done at the time of the commercial production was INR238-odd crores. With this manufacturing facility coming up again near to port, helping us in servicing the customer, higher churn of inventory, faster, lower lead times, both in imports as well as exports and a quicker inventory churn.

So, we believe that this will play a very vital role in, again, expanding the international footprints and servicing the international market as well as servicing the domestic markets from this plant. So, we have now from the north plant, we can strategically look at service the northern part. The southern plant can help in servicing the southern, western being the -- from the Prantij. So, I think it's a healthy mix in terms of the manufacturing presence that we have.

One more thing to note here is that, both Prantij plant and Naidupeta plant has been built with a vision to keep in mind that both these units can take multiple rounds of brownfield expansion. We have additional space in both of these units. As you're aware that both Nalagarh and Behror, we right now cannot do any further expansions because of space constraints. Howsoever said so. The Naidupeta and the Prantij plants has space which can undertake multiple rounds of brownfield expansion as we move ahead. And the capital outlay that will be required will be very low in terms of your capex plans, which will help you in eventually, looking at better returns in the longer run.

As we have seen in Nalagarh, we started with three press. We now have six press. We've done a brownfield expansion in that unit. Similarly, we can do in Naidupeta also and in Prantij also. So that way, the future needs of the laminate capacity has been taken care of. And with the minimal capital outlay, we can add capacities in a quicker time which can help us in expanding more.

So, on the particle board side, this plant is right now under construction. Right now, we have a melamine phase chipboard unit in Behror, wherein we only do lamination, as I said earlier. But with the motherboard production facility coming up in Andhra Pradesh, we will be able to leverage and provide a higher value proposition to the consumers, especially the OEM segment, the organized carpentry and the mechanized furniture fabricators, wherein largely, are the ranges that we can offer. The color, the decors being a large laminate player will be significantly value additive.

And we hope and we are very confident that with this investment, we'll be able to leverage the particle board as a product category. The capacity that we are putting up is roughly 2,31,000 CBM per year. And this will be a state-of-the-art European technology that way and a continuous press line that will put up in Naidupeta, which can be an equivalent to any international particle board player that you might see.

So again, particle board being an agroforestry product is made out of agroforestry wood. This plant, again, being based in Andhra Pradesh is closer to the agroforestry belt of Andhra, Tamil Nadu and Karnataka, which helps you in kind of leveraging the raw material from these belts, which is very important as the wood is the major consumed RM in the particle board. Further, we would also, looking at taking plantation activities in the nearby region, which can help generate sustainable RM sourcing as we move ahead.

So, coming to the demand drivers, these are largely where the change in the urbanization that is happening, the rapid modernization, demographic dividend that is there. We believe these demand drivers, kind of takes you forward in terms of generating the demand for housing, which in turn turns around demand for the products of our category and the commercial spaces as well. Higher demand in construction and hospitality, education, health care, IT offices, so these all are related areas where in the products, our products, including, laminates, veneers, floor, door, particle board or plywood can be effectively used.

Again, government is also looking to push some furniture parks in the southern state, which can be impetuous to leverage more on the wood panel industry. And again, as a significant export opportunities in export market is a fairly large market where it is yet to be exploited. And you have larger, meaningful roads to be made in those areas

So, in the in the end, I think what we started in 2021 is guiding us to move ahead. And we have embarked on a journey which we called as Next Orbit, which will make us larger in terms of our product offerings, in terms of our portfolio, more profitable, more sustainable growth for more decades to come. And that's where the foundation of Greenlam, which was laid three decades ago and which is being reinvented now to give you a meaningful growth for the future.

So, I think with this, we start with the financial numbers. And I'll hand over to Ashok sir, to take you through the financial numbers.

**Ashok Sharma:**

Thank you so much Samarth. Good evening, friends. I'll take you through the financial statement for the quarter and for the half year.

So in this quarter, for the first time, we have crossed the INR600 crores of sales in a quarter. On a year-on-year basis, our revenue has increased by 16.5% on a quarter-on-quarter basis, it is increased by around 17%.

On a half year basis, the growth was 13%. And it stood at INR 1118 crores.

On a EBITDA front, we could able to grow our EBITDA by around 41% on year-on-year basis and by 17% on quarter-on-quarter basis. On a half yearly basis, EBITDA grew by around 35%.

Our PAT was higher by around 35% on year-on-year and around 22% on quarter-on-quarter basis. On a half yearly basis, PAT has grown by 33%.

A glimpse about the balance sheet, which is borrowing has gone up since we are investing into the new project.

So, I'll move on to the segment, laminate and allied segment, which is our biggest segment. Here our revenue was gone up by 13% on year-on-year basis and 12.5% on quarter-on-quarter basis. And on a half yearly basis, it has gone up by 11%.

Gross margin was up by 730 basis points on year-on-year. And it is down by 40 basis points on quarter-on-quarter.

EBITDA for the quarter stood at INR87 crores, which is around 52% higher than the last quarter, last year, same quarter. And on quarter-on-quarter, it is up by 25%. EBITDA margin stood at 16.4% in this quarter, as compared to 12.1% in quarter two last year, a growth of 430 basis points. And on a quarter-on-quarter basis, it has grown up by 160 basis points.

Capital employed in this quarter has gone up to INR778 crores since our Naidupeta Laminate Plant has come on the stream on 29th of September. So, there is only two days of commercial production, which is started. So, there is no sales or revenue or profit which has been added in this. But the capital employed has gone up.

This is in terms of quantitative details. So, we are at 94% of capacity utilization. Our production was around five million sheets, which is highest so far. So, this capacity utilization in this, since the Naidupeta unit has come for the two days only. So, we have a capacity utilization we have calculated without that. And sales for the quarter was 4.93 million at an average utilization of 1,034 in comparison to 1,059 last year, same quarter. In comparison to quarter one, the average relation has gone down by around 4.8%.

I'll move on to another segment, veneer and allied segment, which consists of decorative veneer, Mikasa doors and Mikasa floors. In this, the net revenue stood at INR57 crores, a growth of 23% over last year, same quarter, and around 35% on a quarter-on-quarter basis. On a half yearly basis, the growth is to that 15%.

The gross margin has also gone up from 37.4% last year, same quarter to around 43%, and in comparison, to quarter one, it stood at nearly at the similar level.

EBITDA loss has come down to INR1.4 crores in comparison to INR3.2 crores last year, same

quarter, and from INR1.6 crores in the quarter one. At the half yearly level also, the loss has come down to INR2.9 crores as compared to INR5.6 crores last year.

Capital employed has also come down from INR193 crores last year to INR180 crores this year.

This is in terms of decorative veneers, quantitative details where in the production has gone up by around 5.9% in comparison to last year and 58% in comparison to quarter one. Sales for the quarter was point 3.9 million square meter, which is similar to last year. However, from the quarter one, it has gone up by around 43%.

Moving on to the newest segment, plywood and allied segment, which practically this was the first quarter in which the full production was available. So, we are in the process of ramping up the production as well as the revenue in this segment. For this quarter, our revenue was INR15 crores. And practically this is the revenue for the H1.

Gross margin was around 40%, 41%. And there was EBITDA loss of INR10 crores since this was the first quarter. So, the initial expense of sales promotion, as well as the entire segment has to ramp up in terms of that.

Capital employed in this segment is one INR 175 crores. And the capacity utilization for this quarter was 16%, with an average realization of around INR 239 per square meter.

In terms of operating parameter, which is networking capital, this quarter, our networking capital days was 60 days, in comparison to 69 days in the quarter to last year and 72 days in the quarter one of this year. On a half yearly basis, our networking capital days has come down from 72 days to 64 days. So, with this, even in the increase of revenue, we are able to manage our working capital with the lesser amount of nearly at the similar level of working capital.

In terms of debt position, which has gone up significantly in comparison to last H1, from INR75 crores net debt to around INR670 crores net debt. But this is predominantly on account of, primarily on account of investment, which we are doing into the newer project.

Return ratio in terms of ROCE and ROE. The capital employed, which you can see 1380, which is minus the Naidupeta Particle Board unit.

We have added the plywood capital employed, as well as the capital employed on account of Naidupeta laminate also unit into this. With this, the ROCE comes to 18% for this quarter, as compared to 16% last quarter. And for the half year, it is 16.4%, as compared to 15.3% last year. Return on equity is stood at 15% on the expanded capital after we reached the capital in the last year, INR195 crores.

This is what all from the financial side, from our side. Now, I would like to open the house for the Q&A. Thank you.

**Manasi Bodas:**

Thank you, sir. Now, we will start question and answer session. Anyone willing to ask a question, can please raise their hand and mention the name and their company name before asking the question.

**Mihir:** Hi, I'm here from Mihir from Ambit Asset Management. So, my first question is, we've seen some upper end in capex costs in almost all your projects, all your three projects, which we've seen anywhere from the tune from 20% to 30%. So what's driven that? And how do you look at incremental return on capital employed on your incremental gross block because of that? So has the capacity and your revenue projections still remain the same or how do you look at it?

**Saurabh Mittal:** So I'll take that question. So one is on the if you see, if you go one by one in laminates project, we are, we are right now at about 94% utilization without the Andhra Pradesh factory, which just started end of September. And if you add the Andhra Pradesh capacity, we are hoping that in the next six to nine months will again come to a 95%, slightly shy of 100% utilization. So we are building additional space at the Naidupeta plant in terms of physical space and also building additional utilities or higher capacity of utilities like the resin plant, boilers, you know, storage space.

So, our guess is maybe in not so far future, we'll have to add some more capacity of laminates. So, we're kind of getting ready, in a way for that. So that's added to the incremental capital expenditure. So, when we put the next line of presses or next lines of presses in the Andhra Pradesh plant, the incremental capex will be, not so high, will be a smaller capex. We have demonstrated that in the past also in both Behror factory, Rajasthan and Himachal. So that's on the laminate story.

On the particle boards, we had started with the lamination line and the main production line of particle boards. We've added certain features in particle boards with different kind of densities, some different dimensions of particle boards, doing some value-added categories in particle boards, which have been very successful in Europe, which is with texture products with larger widths. So that's added to some additional capital expenditure in particle boards. And there too, we have space in Andhra Pradesh plant to add one more board line and one more lamination line.

So, I think it's a mix of capability building, some capacities getting altered and certain other infrastructure costs getting added, like earlier we had planned for a 33 KVA line. Now we're going for 132 KVA line. So, some infrastructure is being expanded. Considering the positive future, we think about the business and the plant.

If you go for the plywood factory again, there has been some capability building in terms of some process in improving the quality of plywood. When you cut the plywood, all the layers of veneer will look in a uniform color. You can probably see that, which today no other branded player has in the market. And there is some more additional infrastructure being built in terms of housing, etcetera, in the plant location. As far as the revenue potential, the justification of return ratios, we don't think that's going to get altered in any manner.

**Mihir:** I just ask in an alternate manner. So your particle board capex has kind of gone up. Would you still envisage 1X asset turns on your incremental capex, or would it still be only a INR600 crores incremental revenue? Because you said that you added, value added product. So, is there a revision in that guidance?

- Saurabh Mittal:** So particle boards with the capacity we're installing and the value mix of value mix, you know, the return in terms of getting the right percentage of the value mix products might take some time. But with the kind of capacity, we are putting in, we can expect on a near full capacity, INR700 to INR750 crores of revenue because particle boards, about 80% to 90% particle boards is sold as laminated boards and not as bare boards. So, I think, I hope that answers your question.
- Keshav Lahoti:** Hello. Sir, congratulation on great set of numbers. Just to follow up on the last question. So what sort of return ratios, you're looking at now particle board, whether the margin, which you are saying would be like 20%, 25%. Will it also increase because of change in dimension? And third year would be the right way to look at the ramp up plant of particle board?
- Saurabh Mittal:** So 20%, 25% EBITDA margin, we think is sustainable if the value mix contribution expands, it can inch up also. And third year should be a fair expectation for the board line to ramp up. I think, that's a fair expectation.
- Keshav Lahoti:** Okay, so what is your sense on the import of particle board? How big it is?
- Saurabh Mittal:** I don't have that data with me. Ashok, if you have that data with you...
- Ashok Sharma:** So, the last what we have seen, what it was in the range of around INR300 crores odd for the period. Exactly, we need to see the where the situation keep changing. One thing which you need to understand in this, in the particle board, most of the import what happens -- is happen for the bare board, in terms of the board, which is most of like a commodity and like.
- And our intention is to sell more and more the prelam board than the bare board in terms of that, where the competition is not from the imported. It is in terms of you need to you need to improve. You need to penetrate. We need to penetrate in terms of deeper into the consumer segment kind of a thing in terms of that. So it is not a like to like comparison because anybody who will import the particle board, ultimately this need to be prelaminated and get sold or consumed into the market.
- Keshav Lahoti:** Got it. Good to hear that, the Prantij plant is operating at optimum utilization. So earlier you have guided that the margin from this plant would be less versus your normal margin. But in your number, we can't see any impact. So, whether the plant is performing better than your expectation?
- Saurabh Mittal:** You could say that partially that we've done better than we communicated, but that doesn't happen always. So, and also certain product mix has also got altered in that time. We also enhance the capacity, as you are aware. So even production has, went up with that.
- Keshav Lahoti:** Okay, understood. Thank you. Lastly, I forgot to say my name. I'm Keshav Lahoti from HDFC Securities.
- Analyst:** Sir, why the particle board plant is coming in south? Why not in other location? Because you rightly said that there is a lot of import of the motherboard, the chipboard, if we call it, at the south ports. And so why is that? And secondly, on the plantation? So first answer this thing. On



the plantation side, like you mentioned that, you will be doing the plantations as well, taking over bit.

**Saurabh Mittal:**

So, we try to explain this in the next orbit presentation. So multiple reasons why the plants first coming up in South India. So eventually to serve the entire country, one plant may not be enough at some point, but initially is coming up in South India. Of the first plant is coming South India, considering several factors.

Availability of raw material being, one of the most important factors. So Andhra Pradesh, Tamil Nadu and Karnataka have meaningful agroforestry plantations, which can be used for particle board production. Particle boards can also be produced out of waste wood, firewood, chips of various wood species. You don't need only one species to produce a particle board.

Unlike maybe an MDF, you can mix wood and you can use that. So there is some availability of raw material is there. South India constitutes about 45% to 50% market consumption of particle boards, considering the number of furniture plants, making office workstations, cabinets for the IT offices, shop without furniture, plants, kitchens.

So, there's a good consumption or maximum consumption is in that region. So raw material availability and consumption of boards, these were the two large factors. Besides the fact that we wanted to put up a plant where from one location you can do compact laminates, you can do laminates and you can do pre-lam particle boards.

So most large projects of offices or even this convention centre, people want compact laminates or bathroom partition. They want laminates for paneling like you see this here. And they need a same color matching of the office workstation. So, the idea was to also combine a location, where we could do all. So, considering raw material proximity to port, export potential, South India market, South being the largest market for laminates and for particle boards, that's how we kind of chose South India location.

Export potential. Export for laminates, because and even chipboard, it depends in certain countries, which don't have motherboard manufacturing because countries in Middle East, Africa, where there is no wood available, they end up importing the particle boards from Europe or from Southeast Asia. And we already export laminates to those markets. So, there could be a potential of chipboard exports at some point.

**Analyst:**

Can we match Wenge, which is, can we match the, you know, Wenge numbers on?

**Saurabh Mittal:**

So our model will be really more laminated particle board and not plain boards. And we already have partners in those markets selling our laminates. So many partners in this region use our laminates and compacts and they're importing pre-lam particle boards or pre-lam MDF from European companies. So it'll be a laminated model, not a plain board model.

**Analyst:**

And going forward, are we thinking to integrate ourselves with some kind of an OEM like Merino is doing with IKEA? In that maybe, just to start with the cut boards, not the full furniture. Would we be thinking on that side as well?

- Saurabh Mittal:** So initial plan will be to sell laminated boards to furniture makers or to OEMs. We're not looking at integrating with them as yet, but we would be shipping them pre-lam particle boards. At some point, you can do components of particle boards, which could be cut workstations with edge banding, etcetera, which we are aware of, but at the moment, that's not our plan.
- Analyst:** At the moment, it is not the plan?
- Saurabh Mittal:** Not, in the immediate future.
- Analyst:** So just the domestic market will be focusing on?
- Saurabh Mittal:** Domestic market, pre-laminated particle boards, value added particle boards will be the focus for us.
- Analyst:** And the gross margins in the EBITDA in that particle board, sir?
- Saurabh Mittal:** So, we said 20%- 25% is the mathematics which is coming out now in terms of EBITDA margins. Gross margins also will be in the range of what we are achieving now in the band of 50%, 45%, 48%, 50%, which will keep fluctuating based on the raw material costs and, , prices, etcetera.
- Analyst:** Is the plant coming at the right time?
- Saurabh Mittal:** Well, I think there's never a right time for the plant. We need India has no meaningful producer of particle boards. One of our competitors is also setting up a plant. And we also believe because of lack of good quality boards in particle boards, because of lack of a proper company promoting pre-laminated particle boards has given market share of pre-laminated MDF because there's no good boards available in particle boards. So, considering the long-term opportunity, our presence in the segment is really some timing. You can't time these things, so we think, it's Okay.
- Analyst:** And the Century number, if I look at the pre-laminated particle board, the current quarters are showing a 7%, 8% EBIT kind of a margin. So the margins have been dropping. Maybe the quality of those particle boards are not that too good. So but then we are guiding for a 20% kind of a 20%, 25% range. So, what do we see? Because I understand the product category is at a very nascent stage. So, do we really see that kind of a because of the raw material, if I talk both in the north and south? Yes, there is some kind of a difference in the raw material and the mix.
- Saurabh Mittal:** I'm not sure, what Century's margins.
- Analyst:** I'm sure about that. So it is 7%, 8% particle board.
- Ashok Sharma:** Keep on fluctuating in terms of that. And that business is also not a small business for them also, as well as in comparison to us also. So I don't think, it will be an apple-to-apple comparison. And again, as we said that our intention to sell more and more prelam board in terms of that, and that comes with our expertise into the paper related business in terms of that.

So, this is not an apple-to-apple comparison. And again, on a quarter-on-quarter basis, margin may differ in terms of that. We what we believe on a longer-term basis, the margin which we have, which we have projected, we will be able to achieve that margin in terms of...

**Saurabh Mittal:** This also depends on the kind of plant one has. So I'm not so aware of what the margins were recently. But so ours is a continuous press, which with our understanding consumes less power, has better yield. The ability to produce various dimensions are higher, which means for the furniture maker, they can achieve better yields, lower wastage. This is a multilateral line and a Chinese line as far as whatever I know. But I could be wrong. That's the sense I have. So not completely comparable.

**Analyst:** Yours is a German line, right?

**Saurabh Mittal:** It's a European German line. That's right.

**Analyst:** Okay. And sir, coming to the raw material side, how is the south at the moment? So there are two things, right? So, in MDF versus the plyboard, so plywood would be of seven odd years of a cycle of a popular or eucalyptus versus an MDF four years to five years. And in particle board, is it two years, if I'm right?

**Saurabh Mittal:** So, plywood now, you can peel timber at even three year to five-year cycle. Usually, farmers don't wait for a seven-year cycle and you have newer spindle less peeling machines, which can peel lower girth logs or timber. As far as particle board is concerned, like I said earlier, particle board doesn't necessarily need only fresh timber. All the waste of wood, firewood, discarded fruit bearing trees which complete their life cycle. So, all kind of woods can be used. So, if you ask specifically for a number of years, so even two years is good enough for particle boards to get the raw material.

**Analyst:** And so, what about the Melia Dubia, which is that new thing which can catch up in India? Do you think so?

**Saurabh Mittal:** Melia Dubia is like a form of a pine species, which is low in density. So, yes, if it is available, it depends on the cost, and you can do it. In plywood, you can't use the complete Melia Dubia because the density and the weight reduce. In particle boards and MDF, you could do it. So it depends on the cost and the availability.

**Analyst:** That's it from my side at the moment. I'll come back to you again, sir.

**Saurabh Mittal:** So he's saying centuries margins were 21%, 20% EBITDA. So I don't know, where you got your figure. Yes, particle board. You check it again. I was surprised. Maybe you mix with laminates and particle board, maybe. Just check this, please.

**Analyst:** So my question is, again, on the particle board side. So how are we looking to compete with the MDF side? Because MDF also we are hearing not many capacity coming on?

**Saurabh Mittal:** So like we were saying earlier, particle boards, about 80% to 90% particle boards are sold as pre-laminated particle boards. You don't sell bare boards. So particle board consumption or value

of market in India is about INR5,000 crores. The major usage of particle boards is office furniture, trolleys, TV trolleys, study desks, panel inserts.

A lot of government segment uses particle board, school furniture, shop fit outs. So particle board has a space in itself. So we'll probably take market share from unorganized companies, from imports. India still ends up importing a lot of furniture. Even workstations are being imported from Malaysia, Thailand, Vietnam because of lack of good quality boards, lack of furniture making in India. So that's one story of the particle boards.

Pre-lam particle board is about 25% to 30% lower priced than pre-lam MDF. So and for most of the interior application, where the product doesn't come in contact with water or high humidity, although you have a high humidity range also in particle boards. So, pre-lam particle boards or particle boards are good enough.

Yes, but the idea is not to de-sell MDF and sell particle boards. At the end, all the three panel products, plywood, MDF, particle boards have their own market share on specific areas where, consumers, fabricators, architects, designers want to use. So, if you want to create a direct comparison, we believe for most applications, pre-lam particle board will win versus pre-lam MDF.

- Analyst:** And sir, at what utilization we will be generating EBITDA margin of 20%-25%?
- Ashok Sharma:** This we said that this is the highest margin, which is at the optimum level of, let's say, above 90% percent.
- Analyst:** Initially in first two years, what kind of margins we are looking to achieve or utilization we are looking to achieve?
- Ashok Sharma:** So, the initial year, we have targeted 50% utilization. At that, it breaks even at the EBITDA level. And then going forward, as, and when we keep moving up, the EBITDA margin will keep increasing.
- Analyst:** And so, on the plywood side, right now we are EBITDA negative. So at what utilization we will be, let's say, PBT positive?
- Ashok Sharma:** At around 45%-50%, we become the EBITDA positive. So you can see that around 60%-65%, we will be at PBT positive.
- Saurabh Mittal:** But plywood, as you know, probably we're just focusing on South India right now. And we're also building a brand in the network as we talk right now. So initial costs are higher than...
- Analyst:** And so on the brownfield side, since, you know, we will be utilizing the incremental capacity in the next six to nine months. So what kind of capacity addition we will be looking at that point of time? And what would be the capex requirement?
- Saurabh Mittal:** So I'm assuming you're talking for laminates.
- Analyst:** Exactly.

**Saurabh Mittal:** So laminates, typically we add one line at each time, unless we have to add more lines. So each line, you can assume, will cost anything between 30-35 crores. One line of laminates, which would be press, impegator, plates, etc.

**Analyst:** And in terms of million sheets, how much it would...

**Management:** So it depends on sheets and boards and the realization. So what the data we give out is, we say sheets, oblique boards. So if the capacity is to produce boards, then the number of units will lower, but the value will be very similar.

**Analyst:** So how much more press line we can put over there? So in Andhra Pradesh, we have enough land. We can add, you know, we have right now three lines we've installed.

**Management:** So you can add anything between another three to five lines. In Gujarat factory also, we have enough land. We can add anything between three to five lines there also.

**Analyst:** Okay. And so lastly, on the export side, since we have added maybe new product category 6 by 14, so how much this will help to improve our export outlook in the coming years?

**Saurabh Mittal:** So, until now, we only had a dimension, a maximum dimension was 6 feet by 12 feet for certain applications and certain markets where people want full height cubicles. They don't want like an opening. So, they need 6 feet by 14 feet.

So, several markets where needed a full height cubicle or several customers who needed both the dimensions and they could only give one dimension. So, this will help in expanding that category. I can't put exact value on how much 6 by 14 we will end up selling right now. But clearly, I think this will open up several customers, and also add revenues to the customers we were exporting to.

**Ashok Sharma:** Just a word of a small correction that we don't intervene it's not that within six to nine months, the entire capacity of laminate will be 100% used in terms of that. We have added increased capacity in Prantij in the quarter one. And we have just now added these 3.5 million sheets/books, which is three presses in terms of that. It will take some time in terms of getting utilized. It's not going to be will be 100%. The 94% of the utilization, which we have shown is without the Naidupeta plant.

So it is going to take time in terms of that within six to nine months. It's not going to be utilized 100%. Probably we believe that in the next year we will be near to that utilization kind of thing. Am I correct?

**Analyst:** Yes. And on the debt part, lastly. So once the particle board, comes on stream and once it starts utilizing, so what will be the debt repayment schedule over the next two, three years since we have a net debt of INR690 crores as of now?

**Samarth Agarwal:** So, see, currently we have a debt of 670 crores as of the September, and we believe that by March it should peak out around 800, 850 crores, ballpark, plus minus something. And from

next year onwards, the repayment starts. So the repayments are also staggered and not built up, equated with every year that happens.

And I think at the peak level, it goes to about INR100 crores, INR120 crores for next starting, I think, 26 onwards,. For three years. And then it kind of tapers down as the large part of the portion of the debt repays off. So initially it will be INR100 crores to INR120 crores, 121 crores.

**Analyst:** FY25, FY26?

**Samarth Agarwal :** 26, 27.

**Analyst:** 26, 27. So what will be for FY25, FY26, the debt repayment schedule?

**Samarth Agarwal:** I'll check.

**Ashok Sharma:** And in the 50% of our debt is there for the longer duration, the debt, which is coming from the IFC, as well as from the from the debt for the equipment, that is for the duration of around 10 to 12 years of repayment. So next year is close to around 60 odd crores payment is there. 60 odd crores payment is there. As of now, we are servicing around 25 odd crores repayment every year. Next year, in the FY25, it goes to around 60 odd crores.

**Analyst:** Thank you so much, sir.

**Manasi Bodas:** I request participants to mention your name and company name before asking the question.

**Udit Desai:** Hi, sir. Udit Desai from YES Security. Sir firstly, you mentioned about the export opportunities in your presentation. Could you please classify what is the cost differential right now between you and the regional players in the countries that you are servicing?

**Saurabh Mittal:** So, if you would compare like-to-like us and the regional market leader or the brand leader, depending on the geography, I think we'll be lower by anything between 15% to 20%.

**Udit Desai:** Is this difference currently because of all the geopolitical or the cost difference will sustain over, you know, say five to seven years?

**Saurabh Mittal:** So, it's a function of several things. One is that the brands are stronger. They have local production, maybe better supply chain, better specification, more people on the ground. So, they will command better pricing, although gradually the gap is only reducing. So, I think that's one large reason on the pricing.

Second is many regional international companies, barring few, have become subscale because they've not added capacities over several years. And also it's about third gen, fourth gen running businesses not interested to run the business. PE investors have bought that companies who want to again go and sell in five to seven years. So, we believe many large international companies, which were large at one point, have kind of become static or stagnant and they have not added capacities.

The cost of putting a factory internationally has also gone up. The ability to get approvals of norms of pollution has also increased. In the laminate business, you need a certain amount of manpower despite optimum of optimal automation. So, the manpower costs have also gone up. So across multiple factors, the international companies or factories or plants haven't really expanded. And we think as we keep adding more resources, better inventory on ground through our own warehouses, through distribution partners, we're adding people to work with architects, IDs in several markets, the brands getting stronger and pricing powers improving.

**Udit Desai:** Right. And secondly, on your annual guidance, you had given a 25% growth guidance for this fiscal. Any changes to that?

**Saurabh Mittal:** We had said 20% to 25%. So, I think we should be somewhere in the vicinity as we see things now. Yes. So right now, we're at 13%. We are 13% now. So, I think we should be somewhere 20-plus minus.

**Udit Desai:** And same on margins for this fiscal, if any number on the blended?

**Saurabh Mittal:** CFO gives the margins; I don't give the margins.

**Ashok Sharma:** So, we have already indicated in the range of around 13%, 14%. I think we will be in that band kind of a thing.

**Udit Desai:** Thank you, sir. And all the best.

**Analyst:** They say in the wood segment that Mr. Ashok is the best CFO you've ever seen. And I won't risk my reputation again to challenge the Century like a number. So, I think you guys are bang on that. Their EBIT is around 20% or so. My apologies on that.

So coming to some laminate segment, see the global penetration on that surface of the laminate which goes on the surface is quite high compared to India. So do we see that INR9,000-odd crores domestic market going towards INR30,000-odd crores or maybe more in the next 10 years? Is that a possibility? Or can any other surface material can compete going forward?

**Saurabh Mittal:** So laminates is not only used on the surface. It's also used in partitions, as you saw in the presentation, bathroom partition, facade laminates. It's used in laboratory furniture tops, which also surface in a way used as partition products in operation theaters, hospitals. So the applications of laminates has expanded over the last few years. That's one.

Yes. In the future, the application of laminates or consumption can grow with people wanting to have better interiors, better aesthetics, better performance. If you see this room, it's more laminates and paints. Sorry, Jalaja. Two walls with laminates, all laminates, by the way. But in the bathroom is my competition. So, Yes. So, yes, it can expand.

Internationally, the surfaces is not only laminates. It's also pre-laminated particle board and pre-laminated MDF. So if you look at IKEA furniture, for example, maybe 70%, 80% is pre-laminated particle board and pre-laminated MDF where so where you put the paper on the board itself. So, the consumption of decorative paper or laminated surface is very high. But not all the

surfacing material is only laminates. It's laminates and pre-laminated particle boards or pre-laminated MDF.

- Analyst:** So can the pre-laminated particle board cannibalize our sales of laminates, is it possible?
- Saurabh Mittal:** So, our sense is both the segments will grow in some applications. You know, pre-laminated particle board is good enough. And in some applications, you want a laminate. So where you need more physical properties of, scratch resistance, cigarette burn, coffee stains, etc. etc. You use a HPL where you just want a basic workstation, which is happening today also. You just use a pre-laminated particle board.
- Analyst:** And so going towards the gross margin, your competitor Marino is northwards of 50%, 52% rather. And we are at 47%. And when can we again risk that?
- Saurabh Mittal:** My team has the numbers, I think. Gross margin wise, you don't go lam on lam numbers. My guess is we are very, very similar. We are certainly higher...
- Ashok Sharma:** So, for the lam, if you see us also, gross margin will be in the range of similar in the range of this, like in this quarter or half year. It's around 53% kind of a thing. It's difficult to get the Merino gross margins is there other products also. And they don't disclose the gross margin for the individual product.
- But what do you believe the gross margin will be in the similar range or plus minus 1% or 2%? We can be or they can be unless we have the data. It's difficult to give the compare the exact number. But we believe in the similar range.
- Saurabh Mittal:** But you're kind of seeing so much for competition. I must also say all parameters were superior to the company. You mentioned working capital, ROC. You know, that's also important, right?
- Analyst:** And on the B2B business side as well versus the competition.
- Saurabh Mittal:** We're talking only numbers.
- Analyst:** We're talking only numbers and financial performance. No. So basically the project division. I think there are only two major players in the project divisions, you and the competition. So how are we progressing towards in that?
- Saurabh Mittal:** So I think we could do better in the domestic space. If that's the question.
- Analyst:** So can India become a furniture export market going forward? Can India become a furniture export market? Is that because that will really take forward the particle board consumption? So or maybe just, not bringing in the China...
- Saurabh Mittal:** I don't have so much sense of the furniture export in particular. But my understanding is today we are importing furniture for any large IT projects, office projects. I believe India still ends up importing furniture. So I think first step should be to replace imports and come to domestic consumption.



Plants around the port areas can become, potential for exports of furniture. But for that, you need panel products, which is you need free lamp, particle boards and MDF and calibrated plywood. Because that goes as input to the furniture industry to make the furniture products. So, yes, can be. But my guess is, there's still a large possibility of replacing imported furniture with domestically produced furniture.

**Ishaan:** We thank you very much for the presentation. One of the things we've seen other industry players and participants discuss fairly extensive.

**Ishaan:** Yes. So I'm Ishaan from [Arpu Partners ]. One of the things we've seen other industry players discuss fairly extensively in recent commentary is concerns around flagging concerns around raw material prices, pricing trends over the past few quarters in particular. Could you share a little bit more color on how you are? You've been seeing this over the past few quarters and sort of your view, kind of any color on trends going forward, too. Thanks.

**Saurabh Mittal:** So, in our business, in the laminates, veneer, flooring, door, by and large, raw material costs have been overall, stable. Some cost increases have happened and then some items, item costs have come down. Where we've seen raw material cost increase is in the plywood business.

So, over the last three to four months, we've seen a significant increase in the local plantation timber costs, while the cost of face veneer and chemicals have been by and large stable. Today, fortunately or unfortunately, part of business is a bit smaller. So that's why you still see improvements in the gross margins of the business.

**Ishaan:** Going forward, do you have a sense, any sense of how you're thinking about, say, any protection or any sort of insulation against timber prices in particular?

**Saurabh Mittal:** So timber prices are depending on the demand and supply. And it's quite cyclical because these are all plantation timber from agroforestry sources. And what we've seen in the past also, although not under Greenlam industry, but generally our experience has been, when there's more -- when there's less plantation at a certain point. So you have less crop coming to the market. And if demand and supply don't match, cost goes up.

And when prices go up, you have a lot of plantation happening. And as we know from ground sources, there's a lot of plantation of agroforestry, which is happening across the country in southern India and north India. And most of the nurseries, who sell these samplings are running out of stock. So, we hope in the next maybe one year or two years, there should be enough materials to come back to the industry, which again, kind of depresses prices. And it's just like a cycle. It goes on, actually. Yes.

**Analyst:** Thank you.

**Sneha:** Good evening, sir. Sneha here from Nuvama. Just a couple of questions, sir. Sir, what are the plans now with the wooden flooring and the doors business? We haven't touched upon much today.

**Saurabh Mittal:** So that's a hard question. And obviously we are running behind our own internal schedules of streamlining it. So, numbers are improving. Revenues are improving, but it's not improving at the pace we wanted to improve, although our efforts are on with sales teams getting sort of reorganized, bringing in more focus in the architects' IDs for specifications. So, it's just a matter of some more time before this business kind of turns around completely.

**Sneha:** Sir, what I understand is this is a premium segment. Like, nobody is doing as premium flooring as maybe you are doing, and which you also point out. With premium residential market doing so well, what are we missing out here?

**Saurabh Mittal:** So I'm sure we're missing out something which we don't know as yet. But with the general information, we have on the premium homes is that a lot of construction and sales is happening now. And just at a macro level, yes, we think many of these homes will come for interior fit outs maybe over the next 12 months, 24 months. That's at a macro level. But clearly, internally, we still have to do better.

And it's probably just a process of getting the product specified, going out and meeting those homeowners, architects' IDs. And our sales teams are also here. I'm sure they listen to this conversation. I was talking about this to one of our regional managers on the subject.

So, it's just a matter of time before we get this going. The product's very well accepted. The performance is good of the flooring business especially. We've also reduced certain capital employment in the business. Just some more time before this kind of turns around.

**Sneha:** Secondly, today you mentioned a lot on the laminates phase where you're adding capacity geographically, which you've not done in the past. You started with two plants and now, going over. What is generally the cost of transportation in this business? And does geographically, spreading out, what it could add to your margins? Or is there any peer of yours who is so spread out that, compared to you are?

**Saurabh Mittal:** So, we don't know of any other peer of us who spread out meaningfully. So, there are people who have like one, one press under three names. That's not geographical presence. Besides freight cost, time to market is more important. This quicker turnaround, quicker supplies to market also adds to quicker demand. So, the cost is one factor.

So clearly you will end up reducing freight costs, but you cannot considering the product range. We can't say a plant north only service north for all categories because different sizes of laminates are being produced at different factories. So, supply to market, time to market, being at the ports now, like for Asia, from Andhra Pradesh factory dispatched to arrival is like under 10 days from our factories in Rajasthan and Himachal dispatched to Asia.

Southeast Asia would be like 25 days or 30 days considering the rail transportation. So the time to market, the quicker supply chain, brings tremendous value and only so much you can do in one particular plant. So, with improved sales, quicker service, we'll be able to come on better premium, better pricing, improve our working capital, which will lead to margins and to improved return capital employed.

**Sneha:** Understood. One last one on the particle board side, since you mentioned you don't have the imports number handy at this point of time. How much imports are coming in? You yourself are importing a lot of material and, pre-laminating and selling it.

**Saurabh Mittal:** No, we're not importing a lot of boards. Our particle board business is very small, and we only buy locally. Sometimes we import, but it's very small. So, we laminate particle boards on MDF for customers who are matching laminates. You know, they want the same design paper on a laminate and a particle board and MDF for customers who want matching laminates. They want to same design paper on a laminate and a particle board or an MDF. And it's a small part of our business. We buy it locally, mostly not from imports. Imports is a very small part. What we import is decorative paper and veneer, wood, melamine, phenol, all that stuff.

**Sneha:** Understood. Thanks a lot, sir, and all the best.

**Arun:** Hi, sir. This is Arun from ISEC. So just a clarification. You mentioned that, you know, the particular plant capex is going up from INR600 crores to roughly says INR725 crores. Because of value add. But earlier you used to guide one time capex, which was INR600 crores put your revenues. Now you're talking of INR775 crores, INR775 crores of revenues. Is it a miss? Because if your value add is going to go up because of the capex, shouldn't the revenues have gone up much higher?

**Ashok Sharma:** So, Arun, it's not only the value add and which we have said in our communication to this stock exchange also. It is a mix of everything. It includes some amount on account of value add. Some of these were announced, the project capex estimate was announced around two years before. So, during this period, the cost of everything has gone up, which includes commodities and others. So, it is a mix of everything at that, and that moment of time when you announce the project, not the entire project is freezed on that day, zero day on terms of that.

So, it's a mix of everything. Cost of equipment's or cost of the civil construction has gone up. Some changes which we have done in the specification, wherein instead of bigger size, bigger size equipment's, we have taken some value add. So, it's a mix of all. And so, the cost of project capex has gone up. And by this, adding this value add as well as the, as well as on the similar side, the sales price or realization has also gone up in terms of that.

So, keeping all this put together only that what we have, what we have as of now, we have budgeted is around INR700, INR750 crores is on the revenue side, which we believe. And eventually that meets out is to one is to one, wherein the cost of capex has also gone up and revenue is also going up.

**Arun:** So, and how much would it depreciation for this plant?

**Ashok Sharma:** Depreciation for the plants, see this is the European plant and continuous process plant. So on an average for the equipment's, it's around 6%, 6.5%. And for the building, as per the norms that get depreciated over a period of six years. So we believe that total put together will be somewhere around INR50 crores.

**Arun:** So, that at INR50 crores or depreciation and assuming that's a INR700, INR750 odd crores of

revenues, the ROCEs would be pretty low in the project, even at the, assuming everything goes our way?

**Ashok Sharma:** So what is that ROCE, which you are?

**Arun:** So assuming a INR700 crores turnover, right? And 20%, 22% margins, your EBITDA would be around INR150 odd crores minus depreciation of INR50 crores. INR100 crores would be your ballpark EBIT. And INR775 crores is your capex working capital would be at least INR70 odd crores, right? So INR850 odd crores of capital employed and ballpark, let's say INR100, INR120 crores of EBITDA, so less than 15% pre-tax ROC.

**Ashok Sharma:** This is what you're talking on the first year.

**Arun:** No, third year, third year, assuming full revenues, sir?

**Ashok Sharma:** So third year, the capital employed does also keep coming down once you keep depreciating the assets.

**Arun:** So it not more be material because I'm saying INR50 crores particular number?

**Ashok Sharma:** We are budgeted in the range of around 20% in terms of that. We believe that over a period of time, it will be able to achieve that.

**Arun:** So maybe I hope you're right, but if you do a number, so INR850 crores and 20%, INR170 crores should be your number?

**Saurabh Mittal:** So mathematically, what you're saying is right. But obviously, we have more opportunity to improve the value mix, raw material cost, demand generation, capacity utilization can be certainly higher than the installed capacity. But these capacities are rated on a 330 days or 300 days. So there are multiple opportunities to keep pushing up, which you've done. If you do a mathematics of the laminates project also, mathematically it might come to something else. But right now we are nearly 35%, 40%. So that's where we are.

**Arun:** Thank you, sir.

**Rajesh Ravi:** Hi, sir. This is Rajesh Ravi here from HDFC Securities. My first question pertains to the laminate business. What is the outlook for the export business given the geopolitical risk we are currently seeing around Israel and its impact on the European sales?

And second question, could you give some guidance again for the full year in terms of laminates volume growth in the plywood? What is the volume numbers or revenue number you're looking for second half? Yes, I'll come up with follow up questions.

**Saurabh Mittal:** I will do the export thing and leave Ashok with the numbers. So exports, yes, there is a geopolitical risk. As we all know, our experience in the past has been that during such situations and also because of our own efforts in the market, we end up taking market share, you know, of the total exports.

So, if you see a first six-month date of India's exports, the update we have is that the export from India has actually come down and our market has increased. And I think a few of the top analysts here measure a lot of data. And I think they probably can ratify what I'm saying.

So, and Middle East region is an important region for us. We, in fact, also ship to Israel. The feedback we have from Israel is that markets are operating, the factories running at maybe a 50% utilization on the Israel market.

And in general, I think our base is still so small, you know, with larger size laminates, newer geographies, we are opening up our presence with larger customers in Europe is still quite small versus the potential we have. So maybe at a macro level, there could be a challenge on the market opportunity or growth, etcetera.

But at a very micro level down to our business, I think there's still enough opportunity to grow our business. And if you look at H1 exports. So H1 exports for us has grown about 12% in value terms. Right. Yes. So that's on the export story. And what was the next question?

**Rajesh Ravi:** The volume guidance for full year?

**Saurabh Mittal:** So I think I'll leave that to Ashok. I don't know if he'll give that or not.

**Ashok Sharma:** So this is the way we started in this last quarter only. So we believe that our early intention is to do the 50% for the entire full year. We believe that going forward every quarter, this utilization will keep on increasing. And we believe in the fourth quarter we will be close to that 50% number or 30%, 40% capacity utilization in that fourth quarter.

**Saurabh Mittal:** So what's the volume for the half year?

**Rajesh Ravi:** So you said 50% utilization for the new plant in Q4, right?

**Ashok Sharma:** We believe we intend to do so in that range.

**Rajesh Ravi:** Understood. And so plywood, what is the ramp up guidance for this year?

**Ashok Sharma:** This you are talking about the plywood?

**Rajesh Ravi:** Plywood.

**Ashok Sharma:** So this similar 40%, 50%. This is what we said about the for the plywood only. For the laminate, we believe that all since the any product can be produced in any of the plants. So there is no specific to any plant guidance in terms of that laminate. It will be for the entire business as a whole.

**Rajesh Ravi:** So, Okay, I just missed it. What is the total volume number you're looking for the laminates then for full year?

**Ashok Sharma:** So, for the full year, that initial we are expecting in this overall will be somewhere around 15 odd percent in growth. Value growth. Actually, that's value growth.

- Saurabh Mittal:** So what Ashok is saying, 15% of value growth. Value. You're asking volume growth. H1 we've done. We've done 11% volume growth in H1. So normally we don't give out volume numbers and all that, but we believe to do value growth, some volume will also have to go up.
- Rajesh Ravi:** Okay. Lastly, on the particle board, you know, the follow up question. So, when you said this capital employed will also shrink. So, you're implying that INR50 crores depreciation is what you will be bringing down your capital employed. And hence in the third year, you're looking at a lower capital employed. And that INR150 crores will give you 20% ROCE?
- Ashok Sharma:** In that range, in that 15% to 20% in that capital employed, sorry, ROCE, which we are thinking at plant when it's a full utilization, which we are projecting into third to fourth year, that time we believe that we will be in that range.
- Rajesh Ravi:** Okay. And given that this will be a largely a B2B business and, you know, you would be largely selling to big OEMs, furniture OEMs, any groundwork which has started, you know, our potential customer mapping, which has been done given the amount of capex and at least first year also, you would be looking at, say, INR100 crores to INR200 crores type of revenues from this factory?
- Saurabh Mittal:** Sure, absolutely. Yes, obviously.
- Rajesh Ravi:** Okay, thank you.
- Saurabh Mittal:** These are not necessarily new customers. We also sell. So it's not only a B2B model. I don't know what you mean by when you say B2B. We'll have to create a channel. We'll have channel partners and dealers and wholesalers who stock and sell to smaller OEMs, aluminum fabricators, furniture makers. They'll be large or large as in our context in India. Furniture makers will buy directly from us.
- We have to work with architects, designers to get the design shape specified. And we already have presence with architectural firms with the B2B or OEM market where we sell laminates either directly or through our channel partners. So, it's already something which is part of our ecosystem. Yes, specifically for prelim particle boards, we'll have to do some more work. That's already on.
- Rajesh Ravi:** Okay. One last question, if I can. Could you share some trends on the raw material side for the laminates? How last two quarters, the raw material prices, craft paper, deco paper and these resin prices have moved on in the past six months?
- Ashok Sharma:** So the paper prices, the design paper prices are more or less stable in terms of in the past two quarters. Craft prices, since we procure normally the domestic craft, it is somewhat it goes up and come down. But we can see that primarily it's in the similar range kind of a thing. The chemical prices were towards the downwards bias in the past two quarters. It is in comparison to previous quarter. It has come down.
- Rajesh Ravi:** Thank you, sir. That's all from my end. All the best.

**Saurabh Mittal:** You have asked too many questions. Take an early chance. Last one. No mention of competition, loud one.

**Analyst:** Why Plywood, and not MDF ?

**Saurabh Mittal:** I don't have an answer for that. I think like we said, particle boards, again, pre-laminated particle board. It fits into our entire program of laminates, offering a solution to customers with matching laminates, matching compact laminates, bathroom partition, matching pre-laminated particle boards of furniture. So we thought this is the first step for us to get into. And also, it's not as crowded at the moment, at least, versus an MDF.

So I think pre-laminated particle board was the natural extension considering our laminated designs and decorative paper offering solution to customers. That's the reason we move for particle boards first.

**Analyst:** [inaudible]?

**Saurabh Mittal:** I thought you were asked, why not -- why particle boards and why not MDF?

**Analyst:** Sir, plywood?

**Saurabh Mittal:** Why plywood? I thought, why plywood and why not MDF or why plywood? No, why plywood and not MDF?

**Analyst:** Plywood, not MDF?

**Saurabh Mittal:** Yes, so I think the two different questions, So one is why plywood gets aligned to the residential home market where people use laminates, veneer and a plywood where carpenters do on-site carpentry. Several kitchens need calibrated plywood. They use our laminates. So I think that servicing the channel, servicing the carpenters, contractors, kitchen OEMs, offering them the entire range from one company was the reason to get into plywood? Besides the fact that it's a large market opportunity, we're just two national players and no meaningful third player. So we also sense an opportunity for us to get into plywood. And why not MDF is a different question.

**Manasi Bodas:** As there are no further questions, I now hand over the floor to the management for closing remarks. And post that everyone can join us for the High Tea. Over to you, sir.

**Ashok Sharma:** Thank you, friends. Thanks for taking out the time and hearing out patiently to us. Should you have any other question, you can reach out to us or our IR partner, SGA. Thank you.