

# Greenply Industries LIMITED

Greenply Industries Limited

Annual  
Report

2011-12

## 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. Wherever possible, we have tried 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 subjects 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.

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**IN 2011-12, JUST ABOUT EVERYONE HAD AN EXCUSE FOR NOT DOING UP THEIR HOMES OR BUYING A NEW OFFICE OR ... JUST THE KIND OF YEAR WHEN COMPANIES LIKE OURS POSSESSED AN ALIBI FOR NOT DOING WELL. EXCEPT THAT AT GREENPLY, WE RESOLVED TO FIGHT. FIGHT THE PESSIMISTS. FIGHT THE SLOW MOVERS. FIGHT THE CONSERVATIVES. THIS IS HOW ROUND ONE WENT. REVENUES INCREASED 35.01%, EBIDTA MARGIN STRENGTHENED 159 BPS AND PROFIT AFTER TAX STRENGTHENED 112.87% IN 2011-12. KNOCKOUT.**



At Greenply, there was a lot to

## **fight for in 2011-12.**

**Them**

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**INFLATION. PESSIMISM.  
REFORMS SLOWDOWN.  
POLITICAL  
CONTROVERSIES. WEAK  
MARKETS. HIGHER  
INTEREST RATES.  
TIGHTER BUDGETS.  
RUPEE DEVALUATION.  
SLOWER APARTMENT  
OFFTAKE. LIQUIDITY  
SQUEEZE. EQUITY  
MELTDOWN.  
COMMODITY SWINGS.  
GOLD RUSH. WEAK  
BOTTOMLINES. SLOWER  
INDUSTRIAL GROWTH.  
SLOWER FDI.  
STRONGER DOLLAR.**

**Us**

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**Over**  
**45000**  
**people at Greenply.**

At Greenply, our spirit can be described in just four words.

# Fight one more round.



## Vision

- Make every house full of colours and life
- Help India gain a significant position globally
- Transform every house into a home

## Mission

- Ensure on-time delivery of high quality products
- Create a cordial atmosphere within the organisation
- Implement environmentally and socially considerate decisions for our Company and community

### Who are we?

- Ventured into the industry by setting up a sawmill in 1984 and a plant in Nagaland to manufacture plywood in 1988
- Incorporated by Mr. Shiv Prakash Mittal and Mr. Rajesh Mittal
- The Company has now emerged as India's largest interior infrastructure company
- With the promoter holding at 55% of the equity and a market

capitalisation of ₹495 crore as on March 31, 2012, the Company's stock is traded on the National and Bombay stock exchanges

### What do we offer?

Greenply offers an extensive range of interior infrastructure products like decorative laminates, decorative veneers, restroom cubicles, plywood, block board, flush doors and medium density fibreboards.

### Where are we located?

- Corporate Office in Kolkata (West Bengal) with seven state-of-the-art manufacturing facilities across India
- International sales presence in over 65 countries; branch office in the Netherlands, wholly-owned subsidiaries in the US and Singapore. A pan-India presence with a strong network in over 300 cities

Plant location	Product	Capacity
Tizit, Nagaland	Plywood	4.50 million sq. mtrs.
Kripampur, West Bengal	Plywood	6.00 million sq. mtrs.
Pantnagar, Uttarakhand	Plywood and reconstructed veneers	10.50 million sq. mtrs.
Bamanbore, Gujarat	Plywood	7.35 million sq. mtrs.
Behror, Rajasthan	Laminate	5.34 million sheets
Nalagarh, Himachal Pradesh	Laminate	4.68 million sheets
Behror, Rajasthan	Decorative Veneers	4.20 million sq. mtrs.
Pantnagar, Uttarakhand	Medium Density Fibreboards	0.18 million cubic mtrs.

### Our achievements

- ISO 9001, ISO 14001 and OHSAS 18001-certified for its Behror, Nalagarh, Tizit, Pantnagar and Kripampur units; the Bamanbore unit is ISO 9001-certified
- Awarded Greenguard certification for Greenlam laminates
- Green fire retardant plywood

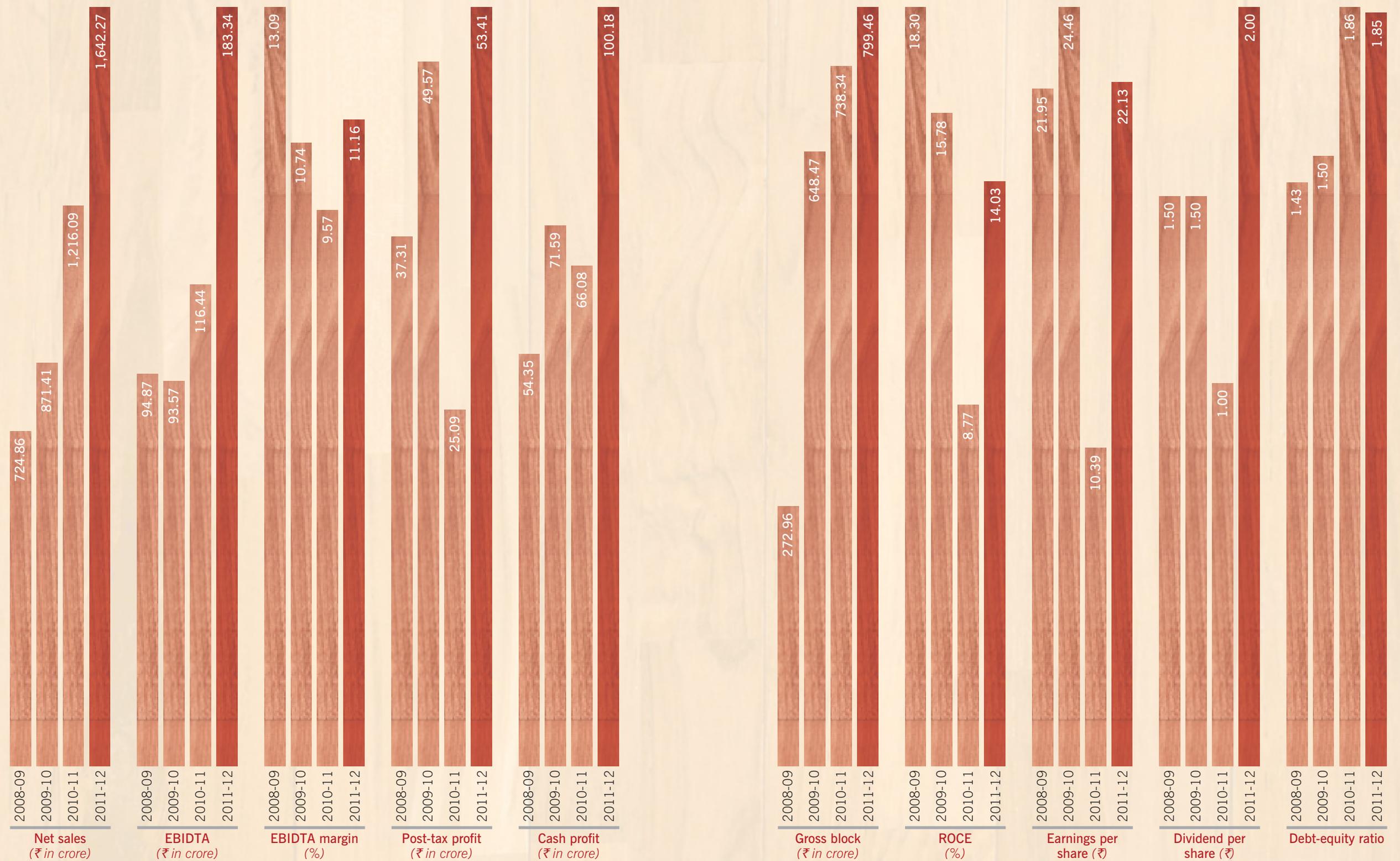
certified by the Central Building Research Institute (CBRI)

- FSC-accredited with a 'chain of custody' certification for its Kripampur, Bamanbore and Pantnagar units
- Awarded social accountability certificate SA 8000 for the Kripampur unit
- Star export house status

■ The Company adjudged as the 'Top exporter of Decorative Laminates and was awarded the Highest Recognition for exports for the year 2010-11' by The Plastics Export Promotion Council.

■ Created a lasting impression with Greenply Always Hoyenga, India's largest graffiti wall (960 x 5.25 ft) that figured in the Limca Book of Records

After the blood, toil, tears and sweat of a  
**good fight...**





**Opponents:**  
High inflation,  
weak markets,  
industrial  
slowdown and  
depreciating  
rupee

**Greenply's response:**  
**Topline growth of  
35% outperformed  
India's GDP growth of  
6.9% and construction  
sector growth of 4.8%**

**“ADVERSITY CAUSES SOME MEN TO BREAK; OTHERS TO BREAK RECORDS.”**  
WILLIAM A. WARD

#### **Fighting strategy**

- Efforts were made to streamline operations at the newly set-up MDF plant and the laminate unit at Nalagarh, which together contributed 27% of total revenues
- Prudent asset utilisation at the MDF unit of 65% against 15% in the previous year where the fourth quarter witnessed increased utilisation of 89%
- The plywood and laminate divisions operated at capacity utilisations of 113% and 99% respectively
- With the Company's sales and branding capabilities, plywood sales increased 20.93% and laminate sales grew 17.49%

As a result, Greenply's net sales grew 35% to ₹1642.27 crore from ₹1216.09 crore in 2010-11.

**Opponents:**  
Low capacity utilisation, depressed demand and sluggish realisations

**Greenply's response:**  
**Average plywood and laminate realisations increased 11% and 16% respectively, operating costs as a percentage of turnover declined 1.83%, EBIDTA margin increased 159 bps**

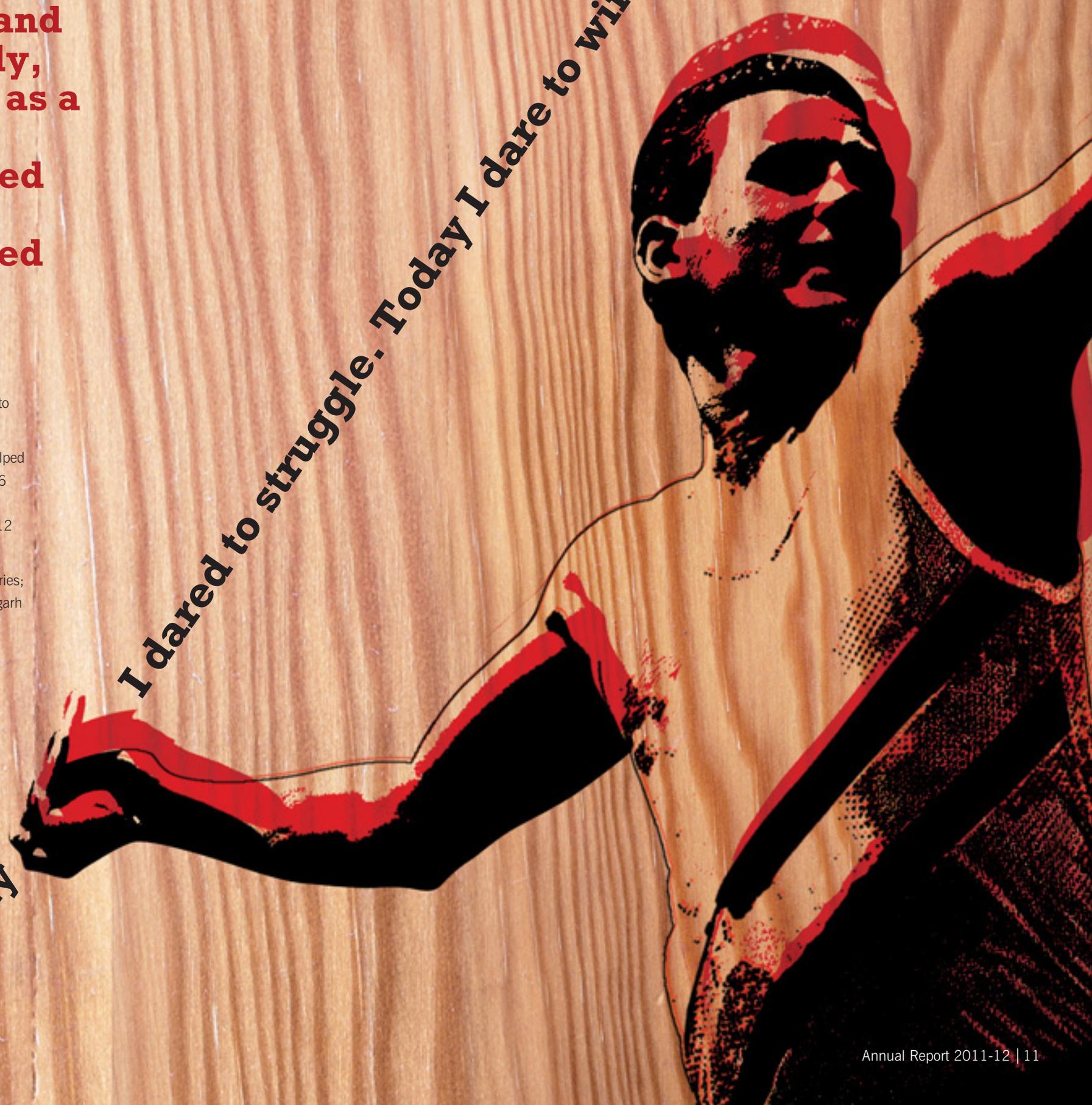
**Fighting hard**

- Overall operating margins improved 159 bps to 11.16% from 9.57% in 2010-11
- Improved capacity utilisation at MDF plant helped reduce per unit power and fuel cost from ₹7,186 per cubic metre of production in FY 2011 to ₹4,198 per cubic metre of production in FY 2012 boosted MDF margin by 6,269 bps
- With a focus on premium value-added categories; higher sales of value-added products from Nalagarh plant improved laminate margin by 173 bps

**“Yesterday**

**I dared to struggle. Today I dare to win.”**

**BERNADETTE DEVIN**





**Opponents:**  
Weak sentiment, high attrition and a de-motivated workforce

**Greenply's response:**  
Net sales per employee grew 26.53%,  
EBIDTA per employee increased 47.45%,  
attrition declined 2.87%

**Fighting back**

- Greenply penetrated deeper in the marketplace with a presence in over 40 Indian locations, over 13,000 dealers and channel partners across 19 states
- We spent 2.73% of our sales on branding to strengthen our market share
- We invested in branding initiatives to inspire a shift in consumption from the unorganised sector to the organised segment, in turn growing the organised industry space

**“Fall seven times, stand up eight!”**  
JAPANESE PROVERB

# The DNA

of a fighter

## Scale

Greenply is India's largest integrated plywood, laminates, decorative veneer and MDF manufacturer

## Presence

The Company is present in 19 Indian states; it accounts for 36% of India's organised plywood and 26% of the country's organised laminates market

## Longstanding experience

The Company possesses over a two-decades of experience in India's interior infrastructure space resulting in industry leadership

## Barrier

The Government of India has restricted the issue of licenses in the wood-based industry owing to environmental norms. Moreover, the Company's experience and strong marketing infrastructure provides it an edge over existing organised and unorganised players

## Comprehensive

Greenply provides diverse interior infrastructure products like decorative laminates, decorative veneers, restroom cubicles, plywood, block board, flush doors and medium density fibreboards

## Brand equity

Greenply's products are available through more than 13,000 distributors, dealers, sub-dealers and retailers across more than 300 cities, supported by over 40 marketing offices

## Relationships

Greenply maintains active relationships with interior designers, architects, contractors, carpenters and retailers, enhancing recall leading to product preference

## Strategic location

Greenply's manufacturing facilities are located near large markets, raw material availability locations and port connectivity

## Intellectual capital

Greenply employs a team of over 4,500 employees and workers across its seven manufacturing units and more than 40 offices. More than 30% of the workforce has been with the organisation for more than five years



“India had a weak year. Greenply reported a record year.

**This happened because we possessed the guts to advance despite adversity.”**

The Executive Chairman reviews the Company's performance during the year under review



The fact that Greenply grew in a bad year should be something to write to shareholders about. The fact that Greenply grew nearly five times the national GDP growth should be even more impressive. The fact that we improved our margins 159 bps just when most people were temporarily spending less on their interiors should be absolutely remarkable.

This is precisely how the year under review shaped out for Greenply. While the external environment turned sluggish and most in the industry felt that it would be an achievement to maintain revenues or profits or margins, this is what we reported at the close of 2011-12:

- Net sales grew 35.05% from ₹1216.09 crore in 2010-11 to ₹1642.27 crore
- EBITDA margin increased 159 bps to 11.16%
- PAT increased 112.87% to ₹53.41 crore
- EPS increased from ₹10.39 in 2010-11 to ₹22.13

#### Positive change

There were some specific reasons that translated into an improved performance.

One, we entered the business of MDF manufacture in 2010 at Pantnagar as we were convinced that the product offered us the advantages of cost effectiveness, import substitution and very little domestic competition. However, during 2010-11, the business did not take off as we expected due to technology issues leading to an extensive asset under-utilisation. The result was that even as we began to incur the debt cost and depreciation provision arising out of the plant's commissioning, we reported revenues of only ₹45.48 crore in 2010-11.

I am pleased that the Company could transform its performance significantly for the better during 2011-12. The MDF plant's capacity utilisation increased from 15% to 65%, the Company reported sales of 0.12 million cubic metres and achieved a 10% increase in per cubic metre realisation from ₹19,236 to ₹21,129 across the period. The success of our MDF plant accounted for 46.51% of the Company's incremental revenues during the year under review. The turnaround of this unit contributed significantly to an overall increase in our margins and bottomline during the year under review.

Two, in 2009-10, we commissioned our laminate plant at Nalagarh. However, during 2010-11, the business did not take off as we expected since it could not attain optimum capacity utilisation and product value mix. I am pleased that the Nalagarh plant capacity utilisation increased from 84% to 91%. Several operating and structural changes at the Company's Nalagarh facility enhanced operating efficiency, capacity utilisation and margins (through new product launch and value-added product sales).

Three, we continued to strengthen the intangibles that influence our business – the brand and the distribution capability. We recognised that the best insurance in a slowdown

was enhanced visibility. In view of this, the Company invested ₹44.80 crore in brand building through various initiatives like its new 'Always Hoyenga – Greenply Plywood' advertisement on TV and FM channels, followed by customer connect programmes like hoardings, wall paintings and competitions. The Company widened and deepened its distribution network. It strengthened systems to decentralise coupled with employee empowerment that translated into customised decision making in line with the prevailing reality of the marketplace.

#### The road ahead

At Greenply, we are optimistic of taking this fight into the next round.

During the current financial year, we will focus on enhancing our asset utilisation across our various plants, enhancing revenues, increasing the proportion of value-added products, maximising our cash flows and liquidating debt. We believe that this right sizing will strengthen our market capitalisation in line with the competencies that we invested within our business.

For the fighter in us, the best round is yet to be.

Sincerely,

**S. P. Mittal**  
Executive Chairman