



“Greenlam Industries Limited Q3 & 9MFY18 Earning
Conference Call”

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FINANCE

Moderator:

Ladies and gentlemen, good day and welcome to the Greenlam Industries Limited Q3 and nine months FY2018 Earnings Conference Call. This conference call may contain forward looking statements about the company, which are based on the beliefs, opinions and expectation 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 telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Saurabh Mittal, Managing Director and Chief Executive Officer, Greenlam Industries Limited. Thank you and over to you Mr. Mittal!

Saurabh Mittal:

Welcome. Good morning friends. On the call I am joined by Mr. Ashok, our CFO, Mr. Samarth Agarwal, GM Finance and SGA our investor relations advisor. The results and presentation are available on the stock exchanges and our company website and I hope everybody has had a chance to look at it. The building interior sector has seen a mixed quarter led by subdued growth in the real estate market. In the recent budget many schemes like Pradhan Mantri Awas Yojana, affordable housing, credit link subsidy schemes were encouraged. There are plans to build as many as 30 more lakhs homes in urban areas and 51 lakhs in rural areas in FY2018-19. For all the building material players I believe the opportunity is getting bigger as the market size will get bigger in the coming years. GST rates were revised in November and I am happy to share that all the products of Greenlam are now at 18% GST rate. This gives organized players like us, increased power to gain more market share. It reduces the price gap between us and the unorganized players.

Our performance for the third quarter ending December has been better in the domestic market. Demands for laminates in the domestic markets were reasonably good. Exports saw moderate growth in volumes, but due to currency appreciation and the adverse impact of GST, value growth was largely flattish. In the decorative veneer segment, we had a good growth in decorative veneer allied products, which was due to good demand and also due to the lower base in Q3 of FY2017. The engineered floor and door segment too had a reasonably decent quarter and we think in the coming quarters business will get ramped up hopefully at a better pace. We have been in this market for more than two decades and have created a long lasting and value added product portfolio for our customers. In terms of quality, design, fashion, we are top on the consumer memory and we also aspire to create a value addition in their life and in their desire to do better interiors and we believe the opportunity for all the product portfolio, all the products we have is getting larger and we are fairly well equipped to service our customers across the country and in the global

markets. We also desire to form, brand Greenlam, Mikasa and Decowood as a definition of trust, faith and belief. I would now like to hand over the line to CFO Ashok to take you through the financial and the operational highlights of the company post which we will be happy to address your queries if any.

Ashok Sharma:

Good morning friends. Now I will take you through the financial performance of the company. For the Q3 FY2018 on consolidated basis, revenue for the quarter grew by around 16% for Rs.280 Crores compared to Rs.242 Crores in Q3 FY2017. Gross margin was at 48.1% against 48.5% in Q3 FY2017. EBITDA for the quarter was at Rs.39.1 Crores a growth of around 30%. EBITDA margin was improved by 150 basis points from 12.4% last year to 13.9% this quarter. PAT for the quarter was at Rs. 17.4 crores, a growth of 82% over previous year same quarter. Our domestic sales increased by around 29% to Rs.171 Crores and exports remained flat at Rs.109 Crores. We able to reduce the debt by Rs.23 Crores in this quarter and it stood at Rs.273 Crores as against Rs.296 Crores in Q2 FY2018. Net working capital improved by 18 days from 106 days in Q3 FY2017 to 88 days in this quarter.

Now I will give you the financial performance for nine months FY2018 on consolidated basis. Revenue grew by 6.4% to Rs.834 Crores. EBITDA for the year is at Rs.110 Crores against Rs.95.5 Crores in last year same period. EBITDA margin was at 13.2% against 12.2% in nine months FY2017. PAT grew by 47% to Rs.46.7 Crores this year. Our domestic sale increased by 19% to Rs.503 Crores and exports degrew by around 8% to Rs.331 Crores.

Now I will move on to segmental performance. Laminate and allied products constitute around 84% to 86% of our sales. For the Q3 FY2018 laminate recorded a sale of Rs.235 Crores a growth of around 11%. Sales volume for the quarter was at 3.26 million sheets a growth of 10.7%. Production volumes were at 3.37 million sheets a growth of 18% with utilization level at 96% on expanded capacity. Our average realization for the quarter was at 701 per sheet as against 683 last year same quarter. International business contributed Rs. 108 Crores that is around 38.4% of total revenue in this quarter. For the nine months FY2018 sales grew by 4.3% to Rs.718 Crores with EBITDA margin of 13.7%. Volume sales growth was 8.3% to 10.11 million sheets. Production volumes were at 10.47 million sheets with a growth of 12.4% and utilization level of 103%. Average realization was at 692 per sheet against 701 per sheet in nine months previous year.

Moving on to decorative veneer and allied products, which forms around 14% to 15% of our sales for the third quarter this segment has contributed higher sales due to rising demand of the product. Our sales were at Rs.45 Crores against Rs.30 Crores in the Q3 of

last year. EBITDA stood at Rs.6 Crores with a margin of 13.3% as against 2.4% margin in Q3 last year. For the nine months FY2018 sales grew by 22% to Rs.115 Crores as against Rs.94 Crores of nine months FY2017. EBITDA stood at Rs.11.5 Crores with a margin of 10% against negative margin of 2.2% last year same period. In the veneer segment for Q3 FY2018 capacity utilization for this quarter stands at 46% with a volume sale of 0.49 million square meters as against 0.27 million square meters last year same quarter. Average realization fell by around 13% to 706 square meters. For the nine months utilization stands at 37.4% with a sales volume of 1.21 million square meters.

In the engineering wood floor business under the brand Mikasa we have clocked a sale of Rs.17.9 Crores for nine months vis-à-vis Rs.11.4 Crores in the last year same period having a growth of 57%. Engineer door segment has clocked sales of Rs.10.2 Crores in nine months FY2018 as against Rs.8.8 Crores last year in the same period having a growth of 15%. For nine months FY2018 losses for both doors and floors were reduced to Rs.6 Crores as against Rs.11.6 Crores nine months FY2017. That is all from our side. I would now like to open the floor for question and answer.

Moderator:

Thank you. Ladies and gentlemen, we will now begin with the question and answer session. We take the first question from the line of Ashish Poddar from Anand Rathi. Please go ahead.

Ashish Poddar:

Good morning Sir. My question pertains to your exports business, which contributes significantly to the topline and where we are seeing that the growth is not coming and if you can throw some highlights in the last one or two quarters what has been in the progress there and what is the outlook there?

Saurabh Mittal:

If you look at the exports segment like we said earlier the quantity growth in the Q3 has been 7.7% and in dollar terms we have grown by about 4.5% approximately 5%, so the flattish growth or negative like we said earlier is primarily to do with three particular reasons, one is in general the growth would have been higher if we saw more volumes, so clearly that is not happening at the pace we want it to happen. The second point is the currency appreciation and the third point is the GST. Because of GST the export incentive at the HP Unit, which was under the excise free zone and was rather still it is under the area of exemption scheme. So there is an accounting ~~map~~ adjustment of that, which shows the lower or degrowth. In general, we remain positive on the export business and we are working to continuously grow the business. As such there is no fundamental problem to the business or there is no core challenge. We just need to continuously work towards increasing this.

- Ashish Poddar:** So there is no market related issues in exports?
- Saurabh Mittal:** There are no core fundamental problems as far as exports. All this contributes negatively and shows a weaker picture, while on ground it is not so bad.
- Ashish Poddar:** My second question is on your engineering door business, so what kind of potential we see in this business, today it is very small for us, but what kind of potential we see in this business and also if you can highlight on the veneer business?
- Saurabh Mittal:** I will take your second question first. The decorative veneer allied business is broken down as you know in three categories. The decorative veneer plus Mikasa that is engineered wood flooring and engineered doors. In the flooring business our capacity is to produce a million meter square annually and the market does exist to consume that amount of production. Obviously real estate, newer construction, premium condominiums, premium developments, and premium hotels are the most potential market for this product category. So obviously we are growing, but base is very small. So I think as we move ahead so we are quite positive on the business. The product is well accepted. The quality is quite good. The range is quite nice. We have built a reasonably decent brand in a short span of time, so I think we just need to keep working towards expanding the network on one side and also look to get more projects. It is a dual strategy, so the distribution network needs to be continuously expanded to get the retail sales and the project business needs to go up for condominiums, apartments, hotels, etc.
- Ashish Poddar:** Any number you would like to share what kind of topline you are expecting or you are targeting for FY2019-20 or any figure in your mind?
- Saurabh Mittal:** I would not want to give you a figure right now but we are working towards building the business. First step right now is to stop losses at the EBITDA level, which we hope in this quarter we can control. The next step would be to stop losses at the PBT level and then obviously grow the business and hopefully with markets opening a bit more that will also help the entire situation.
- Ashish Poddar:** Will this business have similar margins compared to laminates or better any view on that?
- Saurabh Mittal:** Typically the entire decorative veneer and allied category will have higher margins than the laminates business. Once it is at the optimum level of volume of business, so if you see the nine-month data EBITDA margins in the decorative veneer only business is at about close to 20% and laminates is at about 13.7%, but if you add the losses of flooring obviously

margin shrinks down to 10%, but at an optimum level the decorative veneer and allied business should have higher margins than the laminates business.

Ashish Poddar: Looking at your current capacity what kind of revenues you can generate at 100% utilization if you can highlight some?

Saurabh Mittal: Sure. In engineered wood flooring are we talking of this subject?

Ashish Poddar: I am talking about all the three segments.

Saurabh Mittal: So engineered wood flooring on a 100% capacity obviously will depend on the price points, but typically it will be Rs.200 Crores to Rs.225 Crores kind of a topline on 100% capacity. Veneer talking of 100% capacity is a bit hypothetical because we do not expect to run the plant at 100% capacity because of the size of the market and the nuances involved in the business, so I think talking of 100% there is a bit illogical, it can just be a theoretical number. The door segment on a full capacity we are talking about Rs.80 to Rs.100 Crores kind of topline depending again on the value mix, order mix, pricing, etc.

Ashish Poddar: Even if we assume full capacity veneer what kind of revenues we can generate, I am not talking about your guidance, but in general what kind of revenues it can generate?

Saurabh Mittal: If you talk of full capacity you are talking of nearly 100000 sheets a month, so it can generate up to Rs.300 Crores of topline, but that is not relevant.

Ashish Poddar: Yes I can understand. Thank you so much.

Moderator: Thank you. We take the next question from the line of Prashant Kutty from Sundaram Mutual Fund. Please go ahead.

Prashant Kutty: Thank you for the opportunity Sir. Firstly in terms of the laminates business is it safe to say that probably demand trends have kind of improved, let us say from more secular perspective because the last of quarters demand seems to have kind of picked up or it is just a function of base especially I am asking in parlance because GST is kind of passed through, e-waybill is also expect to come, so we are seeing a clear shift from an unorganized to organized?

Ashok Sharma: I do not see a single clear shift. It will be wrong to say that. So post GST yes we have passed on all these price benefits to the market, that has narrowed the gap between us and the local producers, but the tax non-compliances of the local producers or unorganized players at this moment at least is continuing, so have we seen a clear shift, I think it is too

early to comment on that. Our growth I think is also because of a lower base especially that we are talking domestic space here, so in domestic we are talking about 18% kind of a topline growth in nine months, so I think it is more of our lower base rather.

Prashant Kutty: Can we probably say which part of the demand would actually be driving at this point of time or any trend on that front? Project or Retail ?

Saurabh Mittal: I think there is not much shift in the percentage of demand between the retail and the projects or the commercial business and it will be unfair to say that demand is looking very good and all that so I think it is really us trying to push. Obviously there are gaps in the business will always be, so there are adequate opportunities for us and we have said that earlier in the distribution space in the OEM segment, the project segment we have launched new products in laminates, there was a new range launched, so I think all these factors are kind of helping us to grow at a percent we are growing, but on ground I will not be able to say that demand is very good and all that.

Prashant Kutty: Got it. Sir second point is on the decorative veneer side while we have almost seen a very sharp kind of a jump in the couple of quarters again profitability also looks to be pretty strong over there anything that we are doing, which is a little different because again this is a little more niche market, is it that probably the demand over there is kind of changed, which is something to call out over here specifically?

Saurabh Mittal: Actually if you see the sharp growth, which we are seeing this quarter in value the veneer business has grown by nearly 62% and overall the veneer and allied is by 50% it is again I think due to lower base of Q3FY17, so it is not again because demand is really shot up and all that. Obviously we have been continuously working to expand our market and our business. We spent a fair amount of capital in brand building, distribution, new products marketing, which we have been saying that over the past two to three years. So I think it is WIP. So on ground and the base is still small, so in flooring, in doors and even in veneer the base is still small, these sharp increases are not necessarily because demand, but it is also because of base is low and the denominator is low.

Prashant Kutty: Sure. The third question is on the floors and the doors business, while you did highlight that the capacity utilization is definitely lower and the market for them is largely the projects business the real estate side of it, but could you please tell us over here Sir what do we need to do from a distribution perspective because while I understand on one side you said that there is distribution gap in the laminated business, which we are still trying to kind of bridge, here the distribution gap seems to be a little more larger because the project business

I guess, so what are we doing on that front Sir if you can probably give us something on that front?

Saurabh Mittal: Yes I would. In the door business we are not looking at setting up a distribution model. We are just focusing on five to six large metropolitan cities and working on the projects with the developers, builders and architects to get the products specified. So it is more of a setting up of logistics, supply chain, installation mechanisms, measurement taking mechanisms, and those are the challenges on the door side. It is not about distribution. On flooring because there is also retail demand, home improvement demands, renovation demand, newer homes, so there I think it is double. I do not have the map right now, but there are still markets across the country where either we do not have dealers or we do not have effective dealers even if they are appointed. So I think it is still continuing and it will continue for a couple of more years by the time we say that physical distribution is quite well entrenched for the Mikasa flooring product.

Prashant Kutty: Any commonality over here, which we can kind of try to achieve with the laminates in the veneer part of it?

Saurabh Mittal: Sure there is because in the residential and commercial spaces architects do not necessarily only use laminates, veneer or flooring independent of each other, so some projects there are commonality some they are not and yes we are working towards that common goal of the company.

Prashant Kutty: Definitely the market is picking up at least there is a market for the project business as far as these products are concerned at this point?

Saurabh Mittal: It is tough to say market is picking up. Sometimes our numbers would not reflect what is happening in the market. I think there are a lot of gaps in our business and domestic sales pace is also small vis-à-vis many other building material companies, so having a long way to go in that perspective.

Prashant Kutty: Lastly one book keeping question what is the capex plan as to the laminates is concerned, what are we looking at given that we already reported 105% utilization anything on that front, which we are looking at and technically how much can this current capacity go up to?

Saurabh Mittal: Laminates utilization in the past have also gone up to 115% to 120% utilization. This capacity can also go to 115% to 120% utilization, so as we talk right now we have not planned another capital expenditure in the laminates business currently as we are yet to

effectively utilize the capacity we put up in the month of June, so really the focus at this moment is to drive out the utilization of the existing facility.

Prashant Kutty: No such big plan expected as far as capex is concerned?

Saurabh Mittal: Not something, which I can say now. Obviously we have planned to expand the business and growth of business, but nothing which is concrete, which I can tell you right now.

Prashant Kutty: Thank you very much and all the very best to you.

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

Achal Lohade: Good morning thank you for the opportunity. My first question is in terms of the realization if I look at the realizations they seem to have improved in the laminate space is it that we have taken any price increase in the last quarter or is it purely on account of the product mix?

Ashok Sharma: There was no price increase in the previous quarter it is majorly on account of improvements in the product mix.

Achal Lohade: Got it. Secondly what I also wanted to check in terms of the area based exemption the unit what we have there, have you accounted for the refund, have you started getting the refund from the government, what is the visibility on that part and how have we treated in terms of the pricing of the product?

Ashok Sharma: So in terms of area based exemption as per the government notification we will be available for 58% of CGST on the cash duty paid, so till December we did not pay virtually any cash duty because the previous balances in the books. Earlier Govt used to collect duty even on the import, which is required for export so those are all the input credit was available. , Very small part, which is accrued in December of around Rs.35 lakhs to Rs.40 lakhs that has been filed and accounted for. In the future also credit will keep on fluctuating, since this is based upon what actually cash payment is being made to the government. Since the benefit, which we will be getting is not fix and certain, so we are not taking any effect of this into the sales prices.

Achal Lohade: Sir if you could comment in terms of the volume growth outlook, how do you see in our individual product segments let us say for next two to three year perspective?

- Saurabh Mittal:** Difficult to give you two to three year perspective, but I think laminates should grow at volume 7% to 8%, we should be at a similar level in veneer, flooring and door will be higher because of the low base.
- Achal Lohade:** And how do you look at the margins because I think last time around you had indicated it can be 17% to 18% kind of a margin at a company level, how do you see that in terms of the outlook?
- Ashok Sharma:** So, if you look now also we have adequate capacities in flooring door, veneers, laminates, so if the volumes get ramped up and with minimal further cost increases to be done other than the annual wage increase margins should improve, I think it is a process and we are working towards that. This is what we said at that time also, it is over a period of time when the two new products floor and door, which is generating as of now the negative margin will also a bit matured and reach up to certain level and it starts giving the positive margin, so all put together may be a period of over three, four years near to that it can be achieved. As of now the existing products will be in the range of around 14.5% to 15% margin, which will also keep on increasing and obviously the doors and floors also will start contributing.
- Achal Lohade:** The delta will be more from the doors?
- Ashok Sharma:** No, it is from both because in the existing also as we are ramping up the volume, So the incremental margin will be better than our existing margin, Hence both of these will help in terms of achieving that target over a period of next three or four years.
- Achal Lohade:** Got it and just in terms of the exports growth, you said the volume growth was about 7.5% for the quarter, but the currency appreciation did take a toll, how do you deal with that now in terms of A) the volume growth expectation and B) in terms of pricing?
- Ashok Sharma:** As you say the quantity growth this is 7.7% in this quarter. If I talk about the growth in dollar terms, which was around 4.5% to 5%, but since the currency appreciation it is still there in this quarter also, previous year the currency was in the range of 65, 66, this year it was in the range of 63, 64, but now at this level it is more of a kind stabilized and as of now we do not foresee that it can go to 61, 62 level, so we believe it is more of a base effect and if the base effect goes so this 4.5% difference what is there, that will probably go and we will have a normal growth in terms of exports also.
- Achal Lohade:** Margins are similar in case of exports vis-à-vis domestic?

- Ashok Sharma:** At a stable currency level in the past we have seen that margin remains the same. When the currency fluctuates since now the currency is appreciated a bit so that is why some of the margins will be lower in comparison to domestic, but in a stable currency margin of both the domestic and export remains to be same, couple of percent here and there.
- Achal Lohade:** Got it. That is it. Thank you so much.
- Moderator:** Thank you. We take the next question from the line of Pritesh Chheda from Lucky Investment. Please go ahead.
- Pritesh Chheda:** Sir, seeking some comments on the working capital and the ROCE, so we see a good reduction in the working capital purely by the creditors days, so first is it sustainable and what kind of incremental reductions are possible and your comments on the ROC?
- Saurabh Mittal:** If you see the working capital, we have improved on inventory days also and we have also improved on the debtors days by seven days and yes there is increase in creditors days by seven days, so it is unfair to say that the improvement is only coming from the creditors, this improvement is on the inventory and the debtors also. What was the second question, sustainable is it?
- Pritesh Chheda:** On the sustainability of this, there is about nine days reduction?
- Saurabh Mittal:** From Q3 I think there is about 18 days reduction.
- Pritesh Chheda:** Sir, nine months to nine days.
- Saurabh Mittal:** Yes, you are right nine days on nine months, yes it is sustainable and we said this earlier. As we end up increasing our production and sales, our range of products do not increase in the same proportion, so if you would dissect this to working capital days across various categories, our working capital days in laminates is far lower than what it is in flooring, and doors. Veneer is lower than flooring and doors because in flooring and doors we have all the raw materials, the entire range in place while sales have not taken off, so yes it is sustainable and I endeavor to still work towards improving both in capital days.
- Pritesh Chheda:** Thank you.
- Moderator:** Thank you. Next question is from the line of Nehal Shah from ICICI securities. Please go ahead.

- Nehal Shah:** Sir, congratulations for good set of numbers. Sir, on the veneer side now we have seen one of the best quarters in terms of volumes in the veneer segment, has that come in from natural veneer or is it that the new product or the other recent launches like teak and recon veneers have contributed because the realizations have been down on the veneer side?
- Saurabh Mittal:** Majority of the growth of the revenues of 34.5 Crores has come from the teak & engineered veneer segments, which have more than doubled, but the natural veneer business also has grown in value by nearly 35% to 40%, so it is a combination of both natural veneer and the newer segment of teak and engineered that had contributed in terms of growth..
- Nehal Shah:** And that is why the realization has been down?
- Saurabh Mittal:** Yes, correct and the volumes pick up although the margins improve, EBITDA improve because expenses do not go up in the same proportion and largely the cost of fixed the variable cost as a proportion actually come down, so yes all the realization do come down, but with high utilization the margins expand.
- Nehal Shah:** Do you see the shift in trend in the veneer business because if you look at lastly historical 15, 16 quarters our volume has been in the range of 0.35 million sheets to 0.49 now this is one on the largest we have seen in last several quarters, do you see the trend is moving towards it, probably we are moving at range of 0.5 to 0.7 million sheets with the kind of growth we are seeing at the moment?
- Saurabh Mittal:** 0.5 million sheets?
- Nehal Shah:** Million square meters.
- Saurabh Mittal:** Yes. We will tell you whether the trends moving there obviously as you know we have the capacities, we have the product range and we have built independent sales team for the decorative veneer business, we have invested lot of money in the marketing, doing exhibition shows, doing digital campaign, so there are lot of activities to try the revenues and yes we want to do more, so I think you have to just see couple of more quarters to see what is sustainable in terms of volume, value and margins or not.
- Nehal Shah:** Are we doing anything with respect to increasing SKUs or probably coming out with newer products or any lever in that way?
- Saurabh Mittal:** So, that is a constant effort of adding products in the veneer segment, but lastly what we are doing now we are not increasing more species, we are increasing the treatment of the species so inventory does not go up, it is like one veneer, which can be treated in 10-12

different in a ways to offer a new product in the market, so we are not adding the core SKUs too much and we do not need also, so it is like doing a treatment on that particular species and creating a new category or new product from that, but yes new range offering, marketing initiatives to try those revenues are constant.

Nehal Shah: Sir, lastly on the export side while we have seen sluggishness in the export volumes which market has been one of the pin points in the last few quarters and where are we likely to see growth opening up going forward possibly over the next three, four quarters?

Saurabh Mittal: So last quarter although we see a volume growth of 7.7%, actually I think did mention that somewhere on communication. We had lower sales actually in all the three subsidiaries, which I am quite confident will change hopefully in this quarter itself, so pain points really there is no one specific market where we are struggling too much, since the base is there we need to improve the numbers across all the markets we have presented. We are not adding new markets. We are really concentrating on maximizing the numbers on these markets, so I think it is an overall impact and we have teams deployed across various markets and we are expanding our geographies, but I think we will see improvements very soon on the exports and also.

Nehal Shah: I think Europe subsidiaries are started doing well because that is the newest of the lot right, which we start seeing traction?

Saurabh Mittal: Right, so Europe, the sales into the UK is happening through the subsidiary, the rest of Europe we still doing the exports from India, since we did not want to add one more layer of cost of managing documents and clearing containers and all that, so if I particularly talk of the Europe business it is doing fairly well, we are running quite full with the order positions from the European business and some positive developments happening with some large key OEMs and I think very shortly we will see some good feedback on next quarter or so.

Nehal Shah: Great Sir. That is it from my side. Thank you.

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

Sneha Talreja: This is more pertaining to the domestic laminates revenue, which was largely grown by around 18% and volumes also seem to be growing by at a healthy pace of 14% just wanted to understand why our guidance of 7% to 8% then is if the volume seems to be growing at double digit rate?

- Saurabh Mittal:** Like you said the base of last year's Q3 FY2017 was low you are seeing a higher jump in this particular quarter. If you look at nine months we are at in the 7%-8%, which what you are talking that is more of overall domestic growth in this year, it is in the double digit only even in the nine months also the figure remains at 13.7%.
- Sneha Talreja:** In volume?
- Saurabh Mittal:** Yes, volume. In value it is around 19%.
- Sneha Talreja:** So it means the next quarter the growth should be again back to somewhere near the single digits because this quarter we benefited from the low base of last year because there was a decline of around 10% in the domestic business last year?
- Saurabh Mittal:** We need to see. Let us see how the e-way bill implementation happens and there is more room in the domestic market we can grow the business.
- Sneha Talreja:** With relation to that itself if at all you can explain the current scenario in the domestic market or we know that e-way bill is still anticipated, but how has been the growth of organized player vis-à-vis and how is the industry doing?
- Saurabh Mittal:** Can you come again on the question?
- Sneha Talreja:** Just wanted to understand how is the overall industry growth rate in the laminates in the domestic market?
- Saurabh Mittal:** I do not have a clue on what is your overall industry growth percent. There were disruptions in the first half of the year because of the GST. The real estate situation is not better than we saw. I do not think there is still much traction on ground in the domestic market from a construction perspective and I think it is quite subdued if you ask me personally the overall market situation.
- Sneha Talreja:** Why I wanted to understand it, in some of the categories what we are getting to know is that unorganized players have become more aggressive because there are no check post and everything that is what I wanted to ask about laminates, are the unorganized players growing more aggressively and we are also waiting for e-way bill to change the scenario or our situation is somewhat better?
- Saurabh Mittal:** For sure we are not waiting for e-way bill to come and change our life, we are still working to build our business, so whether unorganized players are growing more aggressively I cannot comment on that, but they are doing business as usual. The expectation that post

GST compliances will increase at least I do not see that in the market, but they are going more aggressively may or may not be the case.

Sneha Talreja: Thanks Sir. That is it from my side and all the best to you.

Moderator: Thank you. Next question is from the line of Anand Dubey, an Individual Investor. Please go ahead.

Anand Dubey: I just want to ask you about the overall production about the laminate division and veneer division, and my second question is regarding average realization per shift for the laminate division, I just want to ask these two questions?

Ashok Sharma: So, in terms of production for the quarter laminate was 3.37 million sheets in comparison to 2.85 million sheets Q3 FY2017, the growth of around 18%. In nine months, the figure is 10.47 million sheets in comparison to 9.31 million sheets last year and another in terms of realization this three-month realization of laminate is 701 and in comparison to 683 previous year same quarter.

Anand Dubey: Can you give the last two quarters average realization?

Ashok Sharma: Probably I will mail it to you. Is this you want only for the laminate?

Anand Dubey: I also want veneer division and other two divisions.

Saurabh Mittal: I will mail the details to you.

Anand Dubey: Thank you so much Sir.

Moderator: Thank you. We take the next question from the line of Krithika Subramaniam from IIFL. Please go ahead.

Krithika Subramaniam: Congratulations on a great set of numbers. Sir, I just had two questions from my end with respect to the decorate veneer segment, when I was just looking at your EBITDA margins X floor and door in the veneer segment we have clocked an EBITDA margin of around 23%, I just wanted to understand in terms of sustainability of these EBITDA margins and the second thing is that we have registered utilization of around 46% in this segment while I understand that the volume growth is on account of a benign base what kind of utilizations are sustainable in this segment?

Saurabh Mittal: So, margins of this decorative veneer business at 22.9% precisely. I am not sure whether sustainable or not and the margins are there mainly because of volume growth has been there, the recovery yield has been quite positive, currency has been favourable where the segment is, how the RM is important and the entire sales in the domestic market, so whether this is sustainable or not, I am not sure on that and we will have to see how the business moves in the next couple of quarters, obviously from the management and the company side we wanted to do more so this is my comment on that. On the utilization again this 49% utilization we get exactly 46% utilization, so purely the sales driven, from a production capacity availability to run the plant there is no problem, so this is again really more of a sales on a marketing challenge on how much we can sell while maintaining margins and while maintaining a working capital cycle of debtors, so we will have to see this.

Krithika Subramaniam: Sir, as you indicated what is the percentage of raw materials that is imported for the veneer segment specifically?

Saurabh Mittal: So, veneer segment for practical purposes 100% of RM is imported, decorative veneer, plywood are imported, and the resin is made locally, but for all the practical purposes the entire RM is import based and sales are all domestic.

Krithika Subramaniam: Sir, typically due to the currency appreciation what percentage of the margin improvement would you attribute to DFT session?

Saurabh Mittal: Typically, in the veneer business if you look at the gross margins for this quarter, I think it is nearly 50% to 53% gross margin, so RM cost is 47% and if 100% RM is imported you can assume 3% to 4% is currency appreciation.

Krithika Subramaniam: That is right and Sir just one basic question from my end from my ignorance, I just wanted to understand that in terms of realizations in laminates my understand that in the export market it is slightly lesser than what it is on a per sheet basis in the domestic market, what I understand is that there are not a lot of Chinese players who are competing with us considering the number of SKUs that you need to service this particular segment, which does not make laminates very scalable, so why our realization in the export market is lower?

Saurabh Mittal: If you look at last quarter on an average ratio of Rs.701 a sheet, domestic is 758 and exports is 634, so if you look at dollar term realization probably realization grew versus the previous quarter, but realizations in domestic are more currently because besides the currency appreciation calculation you also have lower thickness products being shipped to the export market where the unit prices are lower. So on the Chinese, Chinese do compete,

they are in the market, there are also a large manufacturer of HPL, but we do not end up competing with them as a company, they end up competing more with the other local companies and off India and of their own country because they end up producing only the liner sheets, which is 0.5 mm thickness, so the reason why export pricing is a bit lower is one because lower thickness contribute a fair share of the total exports we do and the currency conversion has also contributed.

Ashok Sharma: And one more point in case of domestic fields all the sales and marketing cost is borne by the company whereas in case of exports most of these expenses are borne by the distributors, so this is also one of the reason that the realization will be lower, even at the net margin level there will not be much of a difference.

Krithika Subramaniam: Great. Thanks a lot Sir. That is all from my end.

Moderator: Thank you. Next question is from the line of Anand Dubey, Individual Investor. Please go ahead.

Anand Dubey: Just I want to ask you about your capex planning, how do you the capex for this year and next year?

Ashok Sharma: So, in the laminate segment we have done one expansion in Q1 of this year, so as of now we do not have any other capex expansion plan in laminate and all the other three divisions are having enough capacity so most of the capex now will be maintenance capex, which is typically around 20 Crores to 25 Crores every year.

Anand Dubey: And what about next year Sir, next year planning?

Saurabh Mittal: Next year only planning because this year is virtually over, so FY2019 only we are talking, as of now there is no firmed up plan for expansion in any of the products, which we have as of now.

Anand Dubey: Thank you so much Sir.

Moderator: Thank you. Well that seems to be the last question. I now hand the floor back to the management for their closing remarks.

Saurabh Mittal: Friends thank you so much for joining into our call and we have been able to answer your queries up to your satisfaction, one or two queries need to be responded, Ashok will respond to you on that and for anymore questions or queries feel free to again touch with us or with our advisors and thank you once again. Have a great day.



Greenlam Industries Limited
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Ashok Sharma: Thank you so much.

Moderator: Thank you. Ladies and gentlemen on behalf of Greenlam Industries Limited that concludes this conference. Thank you all for joining us. You may now disconnect your lines now.