“Greenlam Industries Limited
Q4 FY2018 Earning Conference Call”

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**MANAGEMENT:** **MR. SAURABH MITTAL – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER – GREENLAM INDUSTRIES LIMITED**
**MR. ASHOK SHARMA – CHIEF FINANCIAL OFFICER – GREENLAM INDUSTRIES LIMITED**
**MR. SAMARTH AGARWAL – GM (FINANCE) – GREENLAM INDUSTRIES LIMITED**

**Moderator:** Ladies and gentlemen, good morning and welcome to the Greenlam Industries Limited Q4 and FY2018 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on beliefs, opinions and expectations of the company as on the 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 now hand the conference over to Mr. Saurabh Mittal, Managing Director and Chief Executive Officer, Greenlam Industries Limited. Thank you and over to you Mr. Mittal!

**Saurabh Mittal:** Welcome. Good morning friends and a very warm welcome to all of you. On the call, I am joined by Mr. Ashok Sharma – CFO, Samarth Agarwal – GM (Finance) and SGA, our Investor Relations Advisor. The results and presentations are available on the stock exchanges and our website and I hope everyone has a chance to look at it. It has been a tough year for the building material sector as there were multiple disruptions in the sales due to divergence of the GST rates and the challenges in its implementations at distributors, dealers and retailers level.

On the other hand, the real estate sector continues to be soft at the ground level. So, the demand pattern is behaving differently for different products in different regions. In general, furniture industry behaves quickly in line with new home sales compared to home renovation. So Tier 2, Tier 3 cities markets are likely to open up with the rise in income and preferences. Metro cities seem to be more mature and growth in many of the metros seems to be quite. For all building material players the opportunities will be larger once RERA, affordable housing scheme and various other schemes are executed and home sales are happening on the ground.

For Greenlam Industries, FY2018 has been a decent year vis-à-vis FY2019. Our consolidated revenues grew by 6.4% compared to FY2017; however, revenues growth adjusted for GST was 8.8%, EBITDA and PAT grew by 7.6% and 30.1% respectively as against FY2017. We were also able to reduce our debt by 47 Crores in financial year 2018. Overall we were able to maintain our working capital cycle despite the difficult market environment. We continue to have a sharp focus on our cash flow and all other parameters while targeting the sales growth.

As mentioned earlier building material players like us found first half of FY2018 impacted due to introduction of GST and its implementation across channels. Volumes have picked up for the entire year both in the domestic and export market while there might have been on-off demand pattern on quarterly basis, but on the overall year basis, we have done well.

We had been constantly participating in exhibitions across the world to showcase our product ranges. Our channel partners of 14000 dealers, distributors, retailers across the country, some of which are active and some of which we want them to increase our depth and continuity of business. We are focusing to activate more channel partners expanding our network and also increasing our product reach by working better with the influences with architects, designers, installers, carpenters etc. We have close to 2500 SKUs plus across our various product categories. In laminate segment, our brand Greenlam, New Mica, Greenlam Sturdo, Greenlam Clads continue to gain momentum. We hold strong position in one mm category and our products are very well accepted in the domestic and international markets. The veneer & allied business is broken down in to three categories the decorative veneer, Mikasa wood flooring & Mikasa engineered doors.

In the veneer segment, Q3 FY2018 was a good quarter but we could not repeat the same performance in Q4 2018. For the year, we reached a utilization of 37% versus 31% in FY2017. The teams are working on ground to improve the connect with the customers, extensive marketing activities and efforts have been undertaken through digital campaign, through exhibitions, through working with the specifiers, expanding the channel, working with projects, developers, builders etc.

Our floors and door segments are yet to grow in a manner with which we will be satisfied with, although the growth this year for the doors was about 30% plus and flooring business grew 45% but the base is still very small and we expect utilizations to improve as we move forward. We have been able to narrow down our losses in the last quarter which you might have looked at. In the flooring business, real estate, newer construction, premium condominiums, premium developments, premium hotels are the more potential markets for this product. In doors, as we have mentioned earlier we are focusing largely on five, six cities in the country and working on projects, working with developers and builders to get the growth numbers.

We are always excited about our products and would engage with our customers and the clients to have more value through our various products and services. We are the largest producers in Asia of laminates and we are amongst top three in the world and this has been possible only because our teams had managed to transform life of our customers and offer them more modern, stylish and contemporary products. It has taken us slightly over two decades to build this trust and prove our expertise to our customers. We will continue to offer superior lifestyle solutions and like to achieve new heights in the home décor space. We are looking forward to successful FY2019.

I would now like to hand over the line to our CFO, Ashok. Ashok will take you through the financial and operational highlights of the company and I will be available on the call once Ashok takes you through, to answer your queries and questions.

**Ashok Sharma:** Good morning friends. I will take you through the financial performance of the company for the quarter as well as for the year. For the Q4 FY2018 on consolidated basis our revenue grew by 6.4% to 311 Crores whereas our GST adjusted growth was 9.2% for the quarter. EBITDA for the quarter was at 39 Crores, a de-growth of around 9%, EBITDA margin stood at 12.5% as against 14.6% last year same quarter. PAT for the quarter was flat at 17.9 Crores. Our domestic sale increased by 5.1% to 182 Crores and export grew by 8.3% at 129 Crores. For the FY2018 on a consolidated basis our revenue grew by 6.4% to 1145 Crores whereas the GST adjusted growth was 8.8%. EBITDA for the year was at 149 Crores, a growth of 7.6%. EBITDA margin was at 13% against 12.9% in the last year. PAT grew by 30.1% to 64.6 Crores. Overall domestic sales increased by around 15% to 685 Crores and export degrew by 5% to around 459 Crores.

Moving onto segmental performance laminate and allied product constitutes around 85% of our sales and for the Q4 FY2018 recorded a sales of 266 Crores a growth of 6.3%. Volume for the quarter were at 3.7 million sheets a growth of 6.9%, our average realization for the quarter was at 693 per sheet as against 696 last year same quarter. International business contributed to around 125 Crores, a growth of 6.2% over previous year same quarter.

For the full financial year FY2018 sales grew by 4.8% to 984 Crores with EBTIDA margin of 13.6%. Volumes grew by 7.9% to 13.81 million sheets, production were at 13.87 million sheets with a growth of 9.8% over last year with a utilization level of 101% on the expanded capacity. Average realization was at 693 per sheet as against 699 per sheet in last year. Veneer and allied products forms 15% of our total sales, veneer and allied represents veneer, floors and door segment. In the Q4 our sales were at 45 Crores as against 42 Crores last year same quarter. EBITDA stood at 4 Crores with a margin of 8.8%, against 9.8% in the last year same quarter. For the FY2018 sales grew by 17.3% to 160 Crores as against 137 Crores last year.

In the veneer segment, in this quarter, capacity utilization stands at 35% with a volume sale of 0.39 million square meters as against 0.41 million square meters in Q4 FY2017. Average realization fell by 2.4% to 804 per square meter. For FY2018 utilization stood at 37% with sales volume was at 1.6 million square meters.

In engineer wood flooring under the brand of Mikasa, we have clocked a sale of 26 Crores for the full year as against 18 Crores last year having a growth of 45%. In engineer door segment, we have done a sales of 16 Crores for this year as against 12 Crores last year a growth of 33%. For the FY2018, losses for both doors and floors were reduced to 8 Crores as against 14.5 Crores in last year.

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

**Moderator:** Thank you. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Ashish Poddar from Anand Rathi Securities. Please go ahead.

**Ashish Poddar:** Good morning everyone. My question is more on the margin front so the last quarter was little bit disappointing in terms of margin. Can you please highlight what will come in the quarter?

**Saurabh Mittal:** If you look at the gross margin level versus Q3 we had a dip in Q4. Raw material costs have gone up especially of the chemicals in quarter four. We have passed on some increase in the domestic market. Increase in the export is being passed on in phases across various geographies and we expect that to happen let's say by September. The other thing which went wrong we could say was the expenses which was slightly higher, before the expenses if you look at the veneer business which is a high margin business, we had a 22% EBITDA on a high sale in Q3. Veneer business kind of degrew versus Q4 of 2017 as well as versus Q3 of 2018 by the 3-4 Crores of sales so instead of a 22.9% EBITDA which we achieved in Q3 2018 we achieved 19% in Q4. So on laminate side, due to slight increase in cost you could say we lost 1% EBITDA in our laminate side primarily due to the RM cost increase. On the veneer side, it was decorative veneer sales which were lower, in flooring and doors we were able to reduce the overall losses. So it is just minor issues on the RM, in the chemicals, lower veneer sales of 3-4 Crores, some little expenses were higher and also I would say that we have not compromised on our working capital cycles, we have been quite tight with our debtors and our inventory management. I think that it also somewhere contributed to potential loss of sales.

**Ashish Poddar:** So that was the last quarter but how is the situation now? How are you experiencing this raw material prices currently and what is your view on the veneer business going forward?

**Saurabh Mittal:** Yes, so if you say situation now, RM cost increase whatever was supposed to happen has already happened. We are not experiencing any further cost increase. As I was telling you earlier, we have increased our prices on the domestic market by about 2.5% - 3% in last quarter, international and exports market prices increase for laminates will be implemented over the next three to four months, effectively by end of September, October all prices would have been increased, rupee depreciation helps us overall, although it is negative for domestic but positive for the export business as we sell more dollar than we import which is overall positive. So this is what the situation.

**Ashish Poddar:** In terms of the raw material procurement you are still highly dependent on your import. I am still wondering whether we cannot procure this from India, what is so critical in that if you can explain. This is more from understanding macro perspective but it will be very helpful.

**Saurabh Mittal:** It will be a long story if I tell you on the phone that why we imported, I will have to go in RM wise, segment wise, what we buy or what we do not buy, what is available, what is not available. So of the total RM about 80% is directly imported or pegged to imports and India does not have all raw material products. So we import chemicals such as phenol, melamine, methanol, we also import special grades of paper, Kraft and decorative paper and the decorative veneer. India does not have those forest, and those trees or those plantations so it is a long story but obviously the sources are not available locally and that is the reason why we end up importing that, but importing the raw material is not a problem because we also have a fair share of exports so like I was saying earlier rupee depreciation is not negative for us and now it is overall positive for us.

**Ashish Poddar:** Now even there is more unorganized players are they also dependent on import of the raw material or they procure it locally?

**Saurabh Mittal:** Well it will I think depend on segment.

**Ashish Poddar:** I am talking more from the laminates perspective Sir.

**Saurabh Mittal:** Yes so in laminates, decor paper is still largely imported, the source can vary, we might buy more from Europe and Japan, and they might have to buy from China. Chemicals our country is a net importer so they may not be importing directly themselves because their volumes may not be high but may be buying imported materials from local traders and all that.

**Ashish Poddar:** Now on the demand side you mentioned that while the metro cities are more mature now showing flattish growth but then their volume growth is coming from the Tier 2, Tier 3 cities.

**Saurabh Mittal:** I was mentioning that more from an overall perspective not specifically from our perspective.

**Ashish Poddar:** Yes if you can give more flavor as that how is the demand in the Tier 2, Tier 3 cities are coming because ultimately the large volume growth will come from the top cities. I am still wondering how you are able to get around 10% kind of volume growth.

**Saurabh Mittal:** See if you look at our numbers for last year, domestic business has grown by nearly about 15% overall and if you adjust for GST it is probably slightly higher.. So, I was mentioning more from an overall perspective. As far as we are concerned, we are driving more depth in the larger cities in the metro markets and also we are trying to expand our network and reach out in a more meaningful manner in the Tier 2, Tier 3 and the so many districts of the country. So for demand scenario nothing has changed so it is the way it works. We all hope the demand gets better but having said that we have do our efforts of expanding the network and we also have newer products and we have always said that on the call those markets are also those products are also gaining more market exposure.

**Ashish Poddar:** Yes, Sir it is very helpful. In these terms kind of telling that in last three four years what kind of changes have seen in metro cities and how are the Tier 2, Tier 3 chunk of this?

**Saurabh Mittal:** I will have Ashok respond on that to you separately, it should be better I think.

**Ashish Poddar:** Thank you so much.

**Moderator:** Thank you. The next question is from the line of Prashant Kutty from Sundaram Mutual Fund. Please go ahead.

**Prashant Kutty:** Thank you for the opportunity. Sir firstly just a clarification, you said that the FY2018 domestic business we have seen a growth of 15% volume did I hear that correctly?

**Saurabh Mittal:** Value. FY2018 domestic revenues were 685 Crores across categories overall domestic revenue. So on a value basis versus FY2017 we have a 15% growth and if you adjust for GST this would be higher it is probably grown about 17%, 18%.

**Prashant Kutty:** But I believe most of it would be volume growth would that be a right assessment?

**Ashok Sharma:** In terms of volume growth then we need to go into the product segment. In laminate we grown by around 11%, volume growth in veneer it was around 16%. So what you are saying is correct

**Prashant Kutty:** I believe that will get visible from the next year onwards that realization part which you are referring to given that?

**Ashok Sharma:** Yes, in this year it is not visible because one of our plant which is in Nalagarh is in excise-free zone so the GST impact which we are talking, that is primarily for this plant, so hopefully that situation will get corrected post quarter one because the GST was implemented from July 1, so then that will be visible in the numbers.

**Prashant Kutty:** Sorry Sir if you could just take my first question so basically Sir what I wanted to understand is, while we hear on lot of conference calls with the building material side players, we have been hearing that there is the benefit of GST and the benefit of E-way bill would start getting implemented probably from this quarter and whether more so from FY2019 could you probably talk about similar trends for laminate companies as well and more so specifically for Greenlam if you could just share your thoughts over there.

**Saurabh Mittal:** I am not sure on that and I can only say that we are not waiting for that to happen and how much it happens, what happens really I am not an expert on that and we are focused more on driving our own business towards working better in the markets across, specifications over the new products with the OEM, developers so really it is more to say that if it get implement and the way people say it might help us but really we are not waiting for that to happen and if you do see last year FY2018 despite of how the GST challenge etc., now business has grown, so really if you see that helps everyone should be benefitted here.

**Prashant Kutty:** No the reason I asked is because if you are looking at almost 15% kind of a revenue growth number in domestic business.

**Saurabh Mittal:** This is the reality and this is the number we achieved last year which is mentioned we are looking at this year.

**Prashant Kutty:** No absolutely I am not – I am just trying to understand is that if you already achieved a 15% number despite all those headwinds am I looking at a much more accelerated growth rate in the next year I was basically coming to that point actually?

**Saurabh Mittal:** I cannot comment on that if you ask me I cannot see. Obviously our efforts will be there to do it but I can’t put a figure to it now. , while having said that yes we have capacities across product categories laminates, veneers, flooring, door we expanded capacity last year in June 2017 we added 15% capacity so we have capacities across product categories I cannot put a figure to that.

**Prashant Kutty:** Secondly on the new segment Sir as far as floors and doors are concerned, so we definitely seen a good revenue increase as well and we have also seen losses reduced what will be a more stable level of let us say at what level are we looking to probably reach EBITDA positive numbers and incrementally when and what is the target assigns to that in terms of what revenues will be EBITDA breakeven and sustainably what could be the margins in both these segments?

**Ashok Sharma:** Prashant, as we said last time also around 18%, 20% utilizations these are EBITDA breakeven will happen in this. So earlier we projected to do that in quarter four, unfortunately it did not happen but we are hoping to do EBITDA breakeven or overall breakeven in this year. In terms of what all the level can be expected in this, so we will be at a total breakeven, PBT breakeven, in that around 50 Crores in the flooring businesses and around 30, 35 Crores in doors so these are the level which we have in our mind and we are pushing for that level. In terms of normalized margin as we have said in the past, flooring can have a margin equivalent to veneer at a later stage when it reaches certain percentage and in doors it can be same margin of around laminates.

**Prashant Kutty:** And doors are same as laminates?

**Ashok Sharma:** Yes.

**Prashant Kutty:** Just one more thing lastly if you look at the unallocable expenses that has probably been moving up while sequentially it is pretty much the same and as you also highlighted about some expenses being little higher any one-off to highlight over here because incrementally also are you going to be seeing spends towards the newer segments or and probably you will give some sense on that.

**Ashok Sharma:** Not like that what has said normally in the quarter four the expense tends to be a bit higher in comparison to other quarter because lot of expense which is annualized gets effected at the year end so that reason and there is no specific reason per se wherein the expense will be higher unallocated expense also so it is moving in the same way only if we take on Q3, Q4 only but there is nothing specific which I can say as of now.

**Prashant Kutty:** Lastly on the laminate side, the margins I believe the last couple of quarters you have highlighted that technically it will go towards higher side at a company level, are you pretty much in line with achieving that given the fact that we have been seeing some raw material headwinds now.

**Saurabh Mittal:** So like we said in domestic we have passed on the price increase to the market and exports we are in the process so there is a lag impact in the export price increase being passed on so we expect that to happen over the next few months maybe by end of September-October we will probably have all the spot price increase passed on then I think it is a combination of the right value mix and the right volume which will hopefully work towards improving our margins.

**Prashant Kutty:** Thank you very much and all the very best.

**Moderator:** Thank you. The next question is from the line of Achal Lohade from JM Financial. Please go ahead.

**Achal Lohade:** Thank you for taking my question. I wanted to understand in terms of your margin profile how different is for domestic vis-à-vis exports for laminates?

**Saurabh Mittal:** Well we said that in the past also, on a consolidated basis, it really depends on the currency at that point of time so when the rupee had appreciated couple of quarters ago you could strictly say in domestic business on the paper, was getting more profitable than the exports and as the currency depreciates so we do not have the right math at the moment but by and large really the essence of the matter is the question is not either domestic or either exports. So the model of the business, the capacity of the plant the decor , plates, the infrastructure is geared to respond to and go to both the markets help us in terms of improving productivity, improving working capital cycles, derisking the business of currency improvements. So the margins percent, will depend on the currency, largely on the currency at that particular point of time.

**Achal Lohade:** So let us say theoretically at the current point of time with currencies?

**Saurabh Mittal:** So currently at the consolidated level, it could be very, very similar but I still seeing domestic will be slightly more superior to exports. If rupee depreciates to 69, 70 level I think exports will have a slight more edge over the domestic.

**Achal Lohade:** So you are actually saying a) it is complementary and b) there is not a very different margin profile so to say it obviously the currency will have an impact with respect to the numbers.

**Saurabh Mittal:** Yes absolutely valid.

**Achal Lohade:** Number two could you talk about what kind of growth one can look at for the domestic business and for the export on a broad basis for next couple of years. Can domestic grow in double digits sustainably and also in terms of the margins we have kind of come off a bit as compared to FY2017 and FY2018 you said that you have taken a price increase in domestic market but given the recent rise in crude would that price increase be sufficient or would there be a need to take another round of price increase?

**Saurabh Mittal:** Well let me respond to you on the second question. See on the price increase if you look at the quarter four domestic price realization in laminates actually it is slightly lower than the realization of Q3 so although we did take a price increase, realisation will also depends on the mix of the products we have sold. So whether we can take more increase at the movement in domestic I do not see that situation because there is intense competition, several more companies have build up more capacities, there is competition from local companies also and the factor is that we have we still have more capacity in both the plants, we still can produce up to 115% utilization. So right now the effort on the domestic business will be to maximize more output while maintaining cost and working capital cycles and expenses and working towards improving the value mix. On the exports side, we are in the process of take an increase in some markets. It has been implemented in some and will get implemented in some market because typically the order size and the time up to order is slightly longer versus the domestic business. On the growth percent really difficult to give you a number how domestic and exports will grow I think we could safely assume 8% to 10% kind of a consistent growth levels over next maybe two three years.

**Achal Lohade:** At the overall laminate segment?

**Saurabh Mittal:** Yes as overall. Could be slightly higher but seeing market situations, considering all parameters, I think if we are able to achieve by 10% consistent quality sales growth it should be fair.

**Achal Lohade:** In terms of you have highlighted an interesting point about the mix part of it within laminates premium, commodity, would you be able to share a broad picture as to what kind of mix do we have from a commodity from a premium or a mid size laminates.

**Saurabh Mittal:** I will have Ashok revert to you on that independently would that be fair?

**Ashok Sharma:** I will come back to you.

**Achal Lohade:** Sure no problem Sir.

**Moderator:** Sorry to interrupt Mr. Lohade may we request that you return to the question queue.

**Achal Lohade:** Sure I will hand it. No problem thanks.

**Moderator:** Thank you. The next question is from the line of Resham Jain from DSP Blackrock. Please go ahead.

**Resham Jain:** I have four questions. First is on the FX side how are the position both on the export side of the business and also on the raw material side that is first? Second is on the doors and floors you mentioned that the loss, which has come down this year may further see some reduction in FY2019 and probably we may reach breakeven kind of scenario, so what kind of visibility you have on the order book, I presume that this business would be order driven so what kind of order book visibility you have vis-à-vis you had last year so that is second, third is on the capex in FY2019 and what is the kind of debt we are looking at in FY2019 in next two years let us say.

**Saurabh Mittal:** The fourth question was debt is that?

**Resham Jain:** Yes on the debt side.

**Saurabh Mittal:** Ashok will take FX.

**Ashok Sharma:** Resham in terms of FX as you said we have exports and imports both and exports right now is slightly more than the imports so we do have a natural hedge, whatever is over and above net of outstanding that is being hedged on a regular basis. So we do not have per se forex risk in terms... In terms of capex, last year also we had routine capex apart from the laminate expansion, which we did in quarter one, so this year also we will have normal capex which will be in the range of around 30-35 Crores which includes some of the spillover capex of last year and some more new maintenance capex for this year. In terms of debt, since we do not have large capex in this year as of now so whatever is cash flow, which is after taking in to account the increased amount for the working capital rest all will be used to reduce the debt level. In terms of doors and floors Sir will answer it.

**Saurabh Mittal:** So on the door and floor, order books, as we start the year versus we started last year probably the order book is more positive and in a better position for the door and floor and we already mentioned at what levels we will breakeven at EBITDA and what levels we will breakeven at PAT so nothing has changed from that perspective. Our endeavor is to first step, breakeven on the EBITDA and second step to breakeven at PBT level and the order book is more positive versus we already started in FY2018.

**Resham Jain:** Any number, which you can give like last year what kind of order book, you had on March 31, 2017?

**Saurabh Mittal:** I would not want to comment on that.

**Resham Jain:** 20%, 30% what kind of increase you are seeing now.

**Saurabh Mittal:** That is up to if you see Q4-on-Q4 or Q4-on-Q3 of the numbers you can see quarter wise numbers of that is stable so if you see Q4 engineered wood flooring we did a revenue of about 8.28 Crores, Q3 it is 6.25. Engineered doors Q3 will be at 3.85, 3.84 and Q4 with 5.85 Crores. So there has been a obviously the base is again very small so I do not like saying this kind of good growth and all that but it is improving quarter-on-quarter and I hope it improves further.

**Resham Jain:** Thank you best of luck.

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

**Sneha Talreja:** Thanks a lot for taking the questions. This is more pertaining to the industry can you please tell Sir how much would have been the growth that we have seen in FY2018 for the overall laminate industry?

**Saurabh Mittal:** Again I cannot give you a right figure but again it will only be my guess that it would be 6%, 7% overall maybe some people say that is flattish. Well actually our growth been higher in terms of volumes so well that is my guess, some people say they have not grown last year so really we will talk to give you a number. So our volumes grew 7.9% last year domestic grew at slightly over 10% exports grew at 5.1% we grew overall laminates have been what 7% on a GST adjusted it could what 9.2%,

**Sneha Talreja:** As we have as other participants were asking have we seen some kind of an aggression from unorganized players in FY2018 as we have seen for other segments mainly for tiles, plywood's is this so and could you explains some scenario post GST and what is happening after e-way bill implementation?

**Saurabh Mittal:** So. Aggression is always there in our industry, so have you seen more aggression I am not sure on that but yes I must say that price gap is narrowed between us and the unorganized people because there in laminates most of the raw materials are coming from organized sources unlike maybe a tiles or a plywood so the price gap between us and the unorganized people has narrowed post GST. This is my comment on the post GST and unorganized. It is tough to get a number but you could share the price gaps would have taken narrowed by at least what 15%, 20% because they have increased their billing.

**Sneha Talreja:** Another 15% to 20%.

**Saurabh Mittal:** Yes because they have increased their billing value and GST rates have come down from what about 26% to 18% so we are passing all the benefit to the market so the gap between our self and the local companies. Now this will depend geography wise, category wise etc., so I am just giving you a very general sense that at some areas it could be little bit higher price gap narrowing, in some places it would be lower. And post e-way bill really we have not seen something come to our direct notice over last month or and Ashok do you want to say something on the e-way bill or something comes. Nothing major, which has come across to our notice so really and like if it is implemented the way you are all saying I am sure it will take to benefit out of it.

**Sneha Talreja:** Sir one more question was in the veneer segment, you said that in Q3 we had grown at a healthy rate and Q4 we could not grow that much any specific reason for that?

**Saurabh Mittal:** My guess is the year before that F2017 Q3 was a washout because of the demonetization so probably Q3 of this year was looking quite good and even margins were quite healthy. No specific reason, nothing very specific to adjusting public demand, general market situation, nothing very specific.

**Sneha Talreja:** Any outlook in this particular segment you have mentioned about the laminate segment that you are saying 8% to 10% kind of growth anything or this segment as such.

**Saurabh Mittal:** So in the veneer segment if you look at the entire veneer categories last year we grew by about I think 17% here if you look at veneer Mikasa flooring, doors and veneer which is all largely domestic business with some exports also. So, I think we should be able to grow the segment also because there is the base is very small we are starting out with some exports in flooring also now so I think we should be able to grow the segment also by 12%, 15% in times to come.

**Sneha Talreja:** Thanks a lot Sir.

**Moderator:** Thank you. The next question is from the line of Anand Dubey an Individual Investor. Please go ahead.

**Anand Dubey:** Sir just my couple of questions, how much growth you expect in FY2019 and what kind of margins you are looking in your laminate business Sir?

**Saurabh Mittal:** The laminates we said we look at 8% to 10% kind of a growth and margins really it also depends on how RM cost plays out etc. I think we should expect a similar consistent level of margins we will try to achieve and we have achieved in FY2018.

**Anand Dubey:** Sir my second question what is your tax rate in FY2019 it will be same or any reduction will be happen on tax rate.

**Saurabh Mittal:** It will be in the range of 30% because even though we have been producing normal tax rate but one of our plants is having one more year of benefits under 80I so it will be in the range of around 30%.

**Anand Dubey:** Sir in terms of veneer business how is the growth you will see in FY2019 and what kind of margins we are looking because currently capacity utilizations 37% what kind of capacity utilization you are looking in FY2019 Sir?

**Saurabh Mittal:** In veneer business capacity utilization really not as much meaning as in the laminates business it is a more niche, more premium product and also really the plant does not run round the clock, it runs typically one shift depending on the demand conditions. Look at the entire veneer allied categories we have flooring doors look at a 12% to 15% kind of a growth level this year.

**Anand Dubey:** Sir and the EBITDA margin for FY2019 what kind of EBITDA margin that you are looking?

**Saurabh Mittal:** You are asking us all the figures, so really it depends in terms of the topline, the RM cost situation and our endeavor will be to continuously keep and bring the performance of the business in the company so I will we will move in line that we apparently to improve the revenues and that was hopefully translate to better EBITDA numbers in value the percentage will value and the RM cost which we value.

**Anand Dubey:** So for the debt repayment what kind of debt we will be repaying in FY2019. We paid around 47 Crores of debt so what kind of debt is it.

**Ashok Sharma:** As we said earlier so this year we do not have any major capex program as of now so whatever additional fund which should be generated after adjusting for the working capital requirement will be used to reduce our debt so you can presume like around 40 Crores reduction at this.

**Anand Dubey:** Thank you so much Sir.

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

**Rohan Gupta:** Sir Morning Rohan here just a follow up question. Sir you mentioned that metros have now almost matured and you are looking a higher growth from Tier 1, Tier 2 cities so right now what is the contribution or revenue mix in our laminate business from metros versus other cities?

**Saurabh Mittal:** As we said I would have Ashok address this independently. Ashok will respond to you, Rohan offline on this question. It is more like a general statement. We are still growing in the metros I must say and we still continue to grow in the metro markets also, but Ashok will give you the math of what is metro is all about.

**Rohan Gupta:** Sure. Sir second question that what we have seen that probably in categories like laminates and all where organized players have been having a higher market share versus unorganized they have not been much affected by GST and with the E-way bill not being implemented yet as earlier participants also wanted to know more about it. Do you see that with the E-way bill implementation and all those things that in general it will make some impact on business or how the unorganized has been doing business as of now will it change or you think that there is still some leeway's they will continue to enjoy and unorganized where they have an high market share they will continue to do the tax revision practices which they have been following?

**Saurabh Mittal:** Not sure. Logically there should be some positive impact to people like us or to the organized players but I also said that after GST at least in our industry what we have for that local companies unorganized players have also improved the billing practice and the price gap has narrowed and because most raw materials come from organized sources unlike maybe a tile industry or a plywood industry where we are buying raw material from local sources where you are still buying you are importing, imported products from local traders so the arbitrage of addition is a bit lower so but yes it will be start get implemented and whatever we understand in a meaningful manner so any amount of increase compliance has our business because the price gap narrows between us and the organized players.

**Rohan Gupta:** And you have already mentioned that the price gap has reduced to almost by 15% to 20% post the rate cut from 27% to 18% in your industry?

**Saurabh Mittal:** Yes.

**Rohan Gupta:** So this 15% to 20% price gap, which has narrowed down it, is only because earlier they were not paying taxes when the tax incidence was 28% and now with the 18% there is less incentive for them or it is just compliance on a GST?

**Saurabh Mittal:** I guess it is a bit of everything, it is compliance, it is we need to pay it is also reduction of our cost of 26% or 27% to 18% so I think it is a combination of a little bit of everything which is contributing to the structure.

**Rohan Gupta:** Just last one Sir on exports we have seen with the currency at current level now almost 65-66. Do you see that the export's volume growth it was last year just at 5% and there is a higher opportunity that taking more market share than global market?

**Saurabh Mittal:** Well actually if you see we struggled for couple of quarters so exports everything happens last year we had this GST adjustment, we had the currency appreciation we also add a little bit of our own challenges but if you see for the final quarter our numbers in exports the volumes in exports grew by nearly 10% and in dollar term I think growth was about 13%, 14% on rupee term was about whatever 5%, 6% kind so I think the export should also pickup and contribute more to the company's business.

**Rohan Gupta:** Thanks a lot Sir. Thank you so much for taking my questions.

**Moderator:** Thank you. The next question is from the line of Achal Lohade from JM Financial. Please go ahead.

**Achal Lohade:** Thanks for the followup opportunity. Just wanted to understand you indicated that the competition has actually kind of increased, people have setup capacities, would you be able to elaborate in terms of which region you have seen increase in capacity in domestic market and overall what is our market share?

**Saurabh Mittal:** Again because when the maths is unorganized and organized, the percentage of the market share will also be same percentage of last year. Our entire laminates business was about close to 980, 985 Crores. So it depends on we put a number to how much the market grew last year. We probably be at a 18%, 20% kind of an overall market share while the market share of exports will be higher from India and the market share in domestic market will be lower and capacities, new capacities some in North India, some in Western India, a few on east has come up so what I meant that there is capacity in the market which increases pressure and competitive intensity increases.

**Achal Lohade:** Are they significant ones like have they added 40%, 50% capacity or just the 10% incremental capacity has come in what I am trying to understand?

**Saurabh Mittal:** In laminates if somebody has one line he has one more so the 100% attrition so 15%, 20%. 10% logic only applies to a company like us or one of a larger the other larger competitor otherwise for everybody adding one line, two lines is already 100%, 200% or 300% capacity, so capacities do not come up in 10%, 15% base which they come up in a bulk and come up with at one go. So if anybody expands their one line from one line has 100% capacity. So yes there is enough capacity in the market.

**Achal Lohade:** And in terms of your exports business I remember last year you had kind of indicated that the overseas subsidiaries are turning around so how has been the performance and how you see it going forward?

**Saurabh Mittal:** So I will have Ashok respond to that so I think if you going forward we are quite positive on the improvement on the overall export business and the subsidiaries

**Ashok Sharma:** we have three core operating subsidiary, US and Singapore they are already in profits they were in the past also and the losses in the UK, we were able to reduce it but still it is in the loss, which we hope that this year we able to convert into profit. In terms of last year, at the EBTIDA level Rs.2 Crores lesser in comparison to previous year because the overall sales was lesser in the export as well as in the subsidiary.

**Achal Lohade:** Got it and where do you see the exports business growth coming from which any particular country geography you would want to point out?

**Saurabh Mittal:** I think it will be across markets. I think we expect the UK, Europe business to grow at potentially at faster pace and but I think we expect last year was like a soft year for us from exports what I think we should be able to do a better performance in the exports overall.

**Achal Lohade:** That is all from my side. Thanks.

**Moderator:** Thank you. The next question is from the line of Akshit Gandhi from Kotak Mutual Fund. Please go ahead.

**Akshit Gandhi:** One question from my side is the 1mm market growing faster than the point eight market in laminates.

**Saurabh Mittal:** Overall maybe not.

**Akshit Gandhi:** How much would be point eight mm contribution to our overall volumes for FY2018?

**Saurabh Mittal:** I will have Ashok respond to you on that with the exact data.

**Akshit Gandhi:** Sure one more question on the laminate side, the PVC laminate segment seems to have picked up very well, it has become a 4 million sheets per month market with 50% imports so any thoughts on that how we are gearing up for that segment or anything?

**Saurabh Mittal:** So we have not look at expanding our business into the PVC segment. About the imports I am not sure on the numbers but as we are talking so would we are not looking at a segment for market right now, I mean to you note up what you are saying.

**Akshit Gandhi:** Because what I understand some of the players have started entering the manufacturing of WPC and PVC laminates?

**Saurabh Mittal:** WPC PVC yes.

**Akshit Gandhi:** Also I remember that there was a talk about antidumping duty on engineered wood flooring so anything update on that how that has worked out for us?

**Saurabh Mittal:** It is partly WIP, partly what was implemented was very marginal so we are making an appeal again to the department and Ashok will say bit more.

**Ashok Sharma:** In fact it is implemented even though the margin is lesser in some of the varieties of the product not only the entire products which we have asked for so we are again representing and going in appeal to look into this afresh.

**Akshit Gandhi:** Also we have done a very good work on the working capital improvement on last three four years but going forward is there room to further improve it or I think we have maxed out because then eventually beyond a point of time it starts hitting sales?

**Saurabh Mittal:** Some more working capital improvement will happen as the sales improves because inventory would not increase with sales in the same proportionate so really it will depend on the sales on the debtor side we are seeing there is still little bit more improvement which we want to be doing and in the marginal to be seen on the data. So it will be more in number of days the overall value is still might be at the same level or may increase but in number of days we have marginal one day kind of a thing slowly and gradually can happen one day two days kind of it.

**Akshit Gandhi:** Thank you so much.

**Moderator:** Thank you. The next question is from the line of Ayush Sharma from Investec Capital. Please go ahead.

**Ayush Sharma:** Sir I missed out in the numbers that you shared from breakeven for flooring and the door segment if you receive that?

**Saurabh Mittal:** Yes it is around 18%, 20% at EBITDA level at around 25% at PBT level.

**Ayush Sharma:** Sure sir and sir any capacity expansion that you are planning in the near future and what could be the trigger for you getting into capacity expansion.

**Saurabh Mittal:** So at the moment as we have talked there is nothing which we can disclose so we believe we have had a good capacity across our four product lines laminates, veneers, flooring and doors.

**Ayush Sharma:** And any particular criteria for you to getting the capacity expansion I think some debt level targets or the market getting better anything of that sort.

**Saurabh Mittal:** Surely I think the combination of market return on capital employed incremental EBITDA market serving so it will be a market led decision and as well as the financial led decision which will be a trigger for its new capacity addition actually that is concerned you can see over the last two years profit that had nearly more than 175 Crores of debt and which improve to working capital cycle and the tighter control there and Capex been largely in line with that appreciation we have, we hope that we can reduce debt level so from a debt perspective we are fairly comfortable from a debt perspective so really the decision expansion will be more trigger by international market decisions.

**Ayush Sharma:** Thank you.

**Moderator:** Thank you. The next question is from the line of Ashish Poddar from Anand Rathi Securities. Please go ahead.

**Ashish Poddar:** Sir again a question on export market while we have something's about what is happening in India about the competitive scenario and all while so how is the export when you sell or enter into a particular country how is the competitive scenario there also various reports suggest that global laminate market is growing by just 3%, 4% while we are growing at a much higher speed what - one how is the competitive scenario in different markets and second how are we going faster than the overall market.

**Saurabh Mittal:** We have to markets operational wise…

**Ashish Poddar:** No I am just asking from the general understanding point of view.

**Saurabh Mittal:** Answering for us to really give you a straight away to come down to see us and now will take you through but just on a very summarize basis the global laminate market like you rightly said is growing at 2% to 3% we believe newer capacities and not being added in the domestic sides maybe in Europe in Germany some people have added capacity in Turkey some people have added capacity so people like us are probably taking on the growth capacity from India and really so every market is different. Some markets we have a distribution model some markets we supply to the OEMs so it is a bit varied across geographies some markets are 4x8 sheets some market are 4.25x10 some to mostly compact laminates so I will have to take you through in more details I do not think like a minute the comment will work.

**Ashish Poddar:** But definitely you see great opportunity in the global market.

**Saurabh Mittal:** Well the international markets also very competitive there are local producers there are people from India and China also we think and price point some tight there to so opportunity is really there.

**Ashish Poddar:** So but what is the unique about Indian players I see lot almost all large laminate players in India they are banking on exports what is the unique about India if you can explain.

**Saurabh Mittal:** Well you know it happens that if one company does that global model there are few more people jump into the same model so that is one thing that is one unique thing the other thing is because we have a fairly large domestic market your color pallet your range offering is larger so you are able to leverage your color pack for your color pallet and your inventory to serve from markets. In our business working capital cycles are quite important, inventory management is quite important so since we are already servicing the market in India and which certain colors of paper and you may could use that also for the these fashion markets.

**Ashish Poddar:** But is it by compulsion also because as we are importing lot of thing to just to get that export incentive benefit or we have to export is it a compulsion or is it an opportunity.

**Saurabh Mittal:** No there is no compulsion. It is more of an opportunity because in many markets you do not have local production so in some markets we have level playing field everybody ends is also exporting for make us in the countries markets where is the large local producer then the market is started reduction so it is more of an opportunity than the compulsion.

**Ashish Poddar:** Thank you so much and best of luck for the future.

**Moderator:** Thank you. Ladies and gentlemen we will be taking the last question that is from the line of Krithika Subramanian from IIFL. Please go ahead.

**Krithika Subramanian:** Sir two questions from my end I just wanted to ask this price hike of 2% to 3% that you mentioned that you have taken in the domestic market when will this taken exactly and in the export market you mentioned that it will be taken in phases could you elaborate more on the quantum of hikes that you would be taking through September as you mentioned.

**Saurabh Mittal:** So domestic was taken in Jan 2018, exports because of so many geographies which we cannot operate like a domestic market so an increase cannot be that they want go across markets that there are order pipelines and price commitments so it is already happening in phases for some geographies this has been agreed upon those customers some will be agreed up on so our exports also the price increase will be the band of in a 2% to 3%.

**Krithika Subramanian:** In you believe 2% to 3% will come through in Q1?

**Saurabh Mittal:** You can assume it will come by October I guess it first week of October likes have been so end of Q2 will be a better expectation.

**Krithika Subramanian:** And sir I just wanted to ask now through this in this particular quarter our domestic volume growth I believe was 3% is that right.

**Saurabh Mittal:** Of quarter four.

**Krithika Subramanian:** For quarter four.

**Saurabh Mittal:** Versus Q3 or versus last year.

**Krithika Subramanian:** Versus last year.

**Ashok Sharma:** You are asking on the volume.

**Krithika Subramanian:** Yes sir volume front.

**Saurabh Mittal:** Volume was about 7%, yes domestic volume growth was 3.4%.

**Krithika Subramanian:** Exactly, so sir I just wanted to ask I believe that probably the industry is growing at a faster pace may be the fact that the other players are expanding capacity so during the next year also in FY2019 through ramp up of these new capacities do you think that this price hike that we have taken we will be able to sustain this kind of price hike because we are even tightening our working capital and we are trying to cut the credit period that we offer to debtors so do you believe this price hike will sustain or we will end up being more aggressive..

**Saurabh Mittal:** No quarter four volume in domestic we grew at 3.4% realization there was a growth of 2.1% and exports volume grew at 10.5% in quarter four. Answering your second question regarding sustenance of price hike I think we will be able to sustain it because I believe, the competitors also will increase likes us to offset the RM cost increase and the rupee depreciation not every company has a large exports so it impacts the domestic business and we are not reducing terms or on the domestic market from a tightening of working capital I think we are trying to restrict on implementing the terms and yes.

**Ashok Sharma:** And as I believe in terms of sustainability from the Q3 to Q4 there is a growth of around 11% so we believe that we will be able to sustain it.

**Krithika Subramanian:** Sir is it an indication that we will be focusing more on exports through the next year, do we see any increase in share there?

**Ashok Sharma:** No, I do not think there is something like will be focused on exports more on domestic though we have been different team for the exports and domestic market where our independent marketing programs of both the markets and like I said its complementary still have additional capacity in laminate so we pay attention on the entire business whether it is domestic or exports.

**Krithika Subramanian:** Great Sir thanks a lot. Good luck.

**Moderator:** Thank you. Ladies and gentlemen that was the last question. I now hand the conference over the management for their closing comments.

**Saurabh Mittal:** Thank you so much friends. I think we have had some interesting questions and we have been note up all that reverts Ashok needs to make and Ashok will touch base with you offline and respond to you. Thank you for all your time and I hope we have been able to answer up to your satisfaction. Thank you so much. Good day.

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