



“Greenlam Industries Limited Q4 FY2019 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to Greenlam Industries Limited Q4 FY2019 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 “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I would 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 ladies and gentlemen and a very welcome to all of you. On the call, I am joined by Mr Ashok Sharma, our CFO, Mr Samarth Agarwal, AVP, Finance and SGA our Investor Relations Advisor. The results and presentations are available on the stock exchanges and our company website and I hope everyone has had a chance to look at it.

Over the last few years, the building material sector has been witnessing muted performance and this year was no different. We have seen traction in few geographies and during few seasons. But in general, overall demand at pan India level was muted, though we are witnessing some traction in the commercial real estate, which is visible enough for the product category as well as in terms of higher enquiries, RFQs etc. Only organized players with strong balance sheets, strong brand and large dealer network were able to sustain and outperform the broader market.

For Greenlam, strong presence across geographies and a disciplined financial approach has strengthened our leadership position. Our brand strength has been well demonstrated and in fact, we were able to increase prices, increase product offerings and improve our revenues in comparison to the market.

On our performance for the financial year 2019, we have recorded annual revenue of 1281 Crores, which grew at 11.9% largely driven by price improvements and better product mix.

Laminates and allied category which is our core business grew by 10% and crossed the 1000 Crores revenues for the first time. Laminate segment reported revenue of 1084 Crores. In value terms, the domestic business grew by about 4% odd and 17% was growth in international revenues. In volume terms, we struggle to register any meaningful growth. In the other product business, which is combination of decorative veneer, engineered wood

floor and engineered doors, we reported a healthy revenue growth of 11%, 64% and 40% respectively.

Our losses in the engineered floor segment have strained the profitability and this has happened largely due to RM cost increase and the product mix because we had higher growth in the export segment in the flooring business. The engineered doors had a breakeven during Q3 but we were unable to hold on a similar situation in the quarter 4. We envisaged that both the businesses will continue to grow at a reasonable pace this year too and our efforts are to bring these businesses to a breakeven point at the earliest. As a company, despite all the above challenges, our profit after tax stood about 77 Crores which is largely due to continued focus on operational efficiency and a disciplined approach in commercial operation.

Two primary business updates. Our capacity utilization in the laminate segment was 97% and we have adequate capacities to service the quantity growth & volume growth in FY2020. But we need to add 4.25 x 10 size laminates which are having a large backlog orders and we have decided to add capacity in this particular size of laminates. The capacity expansion had been announced earlier. This should be going on stream of Q3 of financial year 2020. This will help us service the European market with more volumes and better efficiencies.

We also acquired a Switzerland based distribution company called Decolan SA which has now been renamed as Greenlam Decolan SA. They were our distributor for laminate products in Central Europe. This acquisition will help us penetrate this market in a more meaningful way. In fact, the capacities which we are raising for the particular size sells well in this particular market.

We have made 14000 touch points in the domestic market and we export to nearly 100 countries worldwide. Our sales and marketing endeavors and our touch points with architect designers, channel partners, contractors, etc., continues to go on a pace which we want and connect with our partners for distributors, channel partners which have grown over the years. They are actually the backbone of the brand and the distribution of the company.

We are in a space where we enrich customers' lives and we are quite content with what we do in a sense of the satisfaction customers get in dealing with our products. Our teams are in the top of discovering new designs. Greenlam Industries is renowned for its innovation, quality, design not only in India, but also in the international markets and we always desire to form of brand Greenlam, Mikasa, Decowood as a definition of trust, faith and belief.

We will continue our momentum and continuously strive towards improving the financial performance of the company.

Now I would like to hand over the line to our CFO, Ashok. Ashok will take it through the financials and operational highlights. Thank you so much.

Ashok Sharma:

Good afternoon to all of you. I will take you through the financial performance of the company on consolidated basis.

For the Q4 FY2019, our revenue grew by 15.8% to Rs.360 Crores compared to Rs.311 Crores in Q4 FY2018. Gross margins have been declined by 260 basis points to 43.7%.

EBITDA for the quarter was at Rs.44.4 Crores with a growth of 14.3%. EBITDA margin stood at 12.3% as against 12.5% in Q4 FY2018. PAT for the quarter was at Rs.23.8 Crores a growth of 32.9%. Our domestic sales increased by 1.8% to Rs.205 Crores and export grew by 20% and stood at Rs.155 Crores.

Moving on to financial performance for FY2019, revenue grew by 11.9% to Rs.1281 Crores as against Rs.1145 Crores previous year.

EBITDA this year was Rs.158.5 Crores as against 148.9 crores previous year. EBITDA margin was at 12.4% as against 13% last year. PAT grew by 19.3% to Rs.77.1 Crores. Total debt stood at Rs.270 Crores, which includes a short-term debt of Rs.159 Crores. Our debt to equity ratio improved to 0.63 as compared to 0.71. Debt to EBITDA ratio remained flat at 1.70. On annualized basis, our ROCE, return on capital employed stood at 17.2% whereas as ROI, return on equity stood at 18%.

Now I will move on to segmental performance, laminate and allied products forms around 85% of our overall sales. Laminate segment for the Q4 FY2019 has recorded a sales of Rs.302.5 Crores a growth of 13.8%. Sales volume for the quarter was at 3.75 million sheets, a growth of 1.4%. Production volumes were at 3.39 million sheets with a utilization level of 97%.

Our average realization for the quarter was at Rs.770 per sheet as against Rs.693 in Q4 FY2018, a growth of 11%. International laminate business contributed around Rs.145 Crores. For the entire year, laminate sales grew by 10.2% to Rs.1085 Crores with a volume of 13.54 million sheets a degrowth of around 2%. EBITDA margin remain flat at 13.6%. Production decreased by 1.4% to 13.68 million sheets and a capacity utilization of 98%.

Average realization for the year was Rs.764 per sheet as against Rs.693 per sheet last year, a growth of 10.3%.

Moving onto other segments, decorative veneer and allied segment, which forms around 15%. It comprises mainly decorative veneers, engineered floors and engineered doors.

In the decorative veneers segment, revenue for Q4 grew by 16.6% and stood at Rs.36.3 as against Rs.31.1 in Q4 FY2018. For the full year, veneer segment revenue grew by 10.6% and stood at Rs.130 Crores as against Rs.118 Crores previous year. Capacity utilization for the year was 41%. Veneer sales volume has grown to 1.75 mn square meter a growth of 9.5%. Average realization remained flat at Rs.736 per square meter for the year.

Engineered wood flooring for Q4 FY2019, revenue grew by 56% to Rs.13 Crores and for the full year revenue grew by 64% to Rs. 43 Crores. Capacity utilization for the year stood at around 18%. EBITDA loss for this year was Rs. 8.3 Crores as against loss of Rs. 4.7 Crores previous year.

In terms of engineered door for Q4 FY2019, revenue grew by 42% to Rs. 8.4 Crores. For the full year, revenue was Rs. 22.5 Crores a growth of 40%. Capacity utilization for doors stood at 18%. EBITDA loss for this year remained flat at Rs. 3.3 Crores compared to previous year.

In terms of dividend, Board of Directors recommended a final dividend of Rs.3 per equity share i.e. 60% of face value and this is subject to approval from shareholder in the ensuing AGM.

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

Moderator:

Thank you. Ladies and gentlemen, we will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. We take the first question from the line of Sneha T from Edelweiss. Please go ahead.

Sneha T:

Good afternoon Sir. Thanks a lot Sir for taking my question. It was firstly pertaining to your other division i.e. doors & floors business. You cited that the increase in exports and increase in raw material cost are the key reasons for your losses to increase in the particular quarter. So have you taken sufficient price increase? and what is the portion of exports in these businesses? and what is your expectation for profitability coming back in these particular businesses?

Ashok Sharma: In terms of exports for this quarter, in flooring business it was around 45% and for the doors business it was around 35%.

Saurabh Mittal: So the challenge of price realization as far as export is concerned, is largely in the flooring business. The export business of door is profitable. The flooring business is at marginal costing as far as exports are concerned. Yes, the domestic sales in Q4 FY2019 in floor business did not grow, it was largely flattish. All the growth came from the export business. So that is the reason why margins have shrunk rather loss has been increased a bit. So going ahead, the effort is to continuously work towards improving domestic business without leaving the volumes of export business. In the door business, the export business is profitable. The base is so small that 50-60 lakhs moving here and there, won't be a big issue here. So we had few orders which we could not ship etc. So it is a matter of time and we should come back to breakeven.

Sneha T: So with that regard, what is your margin difference between the exports & domestic markets of the same products?

Saurabh Mittal: I cannot give you the exact number on this. We can come back to you specifically on the flooring and door export margins of both. But we do not have a choice as we want to drive both the markets. because the volumes and capacity utilization are still low. Although the revenues have increased as compared to last year. We ended up growing in the flooring business by about nearly 50% and doors about 30%. So we still need to scale up our business before we start deciding on taking exports or not taking exports orders.

Sneha T: In that case, any revised estimates that you can give at PBT level breakeven, considering your 40%-45% of the revenues will continue to go towards exports market. What is the visibility for same and at what utilization can we reach breakeven levels?

Ashok Sharma: It will be difficult to give as of now because it is more dependent on the order flow. We will probably need to go back again to the drawing board and then probably arrive at a figure. So at this moment, it will be difficult to give an exact percentage figure. Earlier, what we have estimated was by keeping certain product mix in mind. Unfortunately, we are not able to achieve that as of now. So due to this reason, we need to think up again on at what percentage it will breakeven.

Saurabh Mittal: Today, we are about 18% utilisation in both the business. Earlier, we were at 25%-30% utilization on the door business and we achieve breakeven. I think largely give and take little bit percent here or there, but that still stands valid. If you look at the flooring business,

we were at utilization over 18% annually. We had talked about 25%-30% utilization of this. In the flooring business, it makes sense to review again.

Sneha T: My other question is related to your laminate segment. We have seen diverse range in the volume growth like in last quarter, your volume growth for the domestic business was very much impacted. And if I look at the current quarter, domestic volumes have grown by 8%, but your annual volumes on the domestic market de-grew. Exact opposite is happening with the exports market wherein your export markets volume in this particular quarter has degrown whereas in the overall annual volume have grown. So I mean what is happening to both these segments and which of these segment is facing pressure and what are the reasons?

Saurabh Mittal: I think not much is happening in the segment in each quarter and we cannot measure it so much. But you have rightly said, both the segments volumes have grown vs Q3-FY2019. So volume have grown 17% in domestic versus Q3. Whereas exports is growing at about 11% QoQ basis. But nothing significant is happening in this segment, there are challenges in both the segments like there is price competition, there is excess supply, markets are difficult. So we have said earlier also that it continues to remain same.

Rohan: Sir, the domestic market is definitely showing very sluggishness not only in laminates but also in our flooring business. That is why you have resumed to look revenues from exports. Going forward, if the domestic market remain under pressure and as our exports margins are always lower than domestic market as we do not get too much premium for our brand, So our margin profile will remain under pressure if we keep focusing on exports? Going forward, margins may not go up but can it come down?

Saurabh Mittal: I will talk from a business point right now. We are focused on both the markets as far as laminates is concerned. The margins in laminates business whether it is domestic or exports, it can swing based on the currency movement at that particular point. We don't increase laminates export business and decrease our domestic business or vice versa based on that. There are two independent teams. Their product programs are independent. They do not overlap on one person or one team. We will be targeting both the markets. So in laminates, I do not see what you are saying. If you look at the veneer business, it is a domestic business and there is no exports. In doors, although, the volume is so small, the margins in exports are better than domestic at the moment. In flooring, it is the other way around, so the focus is on both the markets depending on the product categories. There is no either or. We will continue to drive business in both the markets. What happens to the margin profile if more exports happen than domestic, we cannot guess on that. Our energies are to focus on both the markets and we think business should grow from respective

geographies independently. As far as margins are concerned, really our endeavor is to increase volume and value growth both. It also depends on raw material cost, market conditions on what margins etc. So if you look at the laminates margin in Q4, margins are up versus Q4 FY2018 and versus Q3 FY2019. In veneers, we slipped a bit because of again volumes have grown up in the domestic market but volume mix has shrunk a bit. So really I don't think much can be taken out from a quarterly figure. It is more of a strategy and we don't change strategy that often.

Rohan: Do you see the competition in domestic market has increased more in the last six months or in last one year? and it is likely to remain like this only, because there are other competitors who were also trying to push the volumes in the market and trying to gain in the market share. So competition has just increased further in the last six months or one year? or nothing much has changed and it is just the demand environment which is bad?

Saurabh Mittal: We cannot measure that precisely. But competition has been there for the last few years. Markets have been slow for the last few years and we all know that. So nothing dramatic has happened in the last six months or last one - two years.

Rohan: Thanks Sir.

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

Pritesh Chheda: Thank you for the opportunity and congratulations for the better than market numbers. First, on our growth rate has been fairly strong for the year and also for the quarter vis-à-vis lot of other players in the building material space. So just wanted to understand on the channel inventory side if there is any abnormal increase in channel inventory, any comments there. And my second question is, what would be expectation for growth in laminates and in other segments next year?

Saurabh Mittal: Answering your first question, we have always said that we are well disciplined in our payment terms and our commercial terms. Infact in last quarter, our debtor days came down versus the other quarters in the year. So there is no abnormal increase. We do not really believe in a push strategy. So we do not have any abnormal inventory in the channel. There is no push sales or any such matter. As far as the growth for this year, I think like last year we said 10%-12% and kind of a growth, so I think similar topline growth can be expected. This is what we see right now and can be expected for this year.

- Pritesh Chheda:** If you could split that 10% growth rate and we do you expect for laminates and what do expect for other segments?
- Saurabh Mittal:** Probably the other segment because of base is smaller could be higher. So maybe laminates at 10%-12% so this could be at on an average maybe 12%-15% raise. But the base is smaller and it is only contributing 15% revenues so next it would probably will be in the same manner.
- Pritesh Chheda:** In some quarter earlier, you said that veneers margins ideally should be equivalent to laminates margin eventually. So where are we on that path? and for the engineered doors segment from the margin perspective, at what utilization level we will breakeven?
- Saurabh Mittal:** Under the veneer segment, the margin has shrunk. In Q4 it became equal to laminates margin. It was at around 14.3-14.5, which is not a good thing, but it has happened. What was your next question?
- Ashok Sharma:** On the annual front, veneer business still had higher margin. Maybe in this quarter, it has come down. In terms of the other business i.e. floors and doors, we did not breakeven at the end of year, but we believe that it should happen in the range of around 30% capacity utilisation. While projecting this, we have certain sales mix calculation. In case if there is any major change in that sales mix, the percentage can go up and down. But as of now, we believe that we can break even at around 30%.
- Pritesh Chheda:** What is the utilization right now in those units?
- Ashok Sharma:** Around 18%.
- Pritesh Chheda:** Sir I missed the comment on why was decorative veneer margin down in the quarter and in the year?
- Saurabh Mittal:** Largely because of change in value mix, currency fluctuation and RM cost. So RM cost increased for this category. The veneer business model is 100% imports and largely 100% domestic sales and we could not raise prices to offset the entire loss. Also, we had price erosion of value mix. Although, volume went up but the price realization were lower.
- Pritesh Chheda:** In laminates, what capacity utilization are we operating and what is the capex plan for FY2020?

- Ashok Sharma:** Yes. We are operating around 97%-98%, and we have already announced an expansion in the previous quarter, which we are hopeful that should be commercialized by around Q3 of this year.
- Pritesh Chheda:** How much is the capacity expansion?
- Ashok Sharma:** That is 1.6 million sheets. We will spend close to around 25 Crores at one of our existing plant.
- Pritesh Chheda:** Lastly, in FY2019, the laminates industry in India would have been flat, decline or grown? what would be idea and at what rate?
- Ashok Sharma:** I am not sure. It probably may be flattish, overall. I am not sure.
- Pritesh Chheda:** Your capex is just 25 Crores right, for the laminates?
- Ashok Sharma:** Capex for the new unit will be 25 Crores and then there will be regular capex of around 25-30 Crores.
- Pritesh Chheda:** Thank you and all the best to you Sir.
- Moderator:** Thank you. We will take the next question from the line of Pranav Mehta from Equirus Securities. Please go ahead.
- Pranav Mehta:** Thanks for taking my question. Sir just wanted to understand on this laminate capex, so this capex would be coming in by what time?
- Ashok Sharma:** I think most part will come in Q1 and Q2, we hope to start in by Q3.
- Pranav Mehta:** Sir on tax rate front what would be the normal tax rate for FY2020 that we can assume?
- Ashok Sharma:** Because we had some benefit in one of our plant in the last year, this year we can expect it to be normal tax rate band of around 30%-32%.
- Pranav Mehta:** Can you throw some light of the veneer front, so how is the veneer market actually expected to grow over the next two to three years? because I think post the demonetisation it has corrected substantially but now since last one and one-a-half-year, it has been slowly and steadily coming back. So are you expecting any major growth in the veneer segment as such?

- Saurabh Mittal:** I do think we are expecting any major growth in the veneer segment. I think the growth will be in the band of 8%-10% kinds only.
- Pranav Mehta:** Sir on the raw material front, are you facing any increase in raw material price apart from veneer? because crude has again increased after December, so are facing any problems on the chemical side of the raw material?
- Saurabh Mittal:** At the moment, we see a little bit of softening of few chemicals which we use. So we are not facing any further increase beyond what was there in Q3 or Q4. We feel little bit of easing in main chemicals which we buy i.e. phenol and methanol.
- Pranav Mehta:** Thank you Sir.
- Moderator:** Thank you. We take the next question from the line of Achal Lohade from JM Financial. Please go ahead.
- Achal Lohade:** Good afternoon. Thanks for the opportunity. Sir can you help us in terms of the volume growth if I see the domestic has declined for us about 3%, is that right, number?
- Saurabh Mittal:** For the year?
- Achal Lohade:** For the year, laminate.
- Saurabh Mittal:** Yes that is right.
- Achal Lohade:** You said we could look at 9-10% kind of revenue growth for laminates, now what I want to know is what kind of volume growth are you building, is it entirely volume growth or there is a price increase element as well as out here?
- Saurabh Mittal:** We are not anticipating any price increase in domestic or exports market for the moment. There could be some value mix improvement in the export business. The growth will come with value mix improvement which is like selling more premium products, more value added products and some volume growth also.
- Achal Lohade:** Can you help us understand in terms of the domestic sales? What is the mix in terms of our value added products and similarly for veneers as well?
- Saurabh Mittal:** Very difficult to give you the math on the phone, I think we can connect offline for that.

Achal Lohade: I am just trying to figure out what type of opportunity we have in terms of increasing the value added mix or we at a very well?

Saurabh Mittal: It is quite a meaningful opportunity, but it does not happen overnight. It is a process and we have talked upon that even last year despite the RM cost increases and the considerable Rupee depreciation. We have been able to improve price over the years by introducing the newer products and pushing more value added items, but we can connect on that offline.

Achal Lohade: Sure and just another question I had is with respect to the laminates only, we see the other competitor has seen an increasing volume. So is there any change in market share which is playing out or you think it is pretty much flat and the growth is more on account of the unorganized to organised shift?

Saurabh Mittal: By and large, the feedback we have is the market are flattish and raising volumes at the cost of margins is obviously possible. So really I do not think that is too difficult to achieve. So it depends on what the company wants, what is the thinking of the organization. So we believe that we want volume growth but not at the cost of margins and also not at the cost of capital employed or return on equity. So likely we said earlier, we have followed more of discipline approach probably taken the harder route as a company.

Achal Lohade: Thank you so much. I will come back later.

Moderator: Thank you. Next question is from the line of Shriram RajaRam from Sundaram Mutual Fund. Please go ahead.

Shriram RajaRam: Thank you for the opportunity. Sir we have been hearing from other players that the MDF is continuing to take the lower end plywood market. So on longer term basis, let us say 3-5 year's time down the lane, so how do you expect this laminate industry to grow vis-à-vis plywood players? I mean theoretically going every MDF or particleboard still needs laminates. So in that sense, should not the laminate industry grow at a faster pace than the plywood business? It is my understanding and any plans of getting into the MDF or the particleboard space or any tie-ups are you doing with the IKEA of the world? so if you can throw some light on that?

Saurabh Mittal: It is a bit more complicated than you are saying because MDF is cutting into the prices of the lowest plywood segment price points. Now every MDF does not need the laminate. MDF could be painted, it could be just varnished, you could do the laminate, you could do a veneer, you could do pre-laminate in MDF also. So every MDF does not need the laminate or every MDF will not be covered by laminate or decorative surface. So the question you

asked whether laminates should grow at higher than plywood pace. So I am not sure that they are completely correlated. But I think that the substrate will be the particleboard, MDF, and plywood. While all MDF and particleboard will not need a high portion laminates on top. They have other options on how their substrate can be treated. So I am not sure whether I can draw correlation between these two right now. Does that make sense?

Shriram RajaRam: Yes. Sir when say prelam particleboard. So prelam what that is it not a laminate is it? You said?

Saurabh Mittal: No it is not a laminate. It is lower category product than laminates. So in the prelam particleboards, you just have one layer of decorative paper on the board, you do not need an entire laminate. So that is more like a local cheap furniture, cheaper cost furniture like trolleys, study tables, etc., will probably use a prelam particleboard of prelam MDF.

Shriram RajaRam: So the any plans to enter the MDF for the particleboard space?

Saurabh Mittal: We are doing lamination on particleboard and MDF. We do not make motherboards as you know. Some of our customers who are doing commercial projects require the same design on a laminate, on a compact laminate and for the interior furniture. This is applicable to commercial spaces on particleboards and MDF, which is very small business for us which we are doing. At the moment, I cannot comment on our entry into particleboards or MDF. Greenply does MDF and we have no compete agreement with them and for particleboards, I cannot comment on that too much right know.

Shriram RajaRam: Thank you.

Moderator: Thank you very much. The next question is from the line of Sanjay Satpathy from Ampersand Capital. Please go ahead.

Sanjay Satpathy: Sir my question maybe repetitive, please pardon me for that. Sir I notice that on your standalone you have seen a massive improvement in realization. So just wanted to understand how these things are play out for you. You have been giving lot of color on demand scenario and competition. In the past, we thought that there is several years of stiff competition and things will even out soon. So if you can just give me some understanding of that?

Ashok Sharma: But from where you get this increase in realization on the standalone side?

- Sanjay Satpathy:** You have given some volume growth which is just moderate number and then from 11% realization increase year-on-year?
- Saurabh Mittal:** Product realization or revenue growth?
- Sanjay Satpathy:** Average realization which you have mentioned in the presentation?
- Ashok Sharma:** Those number are on a consolidated basis. Since most of our exports happens through our subsidiary, we do not track much on the standalone basis. Most of the exports, nearly two-third exports happens through our subsidiary. So that is why consolidated number is more meaningful in comparison to standalone. Whatever numbers has been shared by us are on consolidated number.
- Sanjay Satpathy:** I was just referring to this slide number 12, if you look at it, and in that slide number 12, we have given that average realization for three, it has gone up 770 is up 11%?
- Ashok Sharma:** That is true, but that is on consolidated basis.
- Sanjay Satpathy:** So how did that happen is what I am trying to understand.
- Saurabh Mittal:** That happened by improvement in the product mix and we have taken price rises in the last financial year. It was combination of all this.
- Sanjay Satpathy:** How much of this in the 11% increase in price hike and how much is the product mix?
- Ashok Sharma:** Just to give a brief about this 11%. We have sizeable export and domestic sales. As you see in the export business is nearly 50% of laminates sales. Export last year, there was rupee depreciation as well as increase in the price in the dollar terms both. So it is difficult to give the exact number on how much it is contributed from the price hike. In the domestic segment, we did two times price increase, which will be close to around 4%-5%. So it is the mix of both, mix of price increase, mix of product mix as well as rupee depreciation. It is a mix of all.
- Sanjay Satpathy:** And going forward so this price increases was mostly driven by cost-push?
- Ashok Sharma:** Yes absolutely.
- Sanjay Satpathy:** The competition said that it is remaining tight. So basically whatever pricing, it is not really a commentary of your pricing power improvement, but rather it is because of the cost push that you taken this price hike?

- Saurabh Mittal:** I think that is true, but what I can see on the reverse side is despite the increase the RM cost and market condition, we have been able to maintain our margins, and improved some margins and also maintain a tight working capital cycles and improve return ratios.
- Sanjay Satpathy:** Is it possible for you to give us a sense like when things are going to improve and what are your plans for exports like how much bigger it can become? Thanks.
- Saurabh Mittal:** I do not know when things will improve, what I can say is that we continuously keep working towards plugging in the gaps in our business and trying to work better and improve despite the market condition. How large exports become and again I cannot give you big number on that. I think it is a process and will grow gradually. So it is not something which is going to take off in a big way. So it is going to get gradual growth for next few years.
- Sanjay Satpathy:** Your traditional market are ?
- Saurabh Mittal:** Well, we export to nearly 100 countries, so we are fairly well spread because you cannot export to only one country. There are different sizes of laminates, there are different product categories, different performance for the laminates etc. So depending on all that, it will be lined up.
- Sanjay Satpathy:** Understood. Thanks a lot Sir.
- Moderator:** Thank you. Next question is from the line of Shriram RajaRam from Sundaram Mutual Fund. Please go ahead.
- Shriram RajaRam:** One basic question, if I take you average realization for this year, and take the total volume of laminates sold, It is not matching with the laminate topline. So that is about 50 Crores difference. What is the nature of that income?
- Ashok Sharma:** If you see in terms of export, we do get certain export benefit. So whatever the realization we give is the exact sales. Whereas this will come apart from that those export benefit which is other operating revenue.
- Shriram RajaRam:** Thank you so much Sir.
- Moderator:** Thank you. We take the next question is from the line of Nirav Parikh from India SME Investment. Please go ahead.
- Nirav Parikh:** Thank you Sir. My questions have been answered.

Moderator: Thank you. We take the next question is from the line of Pratik Poddar from Narnolia Financial Advisors. Please go ahead.

Pratik Poddar: Sir one question that I have is on the gross margin side. It is actually it feels we understand value mix was lower and RM costs were high and that was reason why gross margins were low but if you see you did a very good job maintaining our EBITDA margin, so one is why how did we manage to pull that off when it comes to EBITDA margin while the gross margins are so low?

Ashok Sharma: Are you talking about the quarter or you talking about the year as a whole? If you see in the quarter, the gross margins has dipped by around 2.6% whereas the sales has gone up by 16%. So our other expenses has not gone in that proportion. So that is the reason that we were able to maintain the margin.

Pratik Poddar: That could be because of lower A&P spends or anything Sir?

Ashok Sharma: It is not lower. I will say that it has not gone in the same proportionate to the sales because the sales has gone up by around 16%. So overall other expenses those are normally fixed in nature and not gone up in the same proportionate. So that has helped us in terms of maintaining the margin.

Pratik Poddar: By what we understand gross margins are primarily lower due to higher raw material cost?

Ashok Sharma: Yes, higher raw material as well as the change in product mix.

Pratik Poddar: I am taking just quarterly only.

Saurabh Mittal: Just highlighting, if you look at the annualized basis, 1.4% is the reduction on the gross margins.

Pratik Poddar: Sir the situation remains as the competition is higher, raw material cost is high, pricing power we have because of the brand, we are able to make price hike, but not in similar terms of cost hikes?

Ashok Sharma: Correct.

Pratik Poddar: The next question I actually two question on the balance sheet, I can see your capital WIP of 22 Crores standing as of FY2019 can you just explain what is related to this?

- Ashok Sharma:** These are some which relates to machinery which we are installing at our plant and some for our corporate office. So we have moved in to newer corporate office in Delhi only which got completed in April.
- Pratik Poddar:** Sir when you talk about the machinery basically what the machinery for the Greenlam laminates plant, which we are looking for?
- Ashok Sharma:** No, that will start in third quarter only. It was related to some of the routine capex, which is under installation. For the newer capacity, the machine will start delivering by the end of this quarter or beginning of next quarter.
- Pratik Poddar:** I got it Sir. Sir the last question that I have is the lower payable day that we see as of FY2019, can we understand that it is because of the rupee appreciation, because of the import more and because of the rupee you have seen lower payable days?
- Saurabh Mittal:** Not exactly. It will depend upon the supplier mix with whom and what has come during that quarter. Normally, nothing has been changed even if you look at the overall quarter. The value has gone up but because the sales has gone up, so that is why it has come down. Value has even gone up by around 10 Crores in comparison to Q4 last year, but the sales is higher so that is why the number of days has come down.
- Pratik Poddar:** Thank you.
- Moderator:** Thank you. Next question is from the line of Achal Lohade from JM Financial. Please go ahead.
- Achal Lohade:** Sorry I am just continuing the earlier question on the gross margin. We see typically fourth quarter the gross margins come off QoQ, is that seasonality first of all? is there is a mix change which happens typically in the fourth quarter? and if takes for the domestic or the export business?
- Saurabh Mittal:** There is no seasonality but if you see on QoQ, the price realization on the domestic business has come down. That is the prime reason, that also see Q3 domestic realization was Rs. 794, in Q4, it is Rs.763. So I think that got down the margins. If you look at the veneer business also, the realization in veneer is largely flattish. So I think little bit of more RM cost and exports flooring in Q4 probably also reason why this has happened.
- Achal Lohade:** Because I see the same trend even in FY2018 third quarter to fourth quarter?

Ashok Sharma: Some schemes getting passed on, year end schemes, so that is in domestic market. So see this quarter, it is domestic laminate rates are coming down, flooring exports going up significantly, and veneer realization also changing. Veneer margins have also shrunk. Q3 QoQ, so from 18.3% it has come down to 14.4%. So I think that is a combination of all of this.

Achal Lohade: That is all from my side. Thank you.

Moderator: Ladies and gentlemen that was the last question for today. I would now like to hand the conference back to management for closing comments.

Saurabh Mittal: Thank you so much for joining us on the call and I appreciate all the questions asked and the ones which are pending to answered, Ashok will connect you or you can connect with Ashok offline and will be happy to address in the best of our ability. Thank you so much.

Moderator: Thank you very much ladies and gentlemen on behalf of Greenlam Industries Limited we conclude today's conference. Thank you for joining. You may now disconnect your lines now.