



“Greenlam Industries Limited  
Q1 FY’25 Earnings Conference Call”

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

**Moderator:** Ladies and gentlemen, good day and welcome to Greenlam Industries Limited Q1 FY '25 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call.

These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need an assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone 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. Good afternoon, friends. Welcome to our Earnings Call of Q1 FY '25. I'm joined by Ashok, our CFO; Samarth from the Finance team and SGA, our Investor Relations advisor. You probably have had a look on the results available on the exchange and the company's website.

So I'll give a quick update on how the quarter went and the challenges we faced and the opportunities we see. So Q1 on the revenue side, we've grown about 17.5%, 17.4% more precisely with domestic business growing at about 11.8% and export business growing by about 22%, 23%. So the growth was slightly lower than what we had expected, and we faced challenges in both the domestic business and the export business.

The domestic business grew at about 11.8%. And because of the election-related disruptions with people, workers not being on ground, on-site works getting affected, some heat issues coming in so the domestic business was impacted. In June, we did see improvement on ground with the business. So that's largely on the domestic piece. In the domestic, if you see, particularly, we had a dip in the veneer business, which again is largely is a business which is done on site with carpenters and polishers, et cetera. So I think that probably is the reason on the dip in the veneer business.

On the export business, I think we grew well, we could have done better, and we had challenges on the container availability, goods in water, in transit. So I think this challenge has been persistent for the last, I think, nearly 9 to 12 months. And I'm not sure when this will get streamlined. So but on the volume and the value growth, I think we've done reasonably well.

We've also been able to improve realization in the export business. So I think that's on the export business. We think as we move ahead, both in the domestic and the export business across all categories of laminates, veneer, flooring, doors, plywood, I think things will look better. And clearly, I think we are driving to win more market share and also continuously accelerate the rate of growth on the revenue side.

On the raw material side, I think we've largely been able to maintain the gross margin of previous year Q1, but we're at a dip versus the Q4. So we've seen costs increase due to freight increase on the books. We've seen a slight increase in costs in laminate business and we've seen timber costs going up in the plywood business.

On the plywood business, we passed on certain costs to the market effective July. So about close to 4% price increases we've done. On the laminate side, we are still reviewing the cost impact and whether we can offset it with higher volume and better value mix. So we yet to make a decision on the price increase on the laminate side. So that's on the cost part.

As far as the new projects are concerned, the Tamil Nadu factory of plywood on the factory side, I think things have got largely streamlined. We need to only drive more business. On the laminate factory, the new plant in Andhra Pradesh, that plant is also moving in a good way. Most of the plant operating parameters, manpower on ground, systems have largely got streamlined. Again, there too, we have to improve more business. So utilizations did improve in Q1. And I think as we proceed through the year, things should keep improving.

On the particleboard plant, as mentioned, we should be able to start the plant in Q3 of this financial year. So that's on the newer plants and newer projects. The Gujarat plant that we had already communicated earlier is, by and large, running well and near full capacity. So I think that's going reasonably well.

So that's broadly from my side. I think on the industry side, I think the building material industry, the part of construction, which is happening has happened. Area fit outs work will come in. So we are quite positive on our ability to build a domestic market. On the international markets too, we are bringing in more market share across many geographies. We're adding new customers with new capacities available with us. The new sizes of products we can do from our Andhra Pradesh plant that's also helping us win more market share and add more customers.

So I think on both the geographies, we feel that things will keep improving as we proceed despite certain headwinds and certain challenges which keep coming. So that's probably from my side. Ashok will give a detailed update on the numbers and figures, et cetera. And we'll be happy to address your questions, if any. Ashok, over to you.

**Ashok Sharma:**

Thank you, sir. Good afternoon, friends. I'll take you through the financial performance for the quarter. Consolidated net revenue for this quarter grew by 17.4% on a year-on-year basis. However, de-grew by 3.1% on a sequential basis to INR604.7 crores as compared to INR515.2 crores in quarter 1 last year.

Gross margin this quarter was marginally lower by 30 basis points to 52% from 52.3% in Q1 last year. On a sequential basis, gross margin de-grew by 100 basis points. EBITDA margin was down by 190 basis points at 10.6% in this quarter as compared to 12.5% in quarter 1 last year. On a sequential basis, EBITDA margin de-grew by 280 basis points.

EBITDA in absolute term remained flat at INR64 crores in this quarter as compared to INR64.4 crores in quarter 1 last year. Net profit for the quarter stood at INR19.9 crores in this quarter as

against INR33 crores in quarter 1 last year. Net profit was lower due to higher depreciation and interest costs related to 2 new plants, which we have started last year.

I'll move on to the segmental performance. First, Laminate. Laminate revenue for this quarter grew by 13.2% on a year-on-year basis and remained flat on a sequential basis to INR534 crores from INR472 crores in quarter 1 last year. Volume in Laminate stood at 11.9% on year-on-year basis. However, the domestic laminate revenue grew by 4.5% on a year-on-year basis and degrew by 6.4% sequentially in value terms. Volume growth stood at 10.6% on year-on-year basis.

International laminate revenue grew by 22.1% on year-on-year basis and grew by 5.3% sequentially in value terms. Volume grew by 13.8% on year-on-year basis. EBITDA margin for the laminate business stood at 13.6% in this quarter, a degrowth of 120 basis points on a year-on-year basis and a degrowth of 300 basis points on quarter-on-quarter basis.

Production volume were at 5.08 million sheets and at a utilization level of 83%. Sales volume for the quarter stood at 4.67 million sheets. This could have been better, but because of unavailability of containers, some of the exports were held back. Our average realization for the quarter was at INR1,105 per sheet.

Moving on to Decorative Veneer and Allied segment, which includes wood veneer, engineered floors and engineered doors.

Revenue of Decorative Veneer business degrew by 24.1% on year-on-year basis and degrew by 47.5% on sequential basis to INR19.6 crores from INR25.3 crores in quarter 1 last year. Volume degrew by 26% on year-on-year basis. Sales volume for the quarter stood at 0.2 million square meters, and the capacity utilization for this quarter stood at 21%. Average realization this quarter stood at INR960 per square meter.

Moving on to engineered wood flooring. Revenue for the wood floor business grew by 30.5% on a year-on-year basis, and degrew by 6.5% on a sequential basis to INR13.4 crores this quarter as against INR10.3 crores in quarter 1 last year. Capacity utilization stood at 13% in this quarter. Engineered doors business revenue grew by 40.7% on year-on-year basis and remained flat on a sequential basis to INR9.8 crores as against INR7 crores in quarter 1 last year.

Capacity utilization for door business stood at 21% in this quarter.

In the Plywood business, our revenue stands at INR27.6 crores in this quarter. Sales volume for the quarter 1 stood at 1.14 million square meters and capacity utilization for this quarter was 24%.

Average realization for plywood in this quarter stood at INR242 per square meter. Our net working capital days stood at 65 days in this quarter as compared to 72 days in quarter 1 last year. Our net debt stood at INR922 crores, which includes debt of approximately INR465 crores on account of ongoing particleboard project. That's all from our side. I'd now like to open the floor for question and answer. Thank you.

**Moderator:**

The first question is from the line of Keshav Lahoti from HDFC Securities. Please go ahead.

**Keshav Lahoti:**

So I want to bit understand more on laminates export side because the freight costs have seen a sharp spike. So how should we read? Because if the freight cost rises substantially, whether the domestic manufacturers of that country becomes more competitive and will it be able to pass on this entire increase in freight cost because this quarter, we have seen some 300 bps sequentially margin compression in laminates, how we see the margin going forward? And do you maintain your 15%, 16% laminates margin guidance for the year and 20% revenue growth overall?

**Saurabh Mittal:**

I think that's a good question. So clearly, freight costs have gone up. So normally, we end up -- so we have agreed a freight cost with the customer, beyond which we charge them for the increase. So in the last 3 months or even now, we've been able to pass on most of the increases, barring a few increases in certain markets.

So as we proceed, my guess is it depends on where the freight costs go to. So I think certain markets, we'll be able to pass on the increase, in certain markets, we might have to do some cost share kind of a model. So I think it will be like a mixed bag as we proceed. As far as the competitors is concerned, so the competitiveness is not only on the cost of certain geographies, the local manufacturers don't have capacities also. But yes, with extreme freight costs or exceeding -- extremely high freight costs, even if you end up passing on the increase to the customers, it impacts the business model in those countries.

But as we see at the moment and like the data suggests for Q1, we have grown at about over 20% in value. We've also improved our realizations. So I think this focused on driving volumes and the constant focus on product development and premiumization is something we've been pursuing for many years. I think with this combined strategy of pushing of the volumes and constantly improving value mix, I think we should be okay with the business model.

Certain markets we export to, there's a currency advantage also, which we are gaining because in those geographies, which is mostly the pounds, we export in pounds and we have no imports so that bit of currency advantage also we are gaining. So that's on the freight and how we see the international markets.

As far as the margins are concerned, there could be some movement, a percent here or there. But if you see the margin reduction is also due to certain operating costs, which have gone up. The outputs, the sales have not been booked, which are being produced. So there's also a little bit of those valuation accounting issues also are there.

So I think very hard to say exactly what percent movement will happen. If the volumes do go up, we are able to sell -- we are able to improve value mix, maybe some of those additional costs can get met up with additional volumes, better price mix, et cetera. Very hard to say what's going to happen. But I'll Ashok to comment on that also. Ashok?

**Ashok Sharma:**

Yes. We will be -- as of now, the same guidance which we have given, that 18%, 20% in the revenue guidance. And EBITDA last quarter was 16.6%, which was higher than our average margin. But we believe that we should be in the range of approximately 15%, 16%, but everything will depend upon how the cost moves from here.

- Keshav Lahoti:** Understood. And how should we read the increasing kraft paper cost from Q2 onwards? Will it have any major impact, any reading?
- Saurabh Mittal:** So certain kraft paper costs have gone up like -- so it will have an impact, any costs going up, will have an impact. And certain deco paper costs, not as base price, but because of the sea freight increase from both Southeast Asia, East Asia and Europe. So that's also adding to the cost. The base price hasn't gone up, but the freight costs have gone up. So in some way, we have to bear for the cost to the supplier. In some places, the shipments are FOB, so we have to bear some. So there will be some cost impact. I think we have to make up with better efficiencies, some improved value mix, I think. And those efforts are going on.
- Keshav Lahoti:** Understood. But what is stopping some price hike in the market right now. If the kraft paper prices are increasing, deco paper, why are they are not taking price hike to pass it on?
- Saurabh Mittal:** So that, like I said earlier, so we are also reviewing whether we need to increase prices in the domestic market. Internationally, we will not be able to increase prices because of the freight cost increase being passed on to the customers or more or less. So that's going to be hard to increase prices. So internationally, the focus is on pushing out more volume and improving the value mix. Domestic market, we are reviewing whether we can do a price increase.
- Keshav Lahoti:** Okay. One last question from my side. Normally, if the freight you book vessel in advance. Like I want to understand the increase in freight cost is passed on with the lag effect?
- Ashok Sharma:** No. In terms of our export, it is passed upon on every consignment to consignment and it cannot be booked in advance. So it is booked on depending upon the vessel availability and the time of export of it. So beyond the agreed cost with the customer, cost in excess of that is getting passed on to the customer. In most of the cases, however, in some cases, we have to bear the cost.
- Moderator:** The next question is from the line of Praveen Sahay from P L India.
- Praveen Sahay:** Yes. So my question is related to the export. So you also mentioned about the container availability that also restricted some export order to execute. So how has in the Q1 that impacted? And what's the situation right now? Is that worsening more than the Q1? And when you are expecting things to normalize?
- Ashok Sharma:** Yes. So in the Q1, we have already mentioned in our communication that in Q1 -- still at the towards the end of June, we could not be able to ship some of the material, nearly 1.5 lakh sheets, we would not be able to ship. And that situation in July, it's only, I will not say majorly improved, but yes, a little bit better than June end. And it's difficult to, as of now, say when the situation will become normal because it's not in our hand, it's more of a geopolitical situation, which is creating this trouble. So as of now, we only hope that this will get improved, but it's difficult to give exactly by when this will get resolved.
- Praveen Sahay:** Okay. Second question is, as you had mentioned that there is no price hike in the laminate. And also, there is some cost has been increased. But if I look at your gross margin in the laminate has not much on the Y-o-Y side corrected. So do we expect a way forward, there is some correction in the gross margin because of some raw material cost impact?

**Saurabh Mittal:** So I'll take the question. So if you see, while GP -- gross margin has not been too affected is also because we've been able to improve the value mix, and I said that to the earlier colleague of HDFC. But we've always had a focus on both driving volumes and improving the value mix in domestic and international.

So our per sheet realization has slightly also improved in Q1. So as we move ahead, I think the effort, we can't say this with certainty, but the effort is to drive more volumes and also drive their value mix continuously in both domestic and international markets. So as we see things now, maybe it may not be major impact despite the RM cost increase in the laminate business.

**Praveen Sahay:** Okay. Last question, sir, related to the domestic laminate business, and there, the numbers are quite soft, and you had given an indication of a general election and the heat wave, which has impacted the Q1. So how the things are playing out right now because these things are in the past. Now as a whole laminate domestic business, you are seeing some kind of improvement?

**Saurabh Mittal:** So if you see Q1, we've had a domestic business about 10% quantity growth. And value growth has been about slightly above 5%. And like I said earlier, we have started seeing improvements from June onwards. So our sense is that even this month is looking pretty decent. So our sense is it should be kind of normalized quarter in Q2, at least on the domestic demand side.

**Moderator:** The next question is from the line of Sneha Talreja from Nuvama.

**Sneha Talreja:** Just a couple of questions from my end. You've seen around 12% growth on the domestic market, for last year export growth is also interesting. Just wanted to understand what would be the growth rate, industry growth rate? And does that mean you are really gaining market share? And if at all, could you give some flavor if the national players losing market share? Or is it smaller players that are losing market share? Some sense there would be helpful.

**Saurabh Mittal:** So domestic data, we don't clearly have. So it will be not right for me to respond-- I don't have the data, so I can't say much. But the sense we've got that has been slow in domestic in Q1 for most of the players, both organized and unorganized. And we don't -- we've not been able to see any other companies results, so I can't say too much on that.

On the export, there is some DGFT data and all that. So I think there we've seen that we have won market share, and we've grown more than the industry growth in the quarter actually, yes. So domestic, hard to say now. But I think once the data comes out of the other companies, we'll get a better sense of what's happened on that.

**Sneha Talreja:** So I mean you're deep diving into exports. In that case, is it that you -- India as a country is gaining market share or you specifically are coming out? Or is it a shift between the domestic players? Or is it you're gaining some market share based on your cost advantage, in your advantage?

**Saurabh Mittal:** So I still think we're too small to put these numbers into a very macro. But I think clearly, within the -- within exports from India, I think our market share has gone up. And the geographies we are operating in, not all geographies, certain geographies do one more business maybe versus the regional local players there.

Also, you have to appreciate that we've added a lot of capacity in laminates with 3 lines in Andhra Pradesh and 3 lines in Gujarat. We've also added new sizes of products. So earlier, we were constrained with capacity in the earlier plants. So I think that's also freed up our supply chain and improved our supply chain into markets because we've already built many markets.

So I think a bit of both is happening. I think we are winning a market share from India exports have gone up. And I think certain geographies, we're also taking share from the international players. I don't think the overall market is growing so much. I think it's more of a market share shift domestically and international.

**Sneha Talreja:**

Understood. That was helpful. Secondly, on your other divisions which is, of course, Decorative Veneers plus Floorings, and those put together. What is the reason why we are not seeing similar growth there? Because I think you have definitely built in capacity and utilization levels are lower. Is it the market acceptance towards the premium product that is not letting it happen? And what could be your turnaround strategy there?

**Saurabh Mittal:**

So if you see other parts of the businesses, the flooring business has not slipped much versus Q4 sequentially and has grown versus Q1. And as we talk, we'll see improvements moving ahead. That's on the flooring. If you see door too, we've not -- we actually gained versus Q4 at a small base, and we've grown reasonably well versus Q1 of previous year.

And again, I say this, as we move by, we'll see both the floor and the veneer business do well -- sorry, the floor and the door business do well. The Decorative Veneer business was a bit of a disappointment. I think here, we clearly have slipped in Q1 versus Q4 and versus Q1 of previous FY. And our sense is because this product, and I said this earlier, this carpentry work and polishing work and this level of heat disruption, this is mostly an on-site work. So I think there's a little of a challenge here.

And I said I think in Q2, we should come back to a regular business and again, we already see that this year because in the veneer model, the way the business works, people come to select the material specifically as they move to sites, there's a carpenter, there's a polisher. So there's a little bit of a manual intervention, which is a bit higher than the other categories. We still don't have large factories finishing veneers in the plants and making furniture. Maybe that's one of the factors or maybe it's just been a bit slow.

On the Ply business, Q1 of last year is obviously not relevant versus Q4, we've been flattish or slight growth of 5%. We started opening besides South India, the Maharashtra market also starting April, so that's still WIP. So yes, we could have done better, but it's not that we've not done okay. I think when everyone's data comes out, probably we'll see them reasonably okay. I think as we move ahead probably we'll keep doing better on these categories also.

**Sneha Talreja:**

Sure. Any vision where these all 3 businesses or 4 businesses, individually smaller ones would start contributing to profitability or at least breakeven?

**Saurabh Mittal:**

Yes. So if you see -- I don't have the data. But Q4 last year, they all come into profit. Now so if you see the flooring and doors, a very minor loss. Ply, we've been able to reduce the losses. So I think from a breakeven -- from an operating level and the EBITDA level. I think as far as the

profitability is concerned, I think that's not too far away on the veneer floor and doors. Ply, I think we still need to ramp up because there will be more volume to come to a profitable position. But we're on a job in terms of driving more business, gaining more market share, settling these businesses.

**Sneha Talreja:** Understood. Sir, and lastly, maybe Ashok, sir, also can handle this. Regarding employee expenses, is it also because of the fact that our new business, which is particleboard is expected to come in and cost seems higher right now? And when can we see as a percentage of sales or the number in a normalized increase?

**Ashok Sharma:** No, this is not related with the particleboard because since that has not yet come into the -- as of now, the commercial production. So that's not in the books as of now, that's not expensed out. But if you compare from the quarter 4, so if you see that employee cost has gone up by INR10 crores. So that will be -- and that is on account of like onetime annual expense, which happens bonus in the quarter 1 and the annual increment. So not much has gone up, in terms of percentage, yes, it might have gone up because of the sales being low than the quarter 4.

**Moderator:** Thank you. The next question is from the line of Utkarsh Nopany from BOB Capital. Please go ahead.

**Utkarsh Nopany:** Sir, I have a few questions from my side. First, on the Particleboard segment. Sir, like if we see a particleboard capex cost per unit, previously, we were at a quite higher side at around INR30,000 per CBM versus if we see for the other MDF projects which are -- have been recently completed, it's around, say, INR21,000 to INR25,000. So given that Particleboard pitches significantly lower realization compared to the MDF products. So whether we -- can we think of clocking low double-digit ROCE on this project even if we are able to operate the plant at full capacity in the future?

**Ashok Sharma:** So your observation is correct. And as the things stand as of now, which we have said earlier also. But as the things stand as of now, the raw material cost, the timber cost is at the highest level till now, and that's a cycle. And we believe that it will settle down by the time we come into the arc, commercial products in the starts, and we come back up to certain size and scale. We believe that in terms of when we reach the full utilization level, which will happen in the third or fourth year kind of a thing, then we can have that margin in the range of around 15% to 18% ROCE.

**Utkarsh Nopany:** Okay. And for that 15% to 18% ROCE, what kind of realization and EBITDA per unit we are assuming, sir?

**Ashok Sharma:** So EBITDA can be in terms of not in terms of per unit, it's more in terms of as a percentage of revenue. We will be in the range of 20% to 24%, depending upon what the raw material prices and the sales prices at that moment of time in terms of that. And we are seeing an optimum utilization of 90% plus, which can happen in the fourth year of operation.

**Utkarsh Nopany:** Okay. Sir, my second question is on plywood. Sorry, I'm coming back again.

**Saurabh Mittal:** Yes. Just once on the particleboard and MDF capex cost comparable. You might want to just also consider that particleboard is largely a pre-laminated particle business model. So it's not only a board production. So you have to -- so the model will be laminated board will be sold at least 80%, if not more.

And so you have capital expenditures on impregnators, presses, plates, more than the MDF plant. I think that's something you should also know. Also I would like to highlight here that the process is a bit more complex in MDF. And if you would study trends of Europe and even Asia, we see increasingly more plants coming off particleboard because it's more cost efficient. It has more flexibility in the dimension of boards and new supplier pre-laminated board.

So the model is a bit different, not completely, but I think you must keep these things in mind while comparing the capital expenditure. So it's not a board-to-board comparison of capex. It's board plus lamination of nearly 80% capacity lamination. So that's something you should keep in mind. Anyway, go ahead, sorry.

**Utkarsh Nopany:** Yes. Sir, my second question is on the plywood segment only. Normally, we don't see any capital-intensive project takes so much of time to reach the breakeven EBITDA point. Then why it is taking so much time for us. And by when we are likely to become EBITDA positive for Plywood segment, sir?

**Saurabh Mittal:** So plywood, so we are in the upper premium segment of the market. We're not in the middle or lower end of the market. And quarter after quarter, I think the loss is reducing. And if you see now nearly at about INR40-odd crores of sales in the quarter, we should become EBITDA positive, approximately slightly lower than that.

And timber costs have also gone up substantially over the last 6 to 9 months. I think we're on the job to set up the sales model, secondary sales because it's also a branded model. We're not at the lowest segment of the market. It doesn't sell only by price. So I think just to put the entire sales cycle in terms of demand generation, specification, that work is taking some time to bring it to that capacity. Otherwise, product quality, performance, South India's network is by and large in place in the market.

**Utkarsh Nopany:** Okay. And so, sir, can we expect to reach the EBITDA breakeven for plywoods, say, maybe by the second half of this fiscal?

**Saurabh Mittal:** So well, it may be possible, it will depend on where the timber costs and where the sales are, clearly. So clearly, that's our intent to get there because we also have slightly higher marketing costs initially to support the sales of plywood. So I can't put that with certainty, but clearly, we want to keep -- we want to get there at the earliest.

**Utkarsh Nopany:** Okay. And sir, thirdly, on the Laminate segment, our realization has been quite volatile on a Q-on-Q basis in the past few quarters. Can you please guide how much realization hike we should assume for FY '25 on an annualized basis, considering the current product mix?

**Ashok Sharma:** Why did you say that it's volatile? Whatever I can see, it's fairly stable with an upward, slightly going upward. So it's not that it's moving up and down in every quarter-on-quarter basis. So it's fairly -- I will see the stable in terms of that with some upward increase.

However, in the domestic and export, it might happen. But overall, it's clearly stable, and we believe that the -- it will go slightly going up, depending upon the product mix, what we have in the product mix as well as the domestic and export mix we have on a quarter-on-quarter basis. But with the better product mix, it should go up.

**Utkarsh Nopany:** And sir, lastly, I just need a few data points. If you can just guide the budgeted capex cost for FY '25 and '26? And what would be our quarterly interest and depreciation cost from the March '25 quarter period once we commission our particleboard project?

**Ashok Sharma:** We will come back to on one-on-one basis.

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

**Rishab Bothra:** Two, three questions from my side. Firstly on the cost front. What is the mechanism where we can protect ourselves from the fluctuations in raw material prices? I mean there are frequent fires in some part of the geography. India also witnessed in a few months back. So what pricing impact does that fire have on our raw materials pricing?

**Ashok Sharma:** Yes. So there's no fixed formula, Rishab, in terms of impact. What we are very actively managing our raw material cost in terms of, let's say, in the chemical from 45 days to 90 days, the previous booking has been done. You can't do more than that because it will -- material will not be available.

In terms of base paper, we maintain an inventory of around 6 months to 7 months inventory we maintain. And the price is also fairly stable. It goes up as and when there has been inordinate movement in the cost. Let's say shipping cost is going up substantially, which will -- nobody can predict when -- as and when it will go up, and that has an impact on the overall price, either it's -- either we are buying CIF, where the vendor will increase or if we are buying on a FOB basis, which means our cost of getting the container or the ocean freight will go up.

So we manage that on an actively basis in terms of that. But it's very difficult wherein we can - - we don't have any impact on the price. We will have the impact, of course that impact will be more on a staggered manner, and we'll have probably 2 to 3 months post the it starts happening in most of the cases.

**Rishab Bothra:** Okay. And in terms of fire in forests and all those stuff, region?

**Ashok Sharma:** That is -- we have not seen any impact of that on our raw material price.

**Rishab Bothra:** Doesn't the prices shoot up during those timeframes?

**Ashok Sharma:** But why it is so, it has no impact on us or our vendor. So we are not seeing any such cases in the past.

- Rishab Bothra:** Got it. And in terms of plantation, do we intend to go for plantation sometime?
- Ashok Sharma:** So we are -- we have started running a program since last year wherein we don't do the plantations, we will help the farmers' community in and around our plant by providing them the technical input as well as supporting them with the clonal kind of a thing, on a cost basis. And we have already started from last year, we had 2 of our plants in South India.
- Rishab Bothra:** So this was on the cost front. On the revenue front, once the capacities are on stream, what is the maximum potential revenue which we can open and in what timeframe, in each of the segments?
- Ashok Sharma:** Right now, only the particleboard project is ongoing. The plywood, as well as the expansion of laminate, has already been done in last year. So with this, the particleboard, once it reaches the optimum utilization of 90-plus or near 100%, we believe that at the current prices, we will be in the range of around INR4,000 crores to INR4,200 crores. And we believe that if everything goes as per our plan, that should happen by, let's say, in around FY '28.
- Rishab Bothra:** Okay. And sir, is there any fungibility? I mean if there are some disruptions...
- Ashok Sharma:** Rishab that is from the current whatever capacity which we have. But during this course of these next 3, 4 years, we might need capacity in, let's say, laminate that should be over and above this.
- Rishab Bothra:** Sir, my next question was, is there any fungibility, let's say, there are some disruptions in overseas markets or in domestic market, we can divert those product vice versa to maintain our growth momentum?
- Saurabh Mittal:** If this is for laminates mostly, yes, certain products don't have a market in India. So that may not be possible, so you can assume mostly, yes, owing the capacities are upfront.
- Rishab Bothra:** Got it. Sir, doors and windows have been -- I mean the utilization levels have been not up to mark? I mean you have been mentioning time and again that, that will -- those will remain the same. But what is our long-term ambition of those capital utilization in those segments, doors and windows? I mean, so sorry, not in windows, doors and flooring.
- Saurabh Mittal:** So clearly, like it's inching up. I think last year, overall, we did better than the previous year. I think this quarter, also the first quarter versus the previous year's first quarter, in both the categories, we've grown about 30% and 50% (Please note 50% mentioned erroneously, it is 40%).
- So I think it's inching up. And with a lot of premium homes, hotels coming up through the country, I think the Flooring business to us looks to be in a good position. As far as the door is concerned also, I think the door business, orders have been decent. So I think both the business will keep improving as we proceed.
- Rishab Bothra:** This will be more so institutional business only, not B2C as such?
- Saurabh Mittal:** The flooring is retail and institution. Doors is largely institution and some retail also.

- Rishab Bothra:** And lastly, sir, peak debt level. What could be that in '25 and '26?
- Ashok Sharma:** As per our estimate, peak debt will be in this year only because the project particleboard project will get over in this year. So we believe that our peak debt will be in the range of around INR925 crores to INR950 crores, in that range. And from next year onwards, this should start coming down because most of the capex will be over in this year.
- Moderator:** The next question is from the line of Saatvik from IIFL Securities.
- Saatvik:** I just have one question. Sir, on your Plywood business, where do you see your utilization going by March '25?
- Ashok Sharma:** Sorry, will you come again, Saatvik?
- Saatvik:** Sir, on your plywood business...
- Samarth Agarwal:** Can you ask the question again?
- Saatvik:** Sir, on your Plywood business, where do you see your capacity utilization going by March '25?
- Ashok Sharma:** So for the year-end, it's difficult to give on a quarter-on-quarter basis. But for the year as a whole, we expect that our utilization will be in the range of around 40%.
- Moderator:** The next question is from the line of Bhavin Rupani from Investec.
- Bhavin Rupani:** My first question is related to Laminates business. Sir, what are the major factors which resulted in lower margins during the quarter? You mentioned that there was certain overhead costs which led to lower margins. Can you just quantify those overhead costs?
- Ashok Sharma:** We will not be able to give that much detail. So in terms of employee cost, if you see that from the FY '14 -- sorry, the quarter 4 from -- it has gone up by close to around INR10-odd crores, which includes onetime annual cost, which happens normally in the quarter 1, as well as the annual appraisal cost, increment cost, that happens in the quarter 1.
- Plus, if you see this related to the margin, in comparison to last year, on a year-on-year basis, the gross margin is by -- down by around 0.3-odd percent kind of a thing. And with this, I think these are the 2 major. And if you compare from the last -- from the quarter 4 also, the gross margin is down by 140 basis point (Please note 140 bps is mentioned erroneously it is 100 basis points) and the employee cost has gone up. These are the 2 major factors which has resulted in the lower EBITDA margin for the laminate in this quarter.
- Saurabh Mittal:** And also the fact that a decent amount of shipments couldn't happen, which were produced. So they were valued all at costs. I think that's also -- versus March, versus March ending and now, I think the inventory at plant and inventory in the water has also gone up again, I don't have the exact data. I think that's also a fair share that would have been invoiced and sold.
- Clearly, that will also have helped the EBITDA margin as most of the manufacturing expenses would have been got incurred. So I think it's the utilization of -- the revenue recognition could

not happen due to containers and goods in transit of exports. Domestic, there were no challenges on that front and the other cost spent.

**Bhavin Rupani:** Okay. Sir, if we remove the, let's say, Naidupeta is running at 40%, 45% utilizations right now. If we remove the revenue or volumes of Naidupeta, is it correct that our total overall organic volume growth would have been in single digits?

**Saurabh Mittal:** So I think besides the 6x14 feet line in Naidupeta, the -- there have been some movement between customers and business. So actually removing it completely may not be appropriate. So 6x14 is the new line. It's a new product, a new line. I think that's fair.

But all the other sizes are part of the same business model, and we have moved certain business to serve certain geographies, certain markets from the existing plants to Naidupeta to achieve a better supply chain, lower transit times, et cetera. I think that cannot be a right comparison, but I'll leave it to Ashok what he wants to comment.

**Moderator:** Does that answer your question?

**Bhavin Rupani:** Yes, I have a follow-up. Sir, As far as raw material is concerned, apart from kraft and decor paper, we have been hearing that 8% to 10% increase in cruising prices as well. Is that correct, sir?

**Ashok Sharma:** So as you mentioned earlier also in the base paper in most of the cases, the increase is on account of ocean freight wherever -- either it is increased by vendor or in case of FOB, cost of ocean freight has gone up for us. In case of kraft paper, some grade of kraft paper, there are increased in this quarter. But overall kraft paper will not go up by around this much percent.

And in terms of chemical, again, in the chemical, also, there are impact of ocean freight and some of the chemical comes in containerized form. So there also, if there is increase of the ocean freight. Mostly, I will say that in terms of the increase in the -- because of freight, except 1 or 2 cases where the base prices has also gone up.

**Bhavin Rupani:** All right. Got it. Sir, next is on laminate expansion. Any plans over here?

**Ashok Sharma:** So as of now, we are running at around 83% capacity utilization as a whole, and we have gone up in the past 108%, 110%. So we have around 17%, 18% -- sorry, around 25% capacity in our hand. So we will take a decision at an appropriate time. We always review this our capacities on a regular basis. So we will take that close to around 3 to 4 quarters before when we reach up to that 108%, 110% or above 100%, then we will take this call.

But I think just to tell you that at both the plant in the Gujarat plant as well as in the South India plant, we have enough space in terms of to do a brownfield expansion, which can happen at a much faster pace at a much lower cost.

**Bhavin Rupani:** Got it. Sir, is it possible to quantify how much expansion can be done at both Gujarat and South along with the cost?

- Ashok Sharma:** It will depend upon the requirements at that moment because cost depends upon what you put - what sizes of press you put. So it will be difficult to quantify as of now, but we have -- I can only say that we have enough space for the brownfield expansion.
- Bhavin Rupani:** Okay. So sir, can you assume doubling our capacity at both Gujarat as well as Naidupeta plant? Is it a fair assumption?
- Ashok Sharma:** Yes. Theoretically, that is a possibility at both these location.
- Moderator:** The next question is from the line of Rajesh Kumar Ravi from HDFC Securities.
- Rajesh Kumar Ravi:** My question pertains to exports. How -- in Q1, what would be the freight component in top line? And how would have that changed in Q2 current run rate? We see that the freight cost is only looking up?
- Ashok Sharma:** So Rajesh, what we said in terms of that. So any additional freight has been passed on into the consumer, to the customer. And that is not part -- that has become more as a contra item, that is not kept into the revenue. We pay and we recollect from the customers. That is not part of the revenue.
- Rajesh Kumar Ravi:** Okay. So in revenues, what you book is exactly which part of the cost in terms of freight cost?
- Ashok Sharma:** This is agreed with the customer only. Over and above any additional costs, that is recovered from the customer, and that is not part of the revenue.
- Rajesh Kumar Ravi:** Neither in revenue nor in opex, right?
- Ashok Sharma:** Yes.
- Rajesh Kumar Ravi:** Okay. And sir, if I look at in terms of your -- whatever the agreed freight costs that you booked, that is reflected under which heading in the operating cost?
- Ashok Sharma:** This will come into the other expenses.
- Rajesh Kumar Ravi:** Okay. It will come into the other expenses. And second question pertains to this particleboard. One of the players is already Merino, is now ramping up their capacity almost a year would have been. They have been operating. Any understanding on how the market is, market acceptance of the product and their utilization and what sort of -- how is the realization shaping up for the same? Because you would also be targeting similar customers.
- Saurabh Mittal:** So the feedback we have is that, they have a decent flow of business and exact utilization, I would not know. But as you probably know that Merino and ourselves will be the only companies with the size or capacity, flexibility of dimension of the board's, the product quality, et cetera.
- So -- and we end up competing with unorganized lower level, low-quality particleboard producers to produce board from bagasse and from wood also, but mostly merchandise technology, Chinese technology where boards are not of good quality, uneven, finishing is not

good. And certain market share in the OEMs, because of lack of particleboards, has been taken away by MDF. So we think we can also win some business from there. So we think it should go well.

**Moderator:** The next question is from the line of Ritesh Shah from Investec.

**Ritesh Shah:** A couple of simple questions. Sir, you indicated that we have the laminate exports. We have cost plus did I hear it right. So I wanted some clarification on that. Secondly, you also indicated that we have, part of our sales, which is on FOB basis. I wanted some clarification on that. And third, I wanted to understand, is there a regional sales mix that you can provide on laminate exports. Just trying to understand the Red Sea impact and what you can do to mitigate it going forward if hypothetically the situation continues for longer?

**Ashok Sharma:** So Ritesh, in terms of your first query. In the export, what we have said that for the -- most of our sales are on a CIF basis only, which means the freight is paid by us only. So wherein we have an agreement where in a certain amount of freight is being built in the cost or the price of the product. .

In case of a very high fluctuation, if the price goes beyond that agreed level, then the additional freight is charged to customer on a consignment-to-consignment basis. So this is what we have explained. This we have started with pandemic. And now again, we have used this scenario now again after this geopolitical situation and the cost of ocean freight has gone substantially in terms of that. And as your next query in terms of geographical wise details, sorry, we don't share that details into the product.

**Ritesh Shah:** Right. Sir, so how should we look to mitigate these external factors like freight? Is there a possibility -- how do we look at it? Geographical diversification, if we look at more of U.S., less of Europe. How should we understand this?

**Saurabh Mittal:** No, I think that's not relevant in our case right now because we have capacities. We have markets. We have to service the markets. We are not into a commodity model where we have to keep our supply chain on to the customers. So we can't switch, we can't say no and yes, we are into a long-term model. And a branded distribution model, our teams are in the market working with the furniture makers, architects. So that's not relevant in our business model.

I think the only way to mitigate it is to improve the value mix, improve the price point, improve efficiency, improve volumes, create more demand, sell better products, I think that's the only understanding we have.

**Ritesh Shah:** And sir, just last question. Sir, whom do we sell our material to when we say we are -- we cater to exports. Is it big box retailers? Is it market distributors? How does the sales actually happen?

**Saurabh Mittal:** So it's a bit of a long phased discussion, but just brief, it will be channel distributors. It will be large furniture producers. Mostly these 2. At times, some large contractors, fabricators.

**Ritesh Shah:** Okay. Is it possible to give some broad mix over here?

**Saurabh Mittal:** No, we're not able to provide that, please.

**Moderator:** Ladies and gentlemen, this was the last question for today. I would now like to hand the conference over to the management for closing comments.

**Ashok Sharma:** Thank you so much for taking out your time and patiently hearing from us. Should you have any other questions, you can reach out to us or to SGA for this. Thank you so much.

**Saurabh Mittal:** Thank you, everyone.

**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.