

Everest Industries Limited
Earnings Conference Call
January 30, 2018

Moderator: Ladies and gentlemen, good day and welcome to the Everest Industries Limited Q3 FY18 earnings conference call. 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. I would now like to hand the conference over to Mr. Anuj Sonpal from Valorem Advisors. Thank you and over to you, sir.

Anuj Sonpal: Thanks, Stanford. Good morning everybody and warm welcome to you all. My name is Anuj Sonpal, CEO of Valorem Advisors. We represent the Investor Relations of Everest Industries Limited. On behalf of the company and Valorem Advisors, I would like to thank you all for participating in the company's earnings conference call for Q3 & 9 months FY18.

Before we begin, as usual I would like to mention a short cautionary statement as always. Some of the statements made in today's earnings concall may be forward-looking in nature. Such forward-looking statements are subject to risks and uncertainties which could cause actual results to differ from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. Audiences are cautioned not to place undue reliance on these forward-looking statements in making any investment decisions. The purpose of today's earnings conference call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review. Without much ado, I would now like to introduce to the management participating with us in today's earnings concall. We have with us Mr. Manish Sanghi, Managing Director and Mr. Nikhil Dujari, Chief Financial Officer. I request Mr. Sanghi now to give his opening remarks. Thank you and over to you, sir.

Manish Sanghi: Thanks, Anuj and good morning everybody. Welcome to the Everest Investor Call. I think we are entering normalcy and the big impact as I was talking last quarter of GST being the key thing seems to be getting normal. GST is no longer a business impediment. Things are stabilizing. Having said that, there are still some issues which need to be settled; the GST methodology on bill-to-bill matching, incentives by state governments, accounts of old credits are still issues which need to be handled, but it is no longer an impediment on a day-to-day business.

The general economy seems to be picking up and that is very evident with better Q3 results which all the companies have shown, but I will have to say that demand growth in the real market is not as buoyant as probably the stock market growth. We could do with that kind of growth in the real market as well.

Coming to the results itself, we had interesting Q3 results. Our building products business has done well. The steel building business has not done so well on the bottom-line and I will elaborate on that a little bit later. The building product volumes went up from 126,000 metric tonnes to 161,000 metric tonnes. I am comparing them with Q3 of last year and the revenue is up from 138 crores to 179 crores, but all of us I think agree that last year was no benchmark simply because this was a quarter deeply affected by demonetization and the growth really has to be seen in the context of the year before that rather than last year. In both roofing and boards business, we sold much more in the value-added segment and that helped us increase our revenue growth compared to the volume growth. The margins improved essentially on account of higher volumes; lower raw material cost, as I said a better product mix in terms of more value add products and a cost reduction all around in all the categories, cost reduction in marketing expenses, cost reduction in overheads and so on. We expect a momentum to continue till the monsoon.

The steel building volumes are up marginally by 2.5% to 14,753 metric tonnes. The revenues are down, 109 crores versus last year 113 crores. The order book currently stands at 21,000 metric tonnes. As I have said very often, our ideal is a 5-month order book which adds up to 25,000 metric tonnes and so we will have to make up next quarter.

The margin is lower than expected on account of provisions of which we have made on [00:06:50] some old outstandings. We have done a lot of work around this issue and have brought down the customer outstanding without securities significantly. The industry scenario is good especially with auto industry attracting large investments. The general private investment cycle is yet to pick up fully, though we all expect that in the coming few months, things should start picking up significantly over there.

As I said, there is a trend of increasing steel prices which we are watching carefully and in any large orders that we are talking, we are trying to build in steel price regulatory charge so that we do not get affected by. We expect the order booking to pick up as the CAPEX investment cycle picks up.

On the export side, the market continues to be dull. With the increasing oil prices, we expect more movement to happen in the export market, but with local producers being there in Middle East, we do expect a significant bump up to happen in volume terms. Our focus would continue to be on value-added and system selling which should yield us better results. We have made some breakthroughs in the European market and that should pay us some dividends in times to come.

Comment [a1]: Remove, don't recall any such statement
Akshilesh – Manish Sir had mentioned Europe in the concall. There is also a follow up question on this comment.

To elaborate further on the results, I would ask my finance team to comment. Over to you, Nikhil.

Nikhil Dujari:

So good morning, friends and thank you Mr. Sanghi. I will quickly take you through our results which Mr. Sanghi has already partly done. So on a company wise financial performance, our revenue for the quarter jumped from last year 268 crores to this year of 294 crores and on a quarterly basis, the EBITDA has grown from a negative 7 crores to a positive 21 crores. PAT has reversed from a loss of 14 crores to a profit of 9.4 crores. In terms of 9 months performance, EBITDA reported was 68 crores versus 20 crores year-on-year and a healthy growth on EBITDA margins from 2.2% to 7.28% and an increase of over 500 basis points. So our PAT for 9 months has gone up from a loss of 10 crores to a profit of 31 crores and margins have also improved to 3.3% versus a negative of 1.12% in the last year for 9 months performance.

The building products financial performance, our building products business topline grew 18% Q3 LY vs Q3 CY while volumes have grown 27% year-on-year. So which was 1,61,000 metric tonnes as opposed to 1,27,000 metric tonnes. We have gone from a loss of about 4 crores to a profit of about 26 crores so versus the last year.

On steel buildings business, our steel buildings topline was slightly lower than the previous year mainly due to the accounting for GST versus the accounting for sales tax and excise under the earlier regime. Our volumes have increased by about 4% from 14,300 tonnes to 14,750 tonnes on Q2 CY vs Q3 CY this year. Quarter-on-quarter revenues have grown 2.3% and volumes about 4.5% and on an EBIT level, our profit has reduced from 6 million to 1 million and from 23 million to 1 million on a quarter-on-quarter basis. Thank you. With that, we would leave it back to your questions

Moderator:

Thank you very much sir. Ladies and gentlemen, we will now begin with the question and answer session. We take the first question from the line of Dhruv Agarwal from Cresita Investments. Please go ahead.

Dhruv Agarwal:

My question pertains to the steel building performance as you have delivered the results. Can you please elaborate more on the factors because in the second factor, we saw the performance was very robust compared to this quarter. So what dented your performance for this division in this quarter?

Manish Sanghi:

I think our volumes were alright. As I said, we did 14,750 tonnes against a target of maybe 15,000 tonnes. So on the volume side, we were just fine. What affected us was some provisioning which we had to do on some debtors and to some extent, we are getting affected by the increasing steel prices. So these are the two things which affected results. Operationally, if I really talk about it, I think we were quite alright.

Dhruv Agarwal: Sir, what was the provisioning amount that you booked this quarter and what is it for the whole of 9 months this year?

Manish Sanghi: 3.25 crores was the provisioning that we did during this quarter and YTD, the provisioning that we have considered is close to about 7 crores.

Dhruv Agarwal: And do you foresee any more provisions being booked in the remaining quarter?

Manish Sanghi: The point is what we could foresee, we have considered in the provisions. Now, the practical issue is the amount becomes liable to a provision after a year or two, then you realize there is a problem that is coming with that customer. At that stage whatever comes in is what gets considered, but the accounting standards require to consider provisions for expected credit losses as well. So we have considered necessary provisions aligned with the accounting principles.

Dhruv Agarwal: Okay, that is fair enough. And sir just one last question on the steel prices. What is the current steel prices per tonne this quarter as compared to the last quarter and the previous quarter?

Manish Sanghi: We really buy two kinds of products. One is the steel plates and the steel plates compared to September have, if I say, we have gone by something like Rs. 4,000-Rs. 5,000 a tonne. And if we talk of the coated steel, compared to June the pricing has gone up by something like Rs. 20,000 per tonnes.

Dhruv Agarwal: Rs. 20,000 a tonne, it has gone up?

Manish Sanghi: Yes. So these are coating, so these are the Galvalume sheets which we buy. So there is a big sharp upward movement in prices for the last 4-5 months. I think I had mentioned it even during the last conference that we are seeing an upward trend. We were expecting things to stabilize, but they have not stabilized, upward movement continues, unabated as of now.

Dhruv Agarwal: So what is the per tonne price of steel plates now and also the coated steel?

Manish Sanghi: The per tonne price of steel varies across plants, but broadly speaking there will be around Rs. 48,000 to Rs. 50,000 per tonne.

Dhruv Agarwal: And for coated steel?

Manish Sanghi: For coated steel, the pricing would be around Rs. 80,000 a tonne. I am talking of the gross price per tonne.

Moderator: Thank you. We take the next question from the line of Pratim Roy from Stewart & Mackertich. Please go ahead.

Pratim Roy: I have just one or two questions like what is the involvement for Everest Industries in Bharatmala project if you can give some elaboration on that particular, then it will help us.

Manish Sanghi: So Bharatmala project, what is our involvement.

Pratim Roy: Actually I am just asking you the Bharatmala project, there is a huge this project started by BJP government. So what is your view point means what is the Everest Industries participation in that particular project business? In terms of revenue, how much you people are expecting that you can capture from this?

Nikhil Dujari: So Bharatmala as a project applies across country and so as and when there are projects that are taken up under that ages, Everest could be able to sell its product under that project right. So there are contracts that are being awarded under the Bharatmala project and under the Bharatmala project, whatever is the construction activity that is subcontracted, whatever materials that we will supply is what we will do. We are currently not doing any contracts under the steel buildings business on the government contracting because we had a couple of bad experiences, but yes, we are actually kind of looking at this as an opportunity to sell the building products.

Manish Sanghi: As a relevance, this really Bharatmala is about the road connectivity and road connectivity helps me in two ways. When I travel into interior, we find any areas connected with roads develop faster, the growth over there happens faster. So I expect my boards and roofing to in the areas connected with that, I should get benefited. The second part which happens is that every time a new road gets made, they will just set up warehousing. There is a new set of distribution which happens in that area. So I expect warehousing to take off from there. I think Nikhil just said, beyond participating directly in terms of taking orders from the government, but the effect, the growth impact of roads I think should definitely accrue to us.

Pratim Roy: And one thing that steel building product that you discussed that due to the higher steel price and all that margin has subdued, but in the coming years in 18-19 or 19-20, what is the margin that you people are expecting from the steel building product because building product business is doing quite well and posted a good set of numbers. But in steel building, what is the future forecast for your business because that is another good option. So what is your view on that?

Manish Sanghi: We should be targeting something like a 5% return on the steel building. The steel building has always been a business which is more on a return on capital rather than an EBITDA base business, but on a ROCE level, our target continues to be 20%, minimum on steel building and on an EBITDA level, we should be talking somewhere between 5% to 7% we should be looking at.

Pratim Roy: 5%-7% you people are looking at. And is there any kind of measures that you people are facing to hedge the position for the steel price because steel prices up move, down move always be there in the market. So is there any strategy that you people are taking to protect your contract because....

Manish Sanghi: As I said, we have any long-term projects, any projects which are large in nature which extend over a long period of time, we are building in clauses that any impact in steel prices particularly on account of change in government policies will have to be borne by the customer or if there is any change on account of customer that if he delays a project for whatever reason either because of payment or technical issues, that will have to be absorbed by him. But for our normal projects which happened in 4 to 5 months period of time, we really continue to be exposed and I do not see any way in which that can really change. So once again long-term projects, customer induced delays, we have clauses built in. Short projects, we are open to the variation in steel prices.

Pratim Roy: For long-term, the price is fixed means if there is any short-term, it is possible to pass on the prices, right?

Manish Sanghi: Yes.

Pratim Roy: And what is the expected margin that you are expecting on the building product segment?

Manish Sanghi: I think we should continue with our current margins, do not really expect much of a change over there. We are really expecting dollar to remain stable. My biggest raw material comes is imported and everybody is predicting a stable dollar. We expect a stable dollar price for fiber. So it is a stable dollar price for fiber and there is a stable dollar, I expect cost scenario to remain the same. The steel roofing pricing is going up and probably that should help us take price increases in the time to come.

Pratim Roy: So EBITDA margin whatever it is 6%-7% will be there only?

Manish Sanghi: Yes, that is right.

Pratim Roy: And just one idea you can take for me for housing for all means by 2020 there is a huge project you people will get a lots of market out of that, but what is the price to build a low budget house? Any price you can give me a rough idea, what is the estimated core to build a low-cost housing?

Manish Sanghi: Now, that is a difficult question to answer in an easy single sentence because the criteria of a low-cost housing and housing for all seems to vary a lot across states and somewhere it is a multi-storage building, somewhere they are single units. So it is not so straight forward and simple. I really cannot give a very specific answer to this question.

Pratim Roy: If I give you one scenario if it is a 1000 square feet plot, how much revenue Everest will supply the building product, how much revenue they can generate out of that if a 1000 square plot building housing?

Manish Sanghi: As I said, there are houses and that it can vary a lot, but typically today when we talk of housing for all, the pricing criteria has changed for something like Rs. 1200 a square foot.

Pratim Roy: Rs. 1,200 per square foot?

Manish Sanghi: Yeah, though in some areas it may go to 14-15, but typically I would say it will be Rs. 1,200, but in rural area this number may come down to something like Rs. 700, Rs. 800 like that.

Pratim Roy: And out of which, if Everest will supply the building product, then how much they can?

Manish Sanghi: Everest essentially in the housing segment would supply the roof. The roof is Rs. 20 a square foot. In some market, people end up using our boards as either false ceilings or as walls. So I would say another Rs. 20 a square foot can probably be added, but it is a very rough estimate and I would not really go ahead and multiply these numbers.

Pratim Roy: I can understand, I just want a rough idea means out of 700 for a roof segment, you can achieve Rs. 50 revenue out of that, right?

Manish Sanghi: You can say something like Rs. 40 a square foot is what Everest can potentially get, yes. But if they are using this kind of construction, the number of houses which are doing construction with our product may not be a very high percentage.

Moderator: Thank you. The next question is from the line of Prateek Maheshwari from Ambit Capital. Please go ahead.

Prateek Maheshwari: Sir, I had a few questions on the building product side and wanted to understand sir what is the traction right now from the rural segment? And if you could also tell me what is the current buyer mix for you and sir how is it changing sir. Which segment is buying more or less in building products?

Manish Sanghi: In rural areas, we essentially sell our roofing products. And the usage varies from area to area. So if we talk of Eastern India, Central India and parts of western and southern, they did a very big part of residential buildings which uses our product. When we come into Northern India, the percentage of housing is very small in that business. It is used for buildings which are accessory buildings like a cow shed or a tractor shed or a small warehouse. Those are the kind of buildings which uses our roofing in the Northern parts of the country. So the usage pattern varies. The usage in factory building has come down a lot over a period of time and on a total percentage, I would not put that number more than 10% in any particular area. So we are talking about traction in the rural market. The traction appears to be fairly robust.

Virtually all across the country, the demand is good. Another reason for the demand being good was that typically people stock up for the season time and they started stocking up during the Q2-Q3 kind of quarters when the market pricing is low. Because of the GST that did happen this year, so the market pricing are low. So we expect the sale to remain robust even in the coming 6 months if I say from January till June. What happens after that, it will depend upon the crops, monsoon and so on.

Prateek Maheshwari: Sir, I had another question on the fiber cement business. Sir, how is the demand in the South India, so Telangana for the cement sheet and sir how is the input cost in this business for fiber cement?

Manish Sanghi: We are not very strong as far as Andhra-Telangana are concerned, so it could be wrong on my part to comment upon the demand there, but my understanding is that the demand for fiber cement product continues to be very robust particularly Kerala and Tamil Nadu. The raw material cost, the factors affecting the cost, there is one major raw material over there which is virgin pulp which is all imported from various country and that raw material has seen a big surge in price on account of the big demand from China and the pulp prices have gone up by a factor or something like 20%-25% in the last 4-5 months. So that impacts our total cost by a factor of around 5%-7% and since the cost of the raw material has gone by that much, considering its usage in our product, we are expecting something like a 5%-8% increase on our cost price, it has taken place.

Moderator: Thank you. We take the next question from the line of Vikrant Kashyap from Kedia Securities. Please go ahead.

Vikrant Kashyap: You, in your opening remarks talked about you have made some breakthroughs in European markets. Will you please like to throw some light on that?

Manish Sanghi: So we make different kinds of boards. There are some boards which we call as type A and which are unique to Everest. Those really cannot be made by anybody else in the country or nearby. So we have taken part in an exhibition in France and they had displayed our product lines over there. We got a decent response over there. So we are selling some small quantities right now in the Western European countries. How much will it ramp up, we will have to really wait and watch. But it is a good beginning. I am excited about the beginning.

Vikrant Kashyap: Okay, right sir. And you also talked about value-added products, your focus area going to be on value-added products. So what is the revenue contribution from value-added products right now and where do you see it?

Manish Sanghi: In the value-added products in the boards business, our value-added products contribute something like 25% to 30% of the revenue and as far as roofing is concerned, it is around 6%-7%.

Vikrant Kashyap: And do you see it is inching up going forward?

Manish Sanghi: We are very sure that its numbers will significantly ramp up over the next few quarters.

Moderator: Thank you. We will take the next question from the line of Arjun Sengar from Reliance Mutual Fund. Please go ahead.

Arjun Sengar: Sir, you were talking about the virgin part that you import. Is it unique to the product you sell in Kerala, Tamil Nadu, or is this input for sales all over the country?

Manish Sanghi: It is common for fibre cement boards.

Arjun Sengar: Okay. And secondly, one of your competitors has recently launched a nonasbestos product. And I understand even you have an offering in that segment. So just wanted your views on whether you would like to grow that segment?

Manish Sanghi: We have been having a nonasbestos roofing product for quite some time. We call it Everest Hi-Tech. It is a cement based corrugated roofing with synthetic fibres like Polypropylene and PGI as the reinforcement. We make it in one of our factories in Southern India. The product is very well accepted in industrial market. So our customers are primarily industrial customers where they want to use cement products, but for reasons of health and so on, they do not wish to use asbestos space product. The acceptability of the product in this particular segment is good, but it is not yet a retail product because the costing is significantly higher than the traditional product. We would wish to grow this market significantly, but a lot depends upon the price value equation. And in the retail market currently we do not see this becoming very large product in the short term. You are right, one of our competitors has launched it and they have launched the product in a different technology and we are all waiting and watching on how that performs.

Moderator: Thank you. We take the next question from the line of Trupti Agarwal from White Oak Capital. Please go ahead.

Trupti Agarwal: I actually just wanted to understand that if I look at both the building products as well as the steel product segment, I see that the realization per tonne has gone down quarter-on-quarter, is my understanding right, I mean is that got to do with accounting method or actually there was a drop in the realization?

Nikhil Dujari: So, it is to do with both. One is the accounting method. So if you notice in the public results, we got revenue from operations and then we added excise duty on to it for the previous year payment while the GST is currently netted off from the overall total income, right. So it is to do with the netting off of the GST and the excise duty, that is number one and simultaneously, whatever benefits we derived out of GST, we have to pass it on to the end

consumer and then resolve which we had done, so that is something. That is also bringing down the pricing.

Trupti Agarwal: Sure. Sir this is to the tune of 6%-7%, I mean both.

Nikhil Dujari: Not indeed. Our rates for GST were bought down from the erstwhile 26%-27% to existing 18% in recognition of our products being used mostly for the rural markets and that is what has exactly been passed on and exactly what it represents.

Trupti Agarwal: Right. So if you were passing on the GST benefits, then it is EBITDA neutral, I mean doesn't affect the margin?

Nikhil Dujari: Absolutely, it is EBITDA neutral.

Trupti Agarwal: Sir, and just one more question like some time back you said that the virgin pulp, the cost of that has actually gone up by 20%-25% in the last 4-5 months because of the demand in China. And consequently, the cost of our raw material has gone up by 5%-7%. So does this also impact the margins, I mean was that one of the reasons for the margins which was slightly lower in this quarter?

Nikhil Dujari: No. Margins are not really lower as far as building products are concerned and the usage of virgin pulp is only for the boards business which is relatively smaller component of this overall business. We don't see it making a big difference on an overall scenario.

Trupti Agarwal: Got it. Sir and just one last question. I just see an improvement in the working capital days over the years. So are there any specific initiatives taken on that and is this number the optimized number or is there any scope for improvement in this?

Manish Sanghi: I think what you are referring to probably is more on the interest cost of it, rather than the working capital itself.

Trupti Agarwal: I am looking at the 22 slide number on the presentation and there the working capital days, it has gone down to 69 days when compared to let us say 100 odd days in FY14 and year-on-year, there has been an improvement in the working capital. So I wanted to know if there are any specific initiatives here and also what would be a sustainable number. Is 69-70 days our working capital requirement?

Nikhil Dujari: So just to elaborate a little further on this. Typically in the last year, we saw a huge slump in demand which resulted in some accumulations on the working capital side and which also resulted in slower realizations of payments. So we have worked on both sides, that is number one. Number two, it is also the overall reduction in the working capital because we have earned money during the last one year. So if I wish to take from 1st January 2017 to 31st December 2017, we have earned money and whatever earnings we have made had been

largely deferred within the business and mostly on repayment of bank loans which is also reducing my working capital, right? So that is one more part of it. The third part of it, the optimization of our inventory levels which during this quarter we have gone up, but versus if I wish to take the overall sales number, so our overall sales number has gone up, as a result the working capital as a number of days comes down.

Manish Sanghi: I should also just add over here that we are actually bloated right now in terms of inventory because we are adding stocks off the season and situation would be vastly different when we end Q1.

Moderator: Thank you. We will take the next question from the line of Harsha from Dimensional Securities. Please go ahead.

Harsha: Sir, can you share the growth breakup between roofing and building products, if you have shared, I have missed that I guess.

Manish Sanghi: On an annual basis, the industry has grown by 5%. We would have largely grown by around 9%. But these are estimates because our precise numbers are not there. On the board side, there wasn't much overall growth because we really didn't grow so much in exports. The numbers are more or less stable. We would have grown by something like 5% on an overall basis.

Harsha: 5% for the quarter?

Manish Sanghi: For the quarter, yes.

Harsha: And what would be for YTD?

Manish Sanghi: The YTD number would be somewhat similar, it would be slightly higher than that. I don't have it in front of me right now, but it should be similar.

Harsha: Sir, what gives us the confidence that we will be able to grow this boards because I have been talking about boards and panels to grow at 15 odd percent but somehow it is not happening. So going ahead, what do you plan to do differently to grow this division?

Manish Sanghi: So this business has, there are 2-3 things which we are doing and I think I have been sharing those with you. Number one is physical presence in larger number of cities across the country. Number two is the training of the people to use the product. These kind of products really exist and so the users, contractors, the carpenters don't really know what to do with the product. So a very large training program is actually underway right now for doing it, but this is slow. It takes time for people to be trained and people to start using the product. We have been focusing far more on the retail side of the business and so much on the institutional side of the businesses, what we are changing now is the larger focus on the

project side or the institutional side of the business which seems to have grown much more than the retail one. So if you ask me three different things, more focus on B2B business; number two, large scale training and number three is increased presence across various cities of the country. We are absolutely certain that in the next 6 months, we will see very tangible differences in the growth rate for this particular product line. I must say that somewhere the domestic growth is understated because of the decline in the exports numbers.

Harsha: Okay sir. And sir in your steel building business, I would like to understand how much of your volume would be going to say recurring demand, recurring or replacement demand if I may put and how much of it would be going to the new construction of fresh demand. So would you be having any such data?

Manish Sanghi: I would think that 100% of our demand would be going into new construction.

Harsha: Okay sir. There is no recurring or replacement demand as such?

Manish Sanghi: No, there is nothing like that. It is a new factory, new warehouse which is being made, which we supply.

Moderator: Thank you. We will take the next question from the line of Harshit Patel from Equirus Securities. Please go ahead.

Siddharth: This is Siddharth on behalf of Harshit. Sir, I just wanted to check the utilization levels of both the divisions. They are now scaling up to 80%. So any further CAPEX plans that we have?

Manish Sanghi: As of now, we are not having any CAPEX plans to expand capacity in any of the businesses. We have taken on modernization of our Calcutta factory. So that is underway, that is a roofing factory. There are some small modernizations happening in the boards business, but there is no major capacity expansion plan which has been announced so far. We are setting the situation and we will probably come back to you with details in the subsequent quarters.

Siddharth: And the second question is on the building product side, so sir our margins have been significantly higher as compared to the previous years. So can we maintain the margins in the coming years?

Manish Sanghi: We are expecting. I think I mentioned before that a lot depends upon the raw material size, given that all of us are forecasting a strong rupee and a stable dollar. And from our side, we expect the raw material prices particularly fibre to remain stable. We believe that we should be able to maintain the margin and particularly so because of the increase in price of steel and to some extent some disillusionment with the usage of steel by people on account of noise, on account of heat, we believe that the demand for cement proofing will continue to remain robust in the foreseeable future.

Moderator: Thank you. We will take the next question from the line of Amritha Dewilgar from Trivikram Consultants. Please go ahead.

Amritha Dewilgar: Sir, you mentioned that the company is increasing the physical presence like in the large number of cities. So has there been any increase in the number of dealers and have they been in the rural or urban areas?

Manish Sanghi: We haven't really gone into rural areas. On the board side, we are still an urban product. So the increases have been in urban centers only. We added something like 70 odd districts to our distribution and we would keep looking at those kind of numbers to increase every quarter, but let me say that we were present in something like 40% of the total number of districts in the country. We would keep increasing that number by something like 10%-15% every 6 months.

Moderator: Thank you. We will take the next question from the line of Rajesh Ravi from Centrum Broking. Please go ahead.

Rajesh Ravi: Sir, on the volume growth, you mentioned that, we have seen strong growth in the asbestos roofing segment. Could you just enumerate which markets of the four markets that you discussed, we have seen this growth coming from?

Manish Sanghi: This growth is generally all over the country, but if we ask for specific, I would say West and North are the places where the increase has been more. But the growth is really on.

Rajesh Ravi: And any specific project which is leading to such spurt or you know it is just a base effect of last year Q3 demonetization or you know some sustainable projects which are leading to these uptick. Just wanted to say...

Manish Sanghi: We have not identified any specific projects which is causing it because it is a widespread demand which is across lakhs of people. So no specific customers. The base is now quite obviously and a lot of people postpone their building requirements in the last year. And as I also mentioned that it will continue because the Bazaar stock is low on account of GST and other issues. So we expect this robust demand to continue in terms of foreseeable future. And the last thing which I mentioned is price gap is steel, as a category we were losing our market share to see. The steel pricing has increased and also there is some sense of confusion in the steel on account of rusting and so there is a movement which is at least in some markets, movement back towards fibre cement roofing.

Rajesh Ravi: Okay. And sir this low-cost housing also is, you are seeing because of the pickup in low cost housing, the demand for roofing sheets are also gaining pace in that market?

Manish Sanghi: I don't have numbers to backup that particular thing because we do not sell to government directly. For us, it is an individual customer who comes to the shop and purchases. So it is difficult for me to put a number around it. I guess it must be happening but we wouldn't be able to back it up with any numbers.

Rajesh Ravi: Okay, great sir. And sir what would be the current utilization in the asbestos segment, sir? Our plant utilization for Q3 or YTD?

Manish Sanghi: We ran our plants continuously.

Rajesh Ravi: No utilization. What utilization we are operating at?

Manish Sanghi: We ran our plants 24/7.

Rajesh Ravi: And in the board segment sir, what utilization are we operating at currently?

Manish Sanghi: In the boards, we are operating around 70%.

Rajesh Ravi: And in the presentation I think you still not seeing the export market improving, right?

Manish Sanghi: No, we don't see it improving.

Rajesh Ravi: So your focus is obviously now in the domestic market?

Manish Sanghi: Our focus is totally in domestic market.

Rajesh Ravi: And lastly sir in this equipment mobilization which we have done from the way, so would that be absorbed in the domestic capacities itself?

Manish Sanghi: If we are focusing on the domestic market, but obviously it will be....

Rajesh Ravi: Okay. And lastly if you could give some CAPEX number for this year and next year please?

Manish Sanghi: As I said we have not taken any major.... basically a maintenance and CAPEX, so only CAPEX we have did it for modernizing one Calcutta factory which would accrue to around Rs. 15 odd crores. Other than that, it is standard, we make one paint line in our Bhagwanpurs Works, that would be around 4 odd crores, but there is no major CAPEX cycle.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the conference over to Mr. Sanghi from Everest Industries Limited for closing comments.

Manish Sanghi: Thank you. Thanks for all the question and I hope I have been able to answer to your satisfaction. We continue to see robust performance in the next few months. We expect

Indian economy to do well and we are deeply linked with the Indian economy for both our product line, building products as well as steel prices. I am particularly looking forward to get CAPEX cycle returning in the private sector which should augur well for our steel building business. The point of concerns are the rising prices of steel and we hope that it does not go beyond limits because that would hamper the growth across all sectors, not merely with Everest Steel Buildings. We are seeing that the impact of monsoon, the good monsoon, the good crops to continue till the next monsoon comes in. There is a lot of work which the company is doing on popularizing the fibre cement products. There is a very specific strategy to which we are working. We are very confident that the numbers will start showing difference in the next few quarters and that should get reflected not only in the topline, but more importantly on the bottom-line of the company. We are assuming a stable dollar and all factors as of today point today to stable dollar. We are also looking at not of very big change in the cement pricing that cement prices will go up, but will go up gradually and the government will effectively put a control on the cement prices since their capacity utilization is not very high, we do not expect a shortage to happen in any case. We continue to work with adequate safety procedures and as I was saying our chrysotile products. We have operated it for over 80 years now without any impact on our customers or our workers and we hope to continue with that in time. I hope when we meet next time, we will have better news to share with you. Thanks and all the best. Good luck.

Moderator:

Thank you very much sir. Ladies and gentlemen on behalf of Everest Industries Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.