



# RUSHIL

DECOR LIMITED

WE'LL MAKE IT

**RDL/051/2023-24**

**Date: 18.08.2023**

To,  
National Stock Exchange of India Ltd.  
Exchange Plaza,  
Bandra – Kurla Complex,  
Bandra (E), Mumbai – 400051  
NSE EQUITY SYMBOL: RUSHIL

To,  
BSE Limited  
Phiroze Jeejeebhoy Towers,  
Dalal Street,  
Mumbai – 400001  
BSE SCRIP CODE: 533470

**ISIN: INE573K01017**

**Subject: Transcript of the Earnings Conference Call on Unaudited Financial Results for the Quarter ended 30<sup>th</sup> June, 2023 and Other Matters**

Dear Sir/Madam,

With reference to our earlier intimation No. RDL/041/2023-24 dated August 07, 2023 and in terms of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith the transcript of the earnings conference call with Investors and Analysts held on Thursday, August 10, 2023 in respect of the Unaudited Financial Results for the Quarter ended 30<sup>th</sup> June, 2023.

The same will also be available on the website of the Company at [www.rushil.com](http://www.rushil.com).

This is for your information and record.

Thanking you,

Yours faithfully,

**For Rushil Decor Limited**

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**Hasmukh K. Modi**  
**Company Secretary**

**Encl.: a/a**



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**RUSHIL**  
DECOR LIMITED

“Rushil Decor Limited  
Q1 FY '24 Investor Conference Call”  
August 10, 2023



**MANAGEMENT:** **MR. RUSHIL THAKKAR – EXECUTIVE DIRECTOR –  
RUSHIL DECOR LIMITED**  
**MR. KEYUR GAJJAR – CHIEF EXECUTIVE OFFICER –  
RUSHIL DECOR LIMITED**  
**MR. HIREN PADHYA – CHIEF FINANCIAL OFFICER –  
RUSHIL DECOR LIMITED**

**MODERATOR:** **MR. KARAN BHATELIA – ASIAN MARKET SECURITIES**

**Moderator:** Ladies and gentlemen, good day and welcome to Rushil Decor 1Q-FY24 Investor Conference Call hosted by Asian Market Securities Limited. This conference call may contain forward looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. Actual results may differ from such expectations, projections etc. whether expressed or implied. Participants are requested to exercise caution while referring to such statements and remarks.

As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Karan Bhatelia from Asian Market Securities Limited. Thank you and over to you sir.

**Karan Bhatelia:** Thanks Zico. Hi all. A very good morning and welcome all to the Rushil Decor 1Q-FY24 Earnings Conference call hosted by Asian Market Securities. From the management side we have Mr. Rushil Thakkar, Executive Director, Mr. Keyur Gajjar, CEO and Mr. Hiren Padhya, CFO. I now hand over the call to Rushil Bhai for his opening remarks. Thank you and over to you.

**Rushil Thakkar:** Thank you Karan Bhai. Good afternoon ladies and gentlemen and welcome to Rushil Decor Limited Earnings Conference call for the first quarter ended 30<sup>th</sup> June, 2023. I would like to thank Asian Market Securities for arranging this call and all participants for taking time to join this call. Today I am joined by Mr. Keyur Gajjar, Chief Executive Officer and Mr. Hiren Padhya, Chief Financial Officer. We shared and uploaded the investors' presentation on the exchanges and hope you all have gone through the same.

Let me share with you some of the key highlights for the first quarter ended on 30<sup>th</sup> June, 2023, during which we witnessed the few notable changes in both our MDF and laminate business. This has helped us to expand our operating margin despite declining revenues and volumes. I am happy to share that during the quarter we have successfully completed our right issue by raising INR 107.49 Crores. The milestone is not only a testament to trust our stakeholders' faith in us but also a significant step towards shaping a stronger financial future. The right issue has empowered us to embark our journey of debt reduction which is indeed a pivotal turning point for Rushil Decor.

Our unwavering commitment to debt reduction has yielded substantial results. Since March 2020, we have delightedly worked towards reducing our debt burden, resulting in remarkable reductions in our net debt-to-equity ratio from 1.71 to impressive 0.65 as of 30<sup>th</sup> June, 2023. The achievement underscores our dedication to financial prudence and discipline. We remain steadfast in our pursuit of maintaining a robust balance sheet to support sustainable growth. In pursuit of operational excellence, we undertook a momentous task, migrating from the legacy of Tally system to SAP after relying on it for over three decades.

I am delighted to share that our SAP implementation has been a resounding success. This transition, which integrated seamlessly across our organization within the seven months, has

equipped us with enhanced tools and capabilities for efficient decision-making and streamlined operations. The transition was a testament to the dedication and expertise of our team and I would applaud them for their tireless efforts.

Coming to a few of the industry highlights, the wood panel industry is undergoing a transformative phase, with rapid growth in segments like MDF and laminate. Following a period of subdued demand, we are witnessing a resurgence in demand for wood panel products. This is particularly significant in the market dynamics driven by increased demand from residences and offices.

Notably, the Indian wood panel industry is now valued at approximately INR 430 billion in FY23. The domestic wood panel is projected to grow at a promising 7.2% CAGR from financial year 2023 to 2026. This growth trajectory is attributed to the revival in the end-user industries. The Indian real estate industry is set to witness a phenomenal growth projected at a CAGR of around 20% from CY21-2030, reaching USD1 trillion by 2030.

The growth bodes well for the industry as well, as increased real estate activities often translate to a higher demand for wood panel products. Additionally, the furniture market, valued at USD 23.3 billion in FY21, is anticipated to grow at a CAGR of 6% for FY21to27. In conclusion, I would like to extend my heartfelt gratitude to our dedicated team, our partners and our stakeholders for their unwavering support. The successful completion of the right issues and other prudent financial management have set the stage for a stronger Rushil Décor.

As we move forward, we are poised to capitalize on the promising industry trends and opportunities that lie ahead. We remain committed to our operational excellence, customer-centric innovation and sustainable growth. Together, we shall continue our journey of success and value creation. That is all from my side. I would like to hand over the call to our CFO, Mr. Hiren Padhya, who shall take you through the financial highlights. Thank you very much.

**Hiren Padhya:**

Good afternoon, everybody. Thank you, Mr. Rushil. I am pleased to provide you with an overview of our performance during the last quarter, that is, Q1 FY24. During this quarter, our company recorded operating revenues of INR192.8 crores, while the MDF business contributed INR146.7 crores. Showcasing its resilience, the laminate segment contributed INR41.5 crores, while the MDF business showed a slight decline from Q4 FY23. This was expected due to certain market dynamics on one side.

And secondly, as I think everybody knows that we have already implemented SAP during the last quarter and we have gone live from 1st April, 2023. So initial period of couple of days, the production as well as deliveries have been affected. That has also affected the overall volume in terms of sales. We are also confident that the normalcy will already be there during this current quarter. Despite these challenges, I am pleased to report that we have maintained a positive trajectory in terms of EBITDA. Our EBITDA for the Q1 FY24 stood at INR28.9 crores, which is reflecting a growth of 2.5% compared to the previous quarter.

This growth can be attributed to the rise of volumes for value-added products within the MDF segment, along with strategic reduction in the prices of key raw materials within the laminate

segment. Our net profit for Q1 FY24 was reported at INR12.2 crores, which is again a reflection of evolving market conditions and the steps we have taken to navigate through them. While this figure has decreased slightly compared to the previous quarter, we are focused on maintaining stability and exploring avenues for growth.

One of the positive highlights is the improvement of EBITDA. One of the reasons I can attribute is the value added products in terms of MDF. If you compare quantity-wise, Q1 FY23, last year same quarter it was 23%. This has gone to 27% last quarter and 35% during this quarter. If the same figures are compared in terms of value, the last year same quarter was 30% which has increased to 39% in Q4 FY23 and in the last quarter, that is Q1 FY24, it has reached to 45%.

Secondly, as you know that this has increased from 13.2% in Q4 FY'23 to 15% in Q1 FY'24. This underscores our dedication to managing cost and optimizing our operations. Additionally, our PAT margin stood at 6.32% in Q1 FY'24, which is indicating our ongoing efforts to strike a balance between profitability and growth. Looking ahead, we are mindful of the challenges posed by the current economic landscape. However, we are optimistic about our strategies to drive growth and enhance value for our stakeholders.

Our team is working diligently to identify opportunities, streamline our operations and ensure the long-term sustainability of our business. In conclusion, while our Q1 FY'24 financial results do reflect certain challenges, they also demonstrate our resilience, adaptability and commitment to creating value. We appreciate your continued support and look forward to navigating the path ahead with determination and focus. That is all from my side. I would like to now request the operator to open the floor for questions and answers.

**Moderator:** Thank you very much. We will now begin the question and answer session. Our first question is from the line of Rajesh Ravi from HDFC Securities. Please go ahead.

**Rajesh Ravi:** Hello. Good morning. Good afternoon, sir. My first question pertains to the MDF segment. I see sequentially the domestic volumes remain impacted. Could you discuss what is happening? Why volumes are under pressure? Is it just because of imports or are there any other factors? And sequentially, your realization in MDF has gone up. Is it predominantly to do with the change in the rise of high-value added products?

**Management:** Good afternoon, Rajesh. Yes, because in the first quarter, as you said, there were two major reasons. There were two reasons. One was the market was a bit slow and as in our opening speech, it was mentioned due to SAP implementation, there were certain issues. That's only the reason. Otherwise, now I think market is quite -- we expect that it will open up soon because festive season is approaching. And I think this is always like this, quarter one is always weak.

**Rajesh Ravi:** Sir, this SAP you said is for last past seven months, this integration has been going on. So, indeed, there would be an impact. But is it also because of the imports, a good amount of... Like I want to understand, is it the domestic market size which has seen a contraction year-on-year and that is why players are impacted or it is also because the imports which have risen in past six months, they have taken away the volume share from domestic players?

**Management:** No, I think, you know, if we talk about imports, we don't see much of increase in last quarter. I think, if I'm not mistaken, from Vietnam, it is around 40,000 CBM in first quarter, which is almost like 35, 40 is coming in even last-to-last quarter too. So, we don't see any much of a problem in that part. Quite stable and even now, I think in this quarter, we see a lot of demand coming up from OEM segments.

So, it's like there is some issue with some price of import or something. This is first part. Second part, as I said, first quarter, demand is quite slow, because you are always finishing your last quarter financial year and a lot of things. So, we feel that in this quarter, now market will improve in coming days. As such, we don't see any issues with the MDF demand.

**Rajesh Ravi:** So, for full year, what sort of numbers you are looking for the domestic volume – domestic volume growth? Why I am talking more on domestic volume?

**Management:** We are definitely trying to maintain our domestic volume. Maybe if I talk about right now, it's almost like we are targeting 35,000 to 40,000 CBM per quarter, that's our target for domestic.

**Rajesh Ravi:** Okay. So, why I was focusing on the domestic because what we understand is that domestic market is where the margins are much better whereas the export margins are in single digit or even low single digit. Is this understanding correct?

**Management:** Yes, your understanding is to the extent correct, but export margins is significantly improved in this quarter, I guess. Our export realization from last quarter, it was around 18,000 something, this quarter, it is around 19,200 something. I guess we have also started exporting value-added product. I would say almost like now we are 15% to 20% is now value-added product that we export.

**Rajesh Ravi:** Okay. Thanks, sir. Could you discuss on the margins which you make in exports and domestic, even a broad number would be helpful?

**Management:** See, margin in terms of you are saying MDF as a whole?

**Rajesh Ravi:** MDF, export and domestic what would be the margins?

**Management:** See, in terms of, as you rightly said, domestic margins are pretty well. And in terms of we have two plants where in the first plant in Chikmagalur, we have value-added products are more than 65%. The margins are pretty high. Comparatively, the AP plant has a little lower margin and export again, margins are low.

But then for the last one or two quarters, it has been improved. And we are also catering to a couple of other countries compared to the routine, the countries where we were exporting laminates also. But now we are focusing into European countries also. Even to some extent, Paris also.

So, considering that, the margins are low definitely in terms of export. But gradually, for the last quarter and I think way forward, the way we have planned, the margins will definitely improve. But I don't have exact figures in terms of margin in terms of percentage.

- Rajesh Ravi:** Sure. Thank you. I'll come back in queue.
- Moderator:** Okay. Thank you. Our next question is from the line of Kaustav Bubna from BMSPL Capital. Please go ahead.
- Kaustav Bubna:** Yes. Hi. I had a question on the MDF industry. So you're saying that Rushil expects demand of about, if you annualize the numbers it will be at 0.4 million cubic meters annually. I'm just trying to understand the figures I have is currently the total domestic supply is around -- from the organized players is about 2.1 million cubic meters annually, which is expected to go to 3 million in the next 1 and 1.5 years the supply number, cubic meters.
- So I'm trying to understand what is the demand number, what is the total domestic demand for MDF annually versus this 2.1 million cubic meters supply figure?
- Management:** So, first of all, I would like to mention that our production capacity altogether is 3.3 lakh per annum. And as you said, industry's production capacity is 2.3 million CBM per year. That's our MDF capacity in industry. More or less, if you see in first quarter, almost 75% to 80% or 70% to 80%, it was operated. So, we can assume this is the demand.
- Kaustav Bubna:** Okay. But this is -- but that operation, that number you've given would also include imports, right?
- Management:** Sorry.
- Kaustav Bubna:** But that would also include exports, right domestic and export?
- Management:** I would say export is not from every player because it's only two players they are located in Southern region close to coast. They are only involved in exports. So, majorly it's for domestic only.
- Kaustav Bubna:** Okay. So, if demand is about, let's say, if we have to take out 5% to 10% from exports and let's say demand is around 60%, 65% of supply, I'm just trying to understand with so much capacity coming up in the next 1 years, 1.5 years, how is that going to impact pricing and also imports are back, right? So that -- and that's low cost MDF.
- So that also gives us to our competitive environment changes versus what it was post-COVID. So I'm just trying to understand what is giving confidence to maintain realizations given the cycle is different to what it was post-COVID.
- Rushil Thakkar:** Yes. Hi, this is Rushil. Hi. So, first of all, talking about the imports. So, import is always about regular MDF. It's not about the value-added products and as we have been pursuing our goal to achieve 40% of our value-added product out of the total capacity. So, that is striving us harder that we are getting a good demand in terms of value-added.
- So, if I talk in numbers, so in Q1 overall, we were around somewhere between 23% for the value-added product, which last year was somewhere around -- last quarter was somewhere around, I think, sorry, this quarter was 35% and last quarter was somewhere around 23%. So we

are gradually increasing our numbers by making sure that we make a more value-added product and sell that in market so that we don't have to compete on a longer run to the imports.

And demand for value-added product comes from the OEM market as well as the consumers nowadays are getting educated over the different categories of MDF, such as we say, MAXPRO, that is HDF. So nowadays we are also educating consumers and the carpenters to make sure that they compare the MDF with the right plywood. So, that is also creating a more value addition to our journey of growth.

**Kaustav Bubna:** So, when you talk about value-added products, are you talking about flooring and low-pressure laminates or how do you...

**Management:** No, no, no. If we talk about value added, so there are certain type of boards, such as exterior grade board, HDF board, then for pre-lamination, short, then paper sticking, coloring, etcetera. There are too many value additions that can be done with the MDF boards. But certainly the value added is more to be considered on the HDF and exterior grade side.

**Kaustav Bubna:** Okay great. Thank you so much.

**Moderator:** Thank you. Our next question is from the line of Jojo Shaju from Alpha Invesco Research Services Limited. Please go ahead.

**Jojo Shaju:** Yes, sir. Thanks for this opportunity. Sir, my question is more of a product specific one. So firstly, we are seeing a lot of new particle board capacities that are going to get operational by next two years. So looking at the price difference of these products and the overlap of these applications, do you think particle boards will take more market share from MDF what is the, I mean, I just need to understand your thoughts on this?

**Management:** So, we talk about the product first. So particle board and MDF both together are different products. And both of them have a similar application, but the targeted audience is different. So, we don't see any kind of a surge in demand of MDF because of their particle board capacity coming in. So particle board has its own market and it will be growing at its own pace. Even the price difference, yes, is well understood, but MDF has a stronger fiber bond. So because of which the consumer, the end consumer, has more confidence in buying MDF rather than particle board.

**Jojo Shaju:** Okay. And, sir, on the margins front, what are the long-term margins you are expecting from MDF business? And if you could give some sense on what will be the margins the particle board as a business is getting? I just want to understand the difference of both.

**Management:** See, so far as particle board is concerned, I think I won't be able to answer. In terms of MDF, what we have been into this business for the last more than one decade now, see, we, last year, the overall MDF margin was around 19% to 20%, which we will definitely maintain. For this particular -- current quarter, I think Q1, it was a little bit deep for 1% or 2%, but over a period of the whole financial year, we will definitely maintain this margin, the range of 19% to 20%.



- Jojo Shaju:** Okay, sir. Okay, thank you. That's all from my side.
- Moderator:** Thank you. Our next question is from the line of Parth Bhavsar from Investec. Please go ahead.
- Parth Bhavsar:** Yes, hi, sir. Thank you for the opportunity. I have a few questions. The first one would be that there is considerable increase in our exports. Is it that we have increased our exports because of the export obligation, or is it because the realization was much more favorable in the exports market?
- Management:** See, the exports is not because of any kind of export obligation. The current scenario was such that we increased our exports in terms of we were able to get entry to certain countries where we have been targeting since long. And because of that, we also get a good value-added realization in this. That was the whole strategy. And also, when we come, we talk about the operational margins. If we have a certain number of CBM that has to be produced, then our but obvious the operational margin gets even better. So that was the whole strategy about managing domestic orders and export orders and getting out the best realization possible.
- Parth Bhavsar:** Okay. So, what is the export obligation? Is there anything pending?
- Management:** See, as of now, out of total around INR200 crores obligation, till June ending, the pending amount is around INR73 crores to INR74 crores, for which we have got time up to December 2024. So, we are in a very much comfortable position, considering the way we have increased exports in the last couple of quarters.
- Parth Bhavsar:** Okay. And sir, the way things are moving in the exports market, is there any targeted domestic export mix that we are eyeing going ahead? Is there any mix that should be favorable to us?
- Management:** So, it's always, we try to maintain the ratio for 70:30. 70% domestic and 30% exports. But we change our strategy accordingly as and when required.
- Parth Bhavsar:** Okay. And sir, we see a lot of capacities coming in over the next two years, three years. Do we think that additional supply could put pressure on pricing, once these capacities come on stream?
- Management:** See, the mainly pricing pressure comes, that's mainly from imports. From domestic player, we don't see much of an issue. Right now, if you see, it's like 4% to 5% gap is there everywhere. So, and nowadays, if you see in this quarter, we see there is some issues with import pricing. I think it's on higher side. So, possibly we don't see much of a price thing. But Yes, when new capacity, any new capacity comes, there is instability for some months. But then, it gets settled down. It's not a big issue. So, I think it should be okay in coming days. This price is good right now. Looks good to us. I hope I have answered your question.
- Moderator:** Sir, the participant has dropped from the question queue. May we request you that we move to the next participant? Thank you. Our next question is from the line of Keshav Lahoti from HDFC Securities. Please go ahead.
- Keshav Lahoti:** So, sir, my first question is, is it fair to assume that the SAP impact is quite minimal in case it is anything material?

- Moderator:** Sorry to interrupt, Mr. Keshav. There seems to be a little disturbance on your line, sir.
- Keshav Lahoti:** Okay. So, my question is, in case the SAP impact is material, can you please quantify it?
- Management:** No. As such, it is not material. As I said in the opening remarks, the volume was affected because of the market dynamics as well as SAP related issues. So, this has already settled now. The whole financials have been taken from this SAP only. So, there is no such issue as of now. It is a one-time issue.
- Keshav Lahoti:** Okay. Got it. And what about laminates, revenue and margin guidance? Do you maintain the margin like 10% to 11% for the year?
- Management:** See, I think, if you see, for the last couple of quarters, I think in the last year, one quarter, we had reached around 9%. Again, there was a slight dip. And then this time, only because of the fact that there was a reduction in terms of prices of raw material, this has gone to around 9%. And I think if the prices are stable, I think we will definitely maintain this margin. That is for sure.
- Keshav Lahoti:** Okay. And what about the top line? We are seeing a de-growth, how should we rate it going forward?
- Management:** See, as I said, it is a one-time effect. So, I don't think it will affect in the forthcoming three quarters. The normalcy will be there in the current and the next two quarters. Definitely.
- Keshav Lahoti:** Okay. And why is there a jump in other income?
- Management:** Other income? Just a minute. Okay. I think if you remember, quarter 3, we had other expenses where INR10 crores loss was related to forex. And this time, it is a reverse effect. So, as per the accounting standard, we generally show, if it is a profit, then it is shown in other income. And this time, we have almost INR2 crores as a forex profit. And if it is a loss, then it is shown in other expenses.
- Keshav Lahoti:** Okay. Got it. Okay. Thank you. I will come back in queue.
- Management:** Okay. Thank you.
- Moderator:** Thank you. Our next question is from the line of Krishna S from Vihav Advisors. Please go ahead.
- Krishna S:** Thank you very much for the opportunity. So, I think, heartily congratulations to the management for having in a very difficult environment. Rather, the quarter is also a little bit of a seasonally, a little bit difficult quarter. So, the performance is quite okay, in terms of performance. So, my only question is that, see, actually, if you look at the big picture, so, the imports are definitely coming in. So, now, there is an argument that the imports are coming mainly because of the exporters. They are not able to sell in the other markets, which are the developed markets, which are in maybe a little bit of a slump. So, those kind of quantities are

actually coming in and they are, in a way, they are trying to sell it at lower prices in India. So, if this is the trend, so, my question is whether the assessment is right.

And secondly, if this is the case, whether this seems to be a temporary phenomenon or whether it would change. And if it changes, then can we see that the import price, maybe the landed price would go up and similarly the export realizations may also go up. So, whether that trend, we can see whether it is visible or what would be the guess of the management?

**Management:**

Yes. Hi. First of all, I would like to tell you that at present, all imports coming from Vietnam and Malaysia, that's because of some issues in European and American markets. And probably, it will take another three to six months or a year, I don't know. But, Yes, that's my assumption that things will come down normal.

They are selling because they have to produce on marginal cost and then they are selling in India or Gulf market. Once there is an issue of demand and supply thing, then definitely they will increase their import price. If you see today, the freight cost is again from \$300 to \$450. So, again, the landing cost is now going up. But we have seen that they have not reduced their base price. So, it's still the same.

So, as long as import is concerned, it's a short-term thing. In long term, I believe their preference is in another market because they are also watching what price domestic players are offering. So, I am sure they don't want to sell at cheaper price. They are just managing their volumes. And if you see, total entire industry is around, if we talk about 1.8 to 1.9 million CBM per year. Import is around 75,000 to 80,000 per quarter, which is probably quite negligible.

Today, 60% import is coming in South and 40% coming in West region. So, still your North region and our East region is quite stable in terms of pricing and other demand. I hope I have answered your question.

**Krishna S:**

Yes. Sir, you have beautifully answered. Just one more follow-up in that. So, why not contemplate approaching the government for some kind of anti-dumping duty or some safeguard duty kind of thing?

**Management:**

I think there is some reference, referral is there with Finance Ministry. And I think we are awaiting the response, I believe.

**Krishna S:**

Okay, so efforts are on that front, right?

**Management:**

Efforts are there, but we have to see, we have to wait and watch.

**Krishna S:**

Okay, and so, do you see any further, like, the best judgment, like in terms of, do you see this further going up? Like, for example, 80,000 is the per quarter export. Now, say, if this goes up to, say, 1.20 lakh or something like that, so that may further depress the prices. So, do you see this happening or do you see that the bottom is forming in terms of pricing?

**Management:**

I think since last two, three quarters, this 75,000, 80,000 is the figure. Because at the end of the day, they have to see what kind of volume they want to give to India at this price.

- Krishna S:** Understood. So, you think that this would, the pricing, especially the pricing would be bottoming out, like, we do not foresee any major erosion, further erosion in price because of the import competition.
- Management:** In fact, I see in quarter 2, there might be some reduction in import.
- Krishna S:** Okay.
- Management:** Because a lot of OEM, previously our customers, they used to import. Now, they are asking us for fresh quote and all.
- Krishna S:** Understood, sir. Sir, one last question. On the laminate side, so we have come up with a plant. We have taken, we are doing some capex of some around INR60 crores for adding machinery for some value-added products. So, like, what is the focus of the management with respect to the laminate business? Because the laminate business per se is also taken by itself. It is a very good business as such. So, what is the strategic direction which the management is looking at?
- Management:** So, I would like to say that laminate is our core business. We started our journey of growth and everything with the first business of laminate. So, we are now fully focusing on the laminate business and yes, the positive results for the laminate would be soon be declared. Like, we have recently finalized the land in Mansa, from where it is just near to our current existing plant. So, yes, we are looking forward for the commencement of the production in the Q1 ending.
- Management:** And I would also like to add, we are aggressively working on promoting and marketing our laminate and MDF products in domestic market also. We are working very hard and we are working on certain strategies too.
- Krishna S:** Okay, sir. That's all from my side. Again, once again, heartily congrats for fighting it very hard this quarter and good luck for the quarters ahead.
- Management:** Thank you very much.
- Moderator:** Thank you. Our next question is from the line of Narendra from Robo Capital. Please go ahead.
- Narendra:** Hi, thanks for the opportunity. I just wanted to know the volume contribution of your value-added MDF product.
- Management:** In quarter 1, it was 35% in terms of volume and value it was 45%. If I compare with last quarter, then it was almost 27%.
- Narendra:** So, you want to take this volume number to 40% of your total production, right?
- Management:** Yes, so far we have reached to 35% and now our target is to reach 40%.
- Narendra:** Okay, and any guidance that we have for the revenue and margin numbers for the FY '24?
- Management:** As such, actually, this quarter was deep, as you know. We will definitely strive for the at least 7% to 10% increase in terms of volume. The value may be depending upon the exact mix of

value-added versus clean. So, accordingly for next three quarters, we will definitely improve compared to this quarter.

And in terms of margin, as I said earlier, last year's overall margin, we will definitely maintain. Though the first quarter was a little weak, but coming three quarters, we will definitely improve in terms of margin. And that is mainly depending upon the value-added product and other operational efficiencies after having implemented SAP.

**Narendra:** I can see that the first half of last year was exceptional, above 20%. So, will we be able to do that again or was that a one-off?

**Management:** See, that first two quarters last year were exceptional for us and for other industries and competitors also. So, this was again one-off, but then as I said, we will try to maintain our last year's total margin, which we have earned last full year, that is, FY '22- '23. So, in terms of percentage, if you say, then it is around 17% EBITDA, which we will definitely maintain during this financial year.

**Narendra:** Okay. And are we planning to reduce the debt figure even further or what is the outlook there?

**Management:** See, as a part of our strategy, as I had mentioned earlier also, we have two main agendas. One is like, we don't want to dilute and secondly, as a part of that strategy only, we had planned for this right issue. The result was very clear that INR55 crores was reduced from the promoter's loan and during this period, we had also repaid as per the schedule.

So, as of now, the debt-equity ratio is 0.66. It will definitely improve and there is no specific plan for reduction of debt except the normal scheduled repayment of loan. And for this financial year, total repayment would be in the range of INR55 crores- INR60 crores, out of which, first quarter, we have already repaid INR17 crores.

**Narendra:** Okay, got it. And the new facility that you are building for the laminates, what could be the Capex if you could throw some light?

**Management:** See, as of now, we have just finalized the land. The feasibility study and everything is being finalized. Maybe by next quarter, we will be able to know the exact details in terms of debt, if any, to be taken.

**Narendra:** Okay, thank you so much. All the best.

**Moderator:** Thank you. Next question is from the line of Arun Baid from ICICI Securities. Please go ahead.

**Arun Baid:** Sir, you mentioned about value-added product sales in this quarter for exports. Can you give us an indication, sir, of the 15,000-odd CBM we exported, how much would be value add And at what about price?

**Management:** Plain was around 12,879 CBM and value-added was 2,177 CBM.

**Arun Baid:** And this will be what price, the price for value-add?

**Management:** Value-added...

**Management:** Roughly the price for the value-added product was around INR24,000 CBM.

**Arun Baid:** And the plain would be similar as INR18,000?

**Management:** Sorry?

**Arun Baid:** The plain would be at what price, the plain export prices?

**Management:** The plain would be around INR18,800 something.

**Arun Baid:** Okay. And just to understand a bit more, so this value-add, you said you opened up a new geography. Which market would be this, sir?

**Management:** So we have started selling it to Portugal, then some parts of Africa, even we are sending our value-added materials to Canada as well, with all the certifications required.

**Arun Baid:** Okay. And I guess in export we have normally an order book. So how is the order book and the value-add part looking for the near term?

**Management:** For export, yes, the value-added book for this quarter is also looking very interesting. So we will be doing around, we may increase around 10% more to this in the value-added, in exports.

**Arun Baid:** And on the domestic side, sir, of our sales of this 44,000 CBM, how much would be OEM and how much would be retail?

**Management:** Specifically, we sold around 23% to OEM of all our domestic sales. So you can say around 77% to retail.

**Arun Baid:** And sir, when you say OEM, how much would be the pricing gap between OEM and retailer?

**Management:** It depends because in OEM also, we are selling around 26% value-added products and 74% plain. So again, some of our OEM, their pricings are quite competitive, I would say even 10%-12% cheaper than our market price.

**Arun Baid:** On the wood cost, how is the timber cost playing out?

**Management:** Timber cost for the last quarter was approximately 2% to 5% higher than the last quarter.

**Arun Baid:** So what would be the number wise, sir, if you can give that?

**Management:** Number, currently I don't have it in percentage, so I can justify it in percentage.

**Arun Baid:** Okay, and has the cost gone up in July-August compared to Q1?

**Management:** Yes, it has gone up further by 4%.

**Arun Baid:** And how the chemical prices, because that has come down, so how that played out?

- Management:** In chemical pricing, we see a dip of 8% to 9% in last quarter.
- Arun Baid:** And currently any more dip?
- Management:** Sorry, I didn't get the question.
- Arun Baid:** After Q1, have we seen more prices falling in chemical?
- Management:** No. It's now more or less steady.
- Arun Baid:** Thank you very much for your answer, sir. Thank you.
- Moderator:** Thank you. Our next question is from the line of Akshay from Canara Robeco Mutual Funds. Please go ahead.
- Akshay:** Thank you for the opportunity, sir. Just one question. One big facility has got commenced in the West, so obviously in the initial years, they might look to sell it in say South or North. So sir, do you see some pressure like, they're chasing your dealers? Is there any rise in the competitive intensity from their side on your dealers?
- Management:** That's a part of market, so that's okay. We approach competitor's dealers, they approach our dealers. It's very important to maintain market share and successfully in the month of July, we managed to maintain our market in Gujarat.
- Akshay:** Okay, but you do see that there is some rise in competitive pressure, right?
- Management:** Yes, definitely, but then there is a demand also there. So, shall be okay.
- Akshay:** Okay, sir. Thank you.
- Moderator:** Thank you. Our next question is from the line of Shubham Thorat from Perpetual Investment Advisors. Please go ahead.
- Shubham Thorat:** Hello, thank you for the opportunity. Sir, I just wanted to know the price differential between our domestic MDF and imported MDF?
- Management:** Imports at port is around 20% cheaper probably. And if we go further, the center part of India and all, then it's maybe around 10 to 12% or something like that.
- Shubham Thorat:** Okay, thank you for that. And so you mentioned that, the particle board and MDF may have similar application, but the target customers are different. So can you please elaborate a bit more on that? What customers are different for the particle board as compared to MDF?
- Management:** For example, there are certain low cost furniture like, computer trolley and TV trolley and sort of, low cost table and all. These products are basically produced with the particle board. Sometimes they are also using for, partitions and other applications. And there are big markets like Eastern region, Northern region. There is a lot of particle board applications.

- Management:** At the same time, when we talk about MDF, we have a wider application in terms of making kitchen from the HWF, HDF. Then we have gifting that have been made from MDF that is not possible from particle board. Then we have cake boards that has been produced from MDF that is not possible from the particle board. So the applications for MDF are way more vast than particle board.
- Shubham Thorat:** Sir, okay. Thank you. Thank you so much, sir. All the best.
- Moderator:** Thank you. We have a follow up question from the line of Mr. Parth Bhavsar from Investec. Please go ahead.
- Parth Bhavsar:** Yes. Hi, sir. Thank you for the opportunity again. Sir, just wanted to know, in terms of laminates, we have seen, peers growing, reporting much better volume growth. So is there a possibility that, we lost the market share or if not, like what was the reason behind the slow growth in domestic market laminates?
- Management:** So that's all, in opening speech, not only like slow demand and SAP implementation, that was the reason.
- Parth Bhavsar:** Okay.
- Management:** And seasonal effects too. Like, now this quarter is all about festivals and things. A lot of renovations will take place in Dussehra and Diwali and all. So now next two quarters will be better.
- Parth Bhavsar:** And sir, in terms of realization as well, we lag our industry peers. So like, what could be the reason in laminates?
- Management:** It's all about product mix. Like you are selling certain low cost product in volume. So it's all about like low cost and high cost products mix. Because in laminate, we have multiple product mix. We have also, different export countries. So suppose some countries we export more than, you know, realization may be a different. So it's all about product mix.
- Parth Bhavsar:** Okay. So is there any way to understand this product mix for domestic and export business? Like how we are planning to go ahead with it? Are we planning to move more towards higher value, higher margin products? Or like, is it completely dependent on the demand?
- Management:** We are focusing more on a domestic market also equally. And then, you know, our expansion is more for the export market. And then we are also opening up our extension with this new product line, like, you know, toilet cubicles and partitions and a lot of other applications. So in that way, we will be able to improve our product realizations for sure. As I said earlier, we are also working hard on promoting our brand in this market very strongly.
- Parth Bhavsar:** Okay. And so just one thing in terms of MDF and laminates, just wanted to confirm that you mentioned that you maintain MDF margin that 19% to 20%, right?
- Management:** Yes.



**Parth Bhavsar:** And for laminates, how much would it be?

**Management:** Laminates, if you see the track record, last year it was in the range of 6% to 7%. This time, because of the fact that the raw material prices have decreased, and if it remains stable, I think we can definitely achieve 8% to 9%. That is for the present operations. Now, in the last question of reference, I would like to add one more thing. See, we have been in this business for the last 30 years.

We have so many clients which are there for the last two decades. And we know the export market very well. And the way we got indications from our customers only, and because of the fact that our strategy is to increase our margin, and that is how we have come up with this new project of jumbo boards. Now, here the issue was we have already entered into a couple of countries, but then Europe, America, Australia, New Zealand, were the continents where we were not able to.

The reason was they were ready to take our other products provided we can supply them just the new products which we are planning as of now. So, that is why we have gone for this new project. Once we start production and if we reach 50%-60% capacity, on one side our total revenue will definitely increase, and margin-wise, as of now, suppose we are at 7%-8%, for the new project in new, I think, 4-5 continents, our margin will be definitely higher than the present one.

So, that is why we are going for this project. And down the line, 2-3 years, I think, we are expecting on one side increasing revenue in terms of laminates, and along with that, the profitability will also increase, at least more than 10%. That is what our target for the next 2-3 years.

**Parth Bhavsar:** This is a jumbo board project, right?

**Management:** Yes, jumbo board project.

**Parth Bhavsar:** You have guided MDF volume to grow at 10% year- on-year. What would be the guidance for laminates?

**Management:** For the laminates, I think, definitely once we have a new project, there will be addition of more revenue.

**Parth Bhavsar:** But for FY '24?

**Management:** For FY24, I think, the overall increase will be around 10% only. This new project will start production maybe in the second quarter of next financial year. And as you know that initially for the next financial year, the capacity utilization will be in the range of 50%-60%, which will give us revenue but not as much as we were expecting. So, full-fledged, I think, the revenue will increase in the next to next financial years.

**Moderator:** Thank you. Our next question is from the line of Rajesh Ravi from HDFC Securities. Please go ahead.

- Rajesh Ravi:** Hi, sir. On the MDF domestic volumes, if I recollect, did you guide that quarterly you would be targeting 35,000 CBM?
- Management:** No. We are targeting earlier 35,000. It was from 35,000-40,000 volume from our AP plant. If I go all together, I really would love to reach around 55,000-60,000 CBM from both the plants.
- Rajesh Ravi:** So, this is an achievable number Q2 onwards, right?
- Management:** Yes. Even if you see our last quarter that was on Q4, we were almost 60,000 for the domestic and export was around 5,500. But we want to maintain our export volume around 12,000-15,000 per quarter.
- Rajesh Ravi:** Okay. And sir, in the laminates, the volume that you export, the revenue number Q1-Q2 has been decline, which we understand could partly be due to the freight cost coming off. Could you just let us know how do you build when you build the export volumes? Is the freight component included in your top line? And if so, how much would that be on a broad...
- Management:** I think in laminates, the cost of freight is very marginal. So, it's a weight-based commodity like, you know, sometimes it's less than 3%-5%.
- Rajesh Ravi:** Okay. On an overall basis for last 5-6 quarters, you mean to say this would be under 5%?
- Management:** No. I would say, you know, during the COVID, freight was quite high, but now it has come down.
- Rajesh Ravi:** So, last year, same time, what would be your percentage of your revenue, which is the export revenue?
- Management:** Export, I think it was almost more or less 67% and 33%, something like that.
- Rajesh Ravi:** No, no, no. I understand. Export revenue, you have already shared. I'm just wanting to know the freight component, shipping freight, which would be booked in the revenues, export revenues?
- Management:** We have, you know, proportionately passed on the cost to the customer also.
- Rajesh Ravi:** Correct, correct. No, no. I'm just...
- Management:** For example, for example, you know, we used to charge freight surcharge to our customer, whatever the agreed price was there. And suppose a container cost, normally we pay \$1,000 and suddenly there is a price of \$4,000. Then, you know, we used to charge surcharge container cost \$3,000 from them.
- Rajesh Ravi:** Okay. So, that was recorded in your realization, right? Reported revenue. So, if we have booked INR300 crores revenue in the export side, would it be fair to say that what percent of this would be having freight cost built in the revenue?
- Management:** Rajeshji, I need to check that detail.

- Rajesh Ravi:** Sure, I'll check with this...
- Management:** I can come back to you later if it's not a problem for you.
- Rajesh Ravi:** Sure. Okay. And, sir, lastly, what are your future plans now? Laminates, you would be doing the capacity expansions and the high-end product. But beyond this?
- Management:** We are very much focused on our laminate expansions and some internal discussions going on for expansions and new projects and all. But so far we have not concluded anything. But, Yes, laminate is our priority right now. And as I said reaching volume from AP plant and Chikmagalur plant is also very important for us.
- Moderator:** Thank you. Our next question is from the line of Keshav Lahoti from HDFC Securities. Please go ahead.
- Keshav Lahoti:** Thank you for the follow-up. It's great to hear that OEM is coming back to Rushil again. I just want to understand one thing. As the MDF prices have increased in export market, then why has it not translated into higher import price?
- Management:** Yes, it is actually. If you see, the freight cost from \$300 to \$450. So, there is some increase in import lending price now. And that's one of the reasons why OEM is approaching us for fresh quote.
- Keshav Lahoti:** Okay. The reason I was asking this question is because still you said the difference between import and new price is 20%. So, that was already at 15%-20% earlier?
- Management:** But that's what we are talking about. That's Chennai port. But now if you want to take it to Hyderabad or Bangalore, you need to pay another 5%-7% transport cost. And then, you know, container terminal charges, CTS and CFS and all these expenditures are there.
- Keshav Lahoti:** Okay. Got it. One last question from my side. As you are saying, you know, import might not decrease and players are already making 20% kind of margin in MDF business. So, do you think you have a strong case for anti-dumping duty?
- Management:** Actually, we are in contact with the association and the people for this. But as of now, we cannot answer something really strong. There is nothing concrete coming up till now. So, we cannot answer on this.
- Moderator:** Thank you. We move to our next question. Our next question is from the line of Karan Bhatelia from AMSEC. Please go ahead, sir.
- Karan Bhatelia:** Sir, the interest expense has gone up sequentially despite some debt reduction. And what are we targeting interest expense for the entire year FY '24?
- Management:** See, it should be in the range of INR26 crores to INR27 crores for the whole year.
- Karan Bhatelia:** Okay. Since there are no further questions, any closing remarks, team?

**Rushil Thakkar:** Thank you once again for your interest and support. We will continue to stay engaged. Please feel free to reach out to us for any further details or information required. Looking forward to interacting with you next quarter. Thank you.

**Moderator:** Thank you. Ladies and gentlemen, on behalf of Asian Market Securities Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.