



## “Greenlam Industries Limited Q4 FY-22 Earnings Conference Call”

**May 31, 2022**

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**Moderator:**

Ladies and gentlemen, good day and welcome to Greenlam Industries Limited Q4 FY22 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 the date of the call. The statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen only mode, and they will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Saurabh Mittal, Managing Director, and Chief Executive Officer, Greenlam Industries Limited. Thank you and over to you Mr. Mittal.

**Saurabh Mittal:**

Thank you Diksha. Good afternoon friends, and welcome to the call. I’m joined by Ashok our CFO, Samarth, and by the SGA team, our Relationship Advisors. So, on the results, I’ll give you a brief about the quarter and the year, update about the new projects. And Ashok will take you through the exact math and the data.

So, Q4 for us overall we think went quite well. And this was despite the challenges at the Behror plant in the month of Jan and a few days of February, where we nearly lost about Rs.20-25 crores worth of sales. We also had experienced certain unexpected cost increases in the month of February for which we’ve undertaken price hikes again in the market which have been partially and will be implemented in Q1 of FY23.

In the last quarter in Q4, we also had higher finished goods inventory at the plant and other ports due to the unavailability of containers and delays in vessels, which have actually dampened the revenue growth and are showing up on our inventory. But despite all the challenges we put up a good performance from the company side. If you look at the financial year 22, revenues went up by about 42% slightly above Rs.1700 crores. And this was again despite, the two COVID, Behror plant being under restricted production, where we lost nearly approximately anything between 80 to 100 crores of sales.

The laminates industry in our company in particular in the entire wood paneling segment had one of the hardest year last year in terms of significant RM costs increase across raw materials in the laminate and the wooden-allied segment as nearly 80% of our raw materials are imported or peg to imports.

We have a significant amount of containers moving into the plants. And we also have 50% of revenues coming from exports were to we face challenges of the supply chain; freight increases the availability of vessels. But despite all the challenges the industry faced, we probably ended up gaining market share as the laminates business grew nearly 46%. And we added nearly Rs.500 crores of revenue in the laminates business.



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The cash flow management also was quite good considering the challenges the industry faced, we were able to reduce debtors value, debtors days, inventories were on the higher side, because RM cost went up, lead times of decorative paper went up from like three, four months to nine, 10 months. So, really the whole inventory management kind of was challenged in our company. But despite all those challenges, the cash flow management was quite superior. And we were always focused on the cash flow. So, that's why we stand on that front.

On the flooring and door business although revenues went up by about 12% to 15% although on a smaller base, but we managed to reduce capital employment in that business. Capital employment was reduced by about Rs.25 odd crores or 15% of the total capital employed. We continue to work towards building the floor and the door business. The flooring business also we were able to improve and add new products to the range and also significantly improved the value mix and price realization in the floor business and we are hopeful that things will get better in this financial year.

On the two new projects in Tamil Nadu and Andhra Pradesh, things are on schedule as we talk, civil construction has begun at the laminates plant in Andhra Pradesh and the plywood factory in Tamil Nadu. All major equipment of laminates, particle boards, and ply have been finalized and orders have been placed to the vendors. Regarding the funding of the two projects, with the investment already done, and the cash flows of the company for FY23-24, the cash was sitting on and with debt, we are good for these two projects. And so really that that seems to be under control.

As far as FY23 is concerned, we believe that the shift from unorganized to organized, will continue in our industry and we stand to benefit with that shift. And even in the exports business, we think we'll end up gaining more market share, although we have challenges on capacity. So, till the new capacity comes up, there's only so much we can produce and sell. But till such time, if there are no more disruptions this year in terms of COVID or closures, et cetera, we clearly believe revenues, and margins will all be superior this year versus what we did in the last financial year.

So, otherwise, things on the ground as far as we are concerned looks pretty okay with us. The demand side looks like a good opportunity for us to gain more market share is clearly visible. And we are continuing on our growth path and in FY23 too. So, that's it for my side of the moment. Ashok will take you through numbers and then if you have any questions, or queries I'll be happy to talk to you again. Ashok over to you.

**Ashok Sharma:**

Thank you, sir. Let me take you through the financial performance.



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For consolidated net revenue for the quarter grew by 11.6% on a Y-o-Y basis and grew by 3% consequently. We stood at Rs.463 crore as against Rs.415 crore previous year.

Gross margin was down by 380 basis point, 44.9% in Q4 from 48.7% in Q4 last year, on a sequential basis gross margin was up by 60 basis points. Gross margin in absolute terms grew by 2.7% to Rs.208 crore in Q4 as compared to Rs.202 crore in Q4 last year.

EBITDA margin was down by 540 basis point at 10.7% in Q4 as compared to 16.1% in Q4 FY21. On a sequential basis, EBITDA margin was down by 120 basis point. EBITDA in absolute term de-grew by 26% to Rs.49.6 crore in Q4 as compared to Rs.67 crore Q4 last year.

Net profit for the quarter stood at Rs.25.7 crore as against Rs.30.9 crore Q4 previous year. For a year as a whole consolidated net revenue grew by 42% and stood at Rs.1703 crore as against Rs.1200 crores last year.

Gross margin was down by 520 basis points to 44.6% in this year as compared to 49.8% last year. This is primarily due to rising raw material cost and logistics challenges which we have. Gross margin in absolute terms grew by 26.9% to Rs.759 crore this year as compared to Rs.598 crore last year. EBITDA margin was down by 340 basis points to 11% as compared to 14.4% last year. EBITDA in absolute terms grew by 7.9% Rs.187 crore in comparison to Rs.173 crores last year.

Net profit this year grew by 23% to Rs.90.6 crore as compared to Rs.73.7 crore last year.

Moving on to segmental performance, laminate and aligned segment revenue grew by 15.9% this quarter on Y-o-Y basis and it grew by 3.9% on a sequencing basis to Rs.424 crore, from Rs.365 crore in Q4 FY210 Volume de-growth stood at 11.5% this quarter.

Domestic laminate revenue grew by 23.9% on Y-o-Y basis and grew by 4.1% on a sequential basis. Volume de-growth stood at 4.5% on Y-o-Y basis. International laminate revenue grew by 9% on year-on-year basis and grew by 3.6% on a sequential basis in value term, however in volume terms. It has de-grown by 18.5%. EBITDA margins stood at 12.9% a de-growth of 500 basis points on Y-o-Y basis and a de-growth of 40 basis points on quarter-on-quarter. Production volume were at 4.14 million sheets at a utilization level of 106%. This is despite of temporary restriction at one of our plants in January.

Sales volume for the quarter stood at 4 million sheets which is lower than the production volume because of logistic side challenges which is there on a continuous basis. Our average realization for the quarter was that Rs. 1012 per sheet .



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For the year as a whole laminate revenue grew by 46% to Rs.1556 crores as compared to Rs.1065 crore last year. Volume growth stood at 23%, domestic laminate revenue grew by 56% in value term, and volume growth stood at 33%. International laminate revenue grew by 38% in value terms and 13.9% in volume terms. EBITDA margin stood at 12.7% a de-growth of 400 basis points on year-on-year basis. Production volume were at the highest level 16.77 million sheets this year. And at a utilization level 107%. Sales volume for FY22 stood at 16.53 million sheets and the average realization for this year was Rs.901 per sheet.

Moving on to another segment veneer and allied segment. This consists of decorative wood veneer, engineer floors, and engineer doors. Revenue for the entire segment de-grew by 20.6% on a year-on-year basis and de-grew by 5.2% on a sequential basis this quarter to Rs.39.5 crore. Revenue for this segment grew by 9.5% this year to Rs.147 crores. EBITDA for the segment was at Rs.3.76 crore EBITDA loss for the segment was Rs.3.6 crore in this quarter as against a profit of Rs.1.5 crore in Q4 last year. For the full year, EBITDA loss stood at Rs.9 crore as against a loss of Rs.4.86 crore last year.

Under the decorative veneer segment, there are three segments decorative veneer segment, engineer floor, and engineer door.

In the decorative veneer, the business grew by 6.5% to Rs.83.7 crore in FY22 as against 78.6 crore . Since volume for quarter four stood at 0.29 million sheets and for the year stood at 1.09 million square meter. Capacity utilization for this quarter was 28% and for the year as a whole 126%. Average relation for this quarter was 750 per square meter and for the year as a whole 764 per square meter.

Engineer wood flooring, revenue for this quarter de-grew by 3.1% on year-on-year basis and 2.5% de-growth on a sequential basis and stood at Rs.10.5 crore. For a year as a whole, revenue from the engineer flooring business was Rs.36.7 crore as against Rs.31.7 crore the previous year. Capacity utilization for the quarter was 13% and for the year was 11%.

Moving on to engineer doors. Revenue for this quarter was flat and grew by 6.5% on a sequential basis to Rs.6.9 crore. Revenue for the year was at Rs.26.8 crore as compared to Rs.24 crore the previous year. Capacity utilization for this quarter was 12% and for the year stood at 18%.

Net debt for the quarter stood at Rs.169 crore as against Rs.179 crore the previous quarter. Net working capital days for the Q4 stood at 74 day and for the year stood at 81 days. That's all from our side. I would now like to open the floor for questions and answers. Thank you.

**Moderator:**

Thank you very much. We will now begin the question-and-answer session. We take the first question from the line of Rajesh Kumar Ravi from HDFC Securities. Please go ahead.



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**Rajesh Kumar Ravi:**

If I look at the current year it has been quite heavy in terms of working capital margins, everything. Now, if I look into the numbers what we understand, the profitability is all been driven by the laminate segment, and decorative and the non-laminate businesses utilization remains low for.

So, I see that the laminate business is what is driving the growth for the company, whereas the non-laminate business be it decorative or the other wood, and the wooden flooring, doors, and flooring all remain either in a lower utilization or weak profitability. So, what is the outlook for the various sector. And also, in terms of the CAPEX expenditure for the next two years, could you guide and how that will impact your leverage ratios and on the third front, on the third question would be the last particleboard capacity that we are adding in South, we also understand that there are multiple capacities which are coming up in South market in the particle board Kerala, nearby markets over next one, two years. So, how do you see a competitive intensity. Thank you.

**Saurabh Mittal:**

Lot of question, we will go one by one. So, one is, so clearly, laminates is our core business and that is driving the growth and despite the temporary reduced production, or no production last year for nearly 25, 30 days. So, clearly, laminates right now we're stretched from a capacity utilization perspective, and we need more capacities. And in South, we are adding three lines of 3.5 million sheets, which is expected to get into commercial production by Q4 of FY23 that's one.

On the wood allied segment. Yes, we clearly are aware that the growth is not up to what we expect it to do. Clearly, there were challenges in the industry with COVID, and restrictions over production, etc. So, that's one area, we really want to expand and want to grow the business. It is a long term, attractive business to be in, it is just hard to set up the sales distribution, specification, and demand creation for that, so that's on the wood & allied segment like we said the business grew last year, although it was on a small base. So, capacity utilization in the wood veneer business will not be like laminate, where you can achieve 100% and all that. So, that we just show out to say what this all capacity is so clearly, those are not the capacity standards in the industry, so that's not really a fair comparison.

On the CAPEX of FY23-24, the existing manufacturing plants will just need routine CAPEX of about Rs.20, 25 crores annually, the major CAPEX will be the two new plants in Andhra Pradesh and Tamil Nadu. Where until now we spent about Rs.100 odd crores, say Rs.200 crores already and the CAPEX of those two plants will be shy of Rs.1000 crores which will be spent in FY23 and FY24 in two years.

On your last question about the capacities of South,. So, we are expanding into laminates, plywood, and particleboard. As far as we are aware, there are no capacities of particleboard



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coming up in any meaningful manner in South India. And so, what you're referring to is mostly MDF, where multiple players are coming into MDF capacity. So, as far as particleboard is concerned that does not seem to be correct where multiple companies or capacities are not coming up its ourselves and another company who is putting up a similar size capacity in the state of Gujarat, so that's where it is. If you happen to, please see our next orbit corporate presentation, we put in the rationale of why particleboards, why are we entering that space, what value do we see, et cetera. So, you can probably review that and you'll get a sense of, what we've put in the whole document there on why we are entering the board, and what the stands for that. So, this are our responses Rajesh.

**Rajesh Kumar Ravi:** Okay. Just a few follow-ups, first on the veneer side, if I see two, or three years back you had relatively healthy revenues, and this area we have seen a sharp decline in the numbers. It is all because of this COVID impact from, production if I see peaked out at 1.7 million square meters in FY19 from there we have come down to almost 1 million square meters in FY21 and 22. So, do you see those numbers can be scaled back to 1.8 or 2 million square meters in the near term, and on the particleboard, how is the CAPEX spread out, because I understand you would be looking for this CAPEX to be completed by end of FY24. So, is it all in FY24 or will it be equally split between 23 and 24?

**Saurabh Mittal:** So, let me go one by one. So, veneers are value production has roughly growth has come down in FY22, For the million mtr sqr, IN FY21 we were 0.12 million and 20 we were 1.53 million you are right on that so there has been a reduction of the veneer business for the -pre-COVID year versus what is happening now. So, clearly, the objective is to bring back the value of veneer, veneer is a more premium product largely used as a premium residential market and hospitality industry. So, we think the numbers of veneer can be brought back. We've had issues on competition intensity, we had issues on raw material cost availability of the base ply and the veneer. But yes, the intention will be to scale back the business, last year again, like we repeated ourselves, we had about 25 days of shutdown of the plant. And that plant incidentally also produces veneer and with the COVID disturbance so, there were issues but yes, it can be brought back to that, that's one. As far as particleboard is concerned, the expenses will be spread over FY23 and FY24 exact percent maybe Ashok can respond, because the major equipment have been finalized and we've already paid out the initial advances, et cetera.

**Rajesh Kumar Ravi:** Peak debt you are looking at?

**Saurabh Mittal:** Peak net debt, we are looking at somewhere around Rs.700, 800 crores but that that might also come by like let's say towards the end of FY24, in this, we have not as of now, we have not taken into account any equity if at all we raise kind of a thing. So, this is around Rs.750, Rs.800 crores in that range. And the particleboard expense will be in two years, both the years will be slightly in this around 45%, 50% in this year and the remaining in the next year.



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- Moderator:** Thank you. We take the next question from the line of the Udit Gajiwala from Yes Securities. Please go ahead.
- Udit Gajiwala:** Sir, can you guide that how is the demand scenario and what kind of industry growth and company growth in laminates are we looking for FY23-24?
- Saurabh Mittal:** So, demand scenario in our industry as you are aware, there's still a large portion of the unorganized share. So, the way we are operating right now is clearly trying to spend our market share with the capacities we currently have. So, as far as we're concerned, in the previous month, this one is by and large, looking okay with us and we also have a significant international presence, so from that side, we're looking pretty okay with the demand side. As far as FY20, you asked FY23-24?
- Udit Gajiwala:** Yes.
- Saurabh Mittal:** So, FY23 which is going on, because our new capacity will only come in Q4 of FY23 and considering that last year, in the same period we had lost production. So, we should be able to grow the business in a 15% to 18%, kind of a ratio this year. In FY24, we'll have three lines coming up so, next year with newer capacity and they are of three different sizes. So, clearly, our endeavor will be to bring those new capacities to a meaningful utilization at the earliest. So, probably the growth percent, probably would be exactly or maybe in the similar range because the base will go up, that will also be in the band of ,15% - 20%.
- Udit Gajiwala:** Understood. And sir just a clarification, that the realization as compared to our peers, like we are far ahead in terms of realization. So, do we see any kind of losing market share, because of this, because we might have a limited capacity for this year, there might be incremental demand which may go to the peers or kind of a thing?
- Saurabh Mittal:** So, our rationale being higher as a function of the product mix, constant working towards value addition, and minimizing the brand in both domestic and international business. And we are already in the month of, we are already in the end of May so matter of few months or maybe eight months or seven, eight month types till we get new capacity. So, I don't think that's a huge matter of concern. In laminate, it just takes time to go and build sales and revenue, it is not a commodity that you can just put into everybody. So, I don't think that's a matter of concern.
- Udit Gajiwala:** And sir lastly any guidance or any point you'd like to put on the laminates margin front going ahead because we have seen constant pressure on that front since few quarters, we are taking price hikes?





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**Saurabh Mittal:** Yes, so unfortunately each time we take a price hike, like in Q3 we were hoping that further RM cost won't go up and by that time we had passed on most of the RM cost increase, which does not mean necessarily that margins can be maintained because we are only passing the RM cost increase. So, the value of the margin gets maintained, but the percentage does come down. So, Q4 increases again has been passed on to the market, probably will be visible in this quarter per sheet realization, etc. If RM cost doesn't go up any further and we have no disruption at the plans for COVID or any other matter. So, clearly, the margin should improve in both percentage and value.

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

**Sneha Talreja:** Just two questions from my end. One, in the first part of it, just to answer somebody you mentioned that demand is good. My question was more relating to Q4 volumes. Although I understand there were container availability issues and because of which your export growth was impacted. What I see is your domestic volume both in the laminate business, veneer business and even other parts of the business has not grown. We look at it as a Y-o-Y decline, could you specify the reasons why we've seen a fall in terms of volumes even in the domestic market?

**Saurabh Mittal:** Yes, so number one we lost production at the Behror plant of about 10 days of production which is nearly 250,000 sheets so which is nearly about 25 crores of value. So, loss of production was there, what we produced we could not ship out completely because of containers, availability, et cetera. We've also improved the value mix and that's why you also see a significant realization improvement in domestic if you see Y-o-Y domestic realization has gone up by about 27.6%. So, our per sheet value is 952, if you look at the overall realization between Q421, and 22 in laminate, the price realization improvement is about 30%, which is a function of price increases, and value mix improvement. So, it's a factor of loss of production, change in the value mix improvement of realizations, and inability to convert production or inventory to sales because of continuous availability in exports.

**Sneha Talreja:** Right. So, given that we have been able to pass on the raw material cost, so fair to assume that inflation or the competition has not been able to take a similar kind of price increase because of which maybe they've got the volumes, margins for us is better?

**Saurabh Mittal:** No, we haven't lost volumes, probably maybe I'm not able to explain understanding properly. Because we've lost production, we couldn't produce the factory over a five days working model for all of Jan and partly February. So, we haven't like lost volumes or lost market share. And then we couldn't invoice because we had high finished good inventory lying in the factory end of March, and at the port which could not be booked at sales, because vessels do not come in. So, we've not lost market share or volumes, we've moved the value mix there has been the



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production of more premium items to negate cost increases, et cetera which anyway is a constant effort we always take. So, that's resulted in the value mix improvement also, and anyway, the plants ran full capacity for the days they were supposed to run we could not produce more.

**Sneha Talreja:** Got it. Could you also quantify what you mentioned in the volume number also the lost volume of Rs.25 crore is the absolute amount that we lost in terms of laminates volumes what would be that amount that we lost because of the plant?

**Saurabh Mittal:** So, loss of production about 25,000 sheets loss of production.

**Ashok Sharma:** Sneha, if you see in terms of production and dispatch volume, our sales volume number is close to around 1.5 lakh sheets. So, those are the things which could have been built or converted into a sale, but because of logistics challenges, these were delayed.

**Sneha Talreja:** Understood sir. So, that actually means that since these plant issues are the sort we will be able to use these volume run rate coming back from Q1?

**Saurabh Mittal:** Yes, surely. It's already it was sorted in February only. So, the answer is yes.

**Sneha Talreja:** Sure. And just to get a perspective from the raw material front you mentioned that of course you took the price hike in Q3 and based on that you were confident that there will be no further price increase but there was an eventually we failed in the margin, how is the scenario right now, are we seeing some stability in terms of prices, is everything passed on or are you seeing constant price increases even now?

**Saurabh Mittal:** So, we were not confident the RM cost won't go up we were hoping it won't go up right, and it did confirm RM cost went up..

**Ashok Sharma:** In this also there are again it's moving up and down here and there some weeks it is down and some weeks it's up and as of now there are stability in most of the raw materials except that one raw material phenol, this is again because of crude has again touched 120 and then the benzene has gone up. So, we are constantly reviewing the entire scenario, but on the other side, there is some downwards in some of the raw material, especially in paper. So, we are constantly keeping a watch on this, what sir has said is that as on quarter four whatever was the increase which we have passed on into the and which was effective from April onwards. But we are keeping a close watch on this as of now nobody with the certainty can say that whether the price will go up or down. We are keeping a watch on this and will take action if at all anything is required.

**Sneha Talreja:** Sure, understood sir, that's helpful and the last one if at all you can give some update on the particleboard unit and plywood unit too, we understand laminates is coming by Q4 FY23. Just wanted to understand about the particleboard and plywood unit too?



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- Saurabh Mittal:** So, the timelines are the same as we mentioned earlier, so plywood's in Q4 FY23 and particleboards by Q4 FY24. The major equipment's like I said earlier for all the three businesses have been finalized and place orders with balancing equipment and some other things, those discussions with, technical discussions and commercial discussions are going on. Civil construction of laminates and plywood have commenced.
- Moderator:** Thank you. We take the next question from the line of Ronak Vora from AUM Advisors. Please go ahead. As the line is on hold, we take the next question from the line of Nikhil Agrawal from VT Capital. Please go ahead.
- Nikhil Agrawal:** Sir, I wanted to understand like one of your competitors is venturing into acrylic solid surfaces and they say that it is a kind of replacement for laminates like good quality, it is a superior product compared to laminate. So, what is your take on this, and are you also considering to step into this?
- Saurabh Mittal:** So, fixed solid surface and laminates are two different products. And the usage of both the products are not necessarily in our view replaceable, so saying one is better and one is worse. I don't think it's the right comparison. As far as we are concerned, that's not an area we are currently, looking at in a solid surface. We want to stick to our good panel segment and two adjacent spaces that's not something we're looking at.
- Nikhil Agrawal:** Okay, sir perfect. What is the growth guidance, the revenue guidance that you gave for FY23 if you could just repeat that once?
- Ashok Sharma:** No, so we said that considering the capacity, and challenges we had last year if things go well this year with no major disruptions, we should be able to grow the business by about 15%, 18%.
- Nikhil Agrawal:** Okay. And sir, what were the price hike you had taken in Q4 and in FY22?
- Saurabh Mittal:** So, in the Q4 we didn't take the price is implemented from April onwards in the Q1, so this is we have taken around 3% in domestic the market and around 5% in the export market.
- Nikhil Agrawal:** Okay, And in FY22?
- Saurabh Mittal:** FY22 as a whole we have taken around a 10% price hike in both.
- Nikhil Agrawal:** In both the markets?
- Saurabh Mittal:** Yes, both the market domestic and international.
- Moderator:** Thank you. We take the next question from the line of Ronald from Sharekhan. Please go ahead.



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**Ronald:** I had a query regarding the passage of raw material prices, I suppose there would be a one to three months lag in those passing of costs. So, is it true that it is one month, or is it three months price lag the pass on the raw material prices?

**Saurabh Mittal:** Both are true, so domestic is like one to two months for exports international market at times it takes up to three months also. And we already have a system, which takes time, so by the time we communicate price increases, we conclude that we already have a backlog at the plant of orders or in the system actually.

**Ronald:** And I suppose there was some kind of easing of container availability during Q4, but you said that there were issues in detail on something, whether the export markets they factor in the freight rates or we have to bear the freight rate?

**Saurabh Mittal:** So, when we say containers issues, because we ship to various destinations, sometimes for certain routes, certain destinations, they might have been easing out or for certain destinations, we still have availability to the boxes and vessels or as far as a freight rates are concerned, although our contracts are CIF, but since Jan 21 incremental freight costs have been passed on to the market to the customers. So, if you add that to the price rise, the price increases are far higher. So, this is the way we operate.

**Ronald:** And when you say 15% to 18% business growth you would mean a higher realization driven by value mix and price increase because capacity wise we are well utilized during FY22?

**Saurabh Mittal:** So, this will be a mix of, we lost some production days last year where we saw volume, price improvements, and value mix improvements.

**Ronald:** Okay. And if you can break out this CAPEX, you said that you spent Rs.100 crores till on CAPEX?

**Saurabh Mittal:** Yes, on the new projects. One of the two new projects of Andhra Pradesh and Tamil Nadu.

**Ronald:** So, on this Rs.1000 crore CAPEX, how you will be doing like 80% will be debt or what kind of debt-equity you are planning, and are you planning to raise some equity from the market?

**Ashok Sharma:** So, debt : equity we have planned is 65:35, 65% debt, and 35% of internal accrual even though we have taken enabling resolution for fundraising, but for these two projects, this internal accrual will be enough. We already spent Rs.100 crore from our internal accrual. We have some cash on the books, Rs.250 crore which we need to fund in the next two years. So, we believe that is enough for this project for as regards fund raise where we are reviewing this entire scenario and we will take it for at an appropriate time.



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- Ronald:** Okay, great. And the last one was this container issue got resolved in February, or is this still the logistics issues you're facing?
- Saurabh Mittal:** There are still issues and since we ship to so many countries, like I was saying earlier at times certain destinations are fine, certain are not okay so it's still not what it was pre-COVID and so which will have availability challenges, vessels moving on time challenges, so that still persists.
- Moderator:** Thank you. We take the next question from the line of Rajesh Kumar Ravi from HDFC Securities. Please go ahead. As there is no response we take the next question from the line of Mohit Agrawal from IIFL. Please go ahead.
- Mohit Agrawal:** Sir, a couple of clarifications. So, your laminate business was already running at more than 100% capacity utilization of about 106%. So, how much capacity utilization can you target, what is the maximum limit can you go up 110% or 120%?
- Saurabh Mittal:** So, in the past, we have gone up to like 115%, 118% types individual factories, so we can go up to let's say 115%.
- Mohit Agrawal:** And would you be outsourcing the production or will it be purely, all the production will be through your own factories only?
- Saurabh Mittal:** So, we don't outsource all our productions is in-house and that's the route we'll follow.
- Mohit Agrawal:** Okay. And on the margins, you've mentioned that you've been able to pass on the input cost inflation till the fourth quarter. So, assuming no more further increases in input cost, should the margins revert back to the 13%, 15% range in FY23?
- Saurabh Mittal:** Yes, whichever is earlier, so since we lost value of production last year so with improved volume, price increases being effected in the market, value mix improvement strategy which we have adopted towards premiumizing the brand, so margins should improve.
- Mohit Agrawal:** Okay. And the last one, you've mentioned that your CAPEX is on, there is no change in the timelines but any change in the CAPEX numbers because of the entire input cost inflation has the CAPEX number changed, or does that also remain the same?
- Saurabh Mittal:** So, there could be certain CAPEX numbers related to civil construction which could change, although we had kept continuously in the announcement we have done, so that is something we are keeping a watch on. As far as the machinery structure is concerned, we don't expect much changes there.



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- Moderator:** Thank you. We have Mr. Rajesh Kumar Ravi from HDFC Securities connected back. Sir, you may go ahead.
- Rajesh Kumar Ravi:** So, two questions first on the in terms of the plywood business, what sort of revenue traction, you're looking in the first year of operations FY24, and by when you expect this to ramp up closer to your full utilization?
- Ashok Sharma:** Yes, in the first year of operation we have taken around 50% utilization, so close to around 200 odd crores, Rs.175 to 200 odd crores we have projected and we have taken the full utilization over the 100% level in the third year of operation.
- Rajesh Kumar Ravi:** Okay. And is it like a high operating leverage business and hence only when you achieve to deliver a 20% sort of plus EBITDA margin, what sort of utilization would be required, sir?
- Saurabh Mittal:** If I am going to be at a 20% operating margin business. Supply, we discussed this in the call, it was more like a 13%, 15% kind of an operating margin, 13%, 14% kind of operating margin in our business not 20%.
- Rajesh Kumar Ravi:** Okay. And what utilization would bring you close to that sir?
- Saurabh Mittal:** For sure, 100% will bring us to that because it's also a function of branding, distribution, et cetera, because we have to get the product out of the market, get the physical distribution in place to bring the right price points. So, it's not only a function of capacity pricing, it's also about running the branding, marketing distribution, and pricing.
- Rajesh Kumar Ravi:** So, it would be, after two to three years you will be looking close to those sorts of numbers?
- Saurabh Mittal:** Yes, that's right.
- Rajesh Kumar Ravi:** And in terms of cost of debt, what will be your cost for the debt you are planning to raise?
- Ashok Sharma:** Yes, Rajesh, it will be a mix of ECA which is since the equipment for particleboard will be will be coming from Europe. So, there is long-term borrowing which is available and which comes at a very competitive cost. And remaining will be from the domestic. So, for the external borrowing that in this scenario it's difficult to comment on because the interest rates are going up, but we expect that within around 2%, 3% within the external and for the external borrowing and for the domestic will all depend on what the rate at that moment of time, but as of now, it's in the range of around 7, 7.5.
- Rajesh Kumar Ravi:** Okay. And sir this 2% to 3% would be like what portion of your loan at 2% rate?



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- Saurabh Mittal:** This will be around one-third.
- Moderator:** Thank you. We take the next question from the line of Ronil Dalal from the Museum capital. Please go ahead.
- Ronil Dalal:** So, I had a few questions around your plywood business. So, firstly you had mentioned that 100 crore CAPEX in Andhra Pradesh and Tamil Nadu. So, what portion of that would be dedicated towards the Tamil Nadu or the ply business?
- Ashok Sharma:** So, this Rs.100 crore is not the CAPEX, total CAPEX is around 950,crore - 1000 crores. The CAPEX amount which we have already spent till March is Rs. 100 crs. So, out of these Rs.950 crores which we have announced is around 125 crore in the plywood and 225 crore in the third laminate plant, and around 600 crore in particleboard.
- Ronil Dalal:** Right, but you had mentioned some civil construction, and all has started So, so far what will be incurred CAPEX in Tamil Nadu?
- Ashok Sharma:** This has started in this month only construction is started in this month only. So, not much of the expenditure has been done in Tamil Nadu as of now. So, this is starting now in this month. ,
- Ronil Dalal:** Right, because I was actually checking your subsidiary balance sheets and the current work in progress has not yet moved so that's why I wanted to just.
- Saurabh Mittal:** By the March we will be done.
- Ronil Dalal:** Right, okay. So, sir, my next question is that in Tamil Nadu, you all have had operations before your acquisition. So, what would be say the existing plant and machinery which is there within Tamil Nadu state, or what revenue would be coming from that?
- Ashok Sharma:** No, this is a new plant there is no plant and machinery is there in Tamil Nadu.
- Ronil Dalal:** Okay. So, it was just a land and there was no plant?
- Ashok Sharma:** Only the land was there.
- Saurabh Mittal:** As far as the revenue is concerned ply on a full capacity will be more like an Rs.400-crore revenue per annum.
- Ronil Dalal:** Right. So, there was nothing in any other business also there was no plant and machinery anything else was at the location of Tamil Nadu?



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- Saurabh Mittal:** That was used as a warehousing facility. There was some shed.
- Ronil Dalal:** Okay. So, that will continue to serve for the warehousing as well as your new CAPEX?
- Saurabh Mittal:** No, we have moved the warehousing out of that location because we are going to build a plant and there's not enough space to do both things. So, warehousing is moved close to the plant about 30, 40 kilometers away, and this site will be used fully as a plywood manufacturing unit.
- Ronil Dalal:** Right. Sir final question is that for a Greenlam only 75% of that business is owned. So, why not 100%?
- Ashok Sharma:** This is a listed company in terms of that only, so 75% of the shareholding only was there with the promoter, which has been bought by the Greenlam remaining is there to the general public.
- Ronil Dalal:** Right, so this particular site had some advantage or maybe you all were already familiar with it that's why it made sense to buy this.
- Saurabh Mittal:** That's correct, yes because the plan was ready, and approvals were in place. And we put this out on the next orbit presentation on why we've chosen this site in terms of raw materials market, et cetera.
- Ronil Dalal:** Right. So, now the CAPEX which comes up will show in Greenlam books, or of course, it will show in the consolidated balance sheet but or, will it then reflect in the subsidiary as well?
- Ashok Sharma:** It will reflect in the subsidiary because the subsidiary is going to spend all the money so it will be in the books of subsidiaries on a console basis yes, it will be a part of Greenlam.
- Moderator:** Thank you. We take the next question from the line of Nikhil Agrawal from VT Capital. Please go ahead.
- Nikhil Agrawal:** Sir, this was on the raw material front like your main raw materials on the chemical side are melamine and phenol and they've been on a downtrend, but what is the trajectory of the paper cost right now, the craft paper that you purchase, what has been the price trajectory for that?
- Ashok Sharma:** First of all there are three chemicals. phenol and melamine you said correctly there is one more methanol and in terms of that the price of phenol is not soften, whether it is from the melamine price, you are correct melamine and methanol price has corrected from what it was there in peak, but the price of phenol is not reduced or not, rather it has firmed up post these Russia war, Ukraine war this has firmed up from what it was there previously. And in terms of paper, we use different types of paper for the domestic paper, craft paper which we use the prices has come down by around 10%, 12% from the peak.





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- Saurabh Mittal:** . So, like you correctly said so, one part of the domestic paper price has come down at the same time, and the other part of the paper which typically uses wood pulp and 100% virgin craft paper, their costs have firmed up. So, net-net, there is a minor reduction overall.
- Nikhil Agrawal:** Okay. And your chemical cost accounts for about 35% of the cost of production, right?
- Ashok Sharma:** 35% of the RM cost, yes.
- Nikhil Agrawal:** Sir, do we see like, I understand that, and phenol prices have gone up and even your craft paper prices have remained stable. But do we see the realizations going down or like after the price hike you have taken for the full year; do we see the realizations being at this level or is there any chance of going down as well?
- Saurabh Mittal:** So, we haven't reduced any prices and rational function of pricing and product mix and value mix. I don't see it coming down to at the moment. So, the endeavor is to constantly keep improving the value mix and the product mix and we have introduced, and we are working in a certain direction on that front.
- Moderator:** Thank you. We take the last question from the line of Vipin Taneja an Individual Investor. Please go ahead.
- Vipin Taneja:** I just wanted to understand what is exactly driving the growth in laminates is it the pent-up demand due to COVID which was subdued earlier. And second is how are we placed with the competitors like Merino and Century, please if you can explain that. Thank you, sir.
- Saurabh Mittal:** So, as far as the demand of laminate is concerned, it's general growth in both domestic and export market in domestic we believe, since there was significant supply chain disruption in our industry. We believe unorganized companies have cut down and curtailed their production and they've had challenges with the availability of raw material, capital, et cetera. So, they ended up taking some market share in the domestic space. As far as the export market is concerned, we've been constantly expanding that space and we are restricted in terms of capacity there. So, clearly, it's a function of the market situation or working in the market products, distribution, reach, et cetera, et cetera. As far as competition is concerned. So, in laminates clearly, our closest competitor is Marino..
- Vipin Taneja:** Sir, how are they doing, because I was checking their distribution channel and they are targeting mainly architects, and that's why they are having a bit of a higher margin, and they are the leaders. So, any in terms of new strategies in terms of our marketing and sales, which we have for the current year, sir?



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**Saurabh Mittal:** So, as far as numbers are concerned, in terms of revenue we don't have the FY22 results. But if you look at the last few years revenues, we do more than them laminates on laminates, in the domestic market they do slightly more than exports we do more than them. So, that's on the revenues between us and Marino, how are they doing, they're doing fairly good. I don't have access to the numbers because they haven't come to the public domain. So, this is, and as far as the targeting of architects, IDs is a concern, it's a normal course of business architects, IDs, contractors, OEMs, they play a large part in terms of influencing and specifying the product. So, it's a routine effort of working with the influencers to create demand, working with contractors and carpenters, and with the channel to create the physical network. We also work with ECOM furniture players, and so there's a lot of marketing activity and sales activity which we do.

**Vipin Taneja:** As a margin, like why are they having a higher margin compared to the industry standard?

**Saurabh Mittal:** So, I haven't seen their numbers of FY22. So, can't comment much on that. As far as the previous sales numbers are there in the public domain, maybe there can be a separate dialogue. And we can discuss that or maybe you can have a chat with Ashok offline. And we can see, do they really have higher margins and what is the ROCEs, we have our ROCE and they have. So, at the end way to see what is the denominator and which stage of business are we in versus them. So, that's a dialogue maybe you can have with Ashok as far as we have. Ashok just pull the sheet.

**Ashok Sharma:** So, in the FY21 overall margin if you see they are at around 16.2% margin, we were at around 14.4% margin and there are reasons for this difference in terms of our marketing spending higher than them and employee cost is higher than them, because our more of a professional setup vis-à-vis there are a lot of family members working there.

**Saurabh Mittal:** If you look at ROCE's, may be you can have a separate dialogue with him but probably it's very similar.

**Vipin Taneja:** And sir just on the laminate as an industry, is it just that the laminates per house or laminate per unit house, if that increasing significantly versus the previous trend because of the aesthetic looks which it provides to the house is that the change which we are seeing post COVID sir?

**Saurabh Mittal:** I don't think that's changed post COVID but clearly laminates is a preferred material, increasingly preferred material in the decorative paneling space, in kitchens, wardrobes, door shutters with a lot of choices customers have and at the price point and with the ease of maintenance, we keep the laminate so we believe the market share of laminates will gradually keep increasing. Also, then there is laminate which is being used inside the furniture which is called liner, liners is a commodity products in kitchens and wardrobes. And that's also going up. COVID, it's tough to say that post COVID laminate has increased. I can't put that together.



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- Vipin Taneja:** Okay. But we are not seeing that is because of aesthetic looks and people are more conscious about how their house looks now, versus earlier trend two year back?
- Saurabh Mittal:** Yes, obviously, if people are staying more at home then they want to do better interiors, but I'm sure people have said moving out. So, well, that's more of a momentary thing. But yes, clearly as a material, at the price point with the good amount of choices the customers have, in terms of colors, textures, wood grain, stone patterns, it's quite a useful material at that price point. For the consumers, for them to use this product. It's easy to apply, there is no maintenance to be done literally.
- Vipin Taneja:** Okay. Sir one last question although you have mentioned to see it in the report. The future of plyboard sir just wanted to hear from you sir, just a couple of points would be enough sir
- Saurabh Mittal:** The future of plywood is it?
- Vipin Taneja:** Plyboard because you're expanding in there?
- Saurabh Mittal:** Yes, correct. I would probably you're well informed and it's a lot of 30,000 pro-market. And we've put that in the presentation of why we're getting plywood, and we just two branded players across the country. So, again the same story is unorganized to organized movement. It's an essential product and we have products for the residential market, carpenters, contractors, and homeowners in the form of veneers, flooring, and premium laminates and we believe this space, and there's a possibility of a third player to be stepped in because there is no meaningful third player in the market. So, there are regional players and certain other national players, but most of them are subscale and they don't have much focus in marketing sales, or they don't have the right manufacturing capacities and the capability so really we think it's will be profitable business from a perspective of margins, and ROC, et cetera. And it's also adjacent to what we do. Most of the channel partners, architects, IDs, and influencers people are common for this.
- Vipin Taneja:** So, marketing expenditure won't be much there like sales and marketing.
- Saurabh Mittal:** Marketing expenditure will be there because it will be plywood but clearly the style of marketing, product development is a bit different from what we don't currently in the sense that there's not numerous ranges and launches and display and all that.
- Vipin Taneja:** Okay. But the sales channels will be the same or different profile?
- Saurabh Mittal:** So, there will be overlap, it really will be overlap in laminates. The model is company and distributor and then to number of dealers in plywood, it's more company direct dealer formats
- Vipin Taneja:** I was talking about ply boards?



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- Saurabh Mittal:** Yes, I've seen our plywood so in laminates it's more company distributor dealer, in plywood, it's more company dealers.
- Vipin Taneja:** And sir in plyboard, what would be our margins which we're looking at EBITDA margins?
- Saurabh Mittal:** So, will be in the range of like we said on a full capacity, like 13%, 15%.
- Vipin Taneja:** Right. And sir in that particleboard also we are targeting sir?
- Ashok Sharma:** Yes, we have already announced that particleboard we are we are putting up a plant in South and we'll be spending close to around Rs.600 crores on that.
- Vipin Taneja:** And sir in particleboards would we be directly tying up with OEMs because a lot of new furniture's which I was reading is maybe it is Durian or Nilkamal has also opened a branch. So, they are primarily coming up with that particleboard furniture these days. So, will we be going directly to the OEMs as well, for particleboards?
- Saurabh Mittal:** So, larger OEMs will be served directly and Nilkamal or some other larger players, but they will also be as you probably are so well informed, there are many smaller OEMs in fabrication, kitchens, home improvement, wardrobes, wooden furniture, so they'll also be an element of distribution happening to the smaller OEMs, so the stockiest and dealers of big distributors.
- Vipin Taneja:** And margins which we are looking at sir here in this particle board?
- Ashok Sharma:** In the range of around 25%
- Vipin Taneja:** 25%, okay.
- Ashok Sharma:** Because the CAPEX to sales revenue ratio is around 1:1. So, that how the margin.
- Vipin Taneja:** Okay, actually that was our next query but you've already answered. Well, thank you so much, sir, and all the best because you're coming out with a huge CAPEX it is not easy. And thanks a lot, good luck to you and your company sir.
- Moderator:** Thank you. We take the next question from the line of Jenish Karia from Antique Stock Broking Limited. Please go ahead.
- Jenish Karia:** Sir, I understand that in a volatile environment according to cost it's difficult to comment on the margins. But if you can give us any flavor about EBITDA per sheet or something like that, that it will stay at these levels or it will taper down or because of the value mix or it will increase or some flavor on that part sir.



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**Ashok Sharma:** So, in terms of EBITDA per sheet this quarter, it was at around Rs.137 per sheet, and last quarter also it was at similar level it was Rs.136 per sheet.

**Jenish Karia:** So, going forward also we plan to maintain that?

**Ashok Sharma:** So, as we have discussed in the call that price hike what was there in the Q4 we have taken that price hike which is implemented from April, there was some disruption on the production side, which was also get resolved. So, if there is no other disruption which you don't know as of now, then probably the margin should improve and in case that improves, then obviously that will have a positive impact on the EBITDA per sheet

**Moderator:** Thank you. We take the next question from the line of Abhishek Vora from Ambit Asset Management. Please go ahead.

**Abhishek Vora:** Quickly, just a clarification on the numbers of domestic exports volume and value numbers. If you could please repeat on that?

**Ashok Sharma:** Yes, Abhishek on this we will come back to you.

**Abhishek Vora:** Sure. You had mentioned the numbers in the start of the commentary, exports volume declined by 19% is that number correct?

**Ashok Sharma:** It is correct.

**Abhishek Vora:** And domestic volume decline would be?

**Ashok Sharma:** 4.5%

**Abhishek Vora:** Sure, and the value growth in domestic would be?

**Ashok Sharma:** Value growth in domestic was 22%.

**Abhishek Vora:** Sure and the exports value growth was 4% is that correct?

**Ashok Sharma:** So, 15.3 was domestic and 23, in laminate you're talking, 23.9 in the domestic and 8.9 in the export segment value growth.

**Abhishek Vora:** Sure. 23.9 and 8.9 are the domestic and exports value growth respectively on a Y-o-Y basis right?

**Ashok Sharma:** Correct, yes.



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- Abhishek Vora:** Quickly also if you can please give a sequential growth number of domestic and exports it will be helpful?
- Ashok Sharma:** It was around 4% in both.
- Abhishek Vora:** 4% each right.
- Ashok Sharma:** Yes.
- Moderator:** Thank you. We take the next question from the line of Rajesh Kumar Ravi from HDFC Securities. Please go ahead.
- Rajesh Kumar Ravi:** Just wanted to understand again, on the leverage side, you said that you'd be comfortable with the current internal accruals to fund these CAPEX and the borrowing in terms of your leverage ratios?
- Ashok Sharma:** Yes.
- Rajesh Kumar Ravi:** Because, if I look at your net debt numbers which you said it would be close to Rs.800 crore right?
- Ashok Sharma:** Rs.750 to 800 crores.
- Rajesh Kumar Ravi:** Then your EBITDA would be close to Rs.2500 odd crore or less than Rs.300 crore sort of a number. So, are we not looking debt to EBITDA ratio of almost 3x or more than 3x type of a number, and given there is some volatility and ramp-up delays that would have a bearing on your overall performance?
- Ashok Sharma:** First of all this debt which you are talking this will be towards the end of FY24 and net debt as I said that Rs.752,-Rs.800 crore is there and if we divide that 300 then it will be well below the three and as you know that we have already taken the approval from for the QIP, as of now that is not yet finalized. So, we are reviewing the situation, so still will have in terms of that.
- Rajesh Kumar Ravi:** Understood. So, if at all you go for that that will have a strengthening factor for you.
- Ashok Sharma:** Absolutely.
- Moderator:** Thank you. As there are no further questions, I would now like to hand the conference over to the management for closing comments.



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**Ashok Sharma:** Thank you, friends. Thank you for taking out time and attending the call. In case you have any other questions you can reach out to us or to the SGA team we'll be happy to answer your queries. Thank you once again.

**Saurabh Mittal:** Thank you.

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