



Making a mark

*Saurabh:
growing wisely*

Laminate major Greenlam Industries firms up its position in allied products

There has been a revolution in the laminate industry in the country in terms of aesthetics, durability, sizes and affordability. Laminates give holistic decorative surface solutions and are used not only for kitchen cabinets but also in bedrooms, to give a fresh look and make them easy to clean. They have also been commonly used in offices and commercial establishments. They have lapped up a big market share in the burgeoning housing and infrastructure market over the last two decades, witnessing significant growth. And, Greenlam Industries Limited, a publicly traded company based in Delhi, is in the forefront of this change.

The country has three reputed players in the laminate business: Greenlam, Merino and Centuryply. And, all of them have their roots back in Assam. The first mover was Merino Industries way back in the 1970s, and it had been ruling the market till 2010. Greenlam forayed into the sector in 1994, followed by Centuryply 10 years later. The entry of Greenlam changed the outlook of the market. "Our flagship laminate

brand Greenlam is now everywhere – in all public buildings and most modern apartments in the country," says Saurabh Mittal, managing director & CEO, Greenlam. The company has outperformed Merino and became the market leader in 2011. It continues to retain the top position with above 17 per cent share in the ₹4,500-crore laminate market. Its catalogue now offers 2,500 decors in over 50 textures from a thickness of 0.5 mm to 1.5 mm. Centuryply is considered the third largest player in the segment.

Besides laminates, Greenlam is also the largest manufacturer of decorative veneer in the country since 2002. The company has a total production capacity of 12.02 million laminate sheets and 4.20 million sq m of veneer per annum. Laminates and veneer are decorative surface materials, used on top of substrata like plywood or particle board, as a surface cover. While laminates are engineered materials made from special paper and chemicals, the veneer is a thin layer of wood put through layers of chemical and heating processes to make it suitable for surface

decoration. The overall market growth in decorative surfaces is merely 5-6 per cent due to the slowdown in the housing sector, but Greenlam is growing at 11 per cent year on year.

Greenlam also offers allied products, such as compact laminates, melamine-faced chipboards, engineered wood flooring and engineered doors. The company operates in two business verticals, decorative laminates and allied products and decorative veneer and allied products. Some 85 per cent of its current gross revenue of ₹1,070 crore comes from laminate and allied business. Currently, its brands are Greenlam for laminates, Decowood for premier veneers and Mikasa for doors and floors.

Two years back, the Mittal-owned Greenply group in a quiet split separated its decoratives division into a new company – Greenlam Industries. Under the terms of the amicable split, Greenply retained the plywood and MDF business, while the new company Greenlam got laminates (retaining the Greenlam brand), decorative and allied business based in Delhi.

Greenply, which is among the top two plywood companies in India (turnover ₹1,650 crore, is under the

leadership of founder S.P. Mittal, his younger brother Rajesh and younger son Shobhan. The new company Greenlam is independently run by Saurabh, the elder son of S.P. Mittal, who has 15 years' experience in the laminate industry. S.P. Mittal is on the board of Greenlam as the non-executive chairman. The company employs over 2500 people.

Mittal is of the opinion that separation at the right time is healthy for every business family. "When a sapling grows, it should be taken out of the nursery and planted separately to allow its growth," he says. "Saurabh is sincere and hard working and has proved his ability to grow in the business." The family have been talking about a separation for the last few years. It is well-planned and executed nicely without creating any ill effect on the company, says an industrialist based in Kolkata.

As per the terms of the demerger, every shareholder of Greenply got one equity share of Greenlam. Post split, a debt of ₹249 crore was reflected in Greenlam's books. The demerger was approved by the board in 2013. Court approval came in October 2014, and came into effect in November 2014, with Greenlam Industries, till then on SBU of Greenply, finally making its debut on the bourses on 2 March 2015. The promoter holds above 55 per cent of the company.

It was a challenge for Saurabh to leave the group's umbrella and grow the new company. "Nobody would like to leave the safe environs of the group, but somebody has to take the initiative and, being the eldest of the

second generation in the family, I took the lead and my father agreed to it," recalls 40-year-old Saurabh. However, with his deep knowledge of the industry, he has taken Greenlam to a different league. He has expanded the capacity, ventured into new allied businesses, improved financial health and focussed on exports. Today, about 45 per cent of the company's revenue comes from exports. "Our people are now more growth-oriented than ever before," adds Saurabh. He wants to have sustainable growth to create shareholders' value.

Adhering to the company's core values of 'trust, performance, learning, speed and team work', Saurabh gives full autonomy to his team, but can catch a waffle immediately. "Demerger has brought a lot more focus on the business, which is now driven by operational excellence under the new management," says Ashok Sharma, chief financial officer, Greenlam. Post demerger, the company has invested ₹245 crore in the new allied business, besides capacity enhancement, maintenance and replacement of old equipment.

"The group has demonstrated good performance and healthy corporate governance," says Nehal Shah, VP, research, mid-caps, ICICI Securities. "And the investment community is now showing positive interest on them."

New product development

Greenlam has two manufacturing facilities – Behror in Alwar district of Rajasthan and Nalagarh in Solan district of Himachal Pradesh. Both plants have capacity utilisation of over 110 per cent. The company always stays current with technology and all products going through stringent quality check. The Nalagarh plant, the pride of the company, with a capacity of 6.68 million laminate sheets per annum. This modern plant is spread over 15 acres, with state-of-the-art automatic production facility, got excise duty exemption by the state government. "We are one of the few manufacturers to have large high-speed impregnation line with German technology, which also reduces wastages," claims Manoj

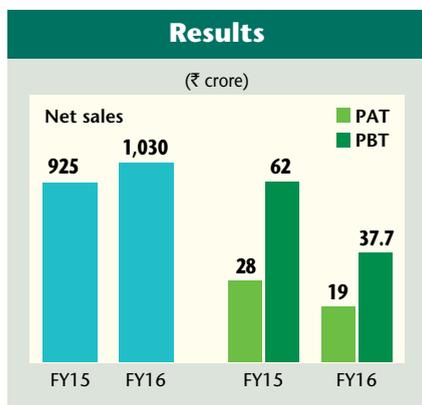


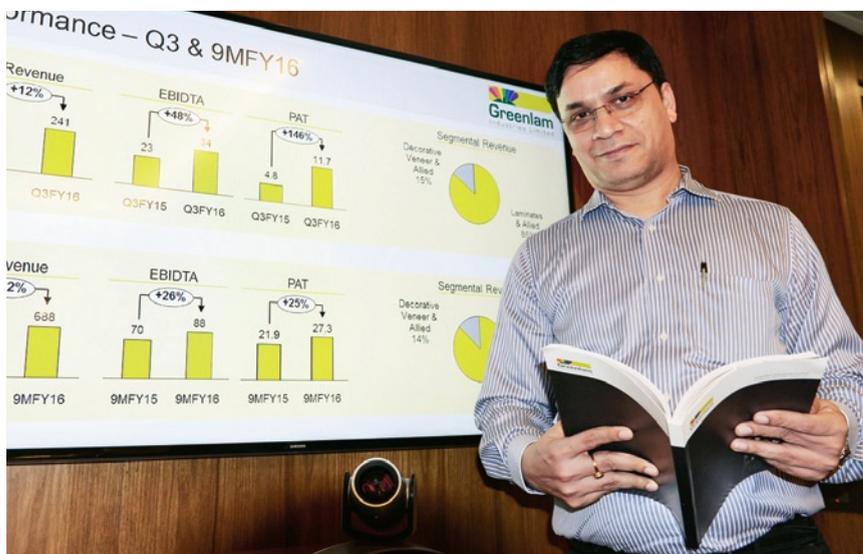
Mittal: engineering an amicable split

Sharma, assistant vice-president, commercial, at the plant.

The plant also has a high-pressure laminate press. The unit also make compact laminate boards, made with decorative surface papers on both sides, and are used for partition, rest room cubicles and facade cladding. The 23-acre Behror is the oldest plant of the company and close to Delhi. It produces 5.34 million sheets of laminates and the entire decorative veneer range of the company, including allied products. The company's design, quality, systems and environmental commitment have been awarded the ISO 9001, ISO 14001, OHSAS 18001, GREENLABEL and GREENGUARD certifications. It also meets rigid international quality standards like NEMA of the US and BS of the UK, accordingly.

"In our business space, new product development is more to do with the design and changing décor trend. We keep a close track on the predictable trend in interiors through market research, with designers and architects across the globe. The international exhibitions and furniture fairs give a broad perspective to the forecast design and colour trend," says Parul Mittal, director on the board and Saurabh's wife, who heads marketing and design. The company has introduced HD veneers for the first





Sharma: managing the debt well

time in the industry. The collection has been developed through a special mechanised machine, which has been developed specially to bring in a deep wood texture on a wood surface.

“Greenlam is a healthy competitor, they have made wonderful progress under the leadership of Saurabh Mittal. He worked hard to grow the business. Greenlam today visible on the global market,” says Centuryply managing director Sanjay Agarwal. Centuryply produces 4.8 million laminate sheets.

While the industry struggled with slow growth, Greenlam not only expanded its laminate capacity, it has also entered into new allied products. In September last year, the Nalagarh unit added 2 million sheets capacity with a capex of ₹20 crore to cater to domestic and export demand. In the allied products the company has set up a 2-million-sq-m melamine-faced chip (MFC) board for ₹25 crore. MFC is an engineered particle wood product, used in organised carpentry, primarily by OEMs like modular furniture and modular kitchen manufacturers since 2014. The same year, the company had commissioned an engineered wood-flooring unit capacity to produce 1 million sq m, at an investment of ₹100 crore, which it markets under the Mikasa brand. It is made from real wood. This was followed by a unit for factory-finished doors and frames last year, having an installed

capacity of 120,000 doors per annum, at an investment of ₹30 crore under the same brand.

All the new business units are in Behror. “We have bought 33,000 sq m adjacent to the existing factory at Behror to accommodate these new businesses,” says B.L. Sharma, president, manufacturing. Greenlam is the first company in the country to enter into manufacturing and marketing of engineered wood flooring. Earlier, the demand was met through imports. The state-of-the-art automated, dust-free plant use imported raw material for production. This is patented, glue-less, click-lock technology, which is easy to install through a trained person from the company and offers a 30-year warranty. The launching of a custom-made, ready-to-fit door is a first in the industry.

Growth strategy

Engineered flooring and doors both have 20 per cent growth in the country. “Entering into new products is our strategy for future growth and we offer a one-stop solution for customers. There is a huge opportunity to explore. This will also help us to balance the business during any downturn in the decorative surface business,” says Saurabh.

All these efforts have not gone unnoticed. The market has been looking at the company positively.

In one year, between June 2015 and May 2016, the stock price has moved from ₹415 to ₹639. It currently hovers at ₹626 on NSE.

Greenlam has reported net consolidated annual sales of ₹1,029 crore in March 2016 – an increase of 11 per cent over the previous year’s figure of ₹925 crore. The net profit has risen to ₹37.7 crore in 2015-16, as against ₹19 crore in 2014-15. “Despite there being a capex for expansion in the last three years, we have managed to keep our debt in control. Our current net debt stands at ₹365 crore. We expect to bring down the debt considerably in 2016-17,” says Ashok Sharma. The debt-equity ratio of the company is 1.47 as on March 2016. “The company’s strategy to get into new business is a good move,” says Shah. “The share price movement of the company is encouraging. We recommend long term BUY.

Also, the research report of JM Financial International Securities suggests that Greenlam is structurally well placed to deliver strong growth. Backed by an established distribution network and brand value in the laminate industry, they should be able to capture more market share from the unorganised players, who constitute about 35 per cent of the industry.

“Saurabh now has his plate full, with a diverse product portfolio. His task now is to make them competitive to reap the benefit before moving on to other business ventures,” advises S.P. Mittal.

Greenlam has built a display centre inside the Behror plant for learning and selections. “This is a unique concept to showcase our product range for our customers and architects in a cosy atmosphere – this is



the first time anyone has done it in the industry,” claims B.L. Sharma. The 5,000 sq m Modera Hub is a three-storied, centrally air-conditioned building, which has come up at a cost of ₹12 crore.

Greenlam also has the largest sales and distribution network globally of any Indian company in the segment. It has created six subsidiaries engaged in marketing and distributing the Greenlam brand over 100 countries like Europe, North America, West Asia, Asia Pacific and Russia.

“We are the largest Indian exporters,” says Vaibhav Sharma, chief operating officer, America & Europe. “Selling through the oem route is easy, as many players prefer but it does not give an opportunity to create a brand. Our model of doing business overseas is to create our brand in the international market. Initially it is tough but in the long term it is rewarding.” Greenlam’s stock across the world can offer service faster than the other regional players. The company does not even have any plan to set up manufacturing facilities overseas. “Our model is working out well,” explains Vaibhav. Exports constitute about ₹452 crore and are growing at 5 per cent.

Deep network

“Greenlam is a good company and commands a good market share in India and overseas,” says Prakash Lohia, managing director, Marino Industries. “We maintain mutual respect with each other.” This industry has space for everybody to perform, he adds.

The company has 13,000-plus distributors, dealers and retailers of whom 500 are global. It has added



Parul: keeping close track on market trend

1,000 more in the last one year. Dealers and stockists are serviced through its national network of 44 offices. Greenlam has been extending this network deeper into Tier II and Tier III cities, to reach its products to consumers. The company has a strong presence in North and South India, followed by other regions of the country. “Today, the decorative world has become a cosmetic product; accordingly, we have changed our portfolio. Greenlam enjoys a strong brand value. We are the trendsetters to introduce new products in the market,” says Alex Joseph, vice-president, marketing, Greenlam. The aspiration level of customers has gone up with global exposure which has changed the market dynamics. “We offer aesthetic and durable products at an affordable cost. In terms of range, we are much ahead of our competition,” adds Joseph. About two-thirds of the company’s product goes to the residential segment and the rest is commercial or institutional.

Ahuja & Co, one of the largest dealers for Greenlam laminates in Mumbai, has achieved a turnover of ₹30 crore this year. “We have been working with Greenlam for more than two decades,” says Sandeep Ahuja, its owner. “It has an excellent product range, is an innovative company and has the ability to introduce new products for all segments of customers. It is a trendsetter for the

new products. The company creates strong bonding with the dealers and fulfils its commitments.”

Greenlam was the first in the country to introduce the exclusive brand stores concept, built by the dealer with the help of the company. It offers customers a first-hand experience of interiors of their choice for homes and projects. The stores vary from 50 sq m to 150 sq m in area. “The Brand Shop provides the right comfortable environment for customers to explore the complete range of the product portfolio from the Greenlam bouquet. The stores are designed in the format of a gallery portraying the entire range of veneers, laminates, engineered flooring, engineered doors and a host of value-added products under one roof,” says Parul. The trained staff bring in expertise to help the customer find the right mix of colours, patterns and products for their interiors. There are 12 such stores, and Greenlam plans to open more such stores across India.

Greenlam has a mission – to grow 12-15 per cent CAGR in the next five years and achieve a turnover of ₹2,000 crore. Saurabh has taken the company forward. If the housing boom revives and there is tremendous scope for it to happen, Greenlam is now well placed to ride it as a winner.

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