

more people more
homes more offices
more earners more
disposable incomes
more marriages
more schools more
malls more designs
more restaurants
more preferences
more growth more
ambition more
stores more home-
pride...

Greenply Industries Limited
Annual Report 2006-07



www.greenply.com

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Forward-looking statement

In this annual report, we have disclosed forward-looking information to help investors to comprehend our prospects and take informed investment decisions. This report is based on certain forward-looking statements that we periodically make to anticipate 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.

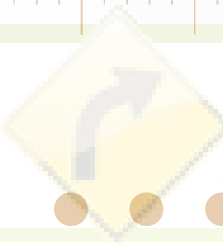
We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

As you turn the pages

Greenply is India's largest interior infrastructure company		Greenply is well-entrenched in the Indian markets with the widest product portfolio		Greenply is optimally de-risked to ride the crests and tide the troughs			
Corporate identity 2	Greenply is dedicated to grow its numbers	Business segment review 24	Greenply is a financially robust entity	Risk management 52	Management discussion and analysis 68	Financial statements 87	
	Let the numbers speak 18		Finance review 46				
Greenply is well-poised to capture every upturn in growth		Greenply is present in an industry which is growing at almost twice the rate of India's GDP		Greenply is a transparent organisation		Subsidiary accounts 130	Corporate information 144
Message from the Chairman 4	Greenply is on its way to attain faster growth, thanks to the commissioning of its greenfield unit in Uttarakhand	Industry review page 36		Director's report 60	Report on corporate governance 70		
	MD and JMD's review of our performance in 2006-07 20		Greenply is committed to create shareholder wealth		Greenply is delighted to present its financial statements		
			Value creation at Greenply 50				



Report



...more
Greenply!

Greenply is not just another plywood or laminate company. It is India's largest interior infrastructure company. The building block of what basically goes inside India.



Positioning

- Engaged in manufacturing, marketing, distributing and branding various types of plywood, flush doors, block boards, decorative plywood, laminates, decorative veneers and pre-laminated particle boards.
- Enjoys the largest market share of 25 per cent of India's organised plywood industry and 15 per cent of its organised laminates market.

Presence

- Plywood units based in the following:
 - Tizit (Nagaland), proximate to abundant timber resources from

private plantations

- Kripampur (West Bengal), adjacent to the Kolkata port, facilitating easy imports
- Pantnagar (Uttarakhand), close to agro forestry raw materials.
- Laminate unit: Behror (Rajasthan), servicing the large National Capital Region and hinterland
- Particle board unit: Pantnagar (Uttarakhand), close to agro forestry raw materials and consumers.
- Corporate office: Kolkata.
- Branch offices: The Company has an extensive presence in India by way of more than 24 branches, located in prime locations.

- Company's shares actively traded on the National Stock Exchange of India and Bombay Stock Exchange

Product distribution

- More than 24 marketing offices, prospecting demand and driving off-take.
- 217-member marketing team including resident representatives.
- 1700 authorised distributors and dealers, as well as 5400 sub-dealers and retailers.
- 18-countries export presence.

Status and recognition

- Enjoys the ISO-9001, ISO-14001 and OHSAS-18001

certifications for its laminate unit at Behror.

- Recognition as a two-star export house.
- Enjoys uninterrupted profit-making and dividend-paying record for 13 years.

Performance, 2006-07

- Turnover (net of taxes and duties) increased 52 per cent from Rs 257.35 crore in 2005-06 to Rs 392.20 crore.
- EBIDTA registered a growth of 54 per cent from Rs 30.52 crore to Rs 46.97 crore.
- Profit after tax strengthened 60 per cent from Rs 14.09 crore to Rs 22.52 crore.
- EPS increased 34 per cent

from Rs 10.32 to Rs 13.80.


- Market capitalisation was Rs 190.60 crore on the NSE as on 31 March 2007 (Rs 162.77

crore as on 31 March 2006 on the NSE).

Products

- Established brands cater to a number of varied needs and requirements.

Segment	Brands
Plywood and allied products	<ul style="list-style-type: none"> • Greenply • Green Club (India's first brand which comes with a lifetime guarantee) • Green Decowood (decorative veneers) • Green Lamieboard
Laminates	<ul style="list-style-type: none"> • Greenlam • Green Gloss • Green Touch • Greenlam Supertuf • NewMika



From the Chairman's desk

'Success is not derived from machines or material, but from the mindset'

For a company that reported a 52 per cent increase in its topline and a 60 per cent increase in its post-tax bottomline in 2006-07, the inference is that this is easily done. Invest in equipment, press a button and generate profits.

It will be an error to assume this and I will devote my overview in the annual report to an important component of the value delivery process: managing expectations.

In my mind, profit increases are not derived out of capacity

increases, process improvements and prudent raw material management. They are derived out the building block of all these initiatives. A distinctive organisational mindset.

I want you to read that last sentence again. I have made the deliberate use of two words. 'Distinctive' and 'organisational'. By this I mean that if we are not prepared to think and work in a different way, we may not continue to succeed. If this distinctiveness is localised, it will not work.

Consider some of the things that

you will find in most companies, large and small. The decision that is conveyed from one person is generally not how it is heard by the other. Result: divergence in effort. The understanding of a certain market reality is interpreted differently by two individuals sitting in different locations. Result: action at one end, inaction at the other.

Why am I saying all this now?
Why am I focusing on something that has been repeated over and over again by a number of

people? The answer is that it is becoming increasingly evident that as we focus on quicker growth, we are doing so at the cost of some process and some system. Much of our corporate priority has been narrowed down to 'Let us get on with it for the moment and we will worry about this later.'

There is no 'later'. Weak process-driven companies engage in consistent rework. Poorly inspired businesses lose their people.

It is with this perspective that Greenply invested in ERP-SAP in 2006-07. We wired all our branches and depots with the manufacturing units. To a number of people we did this

with the evident objective to reduce costs. We didn't; we did this to reinforce the culture of our organisation; to extend what is often perceived as a culture of urgency only at the level of the senior management to right across the organisation; to arrive an unambiguous interpretation of numbers; to generate growth bottom-up; to derive data on tap; to replace perception with real numbers; to take informed action.

These represent the cause; the superior financial numbers that we will now report will be the result.

It is this focus on the soft side of the business that represents my key result area for 2007-8

and I would like to tell shareholders that I will probably be spending most of my time reviewing every little process with a singular objective: can we do it better?

It is this micro-commitment that we expect will translate into superior numbers for the Company in 2007-8 and beyond, enhancing value for all stakeholders in our company.

Sincerely,

S P Mittal
Executive Chairman

1,79,00,000

The shortfall for dwelling units in India, 2010.

At Greenply, we grew our topline by 52 per cent in 2006-07 and reinforced our position as India's largest interior infrastructure company

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45 to 30 in 15

The decline in the age (in years) of a typical Indian house buyer in a mere 15 years

Greenply enhanced plywood and laminate affordability by providing the widest product range across the deepest price points. Result: Greenply outperformed the industry's 12-15 per cent growth by a factor of 4x in 2006-07

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2,50,00, 000 sq. ft.

India's shortfall in commercial and office space by 2010. India tops the AT Kearney's Global Services Location Index, ahead of China.

At Greenply we have extended our product profile from plywood, decorative veneers and laminates to particle board – to respond to widening consumer preferences.

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1,450 bps

**The anticipated increase in salary in India, 2007
- the highest average salary increase in the Asia-Pacific.**

Greenply introduces nearly 100 different designs and finishes a year — the highest in the industry. In 2006-07, it acquired the Indian marketing and distribution rights of Dekodur, a high-end German laminates brand.

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15,00,00 ,000 sq. ft.

This is the estimated demand for mall space in India by 2010

At Greenply, we possess the largest distribution network in our industry, comprising 1700 authorised dealers and distributors and 5400 sub dealers and retailers. This ensures that our products are available off-the-shelf in any corner of the country.

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