

February 12, 2025

Greenlam Limited: Ratings reaffirmed

Summary of rating action

| Instrument* | Previous rated amount (Rs. crore) | Current rated amount (Rs. crore) | Rating action |
|---------------------------------------|--------------------------------------|-------------------------------------|----------------------------------|
| Long-term – Fund-based/Non-fund based | 270.0 | 270.0 | [ICRA]AA- (Negative); reaffirmed |
| Long-term- Cash credit | 160.0 | 160.0 | [ICRA]AA- (Negative); reaffirmed |
| Short-term – Interchangeable | (160.0) | (160.0) | [ICRA]A1+; reaffirmed |
| Total | 430.0 | 430.0 | |

*Instrument details are provided in Annexure I

Rationale

While assigning the ratings, ICRA has taken a consolidated view of Greenlam Industries Limited (GRLM) and its wholly-owned subsidiary Greenlam Limited (GL), given the strong business, managerial and financial linkages, and they are collectively referred as GRLM.

The rating reaffirmation reflects GRLM's established position in the laminates industry, aided by a strong brand and wide distribution network. The ratings favourably factor in the healthy capacity utilisation in the laminate division, backed by healthy demand from both domestic and export markets. Its credit profile is supported by the promoter's extensive experience and GRLM's established presence in the domestic and export markets. GRLM forayed into West India by acquiring a laminates unit and then executing greenfield projects in two states, thereby extending its geographical presence into five states from two in FY2021. With a total installed laminates capacity of 24.5 million sheets per annum, GRLM is one of the largest laminates manufacturing companies in the country and India's largest exporter of laminates for the past 14 years. The operating income (OI) is likely to rise by 11-13% in FY2025, primarily led by volumetric growth, supported by improved product and geographical diversification. The OI is expected to increase by 18-20% in FY2026, backed by the revenue contribution from the expanded facilities in laminates, plywood and recent commencement of chipboard plant, while the operating margins are projected to be in the range of 11.0-11.5%.

The ratings, however, are constrained by GRLM's exposure to the inherent project implementation risks related to ramp-up and stabilisation of the new plants. GRLM is also exposed to intense competition from large organised and numerous small unorganised players in the decorative laminates market, which restricts pricing flexibility. With high proportion of imports and irregular capacity addition by other leading wood panel players in India, GRLM faces offtake risks for its chipboard plant. Nonetheless, growing penetration of merchandised furniture industry (modular kitchen units, wardrobes, etc), rising demand for chipboard being a cheaper alternative and the strong distribution network, brand reputation could mitigate the risk to an extent. GRLM's operations are working capital intensive, with sizeable funds blocked in inventory due to elongated lead time, which is partially funded by extended credit period from suppliers, thereby supporting its cash conversion cycle. While the company has prudent hedging policy for its imported raw material to mitigate the impact of forex volatility in its core operations, its forex exposure towards borrowings for the recently concluded capex remains unhedged and could have a bearing on its overall profitability. The company has taken various measures to turnaround its engineering door and flooring segments, which has been incurring losses in the past and affected the overall return metrics. ICRA takes note of the management guidance to achieve breakeven in these divisions in FY2026, which if materialises, should positively aid return metrics.

The continuation of Negative outlook reflects ICRA's expectation that the credit metrics are expected to remain under pressure in the near term, owing to the higher-than-expected debt-funded capex to fund the cost overrun, along with delay in ramp-up of new capacities. The cost overruns were due to an increase in equipment cost, setting up basic infrastructure with a provision for future expansion and partly towards installation of enhanced capacity. The leverage as reflected by total debt to OBIDTA is estimated to peak at 4.2 times by March 2025 (from 3.7 times as on March 31, 2024, and 2.7 times as on March 31, 2023). ICRA notes the commencement of production of the chipboard plant from January 23, 2025. Timely ramp-up of the recently commissioned facilities, would remain a key rating monitorable.

Key rating drivers and their description

Credit strengths

Established presence in domestic and export markets for laminated segment, supported by strong brand presence and distribution network – GRLM is one of the leading manufacturers and exporters of decorative laminates. It has an established position in the laminates industry, supported by a strong brand and a wide distribution network with 5 manufacturing facilities, 17 company-owned regional distribution centres and warehouses, 21 branch offices, and over 30,000 distributors, dealers, sub-dealers, and retailers across the country. This apart, it has 16 subsidiary companies involved in exploring market opportunities for laminates in South-east Asia, USA, Europe, UK and other parts of the world. Globally, GRLM has presence in over 120 countries through 4 company-operated international distribution centres, 21 international offices. With total installed laminates capacity of 24.5 million sheets per annum, GRLM is one of the largest laminate manufacturing companies in the country and India's largest exporter of laminates for the past 14 years.

Healthy growth in scale of operations expected to continue in medium term – GRLM has increased its laminates capacity by around 28% to 24.5 million sheets per annum as of date, from 19.1 million sheet per annum as on September 30, 2022. Further, a new plywood plant with an installed capacity of 18.9 million sqm was commissioned at Tamil Nadu (in June 2023), and the chipboard facility of 2,92,380 CBM capacity commenced production from January 23, 2025, improving GRLM's product diversification. On a consolidated basis, it reported 14% year-on-year (YoY) growth in operating revenue to Rs. 2,306 crore in FY2024 from Rs. 2,026 crore in FY2023. Further, it reported an OI of Rs. 1,888 crore in 9M FY2025, supported by healthy demand and increased realisation across product segments. GRLM's operating margins improved to 12.9% in FY2024, against 11.5% in FY2023 and 11.0% in FY2022. Going forward, its OI is likely to rise by 11-13% in FY2025, primarily led by volumetric growth, driven by improved product and geographical diversification. However, its margins are expected to slightly moderate in FY2025 due to the ramp-up phase of the recently commissioned capacities (OPM of 11.1% in 9M FY2025). The OI is expected to increase by 18-20% in FY2026, backed by the revenue contribution from the expanded facilities in laminates, plywood and recent commencement of chipboard plant, while the operating margins are projected to be in the range of 11.0-11.5%.

Healthy demand prospects likely to support medium-term growth – The capacity utilisation of the laminate division which accounts for ~90% of the total revenues, has remained healthy, backed by healthy demand from both domestic and export markets. The improved demand from the real estate industry is likely to support the demand for wood panel products in the medium term.

Credit challenges

Ramp up of recently commissioned facilities and moderate debt protection metrics – GRLM has recently commenced production for its chipboard facility of 2,92,380 CBM capacity from January 23, 2025. Further, the laminate projects in Prantij, Gujarat (COD: May 2023), plywood project in Tindivanam, Tamil Nadu (COD: June 2023) and the laminate project in Andhra Pradesh (COD: September 2023) have started over the last two years. With high proportion of imports and irregular capacity addition by other leading wood panel players in India, GRLM faces offtake risks for its recently completed chipboard plant. Nonetheless, growing penetration of merchandised furniture industry (modular kitchen units, wardrobes, etc), rising demand for chipboard being a cheaper alternative and the strong distribution network, brand reputation could mitigate the risk to an extent. Timely ramp-up of the recently commissioned facilities would remain a key rating monitorable.

The company's credit metrics are expected to remain under pressure in the near term, owing to higher-than-expected debt-funded capex to fund cost overrun, along with delay in ramp-up of new capacities. The cost overruns were due to an increase in equipment cost, setting up basic infrastructure with a provision for future expansion and partly towards installation of enhanced capacity. The leverage as reflected by total debt to OBIDTA is estimated to peak at 4.2 times by March 2025 (from 3.7 times as on March 31, 2024, and 2.7 times as on March 31, 2023). Consequently, the debt coverage metrics are expected to remain moderate. However, ICRA expects improvement in the projected debt protection metrics in the medium term, supported by ramp of the recently commissioned facilities.

Vulnerability of earnings to fluctuations in raw material prices and exchange rates; intense competition in decorative laminates business – GRLM's operating margins are exposed to volatility in prices of key raw materials such as paper and chemicals viz., melamine, methanol and phenol, which are crude oil/gas derivatives and fluctuations in exchange rates, given a sizeable import of raw materials and export of its products. Nonetheless, the raw material prices have largely stabilised during the recent quarters. GRLM's operations are working capital intensive, with sizeable funds blocked in inventory due to an elongated lead time, which is partially funded by an extended credit period from suppliers, thereby supporting the cash conversion cycle. While the company has prudent hedging policy for its imported raw material to mitigate the impact of forex volatility in its core operations, its forex exposure towards borrowings for the recently concluded capex remains unhedged and could have a bearing on the overall profitability. GRLM is also exposed to intense competition from large organised and numerous small unorganised players in the decorative laminates market, which restricts its pricing flexibility.

Environmental and social risks

Manufacturing of laminates requires a substantial use of paper and chemicals such as melamine and phenolic resins. The process involves toxic emissions from phenolic resins during the laminating process. GRLM is already complying with the relevant pollution control norms. However, further increasing regulatory requirements to reduce greenhouse gas emissions and stricter air pollution standards may lead to higher costs for GRLM. The profitability and cash flows could be under pressure if it is not able to fully pass on the higher compliance costs to the customers. The social risks relate to the safety of employees involved in the manufacturing and transportation of laminates and wood panel products. GRLM has made investments in mechanisation to enhance physical safety.

Liquidity position: Adequate

GRLM's liquidity is adequate with cash and liquid investments of Rs. 90.7 crore as of December 2024. The company had a balance cost (including capex creditors and retention money) of around Rs. 140 crore as on January 23, 2025 which will be funded through undrawn limits of ~Rs. 40 crore, and the remaining through internal accruals. There are no other major capex plans in the medium term. It has debt repayment obligation (excluding lease liabilities) of Rs. 110 crore in FY2026, which can be adequately met through its estimated cash flow from operations.

Rating sensitivities

Positive factors – The outlook could be revised to Stable upon demonstration of a material improvement in earnings leading to healthy improvement in debt protection metrics with ramp-up of the recently commissioned facilities.

Negative factors – Pressure on GRLM's ratings could arise in case of a material decline in revenues and earnings or if there is a deterioration in the working capital cycle on a sustained basis. Any significant delay in ramp up of the recently completed capex or inability to improve the debt protection metrics could also impact the ratings.

Analytical approach

| Analytical approach | Comments |
|---------------------------------|---|
| Applicable rating methodologies | Corporate Credit Rating Methodology |
| Parent/Group support | Not applicable |
| Consolidation/Standalone | For arriving at the ratings of GRLM, ICRA has considered the consolidated financials of Greenlam Industries Limited. List of entities forming part of GRLM's consolidated financials are enlisted in Annexure-II. |

About the company

Greenlam Limited, incorporated in October 2019, is wholly owned subsidiary of GRLM. It recently commenced the production for its chipboard facility at Naidupeta, Andhra Pradesh from January 23, 2025, with an annual production capacity of 2,92,380 cubic meters per annum. It has also commenced operations of its laminate plant of 3.5 million sheets capacity (COD: Sept 29, 2023) in Naidupeta, Andhra Pradesh.

About the parent

GRLM was incorporated in 2013 and is one of the largest laminate manufacturing companies in the country with an installed capacity of 24.52 million sheets per annum. It markets the laminates products under the flagship brand name of Greenlam Laminates. The company exports its decorative laminates to various countries and is one of the largest exporters of laminates from India. It is also involved in the business segments of decorative veneers, pre-lam chipboards, engineered doors and engineered wood flooring. The company's veneer segment has an installed capacity of 4.2 million sq. mt. and is marketed under the brand Decowood. Further, the engineering doors and engineered wood flooring are sold under the brand name, Mikasa. It has eight foreign subsidiaries, which are primarily involved in the marketing and sales of GRLM's laminates, which helped the company establish its presence in over 120 countries. GRLM commenced operations of its plywood plant at Tindivanam, Tamil Nadu effective June 09, 2023, and expanded its laminate capacity at Naidupeta, Andhra Pradesh in September 2023 (under GL) and at Prantij, Gujarat in May 2023. Also, GRLM recently commenced the production for its chipboard facility at Naidupeta, Andhra Pradesh (under GL) from January 23, 2025, with an annual production capacity of 2,92,380 cubic meters per annum.

Key financial indicators (audited)

| Consolidated | FY2023 | FY2024 | 9M FY2025* |
|--|--------|--------|------------|
| Operating income | 2026.0 | 2306.3 | 1887.6 |
| PAT | 128.5 | 138.0 | 66.9 |
| OPBDIT/OI | 11.5% | 12.9% | 11.1% |
| PAT/OI | 6.3% | 6.0% | 3.5% |
| Total outside liabilities/Tangible net worth (times) | 1.1 | 1.5 | - |
| Total debt/OPBDIT (times) | 2.7 | 3.7 | - |
| Interest coverage (times) | 9.9 | 6.7 | 4.6 |

Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

| Instrument | Current (FY2025) | | | Chronology of rating history for the past 3 years | | | | | |
|--|------------------|-------------------------|---------------------|---|---------------------|-------------|-------------------|--------|--------|
| | FY2025 | | | FY2024 | | FY2023 | | FY2022 | |
| | Type | Amount Rated (Rs Crore) | Feb 12, 2025 | Date | Rating | Date | Rating | Date | Rating |
| Long term-others-fund based/non fund based | Long Term | 270.00 | [ICRA]AA-(Negative) | 18-DEC-2023 | [ICRA]AA-(Negative) | 29-DEC-2022 | [ICRA]AA-(Stable) | - | - |
| Long term-cash credit-fund based | Long Term | 160.00 | [ICRA]AA-(Negative) | 18-DEC-2023 | [ICRA]AA-(Negative) | - | - | - | - |
| Short term-others-interchangeable | Short Term | (160.00) | [ICRA]A1+ | 18-DEC-2023 | [ICRA]A1+ | - | - | - | - |

Complexity level of the rated instruments

| Instrument | Complexity Indicator |
|--|----------------------|
| Long term - Fund-based/ Non-fund based | Simple |
| Long term – Cash credit | Simple |
| Short term - Interchangeable | Very Simple |

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 rather 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: [Click here](#)

Annexure I: Instrument details

| ISIN | Instrument Name | Date of Issuance | Coupon Rate | Maturity | Amount Rated (Rs. crore) | Current Rating and Outlook |
|------|---------------------------|------------------|-------------|----------|--------------------------|----------------------------|
| - | Fund-based/Non-fund based | NA | NA | NA | 270.00 | [ICRA]AA- (Negative) |
| - | Cash credit | NA | NA | NA | 160.00 | [ICRA]AA- (Negative) |
| - | Interchangeable | NA | NA | NA | (160.00) | [ICRA]A1+ |

Source: Company

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

Annexure II: List of entities considered for consolidated analysis

| Company Name | Ownership | Consolidation Approach |
|--|-----------|------------------------|
| Greenlam Limited | 100% | Full Consolidation |
| Greenlam Asia Pacific Pte. Ltd. | 100% | Full Consolidation |
| Greenlam America Inc. | 100% | Full Consolidation |
| Greenlam Europe (UK) Ltd. | 100% | Full Consolidation |
| Greenlam Decolan SA | 100% | Full Consolidation |
| Greenlam Asia Pacific (Thailand) Co Ltd | 97.5% | Full Consolidation |
| Greenlam Holding Co. Ltd | 99% | Full Consolidation |
| Pt. Greenlam Asia Pacific | 99% | Full Consolidation |
| Pt. Greenlam Indo Pacific | 67% | Full Consolidation |
| Greenlam Rus LLC | 100% | Full Consolidation |
| Greenlam Poland Sp. z.o.o. | 100% | Full Consolidation |
| Greenlam Industries SDN. BHD (Malaysia) | 100% | Full Consolidation |
| Greenlam Overseas Bengal Limited (Bangladesh) | 99.96% | Full Consolidation |
| GRLAM Trading (Egypt) | 100% | Full Consolidation |
| Greenlam Industries, Sociedad Limitada (Spain) | 100% | Full Consolidation |
| Greenlam GmbH (Germany) | 100% | Full Consolidation |

Source: Company, ICRA Research

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