GPIL/2021-2022
October 06, 2021

The Manager
BSE Limited
Department of Corporate Services
Floor 25, P. J. Towers, Dalal Street
Mumbai-400001
Scrip Code: 542857

The Manager
National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex
Bandra (E),
Mumbai - 400 051
Symbol - GREENPANEL

Dear Sir/Madam,

Sub: Credit Rating

This is to inform you that CARE Ratings Limited (formerly known as Credit Analysis and Research Ltd.) has revised/reaffirmed the credit ratings for Bank facilities of our Company as mentioned below:

Facilities	Amount (Rs. In Crores)	Rating	Rating Action
Long Term Bank Facilities	135.00 (Reduced from 177.87)	CARE A; Stable (Single A; Outlook: Stable)	Revised from CARE A-; Stable (Single A Minus; Outlook: Stable)
Long Term/ Short Term (LT/ST) Bank Facilities	65.00 (Reduced from 70.00)	CARE A; Stable / CARE A1 (Single A; Outlook: Stable/A One)	Revised from CARE A-; Stable / CARE A2+ (Single A Minus; Outlook: Stable / A Two Plus)
Total Bank facilities	200.00 (Rupees Two Hundred Crore only)		

This is for your information and record.

Thanking You
Yours faithfully
For **GREENPANEL INDUSTRIES LIMITED**

Lawkushprasad

(Lawkush Prasad)
Company Secretary & AVP-Legal
ACS:18675

Encl.: CARE Ratings Letter No. CARE/KRO/RR/2021-22/1091 dated October 06, 2021

Greenpanel Industries Limited
Corporate Office: Thapar House, 2nd Floor, 163, S.P. Mukherjee Road, Kolkata, West Bengal - 700026
Tel No : +91 33 4084 0600
F : +91 33 2464 5525

Business Office: 3rd Floor, Plot No. 68, Sector-44, Gurugram-122003, Haryana,
Tel No.: +91 124 4784600
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Email: info@greenpanel.com

Registered Office:
Makum Road, Tinsukia 786125, Assam
CIN L20100AS2017PLC018272

www.greenpanel.com
Connect with us on

No. CARE/KRO/RR/2021-22/1091

Shri V. Venkatramani
Chief Financial Officer
Greenpanel Industries Limited
163, Thapar House, 2nd Floor,
S. P. Mukherjee Road,
Kolkata
West Bengal 700026

October 06, 2021

Confidential

Dear Sir,

Review of Credit rating

Please refer to our letter dated September 29, 2021 on the captioned subject.

2. The rationale for the ratings is attached as an ***Annexure - I***.
3. We request you to peruse the annexed document and offer your comments, if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by October 07, 2021, we will proceed on the basis that you have no comments to offer.

If you have any further clarifications, you are welcome to approach us.

Thanking you,

Yours faithfully,

(Mamta Muklania)
Associate Director
mamta.khemka@careratings.com

Encl: As above

ANNEXURE I

Rating Rationale

Greenpanel Industries Limited

Ratings

Facilities	**Amount (Rs. crore)**	**Ratings[1]**	**Rating Action**
Long-term Bank Facilities	135.00 (Reduced from 177.87)	CARE A; Stable (Single A; Outlook: Stable)	Revised from CARE A-; Stable (Single A Minus; Outlook: Stable)
Long-term / Short-term (LT/ST) Bank Facilities	65.00 (Reduced from 70.00)	CARE A; Stable / CARE A1 (Single A; Outlook: Stable/ A One)	Revised from CARE A-; Stable / CARE A2+ (Single A Minus; Outlook: Stable / A Two Plus)
Total Bank Facilities	**200.00 (Rs. Two hundred crore only)**		

Details of Facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the ratings assigned to the bank facilities of Greenpanel Industries Limited (Greenpanel) is on account of the sustained q-o-q improvement in operating and financial performance of the company in FY21 (refers to the period April 01 to March 31) which continued in Q1FY22, even though there was some impact of the pandemic. With improvement in demand for Medium Density Fibreboard (MDF) witnessed post Covid-19 unlocking, volume off-take of MDF has improved significantly and the capacity utilisation for Greenpanel improved in FY21 and Q1FY22 despite the impact of the pandemic. The sales realisations have also increased both in the domestic and export markets. The performance of its plywood division remained relatively stable. The ramp-up of its scale of operations have led to better spread of fixed overheads leading to improved profitability margins and debt coverage indicators. The capital structure also witnessed improvement with gradual repayment of term loans, lower working capital limits utilisation due to healthy cash flow from operations and accretion of profits to reserves. Going forward, with no major debt-funded capex plans, the capital structure is expected to remain comfortable.

The ratings continue to derive strength from its experienced promoters having satisfactory track record in the industry, leadership position of the company in the domestic organized MDF industry with strong brand image and extensive distribution network and marketing support. The ratings also factor the strategic location of both its manufacturing units with raw material linkages, apart from various grants and fiscal incentives available to the company.

The ratings are, however, constrained by the company's exposure to foreign exchange fluctuation risk and competition from imports. Furthermore, the ratings take cognizance of the large capacity expansions planned by other players in the MDF industry which might lead to increased competitive intensity and thus exert pressure on its realisations when these capacities come onstream over the next two years.

Rating Sensitivities

Positive Factors – Factors that could lead to positive rating action/upgrade:

- Volume-driven growth in its total operating income (TOI) through sustained improvement in its capacity utilizations while maintaining its healthy operating profitability (PBILDT) margins and improving its return on capital employed (ROCE) to above 15%.

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

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- Improvement in its total debt/PBILDT to below two times while maintaining its comfortable overall gearing ratio.

Negative Factors – Factors that could lead to negative rating action/downgrade:

- Significant decline in its sales volume resulting in deterioration in its PBILDT margin below 15% and ROCE below 10% on a sustained basis.
- Any large-scale debt-funded capex or significant stretch in its working capital requirements leading to deterioration in its Total Debt/PBILDT beyond four times and overall gearing beyond unity on a sustained basis.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters with satisfactory track record of operations

Greenpanel was incorporated in December 2017 and remained as an inactive company till the demerger of the MDF division and part of the plywood division of Greenply Industries Limited (Greenply) into it. The MDF division was in operation under Greenply since 2010. Accordingly, the business has a satisfactory track record of operation of manufacturing plywood and MDF, being the first major MDF manufacturer in India.

The promoters have experience of more than two decades in the interior infrastructure sector. They are ably supported by the senior management team of Greenpanel who have extensive experience in the industry.

Leadership position in the domestic organized MDF industry with strong brand image

Greenpanel is one of the largest integrated MDF manufacturing companies in the country and commands an established position in the organized MDF market with its quality products and strong brand image. Greenpanel sells its entire product range under the brand 'Greenpanel'. Greenpanel enjoys healthy market share due to its superior product quality and continuous brand awareness initiatives. Unlike plywood, there are no unorganized players in the MDF sector given the high capital requirement for setting up a new plant.

Extensive distribution network and marketing support

The distribution network for the erstwhile MDF division of Greenply which was catering to the market has continued with Greenpanel post its demerger. However, for plywood division, Greenpanel has set up its new distribution network which is supported by its marketing team present across India. Greenpanel has a pan-India marketing network with fifteen branches, more than 2,000 distributors/stockists and 10,000 retailers across the country. The company is in the process of further enhancing its distribution network.

This apart, the company has a wholly-owned subsidiary Greenpanel Singapore PTE Limited which is currently acting as a commission agent for exports of its products.

Strategic location of both manufacturing units with raw material linkage

Adequate availability of raw material is a long-term driver for the plywood and MDF manufacturers. Key raw materials required for manufacturing plywood includes face veneer (i.e., outer and back layer of plywood), core timber and chemicals. For MDF, timber accounts for approximately 65% of the total raw material cost (which is domestically available) and chemicals account for the remaining 35%. Greenpanel's existing plants are strategically located near the source of raw material (i.e. Uttarakhand and Andhra Pradesh) and adjacent to the port (i.e., Krishnapatnam) making the plant preferable for catering to the export market.

The plants of Greenpanel are eligible for various fiscal incentives and government grants. The Uttarakhand unit is eligible for GST refund. In the Andhra Pradesh plant (operational since July 2018), the company is currently adjusting its pending GST input credit on capital goods against GST liability on the final product. Also, for this plant, the company is eligible for refund of SGST for a period of 7 years (till June 2025).

Furthermore, the company has several government grants receivable as on March 31, 2021 on account of capital incentive subsidies, power cost reimbursement subsidies, GST refunds, etc (Rs.41.31 crore as on March 31, 2021).

Continuous improvement in capacity utilisation (CU) from Q2FY21 onwards

The new MDF plant in Chittoor, Andhra Pradesh became operational in FY19; although initially the CU was low for that plant, it has picked up gradually. However, due to the pandemic, the demand for the product was impacted in Q1FY21 leading to decline in CU. Post that, the CU started picking up and increased to 69% in FY21 (despite the pandemic hit year) from 60% in FY20. Despite Q1FY22 being a pandemic hit quarter (with second wave of covid), the CU for MDF remained high at 91% compared with 21% in Q1FY21, though witnessed a slight decline from Q4FY21 (CU: 102%). Moreover, CU for plywood, though impacted in Q1FY22 due to second wave of pandemic, it continued to remain higher than Q1FY21. Going forward, with the envisaged increase in demand for MDF, the capacity utilisation is expected to remain healthy.

The company is planning to incur capex for installation of Mat pre-heating system which is expected to increase production of MDF by around 10% at an estimated cost of around Rs.10 crore.

Improvement in TOI and profitability during FY21 and Q1FY22

Greenpanel's TOI witnessed growth of 16.49% y-o-y in FY21. Despite a sharp fall in revenue during Q1FY21, the company was able to achieve this growth due to significant increase in revenue from Q3FY21 onwards. The increase in revenue was mainly on account of sharp ramp-up in CU of its MDF plants to meet the improved demand post Covid-19 unlocking. This has led to jump in sales volume of MDF (from 316,022 CBM in FY20 to 380,431 CBM in FY21). The sales realisation also increased (from Rs.19,419/CBM during FY20 to Rs.20,585/CBM during FY21). However, the sales volume and average realisation from plywood division remained stable in FY21 compared with FY20.

The PBILDT margin witnessed significant improvement from 15.75% in FY20 to 20.31% in FY21 on account of better spread of fixed overheads, wastage reduction, reduction in power and fuel cost as a percentage of cost of sales along with increased realisations.

Furthermore, the PAT margin witnessed an improvement in FY21 due to increase in operating margins and lower interest costs. The company earned a GCA of Rs.150.51 crore in FY21 as against Rs.78.29 crore in FY20. The ROCE which had remained subdued in the past, improved to 11.14% in FY21 (4.95% in FY20).

In Q1FY22, the TOI of the company witnessed a growth of 242% y-o-y as Q1FY21 was significantly hit due to the pandemic. The company achieved healthy sales volume during the quarter and the realisations also witnessed substantial improvement on the back of increase in the raw material cost.

Improvement in capital structure and debt protection metrics

The overall gearing ratio of the company improved from 0.88x as on March 31, 2020 to 0.67x as on March 31, 2021 and further to 0.58x as on June 30, 2021, on account of scheduled repayment of debt obligations and lower working capital utilization along with accretion of profits to reserves. The interest coverage ratio (including notional forex loss) improved from 2.86x in FY20 to 5.57x in FY21 on account of both increase in operating profits along with reduction in interest costs. Excluding this notional loss, interest coverage ratio witnessed an improvement from 4.57x in FY20 to 8.39x in FY21. Furthermore, with the improvement in profitability along with reduction in total debt, its Total Debt/PBILDT improved from 4.19x as on March 31, 2020 to 2.35x as on March 31, 2021.

With significant free liquidity (about Rs.124 crore) available with the company, it has decided to prepay a part of its foreign currency term debt to the tune of around Rs.80 crore apart from creation of requisite DSRA (as part of the condition of its foreign bank to waive-off the requirement for extension of Greenply's corporate guarantee towards it), which is expected to result in further improvement in its leverage and debt coverage indicators.

Improved industry scenario for MDF in India

The Indian MDF market has limited number of players and is mainly dominated by the organized sector. Greenpanel is currently the largest player in the MDF segment. MDF has been substituting the market of low and medium end plywood due to pricing differential coupled with increased consumer preference for readymade furniture (where MDF is majorly used) post Covid-19 pandemic. This has resulted in demand for MDF growing at around 15% p.a. which has enabled Greenpanel to ramp-up its capacity utilization substantially as reflected in its growth in FY21 and Q1FY22 despite the impact of the pandemic.

The demand for MDF has been better than expected since unlocking due to higher offtake for readymade furniture, a shift away from low-end plywood and a slowdown in imports (25%-30% of the market). The imports had slowed due to container availability issues and higher freight cost. Going forward, the demand is expected to remain healthy.

Key Rating Weaknesses

Foreign exchange fluctuation risk

Greenpanel is exposed to foreign exchange fluctuation risk due to substantial exports, dependency on import of raw materials (face veneer and thin laminates) and high reliance on foreign currency borrowings. However, most of the currency fluctuation risks are covered either through natural hedging or through currency hedging undertaken by the company. Export receivables are hedged by availment of packing credit in dollar terms against the finished goods exported. Raw material imports are hedged completely as soon as they are purchased through currency hedging.

Furthermore, Greenpanel has borrowing from a German lender amounting to Euro 33 million (equivalent to Rs.285 crore) as on June 30, 2021, against which the company generally hedges its upcoming two instalment payments. The company had net outstanding un-hedged foreign currency borrowing of Rs.265.05 crore as on March 31, 2021 (Rs.317.23 crore as on March 31, 2020). Greenpanel incurred notional forex losses of Rs.7.11 crore in FY21 (Rs.21.78 crore in FY20).

Increasing competitive intensity

In the recent past, the domestic MDF market has witnessed substantial capacity addition from various players. Furthermore, large capacity expansions have been planned by various industry players. This may lead to increase in competitive intensity when these capacities come onstream over a period of next two years. Furthermore, the company continues to face intense competition from cheaper imports.

Liquidity: Adequate

The company has adequate liquidity with free cash and bank balance of Rs.124 crore (in the form of fixed deposit and bank balance) and undrawn working capital limits of Rs.95 crore as on September 23, 2021. The company has instalment repayment obligation of Rs.74.65 crore in FY22 out of which the company has already repaid Rs.58.24 crore (including prepayments of Rs.29.32 crore) till August 31, 2021. The company is expected to generate sufficient cash accruals to meet its repayment obligations. With planned prepayment of part of its foreign currency loan its liquidity is expected to moderate; albeit at the same time its subsequent scheduled instalment repayments is expected to reduce proportionately. The company has also maintained DSRA of Rs.6 crore as on July 31, 2021, which is also likely to increase further towards its foreign currency loan. The company does not have significant capex plans in the medium term and the routine capex can be met out of internal generations.

Analytical approach: Consolidated.

The analytical approach is being changed from Standalone to Consolidated considering that its subsidiary acts as a marketing arm of Greenpanel. Entity being consolidated is as under:

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Sl. No.	Name of Subsidiaries & Associates	% of ownership interest as at March 31, 2021
1	Greenpanel Singapore Pte Limited	100.00

Applicable Criteria

Policy on default recognition

Consolidation

Financial Ratios – Non financial Sector

Liquidity Analysis of Non-financial sector entities

Rating Outlook and Credit Watch

Short Term Instruments

Manufacturing Companies

About the Company

Greenpanel was incorporated in December 2017 and remained as an inactive company till the demerger of the MDF segment and part of plywood segment of Greenply into Greenpanel. Greenply was incorporated in August 1984 and is engaged in the manufacturing of plywood, decorative veneers and allied products.

Greenpanel is primarily engaged in the manufacture of wood-based panel products used in interior infrastructure which includes plywood, MDF boards and allied products. Greenpanel has two manufacturing facilities of MDF - one each in Pantnagar, Uttarakhand and Chittoor, Andhra Pradesh, with combined installed capacity of 5.4 million cubic meters per annum. The company also has a manufacturing facility of plywood with installed capacity of 10.5 million square meters at Pantnagar, Uttarakhand.

The company also has presence in the export market (for MDF) with exports comprising 12% of its sales in FY21 (18% in FY20).

Consolidated Financial Performance:

(Rs. crore)

Year ended /As on March 31,	*2019*	*2020*	*2021*
	(12 m, A)	*(12 m, A)*	*(12 m, A)*
Working Results			
Net Sales	582.62	847.10	1001.00
Total Operating Income	610.99	876.57	1021.11
PBILDT	89.32	138.10	207.41
Interest	24.63	48.29	37.21
Depreciation	53.03	69.17	68.63
PBT	12.38	11.71	100.97
PAT (after deferred tax)	34.57	14.46	68.81
Gross Cash Accruals	60.42	78.29	150.51
Financial Position			
Equity share capital	12.26	12.26	12.26
Tangible Networth	644.77	661.21	730.20
Total Capital Employed	1244.06	1246.33	1234.23
Key Ratios			
Growth (%)			
Growth in total operating income	NM	43.47	16.49
Growth in PAT	NM	-58.18	375.83
Profitability (%)			
PBILDT margin	14.62	15.75	20.31
PAT margin	5.66	1.65	6.74

Year ended /As on March 31,	2019	2020	2021
	(12 m, A)	(12 m, A)	(12 m, A)
ROCE	6.05	4.95	11.14
Solvency			
Debt Equity ratio (times)	0.84	0.76	0.64
Overall Gearing ratio (times)	0.91	0.88	0.67
Interest Coverage (times)	3.63	2.86	5.57
Term debt/ Gross Cash Accruals (years)	8.96	6.45	3.11
Total debt/Gross Cash Accruals (years)	9.74	7.39	3.23
Liquidity			
Current Ratio (times)	1.05	1.10	1.24
Quick Ratio (times)	0.56	0.59	0.72
Turnover			
Average collection period (days)#	28	25	27
Average creditors period (days)#	52	49	55
Average inventory period(days)#	104	78	75
Operating cycle (days)#	76	53	47

A: Audited

 # The collection period, inventory days and creditors period have been calculated without averaging for FY19 as it was the first year of operations of the units under Greenpanel

In Q1FY22, Greenpanel earned PAT of Rs.29.74 crore on a TOI of Rs.308.32 crore as against net loss of Rs.36.49 crore on a TOI of Rs.90.16 crore in Q1FY21.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Details of rated facilities: Please refer Annexure-3

Covenants of rated instrument/ facility: Please refer Annexure-4

Complexity level of various instruments rated for this company: Annexure-5

Annexure-1: Details of Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	85.00	CARE A; Stable
Non-fund-based - LT/ ST-BG/LC	-	-	-	65.00	CARE A; Stable / CARE A1
Fund-based - LT-Term Loan	-	-	March 2025	50.00	CARE A; Stable

Annexure-2: Rating History of last three years

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Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Cash Credit	LT	85.00	CARE A; Stable	-	1) CARE A-; Stable (09-Mar-21) 2) CARE BBB+; Stable (31-Jul-20) 3) CARE BBB+ (CWN) (28-Apr-20)	1) CARE BBB+; Stable (28-Nov-19)	-
2	Non-fund-based - LT/ ST-BG/LC	LT/ST*	65.00	CARE A; Stable / CARE A1	-	1) CARE A-; Stable / CARE A2+ (09-Mar-21) 2) CARE BBB+; Stable / CARE A2 (31-Jul-20) 3) CARE BBB+ / CARE A2 (CWN) (28-Apr-20)	1) CARE BBB+; Stable / CARE A2 (28-Nov-19)	-
3	Fund-based - LT-Term Loan	LT	50.00	CARE A; Stable	-	1) CARE A-; Stable (09-Mar-21) 2) CARE BBB+; Stable (31-Jul-20) 3) CARE BBB+ (CWN) (28-Apr-20)	1) CARE BBB+; Stable (28-Nov-19)	-

** Long-term/ Short-term*

Annexure-3: Details of Rated Facilities

1. Long-term Facilities

1.A. Term Loans

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)	Debt Repayment Terms
1.	HDFC Bank Ltd.	50.00	Repayable in 20 quarterly installment of Rs.4 crore each ending in March 2025
	Total	**50.00**	

Outstanding as on August 31, 2021

1.B. Fund-based Limits

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)	Remarks
1.	State Bank of India	52.00	Cash Credit
2.	HDFC Bank Ltd.	15.00	
3.	Axis Bank Ltd.	13.00	
4.	RBL Bank Limited	5.00	
	Total	**85.00**	

Total Long-term Facilities: Rs.135.00 crore

2. Long-term / Short-term Facilities

2.A. Non-fund-based Limits

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)	Remarks
1.	HDFC Bank Ltd.	20.00	Bank Guarantee/ Letter of Credit
2.	Axis Bank Ltd.	20.00	
3.	State Bank of India	15.00	
4.	RBL Bank Limited	10.00	
	Total	**65.00**	

Total Long-term / Short-term Facilities: Rs.65.00 crore

Total Facilities (1.A+1.B+2.A): Rs.200.00 crore

Annexure-4: Detailed explanation of covenants of the rated facilities: NA

Annexure-5: Complexity level of various instruments rated for this company

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - LT/ ST-BG/LC	Simple

Note on complexity levels of the rated instrument: *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@careratings.com for any clarifications.*

Contact us

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.