Greenply Industries Limited

September 23, 2024

Facilities	Amount (₹ crore)	Ratings[1]	Rating Action
Long-term bank facilities	103.00 (Reduced from 110.00)	CARE AA-; Stable	Reaffirmed
Long-term / Short-term bank facilities	47.00	CARE AA-; Stable / CARE A1+	Assigned
Short-term bank facilities	25.00	CARE A1+	Assigned
Short-term bank facilities	172.00 (Reduced from 237.00)	CARE A1+	Reaffirmed
Long-term bank facilities	-	-	Withdrawn

Details of facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to bank facilities of Greenply Industries Limited (Greenply) continue to derive comfort from its long track record of operations with strong brand positioning in the domestic plywood industry and foray into high margin medium density fibreboard (MDF) segment through its subsidiary resulting in increase in scale of operations as well as diversification in the product portfolio. The ratings continue to get strength from its pan-India presence through a strong distribution network and marketing support, its strong presence in the rural markets, strategic location of all its manufacturing units with strong raw material linkages.

Furthermore, with steady financial performance in FY24 (refers to April 01 to March 31) and Q1FY25, comfort also is drawn from large unutilised working capital limits, providing liquidity cushion.

Capital structure and debt coverage indicators moderated due to the recent debt funded capex in its Lucknow Plywood unit and Vadodara MDF unit. While the company has planned for further expanding capacity of the MDF unit in FY25 from 800 CBM to 1000 CBM, overall debt addition is likely to remain low. Going forward, CARE Ratings Limited (CARE Ratings) expects its debt coverage indicators to improve with no major debt funded capex at a consolidated level.

The ratings however continue to be constrained by Greenply's exposure to raw material price volatility apart from intense competition in the plywood and MDF industry from organised and unorganised sector players and its linkages to demand from the cyclical real estate industry.

The rating also takes note of Greenply, reducing its shareholding in Greenply Middle East Limited from 100% as on March 31, 2023, to 49% as on March 31, 2024, owing to sustained losses and challenges in management. Moreover, the raw material arrangement between Greenply and Gabon are likely to remain unaffected over the medium term.

CARE Ratings has withdrawn the rating assigned to term bank facilities of Greenply with immediate effect, as the company has repaid the aforementioned term loan in full and there is no amount outstanding under the said loan as on date.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant growth in its consolidated scale of operations through greater product diversification in its revenue mix along with improvement in its operating (profit before interest, lease rentals, depreciation, and taxation [PBILDT]) margin beyond 15% and return on capital employed (ROCE) above 20% on a sustained basis.
- Improvement in its leverage with overall gearing below 0.5x and total debt/PBILDT below 1.25x on a sustained basis.

Negative factors

- Total debt/PBILDT above 3.5x and overall gearing above 1.25x on a sustained basis.
- ROCE below 12% on a sustained basis.

Analytical approach: Consolidated

CARE Ratings has taken a consolidated view of Greenply and all its subsidiaries, as they operate in similar lines of business and have strong operational and managerial linkages. Greenply has also extended standby line of credit and corporate

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

guarantee for debt availed by some of its subsidiaries, associates and joint ventures. Entities considered in consolidation with Greenply are listed in **Annexure-6**.

Outlook: Stable

The 'stable' outlook reflects that Greenply is expected to sustain its business risk profile given its strong market position in the domestic plywood industry and diversification in the high-margin MDF business. CARE Ratings expects the financial risk profile to remain satisfactory despite temporary moderation, supported by growing domestic demand.

Detailed description of key rating drivers:

Key strengths

Long track record of operations in the plywood industry

Incorporated in 1990, Greenply has a long track record of operations in the plywood industry. The current promoter, Rajesh Mittal –Chairman & Managing Director (CMD), has experience of over three decades in the interior infrastructure industry. The promoter group is ably supported by the senior management team, who also have extensive experience in the industry.

Strong position in domestic organised plywood industry

Greenply is one of the largest players in the domestic interior infrastructure sector aided by its quality product and strong brand image. Greenply's brands including 'Green Club 500', Green Club plus 700' and 'Green Gold platinum' in the plywood segment are among leading brands in the premium segment. Greenply has also captured the lower segment and mid-segment plywood through outsourcing route with three brands: 'Ecotec', 'Bharosa', 'Jansathi' and 'Wood Crest'.

Pan-India presence through a strong distribution network and marketing support

The company has a robust dealer network of more than 3,000 dealers who are present in over 1,100 cities, towns, and villages in 27 states and 6 union territories. They are served by 56 branches, which are prudently positioned between urban and contemporary construction hubs. As a result, the company can market its products all over the nation.

Strategic location of manufacturing units of Greenply with strong raw material linkage

Adequate availability of raw material is a key driver for the plywood industry. Key raw materials required for manufacturing plywood include face veneer, core timber and chemicals. Greenply's existing plants are strategically located near the source of its major raw material (West Bengal, Nagaland, Gujarat and Uttar Pradesh in India), which ensures adequate availability of raw material at competitive cost. Its plants being adjacent to the port (Kandla and Kolkata) also benefits it logistically.

While face veneer is a high-quality premium timber, usually derived from matured trees and largely imported, core timber is an agro-forestry timber and is mainly sourced from the domestic market. Greenply imports face veneer largely from its associate entity (Greenply Gabon S.A Limited) and other local manufacturers in Gabon. It imports veneer from China and European Countries.

The MDF unit is also strategically located near the source of its major raw material (in Gujarat), which ensures adequate availability of raw material at competitive cost. The plant is near the port, which will facilitate the export of MDF. Greenply Speciality Panels Private Limited's (GSPPL) MDF plant is among the first such plants in Western India, entailing cost benefits in terms of logistics, while catering to the market in its geographical vicinity.

Improved capacity utilisation (CU) in FY24 and Q1FY25

The CU for plywood segment improved from an average of 72% in FY23 to ~76% in FY24. This improvement was backed by increased production in Bamanbore unit and further ramp up in Lucknow Unit. The growth was largely guided by mid segment value sales whereas the volume in premium segment remained minimal. Further, total installed capacity of the company increased from 48.30 mn sq. mt. in FY23 to 52.80 mn sq. mt. in FY24, given increase in the capacity of Bamanbore unit with de bottlenecking of some processes along with addition of few equipment. Furthermore, the production levels in Q1FY25 also remained healthy at 77% as compared to 75% in Q1FY24.

For the MDF unit, in its first year of operation (starting May 2023), capacity utilization stood at 62% in FY24 while for Q1FY25 it further improved to 76%.

Moderation in profitability margin in FY24 and Q1FY25, though TOI witnessed improvement

On a consolidated basis, Greenply witnessed a growth of 32% y-o-y with TOI of ₹2191 crore in FY24. The increase in revenue was largely supported with increase in sales volume by 18% and marginal increase of around 1% in realization. Sales volume increased from 33.88 mn sq.mt in FY23 to 39.91 mn sq. mt in FY24, while average realisation stood at ₹285/sq. mt. in FY24 as against ₹288/sq. mt. in FY23. TOI remained supported by commencement of operations in MDF unit, which accounted for ~17% of overall revenue in FY24. This was mainly considering steady demand scenario for plywood and price hikes taken by

the company in FY24 (due to rising input costs). In Q1FY25, the TOI witnessed a growth of 36% in Q1FY24 with increase in MDF sales and steady demand for plywood sales.
However, operating margin moderated due to higher raw material price, selling expenses and commissioning of MDF plant, where the company incurred loss due to stabilisation and teething issues. Interest cost has also increased due to debt onboarded for MDF plant, resulting in declining PAT. Gradually, CARE Ratings expects performance to improve with improving profitability of MDF plant, lower ad spend and increase in overall scale of operations in the medium term.

Liquidity: Strong
The company has strong liquidity position marked by unencumbered cash and cash equivalents of ₹22.02 crore as on March 31, 2024. Utilisation of its sanctioned fund-based working capital limits of ₹220 crore has also been low at ~21% in 12-months ended June 2024. With MDF product added to its portfolio and its strong brand presence in plywood, it is expected to generate adequate accruals at a consolidated level to meet repayment obligations of ₹55-60 crore in FY25 and FY26.

Key weaknesses
Intense competition
The Indian plywood market is dominated by unorganised sector players. Although Greenply enjoys a strong market share in the organised market, there are number of players operating in organised and unorganised plywood segments. While increasing brand awareness is expected to result in better market share for the organised sector going forward. The impact of the pandemic in terms of raw material sourcing, labour issues and stretch in working capital also impacted competitiveness in the unorganised sector, which augurs well for organised plywood manufacturers.

The demand for MDF has been significantly growing and the company has ventured in this product to achieve product diversification in its revenue mix and to drive growth in its scale. Significant capacity additions announced in the MDF sector by other industry players may increase competitive intensity when all capacities come onstream and could impact envisaged returns on this capex.

Improved-yet-average capital structure and debt coverage indicators
Capital structure improved in FY24 basis steady accretion to reserves and reduced debt levels. Overall gearing improved to 0.85x as on March 31, 2024, as against 1.14x as on March 31, 2023. Total debt to gross cash accruals (TD/GCA) also improved to 4.89x as on March 31, 2024, against 5.89 as on March 31, 2023.
While interest coverage moderated to 4.31x in FY24 as against 16.99x in FY23 due to interest cost for the projects undertaken now being charged from FY24, which used to be capitalised till FY23.
Going forward, capital structure and debt coverage indicators are expected to further improve as the project is completed and expected to generate better margins from FY25 onwards.

Exposure to raw material price volatility and cyclical real estate industry
Prices of key raw materials (such as different types of wood and crude-oil-based chemicals) required by the interior infrastructure industry are inherently volatile, which make the sector's profitability margins susceptible to significant rise in cost of these inputs, especially in an inflationary economic scenario. This could limit the sector's ability to fully pass-on by price hikes in end-products without having an adverse impact on demand. As the real estate industry is a key end-user, demand for products of the interior infrastructure sector is also susceptible to inherent cyclicality associated with the real estate industry.

Environment, social, and governance (ESG) risks
In FY24, Greenply distributed saplings to reduce its carbon footprint. It is the company's aim to plant 50 million saplings by 2025. The company also actively contributes to water conservation and management by reducing groundwater extraction.
In terms of energy management, Greenply uses renewable energy in its energy mix to mitigate greenhouse gas emissions. Following ISO 50001, the company continuously monitor and optimise energy usage. Units at Bamanbore, Sandila and Vadodara have Solar rooftop plants. The MDF Plant near Vadodara also has a power purchase agreement with a hybrid power producer for supply of renewable power. A significant portion of the new Vadodara MDF plant is running on renewable energy and boilers are operating on biofuel and agri-waste.
The total CSR amount spent in FY24 was ₹2.53 crore (against a total obligation of ₹2.28 crore). Greenply's Board of directors consist of eight members, of which, five are independent directors. There have been no whistle blower complaints and penalties, no fines or strictures have been imposed on the company by regulatory authorities on matters related to capital markets in the last three financial years.

Applicable criteria

[Consolidation](#)
[Definition of Default](#)
[Liquidity Analysis of Non-financial sector entities](#)
[Rating Outlook and Rating Watch](#)
[Manufacturing Companies](#)
[Financial Ratios – Non financial Sector](#)
[Withdrawal Policy](#)
[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer discretionary	Consumer durables	Consumer durables	Plywood boards/ laminates

Incorporated in November 1990, Greenply is one of India's largest interior infrastructure companies. It is engaged in manufacturing plywood and allied products. The company has four manufacturing facilities of plywood, one each in Nagaland, West Bengal, Gujarat and Uttar Pradesh with a combined installed capacity of 52.80 million sq. mt.
The company's major brands in the plywood premium segment include 'Green Club 500', 'Green Club plus 700', and 'Green Gold platinum' among others, whereas 'Ecotech', 'Jansathi', 'Bharosa Ply' and 'Wood Crest' are among the plywood mid and low segment.
Greenply ventured in MDF through its wholly owned subsidiary GSPPL, by commissioning its MDF unit in May 2023 at Vadodara, Gujarat with an installed capacity of 2,40,000 CBM per annum.

Consolidated Financials

Brief Financials (₹ crore)	FY23 (A) (Restated)^	FY24 (A)	Q1FY25 (UA)
Total operating income	1663.15	2191.53	583.88
PBILDT	154.32	186.79	57.92
PAT	91.43	69.95	33.19
Overall gearing (times)	1.14	0.85	NA
Interest coverage (times)	16.99	4.31	5.56

A: Audited UA: Unaudited; NA: Not Available; Note: these are latest available financial results

^The company reduced its shareholding in Greenply Middle East Limited from 100% to 49% effective March 26, 2024. Both Greenply Middle East Limited and its subsidiary Greenply Gabon S.A Limited (Gabon) have become associate companies of GIL from subsidiaries. Accordingly, FY23 comparative financial statement is re-stated to show the discontinued operation separately from continuing operations.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of 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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	103.00	CARE AA-; Stable
Fund-based/Non-fund-based-LT/ST		-	-	-	47.00	CARE AA-; Stable / CARE A1+
Fund-based/Non-fund-based-Short Term		-	-	-	20.00	CARE A1+
Non-fund-based - ST-BG/LC		-	-	-	172.00	CARE A1+
Non-fund-based - ST-Letter of credit		-	-	-	5.00	CARE A1+
Term Loan-Long Term		-	-	31-03-2024	0.00	Withdrawn

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-Cash Credit	LT	103.00	CARE AA-; Stable	-	1)CARE AA-; Stable (09-Oct-23)	1)CARE AA-; Stable (06-Sep-22)	1)CARE AA-; Stable (05-Oct-21)
2	Term Loan-Short Term	ST	-	-	-	-	-	1)Withdrawn (05-Oct-21)
3	Term Loan-Long Term	LT	-	-	-	1)CARE AA-; Stable (09-Oct-23)	1)CARE AA-; Stable (06-Sep-22)	1)CARE AA-; Stable (05-Oct-21)
4	Non-fund-based - ST-BG/LC	ST	172.00	CARE A1+	-	1)CARE A1+ (09-Oct-23)	1)CARE A1+ (06-Sep-22)	1)CARE A1+ (05-Oct-21)
5	Fund-based/Non-fund-based-Short Term	ST	20.00	CARE A1+				
6	Fund-based/Non-fund-based-LT/ST	LT/ST	47.00	CARE AA-; Stable / CARE A1+				
7	Non-fund-based - ST-Letter of credit	ST	5.00	CARE A1+				

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

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

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based/Non-fund-based-LT/ST	Simple
3	Fund-based/Non-fund-based-Short Term	Simple
4	Non-fund-based - ST-BG/LC	Simple
5	Non-fund-based - ST-Letter of credit	Simple
6	Term Loan-Long Term	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Annexure-6: List of entities consolidated

Sr. No.	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Greenply Holdings Pte. Ltd (GHPL)@	Full	Subsidiary
2	Greenply Sandila Pvt Ltd	Full	Subsidiary
3	Greenply Speciality Panels Pvt Ltd	Full	Subsidiary
4	Alishan Panels Private Limited^	Full	Subsidiary
5	Greenply Middle East Limited, Dubai, UAE	Proportionate	Associate
6	Greenply Gabon SA, Gabon, West Africa	Proportionate	Associate
7	Greenply Alkemal (Singapore) Pte. Ltd., Singapore	Proportionate	Joint Venture
8	Greenply Industries Myanmar Private Limited	Proportionate	Joint Venture
9	Greenply Samet Private Limited, India	Proportionate	Joint Venture

@Greenply Holding Pte. Ltd. (Singapore) has invested in a joint venture (50% ownership interest) company namely Greenply Alkemal (Singapore) Pte. Ltd. Further Greenply Alkemal (Singapore) Pte. Ltd has invested in a wholly owned subsidiary company Greenply Industries (Myanmar) Private Limited.

^Incorporated on March 07, 2024.

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

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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