

IT System upgradation at Greenlam Industries led to decline in numbers; but will meet the annual target: Ashok Sharma, CFO

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Upgradation of IT systems in April led to a disturbance in operations for 15 days, which led to the fall in numbers in the first quarter of the financial year 2020, says Ashok Sharma, Chief Financial Officer (CFO), Greenlam Industries Limited. In an exclusive chat with Swati Khandelwal, Zee Business, Sharma said a decrease in sales had an impact on the margins but are hopeful that we will be able to improve its conditions in the upcoming 9 months. Edited Excerpts:

Q: The numbers are weak on both margin and bottom-line and the expenses of raw material have increased by 20%. What led to this fall and what is your outlook on the situation?

A: We had declared it in our results that we upgraded our IT systems in April which led to the disturbance of operations for around 15 days. The quarter was disturbed due to this reason and we will try our best to bridge this gap in the next 9 months to come as well as complete our annual growth target. This is a reason that there was not much growth in the revenue in this quarter. The EBITDA and PAT have decreased compared to the last year due to the reduction of sales and revenue. We will improve the conditions in time to come and meet the growth target.

Q: Are you planning to increase the prices of products to improve the margins as the operating profit margins have slipped to 10% from 12%?

A: We usually prefer the way of price hike when there is a pressure on raw materials, and I don't think it is necessary as there is no increase in the prices of raw materials. Reduction of sales had an impact on the margins but are hopeful that we will be able to improve its conditions in the upcoming 9 months.

Q: There were talks related to breakeven in the decorative veneer segment but there was no increase in the revenue of the segment. What is your view on the segment?

A: There are two major products in our decorative veneer segments, and they are engineered veneers and engineered doors and our revenue has increased these segments, but we haven't reached the break-even mark till date. However, we have a faith that the breakeven will be achieved this year.

Q: What is your debt situation as the debt-equity seems comfortable standing at 0.6 and are there additional plans to reduce the debt?

A: Although, the revenue has decreased but we have an important focus on cash flow, and we were able to reduce our debt by Rs5 crore in this quarter. Besides, we will have a focus on debt and cash flow in the next 9 months too and any additional cash flow will be used in reducing the debt levels.