



Corporate Office:
Rushil House
Near Neelkanth Green Bungalow,
Off Sindhu Bhavan Road, Shilaj,
Ahmedabad-380058, Gujarat, INDIA.

Regd. Office:
S. No. 125, Near Kalyanpura Patia, Village ITLA,
Gandhinagar-Mansa Road, Ta. Kalol,
Dist. Gandhinagar-382845, Gujarat, INDIA.
CIN: L25209GJ1993PLC019532

+91-79-61400400 +91-79-61400401 info@rushil.com www.virlaminate.com

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To,
The National Stock Exchange of India Ltd
Exchange Plaza,
Bandra – Kurla Complex,
Bandra (E),
Mumbai – 400 051

To,
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai- 400 001

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Dear Sir/Madam,

SUB: Transcript of the Conference Call of Rushil Décor Limited held on September 4, 2018

As per Regulation 30 of SEBI (Listing Obligation and Disclosure Requirement) Regulation, 2015, we are enclosing herewith **“Transcript of Conference Call organized by our Company on September 4, 2018”** for your information and records.

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

Thanking you.

Yours Faithfully,

For, Rushil Décor Limited

Mod H.K.



Hasmukh K. Modi
Company Secretary
Tele No.: (079) 61400400

Encl.: As above





“Rushil Decor Limited
Q1 FY2019 Earning Conference Call”

September 04, 2018



ANALYST: MR. PURVESH SHELATKAR – CENTRUM BROKING LIMITED

**MANAGEMENT: MR. KRUPESH G. THAKKAR – MANAGING DIRECTOR
MR. KEYUR M. GAJJAR - CHIEF EXECUTIVE OFFICER
MR. VIPUL VORA – CHIEF FINANCIAL OFFICER
MR. CHINTAN SHAH – AGM (FINANCE)**

Moderator: Ladies and gentlemen, good day and welcome to the Rushil Decor Limited Q1 FY2019 earning conference call, hosted by Centrum Broking Limited. 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 telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Purvesh Shelatkar from Centrum Broking Limited. Thank you and over to you Sir!

Purvesh Shelatkar: Thank you very much. I welcome all of you for the first quarter conference call of Rushil Decor Limited. I, on behalf of Centrum welcome Mr. Krupesh Ji and his team at Rushil Decor for this call. The team of Rushil Decor is being represented by the CFO, CEO and the MD of course. Now I hand over the floor to Rushil Decor Management to give their brief commentary about the Rushil Decor’s first quarter FY2019 earnings and then we can open the session for the management as per their convenience. Thank you, over to you Sir!

Krupesh Thakkar: Good morning everyone. This is Krupesh Thakkar. I would like to welcome you all and thank you for joining this conference. I have with me Mr. Keyur Gajjar, CEO of the Company, Mr. Vipul Vora, CFO of the Company, Mr. Chintan Shah, AGM (Finance) of the Company.

Let me brief you about Q1, sales grew by 10% compared to previous year coming in at Rs. 86.58 Crores, laminate sales grew by 24% to Rs. 44.68 Crores, MDF sales were Rs. 40.58 Crores marginally down by 5.2% YoY and we have WPVC, recently launched product, trial sales were Rs. 1.3 Crores in Q1.

Our EBITDA in Q1 is Rs.12.88 Crores, Rs. 5.8 Crores from laminates and Rs. 7.2 Crores from MDF. Profit before tax declined by 4.6% to Rs. 8.14 Crores, it was due to higher interest and depreciation cost. Profit after tax declined by 19.3% on year-on-year basis to Rs.5.18 Crores owing to higher tax provisions, because this year we did not have MAT credit, which may be available from the next year.

Our average realization per sheet of laminate increased by 11% to Rs. 604 in this quarter and the average realization in MDF has also increased in this quarter by 10.7% realising Rs. 20458 per cubic meter. Normally the sales in first quarter are always down because of the arrival of monsoon season, so everybody is reducing their stocks.

Thank you. If you have any questions you can start.

Moderator: Thank you very much. Ladies and gentlemen we will now begin the question and answer session. Ladies and gentlemen we will wait for a moment while the question queue assembles. We take the first question from the line of Padmaja Ambekar from Bank of Baroda Capital. Please go ahead.

Padmaja Ambekar: Thank you Sir. Can you please advice us on the advertisement strategy of the Company and how much you are going to spend on it in this year and next two, three years and how do you foresee this spending will help in increasing your brand recall and also the realization of your products?

Keyur Gajjar: Yes, actually right now we have assigned this work to one of the premier research agency and we have given them a contract to ascertain about where we are standing right now in the market in terms of VIR laminate and VIR MDF. Now this study we expect to be finished by end of this quarter and on the basis of this we will design a media plan where we will decide whether to spend our money for the promotions or TV advertisement or print media or whatever. As on date we are planning to spend between 3% to 4% of our total sales value to strengthen our brands, this is I am talking about just branding. Do you think I have answered your question?

Padmaja Ambekar: How do you foresee this spending will help in increasing your realizations of your products?

Keyur Gajjar: Yes, it is very important because right now if we talk about laminates we have more than 70% to 80% market belongs to I would say unorganized segment and 30% to 40% belongs to the organized segment and positioning our brands clearly to the minds of architects and designers is very important. So, definitely if you can see our improvement in realization of laminates it is almost like Rs. 604 in Q1 and we expect that it will go to Rs. 625 to Rs. 650 in coming days because, you know if we go and approach designer segment then our realization and our high value products will move on very better in the market, this is about laminate.

When it comes to MDF I believe that in coming days Indian market will be dominated by only Indian players. As on date there are important domestic players to cater, so in the domestic market it is very important to compete with the Brand and it is very important to have your own brand and that is the reason why we are focusing on building our brand, because we want to replace plywood with MDF. When it comes to the plywood, if we are offering a better substitute to the plywood, then we must offer them the right brand and confidence in the market, confidence to the people.

Padmaja Ambekar: Thank you Sir.

Moderator: Thank you. We will take the next question from the line of Nalin Shah from NVS Brokerage. Please go ahead.

Nalin Shah: Good morning. I just wanted to understand that where is your new expansion, I think it is at Visakhapatnam, when is it going to go on stream, what is the status of that and how it will show up in the increase capacity as well as in the financial performance over a period of time?

Krupesh Thakkar: For our Vizag project already we purchased the land and we also place orders for the main machinery, which is supplied by Siempelkamp Maschinen-und Anlagenbau GmbH of Germany and advances have already been paid. and it may start in April 2020. Vipulbhai Vora our CFO will inform about the financial in that project.

- Vipul Vora:** See up till 30th June, 2018 we have done capex of about Rs. 62 Crores on that and this project will be commissioned somewhere on April 1, 2020. This new plant will add to the topline by at least Rs. 300 Crores in the initial year and thereafter each year by Rs. 400 to Rs. 450 Crores on topline. So, you can calculate the EBITDA percentage what is anticipated thereon and further future profitability thereon.
- Nalin Shah:** How is the project financing been done, everything was through the debt as well as internal generation?
- Vipul Vora:** Normal ratio you can calculate two-thirds and one-third. Promoter contribution will be one-third and two-third is debt financing.
- Nalin Shah:** So total project cost is how much?
- Vipul Vora:** Rs. 340 Crores.
- Nalin Shah:** Okay, so are you planning to raise any equity in the process because your equity is quite small compared to the size of the capex, which you are incurring?
- Vipul Vora:** As it was required by the lenders, Some equity portion was required, which was minimal, so we have raised Rs. 40 crs. via. preferential equity until last month and if needed we can raise more. But, as of today my financial tie-ups are already in place. As for the main machinery purchase from Germany, We have purchased it through loan from a German bank, which is quite cheaper as compared to the local bank interest and another financing is also through our Indian banks particularly with BOB we have tied up ECB financing, which is also costing me lesser for 10 years, it is all 10 years tie-up.
- Nalin Shah:** I am presuming that whatever your last year topline of about Rs. 355 Crores or Rs. 350 Crores is it we can assume that it is a present capacity you are operating almost at a projected capacity?
- Vipul Vora:** Yes, we are operating nearly on 100% capacity utilisation.
- Nalin Shah:** Post expansion what is total topline you feel that you can achieve with this expansion?
- Vipul Vora:** In FY 2020-21 we can increase it by Rs. 300 Crores.
- Nalin Shah:** That will be at 100% of the plan capacity of new plant?
- Vipul Vora:** Rs. 300 Crores will be at 60%.
- Nalin Shah:** Okay, so you have enough capacity to maybe I think go to around Rs.1,000 Crores kind of a topline in the 2021-22 or something like that, am I correct to presume that?
- Keyur M. Gajjar:** This is Keyur. I am going to answer this question in that way that our new project will have capacity of 740 CBM per day and if we multiply with 300 working days and if you multiply with

our existing realization, which is around 20,400, in the new project our realization may be between 23,000 to 24,000, because lower thickness will carry more realization than the higher thickness. So, if I consider average 22,500 realization per cbm we will be touching around Rs. 500 Crores if we run this project at 100% capacity. That will be at 100% of the production capacity, of course we have chances of crossing it up to 110% to 115% so we can easily touch Rs. 500 Crores with the new plant.

- Nalin Shah:** From the new investment itself?
- Vipul Vora:** Yes.
- Nalin Shah:** More or less we are coming to the same figure may be around Rs. 900 Crores to Rs. 1,000 Crores kind of a topline you can achieve in 2021 - 2022?
- Vipul Vora:** Exactly.
- Nalin Shah:** Thank you very much.
- Moderator:** Thank you. Next question is from the line of Sudhir Padiyar from Consultant Capital Advisors. Please go ahead.
- Sudhir Padiyar:** Gentlemen good morning and thank you very much for taking my question. I have couple of questions. One is, post we have already been through the phase of GST and demonetisation etc., what has been the company's experience of the shift from unorganized to organized?
- Krupesh Thakkar:** After GST coming in there is a difference in the tax structure for our products, before we used to have a tax of around 30% approximately now after the GST it is around 18%. So, the margins between the organised and unorganized players, which was around 30%, now that has become 18%. Now when the unorganised players purchase the raw material from the market, so they have to compulsorily pay GST and take the raw materials. So, now the differential that they were enjoying has become much less And that is why the organised is getting more competitive right now and secondly E-way bill has also started so, the materials without invoice movement which was earlier possible without the E-way bill now has become impossible. That is why we are seeing the benefit accruing to the organized players. So, GST is definitely beneficial to the organized players.
- Sudhir Padiyar:** Okay and how important is branding in which influences that decision of MDF purchase?
- Keyur M. Gajjar:** Yes it is important because nowadays we believe that in this market we will left with only two segments, one is highly organized player and another one is unorganized player. And I think there will be no space in between players. So, we believe there is a strong market, because even there is spending of 10 lakhs or 15 lakhs of doing interiors in the residential houses, people like to appoint interior designers at present and we think that when it comes to a designer or architect, you really need to put yourself in that segment by branding, by marketing products and you have to show them your product features and benefits to the designers and also to all the people who

are using the products that why they are paying a premium for the brand or why we are better than the unorganized brands. So, we believe that branding will take an important role and if you can see last two years we have started putting great efforts to strengthen our brand, not only in MDF segment but also in laminate segment, because now we are approaching door-to-door designers, lot of events like triple ID, conventions, we go and sponsor these kind of events, so yes we agree that branding is very important.

Sudhir Padiyar:

I would also want to believe exactly what you are saying that is also what we get to hear from a lot of other companies that we interact with and my question number one was in relation to the same thing. I would also want to believe exactly what you are saying and my question number one was in the same context that when unorganized segment's competitive intensity got dwindled on account of onset of GST and when branding is so important, has the pace of shift from unorganized to organized increased so that is what I wanted to know kind of precisely ask?

Keyur M. Gajjar:

Branding is a very long-term exercise, you cannot have it overnight but yes, we can see the improvement that is for sure because today those dealers, those architects now are looking for our products. Now if you go and ask for the things previously you know people were comparing products with 500, 800 and 900 kind of things, now it is no more that kind of regime existing. I believe that this shift will not take overnight, we really need to wait for at least two or three years in coming days wherein designers will have more options in brand as well as they strongly started believing that yes we should follow the brand and brand is not only important you have to provide them the right product as well because laminate if we talk about laminate, it is more of a fashion product, so you have to provide them trend also. But yes it will take year or two for sure. If you see lot of unorganized factories in Morbi region of Gujarat they are about to close. I think last year what I heard was I think 10 to 12 factories closed out, today around 5 to 7 factories are up for sale.

Sudhir Padiyar:

Okay and what is the demand supply situation in south where are new capacity is scheduled to come up?

Keyur M. Gajjar:

For the MDF?

Sudhir Padiyar:

Yes, MDF.

Keyur M. Gajjar:

Yes, at present for MDF our existing plant is running at 93.8%, we don't believe any such problem with capacity.

Sudhir Padiyar:

No, I am talking about demand supply in the south where new capacities scheduled?

Keyur M. Gajjar:

Yes, if you see right now around 400 to 500 CBM supply is coming from the imports and at present we have some loyal distributors and dealers., Even if there are new capacities adding up in the southern region, they will not come up with 100% utilisation overnight. Right now, they are moving around in the market, it will take time for them to move. For us, our existing capacity we are managing very well. There are around 300 to 500 CBM per day demand of lower

thickness which we are not able to cater, because I think I have not explained this thing. Our existing MDF plant can supply only 7.5 mm and above MDF thickness. So, below 7.5 mm there is a big market and this market is catered by imports and of course by this new additional capacity coming up. So, first our competitors will look at that part then at our range what we were supplying -300 CBM capacity in the market, at 100% capacity utilisation at that time also import was there, so definitely first this import market will be replaced. So, we see in near future because today we are talking about US Dollar at 72 and the importers are really scared to import the material, because they do not know by the time material will arrive at the port whether the dollar will be 73, 74 or 68. They don't know anything about it. So, importers will be definitely be de-motivated after the new capacity addition.

Krupesh G. Thakkar: If we have to talk about the demand and supply then you would know the size of Indian plywood market is about 20,000 Crores and India's growth if we see growth of market is around 8% then we have a business of around Rs. 1,600 Crores additionally each year in the plywood market. This I am talking about the new demand every year, the manufacturing capacities for which are not going to come in plywood sector. So, now this new demand, will be met by the MDF or from particleboard. In India, there are two products, which are fast growing ones, is the particleboard and the second is MDF. Particleboard is for the cheap furniture and the MDF, is used for the good and strong furniture. The mentality of the Indian people is such that, they want only good and strong furniture. So, for Indian market MDF is the best suited product. So, as the Indian MDF demand is organically growing around 8% and the second is replacement of plywood with MDF, so we are getting demand from these two categories.

Sudhir Padiyar: Thank you very much for taking my question. If I have any further questions I will come back in the queue.

Moderator: Thank you. We take the next question from the line of Arun Baid from BoB Capital Markets. Please go ahead.

Arun Baid: Sir have we seen any price pressure in MDF in the last one month odd in South India?

Keyur M Gajjar: This is Keyur, Mr. Arun. We really do not see any price pressure as on date because we have almost like 50% to 60% of our business is converted into value added products wherein we can talk about more into now flooring business. We are more into converters, like prelaminate MDF boards and other similar products and when it comes to the raw board just like a plain board there only we face the competition from imports and we have a very limited problem with this part.

Krupesh G. Thakkar: From first itself if you see our selling prices are lower than other Indian manufacturers and we don't see any need to bring it down further. Our main USP is of good price with good product. So, there is no pricing pressure, because as such the price, which we are offering is already less than other manufacturers.

Arun Baid: The realization which was there in the last quarter, will we see the same realizations in Q2 which is now currently running. Should we assume a similar realization as Q1 in MDF?

- Krupesh G. Thakkar:** The realization which we have in MDF, and the reason for the lesser EBITDA is we have done a capital investment, which was done for one-time, which we had developed infrastructure, which is road, which we replaced that is the reason, that's why we had an expense of Rs. 1.25 Crores.
- Arun Baid:** Sir, in Q2 should will we see a similar realization as Q1 of your selling price average which we had about Rs. 20,000 is there any chance of us seeing the same?
- Keyur M Gajjar:** Sir I want to say two things - not only the realizations, realization will be consistent and we believe the turnover for MDF for the Q2 will be better because if you remember there was a 10-day strike in July 22, 2018 to July 31, 2018 and we were having a big-time problem with this. I think almost like Rs. 4 to Rs. 5 Crores business was in problem because of this strike so, we believe that Q2 will be better than Q1.
- Arun Baid:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Dhruv Bhatia from NVS Brokerage. Please go ahead.
- Dhruv Bhatia:** Thank you Sir for the opportunity. Sir, I just wanted to know that when I go through the presentation you are stating that we are expecting an increase in sales realization, unit realization overtime so can I get some understanding on what factors will lead to that in the coming year?
- Krupesh G. Thakkar:** Sorry can you repeat your question?
- Dhruv Bhatia:** When I go through the presentation we can say that we are expecting per unit realization of our laminate sheets and MDF boards to increase so, can I get some understanding on what factors will lead to that in the coming year?
- Krupesh G. Thakkar:** If we talk about the laminates, why the realization has increased, is your question, right?
- Dhruv Bhatia:** No why it has increased and why should it raise more? We were saying that we are looking forward to increase in a per unit realization so I just wanted to get some understanding regarding the same?
- Krupesh G. Thakkar:** Laminates has been a fashion industry nowadays. Earlier it was used to cover the furnitures and protect them. Now laminates they have been converted into fashion industry. People want new and good designs, new finishes and that is what we are providing and also people are willing to pay premium for it.
- Keyur M Gajjar:** Mr. Bhatia we believe laminate is more of a service industry. If you remember that after the entire furniture work is over then they want to press the laminate at the last moment and they cannot wait for more than 24 or 48 hours because then they will have a pressure to start the business. Today, we have started our mother warehouses in four regions. I am talking about laminated at present. We have our mother warehouse and mother godown in Delhi, which is catering to the North business. We have another mother warehouse in Kolkata, which is taking

care of our Eastern business. Now we are keeping more than 1,00,000 sheets stock in our Mansa warehouse wherein we cater the entire western region, we have now even warehouse in Mumbai also, which is taking care of only Maharashtra and one last mother godown is in Hyderabad for catering to south India business. Today, we are able to supply any laminate within any part of India in 24 hours and this has improved our value-added products like 1 mm, textures and all these products. If we talk about the selling price of this products we start from Rs. 770 to Rs. 800 per sheet and more and this is one of the reason why our realization in laminates has increased.

The second thing our business is also an export business. We are doing almost like 35% business in Far East and South East Asia. When the Dollar was at Rs.68-69 and now at Rs.70-72, we are still maintaining our same price level. We are selling them at the same price level and we believe that this is also one of the reasons why we are able to fetch this part..

And the 3rd part is MDF realisation, when it comes to MDF realization over the period, we have focused more on dealers, retailers and brands. Today, if you compare one unorganized product, which are selling at Rs. 28 to Rs.30, we are selling at Rs. 32, but then we are giving them ISI products and people I would specifically say in five states of South India they are very well literate people and they believe that if the product is carrying ISI they are ready to pay the premium.

- Krupesh G. Thakkar:** We are also focused to increase percentage sales of our prelaminated MDF board.
- Keyur M Gajjar:** Almost like 60% business now is our value-added products, which has a realization of more than Rs. 25,000 to Rs.26,000. If we talk about HDF it is more than Rs. 30,000 per CBM.
- Dhruv Bhatia:** Sir I had just one more question regarding the cost that the company, when we see the financials are we expecting the margins to remain a little subdued for the coming quarters and FY 2019?
- Vipul Vora:** We do not foresee it. If you study the historical Q1 of this year with Q1 of earlier year or earlier years also it has remained on the same line. Now, as far as Q2 is concerned and Q3 is concerned we will have same sort of earnings and same sort of business as continued as per the past historical data. The only thing is that the chemical prices, which has gone up, which has affected little profitability, but I do not think that is going to be a major problem because RMC component maybe more in laminate and in MDF. But, the chemical component in laminates maybe about 20% of the total RM cost and in MDF it is hardly 10%. So it will not affect our profitability by much. and normally if you do extrapolation it will remain same as of last year.
- Dhruv Bhatia:** I mean to say that the costs are expected to remain the same? The margins are expected to remain the same throughout the year and there is no expected increase in costs or increased pressure on margins expected?
- Vipul Vora:** No.
- Dhruv Bhatia:** Thank you so much Sir.

- Moderator:** Thank you. Would you like to ask a question? Please go ahead.
- Purvesh Shelatkar:** I would like to ask a question. Sir two to three things I want to know who are our bankers right now Sir only Bank of Baroda?
- Vipul Vora:** Yes, right now Bank of Baroda.
- Purvesh Shelatkar:** What is the total exposure we have?
- Vipul Vora:** Total exposure now is Rs. 262 Crores.
- Purvesh Shelatkar:** The entire thing is utilized?
- Vipul Vora:** It is yet to be utilized. For the projects yet to be utilized.
- Purvesh Shelatkar:** Yet to be utilized or utilized?
- Vipul Vora:** Yet to be utilized.
- Purvesh Shelatkar:** What is the outstanding?
- Vipul Vora:** Outstanding is around 137 crs..
- Purvesh Shelatkar:** Sir, what are the interest rates, which we have been charged on this?
- Vipul Vora:** 10% on average.
- Purvesh Shelatkar:** Sir we have any rating?
- Vipul Vora:** Right now A-.
- Purvesh Shelatkar:** A- rating and Bank of Baroda is your banker as you said right?
- Vipul Vora:** Yes.
- Purvesh Shelatkar:** Thank you very much.
- Moderator:** Thank you. Sir it seems like no further questions in queue. I would now like to hand the conference over to the management for their closing comments.
- Keyur M Gajjar:** Thanks everyone. Gentlemen, thank you very much for your question and participation and we hope we can deliver performance up to your expectations.
- Moderator:** Thank you very much. Ladies and gentlemen on behalf of Centrum Broking Limited we conclude today's conference. Thank you all for joining us. You may now disconnect your lines now.