

Greenlam/2024-25
November 06, 2024

The Manager

BSE Limited
Department of Corporate Services
Floor 25, P. J. Towers, Dalal Street
Mumbai - 400 001
Fax No. 022-2272-3121/1278/1557/3354
Email: corp.relations@bseindia.com

BSE Scrip Code: 538979

The Manager

National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex
Bandra (E)
Mumbai - 400 051
Fax No. 022-2659-8237/8238/8347/8348
Email: cmlist@nse.co.in

NSE Symbol: GREENLAM

Sub: Transcript of Earnings Call

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the Transcript of Earnings Call (Group Conference Call) held on October 29, 2024 to discuss operational and financial performance of the Company for Q2 & H1 FY25.

Kindly take the above information on records.

Thanking you,
Yours faithfully,

For **GREENLAM INDUSTRIES LIMITED**

PRAKASH KUMAR BISWAL
COMPANY SECRETARY &
SENIOR VICE PRESIDENT-LEGAL

Encl: A/a



“Greenlam Industries Limited Q2 & H1 FY25 Earnings Conference Call”

October 29, 2024

“E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 29th October 2024 will prevail.”



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

Moderator: Ladies and gentlemen, good day and welcome to Greenlam Industries Limited Q2 & H1 FY25 Earnings Conference Call.

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

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

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

Saurabh Mittal: Thank you. Good evening, friends, and welcome to the Greenlam Industries call once again. I am joined by Ashok - our CFO; Samarth from the Finance team and SGA - Investor Relations Advisor.

I am sure you all have had a look at the results, which was uploaded onto the websites and to the exchanges earlier in the day. So, I will just give a quick brief about how business has gone and then Ashok will take you through the numbers post which we will be happy to respond to your queries to the best extent we can.

So, on the business side in Q2:

You have seen we have done about Rs. 680 crores of revenue. I think considering the on-ground situation in both domestic markets and international markets, we have done recently well in both quantity and value. And if you go category wise, if you look at Laminates business this quarter, we have done our highest production and highest sales in quantity.

The new plant in Andhra Pradesh, Naidupeta is also well-stabilized. We have grown in both domestic and the international market in quantity and value, and we believe with the information we have from ground, we have one more market share in both domestic and the international market. Clearly, certain geographies in international markets, we have done better than the other and likewise in domestic, some markets have done better than the others, but by and large, our focus on domestic markets across the country, several international markets, we have opened, we are seeding in markets to build business in a more meaningful way. So, across categories of products and geographies, we are pushing, and we are looking at bringing more business and more market share.

On the margin front too, if you look at the Q2, we have additional costs versus what we had last year in Q2 because the new plant was operationalized in end of September of 2023. So, there is a bit of a higher cost at both the post EBITDA in the interest and depreciation and in the cost in terms of people, resources etc.

On the realization front also, we have been able to improve realization by a few percent. And we will focus on both driving more volumes and consistently working towards driving a better value mix in both the domestic and export market. In the domestic market, we took a small price increase towards the middle of September, and we have raised the domestic price of about 2.5%-3%. Exports we did not have any price increases as yet.

Then coming to the Veneer & Allied segment, there too the performance has improved. We have become EBITDA positive in the Veneer & Allied category. The flooring and door segment, we see decent traction now and with the several real estate projects coming for closure for fit outs, we think the door and floor business will continue to be better as we move ahead.

On the Plywood business, the factory side is quite well settled. The feedback from the markets we are operating in, in terms of quality delivery is also quite strong. We have expanded, as we said earlier, into Maharashtra in the month of April. So, we are now in the markets, all the five Southern states and Maharashtra. So, certain channel network is yet to be completed in Maharashtra, which we think to be done over the next 3-6 months. We did a price increase in plywood in July actually and that was about 3.5%-4%. That also helped us improve our realization in the Plywood business. We are still away from achieving the desired results in Plywood, but I think at the run rate we are going now, we think will keep improving as we proceed in the Plywood business.

On the particle board side, as we have been communicating, so within this quarter, we will be able to commence commercial production at the Andhra Pradesh plant and the readiness in terms of teams at the factory, teams in sales, marketing, dialogues with channel partners, OEMs is also growing at a pretty good pace. So, the teams are by and large well prepared to start the plant and also start selling and start marketing the products. So, the preparedness to launch looks to be under control. So, that is on the particle board side.

So, that is broadly from our side. We are not going too much macro data, housing and commercial leases and construction happening, we believe all that by and large looks quite positive and most of the construction activities will lead interior fit outs and that will spur demand for our categories and products in India.

Globally, despite the challenges of slowdown discussion, etc., we think we are still in a good position to take more market share considering our strength in terms of production capacities, capabilities, quicker turnaround time, slightly more cost competitive than the international players backed up with the local team which work with customers like OEM, contractors and

interior designers. So, I think from a strategic point, not much has changed. I think we continue to move in a certain direction.

So, I think broadly that is it from my side. I will have Ashok take you through the numbers and growth and percentage etc. Ashokji, over to you.

Ashok Sharma:

Thank you, sir. Good evening, friends. I will take you through the “Financial Performance” for the Quarter and for the Half Year.

Consolidated net revenue for the quarter grew by 12.8% on a year-on-year basis and grew by 12.6% on a sequential basis to Rs. 680 crores in this quarter as compared to Rs. 603 crores in Quarter 2 last year.

Gross margin grew by 20 basis points to 51.6% in this quarter from 51.4% in Quarter 2 last year. However, on a sequential basis, gross margin degrew by 40 basis points. Gross margin in absolute terms grew by 13% to Rs. 351.5 crores in this quarter as compared to Rs. 310 crores in Quarter 2 last year.

The EBITDA margin was down by 50 basis points and stood at 12% in this quarter as compared to 12.5% in Q2 last year. On a sequential basis, EBITDA margin grew by 140 basis points. EBITDA margin was impacted in this quarter on account of the operational cost of the new plant which was not there in Q2 of last year. EBITDA in absolute term grew by 7.7% to Rs. 81.4 crores in this quarter as compared to Rs. 75.6 crores in Q2 last year. Net profit for the quarter stood at Rs. 34.4 crores as against Rs. 39 crores in Quarter 2 of last year. This is on account of increased depreciation and interest cost on the Naidupeta laminate unit and plywood unit.

Now, I will move on to half yearly. Consolidated net revenue in the H1 grew to Rs. 1,285 crores as compared to Rs. 1,119 crores in last year. The gross margin was flat at 51.8%. Gross margin in absolute terms grew by 14.9% to Rs. 666 crores in this H1 as compared to Rs. 580 crores in last year. EBITDA margin was down by 120 basis points and stood at 11.3% in this H1 as compared to 12.5% in the last year. This was on account of the operational cost of new plant. EBITDA in absolute term grew by 3.9% to Rs. 145 crores as compared to Rs. 140 crores last year. Net profit degrew by 24.5% and stood at Rs. 54.3 crores in this H1 as compared to Rs. 72 crores in last year. This was again on account of increased depreciation and interest costs on the new plant.

I will now move on to the segmental performance in the laminate:

In this quarter, we had the highest production and highest sales in terms of volume and value. So, laminate revenue grew by 12.4% on a year-on-year basis and grew by 11.7% sequentially to Rs. 597 crores in this quarter from Rs. 531 crores in Quarter 2 last year. Volume growth stood at 9.4% on a year-on-year basis. Domestic laminate revenue grew by 15.5% on a year-on-

year and grew by 17.3% on the sequential basis in value terms. Volume growth stood at 13.8% on a year-on-year basis. International laminate revenue grew by 9.6% on year-on-year and grew by 6.9% on a sequential basis in value terms, volume grew by 9.4% on year-on-year basis. EBITDA margin of laminate stood at 14.7%, a degrowth of 170 basis points on year-on-year and a growth of 110 basis points on quarter-on-quarter basis. Production volume were at 5.61 million sheets at a utilization level of 92%. Sales volume for the quarter stood at 5.39 million sheets with an average realization in this quarter at 1070 per sheets.

Move on to half yearly basis:

Laminate revenue grew by 12.8% to Rs. 1,131 crores compared to H1 last year. Domestic laminate revenue grew by 10.5% in value terms on year-on-year basis and volume growth stood at 12.3%. International laminate revenue grew by 15% in value terms. Volume grew by 8.2%. EBITDA margin stood at 14.2%, a degrowth of 150 basis point in comparison to last year. Production volume were at 10.7 million sheets at a utilization level of 87%. Sales volume in this H1 stood at 10.06 million sheets and average realization in this half year was at 1086 per sheets.

I will move on to another segment, Decorative Veneer & Allied, which includes decorative Veneer, engineered floors and engineered doors. The revenue of Decorative Veneer business degrew by 10.1% on a year-on-year basis, but grew by 65% on sequential basis to Rs. 32.4 crores in this quarter from Rs. 36 crores in Quarter 2 last year. Volume degrew by 11.7% on a year-on-year basis. Revenue of Decorative Veneer business degrew by 15% to Rs. 52 crores in this half year in comparison to Rs. 61 crores last year. Volume degrew by 16% in this half year in comparison to last year. Sales volume in this quarter stood at 0.35 million square meter and in this half year at 0.56 million square meter. Capacity utilization in this quarter is 39% and for the half year stood at 29%. The average realization for the quarter was Rs. 929 per square meter and for the half year stood at Rs. 927.

I will move on to now Engineered Wood Flooring. Revenue for the Engineered Wood Flooring business grew by 6.2% on a year-on-year basis and grew by 5.7% on a sequential basis to Rs. 14.1 crores as against Rs. 13.3 crores in Quarter 2 last year. For half the year, revenue of Engineered Wood Flooring business grew by 16.7% to Rs. 27.5 crores, so Rs. 27.5 crore in this half year in comparison to Rs. 23.6 crores last year. Capacity utilization stood at 15% in this quarter and 14% for the half year.

Moving on to engineered doors:

Revenue of Door business grew by 39% on a year-on-year basis and grew by 15.8% on a sequential basis and stood at Rs. 11.4 crores in this quarter as against Rs. 8.2 crores in Quarter 2 last year. For the half year, revenue of Door business grew by 39.8% and stood at Rs. 21.2

crores in comparison to Rs. 15.2 crores last year. Capacity utilization for the quarter stood at 23% and for the half year stood at 22%.

Now, I will move on to another segment, Plywood segment:

Revenue of Plywood business stood at Rs. 26 crores in this quarter and Rs. 53.6 crores in this half year. Sales volume for the Quarter 2 stood at 1.02 million square meter on notional basis and 2.16 million square meter for the half year. Capacity utilization for the quarter and for the half year stood at 23% and average realization for the quarter is Rs. 250 per square meter and for the half year is Rs. 244 per square meter.

In the current quarter, our working capital cycle improved by one day to 59 days as compared to 60 days in Quarter 2 last year.

Net debt stood at Rs. 992 crores, which includes a debt of approximately Rs. 477 crores on account of particle board project which is under progress.

That is all from on my side. Now, I will open the house for the question and answer.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Sneha Talreja from Nuvama. Please go ahead.

Sneha Talreja: Just wanted to understand what are the trends that you are seeing in the domestic market and reason for sharp increase in market share especially what we are seeing in FY25?

Saurabh Mittal: There is no one particular reason, so I think it is just consistent working across the market, improved supply chain, better turnaround time, multilocation plants, one South, one West, two in North. The warehousing strategy we put across the teams on ground, I think the product portfolio, I think the combination of multiple factors, I can't say just one particular thing in that.

Sneha Talreja: What I basically just wanted to see is, we have been seeing strong market share in the domestic market in the laminate side, but we haven't seen a same kind of good performance, I would say in case of Plywood or be it Veneers where we used to do much better numbers in the earlier times or be it flooring or doors, is it because in those segments, you are focusing a lot on the premium and in laminates you have launched a lot of medium end products that I would say compared to your earlier premium end product, you have gone into the lower end?

Saurabh Mittal: In laminates price realization, value mix improvement is constantly going up and it may not be completely appropriate to say that other segments, we are not doing pretty well, yes, we could do better, so ply if you see we are just like 6 months old in the business and our realization in plywood probably will be comparable to the market players. We already added nearly Rs. 100 crores run rate and the number of dealers we set up in South India has more recent place, Maharashtra, we just launched. So, I think we are winning business in plywood also in the

segment we are present and in the states we are present. Flooring door clearly are growing well, and we think this will only improve. Veneer, see at present is a bit of a struggle versus H1 to H1, but versus Q1, numbers have come up. So, I think every segment represents slightly different challenges while all go into interior applications or certain exterior application and every segment has different set of competition, different challenges.

Ashok Sharma: And Sneha, just to add what sir said in the flooring and door, even though the business is small, but if you see on half yearly basis floors have grown by 16.7% nearly 17% and doors have grown by nearly 40%. And we hope that they will continue to do well.

Sneha Talreja: No, that is just commendable, but the fact that after long years, we are yet to meet those kind of EBITDA numbers which we had visualized and in terms of laminates is coming through. So, that was the comparison I was trying to make?

Saurabh Mittal: I think it is a fair comparison to an extent, but clearly I think the other segments, flooring, door, plywood, veneers, we think we will also do well as we scale up, estimating floor doors will also be coming for segment, ply also will keep going. So, we don't doubt that those segments will not do well, sometimes just take a bit more time with certain interruptions and challenges because we are also expanding the category in both flooring and door, we are also creating a market by expanding the category. So, there are certain challenges, but it is all moving up. That is our guess. Veneer, you can say, there is a bit of a blip in H1, but otherwise last year too, there was a growth in Veneers versus FY23. I am not sure what the number is, it is not with me, but yes, I get where you are coming from.

Sneha Talreja: Sir, secondly in the particle board side, are we on track for Q3 FY25 commissioning? And more importantly, we have been hearing that in MDF there is very lack of imports coming in, thanks to the container availability and freight rate issues, how is that flaring up in the particle board side even there used to be a lot of demand which used to be earlier the matter of imports?

Saurabh Mittal: Your first question was, are we on track for Q3 commissioning, the answer is yes. So, we are on track for Q3 commissioning and commercial production in Q3.

Sneha Talreja: How is the import scenario in particle board at this point of time?

Saurabh Mittal: So, the sense we have that import is not so much right now as board, but maybe imports are coming in as furniture, maybe commercial furniture or other forms of furniture, but not so much in boards. There are certain imports coming in, but it is not like an oversupply of chip board as boards coming in, but as furniture, maybe it is coming in because as you know particle board is a large consumption market in the OEMs and so maybe at times boards don't come in, but it comes in the form of a finished goods or a semi-finished goods.

- Sneha Talreja:** And in terms of realizations, would we have any sense that what are the imported prices currently and where are we looking at our target segment?
- Saurabh Mittal:** So, import prices may not be again comparable, because imports which come in are either just plain boards coming in or they are premium pre-laminated boards coming in. So, plain boards pricing will be similar to imports, but you must keep in mind, if you are trying to draw comparison with MDF, particle boards will be a largely pre-laminated particle board market and not a plain board market where you will have probably over 80% of laminated boards and maybe about 20% or lower of plain boards eventually. Now, this could change for some time while in MDF, maybe it is a bit different, so particle boards are sold largely as laminated boards for the OEM segment. So, I think you just need to keep that in mind.
- Ashok Sharma:** And Sneha just to add to what sir has said in the particle board, there are lot more sizes which are in use in comparison to MDF. So, there is not an apple-to-apple comparison or there is an advantage over the guy who is procuring it domestically in comparison to imports.
- Moderator:** Thank you very much. Our next question is from the line of Keshav Lahoti from HDFC Securities. Please go ahead.
- Keshav Lahoti:** Just want to know as laminate plant is already operating at high utilization, don't you feel now the time is right, the company should plan for expansion because the demand comes up strongly the company might face capacity constraint?
- Ashok Sharma::** So, if you see on the half yearly basis, we are at around 87% and these plant in the past also we have done more than 100%, it can go 110%-115%. So, we believe right now we have enough capacity in terms of that from 87%. Still, we have enough capacity as of now and for the expansion as we have told in the past also, we have mentioned in the past also that two of our plants which is the Gujarat plant and the Naidupeta plant have the space for the brownfield expansion, so which can happen in a much shorter time in comparison to Greenfield expansion. So, we are keeping a watch on the situation and as and when the requirement comes, we can very quickly within a span of, let us say, at most three quarter we can increase the capacity on the brownfield.
- Keshav Lahoti:** But what is stopping the company to have a capacity to quarter in advance? Is it the balance sheet or what? Because I understand you can operate at 110% utilization, but possibly you might face capacity constraint for few of the product segment?
- Ashok Sharma:** That is not the case as of now, so if you see the 87% utilization which means around 20%-22% is still there, 25% more than what we are operating as of now. So, we don't want that situation unnecessarily put the capital and then probably wait for 1 year, 2 years for the utilization. We are keeping a watch as I mentioned that on a regular basis in terms of that and we will take the decision at an appropriate time.

- Keshav Lahoti:** Now, coming on the Ply segment, normally Ply is the new segment, so ideally there is expectation, the volume should at least rise sequentially and this is the 1st Quarter where ply volume have declined sequentially. So, the ramp up is possibly not as expected. So, how should we see an earlier some sort of 40% kind of utilization you are looking for FY25, so how is that number looking like and when will it break even?
- Ashok Sharma:** Break even at 35%-40% This is what we said and still we stick to that. In this year, it is not going on as per the plan in terms of that. So, due to number of reason in terms of the 1st Quarter was the excessive heat and all these issues was there, so we have entered into Maharashtra in the quarter 2 and it is only a quarter since we have entered into Maharashtra, and we are hopeful that should bring the good result in the third and fourth quarter in terms of that. Overall, on an annual basis, 40% utilization looks to be difficult, and we hope that we will be able to break even in next year.
- Keshav Lahoti:** You said break even in FY25, next year?
- Ashok Sharma:** Yes, next year.
- Moderator:** Thank you very much. The next question is from the line of Udit Gajiwala from YES Securities. Please go ahead.
- Udit Gajiwala:** Sir, firstly on the particle board in next year, FY26, what kind of utilization or data are we aiming for?
- Ashok Sharma:** So, in this quarter, we are planning to have the commercial production and the next quarter 4 will be 1st Quarter and next year will be the first full financial year. We hope to achieve near about around 40%-50% of capacity utilization next year.
- Udit Gajiwala:** And 45-50 is what you had earlier mentioned that we will break even at that point, is that understanding right?
- Ashok Sharma:** Yes, depending upon what kind of a product mix, but we hope that we should break even.
- Udit Gajiwala:** And sir, given the export demand etc., we have grown finally, we have also gained market share, but this kind of 15%-17% volume CAGR is something that we should expect that it will continue for the coming two years?
- Ashok Sharma:** The volume CAGR is not 15%. In the value, yes, it has grown, but it is difficult to comment in terms of whether this CAGR. We will stick to our overall guidance which we see in terms of that, but intention is the same, which is to overtake that business in that direction.
- Udit Gajiwala:** And sir, 20% or 22% or something annually overall growth guidance that you were expecting for 25, is that right?

- Ashok Sharma:** 18%-20% we have told in the past and we will stick to that.
- Udit Gajiwala:** And sir lastly, just on the debt part, I understand that the major debt is pertaining to the particle boards, but do you have any debt repayment schedule which will commence and if so, then by when is it scheduled?
- Ashok Sharma:** So, it is started in this year, and it is being serviced as per the maturity and as per the plan it is getting mature. Major portion of it will start from next year.
- Moderator:** Thank you very much. The next question is from the line of Bhavin Rupani from Investec. Please go ahead.
- Bhavin Rupani:** My first question is related to particle boards. Sir, we understand that Merino, which commission planned one year back, is running at almost 30% utilization. Recently you mentioned that we expect 40%-50% utilization in next year itself. Now, with new capacities from us as well as CenturyPly coming up, what gives us confidence to reach 50% in FY26?
- Saurabh Mittal:** So, I think CFO mentioned 40%-50% utilization we should expect in FY26 for particle boards and I am not sure what numbers is Merino currently running at, but I think with the alignment of the team agreed to build the channel alignment with the Greenlam brand of laminates, the access to OEMs, architects, IDs and the price point at which this product is positioned, we think we can ramp up to that extent in the first year of operation which is after the Q4 that is FY26 financial year because we start commercial production in this quarter and next quarter becomes the 1st Quarter.
- Bhavin Rupani:** And sir, second question is related to debt. When do you think we will have a peak debt in FY25 and what amount?
- Ashok Sharma:** So, this quarter our debt was around Rs. 990 odd crores. We had some additional I think working capital block on account of GST, something which is getting resolved, we are hopeful that within the next 6 months it should get resolved. So, we believe that our net debt should be in that range of around within Rs. 1,000-Rs. 1,050 crores. And this will be in FY25, and we hope to reduce our debt to come down from next year.
- Moderator:** Thank you very much. The next question is from the line of Utkarsh Nopany from BOBCAPS. Please go ahead.
- Utkarsh Nopany:** Sir, my first question is for the plywood segment, sir, like we are operating the plywood segment at a pretty low utilization as we are just catering to the premium segment whereas our major peers are seeing major growth in the economy range category, so as we are operating at some optimal trade, then why are we not planning to tap the economy range to quickly ramp up our plant?

Saurabh Mittal: So, on the plywood, what you are saying is logical and we also kind of understand the story. I think we just are trying to have some patience and keeping the focus on building the premium end of the plywood, the branded plywood, self manufactured plywood model. We think it is too early for us to shift gears on that. And as you probably know that we just covered South India at the moment with five states which we started last year and Maharashtra have just started. We haven't even like gone out of 5 states and we will gradually keep expanding and adding certain markets. So, we think we still need to wait some more time and build our segment. The feedback on ground while numbers may not show the picture at the moment of what is happening on ground, the feedback on ground with the kind of focus our teams have on that category with the quality of product we are giving out to the market and the effort in the market of building secondary sales, doing secondary demand activity is quite good. So, if you should guess right now I think while the volume objectives might be met in the short term, but I think the medium term objectives of building a solid brand because in that space we think there is no focused company or brand at this point. People are a bit distracted into multiple things and if you go lower, the quality price points also come down, the kind of equipments sort of quality you are throwing up if you just need to hold on and have some more patience and settle that part of the market. That is all I am thinking right now, but I don't know, but that is really what I think. We have just got up to Southern states at the moment. We have the opportunity to go out to more parts of the market before we really come down to the mid-category pricing product.

Utkarsh Nopany: And sir, with this strategy, like when can we expect a plant to get ramped up to around say 60%-70% utilization rate in your viewpoint, any timeframe?

Saurabh Mittal: From a plant side, like I said earlier in my comment, that plant side is quite well prepared in terms of the product quality, production, operating parameter. With what we are doing, it is going pretty good. I think we have turned it around quite quickly. So, coming to the breakeven point comes at about 40% approximately plus, minus some utilization. So, our sense is hopefully maybe in about 12 odd months, maybe next year, we should get there. While obviously our efforts are to drive this at the earliest possible, maybe another year or so is where we can kind of expect the plant to come to 40% or 50%.

Utkarsh Nopany: Sir, my second question is on the laminate segment. So, I was just comparing your margin profile versus our major peer, so we see that our major peer's margin has contracted sharply over the past, say 3 years period where our margin profile has remained relatively stable. So, just wanted to know what we have done so different that our margin profile has not got impacted with the sharp contraction in the margin profile of most of our peers?

Saurabh Mittal: I guess you are talking to one nearest competitor. So, I can't say exactly what we have done differently, so maybe not done too many different things I think we just kept the focus, and we have always said we have had pricing discipline. We have focused on the value mix as well as the volume mix. I think the two new plants we started as I said that earlier to Sneha too, now we have plants in South India, West India and North India, two plants have already been there for

the past and in a mix of locations, multiple warehouses and if you talk to a nearest competitor about the nearest competitor, maybe they have not grown so much in exports. I think international business for us also has grown, the domestic pieces also have grown, so I think I am not sure what have they done differently, or we have done differently, but so clearly I think we have been focused on and we have been on a certain journey for a long time, something new will start in terms of branding and pricing discipline and products, etc. So, I think combination of several factors, I am not sure exactly what has happened there

Utkarsh Nopany: Sir, lastly, like on the balance sheet part, like on net debt to EBITDA ratio has now gone into a vulnerable range of more than 3x, so do we have any plan to raise equity to improve our balance sheet position in near future?

Ashok Sharma: As of now, we don't have any plan of doing so. We believe that FY25 will be the peak debt in terms of that and as the new projects also start commercial production which will add into EBITDA and that will help us in terms of bringing down this one. We believe this situation will be better in next financial year.

Moderator: Thank you very much. The next question is from the line of Divyanshu Mahawar from Dalal & Broacha Stockbroking Private Limited. Please go ahead.

Divyanshu Mahawar: I have just one question that if you look at the particle board CAPEX cost per unit previously, we were at a quite high at around, I think 30,000 per cubic meter and if you see other MDF projects which are having recently completed, they say around it is range between 21,000-25,000. So, given that particle board significantly have a lower realization compared to MDF products, so can we think of that we can clock a low double-digit ROCE on this project if we able to utilize the plant at a full capacity utilization?

Ashok Sharma: Divyanshu, in terms of CAPEX per unit of particle board versus MDF, this will depend upon the apple-to-apple comparison, which means the equipment should be from the same origin or same source. So, if you are comparing European origin equipment with other than European which can be Chinese or anything else, so then there can be a huge difference between the cost of per unit CAPEX. If you compare it on the similar line, then the situation will be different than what you are suggesting. We believe our equipments are from the Germany and Europe which has a high CAPEX cost at the initial stage, but the life of these equipments are very high in comparison to other source of equipment and this brings in lot of operational efficiency at the plant level. We believe the initial level we have taken that call and invested a bit higher in comparison to let us say Chinese or any other equipment which will help us in a longer term.

Divyanshu Mahawar: Can we assume the ROCE to be ranged between 15%-18% and what kind of realization in EBITDA you are assuming to have from that plant?

Saurabh Mittal: So, I just want to add here when you do CAPEX comparison, it also depends on what are you comparing with what. So, ours is a Greenfield and we have space after this plant to put one more on the same plant and when you do a Brownfield a lot of your incremental costs come down. So, I am not sure what the comparison base is. And I would also like to add, like I said earlier in the conversation, I think to Sneha or somebody that particle boards is largely a laminated program because laminated boards which get sold more than the plain boards, so there is a little investment in terms of the impegator, pressers, plates, the kind of machines you run. So, I think an apple-to-apple comparison may not be completely fair. I must also comment here, we have seen in Europe and certain other markets also where margins of particle board on a steady state is the right lamination mix with that is equal at times even higher than the MDF business. Obviously, this depends on the RM cost for the mix, etc., just keep this in mind.

Divyashu Mahawar: Follow up question is that can we assume to have 15%-18% ROCE and what kind of realization EBITDA you are assuming for that plant? What is your assumption for that what realizing we can do?

Ashok Sharma: So, Divyashu, if you see right now the timber cost is at elevated level. So, in terms of realization cost, this will vary from plain to pre-lam and in the pre-lam also what kind of a product which you are selling this can range from 25,000-28,000 and even 30,000 also depending upon what product, premium product you are selling and in terms of EBITDA level, at optimum level it can range between 20%-24% and your next question was in terms of ROCE. At this moment it, because of the timber prices, are on the higher side. So, this looks lower, but on stable timber prices, so then the ROCE can be in between 18%-20%.

Moderator: Thank you very much. The next question is from the line of Nitin Shakhder from Green Capital Single Family Office. Please go ahead.

Nitin Shakhder: In some of my conversations as an investor with couple of companies, there has been an indication that there has been an increase in raw material costs like paper and obviously, we are aware of international export, higher freight costs. So, if that would be correct, is there anything that the company is doing to offset the high raw material costs and when do you expect the situation to sort of normalize towards more or lesser costs ?

Saurabh Mittal: So, we are assuming this question is related to the laminates business where we buy and consume a lot of paper. So, we said that earlier that in September, so firstly, yes, certain grade of kraft paper, certain costs have gone up. There has been a small increase in certain décor paper costs, some chemicals, but by and large there has been some increase, some decrease in the cost, nothing of very major significance as can be seen in our gross margins. While having said that, we have taken a small increase in the domestic market in September, about 2.5% and 3% we mentioned that. On the freight part, on the export freight, I think we said that earlier in the conversations. We have a minimum cost of the sea freight which we bear, beyond which the surcharge is passed on to the customers or the incremental freight. That incremental freight

surcharge has softened a bit, which was also mentioned earlier from September onwards. So, that is the sense we have if Ashok wants to add something else.

Nitin Shakhder: Sir, just as a follow up, so what I have given to understand is then on the laminates business, you are saying that the cost increase is not that high to have a significant impact on the margins. Would that be correct?

Saurabh Mittal: Well, you could say that like we said, domestic, we already did the increase of the cost, yes, there is some increase, but with increased production, better value mix, you can kind of offset that to a certain extent, you could say that, yes.

Moderator: Thank you very much. As there are no further questions, I would now like to hand the conference over to the management for closing comments.

Ashok Sharma: Thank you everyone for taking out the time and joining the call today. In case, you have any further query, you can get in touch with us or with SGA, our Investor Relation Advisors. Thank you and wish you a Happy Diwali to all of you.

Saurabh Mittal: Thank you everyone, wishing everyone a very Happy Diwali.

Samarth Agarwal:

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Thank you, everyone. Wish you all a very Happy Diwali.

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