

"Greenlam Industries Limited Q3 FY-15 Earnings Conference Call"

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Moderator

Ladies and gentlemen good day and welcome to the Q3 FY15 Earnings Conference call of Greenlam Industries Limited. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions, and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risk and uncertainties that are difficult to predict. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your Touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Saurabh Mittal – Managing Director & CEO. Thank you and over to you, sir.

Saurabh Mittal

Dear friends, good evening, and welcome to the maiden call of Greenlam Industries Limited. Along with me today on this call is Mr. Ashok Sharma – our CFO and SGA our Investor Relationships Advisor. The results and presentations have already been mailed to you and since this is the first call from Greenlam Industries I would like to take this opportunity to introduce Greenlam Industries to you.

Greenlam Industries the erstwhile decorative division of Greenply as part of Greenply Industries had grown to close to Rs. 800 crores topline business in FY14. Greenlam Industries has leadership in domestic and international markets for laminate business, leadership in the decorative veneer business in the domestic market and have launched new products in the decorative surface space which have tremendous potential to grow in the future. We have realized the importance of dedication and management focus in the segment of decorative products and surfacing material. The demerger was a step towards creating an independent identity to encourage new products, bring in more focus on the decorative surface products and also add alike products in the segment and also to optimize resource allocation.

The Board of Directors approved the demerger in September 2013. The honorable High Court of Guwahati approved the demerger in October 2014 and the demerger became effective in November 2014.

On the overview of the company. In Greenlam Industries we are into in the business of transformation of spaces. With over two decades of experience we pioneer in bringing international décor trend to the domestic consumer in the segment of surface



products which includes laminates, compact laminates, melamine faced chipboards and decorative premiums.

In the domestic market we are the leader in the product segments we are in to. We have the largest distribution network of over 12,000 distributors, dealers, and retailers. In the domestic market we are the leader in the surface decorative segment with over 18% of market share in the organized laminates market and we are the first company in India to launch engineered wood flooring. In the international market we are present in over 100 countries and we are currently the world's third largest producer and Asia's largest producer.

We offer a large area of decors to meet customer needs and demands. All the products are Greenguard certified and the products we have can be used for interiors and posterior applications. We are now dividing our business broadly into two segments. The main segment would be laminates and allied which is comprised of laminates, compact laminates, and melamine face chipboards. The second or the newer segments which we are carving out or creating would be called decorative veneer and allied products which will comprise decorative veneers, engineered wood flooring, and engineered doors which are going to be launched in quarter 1 of FY16.

I will take you through the markets now. First I will take you through the domestic markets and then the global markets. The domestic market of India of laminates is about Rs. 4,200 crores. Of Rs. 4,200 crores about Rs. 800 crores is exports and Rs. 3,400 crores is the domestic market in which about Rs. 2,000 crores is the organized market. With the increased exposure of global lifestyle to the Indian market the Indian market has witnessed a lot of change in demand for the surfacing products and newer products and value added products.

So catering to this demand we have lined up a very robust product portfolio across both the business segments. So besides laminates now we do compact laminates which are ideal for exterior cladding which are also called facade laminates. We do bathroom quotation laminates which are used for bathroom partitions, lockers, and children's furniture also. We just launched melamine faced chipboard in quarter 3 of FY15 which is basically engineered particle wood product which has demand from kitchen fabricators and furniture fabricators.

The decorative veneer market is about Rs. 800 crores right now of which about Rs. 500 crores to Rs. 550 crores is the organized market. We have the largest capacity of



4.2 million square meters in the segment and we are looking at adding two new variants in the veneer market which probably will be launched in quarter 1 of FY16.

The engineered wood flooring is under the brand called Mikasa . As I mentioned earlier we are the first company in the country to manufacture and launch Engineered wood flooring in an organized way. This market is estimated to be about 2 million square meters currently which probably growing at 20% to 25% per year. On the newer product addition from now we are looking at adding engineered door solutions which will be doors and frames and we will be the first organized company in the country to launch factory finished doors and frames.

This will have a capacity of about 120,000 doors and frames per year and we are setting up this plant in our existing premises of Behror of Rajasthan and we plan to launch this by first quarter of financial year 2016. The total capital expenditure is seeming to be about Rs. 27 crores. The board in its last meeting yesterday has also decided to expand the capacity of laminates so we are going to add 20% capacity in laminates which would be at in our Nalagarh factory in Himachal Pradesh and this should go on stream by quarter 3 of FY16.

Most of the products we have added over the last few years have tremendous potential to grow in the future and I am sure this will build up our revenues and profitability in the coming years as the product offering has become quite robust and we are pretty geared up to meet the demand in the market.

On the international market the global laminates and compact laminates market is estimated to be about \$7 billion and this is expected to grow by about 5.6% per annum until 2018 and India exports about Rs. 800 crores of laminates of which Greenlam Industries has a 40% market share at about Rs. 320 crores last year and over the past few years our exports have been growing at about 30% to 33% every year and we hope to maintain a steady growth going ahead in the global markets also.

So if you look at the product offering from the company in both the segments we are now practically into every decorative based products in the panel and our manufacturing capacities, and distribution network, our teams in domestic and the global markets are quite well positioned and we hope to take complete advantage of the potential market growth going ahead and we are pretty confident that the business and the growth of business will accelerate in the coming years.



With this I would like to handover the call to Mr. Ashok Sharma, our CFO. He will take you through the financials of Quarter 3 and 9 months of FY15. Thank you so much.

Ashok Sharma

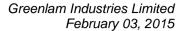
Welcome again everyone on the first call of the Greenlam Industries. I will take you through to the financial performance of the company for the third quarter ended December 2014. In this quarter we recorded the highest ever gross revenue of Rs. 215 crores at a growth rate of around 9.7% against the previous year same quarter.

This was despite the operation getting affected by nearly 10 days due to demerger process in November. The gross profit was at Rs. 84.7 crores with a gross margin of 39.4%. EBITDA for the quarter was at Rs. 22.9 crores and EBITDA margin at 10.6% against a margin of 12.1% in the same quarter previous year. The contraction in margin was due to the losses from the engineer wood flooring which is going through the stabilization stage since it was launched in September and the operation was also affected for 10 days due to demerger.

High interest charges this quarter around Rs. 7 crores was due to additional interest of Rs. 2.36 crores towards new facility of MFC and engineer wood flooring which was commissioned in September, October. Depreciation grew by 46.8% was at Rs. 8.1 crores mainly because we started charging depreciation for new facility in MFC and engineer wood flooring and for the company law change in the depreciation rate. Exceptional item of Rs. 1.1 crores was due to fluctuation in foreign currency. PAT for the quarter was at Rs. 4.7 crores against Rs. 8.8 crores in previous year same quarter predominately due to high component of interest and depreciation.

Our domestic sales grew by 7.8% to Rs. 123 crores lead by good performance from laminate and allied products. Export revenue for the quarter grew by 12.3% at Rs. 91.8 crores. Now I will take you to the nine months performance. Revenue grew by 6.6% to Rs. 613 crores while EBITDA remain relatively flat at Rs. 70 crores with a margin of 11.4%. This was slightly reduced in comparison to 12.2% EBITDA margin in the same period last year. The drop was due to the cost associated for the new product which was started in September-October.

PAT for the nine months saw a marginal decline to Rs. 21.9 crores again due to higher depreciation and interest cost lead by newer facilities. Net debt as on 31st December 2014 stands at Rs. 260 crores and our debt-to-EBITDA is at Rs. 1.16 crores. Our working capital days has also improved from 88 days to 59 days as on





31st December 2014 lead by our initiative in improving our working capital management. Our laminate division has been running at 110% of the installed capacity and to meet the future demand board has approved the expansion of laminates. We have planned to add a new press line in the laminate plant at Nalagarh which will lead to an addition of 2 million sheets per annum this increases our capacity by 20%. The cost of the expansion will be Rs. 20 crores and we hope this will be operational by quarter 3 of FY16.

Our new capacity after this our addition our expanded capacity will be 12.02 million sheets. As explained in this call, we have divided our business into two new segment laminate and allied products and decorative veneer and allied products. So we will be coming to the segmental performance. Laminate and allied products have formed 90% of our quarter 3 sales. Laminate part of business grew by 12.5% and recorded the highest laminate production of 3.02 million sheets with a capacity utilization of 121%. Laminate sales grew by 7% to 2.95 million sheets and the average realization of laminate also improved by 4% to Rs. 616 per sheet.

International business contributed to 50% in terms of volume and 48% in terms of value of laminates. Commercial production of Melamine Faced Chipboard also started on 1st October 2014. Decorative veneer and allied products form 10% of our Q3 sales. Production of veneer in this quarter stood at 2.1 lakh square meters against vis-à-vis a sale of 2.33 million square meters. Average realization improved by 2.5% to Rs. 833 per square meters. The production of engineered wood flooring has started in September and the unit is stabilized in this quarter. We are in the process of putting sales and distribution network in place.

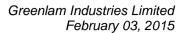
This is all from our side. I now like to open the floor for question and answers. Thank you very much.

Moderator

Thank you very much. We will now begin the question and answer session. The first question is from the line of Baidik Sarkar from Unifi Capital. Please go ahead.

Baidik Sarkar

Thanks for your presentation I think it covers lot of ground both from a macro and micro perspective. Just wanted to understand the quality of your revenue growth in the last five years, in terms of qualitative detail. Your consolidated laminate revenues I mean unless my data is wrong has grown on CAGR of about 17% that is from FY9 to FY14 whereas your exports you say you have grown at CAGR 33%. So that obviously means that the domestic segment has been stagnant or has been under a lot





of pressure. So if you could help us understand the context of this historical under performance in the domestic business it will help us appreciate the context better?

Saurabh Mittal

So I think you are right that the domestic business for the last few years have been under pressure in terms of the growth in the business and exports are grown at a far faster pace than domestic business. While if you look at the nine months business domestic growth is at about close to 12.5% in the first nine months. So I think as we move forward we are looking at higher growth in the domestic market so this is where we stand.

And also moving ahead we are not looking in expanding our international markets too much we probably will be looking at consolidating the presence we have made in various markets and international market and lot of the new products we are launching the floor, the door, the expansion of laminate capacity, we presume will have a large market in domestic market.

Baidik Sarkar

So what kind of marginal differential do we have sir, between the domestic and the export markets?

Saurabh Mittal

We have not done that math but we have always been asked that but because inventory and the manufacturing is all being commonly shared between exports and local. So we have divided the business into two parts now which was earlier clubbed with the laminates business. We have done laminates as one business and decorative veneer and allied as one business. So if I have to answer I would say it will not vary too much. It will be very similar.

Baidik Sarkar

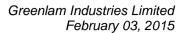
I understand that is mathematically very intense process but at least if you could give me the number for realization for instance it looks like our blended average realization is about just Rs. 620 so you know what would that be in the domestic market and what would that be say for export billing? So if you could just give me the realization number it will help us understand it better.

Ashok Sharma

The realization for domestic market stands at Rs. 676 for the first nine months per sheet vis-à-vis export is stands at Rs. 548 per sheet.

Baidik Sarkar

That is interesting because I was on the understanding that we somehow make better margins in exports but that is okay. So going forward what is the change in the domestic markets given that we have concentrated our bandwidth on increasing our





export share so what do you think will change? If we have to redirect bandwidth from export to domestic is that a function of higher distributor penetration is it a function of higher sales promotion in domestic I mean what do we need to do internally to make this reorientation?

Saurabh Mittal

So let me put this way what we have done I will explain that to you. So over the last year or so we have launched a fair amount of new products to increase the focus on domestic market like the façade laminate which is a clad laminates it is nearly completely focused on domestic market. We have launched HD Gloss products which is the anti-scratch high resistancy again focus on the domestic kitchen segment. So one is the product variants and the product launches are already been sorted out.

We are looking at a more robust sales team moving ahead we are going to divide the sales verticals between laminates in one segment and decorative veneer in one segment which will become effective in April and already if you see this year compared to last one or two years we are seeing improvement in the domestic business. So excessive steps in product launches, segregation of team, increased management focus I would say has already happened and we have seen improvement in domestic sales for the last quarter in fact this whole year.

Baidik Sarkar

Okay that is interesting. So on an additional basis what kind of a blended growth rate should we assume I mean what would be your conservative assumption?

Saurabh Mittal

So I would say for this year closing which is FY15 I think we look at about 10% to 12% kind of a growth rate when you close this year. Moving ahead we could look at a 15% to 18% kind of a growth for next three odd years.

Baidik Sarkar

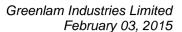
And that will be also lead by the export market say about 30% or will it be more balanced?

Saurabh Mittal

I do not expect exports to grow at 30% to 35% moving ahead. So if you see last 9 months exports has grown at an average of about 5.32% so I think exports will also grow at probably 10% to 12% moving ahead.

Baidik Sarkar

And obviously we seen the margin pressure of this quarter will that correct in the coming quarters?





Saurabh Mittal

So margin pressure happened actually for two reasons. Although we had a highest production in the last quarter we could not sell all the materials and our business was the operation was slightly disturbed for about 10 to 12 days because of changes in all the VAT numbers, excise numbers, import-export course so raw material supplies got bit disturbed. So our production was higher than our sales in the quarter 3. So margin pressure two reasons. One was operation has been disturbed. Number two, we had absorption of losses of the new product category.

Baidik Sarkar

So going forward will it be fair in assuming that your EBITDA will revert to at least about 11% to 11.5%?

Saurabh Mittal

Yes, it should and also moving ahead actually at least in this quarter will also see improvements in raw material cost with the crude reduction one of our major chemicals which is phenol, PEG, crude, and benzene. So we are having some favorable price points there too. So I think as we move in this quarter we will see sustained manufacturing and sustained utilizations in laminates and we will expect improved business in the decorative veneer allied and also better RM costs will help our business.

Baidik Sarkar

Yes, actually that was my next question. So as a percentage of the raw material how much is crude linked?

Saurabh Mittal

Of the total raw material if you say may be about 25% could be crude linked of the RM cost.

Baidik Sarkar

And my last question would be so when exactly are we expecting the new listing, sir?

Saurabh Mittal

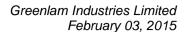
So I think the NSE approval has come in the papers are filed in SEBI. So by we are expecting; end of February and first week of March the listing.

Baidik Sarkar

Lastly, since we expect the incremental capacity 20% to come in only by Q3 is it fair to assume that barring any realization growth our numbers will be mostly flat at least for next three quarters?

Saurabh Mittal

If you sees quarter one and quarter two our utilization in quarter one and quarter two was lower than what we expected. So we were at about 103 and 105 plus utilization. So I think if you see quarter 1, quarter 2 FY16 we have the potential to maximize the utilization which will also be driving value growth.





Moderator Thank you. The next question is from the line of Jignesh Kamani from Nirmal Bang.

Please go ahead.

Jignesh Kamani Sir, just want to check we have subsidiary in the laminate division overseas. So the

number mentioned is including in the revenue or the profitability or loss of the

subsidiary or it is only standalone number?

Saurabh Mittal No, this is only standalone so this year we have decided to do only standalone

numbers because it is the quarter 1, quarter 2 results for standalone declared only. So

all these numbers are just purely standalone numbers.

Jignesh Kamani So can you give some color on how is the performance in the overseas subsidiary in

terms of demand environment?

Saurabh Mittal So if you see the subsidiary results over the last nine months overall consolidated

exports have probably grown at about 15% to 16% in rupee terms and with the export

growth in the domestic market the subsidiary is also growing. So the US business is

performing fairly well and UK business which has started a year, year-and-half back because the base is low, the sales growth is pretty good actually, and the Asia Pac

business is probably growing at 8% to 10%. So this is broadly what we are doing

there.

Jignesh Kamani If you talk about we recently started manufacturing and the launching of the wooden

flooring as you mentioned?

Saurabh Mittal That is true, yes.

Jignesh Kamani So how much CAPEX we have incurred and how is the initial phases. I think we

started you can say trial production and the selling in last three to four months I

suppose?

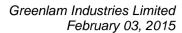
Saurabh Mittal Yes, September we declared the commercial production of the engine wood flooring.

Jignesh Kamani So what is the initial feedback that we got from...

Saurabh Mittal So the initial feedback has been quite positive the product quality has been

appreciated, the finish has been appreciated. We have already setup fair share of dealer, distributors and several installations have happened. So overall the feedback

is quite positive.





Jignesh Kamani

So then it will be competing with likes of Pergo and other ones?

Saurabh Mittal

So we will actually competing with companies from Europe called Carz, Tarkett, Barlinek, and Unilin. So Pergo was in laminate flooring went in to the engine wood flooring. So yes, if you take a broader view yes, we will be competing with Pergo also we will be competing with high-end, tiles carpets Italian marble. So it is a flooring so we will be competing with all the products been used in the flooring segment.

Jignesh Kamani

And what will be the pricing and margin of the division?

Saurabh Mittal

So pricing will start from about Rs. 250 a square foot which will go up to about Rs. 900 and Rs. 950 square foot. And the profitability right now base is very small. With the way the sheets are looking at right now we will probably breakeven at even 20% capacity utilization. So we will have to see how this moves up.

Jignesh Kamani

But if you take about two or three years when the utilization level reach to around 90% to 100% which will be similar to what you are doing in laminate or better than that?

Saurabh Mittal

If we are able to achieve those utilizations which we should be may be not in two to three years but may be over four year period the margin should be superior than what we are doing right now.

Jignesh Kamani

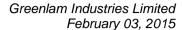
And how is the working capital cycle in the wooden flooring segment compared to laminate? Because SKU will be slightly lower than what you have in mind?

Saurabh Mittal

So in the engine wood segment the number of SKUs whether it is raw materials or the finished products so far are lower than laminates and also the number of decorative veneers we use is probably only 9 or 10 species which gets stain into different colors and part of our raw material also common to the natural veneer business. So we have synergies in raw material cost overall and the debtors term is also far lower. Right now we are operating on a cash term or a seven day payment terms so if we are able to run the business well the working capital cycle should actually overall improve if this works well.

Jignesh Kamani

So as you can say you have increase the revenue from wooden flooring your consol return ratio will improve?





Saurabh Mittal

Yes, that is true.

Jignesh Kamani

And how is our working capital cycle in the laminate division because we have revenue coming from the export market and spread out across the region we are slightly heavy on the inventory side?

Saurabh Mittal

So I will ask Ashok Ji to respond to that.

Ashok Sharma

The inventory number of days in quarter 3 was around 80 days and for debtors it is 52 days and creditors it is 76 days. So net working cycle it comes to 56 days in quarter 3. And corresponding inventory figure was 84 days; debtors was 70 days, and creditors was 56 days. So net working capital cycle was from 97 days we are able to reduce it to 56 days.

Jignesh Kamani

So it is sustainable or how?

Saurabh Mittal

Yes, this is a combination of improvement in working capital management and also the shift from buyer's credit to sundry creditors. So this level on a standalone basis is sustainable. If you see Q2 63 days, so from 63 it improved to 56 days.

Jignesh Kamani

And my last question is what will be the CAPEX plan for this year for all expansions put together?

Saurabh Mittal

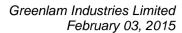
So CAPEX like we said now we are doing two CAPEX and the good part of the CAPEX is now we are not looking at going to any other new locations. So the laminate expansion is going to cost about Rs. 20 crores and the door expansion will cost you about Rs. 27 crores approximately hence Rs. 50 crores to Rs. 55 crores kind of a CAPEX in FY16. Over the pending period of this quarter 4 of FY15 and the next year.

Jignesh Kamani

But as of now if you take our-post demerger our debt is slightly higher side. So you see that it will get moderated in next two or three years?

Saurabh Mittal

If you see the business now like I was mentioning and as we mentioned in the presentation also with the existing infrastructure we can expand up to 60% to 70% of the laminates capacity in the same premises. So our incremental capital expenditure is going to be minimal and the veneer business the engineered flooring business and the door business is happening in one premises. So lot of shared resources of raw material and equipments are being done. So incrementally from where we are now let





us say if we take FY14 or FY15 as starting point incrementally our need for capital expenditure to drive revenues is going to be minimal. So yes, once the business starts performing better in terms of top line and growth our CAPEX needs would reduce incrementally and we will be able to improve our debt position.

Jignesh Kamani

And how is the scenario at the ground level particularly in India in the laminate and the decorative veneer side because if you take the performance of various builder and our distributor channel it is slightly weak right now and the demand?

Saurabh Mittal

So the way I would like to put it if you see our quarter 3 numbers it is not truly reflective because genuinely the business got disturbed a bit. So people are talking better, there is a better sentiment but I am not sure of ground reality whether there has been a big uptick in the demand. But I can say that we will only striving hard to build our business and expand our penetration on the market and probably take away share from unorganized players. Ground reality at least to us sentimentally yes, it is much better but is there a big change in demand, I do not see much changes in demand.

Moderator

Thank you. The next question is from the line of Nehal Shah from Antique Stock Broking. Please go ahead.

Nehal Shah

Just wanted to know on three different markets where we are basically entering for the first time. So all the three segments which is melamine faced chipboard, engineer wood flooring and the doors. So can you just elaborate on each of these product segments?

Saurabh Mittal

So if you see I will go one-by-one. So melamine faced chipboard is going to be clubbed to the laminates business. It is a small segment so the idea of doing melamine faced chipboard was when you go to OEM kitchen fabricators or office furniture fabricators they want the laminate sheet which is going to be the main product, they want the same décor, the same laminate paper on a chipboard. So the idea if you see is to support the laminate business in the modular furniture market and in the kitchen market. So melamine faced chipboard is going to be a small segment for us but it is going to help add revenues from the laminate business. So melamine faced will be looked upon more as a support to the laminate business; number one.



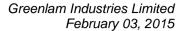
On the engineered wood flooring market the current market is anything between 1.5 to 2.5 kind of a million square meter market. Globally, engineered wood flowing market is about 4% to 5% of the total flooring market in the world. So that way engineered flooring market is a high potential in terms of the category expansion and also we believe that there is a growth of about 20% to 25% in the engineered flooring market. Most of the newer upward to higher end homes hospitality change high endretail have started using engineered wood flooring in one room, two rooms, etc. And also the initial response we have got for the product while we have been setting up dealers and setting up the displays, brand shops, setting up the marketing programs has been quite encouraging.

The third segment you have talked about is the engineered doors. So in doors also we are targeting a very big number initially the door market is a large market it is probably going up to anything between 15 to 20 lakhs doors a month. So currently with the way the door market works there are players producing flush doors then somebody gets the laminate or a veneer and somebody else does the frames. So we are saying we are going with the solution for market we are going to provide customers with matching frames, matching surfaces and the finished product. And this kind of a product is not available in the market and this is a big pain area for builders or home owners as they have to coordinate with many, many agencies to finalize the door.

And doors still is viewed as a utility product and we want to make it like a furniture product we want to make doors as a lifestyle product like we have done with laminates and with veneers. So the idea of doing this newer segments was that we get into all decorative service products in the panel trade which typically is all forms of laminates whether it is a facade laminate or partition laminate, digital laminate, standard laminates, and then to support laminates we have to melamine faced chipboard which we have entered. Then if you look at the veneer business we will be into veneer business you can do matching veneers on the floor and you can matching veneers on your doors. So basically all decorative veneer and allied products and all laminates and allied product is where we are going to play or build the business.

Nehal Shah

How big can these business be going forward say over the next five years? Could these segments be bigger segments than what obviously laminates will continue to be the main stay but these segments could be what around 20% to 30% of your total turnover going forward over five years?





Saurabh Mittal

Yes, so I would say moving ahead this laminates will be the largest share with laminates and compacts keeping in mind domestic market opportunities and the \$7 billion of global market but these businesses the entire veneer and allied business it may not be as large but yes, it can be 25% to 30% of the business with potentially if this business runs well the higher margin because there are fewer players in the segment and we have a unique opportunity where all the products have done under in one plant so lot of common sharing of raw material equipments is possible. And tracking this no other company in the country which does veneers which are engineered wood flooring and with our finished orders in the market.

Nehal Shah

So this would also result in say better fixed asset return as well as good margins and good ROCE?

Saurabh Mittal

Like I just mentioned earlier as we move ahead for the next three to five years to take care of growth objectives with the disciplined balance sheet we do not need to move to a third location unless the demand ousted the supply which I do not expect and we can very well improve laminates capacity nearly 60% to 70% in the existing plant we have enough capacity in veneer right now. We have build enough capacity in melamine face, and we have built adequate capacity in the flooring business.

The door business also we are bidding the same plan. So as we move ahead our need to increase fixed cost or fixed investments is going to be minimal and turnovers proportionally will increase. So let us say laminates we are going to invest Rs. 20 crores to build the new line which will expand the capacity by 20% and on a full utilization the turnover can go to Rs. 120 crores. So typically we have followed a 1:4 in this case it become 1:6. Incrementally as we plan our CAPEXs very carefully and in the same premises there will be a lot of synergy as we move ahead.

Moderator

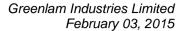
Thank you. The next question is from the line of Bhavin Chheda from Enam Holdings. Please go ahead.

Bhavin Chheda

Sir, just a few questions on how will the CAPEX be incurred over FY15, FY16, and FY17 because you are doing lot of projects together?

Saurabh Mittal

It is actually Bhavin, this is the CAPEX, now we are just going to do we are doing two CAPEX. One is Rs. 20 crores expansion of laminates which is increasing capacity by 20% and the expansion of setting the engineered door products in the same premises which is about Rs. 27 crores. So besides these two CAPEX in this





quarter 4 FY15 and the full year so there is no other major CAPEX the balance will be routine CAPEX which we normally do of Rs. 4 crores to Rs. 5 crores for plates, etc. So this is what we are looking at. And if demand of laminates is still very high and we are able to drive full capacity in a FY17 we might need one more line which again will come in the same plant. We have enough space and infrastructure to put in additional capacity. So incrementally if you take a two-year view FY16-17 you are looking at about Rs. 70 crores to Rs. 75 crores of CAPEX with two new products and routine CAPEXes.

Bhavin Chheda

So you are saying this Rs. 47 crores will be spent between last quarter and FY16 it will get over?

Saurabh Mittal

Yes, FY16 9 months you can say in this quarter. So if you take FY16, FY17, and quarter 4 of FY15 approximate CAPEX you could put as Rs. 70 crores to Rs. 75 crores.

Bhavin Chheda

The maintenance CAPEX per annum would be what?

Saurabh Mittal

I have loaded the maintenance CAPEX if we add one more laminate line in FY17 which again we do not need to go to a new premise in the existing plants we have space available and infrastructure available to put in the lines. So again the CAPEX will be in the band of similar you can put Rs. 20 crores to Rs. 22 crores types.

Bhavin Chheda

And sir, how much time it would take to ramp up this engineered wood floor as well as the melamine faced chipboard? What is the breakeven capacity utilization and I missed out the loss number which was say to start up this capacities in this quarter?

Saurabh Mittal

So if you see engineered wood flooring with the current maths will breakeven at 20% utilization and while since this is a finished product we are dealing with so we still need to put in some marketing programs in place. The product performance is pretty good; the acceptance has been very positive. So I think you can look at a full utilization of about 4 years from now. So maybe you were looking at FY19 type but every year we can improve the performance of the business.

Bhavin Chheda

And what would be the turnover at full utilizations in FY19?

Saurabh Mittal

On full utilization we can go to about Rs. 300 crores to Rs. 350 crores.

Bhavin Chheda

This is pure engineered wood floor?



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Saurabh Mittal Engineered wood flooring which we were doing in three product segments again

which is 10 millimeter product, 13 millimeter, and 15 millimeter.

Bhavin Chheda And similarly for MFC board?

Saurabh Mittal So MFC board is a small segment Bhavin, it is allied with the laminate business so

we have adequate capacity but since we are not a core to do so motherboards so we cannot compete in the commodity market. So we are going to sell the melamine faced chipboards wherever our laminate products are specified and since we have a large décor range of laminates so that gets pasted on to the chipboard and supply to the market. So here we are not expecting a big volume business while from a capacity point we can even go up to Rs. 70 crores to Rs. 75 crores of revenue but I think you can safely say we can do like Rs. 30 crores to Rs. 35 crores revenues

annually here.

Bhavin Chheda Rs. 30 crores to Rs. 35 crores annually?

Saurabh Mittal Yes.

Bhavin Chheda From what second, third year?

Saurabh Mittal Yes, I think FY17 you could put that.

Bhavin Chheda And the startup cost how much were accounted in the quarter?

Saurabh Mittal In engineered flooring where we had accounted about the total CAPEX of about Rs.

85 crores and melamine faced of about Rs. 15 crores approximately.

Bhavin Chheda No, I was saying in the quarter I think you have mentioned there was some losses in

this division before the EBITDA line, right?

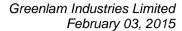
Ashok Sharma Yes. In the flooring the EBITDA level it was Rs. (-1.83) crores.

Bhavin Chheda It is negative?

Ashok Sharma Yes, negative. And at PBT level because the depreciation in interest cost was higher

it was around Rs.(-6.05) crores.

Saurabh Mittal This is four months quarter 3 will be four months Rs. 4.9 crores.





Bhavin Chheda And MFC would be a smaller number?

Saurabh Mittal MFC is a smaller number and it has been cloud with laminates.

Bhavin Chheda So Rs. 1.83 crores before the EBITDA line loss and PBT Rs. 6 crores?

Saurabh Mittal Yes.

Moderator Thank you. The next question is from the line of Jainil Zaveri from J&J Holdings.

Please go ahead.

Jainil Zaveri I just had one. Basically what is the dividend policy that the new company is now

going to follow and is there a one and what is it?

Saurabh Mittal Well, we have discussed this we have not taken a firm decision with the board or

something of that sort. So approximately you can take because we are a growth-oriented company so about 8% to 10% of PAT we will look at giving out as dividends and next few years will be growth driven and I am sure when the business improves and the margin the cash flow improves we can expend this to 18% to 20%.

improves and the margin the cash flow improves we can expand this to 18% to 20%.

Moderator Thank you. The next question is from the line of Rohan Koshi from New Horizon.

Please go ahead.

Rohan Koshi I just wanted to ask a question in terms of engineering doors at full utilization what is

the revenue potential?

Saurabh Mittal So if you see on engineering doors on a full utilization we could go up to about Rs.

100 crores of revenue.

Rohan Koshi And by when do you think you will reach that you said in 4 years or so, right?

Saurabh Mittal I think it will take four years to reach to full capacity.

Moderator Thank you. As there are no further questions, I would now like to hand the floor over

to Mr. Saurabh Mittal for closing comments.

Saurabh Mittal Dear friends, thank you so much for taking off time and listening to us patiently. You

are most welcome to send out your queries if any known to Ashok or to SGA we



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would be happy to address them and thank you so much once again and have a great evening ahead.

Moderator

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