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RDL/124/2024-25

Date: 05.02.2025

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
SCRIPT CODE: 533470

ISIN: INE573K01025

Dear Sir/Madam,

Sub: Transcript of the conference call for Unaudited Standalone and Consolidated Financial Results for the third quarter/nine months ended 31st December, 2024

With reference to our earlier intimation No. RDL/115/2024-25 dated January 21, 2025 and 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 Wednesday, January 29, 2025 in respect of the Unaudited Standalone and Consolidated Financial Results for the third quarter/nine months ended December 31, 2024.

The same 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 Q3 FY25 Earnings Conference Call”

January 29, 2025



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ASIAN MARKETS
— SECURITIES —



MANAGEMENT: **MR. RUSHIL THAKKAR - MANAGING DIRECTOR,**
RUSHIL DÉCOR LIMITED
MR. KEYUR GAJJAR – CEO, RUSHIL DÉCOR LIMITED
MR. HIREN PADHYA – CFO, RUSHIL DÉCOR LIMITED
MODERATORS: **MR. KARAN BHATELIA – ASIAN MARKET SECURITIES**
PRIVATE LIMITED



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January 29, 2025*

Moderator: Ladies and gentlemen, good day and welcome to Rushil Decor Q3 FY25 earnings conference call hosted by Asian Market Securities Private 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 Private Limited. Thank you, and over to you, Mr. Karan.

Karan Bhatelia: A very good afternoon and welcome all to the Rushil Decor Q3 FY25 Earnings Conference Call hosted by Asian Market Securities.

From the Management side, we have with us Mr. Rushil Thakkar, who is the Managing Director; Mr. Keyur Gajjar, who is CEO and Mr. Hiren Padhya who is CFO.

I now hand over the call to Rushil Bhai for his opening remarks. Thank you and over to you, sir.

Rushil Thakkar: Good afternoon, ladies and gentlemen. Thank you for joining Rushil Decor Limited's earning conference call for the 3rd Quarter ended 31st December 2024. I would like to extend my gratitude to Asian Market Securities for organizing this call and to all participants for joining us.

Today, along with me, our CEO – Mr. Keyur Gajjar and our CFO – Mr. Hiren Padhya are present. We have shared and uploaded the Earnings Presentations on the Exchanges, and we hope you have reviewed the material.

Let me begin with an “Overview” of our performance during the quarter:

In MDF business, total volumes were 64,800 cubic meters in Quarter 3 Financial Year ‘25, reflecting a decline of 10% quarter-over-quarter and 1.7% year-over-year. This reduction was influenced by a planned maintenance shutdown at one of our facilities and a slowdown in domestic demand during the Diwali holiday season. Export volume, however, increased by 15.6% quarter-over-quarter and 38.2% year-over-year, supported by strong demand in the international markets. Blended realization for MDF remained stable and our focus on value-added products continued to yield the result, with this product now accounting for 54% of the MDF business revenue in Quarter 3 Financial Year ‘25. On the operational front, the capacity utilization for MDF was optimized at 87% during the quarter. Additionally, the Andhra Pradesh facility operated at 91% capacity utilization and is steadily progressing towards optimizing capacity utilization levels, which will further strengthen the output and the operational

efficiency. Furthermore, we are also seeing the benefits from the implementation of BIS certification standards, which are helping reduce imports.

Turning to laminate segment, total volume was 768,409 sheets, reflecting a growth of 2.2% quarter-over-quarter and 4.3% year-over-year. Export volume showed a strong increase of 20.5% quarter-over-quarter and 13.8% year-over-year. However, domestic laminate volume saw some pressure during the quarter and capacity utilization was 83%.

On the strategic front, the Jumbo Laminate Expansion project in Gandhinagar is on track, with operations expected to commence by the end of quarter four Financial Year '25. This facility, with an annual production capacity of 2.8 million sheet, is designed to cater the preliminary to export markets such as USA, Europe, Australia, etc. where we continue to see strong demand. Our ongoing efforts to expand our distribution network have resulted in addition of over 50 new retail distributors during this quarter, further strengthening the Company's presence in the domestic market. Additionally, participation in the global exhibitions and targeted customer engagement has led a strong foundation for expanding our geographic footprint and revenue base.

Looking ahead, we are focused on further improving the operational efficiencies, scaling our export footprint and enhancing the product mix to align with the market demands. We remain confident in capitalizing on global opportunities and delivering sustainable value to our stakeholders.

I will now hand over call to our CFO – Mr. Hiren Padhya to provide the “Overview” of our “Financial Performance”.

Hiren Padhya:

Good afternoon, everyone. Thank you, Mr. Rushil. And a warm welcome to all participants. I am pleased to present an Overview of our Company's Financial Performance for the 3rd Quarter and nine-month ending December 31, 2024.

For Q3 FY25, revenue from operations was INR 2,117 million, a decline of 0.7% year-on-year and 8.1% quarter-on-quarter. EBITDA for the quarter was INR 273 million with an EBITDA margin of 12.9%. Profit after tax was INR 115 million with a margin of 5.4%. For the nine months FY25, revenue from operations was INR 6,672 million, a growth of 9.3% year-on-year. EBITDA for the period was INR 827 million with an EBITDA margin of 12.4% and profit after tax was INR 353 million with a margin of 5.3%.

Coming to MDF business:



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In Q3 FY25, the MDF business revenue was INR 1,540 million, a decline of 2.5% year-on-year and 10.3% quarter-on-quarter. Export revenue in this business showcased strong growth, rising 50.9% year-on-year and 16.2% quarter-on-quarter, which is driven by a strong demand in international market. MDF EBITDA was INR 234 million with an improved EBITDA margin of 15.2% in Q3 FY25. For nine months FY25, MDF revenue grew 8.9% year-on-year to INR 4,949 million with an EBITDA margin of 13.5%.

Now coming to laminate:

In Q3 FY25, the laminate business revenue was INR 486 million, a decline of 1.7% year-on-year and 3.4% quarter-on-quarter, while export revenue increased by 3.2% year-on-year and 17.5% quarter-on-quarter. The EBITDA margin for laminate was 7.7% during the quarter. For 9 months, FY25, laminate revenue grew 4.3% year-on-year to INR 1,460 million and EBITDA grew 5.2% year-on-year to INR 145 million with a margin of 9.9%. Furthermore, the net debt to equity ratio as of 9 months FY25 stood at 0.44, which is reflecting our commitment to maintaining financial stability and disciplined capital management.

Thank you for your attention. That concludes my remarks. I would like now open the floor for questions and answers.

Moderator: We have a first question from the line of Kaustav Bubna from BMSPL Capital. Please go ahead.

Kaustav Bubna: Hi. Could you just give a summary of the total capacity for MDF in 2024 calendar year end and what is the expected capacity as you come in 2025? And if you could split that between organized and unorganized, that's my only question. Thanks.

Keyur Gajjar: I think you were talking about industry capacity, right?

Kaustav Bubna: Yes.

Keyur Gajjar: So, looks like by this financial year end, it will be around 4.2 million CBM and as such, there is no, I think organized and unorganized, rather I would say Continuous Press and Static Press. So, it will be around 2.2 million capacity will be from Continuous Press and balance from the Static Press. So, we can say around 60% capacity is still from the Continuous Press production.

Kaustav Bubna: Okay, so you said 4.2 million cubic meters this year in 2025. What was it in 2024?

Keyur Gajjar: I think it was somewhere between 3 million - 3.4 million.

Kaustav Bubna: Okay, so about a 35% increased capacity in this year. Correct?



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- Keyur Gajjar:** 20% - 30%, I guess.
- Kaustav Bubna:** Okay, thank you so much. Thank you.
- Moderator:** We have our next question from the line of Ankit Guglia from Guglia Capitals. Please go ahead.
- Ankit Guglia:** Hi, just wanted to understand that overall the complete industry is facing some operating margins as a pressure. What is your view in terms of a broad perspective of the industry, whether the operating margins in the coming quarters can improve from here, or are they going to be more or so in this range only? Thank you.
- Hiren Padhya:** You are asking for Rushil or you would like to understand the overall market scenario in terms of our industry?
- Ankit Guglia:** I am asking specifically for Rushil in light to the overall industry, but it is specifically to Rushil only.
- Hiren Padhya:** Okay. So, compared to last quarter, the overall margin has decreased by around 1.5% this time. So, as we said, there are a couple of reasons. First is like the MDF quantity is already down by 10%. And along with that, the value is also down by 10% where the reasons mainly are as already given by Mr. Rushil in his opening remarks. First is overall market position is already affected. Secondly, the shutdown which we have planned. And third is the seasonal effect of Diwali. Similarly, in terms of laminate also, our plant is situated in Gujarat, where the Diwali is the main festival. So, practically, I think two weeks the plant remained closed. So, both these had already affected the overall business volume, as well as the margin also. If you just understand the present capacity utilization in terms of all these segments are in the range of 85% to 90% as of now. When we have already crossed the breakeven point and any further increase in terms of capacity utilization will give better margin and vice versa. So, here this quarter, there is a slight reduction in terms of capacity utilization. So, because of this reason, mainly this has affected. And so far as overall scenario, which what we are thinking is a reduction in terms of margin this particular quarter, next quarter, that is Q4 FY25, we are very much hopeful in terms of better performance both way in terms of overall volume and the margin also. Last time we had already given guidance in terms of overall margin. Rushil Décor as a whole, we have given overall margin guidance of 12% to 14%, which we will definitely achieve. In terms of MDF, we had given the guidance of 13% to 14%, and in case of laminate, it was 10% to 12%. Now, coming to laminate again, if you see this quarter, specifically, the margins are around 8%. But if you see the last three quarters overall margin, which is in the range of 10%, so there is a small plus and minus starting from 8% to 12%. So, overall, we will definitely maintain the margins which we had given as guidance. Secondly, if you consider this particular quarter, then I think this is what we are going to achieve. But if you are asking for the next couple of quarters means the next



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financial year, then there are a couple of things which is definitely positive. First is like capacity utilization wise, we will definitely improve than what we have achieved so far. So, additional capacity utilization will definitely give us a better margin. Second, the value-added product, again we are slowly but firmly increasing the volume and in terms of value also. So, our target in terms of value-added was 50% and 55% in terms of quantity and value. In terms of value, we have already achieved 54% as of now. Quantity again, it is in the range of 44% - 45% as of now, which we would like to achieve 50%. Third, BIS standard now Government is already committed. So, we are very much hopeful that this will be implemented as early as possible. So, this will also have a positive impact. Fourth is, if you consider next financial year, so our new project of laminate, that is Jumbo size, this we are targeting to start production in the month of March. Then the margin for this particular product is better than what is existing margin. That is around 10% to 11%. Here, the new project margin would be in the range of 14% to 15%. So, after considering all these four aspects, first, we would like to maintain whatever guidance we have given for this financial year. And so far as next year is concerned, definitely we will improve whatever we achieve this financial year.

Ankit Guglia:

Thank you so much.

Moderator:

The next question is from the line of Mithun Aswath from Kivah Advisors. Please go ahead.

Mithun Aswath:

Yes, I just wanted to understand, this quarter the MDF margins have improved, quarter-on-quarter. I just wanted to understand is there less pressure from imports and because of the BIS standards getting implemented, I think from Feb 1st, are we not seeing any more imports flooding into the market? And number two was on the raw material cost. I think there was quite a lot of pressure because of the increase in raw material in the last few quarters. Has that stabilized, and what is your view for the next year? And any revenue kind of growth number or guidance for FY26 that you would be having?

Keyur Gajjar:

I just want to answer one of the first query about the imports. As such we don't see significant volume of imports because of freight issue as well as anticipating BIS standard implementations, so very marginal import was there in this quarter.

Rushil Thakkar:

I will talk about the raw material. The raw material prices for this quarter were stable for us. And we also see stable raw material prices for this quarter as well. And talking about the next financial year, yes, our new plant will be up on the roll by the end of Q4 2025. So, we expect the revenues of more than INR 100 to INR 125 crores out of that new plant from laminate and it will be all a specialized product. So, we see a better margin of 12% to 14% in that as well.

Hiren Padhya:

And coming to the first part, you were asking the question that the margin for this quarter in terms of MDF was better than the last quarter, right? So, yes, it is almost 1.5% to 2% higher than



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the last quarter. So, as Mr. Rushil has already said, we could maintain the raw material cost. So, there is no specific increment in terms of the wood cost. Secondly, now our plant is established, both the plants. So, we are just having a very good efficiency in terms of the usage of material also. That way we are having just better efficiency that has impacted the margin positively. Secondly, in the current year's figures, we have got a small figure of around INR 2 crores in terms of the incentive which is approved from the local Government, that is Andhra Pradesh. And third is in terms of export also, if you see the last three quarters export, the overall margin in terms of export has already improved. And the way we are seeing the future of export in terms of MDF specifically and the new project of laminate, it will further improve.

Rushil Thakkar: So, going forward to this answer, I would address that last financial year end we had export obligations going on, which we have completed last year only. And now our strategy is really simple to focus both on value-addition products and more to export as well. So, our margins on that front will keep on improving that way.

Mithun Aswath: Okay. So, I remember there was some talk of raw material availability being an issue. So, you don't see that kind of being there? On the MDF side?

Rushil Thakkar: Yes, in the South currently we don't see a pressure over the wood prices or RMC prices. We are very much stable with the prices. We will be focusing on the strategy to make it stabilized, like we'll keep it stagnant.

Mithun Aswath: Okay. And what about the demand in India for MDF, has that started to pick up? Last quarter was not great, right? And also wanted to understand this exports, to which countries are you doing this?

Rushil Thakkar: I will answer the question for exports first. For typically MDF, we are exporting to countries majorly in the Gulf, then Israel, then a few parts of Africa.

Keyur Gajjar: For the domestic market after the Lohri and other festive season, now the market is picking up, demand is there.

Mithun Aswath: Demand is good, sir?

Keyur Gajjar: Yes, it is slowly gradually moving on.

Mithun Aswath: Thank you.

Moderator: Thank you. We have our next question from the line of Rishikesh from RoboCapital. Please go ahead.



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- Rishikesh:** Thank you for the opportunity. So, my question is with respect to the value added product, so what are we guiding for FY26? Are we maintaining our volume contribution guidance on value-added product to 65% for FY26?
- Keyur Gajjar:** I think in our last call we said that we will maintain 60% for 2025-26.
- Rishikesh:** Okay, and what can be our MDF capacity utilization for FY26?
- Rushil Thakkar:** So, we'll obviously try to maintain above 90% for the next year, the overall blended capacity. So, currently we are at somewhere standing around 89% in this quarter. And our target is to maintain it above 90% for upcoming quarters as well.
- Rishikesh:** So, if we are to do 60% volume contribution and assuming similar realization and around 90% capacity utilization, would it be fair to say that our value-added revenues can be upwards of INR 500 crores next year?
- Rushil Thakkar:** Approximately yes.
- Rishikesh:** Okay. And for FY26, so basically FY26 will be new plant INR 100 crores, existing laminates might remain flat and MDF revenues can grow 20%, would it be fair?
- Rushil Thakkar:** Can you just repeat the question because the voice got cracked?
- Rishikesh:** Sure. So, I was asking if FY26, the new plant might contribute around INR 100 crores and laminate is expected to flat the existing capacity and the MDF revenue segment can be expected to grow at 20% plus?
- Rushil Thakkar:** Yes, so typically first we go on the new plant as I rightly said that our expected revenue is more than INR 100 to INR 125 crores from the new plant. Laminate plant is with the quantity what we already have will remain stagnant, but the product mix always changes so we have always a better opportunity to change the product mix and get some more additional revenues out of it. And third is MDF CS, we will be doing the 60% of value addition next year. So, accordingly, the margins and the realization will improve that way. And also, we consider that after BIS implementation is done, we will have a chance to make a price hike on that as well.
- Rishikesh:** Okay and lastly you said the new plant can do 14% - 15% EBITDA margin. So, is that possible from the first year itself that is FY26 from the new plant?
- Rushil Thakkar:** So, first year initially for the first two quarters it will be more on the trial and error basis so we will be taking out some products on the trial basis also, we will be optimizing the capacity



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slowly. So, first year the margin should be around 10%-12% for the first two quarters, but later on the second half of the year, yes, we can expect the 12% to 14% margin.

Rishikesh: Got it. Thank you very much.

Moderator: Thank you. We have our next question from the line of Resha Mehta from GreenEdge Wealth. Please go ahead.

Resha Mehta: Yes, thank you for the opportunity. So, fairly new to the Company. I am not sure if you've already covered in your opening remarks, but just if you could comment on why has there been a volume degrowth of 14% in MDF in the Indian market, and also 11% degrowth in Indian market for laminates. So, what's the reason for such high volume degrowth in the Indian market for both MDF and laminates?

Rushil Thakkar: So, first of all for MDF we speak, we have always seen this degrowth during the Diwali season and the festival seasons because rather people would enter into their new home or they will be just seeking for their raw material after the good days start. So, it is always this has been a trend of the Indian market. So, we don't see any kind of abnormality for this. And at the same point of time during the quarter when Diwali is over, we see a spike in our sales as well. So, this is a counter effect. It's not something which is not being observed throughout the industry. So, this is our nominal impact. And talking about the laminate, yes, the same reason follows there as well because when in Gujarat the Diwali is considered to be a bigger festival. So, our plants are also down for 15 days. That is the only reason, but market degrowth we don't see. We have a good amount of order books getting filled now after the Diwali. And the inquiries are now getting converted into orders as well.

Resha Mehta: But from a seasonality standpoint, if you are saying that Diwali is typically a slow quarter for us, then that would generally tend to be true for all Quarter 3s, right? So, we are doing a YoY comparison. So, Diwali last year would have also been subdued, right? So, just not able to reconcile this?

Keyur Gajjar: So, if you see our last year's MDF sales also, in terms of quantity, it's more or less same volume. Like total volume was around 1.4 lakh, and export was 45. So, altogether, it was 1.85 Lacs CBM. Sorry, I am talking about nine months. So, if I talk about last quarter, it was 65,895 CBM. And this year, same quarter, it is 64,800. Second thing, there was some maintenance at the plant. These are the two major reasons.

Resha Mehta: So, maintenance at the plant would have lost you how much of volume would we have a quantification there?



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- Rushil Thakkar:** So, roughly estimated value of 4000 CBM, approximately around INR 11 crores.
- Resha Mehta:** Okay. And how do you see the demand for both these segments, MDF as well as the laminates currently in the market? Do you think it has slowed down over the last 2-3 quarters? Or is it getting even worse?
- Keyur Gajjar:** I think it's, as I said earlier, that after 15 January, now we can see pulse in market. So, it's improving. Also in export market too.
- Rushil Thakkar:** And I also would like to add a few things, that whenever the new capacities in the market come, they come with a slightly challenge for the old players. So, anyways, some of the capacities are also absorbed by the peer competitors as well. So, this is not a very big challenge for us, because MDF has a CAGR of 20%. And every year, if we see 800 cubic meter plant coming into the market, it is rightly absorbed in the market. And it takes hardly 1 or 2 years to stabilize everything. But this is not a big effect what we see.
- Keyur Gajjar:** And even if you see our 9 months MDF sales, it was 75% last quarter of our capacity last nine months. And these nine months, it's almost 85%.
- Resha Mehta:** Okay, and the other thing, so while we're saying that MDF imports have greatly reduced or they are not a big number to the overall MDF demand in India now. So, then what gives us the confidence that let's see, once BIS kicks in, we would be able to raise prices?
- Keyur Gajjar:** Definitely like in the last quarter, we take some hike around 2% to 3% average, and it is still maintained, so we don't see any problem. Even import is also expensive nowadays and you know import is completely negligible because it's not even 4,000 - 5,000 CBM a month. So, if we look at Indian capacities 4.2 million and secondly after implementation of BIS, I am sure there will be the importance of brand and other value-added products and for that I am sure there will be some further price increase.
- Resha Mehta:** Currently for MDF, would it be right to say that the challenge is definitely the high supply, that the new capacity that have come in, and also the subdued demand?
- Keyur Gajjar:** Yes, I agree. Capacity is coming up, and demand is also growing at good pace. But as I said last time, like last year, we almost achieved 75% of our capacity. This year we have achieved 85% and we want to go further.
- Resha Mehta:** Right and just the last one, laminates, if you look at the price realizations of the export market, those have come down, that's seen a degrowth of around 9% and even for nine months that's



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seen a degrowth of 7%. So, any particular reason over here that we are seeing a decline in price realizations in export markets for laminates?

Keyur Gajjar: Usually, it's all about product mix. In fact, we didn't see any price reduction or price increase in last quarter. Even freight were consistent. So, it's just about the product mix only. So, change of product mix may lead to this kind of things.

Resha Mehta: So, it is purely product mix and got nothing to do with demand or increased competition in the export market?

Keyur Gajjar: No. In fact, we are now, once we have a new laminate size, then we will be able to have better realizations.

Resha Mehta: Got it. Alright. Thank you so much. All the best.

Moderator: Thank you. We have our next question from the line of Keshav Lahoti from HDFC Securities. Please go ahead.

Keshav Lahoti: Hi. Thank you for the opportunity. Sir, what is the sense on MDF price? How has been this in Q3 and what is the outlook?

Keyur Gajjar: Can you repeat the question again, please?

Keshav Lahoti: How has the MDF prices been in last quarter and what is the outlook for the same because you know margins are still sub 15% while we talk about MDF margin to be normalized margin like 25%. So, what is the outlook when we will go to that number?

Keyur Gajjar: Margin 20% because we are always saying that we are trying, we'll try to manage our 14% to 16% margin for MDF. And I think we are quite near to that margin, I believe. As long as price is concerned, I think last quarter we took hike. We are still maintaining that pricing.

Keshav Lahoti: Okay, understood. Last question on the laminate side, we see there is a sequential fall in laminates EBITDA margin and sharp fall. What is the reason for the same?

Hiren Padhya: I think you are comparing with last quarter only. If you see the margins before 1 or 2 years, it was in the range of 6% to 7%. Now if you really compare the last 3, 4 quarters, the margin for last 9 months, it is in the range of 10%. As against the last 2-3 years, it has already improved. Only for this particular quarter, instead of 10%, 11% last quarter, it has gone to around 8%. But that is mainly because of the reasons which were already mentioned in the earlier questions. Normally in Quarter 3, margins are in pressure. But considering the fact that particularly for the



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current quarter, it will definitely improve. And thirdly, after having the new project, we will have even better than this margin in the coming financial year.

Keshav Lahoti:

Understood, Mr. Padhya. That is helpful. Thank you.

Moderator:

Thank you. We have our next question from the line of Mudit Minocha from M3 Investments. Please go ahead.

Mudit Minocha:

So, my first question was, why is the Indian market realization for MDF for you much lower than the peers, when I compare it with other street players, they are in the range of 29,000 - 30,000. So, and similarly for the laminates as well. Could you share light on that?

Keyur Gajjar:

Yes, actually we said that in last quarter, there was a plant shutdown was there. And because of that, there was a shortfall of 4,000 CBM volume, that is the major reason.

Mudit Minocha:

Right, I understand.

Keyur Gajjar:

And otherwise, you can see when in last quarter, it was a 53,000 CBM.

Mudit Minocha:

So, I was inferring to the realization per cubic meter, means your realization is around 25,000. I wanted to understand why there a gap with the other listed players, means we sell, say for a competitive product, branded product, funded, what is our selling price?

Rushil Thakkar:

No, so selling price is more or less similar but the strategy what we use in terms of our peers is slightly different. We see the future in our OEM market, so we try to supply and balance the supply between our OEMs as well as the retail channels. So, that is the only difference which we see in our competitors and us else the price difference always is between 2% to 1% in all areas.

Hiren Padhya:

And coming to I think laminate as we informed, considering the today's product which we are into, it is a small size laminate sheet and maybe you may be comparing with other competitors where they are already into the bigger size. Now we have already implemented almost in the verge of completion of this project. So, once we have this new project, I think our margins will be again comparable with them. That is for sure.

Mudit Minocha:

Right. So, again, coming back to the competitive intensity, as we know in South India, there have been a couple of new players coming in, and the total installed capacity now is 4.2 million versus the demand of 2.6 to 2.8 million. So, do you see the pressure to sustain in realization when the new players would try to get utilization?

Keyur Gajjar:

In fact, in last quarter only we took the price hike of almost average 2% to 3%.



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- Mudit Minocha:** Was that secular for all the players?
- Keyur Gajjar:** More or less, at least as far as I know, it's almost 4 or 5 players they increased the price.
- Mudit Minocha:** So, the peak pricing pressure is behind us, is what you imply?
- Keyur Gajjar:** The pricing is okay, but then this value-added segment is not very sensitive enough for all the time like we talk about price and all. We have sort of loyal distributors and network. So, we are doing really good in that part.
- Mudit Minocha:** Understandable. Also, could you guide us with the CAPEX plan and the cash flows? How would they match in the next two, three, five years? And what's the implied ROE that you are envisaging for that business, both the businesses? Sorry, it's a very elaborate question, but if you can guide us?
- Hiren Padhya:** I understand. See overall, as we have informed earlier, that we are just targeting our turnover of around INR 2,500 crores in the next five years. So, internally, we have already planned for the expansion etc. because considering today's capacity, I think it is not possible to achieve this target. So, there are at least two to three projects which is already in the process. As of now, I won't be able to give you further details, but couple of things I would like to make it very clear. First is like, we would be targeting within the wood panel industry, that is first point. Whatever product we are just planning, it will be within this industry. Secondly, the means of finance for this particular new project would consist of practically all three aspects. One is like debt. Second is the internal accrual, third is the fundraising part. So, in the whole process, we would like to ensure two things which we have been telling every time. First is like, even though we will increase our debt, but then overall debt equity ratio we would like to maintain within one. And thirdly, in terms of promoters dilution, we will not go beyond 50% unless there is a very good opportunity or excellent synergy between the new product or something like that. As of now, we are not in the process of any bigger acquisition etc. So, considering these three aspects, we are already working on it. And at right time, we will definitely inform to the community.
- Keyur Gajjar:** Just to update you, that last quarter, if you compare, we almost reached 53,000 CBM in the domestic market. At that time also, more or less same capacity was there. And as we mentioned in our opening remarks, there was almost like 10 - 12 days plant shutdown was there and due to Diwali and all these reasons, you can see this volume. I hope I have answered your question.
- Mudit Minocha:** Right. Just I think if you could guide us also on the ROE, what are the expected ROE at your peak utilization?



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- Hiren Padhya:** You are trying to ask for the future or as of now, you are saying? I mean, for this financial year or for bigger expansion.
- Mudit Minocha:** When you achieved 95% peak utilization in both.
- Hiren Padhya:** As of now, it is in the range of 10% which will definitely improve once we achieve this 95% or 100%. Because considering the technology available, we can go beyond also. So, it will definitely improve.
- Mudit Minocha:** Understand, thanks, that is all from my side.
- Moderator:** Thank you. The next question is from the line of Rishab Bothra from Anand Rathi Shares and Brokers. Please go ahead.
- Rishab Bothra:** Yes, good afternoon, sir. A few queries which I have. Firstly, are other than MDF and laminate business, 5% of the overall revenue that is plywood and other businesses. So, where do we see these businesses in the next three to five years?
- Rushil Thakkar:** So, plywood, yes. We have already started the expansion as when we took this plant, it was a really small plant. The machinery has already been ordered. And once the delivery starts, we'll start expanding on the plywood also. And our target is to take this. The first target for this business is to take it to INR 100 crore turnover. Talking about the other business, that is WPVC, we have already started one more line. That is the third line, which we have now installed by the end of Q3. So, we are also thinking of expanding that business to the revenues of INR 50 to INR 80 crores by next year.
- Rishab Bothra:** So, in percentage term, these two businesses, can they reach 15%, 20% in next three to five years?
- Rushil Thakkar:** It is difficult for one product, but together both the businesses can reach.
- Rishab Bothra:** Okay, and another thing since these products are into nascent stage, I mean growing phase, a lot of front loading of cost will be there. So, there could be margin compression on account of these products?
- Rushil Thakkar:** So, currently for PVC, the margin is really low because of the learning phase going on, but now as we are growing in this industry, we have already started the higher realization products like we do in MDF. We have started making value addition products in that also. Coming back to plywood, currently the margin is as per the capacity and as per the industry. So, we don't see a pressure of margin over there in the plywood industry.



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Rishab Bothra: With respect to MDF, sir, there's a concern both overcapacity in domestic market as well as import threat. So, at one side we are exporting MDF, on another side there is a lot of imports. So, I don't get the rationale what is being exported. Is it a value-added product? And what is being imported? Is it plain MDF? And how are we going to, I mean, the industry itself, the domestic industry itself, going to protect through this down cycle?

Rushil Thakkar: So, first of all, the Government has already implemented the BIS certification standards which will be done in the mid February. So, the threat of import will be vanished for certain years till the time the other countries' plants are not getting the BIS standards. So, that is the local protection of the industry. Now coming back to the other question about the imports, currently imports are of the plain MDF which are the basic commodity, which are not the value added products, and we have to fight against the normal basic category of the MDF, that too specifically of a thinner MDF, not on the thicker side of MDF. So, the imports now will be lowering down, which will be resulting us to increase our realization in terms of value addition also and in the commodity interior grade product also. Now, going back to the third point of why we are exporting, we have a very simple calculation that rather putting the pricing pressure on the domestic market, rather we will sell the excess capacity to the markets in the other regions where we don't need to have pressure of the competition over there. So, this is the strategy what we have internally decided, and we will be following the same strategy.

Rishab Bothra: So, two things follow up on the MDF only. If you are saying that we can sell in other markets, whoever is dumping in India can dump in those countries as well. And secondly, our realization in domestic MDF is better off than export MDF. So, what are we selling in export MDF? Is it value added product in exports, or is it plain MDF?

Rushil Thakkar: It's a combination. So, we have the combination this quarter is around 60-40 where 40% is value added and 60% is the commodity.

Rishab Bothra: So, this is you are referring to export market or the combined Company level?

Rushil Thakkar: No, I am talking about the export market because now we don't have any kind of export obligation. We can easily talk about the value-added product so that our margins improve in that way. Now coming back to the domestic realization, yes, it's always better to have a domestic product because the realization of domestic market is standing somewhere around INR 31,000 per cubic meter. So, we try to sell maximum as much as we can to the domestic market. But the excess capacity will be always sold to the export market to make sure our expenses are rightly distributed, and our overheads are always low.

Rishab Bothra: And just to understand the client profiling in terms of your MDF, is it OEMs of large furniture manufacturers or something else? And in respect to laminates, how are the products sold in the



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export market? Is it large consignment agents or who are those players who are securing the laminates?

Rushil Thakkar: First, answering to your questions for export laminates, every country has a different strategy in which we deal with. We directly do not deal in few countries to the OEMs. We have our channel partners who have started their channels over there and we are supplying them in handsome volumes. And this is the strategy we take the call on the country-to-country basis. Like currently we have taken a call expanding to our subsidiary in Singapore to serve the far east market in a proper manner with the better service so that the margins what we are currently having can start improving by this kind of small services what we give and that's all done through our Rushil brand only. Now coming back to your other question for MDF OEMs, yes, all kind of big small OEMs are our customer, but our strategy is fixed. The volumes are fixed, how much to sell to OEM, how much for retail channels. So that we do not exceed in any way to maintain our realization, but we see a good future. Seeing the western countries, and we Indians adapting the western countries culture, we see a bright future with the OEMs as well.

Rishab Bothra: Got it. And lastly sir, what would be our ad spend in terms of as a percentage of revenues and which segment will require a lot of promotions, is it MDF, plywood or laminate?

Rushil Thakkar: So, currently the capacity in the plywood segment is not so high. So, we are currently just utilizing it without any promotion is the requirement. Our majority of the promotion will be going on the MDF and laminate business.

Rishab Bothra: Okay. But MDF I guess it's not B2B. I think advertisement spends where B2B is high requires spending. MDF is more so OEMs related?

Keyur Gajjar: It's not completely 100% OEM business. I would say we are doing around 60% retail chain business. And we need to carry out BTL activities too.

Rishab Bothra: Wish you all the best. I hope the worst is behind in MDF space, and we improve on the margins further.

Keyur Gajjar: Thank you very much.

Moderator: We have our next question from the line of Rishikesh from RoboCapital. Please go ahead.

Rishikesh: Hi, thank you for the follow-up. Your previous participant mentioned that we have taken around 3% price hike in last quarter, if there are any more price hikes that you as well as the industry has taken in this quarter or would be taking going ahead?



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Keyur Gajjar: This quarter so far we have not decided any price increase that we will see once the BIS part is implemented. We'll definitely try to implement new one.

Rishikesh: Thank you.

Moderator: Thank you. Ladies and gentlemen, that will be our last question for today. And I now hand the conference over to the management for closing comments. Over to you, sir.

Rushil Thakkar: Thank you all for taking the time to join us today for your continued interest in Rushil Decor. As we continue to navigate opportunities ahead, we remain committed to achieving our strategic opportunities and delivering consistent value to our stakeholders. For any further questions, please reach out to our Investor Relations team at Churchgate Partners. Thank you once again.

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

Notes:

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