



“Greenlam Industries Limited  
Q4 FY20 Earnings Conference Call”

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

**Moderator:** Ladies and gentlemen, good day, and welcome to Greenlam Industries Limited Q4 FY20 Earnings Conference Call. This conference call may contain forward looking statements about the company, which are based on the belief, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Saurabh Mittal, MD & CEO Greenlam Industries Limited. Thank you and over to you Sir!

**Saurabh Mittal:** Good afternoon ladies and gentlemen and a very warm welcome to all of you. I hope you are all keeping safe and healthy. On this call I am joined by Ashok, our CFO, Samarth from the finance team and SGA our investor relations advisor. The result and presentation are available on the stock exchanges and our Company website and I hope everyone has had a chance to look at it.

Without taking too much time I will get on to the impact of COVID, what we have done while the lockdown was going on, post lockdown what we have done, what are the things on the ground. The COVID-19 started impacting our business towards middle of March. In the month of March we lost about 12 to 15 days of domestic sales and we lost about a few days of export sales and while the lockdown was on, we were really busy with our customers, with our strategies, looking at our cost structures, getting our plants ready to open up once the lockdown got over. So this period was utilized to relook at strategies, relook at the structure, relook at the cost, customers, products, way forward, etc. We started our both the plants towards the end of April and subsequently most of the branch offices in India and our warehouses also commenced operations within a week or two weeks to be precise. However, one or two markets where the lockdown was not lifted could not operate. International markets were mostly open through the lockdown, some markets were shut down however, at any moment of time it was not that all the markets were shut, so while the lockdown was on in India and even post lockdown several international markets were working and several of our team members internationally were still able to connect with customers and continue running the business.

While we reopened post lockdown, we did not have any significant inward supply chain disruptions, we didn't have that much issues of workers not being available, we were able to commence our operations in a satisfactory manner since at both the factories we had

provided accommodation for workers, staff, so most of them were arranged in-house and large part of raw materials are imported and we are still maintaining inventories for most of them, so all that was also largely under control. Once we opened up, the dispatches to the domestic market and international market happened in a reasonably smooth manner. However, there were some delays, some teething problems here and there, but by and large no significant issues were faced in terms of inward logistics, outward logistics and manpower availability. Post lockdown we reviewed all our debtors and there is no significant risk from any debtors going bad. However, there are some delays. But by and large through the lockdown and even post lockdown because of the way we ran the business pre COVID we were quite tight to the debtors, we were quite focused on quality of the business. We did not actually face too many challenges from debtor's delinquency, or manpower or supply chain disruptions, etc. April month was , very small sales of exports, May was slightly better and June is looking even better, so the export businesses have resumed to 70%, 80% of normalcy. Domestic business depending on the market, depending on the condition of various states, some markets are doing reasonably well, some are still struggling, but on an overall basis the domestic market is like anything between 40% to 50% of the Pre-COVID times, so this is on the domestic space and while the COVID has brought about too many challenges and many difficulties in terms of market and the possibility of growing the business, etc., we think there is a huge opportunity for a company like us, where we end up competing with many smaller mid size and weaker competition both in the domestic market and the international market and it is a good time for us to really go out and get market share and that is what we are exactly doing.

In the international market, we are trying to win more market share versus the recent competitors in those international markets. Even within the country we have also got into the commodity products, which is more like a bottom end of the market and in India too we see huge supply chain disruptions by smaller and mid size companies and we think it is important to get market shares in both domestic and export markets. Also in other wood based categories, there is potential of replacing imports especially in the door and the flooring category and that is something that we are pursuing quite aggressively, so by and large the business was under control, there has been some cash flow mismatch in April and May because we had imports coming in and we had very little income, which obviously will be streamlined over the next few months. Besides that, things have been largely under control within the circumstances possible, we have all been on top of the business and we have really been driving the business, we have also looked at reducing cost, the balance sheet is fairly under control, we did not compromise on the balance sheet in the past also but by and large it is under control. Also, lines of credit with the banks have already been in place, so no significant disruption on vendor payments or employee payments , so this is how we managed the post COVID situation until now and I will hand over the call to

Ashok, Ashok can take you through the numbers post which we will be happy to answer your queries to the best possible way. Ashok over to you!

**Ashok Sharma:**

Good afternoon friends. **Let me take you through the financial performance for the quarter.**

For Q4 FY20 on a consolidated basis our net revenue for the quarter degrew by 10% to Rs. 324 Crs, drop in the revenue for the quarter was on the back of temporary suspension of production and operations at our manufacturing facility towards the end of March due to COVID-19 pandemic.

Gross margin improved by 650 basis points to 50.2% in Q4 FY20 as against 43.7% in Q4 FY19 on account of better product mix and lower RM cost. Gross margin in absolute term increased by 3.3% from Rs.162.6 Crs as compared to Rs.157.3 Crs Q4 FY19.

EBITDA margin grew by 170 basis points to 14.0% in Q4 FY20 from 12.3% in Q4 FY19. EBITDA grew by 1.8% to Rs.45.2 Crs in this quarter as compared to Rs.44.4 Crs in Q4 FY19.

PAT for the quarter degrew by 8.6% and stood at Rs. 21.7 Crs.

**Moving on to the full year financials on a consolidated basis**

Net revenue grew by 3.1% to Rs.1,320.6 Crs as compared to Rs.1,280.7 Crs in FY19.

Gross margin improved by 290 basis points to 49.2% from 46.3% in previous year. Gross margin in absolute terms increased by 9.7% to Rs.650.2 Crs in FY20 as compared to Rs.592.9 Crs in FY19.

EBITDA margin grew by 110 basis points to 13.5% in FY20 from 12.4% in FY19. EBITDA grew by 12.4% to Rs.178.2 Crs this year as compared to Rs.158.5 Crs in FY19.

PAT in this year grew by 12.4% and stood at Rs.86.7 Crs as against Rs.77.1 Crs in the previous year.

As on March 31, 2020, total debt stood at Rs.294.2 Crs, which includes a short-term debt of Rs. 176.7 Crs; however, the net debt after reducing the cash balance stood at Rs.263.4 Crs.

Our net debt to equity ratio stood at 0.53 times and net debt to EBITDA ratio was at 1.48 times as on March 31, 2020.

On annualized basis, Return on Capital Employed (ROCE) stood at 15.9% whereas Return on Equity (ROE) stood at 17.3%. However, if we adjust the capital employed for the new project in Greenlam South, the ROCE for this year will stand at 16.8%.

Our working capital cycle increased by 3 days and stood at 93 days as compared to 90 days in FY19.

**Moving on to segmental performance,**

**Laminate and allied products** contributed 88% in Q4 sales and 85% on FY20 sales. In Q4 laminate segment recorded a sales of Rs.283.6 Crs a de-growth of 6.2% in comparison to previous year same quarter. Laminate export sales grew by 11.8% on y-o-y basis for this quarter. EBITDA margin expanded by 160 basis points to 15.8%. Production volumes were at 3.22 million sheets and at a utilization level of 83%. Sales volume for the quarter stood at 3.45 million sheets and our average realization for the quarter was Rs.774 per sheet as against Rs.770 per sheet and this last year same quarter.

Moving on to annual performance for this year laminate sales grew by 3.5% to Rs.1,122.2 Crs with sales volume of 13.23 million sheets, a degrowth of 2.2% over same period last year. Laminate export sales grew by 11% in this year. EBITDA margin expanded by 210 basis points to 15.7%. Production increased marginally by 0.4% to 13.74 million sheets with a capacity utilization of 92%. Average realization for the year was at Rs.797 per sheet as against Rs.764 per sheet in FY19 a growth of 4.4%.

Moving on to **decorative veneers and allied product segment**, which forms around 12% of our Q4 sales and 15% of FY20 sales. This segment includes decorative veneers, engineered floors, and engineered doors. Total segment as a whole stood at Rs.40.4 Crs in Q4 FY20 degrowth of 30.1% on year-on-year basis. For FY20 the segment revenue stood at Rs.198.3 Crs registering a small growth of 1.1%. In the decorative veneer segment for Q4 FY20. revenue degrew by 34.3% to Rs.23.8 Crs. For the year, veneer segment revenue degrew by 13.7% to Rs.112.7 Crs. Capacity utilization for the quarter was 32% and for the year stood at 38%. Sales volume for the quarter was 0.33 million square meter and 1.54 square meter for the year as a whole. Average realization stood at Rs.715 per square meter for this quarter and Rs.722 per square meter for the full year.

In terms of **engineered wooden flooring** Q4 revenue degrew by 29.2% and stood at Rs.9.2 Crs. For the year as a whole engineer wood flooring revenue grew by 18.9% and stood at Rs.51.2 Crs. EBITDA loss for the quarter was 1.1 Crs and for the full year, EBITDA loss was Rs.7.2 Crs, which is narrowed down in comparison to previous year same quarter and

for the year as a whole. Capacity utilization stood at 16% in this quarter and 21% for the full year.

Moving on to **engineered doors** for the quarter, revenue degrew by 13.4% and stood at Rs.7.3 Crs. For the entire year the revenue grew by 53.3% and stood at Rs.34.5 Crs. EBITDA loss for the quarter and the year narrowed to Rs.0.9 Crs for the quarter and Rs.3.1 Crs for the year as a whole. Capacity utilization for the quarter stood at 28% and 29% for the full year.

This is all from our side. I would now like to open the floor for question and answers.

**Moderator:** Thank you very much. We will now begin the question and answer session. We have the first question from the line of Shrenik from JM Financial. Please go ahead.

**Shrenik:** Thanks for the opportunity. Sir my question is why the door and floor realizations have dropped so sharply in this quarter?

**Ashok Sharma:** There is no specific reason in terms of this. This is due to the product mix and the mix of export and domestic.

**Shrenik:** Sir in standalone numbers why is the other incomes were quite high as compared to normal levels?

**Ashok Sharma:** This is in terms of dividend, which we have received from our subsidiary and when you are doing the consolidated that time the dividend gets netted off.

**Shrenik:** Sir with regards to commodity type product that you are introducing so are you all coming up with a new branding or it will be under the Greenlam brand name?

**Ashok Sharma:** In terms of your question we were already there in this segment, but we are not pushing too much this segment so we will restart the segment, this is the sub brand under Greenlam and other brand also.

**Shrenik:** Sir with the AP expansion plan are we continuing with same timelines or we are deferring it?

**Ashok Sharma:** We have made the payment for the land in Q4 and we were awaiting for government approval, which due to this COVID has already got delayed and we believe it will get further delayed so we believe that the overall timelines will get stretched and I think it is presumed that in the current scenario it looks like that 6 to 9 months it may get delayed.

- Shrenik:** So assuming FY2023 mid is it a fair assumption?
- Ashok Sharma:** As of now everything will depend upon how situation pans out.
- Shrenik:** Sure Sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Nehal Shah from ICICI Securities. Please go ahead.
- Nehal Shah:** What we have seen is laminates have reasonably done well considering the environment what is the fate of our decorative veneers or the veneer allied segment where we have seen disruptions, which have started right from the end of March and what is the future at least near term future for the next one year for decorative veneer as well as the allied categories?
- Saurabh Mittal:** On the decorative veneer and allied categories, I think the business looks to be okay we do not expect any significant disruption because we have also built export model and those were imported into the country for many projects although this will reduce because projects have reduced also. By and large we do not expect any significant disruption versus what we are already doing right now and we are doing a very small amount of business there. By and large we do not expect any further significant disruption in the flooring too. There is disruption in the veneer panel business I think that this segment, - is going to be under pressure because it is completely 100% domestic market model, there is no hedging of exports there, so I think that it will be under pressure at least temporarily, but in that segment too as you probably are aware most of our competitors are the unorganized brands or regional brands and like laminates we are seeing disruption of these companies either they have not started manufacturing or they do not have capital to bring the raw materials or their sales network is completely distorted. Lot of veneer business in the country was being done where a Mumbai trader would keep inventory and ship to across the country. So I think all those local business models are coming under tremendous pressure so even if the market contracts, and market could contract tentatively, if you take a one year horizon in veneer I think the idea here too would be take market share from the unorganized players, but yes that is going to be limited to the domestic market only.
- Nehal Shah:** But Sir even if you are able to get market share gains but that could be slightly at the cost of lower realizations?
- Saurabh Mittal:** Yes you could say that, but if you see the unorganized market there is another market, which is absolutely lower end of the market, which is the engineered veneer and teak veneer, otherwise the premium category market, which is more of the veneer showroom,

gallery showroom selling out very, very expensive veneers so I think it is a mix of both, but yes you could assume that if you do take the market share there would be pressure on the realization and the value mix of that particular business.

**Nehal Shah:** Probably in such times probably reckon and teak veneers may do a bit better or you will see lower disruption in reckon and teak verses natural?

**Saurabh Mittal:** Very difficult to say that right now, but at least teak I think will be less disrupted because it is more of a commodity, the price is somewhat efficient versus the natural.

**Nehal Shah:** Last question is on the sales volume or the sales is beyond our control one thing, what is within our control is the cost, so what are we doing as far as cost rationalization is concerned in this year of disruption?

**Saurabh Mittal:** We reviewed our entire cost structure, I will start with raw materials is something where we are seeing at least on chemical side some sort of lower cost, the paper, veneer, wood, the slightly lower cost is being offset by the currency depreciation. All the other fixed cost across the business such as marketing, manpower, logistics, everything is being reviewed and we are trying to control the fixed overhead in the fixed cost as much as possible.

**Nehal Shah:** Any numbers Sir we can get as far as the cost on the fixed side is concerned as to how much are we likely to curtail?

**Saurabh Mittal:** Maybe we can give that number to you offline Ashok can work with you on the fixed cost. So we are not looking at really reducing infrastructure of the company because I still believe it is a good time to really go out and get more market share in laminate business. In the domestic market there are 2 categories, the one is the lower end of the market, which is the commodity liner market and the other is a non-folder gallery showroom laminates, which were actually being sold at equal or higher price compared to a 1 mm size so we think there is opportunity in both ends of the market, we will have to see how this goes in. Even on the exports side we think it is a good time to really go out and get more market share.

**Nehal Shah:** But Sir is it fair to assume more market share in the 0.7, 0.8 mm thickness market or do you think that is even possible in the 1 mm thickness category?

**Saurabh Mittal:** I think 0.7 will be more fairer situation to assume because 1 mm I think overall volumes might come down even if you gain market share it will not be visible in our results so I think 0.7 mm would be a better way to look at that.

- Nehal Shah:** Sure. Thanks a lot.
- Moderator:** Thank you. We have the next question from the line of Sneha Talreja from Edelweiss. Please go ahead.
- Sneha Talreja:** Sir it is more pertaining to the laminates volume we have seen a healthy growth in the export markets since last three quarters could you specify where is this growth coming from these are existing set of countries, customers are we adding somewhere we are receiving some response if at all you could give some color on that?
- Saurabh Mittal:** I cannot give you a country wise breakup currently, but we added a new production line as you know in the Nalagarh factory which we started in September for the larger size 130 x 305 cm dimension so lot of quantity growth is coming from the European market overall because of addition of that capacity and otherwise even several other markets have done reasonably well.
- Sneha Talreja:** Sure. During this lockdown how about inquiries have they been increasing because of some shift happening from other countries to India or something?
- Saurabh Mittal:** On the international front while the lockdown in India was from mid-march till April 20, 2020 or the first week of May period, several international markets were still operating, yes most markets were closed at some point, but businesses were not completely shut in most of the markets, so the international team was still able to get some business and run some business there, so nothing very specific that inquiries increased, but yes business was still happening we were still getting orders, the payments were still being made, our teams are still going out and meeting customers or visiting them, so it was not as bad as India was.
- Sneha Talreja:** Sure Sir. Second question is relating to the domestic market so we have seen around 26% of a drop and you said there was 10 to 15 days of impact, which was there in the domestic market so I would like to understand generally our peak sales happens during the last 15 days or something, how was the response in January, February if at all you could give some picture on that?
- Saurabh Mittal:** Typically the March ending it is the large month because people complete their schemes the annual lifting was there, so across various markets in India I think two weeks literally very, very small sales, you can assume approximately Rs.40 to 50 Crs of domestic sales in that period and Jan and Feb exact numbers I do not have maybe Ashok can speak to you offline on that, but yes we did lose sales, certain orders of flooring and doors were postponed as the projects were postponed, so all the goods very ready and they did not take any

consignments and even we are not compromising on payments so that is also a reason why inventory looks high in balance sheet in Q4 and debtors are low and sales were lost in that period.

**Sneha Talreja:** One last question if I may just squeeze in Sir how is the response currently that you are seeing in domestic market, a lot of market you said that have opened up but how is the response that you are getting with a category like laminates and what is your percentage of sales related to B2B and what is it related to the retailers and the distributors, rough estimate on that?

**Saurabh Mittal:** Currently like I said most markets have opened up, now again Chennai is under lockdown and Kerala some districts are under lockdown so these kind of smaller lockdowns are there, certain markets are still restricted they are not working six days a week, they are working in alternate days, in some markets timing is restricted so you know various parts of the country, cities have set up their own norms based on the local environment there so by and large domestic market like I said earlier is operating like 40% to 50% kind of a run rate vis-à-vis the pre-COVID period.

**Sneha Talreja:** Got that Sir and any sense on the B2B or B2C side?

**Saurabh Mittal:** Tough to give you a breakup on that, but the OEM segment of the market, which is kitchen producers, office fabricators, we think that segment has more traction than the typical trade market and this is the trend something which has been happening and we are all set about it, as people will move to offsite carpentry, OEMs will gain some more market share and carpenters will become installers so I think that is clearly playing out now because customers do not want carpenters come and do jobs on their sites, they probably get it done at the workshops, or the factories and come and install it at the site. The so called B2B OEM segment is probably moving at a better pace than the trade market.

**Sneha Talreja:** That can be also related to import restrictions, have you seen an impact of OEMs demanding for a more number of enquiries from readymade furniture manufactures given that there could be some amount of import replacement opportunity or in fact even exports happening to countries like US?

**Saurabh Mittal:** We have been hearing that, but it really has not translated to so much of business or enquiries, as we talk right now one has to see that as it moves along.

**Sneha Talreja:** Got it Sir. Thanks a lot Sir and all the best.

**Moderator:** Thank you. We have the next question from the line of Jason Soans from Monarch Network Capital. Please go ahead.

**Jason Soans:** Thanks for taking my question. I just wanted to know the outlook in terms of demand. Well I understand right now COVID is going on and demand estimation is little bit tough, but just from a post COVID outlook say two to three months down the line how do you see demand panning in your laminate segment and your decorative veneer segment?

**Saurabh Mittal:** The answer is we do not know. Our demand will pan according to what is going to happen. We know what we are trying to do and what we can do within our limited wings like I said earlier also we think we can gain some market share at this point both in the domestic and international market across both the categories, so we are really going out and doing that. We have started distribution network with warehousing in India and we have teams abroad with stocks on ground everywhere, the laminate products we do are all antibacterial and we are doing that for over 10 years it is very, very relevant in the current environment, so I think we have the right products, we have the distribution placed, the things are in place, all based out of various parts of the country and globally, so really we are still able to reach out to our customers physically and obviously through online means and so I think we know what we are trying to do and what we can do. How the demand pans out is very difficult to know, some days it looks good some days it looks pathetic, so I think we do not know what is going to happen as the situation is evolving right now.

**Jason Soans:** Okay Sir. Thanks. That is all from my side.

**Moderator:** Thank you. The next question is from the line of Prashant Kutty from Sundaram Mutual Fund. Please go ahead.

**Prashant Kutty:** You just spoke about the OEM segment probably seeing more traction than the trade market for us let us say across segments how would our share of OEM be versus let us say the trade if you could just give us some sense on it?

**Saurabh Mittal:** We cannot give you a number on that, the OEM segment is not necessarily related to the OEMs, OEMs also being served through the channel through the trade and keep inventory and service the OEMs, but you could assume that the larger metro markets at Delhi NCR, Mumbai Thane, Pune, Bengaluru, Hyderabad, Chennai so here you have larger concentration of OEMs and these markets have good amount of OEM sales as compared to the trade, but it is difficult to give you at percent exactly what is going to OEM and what is going to happen if a carpenter is out of the trade market.

**Prashant Kuttu:** When you say that if that segment would pickup given that the larger towns or the larger cities are the ones, which are more impacted when you say that demand comes back you are trying to say that it would probably be coming back only in the OEM segment as far as the trade is concerned probably retail is concerned that will be pretty much impacted is that a fair assumption to make?

**Saurabh Mittal:** Yes what I was trying to convey is that in the larger markets when demand does come back I think the OEMs will be a large beneficiary because of the awareness of the crisis and people coming at homes and doing carpentry I think customers will prefer to get the kitchen outsourced and get fabricated, and probably carpenter can just come home and install it, but that does not mean the trader is not valid, the trader goes and sells to the OEM because they provide a complete package from the trader where the goods move to OEMs or carpenters from the shops to contractors, I think the OEMs will start playing a larger role in the industry and the business.

**Prashant Kuttu:** Is it also fair that because there is a lot of migrant labors have gone back or migrant workers have gone back, demand could probably be let us say delayed than what we are expecting it to be because the carpenters delay to come back, is there any such thoughts also?

**Saurabh Mittal:** In some markets it is very patchy it is not as if that is one thing, which is prevailing through the country, so I have been personally connecting with most of our dealers across the country and various places have various feedback so I am not able to say that this is the only direction I think every local area has its own challenge, but yes in some market you have heard people saying people are not fit for working, there is not enough people to work in the warehouses, there is not even enough carpenters so yes that is also something which differs, but if that is the only thing I am not sure.

**Prashant Kuttu:** Also when you probably look at let us say domestic and export market it is very interesting to hear that export markets have actually come back to almost about 80% I believe that has obviously been improving on a month-on-month basis let us say for example June would have been better than May so as to speak, would it be a fair assumption to make that you could actually, if this continues you could actually end the year with export being a growth number and would that be a fair assumption then again in the export market are there any specific markets, which are driving this?

**Saurabh Mittal:** Whether exports will grow in FY21 versus FY20 I am not sure on that.

**Prashant Kuttu:** Assuming this trajectory remains forward I am just saying assuming trajectory.

**Saurabh Mittal:** Everything is assumption if the trajectory does remain it could be possible, but it depends if there is a second wave of infections and some more market shutdown so we do not know these things, but yes international markets I think are better positioned than the domestic markets so if you see in Q4 the share of exports, international business over the domestic business because domestic did not grow. I think for the first time we crossed a 51% international share versus domestic market, so we have to see actually it is tough to give complete clarity, but yes, we had a good setup in the international market, we are well placed across various markets, the spread is pretty good, the production is in place, distribution in place, the program is in place, it is not something new, which we are going and doing it we have been pursuing our international markets starting for the last 15 years so it does not look bad it was better than what we see in the domestic market I can say that.

**Prashant Kuttly:** Any specific markets, which is driving this demand when you are talking especially?

**Saurabh Mittal:** No specific market. I think we are present across 100 countries so I think besides a few markets here and there some markets have been shut for two months, some shut for 45 days, few countries have not even imposed lockdown, it is still working with just night curfew, so I do not think I can say any particular market driving the demand.

**Prashant Kuttly:** On the new segment side comment of yours let us say OEM probably doing better, would the newer segment be in a better position, which is especially talking about engineered doors specifically are we probably getting a little more aggressive over here because that is what you have been trying to do in the last couple of years trying to probably break in to let's say the project business or probably trying to break in to the OEMs side of the business, does that not become advantageous for us in this situation for this segment?

**Saurabh Mittal:** Yes because flooring will end up replacing lot of imports and imports will become expensive due to the china story but then demands are also going to be a little low and I am not sure who will end up winning more business, but our efforts are on like it was there in the past, so not much is changing from that perspective, we are not reducing resources in phase of marketing across various segments I think just continuing the way it is so not much change or shift as far as this front is concerned, again there the products are in place, we have been able to establish a brand at least, number still to get better, but nothing is changing dramatically as far as we look at the way forward in these new segments.

**Prashant Kuttly:** I was saying that obviously for the last three or four years we have been actually having a target in terms of getting a break even and probably a little behind in terms of our utilization level I was just wondering to understand that whether post that period does it really give us an opportunity to probably explore it more aggressively?

- Saurabh Mittal:** We will be aggressive now also in terms of trying to build the business and if you see even last quarter we had come very close to bring the business to a bit aggressive, but again something did slip yes, I think the efforts are on, let us see how much it is yielding the results and what happen to the market
- Prashant Kutty:** Last one from me in terms of the margin scenario if you look at the gross margin performance like it has been moving up for the last few quarters it has been moving up I believe even after that all the crude related derivatives or many chemical we would have come up further, could we probably be able to quantify us in terms of what could be the gross margin benefits to come forward as well?
- Saurabh Mittal:** I think whatever cost reductions have happened in chemicals when the price were very low, the factories were not running and we normally have a three months booking for our imports, but I will have Ashok to respond to that. AshokJi please go ahead.
- Ashok Sharma:** As rightly said by Sir, we normally cover chemical related requirements for two to three months, so practically in the first quarter we will not get any benefit because most of this was covered and so we really get some benefit in Q2 and onwards and you rightly said the two of our raw materials, which was chemical related derivative, the prices have come down even though not in the same proportion to what the crude has come down and that never happens. We will get some benefit, but it will be difficult to quantify that in terms of as of now as it more depends upon how much we consume, what will be our production level in terms of that, but it will be definitely better than Q1.
- Prashant Kutty:** Value mix will also kind of change.
- Ashok Sharma:** Because as what said in the beginning of the call by boss, we are moving into an economy range also, just to fill up some of the volume to make up with the loss of volume, which might happen due to this pandemic so that may also have a bearing on the overall raw material, overall gross margin percentage mix of both so difficult to give a number as of now, but it should be better than the Q1.
- Moderator:** Thank you. We have the next question from the line of Hrishikesh Bhagat from Kotak Mutual Fund. Please go ahead.
- Hrishikesh Bhagat:** My question is related to your comment you made regarding the shift of market share that you believe might happen over the next few months, just if you can highlight whether the shift, which will happen is because of some temporary factors like say supply chain disruption, which might get normalized in the sense of availability of labor or something in

three to six months or do you think that your closest competitors you are talking about from there market share shift will happen from those who have broken balance sheet so to that extent they will take definitely much longer time to come back into market place and secondly whether the shift you are talking about is largely from small players only or do you think that even within the branded players, that you generally compete with, there also some market share shift will happen?

**Saurabh Mittal:** I am not sure whether all of them will happen or one of them will happen or none of them will happen in long term. What you see currently is what you can say that maybe one or more player we are seeing are having supply chain disruptions across the other larger players and mid size and the smaller size companies. Now whether this is going to continue over long term or is it going to be on for next two months, next three months, and six months is something one has to see, I am not sure on that. So at least temporarily we see that how this will pan out over the longer term we will end up gaining more market share on a permanent basis from the unorganized smaller companies, Unorganized smaller companies are under stress since most of them are largely about 90% domestic business and they have challenges on manpower, capital distribution, logistics, so whether this will continue for a longer term, I am not sure of that we will have to see how this goes.

**Hrishikesh Bhagat:** On branded side in the sense larger players also they are present both in export as well as domestics so they also have similar challenges in the sense beyond supply chain disruption is there any working capital stress or anything in the branded side have you heard anything in any players?

**Saurabh Mittal:** I do not know which all you mean branded, but I would not know much about that because working capital stress and all you keep getting stories but I cannot comment on that.

**Hrishikesh Bhagat:** In export for this market share to be taken from smaller players there also is largely supply chain related disruption only market share or is there some other reason also in export market?

**Saurabh Mittal:** In terms of disruption in supply chain, I think local players who just have set up in India will not be able to travel to customers, will not be able to meet customers, make contact with them you know they will all be limited to online contact, may not able to travel across to meet customers while our teams are locally based so the touch base is stronger, relationship management is stronger, we have inventory, these are the strategic advantage we think we will get and in laminates business once the supply chain gets disrupted it is tough to put it back to normalcy because there are lot of colours, lot of SKUs. So supply

chain disruptions can be difficult to manage in a larger SKU decorative business, but what is going to happen we will have to just wait.

**Moderator:** Thank you. The next question is from the line of Abhishek Ghosh from DSP Mutual Fund. Please go ahead.

**Abhishek Ghosh:** Sir just one thing I was looking for your realization in the laminate and from Q1 level onwards it has been constantly trending downwards is it mostly due to domestic versus export value mix or how should one look at it or this is most to do with the product mix or how should one look at?

**Ashok Sharma:** If you see in this quarter Abhishek it is more or less same in comparison to what it was there previous year same quarter of course from Q3 it is down this can be said that because of the sales were down so a bit of product mix would have been down because from Rs.799 per sheet it has come down to Rs.774 per sheet around 3% down. Domestic was down by around 5% even though export was nearly the same 0.8% so it is in comparison to Q3 majorly into the domestic part only.

**Abhishek Ghosh:** Domestic and export value mix that is primarily the reason for the realization?

**Saurabh Mittal:** No domestic itself was down and another thing is that because the percentage of domestic sales was lesser in comparison to Q3 so both have a role to play in this.

**Abhishek Ghosh:** That is helpful and just a second question from my side if I look through your cash flow statement there is almost Rs.58 to 60 Crs of working capital that was consumed in the current year and there was another Rs.70 Crs of working capital that was consumed in the last year so this year I could understand that maybe it is largely led by inventory so is it primarily on account of the 15 days lockdown in the last this thing and has that inventory got liquidated now or is there a permanent shift in the inventory pattern that you are seeing as far as the business is concerned because Rs.100 Crs of cash flow getting employed on total capital base of 750 odd Crs is almost about 15% odd, so just wanted some clarity around it?

**Ashok Sharma:** Abhishek in this if you see that the increase in trade and inventory both put together is Rs.75 Crs in this year and previously it was Rs.81 Crs not Rs.100 Crs. In this year, yes the increase in inventory is because past 15 days the sales was slow so we could not convert the inventory into the debtors and lot of our payments in debtors happens over on cash basis also, lot of distributors or customers take cash discount, so collection comes into that, so some amount of this you can see that on account of that only. Then another thing is lot of

our raw materials are imported so with the depreciation in foreign currency the value for the same material goes up so in absolute terms it looks like that the inventory investments are increasing.

**Moderator:** Thank you very much. The next question is from the line of Achal Lohade from JM Financial. Please go ahead.

**Achal Lohade:** For the 0.7 mm market how large that market would be for the industry and for us broadly, could that be 50%, could that be 10% something?

**Saurabh Mittal:** For us it is negligible until last year and for the industry I think it should be at least 30% probably and for us it is negligible.

**Achal Lohade:** Understood and when you say that we will try and utilize the capacity for this would it come at the cost of margin how would be the margin profile how different would that be?

**Saurabh Mittal:** We will make no margin here, just meet up the overhead so the commodity segment typically in our kind of product quality and cost base you cannot make money you would only utmost make up your fixed cost or part of fixed cost so it is not a profit making item.

**Achal Lohade:** The reason you indicated that we would try to gain market share there is just to kind of gain market share or it is also to cover the cost so to say?

**Saurabh Mittal:** I said we will try and gain market share through every segment, but this will be also one of them because we were not present in the segment, so sometimes by having a entry level product you also end up selling some 1 mm and 0.8 mm and because the market demand will be low and market could contract. But since we have the capacity, we have raw material, we have the network so at least we can run the manufacturing plants and get some more market share to at least meet the cost.

**Achal Lohade:** Do you see a bigger traction towards the premium laminate market compared to commodity or both the segments will be broadly impacted in similar fashion?

**Saurabh Mittal:** I do not know how this is going to happen because the premium 1 mm is more of a largely urban market business and ever since the lockdown, ever since the factory started, Mumbai Thane was still shut, Delhi still having issues with the cases, Chennai is being shut, Kolkata was shut so the 1 mm market, which is the more premium market is more related to the metros and state capitals, most of the larger metros besides Bengaluru was not operating

meaningfully, so I think we will have to see this in July how this happens so we are also figuring this out right now.

**Achal Lohade:** Got it and just one more question with respect to the top 20 cities, urban, rural would you be able to give some color for us how the mix is like?

**Saurabh Mittal:** No we cannot do that right now, I do not have the data.

**Moderator:** Ladies and gentlemen, as we have no further questions, I would now hand the conference over to the management for closing comments.

**Saurabh Mittal:** Thank you everybody. Thank you for your time and joining us in the call. If you have more questions and queries please reach out to us or to SGA and we will be happy to address them to the best of our ability. Thank you very much once again. Have a great evening ahead.

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