

**RESEARCH**
**RUSHIL DECOR | NOT RATED**

Management meet takeaways: Aggressive growth plan

**Daily macro indicators**

Indicator	19-Mar	20-Mar	Chg (%)
US 10Y yield (%)	4.29	4.27	(2bps)
India 10Y yield (%)	7.10	7.09	(1bps)
USD/INR	83.04	83.17	(0.2)
Brent Crude (US\$/bbl)	87.4	86.0	(1.6)
Dow	39,111	39,512	1.0
Hang Seng	16,529	16,543	0.1
Sensex	72,012	72,102	0.1
India FII (US\$ mn)	18-Mar	19-Mar	Chg (\$ mn)
FII-D	(94.2)	(52.4)	41.8
FII-E	(140.7)	162.9	303.6

Source: Bank of Baroda Economics Research

**SUMMARY**
**RUSHIL DECOR**

- RDL maintained its guidance of trebling revenue over the next five years by increasing its presence across wood panel segments
- Company expects jumbo laminate plant in Gujarat to improve segment margin profile due to foray into high value-added thick product range
- Despite weak industry dynamics, RDL's MDF margin to improve on rise in VAP share, nil export obligation and operating leverage benefit

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| Building Materials

| 21 March 2024

## Management meet takeaways: Aggressive growth plan

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**Utkarsh Nopany**

research@bobcaps.in

**Meeting with RDL management:** We recently met with Rushil Décor's (RDL; Not Rated) senior management (Rushil K. Thakkar, Whole-Time Director; Keyur Gajjar, CEO; and Hiren B. Padhya, CFO) to understand industry dynamics of various wood panel segments and the near-term outlook. Key takeaways from our meeting are:

**Future road-map:** RDL aims to triple its revenue over FY24-FY29 based on: (a) incremental revenue of ~Rs 3.5bn-4.0bn from the MDF segment which is due to ramp-up existing capacity (to 110% from 75-80% at present) and increased share of value-added products (to 65-70% from 43% in Q3FY24); (b) incremental revenue of Rs 1.5bn-2.0bn from the new jumbo laminate project; (c) incremental revenue of Rs 1.5bn from the new plywood project; and (d) additional revenue contribution from a new wood panel project (expected to be finalised shortly).

**Laminate:** RDL expects its laminate segment blended margin to improve to 12-13% by FY26, from the present 8-9%, due to its foray into the high value-added thick product range through its upcoming jumbo plant in Gujarat in Q2FY25.

**MDF:** The MDF industry margin might come under pressure in the near future due to additional incentives of 5-8% offered by domestic players in plain MDF products in Q4FY24 and BIS implementation norms deferred to Mar'25 from Mar'24. However, the company expects its MDF margin profile to improve over the medium term due to (a) a rise in the share of value-added products (VAP) of its Andhra Pradesh (AP) plant to 55-60% over the next year from 30% now; (b) completion of export obligations by Mar'24; and (c) operating leverage benefit due to the ramp up of the AP plant from 70-75% at present to 85-90% over the next two years.

**Plywood:** RDL recently announced plans to enter the plywood segment through a joint venture (51:49) with Modala Panels and Boards. RDL estimates the plywood project cost to be ~Rs 400mn and the plant to commence operations in FY25.

**Valuation:** As per Bloomberg Consensus estimates, RDL trades at 8.3x/7.2x/6.0x on FY24/FY25/FY26 EPS. We do not have a rating on the stock.

Ticker/Price	RDL IN/Rs 290
Market cap	US\$ 107.3mn
Free float	44%
52wk high/low	Rs 407/Rs 202
Promoter/FPI/DII	56%/1%/0%

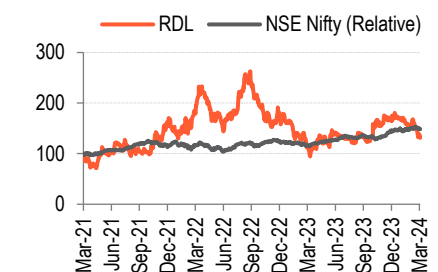
Source: NSE | Price as of 20 Mar 2024

### Key financials

Y/E 31 Mar	FY21A	FY22A	FY23A
Total revenue (Rs mn)	3,354	6,242	8,384
EBITDA (Rs mn)	350	739	1,624
Adj. net profit (Rs mn)	126	228	877
Adj. EPS (Rs)	6.4	11.5	44.0
Consensus EPS (Rs)	6.4	11.5	44.0
Adj. ROAE (%)	5.1	8.3	27.0
Adj. P/E (x)	32.8	47.2	5.9
EV/EBITDA (x)	22.3	20.1	5.7
Adj. EPS growth (%)	(45.9)	80.9	284.4

Source: Company, Bloomberg, BOBCAPS Research

### Stock performance



Source: NSE



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**SELL** – Expected return <-6%

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