



**RUSHIL**  
DECOR LIMITED

“Rushil Decor Limited  
Q3 FY'22 Earnings Conference Call”

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**Moderator:** Ladies and gentlemen, good day and welcome to the Q3 FY22 Earnings Conference Call of Rushil Decor Limited hosted by Asian Markets Securities Limited. As a reminder, all participant lines will be in 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 ‘\*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Karan Bhatelia from Asian Markets Securities. Thank you and over to you, sir.

**Karan Bhatelia:** Thanks, Steven. Good afternoon. And welcome all to the Rushil Decor Q3 and Nine Months FY ‘22 earnings conference call hosted by Asian Markets Securities Limited. From the management side, today we have with us Mr. Krupeshbhai Thakkar, Chairman and Managing Director; Mr. Keyur Gajjar, CEO; and Mr. Vipulbhai Vora - CFO.

I now hand the conference to Mr. Krupeshbhai for his opening remarks post which we shall open the floor for question and answer. Over to you Krupeshbhai, thank you.

**Krupesh Thakkar:** Good evening, everyone. Wish you all very warm welcome to Rushil Decor Limited earning conference call for the third quarter year ‘21-22. I would like to be expressing my gratitude to all of you for taking time to join us today on the call with me, Mr. Vipul Vora, CFO of the company, Keyur Gajjar, CEO of the company and Bridge IR our Investor Relations team.

Before we discuss the performance of the quarter under the consideration, I would like to brief to take through our company. Rushil Decor was incorporated in 1993, has been in industry over 29 years. Currently the third generation is involved in the business. The business is divided into three segments mainly, laminate, MDF and PVC. We are one of the largest manufacturers of decorative laminate and third largest manufacturers of MDF. Under the laminate, we are manufacturing single side decorative laminates, double side decorative laminate and industrial laminate. We have a wide range of designs, colour and choices. We have three manufacturing units in Gujarat.

I am happy to inform you that our MDF plant in Andhra Pradesh opening better than our desired expectation. Our utilization of the plant has been growing month-on-month basis and we have already reached about 80% utilization level. This I believe quite significant and gave us enough confidence. As you know our Chikmagalur plant was shut down for more than 54 days and Vizag plant took care of loss of production from Karnataka by reaching significant utilization levels.

During the Q3, we saw very limited decline in volume against the previous quarter because of our AP plant. I would like to share that we are taking steps to increase our realization and resulting better EBITDA margins. Though we have grown significantly year-on-year basis, But the better sequential performance in spite of low volume could be achieved due to higher realization on during the quarter. Further, I would like to add that new facility brings strategic location advantage as its set up in South India, which is the one of the most prominent market and near the port of South India. We are consumer product company and as a strategy we are adopting various means of market.

We also create brand awareness through advertisement, marketing network like dealer and distributor, branch offices, etc. Currently, the company is well poised continues with current momentum. Our immediate mid-term goal is to achieve desired capacity utilization at AP plant and newly upgraded Karnataka facility.

I would like to request Mr. Keyur to share his initial thought with us.

**Keyur Gajjar:**

Thank you, Krupeshbhai. I would like to welcome everyone present on this call and thanks for your time. I'd like to begin by saying that the company is in very interesting phase of growth and evolution with the new MDF plant at AP operating in better than desired manner and our confidence level is pretty high. The recent shutdown and the debottlenecking at Karnataka plant would also add to it. The MDF market is well poised to grow at decent pace. And we all are ready to make our strong present felt. Our strategy is to keep analyzing the over the market evaluation and keep achieving higher capacity utilization at our new MDF AP plant. We are working on our operational metrics and trying to grow it.

I would like to request our CFO Mr. Vipul Vora to take care of this. Thank you.

**Vipul Vora:**

Thank you Krupeshbhai, thank you Keyurbhai. I shall first take you through third quarter numbers. The top line for Q3 FY '22 stood at INR 167 crore, registering a growth of over 80% Y-o-Y as new plant in AP contributed to higher volumes. Despite a 54 days plant shut down at Chikmagalur during the quarter, the company reported a flattish revenue performance on a sequential basis as our AP plant operated at optimum capacity and compensated for the loss in volumes. Realizations at the same time also trended upwards.

The EBITDA stood at INR 18.96 crore in Q3 FY '22, increase of 95.47% as against INR 9.70 crore in Q3 FY '21. EBITDA margin stood at 11.37% against 10.48% in the same quarter last year. The interest costs and depreciation were higher during Q3 of FY '22 as against Q3 of FY '21 on account of CAPEX incurred on the AP new plant. The net profit for Q3 FY '22 is INR 7.29 crore as compared to INR 5.33 crore in Q3 FY '21.

Coming to the nine months performance, the top line growth was over 81% over nine months period of FY '21. Our EBITDA grew by 75.83% for the same period. The nine months of FY '22 was affected by the financials of Q1 FY '22, but that is in the past. With every incremental utilization level from AP plant, the performance has been getting better and is likely to improve further. At the same time with upgradation of Karnataka facility and commencement of operations, we are confident of seeing better days ahead.

I would now request the moderator to open the floor for question answers.

**Moderator:**

Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press '\*' and '1' on their touchstone telephone. If you wish to remove yourself from the question queue you may press '\*' and '2'. Participants are requested to use handsets while asking the question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Kartik Mendiratta from India Nivesh. Please go ahead.

**Kartik Mendiratta:** Congrats to the management for decent performance. My question is related to the MDF realization. Our realization for Q3 '22 are around 25,600, that is 21.3% increased Y-o-Y. Whereas the realization of

Century and Greenpanel has increased by 33% and 44%, respectively. So, what's the reason behind this?

**Keyur Gajjar:** Okay. Hi there. This is Keyur, and I would like to answer this question. Number one, we give total three price increase in the month of October and November. First price increase was in 1st October -- on 1st October around 6% to 8%, so average 7%, second price increase on 9th October that is again 6%, and third price increase on 13th November that was around 7%. So altogether it was between 17%, 18%. Now we are going to have the effect of this price increase in coming quarter. This is number one reason. Number two reason I would like to say that if you see our Chikmagalur plant realization it's doing pretty better. I would say we are almost like 28,500 realization per CBM in Chikmagalur plant, from the Chikmagalur plant because in AP plant we have not yet started offering value added product. So that's one of the reasons why our overall realization in this quarter is comparatively low.

**Kartik Mendiratta:** Okay, sir. Any numbers on the value added products?

**Keyur Gajjar:** In Chikmagalur, we have crossed 55% value added product. And if I give you like December month figure, our realization of December only specific December month, it's almost more than INR 30,000 per CBM from Chikmagalur plant.

**Kartik Mendiratta:** Okay, sir. Just a last question, what is the mix between retail OEM and institution?

**Keyur Gajjar:** Yes, it's around 60% to 65% is our retail segments and 25% to 30% is OEM segments, balance is exports. And yes, I forgot to mention one more thing is that our OEM pricings are now at par with the retail pricings and that is effected from 13th November. So, we are also having a good effect in this quarter as well. Previously Q2 we had the discounted price.

**Kartik Mendiratta:** Okay, thank you. Good luck to the management.

**Keyur Gajjar:** Thank you very much.

**Moderator:** Thank you. The next question is from Krishna S from Vihas Advisors. Please go ahead.

**Krishna S:** Yes. So, good evening, and thank you for the opportunity. And actually, I have been very -- tracking your company for some time now. And I'm

very happy that you are walking on the path, which you had envisioned. So, congratulations to the management for making it happen. And the first question is with respect to other income. So, other income you have shown 2.67, so I would like to know what is the components of the other income? And the...

**Vipul Vora:** Yes.

**Krishna S:** Yes.

**Vipul Vora:** Other income is because of the dollar being changed. So, it is a foreign fluctuation cost.

**Krishna S:** Okay. So, that is because of foreign currency fluctuation, right?

**Vipul Vora:** Yes, that is why the figures -- so it seems to be as compared to other quarter little higher.

**Krishna S:** Okay. And secondly, on the raw material cost, so raw material cost are you seeing in the current -- like in the quarter gone by as well as in current date, so are you seeing any significant price increase in the raw material cost?

**Krupesh Thakkar:** So, raw material costs was increased in the last quarter very high and now it is stable. So, in near future, I am not seeing any very high increase in the raw material price. If it will be increased then we have to pass on the customer. So, we do not have any choice.

**Krishna S:** Okay. And next is that this AP plant. So, now that you have achieved, probably like because Chikmagalur was closed, so you got an opportunity to actually step up the production. So, now with the higher production, like see 80% occupancy of both plants is what you would be targeting or it would be higher or lower than that?

**Keyur Gajjar:** Yes, it's going to be the more or less 75% to 80% from the both plants.

**Krishna S:** From both plants. And demand scenario is it like -- it can take this kind of like turnover increase of the -- like it can take the volume.

**Keyur Gajjar:** Yes, definitely because there are two reasons, number one reason is import is not at all there. If I give you the data of Vietnam MDF import, it's only 1,824 CBM in this nine months, which is very low. Previously, it used to be like more than 1 lakh plus, number one. Number two, there is a huge demand for the MDF segment. And if we see the CAGR is

around 15% to 20%. So, we don't see any issues with the demand at present.

**Krishna S:** Okay. So probably that is happening because of the plywood substitution kind of thing as well as the real estate market.

**Keyur Gajjar:** Definitely, if I say Indian real estate business, I mean, if you see 50% of all the corporate buildings and offices, these are now -- they're using the furniture made with MDF and particle board. Then now, the second segment is coming up that is a value added product like high density fiberboard with water resistance capacity. Now, this segment is entering into the kitchen segment as well. So, demand is increasing day-by-day, and a lot of OEMs, start-ups for furniture kitchen and all these customers are there. If you see the company, they produce bed, the company they produce kitchen. So, we see a tremendous potential.

**Krishna S:** Correct. So, actually -- so that is very -- you're at a very interesting juncture, as you rightly said that at this -- so you're poised for excellent growth. But now, that comes to the next question, which is like, so for example, if you start -- are you planning any further CAPEX on the MDF capacity front? Because it would make sense, or if at all you're planning then when it would be because how much time does it take from say concept to action, like because for example, if you probably think today, then probably your plant would be up by, say, another two, three years. So, if you're planning for that CAPEX, then you would have to start thinking today. So, is there any thought process on that?

**Vipul Vora:** See, right now, we have only one thing with this AP plants being created, we would like to have it being stabilized and producing to the extent of our expectation. And thereafter see every three, four years we can think of new things. But right now, there is nothing that we are deciding on this CAPEX side.

**Keyur Gajjar:** And yes, I would like to add one more thing that we are using a German technology, very sophisticated plant. And we can always achieve over capacity like 110%, 115%. So, with the current CAGR, and all I think we'll be fine with that.

**Krishna S:** And your debt with respect to the debt, so you'd like to go with the obligations like as and when it falls due, you would like to pay or you would like to prepay or something like that, because the interest rates are down like right now down. So, like what is your thoughts on that?

- Vipul Vora:** See right now also we are paying very low interest as far as this CAPEX of this new plant is concerned. You will be surprised to know that the interest on this German loan is 0.85% per annum. So, question of repaying it right now, if it is a financial decision, I will not be in a position to -- I will not decide to repay, I'll continue with it. And I'll repay from my regular inflow, cash inflow. So, I don't think that there is any sense in giving it back as compared to the Indian local interest of about 8% right now.
- Krishna S:** Correct. So, next question is that, see, basically, you're into two major segments, one is the MDF, so which is excellent, you're doing excellent in that. So, next is the laminate part. So, why is it that we are not focusing for say capacity addition or boosting the sales in laminate part is there any strategic reason for that, or like we would like to go and grow that segment also and also for the PVC?
- Keyur Gajjar:** No, at present, to be honest, entire focus is because of this COVID two years, so our entire focus was on AP plant, we wanted to put this plant and run with our expected capacity. So that's one of the reasons why we have not given a thought on laminate business. However, certain internal decisions are going on, but on time we will discuss.
- Krishna S:** Okay, fine, good. So that's all from my side. So, thank you, once again, hearty congratulations for putting the plan on track. And good luck for the future.
- Keyur Gajjar:** Thank you very much, really appreciate it.
- Moderator:** Thank you. The next question is from the line of Rajesh Ravi from HDFC Securities. Please go ahead.
- Rajesh Ravi:** Yes, hi, sir. Good evening, and congratulations on the ramp ups and strong numbers. What I want to understand is on the MDF side, do you see any competition built up happening in from when the container situation improves globally and influx from China? Would that be a threat in terms of realization in profitability for domestic players?
- Keyur Gajjar:** To be honest, we really don't see the freight movement will come down in coming year, coming months because this is number one. Number two, they can go for four, five containers, but if you want to import MDF, you need substantial inventory like 100 containers, 200 containers and it's very difficult to get now.



- Rajesh Ravi:** Okay.
- Keyur Gajjar:** We don't see that part in near future, I believe. That's my personal assumption. And second thing China is not a threat for us because of their freight cost, previously also before COVID also.
- Rajesh Ravi:** Okay.
- Keyur Gajjar:** And we have some other competitors located in Southeast Asia, but if we see furniture market in general there, Vietnam for example, there is a tremendous local demand for exporting the MDF and furniture to U.S. market.
- Rajesh Ravi:** Okay.
- Keyur Gajjar:** And some of the interest there where they don't really want to sell their marginal production to India or Gulf countries.
- Rajesh Ravi:** Okay. Okay, great. So and second question, could you share any sense of the segmental margins? How are your MDF EBITDA margins, your realization is improving, your utilization is also picking up, so could you give some sense on EBITDA margin for the three segments?
- Vipul Vora:** See, MDF realizations have increased, if you look at the comparison quarter-on-quarter right now realizations are higher and yet we look at the further incremental realizations, the way in which the mixes are being changed. So, it's about to be appreciated. EBITDA level as such in MDF, it has increased and in the time to come as compared to the two plants combination, Chikmagalur and AP, because of the value-added products that also will increase the EBITDA.
- Rajesh Ravi:** So, this 11.5% EBITDA margin on total basis, how would margins would be across the laminate?
- Vipul Vora:** 11.5% is a combo.
- Rajesh Ravi:** Combo, right, right. That's what I'm saying.
- Vipul Vora:** So basically what I'm trying to analyze is, if you look at my Chikmagalur plant, I have 40%, 45% of the plain board and then prelam board selling whereby the contribution is high, realization is high. So, same way we will apply same philosophy at AP also, when value-added products are being sold, naturally EBITDA will go up.

- Rajesh Ravi:** Correct.
- Keyur Gajjar:** And one more, one more thing I would like to add is the Chikmagalur plant was closed for almost 54 days.
- Rajesh Ravi:** Correct.
- Keyur Gajjar:** And that's one of the reason why if you see our combination of EBITDA margin, it's not very perfect, but if we see individual plant wise, if you see only AP EBITDA, then it is pretty good. And I think it's around 22%.
- Vipul Vora:** Yes.
- Rajesh Ravi:** Okay, so MDF on a normalized basis, we can see a 22% EBITDA margin this quarter, I understand would be impacted because of the shutdown?
- Vipul Vora:** Exactly.
- Rajesh Ravi:** Okay. And for the laminate what would be the EBITDA margin on a normal steady margin that you're looking at maybe last three, four quarter average?
- Vipul Vora:** Right now it is about 5%.
- Rajesh Ravi:** Okay.
- Vipul Vora:** Because of the situation is that the last quarter (RMC) raw material prices have gone up.
- Rajesh Ravi:** Right, right. But in COVID what were the margins?
- Vipul Vora:** 5% is also very high.
- Keyur Gajjar:** Also I would like to tell you that, we are talking about the current, I mean, Q3 EBITDA and all these things. Specifically, Q3 is a quarter where we have a lot of festive seasons.
- Rajesh Ravi:** Okay.
- Keyur Gajjar:** So, our sales in laminate is comparatively low in this season, especially in October and November is always like this. So that's one of the reasons why laminate. And if you see laminate industry in general, I believe the CAGR is almost 13% to 14% for coming five years. So, we see a lot of

opportunities in laminate business in coming years. If we talk about the realization of our export business, because of this domestic festive season, this EBITDA margin is affected probably, but if you see our export realization, it is almost grown by 10% in this quarter.

**Rajesh Ravi:** Okay, no, no, I just wanted to understand, like on a steady basis, leave this quarterly impact. What could be the margins for the laminate business for you and the MDF you said would be 22 odd percent, so similarly for the laminate what sort of EBITDA margin one should understand?

**Vipul Vora:** In normal circumstances laminate business, per se if you look at the industry EBITDA is in and around 10%.

**Rajesh Ravi:** Okay. Okay, in a normal scenario 10% is doable.

**Vipul Vora:** Yes.

**Rajesh Ravi:** Okay.

**Vipul Vora:** So that general tendency if you look at all the peers also, these will be laminate particularly, it's a low profitability item.

**Rajesh Ravi:** Okay. So that is EBIT margin you're talking about sir, or EBITDA margin because EBIT margin in laminates you have been reporting 10% to 12% EBIT margin.

**Vipul Vora:** EBITDA only, I'm talking about EBITDA.

**Rajesh Ravi:** Okay. Great, sir. I'll come back in queue. Thank you.

**Vipul Vora:** Okay, thank you.

**Moderator:** Thank you. The next question is from the line of Ayush Agarwal from Mittal Analytics. Please go ahead.

**Ayush Agarwal:** Good afternoon.

**Keyur Gajjar:** Good afternoon, Mr. Ayush.

**Ayush Agarwal:** Sir, first question, if you could tell us about the volume numbers from our Vizag plant in this quarter?

**Vipul Vora:** Pardon.

- Ayush Agarwal:** Sir, sales volume number from the Vizag plant in this quarter.
- Keyur Gajjar:** See, we have produced around 40,000 plus CBM. And if we combine the exports and domestic sales it's around 37,000. Sales, I'm talking about sales volume. And production is around 40,000 plus.
- Ayush Agarwal:** That's lovely, sir. Sir, my next question is on...
- Keyur Gajjar:** This is only from our AP plant.
- Ayush Agarwal:** Correct. Correct. Correct. Yes. Sir, my next question is on higher value products in the AP plant. So, I think a couple of quarters back, you had mentioned that we were facing issues with engineers coming from Germany. So, what are we doing about that? And how do we see churning out more higher value products from the AP plant?
- Vipul Vora:** See that is a now historical thing, it has happened in the past. Thereafter they've operated these machines sitting there in Germany. So, there is no question that now the engineers have to visit or something like that, that announcement was required to be done statutorily, we had done it. And now everything right -- see plant is running at this capacity.
- Keyur Gajjar:** Mr. Ayush, producing value added product will not be a problem as long as this plant and its technical part is concerned. We are fully equipped with the machineries for like prelaminations and all these grades. Now there are some other value-added products like exterior grade, high density fiber board with water resistance capacity is just a matter of technology, that's all. And we are already currently producing at our Chikmagalur plant. So that's not a problem for us. And we were actually focusing -- we were focusing on achieving the capacities and efficiency of the plant and that's one of the reasons why we were producing this interior grade and now we are ready to launch all our other products.
- Ayush Agarwal:** Right. So, beginning Q4, we can expect share of higher value product to increase?
- Keyur Gajjar:** Yes, we have already launched so slowly, gradually we'll gear up in Q4.
- Ayush Agarwal:** Right. Right, understood. And sir, my final question is on the laminates part we used to do more?
- Keyur Gajjar:** Can you repeat sir?

- Ayush Agarwal:** Sir, my last question is on the laminate side. Looking at the presentation we used to do more than -- you report in numerical figures. So, we used to do more than 8 lakh numbers of laminates previously, but that has gone down below 7 lakh. So, can you explain like, are we facing some headwind, or are we doing something else, that is why we are not able to produce or sell so much of laminate that we used to earlier?
- Keyur Gajjar:** No, that's not only the reason as I said in my earlier answer, the reason is mainly festive season in the month of October and November. That's one of the reasons why we were not able to otherwise if you see our last quarter, we were almost like 742,000 sheets. So that's only purely because of this festive seasons and all these reasons.
- Ayush Agarwal:** All right. And one last question if I can squeeze in is...
- Moderator:** Mr. Agarwal, sorry to interrupt your voice is breaking up, sir.
- Ayush Agarwal:** Is this better.
- Vipul Vora:** You have to repeat this question. Can
- Ayush Agarwal:** Yes. Yes. So, is this is my voice is better? Am I audible?
- Keyur Gajjar:** Very much.
- Ayush Agarwal:** Yes, thank you. So, my last question is that you had mentioned that the Chikmagalur MDF realization is well above 28,000, which is very healthy. So, do we plan to do 24,000, 25,000 in AP as well in Q4?
- Vipul Vora:** Yes, that's possible. I mean, it's not a problem.
- Ayush Agarwal:** Alright. Alright. That's it from my side. Thank you.
- Vipul Vora:** Okay, thank you.
- Moderator:** Thank you. The next question is from the line of Pranav Gala form I-wealth Management. Please go ahead.
- Pranav Gala:** Hello, am I audible?
- Vipul Vora:** Yes.
- Pranav Gala:** Thank you for the opportunities, sir, a great set of numbers. Sir, I just wanted to understand on our EBITDA margin side of it, sir. So for other

companies, we have seen that the EBITDA margin for the current quarter had grown. So, just wanted to understand where we missed out on.

**Vipul Vora:** See, if we compare with the other companies Pranav, their realization, our realization is different. What we have done is Chikmagalur plant was closed for 54 days, there was no 54 days production. And as we are just initiated the process there of producing yet the value addition things are not come up there. See, if you look at the peers' sales measures, value added products are more in the sell component. The moment we also will have value added products automatically our EBITDA also will go up.

**Pranav Gala:** Okay, okay. But sir, even then, we had a healthy realization growth so like on volume terms quarter-on-quarter, we saw 13% decline, but same on the realizations side we saw 14% increase. So again, sir we saw healthy realization growth, and still there was a little gap when it comes to the EBITDA margin side of it.

**Keyur Gajjar:** Yes, because we said, there was a minus EBITDA margin in Chikmagalur. And if we see our production loss, it's almost like 54 days. So, we can consider around two months. So, there was more than INR 30, I guess, crore revenue loss if we compare with our existing realization.

**Pranav Gala:** Sorry, sir. Could you repeat what was the loss of revenue?

**Keyur Gajjar:** I would say if we consider current rate of realization, then we believe that it is more than INR 30 crore.

**Pranav Gala:** 3-0, INR 30 crore.

**Keyur Gajjar:** Yes, 30 crore.

**Pranav Gala:** Okay, sure.

**Keyur Gajjar:** And that's one of the reason why our EBITDA affected from Chikmagalur business. Otherwise, if you see AP plant is very, very good, and we expect a lot.

**Pranav Gala:** Right, sir. Yes, like you mentioned in your presentation as well. Sir, we have reached the 80% realization -- utilization rate.

**Keyur Gajjar:** Exactly.

- Pranav Gala:** Sir, just one bookkeeping question. Sir, what was the sales that we had in the new plant? As you mentioned 37,000 was the sales volume and what is the sales in terms of value?
- Vipul Vora:** Value wise, INR 113 crore.
- Pranav Gala:** INR 113 crore.
- Vipul Vora:** Yes.
- Pranav Gala:** Okay, sir. Thank you so much.
- Vipul Vora:** Okay. Thank you, Pranav.
- Moderator:** Thank you. The next question is from the line of Yash Agarwal from JM Financial. Please go ahead.
- Yash Agarwal:** Sir, I just wanted to check, again in December month, what is your realization from AP plant? I think you gave it for the other plant is about 30,000. So, what is the same figure for the AP plant?
- Keyur Gajjar:** Good evening, Mr. Yash. If I talk about overall AP plant realization, it was INR 22,818.
- Yash Agarwal:** Okay.
- Keyur Gajjar:** And out of which domestic realization was 23,174, and export was 19,714.
- Yash Agarwal:** Okay. And this would move up because you've taken three price hikes.
- Keyur Gajjar:** It's already moved 15% compared to last quarter. And as I said, before, that we implemented price increase in the month of October and November. So, I believe it's going to be -- and then we are also planning for product mix, like value added products and all.
- Yash Agarwal:** So, this could move up another 5%, 10%, right? The realization number that you spoke about.
- Keyur Gajjar:** May be.
- Yash Agarwal:** Also, I just wanted to check so what sort of capacity utilization for both the plants are you looking at in FY '23? I think you're running at 80%

now. So, if the demand stays good, and if there is no import risk, could we achieve the 100% utilization mark in FY '23? What's your target?

**Keyur Gajjar:** See practically 100% is not possible. I tell you, the technical part is like, if we produce 2 MM MDF, our plant runs at 500 CBM per day. And if we produce 16 or 17 MM, the commodity type of product, then our plant runs at 800 CBM. However, we are targeting that we'll try for 75% of the combinations.

**Yash Agarwal:** That's the next financial year?

**Keyur Gajjar:** Yes.

**Yash Agarwal:** Got it. Got it. Okay, thank you.

**Keyur Gajjar:** Thank you.

**Moderator:** Thank you. The next question is from the line of Agastya Dave from CAO Capital. Please go ahead.

**Agastya Dave:** Hello, am I audible?

**Vipul Vora:** Yes.

**Keyur Gajjar:** Yes, yes, very much.

**Agastya Dave:** Thank you for the opportunity, sir, and very good commentary. It's really nice to hear all the progress that you're making. Sir, I need just some few clarifications that on the statements you're given, one is a sir, I am not sure by when can we see let's say 50% value added share in the AP plant, did you give any timeline because I lost you in between?

**Keyur Gajjar:** Hi, good evening. We are starting this part very aggressively till date our value-added products were widely headed in southern region. Now we are moving ahead with other regions like Central India, North India, East India and all this part.

**Agastya Dave:** Right.

**Keyur Gajjar:** And possibly by next financial year we'll be able to achieve this mix because we are more interested for value addition product, I believe any company.

**Agastya Dave:** Right.



**Keyur Gajjar:** So that's one of our target to reach 50% value added product as early as possible and Indian market is growing also at that speed.

**Agastya Dave:** Sir, what can we see in terms of the trend and increase of value-added share from the AP plant, will it be like very, very quickly because as you said, you have the machinery in place now, you already are doing the same thing in the old plant, you clearly have the capability and there is clearly demand? So, can we expect like in Q1 itself, will we see 30, 40% share, or will it be more gradual? I'm not very sure about that.

**Keyur Gajjar:** Actually, we are working on our target setting process for Q1. So, it's very difficult to say at this point of time, but yes, we want to achieve maximum capacity for the value-added product.

**Agastya Dave:** Sure, sir. Sir, second clarification was on the debt side you gave an interest cost number for the foreign debt. Can you please repeat that? And second, on this foreign debt, do you hedge it in any way? Any portion of it, is it hedged or you keep it completely open? And do we expect our exports to kind of give us national hedge, will we export this much?

**Vipul Vora:** Yes, see right now also we have exports of about INR 130 crore up this year.

**Agastya Dave:** Okay.

**Vipul Vora:** I am talking of INR, I am not talking in terms of dollar.

**Agastya Dave:** Right.

**Vipul Vora:** See, every month there is a surplus dollar flow, which is ranging from USD 6 lakh to USD 8 lakh.

**Agastya Dave:** Okay.

**Vipul Vora:** And my repayment is not exceeding even a million dollars.

**Agastya Dave:** Okay.

**Vipul Vora:** So, the thing is that if a quarter -- if I am in USD 1.8 million surplus export receivables minus import.

**Agastya Dave:** Got it, sir.

- Vipul Vora:** That will be USD 6 lakh minimum per month.
- Agastya Dave:** Right.
- Vipul Vora:** So, natural hedge is there.
- Agastya Dave:** Right.
- Vipul Vora:** As natural hedge is there, there is no, no hedging being done on these forex borrowing.
- Agastya Dave:** Sir, you said USD 1 million repayment is on a quarterly basis.
- Vipul Vora:** Yes. No, no USD 1 million even if it is payable, quarterly basis I will have to pay at least more than that amount but the thing is that my repayment total is being covered by my export receivable surplus.
- Agastya Dave:** Okay. I got it, sir. I got it. You have like enough natural hedge for it not to be at risk.
- Vipul Vora:** Yes.
- Agastya Dave:** You mentioned in the call that our domestic realization and your average realization from AP plant were 23,000 plus in domestic.
- Vipul Vora:** Yes.
- Agastya Dave:** Average was 22,880.
- Vipul Vora:** Okay.
- Agastya Dave:** Then you mentioned that there is a 15% increase. So, as of now -- as of today what would be the price that you are getting in the market is it is? And what kind of discounts do you have with respect to the place can we catch up to that? And finally, do you see any further price increases in MDF going forward because you also mentioned that while freight is a problem, logistics is a problem and imports are not coming, but raw material escalation has kind of stabilized. So, what is your view there? So that is my last question.
- Keyur Gajjar:** Yes. For raw material, if any price increase from raw material side, as Mr. Krupesh said we might have to pass on to the market.
- Agastya Dave:** Okay.

**Keyur Gajjar:** Number one. Number two, as long as realization is concerned, realizations are pretty good. And we don't see any downward. See, I mean, as on date it's pretty good. For OEM also, we are doing pretty -- I mean from 13 November onwards, we have that price as per the retail market only.

**Agastya Dave:** Okay. 13th November onwards. So, sir based on the average that we realized last quarter, this quarter already how much higher we are?

**Keyur Gajjar:** Well, it's very difficult to say at this point of time, but we believe that the first price increase took place in October and second in November. So, total price increase effects has not taken place so far, number one. And number two Chikmagalur plant was not operational in that three months, 54 days, it was shut down.

**Agastya Dave:** Right, sir.

**Keyur Gajjar:** So, it's very difficult to predict, but realization has to be had, I believe.

**Agastya Dave:** Excellent, sir. All the best, sir. Thank you very much for holding the call and giving me the opportunity to ask questions.

**Keyur Gajjar:** Thank you very much.

**Moderator:** Thank you. The next question is from the line of Vijay Sarda from VL Investment. Please go ahead.

**Vijay Sarda:** Hi, sir. Most of my question has been answered I just wanted to check on two front. One, regarding the MDF capacity usage, we can go up to 110%, 115% if needed. And second, just wanted to understand if you want to produce a product of kind of Chikmagalur plant, how much time we will need to get into this mode of producing. So, our plant we already increased the capacity. So, can we change the mix if required?

**Keyur Gajjar:** Yes, that's easily possible, we can easily change the shift. And if we look at our pre-lamination business, we have almost like around 25% capacity of our existing plant. So, we can convert this 25% pre-lam business immediately. And for exterior grade and HDF it's not a problem that we can also...

**Vijay Sarda:** And sir, basically one thing is currently in terms of market positioning, if I look at competitor in our self, they are realizing 30,000 plus and all that, whereas for Chikmagalur as you said we are realizing 28,000. So,

for Andhra to ramp up to at least 25,000, 27,000 that's a clear possibility as you mentioned.

**Keyur Gajjar:** Yes.

**Vijay Sarda:** When can we...

**Keyur Gajjar:** Sorry, but I would like to make it very simple because you know that time at present if we look at AP plant, we are only producing interior grade only basic product.

**Vijay Sarda:** Okay.

**Keyur Gajjar:** That's the only reason why our realization is pretty -- like around 24,000 or something like that.

**Vijay Sarda:** Sir, the last question in terms of the cost of production. So, what I read is the cost of production overseas is at least 30%, 35% lesser compared to Indian costs. So, how -- basically, as you rightly said the freight costs currently are much higher, but once that get normalized over next six to nine months or a year or so, how we will be in terms of positioning ourself? Because if I look at the cost of most of the players, these are around 18,000 to 20,000 for Indian players. Whereas, what we are exporting is a 20,000 realization even for the Century realization is around 20,000, 21,000 Greenpanel. So, if we look at export if we are able to export 20,000, once the freight cost decrease or whatever, will we see dumping of the MDF in the domestic market? And even if it was happening earlier, what is the normalize price? Not the increased price there we importing the MDF?

**Keyur Gajjar:** Look, if we talk about the total furniture market worldwide, it's around -- furniture market I am talking, it's around 100 billion.

**Vijay Sarda:** Okay.

**Keyur Gajjar:** And out of which China contributes a lot. And then probably Vietnam and Germany.

**Vijay Sarda:** Vietnam and Germany?

**Keyur Gajjar:** Yes. Now there is a huge demand for furniture from Vietnam business from Vietnam producers. From this around the globe, I believe. And that's one of the reasons why there is a lot of demand of MDF in Vietnam itself.

- Vijay Sarda:** Okay.
- Keyur Gajjar:** Then there are a lot of demand itself in Thailand and other parts of the world. So, we believe that dumping will not be very much in coming months even if there is a freight changes. And it's very I mean -- it's not at all predictable what will be the freight after six months or one year because you know it's more than two years.
- Vijay Sarda:** Yes.
- Keyur Gajjar:** We have more than in two years we have one wave, second wave, third wave, hope there won't be any fourth wave, but still the freights are going higher and higher. The container what we used to pay USD 2,500 for 40 feet high cube. Now, today they are asking USD 12,000.
- Vijay Sarda:** 5x okay.
- Keyur Gajjar:** Thank you.
- Vijay Sarda:** Sir, just want to understand what is the normalized cost of production theirs and ours -- so basically ours is around, is the wood cheaper there, what is the overall benefit that they have over India cost of production?
- Krupesh Thakkar:** Actually you go through two years before cost of production and everything when the freight cost is normal, even though all the companies making 20% plus EBITDA margin.
- Vijay Sarda:** EBITDA. Correct. Okay, okay, got it, sir. Thank you. Thank you very much, sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Devang Patel from NAFA AMC. Please go ahead.
- Devang Patel:** Hi, sir. On the plant maintenance that we undertook for the Karnataka plant will it have any benefit in terms of capacity utilization or efficiency gains or cost cuts?
- Keyur Gajjar:** Hi, there. Yes, we believe the efficiency will definitely improve because this was a preventive as well as routine maintenance which was needed and we believe it will improve our efficiency.
- Devang Patel:** So, what kind of utilization have we reached on this plant in the past and what is it that you can reach now after the maintenance?

**Krupesh Thakkar:** Actually every 10 year to 12 year we have to do this type of maintenance and it will be improved the production utilization. So before that we are utilizing at 75% and we can utilize now it 95%, 85% like that.

**Devang Patel:** Okay. Fine, sir. That's all from my side.

**Moderator:** Thank you. The next question is from the line of Ajay Surya from Meraki Investment. Please go ahead.

**Ajay Surya:** Congratulations for a decent set of numbers. As I was listening to Greenpanel's con call, they mentioned the MDF realization difference is only 3%, 4% between them and Rushil. But if I look at our realization the difference is somewhere around 13%. So, I wanted to know what the reason is for the same.

**Keyur Gajjar:** Let me tell you something, because they may be referring about the price gap.

**Ajay Surya:** Yes.

**Keyur Gajjar:** And as I said earlier that we give the three-price revision one in October, another one on 9th October, third one on 13th November. So, we anticipate this price increase effects somewhere in this quarter number one. Number two, because our value addition mix and Green value addition mix us different. And that's one of the reasons why you see the difference.

**Ajay Surya:** Okay.

**Keyur Gajjar:** As I said that now we are targeting very seriously on our value-added products. I think you must have heard whatever I said in...

**Ajay Surya:** Yes, yes.

**Keyur Gajjar:** So, we are taking it to the new level.

**Ajay Surya:** Okay. Okay, and other question is. Sir, as we can see the supply chain disruptions are easing off right now. So, what are the import threats of MDF we can face in the coming future?

**Keyur Gajjar:** Sorry, what are the...

**Ajay Surya:** Import threat we can face now in the coming future of MDF?

**Keyur Gajjar:** To be honest, I don't know about the future. But today I can say that Vietnam is offering 20 feeter containers around 2,000 plus and 40 feeter 3,000 plus. So, per CBM cost is coming around 100, USD 100 per CBM. And if we consider the selling price it's around USD 250.

**Ajay Surya:** Okay.

**Keyur Gajjar:** So, it's not actually viable to import I mean, and a lot of importers, they have shifted to local suppliers because now supply from local business is also very eased. Now, previously if you look at its current position, I think more than 1.5 million capacities in the north region. And if we consider the southern region, we are around 7 lakh to 8 lakh per year.

**Ajay Surya:** Okay, okay.

**Keyur Gajjar:** So, we are easily able to cater this market and we have a very good logistic advantage maybe we can save 10%, 15% if we want to bring MDF from north and if you want to buy MDF from south you can save around 10%, 15% logistic cost.

**Ajay Surya:** Okay.

**Keyur Gajjar:** Thank you.

**Ajay Surya:** That's it from my side.

**Keyur Gajjar:** Thank you.

**Moderator:** Thank you. The next question is from the line of Vijay Sarda from VL Investment. Please go ahead.

**Vijay Sarda:** Sir, my last question regarding when we need to look out for the capacity expansion, as you said we are already operating at 80% capacity in Andhra plant, you said we can easily run up to 110%, 115%. So, given the demand outlook of 15% to 20% kind of growth, next two years down the line we may need the capacity and as you said if we need to set up the plant, we need to plan in advance at least it will take at least 18 to 24 months. So, what is the scenario? So, when we need to actually revisit the expansion plan? And then looking at expansion plan do we need to raise some money at that point of time?

**Krupesh Thakkar:** Actually, till today we are behind the utilization capacity of AP plant and modification of Chikmagalur plant. So now we are utilizing the

capacity and getting the expected result. So, we will discuss internal and we'll inform you once it finalized.

**Vijay Sarada:** Okay, sir. Okay, fine. Thank you, sir.

**Moderator:** Thank you. The next question is from the line of Karan Bhatelia from Asian Markets Securities. Please go ahead.

**Karan Bhatelia:** Hi, thank you for the opportunity. And congrats for a good set of numbers. Sir, just wanted to understand the realization gap between the value-added products that we manufacture at Chikmagalur and the plain vanilla interior grade products.

**Keyur Gajjar:** Fine, sir. If we talk about pre laminated MDF average realization is between 35,000 to 40,000. If we talk about exterior grade, the average realization is 30% to 35% more, if we consider HDFWR that is water resistance high density product, then the average realization is 50% to 60% more than the interior grade.

**Karan Bhatelia:** Right, right, right. And now that we are looking to introduce the value-added portfolio at the Andhra plant, have you spend incremental CAPEX there, or how does it happen, because it's almost one year that the plant has got operational and we are yet to see...

**Keyur Gajjar:** We were focusing more on our efficiency and capacity achievement. So, the best option is to produce the interior grade.

**Karan Bhatelia:** Right.

**Keyur Gajjar:** Now, we will enter into because as I said, we have almost 25% of our existing capacity for the prelam machinery is there, so we can easily achieve 25% of our existing capacity for the pre-lamination grade. This is first.

**Karan Bhatelia:** Great.

**Keyur Gajjar:** The second thing for HDF, and for the exterior grade, you really don't need any specific rocket science, it's just matter of recipe. So, there is no changes required for machinery or anything.

**Karan Bhatelia:** Got it. And one more thing on the competition part for next two years, we see a clear case of 60% increase in the industry level capacities. So, what is your sense in terms of competitive intensity post FY '25?



**Keyur Gajjar:** No, we really see that this industry is growing between 15% to 20%, number one. Number two, everyone has a different advantage and USP, we are in southern region, we have our own USP and advantages. We really don't see this capacity will be -- addition of capacity will be a problem. Today, if we see it's around 2.3 million capacity, I believe.

**Karan Bhatelia:** Right.

**Keyur Gajjar:** And if you see the demand is between 1.7 million to 1.9 million. So -- and if you look at all the organized player, their capacity is almost more than 90%.

**Karan Bhatelia:** Right.

**Keyur Gajjar:** So, the problem is with the unorganized player and their capacity utilizations.

**Karan Bhatelia:** Got it. But the...

**Keyur Gajjar:** Second thing, this introduction of the product is already on the finish stage, if we talk about the product lifecycle. Now it is reaching to some kind of growth and maturity part. So, in these situations, customers will be more of a quality conscious.

**Karan Bhatelia:** Correct.

**Keyur Gajjar:** And when you have a perfect combination to produce the best quality of material, I'm sure that you will have your own market share.

**Karan Bhatelia:** Got it. Got it. Thank you, sir. Thank you for detailed answer.

**Keyur Gajjar:** Thank you, sir.

**Karan Bhatelia:** I'll follow up in the queue.

**Vipul Vora:** So, Karan, any questions?

**Karan Bhatelia:** No, no. Thank you.

**Moderator:** Thank you. Ladies and gentlemen, due to time constraints, we take that as the last question. I now hand the conference over to Mr. Karan Bhatelia for closing comments. Over to you, sir.

**Karan Bhatelia:** Rushil Decor team any closing comments you want to make?

**Vipul Vora:** Just a minute.

**Keyur Gajjar:** Okay.

**Vipul Vora:** Thank you.

**Krupesh Thakkar:** Thank you and entire team of Rushil Decor for untiring efforts, hard work, sincerity and high dedication. I also appreciate all of you for participating in this conference call today -- if you have any question, please, get in touch with our Investor Relations team. Thank you very much.

**Moderator:** Thank you. Ladies and gentlemen on behalf of Asian Markets Securities that concludes this conference. We thank you all for joining us and you may now disconnect your lines.