



“Greenlam Industries Limited Q3 FY-19 Earnings Conference Call”

February 14, 2019



**MANAGEMENT: MR. SAURABH MITTAL – MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER, GREENLAM INDUSTRIES
LIMITED
MR. ASHOK SHARMA – CFO, GREENLAM INDUSTRIES
LIMITED
MR. SAMARTH AGARWAL – AVP FINANCE,
GREENLAM INDUSTRIES LIMITED**

Moderator: Ladies and gentlemen good day and welcome to the Greenlam Industries Limited Q3 FY19 Earnings Conference Call. 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 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 '*' and 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 you sir.

Saurabh Mittal: Good afternoon friends and a very warm welcome to all of you. On the call, I am joined by Mr. Ashok Sharma – CFO, Mr. Samarth Agarwal our AVP-Finance and SGA, our investor relations advisors. The results and presentation are available on the stock exchanges and on our company's website. I hope everyone had a chance to look at it.

It has been a benign quarter for most building material players. However, our belief is that players with strong brand recall, ~~with a~~ robust and meaningful distribution, dealership network, backed by continuous designs and innovative products have outperformed broader markets. Due to increase in raw material cost, most of the players have been compelled to increase product prices, alter their product mix, manage working capital cycle and penetrate volume sales in different geographies to improve the overall performance. However, not all players have been able to take price increase. Largely due to tough domestic environment and slow pick up in housing sales. On the other hand, export markets have been nervy due to on going global concerns, huge volatility in currency and very uncertain political events like –Brexite, US China trade war, etc.

However, at Greenlam, we enjoy very strong brand presence and have been able to increase our prices and improve our revenues. The leadership position is clearly playing well for us. Our revenues grew by 12% at Rs 314 crore for the quarter, led by increase in price realisation and improvement in product mix. In volume terms for the quarter, laminates, which is the core business of the company grew by 2% in the domestic market and has been largely flattish in the export market. On the other hand, the decorative veneers and allied business had reported a healthy growth of 15% for the quarter. The Engineered door business has broken even at the EBITDA level during this quarter and we expect this momentum to continue going ahead. On the operational front, our team has continued to focus on cost control programs and enhanced operational efficiencies. There has been a serious effort to push value added product sales. However, due to tough housing market, our domestic volumes sales have been muted for the quarter. Since, we are in decorative surface solution, distribution and channel partner is our key aspect. Our connect with architects, dealers, carpenters for better execution at ground level has been a joyful experience for last several years. On the positive note, the domestic commercial

market seems to be opening up. We have been experiencing a fair share of inquiries from the commercial market. On the domestic housing piece, the prime focus of the interim budget 2019 was largely to push the rural economy and infrastructure development. This will boost the building material space and demand for the housing products will grow. However, we think this will be a gradual increase over the next few months or few quarters. But the larger opportunity is still huge, as we see a gradual pickup in demand and we see a very positive future for our company. On the export front, we think we will be able to sustain the value growth over the next few quarters. We are also happy to announce that the board of directors have approved to acquire Decolan SA. It's a company incorporated in Switzerland and we want to acquire it through our Singapore subsidiary. The cost of the acquisition at the enterprise value will be under 1 million Swiss Francs. Decolan SA is an importer and distributor of laminates and allied categories like compact laminates, façade products, etc. They services markets like Switzerland Italy, Netherlands, Belgium, France, Sweden etc. basically the central Europe market. For the Calendar year 18, the turnover of the company was about 2.8 million Swiss Francs, which is approximately 20 crore. And post this acquisition, our service in the Central Europe market will be far more robust. Currently, we do not have a distribution setup there. We only service direct customer and this will also help us expand our export sales.

I think that is about it from me at the moment and I would like to hand over the line to our CFO Mr Ashok Sharma, he will take you through the financial and operational highlights of the company for the quarter and the nine months.

Ashok Sharma:

Good afternoon friends. I will take you through the financial performance of the company. First on the quarterly basis and then for the nine-month basis. For the Q3 FY19 on a consolidated basis, our revenue grew by around 12% to Rs 314 crore as compared to Rs 280 crore in Q3 FY18. Gross margin expanded by 20 points to 48.3%. EBITDA for this quarter was at Rs 41.1 crore, with growth of around 5%. EBITDA margin stood at 13.1% as against 13.9% of previous year same quarter. PAT for the quarter was at Rs 19.8 crore a growth of 14%. Our domestic sales increased by 8% to Rs.184 crore and exports grew by 18% at Rs 129 crore.

Moving on to financial performance for nine month FY19, on a consolidated basis, our revenue grew by 10.4% to Rs 920.5 crore. EBITDA for nine months was at Rs 114.1 crore as against Rs 110 crore in the nine months previous year. EBITDA margin was at 12.4% as against 13.2% in the previous year. PAT grew by 14.1% to Rs 53.4 crore. Total debt is at Rs 273.5 crore including short term debt of Rs 183 crore. Our debt to equity ratio stood at 0.68 on annualized basis. Return on capital employed stood at 16.7% whereas return on equity stood at 17.5%.

Moving on to segmental performance, laminate and allied product, which is our core segment and forms around 85% of our Q3 and nine months sales. Laminate segment recorded a sales of

Rs 262.4 crore a growth off 11.5%. Sales volume for the quarter were at 3.28 million sheets a growth of 0.6%. The production volume was at 3.57 million sheets with growth of 5.8% and utilization level was at 102%. Our average realization for the quarter was at Rs.761 per sheet as against Rs 701 per sheet in previous year same quarter. International business contributed to around Rs 124 crore that is around 47% of laminate segment.

For the nine month, sales grew by 8.8% to Rs.782 crore with a volume sales of 9.78 million sheets a de-growth of 3.2%. EBITDA margin contracted by around 30 basis point to 13.4%. Production volume reduced by 1.7% to 10.3 million sheets with a capacity utilization of 98%. Average realization for the nine month was at Rs.762 per sheet as against Rs.692 per sheet in the previous year same period.

Moving on to decorative veneer and allied segment, which forms around 15% of our quarter and nine months sales. It comprises of decorative veneer, engineered floors and engineered doors. In the decorative veneer segment, capacity utilization for the quarter stood at 47% while our volume sales were at 0.5 million square meter as against 0.49 million square meter in Q3 FY18. Average realization increased by 0.4% to Rs 709 per square meter. For nine months ended Dec 2018, Utilization stood at 41% while the sales volume stood at 1.31 million square meter. In the engineered flooring segment, under the brand Mikasa, it has performed well in this quarter, we have clocked a sale of Rs 30 crore for the nine month as against Rs 17.9 crore previous year same period, a growth of 67%. Engineered door segment has clocked a sales of Rs 14 crore for the nine month as against Rs 10.2 crore for the corresponding period a growth of 38%. This is all from our side, I would now like to open the floor for Q&A.

Moderator: Thank you. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Mr Baidik Sarkar from Unifi Capital Pvt. Ltd. Please go ahead.

Baidik Sarkar: The company that we acquired in Europe, is it fair to assume that you can completely replace their product range and subsume the revenues shortly? is that a fair assumption? And what is the intention behind the acquisition?

Saurabh Mittal: So, the company which we have acquired happens to be our customer. Also, the company buys from other Indian producers. So They buy laminate and ~~they~~ distribute laminates in the central European market. The company has limitation in terms of bandwidth of people, capital, marketing etc. So, I think with the combined strength of our company and their company, we will be able to expand sales and increase revenue at least by \$6 - \$7 million in one or two year period. This will give us the reach in the central Europe market with many customers. The central Europe market, from a competitive landscape perspective is one where, the local manufacturing in those countries are getting weaker. Most of the manufacturers have become subscale and producing laminates & compact laminates in those countries are getting unviable. So, with a

good distribution and sales marketing force with inventory on ground, we should be able to accelerate growth in those markets.

Baidik Sarkar: Okay, that is great news. What would be our wallet share with these guys? you said they also buy from our peers in India. So, Greenlams existing wallet share with them would be roughly how much?

Saurabh Mittal: It should be nearly two thirds of their existing revenue maybe 60 to 65%.

Baidik Sarkar: I am sorry sir I missed this in your opening remark joined the call a bit late. If you can just help us understand the split behind the reason for softness in our volume. You know how much is due to softness in demand, how much due to competitive intensity and if there are other factors please help us deconstruct that a bit and when do you think revival would come back in market?

Saurabh Mittal: This is regarding volume is it?

Baidik Sarkar: Yes, I was trying to understand if you can just help elucidate in some granular detail what you think is contributing to the softness of volumes? is it competitive intensity by peers, is it softness in the market ?

Saurabh Mittal: Sure. I think it would be a bit of each. One would be the softness in demand, especially in the residential segment of the country. The other is that the volumes are not growing. Some segments which is at lower end of the market where there is an over capacity in the laminates business. there we are seeing intense competition. So the low demand is not only for us, it is for everybody. Many local unorganized companies can only service the lower price product categories. So, that is also contributing to the overall softness in the demand. So, it's a combination of a weak demand condition, coupled with competition intensity especially in the lower segment of the market.

Baidik Sarkar: Okay. Sir, we have almost touched a year since GST, are you seeing any shift in the supply end from the unorganized market or they are just getting stronger like we are seeing in the plywood segment.

Saurabh Mittal: So, I will not say that they are getting stronger in the laminates segment but they still continue to exist. So, probably they have got weaker. Several mid-size companies are also under stress because of the raw material situation. Due to the implementation of GST, price gaps have narrowed between us and the mid-size unorganized companies. So, they are not getting stronger for sure. They are getting weaker, but still there is no demand shift showing up for companies like us.

Baidik Sarkar: Sure. So, if the business environment should continue like the status quo. Is it fair to expect any volume growth at all in FY20?

- Saurabh Mittal:** In FY20? Yes, why not. So in FY20, we should expect volume growth. If you look at coming quarter, we might not have an overall domestic growth in terms of volumes but in FY20 yes, it will be fair to expect some growth.
- Baidik Sarkar:** Would you give us a broad guess on what numbers you might be getting.
- Saurabh Mittal:** I don't want to.
- Baidik Sarkar:** Sure, I understand.
- Saurabh Mittal:** Like I said, in the commercial segment of the market which is the project segment, we are seeing a pickup in demand. And in that segment, it is the organized companies which play more and not unorganized sector. Even on the export front, I was saying that we will probably do better in the coming time. So, I think we should expect volume growth in FY20.
- Baidik Sarkar:** Last question before I get back in the queue. Our realization growth has been quite strong, quite robust this year. Are we at a risk in terms of that number be maintained and grown from here?
- Saurabh Mittal:** There is always a possibility of premiumizing the sales because we have lots of value added categories in the business. The realization improvement has been a function of some price increase and some changes in the value mix and the product line. So, I think it's a continuous effort to improve the volume. And within that volume, we continuously work towards improving the product mix. I don't think we will be able to take any price hikes. But ability to improve value mix is there in the business and I think that endeavor would be to continue it.
- Baidik Sarkar:** So you are saying the realization that we have taken in Q3, that is kind of a peak number.
- Saurabh Mittal:** I am not saying that it is a peak number. I am saying in the current situation, we are not looking at a price increase, but there is an opportunity of improving the product mix which will show a better per sheet realization.
- Moderator:** Thank you. The next question is from the line of Ashish Poddar from Anand Rathi. Please go ahead.
- Ashish Poddar:** Again just extending the discussion we had. So when I look at your margin, the laminate export revenues so for the nine month while in the US Dollar term it is up by 6% whereas in revenue term it is by 18%. So somewhere the weaker rupee has also helped in the realization improvement. So if we assume stable rupee from hereon, then perhaps you will have lower realization or perhaps the stable realization from here on. Any view there sir?
- Saurabh Mittal:** Yes, you are right about the improvement, the value growth in exports has been a combination of product mix improvement and the rupee depreciation. So if the rupee remains stable, like I

said earlier, the effort will be to do more value add items that could help us to improve realizations. If the rupee appreciates, there will be an impact in the realization. But over the last few months, we have launched new product categories for specific markets & specific customers where sales have not really taken off much. We see quite positive momentum in that segment. If and the rupee remains stable, we will increase revenue and supposedly improve per sheet realisation.

Ashish Poddar: If you can help me would with the export figure in both the segments and veneer for quarter three and for the nine month.

Ashok Sharma: For the quarter three, export for laminates was Rs 124 crore and Rs 5 crore for Veneer & Allied. For the nine month, laminates was Rs 382 crore and Rs 12 crore for Veneer & Allied.

Ashish Poddar: And if you can help me with the Q3 FY18 numbers if you have ready.

Ashok Sharma: We don't have that handy currently.

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

Sneha Talreja: Just wanted to understand sir what was the mix of exports and domestic volume this quarter.

Ashok Sharma: In terms of value?

Sneha Talreja: In terms of value and volume both.

Ashok Sharma: In terms of value, this quarter was around 41% export and rest was domestic this is overall. And in terms of volume around 49% was export and rest was domestic.

Sneha Talreja: And what was it in the corresponding quarter last year.

Ashok Sharma: we don't have that handy currently.

Sneha Talreja: Sure. And one more thing just wanted to understand, currently rupee again came back to level of 70s and even raw material pricing with crude again coming back down, are we seeing realizations pressure coming in? will we have to take any kind of price decline going ahead?

Ashok Sharma: Sneha, in terms of crude & rupee going down, there is too much fluctuation. If you just see Rupee around 15 days back, it was around 72 level and in past three, four days it has come down to 71 level. We do not change our pricing based on this such fluctuation. It happens more on a quarterly basis. So, we need to watch on what impact it will have on a medium term basis. In term of raw material prices, even though the crude again going down, the crude definitely has a linkage but it doesn't have direct linkage. In fact, our raw material prices of phenol and methanol

still continue to be at higher levels. It has come down slightly one month back. But in past one month, it has hardened a bit. So we have to see the reduction in the prices of these on account of crude. So as of now, we have not seen that situation where raw material prices have come down so drastically that we have to reduce the prices.

Saurabh Mittal: On the prices front, we have always seen increases in graph of the price of domestic market. Somewhere there is softening and somewhere there is increase. But, by large, there is no significant reduction of raw material cost which warrants any form of price cut. Some company's are trying to reduce prices but that is more of their own pressures for not able to sell laminates.

Sneha Talreja: Got that sir. Sir just last question was relating to your volume growth, since last one or two quarters two to three quarters, we have seen volume growth being very sluggish even the current quarter was very flattish. When can we expect growth coming back and growth coming back to the original levels of what we used to achieve? whether it is more of a trouble in the domestic market right now or it is exports market?

Saurabh Mittal: Volume growth if you see for the quarter, we have been flattish in both the markets. Domestic is 1.9% plus & export is -0.7%. So I think exports volume should be back in Q4. In domestic market, I do not see quarter four showing much promise of reverting to a volume growth. I hope FY20 would be better in terms of improved volumes. But as we said earlier, we do not want to increase volumes by underpricing the product. So fortunately or unfortunately, we are also maintaining pricing discipline and balance sheet discipline. Volume growth at the cost of pricing discipline and balance sheet discipline is very simple and easy but as a company we have decided that we will go the hard way. We will have pricing and balance sheet discipline while trying to drive volume growth. So it is not difficult to build volumes growth, reduce prices, give more credit. But I do not think that is going to sustain and that is not the path we want to follow.

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

Pritesh Chheda: Sir on the laminates part, when I try to compare with lot of plywood companies, why the volume growth looks much more softer both on quarter three and nine month?

Saurabh Mittal: Any more questions or there is only one

Pritesh Chheda: Yes I have few.

Saurabh Mittal: Okay, firstly it is unfair to compare with plywood companies. If you look at the plywood companies, volume growth mostly happened in the mid or lower segment price products and not in the premium segment. In laminates, like we have said, we have not been able to drive more volume because there is high price competition & high intensity in that low price or mid segment and that is where we are not able to grow. Because participating in that segment in any

meaningful manner would mean reduction in margins and price points. So that is the difference between laminates and the plywood companies.

Pritesh Chheda: What would be in your opinion the total industry growth in laminates and in the plywood? what would be the total industry growth in nine month?

Saurabh Mittal: I do not follow the plywood segment so cannot comment there. But I can say for markets overall demand has been weak. Players who are showing growth is at the cost of either balance sheet or pricing. So tough to give you overall growth number of the domestic laminate.

Pritesh Chheda: Okay, so in the worst case you would have hold on or there would be decline in the business.

Saurabh Mittal: No, I do not see it as a decline.

Pritesh Chheda: Okay. My second question is on the margin side, I think engineering door business as not broken even last year and it seems it's broken even now. And if I see the pace of growth it is fairly robust, at what stage of business in the engineering wood floor and engineered door business would you see a reasonable margin? so we are doing about Rs 55 crore for the nine month so what scale or size of the business is where you start getting better margins and what it should be and what are the margins in veneer business?

Ashok Sharma: Pritesh, for nine month, this floors and doors is around Rs 45 crore not Rs 55 crore. In terms of doing well, this door business has breakeven during this quarter and floor is yet to break even. We have mentioned this earlier that between 20 to 25% utilization, we expect this to break even and then bring higher revenues and margin. We believe that around 40-50% capacity utilization will bring more margin in terms of the bottom line. As of now, current capacity utilization for doors is at around 23% and for floors is at around 12%. And in terms of margin for decorative veneer it is at around 18% for nine months.

Saurabh Mittal: So since you asked on the door business, in Q3, we had a 7 crore revenue with about 8% EBITDA and 5% EBIT. So both of this is a high gross margin business and as the volumes increase, we will see a good performance at the EBITDA and PAT level.

Pritesh Chheda: And when will you recoup your margins in laminates.

Saurabh Mittal: Laminates recoup I think it's subset to volumes so right now in Q3 we were at 13.5%. So gross margin have improved from 47.5% to 48.9% I think we need some more volume and value sales which will help us recoup the margins, so I do not think it is too far.

Pritesh Chheda: What is the CAPEX plan for FY19 and FY20.

- Saurabh Mittal:** For this year the CAPEX is around 55-60 crore because we did some other projects and for next year we do not have any major CAPEX plan. As of now, we have not planned for any capacity expansion because we still have around 10-15% capacity. So next year as of now capex spend will be around Rs. 25-30 crore for the FY20.
- Pritesh Chheda:** That is the maintenance CAPEX.
- Ashok Sharma:** Yes, that is the maintenance CAPEX and rest everything will depend upon the volume if the volume utilization goes up then probably we will plan for the capacity.
- Moderator:** Thank you. The next question is from the line of Sriram R from Sundaram Mutual Fund. Please go ahead.
- Sriram R:** So basically sir with respect to value added products which you are talking about, what is the trend of value add that we do and in trend of laminate business? and over a nine month period, where we saw the realizations move up from sales 50 to 70 to Rs.100, so how much of that came from the rupee depreciation and how much was the value add or the product exchange?
- Saurabh Mittal:** So I can tell you what value add we do and what are those products. These are basically products like texture products, high glass products, zero gloss products, a product call VRV, there is a product called AFX etc. It is basically a texture products & high performance products. These are the products which come under the value-add category. Some special products may turn up for the export market and some for domestic market. Also, it defines the main product line 1 millimeter for the domestic market and it also defines branded Greenlam sales in the export market. How much of the realization improvement came from value added and rupee depreciation, difficult to give math on this right away.
- Ashok Sharma:** It will be difficult to quantify this in exact terms, because in domestic market, it is a mix of both product mix as well as the price increase. Whereas in export market, it's a mix of price increase which we did to compensate for raw material increase plus product mix and the rupee depreciation. So, it is very difficult to give the exact in terms of how much growth is coming from what.
- Sriram R:** So currently how much is the value added mix sir for your laminate revenue?
- Ashok Sharma:** We cannot put a percent like what is the value add mix, like I said it is also the category of 1 millimeter sales, branded exports and texture. So can't give you a data on what percentage of it is either way.
- Sriram R:** Sir, in the opening remarks, you stated that probably the low and mid end segment is facing some kind of pressure. So, from the organized & unorganized space, where exactly are we? if you could give some amount of breakup as to how is the industry as far as the mid-market and

the low-end market is concerned? or how are we positioned in terms of numbers or in terms of our future outlook?

Saurabh Mittal: So we have product lines for the mid-market category. We do not have too many products for the lower end of the market at least in the domestic space. So it is in that segment where our price gap with mid-size company or unorganized players is anywhere between 10 to 20% maybe 25% at times. These are commodity products which are not specified by architect designers and driven by more commodity trade products. So that is the segment where we are not able to grow the business and obviously the quality differs between what we offer and what the competition offers. So that particular segment, which we call 0.8 mm & below category in the domestic market, where we are facing tremendous challenges of scaling up in terms of volumes.

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

Shrenik Bachhawat: Sir can you please help me with revenue and volume separation for floor and door into domestic and exports.

Ashok Sharma: There is not much export from these two products. Overall sales for the floor was Rs 9.1 crore and for door was Rs 7 crore for this quarter. In quantity terms, floor was 37,000 square meter and for doors it was 7600 pieces.

Shrenik Bachhawat: This is exports ?

Ashok Sharma: This is total. There is not much export for these products.

Shrenik Bachhawat: And sir if I heard it right the laminates volume export was 49% right?

Ashok Sharma: Yes, for this quarter.

Shrenik Bachhawat: And the revenue was Rs 124 crore.

Ashok Sharma: That is right.

Shrenik Bachhawat: Okay. And sir could you please give me a rough guidance for volume growth of laminates in FY20.

Saurabh Mittal: At the moment, I don't think we should put a number to it.

Shrenik Bachhawat: Okay. Are we losing any market share to the big unlisted players and unorganized players in the laminate space?

- Saurabh Mittal:** We don't think so because market is also very challenging. So we don't think we are losing market share to unorganized. But If the market is growing and we are not growing in terms of volume, there could be some possibility that we are losing some market share in the 0.8 and below category to lower segment of the market.
- Shrenik Bachhawat:** And sir I wanted to understand, what will be the revenue for door and floor in FY20?
- Saurabh Mittal:** I cannot put a figure to it right now. I can tell you what FY19 looks like till now. In floors, We have closed in Rs 30 crore till date and so we should be shy of Rs 45 crore for FY19. In Doors, we have done about Rs 14 crore, so we should be shy of Rs 25 odd crore. I cannot put a number for FY20 but obviously we think the growth momentum will continue.
- Shrenik Bachhawat:** And at normal levels what should be the margins in the door and floor business.
- Saurabh Mittal:** Like Ashok said earlier at nearly 23-25% utilization breakeven in both the product categories. So door in Q3 at Rs 7 crore we were nearly 23% utilization which is literally just 2.5 crore of sales a month. On full potential, we said the door can be Rs 80 to Rs 100 crore business in the current scheme of things.
- Ashok Sharma:** Flooring as of now is around 12% utilization. At full utilization or near to full utilization, it can be around Rs 200 crore plus business. Of course at this moment, there is no point of talking about the return unless it reach sizeable utilization. It will have definitely the better margin than our existing line of business.
- Shrenik Bachhawat:** Okay, sir and sir I wanted to understand the pricing difference in our laminate products. Are we at premium than other big listed players like Merino and Royal Touch or are we at a lower pricing than them?
- Saurabh Mittal:** We will be slightly higher than Merino but I think in the 1 millimeter category, we will be lower than Royal Touch.
- Shrenik Bachhawat:** So at pricing level Royal Touch is the most premium is that correct?
- Saurabh Mittal:** May be in the 1-millimeter category. But they also have low variants so on the average realization. I cannot comment much because what happens that in one category they can be premium but they are having some low –variants. So one has to see category versus the other category, overall realization and export realization. So what is the average realization, I have nowhere to find that out. So my guess on an average basis that will be lower than us if we take a cumulative total value versus total volume sales. But in 1 millimeter category, they will be higher than us.

Moderator: Thank you. The next question is from the line of Abhishek Ghosh from DSP Mutual Fund. Please go ahead.

Abhishek Ghosh: Sir just wanted to understand the other expenses as a percentage of revenue seems to have gone up in this current quarter is there anything because that has grown by almost 18% on a Y-o-Y basis and that is actually despite gross margin improvement that has brought down our EBITDA margin so is there anything in that.

Ashok Sharma: There is no specific expenses. Even though, we book all our FOREX on a net basis, so there is something on account of FOREX provision, which we book it and the sales promotion cost in this quarter was slightly higher but not on the annualized basis. This was within control.

Abhishek Ghosh: So this will kind of normalize right. Okay. Also in terms of working capital, there should be inventory days going up by almost about 8-9 days in the current quarter. So that is for building up for fourth quarter ?

Saurabh Mittal: So one our sales have been lower and the buying cycle has been slow because most of the raw materials are imported. So, I think that is one of the reason. Then we have developed certain programs for some large customers, some large export customers for which the inventory needed to be built up for this quarter and going ahead. Also in the flooring business, we are expecting more momentum in coming quarter and hence there is some inventory. So, I think that should normalize probably in this coming quarter.

Moderator: Thank you. We will move on to the next question that is from the line of Nehal Shah from ICICI Securities. Please go ahead.

Nehal Shah: Sir in terms of longer horizon period of three to five years, what are we thinking? As in laminates, we are almost though with the capacity additions and probably one more capacity addition. Any new product are we looking to enter like particle board or products like clad? what are we actually focusing on say on a longer period.

Saurabh Mittal: That is a big question but still I will answer it to my best of ability. So, I think the endeavor will be to stream line the new product lines which is the door and the floor. I think that is big on the agenda. On the laminates front, we are already nearly running at full capacity and we are seeing very good momentum in that for both domestic and export market. So in laminates, I think, we will need some capacity after FY20. So I think there we will probably need to add capacity across the different sizes of laminates which is 4.25 x 10 and the 6 x 14. So with that we will be able to expand our bathroom cubical which is a rest room cubical business, our compact laminates business both for facade and for interior laminates and also improve our market share in the European market. With the 4 x 8, we can improve our sales in the domestic and part of export market. But in 4 x 8, surplus capacity is largely available in the 4 x 8 laminates. For larger size, we will continue to grow and also expand into few more sizes and expand over the next

three to five years. As per the new product category is concerned, we are looking at couple of options but too early to make a comment. But right now, there is more energy being focused on ensuring that the new products which we have already put our hands into they work before we jump into something new.

Nehal Shah: Sir what is the capacity available as far as the 4 X 8 laminates is concerned?.

Saurabh Mittal: So in laminates, we are running at a 98-100% utilization and we have been able to achieve between 115 to 117% utilization earlier. So we still have been about 15% odd more capacity which means on a monthly basis, we still have nearly 1.5 lakh to 2 lakh sheets of more capacity in terms of volume and would mean approximately Rs 10 to 13-14 crore a month in terms of value depending on the value mix of revenues.

Nehal Shah: And sir is there any room available for brown field expansion going forward or we will have to look forward for a greenfield plant.

Saurabh Mittal: So there is room available but whether we want to exercise that option or not it is something we still want to review and take a call. Because our both plants are in North India and with a 50% share in exports. So should we expand, as both the plants have and will become of a certain scale in terms of product lines, revenues and about people, etc. So whether it makes sense to add more capacities here or look at another locations, that is something we need to discuss internally and conclude.

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

Pritesh Chheda: Sir any reason why the margins in veneers have come down?

Saurabh Mittal: Yes, there are two reasons. So veneers are divided into three subcategories natural veneer, teak and engineered veneer. So our realizations in the natural veneer have come down because the natural veneer is largely a residential product and that market segment is a bit weak. We are seeing more sales in the mid-price product in the decorative veneer. Second, all the raw materials are imported in the veneer business and the entire sales is in the domestic market. Hence, there has been a cost escalation in raw material which is of the base ply. Although, we did take some price increases but that is also in pockets. So, it's a combination of product realizations of the main product line, RM cost increase and rupee depreciation. Although, we have taken some increase but all that is putting some pressure on that.

Moderator: Thank you. As there are no further questions, I now hand the conference over to Mr. Mittal for his closing comments.



*Greenlam Industries Limited
February 14, 2019*

Saurabh Mittal:

Dear friends, thank you so much for your questions and I hope we have been able to respond to them effectively. I believe Mr Ashok & Mr Samarth will come back to few of the questions and if you still have any queries or questions you can get in touch with our CFO Mr Ashok Sharma and Mr. Samarth Agarwal and SGA our Investor Relations Advisors. Thank you very much once again.

Moderator:

Thank you. Ladies and Gentlemen, on behalf of Greenlam Industries Limited, that concludes today's conference. Thank you for joining us and you may now disconnect your lines.