"Greenlam Industries Limited Q2 FY 2017 Earnings Conference Call"

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MANAGEMENT: MR. SAURABH MITTAL – MD & CEO
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Moderator: Good morning, Ladies and Gentlemen. Welcome to the Greenlam Industries Limited Q2 FY 2017 Earnings Conference Call. This conference call may contain forward-looking statements about the Company which are based on the beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

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I would now like to hand the conference over to Mr. Saurabh Mittal -- Managing Director and Chief Executive Officer, Greenlam Industries Limited. Thank you and over to you, sir.

Saurabh Mittal: Hi, good morning, friends and a very warm welcome to all of you. On this call, I am joined by Mr. Ashok Sharma -- CFO and SGA our Investor Relations Advisor. The results and presentations are available on the Stock Exchanges and at Company website and I hope everyone had a chance to look at it.

This has been a mixed quarter in terms of performance. We saw improvement in our overseas business with a growth of about 14% which comprises of laminates and doors. While the domestic market remains flattish for us unfortunately this quarter.

The performance in the first-half of the year has been good led by our laminates business where we continue to have 100% capacity utilization and this is despite having additional capacity just over a year ago with the expanded capacity of about 15%-17%. While the domestic real estate business, real estate markets continues to be sluggish, we believe the country's fundamentals are still strong and market increasingly ask for more global ideas at home. Our plans of being a leading player in the overseas market continues to drive us explore each market further and build a truly unique and international portfolio of products. With this in mind, we have planned expansion to our current laminates capacity by an additional line of 2 million sheets per annum which is progressing as per schedule and is expected to be operational by end of Q1 beginning of Q2 financial year of 2018.

We have some truly value added products in the laminate segments which continue to perform well. They have been adding to our margins and will be a focus area for the future growth.

In the decorative veneer business, we have three products varies across price funds, the Natural Veneer, the Engineered Veneer, and the Teak. The first-half for this particular business on sales front has been slightly sluggish. The new brands are Mikasa in Engineered Wood Flooring and Engineered Doors is gaining popularity as we ramp-up distribution network towards building more specifications and generating more demand for these products.

We started exports for the doors in this year, in the 2nd quarter we have done some reasonably decent door exports which we will discuss later. We have also been able to bring down our debt levels and now we are at debt-equity of about 0.8 and our efforts have been continuing to improve return ratios and improve working capital. We have also been able to reduce working capital by about three odd days in this particular quarter and rather in this half also.

So, going forward, we are strengthening our valued product offerings and deepening at domestic and international reach which hopefully will provide us putting for sustainable performance and growth. I would now like to hand over the line to Ashok our CFO to take you through the financial and operational highlights of the company for the quarter and for the H1.

Ashok Sharma: Good morning, to all of you. Now, I will take you through the standalone financial performance of the company.

For the second quarter ended September 2016 revenue for the quarter grew by 6.7% to Rs. 245 crores led by good performance in exports, laminate export grew by around 14.6%YoY

Gross profit was at Rs. 107 crores with a gross margin of 43.8%, a small decline of around 50 points.

EBITDA for the quarter was at Rs. 29.65 crores and EBITDA margin stood at 12.1% a decline of 70 points this was mainly on account of slight decrease in the realization of laminates mainly due to decline in export realizations.

PAT for the quarter was at Rs. 9 crores against Rs. 9.2 crores in the same quarter previous year.

Figures for the first-half ended September 2016 revenue grew by 7.5% to Rs. 480 crores. Gross margin were Rs. 216 crores with a margin of 45.1% an expansion of 200 points. EBITDA grew by 11.2% to Rs. 60.2 crores with a margin expansion of 40 points to 12.5%. PBT was at Rs. 28.2 crores a growth of 13.2% on year-on-year basis. PAT was at 18 crores, a growth of 15% on year-on-year basis. Total borrowing as on September 30th was at Rs. 230 crores against Rs.254.4 crores in March a reduction of around Rs. 25 crores.

On the operating performance, return on capital employed for the business improved to 15.7% in this H1 from 14.8% in last year. Return on equity was at 12.7% in H1. Net working capital for this half is improved by 4 days to 59 days from 63 days previously. Inventory days were slightly increased to 86 days while debtor days reduce to 46 days from 51 earlier and creditors was slightly up by 2 days from 71 days to 73 days.

Now, moving on to our segmental performance, laminate and allied products forms around 87% of our quarter sales. In laminate and allied segment, we have recorded sales of Rs. 213 crores, a growth of 6.6% led by good volume. Sales volume for the quarter were at 3.28 million sheets, a growth of 10%. Our production volume was at 3.39 million sheets, a growth of 20% over last year with a capacity utilization of 113%. Our average realization for the quarter was at Rs. 607 per sheet, a fall of 5% due to lower realization in exports.

Our EBITDA margin improved by 140 points to 14.4% for the quarter with an absolute growth of 17.8% in the quarter. International business contributed 52% in volume and 39% in value.

For H1, we have achieved a sales growth of 7.2% to Rs. 416 crores and a volume growth of 8.6% to 632 million sheets; margin for the same period expanded by 270 points to 15.1%.

Now, moving on to decorative veneer and allied segment which forms around 13% of this quarter sales. Our sales grew by 7% to Rs. 32.5 crores. In this half year sales grew by 9.4% to64.2. In the decorative veneer, where the brand name is Decowood, the volume is flat in terms of same as previous year with a capacity utilization of 35% while our sales volume decline by around 3.5%. For this entire half, production was declined by 7.8%, while the sales volume decline by around 2.5%.

Engineered wood flooring under the brand name Mikasa has been performing well. We have clocked sales of Rs. 7.4 crores in this half, crores for this current year with a capacity utilization of around 5%. Engineered door segment is also gaining traction has clocked the sale of Rs. 4.2 crores in this half and as mentioned we have started export in this category and we have done export of around Rs. 1.7 crores in this half.

That is all from our side. I would now like to open the floor for the Question-and-Answers. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will now begin the Question-and-Answer Session. We will take the first question from the line of Pritesh Chedda from Lucky Investment Managers. Please go ahead.

Pritesh Chedda: Sir, what explains us slightly lower traction in decorative veneer and allied side of the business where we expected should have been a high traction? And second, I could not understand the EBITDA swing of let us say Rs. 4 crores in that segment, there is a note which is written about on FX so, if you could highlight slightly more about the EBITDA swing?

Management: So, you are right, the expectation of business growth in the veneer & allied has been lower than expected and I would say there is no one particular reason now this is our focus in the domestic market we are working towards building up the segment and I think I will just attribute this to may be a slightly sluggish market place or maybe we just need to do more in the market place to build that business. So, there is no one particular reason on this, on why the growth on the veneer and allied is lower than expected.

Pritesh Chedda: But are you anywhere kind of worried on the veneer where there are no changing preferences actually in favor of other materials vis-à-vis veneer. So, is the thought that which you also share and do you think that way or it is not a case?

Saurabh Mittal: No, that is not the case, if you look at the veneer business, it has broken down in three parts like we said, it is the decorative veneer business, the engineered wood flooring business and the engineered door business. So, engineered doors, engineered flooring obviously the growth percent is higher their base is very strong whether it is from last year's quarter two or on sequentially basis but the base is very small. veneer business if you see last entire financial year the growth have been in the band of 30 odd percent so, we have grown reasonably aggressively last year so, obviously that would not be the case. Needless to say, the veneer business is a small business compared to the laminates or the surface business. But we do not see a change in terms of consumer preferences or product category moving to alternative categories. And in the last year we have grown aggressively so the base of the veneer business is slightly higher. But I think in the coming half we should be able to build up the business.

Pritesh Chedda: The question was how about the EBITDA swings which has come in this part of the segments?

Saurabh Mittal: So, what you mean by swing, I couldn't get your question

Pritesh Chedda: From plus 3 we came minus 1 so, there is a Rs. 4 crores swing.

Saurabh Mittal: So, I will explain that to you. So, year-on-year (+3) become (-1) and sequentially minus 1.67 has become minus 1 so, last year quarter two we have just started the door business and I think it was about September if I remember correctly, we started door business so, it is not a fair comparison with quarter two on the results. The Q1 is a better comparison business because the door business because of manufacturing set-up the sales team set-up was not capturing quarter two of last year. If you look at sequentially, the loss actually has come down by a small extent anyway that is not satisfying us. So, versus quarter two is not a fair comparison.

Pritesh Chedda: Okay. And lastly, I will ask you on your outlook now on the decorative veneer and allied side of the business.

Saurabh Mittal: We maintain that at the annual numbers of the company we should be in the top-line growth of 12%-15% at consolidated level and we still maintain that growth outlook. As far as the domestic business is concerned, we have said that we should be in the band of 10% to 12% to growth and we still maintain and I think, that will apply to the veneer business also. May be over the next two quarters the veneer business probably will be slightly higher growth but overall domestic space 10% - 12% growth overall company at the consolidated level we should be 12% to 15% growth and we still maintain that.

Moderator: Thank you. We will take the next question from the line of Nehal Shah from ICICI Securities. Please go ahead.

Nehal Shah: Sir, where do you get this confidence of say 10% to 12% domestic growth because for the first-half we have grown at around 7% and if you are saying 10% to 12% that means you will have to do nothing less than say 15% for the second-half?

Saurabh Mittal: Right. So, I will start from the overall business, these are all our standalone numbers we are not reporting consolidate numbers.

Nehal Shah: Yes, I am just talking about the standalone numbers also.

Saurabh Mittal: Yes, . So, we have about 12.5% growth here. On the domestic space the laminates utilization if you look at quarter two laminate utilization near about 112% - 113% and last year in the second-half we do not have complete utilization of the laminates capacity so, I think that should come into play. The veneer, flooring doors also we are expecting better business moving ahead. The combination of the veneer, flooring, door, laminates, product expansion I think all put together we think we should be able to do a 10% - 12% kind of a domestic growth.

Nehal Shah: Okay. And sir, why there have been such huge volatility in margins in laminates? One quarter you are showing 15%, this quarter is around 12% so, where is the swing coming?

Saurabh Mittal: Actually I think you have not probably seen the data or we have not got it correct. The laminates margin in Q2 FY 2016 quarter two was 13%, in Q1 FY 2017 it was 15.8%, Q2 FY 2017 it is 14.4%.

Nehal Shah: Right. So, 14%, 13%, 15% so…

Saurabh Mittal: Yes, so if you see sequentially 15.8% to 14.4% and the prime reason if you look at laminate numbers growth the growth in volumes have been recently decent so, has been the production, we have had realizations reduced specially on the export business while the growth in the export business volume has been quite impressive, we have a slip in realization in the export business because of certain sales in the value added category so, I think that is the primary reason otherwise not much has changed in the laminates.

Nehal Shah: Okay. And what are like the sustainable margins in laminates for the current year?

Saurabh Mittal: So, if you look at H1FY17 the margins of laminates is at about 15 odd percent. I think we should be 14% - 15% kind of a range for this year which you said so, I do not think there are significant swings but yes, there are some swings that is related to market condition and we are not controlling that.

Nehal Shah: Sure, fair enough. And sir, when you expect the turnaround in veneers? Do expect like in the Analyst meet also we were hoping to turnaround possibly this quarter. So, you do think there is still some time to go may be couple of quarters more for the turnaround or EBIT to become positive?

Saurabh Mittal: Well, we are still hoping that we do better then what we are doing and for sure it is taking more time. So, if you see the veneer business the decorative veneer panel business in quarter two has been about 15% EBITDA positive while the flooring and doors there has been a loss at the EBITDA of about Rs. 5 crores while the top-line is improving but it is not enough to bring EBIT breakeven so, I think our endeavor is still good in this financial year hopefully at least towards the end of this financial year by the last quarter we should come to EBIT break even in this segment. So, our efforts are all in that direction and we are doing our best to make that happen actually.

Nehal Shah: And sir, is this because the decorative veneer had a benefit of growing at 30%-40% with the launch of Teak Veneers and the Recon Veneers now. Is it because the Décor Veneer and the other new categories have not grown to the extent what we expected and thus, we are seeing a larger loss coming in?

Saurabh Mittal: Well, you could say that because in H1 only the decorative veneer panel business is largely flattish so, we have not witnessed significant growth in that segment. We were expecting a better growth in the H1 which has not happened so, you could say that but I think the focus is still on ensuring the growth in door and the floor business. So, door and floor revenue wise versus H1 of last year where we had small portion of the door business, I think it has to be a combination of the door business, floor business and the veneer all are doing reasonably well.

Nehal Shah: Is there any particular reason for the veneer business to slide in such a significant manner versus the last year any reason you would like to attribute that?

Saurabh Mittal: It is not grown, if I look at the numbers there have been a de-growth of about 1% it is not like split tremendously

Nehal Shah: No, so one question is compared to like 30% - 40% growth every quarter last year.

Saurabh Mittal: Yes, so if you see last year we grew it about 30 odd percent, we had new launches, primarily stocking, etc., so, I think that probably will be the only reason because of base at least to that extent was slightly higher last year. But we are talking efforts to build that up and we should be able to pull up the numbers in the coming quarters.

Moderator: Thank you. We will take the next question from the line of Girisha Saroa from Ambit Capital. Please go ahead.

Girisha Saroa: Could you please comment on the reasons for the marginal improvement in the debtor days?

Saurabh Mittal: Well, the comment is that we are watching our debtors effectively and we want to improve our cash flow cycle, improve our debtor cycle and that is the reason primarily.

Girisha Saroa: So, has this been more on the domestic debtors or the export debtors?

Saurabh Mittal: For debtors, I think Ashok will take that question.

Ashok Sharma: It is more on the domestic side.

Moderator: Thank you. We will take the next question from the line of Ravi Naredi, an Individual Investor. Please go ahead.

Ravi Naredi: Sir, how much our CAPEX in next two years' plan?

Saurabh Mittal: So, if you look at the CAPEX currently, we have plan maintenance routine CAPEX about Rs. 25 crores and Rs. 30 crores and we have announced CAPEX for expansion, capacity expansion on laminates which will cost us up to Rs. 25 crores so, as we talk right now it is Rs. 25 crores - Rs. 30 crores for this financial year on routine CAPEX plus the six-line addition at the Nalagarh Factory so, that is about Rs. 50 odd crores. And if you talk of two years for next financial year we will again have maintenance routine CAPEX, I cannot give you the exact figure on that. But as we talk right now it should be in the similar range.

Ravi Naredi: So, means Rs. 75 crores?

Saurabh Mittal: Yes, that is what I was saying. If you take FY 2017 and FY 2018 as we talk right now should be in the band of Rs. 70 crores - Rs. 75 crores.

Ravi Naredi: Rs. 70 crores - Rs. 75 crores. And sir, already we are having a Rs. 230 crore debts and again you are talking about Rs. 70 crores - Rs. 75 crores expansion. So, what is the plan to reduce the debt?

Saurabh Mittal: So, I think if you look at the H1 debt condition so, we have reduced debts to the extent of about Rs. 25 crores on the standalone books and so, debt reduction is happening. So, if you see our results carefully the depreciation is in the range of about Rs. 30 crores - Rs. 35 crores. So, all the routine CAPEXs should be taken care of with the depreciation figure in the books and if you also see that we have been able to improve our working capital cycle so, in spite of growing the business we have reduced working capital cycle in the business. So, I think profitability plus improvement of working capital cycles will take care of significant amount of debt reduction and we are focused on improving our debt condition in the company.

Ravi Naredi: Sir, one more point, one of our office is in Delhi and plant in Rajasthan also why you have at AGM registered office in Assam any specific reason?

Saurabh Mittal: Well there is a specific reason, the reason is traditionally as we know we were demerged from Greenply Industries and Greenply Industries had a registered office in Assam so, we also made our registered office in Assam to keep things simple with the Guwahati High Court being in the state and post demerger that continue to be the same so, that is the reason. And originally the promoter family used to based out of there so, that is the second reason otherwise there is no specific reason for that.

Ravi Naredi: One last point, sir, you are charging Rs. 5 crores as the remuneration so, is it justified to charge such high remuneration when the company is going with this so much capacity expansion and having so much debt and all such things?

Saurabh Mittal: Well, I think that is for the Remuneration Committee and the shareholders to decide. So, if you look at last year the business improvement on a consol level by 11%-12% and you know margins also nearly doubled and as we move ahead most of the CAPEXs have reduced for the company. There has been a debt reduction in the company, we are at about 0.8%, and the Rs. 5 crores remuneration is not for one particular director, there are two directors so, individually it is lower.

Moderator: Thank you. We will take the next question from the line of Zeeshan Bagwan from JM Financial. Please go ahead. Mr. Bagwan,.

Zeeshan Bagwan: I had questions pertaining to the veneer segment. Could you just provide some understanding on the margins for the door as well as flooring business in this quarter and steady state margins.

Ashok Sharma: In the quarter the floor and door was having a EBITDA loss of Rs. 4.9 crores. And in terms of steady state margins we will be able to reach that once we are able to reach at certain utilization level. But on a steady state at 70% - 80% utilization, floor business can have around 17% - 18% margin and door business can have around 14% - 15% margin.

Moderator: Thank you. We will take the next question from the line of Alok Rawat from Karma Capital. Please go ahead.

Alok Rawat: I have one question, you have talked about the market share that you have in one of the slides. Could you also talk about how this has panned out over this first-half of the current financial year, have you gained market share? How is the market share moving in both the segments?

Saurabh Mittal: It will be a bit theoretical for us to really comment on till we have results of the competition and you also do appreciate that in many of our businesses we have a fair amount of unorganized competition. A lot of this data is collated with various discussions with various agencies supplies vendors, customers, etc., so, really talking about it right now will be very theoretical.

Alok Rawat: Sure. But if you could give some directional sense like how the market is moving, I understand getting out hard numbers obviously.

Saurabh Mittal: Right. So, are we talking about one particular line of business domestic, exports, are we talking about…

Alok Rawat: Yes, domestic, laminates and veneer markets, how the markets are doing?

Saurabh Mittal: Well, what we come to know is that the markets are still sluggish because primary off take through the real estate sector is a bit low although you are talking domestic markets so, it has not been particularly for us. Most of the domestic unorganized players are focused on the local market. So, the feedback we have that overall the markets in terms of volume off take is still a bit slow.

Moderator: Thank you. We will take the next question from the line of Kritika Subramaniam from IIFL. Please go ahead.

Kritika Subramaniam: Sir, just a few questions from my end. One is that now our realizations in laminates have fallen around 5% Y-o-Y. So, I wanted to confirm if the entire thing is attributable only to the exports realization and is your domestic realizations have been flat or how has that been?

Saurabh Mittal: So, domestic realizations actually have improved Y-o-Y while export realization has actually slipped by about 12%-or so, from domestic Rs. 684 a sheet has gone up to Rs. 724 while exports from 572 has gone down to 501 while exports volume growth has improved to 27.4% so, there is a value growth of about 12%-odd but the realization has slipped in exports.

Kritika Subramaniam: Sir, why has realization in exports fallen so drastically?

Saurabh Mittal: Two particular reasons – as we see there has been a volume growth and we did add capacity in last year Q2 of financial year 2016. So, we have more production in this quarter which means that we have got more sheets production sales in this quarter at a lower price in the lower category products for mid-priced products and number two the value-add category of compact laminates has seen a bit of slip in sales in quarter two of this financial year. I would attribute these two particular reasons, besides that you could say, on a year-on-year basis last year when the currencies fell in Asia Pacific in markets like Thailand, Malaysia, Indonesia, we did do some price correction to support those markets. So, I think it is a combination of all these three factors. Realization fall is about 3% - 4% if you look at the sequential basis and on a year-on-year this is higher.

Kritika Subramaniam: So, how do you expect this going forward are we expecting any revival in compact laminates to help in improvement in realization sequentially?

Saurabh Mittal: So while you see this realization, I must also say that if you look at the EBITDA margins in quarter two of last year laminates EBITDA was at about 13% while this year quarter two is at about 14.4%. The ROCE of laminates have standalone, last year quarter two was 27%, this year it is at 32% so, yes, you could say the realizations have fell. But if you look at the overall performance of the business in terms of all the parameters of EBITDA, margins, ROCE, and working capital cycles they are all improved even the working capital cycles of laminates were at about 43 days ahead working capital cycle last year Q2 and this year, Q2 has come down to 36 days. So, yes, we want to improve realizations but at times we make decisions on the overall health of the business.

Kritika Subramaniam: Right. Sir, one more thing, how have paper cost been, your design as well as the nominal craft paper that use?

Saurabh Mittal: It has been largely flattish, there has not been a significant reduction or significant increase on our craft paper and on deco paper prices well, as you understand that we do import most of deco paper and craft paper it is about 70:30 kind of a ratio. So a little bit of swings could happen based on currencies but otherwise price points have been largely flattish in paper.

Kritika Subramaniam: And sir, any outlook on paper cost going forward or chemical cost also, how do you expect them to be? Are they likely to be flattish and benign or are there any other indicators?

Saurabh Mittal: So, paper costs are largely going to be flattish that is what we see right now. On the chemical cost, there will be a little bit of swing here and there but by in large it is same, like for first couple of months we have increased cost of methanol which softened out right now. So, we are not seeing a significant meaningful jump or increase or reduction in the chemical cost there could be few percent points movement.

Moderator: Thank you. Our next question is from the line of Vijay Karpe, an Individual Investor. Please go ahead.

Vijay Karpe: My question is what is the capacity utilization for the wooden flooring segment?

Saurabh Mittal: Wooden flooring segment capacity utilization in Q2 is about 5% or 6% right now, 7% in Q2.

Vijay Karpe: Okay. When can we expect this utilization to meaningfully move up because it is, I think so, it has been at least a year since the start of production?

Saurabh Mittal: Actually it has been over a year and half in production. So, as you know or maybe I can repeat this myself at about 20%-25% utilization level of engineered wood flooring we break even at the PBT level. And we are working towards improving the production and sales so, if you look at the sales value sales value is growing up Q-on-Q and Y-o-Y. It is improving hopefully every quarter and we are moving in that direction so, it could be couple of more quarters before we come to that. At least the initial target is first to come to a PBT breakeven level and we are moving in that direction but it will take couple of more quarters till we reach there.

Vijay Karpe: Okay. So, sir, do we need to do something more in advertisements or marketing in order to do something better for Mikasa?

Saurabh Mittal: So, we are advertising in a very focused manner. We are not going to the consumers currently because we also want to keep a check on our marketing spends so, the advertising is happening primarily to architects, designers, builders, developers and in shop displays with the dealers and with the wholesalers so, that is where the marketing spend is happening. Currently the proportion of marketing cost versus revenue is obviously very high because the business is still relatively new we are also doing some digital advertising mostly focusing through the influences currently.

Vijay Karpe: I was just going through the Facebook of Mikasa as well as Greenlam Laminates one. So, I think we can do something better over there on the Facebook. I do not think we are aggressive enough over there. Because your sister company which is Greenply which makes Floormax I think they get a little more Likes and Share over there in their pages.

Saurabh Mittal: Okay. So, I am taking your feedback very positive and after this call I am going ~~to clear~~ to the marketing team and look through this. I appreciate your feedback.

Vijay Karpe: So, the question is this business which is premium one. So, can we expect down the line after three years - four years to have a good strong cash flow margin of 10%?

Saurabh Mittal: Well, I do not want to comment on that right now. Obviously, our endeavor will be to run a very profitable business, right now I do not want to comment on that please.

Vijay Karpe: Okay. Will we be able to see you at the ACETECH Exhibition in Mumbai?

Saurabh Mittal: We are having a booth at the ACETECH, Bombay and Ashok will also be there and I probably will be there for one or two days also.

Moderator: Thank you. We will take the next question from the line of Bhavin Chedda from Enam Holdings. Please go ahead.

Bhavin Chedda: Couple of questions, if I miss this one, what was the new product sales and EBITDA loss in the decorative veneers in quarter two and H1 if you have both the figures handy otherwise fine.

Ashok Sharma: Yes, Bhavin, quarter two sales was Rs. 6.4 crores and EBITDA loss was Rs. 4.9 crores.

Bhavin Chedda: Rs. 4.9 crores, this is engineered wood floors plus doors?

Saurabh Mittal: Yes. And for the H1 the sales was Rs. 11.6 crores and EBITDA loss was Rs. 9.3 crores.

Bhavin Chedda: Right. And second one on the laminates new capacity of 2 million sheets so, how much time normally it would take you to take it to 100% utilization assuming that demand is there?

Saurabh Mittal: So, I think from a production capability or ability to ramp up capacity…

Bhavin Chedda: Ability to ramp up capacity, how much?

Saurabh Mittal: Ability to ramp up you could take four months to six months.

Bhavin Chedda: Four months to six months, okay. And second thing on the Laminates volume, how much you think the industry is growing or would have grown in first-half in the domestic market?

Saurabh Mittal: Bhavin, frankly it will be a wild guess I will give you and which may or may not be true. The feedback we have overall besides a couple of companies the market is sluggish but I cannot put a number on that Bhavin, we will be unfair to just give you a guess number.

Bhavin Chedda: Because we are still growing in double-digits so, you still are taking away significant market share from the unorganized segment?

Saurabh Mittal: Bhavin, significant is a big term. because I really would not comment on that before I know that but I can only see our numbers right now Bhavin.

Bhavin Chedda: Okay. And on the GST rates so, are there any further excise VAT benefit at any of your plant and if at all then expiring in which year and so and what is your outlook on the GST rate and benefit in both the segment veneers and laminates?

Ashok Sharma: Yes, Bhavin in terms of benefit, as you know that one of our plant in Nalagarh which is in HP, so that has an excise benefit as of now and hopefully that will continue in GST also even though nothing is final. yes or no has to come from the government side which is supposed to happen in this meeting and the excise benefit is there till June 2019 and in terms of rates of GST as of now there is no clarity probably in this meeting there will be clarity in terms of rates but after that which goods will classify in which rates so probably clarity is yet to come from the government side. I think the laminate and veneer or rather most of our products should be under one category only that is how as of now also it moves on the situation. Even in some of the states veneer has a lesser VAT in comparison to laminate but in most of the states both are under the same rates only.

Bhavin Chedda: And currently if I understand you are paying excise 12% and VAT is 12% across most of the states?

Ashok Sharma: Yes, excise is 12.5% and VAT will be normally 13% to 14% in some state it is on a higher side around 14.5% - 15% also, some state it is 12.5% because of the state in the ramp up to GST they have ramped up their VAT rates by 0.5% - 1% so, it should be average should be around 13.5% kind of a rate.

Bhavin Chedda: We are roughly around 25%-25.5%…

Ashok Sharma: Around 27%. So, 12.5% but on that also 13.5% we need to add so, around 27% - 27.5%.

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

Saurabh Mittal: Dear friends, thank you so much for joining on the call. And myself and Ashok will be available to answer any further queries you have offline and we look forward to the call in the next quarter. Thank you so much for your patience.

Ashok Sharma: Thank you so much.

Moderator: Thank you members of the management team. Ladies and gentlemen, with that we conclude today's conference. Thank you for joining us and you may now disconnect your lines.