"Greenlam Industries Limited
Q4 FY2021 Earnings Conference Call"

May 28, 2021

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

Moderator: Ladies and gentlemen, good day and welcome to Greenlam Industries Limited Q4 & FY21 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 of the date of this call. These statements are not 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 & Chief Executive Officer, Greenlam Industries Limited. Thank you and over to you, Sir!

Saurabh Mittal: Thank you. Good afternoon ladies and gentlemen and a very warm welcome to all of you. I hope you are all keeping safe and healthy. On the call, I am joined by Ashok, our CFO, Samarth from the Finance Team, and SGA our Investor Relations Advisor.The results have been set up on the stock exchanges and the company website, I assume you had a chance to look at that.

As we reflect on the financial year 21, we had several challenges and I am sure all of you know most of them and we realized that at Greenlam, we could find a way to navigate through these challenges and emerge stronger as a company, as a team, and with better financial strength while the pandemic is on, and I feel extremely privileged to lead a team of committed people and I am extremely thankful for their continued dedication, hard work despite the challenges we all faced last year. Their resilience was extremely critical in helping the company deliver a record quarter, and we believe with this disruption due to COVID, we had a reasonably strong position in both the domestic and international market, a lot of unorganized competition, facing lot of challenges in terms of costs, in terms of financial availability, availability of people, etc., and even in international markets, we believe in several countries the local producers are undergoing challenges of raw material availability, higher cost structure, etc.

So I think from a business position both domestic and international markets, we seem to be pretty well positioned in the current scenario and all of this has happened due to the strength of the brand, the product quality we have been shipping out through the years, deep relationships we have built with our trade partners and our customers, the diversity of the markets we serve with over 100 countries worldwide and wide presence in the domestic market, and despite all the COVID challenges, extremely high raw material costs, in fact the raw material cost is something we have never seen in our industry and along with higher raw material costs, we have also had challenges on the supply chain both in imports and in exports with availability of materials, availability of containers, shipping schedules going haywire both for RM coming in and goods getting out, so despite all of this I think that we have seen a reasonably good financial performance as a company and Q4 FY21 saw one of the highest production in laminates with over 4.36 million sheets and sales were also at a record high in quantities at 4.52 million sheets and even the value sales was at Rs.415 Crores and this is despite the fact that in exports we still had delays in shipments and availability of containers. So that is on the performance front.

On the demand front, in last quarter, both domestic and international markets had reasonably good demand and we think now post this crisis, we will have to see how the domestic market gets back, at what speed does it get back. The international market even in this quarter is looking pretty decent and we have a strong order book in the exports market.

On the raw material cost front, for the domestic market, we have largely been able to pass on the entire RM cost increase to the market across all categories. In the international market, we have been able to pass on the partial increase and we have passed on most of the additional freight increase. Some of them were passed in Q4 and the rest of the price increases were implemented in the month of April and some in May also. The international business is currently doing reasonably well and the overall revenues of the international market have gone up beyond 50% in the core laminates business. Q4 also saw a decent demand in the veneer flooring and door business, with the residential markets picking up and most of these products largely being aimed at the domestic residential market, we saw a sequential improvement in Q4 versus Q3, and the other important point is on the Greenlam South Limited plant at Andhra Pradesh. So, we are in the last stages of getting approvals from the government, we have got the state govt approval for the land , but due to COVID and certain lockdowns, the paper works are still moving a bit slow and we hope in the coming, maybe two, three months we will sort out the last leg of approvals and then we can begin building the third plant in Naidupeta in Nellore district.

The exact time we cannot predict, we are on top of it and as approvals come in, we will get running with building the plant. So that is it from my side, I will now hand over the call to Ashok. Ashok will take you through the operational and financial highlights and post which we will be happy to address your questions and answers. Ashok over to you.

Ashok Sharma: Thank you, sir. Good evening friends. Now I will take you through the financial performance.

For the Q4 FY21, on a consolidated basis, we saw the highest quarterly revenue of Rs.415 Crores, a growth of 24% on a quarter-on-quarter basis, and a growth of 28% on a Y-on-Y basis. Gross profit stood at Rs.202 Crores, a growth of 16% on a quarter-on-quarter basis and growth of 24.5% on a year-on-year basis. Gross margin stood at 48.7%, degrowth of 340 basis points on a quarter-on-quarter basis and degrowth of 150 basis points on a year-on-year basis. The dip in margin was mainly due to the increase in raw material cost,

EBITDA stood at Rs.67.1 Crores, a growth of 15.8% on a quarter-on-quarter basis and 48.3% on a Y-on-Y basis. The increase in EBITDA was on the back of higher operational efficiency and cost synergies. EBITDA margin stood at 16.1%, degrowth of 120 basis points on a quarter-on-quarter basis and growth of 210 basis points on a Y-on-Y basis.

PBT before exceptional item grew by 86.8% to 52.6 Crores in this quarter as compared to Rs.28.1 Crores in the Q4 FY2020. For the quarter, there was an exceptional item of Rs.12.2 Crores related to the amount which we paid for settling the outstanding entry tax dispute with the Rajasthan and Himachal Pradesh commercial tax department. Net profit after exceptional items stood at Rs.30.9 Crores, degrowth of 3.3% on a quarter-on-quarter basis and a growth of 42.3% on a Y-on-Y basis. PAT margin stood at 7.4%, degrowth of 220 basis points on a quarter-on-quarter basis and the growth of 70 basis points on a year-on-year basis.

Moving on to the full year on a consolidated basis, net revenue degrew by 9.2% and stood at Rs.1,200 Crores as compared to Rs.1320 Crores last year. Gross margin improved by 60 basis point to 49.8% this year from 49.2% last year, due to improved product mix and operational efficiency. The EBITDA margin grew by 90 basis points to 14.4% this year from 13.5% last year.

PBT before exceptional item remained stable at Rs.108 Crores.

We have reported a net profit of Rs.73.7 Crores in this year as compared to Rs.86.7 Crores last year, degrowth of 15% mainly due to exceptional item accounted for in this quarter.

Moving on to segmental performance, laminate and allied products formed around 88% of our Q4 sales and 89% of FY2021 sales. For this quarter, laminate revenue stood at Rs.365 Crores, a growth of 23% on a quarter-on-quarter basis and a growth of 29% on a Y-on-Y basis. Domestic laminate revenue grew by 28% sequentially and 42.7% on a year-on-year basis in value term, the volume growth stood at 55% on a year-on-year basis.

The international laminate revenue grew by 20% sequentially and grew by 18.6% on a Y-on-Y basis in value terms and in volume growth, it stood at 13.9% on a year-on-year basis. EBITDA margin stood at 17.9%, degrowth of 190 basis points on a quarter-on-quarter basis and a growth of 210 basis points on a year-on-year basis.

The laminate production and sales were highest in this quarter at 4.4 million and sales were 4.5 million sheets with capacity utilization of 112%, average realization for the quarter stood at Rs.780 per sheet.

For the full year, laminate revenue degrew by Rs.1,065 Crores this year from Rs.1,122 Crores last year. Domestic laminate revenue degrew by 12.4% in value terms however volume grew by 2% during this period. International laminate revenue grew by 1.7% in INR and volume grew by 0.8% for the period.

During this year, laminate business EBITDA stood at Rs.178 crores, a growth of 1.2% on a Y-on-Y basis. EBITDA margin stood at 16.7%, a growth of 100 basis points on a Y-on-Y basis. Laminate production and sales stood at 13.57 million and 13.46 million sheets respectively and the average realization for the year stood at Rs.765 rupees per sheet.

Moving on to decorative veneer and allied segments, which formed around 12% of our quarter sales and 11% of annual sales. This includes decorative veneer engineered floors and engineered doors. In the veneer segment, for the quarter, revenue stood at Rs.32 Crores a growth of 24% on a quarter-on-quarter basis and 33.8% on a Y-on-Y basis. Capacity utilization for the quarter stood at 46% as against 32% last quarter. Sales volume were at 0.47 million square meters as against 0.36 million square meters last quarter. The average realization stood at Rs.676 per square meter. For the full year, veneer business revenue stood at Rs.78.6 Crores, degrowth of 32%, and the volume stood at 1.12 million square meter with average realization of Rs.691 per square meter.

Moving on to engineered room flooring for this quarter revenue stood at 10.8 crs a growth of 28.5% on a quarter-on-quarter basis and 17% on a year-on-year basis.

Capacity utilization in this quarter stood at 16%. For the full year, flooring revenue stood at Rs.31.7 Crores with capacity utilization of 13%. Moving on to engineered doors for the quarter revenue grew by 42% and stood at Rs.7 Crores. Capacity utilization for the quarter stood at 24%, for the full year capacity utilization was 23%.

Gross debt ending March 31st stood at Rs.248 Crores, the company is also having cash balance and liquid investment to the extent of Rs.125 Crores whereby the net debt stood at Rs.123 Crores, as compared to FY20, and we could reduce our net debt by Rs.140 Crores in this year.

Working capital side improvement from Rs.306 Crores in Q3 FY21 to Rs.291 Crores this quarter. Networking capital days improved from 83 days in the last quarter to 64 days this quarter. That is all from my side. I would like to open the floor for questions and answers. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Alroy Lobo from Kotak Investment Advisors. Please go ahead.

Alroy Lobo: Thanks for taking my question. I just wanted to know the size of the laminate market in India as well as for the global market, your addressable market, and what are the drivers for this industry both in the global market and in India and could you also give us some perspective for the international market, what is the kind of distribution that you have created for your laminates that would be helpful.

Saurabh Mittal: So, some big questions to start here. So domestic exports from India are about 2000 odd Crores annually in laminates, the global market is about $7 billion approximately. The domestic market, depends because a lot of local companies throw out quantities but they do not show values, so probably even the band of 5000 to 6000 Crores a plus-minus little bit for domestic products for the domestic market, for domestic consumption. The drivers for the business are again, so laminate has interior application, as well as some part of the business, also has exterior application. So in the interior application, growth in interiors which could be a growth in all form of interiors, so laminates are used on the surface of making doors, kitchens, wardrobe shutters, paneling products, bathroom partitions, exterior facade, laboratory furniture, so various kind of applications, it is where the product is used, so drivers are again largely economy growth, interior growth and the growth in the residential market, growth in the commercial market. So these would be the growth drivers for the product category and the third question on the international network. So internationally, mostly we have distributors who work with our brand, so we have inventory with our channel partners across various parts of the market, who in turn go and sell products to furniture producers, could be large, small, cabinet makers, in most markets we have our own teams too, working with architects, providers, and contractors. So it is a distribution-led model for the most of it. For a certain part of the international market, it is a company to large furniture oblique kitchen OEMs model, so these are the two models. We follow the international markets and the majority of our revenues in the international market is with our own brand so we do not subcontract for any other brand across most markets. Does that answer your question?

Alroy Lobo: Yes it does answer. Could you just give us some perspective with the margins for laminates in the export market and domestic market, are they similar, and if you can also comment on the working capital intensity in both these markets.

Saurabh Mittal: So we have surpassed the past also, the margins in each of these markets at times depends on the currency, raw material costs, structure, which happens at various point, but by and large the model of the businesses, domestic and exports go parallelly because we can leverage our inventory and our plates and our entire churn of the business. So it depends on the brand mix and the product mix, so there are too many variables, so sometimes they are similar, sometimes export margins are slightly higher if the currency depreciates. At times the domestic margin is higher, again within both markets, it depends on which export market are we addressing. In the domestic market also there are different categories of products, so on a blended average if you add consolidated sales and just domestic sales will be very similar.

Alroy Lobo: And who are your big competitors from India in the export market.

Saurabh Mittal: So our nearest competitor in the laminate business is a company called Merino, so we compete with them in the export and the domestic market. So while we remain the largest exporters from India in laminates, Merino is the second largest, so in India, we compete with them, but our model of businesses is our own branded distribution model in the export market. So at the end customer point, we do not compete with Merino necessarily, so in the OEM market where we ship directly to the end customer, so there we might compete with Merino, but in the distribution market, we end up competing with the international brands or regional brands depending on which market is positioned. But Merino is the second largest exporter from India.

Alroy Lobo: And just finally on your working capital that seems to have, is there any scope for further reduction in that.

Saurabh Mittal: So as revenues go up, it is because of a number of days that will improve because as sales go up we do not need to stop more SKUs and more quantities for the SKU. So it depends on the topline as revenues go up we think there could be some more improvement in the working capital cycle, we have endeavored to constantly keep improving the working capital cycle.

Alroy Lobo: And what was the domestic and export mix in laminates.

Ashok Sharma: Yes, in the laminate 56% is export last year and 44% is domestic.

Alroy Lobo: 44%.

Ashok Sharma: 44% is domestic, 56% is export for the full year.

Alroy Lobo: for the financial year, okay thanks a lot.

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

Pritesh Chheda: I have one question on the export market for laminates. So that market seems to be growing for us and for the whole industry. First of all what outlook do you share on the export market and what unique proposition that we as India have to offer on the laminates export side.

Saurabh Mittal: So the international market, we think we continue to grow and we think we will be able to expand both volumes and value sales in the international markets and there are still certain geographies where we are not meaningfully present, in several geographies where we are present we are still not number one, number two so I think there is an upside in both quantities and realization in the international market. Regarding what does India have to offer, so I will talk more from our company's perspective, so our export model is not just a cost-driven manufacturing efficiency business, it is a combination of product quality, manufacturing efficiency, branding distribution, specification so I think it is the entire value we should bring to the customer in terms of product offering, certification, supply chain, large color palette, several options of texture molds, and local teams in many markets who support the distributors and customers. So I think it is the entire package we end up offering, there is no one specific advantage which I can mention.

Pritesh Chheda: Sir the decorative paper you usually get imported and I think it's German suppliers and a couple of others where the most important part gets imported. So is it that the industry is more manual in nature and which other countries you will end up competing within the export market.

Saurabh Mittal: So deco paper is largely imported which we get either from Europe or from Asia and the ones which are produced or printed in India, the print base of that on which the printing is done is important. So you can assume that deco paper is by and large I think 90%, 95% either directly imported or the print base is imported and what is the question, manual in nature?

Pritesh Chheda: Yes Sir, , is the industry more manual in nature and second which countries do you compete within the export market as your competitors.

Saurabh Mittal: So the industry is, I would say it is like semi-auto, certain parts of the plants are automated, certain parts still need a certain amount of manual intervention and which country do we export, which country do we compete with, I think it again depends as no one country we end up competing with, so because very few companies have a model where the manufacturing is centralized and distribution is across various parts of the world, so it is different geographies we end up competing with, regional players, local players. In the very low-end segment in certain markets, we have a certain competition coming in from Chinese producers but that is really in the low end of the market as Greenlam we are not prevalent or we do not operate in that space, but in certain commodity items, one ends up competing with Chinese also in certain markets, but otherwise, it is regionalized, every region would have its own set of competition.

Pritesh Chheda: And lastly sir the raw material prices whether it is paper, formaldehyde, phenol everything has shot up a significant way and what is the cost inflation that you are seeing and what kind of price increase have you already taken, and what incremental pricing is left to be taken and what is the strategy there.

Saurabh Mittal: So raw material costs and laminates across various kinds of paper, chemicals, freight inwards and imports across every RM there has been a significant price rise. We have been able to pass on the entire RM cost to the domestic market in laminates.

Pritesh Chheda: Now what is the RM rise blended.

Saurabh Mittal: I have to run the math because some sub-segment costs have gone up like 2x also in certain chemicals, but so whatever was the increase in domestic we have passed on completely. In the international market, I said that earlier in the call in my opening remarks we have been able to pass on part of the cost increase, and most of the frieght increase has been passed on to the international market. So some part remains to be passed on in the international market. So this is where we are.

Pritesh Chheda: So what is the price hike in domestic?

Saurabh Mittal: What is the price hike, I have to run the math, if I do a total from I think November onwards now it could be approximately 12% to 14% tax, if we combine because RM cost has gone up in stages. So I think October, November we did one more then, so the three increases which have happened as far as I remember in the domestic market, I think you have been the band of,

Ashok Sharma: In the category-to-category, it will vary but what you said is correct that will be in the range.

Pritesh Chheda: Thank you very much, sir. All the best.

Moderator: Thank you. The next question is from the line of Saurabh Patwa from HDFC Mutual Fund. Please go ahead.

Saurabh Patwa: Good afternoon Sir and thanks for taking the question. I just wanted to understand, first is a bookkeeping question. So our capital employed in laminate business has grown up in this year, this is despite a slight fall, marginal fall in the revenue, is it going to some CWIP as in some CAPEX, I think we have done some CAPEX also, so is this because of that.

Ashok Sharma: Yes, it is because of the new project which will be coming in the south, which we have announced for the laminate, so that is why that is being captured here.

Saurabh Patwa: So some part of it has already been started coming in the books now.

Ashok Sharma: Yes we paid for the land.

Saurabh Patwa: Okay understood.

Ashok Sharma: It has been there till March 20 this land payment so has been there for a year.

Saurabh Patwa: No, I was comparing this with March 2020 actually, so I think our CWIP capital employed in laminate has increased by 8% so if the land was there last year this must be something else that we have.

Ashok Sharma: It should be.

Saurabh Patwa: Our laminate volume growth has been very flattish from the last few years now so I think FY2017 when we did 12.8 this year after the second half when we had done a really good comeback but still it is almost more or less there only. So the growth and revenues come largely from price hikes, so where do we see sir going forward what is your view like maybe like three years from now where do you see the volumes going to?

Saurabh Mittal: So, if you see this year was impacted, April and partially May and June. Last year too March month was FY20 before things got back. So I think if you look at this year the productions and sales and volumes should be meaningful unless as some disaster happens, I cannot put a percent but if you see we have done about over 110% utilization in Q4 so we can maintain those levels of utilization and maybe slightly improve also in terms of volume. So we will have to see how the market behaves

Saurabh Patwa: Are we impacted by the second wave, either in terms of demand or in terms of supply anyway.

Saurabh Mittal: So, the second wave has not impacted the running of the plant, the plants have been running. We have not had many challenges on the manpower availability and RM supplies, etc. The international markets are not affected like rather it is running pretty positive. The domestic markets obviously have been impacted and we will be impacted by the sales in the domestic market because nearly 75%, 80% of markets have been shut at various points from the second or third week of April until now and most of the markets are shut while sites are still open, construction sites in some places, the OEMs the furniture producers are still working and most of our warehousing in the country is out of the city limits, so they are also functioning but sales have been impacted in the domestic market. So that whether we have been impacted or not, yes, domestic business has been impacted, the international is doing okay, actually, there is no negative impact on the international business, as you see things now.

Saurabh Patwa: Sir just one last question, if you can just an add-in. Since we have been a very strong player in laminate for a very long time now, do we plan to get into the pre-lam board business of course it is a more commoditized business but we being having large SKUs in terms of laminates, can do some value-added players there, do we have any plans of or in any other additions which we believe are right for our business.

Saurabh Mittal: So we do have some pre-lam business currently with us but those are largely the premium category of the market. So, yes we are looking at opportunities in adjacent spaces and we are still kind of formalizing our plans and we shall come back to you once we are sorted out with our plan. So to answer the question yes we will be looking at some opportunities in the adjacent catagories.

Saurabh Patwa: Thanks a lot and all the best sir.

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

Bhavin Chheda: Congrats on the record set of numbers. Just two questions, first on the product mix if I see your laminate NSR, they have moved up quite a bit on a quarter-on-quarter basis, especially the last quarter's commentary I think there were more sales of 0.7 mm sheet and that is why the realizations were low, so this quarter despite record production and sales volume has product mix again shifted more towards 1 mm and that will reflect in a higher NSR?

Saurabh Mittal: Bhavin I am not able to hear you clearly can you repeat please.

Bhavin Chheda: Yes, so I have seen the laminate realizations have improved on a quarter-on-quarter basis, I think last time when we spoke during last quarter I think the realization was low because sales of 0.7 mm had increased, so has it got corrected this quarter despite your volumes being very high so have you sold higher 1 mm volumes this quarter.

Saurabh Mittal: So, Bhavin 1 mm volumes have gone up in Q4 versus Q3 and as a percent, I think 0.7 volumes have also probably as a percent of the mix, I do not think that has come down though, so probably the volumes of 1 mm and 0.7 have been maintained as a percent with volumes going up in 1 millimeter but I think the percentage is still the same because in Q4 we had a launch of one product category in the point 0.8 thickness actually, in Q4 and , I think the 0.8 number have also gone up a bit Bhavin.

Bhavin Chheda: Okay or what I can say the realization which is up quarter-on-quarter is because of price hike or just product mix.

Saurabh Mittal: I think this would be largely price hike because as a percent of 1 millimeter all the volumes have gone up, but volumes of all categories have gone up.

Bhavin Chheda: Sure and how much percentage of prize hikes we took in the quarter across products, roughly average.

Saurabh Mittal: Mostly gone up 3% in domestic Bhavin and I will come back on the exact number on that.

Bhavin Chheda: Sure 3%, 4% okay. What would be the next year's CAPEX would be.

Saurabh Mittal: So Bhavin on CAPEX, the routine CAPEX will be in the band of 25 -30 Crores on completion of construction, etc., is pending at the Behror factory and then depending on how and when we get the approvals to start the construction at Andhra Pradesh that will get added on and assuming that we can start building the plan sometime in quarter three of this financial year, so that might add another Rs 50-odd Crores this year. So depending on how that goes Bhavin because we do need to immediately add more capacity and in Q4 also we were running full and we can spread a bit more, so we want to rush the process of adding more capacity, so once approvals come in then CAPEX will get added on.

Bhavin Chheda: And I missed the number of engineered wood flooring and engineered wood door EBITDA losses if we have shared in the opening remarks for the quarter.

Ashok Sharma: For the quarter the floor the EBITDA loss is Rs2.8 Crores and door is Rs.0.9 Crore.

Bhavin Chheda: 2.8 and 0.9 right.

Ashok Sharma: Yes.

Bhavin Chheda: And FY22 we expect a breakeven there or it will take another year or so before we start saying EBITDA breakeven in these two segments.

Saurabh Mittal: It depends on the market, it is all for the last year then again numbers came down so really also depends on the market situation but our endeavor obviously is to come to breakeven at the earliest possible.

Bhavin Chheda: And has the Q4 -momentum being carried on because again there have been lockdowns and all our factories are running full or they are running partly utilized in May and how is that scene overall first on the factory front and second on the overall demand front both in domestic and export markets.

Saurabh Mittal: So factories have been running Bhavin, RM inwards, availability of manpower resources, all that is by and large under control nothing very significant, we have been able to run that part of the business pretty well. On the demand front, the international market is looking pretty okay, so we are maintaining the momentum of quarter four, domestic clearly has taken a hit, post like the second, third week of April. So sales are going on, it is not as if it is collapsed completely, but numbers are extremely weak. So, if you look at quarter one I guess international numbers will maintain the momentum built up in the last quarter, domestic will surely take a hit. Depends on how June goes and how this so unlocking happens because mostly all the traders markets across the country 75%, 80% markets are shut or partially shut, etc. So this is the way things look like.

Bhavin Chheda: Thanks a lot and best of luck.

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

Sneha Talreja: Congratulations on a good set of numbers. Sir just a couple of questions from my end, firstly with regards to you of course mentioned that raw material prices have gone up significantly and in the domestic market you have taken price hike but in the export market you are taking it partially. The question here is, last time you gave margin guidance of 15% to 16.5%, will you be able to maintain that is the first thing.

Saurabh Mittal: So when you say 15% and 16% you asked me for maintaining the laminates or overall.

Sneha Talreja: Laminates.

Saurabh Mittal: Actually my answer is, I do not know right, it depends on how the second wave goes on, when the markets open, how things shape up really, so last quarter the laminates consolidated EBITDA was at 17.9%. So it really depends on how things go, so on the prices, we said domestic the entire costing it has been taken and exports also actually in terms of percentage increases if you add the sales rate which we have charged to the customers percent increases to the customers are a similar band of what we have done in the domestic markets. It is not as if we have not increased prices in exports but in exports, the current disadvantage is RM costs have gone up as well as the shipping costs and shipping costs have gone up like it is nobody's business, three, four, times rates have gone up and we have added all the freight rates to the market but on the RM cost, we have been able to partially put in the hike. So it depends on how the market moves.

Sneha Talreja: Sir second question is related to phenomenal volume growth that we have seen of course since the last two to three quarters I must say that you have been highlighting that there is a pressure on the unorganized segment, which was not even felt at the time of GST and which is now being felt, do you think it is sustainable given that this time it has come on the back of raw metal price increases and of course because of this continued COVID environment that the cash flow issues at their end. So I mean what is your rough sense or how much of this competition could just stay away and for how long.

Saurabh Mittal: I am not sure exactly, how long and how many companies, etc., but we do not know and we do here that several manufacturers with mid-size, small size and even some large manufacturers are having challenges in availability of raw material, costs are high, cash flow is a problem, even manpower availability in certain smaller plants is a challenge and besides three, four companies most of them are completely or largely dependent on the domestic market and with the second wave that has also been a bit of a challenge, so we do hear that the unorganized mid-size manufacturers are under a lot of stress, I cannot exactly quantify how many of them and how long, etc. So really tough to say that, but, yes, we do hear that there are several manufacturers are under stress, and with this e-way bill and FasTag clubbing and compliances that areare also there which also has been a matter of concern with the unorganized guys. So, yes, we do know that it is under stress. Does that answer your question?

Sneha Talreja: Sure, got it sir, and sir lastly on the inventory in the system, so last time when wave one occurred, I think there was a fair amount of inventory and, after the markets opened, there was some amount of resistance in the channel to pick up, what are you sensing now since the situation has not come to standstill in fact as you also said there is some materials keep flowing in. So what is your expectation here, I mean about the current inventory in the channel and would there be any resistance.

Saurabh Mittal: As far as we are concerned, our inventories with our distributors have always been quite controlled and systematic because our credit terms are quite tight versus any other manufacturer and so as demand picks up I think as they start selling secondaries, they will have to pick up primaries from us. So we do not see a situation where there is an excess inventory of our products with the distributors or in the channel, so demand picks up I think secondary sales should start, now whether they have a lesser inventory I am not sure and that I do not think so, because mostly our primary and secondary's match so it is not the secondary sales go up primary sales also go up, so I think as demand picks up they will have to pick inventory, they will take inventory first.

Sneha Talreja: That was helpful sir. Sir thanks a lot, just last one, by when we can expect the new south plant, I know it is getting delayed and you may start the work in the next two to three months but some tentative timeline for that.

Saurabh Mittal: So like I said earlier, it is in stages of certain approvals from the department, we have got some cabinet approvals, we need environment clearance so all that is going on due to the COVID, it has been a bit slow, so I think last stages of getting all of it, the moment it comes in we will start building the plant.

Sneha Talreja: Sure got that sir. Thanks a lot, sir, 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: Congratulations on the great numbers. What I wanted to check was in terms of the south plant since it is getting delayed and we kind of run out of capacity in last quarter itself is there any scope for us to add capacity at the existing location, is there any thought on that and if yes so what kind of capacity addition, we can see or would that cap the volume numbers for the current year if everything is normal.

Saurabh Mittal: So in the existing plants we do not have more potential to add capacity, the space of the plant, the balancing of equipment is all quiet adequate, so we cannot add more capacity in existing locations. The capacity utilization is something we can still squeeze out a bit more and what is the next question Achal.

Achal Lohade: Basically with respect to the south plant, it is getting delayed so you are saying that you could squeeze in some more volumes out of the existing capacity is that understanding right.

Saurabh Mittal: Yes.

Achal Lohade: But, no thoughts about Brownfield expansion at the existing location at this time.

Saurabh Mittal: No, we have already done all of that. So now with the plant space size, equipment, the boiler, system, places it is all designed in a way that it cannot take in more capacity in the existing locations and in the south, I think we are in the last stages of approval so we do not want to kind of turn back and take a different decision so I think once we get the approvals we can rush the creation of the new capacity brings out.

Achal Lohade: And what would be the timeline let us say theoretically it haswas to come in in June, how much time we would take to have phase one, and what kind of capacity would that be.

Saurabh Mittal: So assuming from the time of construction, it would take anything between 12 to 15 months to build the laminate plant and we have done things in this timeline in the past too and currently we have announced two lines in the new plant but we are actively discussing, maybe add some more lines, so that decision will be taken in the coming months.

Achal Lohade: Understood and fourth quarter it appears to us that it is fairly normal quarter I mean there is no disruption so to say in terms of supplies in the inward or outward sides. So if the situation is normal, can we assume or can we extrapolate the fourth quarter volume numbers, and are there any exceptional items that have driven the margins to record numbers, sir.

Saurabh Mittal: So, in fourth-quarter we did have challenges on RM supply, it is not visible in the numbers, in terms of imports and in terms of the container with the shipping delays and so it does not show up so much but there is still large challenges in certain RM availability of goods inward and goods outward for imports and exports. On the volumes, these volumes, the markets are open, are sustainable in the sense, we can produce within run-rate basis these kinds of volumes and so there was not any one-off stuff on this.. So there were any one-offs in terms of costs or margins or anything of that sort.

Achal Lohade: Just one more question with respect to the exports what is it typically the freight rate in terms of the percentage of the cost for the importer let us say if somebody is importing from India what is the freight rate because the freight rate has gone up so what I am trying to understand does it hurt our competitiveness actually in terms of we losing out to the freight or the shipping cost has gone up for everyone.

Saurabh Mittal: So shipping cost has gone up for I think every exporter and every exporting nation, what is the cost will depend on the location right, so location in South America and the US the percent is higher, locations in South East Asia, Middle East percent is lower but costs have gone up depending on the location and the lines and the timing, etc., 2x to 4x across, will that hurt our competitiveness, maybe not because costs go up for everyone and just because of the hold that we have in the market in terms of inventory on-ground marketing support, sales support so I do not think that is a big challenge, several regional manufacturers are also having challenges at least on RM front and we do know in a couple of markets due to RM not being available, certain international producers have cut down production for some time, etc. So I think it's a mix, you cannot say is there anything that is going to kind of make you noncompetitive.

Achal Lohade: That is very helpful sir. I will come back in the queue.

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

Ashish Poddar: I have two questions, so in the domestic market you spoke about consolidation, smaller players getting hurt because of operational challenges despite our domestic value in laminates was down about 12% in FY2021, so if you can give some sense about the industry in FY2021 what kind of decline would be there and what kind of gain, the large guys have gained from the disturbance at the smaller guys. This is my first question.

Saurabh Mittal: Ashish I do not know the math on that and something will have to probably get back to you on this math, this is just a hunch and I am not sure what I can ratify this with data, if domestic guys are down 25%, 30%, we are down only 2% or something like that, so I am not sure but this is the sense we get with our various talks.

Ashish Poddar: But if you can directionally give that the decline from industry is much higher or it is closer to our number I mean any directional thoughts will be helpful.

Saurabh Mittal: Well so again I heard that I could not measure that but we do hear that local plants are minus and some people say 15%, 20% some say 30% so I do not have a math on that honestly, so giving you a number will be tough. So if you see our numbers in volume FY20 versus FY23 the full year they nearly flattish domestic and export put together, value in sales, they are down by about 2% and 2.5% on an annualized basis, domestic value is down by about 10% for us.

Ashish Poddar: On your export business you spoke about your strategies in export market, so is China Plus One strategy also helping us in getting better traction for our kind of players.

Saurabh Mittal: No not necessarily in our laminates because we said earlier we are not really competing with China at least in the markets we are operating in. So I do not think that is the driver for the export business.

Ashish Poddar: So it will be largely driven by the penetration in the existing market and in terms of newer markets sir.

Saurabh Mittal: Yes, and we said our business is not very commoditative, it does not believe in pricing and manufacturing efficiency, it is also about supply chain and deco papers, marketing, distribution so it is more like a routine growth, it is not something which is triggered by the China Plus One strategy in exports.

Ashish Poddar: I have just a clarification on the question earlier, but did not get a satisfactory answer. So Q4 revenue of Rs.400 Crores plus and a margin of 16% plus in a normal quarter barring Q1 so in quarters ahead do you think that these are the normal numbers for upcoming quarters or do you find that Q4 was abnormal in some sense and maybe you will find some taper down in growth and module.

Saurabh Mittal: So revenues and production capabilities, capacities are in absolute place, so it is something which can be done or even high can be done, as far as margins are concerned if those numbers happen my guess is margins will also happen currently since there is so much uncertainty with second wave and third wave or whatever, so I cannot say much over it, but I think with those kinds of volumes probably margins can also happen.

Moderator: Thank you. The next question is from the line of Gaurav Agarwal from Bowhead. Please go ahead.

Gaurav Agarwal: Just a couple of ones. Sir, you mentioned that your export proportion for FY2021 in the laminate segment was 56%, so first is this volume or is this value or there is no difference since you mentioned the margin is the same for both the side, for domestic as well as exports. So if you can clarify whether the 56% or 44% breakup that you gave was of volume or value.

Saurabh Mittal: It is percentage of value.

Gaurav Agarwal: And would it be similar for volume also.

Saurabh Mittal: Volume will also be similar. Volume will be about 54%.

Gaurav Agarwal: So in terms of margins I think exports would be a bit better in terms of margins, will it be like this.

Saurabh Mittal: Well I cannot say.

Gaurav Agarwal: No problem and sir I missed one thing that you mentioned from the date of getting the approval for our new plant in AP how much time will it take to operationalize it and get it running.

Saurabh Mittal: For laminates, I think it should be like a 12 to 15 month time.

Gaurav Agarwal: That is from the date for approval that you get the approval.

Saurabh Mittal: No, from building how can you say approval, date of starting the construction.

Gaurav Agarwal: Sir I would presume once you get the approval the construction will start maybe in a month or so. So that would impact.

Saurabh Mittal: It depends on COVID, depends on so many more things.

Gaurav Agarwal: Got it sir thank you.

Moderator: Thank you. The next question is from the line of Mithun Soni from GeeCee Investments. Please go ahead.

Mithun Soni: Just a couple of questions. Sir, you said that the domestic market is in the ballpark range of about say Rs.4000, Rs.5000 Crores, we do about whatever Rs.500, Rs.600 Crores, I wanted to understand how much of the domestic market is what you will call as your target market where the realizations are high whether it is decorative, I am talking about laminate per se. So how much of that market is what we can really get because there is a huge market, which is at the lower end with Rs.150 or Rs.200 of realization also so just wanted to understand that piece.

Saurabh Mittal: You can assume maybe 50%, 60%.

Mithun Soni: 50%, 60% of the market in terms of value-wise would be at our price point.

Saurabh Mittal: No, this would not be a large price point, prices will be lower, so I think…

Mithun Soni: I mean let us say above 500 or something.

Saurabh Mittal: No, there will also so see if you see per sheet value you can say there is a one-millimeter market, there is a market under one millimeter up to 0.8 and then below. So a per sheet value even in a 0.8 for most local companies will be Rs.500 sub so if your question is what can be the addressable market if you are saying that or are you saying what…

Mithun Soni: I am trying to understand what is that the market we are targeting, we will not be there in plain vanilla laminates.

Saurabh Mittal: We are now present across price points from 1 millimeter, 0.8 we also launched 0.7 last year in the COVID time. We are also in the façade laminates, so currently as we say besides maybe two smaller segments of very, very low end segments with some more segments, we have products across us pricing but obviously we are premium in most categories and most price points.

Mithun Soni: So from that perspective, the growth we still have a huge leg room to increase our market share because with only 10% market share the growth should be much higher right given that or we are only targeting a very small part of the market, which is the premium end of the market and where we already have 25%, 30% market share, I am just confused on that part.

Saurabh Mittal: So, yes obviously in the premium end, we have a higher market share and with us introducing the lower category and all these cost increases, compliance pressure, etc., on the local companies, we think the market we can go after is larger and wider and obviously for that we need more capacities and we need some more time, so yes adjustable market I think we are getting larger for people like us.

Mithun Soni: So what would be the premium end of the market where you earlier were targeting or we were targeting.

Saurabh Mittal: So when you say premium end it is like in terms of thickness or value of that market.

Mithun Soni: Thickness and value wise both, I mean in value wise I would say

Saurabh Mittal: I have to run the math, probably I do not have the data right across me but maybe you can have a dialogue with Ashok and he can probably run that math a bit better, otherwise I will just give it general numbers right now.

Mithun Soni: And my second question is with respect to export over the next three to four years, maybe three to five years given the market issue you are out there, how do you see the potential for us for the exports in terms of the size, can the export be a much larger piece for us.

Saurabh Mittal: Yes, we were quite positive about the opportunity we have in the international markets and we have been at it for the last 15, 17 years in terms of building those markets and we have opportunities in both volume, growth and realization improvements so yes we can do it.

Mithun Soni: I am just finishing this, have we reached a critical mass wherein we can see a sharp strong growth from here on like in the export markets.

Saurabh Mittal: I am not sure on that question, whether we are at a critical mass or we will reach one, but I think with more capacities which we are looking at building in Andhra Pradesh and we have taken a large piece of land, so I think we can expand very well if the demand and the market opportunity to show us and there has been an opportunity for sure.

Mithun Soni: Perfect. Thank you.

Moderator: Thank you. The next question is from the line of Kedar Kailaje from Fortress Group. Please go ahead.

Kedar Kailaje: My question is on the engineered floors and the engineered door segment, so firstly what is the market size of the floors and doors? Secondly, what is the competition that you are facing there, and what is Greenlam's market share, and thirdly do you see this as a growth driver in the next three to five years, and what would be the growth drivers. So those would be my questions.

Saurabh Mittal: So the competition, I will start with that, so engineered doors we end up competing with the traditional way of producing or setting up doors which is the wooden flush doors and carpentered doors at the site by customers and certain other manufacturers who have also started a similar model of engineered doors produced at the plant and fitted on site. The market size of engineered doors I think has to be looked at, if you look at the entire door market or the entire opening market as an opportunity, this can be quite significant and large because we are doing non-fire rated doors, some fire-rated doors and also looking at doing some specialty doors, so this is a significant market size but the ramp-up has been fairly slow. Yes, in engineered wood we end up competing against imports in the same category. There are no other meaningful local producers as far as we know and we end up competing against laminate flooring too with vinyl flooring at times so competition is imported laminate flooring, vinyl flooring and at times marble carpet, all the premium flooring material and sometimes laminate flooring because it is lookalike at a lower price, so these are competitors, the market size of reasonable flooring would be in the band of Rs.350, Rs.400 Crores imports and domestic put together and yes we have capacities in both the categories and we are looking at building the business in this category.

Moderator: Thank you. The next question is from the line of Arun Baid from BOB Capital Markets. Please go ahead.

Arun Baid: I have two questions, sir. So one is what is the peak capacity our current plant can run at like we did 112% in Q4 is that the peak number or we can go ahead of that.

Saurabh Mittal: Well you can say this is in the range of that peak you know, because 110, 115 - I think in that range we can run the plant consistently.

Arun Baid: And the second question is, are we looking at any new categories besides the current ones shortly.

Saurabh Mittal: Yes, we will be looking at some more adjacent categories in the future.

Arun Baid: Is that after the completion of the new plant, the south plant or it can be before that.

Saurabh Mittal: Well it could be aligned with the south plant itself.

Arun Baid: And that would be based on manufacturing again or outsourcing sir, because of a CAPEX perspective.

Saurabh Mittal: So our model of business is largely manufacturing-led and my guess is will be manufacturing-led.

Arun Baid: Thank you best of luck.

Moderator: Thank you. The next question is from the line of Ronald Siyoni from Sharekhan. Please go ahead.

Ronald Siyoni: I just had two queries, so the first one is why are we not going for acquisition since this plant is still away, more than 15 months away and the unorganized sector itself is reeling under pressure, so what is stopping us from on acquisition.

Saurabh Mittal: So actually if you look at the unorganized manufacturing setup in the country who are potentially weak or have got weak or who could be up for sale or could be acquired, most of these companies, their equipments, their land size, their plates, their deco paper, will not be aligned to the kind of manufacturing setup we want to build and these are largely just maybe one or two plus factories with very inferior quality of equipments, poor speed, no energy levels in terms of the power energy which is needed to run the presses and intimidating machines, so practically it looks good on discussion but I think my guess is that we have to rip apart everything and put everything brand new so might as well just wait and rush the approvals in Andhra Pradesh and start building the plant because it is a 65 acre plot and we can keep expanding Brownfield like we have done in the past at Himachal Pradesh and every 18 months we have done one Brownfield expansion and each Brownfield expansion has lower CAPEX and incremental EBITDA. So I think that is a longer-term view, there could be some stress on the capacity for some time, but we still think that is a more long-term and better route that is the reason the acquisition opportunity is not something we are very excited about in the laminate space.

Ronald Siyoni: And sir second one, the last one is that how much capacity one line adds, to the total capacity if you are setting up one line?

Saurabh Mittal: Yes, so it depends on which product you produce and what size and all that but you can assume about, in our kind of doing small,Rs.120, Rs.125 Crores on an average one line can end up producing because normally our presses are larger and more number of daylights higher-value production. So you can safely assume for average Rs.125 Crores, if you are doing larger size laminates like 130 x 305, 4.2 5 x 10 feet products, or 6 x 12 feet products then the value can be slightly higher also.

Ronald Siyoni: Thank you very much, sir.

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

Shrenik Bachhawat: Sir I want to understand that these commodity laminates that we make, do we plan to build an outsourcing model, as we would like to use our capacities for the premium products.

Saurabh Mittal: Actually in our category, this outsourcing model case with our experience does not work well because the number of SKUs are higher unless the local companies are cheaper not because they are more efficient than us in manufacturing, it is because they cheat and they will not bill, the will not pay the taxes, do compliances and all that stuff, otherwise ex-factory, product to product manufacturing cost will be lower than this and even the quality standard supply chain with the local companies are always a challenge so till such time we build up more capacity, we can reduce the commodity categories a bit, but we are not keen at getting the product outsourced.

Shrenik Bachhawat: And sir in April month when will be starting the business in the domestic demand scenario.

Saurabh Mittal: I think the second week may be the 15th, 20th of April I guess.

Saurabh Mittal: Only half of the month s.

Shrenik Bachhawat: And sir I will repeat the question, could you please help me with the CAPEX guidance for FY2022.

Saurabh Mittal: . So routine CAPEX will be like Rs.25 -30 Crores and depending on when we start the Andhra Pradesh plant the concessioner plant that will get added on.

Shrenik Bachhawat: Thank you.

Moderator: Ladies and gentlemen, we take the last question from the line of Kedar Kailaje from Fortress Group. Please go ahead.

Kedar Kailaje: Sir just getting back to the engineered floors and doors. So you mentioned that the market size is huge, would you give us a sense that is it bigger than the laminates market or equal to the laminates market just or some numbers regarding that.

Saurabh Mittal: I cannot give you a number right away, but if you add the wooden frames because we are doing the door set and the leaves, so when you say door sets even the socket, the frames are being done with the doors, so I do not have the math right away in front of me, but my guesses will be slightly smaller than the laminates market I guess, it may be similar I am not sure I do not have the data right in front of me.

Kedar Kailaje: And if I understand correctly this would be only for the OEMs not retail, right.

Saurabh Mittal: So currently what we are doing with the doors is largely doing projects, so premium residential builders, hotels, some retail also, but lastly focused on mid to larger size premium door requirements. So they are not doing this one, two doors and we are not selling the trade, it is through specification and to the builders and to hotels and schools and all that stuff.

Kedar Kailaje: Thank you.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to the management for closing comments.

Saurabh Mittal: Thank you, friends. Thank you for your time and patience in sharing, and we appreciate the questions which have come across our way and be safe, and thank you so much.

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