

**Everest Industries Limited**  
**Q1 FY20 Earnings Conference Call**  
**26<sup>th</sup> July, 2019**

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**Moderator:** Ladies and gentlemen, good day and welcome to the Everest Industries Limited Q1 FY20 Earnings Conference Call. As a reminder, all participant lines will be in the listen only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal and operator by pressing \* and then 0 on your touch tone telephone. I now hand the conference over to Mr. Pranav Khandwala from Valorem Advisors. Thank you and over to you sir.

**Pranav Khandwala:** Thank you. Good morning, everybody and a warm welcome to you all. My name is Pranav Khandwala from 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 earning conference call for Q1 FY20. Before we begin, 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 beliefs, as well as assumptions made by an information currently available to management. Audiences are cautioned not to place undue reliance on these forward looking statements and make 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. I would now like to introduce you to the management participating with us in today's earnings call. We have with us Mr. Manish Sanghi, Managing Director and Mr. Nikhil Dujari CFO. Without much ado, I request Mr. Sanghi to give his opening remarks. Thank you and over to you sir.

**Manish Sanghi:** Good morning and thank you Pranav for the introduction. We would like to welcome you to the earnings concall for the Q1 FY20. The company experienced decent quarter in performance despite market pressures. We have continued to witness positive demand. The performance of business is benefited from the stabilization in the industrial sector post elections, and hopefully an investor friendly government. There has been a good traction in execution of infrastructure projects. With the budget initiative in the infrastructure sector, we expect the demand to remain strong and stable. We have witnessed improve performance across business segments in the quarter, we have seen an increase in market share across all product segments through deeper market penetrations and improved operating performance. We have a tepid fourth quarter due to the elections coming near and to some extent the performance the volume growth wasn't as it could have been due to the elections happening in this quarter. Nevertheless, we had an improvement in volumes for the building product business during the current quarter. And we haven't faced any major obstacles in our normal day to day operations.

In the building product segment, we clocked a volume of 2.87 lakh tons which represents a growth of 8.7% on a year-on-year basis. The capacity utilization levels have improved and our decision to debottleneck and augment capacities have paid dividends. The increase in volumes are due to focus marketing efforts, strong product mix, and an added stimulus on new age building products and a significant increase in our distribution networks. A decline in realizations an increase in raw material prices have impacted the profitability of the building products. We are making all efforts to improve realizations in the coming quarters. In the steel building segments, we delivered 13,000 metric tons in the first quarter. We had made specific efforts of entering large ticket size orders and we have made significant progress in that direction. We are meanwhile committed to timely handover of projects to customers with industry benchmark quality in order to create and maintain brand awareness and customer stickiness. We pay special attention towards repeat orders from our customers and that number continues to be strong and stable. We continue to experience the perception shift of conventional construction to reengineered steel structures which is helping in converting customers even in industries which so far had been sticking to the conventional methods. Stable steel prices help the company to improve the margins. We have a strong order book pipeline of 27,000 metric tons in projects which is roughly a five month pipeline which is what we desire. Better contract management, stable steel prices and increase in average order size has resulted in improved profitability in the steel building segments. Everest continues to focus on improved brand awareness by creating new applications and use of modern technology to cater to the commercial customers.

We continue to be bullish about what is going to happen in the forthcoming quarters. We believe that the so called slowdown is not going to be affecting Everest significantly in the coming quarters and we look forward to the coming three quarters with optimism and hope that we will continue to flourish and do better. I would now like to hand over to Mr. Nikhil Dujari our CFO to discuss the financial performance of the company.

**Nikhil Dujari:**

Good morning and thank you ladies and gentlemen. On a standalone basis, our revenue for the quarter improved from 418 crore last year to 434 crore, which is year-on-year increase of 3.8%. On a quarterly basis EBITDA has gone from 44.3 crore last year to 43.9 crore this year, a marginal decline and EBITDA margins stabilized at around 10%. Last year it was 10.59 this year is 10.1 representing a minor decline of 48 basis points. PBT has decreased by 2.2% from 37.1 crore last year to 36.3 crore for the first quarter of financial year 2020. PBT margins have decreased from 7.03% to 5.78% which is a decrease of 125 basis points owing largely to the effective tax. This time the company has applied IndAS 116 applicable for long term leases and identified right to use assets aggregating to about 9.25 crores. This however does not have an impact on the P&L account significantly. Coming to the consolidated performance. Our revenue for the quarter changed from last year's of 421 crore to this year for 435 crore which is an increase of 3.5% on quarterly basis EBITDA went down from 44.3 crore to 43.3 crore a slight decrease and EBITDA margins stood around 10% the PAT has decreased by 16% from 29.3 crore last year to 24.6 crore for the corresponding year this year. The PAT margins have decreased in quarter because of the effective tax rates. Coming to the building products financial performance, our top line improved from 301 crore last year to 317 crore representing a 5.3% increase on the EBIT level, we declined from 50.6 crore to 38.2 crore representing a significant degrowth of 24.5%. While

the volumes rose from 2,64,000 tons to 2,87,000 tons which is an increase of 8.7%. In the steel building segment our top line for the quarter was 114 crore as opposed to 115 crore more or less flat. EBIT has significantly improved from a loss of 44 lakhs last year to a profit of 6.25 crore this year. Volumes remained consistent around 13,000 metric tons for both the quarters in both the years. Thank you. We would now like to open up the floor for questions.

**Moderator:** Thank you very much sir. Ladies and gentlemen, we will now begin the question-and-answer session. Our first question is from the line of Pravin Sahay from Edelweiss. Please go ahead.

**Pravin Sahay:** Firstly on the building product side you had given a 9% almost of volume growth. So can you give us some color from where that asbestos roofing or asbestos Super or in the building product boards and panels from where you got this volume growth?

**Manish Sanghi:** The volume growth has come across all segments there is no specific place which can be pinpointed for this growth it has happened in both it has happened in roofing, it has happened in all across.

**Pravin Sahay:** Okay, so because I think from the couple of quarters, the realization is going down. So, what the basic reason for that?

**Manish Sanghi:** It's a market driven product. The markets decline marginally.

**Pravin Sahay:** Across all three segments like asbestos roofing and?

**Manish Sanghi:** More in roofing than in boards and the pricing over all got affected.

**Pravin Sahay:** And similarly in the roofing that's a Brazil banned happened recently in past is that impacted to you in procurement of a Chrysotile?

**Manish Sanghi:** No it had virtually no impact on us.

**Pravin Sahay:** Okay. And thus similarly there is another observation like there is a lot of fluctuation on the quarter-on-quarter in your margin for a building product. So, where you will see that the stabilization will come in the margin?

**Manish Sanghi:** The building products are seasonal products and while over a long term, I will say 15-20 years the seasonality may have declined a little bit, I don't see it going away in the near future. The Q4 and Q1 will remain much stronger quarters than compared to Q2 and Q3 this is related to the construction practices in the country where in they dip when the rains happen, and they are at their peak just before the rain. So, I do not see this pattern changing very significantly in the times to come.

**Pravin Sahay:** But that margin would be in the range of 10 to 12% or would be in a higher range?

**Manish Sanghi:** So the margin is higher in this particular quarter on account of better pricing on account of better capacity of utilization of the plants. The other way in which margins can improve is if we can improve the sales of our value add products where in the margins of the products are higher. We are making an effort towards that, but we will have to wait and see how much we can improve it. So the 10% in the past has not been sustained over the other quarters, we are making all effort from our side to do so, but I sincerely think that we will see some dip we hope that the dip is not as significant as it has been in the past.

**Pravin Sahay:** Is it possible for you to share the asbestos to volume numbers?

**Manish Sanghi:** No, as a company we have a segment building products and we do not give out numbers separately for roofing and boards.

**Pravin Sahay:** Okay. And lastly sir on the tax rate. Why is that they have increased for this quarter?

**Manish Sanghi:** I think we are still well below the marginal tax rate applicable to corporates in this country. And historically, we did enjoy tax benefit in a couple of places that has now gone away.

**Pravin Sahay:** Okay, that has gone away from the certain plans?

**Manish Sanghi:** That's right.

**Pravin Sahay:** Okay, and the way forward also we will see in the tax rate applicable?

**Manish Sanghi:** We will be by whatever is the government denominated rates. The benefits can be there for some time. And they are no longer there

**Moderator:** Our next question is from the line of Aejas Lakhani of Edelweiss. Please go ahead.

**Aejas Lakhani:** Sir, couple of questions. Could you please share if possible what is the Y-O-Y and Q-O-Q change because of cement or the increase in cement prices Y-O-Y and Q-O-Quarter customer faced?

**Nikhil Dujari:** Our average increase in cement price per ton year-on-year is about Rs.750.

**Aejas Lakhani:** Okay, and could you quantify that as a percentage?

**Nikhil Dujari:** I am sorry, I think this would amount to disclosing the product mix. So, I would refrain from doing.

**Aejas Lakhani:** Okay. And sir could you share the average increase Q-O-Q?

**Nikhil Dujari:** Q-O-Q average increase is about Rs.550.

**Aejas Lakhani:** Okay. Sir my next question is that, you mentioned that there is an improved.

**Nikhil Dujari:** When I say Q-O-Q I mean, quarter four last year versus quarter one this year?

**Aejas Lakhani:** That is correct sir. I follow that, thanks. Sir my next question is that you basically mentioned about improved distribution network. So could you mention if possible, the number of touchpoint increases or anything that you could quantify to validate the distribution network expansion?

**Manish Sanghi:** Our typical distribution network across the year, number of people who buy is close to 7000 people. In the quarter itself, our number of dealers have gone up by something like 8 to 9%. And that is a number which is a volume increase, virtually the same number of the increase in volume and the increase in network is virtually the same.

**Aejas Lakhani:** Okay, and sir how have you been able to tap into these new dealers? Are they new dealers who have got added to the system parse or are these dealers who are not keeping our stock and you have ensured that they now keep our stock?

**Manish Sanghi:** I think it's never a single point answer. There are people of all kinds, there are people who are not stocking our building products. Some have converted from ply some have converted from tiles, some have converted from cement, some have converted from competition. But I would suspect that more people have been added from other trades rather than being converted from competition.

**Aejas Lakhani:** Okay, that is very helpful sir. And sir one last thing is to the previous question, you answered that you are expecting Q2 and Q3 to be a little better than Q1. And typically, Q1 and Q4 are your strong quarters. So, I just wanted to get a sense that there was the election effect in Q1, which led to some slowdown in consumption at least for this range of products. So do you see Q2 being much more stronger than historically what our Q2 is?

**Manish Sanghi:** So, I think there are two points one for building product in general Q2 is the worst quarter because the rains are in full swing. So there is going to be a decline for sure. What I said is, I am hoping and I am working towards ensuring that the decline is not as significant as it has been historically, we hope with the kind of efforts which we had made in Q1 and in the preceding year we hope to be able to achieve but I won't be able to quantify and give you any numbers around that.

**Moderator:** Our next question is from the line of Amrita Deharkar from Trivikram Consultants. Please go ahead.

**Amrita Deharkar:** Just to understand a bit on the market. There is a comment in the presentation where you have mentioned that the market prices of the building products were lower during the period side up to 5%. So I would like to know this it's not the discount or something which you have to give but it is actual reduction in the prices?

**Manish Sanghi:** I don't know what is the difference between a discount and reduction in price, for me, they are the same. I give a discount that is only a mechanism, it's the same thing.

**Amrita Deharkar:** Like from the next quarter onwards isn't the price will revert to the original prices or like it will still be impacting the top line for the company?

**Manish Sanghi:** I think that I don't really expect that the prices will suddenly change for much better. This will become the base from which prices will move.

**Amrita Deharkar:** Okay. My second question was roughly like a bookkeeping question. In a standalone basis the other income has increased to around 30 million in the quarter, whereas the average run rate has been around 16-17 million. So was there any one off item in the other income?

**Nikhil Dujari:** Sometimes you receive certain incomes that is coming in. So we continue to see how we can improvise this stream of other income. And we look forward to doing something going forward. For the moment, I think that should be sufficient.

**Amrita Deharkar:** Okay. And just my last question on the other expenses front that has seen lot of cost saving happening compared to the revenues, around 200 basis points improvement. So like what could be the major reason of the other expenses decline. And like if you could give out what is the promotion spending during the quarter?

**Manish Sanghi:** So I think couple of things there, one is the foreign exchange fluctuations last year, during the corresponding quarter the US dollar goes from about Rs.64.21 to about Rs.67, which caused a huge foreign exchange loss which has not happened this year. Simultaneously, our sales promotion expenses, which we launched a TV ad campaign that has not happened this year. And those are the two big reasons where we have kind of benefited on the other expenses.

**Moderator:** We will take our next question from the line of Dhiral Shah from ACM Investments. Please go ahead.

**Dhiral Shah:** Sir my question is regarding your building product. So you just said prices of building product were lower by 5%. So is it because of our substitute product like steel roofing, prices of steels have also came down so because of which our product have also came down just to match the demand growth?

**Manish Sanghi:** For me there are always two, three reasons which determine the price in the marketplace.

Number one is the overall demand for the products. Number two is, is competitive pricing and competition can be your direct competitors or you're a competing category. What really drove the pricing down this time was a reduction in demand, not really so much coming from reduction in steel prices. The reduction in steel prices was small, I do not think that's what impacted us.

**Dhiral Shah:** Okay, so do you expect this price to get stabilized in coming quarters as an when demand improves?

**Manish Sanghi:** I think so. One reason for decline generally has been that the elections were extended over a long period of time. And there were certain geographies where the elections went on for a really, really long time particularly in Bengal. So we actually saw the worst demand hit to be in Eastern part of the country. Now that is out of the way I expect demand, and hopefully the pricing to become more stable

**Dhiral Shah:** Okay. And so secondly, sir as in yours in steel building product, let's say your average order size has now been improved. So does it have a positive impact on margins?

**Manish Sanghi:** This is not a direct easy question to answer. Because when you take bigger contracts, the pricing of the contract can impact the overall realizations very significantly. Normally a smaller order gives you a better realization. But it also means a higher cost of execution. A bigger order at the same place gives you lower price and lower cost. So it's a toss-up between the margin side, why the bigger orders are important for us is that we were not the company in the contention for larger orders and there is a very large market which is there in which we were not participating. We are now an active participant in these larger orders whether be it shipyard, cement, auto industry, cars, scooters, and so on. And it also helps us beef up our order book very significantly. Our belief is that this is likely to help us improve our bottom line our margin, though our per ton realization may actually go down but so will our cost.

**Dhiral Shah:** Okay, and sir what is your average ticket size in steel building right now? And what was it earlier?

**Manish Sanghi:** I think our average ticket size was in the past was something like 180 odd tons, I don't think we should look at it on a regular basis, simply because a couple of big orders can change that number very significantly. I would talk more in terms of where I wish to take it. And the number I am looking at is that I should be in the region of 250 to 300 MT is where I would be happy with it.

**Dhiral Shah:** Okay and sir lastly, sir with this water related issue you know surfacing across India. So do you expect there could be an encouragement for drywall construction?

**Manish Sanghi:** Drywall construction is the answer to water shortage, sand shortage and skill shortage? It's a very, very definite answer. There are not enough number of people who know about it and are comfortable with drywall technology to adopt it, that is what is holding them back. But this is a very, very direct answer to shortages of water be it in Chennai or be it in Jaipur. It's a very direct

answer to shortage of sand be it Calcutta or be it Delhi. Riverside is not the way our construction should be happening. And we have seen increasingly architects, builders adopting this method. So, this was very interesting change which we noticed when we meet specified construction and now as we do have to start with telling what's a fiber cement board it is or what is dry construction, it is to convince him how it is more applicable to the current project in hand. So, there is a big change which has happened in the attitude towards dry construction. And that only should help us going forward.

**Moderator:** Thank you. Our next question is from the line of Jigar Shah from ICICI Securities. Please go ahead.

**Jigar Shah:** You have written on PPT that raw material prices on building products on the rise particularly for fiber, so which fiber exactly wood pulp or for asbestos fiber?

**Manish Sanghi:** There are various categories of fibers that we use, the first category is Chrysotile fiber, where the prices have gone up, the petro product prices have gone up are also impacting the synthetic fibers that we use and there are pulp which the prices have relatively soften.

**Jigar Shah:** So this raw material prices how much percentage exactly the rise has been Chrysotile fiber?

**Manish Sanghi:** That has gone up by close to about 7%.

**Jigar Shah:** And are we proposing to pass on the same?

**Manish Sanghi:** Gentleman my selling price have actually declined during the period, much as I would like to do that. It's also the capacity of the market to take that price increase. We are looking forward continuously to try and see how we can pass it on.

**Jigar Shah:** Okay. So, let's say with this Q1 being the best quarter of the season, what is your outlook on asbestos cement roofing product for over FY20 considering this lower demand and non-passing of prices. So what is your expectations of your revenue growth on asbestos roofing segment?

**Manish Sanghi:** As you would have noticed we have grown in the first quarter despite the market going down and I expect to keep that up.

**Jigar Shah:** Through around 5% single lower digit or higher single digit?

**Manish Sanghi:** I would really want to put a number to it, but I believe that we can keep up the pace which we have set for ourselves.

**Jigar Shah:** Okay sir. So, what will be your current capacity utilization in both the segments like asbestos cement?

**Manish Sanghi:** The roofing capacity utilization is virtually 100%. And it would fall as we move into the Q2. In the boards also we are using we are around 80-85%.



**Jigar Shah:** Okay. So, is there any plan of CAPEX or something?

**Manish Sanghi:** We are doing CAPEX for our roofing line, one of the roofing line is getting totally modernized. We would be taking similar efforts in the boards business as well. We would be doing CAPEX in debottlenecking and modernizing the lines.

**Jigar Shah:** So nothing on Greenfield side?

**Manish Sanghi:** As far as Greenfield is concerned, as and when we take a call we will announce it publicly, I won't be able to share it right now.

**Moderator:** Thank you. Our next question is from the line of Alisha Mahawla from Avendus Wealth. Please go ahead.

**Alisha Mahawla:** Firstly, I would like to understand do you expect the mix between your building production steel to be between 70:30 only or do you think it will skew going forward?

**Manish Sanghi:** As of now we do not expect a significant change in the mix between building products and steel.

**Alisha Mahawla:** Okay. And my next question was that while the volume growth in the steel segment has been almost constant. And so has the revenue there has been a substantial increase in the EBIT so if you could just elaborate on the reason for the same?

**Manish Sanghi:** Steel business profitability, this affected for two, three different reasons. One is the movement of steel prices, whether the steel price movement has been favorable for you or not been favorable for you. And in this particular quarter, it has been marginally favorable for us. The second is that we had been making a lot of effort towards making our contract management and controlling contract management better. And also working on cost reductions in our factories and those effects should be more permanent in nature because they are internal to us, while steel price is something which I cannot control.

**Alisha Mahawla:** Okay, and is there any kind of volume growth that you are sort of aiming for the current year in the building products and steel segment?

**Manish Sanghi:** We were actually hoping for a much bigger volume growth which has not happened in Q1. It will depend probably to some extent and how the country grows, what kind of GDP growth rate we can expect. The industry as I think the roofing industry actually declined in Q1, the boards were relatively flat, steel industry was flat. So they seem to be indicating a rather tepid GDP numbers and that is what one is hearing from every different industry. My own expectation is that we should we should grow at least as much as the GDP growth, I hope to I am working towards making it a little better than that.

**Alisha Mahawla:** Okay. And sir my last question is pertaining to an earlier statement made that, the raw material prices over the last one year have gone up by about 7% odd and in the current quarter there is

also been a reduction of, so what I am trying to understand is while your realization is reduced by 5% this is over and above an increase in raw material price of 7% where you have not been able to pass on anything in the last one year?

**Manish Sanghi:**

This is not really last one year we are talking about the last quarter. We were not able to pass on the increase in the pricing. There are two different very two different dynamics which work on the costing side and selling side. Costing depends upon my raw materials are steel, my raw material as cement, my raw materials as fiber, their pricing economics are very different from the pricing economics of my market. And the way we are looking at increasing over realization is by selling more products where the realizations become superior. So, on the board side we have more value added we are selling painted products we are selling heavy duty boards, more finished products, most solutions is a way forward for us. And then on the roofing side to sell more colored products is the way we are looking forward. We can safely say that if it was not for the value add products which we had in our portfolio these numbers, the reduction would have been high. And our effort is to increase this percentages in the coming quarters. We have the capacity we have and we are putting in all the other tools which are at our command which are distribution network, which is promotion, which are the sales teams in order to achieve that.

**Alisha Mahawla:**

Okay, And one last question if I may. You said that there was a debottlenecking exercise that was there in this quarter, can you say by how much has the capacity increased?

**Manish Sanghi:**

Over the last year if you look at our capacities have gone up from 8,80,000 tons in building products to 9,50,000 tons.

**Moderator:**

The next question is a follow from Aejas Lakhani of Edelweiss. Please go ahead.

**Aeja Lakhani:**

Sir, I wanted to just understand that you mentioned that the distribution touch points have increased and you sited that there has been people from distributors from other streams like plywood, etc who have moved here. So do you find that these distribute and there is a lot of challenge in those industries as well. So, I wanted to understand that this movement of distributors, do you think this is a very permanent phenomena or temporary shift that they have made? And because you would have seen a cycle like this and such a shift would have happened in the past I presume. So would like your comments around that?

**Manish Sanghi:**

No, I don't think this is a temporary shift I having worked with dealers for a very long time, nobody adopts this product temporarily. If the product gives them the desired returns, if there are people coming and asking for the product, people normally would stick with the product. I have not seen cycles in which people have adopted a product and then abandoned it once their other products picked up. And I do not think that the reason for it is I do not know the demand for flat, I have no idea around it or tiles for that matter. The reason is that people are coming and asking for solutions of this kind to their shops, which is and we have a we have a good proposition to offer which is what is making them stock it. I do not see it being temporary.

**Aejas Lakhani:** Okay, that was very helpful sir thanks for that. And sir two follow ups on that. Sir, I was not aware when you mentioned a little bit about the drywall construction could you help me understand or explain that a little bit. So the same FCBs which we use in the roofs can be used in the drywall construction as well? Is that correct?

**Manish Sanghi:** No, the broad term is fiber cement board. What is used for roofing is a product which uses Chrysotile and is corrugated in sheet. So, it is made in a very different manner from the ones which is used for walling applications. The main use of boards involves is in ceilings, and sometimes in flooring. So the two products though made primarily with cement are essentially different in characteristics, the raw material for roofing is Chrysotile fiber, fly ash and cement. Raw material for boards is cement, Silica, and Cellulose fiber. They are different products.

**Aejas Lakhani:** Okay. And sir just wanted to understand that given the fact that the product has superiority, compared to other products and from a pricing perspective is, you know in terms of it is cheaper than other products. How come the industry parse, for this is not growing?

**Manish Sanghi:** I think the industry is growing, the fact that people are putting up new plants constantly, is a testimony to the fact that the industry is growing. If probably not growing at the pace. It's not growing in an exponential manner, considering the low base, it should probably grow in an exponential manner. We are probably not reached the tipping point yet. I hope that tipping point gets reach sooner rather than later.

**Aejas Lakhani:** Right and any reason, actually sir my question is more to understand that why have we not reached the tipping point is it that because the product marketing is still less than the industry or awareness is lower?

**Manish Sanghi:** I think building product evolves much slower than some of the new age. So a mobile phone with a touchscreen would probably catch on much faster than replacing bricks with boards. So our primary competition, the way I define it is with bricks and mortar. And there is a certain feel, there is a certain comfort which people have with bricks, blocks and cement. And this is a conservative industry, they would want to check it out in small projects before they make a shift. But we are seeing very definite signs that this shift is having.

**Moderator:** Our next question is from the line of Ashutosh Garud of Avendus. Please go ahead.

**Ashutosh Garud:** So, did you mention about any capacity which is coming up in Q2?

**Manish Sanghi:** No we did not mention anything about any new Greenfields happening. There is no Greenfield underway as of today. We are doing some debottlenecking of a roofing line. And we will do some debottlenecking of the boards line, though there are two projects which are going to be happening right now.

**Ashutosh Garud:** So the debottlenecking which you mentioned about 70,000 capacity because of.

**Manish Sanghi:** That is already done. And that is that's already existing. I am talking of something further

happening.

**Ashutosh Garud:** Okay, so what kind of a capacity will that add to your?

**Manish Sanghi:** When you do debottlenecking my capacity in roofing will probably go up by something like 30,000 tons and building products totally will go up by something like 40,000 tons.

**Moderator:** Our next question is from Harsh Shah of Dimensional Securities. Please go ahead.

**Harsh Shah:** Sir, my question might be repetitive in nature because I joined the call late. I just wanted to get a sense of how is the demand scenario especially in rural areas, there's a lot of pessimism around. So, just wanted to get a sense of that and also what would be the triggered point which can lead to some sort of recovery in demand as well as the prices.

**Manish Sanghi:** Some of the pessimism probably is got reflected in the overall industry numbers which came through for us. The industry did witness a small decline, though the decline could also be attributed to a onetime events like election, which was a very extended prolonged election and particularly in some geographies it went on for a very, very long period of time. I do not see any fundamental reason why a downturn in demand should persist. The current crisis which is happening because of the NBFCs financial doesn't really affect us directly. The farmer who buys roofing sheets from us normally doesn't get it financed through a bank, it is a cash purchase. So, we do not see there to be any permanent reasons why the industry should remain low. The trigger points have always been crop prices, the crop quality and crop pricing. So, the monsoon after slow start seems to be now fairly well spread except for some areas in Rajasthan, they seem to be widespread and bountiful, which is good for us. The basic product attributes continue to be strong our product, vis-à-vis what is competition for us, which is steel continues to be a superior product in terms of life, in terms of comfort, both heat and sound. So those basic product attributes have not gone away and continues to be also more cost effective. In addition, we are also now aesthetic, which was something which we didn't have vis-à-vis the steel business now, we are able to add the aesthetics to the product. So the basic fundamentals, which drives the demand continue to be there, I also find another interesting trend is that the government seems to be focusing far more on rural economy. And so a lot of money is flowing into the rural economy and some of that share should come to us. I am very bullish about the rural demand. I also think that there is a big focus on infrastructure, they continues to be a lot of investment getting made in, in the logistics segments in the warehousing segment and that should help us in demand. The points which continue, which worry me are related to auto industry, where the demand is low and we do a lot of work with auto industry for steel buildings. So that is the part which worries me. But interestingly, all my bigger projects which I am currently executing are in auto industry, and they are continuing to add capacity irrespective of the fact, despite the fact that the demand they say is down by 18% right now. They are investing for future increase in demand.

**Harsh Shah:** And just one question can you provide me with the total complete volume data this is, in the presentation it is rounded off, so can I have the complete number?

**Manish Sanghi:** I think you can talk one to one. Really speaking rounding off is not very significant.

**Harsh Shah:** In steel building I think because 13,000 metric tons it can be either 12.5 or 13.4 so that is what is?

**Nikhil Dujari:** We are slightly below 13,000 above 12,000.

**Harsh Shah:** Okay.

**Manish Sanghi:** It's a very small

**Nikhil Dujari:** I was rounding off that way if we are below 12,500 it will be 12.

**Manish Sanghi:** It is not a difference of 7-8%. It is more in the region of 2-3%.

**Moderator:** Thank you. Our next question is from the line of Dhiral Shah of ACM Investments. Please go ahead.

**Dhiral Shah:** Sir, my question is pertaining to your continuously debottlenecking the capacity, but at one side market is not growing and you are also debottlenecking the capacity. So why not you are having a pricing power in this situation? Because you are running at full capacity, right?

**Manish Sanghi:** We are running at full capacity right now. But I think very, very little product differentiation which is there except for our colored sheets. So it's an industry wide phenomena. I go with the market over here, I am not able take the prices up on my own.

**Dhiral Shah:** Because sir you are running at full capacity. So you might be having some kind pricing power?

**Manish Sanghi:** Quite obviously I am not having significant pricing power that I can do it on my own.

**Dhiral Shah:** Okay, and sir secondly what is the CAPEX for the full year?

**Manish Sanghi:** CAPEX for the quarter is what one can talk of at the moment. We have already talked about the last year and the year end conference call for the quarter. There is no significant CAPEX that has happened. What is happening is currently work in progress. So really, if there is 2 or 3 crore in CAPEX that is something that will make a difference.

**Dhiral Shah:** Sir because you are debottlenecking right? So for the full year the CAPEX would be only 2 to 3 crore?

**Manish Sanghi:** For this quarter the CAPEX is about 2 to 3 crore when full year, towards the next year. So last year we did certainty things and that is already gone by in the last quarter conference call. I am saying this quarter, this is what we have done for the full year again it is not likely to be

significant, it is likely to be more in the regenerative likely to be more or less equal to our depreciation.

**Dhiral Shah:** Okay and sir lastly, if our industry is de-growing so you feel steel roofing industry is growing them? Or they are, we are with par with them?

**Manish Sanghi:** As per me, the overall roofing market has declined. I don't have specific numbers, but I see no reason why they would have declined in a similar fashion. So the question is whether the industry share has come down? I think the answer is no. The industry shares would remain consistent.

**Dhiral Shah:** So what's the industry share then between steel and cement?

**Manish Sanghi:** They are virtually the same in the rural market the share is roughly 50-50% I think that share would remain consistent.

**Moderator:** Thank you. Our next question is from the line of Ayush B of Aequitas Investments. Please go ahead.

**Ayush B:** Sir actually I joined the call a little late so can you mentioned the raw material prices you mentioned that they have increased?

**Manish Sanghi:** We witnessed an increase in the prices of cement and of Chrysotile fiber. And we mentioned those numbers cement versus last year our prices have gone up by about Rs.750 per metric ton. On fibers it's a mixed bag because you have Chrysotile fiber, you have polymers that acts as fibers and various other categories but in the entire mix if I wish to see, the approximate increase is about 7%.

**Ayush B:** And what about pulp prices?

**Manish Sanghi:** Pulp prices have cooled off by \$100 per metric ton.

**Ayush B:** Okay, quarter-on-quarter?

**Manish Sanghi:** Year-on-year same quarter.

**Ayush B:** Okay. And sir in our steel building so this quarter we achieved EBIT margins of almost 5%. So do we expect these margins to continue for the entire year?

**Manish Sanghi:** We look forward for that to happen. It is really a function of what is the kind of contracts that you are executing in a particular period. So if you are executing a contract during a particular period that is better for you versus in a particular period you are executing a contract that's not so good for you will determine how the margins will move.

**Ayush B:** Correct. And on our roofing side so our overall volumes have gone up by almost 9% so what would be our volume growth in boards and panels?

**Manish Sanghi:** We were talking about the building products per se. We are not talking of roofing. We have always discussed the building products as a segment, not as roofing or boards or panels.

**Ayush B:** Okay, so we don't give separate figures for roofing and for boards and panels?

**Manish Sanghi:** In aggregate ahead 850 SKUs, I cannot go down to the level of detailing.

**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. Over to you sir.

**Manish Sanghi:** Thanks a lot for your probing questions. As always, it helps us focus on the task on hand. We are preparing Everest for a rapid period of growth, we are going to do that through a process of a new product which deliver more value to customers, we are going to make our products available to him closer faster. And we are already seeing signs of how this is going to help us improve our volumes and our performance. We are concerned about the demand scenario. But it's our belief that the current one is a blip. And we should be seeing a steady growth in our older businesses and a much more rapid growth in our new age products, our aesthetic products, our painted products going forward. We are coming into the time in the Q2 when the monsoon and other stuff reduces construction activity. And that's the time we prepare ourselves up for doing newer things in the marketplace. So we continue to be busy preparing for the future. I am sure that when we meet next time, 3 months from now we will have a lot more interesting things to share. Thank you all for taking the interest in Everest and I look forward to being with all of you once again three months from now. Thanks and all the best.

**Moderator:** Thank you very much Sir. Ladies and gentlemen on behalf of Everest Industries Limited that concludes this conference call. Thank you for joining with us and you may now disconnect your lines.