

Greenlam/2022-23
November 18, 2022

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Sub: Transcript of Earnings Call

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the Transcript of Earnings Call held on November 14, 2022 to discuss operational and financial performance for Q2 & H1 FY 23.

Kindly take the above information on records.

Thanking you,
Yours faithfully,

For **GREENLAM INDUSTRIES LIMITED**

PRAKASH KUMAR BISWAL
COMPANY SECRETARY &
VICE PRESIDENT – LEGAL



**“Greenlam Industries Limited
Q2 FY2023 Earnings Conference Call”**

November 14, 2022

DISCLAIMER: E&OE - THIS TRANSCRIPT IS EDITED FOR FACTUAL ERRORS. IN CASE OF DISCREPANCY, THE AUDIO RECORDINGS UPLOADED ON THE STOCK EXCHANGE ON 14th NOVEMBER 2022 WILL PREVAIL



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

Moderator: Ladies and gentlemen, good day and welcome to Greenlam Industries Limited Q2 & H1 FY23 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on the date of 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 & Chief Executive Officer – Greenlam Industries Limited. Thank you and over to you, sir!

Saurabh Mittal: Thanks. Good afternoon friends, very warm welcome to all of you in this call. I am joined by Ashok our CFO; Samarth from the finance team and SGA our Investor Relations Advisor. The results and presentation are being available on the stock exchanges and the company website. I hope you have had a chance to look at it. I will give you a few key highlights for the quarter gone by and updates on the new projects.

The Gujarat factory at Prantij started commercial production in August and we started the plant in a record time. The refurbishment work for the expanded capacity is going on and is going on as per schedule and this should come in to production by Q4 of this financial year. We concluded our equity raise in this quarter, we concluded all the debt closures for the projects at Andhra Pradesh and Tamil Nadu and noteworthy is that IFC has agreed to part fund the debt for our Andhra Pradesh project.

The startup of the plywood and laminate expanded capacity at Tamil Nadu and Andhra Pradesh respectively will be in Q4 of FY23. The startup of the particle board line will be in Q4 of FY24. Most of the important equipments etc., have all been placed and the project is moving as per plan with some challenges due to rains etc., in Tamil Nadu and Andhra, but by and large it is moving on schedule.

The team set up for the new plywood business is underway and that is also progressing fairly well. In the existing business in last quarter on the export front we did reasonably well in the markets of US, Europe, Asia and UK. I think those markets did well. We had challenges in few of our emerging markets because of the currency crisis in those countries and few of them are normalizing as we talk. In the domestic market too there was a little bit

of a challenge in terms of demand, but overall we could grow each segment in value terms sequentially and year-on-year on the domestic front.

So by and large, these were the key points from my side. I will have Ashok take you through the financial performance, post which we will be happy to address your questions and queries. Ashok over to you.

Ashok Sharma:

Thank you sir. Good afternoon friends. I will take you through the financial performance.

For the Q2 FY23 on a consol basis, our net revenue grew by 14% on a year-on-year basis and grew by 10.1% on sequential basis and stood at Rs.518 Crores in this quarter as compared to Rs.454 Crores last year same quarter.

Gross margin grew by 110 basis points to 44.6% in Q2 FY23 from 43.5% in Q2 FY22. On a sequential basis gross margin was down by 40 basis points. Gross margin in absolute term grew by 16.8% to 231 Crores in this quarter as compared to Rs.198 Crores in Q2 last year.

EBITDA margin was up by 30 basis points and stood at 10.4% in Q2 FY23 as compared to 10.1% in Q2 FY22. On a sequential basis EBITDA margin was down by 30 basis points. EBITDA in absolute terms grew by 17% to Rs.53.7 Crores as compared to Rs.45.9 Crores in Q2 FY22.

Net profit for the quarter stood at 29.2% as against 20.7% in the Q2 last year.

Moving on to half yearly performance, consolidated net revenue for the half year grew by 25.1% on year-on-year basis and stood at Rs.989 Crores as compared to Rs.790 Crores last year same period. Gross margin was up by 30 basis points to 44.8% in this half year from 44.5% last year. Gross margin in absolute term grew by 25.8% to Rs.443 Crores as compared to Rs.352 Crores last year same period.

EBITDA margin during the half year period remained flat at 10.5%. EBITDA in absolute term grew by 23.7% to Rs.104 Crores as compared to Rs.84 Crores previous year.

Net margin grew by 41% to Rs.53.8 Crores in this half year as against Rs.38 Crores last year.

Now I will move onto the segmental performance.

Laminate which is the major segment.

For this quarter our revenue grew by 13.7% on year-on-year basis and 9.5% on a sequential basis and stood at Rs.471 Crores as against Rs.414.6 Crores Q2 FY22. However, volume degrew by 10.2% on year-on-year basis.

Domestic laminate revenue grew by 15.8% on year-on-year basis and grew by 11.5% sequentially in value terms. Volume degrowth on year-on-year basis stood at 8.5%. International laminate revenue grew by 11.5% on year-on-year basis and 7.6% on sequential basis in value term, volume degrew by 12% on year-on-year basis.

EBITDA margin stood at 12.1% a growth of 60 basis point on year-on-year basis and a degrowth of 30 basis point on quarter-on-quarter basis.

Production volume were at 4.22 million sheets at a utilization of 99%. Sales volume for the quarter stood at 4.26 million sheets and our average realization for the quarter stood at Rs.1059 per sheet.

Moving onto half yearly performance.

Laminate revenue grew by 24.5% to Rs.901 Crores this year as against Rs.724 Crores last year. Volume degrew by 4.2% on year-on-year basis.

Domestic laminate revenue grew by 42.4% in value terms and volume growth stood at 9.6%. International laminate revenue grew by 10.8% in value terms, our volume degrew by 16.2%.

EBITDA margin stood at 12.2%, a degrowth of 10 basis points. Production volume were at 8.51 million sheets and at a utilization level of 104%. Sales volume for this half year stood at 8.19 million sheets. Our average realization during this period was Rs.1049 per sheet.

Now moving onto decorative veneer and allied segment which consist of decorative veneer, engineered floors and engineered doors.

In the decorative veneer segment revenue grew by 18% on year-on-year basis and 17.4% on sequential basis to Rs.29.7 Crores from Rs.25.1 Crores in Q2 last year. Volume grew

by 11.8% on year-on-year basis. Revenue of decorative veneer business grew by 47% on year-on-year basis and to Rs.54.9 Crores in this half year from Rs.37 Crores last year. Volume grew by 25% and volume in this quarter stood at 0.39 million square meter and for the half year stood at 0.64 million square meter. Capacity utilization in the quarter stood at 37% and for the half year it was 32%. Average realization for the quarter stood at Rs.746 and for the half year stood at Rs.851.

Moving onto engineered wood and flooring. Revenue grew by 47% on year-on-year basis and grew by 3% on a sequential basis to Rs.11.8 Crores in this quarter from Rs.8 Crores last quarter. Revenue of engineered wood flooring grew by 51% in this half year to Rs.23 Crores as against Rs.15.4 Crores last half year. However, capacity utilization were at 11% in this quarter and 12% for the half year.

In the engineered door segment revenue degrew by 16.6% on year-on-year basis and grew by 46% on sequential basis to Rs.5.3 Crores in this quarter as against Rs.6.4 Crores Q2 FY22. For the half year revenue degrew by 33% to Rs.8.9 Crores as against Rs.13.3 Crores last year. Capacity utilization in this quarter stood at 17% and for the half year it was 12%. Net debt for the quarter ended stood at Rs.75.5 Crores as against Rs.220 Crores since we have reached Rs.195 Crores by way of preferential issue of equity share. Networking capital for this quarter stood at 69 days and for the half year stood at 72 days.

That is all from my side. I would now like to open the floor for the question and answers. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Harsh Shah from Dalal and Broacha Stock Broking. Please go ahead.

Harsh Shah: Thanks for the opportunity. Sir my question is on the export market. How is the situation right now shaping up in your key geographies and going forward do you believe that the export market would grow faster than the domestic market meaning whether the ratio of exports to domestic would be 50/50 and what would be the value added mix currently in the laminate segment.

Saurabh Mittal: The export market will continue to grow, and the challenges being faced by our competition which is Russian cost in Europe and some other markets we see that as an opportunity. So, we think export market will continue to grow. Over a longer period of time we believe in laminates the mix between domestic and exports to be very similar considering the Gujarat

factory and considering the Andhra Pradesh plant also. So, I really think both will grow at a similar percent and the mix between the two will also be 50% each nearly plus minus depending on a quarter here or there by and large that we expect on the export market.

Harsh Shah: And the margins would it be better in exports.

Saurabh Mittal: We said this in the past also already it depends when you say exports because we operate in several geographies and some markets we are steading in export markets some we are already settled so it will depend market-to-market, geography-to-geography but very hard to give an answer on this, but we believe more or less on an average basis it will be very similar. There could be some export markets which are more profitable there could be some export markets which are less profitable but considering the mix of productions sizes and dimensions we have to be across geographies so it will be very similar.

Harsh Shah: And what will be the value-added mix for this quarter the laminates.

Saurabh Mittal: When you say value added what would you mean by that are we talking about we have given out our average realizations which is Rs.1059 per sheet. So when you say value added very hard because we do not map that independently.

Harsh Shah: No issues. In the laminate segment do we have any exclusive distributors for our product and whether they reflect on our payroll.

Saurabh Mittal: So, we have distributors who exclusively work with our brands and products in both domestic and international markets and what was the question about the payroll, please.

Harsh Shah: So, these exclusive distributors do they come on our payroll meaning do we pay them the salaries.

Saurabh Mittal: No, how will they come on our payroll. These are all third-party distribution and so they do not come on our payroll, they are distributors.

Harsh Shah: Okay thank you that is it from my end.

Moderator: Thank you. The next question is from the line of Sneha Talreja from Edelweiss. Please go ahead.

Sneha Talreja: Firstly, thanks for the opportunity. Just a couple of questions from my end. What I wanted to understand was this recent diversification that the management is going

through in particle board or plywood. Any thoughts that you have that you will be reevaluating your investments in doors and flooring business. What I want to understand is although the losses at this point of time are small, but they do must be consuming some amount of management bandwidth here.

Saurabh Mittal: So, flooring and doors if you see the business has grown in this quarter by about consolidated all the veneer categories by about 17%-18% and we reduced our working capital days in this category and the business does not need any more fixed capital and does not need any further working capital also and I think they are in a certain trajectory and it just takes more time to sort of the business. So, we are looking at continuing with these businesses.

Sneha Talreja: Secondly what I wanted to understand is this time if I look at your exports business that has taken a hit one of the factor that you mentioned is emerging market you face certain currency related issues are those issues sorted out when do we see that normalizing and secondly to do with realization we have seen very significant changes in realization when you export realization have grown up significantly versus domestic the reason for the same.

Saurabh Mittal: Like I said earlier several markets we have had those markets facing currency problems of dollars not being available or banks not able to open LCs on time etc., while we have good demand and we have orders in those markets. So few of these markets might get stabilized within this quarter and I guess one or two will move to next quarter maybe even beyond that but that does not mean we are trying to grow the other markets so we should be okay on that front. As far as the export realization growth is concerned because the volume are down in some of these emerging markets, the denominator has changed and that shows a high realization growth per sheet if those volumes were there maybe the realization per sheet, the growth would have been slightly lower. So otherwise nothing substantial has changed between exports and domestic in terms of the realization.

Sneha Talreja: What I wanted to understand is we are taking similar price hikes in both the markets to pass on the raw material cost.

Saurabh Mittal: Yes, correct. Like I said because volumes are down so the denominator the markets where we are not being able to ship enough and those probably are not high value markets and that is why our realizations growth seems to be higher, and as far as the price hikes are concerned Q2 we have not taken any price hikes we took the price hike in Q1.

- Sneha Talreja:** But are the raw material cost now completely absorbed in because we are yet to see any kind of improvement in trajectory with respect to margins last quarter or before that we understood that we are sitting with some amount of high cost inventory. So just trying to understand is that high cost inventory impact done with and from now on can we see gradual impact without any increase in prices.
- Saurabh Mittal:** Clearly we are not raising any prices. If you see Q2 chemical costs have softened, but deco paper cost, craft cost, cost of veneer, ply, have not softened actually they have gone up versus Q1 or Q2 of last year. As we talk right now we believe chemical cost will soften further and paper costs have not really gone down it also depends on the currencies probably going up a bit. We also had some initial stabilization losses of the Gujarat factory, which has also been factored in the EBITDA, although we started production on 20th of August and we will just started two lines the third line is still being ready for production. So there is just two presses while the cost have been a bit there have been unabsorbed cost so we have some small losses there too. So these are the factors so Ashok wants to talk a bit more on the raw material side.
- Ashok Sharma:** In terms of base paper prices are still in the quarter two also it has slightly gone up and in this quarter also it is looking to be slightly going up. Of course, whatever benefit of freight ocean freight improvement that is coming but still the price of our design paper is slightly higher.
- Sneha Talreja:** So any plans of taking any further price hike to absorb the same.
- Saurabh Mittal:** No so we are not looking at any further price hikes I think just better utilization of all the plants and the product mix we have should because we are at about 12.2% or something EBITDA margin in laminates while you see the margins I think you cannot see the working capital cycle and ROC in that business so we are operating at within 15% of sales working capital cycle and about 33%, 34% of ROCs before taxes obviously so margins also have to be seen in tandem with the capital investment and the ROC. So we are not taking any price hikes, but we think with the value mix etc., we should be okay with that.
- Sneha Talreja:** The small loss that you mentioned on the Gujarat plant side can we have that number also please.
- Saurabh Mittal:** We cannot have that number right now.
- Sneha Talreja:** No worries I will get back in the queue. Thanks a lot sir and all the very best.

- Moderator:** Thank you. The next question is from the line of Keshav Lahoti from HDFC Securities. Please go ahead.
- Keshav Lahoit:** Thank you for the opportunity. Sir I wanted to get a trend like what is happening on the particle board is the import picking up.
- Saurabh Mittal:** On the imports what I know is that not much imports are happening, although some street production is there so I do not have a major update on what is right now the math of how much imports have picked up, if any. But not that I know of I still believe it was a shortage of good quality boards in the market, boards are available but the right quality boards which are laminatable boards with the right physical properties and decorate properties I should believe there is a shortage of that material component.
- Keshav Lahoit:** For the Gujarat plant should we expect any stabilization loss to continue in Q3 also.
- Saurabh Mittal:** I think if any would be very small. So if any will be very small because effectively the effective production capacity will be in place in Q4 so if any would be small.
- Keshav Lahoit:** What was the capacity utilization for veneer, floor and door segment.
- Ashok Sharma:** Did you ask veneer and door.
- Keshav Lahoit:** Yes.
- Ashok Sharma:** For the veneer, it was around 37%, for the floor it was 11% and for the door it was 17% in this quarter.
- Keshav Lahoit:** One last question from my side what is your revenue growth in Q2 for export and domestic market separately.
- Ashok Sharma:** In this quarter.
- Keshav Lahoit:** Yes.
- Ashok Sharma:** It was 17.9% in the domestic market and on quarter on quarter basis 9.8% in exports.
- Keshav Lahoit:** Okay got it thank you.
- Moderator:** Thank you. The next question is from the line of Anand Venugopal from BMSPL. Please go ahead.

Anand Venugopal: Thanks for the opportunity. Just I have one question so how does the unorganized competition in the domestic market affect the demand for organized players like Greenlam etc. So because I would assume these are different products with different type of customer profile.

Saurabh Mittal: Unorganized market reflect the demand in the sense they will have cheaper products noncompliant products in terms of product quality, poor quality and so I think that will impact the demand mostly on the price. The price to channel partners, dealers, carpenters will be lower than organized players.

Anand Venugopal: All the best thanks.

Moderator: Thank you. The next question is from the line of Pranav from Equirus Securities. Please go ahead.

Pranav: Thank you for taking my question. Sir I wanted to understand on how you are seeing things on the export side, particularly with the major consumer facing kind of inflationary pressure and because of that the housing new construction and innovation demand getting impacted so any thoughts on how market could evolve going forward.

Saurabh Mittal: On the export front we sea freights reducing so the customers cost of our products is coming down because we were charging them for the additional freights. So freights have got corrected and that cost reduction is being passed on to the customers because we were charging them in the previous times and so non-emerging markets we think it is an opportunity for us to take market share from the international players. The emerging markets have their own problems where demand is there, but there are currency challenges. But overall give or take some markets there could be some challenges some markets would keep growing I think we should be pretty okay with the export business. Did I answer your question.

Pranav Mehta: Yes, it does, and any thoughts on how veneer segment is expected to do going forward because from understanding competition has increased in last two years and the EBITDA margins as of now remain serially impacted so how will this segment do going forward.

Saurabh Mittal: The veneer segment alone we had cost pressures in Q2 we have taken some price increases in veneer and the flooring segment and as we talk I think probably the trajectory of volume value will grow upon the next period or so, but competitive pressure still remain especially in the veneer segment that still remain.

Pranav Mehta: And on the debt front so how are things shaping up or what would be your peak debt I think it would be reached by FY25 and so what would be the peak debt and how are you planning to deleverage the balance sheet after that.

Saurabh Mittal: The peak debt we are expecting to reach by end of FY24 by when the most of these projects which we have announced as of now will be over and we expect peak net debt in the range of the account everything will depend upon the cash flow also but in the range of around Rs.750-800 Crores in that range only. We have already delayed it in terms of we have raised Rs.200 Crores of equity and we think that we will be able to manage with the existing cash flow.

Pranav Mehta: Okay sir thank you very much.

Moderator: Thank you. The next question is from the line of Ronald Siyoni from Sharekhan Limited. Please go ahead.

Ronald Siyoni: One question on the demand side like how have you seen the demand post quarter two especially when there was a festive season in October and post October how has been the demand has there been difference in demand uptake especially in domestic markets.

Saurabh Mittal: Domestic market October clearly was slow because of all these holidays and festive and both the festivals happening on the same month as it bring down demand. So to that extent these markets have shortfall good depending on the geography but prior to 7 to 8 days. I must talk right now in the coming time or are nearly back to normalcy.

Ronald Siyoni: And have you as a company outlined a strategy over the next three to five years timeline where that the company want to reach in terms of top line or margins profitability anything of that sort over a longer period.

Saurabh Mittal: Sure I think with the investments we are doing there is a plan of the investments and the categories of products we are expanding into and capacity expansion happening in the core business so there is a plan of in the direction we have just said in terms of utilization targets revenue numbers margins etc.

Ronald Siyoni: But you would not want to highlight the numbers or anything on that sort.

Saurabh Mittal: We have but when we get the strategy of last year but while we agree to expand into the particle board space and build up plywood plant we did get some indications on the what

the revenues should be so that is on the company's website and maybe you can connect with Ashok at later point we can refresh to open up.

Ronald Siyoni: That would be maintained more or less.

Saurabh Mittal: Yes. So Gujarat factory addition happens post that so to that extent PAT number will get added on but maybe Ashok will refresh you on those numbers separately.

Ronald Siyoni: And anything over organized players capacity additions taking place over the next two years especially and most people's have 15 to 18 months down the line or two years down the line capacities are going to come on stream in ply or particle board so how do you see organized market playing out in terms of capacity additions and supply in the market.

Saurabh Mittal: So clearly in the plywood laminates veneer space the capacity is more than the utilization in general the challenge is not the capacity but the challenges the product development sales marketing demand generation I think those are the typical challenges so while even today as we talk the overall theoretical installed capacity in the laminates business is very high but besides one or two companies I think most of them cannot utilized capacities at any respectable level so it is not only the capacity which needs to be utilized and now just dive in capacity you cannot just to be go and sell and we are opening right products and the right distribution and sales marketing set up I think that is not unusual in our category especially in plywood and laminates. As far as particle boards is concerned you have capacity right now also in the market you have lot of these wood based factories which are poor quality technology so the quality of boards to end up to saying in terms of their laminatable quality screw holding quality is all very inferior quality boards so as per our capacity expansion so the right quality board it is in particle boards is us and another company which is also undergoing capacity addition at this moment so this is what it is as far as the market is scenario is concerned the whole OEM segment that machine one of your fabricator segment is growing the furniture consumption will probably grow in the country a lot of wood workings happening in plants and of the site and inflation happening on the site so we think on the capacity even if one more plant comes in and two more plants coming we really think on a country and capacity perspective we do not believe it would be a mid to long-term challenge there could be some short-term challenges as excess capacity comes in particle.

Ronald Siyoni: Thank you very much sir and best of luck.

Moderator: Thank you. The next question is from the line of Abhishek Dave from Bright Securities. Please go ahead.

Abhishek Dave: Firstly congratulations on the good set of numbers and thank you for the opportunity. I would like to ask how is the doors and floors business performance this quarter also how do we expect the performance in upcoming quarters.

Saurabh Mittal: In terms of doors and floors if you see the numbers in this quarter has improved in comparison to previous quarter and it was impacted in last two years due to pandemic and now we hope to rebuild this business and which is very much visible on our quarterly performance and we hope that going forward this will further improve. On the numbers flooring business debt was Rs.11.7 Crores which was about 50% value growth versus Q2 of previous year and about 3% growth in Q1 and on the realization front growth of about 28% versus Q2 of last year and about 7.5%, 8% versus Q1 of FY2023. The door business split a bit in Q2 versus last year Q2 that is primarily because we had some exports in the past and exports of doors and floors has virtually stopped right now because of the high shipping rates so all the numbers we see is of the domestic market only. But versus Q-on-Q versus Q1 the door business also growing value by about but the base is very small by about 50% lastly the efforts are on to improve both the businesses.

Abhishek Dave: Thank you for the information it was helpful.

Moderator: Thank you. Next question is from the line of Milind Muchhala from Julius Baer. Please go ahead.

Milind Muchhala: Thanks for taking my question and good afternoon Saurabh ji and Ashok ji. I had a couple of questions first what we have seen is the realizations on a sequential basis has moved up well it is up by almost 5.5% for laminates but despite this the gross margins are lower by 40 bps so what raw material had this kind of hitting the profitability.

Ashok Sharma I: In terms of this our realization is going on this mix of both the price hike in comparison to what we have taken in the previous years but in quarter-on-quarter it will not have much impact because we have taken in the begin gin of the quarter one. So the raw material price hike as we have mentioned earlier in the call the chemical prices are softening but still there was a price hike in the cost of raw material in terms of paper both in decorative and the craft paper. Further since we have maintained stock level so the high price raw material was there at the beginning of the quarter two which going forward we feel that this will have an softening impact on the overall gross margins. Also to add to Ashok the production the sales from the Gujarat plant will have a lower gross margin because our focus is on the

commodity segment of the domestic liner market but as far as the level lower gross and the products to producing at the Behror and the Himachal plant.

Milind Muchhala: But I believe that then would have got reflected in the realizations as well to some extent assuming that the Gujarat plant will have lower realization.

Saurabh Mittal: Yes, so if you see realization if you were to dissect this as domestic and exports the domestic realization is up by only 0.4% on a sequential basis while normally with the growth we do it is probably a bit higher it is a bit lower. On the export front realizations look better but we lost out on the volumes of some emerging markets, that is why you see a higher realization because of the denominator of the quantity is lower. If the denominator was larger, realization there would have also been a bit lower. rupee also depreciated against the dollar which also shows in rupee term realization improvement while rupee appreciated versus the euro and the pound but net we end up having some realization gain if the rupee had appreciated against the dollar. So I think all these factors have kind of contributed to what you are saying.

Milind Muchhala: So for the laminate business per se then what is the sustainable EBITDA margin that we kind of can target and how soon do we think we can achieve that. So can we go back to that say a 13%, 14% kind of a trajectory.

Saurabh Mittal: We were right now at about 12.2% or something of that sort in H1. So I think gradually we should inch up with better outputs and some softening of RM costs with continued focus on value mix so it should happen over a period of time.

Milind Muchhala: And just last one on the veneer business so here again if I just look at the realization so Y-o-Y it was good but sequentially again it is fallen quite a bit it is down by like 11.54%. So what is leading to this huge volatility in the realization for veneer.

Saurabh Mittal: So, it is probably just a mix of because the base is not so large maybe it is a species mix. There has been some commodity sales in and the volumes of national veneer has gone up by 29%, 30% the realizations have come down. So, it probably will be that the mix of the species of the value mix has got altered between these two quarters while if you see versus last year it is about there is a slight improvement on the realizations and we have also taken some price hikes which will be effective in Q3. It is part of Q3. So, it is routine business of value mix versus nonvalue mix orders being serviced at that point.

Milind Muchhala: So, for this veneer and allied segment can we kind of target an EBITDA breakeven kind of a level sometime in next fiscal.

Saurabh Mittal: So that is the target. But like this quarter if you see the revenue went up but costs also went up of base ply of veneers and here all the RM is imported in our sales and domestic market. so the currency devaluation to the segment overall as a company we are nearly the same but in this segment that also impacted so gross margins could improve despite value mix improving and volume improving but yes we could target that. We are targeting on that.

Milind Muchhala: Thank you.

Moderator: Thank you. The next question is from the line of Nikhil Gada from Abakkus AMC. Please go ahead.

Nikhil Gada: Thanks for the opportunity. I just have one question you mentioned about the situation in Europe regarding the exports market and some disruption over there emerges as an opportunity for players like us to get some benefits out of it so can you explain the situation in further detail and how we can benefit from this.

Saurabh Mittal: There is not much detail to explain here but typically the local manufacturing costs have gone up there in Europe in terms of electricity and energy and which kind of increases their cost of production and because we are present there with our resources in terms of warehousing people distribution and not so much still in the specification market and they have challenges of servicing, certain manufacturing plants have challenges. So we believe with our inventory and distribution in place this would help us take some market share over a medium-term period.

Nikhil Gada: So there is nothing immediate perse as and we are not getting any major shift in inquiries or...

Saurabh Mittal: No, in laminate business nothing happens immediately it just takes time because the whole distribution cycle because companies would also have inventory on ground that also gets consumed, they would have their own specifications which would not turn tomorrow. But yes over a medium to long-term I believe this is a possibility for us to take more market share which we have been taking over the last several years. So I think it should only help us further in that direction.

Nikhil Gada: Got it sir that was really helpful. Thank you.

Moderator: Thank you. The next question is from the line of Hitesh Agarwal from India Insight Value Funds. Please go ahead.

Hitesh Agarwal: Thanks for the opportunity. In the particle board segment, I wanted to know in the next two years what is the revenue growth rate and the EBITDA margins we can see.

Saurabh Mittal: The particle board as of now we do not have this business or this prelam particle board is a very small component of the overall business so particle board project which we are as of now under implementation that will come the commercial production is expected to start by Q4 of next year which is FY24. So it will take some time in terms of that for that businesses to build in and what we have told in the previous presentation at a full utilization which can take around three to four years this can have an EBITDA in the range of around 25% as and when it reaches the full utilization.

Hitesh Agarwal: And just to have a color on the particle board industry as such like what will be the percentage share of the organized players and the unorganized players in particle board segment presently.

Saurabh Mittal: Currently there is a so-called two organized players and the revenues are not very large. So mostly at the moment it is dominated by unorganized players who have smaller plants in various parts of the country but clearly new capacity is coming in and we think organized companies will take more market share so I think on a value it will be like 15%, 20% organized numbers at the moment I guess approximately.

Hitesh Agarwal: And imports would be forming what part in this segment.

Saurabh Mittal: In the last year, year and a half we believe imports have come down but it will be probably whatever data available it will be in the range of around 15%, 20% as of now.

Hitesh Agarwal: Okay thank you sir that is from my side.

Moderator: Thank you. Next question is from the line of Abhishek Getam from Alpha Invesco. Please go ahead.

Abhishek Getam: So the question was on particle boards. So I just wanted to have a flavor on, so what sort of customer base would we be targeting. I mean you did mentioned like the OEM so would we be targeting the branded furniture players as sort of the customer base and if that so how does the working capital work out apart from our regular business I mean given it is B2B then would it be stretched and another second question was so you did mentioned most of the current particle board players, unorganized players are poor quality, low quality and we and one more player will be going for a high quality. So what will be the differential in realization just a ballpark.

- Saurabh Mittal:** I will take the question of customer base. The customer base will be OEMs people who are doing office furniture, kitchen furniture, wardrobes, paneling and sales will move through the channel for all those smaller OEMs and maybe directly from the company to the large OEMs. So this will be the sales pattern. As far as the working capital matter is concerned as we talk right now particle board MDF have a shorter working capital cycle than the existing business one because most of the RM not all but most of the RM is locally sourced and the debtor days in the market are as far as domestic market including what we do or even lower also because the number of SKUs in particle board is fewer than laminates so inventory carrying at the market gets reduced. So on the working capital cycle we budgeted for a lower working capital cycle than our existing business Ashok can give the exact number.
- Ashok Sharma:** We have taken around Q2 to around 45 days in terms of the working capital as per our agreement and your another question in terms of realization difference between the organized and unorganized. So it will all depend upon the pre performance percentage of particle board we will be able to sell in the prelam condition and what we believe that with the better quality which is available we will be able to sell more of a prelam particle board whereas significant difference is there in comparison to plain particle board.
- Abhishek Getam:** But sort of plain particle board and premium particle board so what will be the difference sort of realization.
- Ashok Sharma:** So the plain and prelam the difference normally is in the range of around Rs.10000 a cubic meter around 9000 to 10000 a cubic meter.
- Abhishek Getam:** And sorry I missed so for particle board we will be having roughly 45 days working capital is that right.
- Ashok Sharma:** Yes.
- Abhishek Getam:** And in terms of like working capital to sales you mentioned laminates is 15% so basically particle board be lower than that.
- Ashok Sharma:** In that range.
- Abhishek Getam:** Okay understood thank you that is it.
- Moderator:** Thank you. Next question is from the line of Manish Mahawar from Antique Stock Broking. Please go ahead.

Manish Mahawar: Just in terms of export market perspective are we seeing any slowdown in terms of demand because I think earlier in the opening comments you have mentioned like there is some currency headwinds in terms of emerging market industries facing are you facing any demand slowdown.

Saurabh Mittal: So we said that several emerging markets have had a challenge in the Q2 period of currency availability, dollar availability from the Central Bank and opening up of LCs and paying the advances etc. So those challenges have been there one or two markets have got reasonably streamlined in this quarter and we believe this could streamline over the over the next maybe three to six months. As far as the demand is concerned the emerging markets which have a challenge rather there is demand for our brand and our products there but due to the currency challenges and there has been a working capital which will keep we are not able to shift them. But overall some markets will be minus, some will be more so we will be fairly okay. But on an overall we are looking fine.

Manish Mahawar: Okay the things are stable basically.

Saurabh Mittal: Yes, it could be better always.

Manish Mahawar: And Ashok ji can it be possible to repeat the number of I think so you have mentioned a number of domestic and export revenue growth for 2Q I think you mentioned 17.9% and exports is 8.9% I think for the quarter right.

Ashok Sharma: Yes.

Manish Mahawar: So that is right number and that is on a last Q2 to Q2 you said right Y-o-Y.

Ashok Sharma: Yes.

Manish Mahawar: And can it be possible to share the number in terms of volume growth in the domestic and export.

Ashok Sharma: I will share that offline.

Manish Mahawar: Sure sir no issue. I will take it offline. Thank you sir. Thanks and all the best.

Moderator: Thank you. We will take the last question from the line of Hemant as an individual investor. Please go ahead.

Hemant: Congratulations on a very good set of number and thank you for providing me the opportunity. Sir you have mentioned I guess that when particle board capacity be fully utilized it can generate 25% of EBITDA margins and it will take around two to three years for it to get fully utilized.

Ashok Sharma: Three to four years.

Hemant: And what kind of revenue potential are we targeting in FY24 because we have our plywood plant coming which will be operational I think by Q4 of this year and the Laminate enhanced capacity in the Bloom Dekor which we have acquired. It will also be contributing so what kind of revenue potential we are targeting in FY24 and if you can throw some light on maybe the margins on the plywood category as well.

Ashok Sharma: In terms of revenue potential or revenue target for that the entire capacity will be available it depends upon how much we can able to sell in the next year in the first year. So we believe from this year there will be a potential of around 20%, 25% around 20% in the next year in terms of that and in terms of margin that will all depend upon what kind of volume we are able to reach in this and what kind of utilization level we are able to reach in the next year.

Hemant: I was talking about the revenue potential not from the plywood business but on a whole I mean the consol level as a company.

Ashok Sharma: That is what, so apart from the existing businesses which is there in this year next year we will have plywood business and the laminate new unit and for the Prantij which we are right now we are doing the upgradation all these put together have a revenue potential of close to around Rs.1100- Rs.1200 Crores full potential is there that will all depend upon how much we can able to through the volume out of this in next year.

Hemant: So you mean to say Rs.1100, Rs.1200 Crores kind of incremental revenue right.

Saurabh Mittal : Yes, but that is on full potential on full capacity of the newer products and we will not get to full capacity next year probably happen over a period of two to three years.

Saurabh Mittal: And apart from this the particle board that will come in the Q4 of next year. So that capacity will be available for sale in the FY25 only.

Hemant: Thanks a lot sir.

- Moderator:** Thank you. Sir we have one more question from the line of Hina from DAM Capital. Please go ahead.
- Hina:** Thank you for the opportunity. Sir I just wanted to know in laminates on an annual basis we have seen an expansion in the margins so anything specific here that had led to this expansion.
- Ashok Sharma:** The expansion of margin in the current scenarios is as we are going through the project phase, so we believe that expansion in the margin will come first it will come in the existing business on a gradual basis and it will be visible once we are able to complete this project and reach up to a certain level of utilization.
- Hina:** No, what I was trying to ask is in Q2 compared to Q2 last year we have seen an expansion in the margin for laminates. So anything specific here which had led to the expansion.
- Saurabh Mittal:** Cost has come down versus last year and we have taken price hike so nothing specific.
- Hina:** Alright thank you.
- Moderator:** Thank you. Ladies and gentlemen, that would be the last question for today. I now hand the conference back to the management for their closing comments. Thank you and over to you.
- Ashok Sharma:** Thank you everyone for joining the call today. If you have any other queries you may get in touch with us or SGA our Investor Relations Advisor. Thank you.
- Saurabh Mittal:** Thank you everyone.
- Moderator:** Thank you very much. Ladies and gentlemen, on behalf of Greenlam Industries Limited that concludes today's call. Thank you all for joining us and you may now disconnect your lines.