



“Greenlam Industries Limited
Q4 & FY '24 Earnings Conference Call”
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Moderator: Ladies and gentlemen, good day, and welcome to Greenlam Industries Limited Q4 and FY '24 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 a guarantee of future performance and involve risks and uncertainties that are difficult to predict.

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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, sir.

Saurabh Mittal: Thank you. Good afternoon, friends, and a very warm welcome to all of you all. It's really hot in Delhi. It's mostly touched 50, I believe, a couple of days back. I hope you are all keeping safe and healthy. On the call, I'm joined by Ashok, our CFO, and Samarth from the finance team and also by SGA, our Investor Relations Advisor. The results have been put up on the stock exchanges and our company website. I guess you all had a chance to look at it. So I'll give you a small brief about the performance and how we see business.

So Q4 was a reasonably satisfactory performance as we see things in the market. We've done well literally across -- well/improved across businesses and categories in both domestic and international markets. In the core category of laminates, we've had one of the highest or one of the pre-highest production and sales volume, which is about 5.2-odd million sheets in quarter 4.

We've also done reasonably well on the margin front in the laminate segment. The new plant we started Naidupeta, and as we have said in the previous call, has also more or less stabilized. And in quarter 4, the factories got EBITDA positive. So at the plant level, the new plant in terms of operating parameters, performance, production more or less has got settled, and it's a winning business each month.

And I think as we go ahead, we'll see more improvements coming and now the challenges are more on the demand side and less on the plant and the supply side. In decowood, Mikasa flooring to divide healthy volume and value growth, and both the segments have improved the performance.

Mikasa though has improved a little bit, but we're still at an EBITDA loss, and we hope we'll be able to turn that around very soon. In the plywood category, too, on the product quality, product performance, factory, I think we've done well. Things are more or less settled at the plant and the product has been well appreciated in the market.

Q-on-Q, we have grown recently well. We had about a INR25 crores, INR26 crores Q4 number. So across most of the businesses, I would say things are moving in the right direction. This is despite the domestic business being a bit slow in terms of demand and all that stuff, as we've been hearing from our partners and teams and I'm sure you all have also heard that commentary from other building material industries.

On the export front, too, I think we are winning more market share. The data we have. The exports from India has largely been flattish, and we won market share. And the Red Sea problem continues to exist. And so I think issues related to slightly higher cost, longer delivery period, et cetera, remains there.

But despite these issues, we're confident we'll be able to navigate these issues and continue to win more market share, both from the domestic players and also from international regional players in the markets we're operating in. So I think exports and domestic, I think will be -- we'll be able to grow in both the markets across our categories.

On the capex and new plants, like I said earlier, the Naidupeta, Andhra Pradesh laminate plant, the Tamil Nadu plywood plant, the -- both the plants are reasonably well settled now. We just have to ensure we bring in more orders and ramp up the production and profits and deliveries from those factories.

The Gujarat factory is also more or less settled with the last expansion we did in May '23. We're in the midst of setting up of Andhra Pradesh particle board plant, and there have been some delays there. We've extended the commencement of commercial production from Q2 to Q3. Our endeavour is to start it at the earliest. And the team's on the job, they're on the job to bring it up and running at the earliest possible.

There's also been a slight increase in capital outlay there with increased rated capacity of the plant has also gone up, which we've communicated that to the exchanges in our company presentations. So otherwise things are moving, I would say, in a good direction -- right direction. The working capital side, we've made slight improvements despite capitalizing 2 new plants and -- starting the Gujarat factory, the third line of Gujarat factory.

Through the year last year, if you see the performance really doesn't show up completely because of the higher interest cost, depreciation, larger capitalization in FY '24. We also had increased manpower marketing cost because we had team members joining us at 2 new factories and one brownfield plant where additional sales teams joining us in plywood division.

So clearly, I think on the cost front, costs are elevated even on the working capital cycle, if you were to look at old and new or new plants from all business. So existing factories, existing business have done actually very well, but it's not completely visible because of the expansions and the new facilities and which we are confident will get streamlined over a period of time.

So I think considering the environment, even as a -- on an annualized basis, I think we've done okay. Across categories, we've grown in both volume and value, laminates, veneer, flooring, doors, plywood has been successfully launched. The plants of plywood at Andhra Pradesh and Tamil Nadu have also got stabilized. So I think that's a quick wrap up from my side.

I will ask Ashok to please take you all through the other details, and then we'll be happy to respond to your queries. Ashokji, over to you.

Ashok Sharma:

Thank you, sir. Good afternoon, friends. I'll take you through the financial performance of the quarter 4 FY '24 on a consol basis, our net revenue grew by 16.9% on year-on-year basis and

grew by 10.8% on a sequential basis to INR624 crores. Gross margin grew by 420 basis points to 53% in this quarter. And on a sequential basis, gross margin de-grew by 180 basis points. The gross margin in absolute terms grew by 27% to INR331 crores as compared to INR260 crores in Q4 last year.

EBITDA margin was down by 50 basis points and stood at 13.4% in this quarter as compared to 13.9% in quarter 4 last year, mainly on account of losses in plywood. On a sequential basis, EBITDA margin grew by 80 basis points. EBITDA in absolute terms grew by 12.8% to INR83.5 crores in this quarter.

Net profit for this quarter stood at INR40.8 crores as against INR46.1 crores in quarter 4 last year.

For the year as a whole, our consolidated net revenue grew by 13.8% and stood at INR2,306 crores as against INR2,026 crores in last year.

Gross margin was up by 610 basis points to 52.8% from 46.7% last year. Gross margin in absolute terms grew by 29% to INR1,219 crores as compared to INR947 crores last year.

EBITDA margin was up by 130 basis points to 12.8% from 11.5% last year. EBITDA in absolute terms grew by 26.5% to INR295 crores as compared to INR233 crores last year.

Net profit grew by 7.8% to INR138 crores as against INR128 crores last year.

Now I'll move on to the sequential performance.

First, on the laminate. Laminate revenue grew by 9.2% on a Y-o-Y basis and grew by 7.4% sequentially to INR537 crores in this quarter. Volume growth stood at 11.9% on year-on-year basis. EBITDA margin stood at 16.6%, a growth of 100 basis points on Y-o-Y and 70 basis points on quarter-on-quarter basis.

Production volumes were the highest at 5.21 million sheets and at a utilization level of 85% on the enhanced capacity of 24.52 million. Sales volume for the quarter also was highest and stood at 5.23 million sheets. Our average realization for the quarter stood at INR984 per sheet/boards.

Moving on to the annual performance for laminate.

Revenue grew by 10.1% to INR2,040 crores from INR1,852 crores last year. Volume grew by 11.3%. EBITDA margin stood at 16%, a growth of 290 basis points in comparison to last year. Production volume were at 19.85 million sheets and utilization level on an annualized basis at 88%. Sales volume for this year stood at 18.97 million sheets and our average realization for the year was INR1,032.

Now I'll move on to the Decorative Veneer and Allied segment, which consists of deco wood veneers in veneer floors and engineered doors.

In the Deco wood Veneer segment, revenue of Decorative Veneer business grew by 35% on a year-on-year basis and grew by 34.6% on a sequential basis to INR33.6 crores.

Volume grew by 37% on a year-on-year basis. Revenue of Decorative Veneer business grew by 17.6% on an annualized basis to INR125 crores from INR106 crores last year. Volume grew by 15%, on an annual basis. Sales volume for the quarter stood at 0.42 million sheet -- square meters and for the year stood at 1.4 million square meters.

Capacity utilization for the quarter was 40% and for the year stood at 33%. Average realization for the quarter was INR862 per square meter and for the year was INR889 per square meter.

Moving on to Engineered Wood Flooring business. Revenue for the engineered wood flooring business grew by 68% on a year-on-year basis and grew by 7.4% on a sequential basis to INR14.3 crores.

Revenue for the year grew by 20% to INR51 crores as against INR42.7 crores last year. Capacity utilization stood at 14% for the quarter and 12% for the year. The Engineered Wood Flooring business is EBITDA positive since quarter 3. And in this quarter also, it is on EBITDA positive.

Engineered Doors. Revenue of Engineer Doors business grew by 55% on year-on-year and 42% on a sequential basis to INR10 crores. Revenue for the doors for the year grew by 32% to INR32 crores as against INR24 crores last year. Capacity utilization for the quarter was at 18% and for the year was at 16%.

Now moving on to another segment, Plywood. Revenue for plywood business in this quarter stands at INR26 crores, and for the year is at INR58 crores. Sales volume for this quarter was 1.04 million square meters and for the year, 2.43 million square meters. Capacity utilization for this quarter stood at 23% and for the year as a whole 14%. Average realization for this quarter was INR251 per square meter and for the year was INR238 per square meter.

In the current quarter, working capital cycle improved by 12 days to 60 days as compared to 72 days in the quarter 3 of this year. Net debt as on March 31 stood at INR834 crores as against INR847 crores in -- on December 31. Board has declared a final dividend of INR1.65 per share of a face value of INR1.

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

Moderator: The first question is from the line of Keshav Lahoti from HDFC Securities.

Keshav Lahoti: Congratulations, sir, on decent set of numbers in all the segments. First, I just want to understand this ocean freight expense is booked under other expenses?

Ashok Sharma: Yes.

Keshav Lahoti: So what I can see -- yes. So if I see your gross margin in Laminate segment, so there is a decline of 160 bps quarter-on-quarter. So is that due to some inch-up in raw material costs, change in mix or whether the ocean freight is not completely passed on because ideally, what will happen if ocean freight rate charges have increased, the gross margin should improve because your realization improves that way.

- Ashok Sharma:** Keshav, it will not have any impact on the realization because whatever additional ocean freight that is charged to the customer. And -- that has no impact on the P&L also. While it has gone up on a -- since the quarter 3 is the yearly closing, so we get some TOD on some of our purchases, so which gets accounted for in the quarter 3. So -- and that's -- that comes in the quarter 3 only. So there is no other changes in terms of that.
- Keshav Lahoti:** Okay. Got it. So ocean freight is completely passed down. That's what the current understanding is, nothing company have to bear? And what sort of gross margin is sustainable for Laminate segment in your view in this year?
- Ashok Sharma:** It is passed on in most of the cases, except on a case-to-case basis where, in some cases, company may bear and that's on a case-to-case basis. But in most of the cases, it gets passed on.
- Saurabh Mittal:** And that is the surcharge -- it is passed down as a surcharge on the incremental ocean freight. We have defined a certain internal rate with the customer that till X ocean freight, we bear and beyond that the customer pays.
- Keshav Lahoti:** Understood. Got it. And what should be the sustainable gross margin for this year? What is your view on that?
- Ashok Sharma:** It is in the same range, if we take into account the stable raw material prices, which is in laminate raw material prices are stable -- and Veneer and Allied segment also raw material prices are stable, except in plywood where the cost of timber is going up. Otherwise, it looks to be in the same range.
- Keshav Lahoti:** Okay. Got it. On the Naidupeta Laminate Plant, so what was the EBITDA for this quarter? Like last quarter, you have given this number?
- Ashok Sharma:** So -- since this has become the EBITDA positive. And since this is on a company-wide basis, we normally see the EBITDA because the laminate capacity is always fungible from one plant to another plant. But it has become EBITDA positive in this quarter.
- Keshav Lahoti:** Okay. Understood. That is great to hear. And last question on this particle board, because now particle board plant is pushed by a quarter. So earlier, you have guided 20% sort of revenue growth in FY '25. So should the guidance be lower? And the reason why the size of particle board plant is increased also?
- Saurabh Mittal:** So on the guidance, I think we still are maintaining about a 20% revenue growth with some value of revenue coming in from the particle board plant. As far as the next question, Ashokji?
- Ashok Sharma:** In terms of the -- why the capacity increase has gone up, so if this plant is a continuous process plant and consists of various equipment, and we have mentioned in the past also that we are looking -- we are doing some engineering in terms of that. So now it has been -- everything has been received at the level at the plant, and we got the final production or final from region to agreement with the supplier. So that's how which is coming 886, which is the guaranteed output from the supplier. So that's why there is some increase.

So at the time when it has been finalized. So there are -- before finalization, the announcement happens and keeping in mind what's our target is. But actual may vary in -- the guaranteed output may vary. One of the reason for some price increase -- some cost increase is -- can be attributed to this also.

- Moderator:** The next question is from the line of Rishab Bothra from Anand Rathi.
- Rishab Bothra:** Congratulations on a good set of numbers. Hope all is well at your end. Because of the heat, everyone is keeping cool.
- Ashok Sharma:** Sorry, Rishab, your voice is not coming clearly.
- Rishab Bothra:** So I'm saying, I hope everyone is okay in this heat wave at Delhi.
- Saurabh Mittal:** Yes, we're all good.
- Rishab Bothra:** Sir, I have 2 questions. First on laminates. Do we do an ABC analysis in terms of the product metrics, and which one contributes the most? Is it the premium? Is it the economy? Is it the mass?
- Ashok Sharma:** Yes, the premium value-added product percentage overall is higher.
- Rishab Bothra:** Can we start sharing the same in our presentation as well going forward, if possible?
- Ashok Sharma:** No, we do not wish to do that.
- Rishab Bothra:** Okay. Okay. And secondly, you mentioned that there has been a softness in input prices for laminate, however plywood prices were -- timber prices were on the higher side, correct?
- Ashok Sharma:** Yes. So the prices of all other -- in terms of laminate is stable. I will not say it's softening, but it's stable. Some prices may up and down on a routine basis, but it's more or less stable. The timber prices, yes, correct, is going up in the plywood segment. That's what the commentary from the other players also. But yes, it is going up. It has gone up in the South Zone as well as, I believe, in the North also.
- Rishab Bothra:** Okay. But one thing I would like to understand, timber input is mostly imported, correct? Whereas for laminate -- sorry, my mistake. Laminate, it's purely imported, for plywood, it's domestic, correct?
- Ashok Sharma:** No. In laminate also, it is mix of import. Some of the items are mostly import, like decor paper is mostly import. In chemicals, 50% is imported, 50% is domestic. And craft paper is mostly domestic. But yes, you can say that it will be like 50%, 60% import, remaining domestic. In terms of plywood, yes, everything is domestic.
- Rishab Bothra:** So why I asked this question is, I wanted to understand whether the prices have been on a declining trend for input? Or is it because of the currency movement?

- Ashok Sharma:** It Is stable. I say that prices are stable. It did gone down in the last year. But in the quarter 4, we have seen the stable pricing trend for the laminate.
- Rishab Bothra:** Okay. And coming to Veneer segment. Veneer revenue growth has been quite strong. Which region or which segment is driving such revenue growth in the Veneer space. And where does our capacity utilization stands?
- Saurabh Mittal:** So veneer consists of 3 categories, veneer, flooring and doors in Veneers and Allied category. So Veneer growth is -- like, we've grown about 17% in the year. But actually, if you look at pre-COVID, we've not grown much. So it went down post-COVID and now it's coming back to a certain level. So yes, from a last year's data or 2 year's data, you see growth, but if you go back, pre-COVID, the Veneer business was doing better. It slipped at COVID and post-COVID, is inching back. And this is largely a domestic model.
- Rishab Bothra:** Correct. And sir, what steps are we taking in order to promote or enhance the use of veneer and the door, wooden door, and wooden flooring? Because I guess wooden door and wooden flooring is largely builder-driven, correct?
- Saurabh Mittal:** No. So let me explain this to you. So the flooring business is driven through projects, projects like -- premium projects, could be like a Supreme Court or High Court, Central Vista, for example, hotels and home, which is through the channel partners for retail building, not builder-driven so much. The door model is a mix between a builder-driven model and the designer door through dealers and retailers where homeowners, who are building new homes. So it's a blend. It's not just one category of customers we are focusing on.
- Rishab Bothra:** Got it. But wherever there is large project, is it bidding does take us or how the contracts are assigned?
- Saurabh Mittal:** No, so for which project? Like, when you say large project of what kind ?
- Rishab Bothra:** For Supreme Court for flooring side, you mentioned, you bid for...
- Saurabh Mittal:** So we don't bid for it because our categories are specification driven, they are decorative in nature. So typically, an architect, an interior designer would specify the product, put it on the BOQ. And then the contractor will quote to the customer. And because we are specified, they will take a price from us. And if there are alternative specifications also, he'll compare and then make a decision.
- Ashok Sharma:** So we don't bid in this product -- project directly. So these are bid by the contractor who will be doing that work. So contractor procures the material. We will work with architect, interior designer where our product gets specified. And as and when the contractor starts to work, they will procure from the companies whose products are specified. We don't bid in this product -- in this project directly.
- Rishab Bothra:** Got it. Two more questions, if I may ask.
- Saurabh Mittal:** Yes, please.

- Rishab Bothra:** So any price hikes to be considered for the laminates and veneers segment -- I mean product category?
- Saurabh Mittal:** So no price hikes have been planned for Lam and Allied and Veneer Allied. Price hikes have been planned for plywood business.
- Rishab Bothra:** Got it. One more thing. In terms of the capacity utilization, we are moving towards almost 85% to 90% in terms of laminates. Are there further plans to expand capacity? I mean this is blended capacity utilization you are mentioning, right?
- Saurabh Mittal:** What -- Last year was 85%?
- Ashok Sharma:** 88%.
- Saurabh Mittal:** 88% on an annualized basis. So clearly, with the plans we have. So I think towards the end of this, like if you see FY '25, we should be -- capacity utilization should increase. And we've said this before in our South India plant in Andhra Pradesh and a plant in Gujarat, we have adequate space and space to do multiple brownfield expansions. So if and when we plan, we'll expand capacities in these 2 plants.
- Ashok Sharma:** So since our overall capacity is 24.52 million sheets. And last year, 88%, what you see is the annualized capacity and because the Naidupeta plant has come towards the end of the quarter 2, so only 6 months was available. So we have enough capacity for -- at least for this year. So as of now, if you see, we will be close to around 80% of the overall capacity. So we have enough capacity for this year, and -- so we will plan as and when we reach near to the -- like 95% or full utilization, we will do. And in the past also, we have done more than 100% utilization in these plants. So we have enough time to plan for that.
- Rishab Bothra:** Got it. Got it. And what will be the go-to-market strategy for the plywood and the particle board side? I understand first year of operation, definitely, there will be some hiccups. But on a longer time frame, how do we capture market?
- Saurabh Mittal:** So on the ply, it's not what...
- Saurabh Mittal:** We've already started selling in the market. So it's a company to a dealer format.
- Saurabh Mittal:** So it's company to a dealer format and one works with influencers to create demand, and the acceptance has been very good, like I said in my commentary earlier of the product quality. And we've been appointing -- we already opened a number of dealers in number of towns, et cetera.
- And it's gradually -- as board is concerned -- particle boards are concerned, we'll be having a model of company to large furniture makers and company to stockists, who will kind of -- and then if you want more details, you can connect to client.
- Moderator:** The next question is from the line of Bhavin Rupani from Investec.
- Bhavin Rupani:** My first question is related to laminate. Sir, is it possible to provide what are the utilization levels of Naidupeta plant?

- Ashok Sharma:** For the quarter, it was around 42%.
- Bhavin Rupani:** All right. Sir, if we exclude the revenues from Naidupeta plant and assuming no significant contribution at EBITDA level. Is it correct that implied margins could move up to 18%, 18.5% in the laminates division? Is the understanding correct? In Q4.
- Ashok Sharma:** This year, our margin is in the range of around 16%. And we believe that if the stable raw material prices, it should be in this range, of course, with as and when the volume gets built up, it may slightly go up, but it's difficult to comment whether it will reach to 18%, 19% as of now. But the stable margin is in the range of this what we are as of now.
- Bhavin Rupani:** All right. Sir, you mentioned about the brownfield expansions in laminate. So is it possible to quantify capacity expansions which are possible in AP and Gujarat plant?
- Saurabh Mittal:** I think we've said this earlier; we can put up to -- anything between 6 to 8 production lines in both the plants.
- Bhavin Rupani:** So when you say 6 to 8 production lines, one production line consists of...
- Ashok Sharma:** We can add -- let's say, we can add approximately another -- so this will depend upon -- in terms of volume -- or this will depend upon dimension, which dimension we are putting, whether we are putting only for the sheets or whether we are putting for the boards, for -- if putting for the sheets, then it's a 2 million, 1 line can generate -- 1 line capacity can be 2 million sheets. But we are not sure, like in Naidupeta, we have put 3 press, but the capacity is 3.5 million.
- Had we decided to put only the sheets, this would have been 6 million. So it's difficult to -- as of now to tell what will be the capacity in terms of sheets and board. But, yes 6 to 8, 9 as far as mentioned, we can put at these locations.
- Bhavin Rupani:** Got it, sir. And is it possible to quantify what would be the additional capex for putting up 1 line?
- Ashok Sharma:** Again, normally, the 1-line capex, if it is only for the line, then it ranges in around INR40 crores, INR50 crores. But when you go up after -- beyond 1 or 2 lines, then you have to add other equipment's also, boiler, resin, and all this also. So it will depend at that moment of time. But for sure, will be -- and after some time, you might have to do the civil construction building also, but for sure, it will be lesser than greenfield -- putting up a greenfield unit.
- Bhavin Rupani:** Got it, sir. And sir, as far as particle board is concerned, how should one understand the utilization levels in case of particle boards for year -- let's say, year 1, 2 and 3?
- Ashok Sharma:** So first year -- year 2 and 3, we expect that it will be in the range of around 50% to 70%.
- Bhavin Rupani:** Sorry, I miss you, for year 3 you're saying 70%.
- Ashok Sharma:** Year 2, we are budgeting around 50%, and year 3 is around 70%, 75%.

- Bhavin Rupani:** All right. Got it, sir. And sir, last question is related to plywood. Sir, assuming we are majorly capitalizing on the already existing dealer base of laminates for plywood, why are our utilization still at 23% despite running the plant for 9 months? Is it that we are purposely going slow, or the demand scenario is weak, how should one understand that?
- Saurabh Mittal:** So one, we are only in the -- operating in the premium segment of plywood, and we're also operating in the geography of the 5 southern states. We've just added Maharashtra to the market list starting April 24. And -- so if you see the premium segment volume ramp-up, price realization, network we've created, it's actually pretty good versus anybody else in the market or the top 2, 3 players in that region.
- So I think it's -- we think it's going in the right direction. And premium category, there is more working to be done in terms of demand generation, even if you take the network, where you have to create demand in the market and specifications. And demand generation just takes us -- takes more time than we think it takes. So I think it's just in the journey of creating this.
- So even on a number we did last year in the plywood business, we already are the top -- I think 5 or 6 companies if you add up veneer and the ply together. So I think -- we think it's going in the right direction. It's not necessarily slow. It could have been better, yes, but it's not necessarily slow.
- Ashok Sharma:** And adding to what sir has said, this plywood, it's not that it has been offered to all the dealers of the laminate because the overall dealers network will be more than 25,000 and plywood doesn't need to be that much distributed. It's not a distribution product. So it is offered to a mix of dealers -- new dealers as well as from our own channel also. And like as sir has said, we -- it is only for the 4, 5 states and where the number of dealers in plywood is substantially lesser number of dealers are required for plywood.
- Moderator:** The next question is from the line of Divyanshu Mahawar' from Dalal and Broacha Stock Broking Private Limited.
- Divyanshu Mahawar:** Just I wanted to know a bookkeeping question. Can you provide a domestic and export volume for the full year and quarter basis?
- Ashok Sharma:** Sorry, come again.
- Divyanshu Mahawar:** Sir, can you provide us the domestic and export volume for full year on a quarter basis?
- Ashok Sharma:** We probably can -- we can do that off-line.
- Divyanshu Mahawar:** Yes, sir?
- Ashok Sharma:** Yes. We will come back to you on this.
- Divyanshu Mahawar:** Okay, sir. And second question is on a gross margin dip in the laminate business. Is it due to price cuts or a product mix? Just wanted to know about this. On a Q-o-Q basis, gross margin dip was due to price cut or a product mix? I just wanted to know about that.

- Ashok Sharma:** No, you are asking in terms of why it has dipped from the quarter 3?
- Divyanshu Mahawar:** Yes, yes. 160 bps it has been dipped. The reason which is due to the price cuts we have taken on a product -- change in product mix, yes, it is.
- Ashok Sharma:** We have not taken any product -- any price cuts, as I mentioned prior too in this call that on a quarterly -- on a yearly basis, we received some TOD, which we have received in quarter 3. So that's why the gross margin was higher in the plywood segment -- in the laminate segment on that quarter. So we have not taken any price cut in terms of that. So 54%, 55% is the gross margin, which we believe that we should be in that range.
- Moderator:** The next question is from the line of Achal Lohade from JM Financial.
- Achal Lohade:** My question is pertaining to the volume growth for laminate business. If you can give some sense about how the full year growth has been in the exports and the domestic segment? And how do you see it evolving over the next couple of years? And any particular initiative you want to highlight for domestic as well as export markets for laminate business?
- Ashok Sharma:** So Achal, the growth for domestic business was 15% and for the export business was 6.3%. Overall, growth was -- for the volume was 11.3%.
- Achal Lohade:** This is for the quarter or full year, sir?
- Ashok Sharma:** This is for the full year.
- Saurabh Mittal:** And on the outlook, we think we should grow in double digits in volume over the next few years. And not much to highlight or communicate on that. It's the routine multiple efforts, and we're moving in a certain path in terms of strategic equation. I think we're just in that journey.
- Ashok Sharma:** And add to this, that since we have added the Naidupeta plant, where we have added some of the category where we were having the supply constraint. And with the 6/14, which we have added previously, we didn't have this. So this is also helping us in terms of gaining some more volume.
- Achal Lohade:** Understood. Any comment you would like to make with respect to competitive intensity? We are seeing a couple of players being a bit more aggressive in the domestic market in the Laminate segment. So are you seeing any material change in terms of the competitive intensity in the laminate business in terms of the newer SKU or pricing?
- Saurabh Mittal:** The competition intensity has always been there in our categories. And I'm not sure if that's changed much. Somebody gets more aggressive; somebody gets less aggressive. So I think there's always action from that perspective. And as far as pricing is concerned, I think really, when you say people are aggressive, price cuts are the but for that category, as you know, needs a lot of resources. Price cuts are not normally -- are not necessarily the only way to win more market share. So it's like routine, I would say -- I wouldn't want to mention anything specific. Sometimes there are 2,3 new companies, they get more aggressive, some 1 out of it. So this is going on, whether it's export or domestic. This is as usual maybe.

- Achal Lohade:** Understood. And just last question if I may. With respect to margins. Given the product mix, what we have, the segment mix in terms of domestic exports, the premium, non-premium, etcetera. The 16% is very much sustainable? Or you think there is scope to add -- expand margins for the Laminate business.
- Saurabh Mittal:** So I can't say much on that. Really our effort will be to continuously keep building the business correctly. And if volume growth happens, value growth happens, we keep up pricing discipline. Costs are stable, so it should lead to some improvement. Can't say much on it. I think -- can't comment much. I think we keep building the business correctly, and I'm sure the outcome should be decent here.
- Moderator:** The next question is from the line of Jenish Karia from Antique Stock Broking.
- Jenish Karia:** Sir, first question is with regards to the realization. So in the Laminate segment, the fourth quarter realizations are down both sequentially and on a Y-o-Y basis. So is this because of higher contribution from the Gujarat plant? Or it's sustainable and we should take the exit run rate of FY '24 as realizations going forward? Any comment on that?
- Ashok Sharma:** I think the realization what you are seeing is the general realization which we believe that going forward should happen on this one. Some amount of plus and minus can happen depending upon the product mix or the mix of export and domestic changes if it happens. But we believe this is the price, which is there, which should -- going forward, we will be able to maintain.
- Jenish Karia:** Sure. Sir, next is on the margin guidance. So any guidance on the margins on a blended basis and on -- for the Laminate segment for the next 2 to 3 years?
- Ashok Sharma:** So in the Laminate, we have already mentioned that margin, which is there, we would like to continue with this margin, what we are as of now we are having. And we believe that we will be able to maintain this margin. The blended margin this year is at 12.8%, and we believe that this should be in this range, or it will go up as and when the new product category, which we are into, may stabilize and start contributing more in terms of the margin.
- Jenish Karia:** Okay. Sir, next is, we guided for a particle board utilization level of 50% and 70%, 75% for the second and third year. So what -- and earlier, we were guiding a margin of 20% to 25% for the segment. So at what utilization levels should we see the particle board segment contributing 20% margin?
- Ashok Sharma:** This, we are expecting in the fourth year of operation. And again, the margin will depend upon the overall -- how the price move, both in terms of the raw material. And as you know, because right now, the timber prices are on a higher mode and how the price movement happens into the sales price also, but we are expecting this to happen, the 20%, 25% -- 20%, 24% within fourth year of operation.
- Jenish Karia:** Okay. So for 3 years, it will be under -- in mid-teens kind of a number.
- Ashok Sharma:** Well, everything will depend upon how the market scenario in terms of raw material and sales prices.

- Jenish Karia:** Okay. No problem. Sir, if you could just help us with the EBITDA margin number for doors and floor segment for the full year?
- Ashok Sharma:** Yes. The EBITDA margin for the floor were INR1 crore in negative. And -- the floor was INR1 crores negative, and door was INR5.6 crores negative.
- Jenish Karia:** Okay. Just one last question. Last quarter, we said that we have acquired a land in Uttar Pradesh for future capacity expansion. So any finalization of plans or consideration that we are having? When can be your expansion plan, maybe end of this year or something?
- Ashok Sharma:** Nothing as of now. As of now, we are not -- we have not -- as of now, there is no plan to put anything. We have -- and as of now, we are focused on what we are implementing.
- Saurabh Mittal:** So we're in the process of getting all the approvals in place, et cetera, but that's the stage we're at on the Uttar Pradesh plant.
- Jenish Karia:** Okay. And just one last question. What would be the capex outflow for this year for the particle board unit? And if you can just break it down into maintenance capex also for FY '25 and '26 onwards.
- Ashok Sharma:** So this year, since the particle board unit is under implementation, so we expect around INR250 crores, INR275 crores in this year and another around INR50 crores of maintenance capex in this year. Going forward, the -- after the particle board unit put into place, so then you can expect around INR50 crores of capex -- maintenance capex on a routine basis.
- Jenish Karia:** Okay. And this INR250 crores of particle board will be debt funded. So what would be the peak debt is the broad question that I want to ask.
- Ashok Sharma:** So the peak debt this year, as on 31st March, it was INR134 crores peak -- net peak debt -- net debt was there. Yes, we expect it in -- yes, INR834 crores net debt was there. We expect it to be in the range of around INR925 crores to INR950 crores in this year. That will be the peak debt -- peak net debt, which we are hoping.
- Jenish Karia:** Okay. And with the increased particle board capex, the asset turnover still remains near onetime at the peak utilization level?
- Ashok Sharma:** At the current prices, it will be slightly lower than that, but everything will depend upon how the prices shapes up going forward when we reach -- which will be like when we reach near to the full utilization.
- Moderator:** The next question is from the line of Aasim from DAM Capital.
- Aasim:** Just one question. See, once the plywood and particle board businesses scale up and reach optimal levels in 2, 3 years' time, what does that do to our blended working capital line items? Just some insights on the working capital days. Would receivables go up since we are new in these new segments? Or would the overall inventory go down because laminates become a smaller part, some insights on this, please.

Ashok Sharma: So as you rightly said that inventory will come down -- inventory may come down in terms of number of days because both these businesses doesn't need that much inventory, what laminate business needs. In terms of receivables, what you said may not be correct. The -- as of now, also in the plywood business, our number of days are healthy. And we will try to maintain that going forward also.

So we believe that the overall working capital number of days will be in the same range because if the inventories are down, so the creditors days are also down because most of the procurement happens domestically and led to would , where the creditors days are not there or immediate payment or 7 days payment, which happens. We believe it should be in the range of 60, 65 days only what we are at present.

Moderator: The next question is from the line of Bhavin Rupani from Investec.

Bhavin Rupani: Sir, when you say double-digit volume growth in case of laminates, can one assume mid-teens or high double digit?

Saurabh Mittal: Can't say much. I mean, some in the double-digit space. Actually we have capacities available, and we have brownfield expansion possibly is available but can't say beyond this.

Bhavin Rupani: All right. Sir, in case of particle boards, apart from 2 large peers, any sense on how much additional capacities are coming up in India over the next 2, 3 years?

Saurabh Mittal: Since we have is that we have one closest competitor in terms of size and scale and quality of equipment's and capabilities, etcetera. And then one more competition, which is coming up with the Chinese plant. Besides that, what we know, there are not any or many large size of plants of our size coming up. There are smaller plants coming up of 200 cubic meters to 300 cubic meters in various parts of the country, which is on a multi-delight or a Chinese technology system, but I don't have an exact number for it.

Bhavin Rupani: All right. And last question is related to utilization level. Sir, at what utilizations particle boards plant should break even?

Ashok Sharma: If it is depending upon the raw material prices, it should be within 40% to 50%.

Bhavin Rupani: Okay. So you earlier said 50% utilization you expect in year 2. So can one assume that in year 2 will break even for particle boards?

Ashok Sharma: Expected to do so.

Moderator: The next question is from the line of Rishab Bothra from Anand Rathi.

Rishab Bothra: Just wanted to understand the global situation, I think the Russia-Ukraine war still continues. Middle East, there is disturbance. What's your sense, how things will pan out and in terms of the climatic condition change, there are fires in the forest as well, wildfires. How do we secure the orders in terms of master market as well as the raw material security.

Saurabh Mittal: So I think that it's quite a good question you've asked me. I can say that as far as this in relationship to our business, on one side, there are imports of equipment's and decorative paper on some of the imports. As you talk besides the longer lead time due to Red Sea, more or less, things are under control, whatever impact or whatever nature impact had to happen has already happened. And unless, again, something significant happens, I think that chain remains more or less okay.

As far as exports are concerned, like we said earlier, we see our market share increasing both as exports from India, and we're also taking market share, we're from regional international companies in different geographies. So I think we are regionally well positioned in terms of capacities, location of capacities, now two capacity near the ports are set up internationally with inventory on ground in many markets with our local teams in many geographies. So I think we are reasonably well positioned.

And -- so I think from a war point and all that, I think that impact has already at least of what we know, we've already absorbed that. So that's it. But obviously, there are many other fallouts, like people say timber, pulp doesn't come in, pulp is getting expensive, so timber cost have come up. So we can't do much about it, we just go and deal with the problem.

Moderator: Thank you. Ladies and gentlemen, we will take that as a last question. I would now like to hand the conference over to the management for closing comments.

Ashok Sharma: Thank you, friends. Thank you for taking up the time and have a patient hearing from our side. In case you have any more questions and query, you can reach out to us or to our investment advisors. Thank you.

Saurabh Mittal: Thank you, everyone.

Samarth Agarwal Thank you. Thank you, everyone.

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