

Greenply Speciality Panels Private Limited

September 23, 2024

Facilities	Amount (₹ crore)	Ratings ¹	Rating Action
Long Term Bank Facilities	329.60 (Enhanced from 295.00)	CARE AA-; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	87.00 (Enhanced from 70.00)	CARE AA-; Stable / CARE A1+	Reaffirmed

Details of facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Greenply Speciality Panels Private Limited (GSPPL) continue to factor in the strong parentage of the company, as it is a wholly-owned subsidiary of Greenply Industries Limited (Greenply; rated 'CARE AA-; Stable/CARE A1+'), along with the strong managerial, operational and financial support it derives from Greenply. CARE Ratings Limited (CARE Ratings) has a consolidated analytical approach for the credit risk assessment of Greenply.

GSPPL has commissioned a greenfield medium density fiberboard (MDF) plant in Gujarat (Vadodara) in May 2023. It is a strategically important subsidiary for Greenply which has a strong brand positioning in the domestic plywood industry. With significant increase in demand for MDF, Greenply ventured in setting up MDF unit under its subsidiary with an aim to have a more diversified product profile in the interior infrastructure industry on a consolidated basis. GSPPL is expected to contribute around 25% to Greenply's consolidated revenue apart from aiding growth in its revenue and diversification.

The ratings continue to draw significant comfort from the support provided by Greenply to GSPPL in the form of corporate guarantee for the term debt for the project along with presence of cross-default clause, reflecting strong legal linkages between Greenply and GSPPL.

GSPPL (on a standalone basis) was able to generate cash profit in the first year of its operations in FY24 (refers to April 01 to March 31) with gradual stabilisation of operations and achieved healthy operating margin in Q1FY25, which was in line with the industry average. Ratings continue to derive strength from the benefit derived from PAN-India presence of Greenply through a strong distribution network and marketing support, its strong presence in rural markets, and strategic location of its manufacturing unit with strong raw material linkages.

Ratings, however, continue to be constrained by moderate capital structure and debt protection metrics due to recent completion of the project and GSPPL's exposure to raw material price volatility and significant capacity additions announced in MDF sector by other players in the industry which may increase the competitive intensity.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in the credit profile of the parent company, i.e., Greenply.
- Significant growth in the scale of operations of GSPPL on standalone basis 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 20% and return on capital employed (ROCE) above 25% on a sustained basis.

Negative factors

- Deterioration in the credit risk profile of the parent company.
- Weakening of linkages with Greenply, with its shareholding coming down.
- Significant weak performance of GSPPL with significant low-capacity utilisation and PBILDT margin falling below 10%.

Analytical approach: Standalone along with factoring strong linkages with its parent, Greenply

CARE Ratings has adopted a standalone analytical approach for GSPPL along with factoring its strong managerial, operational and financial linkages with its parent, Greenply. The ratings also factor in the support extended by Greenply in the form of corporate guarantee for the entire project debt of GSPPL.

For assessing the credit risk profile of Greenply, CARE Ratings has taken a consolidated view of Greenply and all its subsidiaries as they operate in similar line of business and have strong operational and managerial linkages. Greenply has also extended its standby line of credit and corporate guarantee for debt availed by some its subsidiaries, associate and joint ventures (JVs). The list of entities considered in consolidation of Greenply is shown as **Annexure-6**.

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

Outlook: Stable

The 'Stable' outlook reflects the expectation of continued managerial and financial support being available to GSPPL from Greenply. Moreover, Greenply is expected to sustain its business risk profile given its strong market position in the domestic plywood industry and diversification into 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****Strong parentage of Greenply along with vast experience of the promoters in interior infrastructure business**

GSPPL derives significant benefit by virtue of it being a wholly-owned subsidiary of Greenply. Incorporated in 1990, Greenply has a long track record of operation in the plywood industry. The current promoter, Rajesh Mittal –Chairman & Managing Director (CMD) of Greenply, has experience of more than 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. The erstwhile MDF division of Greenply which was demerged to Greenpanel Industries Limited in FY19 was in operation under Greenply since 2010. Accordingly, the promoters have prior experience of successfully setting up and running MDF plant. The strong managerial linkage of GSPPL with Greenply is further underpinned from the fact that the Executive CMD as well as Joint MD of Greenply are also on GSPPL's Board of Directors of GSPPL.

Strong financial support and linkages with Greenply

Total project cost for MDF plant stood at ₹580 crore with the entire promoter component of the cost of the project including cost overrun had been fully infused in GSPPL by Greenply in the form of equity share capital, preference share capital and unsecured loans, which reflects Greenply's strong financial commitment for the project under its subsidiary.

Furthermore, GSPPL received sanction for the project debt of ₹400 crore based on the unconditional and irrevocable corporate guarantee extended by Greenply for these bank facilities where the cross-default clause also exists, which reflects strong legal linkages between Greenply and GSPPL.

Strong position of Greenply in domestic organised plywood industry and envisaged strong operational linkages with GSPPL

Greenply is one of the largest players in the domestic interior infrastructure sector aided by its quality products and strong brand image. Greenply's brands like 'Green Club 500', 'Green Club plus 700' and 'Green Gold platinum' in the plywood segment are among the leading brands in the premium segment. Greenply also captured lower segment and mid-segment plywood through the outsourcing route with three brands, namely, 'Ecotec', 'Bharosa' and 'Jansathi'. GSPPL is promoted by Greenply for setting up an MDF plant in Gujarat and is a strategically important subsidiary for Greenply. MDF project is implemented by Greenply under its subsidiary with an aim to have a more diversified product profile in the interior infrastructure industry on a consolidated basis. GSPPL is expected to contribute ~25% to Greenply's consolidated revenue (17% in FY24) apart from aiding growth in its revenue and diversification. CARE Ratings notes that GSPPL's access to the well-established and strong marketing and distribution channels of Greenply is expected to aid the growth of its MDF business.

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

Greenply 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. Further the distribution network account for 20-30% of common dealers in MDF with that of plywood.

Strategic location of manufacturing unit of GSPPL with strong raw material linkage

MDF plant under GSPPL is also strategically 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 facilitates MDF's export. Furthermore, CARE Ratings makes note of the fact that GSPPL's MDF plant is among the first such plants in western India, which entails cost benefits in terms of logistics, while catering to the market in its geographical vicinity.

Stabilisation of plant operations with healthy operating margin

GSPPL achieved TOI of ₹387.82 crore in FY24 with production volume of 1,47,656 CBM (capacity utilisation stood at 62%) and sales volume of 1,24,772 CBM. While operating profit margins remained slightly subdued at 9.96% in FY24 given first year of operations, it witnessed an improvement in Q1FY25, although remaining slightly constrained due to higher imports of MDF, rising timber cost and capacity addition in MDF industry. With strong demand, expected softening in timber prices, and expected implementation of BIS norms making imports comparatively costlier, GSPPL's financial performance is expected to sustain.

Further, in Q1FY25, the company achieved revenue of ₹133.10 crore (with capacity utilisation improving to 76% in Q1FY25). Sustained healthy capacity utilisation in Q1FY25 is allowing the company for setting up of extension of MDF line, which is likely to increase the capacity by 25% and help for further increase in its scale of operations.

Liquidity: Adequate

FY24 being the first year of operation, debt servicing and project cost overrun was funded out of fund support from parent. Further, working capital limit utilisation remained moderate with average monthly utilisation of 47.90% for the 12 months ended June 2024.

In Q1FY25, GSPPL earned healthy gross cash accrual (GCA) of ₹12.25 crore and expected to generate sufficient cash accruals to meet its annual debt service requirements (₹41 crore – ₹56 crore in FY25-FY27). Moreover, Greenply is expected to continue to support in case of exigencies.

Key weaknesses

Weak capital structure and debt coverage indicators

The company's capital structure continues to remain average given initial years of operations and sizeable debt taken for setting up the project. Overall gearing ratio stood at 3.97x as on March 31, 2024, as against 2.89x as on March 31, 2023. Debt coverage indicators also remain weak with interest coverage of 0.95x in FY24. However, going forward, CARE Ratings expects capital structure and debt coverage indicators to improve as the project is completed with revenue stabilised and expected to generate relatively high margin from FY25 onwards.

Intense competition

Although demand for MDF has been witnessing significant growth and the company ventured in this product to achieve product diversification in its revenue mix and to drive growth in its scale, CARE Rating notes that significant capacity additions announced in MDF sector by other industry players may increase the competitive intensity when all these capacities come onstream and thus could impact envisaged returns on this capex.

Exposure to raw material price volatility and cyclical real estate industry

Prices of key raw materials (such as types of wood and crude-oil-based chemicals) required by the interior infrastructure industry are inherently volatile which make profitability margins of the sector 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. Furthermore, as the real estate industry is a key end-user, demand for products of interior infrastructure sector is also susceptible to inherent cyclicity associated with real estate industry.

Applicable criteria

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[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

GSPPL (formerly Baahu Panels Private Limited), incorporated in May 2021, is a wholly-owned subsidiary of Greenply. The name was changed to its current name in September 2022. The company has set up a greenfield MDF plant with other balancing equipments at Vadodara, Gujarat, with an installed capacity of 240,000 CBM per annum. It commenced operations in May 2023. Greenply, incorporated in 1990, 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 mn square metre. The company's major brands in the plywood premium

segment are '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 segments.

Standalone Financials

Brief Financials (₹ crore)	FY24 (A)	Q1FY25 (UA)
Total operating income	387.82	133.40
PBILDT	38.61	22.20
PAT	-15.77	4.28
Overall gearing (times)	3.97	NA
Interest coverage (times)	0.95	2.23

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

Note: Plant was commissioned in May 2023. Hence, FY24 was the first year of 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 facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	10.00	CARE AA-; Stable
Fund-based - LT-Term Loan		-	-	31-03-2032	319.60	CARE AA-; Stable
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG		-	-	-	72.00	CARE AA-; Stable / CARE A1+
Non-fund-based - LT/ ST-BG/LC		-	-	-	15.00	CARE AA-; Stable / CARE A1+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/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	319.60	CARE AA-; Stable	-	1)CARE AA-; Stable (03-Nov-23) 2)CARE AA-; Stable (06-Oct-23)	1)CARE AA-; Stable (07-Jul-22)	-
2	Fund-based - LT-Cash Credit	LT	10.00	CARE AA-; Stable	-	1)CARE AA-; Stable (03-Nov-23)	-	-
3	Non-fund-based - LT/ ST-BG/LC	LT/ST	15.00	CARE AA-; Stable / CARE A1+	-	1)CARE AA-; Stable / CARE A1+ (03-Nov-23)	-	-
4	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	72.00	CARE AA-; Stable / CARE A1+	-	1)CARE AA-; Stable / CARE A1+ (03-Nov-23)	-	-

LT: Long 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 - LT-Term Loan	Simple
3	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	Simple
4	Non-fund-based - LT/ ST-BG/LC	Simple

Annexure-5: Lender details

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

Annexure-6: List of entities consolidated with Greenply

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 Alkema (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 Alkema (Singapore) Pte. Ltd. Further Greenply Alkema (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.

Contact us

<p>Media Contact</p> <p>Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in</p> <p>Relationship Contact</p> <p>Saikat Roy Senior Director CARE Ratings Limited Phone: 91 22 6754 3404 E-mail: saikat.roy@careedge.in</p>	<p>Analytical Contacts</p> <p>Name: Ranjan Sharma Senior Director CARE Ratings Limited Phone: +91-22-6754 3453 E-mail: ranjan.sharma@careedge.in</p> <p>Hardik Manharbhai Shah Director CARE Ratings Limited Phone: 022 6754 3588 E-mail: hardik.shah@careedge.in</p> <p>Richa Bagaria Associate Director CARE Ratings Limited Phone: 033 4018 1653 E-mail: richa.jain@careedge.in</p>
---	--

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.

Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For detailed Rationale Report and subscription information,
please visit www.careedge.in**