

Greenlam/2022-23  
August 04, 2022

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NSE Symbol: GREENLAM

Dear Sir/Madam,

**Sub: Transcript of Investor/Analyst Meet**

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the Transcript of Investor/Analyst Meet held on July 28, 2022.

The above is for your information and record.

Thanking you,  
Yours faithfully,

For **GREENLAM INDUSTRIES LIMITED**



**PRAKASH KUMAR BISWAL**  
**COMPANY SECRETARY &**  
**VICE PRESIDENT – LEGAL**



Encl: As Above



## “Greenlam Industries Limited FY2022 Investor and Analyst Meet”

**July 28, 2022**



**MANAGEMENT: MR. SAURABH MITTAL – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER, GREENLAM INDUSTRIES LIMITED.**

**MR. ASHOK SHARMA – CHIEF FINANCIAL OFFICER – GREENLAM INDUSTRIES LIMITED**

**Ami Parekh:**

Ladies and Gentlemen, Good afternoon, and a very warm welcome to the Investor and Analyst Meet 2022 of Greenlam Industries Limited. Today we have with us on the dais Mr. Saurabh Mittal – Managing Director and Chief Executive Officer, Mr. Ashok Sharma – Chief Financial Officer from Greenlam Industries Limited. We will take you through the presentation to discuss our business model, key strategic initiatives and growth drivers. Apart from the audience in the room, we also have our phone lines connected to investors and analyst who are unable to join the meet today. The management would first start with an overview of the business post which we would take questions from the audience.

I would now request Mr. Saurabh Mittal to address the audience. Thank you and over to you, Sir.

**Saurabh Mittal:**

Thank you everyone and very Good Afternoon. Thank you for joining us. As mentioned, I will take you through the presentation of the company and post which we will be happy to answer your queries and questions. So, the big message of this presentation are Greenlam 2 is embarked on a decisive investment for about Rs.1,000 crores across three manufacturing facilities. Companies expanding its market opportunity in both domestic and international market. Greenlam will emerge larger, stronger, more profitable and were graduating from one orbit into another. So, this part one of Greenlam Industries.

So, the background of Greenlam as a snapshot: we commenced operation at 1993. We have two manufacturing plants at the moment at Rajasthan and Himachal Pradesh. We have experienced team management bandwidth is there to implement the projects. The products are marketing through 9 distribution centers, 21 offices, 5 warehouses, 14,000+ dealers, distributors, retailers in the country. Internationally we are present across 100 countries supported by 4 international distribution centers, 15 offices, 8 subsidiaries and over 100 team members working in various parts of the world.

Currently we are a strength of about 5,000 team members across the world. We have various certifications across for manufacturing for products which are both domestically and globally renowned. We are listed on the BSE and NSE. The market capitalization as on 31st March was Rs.4,386 crores.

The discipline that got us here has been focus on the portfolio ever since we became an independent company we deepened our focus on decorative products and related solutions across the wood panel industry. We focus on branded premiumization and working on superior terms of trade with a channel. We have created capacities ahead of the demand curve. We have enhanced manufacturing capacity at relatively low infrastructure cost. We have strengthened the capital cost. We have invested through prudent mix of debt and internal accruals and we have consistently moderated debt using cash flows and enhancing shareholder value.

So, the values by which the Greenlam is by trust, performance, learning, speed agility and team work. The current manufacturing capacity is about 15.62 million sheets across Behror and Nalagarh which is at Himachal, 4.2-million-meter square of decorative veneers capacity, a million square meter of engineered wood flooring capacity and about 120,000 doors and door sets capacity.

Just a quick snapshot on the product portfolio once again. So, we have laminates here where we do commodities to specialty products, their compact panels which are also called compact laminates used for bathroom partitions, medical furniture which is the Lab Guardian, rest room and locker solutions, clad façade panels are used on exteriors, stratus kitchen solutions are compact components for kitchen slabs and backsplash etcetera mostly for the international

market. Then we have melamine faced chipboard where we laminate particle boards matching with the laminates color.

On the veneer and allied category, we have decorative veneer which is the brand decor they do natural, engineered and teak veneers. In the engineered wood flooring category, we have the product called Mikasa Real Wood Floor which are engineered wood flooring products with matching accessories and in the door category we have the brand Mikasa doors and frames which are engineered doors and door sets basically with the frames. So, these are the product and service categories we are present in.

So, in the laminates business which is a core business we have installed capacity at the moment of 15.62 million sheets, FY22 the revenues from this business was about Rs.1,556 crores and these are the number of products, number of SKUs colors, species etcetera which we do. Products are done across various dimensions starting from 3 feet by 7 feet up to 5 feet by 12 feet, thickness is across 0.5-to-1.5-millimeter, several specialty products are there like high gloss, anti-fingerprint, unicore , top-grade products, marketed products etcetera. Products are extensively used across hospitality, health, education, retail and residential places.

On the compact laminate again reasonably large range of designs, species, dimensions, thickness and usage is again mostly decisive facade laminates, most of the compact laminates are used mostly in commercial spaces. In facade laminates 42 decors in interior clad laminates about 100 decors we have all the samples placed out and the teams are here to show you, explain you how the products are used, how they look and feel because customer engagement still low in our category and we have just two cubicle which are basically bathroom partition products, locker room solution you probably have seen an airport and public spaces, most of the toilet partitions are now made with compact laminates and we have melamine chipboard which matches the laminates so project use laminates and Greenlam particle boards in combination so here we have a 2 million square meter capacity.

So, overview of the laminates market: It is about 9,000 crore industry, 2,500 crores comes in from exports, 6,500 crores is from the domestic market, of this 6,500 crores approximately 4,000 are organized market and 2,500 crores is unorganized markets this is in value numbers in quantities the unorganized market share is larger in percent.

On the veneer side this is the capacity 4.2-million-meter square last year we did Rs.83 crores again reasonably vast variety of items available with 360 species in teak, engineered we have 13 and 49 each. So, again mostly residential and commercials spaces product come in natural engineered various textures, various treatments and various dimensions. The next product is the engineered wood flooring million square meter capacity last year revenue was about Rs.36.7 crores, but we have two products here Atmos and Pristine 72 to 10 SKUs in each collections again various kinds of flooring is there with long plank, chevron, herringbone, weathered collection all those samples are there for you all to just kind of glance through.

The next product is the engineered wooden doors 120,000 door sets capacity per annum. Last year revenue was Rs.26.7 crores. So, we do foliated, non-foliated specialty doors for hospitals, acoustic doors. So, the idea here is to do or produce doors in the factory and install them on the site versus the conventional method of door fabrication on the site. So, just little bit of the technology integration we are trying to do across the business which would visualize a certification video, product details, product trading details. this is the visualizable build for the flooring business just to give you a glimpse on what we are doing on the technology side for the interface with customers. Our credentials across products a green credential actually with Green guard fall, (greenlabel,FSC certifications, NSF for the food certification in US, ISO certification, IGBC in our laminates processes we do not use any urea while most unorganized and other players also use urea in the production.

So, just the domestic footprint of the company the two plants Behror and Nalagarh and we have marked three one is Gujarat, Andhra Pradesh and Tamil Naidu. So, these three sites are upcoming and will be coming up at various times which will explain you. So, Behror plant does laminates, veneer, flooring doors. Andhra Pradesh plant will do laminates and particle board. Himachal is doing laminates and compact laminates; the Gujarat plant will do only laminates and Tamil Naidu factory will do only plywood and these are the capacities which we have and which we are installing. The blue dot shows all the branch offices presence across the country. Sales teams are present across 150 towns, corporate office in Delhi, red dot shows all the distribution points and we have one experience centre at Calcutta and we are building one in Ahmadabad.

The Prantij facility, at the Gujarat facility will be operational in Quarter 2 of this financial year which is within September. The Andhra Pradesh plant for laminates will be operational in Q4 FY23, particle boards will be operational in Q4 FY24, the plywood plant at Tamil Naidu would be operation Q4 FY23. So, just internationally all the areas we marked is where we have subsidiary offices, warehouses, branch offices in these countries otherwise products are available across 100 countries worldwide, we have teams in various parts of the world. So, US Wyoming we have an office, we have a warehouse in Philadelphia, UK there is a subsidiary company, Italy is a warehouse it is in the subsidiary company, Dubai is a branch office, Poland, Russia are subsidiary company, Nepal is a subsidiary company, Hong Kong, Thailand, Philippines all those places are branch offices and Singapore is the operating subsidiary company in there including even Indonesia is a warehouse there it is present across 100 countries worldwide.

So, what has Greenlam achieved as a result the value we have created until 31<sup>st</sup> March 2022 is Rs.4,300 crores. We are counted among the world top three brands. We have build distribution set up across 100 countries globally. We comprise India's first engineered wood flooring and door manufacture they were the first ones to pioneer actually we are the only products in flooring right now and with the first organized producers in the door segment. We turn the business into cash flow positive, we ran a tight ship with strong working capital hygiene across the market cycles with various instructions across the last couple of years. We still managed and improved

on our working capital cycle and we are sitting on cash as on 31<sup>st</sup> March Rs.176 crores. We became an independent company financial year 15.

Just few numbers on how revenue moved ever since we became independent company, how has EBITDA moved profitability net working capital cycle, ROC, equity, ROE, net debt to equity, net debt to EBITDA. So, you see ever since we became an Independent company on the receivable side we improved from 65 days to 28 days, interest cover has improved, ratings have improved, net debt to equity has improved, average cost of interest in FY22 was 3.4% for the company, short term rating is also improved. So, across most financial parameters despite the challenges we have kind of inched up ever since we became independent company.

The challenges we successfully counted in FY22: so FY22 at revenues of Rs.1,700 crores was despite the loss of production and sales at the Behror plant where the plant lost operational days and has restricted working hours in the month of December and Jan little bit of Feb also. We had extremely volatile and high raw material increases which the industry is never seen before across raw materials, all chemicals, paper, input cost base ply and veneer every cost was at the peak which we never experienced in the past. There were significant logistical challenges in both inward movement of containers and output movement of containers we end up importing nearly 80% of raw materials and 50% of revenues get exported with significantly large amount of containers moving in and out.

So, on both side there were challenges on inventory and supply chain. So, despite the challenges what did we achieve in FY23 we believe we did a decent performance despite all the challenges we overcame two COVID closures in FY22. We kind of embarked on the next journey of our growth and we announce two new projects. We overcame destruction at Behror plant last year.

So, if we look at the FY22 performance revenues were at Rs.1,700 crores grew 42%. So, about Rs.1,200 crores of revenues in FY21. EBITDA grew 7.9% so grown values, reducing percent because of the high raw material cost and we could only pass on the RM cost to the market and there was a time lag. PAT grew in value 22.9% after exceptional losses. Net working capital cycle improved despite the logistical challenges. On the laminate side the core business revenues grew 46% to Rs.1,556 crores, the veneer business grew 6.5% to Rs.83 crores. So, flooring doors also grew although the base was smaller, but still we did not grow much so 36.7 was at the revenues in flooring and 26.8 in the door business.

So, the next part of Greenlam as part 2.

So, what is the macro as we see in our company, population, urbanization, demographic dividend, replacement demand, rise in home demand, online retail sector, mechanized furniture manufacture is going basically lot of OEM culture is expanding in the country with ready to fit kitchens, wardrobes, door, panels, shop-fit outs, the GST and E-Way Bills is favoring growth for the organized players clearly putting more pressure on the unorganized industry. Widening markets for new homes, the trends towards formalization, organized players we believe will win.

On the customer side preference for organized sector products, consumer prices if it is declining in belief, consumer seeking a single brand solution, increase online furniture offtake and preference for environmentally friendly products. So, the unprecedented opportunity which we see organized and branded business to take up and grow faster, wider opportunity in branded and substrate products. So, our goals in the next chapter of our journey is to emerge as India's leading wood panel players to graduate from only doing surfacing products to also doing substrate products, so we have a full solution of surface and substrate. To secure, sustainable good resource access so while we build this wood based industries we also want to focus on building a sustainable raw material supply chain put plantation being driven by the company in coordination of the team performance. Create platform of sustainable outperformance to deepen financial environmental certification and compliance discipline to position ourselves as a comprehensive substrate and decorative player.

So, these are the segments we are currently present in laminates, flooring doors and veneers with the expansions we will add the particle boards and the plywood and laminates continuing to remain our core business.

So, the six initiatives for Greenlam 2.0 expansion, acquisition, balance sheet right sizing, prudent, debt mobilization, portfolio widening and resource security especially on the wood based industry.

From a market opportunity perspective so currently the businesses we are present in have a market opportunity of Rs.11,000 crores with the addition of plywood and particle board, overall PI goes to Rs.46,000. Although not all plywood markets is addressable with a new production would only be the mid-to-premium category, but just generally the category far larger. So, that is about how the market size in our industry is. So, clearly MDF as an industry we are not present at the moment. So, MDF, plywood at 30,000, laminates at 9,000, veneer segment at 2,000 and particle board industry size at 5,000 crores.

So, just generally how things are going to move. So, from a Rs.11,000-crore market opportunity we move to Rs.46,000 crore which took us nearly 29 years, 30 years to get to Rs.1,700 crores and we would believe the next five years with the base of FY21 we should more than triple our revenues with the investments we are doing right now.

The outcome of second part of our journey as Independent Company would be more than tripling our revenues from the base of FY21 by FY27, cross selling products across because there is a lot of channel overlap between all the categories across distribution network, retail networks, architects, IDs, OEMs, developers, builders so we can cross sell various products, we become a one stop solution across all wood panel industry requirements to build a long term growth platform we brought in a portfolio and we strengthen the Greenlam brand.

So, on the Greenfield expansion: Investment in Greenfield manufacturing facility is for laminates, plywood and particle boards. So, two Greenfield plants are coming up as I said earlier one is in Andhra Pradesh, one is in Tamil Naidu. So, Andhra Pradesh is 231,000 cubic meter



particle for capacity, it is a European line which we are building to be operational by Q4FY24 . The laminates capacity is laminates and boards which is laminated boards to be operational by Q4 FY23 and Tamil Naidu is for plywood 8.9-million-meter square plywood to be operational by Q4 FY23. Total investment envisage to about Rs.950 crores.

On the acquisition we just acquired a Gujarat based laminate plant. So, cost of acquisition is about Rs.36 crores we will be spending approximately under Rs.15 crores to upgrade the plant and this plant should be operational within this quarter.

Current installed capacity is 3.4 million sheets a year and we will upgrade the plant to 5.4 million sheet. So, this plant largely will be focused on servicing the commodity market of laminates which is nearly 50% of India's market in terms of volume terms which we cannot service efficiently because of capacity restriction and the way the plant has been designed in our existing two plants and including Naidupeta will not be able to do it. So, the idea is to build focus on that category and gain market share there which helps us kind of cross sell other Greenlam products and also widens the reach across many markets in the country. On the acquisition funded from internal accruals, the annual revenue potential at 5.4 million sheets would be Rs.250 crores and revenue generation would be quick because currently we are already running at 110% utilization. So, I think the moment we start the plant we should be up and running immediately as you are speaking and SKUs will be fewer working capital requirements will be smaller than existing because the range is smaller.

So, advantages of the location is Gujarat is a hub for most raw material with ports being close by so availability of paper, chemicals is all quite clearly. So, clearly the idea will be to ramp up fairly quickly from this plant. So, now post the expansion and acquisition we are adding 8.9 million sheets of laminates capacity sheet inputs, 18.9-millimeter square of plywood capacity, 231,000 cubic meter of particle board capacity. Total investment across these three plants estimated to be about Rs.1,000 crores within some investment already happening FY22. So, FY22, FY23 and FY24 three financial years. Projected revenues from these investments is about Rs.1,750 crores. 65% is to be funded by debt and 35% is to be funded by internal accruals and repayment of debt because majority of the debt will come in from the European banks which funds the European exports of capital machines so repayments are between 7 to 12 years.

So, on the balance sheet we just issued we raised on preferential basis Rs.195 crores of equity and this was issued at Rs. 308 with the dilution of 4.97% post issue of capital. So, clearly the idea of raising capital was to support the balance sheet and so that is on the balance sheet side, on the resource side we talked about focusing on sustainable raw material supply for the wood base industry so that is the initiative we have begun like really that something we want to focus from a long term perspective helps us bring raw material at an efficient price and there will be no mismatch in terms of where the raw material comes in from where the markets are. So, that is something we are hoping to pay more attention to.

So, how we strengthen the marketing and sales over the years. We have plugged category gaps, widened portfolio, provided solutions from just a product offering, we have leveraged at a digital



platform rather still are leveraging digital platforms to engage customer, to increase customer engagements, introduced latest designs and trends across product portfolio. So, believe the Greenlam brand can enter new segments and commission larger capacities in the existing segments and time has come for us to kind of move out from just being a niche decorative player to a decorative substance player. We believe that this whole initiative of adding more capacities moving quicker into particle boards will help us build in leadership in the wood panel industry.

So, decisive value creation opportunity, significant business growth within our compressed time frame, mobilizing funds through prudent mix of debt and internal accruals and equity. Possibility of higher margins through synergies and positive cash flows from the existing business will drive sustainable growth, the existing business really does not need any more cash just need routine maintenance capital expenditure. So, from a conclusion we are entering a new orbit which will make us larger, more profitable, more sustainable and we are laying the foundation of more valuable Greenlam. This is just a snapshot of where the capacities are coming up, what capacities, what investment, what sort of any potential and the expected date of commercial production.

So, I will move on this. So, this is table which shows all the capacities of laminates and other products. So, laminates will move from 15.62 to 24.52 across four locations. Veneer flooring door will remain at Behror plant with no capacity expansion, plywood will come at Tamil Naidu, particle board will come in Andhra Pradesh. So, just a quick run on the FY22 and Q1 FY23 numbers. So, FY22 revenues were Rs.1,700 Cr which I already told you already know that. EBITDA at Rs.187 Cr, PAT at Rs.90.6 Cr Q1 was Rs.470 crores of revenues, revenues could have been higher despite the logistical challenge in exports we still have we probably led to high inventory, but production was at 110% utilization. So, gross margin by and large remains flattish versus Q4. EBITDA margin is by and large flattish. So, that is on the laminates side. Thus, capacity utilization realizations have improved from Rs. 780 to Rs. 1,000 crores, multiple price hikes have been taken last year as well as value addition has happened.

On the wood segment last year, we did Rs.147 crores Q1 was Rs.40.4 EBITDA losses have come down in the wood segment so here do we have challenges on raw material cost, plywood cost, veneer cost, timber cost I think we are still a bit off from what we should be here. So, veneer was at Rs.25.3 crores in Q1, flooring did far better this quarter at Rs.11.5 crores I think the door business is still struggling with their numbers. Capital employed has come down in the wood veneer segment as inventories have reduced. That is just on the decorative veneer panel business.

On the working capital side. So, FY22 we were on 81 days so we improved versus FY21, Q1 we were at 77 days, inventory number of days seems to be bit elevated it is also because of the export challenges of containers and goods still in transit not reaching the ports of the destinations and likewise on the import side, but otherwise debtors payable by and large everything is moving quite well. The values has gone up of inventory because of raw material cost going up. So, in quantity terms it is absolutely under control, but because most of the RM cost has gone up so that shows elevated value.

On the debt side, net debt FY22 was Rs.168 crores Q1 was Rs.222 crores. On the return ratio side, the ROC is still subdued largely on the veneer and laminates ROC are nearly touching 30%, 31% I am sure this was improved, but at the moment this is what it is. Q1 15%, ex-projects is 15.9%, ROE at 14.4% that is it all from my side.

**Ami Parekh:**

Thank you sir. We would now like to take the Q&A session. We would first give an opportunity to the members on the call to ask question post which we will take questions from the audience in their own. We will wait for the moment while the online question queue assembles. As the online question queue assembles we would start the Q&A with the participants present here. Anyone willing to ask question can please raise their hand and mention the name and their company name before starting the question.

**Pritesh Vora:**

This is Pritesh Vora from Mission Street India my question is our asset turnover ratio is close to 2.5 to 3x if you consider existing plant and now we are showing Rs.1,000 crore investment and Rs.1,750 revenue potential, so why there is decrease in asset turnover or we are investing into another plywood or something else which requires higher asset?

**Saurabh Mittal:**

The new investments of the particle board side the asset turnover is lower, but operating margins would be higher. So, in the plywood laminate side the asset turnover we have been doing the same would be maintained or rather than plywood the asset turnover is slightly higher, but in particle boards will be lower. It is more like a 1 is to 1 times, but operating profits will be in the brand of 25% to 28%.

**Bhavin:**

This is Bhavin from Enam Holdings. Thanks Saurabh for the presentation always exciting to see next growth plans from the company it looks to be a good one. So, few questions first on the current expansion plans what you are planning and you also give the guidance of tripling revenues by FY27, so how do you include both domestic market and global market so these new expansion plans including our existing laminate expansion also how would the global market and to increase the global market business are there in the plan or you think still domestic market opportunities is large enough in this expansion plans we will be able to sell more in domestic market itself that would be my first question?

**Saurabh Mittal:**

So, on the new investments the plywood and particle board business will be largely or nearly domestic market. On the laminate expansion at Naidupeta and the Gujarat factory you could assume will have the same ratio 50% domestic, 50% export market. So, I think the laminate mix as we things now we see opportunity in both domestic and export market. So, I think that probably work with the same trajectory of both the markets growing. So, wood based industry will be largely domestic market.

**Bhavin:**

My second question is leaving out MDF and if I see that industries numbers looks to be very exciting the companies are growing at very high growth I think that segment in overall wood panel is doing EBITDA margins high, but I think you must have left that out because it looks to be capital intensive, so is that the reason you left out MDF from this growth phase or there were

other apprehensions that you have not considered MDF when you want to project yourself as a leading wood panel player?

**Saurabh Mittal:**

So, the idea was first to invest into particles board line because we clearly see there is a gap in that segment. It is like what I think MDF was 10 years, 12 years ago. There is no organized use of particle boards. Most of the factories are subscale revenues of Rs.50 crores -Rs.100 crores inefficient equipments, higher cost of operation and particle boards has largely sold as pre-laminated products, they are not sold as bare boards unlike MDF. So, alignment with the laminate business which is also decorative business was far higher. So, we thought that or we believe and seeing learning from our understanding of the international market having laminates, compact laminates, pre-lam particle board/ melamine chipboard which are all decorative in nature was the first step for us to kind of move in the board space rather than moving into a MDF space. So, clearly particle board I feel that there is more opportunity in terms of the gap there and alignment with the exiting laminate plant and you can probably give a better solution to the customers. You can go to architects with compact laminates, pre-lam boards, edge band, all matching colors for various applications which you cannot do with MDF. Also, I think in MDF whatever we understand with the limited understanding on that space there is lot of new capacities coming up which is not the case in particle boards. So, I think that was the second consideration. So, clearly we are open to that segment, but at the moment we do not have a plan on that.

**Bhavin:**

One more continuation to that question would be what my understanding is that MDF in fact is cannibalizing the plywood industry and the growth in the plywood industry would be less than the MDF industries that is one of the reason why the competitors are not adding capacity in plywood, but you have chosen to invest in plywood, so can you counter that 5 and others are fearing volumes declined to be replaced by MDF and you will be making new investments in plywood?

**Saurabh Mittal:**

So, if you look at where the volumes are declining of plywood it is mostly in the lower end of the plywood market which is the unorganized cheaper plywood market, commercial side of the market and the plywood we will be producing will not be in that segment in the mid to premium segment, so clearly we will not be competing in that space with the MDF. So, lower end of the plywood market is being replaced by MDF which is absolutely correct, but the plywood production and the position we are doing is not in that segment so that was the idea. Also we have a large customer base of residential customers which use laminates, veneers, flooring in their homes. So, our plywood model is 100% self-production, in house production and mid to premium quality aimed at the residential market and not at the commercial market. So, MDF is replacing plywood in the commercial market for ease of usage if you do not want too much of durability they are okay with an acceptable quality already and they are fine with the limited durability which MDF does often. So, that was the rationale of having a plywood plant for us.

**Bhavin:**

And the last one any tax incentives on this Rs.950 crores CAPEX?

**Ashok Sharma:** The unit which is in the Naidupeta that will have the lower tax of 17% as against 25% for the company as a whole.

**Moderator:** Jeetu Panjab from EM Capital.

**Jeetu Panjab:** Sir three questions one how do you define your core competitive advantage because you talk of tripling turnover in three years, what gives you the right to get there and the advantage to scale up over three years?

**Saurabh Mittal:** We have talked about more than tripling the turnover on the basis of FY21 revenues which is 1,200 crores till FY27. So, like year we already added 550 crores into the turnover. So, if you ask me what gives us the confidence I think the network which you created both in domestic and international market, gives us the confidence that we can get the materials to the market, with the credibility of high quality products, clean approach, solid relationship with channel partners, architects ID we think we can do that. In the laminate space clearly we are running short of capacity, we are actually running nearly one year behind in capacity creation, we had gone to some other state there were some challenges when COVID came there were some delays. So, in laminates as we talk right now even like last quarter we were 110% utilization. So, on the laminate side for both domestic and export market I think we seated in the markets fairly well and markets want more material from us that is on the laminates side. On the particle board and plywood side again if you see our business model in the last few years we have been a decorative based industry because of other compulsions we could not move out to the core categories. So, with a lot of heavy lifting has gone in terms of expanding the category, creating the category in all our existing business even laminates for that matter. We have added new products, we focused on category expansion whether it is facade laminates, bathroom partition, specialty products we were the first companies to really go and brand laminates in international market. So, really it has been hard for us to kind of scale up the business so we never had a bulk moving product like a particle board or a plywood in a category and clearly there is a gap in plywood we believe there is no third player in the market, customers and dealers want another player in the market who is focused and who is reliable in terms of quality production. Particle board is already a 5,000 crore markets so we do not need to go and create a market unlike several parts of our laminates business of veneer flooring doors, we were also challenged to kind of expand the category. So, at least in plywood particle board I think the market exist we have to go out and execute correctly and take market share and take the growth. So, I think our competitive advantage on the front end is where we think we can kind of do this actually.

**Jeetu Panjabi:** The second question reasonably linked is I looked at your 16 quarter numbers and so that EBITDA is structurally come out by couple of 100 basis points over this period. So, the profit pool is not expanded internally for you commensurate to revenue growth. What gives you the confidence to triple the revenues or 3,500, 3,700 crore revenues. You see a defined profit pool where you think you will be secure with and you will be comfortable getting there.

**Jeetu Panjab:** So, what did you notice in the 16 quarters?

**Saurabh Mittal:** It went from 12 to 10 or ballpark 38 to 40 crore EBITDA per quarter gone to 48 to 50 crore EBITDA up to 16 quarter that is the broad take.

**Management:** So clearly if you see capacity of laminates unfortunately has not grown over the last two odd years and we have been faced with significant raw material cost increases and market have already been seated in and we do not have enough capacity at the moment to go and sell. So, clearly as we move ahead I think more capacity will help us sell more and our fixed cost will not increase, cost will go up at the contribution level and RM cost have already started softening at least on the chemical side. So, I think as we scale revenues. We feel margins will also improve in value and percent where we see thing at the moment.

**Jeetu Panjab:** You feel comfortable about the new segments you are getting and you feel comfortable over the profit pool there as well?

**Saurabh Mittal:** So, let us put this way in particle board every other companies are not so significant player and the people who report numbers their EBITDA are in the range of 28%, 30% with the smaller production base with the lower capacity with the lower efficiency of machines. So, I think with the right efficiencies, with the right operating cost we believe that can be achieved.

**Jeetu Panjab:** And then last question we wish you well, but therefore whatever reason those targets do not get achieved where do you see the source of per potential risk to get to those numbers?

**Saurabh Mittal:** So, where do I see the source of risk there.

**Jeetu Panjab:** So, I am saying God forbid we are sitting three or four years from now and those numbers are not here, what do you think could be the reasons for that?

**Saurabh Mittal:** So, as we see things now we are expanding in three categories in laminates, plywood and particle boards and laminates has been our core business. We are not really going out and doing something new in terms of newer products or newer markets and we are already operating at a certain parameter we have done that at that parameter. So, really obviously the risk in anything and everything nothing is completely risk free ever, but we feel confident that we can get there. Plywood too market size is large there is no meaningful third player in the country and we are setting our factory in South India. South India is the number one market for branded plywood and for waterproof plywood and that is the segment we want to enter and again our understanding of the market network is fairly decent I would say that and particle board also again it is not a new category, we are not going to invent the category. So, the market already exist where we have to go and take market share and increasingly furniture manufacturing is kind of going up in India, we have more and more OEMs, we have seen numbers of machinery sales to the furniture fabricators of kitchen wardrobe, doors, soffit outside India on the rise that is a huge push being given by the government also to expand furniture manufacturing and the machines we are getting again are again top qualities, we are not innovating with technology. I do not know why we should not get there could be just bad luck or poor execution I think that is what I can blame into.

**Keshav:** This is Keshav from HDFC Securities. Sir I want to understand whatever your new expansions are coming so what kind of ROC and what kind of ramp up you have in your mind?

**Saurabh Mittal:** So, in terms of ramp up we have budgeted third year in all the three category will reach the fair amount of utilization near to 100% of utilization. So, for the laminate and plywood we have budgeted in the 26 because the production will start in Q4 and for the particle board we have budgeted in 27 and ROC laminates will have the same ROC what it is as present currently what we have and for particle board we will have in the range of around as of now we are budgeting based upon as sir said the 25% to 28% within that it will be in the range of 20% to 24% and for the plywood also it will be in this range only around 20%, 22%.

**Keshav:** One of your competitor is also expanding in particle board what we have heard is they will have some like 2x turnover, so what is the difference between your and his capacity?

**Saurabh Mittal:** I have not heard that I cannot say much on that because our Math does not says 2x unless one kind of forward integrates into making furniture components or kitchen components and then the value can go up, but for the investments we are doing a particle boards and lamination of particle boards and if you were to take a reasonable mix of pre-lamination and bare boards our Math does not reach there. So, I am not sure where you got this number.

**Keshav:** And you veneer capacity is subpar utilization which is also dragging the ROC, the same is the case for the door business. So, what has went wrong for you and how you plan for this business in the future?

**Saurabh Mittal:** So, on the veneer plant and in which ways the model is a 24 hours capacity like laminates, but clearly I think we can do better on the veneer flooring and if we combine all the segments. So, I think last few years have just been hard with COVID and residential sale dropping in between GST, demonetization and because all these products are mostly residential or home market products. So, they have a little bit of difficult time there. If you look at Q1 the numbers are flooring have kind of inched up, realizations have improved, revenues have improved, losses have come down and veneers too we had challenges on the raw material side and some competitive pressure, but we believe that the numbers can come up at the peak we have gone up to 17%, 18% operating margin in the only veneer panel business and I think we will take some more time to kind of come to that segment. On the door side we are still struggling with the model just to put the whole program in places, lot of interest, lot of demand, but clearly on the execution side of pricing escalation, measurement, finishing I think it is still something we have not been able to completely get a handle on. So, we are working on that too put that up. These three segments do not need any more capital as you can see. Capital employed has actually reduced in these three segments, we do not need more capacities, we do not need more working capital, we just need to focus on executing and that is what we are trying to do.

**Sneha:** Good sir and thanks for the opportunity Sneha here from Edelweiss. Just couple of questions from my end you definitely have mentioned three year plan and tripling the revenues something you guided for in recent interview which is 20%, 25% revenue growth, just wanted to understand

what will be a realization as well as volume breakup given that you have mentioned in your presentation that you are running at optimum utilization in the current plant and your new facility required one which will start only by Q2 so just wanted to get some flavor on the volume as well as realization breakup?

**Saurabh Mittal:** So, 20%, 25% we have mentioned for FY23. In terms of volume growth from last year production, last year we did about 16.7 million sheets approximately. So, we will have the Gujarat plant production up and running within this quarter. So, we will get about 6 months of H2 and maybe some part of this quarter and last year we had disruption of the Behror plant where we lost literally one month of production. So, if all goes well I think on the laminate side quantity growth should be like a 12%, 15% times this year.

**Sneha:** So, it is an equal mix that you are targeting I mean volume as well as realization almost an equal increase?

**Saurabh Mittal:** Realization will also go up versus last year because prices have got, prices have increased at different stages and Q1 Q2 we raise some increases. Although that is not reflected on the realization because the mix got a bit changed in Q1 so I think value growth also of about the similar percent. So, quantity 12, 15 and realization will also be similar.

**Sneha:** So, next question was on your margins I think you already answered with respect to raw material prices cooling off and that could add some amount of margin, I was just observing your employee cost that has been increasing steadily and I believe in last time detail presentation again you introduced rest of the entire new team which you have hired for other division, is that too something which is taking the hit on margins and when a new segment start operating which is your particle board plywood that will inch up the margin is that one of the reason just want to understand that?

**Saurabh Mittal:** So, really the cost structure currently because we are into an expansion phase across categories. We have built in certain new team in the last year itself for the laminates. There have been some hiring internationally too you opened a subsidiary in Poland, Russia year and half back. So, we do have a structure which can sell more in terms of quantity and value. So, clearly with capacities getting aligned and I said that our fixed cost we believe will not go up in a proportion and it will only be the contribution cost factory or up to the freight to the market which will go up. So, clearly I think the structure the sales marketing set up has been created little bit in advance and I think as we get the Gujarat capacity and Andhra capacity later this year I think we should see some sort of percentage normalizing for certain cost.

**Sneha:** Lastly on your particle board unit which you are adding a lot of things have actually changed, your competitors have started reporting much higher margins on a much lower base, is there anything changing on that front you think it is changing the positive and also one more concerning fact in the MDF segment which has started emerging is imports slightly coming back according to our checks, where do you think this industry is going in, any changes in the margins that you are observing for your new unit?



- Saurabh Mittal:** What was your second question one was the margin of particle board?
- Sneha:** Particle board margin itself and the scenario changing in terms of whether imports are coming back or you think it is only changing for the better?
- Saurabh Mittal:** What is coming back?
- Sneha:** Imports.
- Saurabh Mittal:** On the particle board side we said 25%, 26%, 27% of operating margin. So, at the moment because every month we are updating our cost sheet and sales prices and all so it looks in the same range. Competition is reporting is slightly higher margin on a lower base. Now whether that is really relevant because you do not have enough capacity in the market, there is a shortage of particle boards, there is no one who can really produce boards. So, maybe it is probably a temporary blip, we have more capacity in the market maybe the margins kind of come down to some extent I guess. So, really I am not so sure when we enter the market where is the raw material cost, what is up with the sales prices, but as we see thing now with the Maths we have it probably will be in the banks 1% or 2% here or there depends on RM cost, ability to do value add which might take some time to reach a certain stage of value addition that is on the margin front. On the imports I have not heard much with imports coming back although I have heard that some of the large laminators have tried to import MDF and particle board in great bulk which we believe is not sustainable. The feedback I have is that it is not something which is sustainable at the moment. If tomorrow freight cost come down at one point shipping from Thailand, Malaysia into India was \$50, \$100 if that happens to clearly imports do get some more competitiveness in terms of the freight cost. So, as we talk right now I do not see much changes and with this whole war situation also wood situation have gone up to Europe, lot of wood was coming in from Russia and from Ukraine so that is also stopped. So, I am not able to clearly say what is going to happen. So, as we see things now not much has changed on the import situation, but even if imports happens and you have raw material, all the wood we are using is all plantation based wood, in particle boards unlike MDF again I am now trying to pitch it again them, but just as a product understanding you can use mixed wood species, you do not need to use only one species, you can use all kind of wood waste Soumili waste mixed wood can be used. So, clearly your ability to arrange raw material at a reasonable cost is quite high.
- Adhesh:** This is Adhesh from Motilal Oswal AMC. Thanks for a very elaborate presentation. Sir, just wanted to understand in laminates especially in exports how is the competitive landscape especially after the Ukraine situation and Europe and what right to win you have over there?
- Saurabh Mittal:** Competitive landscape in exports if you talk vis-à-vis Indian exports if you talk vis-a-vis the local producers in those geographies, so it is a specific question?
- Adhesh:** Both Indian as well as the local producer.

**Saurabh Mittal:** So, clearly there is high competition especially in the commodity segment of the market which is the commodity white liners as I say which is just use as backing product inside furniture cabinet production, but in the branded segment which is more specification led, distribution led, range led there the competition is not so much from the Indian producers there we end up competing with the International producers based on the geographies. As far as the export demand is concerned, the demand seems to be quite robust right now and not because consumption of laminates has gone up, we believe production in Europe has kind of reduced or there are temporary challenges with the European producers, in terms of raw material availability, gas cost, people availability, water availability. So, there is a situation right now where we believe the export demand is quite decent which also means the European exports cannot export to other markets, certain European exports were shipping throughout Western Europe, Eastern Europe, Russia, North Africa, Israel, Middle East. So, I think the exports to these countries have also kind of come at a pressure which gives us an opportunity to take some market share from there. As far as the right to win is concern so clearly for the last 15 years, 17 years our modern exports have been more based on a long term business model rather than a contract or pricing based or dispatched based model. So, we work towards building distribution, demand generation with architects and designers, OEMs, furniture producers. So, clearly I think in terms of customer base distribution, people on ground specifications across various parts of the market. We believe in a good position to kind of capitalize on the export business.

**Adhesh:** Sir how big is Europe in terms of global laminates rate?

**Saurabh Mittal:** I do not have that right away, but clearly Europe if you take Western, Eastern Europe it will be the largest market worldwide for actually all wood panel industry products. Even for us if I were to combine UK, Eastern Europe, Western Europe will be a largest market now.

**Arvind:** Arvind from Niveshaay. I had two questions one is that if there is a trend of pre-lam in MDF and other segments, how does the change or demand from because we might not be supplying the laminates where there is a pre-lam facility right and second is that the gap which is there in the particle board industries known since long, so why are not other players or the bigger players also thinking of a particle board or is it that people might be planning for particle board facilities the larger MDF guys and they might be charting out plans for their expansion in particle board also if you could clarify?

**Saurabh Mittal:** Answering your first question will pre-lam particle board MDF take away market share from laminates is that what you are trying to say.

**Arvind:** Yes.

**Saurabh Mittal:** So, clearly all laminated products compete with each other for certain surfaces, certain categories or certain applications and those decisions are taken basis the requirement of the production depending on the physical properties, the performance largely we have seen pre-lam MDF particle board gain more traction on the OEM side of the business which is organized furniture manufacturing. On the carpentry side, we believe laminates still the core product to be used by

customers either on plywood or on MDF. Also the range of particle boards, pre-lam and MDF is always going to be limited because it works in a 30, 40 SKU just because products are when you say pre laminated you have a deco paper on a board. The board could be 12 ml, 18 ml, 25 ml. So, options of color range, text product and the whole logistics of manufacturing, inventory management, stocking on the market is nearly impossible with pre-lam particle board, MDF for the day-to-day retail home improvement distribution business. Laminates are one millimeter one can stop 10,000 sheets, 20,000 sheets in a small space and move it very quickly. Stocking 10,000 boards of 18 millimeter and moving it is extremely hard. So, our learning has been OEM which are buying directly from the factory or OEMs were located in the outskirts mostly fabricators buying from stockers in a limited color packing that market is going to be pre-lam particle board and pre-lam MDF. Most pre-lam particle board because 85%, 90% of boards are particle board sold as pre-lam boards and the distribution model, retail model going to lot of carpenter, dealers, distributors, color options is going to be a laminate market so that is our understanding. On the other companies doing what they are doing so one our nearest competitor in laminates is also putting a particle board capacity so that we are aware of, what are the other players doing so like action is a competitor they have also have a certain particle board capacity, so does century ply have, but the capacities are smaller with the different model of production and machinery. So, I am not aware of what exactly they are doing on the particle board side, but as you see things now we see that more companies are focused on expanding and creating capacities on the MDF side, larger players and even mid-size plywood players. They could have different formats, some could do continuous lines, some could do multi direct lines, some could even have to know smaller lines so that is our understanding and why are they not expanded I am not sure on that, but clearly somebody does it at one point and the people follow it right.

**Arvind:** Because action I guess would be hitting the markets they are also I guess coming to the capital markets next year so I do not know whether raising money for the particle board I am not so aware of it?

**Saurabh Mittal:** But I do know they have a particle board plant, but the capacities are smaller like I said earlier and the machines they have are slightly their operating cost will be higher than the new wage continuous lines.

**Arvind:** Sir also there is a plant in South I guess which is not I mean operational right now, so what are the chances that it might get operational or someone can take facility because there is a huge gap between the demand and supply that is why our facilities also makes more sense, so any understanding why that is not being taken up?

**Saurabh Mittal:** So, there are several issues in that plant I believe you are referring to the plant in Bangalore. So, there are several issues with the plant with ownership and bankruptcies and NCLTs and all that. So, I do not know why that is not getting sorted out, but I believe it is more complicated then we think it is. So, I am not sure that how when it will get resolved or not.

**Abhishek Vora:** This is Abhishek Vora from Ambit Asset Management. My first question was on the domestic and exports volume breakup if you could give during the quarter and how it planned out and how do you see that going ahead?

**Saurabh Mittal:** You wanted the data for Q1.

**Abhishek Vora:** Yes.

**Saurabh Mittal:** For the domestic and export both eventually in this quarter are nearly the same and that is 2.06 million sheets.

**Abhishek Vora:** I wanted the growth so?

**Saurabh Mittal:** Growth for the domestic was 41% and in volume and export was down 13% in volume.

**Abhishek Vora:** Because you just mentioned about we have good tailwinds with the exports, but how do you see that going ahead, is this bump in the quarter or do you expect Q2 exports to be better than the Q1?

**Saurabh Mittal:** So, it is not exports are not doing well so we said that earlier that we have had a higher inventory in transit of exports. So, production side factory is running 110% utilization and there is so much we can produce and you cannot produce beyond that. So, approximately 18 to 20 crores worth of exports inventory which is in transit, which is not in the factory which is dispatched from the factory is between plant and the inland port and inland port to the client customer destination port, so higher than March. So, March also was elevated. So, clearly I think the logical challenges are showing up in terms of the number of exports. In Q1 last year there was COVID and domestic market was by and large at a very subdued level and we had the whole export markets. So, largely all production was pushed to exports and are downfall in Q1 last year was very small versus every other player in our industry. So, from a trajectory of exports, backlog of exports there is no problem on that.

**Abhishek Vora:** Sir, is there a sequential volume growth number handy with you, with regards to both domestic?

**Saurabh Mittal:** I will share with you at a later stage.

**Abhishek Vora:** One more question I had on the capacity utilization if you can share for the wooden floors and doors and your plans ahead on that part?

**Saurabh Mittal:** So, wooden floor and doors did about 40 crores in Q1. So, clearly utilizations in all the three categories are far from any satisfactory levels and obviously the numbers for this year we said about 20%, 25% growth of the overall revenues of the company. So, wood, veneer, flooring, door business will also hopefully grow well this year.

**Abhishek Vora:** Is there utilization number that you would like to share because you shared the veneer?

- Saurabh Mittal:** We can show the numbers. Veneer is 26%, floor is 13% and doors are 8.5%, 9%.
- Abhishek Vora:** Sir just last question if I may squeeze in with regards to if you give some risks that you see with regards to the imports of the wood panels if the other countries would like to venture into the Indian market where they see some dry space and these companies that may take time to ramp up their CAPEX in the meanwhile, is there anything that you like to mention on that front?
- Saurabh Mittal:** So, when you say wood panels I am assuming you are meaning particle board and MDF. So, if you see the last maybe decade or so the international companies has used India as a dumping ground. So, wherever there has been additional production or capacity they have kind of pushed goods into India and they have not really marketed the product or created a brand or a setup here and whenever this happens if this does happen it is mostly limited on the port side. So, till the port let us say Chennai or mostly Chennai or some other ports there is viability. The moment goods start moving inward the freight cost kind of eats up the competitive advantage. So, do we see that as a risk obviously can happen tomorrow is the sea freight can collapse or oil collapse world can change. So, cannot say much on that, but if that does happen it is more on a commodity pricing limited to certain markets and geographies. If you have to laminate the product, create a brand, go to customers, create specification then you do not face these pressures so much.
- Kumavat:** The question is what price hikes were taken during the quarter across products?
- Saurabh Mittal:** So, in the domestic laminate market we increased prices by about 3% and exports was raised by about 5% which got implemented through the quarter. On the wood veneer flooring side there was no price increase implemented in Quarter 1.
- Tanuj:** Sir the capacities that are coming up post that I wanted to understand you know the customer of the clients were catering in terms of pyramid so if we can say plywood, we are coming into we can say the premium and maybe the mass category and the mid-level ones or the lower category is not our foray, but at the same time we are also doing particle board. So, particle boards would cater the economy segment is that understand correct?
- Saurabh Mittal:** The plywood will be more residential market, particle board will be more the OEM market basically the whole furniture fabricator segment which also uses laminates, your kitchen producers, door producers, wardrobe products, soffit out. So, these fabricators organized carpentry or mechanize furniture manufactures will be the larger customer base for particle boards and plywood will be more residential while particle boards will be largely more commercial and certain fabricators also focus on home furniture which is kitchens and some of the lose items of particle board which will be cater through the OEMs.
- Tanuj:** So, basically if you could just throw some light so what kind of furniture IKEA mix I mean they are more into particle board if I am not wrong?
- Saurabh Mittal:** So, IKEA of what we understand about 80% of the raw materials is based on particle boards.

**Moderator:** Since there are no further questions I would hand over the call to Mr. Saurabh Mittal for closing remarks.

**Saurabh Mittal:** I would like to thank all of you all for your time and for your questions. If there are more questions to be responded to Ashok can take it offline. Thank you everyone.

**Ashok Sharma:** Thank you everyone.

**Moderator:** Thank you. Now I would request everyone to please join us for the high tea.