



RUSHIL

DECOR LIMITED

WE'LL MAKE IT

RDL/104/2023-24

Date: 01.02.2024

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 SCRIP CODE: 533470

ISIN: INE573K01017

Dear Sir/Madam,

Sub: Transcript of the conference call for Unaudited Financial Results for the Third Quarter and Nine Months ended December 31, 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 Thursday, 25th day of January, 2024 in respect of Unaudited Financial Results for the Third Quarter and Nine Months ended December 31, 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
Q3 FY2024 Earnings Conference Call”

January 25, 2024



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 Rushil Decor Limited's Q3 FY2024 Earnings Call 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 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 statement 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 this 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: Thank you Tushar. A very good afternoon and welcome all to the Rushil Decor's Q3 FY2024 Earnings Conference Call hosted by Asian Markets Securities. From the management side, we have Mr. Rushil Thakkar, Executive Director, Mr. Keyur M Gajjar, CEO and Mr. Hiren Padhya, CFO. I now hand over the call to Rushil bhai for his opening comments post which we can open the floor for Q&A. Thank you and over to you.

Rushil Thakkar: Hello everyone and welcome to Rushi Decor earnings call for Q3 FY2024. Let me start by wishing you a Happy New Year. I would like to thank AMSEC for arranging this call and all the participants for taking the time to join this call. With me I have Mr. Keyur M Gajjar, Chief Executive Officer and Mr. Hiren Padhya, Chief Financial Officer. We shared and uploaded the investor presentation on the exchange and hope you all have gone through the same. We will start the call with some remarks on the performance of the company for Q3 subsequent to which we will open up the call for the questions.

During the quarter we saw a noteworthy upswing in the demand as compared to Q2. This surge was particularly evident in the heightened sales volume which can be attributed to festivities, stable raw material prices and better operating leverage. The post celebration period saw impressive influx of orders resulting in a packed order book. Our primary strategy objective centers on optimizing capacity utilization across all our manufacturing facilities coupled with a concerted effort to enhance the sales of value-added products currently standing at the rate of 52% in value terms. Our paramount target is to elevate the proportion of value-added products to 55% in value terms by end of Q4 FY2024.

We have displayed positive performance in our eco-friendly MDF segment during the quarter and have registered the growth of 4% by value and 15% by volume. For the month of December 2023, our Chikkamagaluru plant in Karnataka achieved its highest ever sales volume and surpassed 120% in capacity utilization. Moving ahead our goal is to elevate our average total utilization level to surpass 80%. Our manufacturing facilities have excelled in achieving efficient and scalable production. A core focus on ecological practices has been integrated into our operation playing a pivotal role in decarbonization of our facilities and fostering a sustainable ecosystem.

During the quarter, we implemented a market expansion strategy which resulted in modest reduction to our realization. We believe that this approach will help us gain a competitive edge and extend our presence across the diverse markets. Going ahead we see the timber prices to increase marginally and anticipate a similar trend. The implementation of our farm to furniture ideology ensures a quality supply of raw material reestablishing our commitment towards the sustainability. To drive this initiative forward, we have set an ambitious target of planting 8 million saplings by FY2024. This initiative will also help us in mitigate the raw material fluctuation, price fluctuations which may arise in future.

The industry has witnessed a 29% year-on-year growth in exports for our MDF segment. Our strategy is to aim and allocate 15% to 20% of the total MDF capacity to meet the demand in the export market. Further we believe MDF imports could see some curtailment due to BIS norms. As the BIS norms get implemented in February 2024, we will see a shift from unorganized players to organized players. Consequently, reducing imports in India implying a large opportunity for us to meet the demand for selling high quality MDF products to our customers. In addition to these factors, we foresee robust growth from the OEM sector further contributing to our positive outlook.

While the laminate segment experienced a year-on-year volume decline of 5% our utilization stood at the robust 80% in Q3 FY2024. On a positive note, we achieved a sequential growth of 5% in export realization during the same quarter. We are currently witnessing a surge in export demand attributed to stabilizing pricing condition in export-oriented countries and as intimated in our last conference call we are progressing with our Greenfield capex of Rs.90 Crores for the premium laminate project. The production facility will manufacture Jumbo boards and cater the premium export markets like Europe, USA, Australia, New Zealand, etc. With the current achievement of 3-star export house, the company is now aiming to achieve Rs.500 Crores plus and secure 4 star export house status in near future.

Throughout the quarter, we have achieved a significant expansion in our market reach onboarding 500 plus dealers and distributors from both laminate and MDF. The strategic move not only broadens our customer base but also enhances the visibility of our own renowned brands like Rushil and VIR. Simultaneously, our collaboration with the local carpenters, nationwide involving workshop to educate them on the advantages of MDF and define their skills, positions as well to cater effectively and effectively to end customers.

Moving ahead we anticipate robust volume growth given by the healthy demand from the domestic and export, upcoming capacity addition and market share gains from unorganized player. Key catalyst for the growth includes the upward trajectory of incomes, rapid urbanization, ongoing real estate development and initiatives such as housing for all. Furthermore, the government dedicated focus on positioning India as export hub opens up compelling opportunities for strong export growth in this segment. That 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 evening, everybody. Thank you Mr. Rushil. I am pleased to provide you with an overview of our performance for the Q3 and nine months of FY2024. During this quarter, our company recorded revenue of Rs.213 Crores while MDF business contributed Rs.158 Crores whereas laminate segment contributed Rs.49 Crores. Similarly, our EBITDA for the quarter stood at Rs.31 Crores as against Rs.27 Crores in Q3 FY2023. The sales volume for MDF segment stood at 65,896 which are up by almost 15% year-over-year. EBITDA margin for MDF segment stood at more than 16%. The sales volume for the laminate segment stood at 7.37 lakh sheets as against 7.77 lakh sheets in Q3 FY2023. EBITDA margin for laminate segment stood at 11%, our net profit for the quarter was reported at Rs.11.36 Crores which is up by 11% year-over-year. Coming to nine months performance, for nine months ended December 31, 2023, the net revenue from operations stood at Rs.611 Crores as against Rs.624 Crores last year. MDF segment contributed Rs.454 Crores and laminate segment contributed Rs.140 Crores to total revenue in nine months FY2024 compared to Rs.462 Crores and Rs.155 Crores respectively for the nine months FY2023. EBITDA for the first nine months of the year stood at Rs.91 Crores as against Rs.121 Crores in the previous year. The net profit was at Rs.34 Crores in nine months FY2024 with a margin of 5.58%. For Q3 FY2024 debt-to-equity ratio which is the best in the last three to four years at 0.53. We are actively focusing on further reducing our debt-to-equity ratio levels ensuring a strengthened financial position. Now the floor is open for question and answer.

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Keshav Lahoti from HDFC Securities. Please go ahead Sir.

Keshav Lahoti: Thank you for the opportunity. Sir I want to get a more sense on the BIS on MDF side, which is getting implemented in next week, what sort of initial color are you seeing and what are your expectations?

Keyur Gajjar: Good evening. We are seeing this as a very positive sign. Number one Indian consumers will be benefited out of it, they will get better quality of panel products and as everyone will have to make product as per BIS standards so there will be a healthy competition and definitely there will be some, we are not sure when import will start or what will be the condition for imports we are not very clear about it, so we see that it is going to be a good opportunity.

Keshav Lahoti: So, ocean trades have seen a very sharp spike from January start onwards, so what sort of impact will it have on our MDF export and also on laminate export?

Rushil Thakkar: Currently the export market has taken this on the positive note and the customers who we are selling have given us a price hike because of the freight going upwards, so we do not see any kind of hesitance in achieving the export targets as we have.

Keshav Lahoti: So, the price hike means you are able to pass it on completely or is it a partial?

Rushil Thakkar: No, completely.

Keshav Lahoti: That is on both the segments?

Rushil Thakkar: Both the segments, yes.

Keshav Lahoti: Got it. I will come back in queue.

Moderator: Thank you and the next question is from the line of Parth Bhavsar from Investec. Please go ahead Sir.

Parth Bhavsar: Thank you for the opportunity. In continuation with the freight cost there is a conflict going on in Red Sea, so are we facing any challenges in terms of both supply of raw material as well as on demand front?

Rushil Thakkar: As of now we do not see any kind of a problem in this.

Parth Bhavsar: There is no increase in raw material as well because of that right?

Rushil Thakkar: Not yet as of now.

Parth Bhavsar: The other thing wanted to know that the paper that we use which all country do we imported from?

Rushil Thakkar: So, we import it from the countries Europe, China, Japan and a few of the other countries, but as we are in forward planning for our paper currently, we are not seeing the spike in our raw material price.

Parth Bhavsar: Sir in terms of this capex that you have announced so if you could throw some detail, I might have missed it, so what sort of expansion is it, what would be the size we would cater to and what is the cost as well?

Hiren Padhya: Last time if you have seen our earnings call and presentation also, we mentioned that we are targeting Rs.2500 Crores turnover in the span of next five years. Now for that purpose there are couple of plans it is under consideration and discussion with management, but as of now the plan which is already declared is the laminate project which was earlier decided for Rs.60 Crores but after deciding this fundraising we had increased the size of project from Rs.60 Crores to Rs.90 Crores and the capacity wise from 3.4 million, additional 2.8 million is planned and the whole production is targeted for export mainly where the present EBITDA margin of laminate will be increased from 8% to 9% to almost 12% to 13% overall margin and for this particular export the EBITDA margins which we are expecting is in the range of 14% to 15%. So far as the other part is concerned there are a couple of proposals which we are looking at it internally, but at the right time we will definitely inform to all concerns, but we have already prepared a next three to five years plan to achieve this target of Rs.2500 Crores.

Parth Bhavsar: The capacity you said 3.4 plus 2.8 right, the total capacity?

Hiren Padhya: Yes.

Parth Bhavsar: Thank you so much for answering my questions.

Moderator: Thank you and the next question is from the line of Tushar R from Kamayakya Wealth Management. Please go ahead Sir.

Tushar R: Good afternoon, Sir and thank you for the opportunity and congratulations for your volume growth. I just wanted to understand the question is more of an industry specific, so if I want to know the realization per CBM, so the interior grade per se if it is 25000 so to what extent that per CBM realization can go?

Keyur Gajjar: The realization is always a combination of interior grade as well as value additions and interior grid realization is purely a price linked subject, but we see that as and when we increase our value additions then definitely realization will go up.

Tushar R: But any range for the higher grade MDF?

Keyur Gajjar: At present if we talk about the plain MDF realization is around I would say Rs.20000 to Rs.22000 and for value addition it is around Rs.30000 to Rs.32000 per CBM and average comes out around Rs.25000 to Rs.27000 CBM.

Tushar R: I could see historically we have achieved near about Rs.28800 per CBM in Q2 FY2023 so any idea like when can we reach to that realization any internal target to increase the realization for us?

Keyur Gajjar: Yes, very soon maybe, because that was a COVID time also one reason and second thing is now at that time contribution from Chikkamagaluru plant was more than the AP plant at that time. Now we are very positive about that, at present AP plant value addition has reached almost 30% now so we want to take this value addition business to 50%.

Tushar R: Got it Sir.

Keyur Gajjar: It could be very soon.

Tushar R: Yes Sir. I could see there is a huge capacity coming in the southern part and overall, the capacities of India in MDF is increasing, so are you confident in order to increase your realization in your product and also the new companies are also entered in the MDF space so how do you see that the competition going forward?

Keyur Gajjar: Number one we can see at present these imports is around 75000 to 100000 CBM per quarter. We have a good opportunity to tap this market if there is a restriction on implementation of BIS standard and all number one. Number two industry itself is having a compounded annual growth of 15% to 20%. When being in south consumption is quite good and this BIS implementation the first part will be benefited that will be the South India because at present maximum import is coming to southern region as well as western region. So, we are quite confident, and you can see that this quarter we reached almost 65000 CBM sales compared to last quarter it was 60000.

Tushar R: Got it Sir. I just wanted to understand like why not increase the domestic share where the realization is high and like why you are going for the export market just that question?

Rushil Thakkar: So first of all we have some duty implications that has to be fulfilled because of which we are focusing on exports as well as when the demand we are very flexible with the operation point of view, but we have always dedicated our 15 to 20% capacity for exports and this is going to be a strategy for long as well and also now once we have achieved the total duty part which we have to pay off then we will be focusing more on selling the value added products to other countries than normal interior grade and achieving the big volumes in the export as well.

Tushar R: Fair enough Sir. Thank you for your detailed answer.

Moderator: Thank you and the next question is from the line of Praveen Sahay from PL India. Please go ahead Sir.

Praveen Sahay: Thank you for taking my question. Sir first question is related to your laminate business. Especially in the laminate business if I look at the growth numbers and from the last three quarters basically, I am just talking on it is quite fluctuating so is there something to read on this why that is on a down and up down, why is it so in both your export as well as domestic?

Keyur Gajjar: No, if we talk about exports, it is quite consistent like 450000 to 470000, so the fluctuation is hardly 5% to 7% and we have to consider a lot of things like in February we have a Chinese New Year, so lot of Southeast countries like Singapore, Malaysia we have some slowdown. In Christmas time we are facing this problem in the month of October, November because they do not want to clear it in December, they just want to get rid of inventory and if we talk about October, November, December so from post Diwali there is a domestic pressure. Now from December second fortnight things are normal. So, I think it is more or less same like if we talk about our quarterly production, it is 700000 sheets or 750000 sheets and yes in laminates we have multiple thicknesses like 1 mm, 2 mm, 5 mm so sometimes we have to see that combinations also product mix.

Praveen Sahay: Got it so it is a more to do with the seasonality nothing else actually.

Keyur Gajjar: Yes, nothing specific. The product and growth is consistent.

Praveen Sahay: Second questions are related to the MDF and that is quite a broader question definitely you had mentioned about the BIS norm implementation will benefit the domestic players and to the south players, can you give some color on the pricing scenario like if that BIS norm get implemented for everybody who are import as well as for the domestic player how much of

the extra cost is or you can say in terms of the realization how much of a higher realization to go from here onwards?

Keyur Gajjar: As of now it is very difficult to say about the increase in realizations, but we are quite optimistic about increase in realizations in coming days number one. Number two Rushil Décor we are producing all our products as per BIS standards, so we do not see any escalations in price, those people like those companies selling non-BIS standard their product price will increase.

Praveen Sahay: So, is it fair to understand that the domestic players and largely this industry is organized or major five, six players are there, and they are following the BIS norms?

Keyur Gajjar: Yes.

Praveen Sahay: The only challenges for the import what the import material is coming or some unorganized?

Keyur Gajjar: Organized players also they are not producing BIS standard products, so they have to increase their norms and everything.

Praveen Sahay: So basically, this price or the cost inflation will may impact them. Sir, second question is related to the timber definitely you had indicated that the timber price is increasing so can you give some numbers on the north and the south timber pricing?

Keyur Gajjar: North is still the same around 6500.

Hiren Padhya: If you compare last two, three quarters I think the normal rise in price is in the range of 4% to 6% maybe 7% in some months, but this is the normal range. If you compare with last year then the price rise is higher than this and for coming quarters, we are not expecting something like substantial rise it is in the range at the same pricing maybe 4%, 5%.

Praveen Sahay: The range of increase you are expecting to be in the same 4% to 5%?

Hiren Padhya: Yes, exactly that is what has been witnessed for the last two, three quarters.

Praveen Sahay: So basically, you are saying that from the current numbers 4% to 5% of an increase in coming quarters we can see in the timber prices?

Hiren Padhya: But we are expecting considering the last two, three quarters actual figures.

- Praveen Sahay:** Is there any concern on the availability of the timber is the procurement will be challenge for industry not for especially to you?
- Keyur Gajjar:** No issue, in the month there was some cyclone effect and all these things at that time yes there was some short supply issue, otherwise there is no issue.
- Praveen Sahay:** Also, if you can give some color on the import of the timber, is that happening in the country right now or at the same pricing?
- Keyur Gajjar:** Lot of people working on importation of chips and logs but as on date we do not have.
- Praveen Sahay:** Thank you and all the best for future.
- Moderator:** Thank you and the next question is from Rahil Shah from Crown Capital. Please go ahead Sir.
- Rahil Shah:** Good evening. First question is on, now Q4 how is it generally for the company, for the business so what are your expectations, you can share any outlook in terms of revenue for this year and next year Sir, what kind of targets you are reaching in terms of growth?
- Hiren Padhya:** If you just talk about revenue then the way we have placed as of now after three quarters it will be definitely better than this quarter that is first point and secondly in terms of next year as we said next year we are coming with a new project of laminate which will have additional turnover of around Rs.40 Crores to Rs.50 Crores in terms of export which will have better margin. So in terms of laminate there is a definite increase in terms of growth of revenue. Similarly in terms of MDF also as you know we are at around 70% to 75% capacity utilization, so the capacity is already there, and we are in the process of increasing the ratio of value-added product which has been increasing for the last couple of quarters and we are further targeting to improve the same thing. So margin wise also we would like to not only maintain the overall margin of the whole year, but we are definitely planning for improving further in terms of margins also.
- Rahil Shah:** So what do you mean by an improvement so let us say if you look at the past eight quarters if you pick the highest quarter last year, first two quarters 23% kind of EBITDA margins do you think in near term we can reach those again?
- Hiren Padhya:** You are talking about MDF specifically or overall?
- Rahil Shah:** No, overall for the company.

- Hiren Padhya:** Overall 23% EBITDA next year is not possible that is for sure.
- Rahil Shah:** But at least we can maintain this overall yearly 18% and improve on it?
- Hiren Padhya:** Yes, that is for sure.
- Rahil Shah:** Earlier you also mentioned a statement you said you are targeting five years, Rs.2500 Crores of turnover that is like for overall for the company right, so that will move in equal phases from now at an equal CAGR or do you see like let us say so with this capacity expansion everything when will that reflect entirely on the jump in revenues?
- Hiren Padhya:** As I said in terms of laminates it is clear that next year it will be around Rs.40 Crores, Rs.50 Crores additional turnover of export. Next to next financial year again the capacity may be for this new project will be around 70%, 80% where the additional turnover we can expect Rs.140 to Rs.160 Crores with better margin. Coming to MDF yes, we have not decided as of now for the exact expansion for what and for which product and which state, so that will take some time, but when we are saying that we are targeting this tripling the turnover in the next five years we are definitely planning for the expansion. The exact details will be given to you as per the normal timelines.
- Rahil Shah:** But fair to say overall for the business at a CAGR will move in equal phases from here till then your target?
- Hiren Padhya:** One thing I can tell you whenever we decide for a bigger expansion the jump for that particular year will be higher compared to the normal year, but which next financial year it is too early to say as of now.
- Rahil Shah:** No problem. Thank you for answering and all the best.
- Moderator:** Thank you and the next question is from the line of Karan Kamdar from DR Choksey Finserv Private Limited. Please go ahead Sir.
- Karan Kamdar:** My first question is what I would like to know is how our sales channels are working out, so in the investor ppt there is a mention of dealer meets and the carpenter meets, so what is working for us and how is that going?
- Keyur Gajjar:** Actually we have to move along with influencers and community and for that in last quarter we carried out more than 70 contractors and dealers and carpenter meets where we educate about our products and applications and second part is lot of branding activities took place

like we have almost done 60000 square feet shop branding and all. There was some TVC and other parts.

Karan Kamdar: Where do you see this going forward because as I understand this BIS...

Keyur Gajjar: This is a continuous process and yes it has definitely so many benefits and we can see that it help us to generate demand and it help us to create confidence in our user community.

Karan Kamdar: So next question is on the OEM market, so can you throw some light on what kind of OEM producers we are offering, is it domestic or is it export only and are they buying value-added products or the regular products?

Keyur Gajjar: Most of OEM they are buying both the products value added as well as regular products and if you talk about ratio, it is around 30% OEM business.

Karan Kamdar: Understood. Thank you.

Moderator: Thank you and the next question is from the line of Parth Bhavsar from Investec. Please go ahead Sir.

Parth Bhavsar: I have two questions on MDF, so if you could help us with MDF imports in Q3 that would be great?

Keyur Gajjar: It is around 100000, 75000 to 100000 because last December I was checking from Vietnam it was 25000 because there was a panic in the market BIS norms and all and we feel that in January it has slowdown.

Parth Bhavsar: So it would be like 75000 to 100000?

Keyur Gajjar: 75000 to 100000.

Parth Bhavsar: When I look at our realizations both domestic and exports they have dropped on quarter-on-quarter basis by approximately Rs.800 per CBM now if I look at our EBITDA, EBITDA per CBM it has only dropped by Rs.300 odd approximately so what has driven this like we have managed to control our fall in EBITDA per CBM so is it just value added products or is it something else as well?

Keyur Gajjar: No, in fact you can see that we have almost like achieved 120% business from Chikkamagaluru plant.

- Parth Bhavsar:** Okay.
- Keyur Gajjar:** If we talk about Q3 altogether it is 105% from Chikkamagaluru plant, so we have open up new avenues where we were not present before.
- Parth Bhavsar:** So operating leverage also drove it?
- Keyur Gajjar:** Yes, now we are selling additional capacity to the new areas.
- Parth Bhavsar:** What is the export obligation left, how much is left?
- Hiren Padhya:** As of now, it is in the range of Rs. 20 Crores so the way we are achieving exports for the last couple of months and quarters we are expecting that this financial year only we will be able to close it, so post this we did not have any obligation in terms of export.
- Parth Bhavsar:** Then we will try to ramp up value-added products by exporting everywhere.
- Hiren Padhya:** We will have further flexibility in terms of planning for export versus domestic.
- Parth Bhavsar:** Perfect Sir. Thank you so much.
- Moderator:** Thank you and the next question is from the line of Rishikesh from Robo Capital. Please go ahead sir.
- Rishikesh:** Thank you for the opportunity. Our current utilization overall for MDF is 72%, how do we see this going ahead for FY2025 and FY2026?
- Keyur Gajjar:** We are targeting almost 80% plus.
- Rishikesh:** 80% plus for next year?
- Keyur Gajjar:** 80% to 85% that is for sure.
- Rishikesh:** Our value-added product volume share which is currently 43% how do we see that going ahead in FY2025 and FY2026?
- Keyur Gajjar:** Probably FY2024-2025 this year we are targeting almost 55% to 60%.
- Rishikesh:** 55% to 60% on volume terms, right?

- Keyur Gajjar:** Yes, for FY2024-2025.
- Rishikesh:** On the MDF value-added product...
- Keyur Gajjar:** I am talking about it is value-added product in terms of volume I am talking about so this will definitely increase by 4% to 5% more, so it will be around 60% value wise.
- Rishikesh:** Perfect and on the value-added product realization front how do you see the realizations going ahead last year, we used to do more than 35000 plus per CBM, and can we reach this level again?
- Keyur Gajjar:** It looks bit difficult, because that was a different COVID scenario, but in coming year we are quite optimistic after implementation of BIS norm, possibly we will be able to achieve more and then we have not only specific like we have a various value-addition mix also.
- Rishikesh:** What would be considered as a sustainable level of realization number?
- Keyur Gajjar:** This level is really good 31000 to 33000 per CBM is a good level.
- Rishikesh:** Got it. Thank you very much.
- Moderator:** The next question is from the line of Keshav Lahoti from HDFC Securities. Please go ahead Sir.
- Keshav Lahoti:** Thank you for the followup. I just want to understand one thing you said that the laminate export realization is up by 5% sequentially, although we have not seen any improvement in margin what is the reason for the same and is it the higher realization is going to change in mix or price hike?
- Hiren Padhya:** If you see last three quarters, last year the EBITDA level was in the range of 5% to 6% which has gone to 7% to 8% in the last two quarters, even this quarter it is in the range of 10%. Now what I was referring was present level we will definitely maintain in terms of margin and after having this new project operationalized the overall margin will improve to double digit so that particular project will have better margin in terms of 14%, 15% and the present production plus the new project both will have a better margin in terms of three to four percentage.
- Keshav Lahoti:** So I got that point. My question is slightly different. What I am saying post realization in laminates is up by 5% Q-o-Q sequentially, so what I am trying to understand this 5% up is owing to change in mix or is it a better pricing?

- Keyur Gajjar:** Number one if we compare Q2 to Q1 from 10% EBITDA to 11% EBITDA so there is a marginal increase in EBITDA by 1% and then in exports we have multiple product mix and also same in the domestic, we have multiple product mix. If we consider raw material cost and everything the effect is quite justified 1% to 2%.
- Keshav Lahoti:** Understood. The new laminate project which you are bring in where you are seeing 1.8 billion type of a revenue in FY2026, is it also the peak revenue potential for the plant?
- Hiren Padhya:** I did not get your last point.
- Hiren Padhya:** I would like to understand that question once again.
- Keshav Lahoti:** My question is the new laminate expansion which you are working on, so from that in FY2026 you expect revenue of Rs.160 Crores to Rs.180 Crores, is that the peak revenue potential also of that plant?
- Hiren Padhya:** If you have just heard I had mentioned that this Rs.160 Crores approximate turnover in the next financial year is with the assumption of around 70% capacity, so if we further improve capacity this will further improve the turnover, but 70% is the normal capacity which we are expecting in the next financial year.
- Keshav Lahoti:** Understood. Got it and how the company planning on the ad price what sort of increase we should see like company it is slightly aggressive on that side?
- Rushil Thakkar:** As everyone know that we have generated the first television from AI and we are working on the second script as well and which will be on ad soon and again that will be an AI base again.
- Keshav Lahoti:** So how will the ad number look for FY2024 or let us say FY2025 as a percentage of sale products?
- Keyur Gajjar:** Probably we are planning between 2% to 3% of total turnover which includes ATL and BTL together.
- Keshav Lahoti:** Understood. Got it. Last question from my side when should we heard the new phase of expansion from company on MDF or any other side?
- Keyur Gajjar:** We have a roadmap and this roadmap we discuss. We know that in this year we want to reach this level in this year we want to reach this level and accordingly we will declare our capex plan and we are just waiting for the right time. Of course internal discussions for

several business options are going on it presence. At present our priority is to start laminate business first.

Keshav Lahoti: But possible to give any color like when should we expect announcement may be a quarter away or is it a year away like the missing pie to reach the Rs.5000 Crores revenue so on what side the company is planning?

Hiren Padhya: As I said it is too early to say as of now when exactly, but we can definitely expect something may be next quarter.

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

Moderator: Thank you and the next question is from the line of Saurabh Ginodia from SMIFS. Please go ahead Sir.

Saurabh Ginodia: Thank you for the opportunity. Sir, just wanted to get some sense as per your best estimate what kind of cost increase this unorganized players have to bear to get their product as per the current BIS standard?

Keyur Gajjar: It will be between 3% to 5% minimum.

Saurabh Ginodia: 3% to 5%.

Keyur Gajjar: Because if we take simple like current density is 680 in order to get proper standard, they have to go for 710 then probably they will have to incur another 3% to 5% cost, also they need some proper production method, proper raw material and everything.

Saurabh Ginodia: The BIS norms are getting closer, are you getting some sense from the market that are these unorganized players trying to prepare themselves for this upcoming?

Keyur Gajjar: As on date we do not have any news about implementation of standard, but we have not received any updates also that it has been postponed or something like that number one and number two we really do not have any clue about getting ISI, BIS standard by this exporting country based in Vietnam and Thailand and Indonesia.

Saurabh Ginodia: The cost of procurement of this BIS license and all will it be a significant amount or just normal?

Keyur Gajjar: They have to set up Indian Standard Laboratories and then they have to produce and procure material as per the standards. I really doubt there will be a big cost for acquiring

BIS standard, but time process so far, we are not sure what will be it? It will be within months, within one year, within two years, nobody knows about it.

Saurabh Ginodia: But as per your understanding should we see substantial decrease in the kind of imports which we are currently witnessing from February onwards?

Keyur Gajjar: After implementation of BIS standard then probably they will not be allowed to export non-BIS product to India I believe. I think that is what I understand from the notifications.

Saurabh Ginodia: Understood. Thanks a lot.

Moderator: Thank you and the next question is from the line of Gunit Singh from Counter Cyclic PMS. Please go ahead Sir.

Gunit Singh: Thank you for this opportunity. Please pardon me if I am repeating the question, but there is some confusion, so for the laminate expansion that you are doing what kind of revenues should we expect in FY2025 and what are the peak revenues from that?

Hiren Padhya: As I have already informed, and I mentioned in the presentation also this financial year that is 2024-2025 we are expecting around Rs.40 Crores to Rs.50 Crores additional turnover in terms of laminate. Next financial year that is 2025-2026 we are expecting that we will be at around 70% capacity utilization where the additional turnover would be in the range of Rs.160 Crores to Rs.170 Crores and we can just extrapolate the same thing we are expecting that the peak capacity would be in the range of 80% because considering the color and the design part the actual achieving 100% will not be possible immediately, so we can just extrapolate the same figure for 80%.

Gunit Singh: Correct, got it and Sir since you mentioned that the sales rate realization for MDF should be between 31000 to 33000 whereas currently they are about 25000, 26000 and you also mentioned that with exports next year the margins in laminates would also improve and also that the utilization in MDF would go up from 72% currently to about 80% to 85% so based on all these what are your internal targets for revenue and for topline, bottomline for FY2025?

Keyur Gajjar: I just want to correct numbers, 30000 to 33000 figure is for only value added and whatever current realization 25000 plus is inclusive it is average realization.

Gunit Singh: Correct, so what would be the steady state average realization according to you for MDF?

- Keyur Gajjar:** So average realization we expect that we have a chance to grow another 10% to 15% easily when we increase our value-added business and capacity utilizations.
- Gunit Singh:** Alright Sir. Is there any internal number that you are looking at for topline, bottomline for FY2025?
- Hiren Padhya:** Laminate part I already made it clear and normal increase in terms of present business would be around 10%, additional turnover of new project would be Rs.50 Crores and in terms of the MDF again we can definitely expect 15% to 20% except any further expansion if at all that is different.
- Gunit Singh:** Alright and Sir what kind of blended margins are we targeting for FY2025?
- Hiren Padhya:** As I said as of now we are targeting 15% to 17% which we will not only maintain, but we will try to improve on the basis of two, three things which you already mentioned in terms of capacity utilization on one side, value-added proportion second and the new project of laminates having a better margin, so we will try to improve it at least.
- Gunit Singh:** Alright Sir, according to my understanding we are expecting about 15% to 20% increase in the topline for MDF and about 10% for the current laminate along with...
- Hiren Padhya:** From additional project that is around Rs. 45 Crores additional turnover of laminate from new project.
- Moderator:** The next question is from the line of Karan Bhatelia from Asian Markets Securities. Please go ahead Sir.
- Karan Bhatelia:** Sir just wanted to have your gross debt numbers and what debt repayment are we planning for next two, three years?
- Hiren Padhya:** As of now our management strategy is very clear on this side, initially we were planning for some sort of debt for this new project of laminates which was in the range of Rs. 40 to 45 Crores, but finally we decided for fund raising and then we had avoided that additional debt and you can see as of now debt-to-equity ratio is in the range of 0.54 which we will try to further improve; however, when we are saying that we are having couple of things in planning for tripling the turnover, so there will be some capex and there will be some debt. On one side we are not trying to get financing for the purpose of debt repayment because we have been making repayment on a yearly basis in the range of Rs.45 Crores to Rs.55 Crores on a yearly basis so that will continue till repayment on one side and whenever there

is opportunity in terms of any new project at that time we will plan in such a way that our debt-to-equity ratio should not go beyond one.

Karan Bhatelia: Right and current gross debt stands at what level?

Hiren Padhya: You are just trying to ask the value in terms of debt?

Karan Bhatelia: Yes.

Hiren Padhya: The overall value is in the range of Rs.307 Crores that includes the CC also.

Karan Bhatelia: Right and of this Rs.300 Crores what could be the foreign debt proportion?

Hiren Padhya: If you just remove that Rs. 80 Crores from the debt, the balance amount is the foreign currency loan which includes on one side the Euro loan and secondly the USD loan.

Karan Bhatelia: Right and also given the fact that because of the Red Sea issue in the US and Europe routes are bit expensive and bit congested so can we see a slightly higher imports coming to India in next one or two months could that be a possibility?

Keyur Gajjar: What export you are talking about MDF?

Karan Bhatelia: Yes MDF.

Keyur Gajjar: But we are talking about BIS standard, so I am not sure whether they will be able to export the MDF to India or not.

Karan Bhatelia: Right.

Keyur Gajjar: We need to see the clarity on policy.

Hiren Padhya: We will have to wait for some time actually. Time will tell us what exactly happen.

Karan Bhatelia: We have the last question from Praveen and then we can close this call.

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