



**“Greenlam Industries Limited Full Year Ended FY-15
Earnings Conference Call”**

May 29, 2015

**MANAGEMENT: MR. SAURABH MITTAL – MD & CEO
MR. ASHOK SHARMA – CFO**

Moderator: Ladies and gentlemen good day and welcome to the Full Year Ended FY15 Earnings Conference Call of Greenlam Industries Limited.

This conference 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. I now hand the conference over to Mr. Saurabh Mittal – Managing Director and Chief Executive Officer Greenlam Industries Limited.

Saurabh Mittal: Good afternoon friends and a very warm welcome to all of you. Along with me today, on the call are Mr. Ashok Sharma - CFO and SGA our Investor Relationships Advisor. The result and presentations have already been uploaded on the company's website and I hope everyone has had a chance to look at it.

Let me take this opportunity to give you a brief about the company and the highlight, the progress in the year gone by for Greenlam Industries. At Greenlam Industries we are now the world's third-largest and Asia's largest laminate brand. We have the deepest distribution network in the domestic market with about 12-13000 dealer distributors', retailers and a presence in about 100 countries with a large range of product offerings in terms of SKUs, decors, textures etc.

We have recently entered into new business segments of engineered wood flooring, melamine face chipboards and we are very shortly going to launch engineered factory finished doors and frames. All these products have been targeted at the home building, interior décor space looking at the large opportunities we have in terms of new products and replacing import demands for this products. The décor business needed a dedicated management focus which led us to set up an independent identity to encourage new product developments, bring in more focus on the business and also for correct resource allocation. I'm also happy to add that on 2nd of March 2015 the company Greenlam Industries Limited got listed on both NSE and the BSE.

We have divided the business broadly into two segments, laminates and allied, being the main segment which includes various forms of laminates; specialty laminates like HD Gloss, Unicore, Compact laminates which are being used for bathroom partitions, Façade laminates and Melamine Faced Chipboards. The second segment which we've created is the decorative veneer and allied products category which comprises of decorative veneer panels, engineering wood flooring with the brand Mikasa and this will also constitute of engineered doors which will be launching very shortly.

On the laminates part Greenlam exports constitute over 40% of India's overall exports and our share has been expanding for the last few years and the brand too is gaining a lot of traction in the global markets. Our international business is broadly divided into 47% share being in Asia Pacific, 16% in the North and South American markets and 13% the European markets. The

balance comes in from other geographies. The global laminates industry is currently valued at \$7 billion and is expected to grow about 3 to 4% over the next few years. With this growth and our efforts to penetrate deeper into the international geographies specially Asia Pacific markets the exports will continue to be a growth driver for the business.

In the domestic market we have about 18 to 20% market share in the organized laminates category and 40% of the market still remains to be unorganized and there is a significant scope of growing for the organized players as consumers are becoming more brand conscious for domestic and commercial use and with the GST hopefully being rolled out next year will also add to the possibility of expanding the market share. In the Decorative Veneer category we have market share of about 16% in the organized segment and we also have the largest capacity in the segment. With increasing exposure to globalization and rising consumerism in the country demand for lifestyle products such as decorative veneer panels, engineered wood floorings are showing good traction. In the last one year we have added, like I already mentioned Melamine Faced Chipboards, engineered flooring and specialty laminates to the category and now we are in the process of setting up the country's first engineering door plant where we will do doors and frames and the project is moving on schedule currently and we should be launching this product in about Quarter 2 of this financial year.

Over the last year despite positive sentiments backed by new government the overall consumer sentiments have been weak along with low inflation. We are creating niche markets by adding value added products to our growing portfolio. These products are at their early stages currently, however most of these products are globally well accepted and therefore have a promising potential for the future. We have completed most of our initial investments in these new products and we are seeing favorable response in the market and this will help us develop new markets for the products which are currently met by imports in the country and as we move along manufacturing, higher volumes will also have cost advantages to offer and as we move ahead our capital expenditures will also be far lower than what they have been in the last 2-3 years. All these initiatives are in line with the strategy to be a market leader in the decorative panel industry which comprises of various forms of laminates and various forms of decorative veneer products. Most of our capacities have already been aligned to meet the future growth requirement and we are also in the midst of expanding laminate capacity by over 20% at the Nalagarh plant which should go on stream by Quarter 3 of this financial year and we continue with our initiatives of improving our sales by penetrating into newer geographies, new markets, working on the architect design of specification market and also we have increased our structure of marketing activities post the demerger. So lot of activities or the efforts have been taken by us to build the business, I'm sure over the next few years we should be able to emerge as a clear leader in the segment.

I would now like to ask Mr. Ashok Sharma, our CFO to take you through the operational highlights of the company post which we will be happy to answer your questions, queries etc.

Ashok Sharma:

Good afternoon friends. I welcome you to the Call. Now let me take you through the financial performance of the company. For the 4th Quarter ended March 2015, despite weak consumer sentiments revenue grew by 20% at Rs 231 crores led by healthy growth in laminates and veneer segment. The gross profit was at Rs 93 crores with a margin of around 40%. EBITDA for the quarter was Rs 23 crores and EBITDA margin was at 10% against the margin of 12% in the same quarter previous year. This decline in margin was due to overheads, depreciation and interest from the new business coming in this quarter and a slight lower realization in laminates. Higher interest charges this quarter at Rs 7 crores was due to additional interest of around Rs 2 crores towards new facility of Melamine Faced Chipboard and engineering wooden flooring. Depreciation grew by 46% and was at Rs 8 crores as we have started charging depreciation on the new facilities in Melamine Faced Chipboard and engineering wooden flooring since Quarter 3. PAT for the quarter was at Rs 4.7 crores against Rs 14.3 crores in the previous year due to the higher interest depreciation and overheads of new businesses. Excluding the impact of depreciation our cash PAT for the quarter was Rs 12.7 crores against Rs 19.7 crores in the previous year quarter. Our domestic sales grew by around 12% to Rs 137 crores. Export sales growth for the quarter was 27% to Rs 94 crores led by strong growth from the US market and other markets.

Looking at our financial year 2015 performance, revenue grew by around 10% to Rs 845 crores. EBITDA was at Rs 93 crores with the EBITDA margin of 11% against a 12% margin for the same period last year. The drop was due to cost associated with the new products which we had started in end of Quarter 2 and Quarter 3 of the last year. PAT for the year was at Rs 26.6 crores due to higher depreciation and interest costs associated with newer facilities. Excluding the impact of depreciation our cash PAT for the year was at Rs 56.8 crores against Rs. 58.9 crores in the previous year. Net debt as on 31st March, 15 stands at Rs 267 crores and our debt equity ratio is 1.18:1. We have substantially improved our working capital days to 56 days against 88 days in the previous year led by our initiative towards optimization of the inventories and controlling of receivables.

Coming to our segmental performance; laminate and allied products were 85% of our Quarter 4 sales. Laminate part of the business grew by 17% in volume terms and recorded a production of 3.16 million sheets lead by our production optimization initiative, we have been able to achieve 126% capacity utilization in laminate and we are also adding a new line which will be hopefully operational by Quarter 3 of this year. This will increase our capacity by 20%. The laminate volume sales grew by around 17% to 3.17 million sheets and the average realization of laminate slightly improved to Rs 583 from Rs 576. International business contributed 48% revenue in volume and value terms of laminate. Compact laminate sales continue to gain good traction in the last year in the domestic market. For the full-year FY 15 our capacity utilization for laminate business was 114% with 11.4 million sheets produced. Our sales grew by 7% to 11.6 million sheets led by strong performance in international market in Quarter 4.

Veneer and allied products were 15% of our Q4 sales, production for decorative veneer for the quarter stood at 0.34 million square meter with sales of 0.34 million square meter. Average

realization improved by 6% to Rs 885 per square meter. Our capacity utilization stood at around 32% for the quarter. We started production of engineered wooden flooring under the brand Mikasa in September and the sales and distribution network have been put in place and with positive response from the market we are expecting good growth going forward. In this category engineered door unit is being set up at present and we are hopeful of commencing the operation by Quarter 2 of this 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 with the question and answer session. The first question is from the line of Nehal Shah from Antique Stock Broking. Please go ahead.

Nehal Shah: My question is what would be the losses attributable to the new business for the last financial year which went by?

Saurabh Mittal: The overall loss at PBT level was around Rs 11 crores.

Nehal Shah: And that is in the engineered wood flooring business?

Saurabh Mittal: This is in the engineered wood flooring business, since MFC is clubbed with the laminates so the exact amount we don't track separately.

Nehal Shah: Saurabh how are you looking at demand because if you look at the demand across pan India, the demand has been very-very muted and the visibility is also not that strong going forward for at least next couple of quarters so how are you reading that situation?

Saurabh Mittal: If you see Quarter 3 we grew by about 11 to 12%, if you look at Quarter 4 we did about 20% of growth, if you look at this financial year FY 16 I think 15 to 18% growth is what we could be able to achieve. This will be from domestic & international markets, new products, new launches, more focus on the markets that could be the target for us. As far as market is concerned, in ground reality not much has changed. The demand still seems to be difficult but as far as we are concerned, I think 15 to 18% is something we can target.

Nehal Shah: But are you seeing the ground reality changing maybe after next couple of quarters which is what a lot of people having that view?

Saurabh Mittal: I don't know much of that; I cannot make an honest comment on that Nehal.

Nehal Shah: Yeah but any sense of that coming in or not really?

Saurabh Mittal: At this moment I have not much to say but I can only say that we are going to go behind our numbers and pull up our business this is what I can say.

Nehal Shah: What's the strategy with respect to the doors segment since it's now getting started in the next quarter?

Saurabh Mittal: So the doors we should start in Quarter 2 so the thought right now is we are not going pan India with this product, we are going to the top 10-12 markets in the country and build up the business, The door products with doors and frames, is a finished product in the market so we will be offering door leaf as well as the matching frames to the market. The initial response has been quite positive but yes it will take time to build up the distribution network, build up the repeat sales coming from market, setting the network will not be a big challenge but I think building up the secondary sales, building the demand would take some time but the initial feedback is quite positive.

Nehal Shah: And what would be the optimum revenue potential from this particular unit?

Saurabh Mittal: With the investments we are making I think on an optimum level you could presume about Rs 80 to 90 crores kind of a top line right now. And also we will have a unique advantage of having the veneer, door and the floor products at the same plant in company and it's potentially a very successful model where you are able to match the veneer panels, match the veneer floors and the door and frame for a project for the customer for architecture design.

Moderator: Thank you. The next question is from the line of Pavan Ahluwalia from Laburnum capital. Please go ahead.

Pavan Ahluwalia: Just wanted to understand the jump in depreciation and interest seemed to be high and I don't know how much gross block we've added because of the new facilities, could you give us some color on that?

Saurabh Mittal: In terms of the gross block this year we have added around Rs 95 crores.

Pavan Ahluwalia: And what is this for?

Saurabh Mittal: This includes our part of this flooring business, MFC and the existing businesses.

Pavan Ahluwalia: So in the new businesses given what you've added what is the asset turn you could do at peak utilization?

Saurabh Mittal: You could see about 2 to 2.5X.

Pavan Ahluwalia: So say 30 is for the old businesses, Rs 60 crores is for new one, you are saying on the Rs 60 crores CAPEX we could do maybe Rs 100-150 crores of turnover.

Saurabh Mittal: Yes you could say that.

Pavan Ahluwalia: And the margins I am assuming on both MFC and engineered flooring, doors all of those are higher than the existing business or same or how would they compare?

Saurabh Mittal: The doors and engineered floor business margins of the operating levels are higher than the existing business, not the MFC. So MFC you cannot really put as an independent category, it's aligned to the laminates business because consumers buy laminates and MFC together. So for the engineered floor and the door segment, yes the margin would be higher than the lamination business.

Pavan Ahluwalia: And what pace do you see floors and doors kind of ramping up over the next 2-3 years, I mean you have any medium-term target, etc., for how large you want the business to be?

Saurabh Mittal: If you take doors and floors for a 3 year kind of a view, you could assume maybe about Rs 80 to 100 crores kind of top-line coming in from these. Doors again the initial response is very good. So there too, I think ramp up of doors will be faster than ramp up of the flooring business because there is pain in the market if we don't have finished doors coming in the market. So if you take three years view I think again Rs 70-75 crores we should get revenue from the door business.

Pavan Ahluwalia: This year we grew top line thanks to the export business, margins came off now as little as EBITDA level so this is before the depreciation kick in from the new business, what is the reason for that, is that just the foreign markets being less, being low margin or pressure in the domestic market, what's the reason?

Saurabh Mittal: If you look at the margins, the margins for this year excluding the new business haven't really come down actually.

Pavan Ahluwalia: At EBITDA level if I see 12.1% as EBITDA margin in 2014 and then starting Q3, I guess Q1 the margins were in line and in Q3, Q4 they really came off, so you are saying even at the EBITDA level the big decline was due to the new businesses?

Ashok Sharma: After removing the new businesses which is primarily flooring, since the MFC has been clubbed with the laminate business the EBITDA margin was around 11.5%. So it has slightly come down in this year. In the Quarter 4 we were having some pressure on the laminate wherein we were able to grow the volumes but the realization was dipped a bit so 0.5% margin was down in the existing businesses which we hope that this year we will be able to correct that.

Pavan Ahluwalia: And the compression that you get is it because Merino and the other competitors are also cutting prices, so you have also cut or is it because of the unorganized market where people are moving to unorganized laminates?

Saurabh Mittal: I would say one is the demand situation, the raw material cost did come down in terms of all chemicals, etc., so there were some price cuts in the market and we too had to respond to those

price cuts or we would've lost market share. So I will say a combination of competition pressure and raw material cost coming down and people having probably spare capacities have been pushing down the prices.

Pavan Ahluwalia: Thank you.

Moderator: Thank you. The next question is from the line of Ujwal Shah from Quest Investment. Please go ahead.

Ujwal Shah: I just wanted to understand who are the global as well as Indian competitors that we face?

Saurabh Mittal: You have to take this segment wise so in the laminates and allied category on the global level its Wilsonart based in US and also Formica based in US.. In the domestic market the closest competitor is Merino industries. In the veneer business for the veneer panel business we have some local companies being competitors, in the engineered wood flooring it's all import products which probably are competitors so there is no domestic manufacturer currently in that segment. In engineering doors when we launch again there will be no domestic manufacturing so again some import players and nobody is doing that product in a way we want to do it.

Ujwal Shah: And sir can you give us trade and non-trade mix that we have?

Saurabh Mittal: The trade as in the sales through the trade and non trade side?

Ujwal Shah: Yes sir.

Saurabh Mittal: Most of our sales if you see in all the categories would be through the trade partners. Besides a very small percentage which goes to OEM directly, normally we don't bill to contractors and to builders directly, it's all through our distributors and through our dealers, so that's from the domestic space. On the international market again most sales are through distributors or directly to large OEMs so on a percent you could safely assume in the domestic market maybe 85-90% business is through trade partners and in the international business also you can assume similar percent actually.

Ujwal Shah: Can you also give us the domestic breakup in terms of Tier-I, Tier-II, Tier-III cities?

Saurabh Mittal: I would not be able to give you that data right now but we have to go product wise. Again most of the premium products will be more in the Tier-I city. While in the lower category we have products across price points I don't have a data ready for you right now.

Ujwal Shah: And in terms of distribution network, any targets which we have in mind increasing on a yearly basis?

Saurabh Mittal: It's a continuous process so again I have go product wise because if I go one by one on engineered wood flooring is still a new business, we have set up some distributors dealers, we

still have really more than double the number of dealer & distributors in the country. In the international market again it's a continuous process having more dealers & distributors in the respective markets based on the product offerings and the domestic market in laminates and in veneers mostly the primary distribution is mostly in place but we still try to adding more sub-dealers, dealers in smaller towns and in pockets in the market where we are not present in. But it's a continuous job of adding and increasing our penetration in the market.

- Ujwal Shah:** Can you give us some idea about the international market, how do we plan to increase revenue in these markets, are we entering newer markets or in existing markets, what is the strategy that the management is looking at?
- Saurabh Mittal:** So currently we are not looking at adding more markets, we're already present in a fair amount of markets. We are looking at strengthening our positioning in all these markets and improving our value sales and quantity sales in the markets we present in so that's a way forward for this financial year for us.
- Moderator:** Thank you. The next question is from the line of Gunjan Prithyani from JP Morgan. Please go ahead.
- Gunjan Prithyani:** I just wanted to get a sense on this growth which you have given for the laminate business which was about 6%, how much of it would be from the export and domestic market if I can get a breakup for full year and this quarter as well?.
- Ashok Sharma:** This year laminate export growth was around 10% in terms of quantity and laminate domestic growth was around 5%.
- Gunjan Prithyani:** This is full year?
- Ashok Sharma:** This is for the full-year.
- Gunjan Prithyani:** And in terms of value growth would it be broadly similar or have we seen any price pressure in the domestic market?
- Ashok Sharma:** No in fact it's the otherwise. In fact the laminates in the domestic segment the value growth for the year is around 9.5% and laminate export is around the same as the volume growth.
- Gunjan Prithyani:** And for this quarter what would be the domestic growth?
- Ashok Sharma:** In terms of volume growth around 14% for the domestic and around 33% for the export market.
- Gunjan Prithyani:** And the pricing that you're saying that the pricing in the domestic market is improved, has this happened the last...

- Ashok Sharma:** This is for the full year; in fact in the last quarter the price was as we have mentioned earlier in the call the price realization was lower in comparison to Quarter 3.
- Gunjan Prithyani:** How much would be the value growth?
- Ashok Sharma:** Value growth for the domestic laminate was the same around 13%, for the laminate export it was slightly higher, it is around 33%.
- Gunjan Prithyani:** In terms of domestic market in Q4 we seem to have done much better than what the other peers in market across the building product industry are doing so what has led to this, is this market share gain or I'm just trying to understand how has this growth been much better than what peers are reported.
- Saurabh Mittal:** I think we have taken away this share from competition in the domestic market because our growth has been higher than most of them so it's more of taking the share from the competition.
- Gunjan Prithyani:** What do you think the market is growing at, just a broad idea?
- Saurabh Mittal:** I have to give you a number of but I think some people have reported de-growth in Quarter 4 in our trade, some have reported 5-7% in our trade so various numbers I would say.
- Gunjan Prithyani:** And if I just go to your veneer segment, is all of this new business because the production here and seems to be very low I mean utilization is almost 25% so is this the entire new business captured in this segment?
- Ashok Sharma:** Engineered flooring is captured in this Gunjan but in terms of this I mean on annualized basis 7% growth in the existing decorative veneer segment in terms of value growth.
- Gunjan Prithyani:** And that's the value growth?
- Saurabh Mittal:** Currently we have two products in the segment, the decorative veneer panels, and engineered wood flooring so that two productions have been coming from.
- Gunjan Prithyani:** And engineered wood flooring is the new segment recently right?
- Saurabh Mittal:** That's right.
- Gunjan Prithyani:** And the doors will get added to this segment?
- Saurabh Mittal:** Yes the doors will get added because the raw material base and market size is common to all the products.

- Gunjan Prithyani:** Basically what I'm trying to understand is that the capacity utilization in this business is fairly low so when do we see this ramping up because engineered flooring is the new business, which will take some time to ramp up because it's a new product but how is the capacity utilization on the existing veneer business?
- Saurabh Mittal:** Veneer being is a very niche market. you never see very high utilization in this product category we are adding some variants, so we will see improvement this year but they will not see the kind of capacity utilization which we are doing in laminates but this is a higher operating margin business than laminates.
- Gunjan Prithyani:** But how much do you think this can get to in the next 2 or 3 years when you it also coming from the flooring business?
- Saurabh Mittal:** So flooring has an independent set of equipments, it's a separate way of trading the capacities on the same machines, only some equipments are common. So if you look at the decorative veneer segment alone and take 2 to 3 years view from the current revenue of about 90-95 crores you could look at doubling this business in three years period..
- Gunjan Prithyani:** And this 16 to 18% growth guidance which you spoke about, is this domestic layer or it's going to be more export how are you internally looking at it?
- Saurabh Mittal:** I think it will be similar to both the businesses; maybe the domestic pie is slightly more because newer products are primarily focused on domestic market and laminates and compacts will continue to be of export quality. You could safely assume it should be a growth of 15 to 18% across product categories for domestic and export markets.
- Gunjan Prithyani:** And you're not factoring getting any significant pricing increase in this?
- Saurabh Mittal:** No we are not.
- Gunjan Prithyani:** What's been the trend in terms of pricing in the laminate business?
- Ashok Sharma:** Last quarter especially raw material cost came off and a lot of people were sitting on a difficult market situation. But this quarter we have seen a slight improvement in pricing.
- Moderator:** Thank you. The next question is from the line of Ekta Lalwani from Crisil. Please go ahead.
- Ekta Lalwani:** You just mentioned about the engineered doors segment that will get commissioned by H2 of FY 16 so can you just throw some light on how is this particular industry or space works globally?
- Saurabh Mittal:** So number one we're looking at starting the commercial production hopefully next quarter not H2 and globally most of the doors are produced at the plants and installed on-site. In India most of the doors are produced on the site and installed on the site. So typically what people do

in India we have raw flush doors coming in and then people buy laminates, buy veneer, get a polisher, get a contractor, carpenter and fix up the door. So what we are doing, we are not doing a new product. We are saying we don't take measurements and make-to-measure a door with fixing laminates and beginning and doing a staining and polishing with the frame at the plant and somebody will come and install it for you. So it's just a model shift people are doing what they want to do. Globally what we are doing is what is done in most larger door producers or more important door producers.

Ekta Lalwani: If you can just give a sense on the growth potential like how big can this particular segment grow for us.

Saurabh Mittal: We've not put up a large facility, we have invested about Rs 25-27 crores in the facility. So as we see this could be Rs 80-90 crores kind of a top line over the next few years. It's a concept that works well and it could be scaled up but at this moment this is what I have to say on this.

Ekta Lalwani: And what are the margins that we are looking for, like if I have to factor in Rs 80-90 top-line the highest that can be achieved from the Rs 27 crores investment

Saurabh Mittal: It depends on the products you end up selling so in the initial phases you probably sell more door leafs and as we get more specifications we probably will be selling the doors and the frames together. If we sell more doors and frames the margin would be high if we sell only door leafs the margin will be lower. But on a full potential utilization you could assume 15 to 16% kind of operating margin in the business.

Ekta Lalwani: Have we identified any particular market where we are going to start like seeding this particular product?

Saurabh Mittal: So we are looking at starting this product in about 8 to 9 metro cities in the country and we are not going pan India right now although our network is to go Pan India. We are just looking at the larger cities right now where already people want a finished door solution because they are high rises, they don't get carpenters, they don't get the products on time, they want a factory finish there are lot of international specifications coming in many condominiums and hotels etc. So we first focus on the larger cities and post that we will expand the network pan India.

Moderator: Thank you. The next question is a follow up from the line of Pavan Ahluwalia from Laburnum Capital. Please go ahead.

Pavan Ahluwalia: Saurabh just one question a lot of the builder flats that I see in Delhi have pretty standardized looking doors and when I talked to builders, they basically say that they have their own factories so Salcon and Uppal, apparently these guys have their own facilities where they produce doors, windows, balconies which is why you see that very standard look by the builder. So who are we really trying to target, would these guys be the target market or do you basically be selling to individual home owners that 'why don't you buy from us instead of getting someone to do it'.

Saurabh Mittal: So what we are doing is we are setting up our trade network and we will be working with architects and designers to get specifications. So we will be going to someone like a Salcon and Uppal also through the trade partner and through architects specified we will go to the hotels, to the BPOs because of the sizes we can offer in doors, the varieties we can offer being a laminate producer and a door producers and also having a staining line in the factory which is common to the flooring and the door business. So these possibilities and opportunities and options are not available with anybody else in the country. So through the specification route we will get product specified for larger projects for hotels, condominiums, Tata Housing maybe, maybe Godrej Properties, maybe the Magnolias of Gurgaon, etc., and for the trade partners will go to the midsize, smaller-size builders also so that's the strategy. But coming to Salcon and Uppal I don't think Salcon has a plant. They have been asking us to do doors for them.

Pavan Ahluwalia: But to the extent this is a B2B business shouldn't we expect lower margins because the DLFs or the Sobhas, they will negotiate pretty hard I'm sure.

Saurabh Mittal: It depends to whom we go but if you see the product offering, how is the door being produced in the country today. They buy flush door from a typical plywood producer, buy laminates, buy veneers, get a carpenter, get polishing material, and get hardware. So you are capturing the value across the chain. So you have your own doors, you have your own laminates, you have your veneers, you have the staining line, you are finishing the product and give it to them. So we could even offer the higher value-added product which we do in the door, the prices which we can provide to the end customer let's say the builder or a hotel, is going to be lower than what it would be if they do it manually because so much time, energy gets consumed over doing all of this and they are going to save time doing it.

Pavan Ahluwalia: Is it fair to assume that between this and engineered flooring and also the broader trend of the organized builders segment is getting bigger and bigger in residential, so you and your people are actually building their home in the old fashioned way where you get an architect, you build it yourself, people are either buying flats or buying villas and builder develop communities, is it safe to assume the business over time just going to become more and more B2B?

Saurabh Mittal: Some of the businesses will be specification driven, so there will be design for larger projects. Yes you could say that that's even today. So when you sell the laminates and veneers also for larger producer where they want the same look it is specification driven. But the home-improvement, day-to-day business will still be there. There will be a lot of renovation market also so I think it will be the combination of both the businesses and we are fairly well-positioned to take advantages of both part of the businesses because when you do large flats development, large condominiums, they want large capacities, they want lot of door products or flooring products and you can't make handmade doors any more. So if you are building 1000 apartments, imagine buying door from someone, frame from someone, laminates from someone, getting a polisher, getting a carpenter do all of that, it's virtually next to impossible. So from that perspective we are pretty well positioned to run both part of the businesses.

- Moderator:** Thank you. The next question is a follow-up from the line of Ujwal Shah from Quest Investment. Please go ahead.
- Ujwal Shah:** Just going to your presentation so for this coming year do we expect the new product business to turn profitable so the losses would wipe out and we will see those historical margins there?
- Saurabh Mittal:** You will see that this year for the new products.
- Ujwal Shah:** And sir what would be our three year outlook if you can chart it out in terms of revenue and margins, what are the peak margins that our business gain on probably?
- Saurabh Mittal:** I think on our top line you could assume that we will grow the business 15-18% for the next 3 to 4 years. On operating margin I think you could assume right now we could say 12% would be a fair assumption currently.
- Ujwal Shah:** In terms of the margin profile how different it is in terms of domestic and exports?
- Ashok Sharma:** Ujwal we do export in laminates only not the decorative veneer. In the laminate domestic and export given that stable currency market we have seen that margins are almost similar to each other.
- Ujwal Shah:** And sir what is our hedging policy?
- Ashok Sharma:** We do hedge. We have export and import both so whatever net open position that is being hedged.
- Ujwal Shah:** So it would be what tenure of forwards that we look at?
- Ashok Sharma:** Normally we import so that credit period will depend upon from 90 to 180 days, so whatever be the open position according to their outstanding will be hedged.
- Moderator:** Thank you. The next question is from the line of Nandita Parker from Karma Capital. Please go ahead.
- Nandita Parker:** I just had a question about the size of the finished doors business that you were expecting, given the desirability of this product versus the way things are done currently in India why would you expect it to only be an Rs 85 to 90 crores business?
- Saurabh Mittal:** It's a very valid question and we are just being a little more conservative in what we say and we just build the capacity which can throw out these kind of volumes and if things go well obviously we will expand capacity, we have more opportunities to expand capacity.
- Nandita Parker:** And in how much time do you expect to reach this level?

Saurabh Mittal: For the doors?

Nandita Parker: Yeah.

Saurabh Mittal: I think we could take three years to do that.

Nandita Parker: And so you are expecting a pretty muted type of growth for the building products business?

Saurabh Mittal: Ground things haven't changed much but we are going to drive growth aggressively. So we hope it's not muted but even if it is, with the products we have and the penetration we have, we have to take away share from unorganized players. So we should be able to grow the business 15-18% over next three years.

Nandita Parker: I'm trying to recall what happened with the Fenesta windows which was a product that was in use 4 years ago and I don't remember but I would have thought it would have similar types of...

Saurabh Mittal: Actually that's the issue, the model which Fenesta launched, it's something that's not same but it's fairly similar to what we wanted to do. The factory finished doors so like I said earlier we have two models- one is just a door leaf model where we are not doing the frames, etc., and the other model is the entire set where we do the frames and the doors both put together. The Fenesta model has scaled up and its doing quite well actually.

Nandita Parker: Thank you.

Moderator: Thank you. I would now like to hand the floor over to management closing comments.

Saurabh Mittal: Dear friends thank you so much for joining the call and I hope we've been able to address most of your queries and as Greenlam, we strive to improve the business and build leadership in the decorative surfaces category both for interior and for Façade products. The New Year is going to be a challenging year for us and we are all completely committed to build a good business and if you have any more queries, questions you can obviously reach out to Mr. Ashok or to SGA, our Investor Relationship Advisors. Thank you so much once again.

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