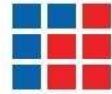


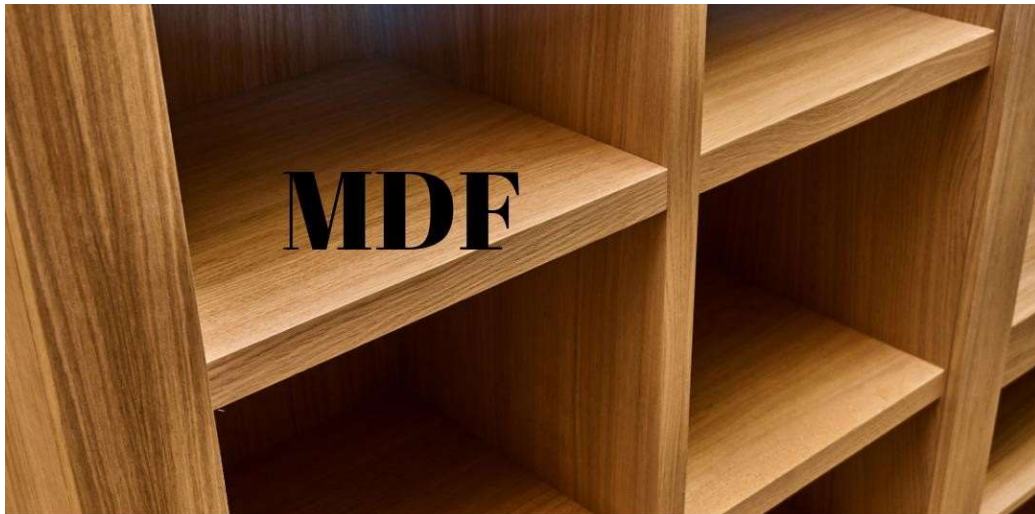
INITIAL COVERAGE ON RUSHIL DÉCOR



RUSHIL

DECOR LIMITED

WE'LL MAKE IT



Research Report

8th Dec, 2021



KEY DATA

Industry	Home Décor
CMP	Rs. 387
52 Week High/Low	Rs. 393.50/120.25
Market Cap	Rs. 770 Crores
Investment Horizon	3 Years
Outlook	Positive

SHAREHOLDING PATTERN

Promoters	55.02%
FIIs	5.10%
DIIIs	0.01%
Public	39.87%

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When promoters buy-back, it is a positive sign. But, when the competitor companies' promoters take stake in the peer company that significantly boosts investor confidence as they are the most clued people to know about the industry prospects. This keenly watched attribute adds to the assurance factor for the investor. This scenario is being seen in the emerging MDF industry. The leading MDF players like Century Plyboards and Action Tessa have bought stake in Rushil Décor. The strong conviction of industry leaders towards the growth of the MDF industry and their confidence in Rushil Décor is one of the many reasons why we think that this company can perform well in future. The report aims to discuss the industry and business model in great detail.

SHAREHOLDING OF PROMOTERS OF PEER GROUP

Shareholding as on 30/09/2021

INVESTOR	PEER COMPANY	% SHAREHOLDING IN RUSHIL DÉCOR LTD
Mr. Sajjan Bhajanka	Century Plyboards	3.38%
Mr. Sanjay Agarwal	Century Plyboards	2.01%
Mr. Vivek Jain	Action Tessa	1.52%
Mr. Ajay Kumar Aggarwal	Action Tessa	2.82%

Note:

1. Promoters of Century Plyboards have acquired 1.37% stake in RDL in Q1 FY22 and subsequently acquired additional 4.02% stake in Q2 FY22.
2. Promoters of Action Tessa have increased their shareholding in RDL by 1.71% and 0.15% in Q1 FY22 and Q2 FY22 respectively.
3. This trend seems to be continuing in the subsequent quarters as well.

Trend of Change in Shareholding

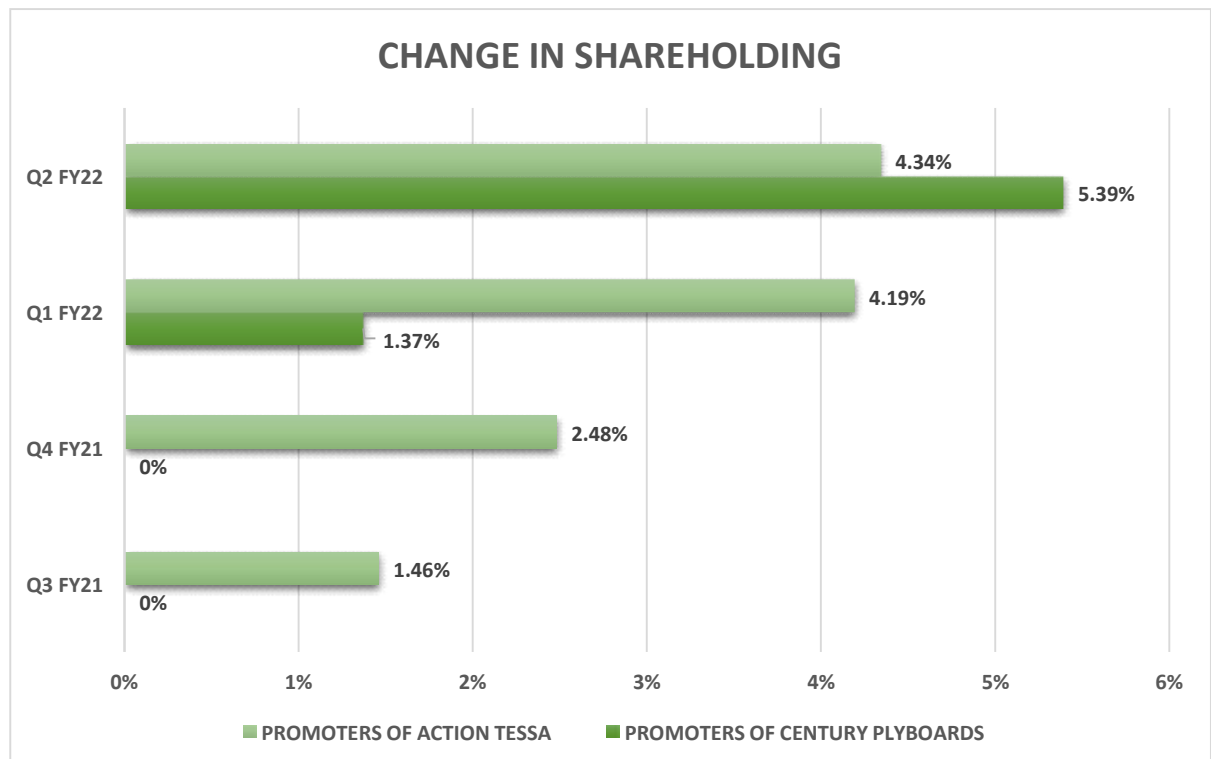


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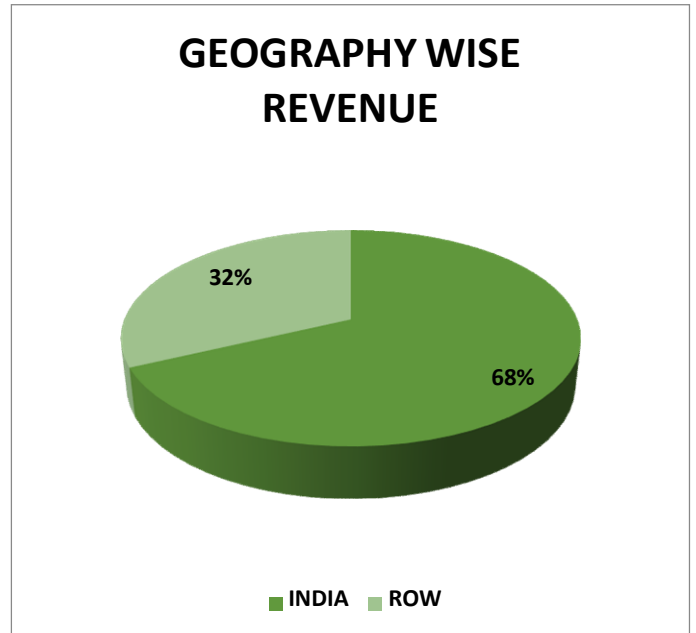
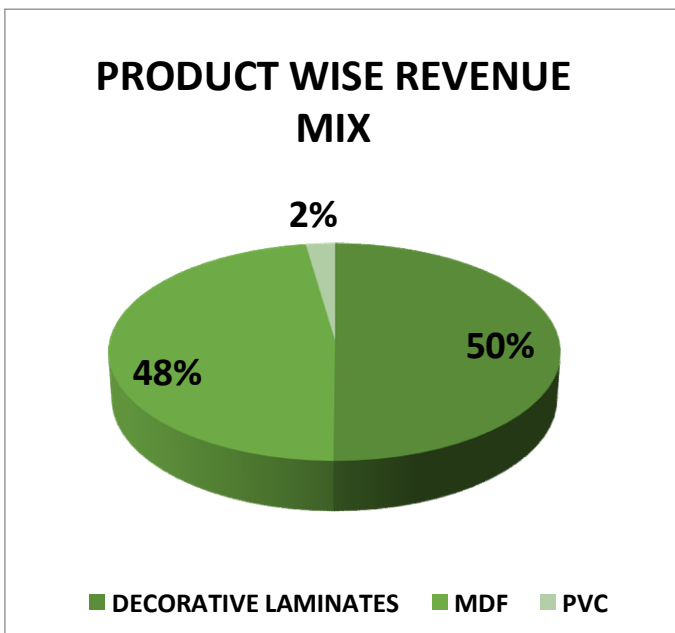
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ABOUT COMPANY

Rushil Decor Ltd is the flagship company of the Rushil Group. Rushil Decor Ltd was incorporated on May 24 1993 as a private limited company with the name Rushil Decor Pvt Ltd. The Rushil **product portfolio includes Laminates, Medium Density Fiber Boards (MDF), High-Density Fiber Boards Water Resistant (HDFWR), Pre-laminated Decorative MDF Boards and PVC Boards.**

Rushil Décor Ltd. is one of the leading company in Laminate and MDF panel boards industry in India with a global foot print in and around 42 countries.

It has **6 manufacturing facilities across West and South India** focusing on different product segments. The units are strategically located which assist in the smooth procurement of raw materials which is proved to be the significant factor in cost effectiveness.



INVESTMENT RATIONALE

1) Rapid Pace of Urbanisation

As a nation of 1.39 Billion people, India has demonstrated quicker recovery trends in demand as far as consumption of staple commodities, high-end necessities such as electronics, home furnishing as well as luxurious goods such as automobiles are concerned. Especially, the demand for home décor and electronics has been steadily climbing up, as people have been forced to remain within the confines of their homes due to the lockdowns and their swift adoption of the work-from-home trend. Rapid urbanization has also contributed to exponential growth in the real estate sector. It is estimated that there is a shortage of around 10 Million housing units in urban India. According to industry research, supply of additional 25 Million units by 2030 is required to meet the growing urban demand. This growth potential is expected to percolate to allied industries such as consumer goods and home décor industries.

2) Robust Demand and Entry Barriers

The MDF and PVC segments are fast growing owing to their inherent strengths and advantages. There is a huge opportunity in terms of market growth as well as import substitution. The MDF segment has high entry barriers especially in terms of required capex. Hence, there are a few unorganised players in the MDF segment and the industry is more than 90 percent organized.



3) Housing For All' and Development of Smart Cities

Such programs will drive construction of large number of houses across India, leading to additional demand for furniture. It is estimated that India will receive investment of approx. \$1.3 Trillion in housing sector over the period of next 7 years. Notably, the investment would lead to construction of new 60 Million houses.

4) Atmanirbhar Bharat

The Indian government's commitment to encourage selfreliance is intended to develop Indian industry and reduce imports. In turn, we believe that this platform could deepen India's industrialisation, strengthen incomes and widen the consumption play.

5) Urban Real Estate Growth

The Indian real estate growth has underperformed its retrospective average in recent years. However, the Work From Home phenomenon has increased the priority of buying into bigger and better homes, kickstarting sectorial growth from the second quarter of the last financial year, which is expected to increase the offtake of interior infrastructure products.

6) New Plant

Company has set up a new MDF manufacturing facility at Andhra Pradesh with capacity of 800 CBM per day. For this, company incurred a capex of approximately Rs. 450 crores. This will help Company to cater large set of customers which in turn will strengthen the market share of Company. The new plant is equipped with latest German technology which will consume 8-10% less raw materials thereby reducing the total cost of inputs and will lead to higher margins. According to industry experts, the Replacement Cost of Rushil Decor's Andhra Pradesh plant is approximately Rs. 650 Crores.

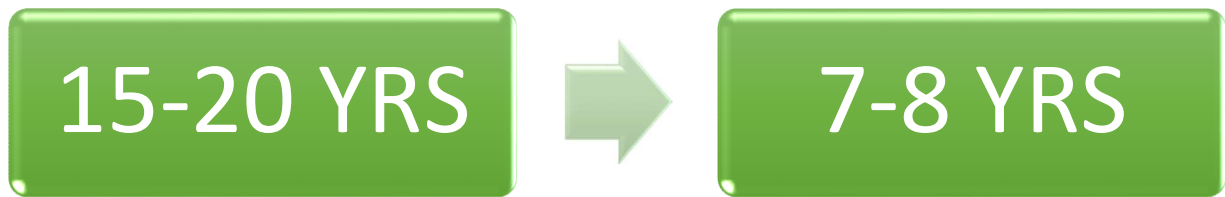
7) IKEAZIZATION of Furniture Industry

IKEA is an internationally known furniture and home furnishings retailer. IKEA entered India in 2018 and is expanding since thereon. IKEA is sourcing 20% of its products which are made in India and the same is expected to reach 30% within 2-3 years. The furniture which they procure is made up of only MDF and particle boards, majorly MDF and the use of plywood is negligible. Due to more demand in MDF sector this would definitely unleash the inherent potential lying in the industry.

INDIAN FURNITURE INDUSTRY

The size of the Indian furniture market is estimated to be around USD 25-30 Billion. As more and more people take to revamp their homes to adapt to their changing working styles, the demand for smart, sophisticated and comfortable furniture has seen an upward trend. Also, with higher disposable income, the span of home refurbishing cycle has gone down from 15 to 20 years a generation ago to 7-8 years.

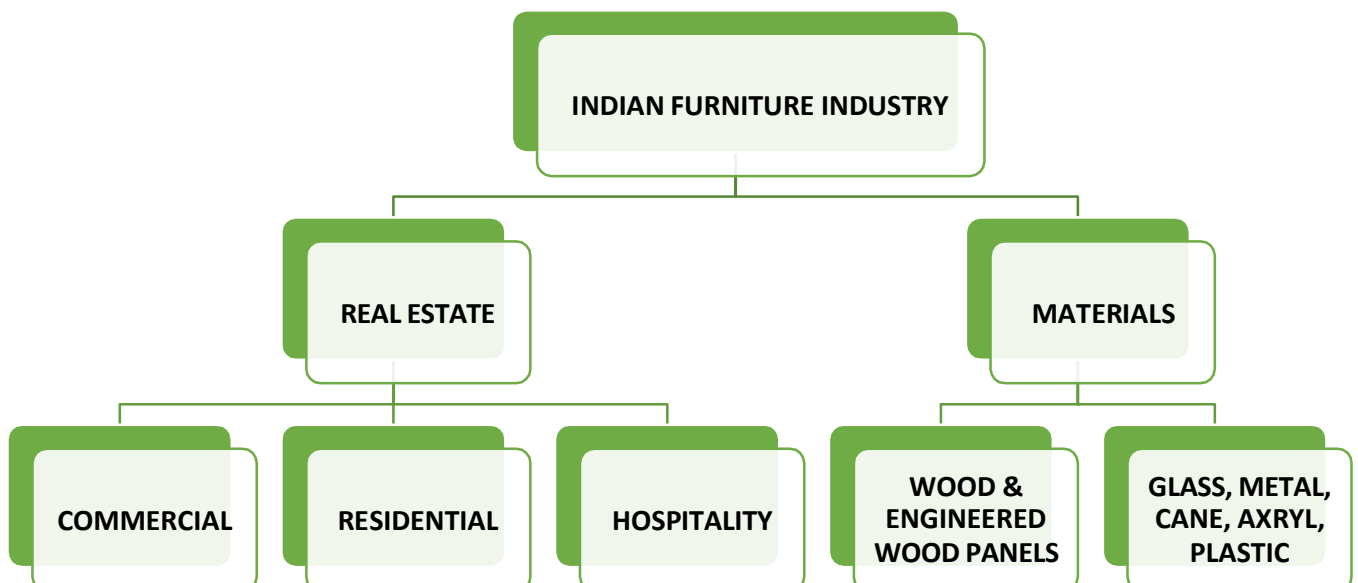
FURNITURE CYCLE TIME



Higher penetration of online home décor platforms such as PeperFry, FabFurbish and Urban Ladder has contributed further to the demand of ready-to-assemble (RTA) furniture.

India imports more than half of its total furniture requirements from China.

Hence, the Department for Promotion of Industry and Internal Trade is planning to provide tax breaks to domestic furniture manufacturing units to make India more self-reliant in this space. The combined growth of real estate as well as home décor industries presents a huge scope for the synergetic growth of domestic wood panel industry as well.

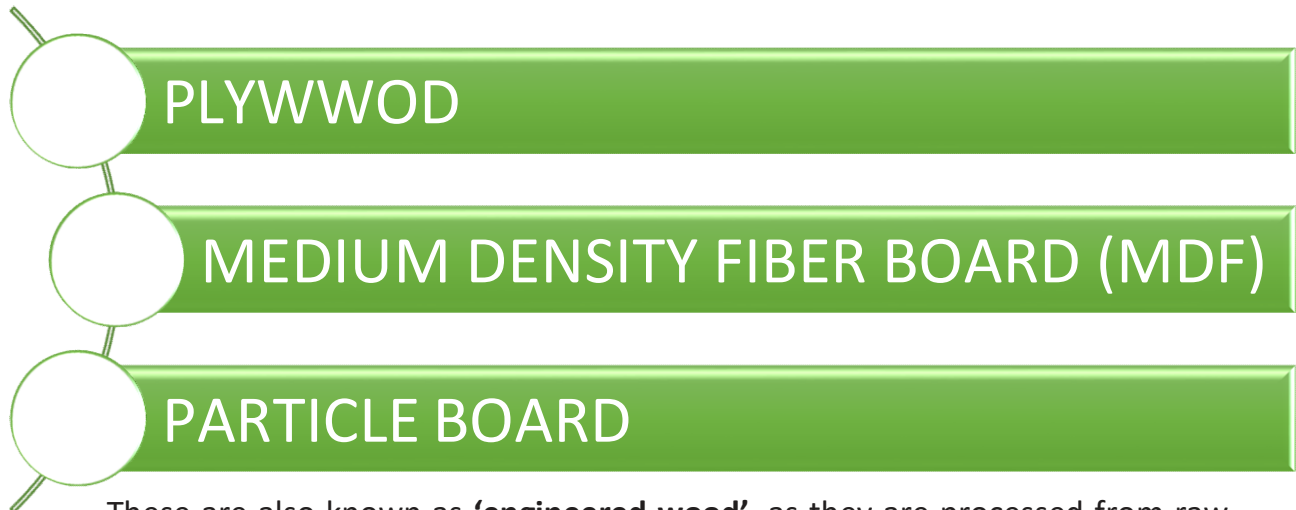


- On the basis of Real Estate, **furniture for Residential/homes constitutes the lion's share.**
- On the basis of Materials, **Wood and wood based products (which include engineered wood panels such as Medium Density Fiberboards (MDF), plywood, particle boards- all processed from raw timber) garner a larger market share.**

INDIAN WOODPANEL INDUSTRY

The wood panel industry is on the cusp of healthy expansion as the principal component for furniture manufacturing in India. A robust growth in the residential real estate sector and accompanying demand for trendy furniture are unanimously tilting the scales in the favour of this industry. **As per Televisory report, the size of the wood panel industry in India is Rs. 28,000 Cr. and is estimated to grow at CAGR of 10% to 12%.**

COMPONENTS OF WOOD PANEL INDUSTRY



These are also known as '**engineered wood**', as they are processed from raw timber. As a **cheaper, more durable, and eco-friendly alternative to wood**, these products are gaining traction in the market. They are highly suitable to cater to the market demands of light weight, multipurpose furniture that conforms to the up-market style in vogue. The demand for woodpanels have received yet another boost in tandem with demand for smart furniture during lockdown as many households have switched to work-from-home mode and children have been attending schools online from their homes.

MEDIUM DENSITY FIBERBOARD

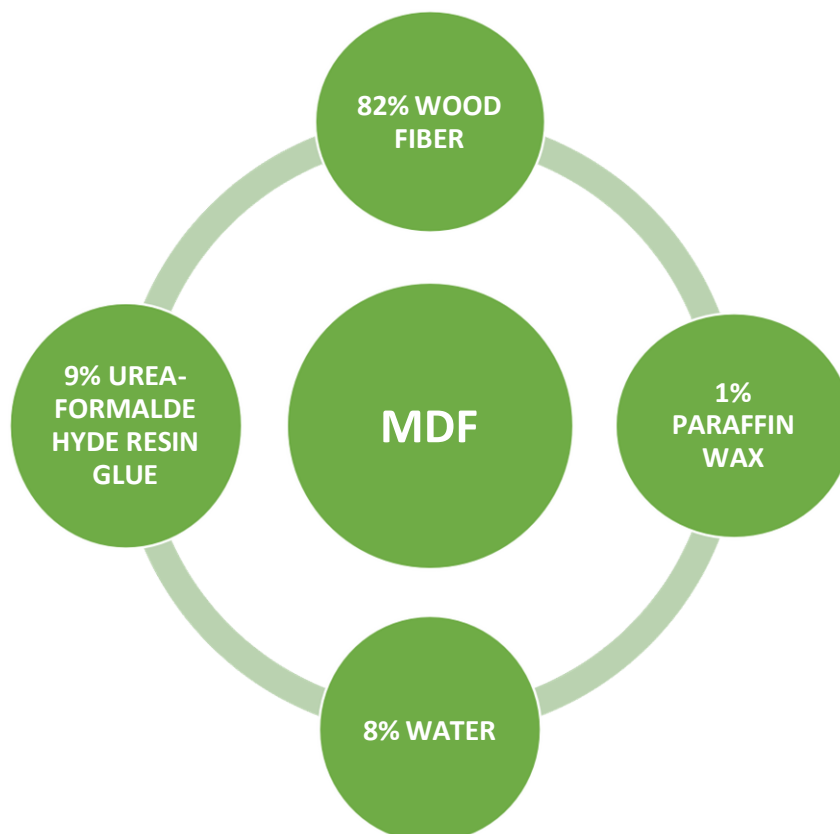
What is MDF?

MDF is an engineered wood produced by processing raw wood under heat and pressure, adding a synthetic adhesive, along with agrofibers, recycled wood and other wood by-products. This makes it an economically priced, durable and eco-sensitive alternative to wood. MDF is generally denser than plywood. It is made up of separated fibres but can be used as a building material similar in application to plywood. It is stronger and denser than particle board.



Raw Materials in MDF

MDF is typically made up of 82% wood fibre, 9% urea-formaldehyde resin glue, 8% water, and 1% paraffin wax



Uses of MDF

- It is used in furniture such as in cabinets due to its strong surface,
- It is used as fire resistant material in building construction
- MDF boards are used as insulation and obstacle to vapors in many commercial as well as in residential buildings,
- They are used for decorative purposes owing to its flexibility due to which it can be bend into any desired shape, etc.



Advantages of MDF

MDF has become a preferred choice for furniture manufacturers because:

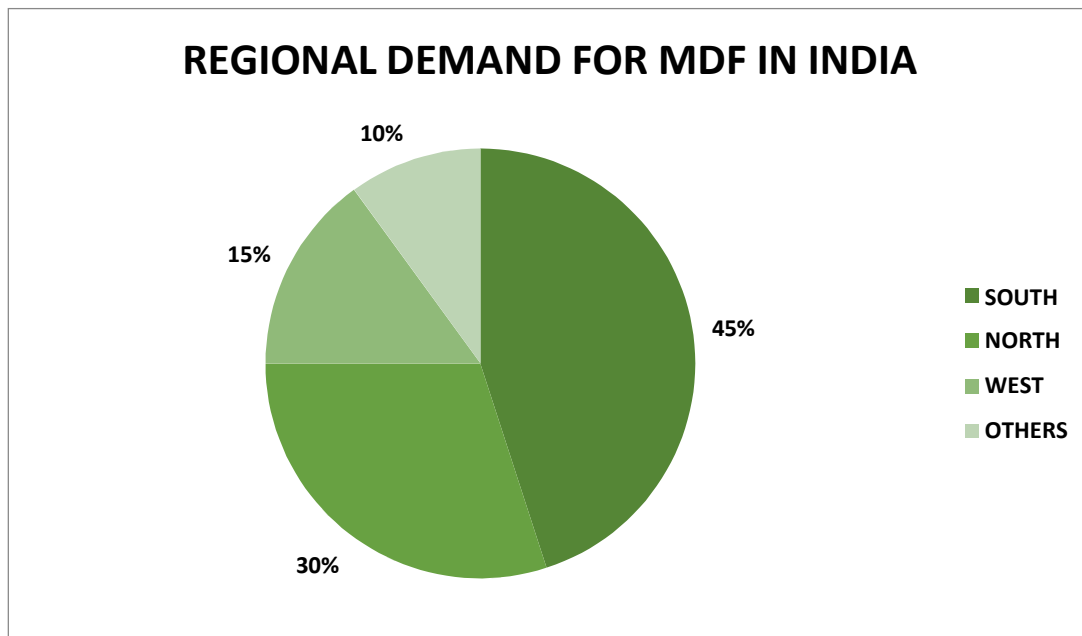
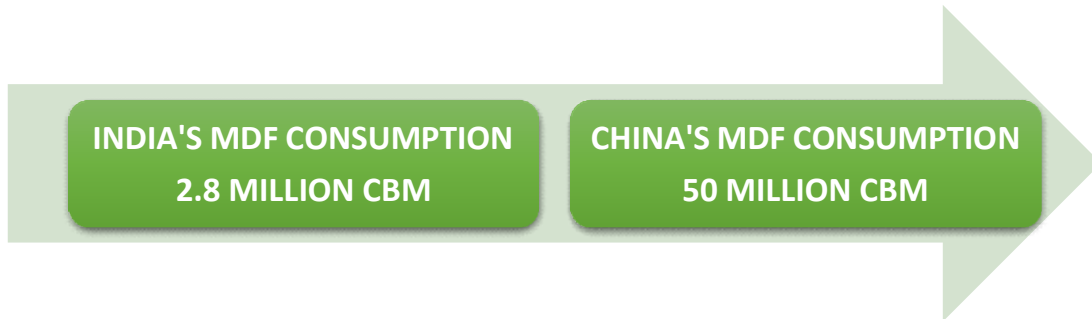
- It gives very high-quality finishing
- It is suitable for precise machining techniques
- It is apt for manufacturing modern, branded, low-maintenance furniture
- It is suitable for the entire range of home furniture such as modular kitchen, wardrobes and others
- It is priced 50% cheaper than premium quality plywood and 25% to 30% cheaper than mid-range plywood

MDF V/S Plywood

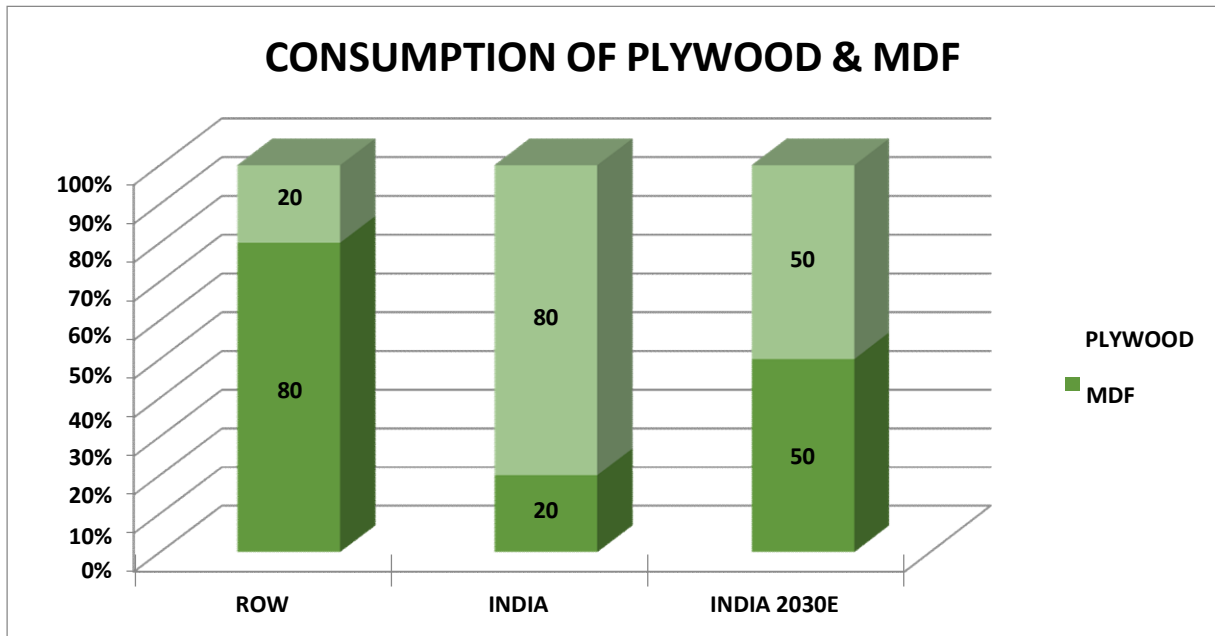
- A high-quality MDF board is 50% cheaper than a high-end plywood and is moisture resistant alike plywood
- The shelf life of MDF is considerably lower than plywood
- MDF is based on recycled/agro based wood plantations as against plywood which is based on forest wood. This significantly reduces the raw materials cycle time from 6-6.5 years in case of plywood to 2-2.5 years in case of MDF.

MDF Demand in India

The use of Medium Density Fibreboard (MDF) is increasingly finding market acceptance over plywood globally and India is no exception. **Its global market size is estimated at 105.16 Million CBM (USD 50.2 Billion) in 2021. It is expected to witness a CAGR of 9.6% in the period of 2021-2026. In India, the MDF market size is estimated to be 2.8 Million CBM (i.e. Rs. 3000 Crores) in 2021. It is expected to grow at CAGR of 15-20% to Rs. 6000 Crores by 2026.**



However, the Indian Furniture Industry (especially the residential and home furnishing segments) continues to be dominated by Plywood. **Globally, the MDF to plywood consumption ratio is 80:20, but in India, the ratio is skewed in favour of the plywood at 20:80.** This number suggests that there is enough room for the growth of MDF in the country in the future.



According to Industry experts, it is estimated that the **MDF : Plywood ratio in India will improve to 50:50 by 2030**. This presents a strong growth potential for the MDF industry in India.

MDF Production in India

In India, MDF has penetrated all the regions in terms of market presence and is rapidly advancing in terms of both consumer demand as well as production capacity. **The production capacity has grown by more than 12x from 0.15 Million CBM in 2010 to 1.8-1.9 Million CBM in 2021.** Further, it is expected to witness a **CAGR of 20-25% in the period 2021-2030.**

MDF industry is characterized by **strong entry barriers** in terms of **high fixed & working capital investment**, requirement of **strong dealer networks** and **licensing requirements** for both greenfield and brownfield projects. Due to this, it is less likely to face competition from the unorganized segment, resulting in larger market share for the organized players and higher growth potential.

The existing production capacities and proposed capex of Top organized players is given hereunder:

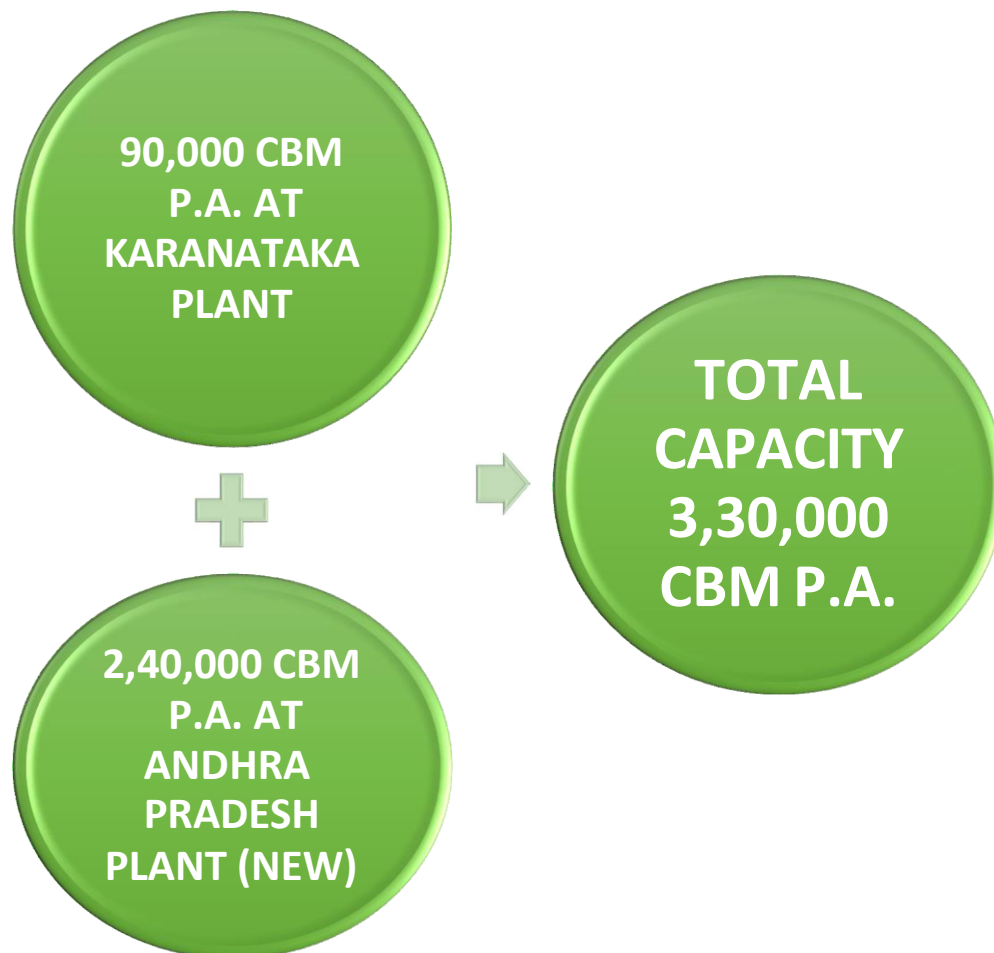
COMPANY	CURRENT CAPACITY	PROPOSED CAPEX
GREENPANEL	5,40,000 CBM	1,20,000 CBM
ACTIONTESSA	4,20,000 CBM	2,00,000 CBM
RUSHIL DECOR	3,30,000 CBM	-
CENTURY	2,00,000 CBM	3,50,000-3,60,000 CBM
GREENPLY	-	2,40,000 CBM

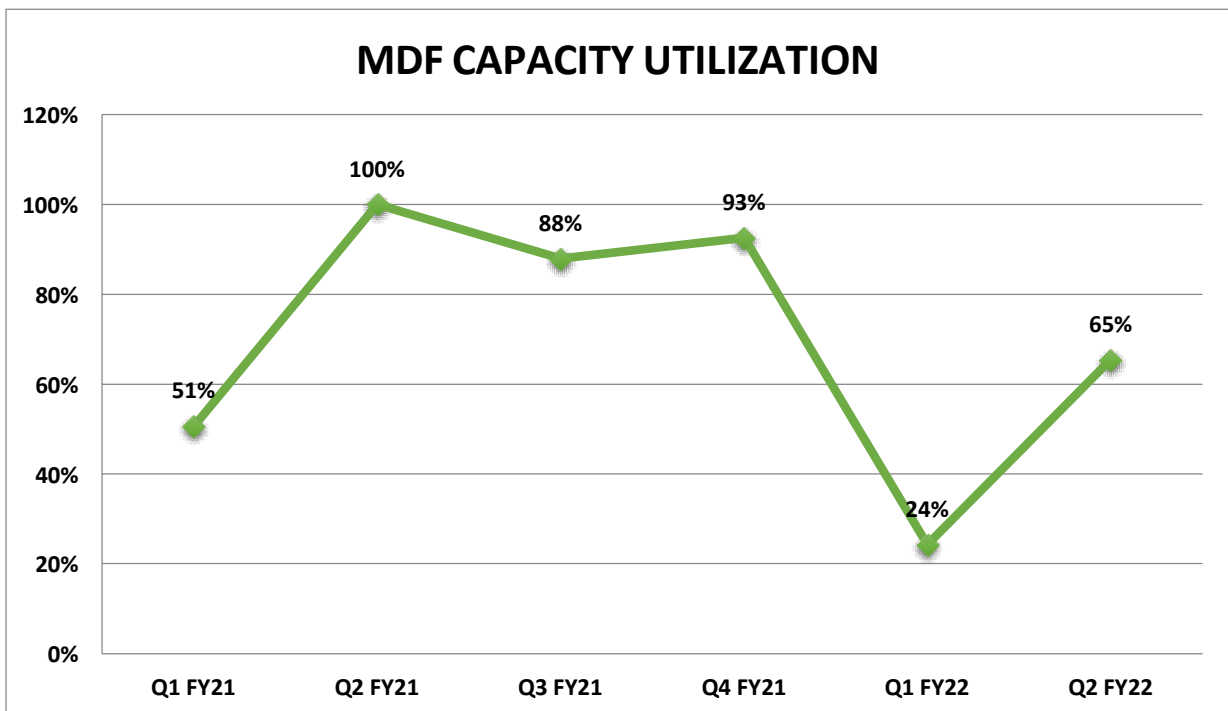
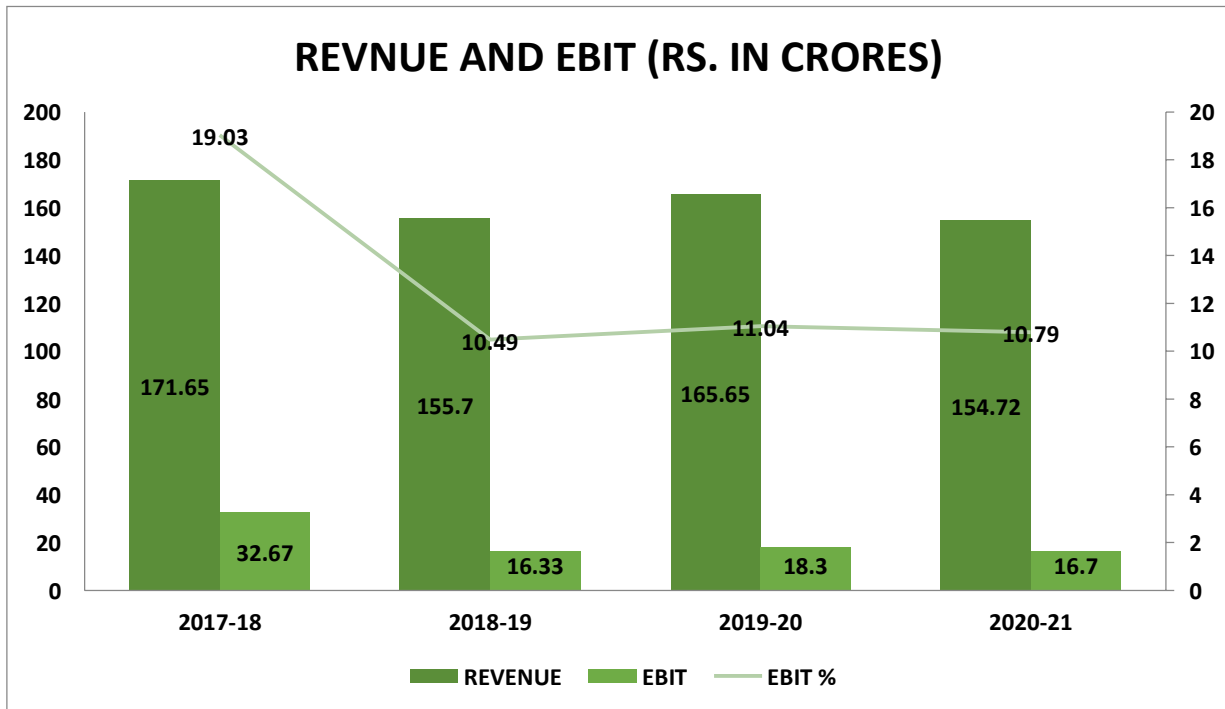
Due to sustained momentum in demand as well as prices, manufacturers are getting a clear revenue visibility, despite some price war in the market space. **The capacity utilization in the industry has also gone up by 15% to 20% (i.e. 70-75% in 2021, which is expected to improve to 80-85% by 2025).**

Industry experts believe that demand for MDF will match the increase in production capacity within the next couple of years. MDF's market share will further bolster with the rising prices of Poplar Timber, a chief source of economy grade plywood in North India. It is expected to **gain market share of Low & Medium grade plywood (which constitute 85% of the Plywood market in India).**

MDF Segment of Rushil Décor

Rushil décor is India's **third largest manufacturer of MDF**. It has state-of-the-art manufacturing facility, **one at Karnataka with total capacity of 300 CBM per day and another one at Andhra Pradesh with total capacity of 800 CBM per day. Thereby taking the total capacity to 1,100 CBM per day or 3,30,000 CBM annually.** It incurred capex of Rs.450 crores for setting MDF manufacturing unit at Andhra Pradesh. The regular commercial operations were started from March'21. This plant will help Company increase market share and take care of incremental demand generated in Industry. The new plant is equipped with **latest German technology which will consume 8-10% less raw materials** and will play a key role in reducing total input costs therefore strengthening overall margins. **Also, the company has vast network of 100+ distributors, 50+OEMs and 1000+ dealers.**





Note: Capacity Utilization has declined in Q1 FY22 as the new plant at Andhra Pradesh has commenced operations in March 2021 and is yet to achieve optimum capacity utilization. Management has guided an overall capacity utilization of 65% for FY22.

LAMINATES

What is Laminate Sheet?

- Laminate sheets are made by bonding together two or more layers of materials. Laminate sheets from plastics are glued to wood to make the surface aesthetic. These sheets are manufactured by laminating different types of papers with formaldehyde. The core sheet consists of Kraft paper with phenol formaldehyde (PF) and below it, a barrier paper is provided. Above the Kraft paper, a tissue paper is impregnated with FF melamine formaldehyde (MF) resin is provided which gives protection and also enhances abrasion resistance. Then, these laminates are bonded to wooden surfaces with suitable glue and pressing for some time finishes the process.
- Laminates provide a better surface finish for furniture elements and also provide an attractive look for a very less price. Furniture like tabletops, cupboards, surfaces of chairs mostly uses laminates as the finish material.



Types of Laminate Sheets

- **High-Pressure Laminate (HPL):** The layer of the laminate adheres to substrate under pressures of 70 to 100 bars at temperatures of 280° to 320° Fahrenheit using adhesives. The laminates are available in thickness 0.8 mm, 1.0 mm and 1.5 mm in standard sizes 1.2 m x 2.5 m. These laminates are most durable, flame retardant, and consists high level of resistance to heat and chemicals.
- **Low-Pressure Laminate (LPL):** The layer of the laminate adheres to substrate under pressures of 20 to 30 bars at temperatures of 335° to 375° Fahrenheit without using adhesives. These laminates are less durable, thinner than HPL, flame retardant, resistant to heat and chemicals and comparatively very cheaper than HPL.

High Pressure Laminate

HPL or high pressure laminate has a plastic backing and is the more durable of the two as well as having a high degree of water resistance due to the pre-consumer recycled plastic backing but this also make the material much harder giving it a superior scratch resistance





Low Pressure Laminate

LPL or low pressure laminate is the same paper or pictures that is just not applied to a plastic backing. The lack of plastic backing in this application makes the material a More susceptible to damage by water or scratching.

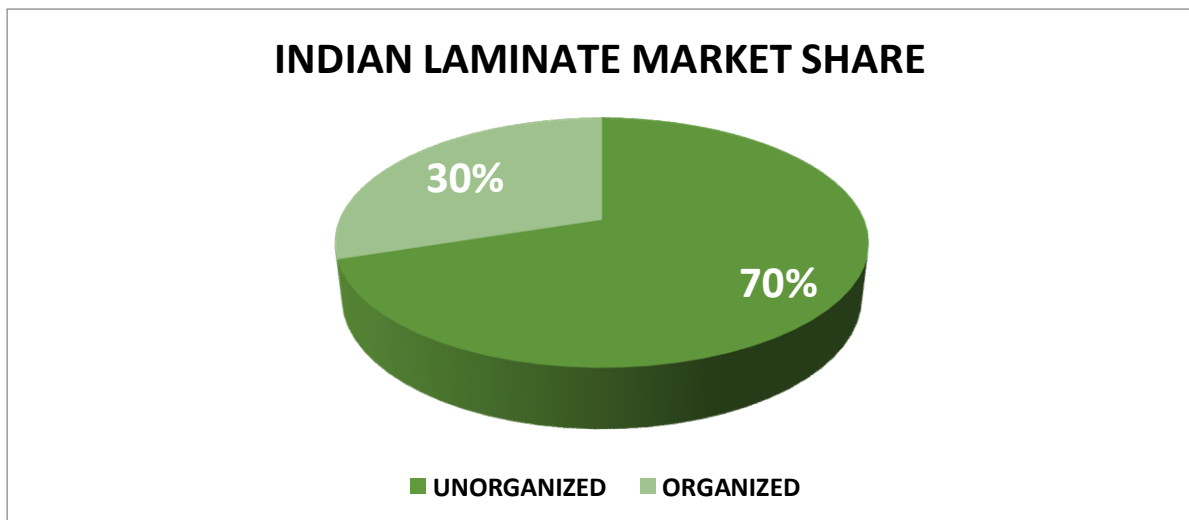
Applications of Laminate Sheets

TYPES OF LAMINATE	PREFERRED AREAS
Matt Finish Laminate	Corporate and Business offices, Living Room, Bedroom, etc. for subtle and stylish look
Glossy Finish Laminate	Clubs, Event Industry, Showrooms, Kitchen, etc. It gives glossy effect to furniture and also its easy to clean
Metallic Finish Laminate	Commercials and showrooms
Textured Finish Laminate	Textured Finish Laminate
Solid Color Laminate	Kitchen Counter taps, Bathroom Areas, Bedroom etc.
Unicore Laminate	Kitchen, Bedroom, Commercials and water prone areas etc. as it has a single core they are good water restive.

Laminates Market

The global market size for decorative laminates is estimated to be worth USD 91,015.03 Million by 2025, registering a CAGR of 5.3%. On the global demand map for decorative laminates, China and India are leading from the front as their huge demand emanates from their enormous population base, growing urbanization and mass- scale construction activities in residential as well as commercial real estate sector. Consumption of Indian panel products has grown at CAGR of 15-20% for organized sector.

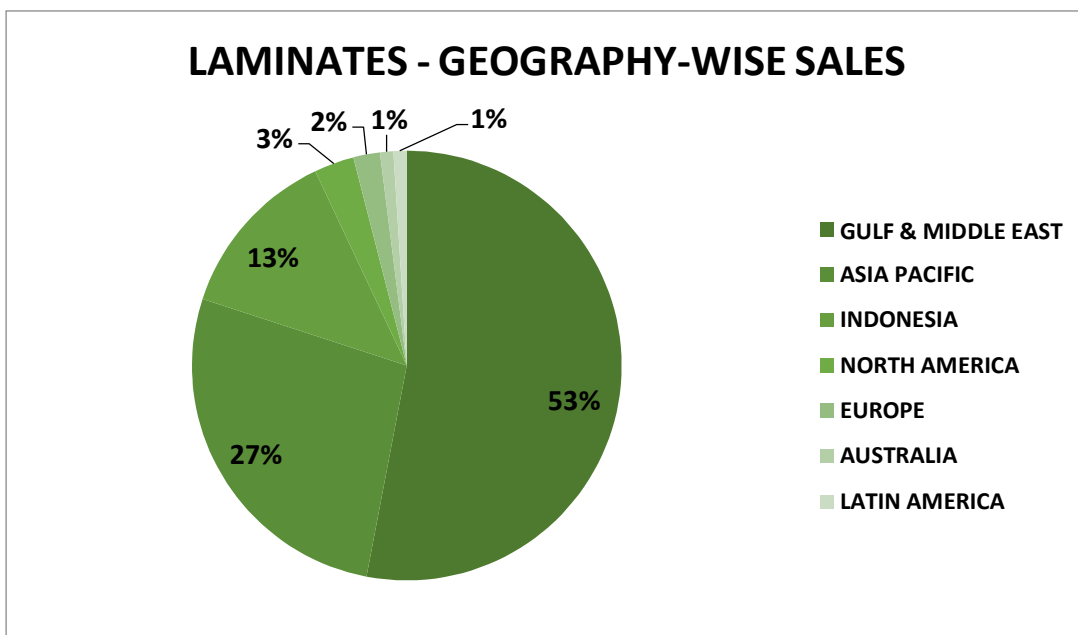
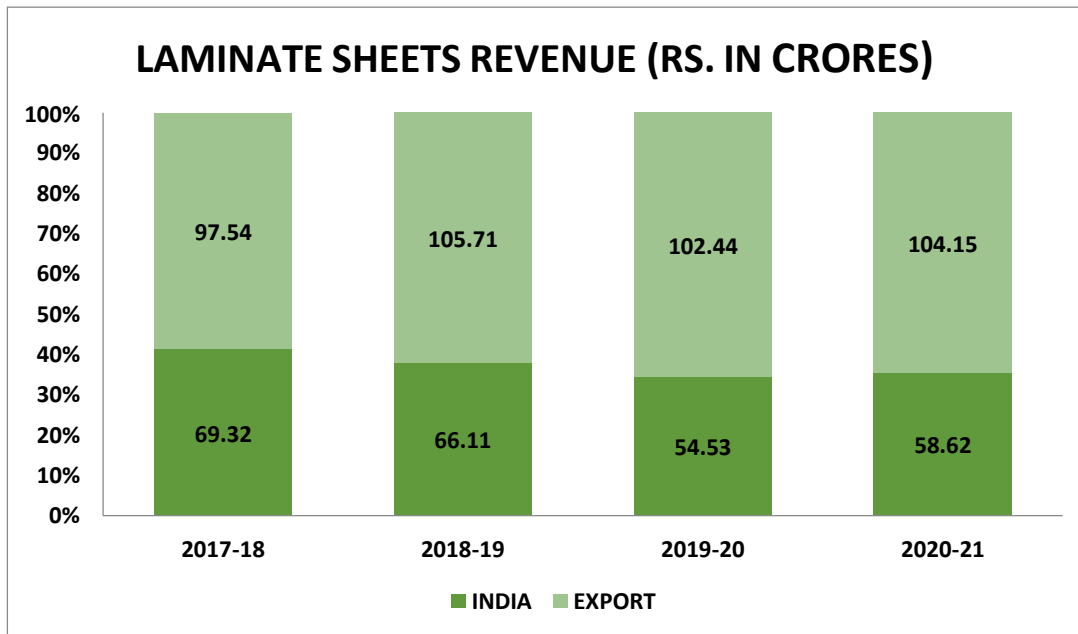
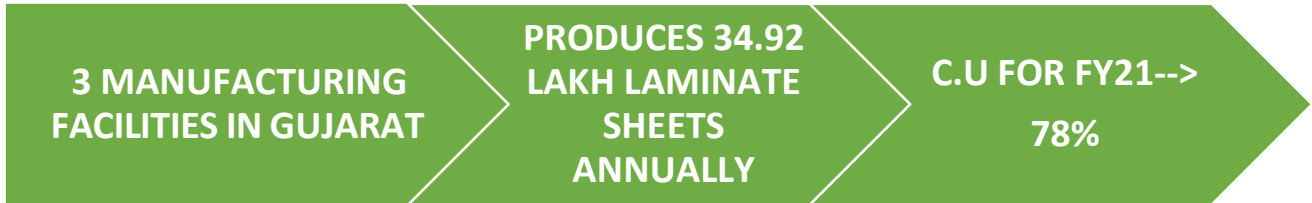
Indian Laminate market size is Rs.5000 Crores. Major chunk of market is enjoyed by the unorganized sector due to low-capital intensive industry. Apart from voracious consumer demand, implementation of tax reforms such as GST is expected to aid the organized manufacturers capture a larger market share as against their unorganized counterparts.

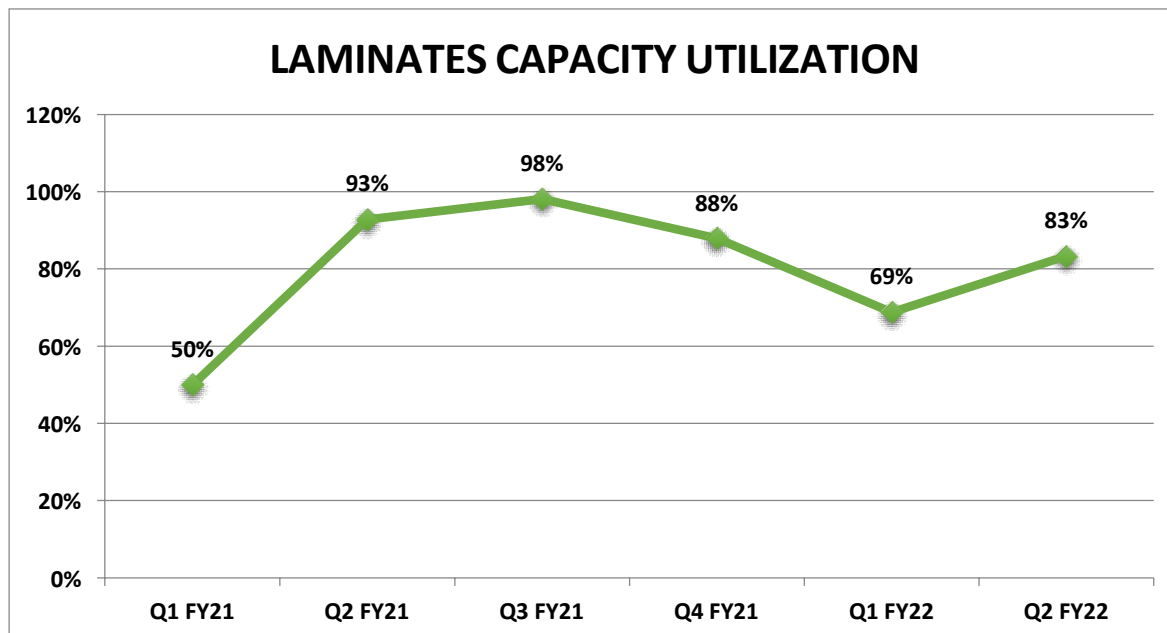
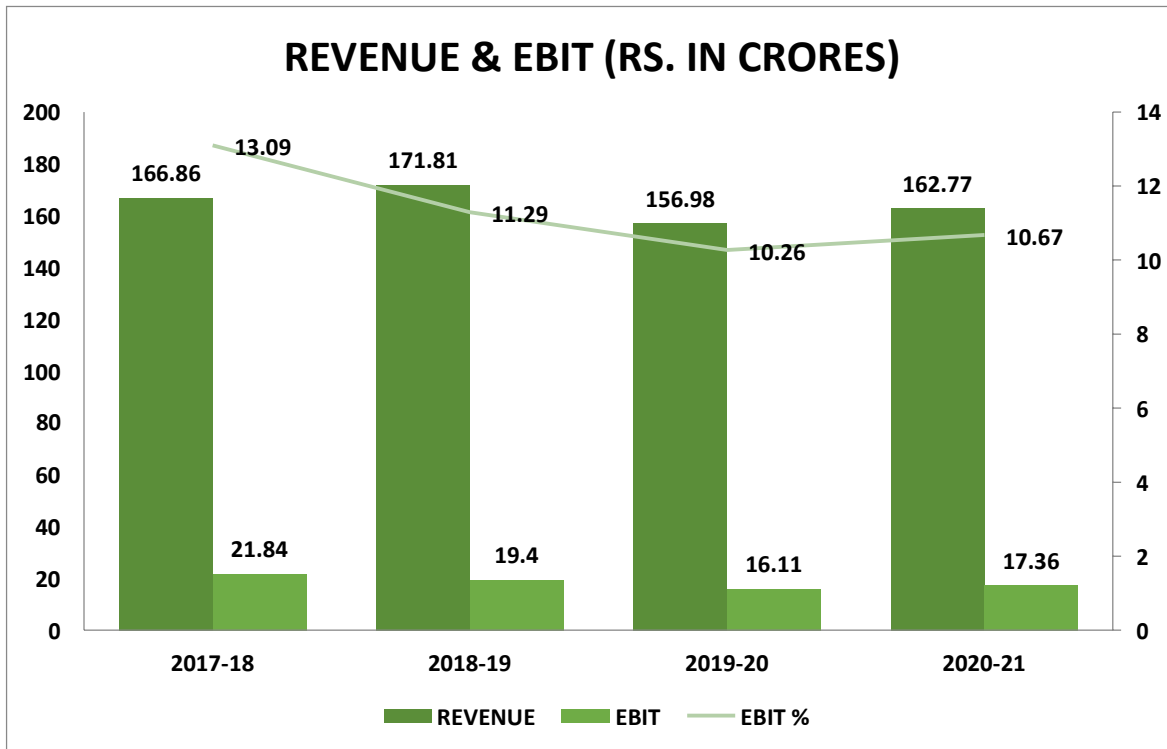


Production Capacities of Top Organized Players

COMPANY	CAPACITY (SHEETS P.A.)
RUSHIL DECOR	34.9 LAKHS
GREENLAM	156.2 LAKHS
STYLAM	143 LAKHS

Laminates Segment of Rushil Décor Limited





Note: Capacity Utilization is lower in Q1 FY21 and Q1 FY22 due to 1st and 2nd wave of Covid19 pandemic in Q1 FY21 & Q2 FY22 respectively.

POLYVINYL CHLORIDE (PVC)

What is PVC?

- PolyVinyl Chloride (PVC) is a high-strength synthetic resin made from the polymerization of vinylchloride. It's a sheet made of plastic composite that's extremely durable in its purest form. The first thing that comes to mind when PVC is mentioned is pipes and plumbing material. However, PVC is also an extremely versatile material, one that is used for flooring, cabinets, countertops and more.
- It is in very high demand in building and construction industry because of its multifaceted use in windows, doors, sidings, roofs, wires, cables, pipes and fittings. Such a wide variety of applications emerges from PVC's safety, quality, durability and cost effectiveness as a material. PVC is light weight, tough, easy to mould, strong material that resists corrosion, rotting or adverse impacts of weather effectively. For the similar reasons, the PVC boards are also high in demand as they give highly aesthetic look after finishing and are economically priced.



Uses of PVC Foam Sheets/ PVC Foam Boards

- Used for the ceilings of Cars, Buses or Trains
- Widely used for making home and office furniture
- Used to build external wall panels
- Home interiors can be designed using PVC foam boards
- Used in sign boards and outdoor advertising kiosks
- Used in Construction, Garage Doors, POP Displays, Exhibit Spaces & Signage

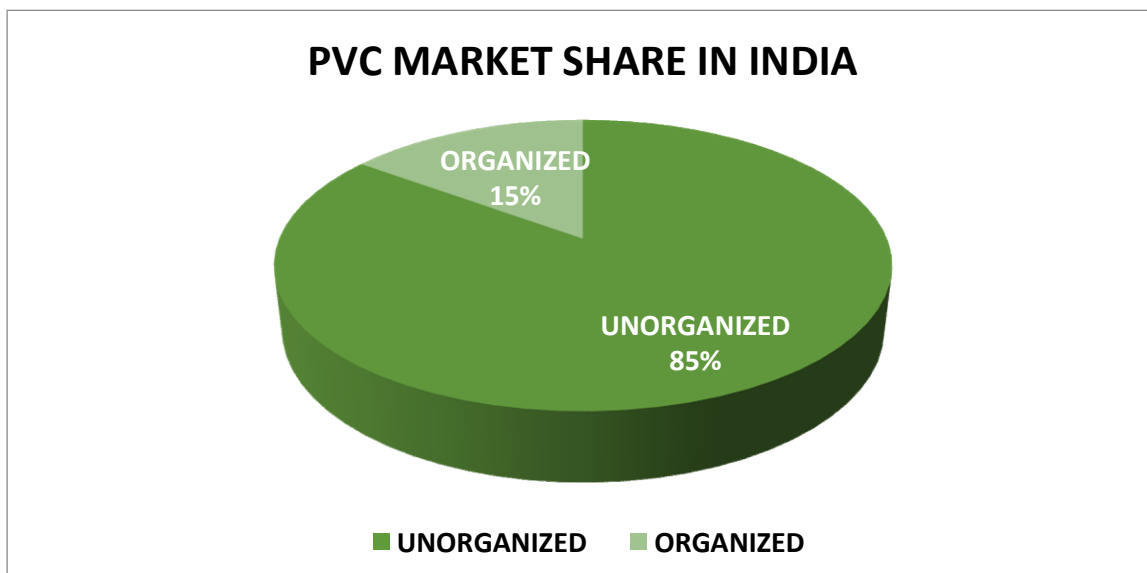


Advantages of PVC Foam Boards

- **Water Resistance:** PVC foam boards have solid resistance to water due to its composition. When it comes in contact with water, it does not swell or lose its composition. This makes it fit for all types of weather.
- **Corrosion Resistance:** When brought in contact with chemicals, PVC doesn't react. This keeps its state intact and saves it from any kind of deformation.
- **Fire Resistance:** PVC foam boards can be used anywhere as they are fire resistant. There is no effect of acid, heat or light on it.
- **High Strength & Durability:** Due to the structure of its component molecules, PVC foam boards are highly strong which ensures that they don't undergo any deformation. The boards can survive for as long as 4 decades without any damage.
- **Easily shaped and painted:** PVC can be given any shape to suit your requirements. It can be cut for the furniture of your house or can be made into wall panels for exterior use. Also, it can be painted with any type of paint which lasts for years and gives the look and feel as if it is new!
- **Pocket-friendly:** They are a good substitute for wood or aluminium and they come in a variety of price range. They don't require any extra maintenance and stay in the same state for quite a long time. No special equipment is required to cut or drill them and this makes them pocket-friendly to use.

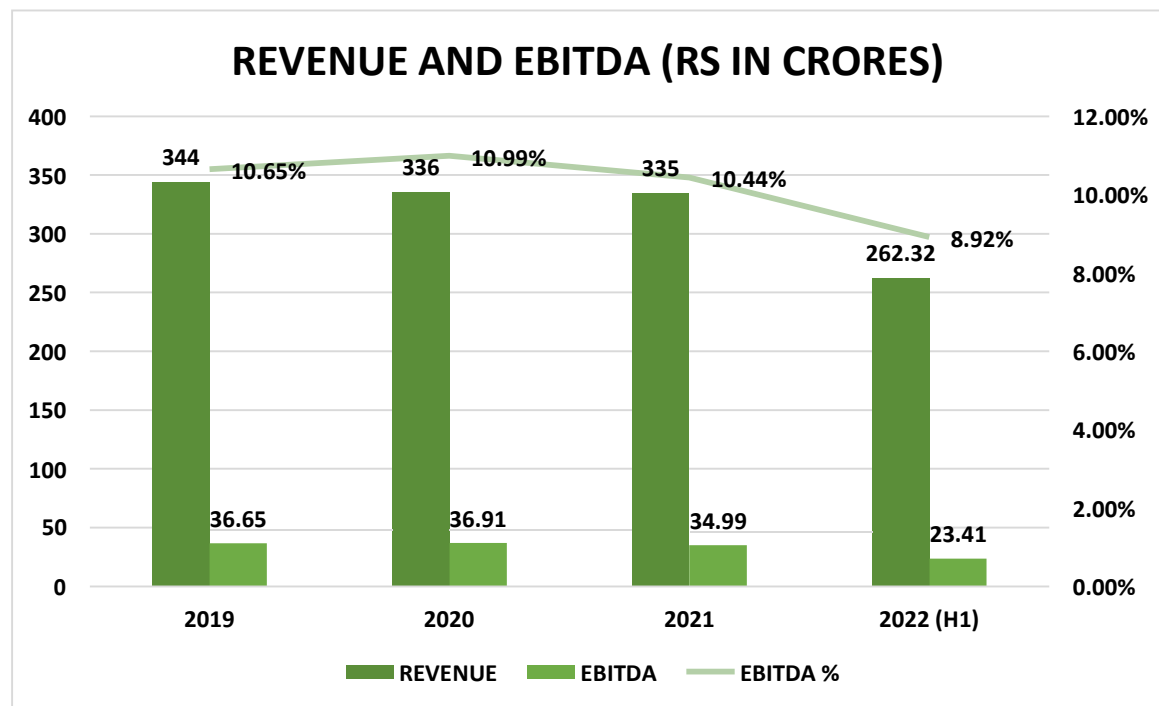
PVC Market in India

Though in fledging stage, the market for PVC boards in India is gradually expanding with the size of the market touching nearly Rs. 2000 Crores, before the pandemic of COVID-19 hit..

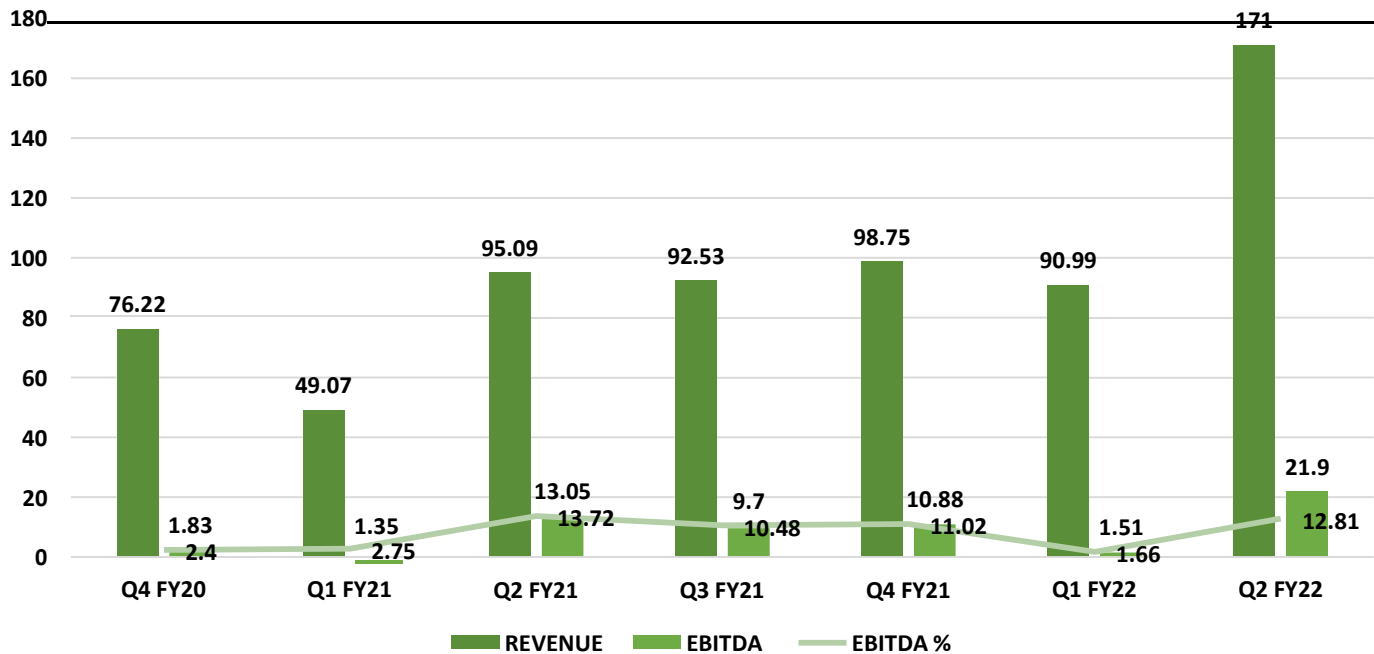


COMPANY FINANCIALS

PARTICULARS (RS. IN CRORES)	2019	2020	2021	2022 (6Months)
Revenue from Operations	344	336	335	262.31
Raw Materials Cost	193	173	174	136.78
Raw Materials in %	56.10%	51.49%	51.94%	52.14%
Employee Cost	25.62	29.32	26.82	19.89
Employee Cost in %	7.45%	8.73%	8.01%	7.58%
Other Expenses	26.84	28.05	25.63	82.23
Other Expenses in %	7.80%	8.35%	7.65%	31.35%
EBITDA	36.65	36.91	34.99	23.41
EBITDA %	10.65%	10.99%	10.44%	8.92%
Other Income	8.49	3.54	4.31	0.38
Finance Costs	13.59	12.04	12.42	11.64
Depreciation & Amortization	8.63	8.69	9.73	11.92
PBT	22.92	19.72	18.66	0.23
TAX	8.58	-3.33	4.95	0.13
PAT	14.33	23.05	13.72	0.10



QUARTERLY FINANCIALS (RS IN CRORES)



Note:

1. EBITDA margins have declined in Q1 FY22 and H1 FY22 as the company has commenced commercial operations at its new MDF manufacturing plant at Andhra Pradesh leading to higher costs. These costs are expected to taper down gradually with improved capacity utilization.
2. Finance Costs and Depreciation have increased from Q1 FY22 onwards due to commencement of operations at the new plant at Andhra Pradesh and cessation of capitalization of Interest expenses of the new plant which are now being charged to Statement of Profit & Loss.

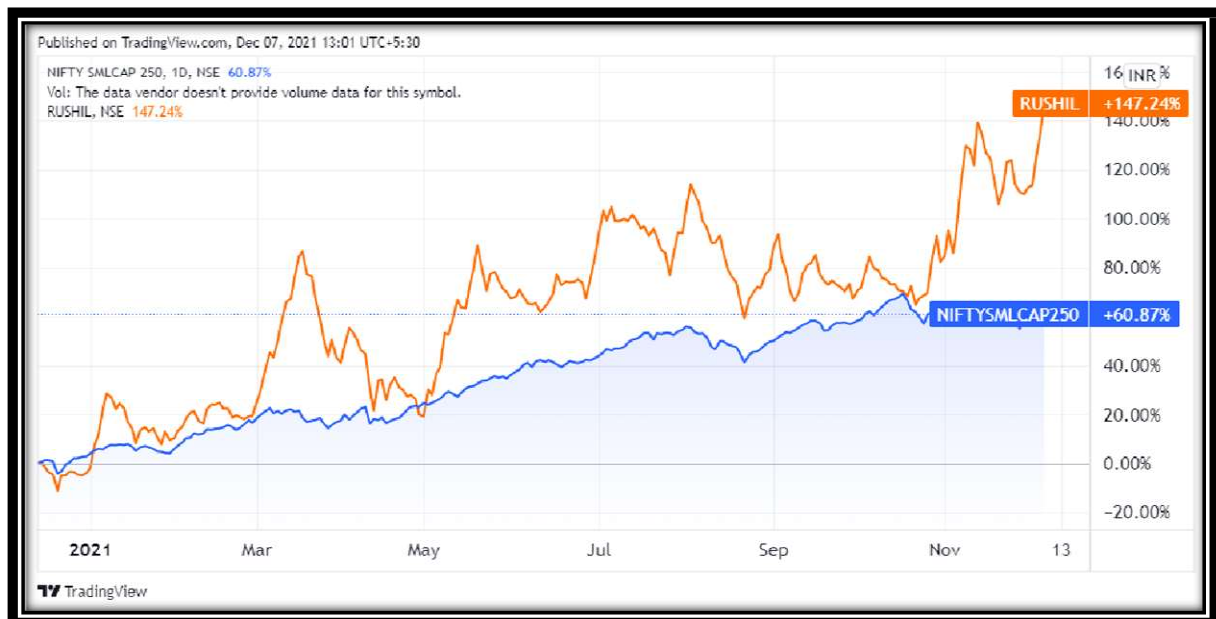
FINANCIAL RATIOS

PARTICULARS	2019	2020	2021
Debtor Days	59	67	63
Inventory Days	167	179	169
Days Payable	140	200	206
Cash Conversion Cycle	86	45	26
Working Capital Days	98	84	69
ROCE %	10%	6%	5%

DEBT REPAYMENT OBLIGATION

PARTICULARS (In Rs. Crores)	DUE IN 1 YEAR	1-3 YEARS	MORE THAN 3 YEARS	TOTAL
Borrowings	53.65	91.95	203.25	348.86
Trade Payables	102.56	1.45	-	104.02
Other Financial Liabilities	30.94	8.13	-	39.08
Total	187.16	101.54	203.25	491.96

RUSHIL DECOR V/S NIFTY SMALLCAP 250



VALUATIONS

PARTICULARS	GREENPANEL	RUSHIL DÉCOR
Capacity ('000 CBM)	540	330
MCap (Rs. In Crores)	4700	770
Debt (Rs. In Crores)	447	378
Cash (Rs. In Crores)	72	12
EV (Rs. In Crores)	5075	870 (Note 1)
EV per '000 CBM	9.4	2.64
Target EV per '000 CBM		4.70 (Note 2)
Expected Target EV (in Rs. Crores)		1551
Expected MCap (in Rs. Crores) – Adjusted with Debt, Cash & Share of Laminates Segment		1475
Current MCap (in Rs. Crores)		770
Upside Potential		92%

Note:

1. Total EV of Rushil Décor is Rs. 1,160 Crores. However, approximately 25% of this value is contributed by its Laminates Segment. Hence, EV for MDF segment = Rs. 870 Crores.
2. Since, Greenpanel is the market leader in MDF industry with strong brand value and extensive dealer networks, it deserves a higher valuation than Rushil Décor. So, our target EV per '000 CBM is at 50% discount to Greenpanel.

*** This should be the Fair Value based on current capacity of the company's MDF segment. These values are subject to periodic revision based on improvement in capacity utilization of the new plant and the company's ability to set up efficient dealer networks for its products thereby driving growth in revenue and EBITDA margins.**

SCENARIO ANALYSIS

Scenario-1: Moderate

(In Rs. Crores)

PARTICULARS	MDF	LAMINATES	PVC	TOTAL
Capacity Utilization	75%	90%	14%	-
Volume	2,47,500 CBM	31,41,000 SHEETS	1,747 CBM	-
Realization P.U.	24,000	650	55,000	-
Revenue	594	204	10	808
EBITDA%				15%
EBITDA				121

Scenario-2: Aggressive

(In Rs. Crores)

PARTICULARS	MDF	LAMINATES	PVC	TOTAL
Capacity Utilization	85%	95%	17%	-
Volume	2,80,500 CBM	33,15,500 CBM	2122 CBM	-
Realization P.U.	24,000	650	55,000	-
Revenue	673	216	12	900
EBITDA%				20%
EBITDA				180

Note:

1. The above tables show the effect of improved capacity utilization across the 3 segments of the company on its revenue and EBITDA margins over next 2-3 Years.
2. Under the Moderate Scenario, the MDF segment is expected to operate at 75 % capacity. In this case, the topline is expected to double and the EBITDA margin will increase to approx. 15% due to improved operational efficiencies.
3. Under the aggressive scenario, the MDF segment is expected to operate at 85% Capacity. In this case, the topline is expected to multiply 2.5X and EBITDA margin will improve to approx. 20%.

RISKS AND THREATS

1) High Competition

- a. The industry in which the Company operates has intense competition, especially from the unorganized sector in the plywood and wood panel segment as around 75% of the market players are still unorganized.
- b. Companies like Greenpanel and Actiontessa are the market leaders in MDF. They enjoy strong brand value and vast dealer networks. Significant difficulties could be faced by Rushil Décor to penetrate in the markets of these companies and expand its dealer network.

2) New Entrants

For the laminate segment, entry barrier in terms of required capex is pretty low. There always remains a pressure of new entrants getting in the organized market, which has been the case, leading to higher competition.

3) Raw Materials

With increasing urbanization, deforestation is taking a toll on the raw material availability. Further, erratic monsoon has played a role in suppressing the raw material supply. Rising crude price has been another reason leading to an increase in raw material prices.

4) Manpower Crunch

Manpower availability in case of Laminates has been one of the most-impacted matrix of operation for this industry and for the Company more so in the wake of the pandemic. Most migrant labourers left for their respective home locations and many of them are yet to return leading to labourer supply shortage. Moreover, skilled manpower is scarce and availability is an issue.

5) Overcapacity in MDF Industry

MDF being the lustrous business segment, bestowing the higher margins, has always provided the exposure to new entrants. With the entrance of new comers the MDF market is exploited with over-supply and thus the realization per unit crashes thereby leading to trembling of margins.

6) Import Menace

- a.** Imports has always been a cause of trouble for domestic sellers as the importers provide par quality product, as to what domestic merchants are providing, but at considerably low costs. Prior to the pandemic, India imported 30% of its MDF demand. Post- Covid imports of MDF and Laminates fell sharply to 15% due to the surge in logistics costs particularly the container cost. This momentary surge in prices is expected to taper down in the upcoming period and imports may resurge to the pre-covid levels.
- b.** Companies like Greenpanel and Actiontessa mainly operate in North India which provides them a strong location advantage in terms of protection from imports due to higher logistics costs to transport imported MDF from ports to North India. Thus, these companies continue to be a major threat for Rushil Décor to penetrate in different regional markets in India.

Outlook Interpretation

Positive – Expected Return of 12%+ on annualized basis in the long term

Neutral – Expected return in the range of +/- 12%

Negative – Expected return in negative

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ANNEXURES

CASH FLOW STATEMENT OF RUSHIL DÉCOR LTD.

(in Rs. Crores)

PARTICULARS	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21
CASH FLOW FROM OPERATIONS											
Profit before Tax	6.63	7.86	8.62	6.53	3.41	18.10	33.33	42.96	22.92	19.72	18.67
Operating Profit before WC changes	14.71	18.63	24.98	29.77	30.66	36.26	50.58	59.03	45.09	40.83	38.99
Adjustment for changes in WC	20.07	-26.62	-9.40	-14.16	6.93	0.24	-17.06	-0.92	-17.79	7.92	41.16
inventories	-7.76	-0.51	-10.99	-15.06	8.99	-4.81	-0.67	-21.43	-4.73	2.38	1.31
Receivables	2.91	-6.85	-6.82	-4.04	-1.43	2.71	-6.97	-1.61	-6.75	-6.54	3.56
Loans & Advances	0.28	-9.50	0.97	-5.69	9.95	-0.07	-1.02	19.21	-0.87	0.06	-4.89
other assets								-21.83	-23.87	-12.84	7.05
Current Liabilities	25.14	-10.07	7.31	10.21	-10.59	1.59	-8.73	24.14	13.95	26.06	28.5
Provisions	-0.50	0.31	0.13	0.42	0.0073341	0.82	0.33	0.6	4.48	-1.2	5.63
Less: Income Tax Paid	-1.59	-2.22	-1.64	-1.51	-0.99	-3.96	-7.47	-8.09	-8.7	-1.62	-3.07
Net Cash Generated from Operations	33.19	-10.21	13.94	14.10	36.60	32.54	26.05	50.02	18.60	47.13	77.08
CASH FLOW FROM INVESTING ACTIVITIES											
Purchase of Fixed Assets	-48.74	-50.40	-18.48	-13.89	-10.37	-9.98	-9.33	-42.53	-112.32	-242.4	-62.74
adjustment for revaluation reserve									2.21		-0.9
Proceeds from sale of Fixed Assets	0.08	0.005	0.04	0.02	15.24	0.36	0.34	0.1		0.078	2
Purchase of Investments	0	0	0	0	0	0	0	0	0.0115	0	0
Dividend Income	0	0.00024	0.00024	0.00024	0.000483	0.00024	0	0	0	0	0
loans (given)	0	0	0	0	0	0	0	-2.5	-0.66	3.16	0
Income From Mutual Fund	0	0.015	0	0	0	0	0	0	0	0	0
Changes in Non-Current Assets	0	0.000	0	0	0.46	2.72	-0.17	-18.82	-60.76	40.99	23.05
Proceeds from sale of Investments	0	0.000	0	0	0.002	0.004498	0.000386	0	0	0	0
Net Cash Generated(Used) from Investing Activities	-48.66	-50.38	-18.44	-13.87	5.33	-6.90	-9.16	-63.75	-171.52	-198.17	-38.59

CASH FLOW FROM FINANCING ACTIVITIES												
capital reserve	0	0	0	0	0	0	1	0	0	0	0	0
money recd against share warrants	0	0	0	0	0	0	5	-5	0	0	0	0
Proceeds from issue of Shares	0	5.64	0	0	0	0	0	0.32	0.21	0	0	4.8
Securities Premium on Issue of Shares	0	33.04	-0.33	0.02	0	0	0	19.68	19.81	0	0	19.18
Changes in Borrowings	30.62	24.09	16.91	16.92	-26.28	-13.74	-11.3	6.9	147.5	163.98	-48.3	
Secured Loans	24.62	29.63	11.14	15.48	-	-	-	-	-	-	-	-
Unsecured Loans	6.00	-5.54	5.77	1.44	-	-	-	-	-	-	-	-
Interest Paid	-5.56	-8.15	-11.17	-15.42	-14.34	-11.61	-10.36	-8.7	-13.59	-12.04	-12.42	
Dividend Paid	-2.05	-0.84	-0.84	-0.84	0	-0.87	-0.87	-0.87	-0.9	-0.9	-0.9	-0.87
Amalgamation & Preliminary Expenses	-0.056	0.12	0.11	0	0	0	0	0	0	0	0	0
Net Cash Generated(Used) from Financing Activities	22.95	53.91	4.68	0.68	-40.62	-26.22	-16.53	12.33	153.03	151.04	-37.61	
Net Increase(Decrease) in Cash & Cash Equivalents	7.48	-6.68	0.18	0.91	1.31	-0.57	0.36	-1.40	0.11	0.00	0.88	

MDF SEGMENT OF RUSHIL DÉCOR

(in Rs. Lakhs)

	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	INCL AP PLANT	
									FY21	H1 FY22
REVENUE*	1,408.21	7,805.92	10,267.46	12,279.64	13,848.53	17,165.45	15,570.52	16,565.47	15,473.75	17,052.16
MDF CAPACITY (CBM)	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90000**
PRODUCTION (CBM)	10,599	54,652	62,898	70,628	80,082	86,556	81,565	85,230	73,800	
C.U.	12	61	70	78	89	96	91	95	82	
SALES (CBM)	8,147	47,667	61,661	69,097	77,276	84,526	79,585	83,225	73,806	73,908
REALISATION PER CBM	17,285.01	16,375.94	16,651.46	17,771.59	17,920.87	20,307.90	19,564.64	19,904.44	20,965.44	23,072.14
PBIT	-275.11	436.87	877.59	1,684.26	2,499.46	3,267.06	1,633.34	1,830.11	1,478.75	874.07
PBIT %	-19.5	5.6	8.5	13.7	18.0	19.0	10.5	11.0	9.6	5.1
ROCE*** (NOTE 5)	-3.7	6.0	12.0	22.9	34.1	44.5	22.3	24.9	20.1	
MDF REVNUe SHARE:										
INDIA	1,408.21	7,786.63	10,267.35	12,276.14	13,807.27	17,165.45	15,557.14	16,484.87	15,423.08	
%	100.0	99.8	100.0	100.0	99.7	100.0	99.9	99.5	99.7	
EXPORT	0	19.29	0.11	3.50	41.26	0.00	13.38	80.61	50.67	
%	0.0	0.2	0.0	0.0	0.3	0.0	0.1	0.5	0.3	

NOTES:

- 1) * REVENUE DOESN'T INCLUDES INTER SEGMENT REVENUE
- 2) FIRST MDF BOARD FROM AP STARTED IN APRIL i.e FROM FY22
- 3) ** CAPACITY IN FY21 TAKEN IS 90,000 CBM
- 4) *** ROCE= EBIT/CAPITAL EMPLOYED. CAPITAL EMPLOYED IS CAPEX FOR KARNATAKA PLANT
- 5) CAPEX INCURRED FOR KARNATKA PLANT IS RS7,338.89 LACS

MDF SEGMENT OF GREENPANEL INDUSTRIES LTD

(in Rs. Crores)

YEAR	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	Q1 2021-22	Q2 2021-22	Q3 2021-22
REVENUE	476.04	482.3	471.7	457.61	614.87	803.37	253.97	335.34	350.40
REVENUE GROWTH	16%	1%	-2%	-3%	34%	31%			
EBITDA	142.44	133.03	135.85	78.22	111.82	204.39	61.71	93.90	106.87
EBITDA%	30%	28%	29%	17%	18%	25%	24%	28%	30.5%
DEPRECIATION	20.28	22.38	21.7	43.83	55.82	56.09	14.73	15.03	17.17
EBIT	122.16	110.65	120.88	34.39	56.00	148.3	46.98	78.87	89.70
EBIT%	26%	23%	26%	8%	9%	18%	19%	24%	25.6%
SEGMENT ASSETS	435.59	753.27	1156.28	1245.4	1236.51	1191.87	1192.00	1172.36	1131.66
CAPEX	41.26	222.88	538.87	-	-	-	-	-	-
OTHER NON CASH EXP	0	0	0	0	0	0	0	0	0
ROCE	28%	15%	10%	3%	5%	12%	4%	7%	8%
CAPACITY (CBM)	1,80,000	1,80,000	1,80,000	5,40,000	5,40,000	5,40,000	135000	135000	135000
CAPACITY UTILIZED (CBM)	99%	105%	100%	39%	60%	69%	91%	95%	86%
PRODUCTION (CBM)	1,78,200	1,89,000	1,80,000	2,10,817	3,26,681	3,72,600	1,22,850	1,28,250	1,15,652
REALIZATION/- CBM	26,713.80	25,518.52	26,205.56	21,706.50	18,821.73	21,561.19	22,528.05	24,469.51	29,024.88

PEER COMPARISON

COMPANY	CURRENT CAPACITY	PROPOSED CAPACITY	EXP CAPACITY (FY24)	MKT SHARE	EXP MKT SHARE (FY24)
GREENPANEL	5,76,000	1,20,000	6,96,000	33%	23%
ACTIONTESA	4,20,000	2,00,000	6,20,000	24%	21%
RUSHIL DÉCOR	3,30,000	-	3,30,000	19%	11%
CENTURY	2,00,000	3,90,000	5,90,000	12%	20%
GREENPLY	-	2,40,000	2,40,000	0%	8%
OTHERS	2,10,000	3,14,000	5,24,000	12%	17%
TOTAL	17,36,000	12,64,000	30,00,000	100%	100%

LAMINATES SEGMENT OF RUSHIL DÉCOR

(in Rs. Lakhs)

PARTICULARS	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	HI' FY22
REVENUE* (IN LACS)	12,845.06	14,570.76	15,558.82	15,884.55	15,956.62	15,780.75	16,685.62	17,181.39	15,397.75	16,277.51	9,261.78
SHEETS CAPACITY	30,00,000	30,00,000	30,00,000	34,92,500	34,92,500	34,92,500	34,92,500	34,92,500	34,92,500	34,92,500	17,46,250
SHEETS PROD'N	27,17,000.00	28,61,000	28,56,232	30,92,901	32,54,194	31,31,445	33,78,361	28,85,719	28,51,976	27,24,150	
C.U.	91	95	95	89	93	90	97	83	82	78	
SHEETS SOLD	27,17,000	28,62,000	28,80,001	30,30,509	31,69,639	31,60,266	31,49,648	29,98,974	27,78,474	28,69,155	13,27,274
REV PER SHEET	472.77	509.11	540.24	524.15	503.42	499.35	529.76	572.91	554.18	567.33	697.80
PBIT	1,488.47	2,473.16	2,475.39	1,889.79	1,612.38	2,151.54	2,183.64	1,940.01	1,611.25	1,736.46	461.48
PBIT%	11.6	17.0	15.9	11.9	10.1	13.6	13.1	11.3	10.5	10.7	5.0

LAMINATE REVENUE SHARE	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21
INDIA (IN LACS)	5,463.26	5,746.45	7,021.82	7,279.50	7,060.70	5,758.74	6,931.83	6,610.72	5,153.21	5,862.41
%	42.5	39.4	45.1	45.8	44.2	36.5	41.5	38.5	33.5	36.0
EXPORT (IN LACS)	7,209.45	8,729.77	8,536.00	8,605.04	8,895.91	10,022.01	9,753.79	10,570.67	10,244.54	10,415.10
%	56.1	59.9	54.9	54.2	55.8	63.5	58.5	61.5	66.5	64.0

VALUATION OF LAMINATES SEGMENT

(in Rs. Crores)

Particulars	Greenlam	50% Discount	Rushil Décor Laminate Business
Enterprise Value	5000		283
EBIT	150		17
EV/EBIT	33.33	50%	16.67
Enterprise Value	5000		407
Capacity	2.15		0.35
EV/Capacity	2326	50%	1162.79
Enterprise Value	5000		283
Sales	1500		170
EV/Sales	3.33	50%	1.67

RUSHIL DÉCOR MDF SEGMENT PROJECTIONS

(in Rs. Crores)

PARTICULARS	Q1FY22	Q2FY22	Q3FY22	Q4FY22E	FY22E	FY23E	FY24E
CAPACITY	82500	82500	82500	82500	330000	330000	330000
SALES VOL	19971	53937	47081	63750	184739	247500	280500
C.U.	24%	65%	57%	77%	56%	75%	85%
REVENUE	49.52	121	120.63	163.34	454.49	618.75	701.25
REALIZATION/- CBM	24796	22434	25622	25622	24602	25000	25000
EBITDA	-2.59	17.33	16.13	21.84	52.71	105.19	140.25
EBITDA%	-5%	14%	13%	13%	12%	17%	20%
EBIT	-5.59	14.33	13.13	16.84	38.71	93.19	128.25
EBIT%	-11%	12%	11%	10%	9%	15%	18%
EBT	-8.59	11.33	10.13	13.84	26.71	81.19	116.25
PAT	-6.44	8.50	7.60	10.38	20.03	60.89	87.19

RUSHIL DÉCOR OVERALL PROJECTIONS

(in Rs. Crores)

PARTICULARS	Q1FY22	Q2FY22	Q3FY22	Q4FY22E	FY22E	FY23E	FY24E
REVENUE							
LAMINATES	41.84	50.78	47.29	47	186.91	187	187
MDF	49.52	121.00	120.63	163.34	454.49	618.75	701.25
PVC	0.84	1.7	2.55	3	8.09	10	12
TOTAL	92.2	173.48	170.47	213.34	649.49	815.75	900.25
EBIT							
LAMINATES	2.19	2.42	3.11	3.29	11.01	13.09	18.7
MDF	-5.59	14.33	13.13	16.84	38.71	93.19	128.25
PVC	-0.51	-0.28	-0.49	-0.57	-1.85	-1.5	-1.8
TOTAL					47.87	104.78	145.15
EBT					25.87	84.78	125.15
PAT					19.40	63.58	93.86
EPS					9.70	31.79	46.93
CMP					371	371	371
PE (est.)					38.24	11.67	7.91

GREENPANEL Q3FY22 RESULTS

MDF SEGMENT PERFORMANCE

Particulars	Q3 FY 22	Q3 FY 21	Var (%)	9M FY 22	9M FY 21	Var (%)
Net Sales (Rs. Crores)	350.40	249.88	40.2%	940.00	482.28	94.9%
EBITDA Margin	30.5%	23.9%		29.4%	19.4%	
EBIT Margin	25.6%	17.5%		24.0%	9.6%	
Annual Capacity (CBM)	540,000	540,000		540,000	540,000	
Production (CBM)	115,652	124,952	(7.4)%	366,617	233,267	57.2%
Sales Volume (CBM)	120,724	123,723	(2.4)%	370,503	240,941	53.8%
Capacity Utilisation	86%	93%		90%	57%	
Blended Realisation / CBM	29,025	20,138	44.1%	25,355	19,922	27.3%
Domestic Realisation / CBM	30,651	21,496	42.6%	27,996	21,990	27.3%
Export Realisation / CBM	21,051	14,132	49.0%	18,191	14,344	26.8%

CON-CALL HIGHLIGHTS

- Plant-wise Volumes, Realizations & Margins

PARTICULARS	VOLUME	REALIZATIONS/- CBM	MARGINS
DOMESTIC			
UTTRAKHAND	29,667 CBM	31,854	19.72%
ANDHRA PRADESH	70,598 CBM	30,145	34.53%
TOTAL	1,00,265 CBM	30,651	30%
EXPORTS			
ANDHRA PRADESH	20,449 CBM	21,051	15-18%

- Industry Demand=Supply Situation:

Year	Demand	Supply	C.U.
FY21	1.5 Mn CBM	1.9 Mn CBM	77%
FY22	1.7 Mn CBM	2.3 Mn CBM	75%
FY24	2.5 Mn CBM	3.0 Mn CBM (excluding Greenpanel brownfield project)	80-85%

- Raw Materials Situation and Price Hike:

- Wood Price have gone up by 10% in North India and 5% in South during the last 6 Months; Chemical costs have gone up by average 35% in the last 6 Months.
- Realization expected to improve further in Q4 FY22 mainly due to 17% price hike taken in Dec,21.
- Any decrease in RM prices will be passed on to the customers.

- **MDF Imports Situation:**

- Imports unlikely to pose any competition in near future mainly due to following reasons:
 - MDF shortage worldwide and rising prices.
 - Importers have shifted focus to domestic producers mainly due to prolonged decline in import volumes and growing demand for value added MDF in India.
 - Vietnam and Indonesia- Major exporters to India, are witnessing high domestic demand due to them replacing China as ready-made furniture supplier to US & Europe. Thailand needs to be monitored.

- **Capex:**

- Brownfield expansion in AP plant. Est commissioning un 18-24 months mainly due to high lead time in machinery sourcing from European mfg. Details by March,22.
- Maximum achievable CU in case of European Plant is around 115-120% (with debottlenecking). Management expects to easily achieve 6,50,000 CBM p.a. production from the existing 5,40,000 CBM capacity subject to thickness and density of the MDF produced.
- Post Debottlenecking exercise at Uttrakhand plant capacity increased from 1,80,000 CBM to 2,16,000 CBM p.a.

- **Value Added Products:**

- Currently 48% in Volume terms & 59% in Value terms. These are peak figures- not expected to increase further.
- **Realization/-CBM** of value added products is not available in case of Greenpanel. However, in case of **Century Plyboards** average realization in case of value added MDF products for Q3FY22 is **Rs.43,857/-CBM (Rs. 38,776 Q2FY22, Rs. 33,365 Q3FY21)**

- **Sustainability of Margins:**

- Current EBITDA margins of 30-35% are at its peak level and sustainable.
- Focus will be on sustaining these margins in the future with debottlenecking of plants and improving value added products portfolio.