

July 22, 2022

Greenpanel Industries Limited: Change in Limits

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based – Working capital facilities	100.00	100.00	[ICRA]A (Positive); Outstanding
Fund based – Term loan	140.00	80.00	[ICRA]A (Positive); Outstanding
Non-fund based facilities	100.00	100.00	[ICRA]A1; Outstanding
Unallocated limits	-	60.00	[ICRA]A (Positive); Outstanding
Total	340.00	340.00	

*Instrument details are provided in Annexure I

Rationale

The ratings outstanding factor in the favourable domestic demand for medium density fibreboard (MDF), supported by growth in readymade furniture, increased spend on interior works in residential dwelling units and import substitution. Consequently, Greenpanel Industries Limited's (GIL) consolidated operating revenue witnessed a 59% year-on-year (YoY) increase to Rs. 1625.0 crore in FY2022. The operating margins improved to 26.7% in FY2022 (PY:20.3%) backed by an increase in net sales realisation of MDF as well as plyboard and better absorption of fixed costs. The company's total debt declined to Rs. 315.6 crore as on March 31, 2022 (from Rs. 483.7 crore as on March 31, 2021). As a result, the leverage and coverage indicators witnessed significant improvement.

The Positive outlook factors in the expected improvement in GIL's financial risk profile, driven by healthy growth in its revenue in the near to medium term. Further, its ROCE is estimated to improve to above 20% levels in FY2023 and the debt coverage metrics are likely to improve, supported by healthy operating margins. The ratings favourably consider the company's strong operational profile, characterised by its dominant position in the domestic MDF industry with an established brand, along with a wide distribution network and extensive experience of the promoters in the wood-based interior infrastructure and decorative segment.

The ratings, however, remain constrained by the likely pressure on MDF prices due to increasing competition in the industry, given the upcoming planned capex and threat of imports in the medium term, vulnerability of demand to real estate cycles and exposure to forex risks. Further, any significant debt-funded capex adversely impacting the leverage, coverage metrics and liquidity would be a key rating sensitivity.

Please refer to the following link for the previous detailed rationale that captures key rating drivers and their description, the liquidity position and rating sensitivities: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	The ratings are based on the consolidated financials, which include subsidiaries as per Annexure II

About the company

Greenpanel Industries Limited (GIL) was incorporated in December 2017 and remained dormant till the demerger of the MDF segment and a part of the plywood segment of Greenply Industries Limited into GIL. The de-merger was effective from July 1, 2019. The company manufactures wood-based panel products, which include plywood, MDF boards and allied products. It has two manufacturing facilities located in Pantnagar, Uttarakhand and Chittoor, Andhra Pradesh with a total capacity of 6,60,000 cubic metre (CBM) for MDF and 10.5 million square metres for plywood. The products manufactured by GIL are sold under the brand name, Greenpanel.

Key financial indicators (audited)

GIL	FY2021	FY2022
Operating income (Rs. crore)	1020.8	1625.0
PAT (Rs. crore)	68.8	240.5
OPBDIT/OI (%)	20.3%	26.7%
PAT/OI (%)	6.7%	14.8%
Total outside liabilities/Tangible net worth (times)	1.0	0.6
Total debt/OPBDIT (times)	2.3	0.7
Interest coverage (times)	5.6	25.3

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

Source: Annual Report and Company, ICRA Research ;

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current Rating (FY2023)				Chronology of Rating History for the Past 3 Years				
	Type	Amount Rated (Rs. crore)	Amount Outstanding as on March 31, 2022 (Rs. crore)	Date & Rating in	Date & Rating in FY2022		Date & Rating in FY2021		Date & Rating in FY2020
					July 22, 2022	Jan 07, 2022	Dec 10, 2021	Mar 03, 2021	Feb 22, 2021
1 Cash credit	Long-term	100.00	-	[ICRA]A (Positive)	[ICRA]A (Positive)	[ICRA]A (Positive)	[ICRA]A (Stable)	[ICRA]A- (Stable)	-
2 Term loan	Long-term	80.00	29.5	[ICRA]A (Positive)	[ICRA]A (Positive)	[ICRA]A (Positive)	[ICRA]A- (Stable)	-	-
3 Non-fund based limits	Short term	100.00	-	[ICRA]A1	[ICRA]A1	[ICRA]A1	[ICRA]A2+	-	-
4 Unallocated limits	Long term	60.00	-	[ICRA]A (Positive)	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund-based – Working capital facilities	Simple
Fund-based – Term loan	Simple
Non-fund based facilities	Very Simple
Unallocated limits	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: www.icra.in

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
-	Term loan – 1	FY2020	-	FY2025	80	[ICRA]A (Positive)
-	Cash credit	-	-	-	100	[ICRA]A (Positive)
-	Non-fund based facilities	-	-	-	100	[ICRA]A1
-	Unallocated limits	-	-	-	60	[ICRA]A (Positive)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis – Not Applicable

Company Name	Ownership	Consolidation Approach
Greenpanel Singapore Pte. Limited	100.00%	Full Consolidation

Source: Company

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