



RUSHIL

DECOR LIMITED

WE'LL MAKE IT

RDL/076/2022-23

Date: 17.11.2022

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

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

ISIN: INE573K01017

Dear Sir/Madam,

Sub: Transcript of the conference call for Unaudited Financial Results for the Quarter and Half Year ended September 30, 2022

In terms of Regulation 30 and 46(2)(oa) 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, 10th day of November, 2022 in respect of Unaudited Financial Results for the Quarter and Half Year ended September 30, 2022.

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 Décor Limited's Q2 FY'23 Earnings Conference Call”

November 10, 2022



MANAGEMENT: **MR. RUSHIL THAKKAR – EXECUTIVE DIRECTOR,
RUSHIL DÉCOR LIMITED**
**MR. KEYUR M. GAJJAR – CHIEF EXECUTIVE OFFICER,
RUSHIL DÉCOR LIMITED**
**MR. HIREN PADHYA – CHIEF FINANCIAL OFFICER,
RUSHIL DÉCOR LIMITED**
MANAGEMENT TEAM, RUSHIL DÉCOR LIMITED
AD FACTORS PR, INVESTOR RELATIONS ADVISOR

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

Moderator: Ladies and gentlemen, good day and welcome to Rushil Décor Limited Q2 FY'23 Conference Call hosted by Asian Markets Securities Limited.

This conference 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 and other guarantees of future performance and involve risks and uncertainties that are difficult to predict. Actual results may differ for such expectations, projections, etc., whether expressed or implied. Participants are requested to exercise caution while referring to such statements and remarks.

As a reminder, all participant lines will be in the listen-only mode and there'll 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 '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Karan Bhatelia, Asian Markets Securities Limited. Thank you and over to you.

Karan Bhatelia: Hi, all. A very good afternoon and welcome all to the Rushil Décor Q2 & First Half FY'23 Earnings Conference Call hosted by Asian Markets Securities.

From the management side, we have Mr. Rushil Thakkar – Executive Director, Mr. Keyur Gajjar – CEO; and Mr. Hiren Padhya -- CFO.

I now hand over the call to Rushil for his Opening Remarks. Thank you.

Rushil Thakkar: Good afternoon. Thank you, Karan. Good afternoon, ladies and gentlemen and welcome to the Rushil Décor Limited Earning Conference Call for the Second Quarter and a Half Year-ended 30th September '22. I would like to thank Asian Markets Securities for arranging this call, the participants to take the time and join the call.

Today, I am joined by Mr. Keyur Gajjar -- CEO, and Mr. Hiren Padhya -- CFO, along with Adfactors PR, our Investor Relations Advisor.

We have shared and uploaded the “Investor Presentation” on the exchanges. Hope you had gone through the same.

Let me share with you some of the key highlights, which has enabled us to deliver another strong performance in the second quarter. We have registered the revenue growth of 19% from the quarter compared to the last year. This was on back of a solid performance in our MDF business.

We continue to see the strong traction for our product in the domestic market. However, export has seen some pressure during the quarter gone by and we hope that the demand in export market improves from the current level in the coming quarter.

On the Laminates business, we have seen a steady performance for the past few quarters and we continue to work towards increasing our utilization even further. The Laminates segment has contributed about 50% to 60% of our revenues from export market, and we continue to witness further upticks in demand in the market we serve.

With the goal to provide customer a wider range of high quality products and improve our margin profile in the laminates segment, we have announced the setting up of a new Greenfield manufacturing unit in Gujarat. The unit will manufacture larger size laminates, which is a product we currently don't have in our portfolio.

We have estimated a CAPEX amount of Rs.60 crores for the new unit with a capacity of 1.2 million sheets per annum, raised through the combination of internal accruals and debts.

I would like to hand over the call to our CFO, Mr. Hiren Padhya, who shall take you through the Financial Highlights. Thank you very much.

Hiren Padhya:

Good afternoon, everybody. Thank you, Rushil bhai.

Let me take you through Key Financial Highlights for the Quarter and Half Year ended 30th September. Our Q2 FY'23 performance has been in the line of our expectation and gives confidence of achieving our set target for the financial year.

For the quarter, we have reported operating revenues of Rs.203.4 crores, that is a growth of about 18% compared to Rs.171.3 crores. This growth was driven by a strong growth in MDF business leading to higher revenue and margin expansion. While MDF business revenue grew by 23% on year-on-year basis, contributing Rs.149 crores in Q2 FY'23 compared to Rs.121 crores in Q2 FY'22.

Laminates contributed Rs.52.8 crores in Q2 FY'23 compared to Rs.50.8 crores in Q2 FY'22. Similarly, our EBITDA for Q2 FY'23 stood at Rs.47.1 crores as against Rs.21.9 crores in Q2 FY'22 That is year-over-year growth of 115.2%. Similarly, net profit stood at Rs.26.7 crores as against Rs.7.7 crores in Q2 FY'22, that is growth of 247.2% on year-on-year basis. While EBITDA margin increased by 1,039 basis points in Q2 FY'23 to 23.17% as against 12.78% during Q2 of the previous financial year, as against that, PAT margin stood at 13.12% in Q2 FY'23.

Coming to Half Yearly Performance: For the half year ended September 30, 2022, net revenue from operations stood at Rs.414.2 crores, year-on-year basis growth of 57.9%, in which MDF business revenues grew by 82% in value terms and 53% in volume terms. While MDF contributed Rs.309.8 crores in H1 FY'23 compared to Rs.170.5 crores in H1 FY'22. As against that, laminates contributed Rs.100.5 crores in H1 FY'23 compared to Rs.92.6 crores in H1 FY'22.

EBITDA for the first half of financial year stood at Rs.94.6 crores as against Rs.23.4 crores in the previous year, that is a growth of 304.3% on year-on-year basis. The net profit was at Rs.53.9 crores in H1 FY'23 with a margin of 13%. With this significant improvement in financial performance in H1, we look forward to the financial year delivering the outstanding numbers.

That is all from my side. I would now like to request operator to open the floor for questions-and-answers.

Moderator: We will now begin the question-answer session. We have the first question from the line of Harsh Shah from Dalal & Broacha Stock Broking. Please go ahead.

Harsh Shah: I have a couple of questions. So, firstly on the laminates. If we look at our operating margin, it is quite low as compared to the other players. So, could you throw a reason for that? And another related question is whether you could take these margins say up to 12%? And the new laminates plant which is coming up, so would it be for value added products and what will be the margin profile and the potential revenue from that?

Rushil Thakkar: So, I will start with, first, installing the new capacity which we have already figured it out, that it will be a 1.2 million sheets per annum. And as we see in our current portfolio, we don't have this jumbo size because of which we are missing the niche markets like America, Europe Australia. So, the main plan is to establish such facility and improve our margins through value added products.

Keyur M. Gajjar: This will definitely help us to improve our margins because at present we are not in to this market very much and I'm sure we will be able to do better in this market.

Harsh Shah: So, any ballpark figure for the revenue potential?

Keyur M. Gajjar: Maybe it will be Rs.100 crores plus will be the revenue.

Harsh Shah: So, this will majorly cater the export markets, is the understanding correct?

Rushil Thakkar: No, as of now, again, we will be depending on our current ratios like we would be exporting 60% and 40% will be exploring the new markets such as cubicles, changing room, dressing rooms, etc.,

Harsh Shah: My first question was unanswered regarding why the margins of the current laminates division is on a lower side.

Keyur M. Gajjar: Yes, because if you see compared to over last quarter, there is a marginal improvement in our margins and in coming days, we can see there is a ratio around raw material pricing. So, we'll definitely have good margins in coming one or two quarters. This is number one. Number two,

we see good demand of exports also in certain markets. So, we are very much optimistic about margins improvement in coming quarters. If we compare with our peers, we don't have this specific size is one of the reasons for our low margins, and we are optimistic that with our new product, our portfolio will be completed to cater entire world for laminates business.

- Moderator:** We have the next question from the line of Bhavin Rupani from Investec. Please go ahead.
- Bhavin Rupani:** I have two questions. First, related to Laminates. Why is the realization of our exports higher versus domestic? So, do we include freight cost and insurance there or is it that the selling price is higher in the domestic market?
- Keyur M. Gajjar:** If we talk about laminates, one of the reasons for higher realization is, we are selling some of the premium products in far east market, this is one reason, and secondly, we are selling some of the expensive products in Gulf market, which has a different thicknesses. So this is nothing but it's all about the product mix. That's one of the reasons why our realizations in export business is higher than the domestic.
- Bhavin Rupani:** How we can understand the margin profile in exports versus domestic?
- Keyur M. Gajjar:** Exports margins are really good and domestic margins are improving now. So, we are in general expecting good margins in coming days.
- Bhavin Rupani:** So, exports are better versus the domestic, is that one should understand?
- Keyur M. Gajjar:** It depends on the product mix, what kind of product you are selling. Suppose, you are selling a low cost product in domestic, then maybe your margins are affected. If you're selling low cost product in export business, also your margins are affected. So, it's all about the product mix in the end of the day. But whatever the new expansion, we are talking about, we see more or less high value products over there. So, we anticipate good business from this new expansion.
- Bhavin Rupani:** As far as working capital is concerned, what will be the differential in working capital for exports and domestic as far as laminates is concerned?
- Keyur M. Gajjar:** In laminates, normally we have credit periods for 60 days to 90 days. In export business, I would say 45% business from export is against advance and LC and 60%, 65% is on with some credit, and that credit maybe 30 to 45 days.
- Bhavin Rupani:** Sir, I wanted to understand the overall working capital including inventory and payables.
- Hiren Padhya:** If you are asking laminates per se, if you compare RDL as a whole, then compared to MDF, the working capital is a little bit higher in terms of laminates where the designs and other SKUs are

very high, and in case of MDF is not so. So comparatively, the working capital is higher in laminates.

Bhavin Rupani: In which major markets do we sell laminates?

Rushil Thakkar: So, in exports, we have a Far East and Gulf as our major markets as of now; we sell it to more than 47-countries plus.

Bhavin Rupani: Just on laminates, one more thing, for new CAPEX that you announced recently, CAPEX comes to around Rs. 500 per sheet. What will be the CAPEX for similar brownfield capacity expansion in the similar locations?

Rushil Thakkar: So, basically, if I say, Brownfield if I do then, I just have to remove my land cost out of this. But I need to purchase all the new machineries, because as of now our capacities are utilized over like nearly 100%. So, we don't have any extra space to install just a few of the machines and do the Brownfield project.

Keyur M. Gajjar: And then also it's a larger size. So, we need very specific handling facilities and everything. So this will be more of automated facilities and the existing one.

Bhavin Rupani: My question was related to Rs.60 crores is what you call for 1.2 million Greenfield expansion. If I want to expand my capacity by another 1.2 million in the same location, what will be the CAPEX amount? You said to exclude land, but other things like machinery and other cost to remain around Rs. 50 crore.

Hiren Padhya: There is a voice issue, I'm not able to hear exactly what you're asking.

Bhavin Rupani: So, my specific question was, you said that your CAPEX is approximately Rs.60 crores for 1.2 million, right for Greenfield expansion. What would be the CAPEX for similar capacity for a Brownfield expansion?

Keyur M. Gajjar: So, we are just talking about the land price. That's all. Because we have to install entire new facility for this larger site. With our existing manufacturing facilities, we cannot produce this size. It's just about land, that's all.

Bhavin Rupani: What would be the proportion of land in this Rs.60 crores?

Keyur M. Gajjar: I don't think it would be like Rs.5 to 10 crores, not more.

Hiren Padhya: When we are saying it's a Greenfield project, that means this is a separate location, where we'll have a separate land and it's a separate project, though it is within the segment of laminates, but it's a different thing, which is not there as of now.

Bhavin Rupani: My last question is related to MDF. How should one understand the margin differential of prelam MDF and standard MDF, if you could tell us some numbers over here, it will be very helpful?

Keyur M. Gajjar: So I think if we talk about in terms of capacity utilization, in Q2, we were almost 73.77% in terms of production, and we have achieved almost 68.71% in AP plant and 87%-plus in Chikmagalur plant. In terms of realizations, we have almost like in Chikmagalur, the realization is around Rs.33,937 and in this AP plant, total realization including export is around Rs.24,336. So altogether, our realization for Q2 comes to Rs.27,468, so it's almost same as per the last quarter. So do you need any specific information other than this?

Bhavin Rupani: Sir, my question was specific to prelam and standard MDF. So what will be the realization for prelam MDF and standard MDF? And what would be the realization?

Keyur M. Gajjar: If we talk about Chikmagalur, I want to be very specific, it's not only prelam, it's all about value-added product, so, it comes everything like HDF, exterior grade. So, that comes in Chikmagalur around 38,363 for the value added products, and from AP plant it comes around 35,000. The plain MDF is around 23,300 from AP plant and 24,745 from Chikmagalur plant. The reason for AP realization is only because we have around 9800 CBM exports.

Bhavin Rupani: My last question is, how should one understand margins for prelam and standard MDF?

Keyur M. Gajjar: Prelam MDF if I talk about, our Chikmagalur plant, where we are selling is more than 50% to 60% value added business. If I talk about in terms of volume, almost out of 17,000 CBM, we have sold 12,000 CBM in value added product, and 5,700 around plain MDF, and you can see our margins are almost 31% or something. So, the realization is almost 33,937 and margins are really good compared.

Bhavin Rupani: If you could tell in percentage terms, what would be that?

Keyur M. Gajjar: 34.38% was EBITDA from Chikmagalur plant. For AP, it was 25.74%. If I just compare with my last Q1, EBITDA was 32.22% and this year it is 34.38%. I'm talking about Chikmagalur plant and last quarter, AP plant it was 24.55%, this quarter it is 25.74%. So altogether, this is about our margins. We have received almost like 29.33% EBITDA compared to 27.44%.

Moderator: We have the next question from the line of Krishna from the Vihās Advisors. Please go ahead.

Krishna: So we can see that things are stabilizing with respect to the MDF and the new plant. So now it's time for the company to go into maybe focus on laminates a little bit and I think it's a step in the right direction that we are looking at setting up a new plant for value added products. So, now

coming to the balance sheet part, we had announced in the last call that we will be going for a rights issue. So, wanted to know what happened to that?

Hiren Padhya:

See, I have already informed last time also for the rights issue, management approval was taken for Rs.200 crores after that we are already in the consideration. So there are a couple of things which is there in the market in terms of RBI policy and in couple of industrial policies which is being either revised or the new announcements are there. So, there are a couple of things which we are thinking, out of which one thing we have decided, that is laminates plant. And the second part, which will take some time. And at that time, I think we will just revise the whole thing with the rights issue, whether we'll use that fund from rights issue or we'll go for something else. So, still we are under consideration that what exactly we'll do in terms of other expansion plans. So, after finalizing that only, we'll able to decide for the rights issue thing.

Krishna:

The second question is with respect to the raw material prices. So, we have seen that generally the timber prices have been up for the other company, but at the same time for the MDF, we do not see much of a drop in the margins with respect to us. So, in a way it is good, but can you elaborate a little bit on that?

Keyur M. Gajjar:

We don't see any much of the changes in timber price as well as if we talk about chemical pricings, we see very stable or rather I would say downside. So, we really don't see any raw material price pressure as on date.

Krishna:

Also, in the second quarter that is under consideration on September ended, even there you did not see much of raw material price sharp increase or anything like that right?

Keyur M. Gajjar:

Not in September, not in August, not in October also.

Krishna:

Third question is with respect to the laminates. So, this Rs.60 crores that we are investing, so what is the peak turnover or if you can throw some light on how much the turnover will be from that plant, just a ballpark figure if not in detail?

Keyur M. Gajjar:

Very honestly, as on date, we can talk about Rs.100 crores-plus only, but maybe in coming days we can give you exact projections because as on date we are working on certain activities like procuring, machineries, plants and everything.

Krishna:

Last question is slowly we can see that the company is transitioning towards having a bouquet of products rather than say focus on MDF or laminates per se. So, is it how you look at it, like you would like to be a player in the building materials segment or you would like to concentrate on these two products?

Keyur M. Gajjar: Yes, sir, we are actually exploring couple of more options too, and definitely, we are taking all these options very seriously, and yes, very soon we'll come up with some decision, but as on date everything is under the consideration.

Moderator: We have the next question line of Keshav from RakSan Investors. Please go ahead.

Keshav: Firstly, so far in the Andhra Pradesh capacity, we've got state-of-the-art machinery and we are also planning to move to more value added products in MDF. So, would we still be exposed to the kind of margin contraction that we saw from 2018 to 2021, where they fell from almost 20% to single digit, or would we be more much more insulated and maintain at least a double digit high margins if there were demand pressure in the future?

Keyur M. Gajjar: So, I would like to say that for margins, we have a very focused approach. Number one, we want to increase our value added business. At present, we are just 28% and our target is to reach 40% in this financial year and maybe we can go up to 60% or 70%. So, we are working very hard on this value added business market share. Number two, we are working very hard on achieving our plant capacity. We are also targeting to achieve 80% to 85% in this Financial Year and the third thing, we are working on certain cost control approach, wherein like we can save costs on resin or some other parts. And probably these three things will definitely help us to maintain or maybe improve our margins.

Keshav: Secondly, for MDF, what percentage of raw material cost is wood and how much of it comes from our captive plantations?

Keyur M. Gajjar: Actually, we really don't have any captive plantations, rather we are involved in educating farmers for plantations and we are motivating them, and we have certain activities also which we can share with you later on. And as long as cost of wood is concerned, it's all about production mix. So, we play with the wood and raising ratio, but I can tell you approximately 45% to 50% cost comes for the wood.

Keshav: Sir, on the resin part, are we seeing some moderation in raw materials since the last six months?

Keyur M. Gajjar: Yes, we see a good chance of downtrend. I don't know when, but yes, we see. And yes, we are also working on saving on resin part too.

Moderator: We have the next question from the line of Rabindra Nath Nayak from Sunidhi Securities. Please go ahead.

Rabindra N. Nayak: Sir, I have a couple of question. One is that, again, being on the same MDF margin, sir, QoQ our realizations are flat, volumes are down, than how the profitability is up, when the commodity like the resin prices and wood prices actually remain at elevated level, how the margins are

higher QoQ, if you can explain on that? How do you see the realization going ahead in the second half of this year?

Keyur M. Gajjar: First of all, if we talk about realizations, compared to last Q1, our total Chikmagalur realization was 30,988 and this quarter it was 33,937, so it's almost like 9.51% increase. And if we compare with Andhra Pradesh domestic realizations, it is Rs.24,336 and last year it was Rs.25,000. So, there is a marginal 3-4% reduction in realization. If we talk about average realization, it's flat, I agree by Rs.27,468. But I would like to say that, there was no increase in price of wood and resin, it was rather on a downside. Our Chikmagalur realizations and volume was on higher side. That's one of the reasons why we were able to maintain our margin in a better manner. This is also very much important for us to increase our realizations and in my previous answer I said that, we are focusing on two approach, number one, increasing our value added portfolio for AP business which is almost 28% last year, last quarter it was only 23%, this time it is 28% in terms of volume. So, we have improved 5% in value added for AP business and now we are targeting 40% in coming financial years.

Rabindra N. Nayak: That means, Chikmagalur plant is a low cost manufacturing base as compared to other plants. That could explain the increase in the margins, that is the correct understanding?

Rushil Thakkar: No, actually from Chikmagalur plant, we have established for the value added products and the current Vishakhapatnam plant, our R&D are going on for the value added product. That is the only difference why there is a margin difference over there.

Keyur M. Gajjar: Otherwise, if you see our Chikmagalur realization it is 33,937, so it's almost Rs.34,000. I'm talking about realization, not the cost.

Rabindra N. Nayak: So, do you think that the current realization of Rs.27,400 is likely to remain maintained because the commodity prices will correct, you may have to pass on some of the commodity prices to the customers or you will try to maintain the average realization?

Keyur M. Gajjar: Yes, as I said, we are very much focused on increasing our realizations and for that we are focusing on our value added business from AP. Now, we have a couple of CAPEX which almost completed, like it is for pre-lam presses and all. So, in coming days, we are definitely going to reach 40% or more for this value added business portfolio.

Rabindra N. Nayak: What is the total CAPEX done in the first half of this year?

Hiren Padhya: You're saying during this April to September?

Rabindra N. Nayak: Yes.

- Hiren Padhya:** April to September, major CAPEX was in the second quarter only. If you see balance sheet I think it is around Rs.50-plus crores. This is mainly comprising MDF plant where a couple of things which was pending for the establishment. So, that includes the couple of machines and civil work, some utilities were also there, road, drain, etc., then prelam capacity, we have increased, there are some in-house resin facilities we are planning, small amount of software which will directly affect the cost to improve the efficiency. So, a couple of things which we have incurred during these six months and that has impacted the whole CAPEX. But I think as of now, after completing all these things, the MDF plant CAPEX is completed now, there is no further CAPEX so far as the AP plant is concerned.
- Rabindra N. Nayak:** So after this Rs.50 crores, we don't have any further CAPEX in the second half?
- Hiren Padhya:** In this particular Visakhapatnam plant. Otherwise, as we said, in case of laminates, there is a separate CAPEX which is already informed,
- Rabindra N. Nayak:** About Rs.60 crores CAPEX that you announced yesterday, so, that is a separate CAPEX?
- Hiren Padhya:** That is separate.
- Rabindra N. Nayak:** It will be rolled out in this year only or it will take some more time?
- Hiren Padhya:** We have already informed in the financial results also. The expected time for this plant to be operationalized would be first quarter of financial year '25 that is June 2024.
- Rabindra N. Nayak:** So what would be the total CAPEX then for this year besides the Rs.50 crores, any additional CAPEX?
- Hiren Padhya:** As of now, I think this Rs.60 crores is again for the new plant only. Otherwise, it will be normal CAPEX and the operational CAPEX, it is not like something extraordinary amount.
- Rabindra N. Nayak:** So, you've already spent Rs.50 crores in the first half, so, should we expect another Rs.10 crores in the second half, so, total will be Rs.60 crores or it is higher than that?
- Hiren Padhya:** You can take, small amount, but I can't say the exact amount, but it will be around the same range.
- Rabindra N. Nayak:** What is the FOREX debt currently? And also, we have two types of FOREX debt; one is Euro finance and also the US dollar debt. So, what is the overall quarterly payout due to this and how do you reconcile with only Rs.2.4 crores debt repayment in the first half?
- Hiren Padhya:** As of now, if you consider the yearly repayment of term loan, it will be in the range of Rs.45 crores per annum. Today, the portfolio which we have, the loan which we have taken so far. As

of now, we don't have any specific plans for early repayment. We will just wait for maybe one or two quarters. If we have same performance, then we'll just decide for anything which is required to pay it early, but as of today's position, we will just simply follow the repayment schedule which is given by the bank.

Rabindra N. Nayak: No, I'm just referring to your annual report where we have a schedule for some installment payments for the two types of loan; Euro loan and also the dollar loan, I'm asking that only.

Hiren Padhya: If we consider total loan exposure, out of total loan, we have three things. One is the loan from German financier which has very low interest rates, it is in the range of 1% to 2%, second loan is the foreign currency loan where the rate is linked with LIBOR, which will be in the range of 3% to 4% as of now, and the third loan is the Indian currency loan. So, all put together, average cost including working capital facility, last quarter it was in the range of 5% to 5.5%, now because of increase in RBI rate, it has gone to around 6%.

Rabindra N. Nayak: So, that means, whatever due to rupee depreciation, we have not provided in your interest cost in the first half of this year so far?

Hiren Padhya: As per the IndAS standard, auditor will also suggest us to pass the necessary entry for the closing balances in terms of any foreign currency exposure which is being considered in the account. So, as per accounting standard, it is already audited and suggested by the statutory auditor, we are already considering that part.

Rabindra N. Nayak: No, I'm asking about this total interest cost of around Rs.10 crores in the first half of this year. Does it include any sort of foreign exchange-related rupee depreciation, it is not considered anything on that?

Hiren Padhya: No, as per the accounting standard, when we say finance costs, it will include the normal long term debt related interest, any other loan interest and any related normal operational bank charges. This foreign currency fluctuation cost will come in the head of other expenses, where we pass a separate entry. The finance cost will not have foreign currency fluctuation cost.

Rabindra N. Nayak: So, the foreign currency cost is appearing in the other expenses?

Hiren Padhya: Yes, other expenses.

Rabindra N. Nayak: So, what is that amount?

Hiren Padhya: It is exactly Rs.93.86 lakhs.

Moderator: We have the next participant, Akshay from Canara Robeco. Please go ahead.

Akshay: First question is, recently there has been some rise in the MDF imports, and we are also largely present in the South with our plants there. So, how do you see the imports as a threat to our business say in the near term and long-term?

Keyur M. Gajjar: There is some 12,000 to 13,000 CBM import in the month of September, out of which 5,340 CBM from Vietnam and balance from Thailand and Malaysia. There is a price gap of around 7% to 10%. If we compare with central region, which is away from the coast, there is a difference of 5% to 6%, and if we talk about coastal area, it's 7% to 8%. However, as I said before that we are focusing on value added business, and if I see imports, imports are mainly of interior grade laminates, the basic category, and it is mainly imported by converters. So, we really don't see much of the effects on things. However, we are very concerned about increasing our value added business, that's very important for us.

Akshay: Would it be possible for you to quantify the margin that you make in exports in MDF?

Hiren Padhya: The margin may not be able to quantify, we can give you later on.

Moderator: We have the next question from the line of Manan Shah from Moneybee Investment. Please go ahead.

Manan Shah: So, just from the earlier participants, so considering the increasing import, so we are still very confident that we'll be able to maintain the current realization rather improve as value added products mix goes up and maintain the margins at current rates, right?

Keyur M. Gajjar: Yes, that's the simple logic because there will be competition for interior grade for everyone because at the end of the day interior grade is nothing but commodity. We are talking about branded products like exterior grade, pre-laminated MDF, HDF and all this product, which are not being imported at present. And our focus is to increase this business and you can see our Chikmagalur realization has almost increased by 10% in the second quarter, 9.51%. If we want to maintain our realizations and margins, we have to increase our value added product and we are quite focused about it.

Manan Shah: So, any sort of addition of distributors that we have done, thereby helping us to take our utilization to 80%, 85% from the current 70%-odd?

Keyur M. Gajjar: It's a continuous process if we talk about. We are developing channels everywhere like nowadays in second quarter our HDF business is present in UP, Delhi, Eastern Region, Jammu and Kashmir, everywhere we are spreading our business. So, this distribution appointment is a continuous process.

Manan Shah: So, we should be able to reach this 80%, 85% by the end of Q4, right?

- Keyur M Gajjar:** 80%, 85%, you are talking about capacity.
- Manan Shah:** Utilization. Yes.
- Keyur M. Gajjar:** We are serious about it. We are trying our level best to achieve 80%, 85% in this financial year.
- Moderator:** We have the next question from the line of Jojo Shaju from Alpha Invesco. Please go ahead.
- Jojo Shaju:** Sir, on product side, what is your view on particle board business, do we have any plans to restart or do any CAPEX?
- Keyur M. Gajjar:** Frankly, whatever CAPEX we have in this financial year is all about laminates and for some future CAPEX we have certain products, it's under consideration.
- Jojo Shaju:** The reason why I am asking is because the major laminates players like Greenlam, Merino, they are doing a huge CAPEX on the particle board business. So, I just want to know what are the opportunities do you see with the big ones, what we are missing out?
- Keyur M. Gajjar:** Opportunity looks really very good for particle board because in India demand is still there and it will definitely increase with the MDF. So, we see a good opportunity for particle board also, for MDF market also. So, in general, panel industry itself is growing and it has a very promising future and as I said, yes, we have certain considerations going on. But for this financial year, we are talking about only laminates expansion.
- Jojo Shaju:** On MDF value-added products, can you give some color on the products apart from the pre-laminated boards, and HDFWR, are there any other value added products?
- Keyur M. Gajjar:** Several products. Number one, we can sell high density fiber board water resistant, that's our product which is known as Maxpro, is a very much popular in kitchen, number two is exterior grade, number three is pre-laminated MDF, and you know now we have added certain value added products, we are going to put up foil and paint on our board and we will sell it to market like photo framing business, it's a big market. If we talk about any religious players like Nashik, Shirdi, then we talk about Tirupati, in Gujarat, we have Somnath and all these places basically it has a huge demand for this kind of value added products. These are just some glimpse.
- Jojo Shaju:** In the investor presentation, we have a dealer network of 4,000 across our country. So is it the laminates dealers or it is just for MDF dealers only?
- Keyur M. Gajjar:** They are basically retailers, like laminate retailers are there also and MDF retailers are there also.
- Moderator:** We have the next question from the line of Rishikesh Oza from Robo Capital. Please go ahead.

Rishikesh Oza: My first question is, if you could please guide on the EBITDA margins for overall company level going ahead in H2 and FY'24?

Hiren Padhya: See, I think as we have already gone through the details of overall margin as well as MDF within the plant also, so, compared to last quarter, I think we will maintain the EBITDA margin in terms of value, there might be a marginal reduction, but then in terms of percentage, slightly increase, right. So as Keyurbhai said, considering couple of steps which we are taking in terms of value added product composition, then increase in capacity of around 70 to 80/85, and third the overall efficiency in terms of cost factor over it. So, we are committed to maintain this margin throughout this financial year. Way forward, I think it is too early to say, but then we will maintain this margin as per our normal projections and the guidance that we have given last time also, so we will definitely maintain the margin in spite of a couple of issues as narrated by Mr. Keyur Gajjar like import pressure or any other pressure, but then considering a couple of steps which we are taking, I think we will not only maintain, but maybe we'll try to increase the margin marginally.

Rishikesh Oza: My second question is if you could give the contribution of value added products in volume terms and the realization for same?

Keyur M. Gajjar: So if we talk about value added product, altogether, it was almost 15,368 CBM, I'm talking about last quarter, it was 13,681, so there is a 5% increase in our volume, it is now 28.28% compared to last quarter of 23.29% And in terms of realizations from Chikmagalur, realization was 38,363 for the value added product, which was in Q1 it was 36,150, so, we can see around 6% increase in that.

Rishikesh Oza: 80-85% capacity utilization that you were talking about, this is for which plant?

Keyur M. Gajjar: I am talking about AP plant and we are trying to maintain our Chikmagalur plant at its best.

Moderator: The next question is from the line of Devang Patel, NAFA. Please go ahead.

Devang Patel: Firstly, could you comment on why our domestic MDF volumes are down 13% YoY, from 50,000 CBM to 44,500 CBM.

Keyur M Gajjar: I guess in the last financial year we produced 62,735 and it was almost 52,998 in last quarter and this quarter we produced almost 60,863. So, in terms of production, there is a marginal 3% or 4% gap, last quarter it was 76% efficiency of all the plant, this quarter is almost 73.77%, so, we are talking about 3% production.

Devang Patel: Sir, I was talking about sales volume which is given in your presentation on slide 18. Overall volume is up 1%, but domestic volume within that is down 13% Q2 over Q2.

Keyur M Gajjar: Sales volume is 54% compared to 58%, and last year, it was 39,000 from Chikmagalur plant, and this year it is 36,614. So I really see this almost 7% to 8% volume down; 58,745 and this quarter it is 54,344.

Devang Patel: I wanted to understand why the volumes are down on a YoY basis.

Keyur M Gajjar: Even if you see our peers also, their quarter one capacity was almost at 80%, 81%, this year, it's almost 74%, 75%. So the main reason is seasonal effect, because in rain, the wood has more moisture, which may effects some kind of a production activity, this is one of the reasons.

Devang Patel: What is the demand outlook for the rest of H2 on YoY basis? In one of the slides, you've spoken about 15% to 20% long term CAGR for the industry. So, will the H2 performance be in line with what we are projecting for the long-term?

Keyur M. Gajjar: We are very quiet optimistic about demand. As on date, we are doing quite comfortably good. So we really don't see any issues in near future.

Devang Patel: So would we have a double digit volume growth year-on-year in the second half?

Keyur M Gajjar: For us, we want to achieve 80%, 85% capacity utilization. We want to achieve value added mix to 40%. So I'm very optimistic about our company's growth. I'm not sure about others. We are very focused about this value addition and efficiency of the plant.

Devang Patel: My second question was around this incidence of higher imports in September. And if for instance, shipping costs were to come down, do you see imports rising further in the coming months?

Keyur M Gajjar: I don't see much of the reduction in shipping costs because it's already down by almost half of the freight. So, maybe there will be some further change of maybe \$5 to \$10 per CBM. That's all the reduction what I'm talking about in freight. But on other side, companies exporting to India, they are facing pricing issue too, because for them selling at this price to India is also not much viable. So, we don't see much of a price pressure of import now onwards, maybe maximum I would say 2%, 3%, that's all, not much, this is subject to change in trade because the company which are exporting to India, they are not in any mood of reducing their FOB price.

Devang Patel: And then what explains the slight dip in export realizations for us in September versus June quarter? It's down by about Rs.2,000.

Rushil Thakkar: Yes, our market was Gulf for exporting MDF and we have seen a downtrend of around 20% to 25% in the prices, but still we are trying to maintain our margins and for that we are trying our level best.

- Devang Patel:** Is it still declining or has it stabilized now?
- Rushil Thakkar:** As of now, we see a stable trend in this month.
- Moderator:** We have the next question from the line of Karan Bhatelia. Please go ahead.
- Karan Bhatelia:** Just wanted to understand our B2B and B2C breakup in the MDF segment and how is the pricing delta?
- Keyur M Gajjar:** Nowadays, it's almost the same as before like we are still 60% to 70% with the channel and 30% to 40% with the OEMs and converters and all.
- Karan Bhatelia:** The pricing delta in the receivable cycle, anything significantly changed over the last six months?
- Keyur M. Gajjar:** I would say not in this last six months, but yes, in this quarter, we are having certain import pressures especially in southern region on coastal part mainly, nothing much.
- Karan Bhatelia:** And the pricing delta could be as of now?
- Keyur M Gajjar:** 7% to 10%, but being a local producer, we always have a 4%, 5% premium.
- Karan Bhatelia:** Just wanted to have your thoughts on this, while we are seeing 50%, 60% capacity expansion in next two to three years, and on the other side imports have started to come back. So, do you see any near term risk in terms of a sustainable realization profile or margin profile for the industry level?
- Keyur M. Gajjar:** In the last quarter of 2024 I believe the capacity expansion maybe around 3 million plus and that capacity for us maybe if we talk about the CAGR 15%, 20% it will take two to three years to set up. So, time being there will be some issues, but we don't see much of a problem.
- Karan Bhatelia:** Sir, somewhere, I believe the capacity expansion in the industry is equally spread out, for example, in the near term we will have Century Brownfield capacity, maybe next year March we will have Green ply Greenfield capacity, so, it is fairly spread over the next two years.
- Keyur M. Gajjar:** Yes, agree. But after two years, it will take another year or two to get settled. And it will be absorbed by the market I would say. New capacity will not be absorbed overnight, but it will be absorbed by the market in a year or two because we see certain growth in market by that time. As far as imports is concerned at present if we talk it's about 7%-8% of the total capacity But definitely when you have added capacity and all, either you will focus on exports or you will definitely protect your market share.

Karan Bhatelia: How has October month shaped up for us? Like for other building material categories, we have seen some slowdown given the festive mood.

Keyur M. Gajjar: Actually, October is basically a festive season, so Q3 is more or less a little bit slow compared to other quarters because of festival seasons. Let's hope. Otherwise, market is now in its normal movement. There are certain demand pressure, supply pressure but we don't see much of changes.

Karan Bhatelia: Since there is no follow up, any closing remarks that the senior management would like to make.

Rushil Thakkar: Thank you once again for your interest and support. We will continue to stay engaged. Please be in touch with our investor relations team for any other further details or discussions. Looking forward to interacting with you next quarter.

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