



bettering

**Greenlam Industries Limited**

Annual Report 2020-21

Forward-looking statement

In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward looking statements will be realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

Note: The figures in non-statutory section are based on consolidated financials unless otherwise stated.

Contents

Corporate overview	
04	Corporate snapshot
06	Products portfolio
08	Our consolidated financial performance
10	Values that drive Greenlam
14	How we have grown over the years
16	Managing Director and CEO's review
22	6 big trends and how we are capitalising on them
24	Our integrated value creation report
36	Our product categories
52	Our brand report
60	Greenlam - The prominent global locations
62	What global customers have to say about Greenlam
64	What our employees have to say about Greenlam
66	Business analysis
80	Product segment
92	Business enabler
96	Our ESG commitment
98	Health, safety and environment
108	Our community engagement
Statutory section	
112	Director's report
142	Management discussion and analysis
149	Corporate governance report
172	Business responsibility report
Financial section	
180	Standalone financial statements
231	Consolidated financial statements

The first word

At Greenlam, we march  
to the tune of a different  
drummer.

Pursuing continuous  
improvement.

Seeking opportunities in  
uncertainty.

Making the good even  
better.

Raising the benchmark.  
Doing more with less.

These attributes are  
concised in a single word  
at our company.

*Bettering.*



Online report  
[www.greenlamindustries.com](http://www.greenlamindustries.com)

# 5 big messages of this Annual Report

We sold less but earned more by way of margins

We reported a creditable performance in a challenging pandemic-marked year

We protected and built on our Balance Sheet during different phases of the year

We finished the year considerably stronger than when we had started out

We are attractively placed to enhance value going ahead

What we  
**earned**  
from our  
business in  
FY2020-21

129.25

₹ crore, quantum  
generated from our  
business\*

\*Profit after tax + Depreciation – Dividend payout

How we  
**allocated**  
our surplus  
in  
FY2020-21

49.91

₹ crore, Capex

140.00

₹ crore, Net Debt  
Reduction



# Greenlam.

## The largest laminate manufacturer in Asia.

## Among the three largest laminate brands in the world.

## India's largest laminates exporter for ten consecutive years.

## An integrated multi-product and multi-surface (interior and exterior) solutions provider.

India's leading decorative veneer brand

India's only engineered wooden flooring manufacturer

India's first organised manufacturer of engineered wooden door sets.

### Background



The Company commenced its business in 1993 with a laminate sheets manufacturing facility at Behror, Rajasthan. Within 28 years, it graduated to the manufacture of compact panels, cladding solutions, restroom cubicle and locker solutions, kitchen solutions, decorative veneers, engineered wooden flooring, staircase solutions and engineered wooden door sets, besides providing a comprehensive range of decorative laminates..

### Management



Greenlam Industries Limited is headed by Mr. Saurabh Mittal (Managing Director & CEO), who possesses more than two decades of rich experience in growing the business of laminates. The Company is professionally managed comprising strong multi-competence teams, helping introduce innovative products and expanding the market footprint. The company employs ~4500 people (including contractual employees).

### Consistent focus on credible financials



Greenlam has focused consistently on de-leveraging its Balance Sheet, strengthening its working capital management and trade terms, increasing the proportion of value-added products and effective cost management. The result is that Greenlam has demonstrated competitiveness across market cycles.

### World-class manufacturing capabilities



Greenlam manufactures products in two state-of-the-art manufacturing facilities at Behror in Rajasthan and Nalagarh in Himachal Pradesh, possessing a manufacturing capacity of 15.62 million laminate sheets per annum. The Behror plant also manufactures melamine-faced chip boards, decorative veneers, engineered wooden flooring and engineered wooden doors.

### Wide and deep distribution presence



Greenlam has strengthened its market presence by providing products proximate to consumer consumption. The Company's products are marketed through 9 large regional distribution centres, 21 branch offices, 5 warehouses and 14000+ distributors and retailers, possibly the largest footprint within the sector in India. The Company's products are also available in more than 100 countries, supported by 4 international distribution centres, 15 international offices, 8 operational overseas subsidiaries and 100+ multi-cultural employees.

### Listing and valuation



Greenlam is listed on the BSE Limited and National Stock Exchange of India Limited. The Company enjoyed a market capitalisation of ₹2262.30 crore as on March 31, 2021 (based on the closing price at National Stock Exchange of India Limited).

### Inculcated sectoral best practices



Greenlam's environment commitment is showcased in confidence-enhancing certifications like FSC, PEFC, ISO 14001 and OHSAS ISO 45001. The Company enjoys product-specific certifications like ISO 9001, CE, UL, NSF, SEFA, Greenlabel, Greenguard and NEMA (US and BS), reinforcing its respect as a quality-driven company. The Company also enjoys a SEDEx certification for Ethical Trade Initiatives.

# Products portfolio

## Decorative Laminate & Allied Products



**Laminates**

- Commodity to Premium products

## Veneer & Allied Products

**decowood®**  
PREMIUM VENEERS  
NATURAL | TEAK | ENGINEERED

### Decorative Veneer

- Natural Veneer
- Engineered Veneer
- Teak Veneer
- Noirwood Veneer



### Compact Panels

- Standard Compact Panels
- Lab Guardian
- Restroom & Locker Solutions
- Clads – Façade Panels
- Stratus Kitchen Solutions



**Mikasa**  
REAL WOOD FLOORS

### Mikasa Floor

- Engineered Wooden Flooring & matching accessories



**MFC**  
Melamine Faced Chip Board

### MFC

- Melamine Faced Chip Board

**Mikasa**  
DOORS & FRAMES

### Mikasa Door

- Engineered Wooden Doors and Door sets (Door + Frames)



# Our consolidated financial performance, FY2020-21

## Background

Consolidated net revenues de-grew 9.2% to ₹1199.6 Crores compared to ₹1320.6 Crores in FY2019-20 despite a challenging year.

EBITDA de-grew 2.8% to ₹173.3 crore compared to ₹178.3 crore in FY2019-20.

PAT de-grew 15.0% to ₹73.7 crore against ₹86.7 Crores in FY2019-20 (after an exceptional expense of ₹12.40 Crores)

## Products

Laminate revenues de-grew 5.1% to ₹1065.3 crore from ₹1122.2 crore in FY2019-20

Decorative veneer revenues de-grew 30.2% to ₹78.6 crore from ₹112.7 crore in FY2019-20

Engineered wood flooring revenues de-grew 38.1% to ₹31.7 crore against ₹51.2 crore in FY2019-20

Engineered door business revenues de-grew 30.4 % to ₹24.0 crore against ₹34.5 crore in FY2019-20

## Business health

Gross profit in absolute terms de-grew 8.0% to ₹598.0 crore compared to ₹650.2 crore in FY2019-20

Gross margin improved 60 bps to 49.8% from 49.2% in FY2019-20

EBITDA margin grew 90 bps to 14.4% from 13.5% in FY2019-20

Working capital cycle declined by 7 days to 88 days of turnover equivalent

# Greenlam's world in numbers

8

Number of operational global subsidiaries

100+

Countries where Greenlam products are marketed

51.7

% of revenues derived from outside India

14,000+

Greenlam footprints across India

3.2

% of revenues invested in brand building

11.2

% of revenues derived from non-laminate products

2

Manufacturing facilities

~4,500

Employees (including contractual employees)

100+

Overseas employees

2,262.30

Market capitalisation as on March 31, 2021 (₹ crore) (based on the closing price at National Stock Exchange of India Limited)

# Values that drive Greenlam

## Trust



Trust people to be reliable and responsible and earn their trust similarly.

Our dealings as an organisation with the environment including individual employees, vendors, business partners, investors, customers and society at large would be in a premise of good faith. We would trust others and strive to earn the trust of others. We would thereby not deal with anybody who breaches our trust or the trust placed on us by our environment. We empower our employees by placing trust in them to take decisions in the best interest of the organisation and as per promulgated norms.

## Performance



We value performance across products, people and processes.

Performance is valued as the core ingredient for sustainability and would therefore be the underlying metric for selecting people, products or processes for the organisation. Other values would be additional to performance. Performance would mean delivering on commitment in every parameter. It would also entail effort and a continuing endeavour to improve the status quo in order to achieve excellence.

## Learning



We encourage learning, creating and nurturing talent.

Our Organisation facilitates the learning of our employees and continuously transforms itself. We also support formal learning through structured programs to empower people outperforming their individual potential.

## Speed and agility



We are quick to decide, respond and execute.

We value decisions being made without undue procrastination and being implemented within the shortest possible time because we value this as a source of competitive advantage. Individuals will therefore be held accountable wherever any delays are attributable to them either in the decision making or implementation process. Similarly we shall respond to the market proactively rather than reacting when situation reaches a point where inaction becomes unaffordable.

## Team work



We achieve more by collaboration with all stakeholders – internal and external.

Given the inter linkage of output of others with our performance, we nurture a sense of collective destiny with our environment. Internally, if a peer fails, the team cannot succeed and individual success means little in a failed team. Also, our customers, partners and investors need to succeed. Therefore, organisational goals precede departmental goals. Also, dealers, distributors and vendors are our partners.



A modern interior scene with a wooden chest of drawers, a sofa, and a wall-mounted anchor. The scene is dimly lit, with a blue and green color palette. The text is overlaid on the left side of the image.

At Greenlam,  
**bettering** is...

Hearing 'opportunity' when the rest are saying 'lockdown' and 'uncertainty'

**Not just focused on marketing more but at a lower cost, wider footprint, quicker pace and higher realisations**

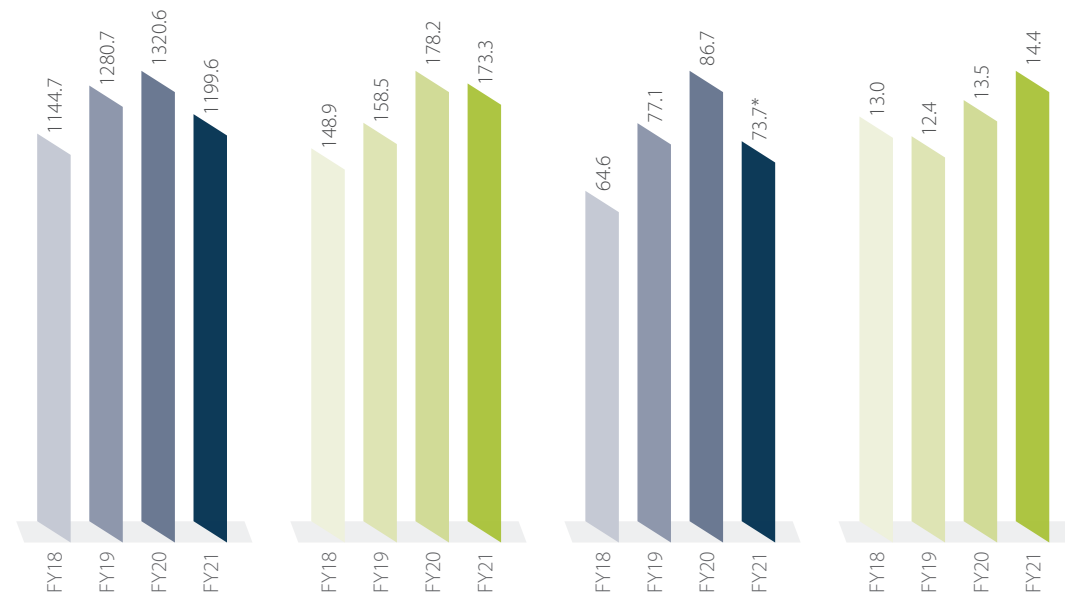
Not focused on being better than the competition but being as good as one can be

**Not focused on being the best in the country but being among the best in the world**

Not focusing only on laminates but in providing lifestyle-enhancing interior solutions



# How we have grown over the years



## Revenues

₹ crore

### Definition

Growth in sales net of taxes

### Why this is measured

It is an index that showcases the Company's ability to maximise revenues, which provides a basis against which the company's success can be compared with sectoral peers.

### What this means

Aggregate sales declined 9.2% to ₹ 1199.6 crore in FY2020-21 following the impact of the pandemic in the early part of the year under review

### Value impact

The decline in revenues was less than the revenue erosion across the sector on account of the company's wide and large global footprint that minimised impact

## EBITDA

₹ crore

### Definition

Earning before the deduction of interest, depreciation, extraordinary items and tax

### Why this is measured

It is an index that showcases the Company's ability to generate a surplus after optimising operating costs, providing a base for comparison with sectoral peers.

### What this means

Helps create a robust growth surplus-generating engine that enhances reinvestment and debt-servicing capability.

### Value impact

The Company reported a 2.8% decline in EBITDA in FY2020-21 (lower than the erosion within the sector), largely derived from cost moderation, value-addition and wide global sales footprint.

## Net profit

₹ crore

### Definition

Profit earned during the year after deducting all expenses and provisions

### Why this is measured

It highlights the strength of the business model in enhancing value for shareholders.

### What this means

This ensures that adequate cash is available for reinvestment, leading to business sustainability.

### Value impact

The decline in net profit by 15.0% after an exceptional expense indicates that based on operational performance the company largely protected its bottomline despite revenue erosion caused by the pandemic.

\*After exceptional expense of ₹12.4 crore.

## EBITDA margin

%

### Definition

EBITDA margin is a profitability measure to ascertain a company's operating efficiency

### Why this is measured

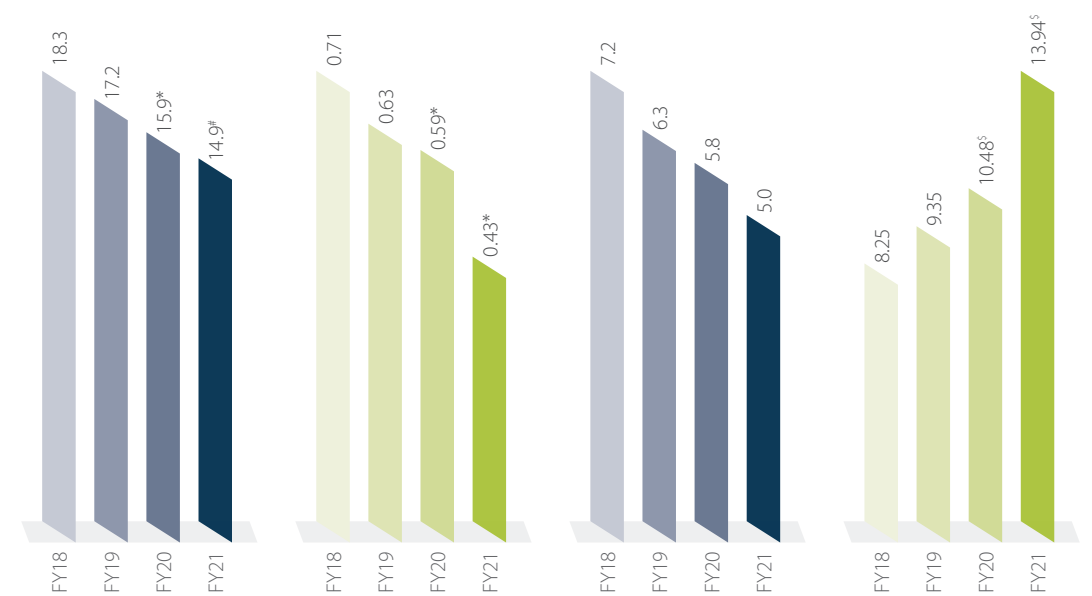
The EBITDA margin provides an idea of how much a company earns (before accounting for interest, depreciation, amortisation and taxes) on each rupee of sales.

### What this means

This measure demonstrates the buffer in the business, which, when multiplied by scale, can potentially enhance the surplus.

### Value impact

The Company reported a 90 bps increase in EBITDA margin in FY2020-21, its highest in years following cost moderation and value-addition.



## RoCE

%

### Definition

This is a financial ratio that measures efficiency with which capital is employed in the company's business

### Why this is measured

RoCE is an insightful metric to compare profitability across companies based on their respective capital efficiency

### What this means

Enhanced RoCE can potentially drive valuations and market perception.

### Value impact

The Company reported a 90 bps decrease in RoCE in FY2020-21 without factoring the exceptional expense incurred, a validation of the company's intrinsic profitability despite a decline in revenues.

\*16.8% RoCE without considering investment in Greenlam South Limited for greenfield expansion.

#15.7% RoCE without considering investment in Greenlam South Limited for greenfield expansion and prior to exceptional expense.

## Gearing

x

### Definition

This is the ratio of debt to net worth (less revaluation reserves)

### Why this is measured

This is one of the defining measures of a company's financial health. This indicates the ability of the company to operate efficiently on lower debt levels.

### What this means

This indicates whether the company enhances shareholder value by keeping the equity side constant and progressively moderating debt.

### Value impact

The Company's net gearing stood at 0.21 in FY2020-21 following debt repayment of ₹ 46 crore and increase in cash and liquid investments of ₹94 crore. The net debt of the Company was lower by ₹140 crore.

\*Gearing on net debt basis stood at 0.53 for FY2019-20 and 0.21 for FY2020-21

## Debt cost

%

### Definition

This is derived through the computation of the average cost of the consolidated debt on the Company's books.

### Why this is measured

This indicates the company's ability in convincing debt providers of the robustness of our business model and negotiating a lower debt cost (leading to higher margins).

### What this means

This translates into lower cost of debt and thereby enabling more funds for re-investments and shareholder's distribution.

### Value impact

The Company's debt cost declined from 6.3% in FY2018-19 to 5.0% in FY2020-21 (a mix of forex and rupee debt), the third straight year of a decline in the cost of funds.

## Interest cover

x

### Definition

This is derived through the division of EBITDA by interest outflow

### Why this is measured

Interest cover indicates the profit buffer available within the company to service interest – the higher the better.

### What it means

A company's ability to meet its interest obligations, an aspect of its solvency, is arguably one of the most important measures in assuring shareholder returns.

### Value impact

The Company strengthened its interest cover from 10.48 in FY2019-20 to 13.94 in FY2020-21.

<sup>§</sup>Interest expense does not include interest expense on 'Right To Use Liability' under IndAS 116



Managing Director & CEO's  
review of our business,  
FY2020-21

“We lived  
the Culture  
of **Bettering**  
in FY2020-  
21 – and  
that made  
all the  
difference”

#### Overview

The financial year of 2020-21 was a seminal one for humankind.

What made the COVID-19 viral outbreak different from some viral versions of the past was that it combined the speed of spread with absence of remedy and extent of debilitation (even death).

The result is that, what started as a local health issue in one corner of the world rapidly spun out of control into a global economic disaster as several countries imposed complete restrictions on cross-border travel and transportation. The result is that global economic growth declined from 2.9% in 2019 to a minus 3.5% in 2020 (IMF estimate). Virtually no major economy was spared the economic de-growth, save perhaps China, which grew 2.3% through the year.

With the COVID-19 vaccination drive having been introduced across countries, experts believe that economies will rebuild from the downturn sooner than anticipated. IMF is projecting a 5.5% global economic growth in 2021, the highest in years, validating the fact that humankind possesses the capacity to emerge from the downturn.

Central banks across the world pumped money to reflate their respective economies in search of growth. As the impact of the vaccine widens, it would be natural to expect that 2021 would be completely different from 2020 in terms of consumer sentiment, with most countries moving back to their erstwhile growth journey.

The Indian economy was affected extensively during the first quarter of the year under review. The imposition of a complete lockdown starting from 24 March 2020 affected consumer sentiment and product offtake. The result was that the Indian economy shrank 23.9% during the first quarter, possibly the largest decline in any major global economy.

The Indian government responded with speed to control the spread of the pandemic. Thereafter, it responded with economic concessions to prevent defaults across the country's banking and non-banking finance companies.

Even as growth was muted for one quarter, the revival in pent-up demand was one of the

#### The challenges we faced

At Greenlam, when the pandemic increased, there was a bigger than 'How can we protect our Balance Sheet?' The priority was 'How can we protect our people?'

In view of this, the company selected to discontinue physical attendance at our head office a week before the government announced a lockdown. Thereafter, remote working was actively encouraged. The fact that we protected our talent capital was our biggest achievement in FY2020-21.

The company was required to address the prospects of workers returning to their villages. The company utilised the accommodation already available within the factory premises for its workers that helped retain

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most vigorous seen in India in recent times. There was a sharp increase in month-on-month consumption that was reflected in corresponding GST collection growth. Most companies reported record revenues and surpluses starting with the October-December quarter. This indicates that even as the Indian economy reported its sharpest de-growth in the April-June 2020 quarter, it also reported the quickest recovery thereafter.

migrant workers (as a result, the company was among the first to resume manufacturing operations with reduced strength when permitted by the government); the warehouses operated away from the city to service construction projects and original equipment manufacturers (OEMs).

The company encountered a sharp increase in the prices of raw materials and shipping freight both inward and outward