

Greenlam Industries Limited

July 05, 2024

Facilities	Amount (₹ crore)	Ratings ¹	Rating Action
Long-term bank facilities	280.60 (Reduced from 290.60)	CARE AA-; Stable	Reaffirmed
Long-term / Short-term bank facilities	110.00	CARE AA-; Stable / CARE A1+	Assigned
Short-term bank facilities	35.00	CARE A1+	Assigned
Short-term bank facilities	235.00 (Reduced from 250.00)	CARE A1+	Reaffirmed

Details of facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Greenlam Industries Limited (Greenlam) continue to draw strength from its promoters' experience in the laminate business and its long track record and established market position. Greenlam continues to be among the largest domestic players in the organised laminate business with growing presence in the exports market in past few years. Ratings also factor the extensive distribution network, quality certifications from agencies, and healthy capacity utilisation (CU) of the laminate division. Ratings continue to derive strength from the growth in its total operating income (TOI) and operating profit in FY24 (refers to April 1 to March 31), driven by growth in sales volume.

However, ratings are constrained by large-scale diversification or expansion project undertaken by the company for setting up plywood, laminates, and particle board plants. The plywood unit commenced operations in June 2023 and laminates unit commenced operations in September 2023. The particle board project is expected to be operational by Q3FY25, with a further delay of one quarter (earlier revised from Q4FY24 to Q2FY25). Ratings factor in the slower-than-anticipated growth in revenue due to delay in implementation of the completed and ongoing projects.

Apart from inherent pre- and post-project implementation risks, the large debt planned to be availed for projects led to moderation in overall gearing ratio and debt coverage indicators. However, the overall gearing ratio is expected to remain slightly above unity as at FY25-end and improve thereafter. This apart, its healthy liquidity build-up is expected to provide adequate cushion in the project implementation phase.

Ratings remain constrained by the company's profitability susceptible to volatile raw material prices, low CU for its veneer, engineered wood flooring and engineered doors segment, dependence on the cyclical real estate industry, working capital intensive operations, and exposure to foreign exchange fluctuation risk.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significantly growing scale of operations through greater product diversification in its revenue mix and improvement in its profit before interest, lease rentals, depreciation and taxation (PBILDT) margin beyond 18% and return on capital employed (ROCE) beyond 20% on a sustained basis.
- Successfully implementing and ramping-up capex projects thereby generating envisaged returns.
- Improving leverage with overall gearing below 0.50x and total debt (TD)/PBILDT below 1.25x on a sustained basis.

Negative factors

- Material delay in project implementation, leading to time or cost overruns and having adverse impact on its ROCE and overall gearing significantly beyond envisaged levels.
- Deteriorating PBILDT margin below 10% on a sustained basis.

Analytical approach - Consolidated

CARE Ratings Limited (CARE Ratings) has adopted a consolidated analytical approach with its subsidiaries mainly set up either as overseas marketing outfits or for implementing ongoing projects. The list of companies consolidated with Greenlam as on March 31, 2024, is placed in **Annexure-6**.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Outlook: Stable

The stable outlook reflects CARE Ratings' expectations of Greenlam sustaining its healthy business risk profile, given its established market position in the laminates industry with a strong brand positioning. CARE Ratings also expects the financial risk profile to be comfortable, despite the large size capex under implementation, supported by its strong business risk profile.

Detailed description of key rating drivers**Key strengths****Promoter's experience and long track record in laminates industry**

Greenlam was incorporated in August 2013 and remained an inactive company until the demerger of the decorative business division (comprising decorative laminates, decorative veneers, and allied products) via a court-approved demerger process, transferred to Greenlam in October 2014. The decorative laminate business has a long operational track record since 1993. The promoter, Shiv Prakash Mittal, is well-known in the wood panel industry with experience of more than three decades. Saurabh Mittal, son of Shiv Prakash Mittal, is the Managing Director and CEO and manages the company's day-to-day affairs. He is ably supported by the senior management team of Greenlam, which has extensive industry experience.

Established brand in domestic organised laminate industry

Greenlam is among the top two laminate manufacturers in the country's organised segment and commands an established position in the organised laminate and veneer segments. Greenlam's brands – Greenlam, New Mika, and Decowood – are leading brands in laminate and veneer segments. Greenlam also launched engineered wood flooring and engineered door segments and recently ventured into plywood segment, which are branded under 'Mikasa' and are expected to further strengthen Greenlam's position in the interior infrastructure sector.

Established presence in exports market

Greenlam is India's largest exporter of laminate and has an established presence in the quality stringent exports market, with the same increasing in past few years. The company's export revenue (on a consolidated level) improved and stood at ₹1026 crore (comprising around 44.50% of gross sales) in FY24 against ₹942 crore (comprising around 46.59% of gross sales) in FY23. Since the company is equally present in domestic and export markets, it has better ability to withstand downturns in one of its markets.

Extensive distribution network and marketing support

Greenlam has a pan-India marketing network with nine company-owned regional distribution centres, 21 branch offices, and more than 23,000 distributors, dealers, sub-dealers and retailers across the country. This apart, it has subsidiary companies engaged in exploring market opportunities for laminates in South-East Asia, the US and Europe. Globally, Greenlam has presence in more than 100 countries through its four international distribution centres and 15 international offices.

Healthy CU for laminates division, despite low CU for other divisions

While CU of laminate division moderated from 99% in FY23 to 81% in FY24 due to capacity enhancement during the year, the overall production grew by 14%. The company added capacity of 20 lakh sheets in May 2023 and 35 lakh sheets in September 2023, taking the overall installed capacity of laminates to 245.2 lakh sheets.

The CU of the veneer division (29% in FY23 and 34% in FY24) and engineered wood flooring (11%-12% in FY23 and FY24), continued to remain on the lower side owing to the products being luxury items and high manual labour required for polishing and finishing. The CU remain low at 15% for the engineered door segment in FY23 and FY24.

Growing TOI and operating profitability in FY24

On a consolidated basis, Greenlam's TOI witnessed a significant growth of 14% y-o-y in FY24 to ₹2,306.35 crore. The increase in revenue is marked by higher sales volume of laminates, with commissioning of additional capacity. Both domestic and export revenues witnessed an increase of 18% and 9%, respectively, in FY24. The sales realisation for laminates largely remained stable in FY24 at ₹938/sheet as against ₹945/sheet in FY23, the slight reduction was largely considering change in product mix.

The sales value of all products, except prelam MFC board increased during the year. The performance of the recently commissioned plywood segment was subdued with CU of 14% and segment loss before interest and tax of ₹33 crore in FY24 on TOI of ₹58 crore. The PBILDT margin (consolidated) has increased from 11.51% in FY23 to 12.83% in FY24 considering higher margin in laminate segment benefiting from lower cost of chemicals and recovery in Veneer segment.

Quality certifications from agencies

Greenlam has received the FSC chain of custody certification for specific products. Greenlam laminates are also 'Greenguard' certified by the Greenguard Environmental Institute and 'Green Label' certified by the Singapore Environment Council. This apart, Greenlam is also ISO 9001, ISO 14001, ISO 50001 and OHSAS 18001-certified. The company has 'GreenPro' certification and

Green Rating for Integrated Habitat Assessment (GRIHA) certification, apart from Supplier Ethical Data Exchange (SEDEX) certification for ethical trade initiatives, providing an edge to its brand value.

Liquidity: Strong

Greenlam's liquidity is strong with unencumbered cash and cash equivalents of ₹180.18 crore and unutilised fund-based working capital limits of ₹130 crore as on May 31, 2024. The average fund-based working capital limit utilisation stood at about 76% in 12 months ended March 31, 2024. The company has debt repayment obligations of about ₹141 crore in FY25 and is expected to generate sufficient cash accruals for meeting the same. The company has already tied up debt for its ongoing particle board capex (of which ₹84 crore is to be drawn down in FY25) and further the company may avail additional debt of ₹150 crore in FY25 for supporting the ongoing project and other maintenance capex requirements. The peak overall gearing ratio is expected to be slightly above 1x by end-FY25 before improving in future years.

Key weaknesses

Project implementation risk, despite envisaged benefits of diversified product profile

The company took up three greenfield projects, which includes a plywood and allied products unit (in erstwhile HG Industries Ltd; now merged in Greenlam) along with particle board unit and laminate unit (fourth unit for laminate production) under its subsidiary Greenlam Limited. Greenlam's foray into these projects aims at making it an integrated wood panel player from it mainly being a decorative surfacing company, and thus, broad base its product portfolio by leveraging its wide distribution network and established brand and establishing itself as integrated surface and substrate solution provider.

The company's laminate and particle board projects have a total estimated cost of ₹1,150 crore (revised from ₹1,050 crore). As on March 31, 2024, the company has spent ₹875 crore, with ₹275 crore on the completed laminate project and ₹600 crore on the ongoing particle board project. The company has a sanctioned debt of ₹660 crore for these projects, of which ₹576 crore has been utilised, and the remaining ₹84 crore is planned for the particle board project in FY25. Additionally, the company has finished the plywood unit project, costing ₹160 crore, funded partly by a term debt of ₹100 crore and balance from internal funds.

Ratings factor in the particle board unit's commissioning being delayed to December 2024, previously expected by March 2024, due to natural calamities and delay in supply of imported equipment from suppliers. The project's cost has increased to ₹875 crore from ₹775 crore, attributed to capacity enhancement (from earlier envisaged capacity of 231,000 cbm to 292,380 CBM), cost inflation, additional equipment, currency depreciation, and increased interest in construction.

Successfully implementing the project and ramping-up production post-implementation will be key rating monitorable for generating adequate returns on such large investments. The company's prospects are also linked to demand from the cyclical real estate industry.

Temporary moderation in capital structure and debt coverage indicators

Being in the project stage there is a temporary moderation in the capital structure and debt coverage indicators. Greenlam's overall gearing ratio moderated to 1.06x as on March 31, 2024, compared to 0.70x as on March 31, 2023, due to debt availed for funding its ongoing projects. Debt coverage indicators also moderated, with TD to gross cash accruals (GCA) of 5.09x as on March 31, 2024 (3.50x as on March 31, 2023), and interest coverage ratio of 6.68x in FY24 (9.93x in FY23). CARE Ratings observes, overall gearing ratio is expected to remain at similar level as at end-FY25 and improve thereafter. Healthy liquidity built-up is expected to provide adequate cushion in the project implementation phase.

Raw material price fluctuation risk

Raw material cost (including traded goods) formed about 54% (FY23: about 60%) of the total cost of sales for Greenlam in FY24. Major raw materials for the company are paper and chemicals. About 54% of the value of raw materials consumed in FY24 were met through imports as against about 49% in FY23. As melamine and phenol are primary chemical requirements, their availability and price have a significant impact on the company's operating margins. Prices of both products in the international market are highly volatile (phenol being a crude oil derivative). However, the company tries to pass on the increase in raw material prices to customers to an extent and with a time lag, simultaneously cushioning its impact on demand.

Exposure to foreign exchange rate fluctuations

The company imported ~₹612 crore (47%) of inputs in FY24 as against ₹504 crore (49%) in FY23, while its exports revenues stood at around ₹1026 crore in FY24 (around 44% of TOI) as against ₹942.10 crore in FY23 (around 46% of TOI). As a result, the company is partially insulated against foreign exchange fluctuation by way of natural hedging.

For managing foreign exchange risks, Greenlam hedges the net outstanding of foreign currency exposures on a fortnightly basis through derivatives like forward contracts.

Working capital-intensive operations

The company's operations are working capital-intensive on the back of its high inventory period due to numerous product variants and raw materials stocking with a significant proportion of raw materials imported with a long lead time. Greenlam has tightened

its credit norms, improving its average collection period to about 23 days, while it avails average credit from its suppliers for about 55 days in FY24. The company's operating cycle improved from 87 days in FY23 to 68 days in FY24.

Environment, social, and governance (ESG) risk

Greenlam is exposed to tightening environmental compliance and emission norms as it uses raw materials such as paper and chemicals. However, the company has made efforts towards environment sustainability which is demonstrated by its use of recycled and agro-based papers, development of risk mitigation policies, and engagement in modern technology and replenishment projects (including rainwater harvesting). Further the company has also started using biofuels in boilers and undertaken several steps and measures like installation of electrostatic precipitator for dust free environment. The company has quality certifications for its products, mitigating the risk to an extent. Moreover, the company also emphasises employee safety and development. Greenlam spent ₹2.03 crore for corporate social responsibility (CSR) initiatives in FY23. Of eight directors on the company's board, four are independent directors.

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Consolidation](#)

[Short Term Instruments](#)

About company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Consumer discretionary	Consumer durables	Consumer durables	Plywood boards/laminates

Greenlam was incorporated in August 2013 and remained an inactive company until the demerger of the decorative business comprising decorative laminates, decorative veneers, and allied products into Greenlam. The decorative laminates business was operational since 1993.

Greenlam is among the largest laminate manufacturing companies in the country and commands an established position in the organised laminate and veneer segments. 'Greenlam Laminates' is the flagship brand of Greenlam, under which its decorative laminates are marketed. The company markets its decorative veneers under brand 'Decowood'. The engineered wood flooring segment and engineered doors segment (both marketed under brand 'Mikasa') were introduced in 2014 and 2015, respectively. The company has recently ventured into the plywood segment, also marketed under the 'Mikasa' brand. It has five manufacturing facilities (including manufacturing units of subsidiaries) in Rajasthan, Himachal Pradesh, Gujarat, Tamil Nadu, and Andhra Pradesh. It is also undertaking a particle board project in Andhra Pradesh, which will enable it to further diversify its product profile and geographical presence.

Brief Financials – Consolidated (₹ crore)	FY23 (A)	FY24 (Ab)
Total operating income	2,025.96	2,306.35
PBILDT	233.19	295.98
PAT	128.04	138.01
Overall gearing (times)	0.70	1.06
Interest coverage (times)	9.93	6.68

A: Audited; Ab: Abridged; Note: These are latest financial results available.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Covenants of rated facilities: Annexure-3

Complexity level of facilities rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of facilities

Name of the Facilities	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash credit		-	-	-	155.00	CARE AA-; Stable
Fund-based - LT-Term loan		-	-	June 2029	125.60	CARE AA-; Stable
Fund-based - ST-EPC/PSC		-	-	-	85.00	CARE A1+
Fund-based - ST-Purchase invoice financing		-	-	-	35.00	CARE A1+
Fund-based/Non-fund-based-LT/ST		-	-	-	110.00	CARE AA-; Stable / CARE A1+
Non-fund-based - ST-BG/LC		-	-	-	150.00	CARE A1+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term loan	LT	125.60	CARE AA-; Stable	1)CARE AA-; Stable (25-Apr-24)	1)CARE AA-; Stable (07-Jul-23)	1)CARE AA-; Stable (07-Jul-22)	1)CARE AA-; Stable (05-Jul-21)
2	Fund-based - LT-Cash credit	LT	155.00	CARE AA-; Stable	1)CARE AA-; Stable (25-Apr-24)	1)CARE AA-; Stable (07-Jul-23)	1)CARE AA-; Stable (07-Jul-22)	1)CARE AA-; Stable (05-Jul-21)
3	Non-fund-based - ST-BG/LC	ST	150.00	CARE A1+	1)CARE A1+ (25-Apr-24)	1)CARE A1+ (07-Jul-23)	1)CARE A1+ (07-Jul-22)	1)CARE A1+ (05-Jul-21)

4	Fund-based - ST-EPC/PSC	ST	85.00	CARE A1+	1)CARE A1+ (25-Apr-24)	1)CARE A1+ (07-Jul-23)	1)CARE A1+ (07-Jul-22)	1)CARE A1+ (05-Jul-21)
5	Fund-based/Non-fund-based-LT/ST	LT/ST	110.00	CARE AA-; Stable / CARE A1+	-	-	-	-
6	Fund-based - ST-Purchase invoice financing	ST	35.00	CARE A1+	-	-	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated facilities: Not applicable

Annexure-4: Complexity level of various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash credit	Simple
2	Fund-based - LT-Term loan	Simple
3	Fund-based - ST-EPC/PSC	Simple
4	Fund-based - ST-Purchase invoice financing	Simple
5	Fund-based/Non-fund-based-LT/ST	Simple
6	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Annexure-6: List of all entities consolidated as on March 31, 2024

Sr No	Name of Entity	Extent of Consolidation	Rationale for Consolidation
1	Greenlam Asia Pacific Pte Ltd., Singapore (GAP)	Full	Subsidiary
2	Greenlam America Inc., Florida (USA)	Full	Subsidiary
3	Greenlam Limited (GL)-India	Full	Subsidiary
4	Greenlam Europe (UK) Ltd., United Kingdom	Full	Step-down subsidiary
5	Greenlam Decolan SA – Switzerland	Full	Step-down subsidiary
6	Greenlam Asia Pacific (Thailand) Co Ltd, Thailand	Full	Step-down subsidiary
7	Greenlam Holding Co. Ltd, Thailand	Full	Step-down subsidiary
8	PT Greenlam Asia Pacific, Indonesia	Full	Step-down subsidiary
9	Greenlam Indo Pacific – Indonesia	Full	Step-down subsidiary
10	Greenlam Rus LLC – Russia	Full	Step-down subsidiary
11	Greenlam Poland LLC	Full	Step-down subsidiary

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

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