



RUSHIL

DECOR LIMITED

WE'LL MAKE IT

RDL/081/2023-24

Date: 11.11.2023

To,
National Stock Exchange of India Ltd.
Exchange Plaza,
Bandra – Kurla Complex,
Bandra (E), Mumbai – 400 051
NSE EQUITY SYMBOL: RUSHIL

To,
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai- 400 001
BSE SCRIPT CODE: 533470

ISIN: INE573K01017

Dear Sir/Madam,

Sub: Transcript of the conference call for Unaudited Financial Results for the Quarter and Half Year ended September 30, 2023

In terms of Regulation 30 read with Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are sending herewith the transcript of the conference call with Investors and Analysts held on Tuesday, 07th day of November, 2023 in respect of Unaudited Financial Results for the Quarter and Half Year ended September 30, 2023.

Please take the same in your records and do the needful.

Thanking you,

Yours faithfully
For, Rushil Décor Limited

Hasmukh K. Modi
Company Secretary

Encl.: As above



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“Rushil Decor Limited
Q2 FY2024 Earnings Conference Call”

November 07, 2023



ANALYST: MR. KARAN BHATELIA – ASIAN MARKETS SECURITIES LIMITED

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

Moderator: Ladies and gentlemen, good day and welcome to Q2 FY2024 Earnings Conference Call for Rushil Decor Limited hosted by Asian Markets 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 the date of this call. These statements are not 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 ‘*’ then ‘0’ on your touchtone phone. Please note that the conference is being recorded. I now hand the conference over to Mr. Karan Bhatelia from Asian Markets Securities Limited. Thank you and over to you Sir!

Karan Bhatelia: Thanks Akshay. A very good morning and welcome all to the Rushil Decor Q2 FY2024 Earnings Conference Call hosted by Asian Markets 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 comments. Over to you! Thank you!

Rushil Thakkar: Thank you Karan. Good morning ladies and gentlemen and welcome to Rushil Decor Limited Earnings Conference Call for the Q2 and half year ended on September 30, 2023. I would like to thank Asian Markets Securities for arranging this call and all the participants for taking the time to join the call. Today, I am joined by Mr. Keyur Gajjar, Chief Executive Officer and Mr. Hiren Padhya, Chief Financial Officer. We shared and uploaded the investor presentation on the exchanges and hope you have gone through the same.

Firstly allow me to provide an overview of some of the recent developments that have taken place at Rushil Decor. Company initiated a preferential allotment of Rs.124.74 Crores for fueling expansion and working capital needs. The company entitled of a 3-star export recognition is a significant milestone confirming our preparedness to leverage its strength and cater to the global export market. We anticipate that exports will play a key role contributing an estimated Rs.250 Crores to our revenue by FY2024. Rushil Decor receives Indian Green Building certification for its MDF plant at Vishakhapatnam. When we look at the quarter there has been a marginal growth in the topline which has been seen in terms of the market dynamics and subdued demand. July was notably impacted by the monsoon and witnessed the slower pace. We notice a positive uptick in the August. By September we experienced a significant recovery and a positive trajectory for the future. Even the raw

material prices which has shown a marked increase during this quarter and has shown a respite and havoc stabled since October. In spite of all the challenges hovering during this quarter we exhibited a satisfactory growth in MDF and laminate segment. The current festive season have witnessed a surge in domestic demand with consumers increasingly allocating resources to home renovation projects, this change in consumer preference reflects evolving lifestyle trends and growing emphases on a modern, functional and elegant living space. In response to surging demand our manufacturing facilities ensure efficient and scalable production while maintaining a strong focus on sustainability. The emphasis on sustainable product aligned with the growing global trend towards eco-consciousness and responsible sourcing. Our farm to furniture ideology is a commendable step in this direction ensuring both quality and environmental responsibility. By FY2024 we aim to plant 8 million saplings ensuring sustainable supply of our raw material. We have established ourselves as a prominent player in MDF segment significantly blustering our market presence. Our strategic emphases of expanding our value-added product portfolio within the MDF segment has been resounding with success. This is evident in the fact that value added products now constitute a significant 50% of the total revenue generated from our MDF offerings.

On the laminate front the global market for the decorative laminates have witnessed substantial export volume growth driven by stabilization of the freight rates and raw material prices. Key destinations such as Saudi, UAE and Thailand have contributed to its positive trend. Capitalizing on this favorable market sentiment our company has made the strategic decision to augment the Greenfield capex of our laminate plant to Rs.90 Crores from Rs.60 Crores. We anticipate project revenue of Rs.160 Crores to Rs.180 Crores by FY2026 with the healthy EBITDA margin ranging between 12% and 15%. The new decorative laminates production facility which will cater the premium export markets like Europe, USA, Australia, New Zealand, etc., intend of one line we have decided to set up a second line preliminarily driven by escalating demand for the jumbo boards of laminates. Moreover the company places strong emphasis on organizing carpenters and dealers meeting as a part of our strategy to boost product awareness and expanding our market presence. This meeting serves as valuable platforms for sharing insights, product knowledge and industry trends ultimately fostering a better understanding of our product among the carpenters and dealers. This, in turn, enhances our brand recognition and product penetration in the market. As we look ahead to FY2024 our objective is to take substantial stride in growing and fortifying our dealer and distributor network. This growth initiative aligns with our overachieving strategy to increase market coverage, improve accessibility to our products and deepen our relations with the value partner, fostering mutual success and growth for all stakeholders. This is all from my side. I would like to hand over call to our

CFO, Hiren Padhya who shall take you through the financial highlights. Thank you very much.

Hiren Padhya:

Good morning, everybody. Thank you, Mr. Rushil. I am pleased to provide you with an overview of our performance during the last quarter, that is Q2 FY2024. At the outset I would like to inform that company has initiated a preferential allotment of Rs.124.74 Crores and the proceeds would be utilized mainly for first Greenfield project for laminates and its working capital margin that is Rs.100 Crores, second MDF operational capex for Rs.10 Crores, third balance Rs.14.74 Crores for general corporate purpose. Our foremost strategy is to maintain operational stability while simultaneously driving growth in both MDF and laminate segments. To achieve this, we persistently fine tune our operations to enhance efficiency. Furthermore, we have initiated phase two of our SAP implementation, a pivotal step towards operational excellence.

Coming to quarterly performance, during this quarter our company recorded operating revenue of Rs.204.6 Crores while MDF business contributed Rs.150 Crores whereas laminate segment contributed Rs.49 Crores. Similarly, EBITDA for Q2 FY2024 stood at Rs.29 Crores as against Rs.47 Crores in Q2 FY2023. The volumes for MDF segment stood were at 60,413 which is up by 11.2% year-over-year. The EBITDA margin for the MDF segment stood at 17%. Our net profit for Q2 FY2024 was reported at Rs.11 Crores which is marginally lower than Q1 FY2024.

Coming to half yearly performance, for the half year ended September 30, 2023, the net revenue from operations stood at Rs.397 Crores year-on-year basis a degrowth of around 4%. MDF segment contributed Rs.296 Crores and laminate similarly contributed Rs.91 Crores to total revenue in H1 FY2024 compared to Rs.310 Crores and Rs.100 Crores in laminate for H1 FY2023. EBITDA for the first half financial year stood at Rs.58 Crores as against Rs.95 Crores in the previous year. The net profit was at Rs.23 Crores in H1 FY2024 with a margin of 5.68%. We expect to see significant improvement in the Q2 of the year. We prioritized prudent debt management and currently maintain a conservative debt-to-equity ratio of 0.61. This approach ensures a healthy balance between leveraging opportunities and financial stabilities. Now we can open the floor for a question-and-answer session.

Moderator:

Thank you very much. We will now begin the question-and-answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Keshav Lahoti from HDFC Securities. Please go ahead.

Keshav Lahoti: Thank you for the opportunity. Congrats on a great set of numbers in muted demand environment. I just want to get a sense in PPT you have spoken about BIS so how will the BIS impact import, what is your initial take, how can the industry dynamic change?

Company Speaker: Good morning. I think we feel that any imports that will take place they have to get ISI certifications and they have set up certain criteria for various industry to obtain this ISI mark, so for domestic industry as well as for imports they have to achieve ISI criteria and when you try to get this criteria and when you try to fulfill those criteria obviously your cost of raw materials and other expenses will increase so we feel actually as on date organized player offer only ISI product BIS product so we see there is a significant improvement in coming days and from March 1, 2024 for all imports coming to India they will have to get ISI.

Keshav Lahoti: Understood so is it getting ISI very expensive because my understanding was it is not very costly possibly the import can get it?

Company Speaker: For example, as on date import board their density is around 650 to 670 only whereas those organized players in industry, they are offering their density around 710. In order to achieve performance criteria for a board as per ISI standards they have to increase their density, they have to give a good quality board and when you try to do this your cost of production will increase.

Keshav Lahoti: Understood whether is it possible for you to give us any sense like how much import would be BIS compliant because we understand the majority of the imports coming that is not compliant but what would that be like number would look like?

Company Speaker: See most of the imports are industrial grades and their density ranging from 650, 670 and 680 and then you know from day one they will not get the ISI credit so they have to apply and a lot of things so it is not that immediately import will also start from March 1, 2024, with ISI grade. Probably I am not sure but probably it may take some time for them to get ISI and obviously when you want to produce good quality boards as on date all imports are more or less, I would say 95% probably is industrial grades and they are low density boards.

Company Speaker: I would like to add here something that if we see that if we want any kind of CARB certification or may be some kind of EN certification then there are the visits which has to be done on the industry side. The same process is for the ISI also, so they need to make their plants equipped for the ISI standards of the testings and everything so for arranging those things for a manufacturer is also will be a time taking process.

Keshav Lahoti: Got it. Understood. Sir what we see you are talking about Rs.250 Crores export in this year also so possibly you are talking your MDF export will continue but while other peers are talking about export is just like a 2% to 3% margin business they are sort of least interested so where you have an edge over others, how is your raw material costing, what was your timber cost per kg in Q2?

Company Speaker: So first of all, I would like to answer the question that export we have an export obligation that has to be catered so our target is first to fulfill that. Secondly talking about the exports, we have got a good margin than maybe our competitors because of the presence in the different markets as well such as Portugal and Spain, so this will give us an upper edge and another point is the port availability is hardly around 40 km from our plant so the cost benefit over other documentation charges and other charges makes us more compatible for exports than our peer competitors. We have a fixed target for export that every month we will be doing 5000 cubic meters of export to make sure that our production is evenly distributed through other things as well and talking about the raw material pricing our prices in wood have increased by 6% to 8% and at the same point of time the prices in the Brazil has gone down by 7% to 8%.

Keshav Lahoti: Got it. Sir, do you have the number of timber cost per kg handy with you for Q2?

Company Speaker: We can let you know.

Keshav Lahoti: Okay one last follow-up question from my side so what is your export obligation for each year and till when it will continue?

Company Speaker: See the overall export obligation was Rs.187 Crores to Rs.188 Crores out of which the first tranche of 50% the time has completed and as of now we have got time up to October 2024 and the balance is as of now Rs.48 Crores only. So, it is very easily achievable but as said by Mr. Rushil again we are just having the strategy of 5000 CBM per month export planning but this is one of the criteria for export.

Keshav Lahoti: Got it. Understood. Thank you. That is it from my side.

Moderator: Thank you. The next question is from the line of Bhavin Rupani from Investec India. Please go ahead.

Bhavin Rupani: Thanks for the opportunity. Sir, you mentioned that you have better margins as compared to your competitors in case of exports of MDF, is it possible for you to quantify it?

- Company Speaker:** Sorry can you repeat the question.
- Bhavin Rupani:** Sir you just mentioned that your export margins are better as compared to your competitors in case of MDF exports so can you quantify it what are the margins?
- Company Speaker:** The export realization during last couple of quarters I think it was in the range of 18000 to 19000 per CBM. This quarter I think it has improved marginally and again see it depends upon the the terms and the product mix which we are exporting as of now so if there is a component of value-added product is higher than the realization would definitely increase. Why we are saying better because see we are in the process of improving our value-added products in both the plants. In case of the older plant Chikmagalur where the value-added proportion is more than 65% but the export is minimal. In case of Vishakhapatnam the value-added proportion is increasing over I think last couple of quarters at least 5% every quarter so when it is increasing in terms of value-added products the realization will definitely improve so I think the reference context was from this.
- Company Speaker:** If we talk about, I just want to add last quarter we export 26% value added out of 100% so if we talk about 14600 CBM we have exported 3700 CBM value added and value added is always bit more interesting than the industrial growth.
- Bhavin Rupani:** Okay Sir just if one want to bifurcate between the margins of value-added products and industrial product what would be our margins for exports in case of industrial product?
- Company Speaker:** I think we won't be able to exactly quantify as I said earlier it depends upon product mix but then the realization part, I think you will be able to know. The normal realization in terms of industry product is in the range of 24000 to 25000 as against the value-added realization is in the range of 30000 to 31000 also so there is a direct correlation between value added product and the realization.
- Bhavin Rupani:** My next question is related to your export obligations, so you mentioned that you have export obligation till October 2024 do we intend to continue exporting after completion of our obligation in two years?
- Company Speaker:** Yes, we will be recovering the obligation faster than what the target was. For us if we see the Rs.48 Crores hardly maybe two quarters not more than that.
- Bhavin Rupani:** So just to clarify you are saying that you will be exporting after completion of the obligation period?

Company Speaker: Yes, we will. It is our strategy that we have an advantage of being near to the port then we should rather maintain the margins in domestic by making the supply very stable and doing an excess capacity of exports so it is not that that we will be just doing 5000 cubic meters every month. Our ratios may change after the obligation is over, after seeing the forecasting of the markets how we see it in the global demand and the domestic demand.

Company Speaker: Also, we are trying to set up good business relations in certain developing country where our margins will be comparatively higher for long-term supply like we are in process of exporting our value-added products to North America and European continents too so this will be added advantage.

Bhavin Rupani: Sir any sense on incremental domestic capacities that are coming up, what is the capacity right now and what is the incremental capacity that is coming in one or two years?

Company Speaker: Right now, if I am not mistaken plus or minus 5% to 7%. It is around 2.8 million CBM.

Bhavin Rupani: What is the incremental capacity that is coming up?

Company Speaker: I think in the next two years we anticipate around 1.3 million.

Bhavin Rupani: Any idea on who are the players who are installing the capacity?

Company Speaker: So far on our side we have not decided anything.

Company Speaker: For peers we do not right now would like to comment as well.

Bhavin Rupani: My next question is related to laminates if you see your domestic and exports realizations have dropped significantly in the current quarter as compared to last year September so have you taken any price cuts over here or is there any change in our product mix?

Company Speaker: Very honestly in the last quarter as such price cut it is like a case-to-case basis and it is not only with Rushil Decor, but it is now with all the companies. In order to maintain the market share, you can either introduce new grade or you can give some special discounts for bulk buyers, so this kind of process is ongoing now, but if you check our realization compared to Q1 last quarter it is more or less consistent.

Bhavin Rupani: That is also dropped by 7 odd %

Company Speaker: I would say from AP our last quarter overall realization for domestic was 25856 in this quarter it is 26815. Are we talking about laminates or MDF I am sorry?

- Bhavin Rupani:** I am talking about laminates Sir.
- Company Speaker:** I missed it. I am sorry yes because of the product mix that has changed. If you see our volume, it is now more than 300000 plus and we cater to some of the low-cost products also in order to utilization of our capacity, otherwise I do not see any price cuts in our exports or domestic region it is the same as before.
- Bhavin Rupani:** Sir our domestic laminates volume they have increased merely by 2% can you tell us some of the steps that we are taking over here to increase our domestic market share and volumes over here?
- Company Speaker:** That is our ongoing consistent efforts in order to increase our market share and yes in certain segments we did extremely well in the last quarter.
- Company Speaker:** So, we take the additional efforts like as I told during my opening speech about our dealer meets, distributor meets, carpenter meets in order to make our presence in the market more efficient.
- Bhavin Rupani:** My last question is related to your Greenfield capex for laminates what is the total capex over here and how should one understand the asset turnovers and margins for the Jumbo laminates?
- Company Speaker:** So the initial investment was thought of around Rs.60 odd Crores and later we saw increasing demand in the market so we took a decision of adding one more press of a different size in order to make sure we cater to all sizes available in the market and the capex plan was raised to around Rs.90 Crores and when I am talking about the turnover our turnover last year was estimated around Rs.50 odd Crores from the exports which has now increased to Rs.75 Crores and I think asset turnover ratio we need to take it out and we will let you know.
- Bhavin Rupani:** Sir how should one look at the margins of this Jumbo laminates is it better?
- Company Speaker:** Jumbo laminates is altogether a different market and it is into a very niche market where the consumer understand what the quality product is and we estimate our EBITDA margins to be around 12% to 15%.
- Bhavin Rupani:** That is helpful Sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Rajesh Ravi from HDFC Securities. Please go ahead.

Rajesh Ravi: Good afternoon. My first question pertains to could you share what is your MDF regional sales mix on total basis?

Company Speaker: As I said last year also like we are almost maintaining 25% to 75% ratio 15000 around 14000 surplus CBM exports and balance domestic.

Rajesh Ravi: Domestic market region wise?

Company Speaker: AP plant.

Rajesh Ravi: On total basis the company level what is your regional sales mix?

Company Speaker: It is around 45,921 from both the plant domestic and 14,492 exports.

Rajesh Ravi: In domestic market in India region wise what is the sales breakup?

Company Speaker: I would say we around 40% to 45% in Southern market and 15% in North, 10% in East and balance in West.

Rajesh Ravi: 15% North and 10% East you said right?

Company Speaker: Yes 15% North and 10% East. Balance I would say from West Gujarat, Maharashtra and Madhya Pradesh.

Rajesh Ravi: So that is around 30%?

Company Speaker: Yes 30% to 35%.

Rajesh Ravi: MP including in this West right?

Company Speaker: Yes MP, Gujarat, Maharashtra. We are able to maintain our market share in the Gujarat market for last two quarters.

Rajesh Ravi: Great, so for FY2024 your first half domestic volume is slightly down what is the outlook for the full year MDF?

Company Speaker: I think now this quarter it is now again festive season so coming quarters we see volume growth. If you compare our last quarter, to Q1 to Q2 there is a growth of 3% in terms of volume so we are looking forward to having same growth in coming quarters.

Company Speaker: When talking about next growth so from March 1, 2024, we have an additional benefit of BIS standard so that will increase our volume for next years as well.

Rajesh Ravi: You were talking about this BIS standard helping so does it imply that good amount of MDF imports are non-compliant and hence they will suffer and when it is applicable this BIS norms?

Company Speaker: From March 1, 2024, the BIS norms will be applicable so if we see the current quarter the import was around 48000 CBM just the industrial grid. Now if the demand is such high at this level and after BIS comes, we will have this 48000 CBM raw gap between us and the other international manufacturers which we have to search for so we see a great demand for next year as well.

Rajesh Ravi: So next year you are saying this 48000 CBM quarterly which is coming through that will shrink significantly and that opportunity will go to BIS compliant players?

Company Speaker: Yes so we can see this opportunity in two ways one is there may be company who they are selling to India for just marginal cost purpose they might change it to UAE or other part number one. If they are serious enough to maintain their market share in Indian market, then probably they have to upgrade their products quality and in turn it will increase their cost so in both the situations we see advantages.

Rajesh Ravi: So, would you have any estimate that out of these 48000 odds how much is non-compliant?

Company Speaker: 90% to 95% is industrial grade and the density of this product is ranging around 650 to 670 kg per centimeter cube, so they have to bring this standard to local players organized players and even for domestic players also they have to upgrade their quality.

Rajesh Ravi: So, it is more for density under BIS which matters a lot or like industrial grade is by design it is a non-compliant one?

Company Speaker: No, it is indirectly because for BIS there are lot of standards like MOE and IB internal bonding. To achieve these standards, you have to increase your density.

Rajesh Ravi: Understood so that is where an opportunity from next year which we accrue to the Indian producers?

Company Speaker: Exactly.

Rajesh Ravi: Branded ones. Sir exports so you mentioned you have about Rs.48 Crores of export obligations which could be across both laminates as well as MDF right?

Company Speaker: No, this is purely for the MDF from Andhra Pradesh plant.

Rajesh Ravi: From the Andhra Pradesh plant because for first half if I see you have already done Rs.50 Crores exports in MDF?

Company Speaker: Yes.

Rajesh Ravi: So, this Rs.48 Crores how much time would it take for you to meet this obligation?

Company Speaker: Hardly two quarters.

Rajesh Ravi: Two quarters and this exports margin for you also sub 5% is that understanding, correct?

Company Speaker: This is all about the product mix and the market you are serving to. We just do not serve the UAE market which is where the peers are located. We also go to the other countries developed countries like Poland, Spain and Canada so we have another value-added demand which is coming up in a higher volume from these countries. We have the advantage of being nearer to the port just 40 km away so other charges which our peers have to pay more which are less on our side so that is an advantage for us.

Rajesh Ravi: Understood, so does this imply that your export margins are much better than or it is closer to 10% or even North of 10%?

Company Speaker: It depends on the value-added mix which we do it, it will range between 8% and 12%.

Rajesh Ravi: For the first half if I have to look at it, it would be in that range exports margins?

Company Speaker: Yes.

Rajesh Ravi: Great and Sir coming to the laminate side if I look at while your margins have improved superbly, and even other places have reported why is the realizations down year-on-year is it because of the sea freight?

Company Speaker: There are two or three reasons. One for domestic because you can see there is a significant increase in our quantity, and we have added some new product mix that is one of the reasons and second is here you can see almost huge reduction in freight cost. Now it is

almost pre-COVID level so if we compare it with last year Q2 then yes that is one of the reasons.

Rajesh Ravi: I am looking at exports volume for you is around 8 lakhs in first half the realization has come down by 13% so what would explain the major fall in the export realizations?

Company Speaker: Two reasons like freight component number one and number two the reduction in cost of raw material so several places like we have different product mix. For the Far East we have a different product mix so that is one of the reasons why this realization is lower compared to last quarter.

Rajesh Ravi: But just from my understanding even when you ship from India do you build the sea freight in topline and in cost or most of the building in exports happen FOR basis?

Rushil Thakkar: No, we have a CIF basis also.

Rajesh Ravi: But partly would be CIF or almost all your export shipment would be in CIF?

Company Speaker: I would say 95% to 98% because in laminates normally the price list is always on CIF basis.

Rajesh Ravi: That as a percentage of topline would be how much of your export revenues please?

Company Speaker: It depends on country-to-country. Probably for me it is very difficult to tell now but yes it depends on the country-to-country.

Rajesh Ravi: Great Sir. Thank you. I will come back in queue.

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

Karan Bhatelia: Sir just wanted to understand the raw material cost inflation over a one-year period and how do you see that is shaping in the current year?

Company Speaker: First of all the wood runs with a cycle and the periodic cycle is roughly from three to five years and depending on that every three to five years there will be a hike and there may be the surge in the price it depends on the situation. The current situation is about the price going upwards so in this quarter also we ranged around I think 6% to 8% price hike in the wood so which we may see after one-and-a-half years or maybe after one year it may go down. Then by the time right in the current quarter what we are observing is really stable,

so it is really difficult for us to forecast the wood market and see what would be the price in the future as well.

Karan Bhatelia: Right but Sir if I have to compare on a Y-o-Y basis what was the average timber cost per kg or per CBM in the Q2 compared to the last year Q2?

Company Speaker: We can get back to you with this question because the figures are not with me really handy right now.

Karan Bhatelia: Right could no issues and Sir now that we are already very near to 75% capacity utilization for MDF in total so any plans for capex because we believe it will take one to one-and-a-half years for any big capex to come through so any initial thoughts on the same?

Company Speaker: We are internally reviewing our capex plan for the other segment as well so if we come to a good decision, we will let you know and as of now we have got the capacity to make sure that if we implement also one more capacity then we have that capacity to drive the market by the time we implement it.

Karan Bhatelia: Correct and Sir any commentary on the debt payment or on the working capital side more from one to two-year perspective?

Company Speaker: What was your question?

Karan Bhatelia: Any concrete plans on debt repayment and how sustainable are the working capital days for you in next one or two years?

Company Speaker: So far as overall debt is concerned I think compared to last financial year March 2023 it was total was Rs.406 Crores which has reduced to Rs.317 Crores in June and as of now in September it is Rs.308 Crores out of which more than Rs.200 Crores to Rs.230 Crores plus is the long term debt and working capital is concerned the approved facilities is in the range of Rs.85 Crores against which I think we have utilized a little lower as of now. It is in the range of Rs.68 Crores to Rs.70 Crores as of now. Now coming to the overall planning see whatever debt we have as of now we are making repayment on a yearly basis which will be in the range of Rs.55 Crores to Rs.60 Crores every year so last quarter again we had repaid almost Rs.14 Crores to Rs.15 Crores so this will continue on one side. Secondly as per the management strategy there are two things which is very clear one is like we do not want to dilute and secondly even if we have down the line one or two years whatever new projects we are planning in terms of expansion in laminates or maybe in any other product our strategy is very clear that our debt equity ratio should not be more than one. As you see as

of now it is in the range of 0.64 so even if we plan for something whatever project we have planned for laminate and any other project so we will maintain that thing that it should not exceed one.

Karan Bhatelia: Great. I think that was helpful. Thank you.

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

Rajesh Ravi: Sir on this expansion project which you are looking at Mansa the project cost earlier is it that you have revised the project size because earlier you were planning Rs.60 Crores capex now you have mentioned Rs.90 Crores and also can you throw some light on the timeline because you are mentioning up to two years earlier we were planning this to be operational by Q1 FY2025?

Company Speaker: As informed earlier in the call by Mr. Rushil that earlier whatever we planned was Rs.60 Crores and at that time the capacity we were planning was around 1.2 million. Now looking to the market of developed countries what we see that demand is very good and the margins are very good in terms of export in the developed countries, so we had revised our plan and we added one more line in terms of capacity so from Rs.60 Crores to Rs.90 Crores is mainly because of this on one side. Now secondly what you are talking about is two years see as a part of that process of fund raising, we have got that maximum time available so two years is the time which is available maximum that does not mean that we will wait for two years it depends. So as per the requirements we will utilize that fund as early as possible because our original plan was like June 2024 was the plan to start this project. Now considering this additional part I think we will be planning to start commercial production in the Q2 of next financial year. I think I have answered your question.

Rajesh Ravi: From 1.2 million sheets this will increase to how much?

Company Speaker: The total fund which we are going to infuse is like Rs.124.74 Crores out of which Rs.90 Crores plus Rs.10 Crores for working capital margin so Rs.100 Crores is for this particular project so where we have given timeline of two years which is the maximum timeline.

Rajesh Ravi: Understood Sir. I am saying the capacity which you are taking up we are 1.2 million sheets we will be how much you said that you will be taking an extra line?

Company Speaker: 1.2 million now considering the additional part it would be in the range of 2.5 million to 3 million.

- Rajesh Ravi:** It will be almost doubling your current capacity, great and this is a Greenfield one?
- Company Speaker:** Yes.
- Rajesh Ravi:** Sir last question on the laminate could you throw some understanding on the raw materials all the decor and chemicals and all, are they are all abundantly available or competitively available in domestic market or you have to also realize the resins and all from import markets?
- Company Speaker:** Yes, Rajesh it is easily readily available. It is not a not a problem like phenol, methanol, formaldehyde and even resin manufactures are there and there are plenty of suppliers so that is not a big problem. Even in India also we have a phenol manufacturer so that is not a problem. We see lot of supplies and for base paper and design paper we have options of buying it from Europe, Japan, China and India so we do not see any problem in making laminates and raw material is always easy to get it.
- Rajesh Ravi:** Do you have domestic supplies sufficient enough and even imports are abundantly available without any pricing hiccups?
- Company Speaker:** Yes, it is not a problem.
- Rajesh Ravi:** Yes Sir. That is all from my end. Thank you.
- Moderator:** Thank you. The next question is from the line of Bhavin Rupani from Investec India. Please go ahead.
- Bhavin Rupani:** Thanks for the opportunity again. Sir I have just one question at our existing MDF, and laminates plant do we have any space to expand our capacities?
- Company Speaker:** So actually, in MDF the technology what we are using is designed for more than 110% utilization and talking about the laminates in the current facilities yes we have got the space of around 8% to 10% where we can produce so yes the supply point of view we do not see any hustle to make the extra production if needed.
- Bhavin Rupani:** Got it Sir. In the case of MDF once we reach the optimum utilization do we have any place to increase the capacity after that a Brownfield expansion at the existing location?
- Company Speaker:** We do not see any Brownfield expansions. We always like to see ourselves growing at the pace what the company has envisaged in the history. If you see our history, we are almost doubling the company every four years and that is what our target is.

Bhavin Rupani: Thank you.

Company Speaker: That cannot be achieved from our Brownfield project so we will be always looking for a Greenfield project.

Bhavin Rupani: Got it Sir. Thank you.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to Mr. Karan Bhatelia for closing comments.

Karan Bhatelia: Thank you for the opportunity and Sir any closing remarks you want to make.

Company Speaker: Yes, thank you everyone for giving us an opportunity to speak to you. Thank you very much. Looking forward to getting back to you for the next earnings call.

Moderator: Thank you. On behalf of Asian Markets Securities Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.