



**RUSHIL**  
DECOR LIMITED

“Rushil Decor Limited  
Q4 FY '23 Earnings Conference Call”  
May 05, 2023



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RUSHIL DECOR LIMITED**  
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**MODERATOR:** **MR. KARAN BHATELIA – ASIAN MARKET SECURITIES**

**Moderator:**

Ladies and gentlemen, good day and welcome to Rushil Decor Q4 FY '23 Earnings Conference Call hosted by Asian Market Securities Pvt. Ltd. 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 this conference call, please signal an operator by pressing star than 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. Thank you and over to you, sir.

**Karan Bhatelia:**

Thanks Nirav. A very warm morning and welcome all to the Rushil Decor fourth quarter and 12-month FY '23 earnings conference call hosted by Asian Market Securities. From the management side, we have with us Mr. Rushil Thakkar, Executive Director, Keyur Gajjar, CEO and Hiren Padhya, CFO. I now hand over the call to Rushil Thakkar for his opening comments. Thank you. Over to you, sir.

**Rushil Thakkar:**

Thank you, Karan. Good morning, ladies and gentlemen and welcome to Rushil Decor Limited earnings conference call, for the fourth quarter and the full year ended on 31<sup>st</sup> March, 2023. I would like to thank Asian Market Securities for arranging this call and all the participants for taking time to join this call. Today, I am joined by Mr. Keyur Gajjar, Chief Executive Officer, Mr. Hiren Padhya, Chief Financial Officer, along with Adfactors PR, our Investor Relation Advisor.

We have shared and uploaded the investor presentation on the exchange and hope you all have gone through the same. Let me share with you, some of the key highlights for the fourth quarter and the full year ended on 31<sup>st</sup> March, 2023, during which, we have recorded a revenue growth of 9.6% and 34.3% respectively. Both our laminate and MDF business have shown a steady growth in this period. Our laminate business registered a growth of 4% in the revenue for the fourth quarter over the same quarter last year and 11% for the full year. During the fourth quarter, our laminate exports grew by 9% year-on-year basis and by 18%, for the full year basis.

As on date, our products are exported to over 51 countries, highlighting the strong demand for our products, in the global market. We are strongly working towards enhancing our laminate portfolio by adding new designs and keeping ourselves updated with the needs of the customer. Coming to the MDF business, our volumes for the quarter increased by 22% year-on-year basis, reaching 66,179 CBM, compared to 54,179 CBM in Q4 FY '22. For the full year, volume increased by 35%. As evident from the results, the year gone has been a very important year, in the journey of Rushil Decor.

We established ourselves as a formidable player, in the fast-growing MDF market. We are able to ramp up our capacity at our Andhra Pradesh facility and increase our market presence by catering to the rising demand of MDF products, across the country. During the year, our strategy was to further build on the value-added portfolio, in MDF segment. We are successfully doing it and this is highlighted from the fact that, the value-added products contributed 36% of the overall revenue of the MDF boards in the value term in the Financial year '23 and 38% during the Q4 financial year '23.

Our dedication for achieving higher utilization and efficiency has been paying off and we have crossed the set milestone that, reflects in this quarter. Our capacity utilization for MDF for the financial year has crossed 75% level and 77% for the fourth quarter in FY '23, as guided at the beginning of the financial year and the target is, to reach about 90% to 95% utilization levels, over the next two financial years, with a significantly higher contribution of value-added products.

During the quarter, we have made significant progress in expanding geographical presence by adding 80 new dealers, distributors, for both laminate and MDF. This will further assist to cater to a larger customer base and increase the visibility of the brand Rushil and Vir. Our continued collaboration with the local carpenters, across the country and conducting workshops to educate them, on the benefits of MDF and enhancing their skills, on the use of MDF, is also a positive step, towards delivering effectively, to the end customer. With this branding, distribution and carpenter connect initiative, we should be able to achieve strong growth with stable EBITDA margins going ahead.

During the quarter, realization in the domestic industry for the plain MDF were subdued and we faced some challenges on account of higher imports of plain MDF and marginal increase in the wood prices, which impacted EBITDA margins, in the MDF business compared to the previous quarter. However, it is encouraging to see that, despite of this, we have seen a significant improvement in our volumes and revenues, on a year-on-year basis. We are confident that, with the target of increased contribution from value-added products, expanding our market reach by adding dealers and distributors etc., we are in a position to mitigate this trend and deliver significant growth, in the coming year.

On the debt reduction front, as you are aware that, we are raising funds through right issues, which will help us to fully repay, the unsecured debt. Apart from this, our healthy cash generation from the operations has supported us, as well. During the year, we have repaid INR 38 crores of secured debt. Going ahead, we estimate generating sizable amount of cash from the operations, which will be utilized to repay our annual long-term debt plan and fund the laminate capex. This 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 morning and thank you Mr. Rushil. Let me take you through key financial highlights, for the quarter and the full year ended 31<sup>st</sup> March, 2023. For the quarter, we have reported operating revenues of INR 213.9 crores, which is a growth of about 9.6%, compared to INR 195.1 crores. This was driven by, growth in both our business of MDF and laminates.

Our MDF business, revenue grew by 11%, on year-on-year basis, contributing INR 159.1 crores in Q4 FY '23, compared to INR 143.1 crores in Q4 FY '22. Laminate business contributed INR 51.3 crores in Q4 FY '23, compared to INR 49.4 crores in Q4 FY '22, which is a growth of 4%. EBITDA for the Q4 FY '23, stood at INR 28.2 crores, as against INR 31.6 crores in Q4 FY '22. A year-on-year decline of 10.6%. Profit after tax stood at INR 13.6 crores as against INR 15.4 crores, in Q4 FY '22. While EBITDA margin for the quarter stood at 13.2%, compared to 16.2% in Q4 FY '22. PAT margin stood at 6.34% in Q4 FY '23.

During the quarter on MDF front, our export volume stood at 5,645 CBM, while our domestic volumes showed a significant growth of 28% compared to Q4 FY '22. On quarter-on-quarter basis, domestic volume increased by 32%.

Coming to full-year financials, revenue from operations stood at INR 838.4 crores that is a growth of 34.3%, which is led by strong growth in MDF and laminate business.

While MDF contributed INR 620.7 crores in FY '23, growing by 44% compared to last year. Laminate contributed INR 205.9 crores in FY '23, which is a growth of 12%. EBITDA for the full-year stood at INR 149.4 crores as against INR 73.9 crores, in previous year, which is a growth of almost 102%, on year-on-year business. EBITDA margin for the FY '23, stood at 17.82%. Profit after tax at INR 77.7 crores, compared to INR 22.8 crores, in FY '22.

That is all from my side, I would like now request operator to open this floor for questions.

**Moderator:**

Thank you very much. We now begin the question and answer session. Anyone who wishes to ask the question, may press star and one, on their touch tone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets, while asking a question. Ladies and gentlemen, we will wait for a moment, while the question queue assembles. Participants, you may press star and one to ask a question.

The first question is from the line of Karan Bhatelia from Asian Market Securities. Please go ahead.

**Karan Bhatelia:**

Hi, sir. Thank you for the opportunity. Sir, I just wanted to have some clarity on the possibility of CVD duties on the cheap imports. Any timeline for this? And where is this stuck? Because somewhere I believe, the finance ministry were to give some verdict in the second week of Jan, but they kept quiet. So, just your thoughts on that.

**Management:**

Hi, Karan. Thank you for the question. As of now, the update on the CVD is still with the finance ministry. And we have not got any kind of a reply yet from the finance ministry. So, we are also waiting on the same.

**Karan Bhatelia:**

Right. And second thing from mine, on the laminate capex. So, when will that be done? And how different will be the realization and the margin profile compared to the existing portfolio? That's it from my end.

**Management:** In the last call also, we have already indicated that, total capex is around INR 60 crores. And the commercial production, which we are expecting in the first quarter of next financial year, that is June '24. And if we just consider 50-60% capitalization, in that financial year, the approximate revenue would be around INR 100 crores, at the rate of 50%-60% capacity utilization.

And margin-wise, yes, as informed earlier, this project is purely for the export. And we would like to cater this product, this is Jumbo product, mainly to US, Europe, Australia and New Zealand, where the margins would be comparatively higher than the present margins, which we are having as of now.

**Karan Bhatelia:** Thank you for the detailed answer.

**Moderator:** Thank you. The next question is from the line of Keshav Lahoti from HDFC Securities. Please, go ahead.

**Keshav Lahoti:** Hi, thank you for the opportunity. So, what I want to understand, as we are seeing, the export is increasing from the industry. So, possibly, I was expecting may be the export might have increased from Rushil also, which is not visible, because the export was something like, 35,000 CBM-40,000 CBM in, Feb month. So, why have Rushil not, tapped this opportunity? How are the margins in export? And what is, how you see the industry? The import might be increasing, but export is also increasing at a rapid pace. So, still we can remain our net export in MDF.

**Management:** Yes, thank you for the question. So, talking about the realization, our realization from Q3 to Q4 has increased. And the volumes, which we are targeting is also around 5000 CBM to 6000 CBM, a month. So, the export to different countries will be constant with this ratio, as internally decided by the management. And we don't see an extra capacity, which will be exported. The rest of the capacity will be utilized for our domestic purpose as well.

**Keshav Lahoti:** Okay. How is your margin in export? Is it a break-even or you make some kind of 5%-10%?

**Management:** We make some out of it. It is not on the break-even. It is slightly higher than that.

**Keshav Lahoti:** Okay. And what is your value-added mix for Vizag plant in Q4 and FY '23?

**Management:** Okay. Hi. Value-added, I want to say that, we have taken almost 73% growth from last Q3FY23 to Q4FY23 in our Vizag. And if we talk about our entire value-addition sale as of now, it is almost, I would say, almost 21% growth compared to last quarter i.e. Q3FY23.

**Keshav Lahoti:** For Vizag, right?

**Management:** For Vizag, we have taken a growth of 73%. And for entire operation, we have increased almost 21%. Our achievement was 21% increase in value-addition. And MDF segment altogether, if we talk about it, it is almost 27% of total MDF sales for the financial year 2022-23, which was our target for Q4. And now, we are planning 40% in coming days.

- Keshav Lahoti:** Okay. How is the pricing difference between import and domestic product right now, in the last quarter, currently?
- Management:** If we talk about basic line product, which normally, in import it is almost raw product. So, since last two quarters, it is almost consistent. And the gap is again 10% to 15% depends on the destination.
- Keshav Lahoti:** So, is it a fair understanding, the value-added product don't faces competition from import, that is, isolated from import, it is more towards plain MDF only?
- Management:** Mainly, I would say 90%-95% business import is plain MDF. So, for value-addition, customers, they prefer brands.
- Keshav Lahoti:** Okay. Got it. And how has been the timber prices in last quarter and currently, where it is and how you see the trend?
- Management:** There is a slight change in timber price.
- Keshav Lahoti:** Okay. Thank you. That's it from my side.
- Management:** Thank you.
- Moderator:** Thank you. A request to all the participants, please restrict to two questions per participant. The next question is from the line of Bhavin Rupani from Investec. Please go ahead.
- Bhavin Rupani:** Hi, sir. Thanks for the opportunity. So, first question is related to MDF. So, what is the import prices of plain MDF versus the domestic prices?
- Management:** If we talk about specific destination, which are not nearest to port, then, it's between 5% to 10%.
- Bhavin Rupani:** So, you are saying import prices are lesser by 5%?
- Management:** Yes. Import prices are lesser than 5% to 10%.
- Bhavin Rupani:** Okay. And, sir, are there any increase in the international market, prices in the international market recently of the MDF prices, plain MDF prices?
- Management:** Can you repeat again?
- Bhavin Rupani:** Is there any increase in the international prices of MDF recently?
- Management:** I actually came across one of the importer and he told me, they have increased \$15 per CBM and that news, I got it somewhere in February.
- Bhavin Rupani:** Okay. And post that, you are saying that, difference is still 10% to 15%?

**Management:** No. I am just comparing it, as of 31<sup>st</sup> March only. So, I am really not sure, what price import came in the month of March. Because, they have always some pending orders and all these things. So, new pro-forma invoice, I was told, they have increased \$15.

**Bhavin Rupani:** Okay. Sir, can you please provide the volumes and margin breakup, for the old and the new MDF plant, if possible?

**Management:** Okay. When we are talking about new plant that is Vishakhapatnam and old plant is Chikmagalur plant. If we compare Q4, then sales volume, it has already increased in, both the cases. If you compare with Q3, then suppose if it is Chikmagalur then, as against 17,381, the volume has increased to 19,256. And in case of AP plant, from almost 40,000 to 46,924, that means almost 47,000. So, both way, sales volume has increased. Similarly, production has also increased in the same manner.

And in terms of capacity again, if we talk about AP plant then, for the last three quarters, we were having capacity utilization in the range of 68% to 72%, to 73%. This time and in the last quarter, that is Q4, we have achieved for the whole quarter, 77% and in the last month of quarter, that is March, it was almost 80% as of now.

**Moderator:** Thank you. Bhavin, I will request you to join the queue for a follow-up question. Participants you may press star and one, to ask a question. The next question is from the line of Harsh Shah from Dalal & Broacha. Please go ahead.

**Harsh Shah:** Thanks for the opportunity. My question is related to the laminate segment. So, when I look at the margins they are relatively very lower even though my realizations are not that low. So, when I look at the realizations of one year it has been in the range of 690 to 740. So, is it the case that there could be some sort of operational efficiencies at your level and would you want to improve on that margin?

**Management:** No, I guess it's not an operational inefficiency. It's just a product mix number one and it's a last quarter. So, we have a lot of promotional scheme and everything which we have to pass on. As such we are quite optimistic about maintaining our margin as like Q3 which was EBITDA was 11%. So, we are targeting next financial year it should be around the same way. That's what we are planning actually we are trying.

**Harsh Shah:** So, what is the value added mix in this quarter?

**Management:** Are we talking laminates or MDF?

**Harsh Shah:** Yes, laminates?

**Management:** Value added as such there is nothing like value added. Every laminate is a very different product like it has a 1mm, 0.8mm, it has exports. We have exports in Gulf, we have exports in Southeast and Far East Asia. So, it's just a change of product mix that's all and the financial year is you know we have to pass on certain promotional schemes and all that's one of the reasons.

- Harsh Shah:** Okay and the new plant, the margins for the laminate segment would be in double digit right?
- Management:** Yes, in fact with the old plant only we are targeting double digit EBITDA for sure. That's our prime objective and we are focusing hard on that part because now we see raw material is quite stable since last couple of quarters.
- Moderator:** Thank you. Next question is from the line of Udit Gajwala from Yes Securities. Please go ahead.
- Udit Gajwala:** Hi sir. Just one follow up that what was the value add portion of MDF in Q4 and for full year overall?
- Management:** Hi. You mean to say total combination of value addition right?
- Udit Gajwala:** Yes
- Management:** It's almost 27% of total sales.
- Udit Gajwala:** This is for Q4 right?
- Management:** It is 27% for the year also. Now Q4 I would say value added was almost 27%. So if I talk in sales way, almost we have sold 17,700 CBM of value added and 42,000 plus plain.
- Udit Gajwala:** Got it sir. Secondly, for coming fiscal what kind of growth in each segment and margin guidance, if you could highlight for both MDF and laminates?
- Management:** For the value addition, now this year our target is to reach at least 40% or more and I'm sure it's not a problem for us. We are working hard so we'll be able to do that part. That's our focus area. As long as margins are concerned, ideally we feel that MDF margin EBITDA has to be around 20% and for laminate it should be around 10%. That's what we are planning, we are trying.
- Udit Gajwala:** And sir, what kind of revenue growth are you expecting for coming fiscal given that largely it should be driven by volumes?
- Management:** Yes, see in order to achieve this margin, we have mainly three fields. One is we have to increase our value addition business. You can see that in Q4 we sold almost 17,000 CBM of value addition while it was 14,600 in Q3. So it was almost 20% growth we took for value addition. So this is one of our strategies. We want to increase our value added business. Second part is efficient utilization of our plant capacity. If we talk about Andhra Pradesh plant capacity, we have almost achieved 78% in Q4 and Chikmagalur was almost 85%. So we are quite satisfied and we want to go further in that way.
- Udit Gajwala:** Got it, sir. Thank you.
- Moderator:** Thank you. Next question is from the line of Rishikesh Oza from Robo Capital. Please go ahead.



- Rishikesh Oza:** Hi, sir. Thank you for the opportunity. So my first question is on our revenue growth for next year. What will be our guidance on revenue growth for next year? Is it like 14%-15% a fair assumption?
- Management:** I think in the last question only, we have already suggested that we want to increase our capacity. So the way we are placed as of now is around 77%-78% capitalization in AP and 85% in Chikmagalur. So we want to go further in terms of 5%-10% increase which should be reflected in the revenue. This will be around, I think as you suggested is right, in the range of 15%-20% in terms of value.
- Rishikesh Oza:** Okay, in terms of value, right?
- Management:** Yes.
- Rishikesh Oza:** And also, sir, what was our value-added product, MDF value-added product realization for Q4?
- Management:** Say it again.
- Rishikesh Oza:** What was our MDF value-added product realization for Q4?
- Management:** Overall, it was 34,424.
- Rishikesh Oza:** Okay. And sir, my last question is, how are we deploying the Rights Issue proceed?
- Management:** Okay, the object clause is very clear. Out of this INR 107 crores total value of Right Issue, INR 56 crores approximately will be directly adjusted in present outstanding of unsecured loan from promoters, which will be converted into equity. And the balance amount is for the purpose of working capital. And the small portion as per the SEBI guideline, it will be for general corporate purpose.
- Rishikesh Oza:** Okay. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Aasim from Dam Capital Advisors. Please go ahead.
- Aasim:** Yes, hi. So, just wanted clarification on the MDF value-added component. In your opening remarks, you mentioned 36% and later you said it was 27% for FY '23. So, is 36% revenue and 27% volume for value-added products?
- Management:** I am talking about 27% volume.
- Aasim:** 27% is volume. And then do you have, I mean, how much would it be on the revenue basis, value-added for the full year?
- Management:** I think we have to find out 37%, I believe.

- Management:** See, as of now, if we talk about the last full financial year, I think full financial year, the value, in terms of value, it will be around 37%.
- Aasim:** Okay. So, 37% is value, 27% is volume. And would you have figures for FY '22? What would this corresponding figures be?
- Management:** Just a minute. No, I think it is not available as of now. We will just try to give you later on.
- Aasim:** Okay, sure. And just final question, what all comes in value-added products in MDF?
- Management:** Value-added product is something which is not interior-grade basic board. So, may be one part is pre-laminated MDF, another is exterior-grade MDF, exterior-grade pre-lam MDF, HDFWR, that is our MaxPro product, which is again a high-density product with powerful performance. It is again a pre-laminated HDFWR, that is pre-laminated MDF MaxPro. These are our products for value-added. Then we are also giving some painted board for specific operations. These are all our value-added products.
- Aasim:** Okay, so basically we are available in all these special products, which even a Greenpanel or a Century Ply provides to the market. There are no gaps where they are providing something that you don't.
- Management:** No, we all have the more or less same products.
- Aasim:** Got it. Okay, thanks.
- Management:** Thank you.
- Moderator:** Thank you. Participants, you may press star and one to ask a question. The next question is from the line of Rajesh Kumar Ravi from HDFC Securities. Please go ahead.
- Rajesh Ravi:** Hi, sir. Good afternoon. My question pertains to first on the margin compression in the MDF segment. We see that the realization has come off sequentially by around 10% primarily in the domestic side. But as in the last quarter, there was one-off, you know, those forex losses, which adjusted for that margins were healthy. Are there any one-offs in this quarter numbers also?
- Management:** See, as you rightly said, this quarter margin has contracted. The main reason for this is like there is a pressure from price also. That is one part. And small portion is like in terms of increase in raw material price. But on other side, if you see, I think volume-wise, we have already increased. So we are very confident that the coming quarters, we will again regain the same margins, which is there in the last full year. If you compare with the full year margins, which is in this range of 20%-22%. So that is what our target is. But there is no one-off as of now.
- Only exception would be, as rightly said by Keyurbhai that in case of laminate, there is some schemes, etc. Otherwise, in MDF, there is nothing like any one-off expense. Except last quarter, that forex loss. This quarter, there is no such big loss.

- Rajesh Ravi:** Okay. And so when you are talking about going back to 20%, 21% from 16% in Q4, what is that being driven by? Because prices have not increased across markets. And even timber prices apparently seems to be elevated only. So what are the levers you are looking at, which will lead to another 400 bps-500 bps margin expansion quarter on quarter?
- Management:** So you are talking about MDF, right?
- Rajesh Ravi:** Yes, MDF.
- Management:** MDF, I think it was...
- Management:** I would answer this question, Rajesh ji. What we feel that in last quarter, it was a product mix. And that is one of the reasons why our realization for plain was a bit lower. So we are improving and we are working on improving our product mix. And we understand the margins from 16% to 20%. We have to change our product mix and we are working very hard like we are promoting our products at various places. Now we started entering into newer market. As I said, we have quite increased our value-added business from Q3 to Q4, almost 20%.
- So now I am sure this will help us to increase our EBITDA margin. And yes, efficient utilization of capacity will be another factor. Okay. As previously Hirenbhai said, yes, price pressure is always there. Because we took price cut in the month of November, almost mid-November. And by the time price implemented, it was end of November or whatever. So entire effect is now in this quarter.
- Rajesh Ravi:** Okay. And just a follow-up, if you talk about margins, how would be the margins for your value-added products in Q4 and FY '23 on company level?
- Management:** See, you can just see from the recent figures also, when we are talking about plain product, the realization is in the range of 23,000-24,000. While the value-added product is around 34,000. Right. So this will continue and the difference of this will definitely continue.
- Rajesh Ravi:** No, but on margin level, how much flows down?
- Management:** Sorry?
- Rajesh Ravi:** On margin level how do they work out?
- Management:** We don't have the exact figure, but we are pretty sure it's quite better than the plain grade.
- Rajesh Ravi:** So around 500 bps difference should be there broadly. That much understanding can we get?
- Management:** Actually, just we can't say as of now, but then from realization, it is evident.
- Management:** We can revert back to you after checking.
- Rajesh Ravi:** Sure, sir. And lastly, what was the full year number of guidance for FY '24?
- Management:** Sorry?

- Rajesh Ravi:** Guidance for FY '24 volume and the over value?
- Management:** I think this was covered in the last two questions. See, on one side, the volume wise, Keyur bhai have already covered. So when we are increasing capacity, so that will be reflected in our volume. So we are as of now at 78%-79%. We are targeting at least 85% plus in the coming year.
- Management:** So we are planning actually 90%-95% in coming two years. That's what our quantity target.
- Management:** In terms of value also I think as I mentioned...
- Management:** As I said, last two quarters, the price in import is not decreased. And probably I heard it's increased by \$15 per CBM. So we don't see much pressure on realization now onwards. I hope I answered your question, Rajeshji.
- Moderator:** Sir, thank you very much. A request to all the participants, please restrict to two questions per participant. The next question is from the line of Arun Baid from ICICI Securities. Please go ahead.
- Arun Baid:** Hi, sir. Just one question. How would the wood cost be for us in the current quarter, which is Q4?
- Management:** Per ton, it is around 3,500 plus.
- Arun Baid:** Okay. And these prices, sir, have they started to go up, come down in the current quarter in April, how actually, it will be?
- Management:** No, it has slightly increased in the current quarter compared to, for Q3, Q4, there is a slight increase.
- Management:** Actually, it was increased somewhere in the middle of the quarter. So we will see the exact effect in, I think, by May.
- Arun Baid:** Okay. And the second thing is, just to recheck, you mentioned that your realization would be around INR 24,000 for plain MDF?
- Management:** No I was just giving the comparison of value added versus plain, where I had said that...
- Management:** Annual realization in financial year '22 -'23 was INR 23,257 compared to INR 36,328 for the value added. That was the reason. As I said, in our Q4, it was INR 20,400, only reason for this realization is our product mix. And we are quite sure and optimistic that we are working on change of our product mix so it will improve.
- Arun Baid:** No, sir, this point was asked because you mentioned that roughly 30% of your volumes was value-added right in this quarter, Q4, which is at INR 34,000. And if you look at your blended number, the domestic number comes at INR 24,508 for the quarter. So that means the number should be way lower for your plain MDF?

**Management:** Sir, I want to just bring one thing in your notice that when we talk about the ratio of value-added to plain, we only consider domestic sales only.

**Arun Baid:** Sir, I am talking about domestic realization only. Domestic realization was INR 24,508 for the quarter?

**Management:** No, no. For Q4, domestic realization in general was INR 20,410.

**Arun Baid:** Sir, I am sorry, my numbers were mistaken somewhere...

**Management:** Yes, the total realization was INR 24,034. It was for total MDF, including exports, domestic, value-added and all together. So, if I narrate again, plain domestic is INR 20,410. I am talking about Q4 realization. Value-added is INR 34,424. For exports, plain is INR 18,641. And for exports, value-added 230 CBM, so it comes around INR 26,320. And if we talk about entire quantity for Q4, it is around 66,180, which is, I would say, almost 78% in terms of capacity utilization, I believe. And realization is INR 24,034.

**Arun Baid:** Sir, and just one clarification here. You mentioned that realization for plain in this quarter was INR 20,410 for domestic MDF. What would this number be in Q3, sir?

**Management:** Okay, in Q3 overall MDF realization was INR 26,510. And the volume was 57,310.

**Arun Baid:** There is a drop in the plain MDF Q-o-Q?

**Management:** Yes, as I said in Q4, our product mix for the plain MDF was different. That's one of the reasons, but we are working hard on certain parts.

**Arun Baid:** But there have been no price cuts, right, in Q4, from your perspective?

**Management:** Q4, as such, we didn't take much of the price cut, except one or two states or some target-oriented scheme to dealers, that's all. But not in general.

**Arun Baid:** So that would be how much, range-wise, roughly?

**Management:** It's not in my hand. I can share later on, for sure.

**Arun Baid:** Sure, thanks.

**Management:** But I don't think it's very significant.

**Arun Baid:** Okay, so this number will go back towards INR 24,000 from next quarter.

**Management:** Last price cut we took, that was on 16<sup>th</sup> November, 2022.

**Arun Baid:** Yes, so from next quarter onwards, Q1 onwards, or current quarter, which is running right now, this number will go back to INR 24,000, as such?

- Management:** Yes, if we talk about common number, INR 24,000, yes, we are quite optimistic about performance and better performance about this.
- Arun Baid:** What I'm trying to indicate here is, this is plain MDF, not including your HP grade or other VFDF.
- Management:** Because I understand what you are saying is, this only plain number can improve the overall realizations. So we are quite optimistic, because nowadays, export realizations and everything, like, of course, last two quarter to this quarter, we have taken some growth in export realization, but we see the same realization in coming quarter too. And value-added realizations, we feel that it will increase over the period. And we expect local plain business, local plain, that is domestic plain, interior grade will also fetch us a good realization, as we are working on our mix. That's what I'm telling you.
- Moderator:** Thank you. The next question is from the line of Diwakar from Prudent Equity. Please go ahead.
- Diwakar:** Hi, sir. Good afternoon. Sir, what is the reason behind the significant decrease in export MDF revenue this quarter? Could you please explain the reason behind the significant decrease in export MDF revenue this quarter?
- Management:** Actually, quarter-on-quarter, our realization has improved. Last quarter, volume.
- Diwakar:** Yes. So volumes, basically, if I compare, the volumes are also down. On quarter-on-quarter and both on year-on-year basis?
- Management:** One reason is quarter four is our last quarter of financial year. And as you understand, gentlemen, this quarter, we have more opportunity to sell our material in domestic market at better realisation. And that's the reason. So we are targeting Q1 this year is the same pace of 5000 CBM per month, more or less. So we expect the rate will be back in Q1 for 15,000 CBM.
- Management:** And also would like to add here something is that the realisation on the exports were slightly decreasing and we didn't wanted to take that dip. So we took a steady growth with a good realisation what we wanted to achieve. And that is another reason why we didn't export it into the much bigger volume than comparing quarters.
- Diwakar:** Okay. Thank you, sir.
- Management:** And one more thing I would like to add is now we feel that that is the increase of \$15 in international market price increase. So we are quite optimistic about better realisation of exports in Q1.
- Diwakar:** Okay, thank you.
- Management:** Thank you

- Moderator:** Thank you. A reminder to all the participants you may press star and one to ask a question. The next question is from the line of Parth Bhavsar from Investec India. Please go ahead.
- Parth Bhavsar:** Hi, sir. Thank you for the opportunity. Sir, just in continuation with previous participant's question, you mentioned that the timber cost was approximately INR 3,500 per CBM in Q4. So what was this number last year and the previous quarter?
- Management:** INR 3,550 was per metric ton.
- Parth Bhavsar:** Per metric ton. And last year it was how much, sir?
- Management:** Last quarter I think it was more or less in the same range. May be INR 3,400 or INR 3,500.
- Parth Bhavsar:** Okay. And last year?
- Management:** Last financial year it was probably around INR 3,000 or INR 3,200, something like that.
- Parth Bhavsar:** Okay. And how do we see this number going forward like in Q1?
- Management:** Normally we don't see much changes, may be around 3%-4% together. That's all. That effect happened only in January end or something. So we don't see now much effect in coming quarter. Because normally timber in South, effect is always 3%-4% as on date.
- Parth Bhavsar:** Okay. And then sir, what about the chemical prices? How are they like in Q4 and going ahead? What is your view?
- Management:** Very honestly now it's going stable, quite stable. But there is on and off some fluctuations. That's all.
- Parth Bhavsar:** Okay. So for us what would be the consumption cost for chemicals in Q4?
- Management:** You want to know separate consumption cost. So I think that would be in the range.
- Management:** I would say 55%, 45%-50% is wood and chemical together. See, we have always option of making that combination change. if the chemical price is higher, we can increase the wood. And if the chemical price is down, we can decrease the wood. So it's all about recipe. But together it's 45%-50%.
- Parth Bhavsar:** And sir, how does this help in terms of the output, if we increase the chemicals, so would the weight increase for MDF?
- Management:** That's what I'm telling you. It's a recipe. So end of the day we have to maintain our quality. Consistency of quality is very important. So whatever the factors for technical checks, we have to maintain in any case.
- Parth Bhavsar:** Okay. So my understanding like there is a particular recipe or we have to maintain the quality. There would be a specific input that we have to put in and there would be a specific output to

maintain that quality. So when you say we can change the recipe, so what do you mean by that?

**Management:** Recipe means the ratio of wood and resins. Wood, fiber and resins.

**Parth Bhavsar:** Okay. Perfect, sir. Thank you so much.

**Moderator:** Thank you. A reminder to all the participants you may press star and one to ask a question. As there are no further questions, I would now like to hand the conference over to the management for closing comments.

**Management:** Thank you once again for your interest and support. We will continue to stay engaged. Please be in touch with Adfactors, our investor relation team for any other further details or discussions. Looking forward to interact with you in next quarter. Thank you.

**Moderator:** Thank you very much. On behalf of Asian Market Securities Private Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.

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