



“Everest Industries Limited Q1 FY13 Earnings Conference Call”

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INDUSTRIES
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Moderator

Ladies and gentlemen, good day and welcome to the Everest Industries Limited Q1 FY13 earnings conference call. As a reminder for the duration of this conference, all participant lines will be in the listen only mode, there will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during the conference call, please signal an operator by pressing "*" and then "0" on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Manish Sanghi – Managing Director, Everest Industries. Thank you and over to you sir.

Manish Sanghi

Thanks and good afternoon friends. We welcome you all to our discussion on our Q1 FY13 earnings. Along with me, I have our CFO – Mr. Rakesh Gupta and Strategic Growth Advisor (SGA), our Investor Relations Advisor.

We have prepared and circulated analyst presentation and the same is uploaded on our website also, it got done this morning. This is our first conference call post quarterly results with investors and analysts and we stand committed to doing this on a regular basis. At Everest we are a great believer in transparency and would be happy to provide as much information to our investors as is allowed to us.

Since this is the first conference, let me start with some broad highlight on Everest and the industry.

Everest offers solutions for building products and steel building. We cater to the growing demand of the building and construction industry with a strong product portfolio for rural housing, urban area applications and industrial applications. From a single product roofing manufacture till a few years back we have evolved into building solutions company with more than 40% of our revenue for the quarter derived from products other than fiber cement roofing.

Some highlights of the fiber cement industry, the demand for fiber cement sheet is growing consistently and remains strong, as consistent growth in rural income leads to aspirations of better quality living. As per census 2011 in last decade the number of houses has increased from 25 crores to 31 crores of which 38% of the houses; that is more than 12 crores houses still do not have pacca roof. This indicates a huge growth potential for the roofing business. What we have seen and what census 2011 really reflects is the growth and aspirations of our country. In India be it urban or rural (people) are demanding better lifestyle and high quality products. There is a visible trend of people adopting modern ready to construct building materials, superior quality product and cost efficient technology. This is very positive direction for India and along with India it is very positive direction for us. We are a very strong participant and a great believer in the India growth story. The government has rural development focus as we are all aware of rural development through various themes like Indira Awaas Yojna, Bharat Nirman Yojna, NREGA, Rajeev Awaas Yojna which help and sustain the growth momentum of roofing business.

The boards and panels growth is mainly driven by its increasing acceptance as an alternative to wood base product. Architect, interior designers and contractors recommend the usage of fiber cement boards and panels due to better aesthetic and its qualities such as fire resistant, moisture resistant, termite resistant, strength compared to equivalent products. There is also a huge demand for this product line in the Middle East, in Africa, in SAARC and European countries. We currently export nearly 50% of our production to these countries. The third part of our business which is the pre-engineered buildings is an industry which you must say is in its infancy and is continuing to grow at a very high pace. We believe the growth there to be of the order of around 20 to 25% per year. This segment is mainly driven by growth in infrastructure, industry and warehousing. Its growing popularity in India is due to the significantly less construction time which is one third compared to conventional buildings. It also offers a significant time and cost savings in projects. We entered the segment five years back and last year had revenues of more than Rs. 220 crores. Incidentally last year we also delivered our 500th building.

On the roofing side, one of the main raw material that we use is Chrysotile fiber. Chrysotile fiber is fully imported, mainly from Russia, Kazakhstan, Brazil and sometimes Canada. There has been a significant increase in Chrysotile fiber prices and the rupee depreciation has further increased the cost. This obviously has increased the cost of our fiber cement sheets significantly. So we have taken a few price increases and have been able to pass on the cost to the end user without really having any impact on the overall demand.

We have undertaken a Greenfield expansion of 100,000 metric ton at Balasore in Odisha. Post commissioning our total capacity in building product segment will increase by 100,000 metric ton to nearly 810,000 metric ton.

In the last quarter, we had a very healthy order intake in the PEB segment and our current order book stands close to Rs.200 crores. We continue to supply to major industrial and warehousing clients and Everest is a well accepted and respected name in this industry today. We are also setting up a small unit for metal roofing in Ranchi; this will be feeding the eastern market for the metal roofing business. These are the broad guidelines and broad information I had to share. I will now hand over to my colleague Mr. Rakesh Gupta who is our CFO to take you through the financial performance of the first quarter.

Rakesh Gupta

Thank you Manish and good afternoon friends. I will take you through our results, which we have circulated in the presentation that has been mailed to you. We have recorded a revenue of Rs. 293 crores in the preceding quarter, which is higher by around 20% as compared to Rs. 244 crores in Q1 of last year. The EBITDA for the quarter is Rs. 43.5 crores, a growth of over 50% over the corresponding period of the previous year. Net profit for the quarter is around Rs. 26 crores which when compared with the net profit during the corresponding quarter net off the capital gain on sale of land shows the growth of 54%. Building product segment contributed Rs. 247 crores to the top-line whereas steel building segments contributed Rs. 46 crores.

In terms of the segment wise performance – I'm happy to share that our return on capital employed in both the segments has shown improvement which in case of building product improved from 26.5% last year to 32.6% this year year-on-year.

This segment, which comprises of fiber cement roofing sheet, boards and panels, the volume grew by 5.8% and the turnover at Rs. 247 crores was up by 27% over last year. The EBIT for the quarter was Rs. 43 crores up by 68% over last year, the EBIT margins stands 17.4%.

In the case of steel building segment again our ROCE improved from 22.3% last year to 27% this year. The segment clocked revenue of Rs. 46 crores versus Rs. 51 crores in the last year there is a drop of around 10% and EBIT also is lower at 1.6 crores versus Rs. 3.6 crores last year. In terms of the Company EBIT over capital employed improved from 12.5% to 16.2% in the current year.

As briefly touched already by Manish; we are currently implementing the Greenfield capacity expansion in which we have already spent upward of Rs. 6 crores and we are within the cost and implementation time estimated for this project. We don't expect any overrun either in terms of cost or in terms of time.

The company during the quarter borrowed USD 12 million to fund the expansion plan and other CAPEX and it is with a cost of debt of 10.4% including the full hedging cost in terms of principle as well as in terms of interest.

As on June 12 we have gross debt of Rs. 137.5 crores including a buyer's credit of Rs. 56 crores which is availed purely for interest cost and income optimization. The company's cash and bank balances stood at Rs. 154 crores which includes a fixed deposit of Rs. 130 crores with company's bankers.

I think that is briefly what I had to share and we can now have the question and answer from the participants.

Moderator

Thank you very much sir. Ladies and gentlemen we will now begin the question and answer session. The first question is from Grishma Shah from Envision Capital, please go ahead.

Grishma Shah

If one had to look at your the building product division where you sell the fiber cement sheet, what one understand is that there is a 6% volume growth and the balance everything is pricing if one had to just dissect. How do you see this trend going ahead for this year given that last year was muted for the entire industry peers? Last year was muted in terms of growth for all the industry peers.

Manish Sanghi

I believe the strong pricing is really related to a very strong demand in the marketplace. We see no signs of abatement of this demand as it stands. In the last few years there have been very few capacity additions really speaking and we do not really expect that the pricing scenario is

likely to undergo a change. Also let me say that the pricings really went up on account of a cost pressure so we expect it to be sustained pricing.

Grishma Shah Even if the monsoon plays a spoilt sport, are you confident of the volume growth that you demonstrated in the first quarter to continue for the rest of the year?

Manish Sanghi I have always seen that the monsoon really affects us with a lag so first part is I still hope that the monsoons will be successful, second part of it is that the dependency in general of crops and everything on prices has declined very significantly and the third as I said that it comes and hits you with a lag. So rest of this financial year at least I do not expect it to have any major impact on us.

Grishma Shah Also if you could tell us last year how had you taken the price increases if quarterwise if you could break down because I believe it is not the price increase that you have taken during the Quarter 1 this year that has led to such a sharp growth in terms of sales in the Building Products division?

Manish Sanghi First of all this is very competitive industry and there is a very large number of players so the prices move a little bit and we kind of monitor the prices on a very regular basis and take a call. But essentially in many ways you can see a linkage of this pricing with the Rupee depreciation so that had a very direct impact on the cost dynamics of this particular product line and as cost went up the pricing went up. You are right probably that cost increases happened in Q4 of last year and further in Q1 of this year.

Grishma Shah If the Rupee stays where it is currently for the rest of the year do you envisage any other price increases given that cement would be locally procured?

Manish Sanghi If there is no major cost push I expect prices to be kind of sustained. Having said that I should also say that it is difficult for this industry that Quarter 1 the prices as well as the volumes are their highest. Particularly the roofing is a seasonal industry and Quarter 1 has normally the highest prices and the volumes. So there always is some bit of slippage in pricing and volumes in subsequent quarters but if the dollar remains where it is and we do not expect any reduction in the prices of fiber, I do not expect prices to be really going down.

Grishma Shah So what kind of volume growth are you working with for the entire year for the building product division?

Manish Sanghi On the roofing side really speaking we do not have any new capacity addition in this particular year. The volume increase is going to be limited; it's not likely to be very high. For an increase of anywhere between 6 to 10% in revenue terms of course we will depend on the price.

Grishma Shah You also mentioned that the industry has not seen any capacity addition so what kind of utilization level is there in the industry and your company in the roofing side?

Manish Sanghi If I talk only of 1st Quarter it would be more than 100%.

Grishma Shah And otherwise what was at last year for the year?

Manish Sanghi Typically one can take something like between 85 to 90%.

Grishma Shah That's what the industry was functioning last year?

Manish Sanghi Yeah.

Grishma Shah You also mentioned about capacity which is going to come on stream, where exactly it is and when it is going to come on stream?

Manish Sanghi We are putting up a plant in eastern India in Balasore, it is on the eastern coast from 250 km from Kolkata and from Bhubaneswar. It is an industrial estate. We have 20 acre odd plot over there and we are investing close to Rs.50 crores, for setting up a 100,000 metric ton plant.

Grishma Shah And this whole completely come on stream by Quarter 4?

Manish Sanghi Yes it should. We will really start seeing the impact of it in our top-line and bottom line from Q1 of next year but it will come on stream in the Q4 of this year.

Moderator Thank you. Ladies and gentlemen in order to ensure that the management is able to address questions from all the participants, please limit your questions to two per participant. The next question is from Falguni Datta from Jet Age Securities, please go ahead.

Falguni Datta Could you just give me the asbestos cement sheet volumes for the quarter and Y-o-Y figure? Volume for the current quarter and Q1 of FY12.

Manish Sanghi I will give you the volume for the building product segment.

Falguni Datta It would be good if you just give me that part, the fiber sheet.

Manish Sanghi First let me share with you what is the building product 199,000 tons last year went up to 211,000 tons this year and I would suggest you track the volume for the segment because there are so many products in boards, panels and even roofing we have hi-tech roofing etc. we are not sharing that number of the roofing sheet.

Falguni Datta What would be the realization this quarter for the same fiber cement sheet excluding duties or including whichever way?

Manish Sanghi Realization in rupees per ton?

Falguni Datta Yeah and for fiber sheet again

Manish Sanghi We expect with the off-season setting in some softening or a kind of maintenance mode that we will go in and the dynamics will remain as we have seen in the current quarter. Roughly if you were to look at in terms of realization net off taxes etc it should be in the vicinity of Rs. 10,000 per metric ton.

Falguni Datta This is just sheets?

Manish Sanghi The realization currently is really not very different across product lines except when we go into some high-end products.

Falguni Datta And this is excluding duty you said?

Manish Sanghi This is excluding sales tax, excise and freight.

Falguni Datta What is the cost of asbestos fiber currently?

Manish Sanghi Asbestos actually comes in many different grades and it varies from anywhere between \$ 675 to \$900 per ton.

Falguni Datta But the one we buy?

Manish Sanghi No we buy all of them. We require a combination to be used.

Falguni Datta What would be our cement cost currently?

Manish Sanghi Cement is a very localized product so the factory say in Coimbatore would buy it at a different price than others. But if I were to give you an idea of what my last prices would be. In Central India it is close to Rs. 4,000 a ton. In eastern India it is close to Rs. 5,000, in south again Rs. 4,000 so broadly between Rs. 4,000 to Rs. 5,000. But it varies a lot from place to place.

Falguni Datta Lastly on fiber cement sheets volume because from this year those data's are not available on the annual report so would it be possible to share a number for FY12 full-year? Not building products whole but just for the fiber cement sheets.

Manish Sanghi Our total sale for the year 11-12 was 650,000MT.

Falguni Datta Of fiber sheets?

Manish Sanghi That's right fiber cement sheets.

Moderator The next question is from Bharti Gupta from Sushil Finance, please go ahead.

Bharti Gupta Just a follow-up question on your volume front like you said last year you sold about 650,000 tons of fiber cement sheets that is including your boards and panels including all right?

Manish Sanghi That's right.

Bharti Gupta That's not the only AC roofing sheets?

Manish Sanghi No that's not AC what we categorize as fiber cement include roofing and boards.

Bharti Gupta Of the 710,000MT capacity we had sold about 650,000MT and what was the production during FY12?

Manish Sanghi 657,000MT.

Bharti Gupta And 650,000MT of sales includes the breakage in the internal consumption, right?

Manish Sanghi When I say the sales it doesn't include breakage.

Bharti Gupta It doesn't include breakage, it's purely external sales but does it include internal consumptions?

Manish Sanghi Sales doesn't include internal consumptions. We don't consume internally.

Bharti Gupta Because there is one component called the breakages and internal consumption which was reported in FY11 so that was the reason that I was asking you what was your..

Manish Sanghi There was something that we use it for some depot usages but there has been nothing substantial.

Bharti Gupta I have a couple of questions on your building products division. Just to understand in the quarter we reported a revenue growth of around 27.7% in our building products whereas the volume growth was 6% so what our realization work has been around 20%. But as against that our EBIT has increased substantially by 68% and EBIT per ton has increased by 58% so what cost benefits have we realized in this particular segment?

Manish Sanghi Essentially when you increase prices it doesn't go towards setting of your fixed cost. So when your pricing goes up, almost all of it goes into the bottom line. So for any price increase you get a disproportionate impact on the realization or EBIT percentage. So essentially that is what would be.

Bharti Gupta But as against the realization the primary reason for the realization increase was cost pressure so if you assume that we had this increase the prices to the extent of pressure on the cost.

Manish Sanghi We increased it beyond cost pressure and we were able to pass on the pricing in the marketplace and second is you always have some inventory in the system which is produced at the earlier cost. But essentially it is a demand supply scenario so the demand was very robust and we were able to increase prices beyond the costs pressure.

- Bharti Gupta** What kind of sustainable margins should we see in this particular segment?
- Manish Sanghi** We do not see a significant change in the operating margins. As far as we visualize now except for the volume driven things where my fixed costs, which will remain same and the volumes may see a dip in the current quarter or slightly in the next quarter also but apart from that we don't see a significant drop in the operating margins.
- Bharti Gupta** But the operating margins like if we just compare it on the year-on-year basis from Q1 of last year to Q1 this year, it was EBIT margins of 13.2% which increased to 17.4% so that is a significant jump. When we say that assuming the cost to remain at the current levels and our realizations also to remain at the current level so should we assume that we will be able to sustain the plus 17% margins in this position?
- Manish Sanghi** If you look at Q2 and Q3 there could be some drop. On a longer term basis yes we should see only a minor correction which may take place otherwise we hope that the prices will sustain and the cost as you have taken I have given assumption, if they remain at the level where they are there should be some improvement in the margin as compared to last year whether it will be 17% or 16% because Q1 is exception which gets moderated in Q2 and Q3 though Q4 again start seeing the revival. I think dynamics if we look at in terms of the maintainability it will be certainly better than last year. We expect it to be better than last year but 17% should get diluted based on the volume that we will achieve in rest of the year.
- Bharti Gupta** So it is like we have the best volumes in Q1 and then our volume gets dipped in Q2 and Q3 accordingly our fixed cost rises so because of that there is moderation in your margins going forward that is in Q2 in Q3 as compared to Q1 that's the seasonality impact that you were trying to explain, right?
- Manish Sanghi** Yes.
- Bharti Gupta** When we again speak on the volume terms when you are guiding for the volume growth of around 6% in the AC roofing sheet like last year it was about 538,000MT sales for only AC roofing sheets and we just take 6% growth to it so we are still operating at 95% utilization levels given the capacity for 600,000 metric tonnes into AC roofing sheets. So will we be able to achieve that kind of utilization levels and what is the average utilization level of the industry?
- Manish Sanghi** The average utilization factor broadly would be as I said between 85-90% in a decent year and I suspect that's how it would remain. So if we do better than the industry we should be in the range of between 90 to 95%.
- Bharti Gupta** Because last year itself when we did about 671,000 tons so we were operating at close to 93%, I'm talking in production terms including your boards and panels. So we were already operating at close to 93%.

- Manish Sanghi** Yes there are some changes, there is a modernization programs which we had undertaken in one of our plants in eastern India plus some small bits and pieces keep happening so your availability of the machines becomes better. We are hoping to harness that and really speaking any volume growth is to come out of this debottlenecking rather than any new investment.
- Bharti Gupta** What would be kind of the optimum utilization that we as a company can operate and is sustainable because no capacity increases going forward like whatever new capacity will come in will have benefit?
- Manish Sanghi** We would be happy with the target of 95% but I should also just see along with is that every year we keep doing some additions or the other to the equipment that the capacity becomes a little higher. But I would be happy with 95% utilization.
- Bharti Gupta** Our new capacity of 100,000 metric tonnes will commission in Q4 of this year and the benefits will start accruing from FY14. So how much time does it take to stabilize a plant as in to fully start production?
- Manish Sanghi** It is a difficult question to answer because it can take anywhere from three months to one-year.
- Bharti Gupta** What is your expectation from the new plant to generate as in terms of utilization should we assume 50% utilization?
- Manish Sanghi** We would start obviously with a low utilization. You cannot start with the plant running at full capacity from the day one, both on account of production as well as your ability to sell in that marketplace. But we have a very experienced team working on the project so we expect quick stabilization. Also it should help us because we are transporting material right now over long distances in this market and with the commissioning of this plant we will not have to do that so we will save some money.
- Bharti Gupta** The CAPEX for this new project is close to about Rs. 50 crores so whatever you have mentioned that we have already spent Rs. 6 crores so that is of the Rs. 50 crores you spent Rs. 6 crores in this quarter or it is so far that we have spent Rs. 6 crores?
- Manish Sanghi** No that is so far. A whole lot of equipment is on order so obviously that cash flow will increase.
- Bharti Gupta** What would be your blended fiber cost as in if we just compare it from last year to current year what is the kind of change? I do understand that we import different qualities of fiber and blend all these things but what would be the blended fiber cost in dollar terms?
- Manish Sanghi** Cost in what terms are you asking?
- Bharti Gupta** In Rupee terms.

Manish Sanghi It will be something to the tune of Rs.45,000 will be the blended fiber cost.

Bharti Gupta That is in rupee terms, this is for FY12 or for the current quarter?

Manish Sanghi I'm talking of the current quarter.

Bharti Gupta One more thing on the building products front like we have announced we will be setting up a metal roofing plant at Ranchi so what would be the kind of CAPEX that will be involved in settling of this plant?

Manish Sanghi This is a very small plant. We already have land and building over there. The CAPEX would be very small; it will be to the tune of some Rs. 4 crores.

Bharti Gupta What would be the capacity?

Manish Sanghi Capacity of the roofing plant can be virtually unimportant. It is our ability to market which really is to be seen as it will help us both in doing business in the East market as well as support my PEB business projects which are executed in Eastern India.

Bharti Gupta And effectively it would not affect our existing cement business and it will be purely catering to the Eastern markets?

Manish Sanghi That's right.

Moderator The next question is from Rohit Natarajan from Indsec, please go ahead.

Rohit Natarajan What is the outlook on steel building segment, we see that there is a drop in realization, correct me if I am wrong, why is it so? This segment seems to be very volatile in nature?

Manish Sanghi In the steel building business actually, there is a very large element of steel which exist in the revenue if the steel prices go up or down it looks as if they were changing realization. Our realization has not really changed, if anything it is probably improved a little bit and I call realization as something which in this particular case after excluding the steel cost. We sold less and whenever the volume goes down the profitability gets affected disproportionately as I was saying in the case of roofing as well a small increase in prices or volume cause a disproportionate effect on profitability. Having said that I should also say that the first quarter of this year we had a good throughput of our orders, we acquired many new clients, many new orders and we see it as a one-off. We think we should be back on track going forward.

Rohit Natarajan My second question is related to you said about the Chrysotile prices that is somewhere around Rs.35,000 it is Rupees per how many metric tons is it?

Manish Sanghi Rs. 45,000 is what I said as a blended cost per metric ton of fiber.

- Moderator** The next question is from Kushal Sanghrajka from HDFC Securities, please go ahead.
- Kushal Sanghrajka** Just a follow-up question on the steel buildings business, as we have seen your margins in the steel buildings segment has dropped and you said it is largely because of pressure from the industrial segment. Now if I remember correctly at the end of FY12 you as well as some of your competitors in that segment were very optimistic on that segment and everyone has been booking a lot of orders as you said even this quarter you had some good orders. Now looking at the current scenario it doesn't look like the industrial segment of India is recovering already so what makes you feel like it is a one-off and it will not continue for the next quarter or two?
- Manish Sanghi** We have a strong order book, we have pending orders to the tune of Rs.200 crores and these orders are backed up by advances available with us so these are not orders on paper.
- Kushal Sanghrajka** But then again coming in the question of the steel prices and how will reflect your margins, this quarter there was a slight drop in revenue but even other than that the margins dipped significantly.
- Manish Sanghi** Margins slipped significantly, yes essentially on account of lower volumes and we expect to improve the volumes going forward.
- Kushal Sanghrajka** The steel roof plant that you're talking about at Ranchi, you said it is largely to support your steel building segment in East India. It is such a small plant with only Rs. 4 or Rs. 5 crores CAPEX what kind of revenue could it contribute to the company?
- Manish Sanghi** Once again the steel bit of it becomes a major pass through in the project of this kind and if I were to do a very conservative estimate I will do revenue of somewhere between Rs. 30 to Rs. 40 crores, if I be very optimistic I can go with this plant to the revenue of Rs. 75 crores. Over here the main challenge really is on the marketing front rather than on the production front.
- Kushal Sanghrajka** One last question, I think you have been pretty optimistic about green products and some of your products being in that segment and so have some of your competitors for that matter. Now within your building product segment I know you don't provide a split between your asbestos cement sheets and your other sheets in your green product. What kind of growth are you experiencing in those products and are they growing faster than the rest of the segment?
- Manish Sanghi** The boards segment actually grows a little faster; it has been growing faster than the roofing segment for many years now. But it has many product variants; it operates at many different price points. It also operates across many different geographies. So somewhere it goes down, somewhere it goes up. Right now the exports with the dollar being what it is helping us.
- Moderator** The next question is from Sameer Shah from Value Quest, please go ahead.
- Sameer Shah** Currently what is the realization of our asbestos sheet?

- Manish Sanghi** Realization in what terms, tell me the unit in which you want it?
- Sameer Shah** Realization per kg or sheet whatever.
- Manish Sanghi** It is roughly Rs. 10,000 a metric ton.
- Sameer Shah** Currently what is the pricing difference vis-à-vis GI sheets?
- Manish Sanghi** It is a difficult question to answer because there is no standardization in GI sheets. They come in various thicknesses while an AC sheet comes in a standard 6 mm thickness so while for GI thickness varies between something like 0.2mm to 0.45mm so that's kind of range. At the lowest end it will be cheaper than an AC roof to the order of around 30%.
- Sameer Shah** Asbestos would be cheaper by 30% at lower end?
- Manish Sanghi** No the metal roofing would be cheaper because it is very thin and on the higher side where we operate, we also operate in the metal roofing space, the metal roof prices can be higher by close to 60 to 70%. So it is a very wide range in which it operates.
- Sameer Shah** But incrementally how do you see that demand which one is preferred now metal or asbestos sheets?
- Manish Sanghi** If I were to segment the market into two parts, one is what we call as a strictly industrial segment and the second part as a strictly rural/ small commercial housing segment. These two segments behave very differently. In the industrial segment there is a clear preference for metal roofs today and in the residential and farm Agri related usage I would say there is a very clear preference for AC sheets.
- Sameer Shah** In our FY12 annual report our contingent liability has increased by 45 crores, there is some IT demand.
- Manish Sanghi** We believe it to be a frivolous demand by the Income Tax Department. We have been advised so by a lot of very senior lawyers that there is absolutely no substance in this demand. They disallowed a whole lot of our expenditures and we do not believe that to be legally tenable at all. But we have to go through the process. We are very sure that it really would not come out to anything but we have to declare it so we have done that.
- Moderator** The next question is from Bharti Gupta from Sushil Finance, please go ahead.
- Bharti Gupta** I would like to understand what is the kind of delta that we earn in the steel business like you said that steel is the complete pass through to the customer. So we should actually see the business from the per se like after deducting the steel prices so what is the kind of delta that we earn in this business?

- Manish Sanghi** At an average we would earn anywhere between Rs. 20,000 to Rs. 25,000 as the delta on the steel. From project-to-project, complexity and so on but that is the range, in some cases it can in a very complex building it can be even higher than that but that's a broad range.
- Bharti Gupta** What is the average I believe we procure CR sheets for the steel business?
- Manish Sanghi** In the steel building there are three kinds of steel which is used. Our big usage is of plate so these are thick-wide plates which we cut to fabricate our structure. Second part we use is a galvanized sheet which we use for the envelope and third we use coils for cold form section.
- Bharti Gupta** Then what is the kind of cost that we pay for procuring steel and do we buy from a spot market or we have some kind of contracts already with our suppliers?
- Manish Sanghi** These products are not available on the spot market; you can't buy it out in the market. We have tie-up with a steel mill in order to buy it and we buy from few selective ones with whom we have long-term relationship.
- Bharti Gupta** So what is the blended cost of acquisition of steel per ton basis?
- Manish Sanghi** It would vary a lot. It is a difficult question to answer because it varies a lot depending upon what kind of orders which I have and I know this doesn't answer your question but let me try to clarify, that if it is a building in which there are no heavy material being moved, there are no frame, it would have less of plate and more of the galvanized one. But if it is a heavy factory in which a lot of heavy products are being moved then the structure sheet need to be stronger. So over there structural steel element becomes higher and prices for these vary a lot. The structural steel price would be somewhere between Rs. 48,000 – Rs. 50,000 if I remember correctly and for galvanized it will go into Rs. 64,000 a ton.
- Moderator** The next question is from Deep Shah from Corporate Database, please go ahead.
- Deep Shah** We are having a Greenfield plant in eastern part of India right now so what kind of a saving we can expect in freight cost because if I have to compare your freight cost compared to some your competitors it is quite high so after this plant gets commissioned what kind of savings you can expect from it?
- Manish Sanghi** We expect the saving for sale in that area to the tune of at least Rs.1000 a ton. But I want to clarify that other points which you mentioned on that average freight costs are higher, I do not think that is correct. It all depends upon how one accounts for freight, a lot of companies sell their product or accounts for their sales on ex-depot or ex-works basis so they do not take the freight costs into their books at all. So the freight would always appear to be lower than us. So that is one part, the second part of it is that in the case of boards we have two plants and we service the entire country and overseas market. So my freight does go up on account of the boards business but on the AC roofing our freight would be comparable if not better with anybody else.

- Deep Shah** Because if I were to compare with some of your competitors you seem to be very high that is why I asked.
- Manish Sanghi** So that's why I have clarified that a whole lot of people sell it on a ex-work basis rather than on a delivered basis.
- Deep Shah** My second question was there any FOREX impact in the current quarter?
- Rakesh Gupta** The policy that we have adopted now is that the entire FOREX exposures are fully hedged. We do not have un-hedged exposure other than the ECB that we borrowed in 2007.
- Manish Sanghi** We did not have any significant impact of FOREX.
- Deep Shah** I just wanted to confirm your debt figure, what would it be as on June?
- Rakesh Gupta** Rs. 137.5 crores including the buyers credit of Rs. 56 crores the remaining being the ECB, term loan.
- Moderator** As they are no further questions from the participants, I now hand the conference back to Mr. Manish Sanghi for closing comments.
- Manish Sanghi** Thank you all for attending the conference call. It is a pleasure to be able to connect with you and share information with you. We would like to make it a regular affair and we look forward to be able to talk to you once again. Thank you all very much for your time and for your interest in Everest.
- Moderator** Thank you very much. On behalf of Everest Industries Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.