



Reinforcing Leadership Through **transformation**

Greenply Industries Limited Annual Report 2019-20

Contents

002	004	006
Corporate snapshot	Our performance over the years	5 big messages and destination for future
008	010	012
Greenply possesses a credible track record in proactive transformation and reinforcing its leadership	The building blocks of a reinventing Greenply	Greenply. Making the world better for all its stakeholders
014	016	018
Chairman's overview	Joint Managing Director & CEO review	Greenply's operating discipline at the heart of its sustainability
020	022	028
Greenply's enhanced resource security	Greenply's culture of sustained innovation	Why Greenply continues to believe in the long-term India story
030	032	034
How Greenply has endured across the years	5 key trends shaping our sector... and how we are responding to them	How we have transformed Greenply over the years
036	044	094
Management discussion and analysis	Directors' Report	Business Responsibility Report
102	134	201
Corporate Governance Report	Standalone Financial Statements	Consolidated Financial Statements

Forward-looking statement

In this annual report we are presenting some 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 our 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.

Reinforcing Leadership Through Transformation

Greenply has protected its multi-decade leadership through an over-riding reality.

Transformation.

The Company has consistently transformed ahead of the curve, enhancing its preparedness to address emerging opportunities.

In these challenging times, Greenply is transforming again.

- By strengthening its people bandwidth.
- By deepening its culture of innovation.
- By reinforcing its resource security.
- By extending its presence across continents.
- By embracing cutting-edge technologies.
- By widening and deepening its distribution network.
- By creating a product portfolio to address every price point.

The Company is engaged in this sweeping transformation with the objective to reinforce its leadership as the country's most trusted plywood brand.



Defining Greenply through five words...

Credible



- One of India's largest plywood manufacturing companies
- More than 30 years of experience in the plywood industry
- Established in 1990, the Company is led by a team of experienced professionals
- More than 26% market share in the organised plywood industry

Leadership



- Among India's leading interior infrastructure product manufacturers driven by a culture of product innovation
- Specialises in the manufacture of quality products for applications in furniture, partitions, paneling, false ceilings and other exterior-and semi-exterior applications
- Product range includes plywood and blockboard, doors and decorative veneers

Pervasive



- Portfolio comprises products catering to the needs and budgets of all kinds of consumers
- Supported by manufacturing locations in West Bengal, Nagaland and Gujarat
- Overseas manufacturing units in Gabon (West Africa) and Myanmar
- Dealer and retailer network comprising 7,500+ points of sales across India

Efficient



- One of the lowest cost high quality plywood manufacturers in India
- First from India to commission operations in Gabon to source low-cost high-quality raw material
- Asset-light model (40% in-house and 60% outsourced by volume including outsourcing of MAT ply) generating higher returns on capital employed

Differentiated



- Prominent brand with high market recall
- Eco-friendly products
- Pioneer in introducing environment-friendly and health hazard-free plywood
- 360-degree marketing initiatives, targeted at trade and end consumers through various above-the-line (ATL) and below-the-line (BTL) activities to enhance brand visibility



Our vision

Transform every house into a home.



Our value drivers

- Nurturing a growth-oriented environment where passionate and skilled problem-solvers can unleash their potential
- Offering right products through a deep understanding of one's own requirements
- Adopting ground-breaking measures that reshaped the plywood industry



Manufacturing facilities

6 million sq. mtrs. **4.50** million sq. mtrs. **14.40** million sq. mtrs. **96000** CBM (peeling capacity)

Kriparampur, West Bengal

- Proximate to Kolkata Port
- Base for Eastern and Southern Indian markets

Tizit, Nagaland

- Proximate to Nagaland timber belts for convenient raw material sourcing

Bamanbore, Gujarat

- Proximate to Kandla Port
- Base for servicing the Western and Northern Indian markets

Gabon, Africa

- Abundance of Okume species
- Port proximity
- Creating global presence

** The Company's face veneer unit in Gabon, Africa is owned and operated through a subsidiary*

142

Capacity utilisation (%) in FY2019-20

2365

Employee strength as on 31.03.2020

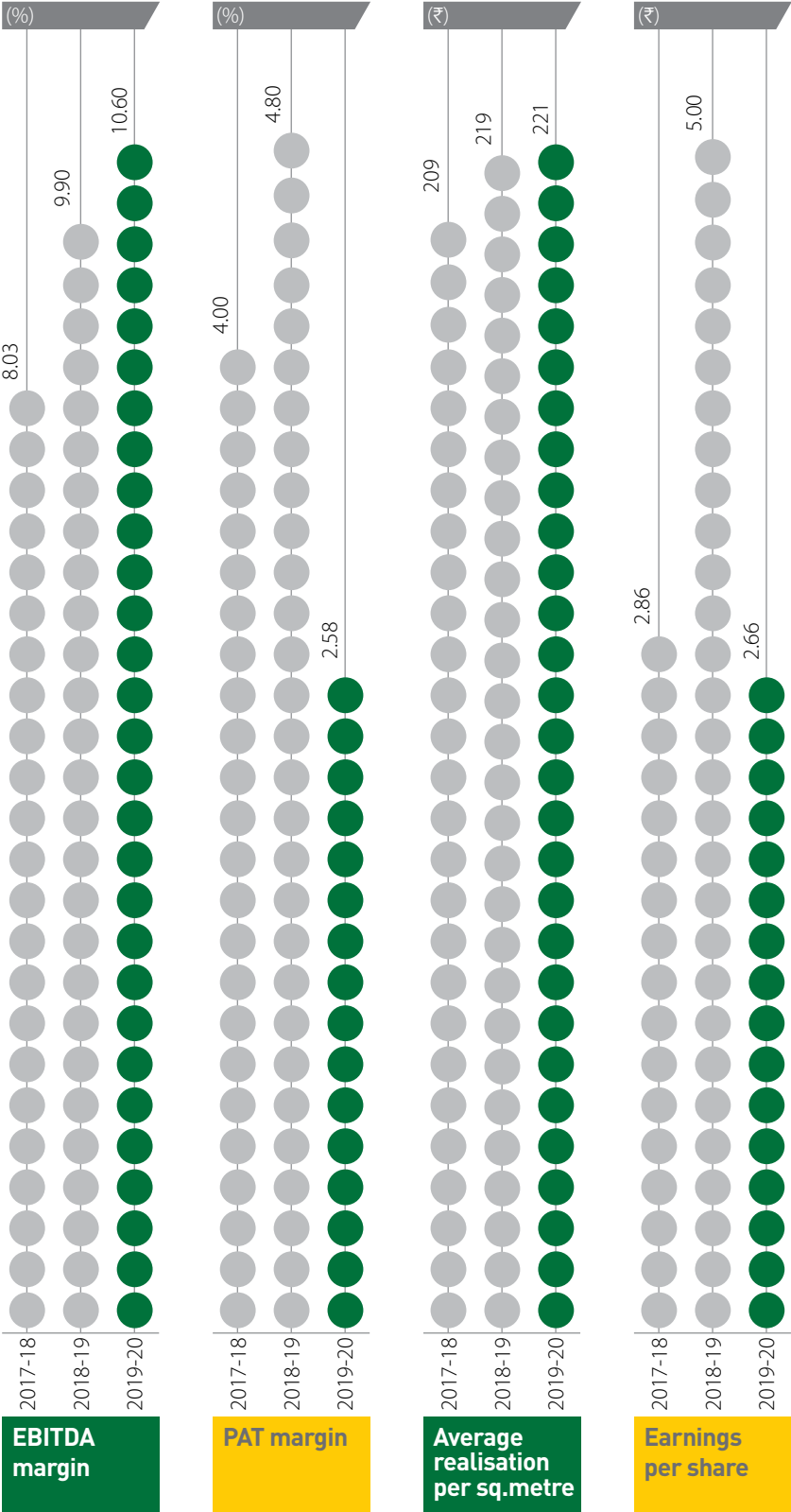
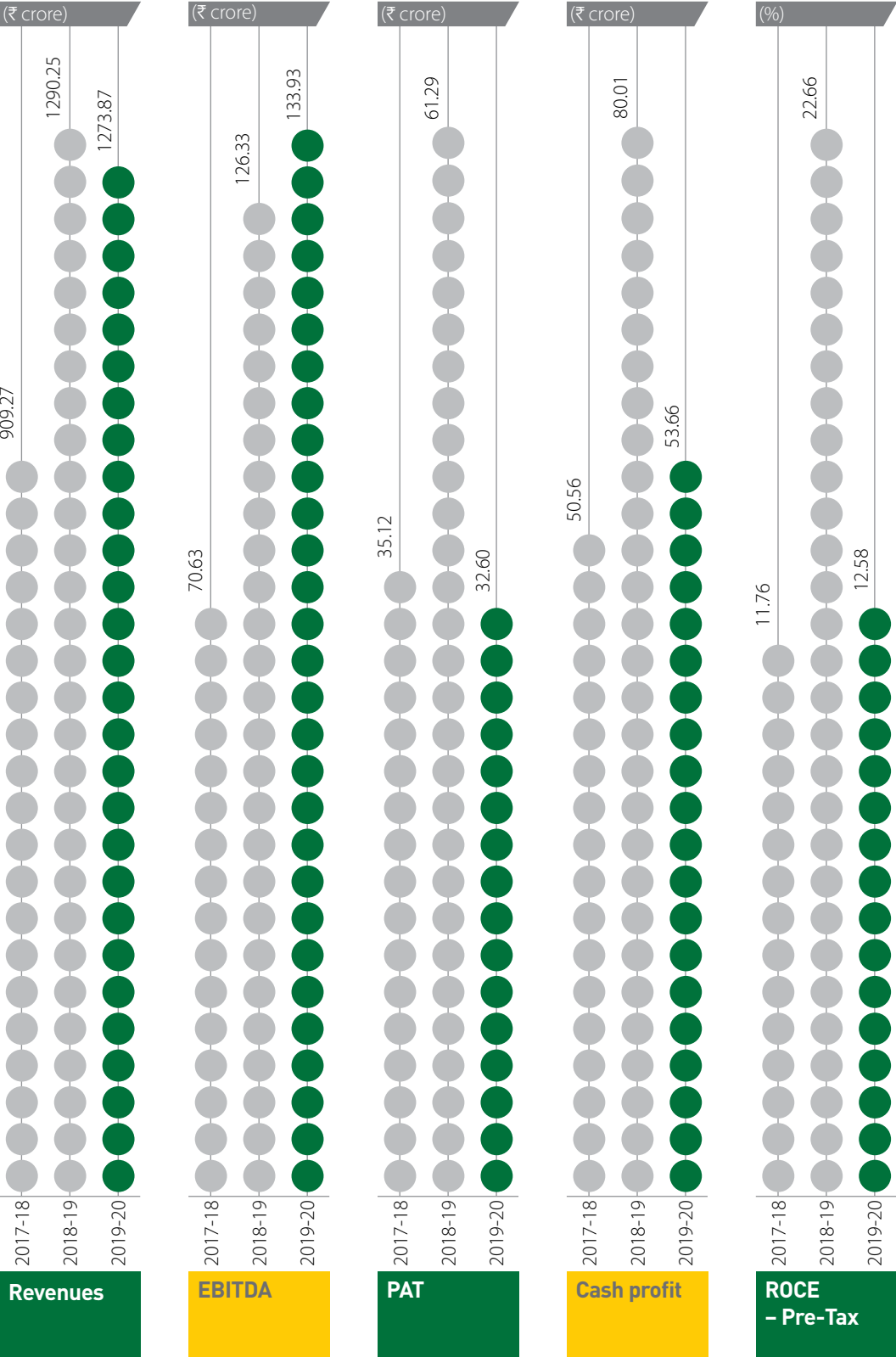
10.60

EBITDA margin (%) as on 31.03.2020

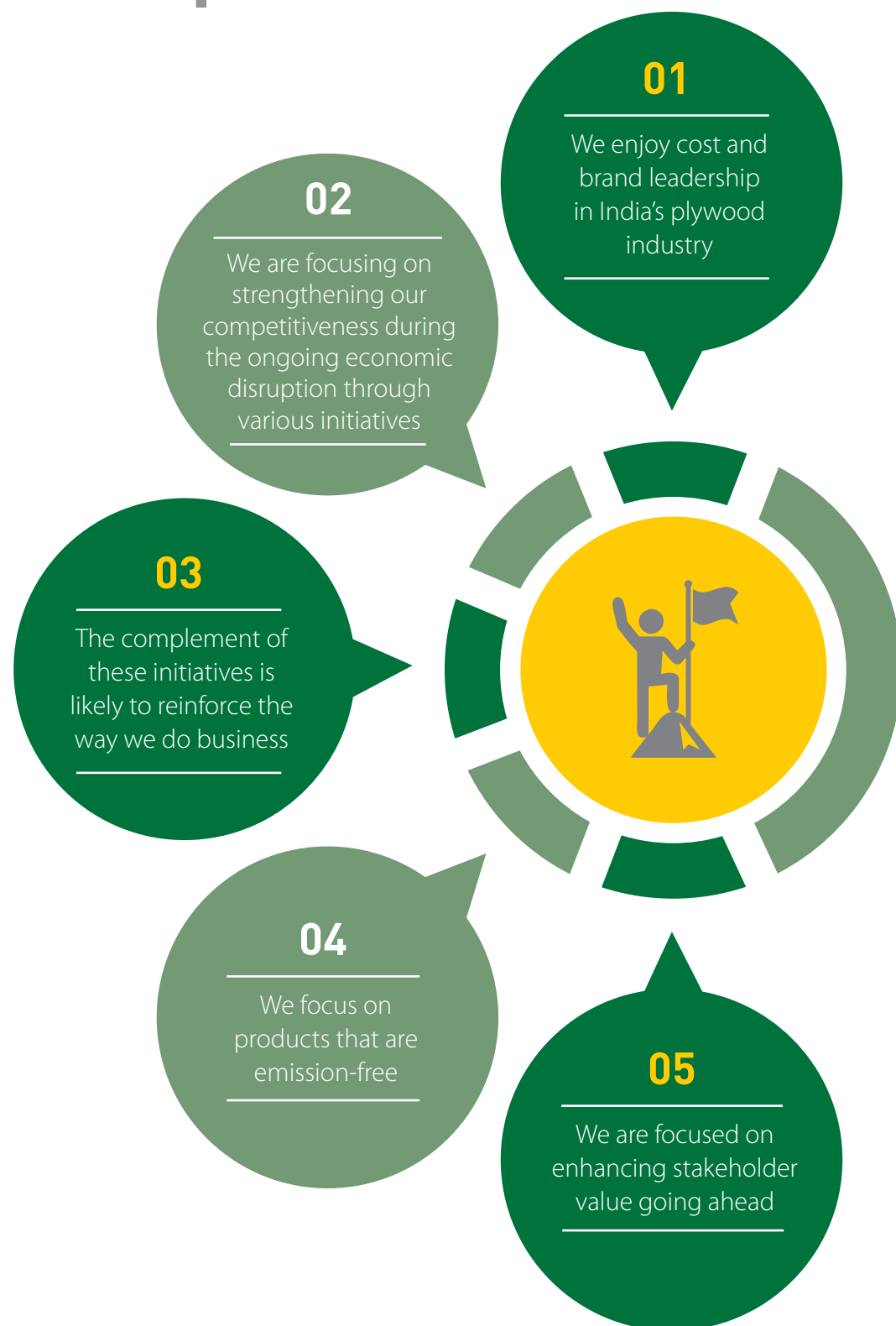
2.58

PAT margin (%) as on 31 March 2020

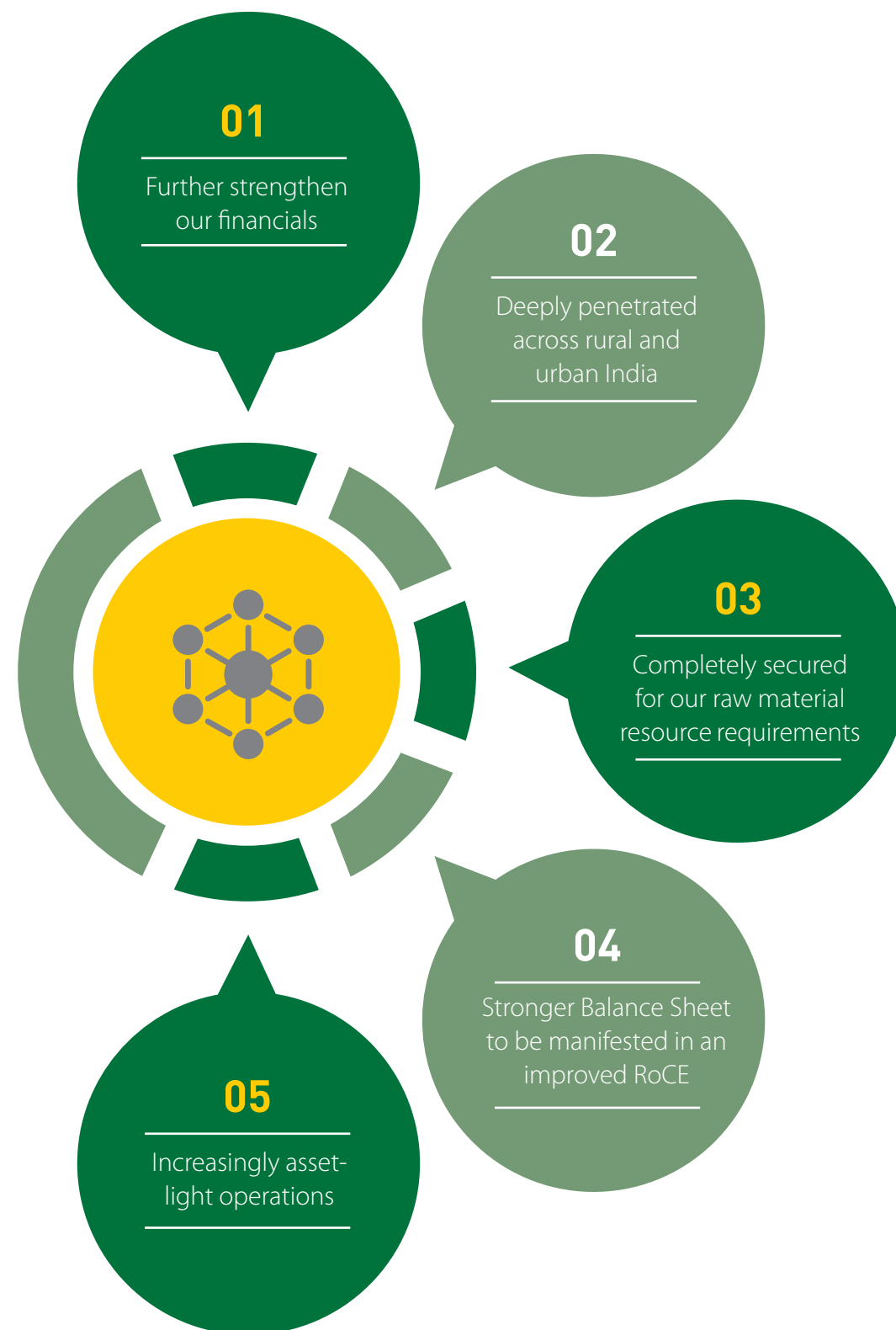
Our performance over the years



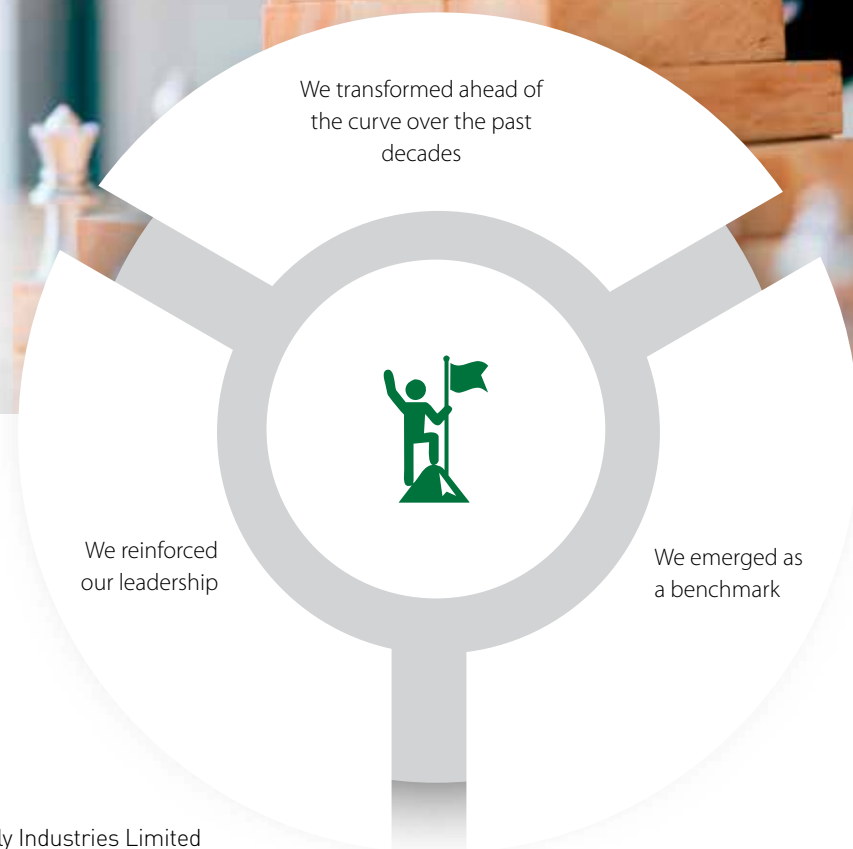
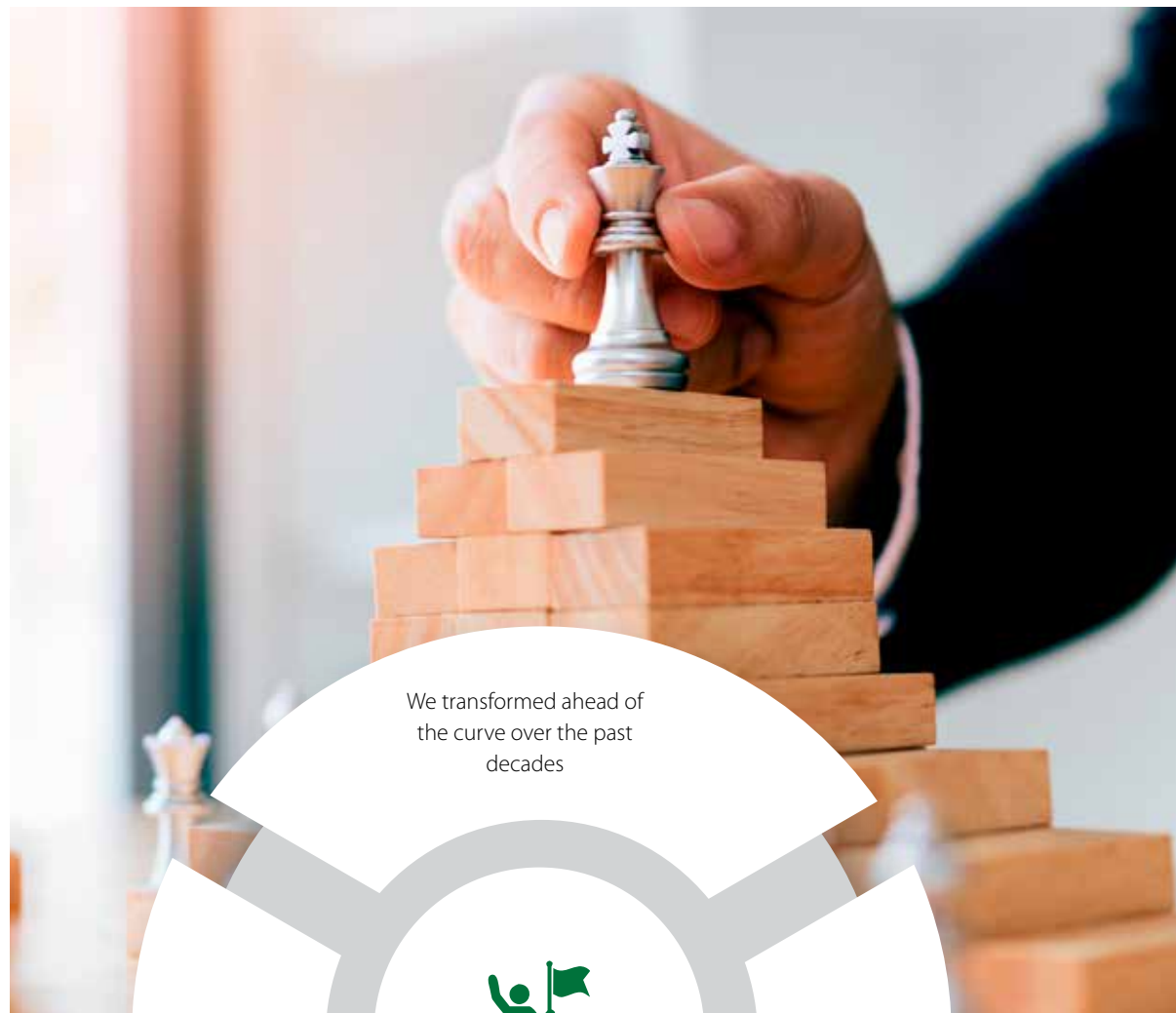
5 big messages that we at Greenply wish to convey through this report



5 destinations of our business in the foreseeable future



Greenply possesses a credible track record in proactive transformation reinforcing its leadership



01

Lifetime 3x warranty

At a time when every single plywood manufacturer assured superior product quality verbally, Greenply took this assurance a decisive step ahead. In 2009, the Company became the first in India's plywood industry to offer a 300% lifetime warranty for plywood. This pro-consumer disruption in warranty cost and tenure transformed the industry's assurance dynamics for good...in more senses than one.

Inspired by Greenply

02

Eco-friendly plywood

At a time when the world is seeking healthier options in virtually every area of product or service consumption, Greenply became the first brand in India to provide emission-zero plywood in FY2019-20. This product derived its credentials from the complete replacement of raw materials that could potentially send out emissions and could prove noxious for users in closed environments. This pioneering product represents a watershed in the Indian plywood sector. In the future, plywood products will be largely appraised around environment-friendliness. *Inspired by Greenply*

03

Calibrators

In the past, institutional users of plywood encountered a recurring challenge: variation in thickness for every batch of products. In 2015, Greenply addressed this longstanding problem: the Company became the first in India to invest in the Double Press technology and calibrators that helped completely standardise plywood uniformity. The country's furniture sector has grown remarkably since. *Inspired by Greenply*

04

Right-sizing

As Greenply grew its products portfolio, one of the biggest challenges it faced was the need to deepen focus across each business segment. After the overall business had achieved a sizable critical mass, the Company engaged in two demergers – first into a focused laminate Company and thereafter into a focused MDF Company. The shareholders of Greenply received shares in each of these companies. The spinoff of one large Company into three mid-sized companies re-ignited entrepreneurial spirit and enhanced value for the shareholders of each – an effective instance of rightsizing enhancing value. *Inspired by Greenply*

05

Resource security

The biggest challenge across the last decade has been enhancing resource security. After a number of timber-rich countries banned the export of felled timber, there was a scramble to access this rich resource for the onward manufacture of plywood. In 2016, Greenply became the first Indian plywood Company to commission a timber peeling unit in Gabon (West Africa) with the objective to source the special Okume tree resource. This decision has helped the Company widen its resource de-risking on the one hand and access quality hardwood on the other. Besides, it has helped graduate and internationalise India's plywood sector. *Inspired by Greenply*



The building blocks of a reinventing **Greenply**

<p>When companies are shrinking on account of demand destruction there is a greater premium on growth at any cost ...</p>	<p>We are focusing on becoming the best instead</p>
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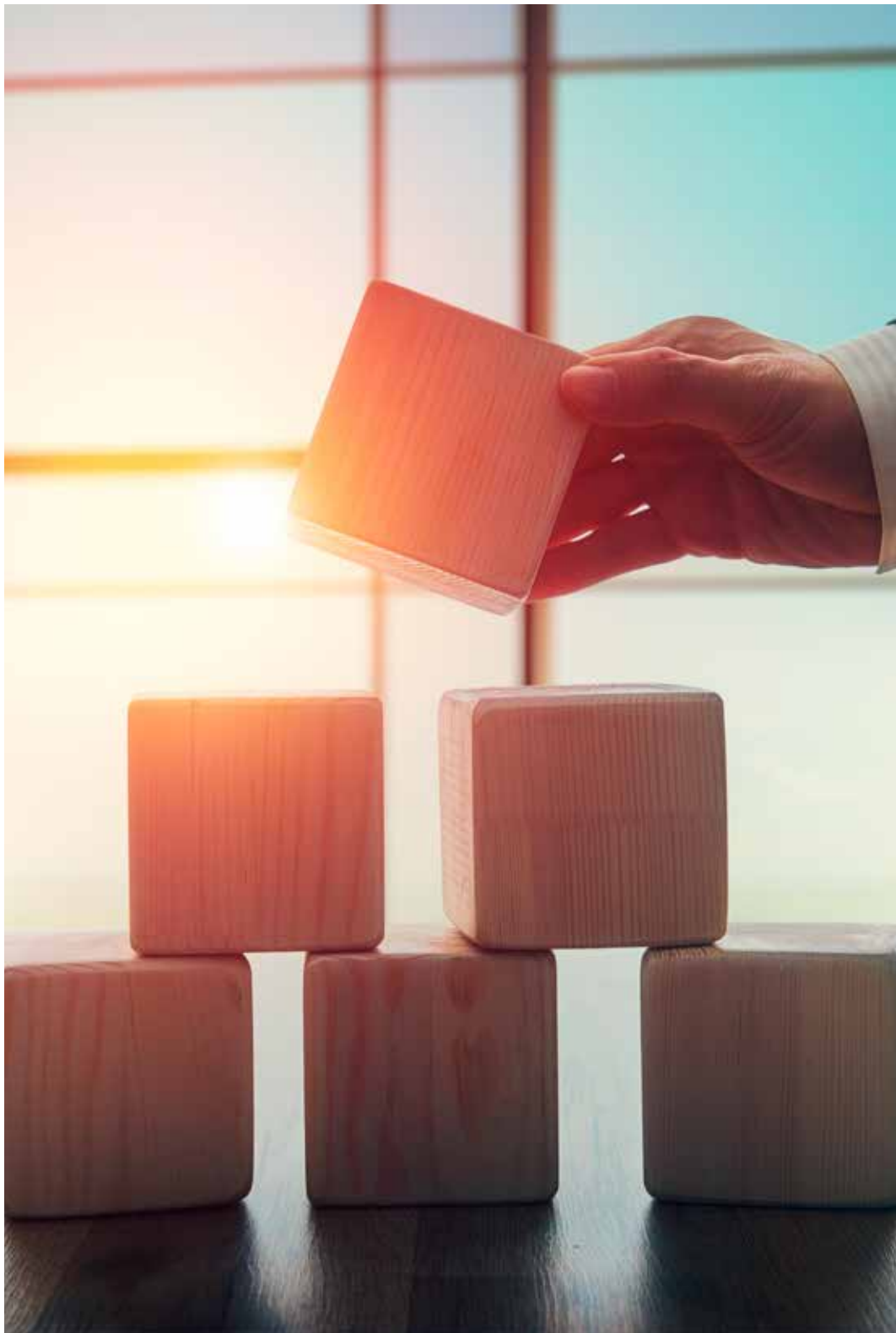
<p>When most feel that focus on a specific grade would work best ...</p>	<p>We have selected to provide the complete customer solution instead</p>
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<p>When most advise patience and wait for the slowdown to blow over...</p>	<p>We are reinventing our business in a proactive way</p>
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<p>When a number of people have advised us to stick to the knitting ...</p>	<p>We have extended laterally to the marketing of complementary non-plywood products as well</p>
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<p>When everybody cites this slowdown and advises caution...</p>	<p>What we hear is 'opportunity'</p>
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Greenply. Making the world better for all its stakeholders



Customers

Nitya Singh in Chandigarh sleeps well at night. She is secure in the knowledge that her Greenply plywood variety does not release any toxic emissions

For every pocket

Sunita Ekka in Chattisgarh was building a home for the first time. She was pleasantly surprised to find that she could buy into the Greenply brand without having to pay a fortune

Plantation success

James Kom in Nagaland is one of hundreds of farmers, whose incomes have trebled in the last few years, following their turning to commercial wood plantation with a ready buyer in Greenply.

Architects

Prakash Bhalla in the National Capital Region does not seek to expose his clients to unforeseen shocks. The plywood brand that is at the head of his recommended list for interior fit-outs is inevitably Greenply

Carpenters

Anjali Behera is a carpenter in Odisha and proud of it. She entered a male bastion, was encouraged to grow in her profession and celebrated for her success by Greenply

Community

A patient's wing for cancer patients at the Tata Memorial Centre in Kolkata has been funded by Greenply Foundation. Extending the benefit of corporate success to the marginalised

Shareholders

Pravin Patel has been holding Greenply shares for more than a decade. Following each demerger he received spinoff shares in addition to participating in the growth of the parent company. Greenply has done wonders for his portfolio

Employees

Sujan Chakraborty has been working with Greenply for more than two decades. He is one of 11.4% of 2,365 workers to have spent more than 20 years with the Company

Consumers

Sujatha Shanmugham is a furniture manufacturer in Coimbatore. Her stress disappeared after she commenced purchases of completely calibrated plywood from Greenply

Chairman's overview



At Greenply, we believe that our managerial breadth and depth will translate into a larger and longer staying capacity during the prevailing slowdown

Overview

The world is passing through its most uncertain phase in decades. The Indian economic slowdown of 2019 was complemented by the outbreak of the Covid-19 pandemic, the effects of the latter becoming visible from January 2020 and deepening as

subsequent months passed. During the last week of the financial year under review, a national lockdown was imposed to stagger the spread of the Covid-19 pandemic. This is affecting consumer demand, discretionary spending and

capital expenditure. The result is that India might be staring at an economic de-growth during the current financial year, the first such phenomenon in living memory for most.

Impact of Covid-19 pandemic

The spread of the pandemic in 2020-21 represents a seminal moment in our lives.

The pandemic is not just affecting the way companies conduct business but also how humankind will live. This will affect every part of our lives, including decisions related to spending on interiors, influencing prospects for companies like ours.

The response of the market will be largely dependent on the discovery of the vaccine

and the success of humankind in addressing the pandemic. The outlook is uncertain and there is an advantage in the ability of companies like ours to manage their way through the downturn while protecting their fundamentals.

An unpredictable environment as the one that we are passing through puts a benefit on strategic transformation and reinforcing our leadership.

At Greenply, we believe that

companies in existence to address a specific purpose – in our case, plywood manufacture and marketing – could find it relatively easier to protect their brand during this challenging period.

Besides, companies like ours that have extended beyond a generic positioning and address focused market segments – like Greenply is positioned – stand a better chance of competitiveness across market cycles.

Greenply's response

At Greenply, we believe that a usual response to the prevailing circumstances will not work. The Company will need to address this unprecedented reality with a complete reinvention, no less.

The time is right to question every paradigm we held dear in a normalised business environment; the time is right to initiate proactive change rather than wait for the market to revive; the time is right to see opportunities in this crisis; the time is right to strengthen our business model.

At Greenply, we have charted broad initiatives to enhance our opportunity-preparedness.

A reinventing Greenply will reinforce its established culture for innovation. As an industry leader, the Company made a decisive portfolio extension when it introduced zero-emission plywood during the year under review, reinforcing its commitment towards the health of its consumers. The Company did not just launch a new product; it pioneered the category through proprietary technology that will help in providing a new direction towards healthier interiors in India.

A reinventing Greenply is being built around an even stronger governance foundation. We are investing deeper in the elements of good governance with the objective of enhancing business sustainability. The governance momentum was established some years ago when the Company demerged its laminates and MDF businesses

into separate companies under completely different ownership and management teams with the objective to enhance focus, accountability and value. During the year under review, the management took this momentum a decisive step ahead when it appointed a professional Chief Executive Officer to manage operations within just eight months of the demerger. This is not one of routine initiatives; it represents a decisive watershed in our existence from a family-driven Company towards a more professionalised management. We believe that a professional CEO will enable the management to see business realities not just with a new pair of glasses but with completely different eyes.

A reinventing Greenply will be built around tighter financial discipline that comprises the use of moderated working capital, shrinking the receivables cycle and plugging systemic financial leaks. The objective will be to moderate the cost structure to a point that makes us competitive across market cycles.

A reinventing Greenply will penetrate its markets deeper. Even though we are one of the most extensively distributed plywood brands in India, we see considerable rural headroom.

A reinventing Greenply will increasingly graduate from the sale of products to the delivery of solutions. The objective will not be as much 'This is what I have to sell to you' as much as 'What

do you need that I could possibly develop for you?' This customer-first approach is expected to help seed new opportunities better, widen our portfolio, spread our risks across a larger number of products and strengthen our recall as a trusted one-stop shop for everything plywood.

A reinventing Greenply will enhance brand visibility through the use of diverse media. It will enhance its appeal across younger consumers; it will position itself around a consumer's peace of mind; it will reinforce its recall around solutions; it will deepen its brand around a wide product portfolio addressing every consumer's needs; it will reach its message across a wider share of the country's population.

A reinventing Greenply will protect its knowledge capital. The Company will strengthen its culture of delegation and accountability. The Company will enhance ownership not just in an emotional way but also through ESOPs, strengthening its rewards and recognition framework.

A reinventing Greenply will protect its knowledge capital. The Company will strengthen its culture of delegation and accountability.

Outlook

At Greenply, we believe that our managerial breadth and depth will translate into a larger and longer staying capacity during the prevailing slowdown.

By the virtue of reinventing our organisation top-down,

we believe we are entering an exciting phase where we expect to increase our outperformance of the markets and our retrospective growth average.

Through enhanced resilience and agility, we are confident of being

among the last players standing through this crisis and among the first to rebound when the market normalises.

Rajesh Mittal,
Chairman cum Managing Director



Principally, Greenply is engaged in the process of reinventing itself. The Company is questioning every paradigm that it held dear across the years

Overview

Greenply ended FY2019-20 with 1.27% de-growth in revenues, 6% increase in EBITDA and 46.8% decline in profit after tax owing to write off for an exceptional item of ₹ 49.97 crore in FY2019-20. .

These numbers were creditable given the slowdown in the Indian economy, resistance by home and office owners to engage in fresh capital expenditure and a general

tendency to downtrade.

The outbreak of the Covid-19 pandemic towards the later part of the last quarter of FY2019-20 resulted in a shutdown of the Indian economy; the most productive phase of the last quarter coincided with a time when the Company reported virtually no offtake.

At Greenply, we perceive the unfolding reality as an opportunity for some good reasons.

One, the slowdown has provided an otherwise growth-driven Company like ours the opportunity to re-orient strategically for the medium-term as opposed to chasing numbers for the next quarter.

Two, we believe that the lockdown-induced slowdown will translate into a sectorial shakeout

and industry consolidation where there is a possibility of the established brands getting larger.

Three, with restrictions on social engagement the offtake of plywood for home or office construction could be replaced by branded furniture, widening the role of the organised plywood sector.

Four, consumers may spend less during the course of the slowdown but when they eventually do there is every possibility that they will trust credible organised brands like Greenply.

Five, large and liquid plywood companies like Greenply possess the resources to invest

At Greenply, focus on the word 'profit' is being progressively replaced by 'cash flow', emphasising that liquidity will be our biggest buffer during the slowdown and after

continuously in the business, deepening their consumer engagement and strengthening their brand even as consumer sentiment remains depressed; when spending power returns, brands like Greenply could carve

away a disproportionately larger market share.

Six, the unorganised sector has suffered in the last few months with low access to organised bank capital in the absence of credible

documentation; these companies have also suffered labour attrition, which presents organised brands like Greenply with the opportunity to capitalise through adequate liquidity and automation.

Looking within

However, even as a Company like Greenply is attractively placed to capitalise on the slowdown, it will need to look within, raise its game and emerge stronger.

Principally, Greenply is engaged in the process of reinventing itself. The Company is questioning every paradigm that it held dear across the years. This is translating into a deeper cost scrutiny, process audit and investment appraisal.

At Greenply, there was always a fine understanding of time and resource spending effectiveness; this payback understanding has been sharpened in the last few months. The understanding of costs from a conventional financial perspective has been extended

to additional parameters like 'time taken' and 'missed opportunity'.

At Greenply, there is now a deeper focus on Return on Capital Employed not just at the corporate level but across every function, which is making us leaner and more productive.

At Greenply, focus on the word 'profit' is being progressively replaced by 'cash flow', emphasising that liquidity will be our biggest buffer during the slowdown and after.

At Greenply, there is a deeper focus on extending the efficiency frontier across all interventions, strengthening our organisational outperformance.

At Greenply, there is a greater focus on digitalisation that does not just enhance operational seamlessness but also the consumer experience.

At Greenply, we will move increasingly towards an asset-light approach where we outsource the manufacture of select plywood varieties and focus deeper on marketing and branding instead.

We believe that the complement of these initiatives will deepen our trust across our stakeholder ecosystem, strengthening business sustainability.

Manoj Tulsian
Joint Managing Director and CEO