



RUSHIL

DECOR LIMITED

WE'LL MAKE IT

RDL/018/2021-22

Date: 02.07.2021

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NSE EQUITY SYMBOL: RUSHIL

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

ISIN: INE573K01017

Ref: Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Subject: Transcript of the conference call for Audited Financial Results for the Quarter and Year ended 31st March, 2021

Dear Sir/Madam,

In terms of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith the transcript of the conference call with Investors and analysts held on Tuesday, 29th June, 2021 in respect of the Audited Financial Results for the Quarter and Year ended 31st March, 2021.

This is for your information and record.

Thanking you,

Yours faithfully,
For Rushil Decor Limited

Modi H.K.

Hasmukh K. Modi
Company Secretary

Encl.: a/a

RUSHIL DÉCOR LTD., 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

PH: +91-79-61400400 | FAX: +91-79-61400401 | EMAIL: INFO@RUSHIL.COM | WWW.RUSHIL.COM





“Rushil Decor Limited Q4 FY21 Earnings Conference Call”

June 29, 2021



**MANAGEMENT: MR. KRUPESH THAKKAR – MANAGING DIRECTOR,
RUSHI DECOR LIMITED**

MR. VIPUL VORA – CFO, RUSHI DECOR LIMITED

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

Moderator: Ladies and gentleman, good day and welcome to Rushil Decor Limited Q4 FY21 Earnings conference call hosted by Asian Market Securities 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 phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Karan Bhatelia from Asian Market Securities Limited. Thank you and over to you, Sir.

Karan Bhatelia: Thank you, Ayesha. A very good evening ladies and gentlemen. We welcome you all to the Rushil Decor Q4 FY21 Earnings conference call hosted by Asian Market Securities Limited. From management side, we have Mr. Krupesh Thakkar – Managing Director and Mr. Vipul Vora – CFO. I request Mr. Vipul to take us through the fourth quarter financials post which we shall open the floor for question and answers. Over to you, Mr. Vipul.

Vipul Vora: Okay. Fourth quarter 31st March’21 ended with Rs. 101 crore turnover and profit before tax is Rs. 7.25 crore.

Segmental, if we look at the first Laminate segment was Rs. 48.91 crore, medium density fiber board, Karnataka was Rs. 48.17 crore, PVC was at Rs. 2.83 crore and Rs. 1,24,000 was MDF in AP plant.

So segmental results for the quarter; in Laminate we have earned Rs. 4.57 crore, MDF for Karnataka we have earned Rs. 8.66 crore and PVC there was negative Rs. 19 lakh and AP plant negativity is Rs. 1.91 crore. So, this is what the result of the fourth quarter is.

AP plant has commenced production from 5th March, first board was produced and from April onwards, there is a production ongoing. April also, there was slightly about lesser production but May onwards, it has picked up. In May, it was about 40% production and now it is running at 50% capacity. So, anything else required Karan?

Karan Bhatelia: No, we shall start the Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Atul Niwari from JM Financials, please go ahead.

Atul Niwari: Good evening Sir, thank you for the opportunity. Sorry, I joined in a bit late. You were talking about capacity utilization, I did not understand, was it about MDF or was it for the Laminate or the entire company?

Vipul Vora: No, I had given entire company’s segmental position. What is your interest, you tell me what you want, I can give you the details?

Atul Niwari: First of all, I would like to understand, what is the capacity in both these segments and what is the capacity utilization we have, as of now?

Vipul Vora: Yes.

Krupesh Thakkar: MDF, we have a 1100 cubic meter per day capacity and Karnataka 300 cubic meter and Andhra Pradesh plant 800, total is our 1100 CBM per day. Out of that, Karnataka running at 85% capacity and Andhra Pradesh plant just started in March month and right now we are utilizing approximate 50% capacity. And in Laminate we are utilizing 80% production capacity.

Atul Niwari: And what is the capacity Sir, in case of Laminate?

Vipul Vora: Laminate, 34.80 lakh sheet per annum.

Atul Niwari: Sorry, I could not get you, 34.88 lakh sheet right, per annum?

Vipul Vora: Approximate 35 lakh sheets per annum, so 80% thereof is being produced.

Atul Niwari: Okay understood. Sir my next question is, in terms of the MDF demand, how was the situation in the current quarter and what is the total demand in South and what is the total capacity and the imports. I just want to understand the equation whether there is an excess capacity, whether there is sufficient capacity, or the demand is out stepping the supply or anything of that sort?

Krupesh Thakkar: India's total production capacity is 1.7 million cubic meter, from that if you look at the demand, if you compare it with China, then the demand in China is for 50 million cubic meter and there the production is also taking place for this requirement. And in future, India is going to substitute plywood with MDF. Keeping that in mind, there are chances of gaining the same market in India as well, that is the reason MDF's demand is going to increase a lot in India and if we see year to year growth, then there is a growth of 25% to 30% in MDF because this growth we are getting is from India of the GDP plus plywood is being replaced. So MDF is gaining growth from both these sides.

Atul Niwari: Right, specifically coming to South, what is the total demand out of these 1.7 million cubic meters or what is the consumption in India and how much of that is in South?

Krupesh Thakkar: If we talk about our company, then our MDF sales is 80% from South India and 20% is from the rest of India. And South India is a mature market for MDF and North India is also a mature market for MDF. And if we talk about the total demand, then it will be nearly 50%-50%, means if we see from South to North. And now quite a good demand is coming from West India.

Atul Niwari: Right, how is the situation? Has situation improved in the month of June or May was also pretty decent?

- Vipul Vora:** Post June only. Now, the moment the lockdown has been taken away, thereafter there will be a continuous market position, demand will be high, and supply also will be there.
- Krupesh Thakkar:** April and May very tough for the industries as everywhere the lockdown was there. So, it is opening up gradually in June, so as the market is opening up gradually, simultaneously the sale is also increasing.
- Atul Niwari:** Understood. Sir my next question is with respect to the MDF business, if I see fourth quarter, we had about 18% EBIT margins. Now, a) with the 1100 CBM capacity, what kind of a revenue potential we can have and assuming this gets 100% utilized, what will be margins one could look at?
- Vipul Vora:** See, if we look at 11%, 12% margin on an annualized basis, both the plants put together, the turnover could be in the range of around Rs. 350 crore per annum. So, we can assume on roughly 11% to 12% annually on MDF also. If we have the specifics, last year 2021 what had happened was, the first quarter was bad, first quarter's loss was being spread up by the second quarter's profit. So, if you are looking at the P&L of the last year, it is only six months' profit only.
- Atul Niwari:** Right understood, but if I compare with the other companies, sir, is not that margin low? is there any reason why it is low, is it something to do with the cost structure, product mix or something else?
- Vipul Vora:** See, we want to sustain in the market. Once see, if you look at the MDF realization rate, perhaps you will find the lowest in all the companies together in India. And we are capturing market and we are sustaining market there.
- Atul Niwari:** Right, could you help us with the realization sir, because I do not think we have the ...
- Vipul Vora:** Realization is Rs. 19,500 per CBM.
- Atul Niwari:** And just last question. With respect to the repayment obligation, what is the principal and the interest should be due for FY22 and FY23, broadly?
- Vipul Vora:** Broadly it should be around Rs. 35 crore to Rs. 40 crore.
- Atul Niwari:** Rs. 35 crore to Rs, 40 crore in each, FY22 and FY23?
- Vipul Vora:** Yes, because the thing is you know, all moratoriums have ended. Now the thing is that plant is operational, and repayment is starting, so in FY22, FY23 continuously that will be the range of the repayment.

- Atul Niwari:** And what is the capacity utilization would we look at, for MDF and in Laminate for FY22, FY23, assuming things normalize from here on, if that is the assumption?
- Vipul Vora:** Yes, if everything is normalized then Laminate 80% to 85% capacity will be operated. In MDF, Karnataka we are operating on 85%, so we will try to have 90% to 95% capacity and AP, Vizag we have planned only for these years 60% capacity to be utilized.
- Atul Niwari:** And that is to do with the demand, or it is to do with any issues with respect to the ...
- Vipul Vora:** No, just see, it is a learning process. Right now, the machinery has become operational after a year's time. Last year, post Covid-19 it was to commence but we could not start uptil January because the people were, the engineers were not at the site. So, when this new machinery has started, we have to test it and run it know? So initially, see if we are successfully running at more than 60% capacity, it will run but precisely estimation projections are based on 60%.
- Atul Niwari:** So, is it to do with the availability of the Engineers, if they are available now, let us say, then can one expect it to go up or not really it could happen more for till FY'23 only?
- Vipul Vora:** No, right now we are waiting only the situation to improve. European countries also, if the people, if travelling restrictions are being not there, they will come, right now travel restrictions are there. When they come, it will become further eased for the company to operate plant on 100% capacity.
- Moderator:** Thank you very much. The next question is from the line of Sneha Talreja from Edelweiss Securities, please go ahead.
- Sneha Talreja:** Hi good evening Sir and thanks a lot for the opportunity. Sir couple of questions from my end. What is the utilization level where we actually see breakeven of this new AP plant, that is first? And secondly you mentioned that you are looking at a 60% capacity utilization, so what is the margins that you are aiming in the current year with this 60% utilization in the MDF segment?
- Vipul Vora:** See 11% margins will be maintained. And breakeven point as such we have calculated recently is arriving at 40% capacity.
- Sneha Talreja:** Sure, so you mean you have already reached there because you are currently at about 60% ..?
- Vipul Vora:** Yes, you see in the month of May we have produced 40%, in the month of June it is operating on more than 50% capacity, so average we calculate 50% capacity in the operational right now and our financial position predicted for this FY22 is 60%. So that way, see this 11% margin is not gone.

- Sneha Talreja:** Okay and post that of course with increase in utilization, we can see it inching up, with optimum inching of level, sir?
- Vipul Vora:** Yes.
- Sneha Talreja:** I mean, what would be the optimum levels, as in that what we are presuming, once the capacity reaches 90%, 95% optimum utilization levels are up?
- Vipul Vora:** 90%, 95% can add about Rs. 400 crore in the top line but right now what we have projected is prior to these April to June quarter if you consider, we had projected the total turnover of the company Rs. 574 crore. Precisely if you reduce the June quarter turnover, then Rs. 500 crore will be easily operative in this coming current year.
- Sneha Talreja:** You mean FY22, we look at Rs. 550 odd crore somewhere?
- Vipul Vora:** Yes, we are trying to have Rs. 550 crore but Rs. 500 crore will be achieved in any case.
- Sneha Talreja:** Okay, got it. Sir my second question would be regarding the MDF segment demand, so basically extension of the previous participant's question, how much imports are still coming on to India and how much is the opportunity which is still available to replace imports? Or is that largely done with and now and it will be more or less domestic demand?
- Krupesh Thakkar:** Okay, nearly 2,40,000 cubic meter is being imported per year and according to me our capacity will be able to replace this, and demand is increasing every year and owing to this increase in demand imports are always happening because the size of Indian market is very big, so we do not see any problem on the demand side.
- Sneha Talreja:** And sir in pre-COVID what was this level of 2,40,000 cubic meter imports?
- Krupesh Thakkar:** According to me imports have reached to the levels of 3,00,000-5,00,000 and when Indian manufacturers bring in their produce it decreases for sometime and when the demand increases the imports begin automatically.
- Sneha Talreja:** And sir as on date what are the imported prices and what are your prices in the South if you can let us know?
- Krupesh Thakkar:** Import price is approximately Rs. 17000-18000 per cubic meter and India's prices is around Rs. 18000-20000 per cubic meter.
- Sneha Talreja:** And this Rs. 17000-18000 is including all the duties it is the landed price?
- Krupesh Thakkar:** Yes, landed price.

Sneha Talreja: So, going ahead you foresee this 2,40,000 will get replaced with your current capacity which is coming in?

Krupesh Thakkar: Yes, that will surely get replaced but as the demand increases the imports will begin by itself.

Sneha Talreja: Right. Sir apart from that the new capacity which has come up in AP which you are utilizing at 40-50%, have you tied up with any other supplier or have you tied up with any other OEM which is giving you visibility that you will utilize 60% in this particular year?

Krupesh Thakkar: No, we do sales only in the open market and we take orders on month wise, we do not do agreements like yearly orders as such.

Sneha Talreja: Right. So, what would be the mix of OEM versus retail sales in this, if you could share some breakup?

Krupesh Thakkar: 60% is retail sale and 40% is OEM sale.

Sneha Talreja: That 40% is directly to OEMs?

Krupesh Thakkar: Yes.

Sneha Talreja: And sir these OEMs, I am sorry but just wanted to check, do you have any idea where these OEMs are basically looking to export the furniture need or is it mainly related to the domestic markets?

Krupesh Thakkar: In OEMs the sale that happens maximum is in domestic, around 20% exports do happen of furniture, but furniture is not well expected in the world market.

Sneha Talreja: Okay it is not well expected, so for now domestic sales are only happening at the maximum?

Krupesh Thakkar: Yes.

Sneha Talreja: And going ahead also, you see domestic to be major growth driver or you feel exports of readymade furniture could also be one of the drivers?

Krupesh Thakkar: No, now in India the main furniture demand, earlier the furniture replacement, recycle time would be 25-20 years, now people change their furniture in 4-5-6 years. So, due to the decrease in recycle time there is increased demand in India. The Indian markets itself are there where the furniture will be consumed, there is not much focus on the exports by the manufacturers. They focus on the Indian markets and do the production.

Moderator: Thank you. The next question is from the line of Akshay Chheda from Canara Robeco. Please go ahead.

Akshay Chheda: Sir I wanted to understand the existing demand that we are seeing, is it just from the furniture manufacturers or are there any other applications of MDF from which the demand is coming?

Krupesh Thakkar: See the MDF like you might be knowing earlier that people use to bring plywood to house and make furniture out of it and the carpenter used to take a long time, so now the generation has changed that all of us buy readymade furniture and do a quick assembling of the furniture at home or office and people start working. Secondly, in this COVID scenario the lesser the people come to your house the better it is and that is also one of the reasons people are buying readymade furniture. And due to this rise in demand for readymade furniture the demand of MDF has also increased and this will be the trend permanently, now people will not follow much the traditional way of making furniture through carpenters at homes.

Akshay Chheda: Okay so furniture is only the main demand driver, there are no other applications, right?

Krupesh Thakkar: Yes.

Moderator: Thank you. The next question is from the line of Pranav Mehta from Equirus Securities. Please go ahead.

Pranav Mehta: Sir I wanted to understand whether you would be focusing only on the domestic market or are you also seeing the export of MDF as a good opportunity, particularly since I believe that the rates in the export market have improved after 5-6 years of remaining under pressure, that was my first question. And sir the second question was, wanted the breakup between your domestic and export revenues?

Krupesh Thakkar: Okay. In MDF the price realization is higher in domestic market and hence our priority is on domestic market. And secondary, that export commitment that we have done for EPCG for duty free import machinery and to fulfil that liability we need to do some amount of exports, so for that we do exports as required and focus more on domestic markets only.

Pranav Mehta: Okay sir and what will be the breakup of export and domestic revenue?

Krupesh Thakkar: Till now it is like 99% is from domestic MDF and if we see laminates, it is 60% exports and 40% domestic and now a new plan has come into effect in which we have started exports.

Vipul Vora: Total obligation is Rs. 220 crore to be exported in 5 years.

Pranav Mehta: Okay Rs. 220 crore in 5 years and sir I also wanted to understand, you are seeing any new capacity, small or medium size capacities coming into the industry?

- Krupesh Thakkar:** Century had declared some time ago in Andhra they are bringing in 800 and 600 cubic meter per day and small sized capacities come very miniscule because there is lot of investment in setting these and only organized players can do investment in this, so small capacities do come in the market, but they are not able to sustain.
- Pranav Mehta:** Okay and sir majorly these capacities are Chinese imported plants, right, mostly? Chinese or Vietnam, Thailand side?
- Krupesh Thakkar:** In that raw material consumption is on the higher side and the production is less and overheads are higher.
- Pranav Mehta:** Okay and sir basically if we see in the consumption, since the domestic market will grow, so in OEMs are you seeing any big players entering into the market? Do, you see anything of this sort happening? IKEA is already there but other big players are you seeing venturing into the furniture market, over next 2 years?
- Krupesh Thakkar:** In the coming 5 years, you will see lot of improvement in furniture manufacturers and now it is like every shop sells MDF, like how Plywood is sold in every shop, now MDF is also being sold across in all shops.
- Pranav Mehta:** Okay and sir like these big companies apart from IKEA are you seeing anyone else, like Amazon or Flipkart they are also selling their readymade furniture online, so do you see any improvements from there also in the demand?
- Krupesh Thakkar:** In the coming 5 years you will see lot of improvement on the furniture segment and lot of people will be investing as well.
- Moderator:** Thank you. The next question is from the line of Rahul Agarwal from InCred Capital. Please go ahead.
- Rahul Agarwal:** Sir I have 2-3 questions; one is this the new plant that we have for 800 cubic meter MDF in AP in this how much was the CAPEX deployed?
- Vipul Vora:** CAPEX is around Rs. 400 crore.
- Rahul Agarwal:** So, the peak sale that you were referring to around Rs. 500-550 crore that is purely from AP plant for fiscal '22, is that correct?
- Vipul Vora:** No for '22 that I mentioned it was only for the company as a whole turnover position. Am I not speaking AP projects sale because it has just come in, the situation is we have calculated on CMA calculations based on 60% capacity to be operated, first quarter has gone right now.

- Rahul Agarwal:** Yes, sir I understand, so that Rs. 500 crore number is for a company as a whole, is it?
- Vipul Vora:** So, if I had estimated for entire years, companies topline that was around Rs. 570 crore but as first quarter was affected, now I am estimating it will be Rs. 500 crore turnover and profitability is to be precisely calculated based on that calculation.
- Rahul Agarwal:** Understood sir. Sir what will be the sale of MDF in this year, what is your target?
- Vipul Vora:** MDF sales will be around Rs. 350 crore.
- Rahul Agarwal:** Rs. 350 crore and if I assume 95% utilization and if I take Rs. 20000 as realization then it will be Rs. 700 crore as sales including both the plants. Is that number, correct?
- Vipul Vora:** No, do not combine both plants and do this calculation. See first plant is 300 cubic meter capacity, next plant is 800 cubic meter capacity, so we cannot equate both at equal level. So, precisely what I am giving is the final summary of the total business what we are looking March '22 figure we are talking about. So, this is what the question is that see if I go on a peak level, averaging around 100% level perhaps we can reach on a topline instead of Rs. 500 to Rs. 700 crore but that is not the opportunity in this COVID situation, perhaps we will not be in a position to jump to that level.
- Rahul Agarwal:** Yes, I understand got it. So, AP plant 800 cbm can make about, see you mentioned the capex is around Rs. 400 crore, so in that if I assume topline, so it will do topline of Rs. 500 crore at 95%, whenever it may do in fiscal 23, 24?
- Vipul Vora:** Yes. It will definitely do it.
- Rahul Agarwal:** And sir I had one more question, what is the raw material used in MDF?
- Krupesh Thakkar:** In this agro-forestry wood is used, which farmers grow in the farms. It is a long-term crop like Nilgiri, Acacia, agro-forest wood is only used in MDF.
- Rahul Agarwal:** And sir from where will this be sourced, like of our plant is in AP so from where does this come?
- Krupesh Thakkar:** Within 200 km is our procurement.
- Rahul Agarwal:** Okay got it and can you comment something on the pricing of this, any data you can share?
- Krupesh Thakkar:** Raw material if we speak about wood it is priced at Rs. 2500-3000 per metric ton.
- Rahul Agarwal:** And how much would you need annually, if you need to run 800 CBM to full capacity, how much would be required?

- Krupesh Thakkar:** 1.4-1.5 times is what is required on per CBM. Let us say we need to make 1 CBM then we need around 1.4 ton or 1.5 ton of agro-forestry wood.
- Rahul Agarwal:** And there is no issue from the government in the supply of this, right? In terms of regulations or?
- Krupesh Thakkar:** No, this is kind of a long-term crop, and the farmer only sows it in his farms and its cycle is around 3-5 years.
- Rahul Agarwal:** Understood sir. And this AP plant whenever our turnover will reach Rs. 500 crore, what will be the margins at that level sir, at EBITDA level?
- Vipul Vora:** See EBITDA margin should be in the range of 17-18% but overall profitability calculations, you can estimate around 11-12%.
- Rahul Agarwal:** That is after depreciation?
- Vipul Vora:** Yes, EBITDA DV is also being outlooked.
- Rahul Agarwal:** Yes, got it.
- Vipul Vora:** See this is we go on formula.
- Moderator:** Thank you. The next question is from the line of Venkat Samala from Tata Asset Management. Please go ahead.
- Venkat Samala:** Sir I wanted to understand one thing like you are getting a big supply and if imports also comeback to the market, then do you think there will be pressure in realizations or do you think that demand is enough to take care of realization pressures, if any?
- Krupesh Thakkar:** See in this what is there that as an association we have applied for anti-dumping duty, we have applied for CVD, so the dumping that is there and the subsidy benefit that we get against that we have given an application to the government and Commerce Ministry has passed it also and it is currently with the Finance Ministry. There is this one support always and secondly, the demand in India is so much that in 1-2 years we are seeing 25-30% year to year growth. So, this production can be achieved easily in the market for demand against supply and in the coming times as soon as demand increases then the imports also begin, you might have seen this in the past as well, when the capacity comes in then the imports do lessen for some time and at that time the margin is preferable for 2-3 % but again in 1-2 years you start to get the same margin again.

- Venkat Samala:** Right, but you are not feeling that there will be a pressure in the realization in the immediate near term, know because anyways raw material prices are also increasing know, that is the reason?
- Krupesh Thakkar:** Yes, raw material is also easily available, and the demand is also good in the market.
- Venkat Samala:** Understood, sir what is your assumption over here, as to what capacity utilization level will you be able to reach by the end of FY22?
- Krupesh Thakkar:** We have assumed 60% for this year.
- Venkat Samala:** So that means you will reach up to 80% by the end of FY22 know?
- Krupesh Thakkar:** Yes.
- Venkat Samala:** And one more thing we got to hear in the market was that the Shirdi Industries who makes MDF, that is also facing some stress, do you have any idea about it?
- Krupesh Thakkar:** No, we cannot say anything about it.
- Moderator:** Thank you. The next question is from the line of Karan Bhatelia from Asian Market Securities Limited. Please go ahead.
- Karan Bhatelia:** Hi Sir, thank you for the opportunity. Just in continuation to the previous participants, is there any difference in the quality of MDF in exports and domestic?
- Krupesh Thakkar:** No, there some sizes and thicknesses is different. The product size which runs in India market is different from the one which are for exports, otherwise the quality is the same.
- Karan Bhatelia:** And is there any difference between the one which gets imported and cone over and the one which we make, is there any difference between them because we make more use of popular and Eucalyptus while I believe more of latex is used in the imported ones.
- Krupesh Thakkar:** The ones which are imported, in that you get Eucalyptus ones also, rubber wood one also. The India market prefers the Eucalyptus one because that is a hard wood, so for that the Indian producer gets a good benefit.
- Karan Bhatelia:** Right, and you mentioned Rs. 220 crore of export obligation so how does our realization sits over there compared to domestic, like we are at Rs. 19,500 now.
- Krupesh Thakkar:** In that, we get around Rs. 17,500, at the rate of dollar which is now 17.24.

- Moderator:** Thank you. The next question is from the line of Devang Patel from NAFA Asset Management. Please go ahead.
- Devang Patel:** Hi Sir, thank you so much for holding this call. Sir between Q3 and Q4, your margins have grown quite good in MDF. So, can you explain how these margins have gone up, are there any one-offs in Q4 and how the prices have changed?
- Krupesh Thakkar:** Turnover is very good in last quarter, and demand was also good, so that is why the margin is higher than earlier quarter.
- Devang Patel:** Okay, because there is a jump in the revenue but not so much. So how much have prices changed between the two quarters?
- Krupesh Thakkar:** I believe around 5% jump has come in the prices in MDF and that is in the turnover. The price has not increased much in raw materials, but we have got little benefit due to the demand.
- Devang Patel:** Okay, sir in Q1 this trend is continuing the same trend in prices and raw material prices?
- Krupesh Thakkar:** In the first quarter, the whole market was closed due to Covid-19, the turnover has also been affected a lot, so first quarter will not be showing any result on that.
- Devang Patel:** What is our mix of thick MDF, thin MDF and do we also sell pre-laminated MDF? What is the mix now and what is our target or plan for this in future?
- Krupesh Thakkar:** Our existing, which is pre-lam is 60% in our old Karnataka unit and we sell 40% raw board. And the target is same only, that we should sell more than 60% pre-lam, so we get a good margin.
- Devang Patel:** So, in the new plant also, eventually we will sell 60% or are you already selling 60% pre-laminated?
- Krupesh Thakkar:** In the new plant, we are yet to start the pre-lam. Now the pre-lam press has been ordered for and its line is now getting installed, after that the pre-lam will start over there.
- Devang Patel:** Are we selling any thin MDF, for the time being?
- Krupesh Thakkar:** Thin MDF is being produced in the new plant and we are selling from there now.
- Devang Patel:** When we do export over there, then will the margin be less due to that?
- Krupesh Thakkar:** In export the margin is a little bit lesser but we get good turnover also, and there should not be any problem in the capacity utilization also, this is also one of the reasons that exports are good.

- Devang Patel:** So, adding up all, approximately same margin will be achieved in the new plant compared to this, what you have done in Q4?
- Krupesh Thakkar:** We are targeting it.
- Devang Patel:** Sir in the last year, dur to Covid-19 the engineers went back, and the plant got delayed, so are we now facing any production hiccups or everything is sorted now, the warranty is intact and from their side there is no change?
- Krupesh Thakkar:** No, now what has happened is, they have set the machinery, speed, etc. for a particular capacity utilization and gone. So, we are running the plant with the same speed and same capacity. Now as the Covid-19 has settled down a little, so we request that they can come, then speed will also increase, and production capacity will also increase. Now what they have set and gone is a 60% production capacity.
- Devang Patel:** So, they will have to come back and re-work before you can scale up from 60%, correct?
- Krupesh Thakkar:** Yes. They have set up the car for 60%, so it will not run faster than 60% speed, when it should ideally run at the speed of 100%, they have fixed a speed limit in it.
- Moderator:** Thank you. The next question is from the line of Amit Agarwal from Burman Capital. Please go ahead.
- Amit Agarwal:** Good evening Sir, thank you for taking my question. Sir, first question is around Andhra Pradesh plant, so in terms of sales, what is the sales volume that we have already booked? And second, in FY22 we are looking at 60% utilization, what would be the sales distribution in terms of South, North India and export? If you can give the broader mix in terms of how we plan to sale?
- Vipul Vora:** See, March 2022 we have estimated about Rs. 570 crore turnover, pre-Covid-19 we had planned it, because of the June quarter; April, May, June is substantially affecting the turnover. So, we can precisely estimate Rs. 500 crore total turnover, out of which Rs. 350 crore would be of MDF and Rs. 150 crore of laminate.
- Amit Agarwal:** Right, and this Rs. 350 crore MDF, how would this mix fall in terms of geographies; North India, South India and exports?
- Vipul Vora:** Our major sale is in Southern area only, so 70% to 80% sales will be in Southern area, rest in the India 20% will go.
- Amit Agarwal:** And exports?

- Vipul Vora:** Exports essentially, whatever the export orders are coming, and we are completing this export obligation as per EPCG compliance that will be done.
- Amit Agarwal:** Got it, and Sir from Andhra Pradesh plant initially, because we are running at 60% utilization, there would be a benefit even if we reduce our realization and there would be a benefit from margin perspective to increase our utilization. So, are you looking in terms of pricing strategy to reduce the prices and have more focus on the increasing utilization?
- Vipul Vora:** No, we see that the price reduction is not possible, once you do it, you have to do it permanently. So, that is not the anticipation that we want to do it faster, capacity utilizer. In case of excessive capacity being utilized, we are in proximity of the port, in that scenario we will do exports.
- Amit Agarwal:** In terms of our realization with respect to other domestic players, would it be at a discount?
- Vipul Vora:** No, we do not do discounts. Our costing, our calculations are something different than the others and what we are doing is, the business see we are there in this MDF business since 2011 onwards. So, all peers are knowing us, all peers know what Rushil does, and everybody is doing their own business.
- Amit Agarwal:** Any insight on whether Century Ply, a new plant is coming because there is already, they have panels plant in Andhra Pradesh, but I think that is very far from your plant but any insight on where Century Ply's plant is coming and if there can be a problem with respect to sourcing of raw material for us?
- Vipul Vora:** Raw material sourcing will not be a problem for us also and for them also and location I think they have acquired; they have made some announcement recently only. I think that should be available on the website and that information perhaps, for others any information on our side will be difficult.
- Amit Agarwal:** Sure Sir. And last question from my side; any insight on ADD, CVD, I think last time DGTR had recommended it, any information from whether it has gone to ministry and if there is any lay up?
- Vipul Vora:** I think it is through some levels and now lying with finance ministry, that is what the message I have heard. So, it will be, I think all efforts are on to get it done, so it will be done.
- Amit Agarwal:** Any sense on timeline that we are looking in terms of announcement?
- Vipul Vora:** See in Covid-19, we cannot know anything. Personally, you cannot visit, you cannot know anything, whatever notification are coming that is what we are reading.

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

Agastya Dave: Thank you very much Sir. Just a single question because everything else has been answered fairly well. What will be your peak numbers of depreciation on interest, I feel that it will reach the peak this year only, so what will be that number and what will be the peak number of interests?

Vipul Vora: Interest right now is Rs. 12 crore, so Rs. 12 crore will be the interest per annum and depreciation I feel Rs. 9.7 Crores will be the depreciation in the initial level, older depreciation will keep on eliminating, the new depreciation of the whole plant of Rs. 9 crore will remain as it is.

Agastya Dave: Is the new plant depreciation, Rs. 9 crore Sir?

Vipul Vora: This is the total. This is only for, see here there is only the calculation of 25 days in depreciation has come, so that depreciation is to be at Rs. 9 crore could be around Rs. 12 crore, Rs. 13 crore depreciation.

Agastya Dave: And interest you said Rs. 12 crore will be the peak?

Vipul Vora: Yes, see in finance this interest and all will be calculated. See the only thing is, what you may be presuming, if you consider the Indian rate of interest, at least half of the fund is being borrowed at the cheapest rate.

Moderator: Thank you. The next question is from the line of Jatin Chawla from RTL Investments. Please go ahead.

Jatin Chawla: I have two questions Sir; one is clarification on the answer that you gave in the previous question, depreciation and interest. Is it per quarter or is it per annum number?

Vipul Vora: I was giving the annual numbers.

Jatin Chawla: And the other question is that you said that your realization is not much different than the other players like Greenpanel and Century. So, this margin gap that is there, what is the major gaps, is it our products are different, or they have some higher incentive because there is a big gap. You are saying that peak you can go to Rs. 17 crore, Rs. 18 crore and they are already at Rs. 25 crore, so if we take the weaker number also, there is still a margin gap of more than 10%.

Vipul Vora: Pardon me.

Jatin Chawla: Yes, you want me to repeat the question?

- Vipul Vora:** Yes, my MD is going to reply this, so he wants to have this question again.
- Jatin Chawla:** Sure. So earlier in the call, you said your pricing when compared to Greenpanel and Century is not too different but when I look at, and neither the product quality is also not too different but when I look at the margin there is a big, almost a 7% to 10% gap. So, what is the reason for that gap, is there some cost differences, you have some higher cost, or do they have some higher incentives which you do not enjoy, what is the main reason for this margin gap?
- Krupesh Thakkar:** Okay. Our Karnataka plant's technology is of Static Press technology, in which the raw material consumption is 8% to 10% higher than the Continuous press. And over here in Vizag the new plant that we have set up, is of Continuous Press which is the world-based technology. In this our raw material consumption is same as compared to Greenpanel and Action. And one, there is a saving of 8% to 10% from our old plant. So, one we get a profit from there and the quality is also a little better, so we get 1% or 2% premium also in the market, so this gap will reduce between us and them.
- Jatin Chawla:** So, going forward, when your AP plant will come to the utilization of 85%, 90%, then your AP plant's margin should be much better than the Karnataka Plant.
- Krupesh Thakkar:** Yes, it will be.
- Jatin Chawla:** So, AP plant, can it go to 20% margin?
- Krupesh Thakkar:** See, if we do 100% utilization and if everything is good, market is good and if we get good realization, then it can be.
- Jatin Chawla:** And one more question, so in now in June, July, is the demand back to February, March levels?
- Krupesh Thakkar:** In June, it has just started. In South India the lockdown has been released in few places for some time, somewhere the markets are open till 2 pm, somewhere it is uptil 12 pm. So as soon as the lockdown is released completely, not if completely at least if the working hours are extended till 6pm, 8 pm then also we can get good demand.
- Moderator:** Thank you. The next question is from the line of Dinesh from Sequent Investments. Please go ahead.
- Dinesh:** Hi Sir. My question is on the Plywood side, so this year we are targeting around Rs. 150 crore whereas in FY21 we have already done Rs. 176 crore. So, are we expecting a de-growth from the Laminate side?
- Vipul Vora:** No. see this is not estimating de-growth only, this is that April, May, June is quite affected quarter for the business. So that is why we are re-estimating, re-calculating entire year's

turnover, that is why calculation is being considered to be on a reduction basis. Business wise de-growth is not there, monthly turnover will be as targeted, only case is that April, May, June is being impacted. Till the time the result is not going to be in public domain, we do not do any projections again, but we will have to recast, that is what my estimation for entire year's profitability, I am reducing that way. De-growth means that there was a growth reduction, got it?

Dinesh: Okay, got it. And one more question, the promoters of the Century Ply, they have got another 4% of the company share today. So, have you received any communication from their end and what are their plans?

Krupesh Thakkar: Actually, they are our good friends and also a leader in the industry, so one good name should also come in the company, so that is why we have done this deal.

Dinesh: There is no other reason, it is just the addition of their names.

Krupesh Thakkar: No, other reason.

Moderator: Thank you. The next question is from the line of Rahul Agarwal from InCred Capital. Please go ahead.

Rahul Agarwal: Thank you for the follow up. Sir, I have three questions. In Laminate, there is a capacity of 3.5 million sheets, is there any expansion plan in this?

Vipul Vora: Recently we do not have any such plans, till the time our AP plant stabilizes, we do not foresee any expansion in the company.

Rahul Agarwal: Okay and this Century's plant, I think they have said that they will start it by March, April 2023, so now as you said that in 2022, our average should come to 60% but do you think that 700 CBM capacity will come in 2023, so there will be some pressure in the South? How does the demand react to it? Will it be oversupply situation or you think it should be fine?

Vipul Vora: No, this is that whomsoever comes and whatever the capacity comes in the market, I think market is quite matured and that will be absorbed within the market.

Rahul Agarwal: Okay, so you do not feel that much severe, like how it had happened last time that many MDF plants had come up together in the North and due to which there was a lot of pricing pressure plus the demand had also collapsed. So, you do not feel that there will be an oversupply as such, the capacity should be absorbed.

Vipul Vora: See this product is so solid and so utilized in readymade furniture and it is used globally. It is not now it is a new product, so it will not make any difference, impact on the business. Existing

players will not be suffering because of the newcomers and newcomers also will succeed in their business.

Rahul Agarwal: And Sir last thing, this question, the stake that the Century Ply's promoters have taken, what is its deal, can you give that in detail? You said you have signed some deal or something.

Vipul Vora: Nothing, no deal. It is a friendship and they found that the company is good, so we have to make investments.

Rahul Agarwal: So, you have sold, and Century promoters have bought, is that the way it works?

Vipul Vora: Yes, it maybe.

Moderator: Thank you. The next question is from the line of Ritesh Badjatya from Asian Market Securities. Please go ahead.

Ritesh Badjatya: Thank you sir for the opportunity. So, like in previous question's answer, you told that over the next four to five years, there will be lot many changes we have seen in the furniture market as such and there will be a lot of growth opportunity in the readymade furniture as well. So just wanted to understand that to meet the MDF, means the production of MDF is difficult or selling of the MDF is difficult?

Vipul Vora: The MDF production, is not a difficult one, only it is high capital-intensive industry. So, because of the high capital industry as usual normal class of the people, if it is low-capacity lot many people will enter into this market, as it being high capital intensive, very few players are there in the market.

Ritesh Badjatya: Okay, so sir follow up to that, being in the furniture market you have seen the players like IKEA, Godrej these bigger giants are coming into the readymade furniture market, and they have the big pockets as well, so do we think there is a possibility that they will backward their operations in terms of making the furniture and they will install their own MDF unit going ahead and that may give the competition to us?

Vipul Vora: No, see that is not possible. Worldwide we are operating, and you see, you know the Tata's Voltas?

Ritesh Badjatya: Yes.

Vipul Vora: They are doing trading business. See the question is that all manufacturers cannot afford to go up till backward integration. So, if they go into it then also, you will not be affected, see question is that for their requirement they may not purchase from you, okay and if you go into this IKEA's philosophy and IKEA's methodology of getting the product from the market, it is pure job

assignment given in advance and everything of identical of a big, large order is given for each item. So, they are procuring large quantity from the manufacturers and selling it. Worldwide if you go, IKEA does not have a single plant of manufacturing. I have visited IKEA's stores and that is why I am saying.

Ritesh Badjatya: Alright got it. Sir that MDF margin which is about 20-25% for the Greenlam and Century, so those margins can come under pressure that can be a problem?

Vipul Vora: Not necessarily. See, it should not come under pressure, only thing is that given a situation, suppose if you consider the COVID situation, then the sale itself is not possible. So, this is an exceptional situation, abnormality is always there but normal business will be there.

Moderator: Thank you. The next question is from the line of Himesh from Sequence Investments. Please go ahead.

Himesh: My question is that what will be the tax rate going forward, do we get any tax benefit from the new plant?

Vipul Vora: New plant of course because of the depreciation tax payments for couple of years there will not be any tax outflow.

Himesh: So, what would be the tax rate for FY22, will it be around 20-22%?

Vipul Vora: For company at 22%. And I think 2 years I will not have to pay tax, third year there could be some different situation.

Himesh: Okay and after the today's sale to Century Ply Promoters what is the ratio of promoters and shareholders now?

Vipul Vora: I think 3.5% has gone.

Himesh: Okay sir it has reduced by 3.5% now.

Vipul Vora: Yes.

Moderator: Thank you. The next question is from the line of Chirag Lodaya from Valuequest. Please go ahead.

Chirag Lodaya: Sir my question was on MDF, so in FY22 you are estimating Rs. 350 crore revenue from MDF business, last year you already did around Rs. 150-160 crore from MDF, so if I presume that last year for full year was for Karnataka, so this year from AP plant you assuming around Rs. 200 crore revenue.

- Vipul Vora:** See only 9 months are remaining now, 3 months are gone even if I wanted to do anything it is not possible for me to execute anything over there, though I am producing there. Whole Southern area was under lockdown and yet there is some restrictions on some places whereby we cannot work during the daytime, so yet we are looking into it, from July onwards if everything goes good, upto March, then these will be achieved this is precise estimate, see if something more is possible that will be done but precisely we have to presume conservatively that what could be happening in the business there, what is possible for me, so this is what we are estimating that in balance month, these only will be done. See on this AP in 9 months if I estimate Rs. 20 crore a months, $20 \times 9 = \text{Rs } 180 \text{ crore} + \text{Rs. } 170 \text{ crore}$, so Rs. 350 crore, this is what rough layman calculations are there, what I am uttering is a layman calculation, I did not say that exactly Rs. 500 crore will happen, but this is what the estimation is.
- Chirag Lodaya:** I Agree. And sir suppose if you do this Rs. 200 crore from AP plant in next 9 months, so then AP plant will there be any losses or it will breakeven, or it will still make some margins? How should we look for AP plant only?
- Vipul Vora:** I think, if we make Rs. 200+ crore then AP will be making profit.
- Chirag Lodaya:** Will be making profit. And all this expanded capacity by when we expect internally that we will be able to utilize it? If will be FY23, 24, what is your internal target?
- Vipul Vora:** I think by 23 it should be over, only waiting for the air traffic to start and situation to be neutralized.
- Chirag Lodaya:** FY'23 do you think you will be able to utilize full capacity for AP?
- Vipul Vora:** Yes. March'22 for us if nothing happens in nine months, no COVID, nothing then the engineers will be there on the site and everything will be through.
- Chirag Lodaya:** And sir lastly, can we do 25% margin in AP plant, in say 2 years down the line, optimum utilization, is it possible?
- Vipul Vora:** Anything is possible, thereafter situation if it is on 100% capacity and then combinations, margin can be enhanced, contribution can be increased that is all possible.
- Chirag Lodaya:** Okay and what is the cost of debt today sir?
- Vipul Vora:** Cost of debt is average is precisely 5-6%.
- Chirag Lodaya:** And from April onwards everything is coming to P&L, no interest cost is being capitalized in balance sheet?

Vipul Vora: From 5th March onwards everything is coming to P&L.

Moderator: Thank you. That was our last question. I would now like to hand the conference over to Mr. Karan Bhatelia for closing comments.

Karan Bhatelia: Yes, thank you Rushil Décor for giving Amsec the opportunity to host this concall. Thank you, Vipul, and Krupesh. With this we conclude this call.

Moderator: Thank you on behalf of Asian Market Securities that concludes this conference. Thank you for joining us and you may now disconnect your lines.