



## “Greenlam Industries Limited Q3FY16 Earnings Call”

**January 22, 2016**



**MANAGEMENT: MR. SAURABH MITTAL – MANAGING DIRECTOR AND  
CHIEF EXECUTIVE OFFICER  
MR. ASHOK SHARMA - CHIEF FINANCIAL OFFICER,**

**Moderator:** Ladies and gentlemen, good day and welcome to Greenlam Industries Limited Q3FY16 earnings conference call. This conference call may contain forward looking statements about the company which are based on beliefs, opinion and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involved risks and uncertainties that are difficult to predict. As a remainder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing \* then 0 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Saurabh Mittal – Managing Director and Chief Executive Officer, Greenlam Industries Limited. Thank you and over to Mr. Mittal.

**Saurabh Mittal:** Good afternoon friends and a very warm welcome to all of you. On this call I am joined by Mr. Ashok Sharma our CFO and SGA, our Investor Relationship Advisor. I will give you brief overview of the Q3 performance in terms of the direction and the business strategy and Mr. Ashok will take you through all the financial numbers and the growth percent etc.

So, over the first half of the year we have completed most of our expansion and capacity addition programs and also the product developments and product launches. I will go segment wise. In laminates we had already added 20% capacity in the month of September in the Nalagarh factory. In the veneer business, we have launched teak and engineered veneers in the Q1 and Q2 of this financial year. The flooring plant was already up and running in FY15.

Door factory also started in the month of September 2015. So in the first half of the year, capacity addition programs, product launches, product introductions all that got into place as per schedule and Q3 was largely focused on executing most of these programs building the sales distribution network, building revenues, keeping a check on our cost, while RM cost were also favorable. We also significantly focused on improving working capital cycles which are visible in the performance ratios. Moving ahead we will be executing all these expansion programs, new product launches and expanding our market share, expanding specifications pan India. Domestic business in Q3 grew at about 20 odd percent.

Export business was largely flattish and minor growth was there. Export market continues to be challenging because lot of markets had significant currency devaluations which has become a challenge in terms of market growth and market opportunities in the export front. But largely we remained positive on our business and our ability to grow the business in the next couple of years led by the CAPEX cycle, for which the capital expenditure largely over in the last nine months, we still have some pending capital expenditures to be paid off and will be completed over next 3-4 months. The products have been launched, capacities and capabilities have been built and we are largely now going to be focused on executing these projects and products

successfully in the market. So I think overall Q3 was reasonably good for us. I will now ask Ashok to take you through all the performances..

**Ashok Sharma:**

Good evening friends. I will now take you through the financial performance of the company. In Q3 ending December 2015, revenue grew by 12% to Rs. 241 crores led by good performance in the domestic market. Gross profit was at Rs 111 crores with the gross margin of 46.1%. A margin expansion of 678 points led by growth in domestic laminate market, high growth in decorative veneer and reduction in raw material prices. EBITDA for the quarter was at Rs 33.9 crores. EBITDA margin was at 14.1%, a margin expansion of 340 points led by improved sales and expansion in gross margins despite additional overhead from the new businesses of engineered flooring and doors coming in the quarter. PAT for the quarter grew to Rs 11.7 crores against Rs 4.8 crores in the same quarter previous year. Our domestic sales grew by 21% to Rs 148 crores in this quarter, led by good performance from decorative veneer. Export revenue was more or less same, grew by 1% at Rs 92.8 crores due to sluggish global demand. Looking at our 9 months performance for this financial year, revenue grew by 12% to Rs 688 crores from Rs 613 crores in corresponding period last year. EBITDA grew by 26% to Rs 88 crores from Rs 70 crores last year. EBITDA margin improved by 137 points to 12.8%. PAT for the period was at Rs 27.3 crores as against Rs 21.9 crores in 9 months FY15. Debt as on December 16 stood at Rs 271 crores, a decline of around Rs 8 crores from previous quarter. Net working capital for the period increased by 5 days in comparison to last year mainly on account of reduction in creditors. Even though we are able to reduce the inventory by 4 days and receivables by 2 days but creditors also reduced by 11 days mainly because of value of chemical purchases which are having larger credit period is coming down.

Now coming to the segmental performance. Laminates and allied products were 85% of the Q3 sales. Laminate part of business recorded a sale of 3.03 million sheets against 2.9 million sheets in Q3FY14. Our average realization was at Rs. 636 per sheet, around 2% increase over previous year quarter. We have achieved a production of 3.1 million sheets with a capacity utilization of 106% on an enhanced capacity of 12.02 million sheets. International business contributed to 50% in terms of volume and 45% in terms of value for the laminate in this quarter. For nine months FY16 we have achieved production of 8.82 million sheets in comparison to 8.27 million sheets last year. Our sales in volume grew by 5.4% to 8.85 million sheets led by good domestic performance. Veneer and allied products were 15% of our Q3 sales.

In terms of veneer panel, sales for the quarter grew by 80% to 0.42 million square meter while production grew by 87% to 0.4 million square meter. Average realization was lower by around 8% at Rs. 765 per square meter as we have added new variant of teak and engineered wood veneer which are at a lower price point. Our capacity utilization improved to 38% as against 20% last year. Engineered wood flooring under the brand Mikasa has been performing well. We have clocked sales of Rs 4.7 Crs at an average capacity utilization of 8%. The business is

expected to breakeven by next financial year. In veneer and allied we have another segment, Engineered Doors which was started in end of Q2. We were able to ship the first consignment of export and getting the enquiries from the domestic business as well.

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

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Jignesh Kamani from GMO. Please go ahead.

**Jignesh Kamani:** Just want to check our laminate margin has improved drastically. So I want to check the reason behind sharp increment in laminate margin and how sustainable this margin is?

**Ashok Sharma:** In terms of laminate margin, EBITDA margin is around 15.9% in this quarter vis-à-vis last year it was 10.9% in the last year same quarter.

**Jignesh Kamani:** So what was the reason behind sharp increment in operating margin in laminates?

**Saurabh Mittal:** The significant improvement in the laminate margin I would say one, raw material cost especially the chemicals have been favorable. Number two, we added the capacity at the Nalagarh factory. So the incremental operating profits from there have been good. The new plants in the Nalagarh factory was undergoing challenges for the last couple of years which has now become quite stable and the products have also stabilized. There has been improvement in the value mix sales also for the domestic and exports business. Exports business, although rupee depreciated but we have not done any significant correction to our export customers. The sea freights of exports have also reduced which has also helped us in a way as we are exporting and most of the sales are on a CNF or CIF basis and the sea freights have drastically come down with Baltic Sea Indexes at one of the lowest in the last decade or so.

Value mix in domestic market compact cubicle business, the new products which we launched in 2014, the HD gloss compact laminates, exterior facade laminates, bathroom partition products, so I think all that also started showing traction. It is a combination of improvements in the value mix sales, currency depreciation has been in a way helping the export margin may not be necessary the volume. Sea freights are coming down and also chemical cost is favorable. As far as the stability of the margins, well the endeavor is to maintain an improved margin going ahead. I think we are trying our best that we are able to maintain on the laminates business at least 14%-15% kind of an operating profit level.

**Jignesh Kamani:** Just to understand the currency and shipping part, our domestic margin in laminate is 15% or lower right now?

**Ashok Sharma:** This is an overall margin on domestic and in the export business. So little bit plus minus, but largely you could say the margin are very similar. The gross profit in the domestic business is higher but there are additional expenses in terms of marketing and manpower etc. But in export business the gross margin level are bit lower but the operating profit with this currency situation in lower raw material cost is working in our favor.

**Moderator:** Thank you. The next question is from the line of Basudeb Banerjee from Antique Finance. Please go ahead.

**Basudeb Banerjee:** Just wanted to understand in the veneer segment things are in a very nascent stage. As you wrote that new product launches, that is why margins was volatile pretty much. So what kind of number down the line one should look at which will be much more stable margin in that segment and what timeframe you will need to reach that stable level sir?

**Ashok Sharma:** If you look at the veneer business, within the veneer segment we have three product categories. One is the decorative veneer panel business, where the margins are actually quite stable and have improved. If you look at segment separately in Q3 our operating profits there have been slightly upwards of 17%. we have struggled at the operating levels or we made a loss at the operating level, in the engineered wood flooring where we made a revenue of Rs 4.7 crores and the engineered door business which is started in the month of September. I think engineered flooring and door business will still take 1-1.5 years to stabilize and to breakeven at a PBT level of these two businesses, while the veneer panel business is doing fairly well, we had record production in the last quarter, even the growth has been very healthy. There we continue to do well in terms of topline and bottom-line while the flooring and door business will take some more time to stabilize.

**Basudeb Banerjee:** So broadly as a combined segment ex of laminates for the business, so what kind of margin one should look at in say FY17?

**Ashok Sharma:** It is still a bit erratic right now. We are not able to really put that together. I think if you take next 3-4 quarters, say 1-1.5 years' kind of time frame, the veneer panel business within the segment we will try to make 15%-17% kind of operating profit. In flooring business, the sales are improving every quarter. So I think hopefully next quarter we will do better than this quarter and also I think it will take us another two quarters to at least break even at the operating profit level on the flooring business and door business maybe take another 3-4 quarters to breakeven. What we achieved in Lot of specifications are happening in the market, lot of work happening in the market to build sales for these products but it is not showing up in the income statement yet.

**Basudeb Banerjee:** And any internal target or in terms of utilization in that segment because it is nearly 38% now. So when do you see yourself down the line say in next 2 years?

**Saurabh Mittal:** Obviously there is an internal target and desires to do far more than what we are doing but I think next year also if you look at segment wise, if you specifically talk about flooring business, maybe there will be 15%-20% kind of utilization next year, on utilization level revenues may be in the band of Rs 40-50 crores kind of figure next year but door business I think would also take time because it is with the frames and sets, it is not a typical commodity business, it is a value added solution product where you need to build specifications and support especially the customers. So I think there to next year we are probably looking at a 12%-15% kind of a utilization approximately.

**Basudeb Banerjee:** As you said that in launch of new variants at competitive price points led to the drop in the realization mix, so is it only because of that or any competitive pressure and price cuts because of raw material fall anything like that?

**Ashok Sharma:** No, actually it is primarily because of the teak and engineered veneers are at lower price point products. So there is no competitive pressure actually. If you look at the national veneer business independently probably the value mix has only gone up, they haven't really come down in terms of realization. But the teak veneers and engineered veneers are at a lower price points. That is how the market of the product is and that is the reason the realization has come down.

**Moderator:** Thank you. The next question from the line of Pritesh Chheda from Lucky Investment. Please go ahead.

**Pritesh Chheda:** Just wanted to check on the export business side since we could be amongst the top export of laminates from India. Just on the nature of business where do we export, to which countries and second, in the global landscape generally which countries do we compete against in the laminate space?

**Ashok Sharma:** In terms of exports, we do export to directly and indirectly to nearly 100 countries and we do export to all the 6 continents ranging from Australia, New Zealand to goes up to South America and Canada. So practically our export goes to most of the countries nearly any meaningful country our products are available and in terms of competition, our competition is mainly either from any local producer in that market or it is from the, let us say top three of the international players.

**Pritesh Chheda:** So which country do we compete against? I missed that. Any other formidable country which we compete against?

**Saurabh Mittal:** No we do not compete really against the country. It depends on the market we are present in. If you look at South East Asia, the set of competition is probably from a company called Formica which is the world's number two company. Then there is a very strong local traders/marketer

called TAK. In this US it is Wilsonart and Formica, In Europe there are local companies and Formica and Wilsonart companies. So it depends. It is quite based on the markets. But on a global level you could say Wilsonart and its group companies and Formica would be the most important and most relevant competition if you pick two names. But there will be some local competitions depending on the markets we are present in.

**Pritesh Chheda:** Are China formidable name in the laminate space?

**Saurabh Mittal:** Well, China is more in the really white liner and commodity business. We really do not come across them in terms of direct competition. It is more with the branded distribution model. Our export model is not really commodity exports. It is more to do with the sampling marketing specification, distribution. So we more or less compete with the top world players and not with China in the commodity market.

**Pritesh Chheda:** And you sell it as Greenlam under the brand itself?

**Saurabh Mittal:** Yes. So most of our exports would be under the flagship brand of Greenlam and then we have some brands which we use but I could safely assume that nearly 99% of our exports are with our own brand. So we do not do OEM for customers.

**Pritesh Chheda:** Lastly I just want to check on the diversification side on the product line which is let us say flush doors or veneer or even engineered floorings, at the end the ROCE matrix of these 3 product lines would match or be higher than the laminates business?

**Saurabh Mittal:** Well, the objective is that all the businesses improve and do a good ROCE. Every business unit will be at an independent stage but I think eventually laminates ROCEs, veneer ROCEs will be very similar on an overall basis and if you look at it, I would not call them diversification. So the veneer business we have been doing over 10 years. We have added new categories in the veneer business. The flooring and those I would say it is a related diversification, not really unrelated because of the customer base, the channel of the architect, the homeowner still the same. So yes, eventually I think ROCEs should be similar in the laminate and the veneer business.

**Pritesh Chheda:** So at the end what is the maximum ROCE possible in the overall mixture of these businesses?

**Saurabh Mittal:** Well, I would not know that myself. I am still trying to discover that. If you look at Q3, the existing business ROCE pre-tax existing without the flooring and doors is about 28%-28.5%. If you look at 9 months, but if you combine everything it is lower. So I would say we are also trying to discover that; we still have room for improvement in our working capital. So over the last couple of years, lot of investments have gone into building equipment's, building markets, lot of working capital spends. I think we are still discovering it I cannot give figure on that.

**Moderator:** Thank you. The next question is from line of Ankit Shah from Vallum Capital. Please go ahead.

**Ankit Shah:** Lot of companies getting aggressive in the domestic markets. Companies like Merino. Royale Touch, etc. So what I like to know is what is the value proposition or rather how do you stand now against these players?

**Saurabh Mittal:** Can you repeat the question please? What are you trying to ask us, is it what is the marketing strategy, sales strategy or...?

**Ankit Shah:** Basically how do we stand against these players? What is the different approach or marketing strategy product wise, how exactly those stand or what is the strategy like?

**Saurabh Mittal:** Amongst the names you took, I think the most comparable is the first name took in terms of product offering, services, distribution network. So amongst competition in laminates category we are the most largely distributed laminate company in the country with about 12,000 distributor dealer pan India. Complete range of product portfolio with various sizes applications, solution businesses with bathroom cubicle locker systems, matching fresh chip board, product range etc. So in the marketplace we are serving the market with sales teams across pan India working with distributor, dealers, retailers, working with specified architect designers, key accounts. Also working with kitchen/office furniture fabricators, OEMs etc. So I think it is a full package in the market which is making us stand out and we are the number one player in the domestic market in the laminate space. So I think this is where we stand.

**Ankit Shah:** So who would you consider is your closest competitor?

**Saurabh Mittal:** The closest competitor in laminates would be Marino in domestic and in export market.

**Ankit Shah:** Secondly sir, just wanted to know how the credit periods like?

**Saurabh Mittal:** We can give you debtors days etc.

**Ashok Sharma:** Yes, in terms of debtor's days as on Q3 was 50 days in comparison to 52 days in the same quarter previous year. This would vary for exports and for domestic laminates. Every segment will have different terms, this is an overall combined debtors of the company.

**Ankit Shah:** Our margins net of credit were better in the domestic markets or the international markets?

**Ashok Sharma:** So we only export laminates while the veneer panel and all the veneer business largely domestic business. It would be very similar margin profile at an operating level for export and for domestic business.



**Moderator:** Thank you. We have the next question from the line of Sameer Tulshan from JM Financial. Please go ahead.

**Sameer Tulshan:** Couple of questions. Domestic laminate business seems to be doing recently well. So what is dragging that like, so if you see I come from a point like if you see the plywood business that is not doing that great in terms of volumes? So do we see any particular segment which is doing well in laminates or any particular reason which is doing well in laminates in the domestic laminates business?

**Saurabh Mittal:** If you look at the domestic business, the volume growth or the value growth, it should be classified in a one category. Domestic business in Q3 grew at 8.5%. So I think you cannot really say it is the value. On the volume front I think the growth is also very small, it is like 4%-5% kinds.

I think the numbers are still small compared to what we wanted to be, but answering your question on segments, I think we discussed this also in the past, we are seeing the opportunity in the laminate facade market with exterior product. We are seeing opportunity in the bathroom partition and the locker market with compact laminate business. So I think these are areas where consumption of laminates or laminate related product are still very small in the country versus what is happening globally and we are in a unique position that way with one of our competitions. So literally there are just two companies in that space. So I think that segment although still very small is growing at positive pace. But overall in terms of growth quantity and value you still cannot classify this as really something doing extraordinarily well or something of that sort.

**Sameer Tulshan:** So any particular segment which is doing well. Like might be say the commercial is doing very well or the rural is doing very well or any particular segment there in like which you think or the government projects are like really picking up?

**Saurabh Mittal:** I really cannot put a finger on and say this part of business is really well or over performing etc. I think, it is similar across, nothing really consequential or nothing is relevant which I should be mentioning and also you have to understand that our domestic laminate business is still very small, on a quarterly basis our revenues in laminates is about 110-115 odd crores. So I do not think we can really compare this with that of plywood business where the market size is still larger etc.

**Sameer Tulshan:** And coming to the export side of the laminate business, it is not growing since last two quarters, Q2 and Q3, how should you see the things like going ahead or how it is like in the current month?

- Saurabh Mittal:** So obviously we want the business to grow and we are present across several markets and like we mentioned there are challenges in about 8-10 markets for us where currency devaluation has been quite significant and we have not really passed on too much of price benefit or literally very small we passed on based on the rupee depreciation in India. So I think going quarter also if you say, it is not looking very encouraging and we are not looking at those kind of growth we had over the last couple of years with 15%-20% kind of a growth number. So although we are working hard to build more distribution and wherever possible build more customers, it is tough with the currency devaluation in these markets.
- Sameer Tulshan:** Any expansion when considering laminates like, if you see the quarterly utilization is like at 105%. So again are we considering any expansion, like we will wait till its utilization reaches particular level?
- Saurabh Mittal:** We are not looking at any expansion as we talk currently and we still have room to expand utilization in the laminates where the new capacities we have built in because we build a bigger press with more number of day lights, etc. So I think we will see how it goes and we have adequate space and infrastructure in our existing plants to build a new production lines whenever needed which we can do in a shorter period of time and we really do not need to look for third factory. So from that perspective we are not really very rushed. So I think we will take it a step at a time.
- Sameer Tulshan:** And margin expansion, like the current margins, are they sustainable at current levels or should we see the same at 15.9% EBITDA margins?
- Saurabh Mittal:** In the past also when we used to run one factory we used to have decent margins. So I think the endeavor is to sustain it, but if you have to run at MAT I think may be 14%-15% is something you could say would be sustainable.
- Sameer Tulshan:** And on the realization side, if we see on an overall basis like our volume has not grown so much, might be more due to lower exports but if we see realization on a Y-o-Y basis it has improved by 3% approximately. So it is more due to like change in product mix or like any price hikes also has taken?
- Saurabh Mittal:** No, mostly value has changed now with the new texture products, new launches compact business. I think all that is leading to better realization. I think in the current market it is ruled out completely.
- Sameer Tulshan:** On the veneer side. It was super growth. So how should we consider it like going ahead, is it more of one-off kind of growth or how should we consider it?

- Saurabh Mittal:** If we look at the total segment the revenue is still compared to what it should be. So if you look at the decorative veneer independently yes, the growth is quite positive last quarter we had some new product launches, we had now the teak veneers also stabilized because to settle the RM and the supply chain cycle takes time and in Q3 we will quite settle with the RM and we also created a lot of new dealers because of the new segment we enter. So we are quite positive on this part of the business also and I think we will improve the veneer sales and the flooring and door sales, but I am not sure the kind of growth we did in Q3 if we could maintain that but yes, the business will improve, there is much more to be done in that segment and we are working towards that.
- Sameer Tulshan:** Just one indication like, if this quarter included some one-off sales which one should exclude and consider nothing like that?
- Saurabh Mittal:** Well, we have new product launches, so maybe you could say little bit of customer has got an additional stock which we will do secondary sales in this quarter, nothing very significant, we could say.
- Sameer Tulshan:** And what would be the approximate margin of veneer business in the current quarter, ex the new businesses wooden flooring and door business?
- Saurabh Mittal:** If you look at the veneer business this quarter the operating profit were about 17 odd percent. While the flooring and door business at the operating profit level we lost over Rs 4.1 crores
- Moderator:** Thank you. We have the next question from the line of Achint Bhagat from Ambit Capital. Please go ahead.
- Achint Bhagat:** Couple of questions. Firstly, wanted to understand the raw material dynamics. When you say that there has been deflation in the prices, what exactly can we quantify the extent of depletion in both Kraft paper and others?
- Saurabh Mittal:** So if you look at segment wise, in laminates three large heads under RM are Kraft paper, decorative paper and various kinds of chemicals. So for Kraft paper and decorative paper there has not been much correction in prices. On the chemical side which are mainly constituted of phenol, melamine and methanol. So there has been a correction on that part of the cost. About one-third of the RM comes from the chemicals, so there has been a reduction. . Because the value of sales went up due to and mix improvement that has also contributed to higher gross margin in the business.
- Achint Bhagat:** So of this one third which is chemicals what would be the extent of correction, is it directly linked to crude or is there a formula?

- Ashok Sharma:** Achint, the chemical is roughly 38% of the raw material and three major raw materials which is phenol, melamine and methanol, out of this phenol and methanol are linked to derivatives of crude so that is somewhat linked to the crude, may not be exactly in the same proportion but that is linked to the crude. Melamine is not linked to the crude. Melamine is derived of urea, so that is linked more with the gas.
- Achint Bhagat:** And are the chemicals imported or procuring indigenously?
- Ashok Sharma:** Normally it is imported. But even though it is procured locally also the price is peg to import.
- Achint Bhagat:** What I was trying to understand is that what is the FOREX policy here?
- Saurabh Mittal:** In terms of forex policy we do have sizeable exports also, even now total in terms of rupees the exports are higher in comparison to imports but import we will have a larger credit cycles so creditors will be more. So at any moment of time or on a monthly basis or bi-weekly basis whatever will be the outstanding open position will be hedged.
- Achint Bhagat:** And another question is that since the larger players would be benefiting from the input price correction. So is there some sort of price correction or is there pressure from channel to reduce prices right now or are you able to hold on to your current prices?
- Ashok Sharma:** If you see Achint, in this even though the prices of raw material have reduced but the foreign currency has gone up. So the players who exports, probably they will be feeling less pressure like us. but yes, there are pressure in terms of the market prices but we are able to hold on this one.
- Achint Bhagat:** Okay and as I see the inventory is about close to 80 days. What would be the split between finished goods and raw materials here?
- Ashok Sharma:** The major part of this is raw material and FG will be around 20 days and this is around 57 days.
- Achint Bhagat:** So again, is it fair to assume that the reduction in inventory days of four days largely because again deflation in input prices or is it something which internally the company has administered?
- Ashok Sharma:** Yes. We are continuously checking the inventory and when the sales are going up probably we are managing with the same inventory. In terms of value if you see there won't be much improvement. I will say there is a change from 203-200 crores only. But with the same inventory we are able to throw up more sales. So that is why the number of days is reducing.

**Achint Bhagat:** So where actually I was coming from sir is that, if 60 days is raw material inventory, so is it the industry standard, is there a way that over a period of time this number could come down or 60 is what it will remain over a longer period also?

**Ashok Sharma:** I think with the sales getting increased, that number of days will come down a bit but in terms of value this will more or less be in this range only, but when the sales will increase then hopefully the number of days should come down.

**Achint Bhagat:** So last question is on the Mikasa business. So on full utilization what is the revenue potential of Mikasa?

**Saurabh Mittal:** When you say Mikasa, there are two Mikasa, Mikasa Floors and Mikasa Door and Frames. Full utilization right now is a dream for us, but if you say full utilization at the current price point for the flooring business we are looking at about Rs 250 crores kind of a topline and in the door business based on the value mix and when you do more doors it is more door leads we are looking at about Rs 80-100 crores kind of a topline.

**Achint Bhagat:** And you previously mentioned that you would be working in the metro cities and working with architects, etc., to establish Mikasa. So any major leads in any specific cities where you know you are seeing some reasonable traction pick up and the second question to that is what is the installation cost with the raw material of Mikasa because I would assume there is no ancillary raw material and even the labor cost here will be much lesser than a substitute product such as tile.

**Saurabh Mittal:** So if you look at this, I have got two answers. On the Mikasa Floor we are building not only in metro cities but pan India, in the major towns of may be 35-40 odd cities countrywide. We made a good progress in terms of specifications. The project pipeline, specifications pipeline is quite healthy. I do not want to go item-wise with you which project we got, etc., but I think it is quite positive on the Mikasa Floor specification because we have already been working on it for the last about 12-15 odd months on that and we are seeing that is transferring into sales and noteworthy point here is this whole model we are not keeping any FG within the marketplace and these are all on immediate payment basis. We are not really giving a credit in the market. Offering to the market this product and installation normally done by the channel partner and which is mostly third party. So we are giving the product and the matching accessories which no other importer trader gives.

So all the Mikasa Floors, the products we have are color matched with the right accessory of scurtung, profile, etc. It is the whole package we are giving to the market with the underlay and the channel partner gets it installed through the installers.

So depending on the size of the installation but you could safely say the average realization we are getting is about Rs 270-275 business square feet on an average you know and the installation cost will vary from may be Rs. 20-25 a square feet for labor and for tile and this is very easy to install. It is a dry application. We are not able to put a value to the time being saved but I think that is also very significant and very important and we are seeing people move from high-end marbles to Engineered wood flooring and we have seen people move from laminate flooring to engineered wood flooring also, from premium tiles into wood flooring. So lot of premium developers, hotel chains, even residential homes, premium builders they are using engineered wood flooring in a more meaningful way than in the past because in the past there were no domestic manufacturers. Nobody really has been able to push those products and create demand for it and us with the pan India presence I think it is looking positive, people are liking the product, people are appreciating the application. So it is looking positive.

**Achint Bhagat:** So net-net it appears that close to Rs. 300-350 will be the cost to the consumer. Net installation cost per square feet, roughly in that range?

**Saurabh Mittal:** Yes, it could be slightly higher because the distributor will also have a margin of 10%-15%. You could say Rs. 350 could be a more accurate average price points.

**Moderator:** Thank you. We have the next question from the line of Ankit Shah from Vallum Capital. Please go ahead.

**Ankit Shah:** Just a quick question on the raw material side, where do we source paper from?

**Ashok Sharma:** In terms of Kraft paper which is normally procured indigenously from Star Paper, ITC Bhadrachalam and some bigger size Kraft paper is imported out of Europe and US. Base paper or design paper is normally imported from Europe, Japan and China.

**Moderator:** Thank you. We have the next question from the line of Pritesh Chheda from Lucky Investment. Please go ahead.

**Pritesh Chheda:** On the engineered flooring, veneer and the door system side if you could tell us the industry size that it has today and let us say 3 years from now what scale of business we wish to achieve in this three business segment areas?

**Saurabh Mittal:** If you go one by one, the veneer panel business I think it is estimate about Rs 2000 odd crores industry size. The engineered wood flooring is about Rs 500 odd crores value size. It is about 1.5-1.75 million meter square. The door business is a far larger business which has wooden doors or may be plastic doors or may be Masonite skin doors, there are various kinds of doors, steel doors. I think would be in the band of maybe Rs 5000-6000 crores kind of a figure. but

our addressable market will be a small % of this. So as far as our ambitions or plans are concerned we have talked in the past about doubling the veneer business over FY15, which could be about Rs 200-225 odd crores. The flooring business on a full capacity we can achieve about Rs 250 odd crores revenue. Currently the focus is on to ensuring better capacity utilization, better sales. The door business as we said earlier is on full capacity of Rs 100 crores.

**Pritesh Chheda:** Do you think 3 year is a good time frame to achieve it or it could be higher than those 3 years?

**Saurabh Mittal:** For decorative veneers I think 3 years should be okay. On the flooring business if you say 100% it will still take some more time I think to get 100% utilization. This could be more like 4-5 years. The door business I still want to withhold that answer right now because we are getting data from the market. So let us see how that goes before we already give you a timeline on that.

**Pritesh Chheda:** So is that laminate should be a 13,000 crores industry?

**Saurabh Mittal:** No, laminate is not a Rs 13,000 crores industry. Only the laminate business, the sales in domestic market and also pan India, we have said that in the past it is about Rs 4200-4300 kind of an industry size of which domestic market in the last year was about Rs 3500 crores and you have about Rs 800 odd crores exports out of India and we were about 18%-20% of the total industry size in value terms.

**Pritesh Chheda:** And the growth rate here? The industry growth rate?

**Saurabh Mittal:** I am not sure on that but, it probably mirrors the GDP growth, may be slightly lower because new construction is a challenge in the country as you know better than me. I think 5%-7% may be the growth rate of industry currently.

**Moderator:** Thank you. Ladies and gentlemen, as there are no further questions I would now like to hand the floor over to the management for closing comments. Thank you and over to you sir.

**Saurabh Mittal:** Dear friends. Thank you so much for all your time interest and queries and if you still have any more questions or queries you can write to Ashok and we will be happy to respond to them. Thank you once again. Have a great evening ahead. Bye.

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