



RUSHIL

DECOR LIMITED
WE'LL MAKE IT

RDL/044/2021-22
Date: 31.08.2021

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
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Sub.: Transcript of Q1 FY2022 Earnings Conference Call held on 27th August, 2021

Dear Sir/Madam,

In terms of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and with reference to our earlier intimation No. RDL/038/2021-22 dated 21.08.2021, we are enclosing herewith the transcript of Q1 FY2022 Earnings Conference Call with Investors and analysts held on Friday, 27th August, 2021.

The above information will also be available on the website of the Company at www.rushil.com

This is for your information and record.

Thanking you,

Yours faithfully,

For Rushil Decor Limited

Hasmukh K. Modi
Company Secretary

Encl.: a/a



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“Rushil Decor Limited
Q1 FY2022 Earnings Conference Call”

August 27, 2021



**ANALYST: MR. KARAN BHATELIA – ASIAN MARKET SECURITIES
PRIVATE LIMITED**

**MANAGEMENT: MR. VIPUL VORA – CHIEF FINANCIAL OFFICER -
RUSHIL DECOR LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY2022 Earnings Conference Call of Rushil Decor Limited hosted by Asian Markets 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 Markets Securities. Thank you and over to you, Sir!

Karan Bhatelia: A very good evening ladies and gentlemen. We welcome you all to the Rushil Decor Q1 FY2022 Earnings Conference Call hosted by Asian Market Securities. From the management side we have Mr. Vipul Vora – CFO. I request Vipul Bhai to take us through the Q1 financials post which we shall open the floor for question-and-answer. Over to you Vipul Bhai!

Vipul Vora: Thank you. Good evening everyone. Welcome to Rushil Decor Limited’s earnings conference call for the first quarter ended June 30 of the financial year 2021-2022. I would like to begin by expressing my gratitude to you all for taking the time to join us today. On the call with me today is Bridge IR our Investor Relations Team also.

Rushil Decor Limited was incorporated in 1993 and has been in this industry for over 25 years and currently having the fourth generation involved in the business. The business divided into three segments mainly laminates, MDF and PVC. Amongst one of the largest players in the laminate industry and third largest manufacturer of MDF boards.

On the laminates we manufacture single sided decorative as well as double sided industrial laminates with wide range of designs, colors and finishing spread across 3 manufacturing plants located at Gujarat with capacity of 34.92 lakh sheets per annum.

As for MDF Boards we manufacture thin and thick boards and pre-lam boards with thickness ranging from 2mm to 30mm. Manufacturing facility for MDF board is at Chikmagalur, Karnataka with capacity of 300 cubic meter per day or 90000 cubic meter per annum recently a second and new manufacturing facility for MDF has commenced its operations from March 2021 at Vishakhapatnam, Andhra Pradesh. Having installed capacity of 800 cubic meters per day or 240000 CBM per annum this new facility has added a strategic location advantage as it is setup in Southern India which is one of the prominent markets for MDF and closer to southern parts making with easier to facilitate exports.

The company has over 120 of its own unique marketing platform on the Vir Studio across country displaying entire product range at one location. It is like a showroom or display

center where it showcases all its products at a single location apart from this we also create brand awareness through advertisements, marketing networks by dealers, distributors, branch offices, etc., so from an overall business perspective that is all now we will take you all through financial performance of the company for the first quarter ended June 30, 2021 following which we will be happy to respond to your queries.

In Q1 FY2021 our company has achieved net revenue of 90.99 Crores with a year-on-year growth of 85.43% from 49.07 Crores in the same quarter last year. This is mainly due to substantial increase in sales of laminates and MDF boards. It also includes the additional sales from new facility at Vizag.

EBITDA stood at 1.51 Crores in Q1 FY2022 increase of 11.88% as compared to 1.35 Crores in Q1 FY2021. Our EBITDA margin stood at 1.65%. The net profit for Q1 FY2022 is negative 7.64 Crores as compared to negative 3.53 Crores in Q1 FY2021.

The company recently commenced operations at AP plant leading to higher cost which will gradually taper down with increasing utilization. Our EPS in Q1 FY2022 stood at negative 3.81.

I think everybody has received the investor prostration today and that is also addressed and now you can ask all questions on my complete financial results. I will be happy to reply all the questions.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Sneha Talreja from Edelweiss Securities. Please go ahead.

Sneha Talreja: Thank you for the opportunity. I have a couple of questions. Sir your presentation is a detailed one thanks a lot for that. I just wanted to understand what is the difference between utilization of your old and new plant as well as new MDF plant also what is the sales in both these businesses, and what is the percentage of exports that you are doing?

Vipul Vora: Thank you very much. See as far as the old plant is concerned it is operated yearly on 80% to 85% capacity and the new plant is operating from June onwards at about 50% capacity. As far as the export for MDF is concerned you can say the percentage wise perhaps it may be very limited right now about 2 Crores the export has taken place from AP.

Sneha Talreja: That means it is not a significant proportion in the sales side?

Vipul Vora: Yes, not significant, see since that unit had started in the month of March, April, May was quite sluggish COVID pandemic and 80% lockdown in the country is quite known to all so

our business is very low hence I do not think there is any opportunity of doing any exports also, but as far as MDF is concerned we always concentrate in majority to sell in the local market except my legal obligations to do export as we are aware if you see the facilities by importing the machineries for this product and we do export of at least 30 Crores to 40 Crores per annum.

Sneha Talreja: Sir another question is what sort of margin you are making on both these plants right now and are we already just given now we are close to breakeven in the new plant?

Vipul Vora: New plant now we are close to breakeven and we have reached to the 50% capacity from this July onwards we will be working above breakeven.

Sneha Talreja: Your presentation also mentions that your target utilization expected for FY2022 is 50% if I am not wrong earlier that was around 62 Crores right is it the impact of COVID that is where the demand and everything is concerned?

Vipul Vora: See actually that as far as up till last quarter machinery was operative. We made this plant operative in the month of March and because of the COVID impact in April, the German Engineers had gone back. So whatever the operations they are making from Germany but I think by now June end or by beginning July they made this plant operative on 100% basis sitting in Germany itself and now we will be gradually taking up further capacity increase in operations.

Sneha Talreja: Sir sorry but last one from my end. What is the pricing? Is there any pricing difference between both the plants? Where does your pricing stand versus imported pricing if you can just provide some numbers there?

Vipul Vora: As long as my knowledge is there I think pricing we I think realizes on per cubic meter is little higher than the earlier year if earlier year it was around 19000 right now it is 19800, 19900.

Sneha Talreja: That same for both the plants?

Vipul Vora: Yes, now we are right now the billing has been done that way only the plant wise pricing has got difference.

Sneha Talreja: What about the imported prices with the current price?

- Vipul Vora:** Imported price maybe we need to look at the global pricing. I have not much statistics taken. I am just collecting the figures and will let you know and you can ask me any time you are in touch.
- Sneha Talreja:** Yes, sure Sir we do that.
- Vipul Vora:** Yes, I will ask my persons those who have done this transaction what is the realized value I will give you the correct figures.
- Sneha Talreja:** Thanks as lot and all the very best.
- Moderator:** Thank you. The next question is from the line of Krishna from Vihas Ventures. Please go ahead.
- Krishna:** Thank you for the opportunity. Good evening to you Sir. Actually your company really has a lot of potential and actually I would say that good luck to you for the next few years because I see that the company has got a good potential to do well in the future. So now coming to this MDF so the new plant MDF so you are saying that right now the capacity utilization is at 100% from last couple of month. So whether this will continue or how do you foresee in the next maybe say few months. So in terms of demand as well as supply so how can we consider it?
- Vipul Vora:** Gentleman see let me clarify. Right now in June and July plant has operated nearly about 49% to 50% only maximum 50% it was operational through June and July. Machinery capacity the judgment from the manufacturer side to prove that this machinery can run on 100% capacity on a daily basis that they have proved by operating machines not necessarily I would produce 100%. I am sorry I do not want to communicate that we have operated 100% but now we can go beyond 50% we can operate this plant on a higher scale also.
- Krishna:** I got your point sir. Thanks for the clarification. So now, we may be gradually trying to take it to say from 50% to 60% to 70% or like we would like to stabilize how does it work?
- Vipul Vora:** No, definitely we are interested in further increasing the scale of operations and the scale of operations should go in near future to 70% to 80% but 70% will be there at least up till March 2022.
- Krishna:** So we are taking it slowly and gradually and so it will be close?
- Vipul Vora:** See machinery manufacturers are from Germany. Right now their local team is available to us but the experienced Engineers are not available because of the COVID in India so we

have to depend on our staff to operate the machineries and we do not want to make any hurry and or compromise on machinery side because if something happens then we are nowhere because the travel directions are stuck whereby the persons may not come then we will be stuck.

Krishna: What you are saying is that our engineer from here along with the online support we are able to slowly we are able to put it like produce?

Vipul Vora: Yes, so we gear up the capacity utilization because that is in the interest of the company because only scale of operations we make the bottomline positive.

Krishna: Now next is this PVC and this other two because of the MDF like the focus like in terms of PVC sheet and the other one so is there any plans for growth in those two laminates and PVC or because those industries are also actually quite growing considering the Indian scenario from the next couple of years?

Vipul Vora: Yes, see PVC we have hired the top class experts on the PVC plant right now so we are foreseeing that the business and scale of operations will increase. The demand also should increase and now the market is opening up from post July onwards, market is opening so we are also foreseeing that there should be enough demand and we should be catering to the more demand of this PVC board we will be operating this PVC machineries on higher space.

Krishna: So right now what is the capacity utilization of the PVC machinery like approximately?

Vipul Vora: I think on an average it was 10% to 14% as narrated in this presentation up till now the operations was very low now we will be gearing up the operations and we will be doing growth in PVC also.

Krishna: So that is great and the laminates part?

Vipul Vora: Laminates part it is going on. There is no issue. Laminates part operation are at least you can say that it should be in the range of about 80% operations.

Krishna: So then do you foresee any because laminate asset is itself is a very big industry so do you foresee any capacity addition or any B2B manufacturing kind because I think the company of your stature you can do well in the laminates industry as well. So like of course you are doing well but is there any plan?

Vipul Vora: In near future. The question is that project after project, you see till the time these new plants of Vizag is being stabilized and set, we do not want to do any new venture and the capacity of 80% to 90% operation is enough that is called saturation see sometimes of this 10% we have to keep room because there is a compulsory closure because of the boiler inspection three plants are there so three boilers four to six plates are there so somewhere some maintenance is already ongoing so basis that to operate on a 100% capacity I do think in MDF like situations machinery is totally imported and today automatic whereas in laminates local machineries are being put to use and those machineries I do not think that we should go beyond above 90% capacity on operation because that it make difficult to operate and maintain.

Krishna: Because the capacity utilization is almost say then if it is 90% it is near about we can consider full only.

Vipul Vora: Yes.

Krishna: Is there any plan of putting up some I mean doing some contract manufacturing or because we can increase the turnover here right because the demand or is there a constraint on the demand side?

Vipul Vora: No, there is no constraint in demand side, see lot many players those who are in peers I feel they are also working very hard and everybody does large volume of this business locally also see if you look at my laminate business is the export is to the tune of on an average if you go 5 years to 10 years back story it is more than 60% is always the export in laminates some 40% is in domestic again in domestic there is very, very good potential in India also.

Krishna: Is there any expansion plans or like in near future?

Vipul Vora: we are not looking into the any expansion in laminates we may add some one or couple of press but not immediately till the time we need to settle that Vizag and thereafter on its settling we may think of something to add in laminates.

Krishna: Very good, and this German as far as our reading in the news so things are I mean getting little bit better right so is there any chance that they may allow the engineers to come or do you foresee that it will take longer considering that the COVID situation?

Vipul Vora: No if the situations becomes normal perhaps we may call them also here but the thing is that sitting there also they manage to make it operative versus the rectification corrections that we have made that they have done. So and they are always on toes and continuously

they are available on this net, internet also they are operative so I do not think that see that now physical business is regard the plant has become totally 100% operative.

Krishna: So this 50% on a baseline scenario you foresee that this 50% capacity utilization in the new plant that we will continue that will be the baseline right, right now?

Vipul Vora: See the 50% is the lowest now we will have to scale up, we will have to increase gradually the 60% to 70% right now.

Krishna: The old plant in MDF which is a 200 CBM right so that we are operating at?

Vipul Vora: It is 300 cubic meter.

Krishna: 300 CBM so that we are operating at more on higher capacity right?

Vipul Vora: 80%, 85% capacity we are operating on this.

Krishna: That is all from my side Sir. Good luck to you and thank you very much for enlightening us.

Moderator: Thank you. The next question is from the line of Shrenik Bachhawat from JM Financial. Please go ahead.

Shrenik Bachhawat: Thank you for the opportunity. Sir I wanted to understand how is the current demand scenario shaping up, like how is the July and August performing and is this back to normal levels or how close we are to normal level?

Vipul Vora: Up till you go it was on that range so July and August since we have taken up the change in level Y-o-Y on a last year basis also you can say that now in July, August we do not foresee any ratio on the business because the demand is full and the business is also what we have done is as compared to the earlier year also it will be on year-on-year basis it is equivalent in the last year figures.

Shrenik Bachhawat: Sir how much of the revenue is coming from West India and as Greenply has announced that the new plant once the plant is operational expected in one and a half, two years what is the thing will be the impact from the industry and the consumption.

Vipul Vora: See Greenply has announced their MDF plant in Gujarat particularly near Baroda. That is good. It is welcoming but as explained we are concerned, our both plants are located in South India by major modal sell you can say about 60%, 70% sale will be in South India only and if you see the western part, it could be around 10% of my total capacity and maybe selling in western side. So we do not foresee any problem by additional capacities coming

in this industry if you look at right now also after introducing the adding new capacity from our side, we are maintaining we are sustaining our market as it is because if you look at the realizable price in the industry I think no peers are in a position to beat us.

Shrenik Bachhawat: Sir do you there will be a risk of MDF imports coming back was few coming quarters not maybe in the next two, three months but thinking of more longer-term do you think that the risk of MDF imports coming back to India the risk as the exports how much?

Vipul Vora: I do not think if that is going to be possible right now because the thing is that the logistic cost itself is very high right now see we think that containers also is not available at the old rates so if anybody is importing the MDF from overseas it will be their landing cost will be more than is what they are paying in India. So I do not think that because see as far as this MDF machineries are concerned worldwide it is one and the same it is all German technology everywhere. So you get the same output what you are getting outside and if we have that same material is available at a landing cost lesser than or as compared to your landing cost I do not think that an import will be beneficial.

Shrenik Bachhawat: That is what I am asking over the longer-term maybe two, three quarters down the line once the export prices soften and auction rates are not sustainable at these levels so once that come down do you think that MDF imports can come back to India?

Vipul Vora: No, the thing is that the importer will have to bear the inventory carrying cost. See all importers are buying in bulk. See if they are buying from me they will be buying high 10 truck load, whereas when they are importing they are importing 100 containers. So having that much inventory then the interest amount and quantum I do not think that any Indian importers if we are importing to you then it will be beneficial to them.

Shrenik Bachhawat: Thank you so much.

Moderator: Thank you. The next question is from the line of Harsh Shah an individual investor. Please go ahead.

Harsh Shah: Good evening Sir. Thank you for the opportunity. Sir my first question is on the realization so I think as per the presentation our realization in quarter one has shot up to 24000, 25000 approximately as compared to 19000 last year so what is the sustainability of these numbers going ahead?

Vipul Vora: As far as our company's policy is concerned that number will have to maintain and if that pricing what you are saying if that is the value we will be maintaining that way only, there is the question of getting it out.

Harsh Shah: So along with that we see that the gross margins have also gone up so the raw material prices have not shot up so is this also sustainable?

Vipul Vora: Yes, it is sustainable situation that what we are seeing is the comparison from the quarter-on-quarter so quarter 2021, quarter 2022, first quarter 2021 you see the lockdown scenario at that time there was total lockdown whereas this time it was not the total lockdown see the industry was permitted to operate so your business except in Karnataka plants were in a position to operate if you were coming to the plant, plant was operational, so production has continued and even wherever the material is possible to transport if available then the business was being there but it was at a very low level and at the low level of business what happens is there was the realization improved but your fixed assets are more then it will turn out to be, as a company as a whole it will turn out to be a negative bottomline.

Harsh Shah: You mean to say that this 24000 realization will be maintained and we will not come back to the 19000, 20000 realizations level which was there in the previous years. Sir and in the other expenses we have seen a significant jump there so what is the reason for that they gone up to around say 36 Crores versus 15 Crores on a year-on-year basis and 27 Crores on a Q-on-Q basis?

Vipul Vora: See the question is that in this quarter the new plant has become operative till the time it was not operative certain expenditure like interest, depreciation all those sort of the expenditures which was capitalized now it is coming to the revenue rate the large project has come into operations so the question is till the time my topline is not improving prior to that I need to have all these expenses on continuous basis, my electricity bill, my staff salary everything will continued to be paid.

Harsh Shah: So it is somewhere will be around 35, 36 Crores only or will it increase?

Vipul Vora: Hitherto I was spending that amount but it was doing capitalized. So now it will come to my revenue account and it will continue to have revenue and only thing is that my topline should increase.

Harsh Shah: Another thing there was an inventory built-up in the quarter one so have we been able to sell the inventory in quarter two?

Vipul Vora: Yes, why not. Inventory we are in position to unload the unit in the market.

Harsh Shah: Currently we are operating at 50% utilization so once we increase this utilization to say 60%, 70% will we require more debt and if yes what will be our peak debt level?

- Vipul Vora:** No. Debt is not required. We will not be increasing any debt in the company because see question is that as far as the debt is concerned it is all a long-term debt.
- Harsh Shah:** We would not require opening up debt anymore?
- Vipul Vora:** No. We are running an optimal capacity and we have enough of financing on the working capital side and we do not foresee any incremental finance we require there.
- Harsh Shah:** Thank you so much Sir. That was helpful.
- Moderator:** Thank you. The next question is from the line of Ishrat Khatri from Omkara Capital. Please go ahead. The participant has left the queue, may I request them to please rejoin the queue by pressing "*" and "1". Ishrat Khatri please go ahead with your question.
- Ishrat Khatri:** Sir the realization we have seen like you mentioned it is not much higher than the peers so any specific reason why our realization per CBM in Q1 was over Rs.24000?
- Vipul Vora:** Let me go ahead where you are talking about so that I can also reply about this. Madam, can you tell me which page you are looking at?
- Ishrat Khatri:** No, I am talking about the realization per CBM for you it is like about 24000.
- Vipul Vora:** I understand your question I am just asking you that.
- Ishrat Khatri:** It is on page #28, you mentioned that realization per CBM for MDF was about Rs.24700 and Q1 last year was about Rs.18200 and FY2021 overall was somewhere about Rs.21000 right so we have seen a slight despite adding significant capacities right and Sir just wanted to understand is it because of excess demand because you mentioned there is no export happening plus Q1 obviously demand was under pressure because of the lockdown so what led to an increase in the realization per CBM?
- Vipul Vora:** Yes, see basically that as far as what you are looking at is just the figures what we have shown is the segmental realization so it is in totality what it as we have realized there in MDF business it is a consolidated clubbed CKM and Vizag and it both combined so aggregate amount Rs.24741 it is multiplied by the CBM sold is by topline for MDF sales.
- Ishrat Khatri:** Correct. I understand that just wanted to understand what drove the growth Sir?
- Vipul Vora:** Just I wanted to bring to your notice grow into the sales volume on the upper chart, Q1 FY2022 laminates, MDF, PVC, they have used only the numbers and what we have realized. I think that is the CBM sales volume okay no problem. No the question that it is a

gross value combo of all see now what has happened we shall this see MDF of a different sequences and different sizes also the combinations of per CBM calculation what we are realizing is correct figure and these we need to maintain.

Ishrat Khatri: You are saying 24000 approximate realizations per CBM is what we are expecting to do right?

Vipul Vora: Yes.

Ishrat Khatri: Based on that if you say that the additional capacity that we have added of about 800 CBM per day is expected to run at about 50% utilizations this year at an annual target?

Vipul Vora: Right now running at 50% is to be increased.

Ishrat Khatri: On a minimum basis you said 50%, 55% right even it will be conservative at 50% so you are expecting another 300 to 350 Crores of additional revenue this year itself from the MDF business?

Vipul Vora: Yes.

Ishrat Khatri: That is almost like we are doubling our topline as compared to last year.

Vipul Vora: Yes.

Ishrat Khatri: Great and any clarity on the margin front because now I understand it is a new unit, the reason why our margins are under pressure but overall in the long-term once we achieve 60%, 70% utilizations on the new plant on a sustainable basis what are the EBITDA margin that we expect for the MDF business?

Vipul Vora: If we have go on higher scale of operation it will increase right if we go on about 60%, 70% operations the EBITDA could be jump to 13% to at least 15% to 16%.

Ishrat Khatri: Great. That is all from my end. Thank you.

Moderator: Thank you. The next question is from the line of Aniket Redkar an individual investor. Please go ahead.

Aniket Redkar: Good evening. I have a couple of questions Sir. First question is about the MDF. What would be the market size of the MDF segment in which we are right now and how is it growing?

- Vipul Vora:** It is growing only see it is a Plywood substitution it is acceptable as because this plywood is costing the Rs.1000, MDF will be costing is about 40%, 50% to 60% so if Rs.1000 more is available in laminate, Rs.500, Rs.600 carpenters and the consumer will be definitely interested in using this MDF product. The demand in any case it is going to be there because the furniture readymade furniture sale it is just like IKEA if they open up their operations in Indian market then its requirement is very high.
- Aniket Redkar:** Sir related to this the earlier question which is asked by someone that the Greenply foray into MDF business in the western market so we are having the laminate unit in Gujarat?
- Vipul Vora:** Correct.
- Aniket Redkar:** How do you see the MDF plant in the western market because they are saying like no one is there as compared to us like?
- Vipul Vora:** Yes. Yes they are right I do not say that there is anybody in place of Gujarat right now that they are absolutely right in making a statement that they are coming in Gujarat. They must have done some survey or some sort of study in selecting the site. If you look at the Green has been demerged and various laminate, ply in this panel these three units being bifurcated now they are coming with MDF they are already there in north and the south now coming in based.
- Aniket Redkar:** Do we see any opportunity over there?
- Vipul Vora:** We do not foresee that in Gujarat it will be easy to do it but they must have done their own study because see wherever we have gone, we have gone in proximity of the raw material availability. See our funda is different we do survey, we do further studies and we find out the location whereby they are beneficial to us.
- Aniket Redkar:** Sir who all are our major top three competitors?
- Vipul Vora:** One is GreenPanel then second one is Balaji Action, third one if we say we are in number three then Vaishali in MDF number three and fourth one is Century, they are also come into this and one more is Shirdi.
- Aniket Redkar:** Sorry Sir.
- Vipul Vora:** Shirdi Industries.
- Aniket Redkar:** Okay. Sir how do you see us after three to five years down the line?

- Vipul Vora:** This was the question that we started somewhere this Karnataka I am talking of MDF in 2011 so till 2021 now we have settled there and we foresee that this business will grow further whatsoever the capacity comes into the country that will make ultimately it is going to eat away plywood share.
- Aniket Redkar:** Sir one last question related to the other segment are we fully utilized and if yes then what are our plan for those segments like laminate PVC?
- Vipul Vora:** PVC is unutilized. PVC we are exploring now possibility of further as additional production. Laminates we are in absolute capacity utilization.
- Aniket Redkar:** Thank you.
- Moderator:** Thank you. The next question is from the line of Rohan Mehta an individual investor. Please go ahead.
- Rohan Mehta:** Good evening Sir. Just a couple of questions in terms of our new plant by when can we expect the capacity to be completely utilized or what is the current utilization for the new plant and what kind of additional revenue as it contributed so far?
- Vipul Vora:** See as long as the new plant is concerned right now in June, July it is operated if go on precisely telling you it is about 49% capacity utilization in both the months June and July August month end we will come to know what percentage has been utilized. Revenue side if we look at my figures for up till June only 13 Crores were added from MDF side in new project.
- Rohan Mehta:** Sir as the utilization gets to a better optimal level so will it benefit our overall EBITDA margins?
- Vipul Vora:** Of course, see on a scale of operations gained we will be increasing EBITDA and bottomline will be turned out to be positive.
- Rohan Mehta:** Sir just last one question I had overall what is the current working capital cycle stands at right now?
- Vipul Vora:** Working capital cycle in MDF is about 45 days.
- Rohan Mehta:** Overall will be approximately?

- Vipul Vora:** Overall, will be of the laminate is 90 to 120 days so laminate is old business and the people have higher bit of in domestic market and export market we saw hardly 60 to 90 days so each market segment wise working capital cycle is different.
- Rohan Mehta:** Thank you Sir. I just have these questions, if I have more I will join on the queue.
- Moderator:** Thank you. The next question is from the line of Parvesh Aryan individual investor. Please go ahead.
- Parvesh Aryan:** Good evening Sir. Thank you for the opportunity. Sir I would like to know how is the health of the Chairman who has resigned due to health problems I hope he is doing okay?
- Vipul Vora:** I am sorry to say that person that gentleman has left this world on 25th of August. Yesterday we had an obituary meeting in Ahmedabad. His age had been 78 years so we are very sorry. Thank you very much for asking this question. I was about to take this in my opening remarks but the thing is that I thought let me answer the questions rather than taking people into this sad development. He has already left this world.
- Parvesh Aryan:** Very sorry Sir and my sympathy to the family and I am sure you also would be close to him so please accept our condolences Sir.
- Vipul Vora:** Thank you very much.
- Parvesh Aryan:** Based on this I am sure his son would be also in mourning at this time so I do not think we can expect too much of it?
- Vipul Vora:** Yes, that is the why I am the only person attending this call otherwise he will be joining. Karan of Amsec knows it very well. We have always been available and because of that only he is not available right now, otherwise I can only get this I do not need to reply.
- Parvesh Aryan:** In view of this Rushil is going to be taking over the reins and running the company now.
- Vipul Vora:** See Rushil has joined he was already there and he was looking into all these project development but now he will have to look into, he will have to have taking more responsibility of the company.
- Savli Mangle:** If I may add to just. Krupesh Bhai's son Rushil has already been inducted into the business. Now of course he will have to accelerate and work much further and faster to take the company to the next level along with his father. So the succession plan is very much in place.

- Parvesh Aryan:** Very good, good to hear that and God bless him and I am hope he does well. I am sure he will. If all you people have a new generation coming with more zest and view to taking forward and with the background and experience of his father and coaching and leadership quality of his father I am sure that is the part of his business acumen. Good. Sir just one other thing I just wanted to get some clarity is that if production or capacity of MDF goes to 60% to 70%, 80% you said that the EBITDA margin would increase did you say 15% to 16% or did you say 50% to 60%?
- Vipul Vora:** No. That 50%, 60% it is impossible. If you look at our statistics we are very conservative you look at the presentation also and look at our working also we work on a cut throat competition way there cannot be 50%, 60% realization then so year-on-year I will have a new project it is 15%, 16%.
- Parvesh Aryan:** At this time you said it was 13%.
- Vipul Vora:** No, it was 13% and it can increase to about 3% more EBITDA in case of higher scale of operations.
- Parvesh Aryan:** So from 13% you have talking about 15% to 16%.
- Vipul Vora:** Yes, naturally because of the growth of, see what happened fixed cost is for the across the MDF larger volume.
- Parvesh Aryan:** Yes.
- Vipul Vora:** So that is the calculation. It is pure Arithmetic Sir.
- Parvesh Aryan:** Great. Thank you very much Sir.
- Moderator:** Thank you. The next question is from the line of Naitik Mody from OHM Portfolio. Please go ahead.
- Naitik Mody:** Thank you for the opportunity. My condolences on the Chairman's demise sorry to hear that. My question is pertaining to again on the margin because I believe the largest players GreenPanel is operating at higher margins even though their realization is lower than yours so logically should not your margins at higher utilization be higher and not at 15%, 16%?
- Vipul Vora:** No, the question is that as per our realization is considered our realization is lower in industry throughout the time. But as far as Green what you are talking GreenPanel if you are talking you see the last year of their history when first year operations they were

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operating hardly on 30%, 35% capacity throughout the year. So if they were incurring losses if you look at the first quarter post starting of the business, post COVID there was no losses. So see the situation is with us also the losses is because of the plant being operated on a very low capacity in turn we have a very low realization in topline and the all expenses are there on the card. So next year till the time this all scale of operation has gained if we operate on a much higher level of operations if we produce more then we can sell more and if we sell more then all expenditure has been absorbed.

Naitik Mody: If you can give me a sense of what would be our gross margin in the MDF business and what is our broader fixed cost component here in the MDF business?

Vipul Vora: I tell you right now on my fixed cost on a finger tip I can calculate you my interest, my depreciation, my salary to staff, my electricity bill these four are my fixed cost. So these four costs are to be met with even if I do not operate these costs are there. So these costs are to be met with, broadly see this is at about 1.25 Crores is the interest about 2 Crores or roughly month on month about 50 lakhs, 60 lakh, salary and wages of that particular plant and electricity, electricity bill is of about a couple of Crores. So that is constant.

Naitik Mody: So my question was more on what is the gross margin in this business Sir?

Vipul Vora: 20% that is what I am trying to say.

Naitik Mody: I meant more like sales minus your raw material cost?

Vipul Vora: That also if you calculate we can add up about 6%, 7% more.

Naitik Mody: Gross margin is about 20%?

Vipul Vora: Yes.

Naitik Mody: In terms of again coming back to imports apart considering that let us say the logistics cost normalize what other risks do you see in terms of could there be a lot of import influx of MDF which could affect the whole demand supply scenario in our country?

Vipul Vora: I do not think so because the thing is that as far as the landing cost is concerned if you see similar item if I import and at an extra cost, I do not think that in Indian market as everyone is adding their capacity so they will have a price realization better by importing which it is impossible except if I am importing for my captive use that is best possible but if I have to trade in they will not succeed.

Naitik Mody: Thank you.

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

Karan Bhatelia: Thank you for the opportunity. Sir we know that CenturyPly, Greenply, and GreenPanel all three are going ahead with the capacity expansion Brownfield plus Greenfield but if we talk of other players like Action, Shirdi, Mangalam, Pioneer, Cross Bond, are you hearing the capacity expansion from their end as well?

Vipul Vora: No. Only what we have heard is the lead on Greenply, Century has also today only I have read that somewhere in AP I have covered, have settle that I think the blackstone is being available over there that is what my marketing guy was that telling me. They are coming up now earlier place was not decided but today it has come that something in the morning that they are coming up in AP that is final.

Karan Bhatelia: Sir just wanted to understand what could be the sustainable growth for this industry for a long-term?

Vipul Vora: See Karan this is high capital intensive industry so any case it is because of high capital to be invested in that project the interest cost will be there till the time it is not repaid out of the project. As far as interest and your investment ROI is not met with till that time project is not sustainable but going ahead with higher operations and with the proper planning everyone will succeed because as compared to the plywood market overall in India this is going to be a very, very small portion. It will be hardly 10%, 20% of the plywood market for that plywood market will be eaten away by MDF boards. Of course capacity will not disturbed any existing player.

Karan Bhatelia: Correct. Yes that is it from my end. Operator any follow ups?

Moderator: Sir we do not have any one in the question queue.

Karan Bhatelia: Vipul Bhai any closing comments you want to make?

Vipul Vora: I thank the entire team of Rushil Decor for their untiring efforts, hard works, sincerity and higher dedication. I thank Karan Bhatelia of AMSEC also for arranging this call and I thank this Bridge IR my Investor Relation team with all this participants on call on today and we will continue to have meetings as planned by them and thank you all.

Karan Bhatelia: Thank you Vipul Bhai with this we conclude the call. Thank you for joining.



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Moderator:

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