



“Everest Industry Q4 FY-13 Earnings Conference Call”

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MR. RAKESH GUPTA – CFO, EVEREST INDUSTRIES**

Moderator

Ladies and gentlemen good day and welcome to the Everest Industries Q4 FY13 Earnings Conference Call. As a reminder for the duration of the conference, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, you may signal for an operator by pressing * and then 0 on your touchtone telephone. Please note this conference is being recorded. I would now like to hand the conference over to Mr. Manish Sanghi – Managing Director at Everest Industries. Thank you and over to you sir.

Manish Sanghi

Thanks. Good afternoon friends. We welcome you all to our discussion on our quarter and the full year earning ending March 31, 2013. I have with me CFO – Mr. Rakesh Gupta and SGA – our Investor Relations Advisor. We have prepared and circulated the analyst presentation and the same has been uploaded at our website too. I am sure all of you have already gone through that.

FY12-13, saw mixed performance across our product lines. Q4 in particular saw a significant drop in earnings mainly in account of drop in volumes due to sluggish demand in the building product segment. To some extent, the impact of the drop in volumes was mitigated by better price realization, if I were to talk about each business as such starting with roofing business. On an annual basis, the demands for roofing product has remained relatively flat essentially an account of general economic slow down. We however expect the demand to pick up essentially on account of the Government of India push in the budget 13-14 for more activity then the rural development ministry wherein the allocation has gone up by 46% to Rs. 80,000 crore. We have generally seen over a long period of time that elections spur our government into more action and with the election in 2014 and hoping that the monsoon will be normal this year. The demand for roofing product should be going up. With also the increasing in government focus on infrastructure spending, the demand of our boards and panels as well as a steel building segment should also be picking up. Our board panels and steel buildings business has an urban in industrial bias and we expect to report good growth as the government has belatedly started putting focus back on infrastructure spending and urban development. On the export side of our boards and panels continue to be well accepted in the Middle East North Africa region and our exports continue to be steady over there. This I should say is despite a lot of new entrance who have started selling in this area. The domestic demand is also stable with more and more architect in builder using the Everest Boards and Panels. Once again the important point here is that in the last couple of years, we have seen many new entrants in this segment of business and despite the capacities increasing significantly, we have been able to hold on to our volumes and market shares. On the Capex side, in the building product segment, you are aware that we have undertaken a green field expansion of 100,000 metric tonne at Baleshwar in Orissa. We are happy to share that we have commence trial production at the plant, which started in April 2013. The commercial production should be in by mid 2013, the start up of the line had been smooth. We haven't encountered any major issues and things are going as per plan. Post expansion of our capacity for building product segment should increase to 810,000 metric tonnes per annum. Our steel building segment has shown a reasonable

growth this year. We believe the industry should grow at around 25 odd percent growth rate per annum.

The industry and infrastructure segments are currently the two main segments contributing to the overall demand of steel building in India. The penetration of steel building made in the pre-engineer way is relatively small. Primary due to preference toward the use of concrete we expect this to change in future over the medium term and the share of PEB to continue to increase. The PEB demand will be driven by the logistics and retail sector besides the industrial sector which requires large PEB structures for factories, warehouses, and retail space. The a lot of small scale industries in addition to the traditional large industries are also recognizing the advantages of using PEB over concrete building structure and we are finding a lot of them adopting the PEB over the conventional structure. With increase in potential and expecting a better growth in steel segment, we have taken a capacity expansion in our steel building segment. We have decided to setup a new facility at Dahej in Gujarat. This is the Gujarat Industrial Development Corporation, GIDC land and we are planning to set up a 30,000 metric tonne capacity with an estimated cost of 50 crores. The project will be funded from internal accruals and debt. As you may be aware we had already raised US dollar 12 million through ECB last year to finance the Capex. Post expansion the total capacity of steel building segment will increase to 60,000 metric tonne. The new facility at Gujarat would be a state of the Art plant with high level of automation which should help us improve the productivity. The facility will cater to order from western and southern India. These two are also potentially the largest market as far as PEB is concerned. And this will help us in reducing the freight cost and improve the customer services including faster deliveries. On the raw material side, and if I should focus that to the building material, one key raw material for us is chrysotile which is fully imported. The pricing for chrysotile is typically on a long term contract. Last year the price of this key raw material was increased substantially, but this year we have been able to negotiate a small downward revision in the pricing.

These are the broad guidelines and broad information I had to share. I will hand over to my colleague Rakesh Gupta, who is our CFO to take you through the financial performance of first quarter. Over to you Rakesh.

Rakesh Gupta

Thank you Manish and good afternoon friends. I will take you through our results which have already been circulated in the form of a presentation that has been made for you. In Q4 FY2013, the income from operations marginally dropped by 2% from Rs. 246 crore to Rs. 241 crore. However EBITDA have seen significant drop of 49% from Rs. 23 crore to Rs. 12 crore. This drop is mainly on account of 10% drop in volume of building product segment due to sluggish demand and around 17.5% drop in steel building segment. However, the impact of drop in volume has been reduced by better realization in both the segments. In terms of annual results, we have recorded our revenue of Rs. 1,014 crores in the financial year 2013, which is higher around 14% as compared to Rs. 887 crores in the last year. The EBITDA for the year is approximately Rs. 98 crores, a growth of over 21% over the corresponding period of the previous year. Net profit for the year is around Rs. 52.5 crores which compared with the net

profit adjusted for income tax due to sale to land during the corresponding year show the growth of 20%. Actually last year, we had a sale of land about Rs. 11 crores profit. If we adjust for that, it is a 20% growth. Building product segment contributed approximately Rs. 769 crore to the topline whereas steel building segment contributed approximately Rs. 246 crores. The segment which comprises of fiber cement, roofing sheet, boards and panels, the volumes were flat whereas a turnover at Rs. 769 crores was up by 16% over last year and this indicates better pricing. The EBIT for the year is approximately Rs. 84.5 crores which is up by 8% over last year and if we compared on absolute term, otherwise if we adjust for the capital gain which I have just talking about it is up by around 26% and the EBIT margin stands at 8.4%. In the case of steel building segment, our revenue is approximately Rs. 246 crores versus Rs. 223 crores in the last year growth of about 10%, the EBIT for the segment is at Rs. 14.1 crores up approximately 5% over the last year. In this segment, we have an order book of approximately 26,200 metric tonnes or Rs. 220 crores of which order worth around Rs. 100 crores or 12,500 MT has been booked in last three-four months.

As briefly touched by Manish, the capacity expansion at Baleshwar is progressing well. We have already started the trial production and the plant will be operational in a couple of months may be next month itself. We are also expanding capacity in our steel building segment by 30,000 metric tonnes. The Greenfield expansion will be at Dahej, Gujarat at a cost of Rs. 50 crores. We have already acquired the land and the outlay of Rs. 11 crores has already taken place and the civil construction will start from July 2013 and we expect that in a years time will have the commercial operation to come in. On the balance sheet side, we have gross debt of Rs. 173 crores including an ECB of Rs. 62 crores, which is avail for CAPEX purposes and a fully held within all in interest purpose 10.4%. The company cash bank balance stood at approximately Rs. 53 crores which include a fix deposit of Rs. 35 crores being the unspent amount from the ECB which is standing utilization for CAPEX. We will be utilizing the same to finance approximate propose CAPEX and steel segment at Dahej Gujarat. The net debt to equity stands at 0.4 times. This is briefly what I had to share and if Manish agreed we can start the question and answer from the participants.

Moderator

Thank you very much sir. Participant will begin the question and answer session. We have a first question from the line of Baidik Sarkar from Unifi Capital. Please go ahead.

Baidik Sarkar

We have a last call on 24th of January which was roughly a month into Q4. The question is weren't we able to foresee the drastic fall in volumes that has eventually happened. You know the concern really is that are the lead indicators inside the organization faulty and you know whatever we are doing to correct this that so that lead indicator going forward before the realistic picture of what demand will be?

Manish Sanghi

It is little tricky and the situation did catches by a bit of surprise alright. The period typically is a period in which the primary sale, which is significantly higher than this secondary sale and by that I mean the traders in anticipation of a sale during the season time stocks up and holds stock because they are able to buy it at slightly lower price and then liquidate the stock in the

period April to April, May, June, July depending upon where they are typically located. Our understandings after talking to the traders and where we probably got mislead was that they base their a lot of their opinion on what is happening with other building material and while they may not be any one to one correspondence as far as the secondary sale is concerned, they saw a trend in the cement and steel business which was not very encouraging. So they did not stock up. They stock up only to the extent of what was required for retail and may be a little bit more and that resulted in a drop of volumes. This year always known that over year the primary sale has always been higher then secondary. This time the primary and secondary sale matched.

Baidik Sarkar

So the next question is given that say halfway point into Q1 of this financial year, what is the realistic estimate of how this quarter I mean in your opinion well turn out?

Manish Sanghi

If demand coming back from both primary as well as secondary, the traders is not ready to stock material, but frankly this is no time to stock up for sure and as far as retail is concerned, we are seeing differing pattern across the country. There are pockets in which demand continues to be low, but there are other areas in which demand is very-very robust. On an overall basis, I am finding volumes to be not very different from last year.

Baidik Sarkar

So between a YOY basis, the current quarter Q1 I mean the best case scenario for us to be flat is that right?

Manish Sanghi

Flat or little better because we have more inventory then last year, so last year we didn't really have the ability to sell more. This year we have the ability to sell higher. So I would say similar to slightly better is what I expect at this point of time.

Baidik Sarkar

For us volume is concerned. So going ahead for the full year in terms of volume you know for both segments building as well as PEB, what is your conservative and realistic volume estimates for the entire year?

Manish Sanghi

See we will have more capacity on line available on our roofing business. Though the plant capacity is 100,000 I realistic expect it to work at 60 odd percent capacities in the year. So I should be able to improve the volumes on the building products business. On the steel building business, once again over the last few months, we have been doing a lot of work in our factory and we have also been able to make arrangements that whenever we run out of capacity, we have an ability to meet our customer expectation and so we are kind of balancing through buying from other people. With that I would expect a growth to put a precise number to what that growth is going to be, I would not hazard a guess at this point of time.

Baidik Sarkar

And what is your sense of inventory in the overall industry?

Manish Sanghi

The inventory is high on the building product segment with virtually everybody and it is low in the trade.

- Moderator** Thank you. We have a next question from the line of Mr. Vivek Kumar from Anand Rathi. Please go ahead.
- Vivek Kumar** Sir just wanted to you know CAPEX figure in segment wise you can provide and margin guidance as well as what was the margin last year on EBIT front?
- Manish Sanghi** The big CAPEX which is taking place is for the new Dahej plant, which is around about Rs. 50 crores and out of that we have already purchase the land as I said at GIDC Dahej, which is about Rs. 11 crores other than that, as of now we haven't announced any new project, but we will of course we are having a lot of routine Capex which is for modernization, upgradation, some debottlenecking that will be there and sorry what was your second part of the question?
- Vivek Kumar** Sir Margin of segments?
- Manish Sanghi** On the steel building side, I don't expect any significant change in the margin. On the building product side, I expect the margins to remain steady through the year unlike last year wherein some quarter they were very high and in some quarter they were extremely low. I expect it to remain more uniform throughout the year.
- Vivek Kumar** Can you give some figure?
- Rakesh Gupta** In steel building our EBIT margins were 5-6% and in building products 11 to 12% and we are reasonable sure that we will maintain the similar margins of EBIT.
- Vivek Kumar** And sir can you throw some light on working capital of both the segment like which segment is consuming more working capital or vis-à-vis other segment?
- Rakesh Gupta** Actually if you look at the working capital cycle in the different businesses, the segments are having two different dynamics and in steel building, we takes a lot of advance from customers when we are taking the order of about 20-25% and that helps us keep our working capital fairly well managed in case of building products as Manish has just pointed out because of the rising inventory, there has been some increased working capital which have got involved in the business, but as we are expecting the season to you know sort of help us reduce the inventory, we will have a reduced locking up of inventory. Fortunately for us in building products business, we have practically negligible debtors because we sell most of things on payment against delivery basis and whatever credit has given either it is for export where we give credit against LC or against the security deposit where which actually mean that there is no working capital which gets locked in. so inventory is something that we are having some gaps from higher inventory which is locking up some working capital and building products otherwise that has you know in steel business, there is only about Rs. 5 to 10 crores, kind of working capital that I have.
- Vivek Kumar** How much is the percent of sales can you quote something?

- Rakesh Gupta** My turnover for steel building for the year was around Rs .250 crores, so you can get the arithmetic their
- Manish Sanghi** Its very high, our inventory is steel buildings is extremely small. But in inventory no I was saying the net working capital. On the building product side, it is currently high on account of high inventory both of fiber and finished goods.
- Moderator** Thank you. Our next question from the line of Mr. Bharti Gupta from Sushil Finance. Please go ahead.
- Bharti Gupta** Sir I have a question on the building product segment as in what is your outlook towards the overall volume for the next financial year given that the new plant which is Balasore will get operational towards the middle of 2013, that is we expect towards the commercial production which start towards the end of say June, so how will we compensate for the lower output from Balasore in the peak season and secondly on the similar line, like last year we have been capacity addition from couple of other players, where as our capacity addition has happened during this year, so there is a lot of inventory within the industry as well. A lot of new capacities which has come up that will be able to suffice the high demand in case if it happened, so how are we placed in that parse?
- Manish Sanghi** Thanks Bharti for your continue to interest in Everest and asking a question a very single time. In Balasore, first of we are doing the trial production. We call it commercial production only after we reach a certain stage, we say that the production is fully stabilized and also it's not as if the production is not happening. We just say that it is not stable yet. So I would get some advantage out of that for sure. Second part of it the capacity which got added last year was actually very small across the industry. There was very few new plants which got added, so that's number is not very significant. None of the major players added any new capacity during the last 10-12 months.
- Bharti Gupta** And sir as far as volumes for that Q1 which is supposed to be the peak season for the industry as a whole, we are not witnessing any significant increase in terms of demand, that is as you mentioned earlier that on a year on year basis, they have seen flat kind of volumes in Q1, so that is the case and will we be left with higher inventory even in June quarter?
- Manish Sanghi** Normally this should not happen; I don't expect it to happen this year. The inventory left at end of the season is normally a very small inventory; don't really see why that pattern should be change in this year as well.
- Bharti Gupta** I asked you on the volume front as an when we are saying that the overall volumes have not picked up much as it kind of flat, so that question you answered right?
- Rakesh Gupta** Yeah, in terms Bharti our raw material inventory is about Rs. 120 crores up from Rs. 74 crores last year and FG and WIP inventory at Rs. 113 crores up from about Rs. 70 crores last year. So

others are small tit-bits post that stock and trade and packing material etc. but major two items of contributing to the increase in inventory are these two, from Rs 70 crores to Rs. 113 crores is case of FG WIP and from about Rs. 74 crores to Rs.122 crores in case of raw material .

Bharti Gupta

Okay and sir on the similar lines.

Rakesh Gupta

I think I should just add one small thing over here if inventory needs to be also looked in the context that since last year the major inventory item is chrysotile, which in value terms has gone up by nearly 30%. And the selling prices, so accordingly the finish goods inventory valuation has also gone up. In value terms it looks a little higher than what it is in the volume terms.

Bharti Gupta

Sir, that chrysotile fiber cost increased significantly over the last year for almost about 18-20% we saw kind of increase in the raw material cost, so when you are saying that we have re-negotiated towards the lower side that is a marginal dip in the overall prices of chrysotile fibre so will we be looking forward to pass on this benefit to the consumer and also would like to understand the effect of high cost inventory would last till Q1 end or will it also continue towards the second quarter of the fiscal.

Manish Sanghi

I have just said that there is high inventory in the system so the marginally lower cost will probably impact us only towards the end of the second quarter not before that. Second part as far as passing on to the customer is concerned, not really simply because there are many other costs which have gone up and particularly the freight cost, manpower cost, cement is always bit of a mystery as to which way it is going to behave and really speaking it is a competitive pricing.

Bharti Gupta

So, have we witnessed any kind of increase in the prices in the peak season which is generally the trend.

Manish Sanghi

We have price which is higher than last year.

Bharti Gupta

On your year-on-year basis definitely.

Manish Sanghi

On a year-on-year basis it is definitely higher. On a trailing month basis also it is higher.

Bharti Gupta

Okay so that would be close to your blended realizations as to the fourth quarter stands close to Rs. 11,800, so will it continue to be in this range or will be closed to Rs. 12,000 or (Rs. 12,000+) levels.

Manish Sanghi

I actually don't track the pricing in this particular number, but so I wouldn't be able to comment on the number, but it was definitely be higher than the blended rate which was there for last year.

- Bharti Gupta** Okay, and sir coming to the steel buildings now. We have seen a significant dip in the steel volumes, it is close to about 17.5%. So could you just explain the reasons because the last two quarters of Q2-Q3 has been very good in terms of execution, we did an excess of 7,000 odd tonnes so why has there been a significant dip in the steel volumes during this quarter.
- Manish Sanghi** One is that on a year-on-year basis we did increase. Second, we all know that the market did slowdown so while the order book continues to increase and people are going on placing orders, a bit of the movement from the plant did slow down.
- Bharti Gupta** Okay, then what was the reason for that?
- Manish Sanghi** People are delaying their investments.
- Bharti Gupta** Okay, so like the current order book of close to 26,000 odd tonnes would also do you see that do you foresee that that could be a delay in the execution of these projects as well.
- Manish Sanghi** Actually I am not seeing that, I am actually at times I am surprised by the pace at which people are building, at which they are placing the orders. A whole lot of companies are seeing this dip in current industrial production as an opportunity to increase capacity and we are seeing across sectors orders coming in. The dip here and there may happen due to some local factors, also some times liquidity, sometimes that new investment allowance which the government has introduced. People want to take advantage of that, so all of them are impacting the final off take, but frankly in the last couple of months including April and what we are seeing in May, we do not see a long-term impact happening on account of that.
- Bharti Gupta** Okay, and sir one interesting phenomena which I noticed is that your EBIT per tonne in the steel buildings, I believe that since steel building is kind of conversion business, we are just the converter of the steel on the raw material so EBIT per tonne in the steel buildings have increased substantially from Rs. 6,000 odd a tonnes to close to Rs. 6,900 tonne a ton, so the orders which we executed in the current quarters, where these high margin orders?
- Manish Sanghi** We have tried to make an effort to increase our realizations so I would not say that any particular order was a high value order. We just focused on better pricing and that is the end result of that.
- Bharti Gupta** So going forward can we expect these margins to remain at sustainable level?
- Manish Sanghi** They should remain in the same range yes.
- Bharti Gupta** Okay and just last two questions. One is on your debt front last year we raised ECB of \$12 million so I would just like to understand that I believe that was in the moratorium period of 18 months so will the repayments start from current fiscal?
- Rakesh Gupta** Yes, the first installment is due in October of 2013.

- Bharti Gupta** Lastly on your Ranchi Plant. Last year we were also supposed to do CAPEX in Ranchi plant of close to about Rs. 4 crores, has that plant gone operational?
- Manish Sanghi** It is running a little behind schedule. We again expect it to become operational probably in the next month or the month after that.
- Moderator** Our next question is from the line of Mr. Rahul Agarwal from Systematics. Please go ahead.
- Rahul Agarwal** Sir, query on the inventory. Based on the past experience do you think the high level of inventory will lead to liquidation at a lower price during Q1? Has it happened in the past?
- Manish Sanghi** Normally we see a demand which is in excess of supply.
- Rahul Agarwal** Okay.
- Manish Sanghi** So anybody who holds higher inventory benefits from it, I do not expect a decline in pricing, but given the background of it I also do not expect that the pricing will really be going up in the coming few months.
- Rahul Agarwal** Okay, but sir if you see last eight quarters, realizations have gone up substantially on back of higher asbestos cost.
- Manish Sanghi** Yes.
- Rahul Agarwal** So that itself must have been leading some demand shift from asbestos to other products or maybe consumers are deferring their constructions plans, so is that happening?
- Manish Sanghi** See, overall contribution if you see of a roof in the construction of a person's house is fairly small. When a person makes house, roofing will contribute more than 15-20% of the total budget which he is having. So increase in roofing price is unlikely to make him defer that decision of making the house or making a workshop.
- Rahul Agarwal** But along with the roofing cost, the other cost would also be definitely going up.
- Manish Sanghi** But the fact is that the last one year we have seen a seesaw price as far as cement is concerned and we are seeing relatively low prices as far as steel is concerned, so I would not really think that there would be any postponement of decision to make a workshop or poultry or a house. The second question as far as change from an AC sheet to some other competing roofing material is concerned, it totally can happen in some pockets, but in general we find that the two customer segments are very different from each other and unless the price differential really starts becoming very-different the switch of category does not take place.
- Rahul Agarwal** Okay, so sir what is the price differential as on date?

- Manish Sanghi** That's a very difficult question to answer simply because steel does not come in one standard form.
- Rahul Agarwal** You are right.
- Manish Sanghi** It comes in various thicknesses and all, while today roofing sheet is costing in the market some varying on somewhere between Rs. 180-220 a running meter. A metal sheet would vary anywhere from Rs. 150-350 running meter. So they have the option of going for a thinner sheet which does not exist here.
- Rahul Agarwal** Okay, but sir as you said that stockiest, they did not stock much in Q4 as they used to do in early years. So what is the thinking in their mind because of which there are differing their purchases or what is happening there?
- Manish Sanghi** Normally this I would attribute it to not being very sure of the price is going up. They do the stocking essentially as an arbitrage on price so they must not be expecting prices to go up and in that case it did not make sense for them to carry the inventory and this probably was driven by the cement pricing.
- Rahul Agarwal** Okay. And sir given that building products volume were almost flat this year so what has been the growth in other fibre cement boards and panels.
- Manish Sanghi** The board business is also the same as last year on an overall basis.
- Moderator** Thank you. We have a next question from the line of Baidik Sarkar Unify Capital. Please go ahead.
- Baidik Sarkar** Just a follow up question, in one of your comments you said operating margins should hold at current level. We don't understand to get a grip on what current levels might be, so given the volatility that we really seen over the past couple of quarters so any comment on that.
- Manish Sanghi** What I was trying to say was that I would expect the margins to remain similar to what they were on a yearly basis rather than saying that they were for same level at Q4 or Q1 and I expect less volatility in margins this year compare to last year.
- Baidik Sarkar** Secondly I am also trying to tie up your comments with regard to inventory, you said that you don't expect significant amount of inventory at the end of the season, now the contributing to the fact that the season began with high inventory you do not expect a significant inventory at the end of the season, but as you mentioned you had said that off take really has not been aggressive. Is there a possibility that the industry including US are operating at drastically lower capacity utilization levels?
- Manish Sanghi** So as far as Everest is concerned we are working to full capacity as of now.

- Baidik Sarkar** Okay, so I am just trying to understand so mathematically how do they workout because on the YOY basis compared to last year you are saying the demand will be flat because you are sitting on a high inventory so unless you see a push towards the end of next month how do you really expect inventory to be not be significant?
- Manish Sanghi** No I have higher inventory to the June of some 154,000 tonnes when I began the year so to that extend my sale should go, but last year we ended on a historic low as far as inventory is concerned. We might not be able to reach that low end of inventory. We were doing steam curing virtually continuously in order to feed the market. Probably that may not happen, but whatever extra inventory I have I should be able to liquidate it at the normal level of inventory.
- Baidik Sarkar** Sir, fiscal unit terms what was inventory at the beginning of the quarter?
- Manish Sanghi** The finished goods inventory.
- Baidik Sarkar** Yeah.
- Manish Sanghi** FG WIP were Rs. 70 crores
- Baidik Sarkar** No I meant in terms of fiscal units about 150,000 metric tonnes?
- Manish Sanghi** If I talk of roofing, we were around 80,000 tons and the times giving their rough numbers because I am not having the actual number in front of me. It was around 80,000 tonnes.against, my monthly production of around 52,000 tons.
- Moderator** Thank you. Our next question from the line of Nitin Verma, an Investor. Please go ahead.
- Nitin Verma** I wanted to check that what would be the average RM average sign price for steel building per unit that is metric tons and for building material if I can get a sense of that.
- Manish Sanghi** The steel building is a little tricky because it is not a standard product. It depends upon how much of work component is going. We use three different kinds of components here. We use plate. We use cold rolls and we use galvanized. So the pricing depends upon what combination I am having of this, but to give you a very rough number, the number is around Rs. 85,000 a metric ton.
- Nitin Verma** And what would be the average price in the building material of the asbestos division.
- Manish Sanghi** Asbestos division, I actually think of my pricing more in terms of running meters and in terms of tons because we sell it in that fashion, but you are saying realization.
- Rakesh Gupta** This is for roofing he is talking of. The weighted average will be between 10-11 kind of.
- Manish Sanghi** This realization is after removing freight and removing all taxes.

- Nitin Verma** And what would be the capacity utilization in the two divisions, I remember at the last presentation you said that it was around 83 odd percent for building division right, so what would be the average utilization in the last quarter for the two divisions standalone.
- Manish Sanghi** Average what utilization.
- Nitin Verma** Capacity utilization.
- Manish Sanghi** Capacity utilization. All building products are running through capacity.
- Nitin Verma** So approximately say 100%.
- Manish Sanghi** Yes. No I can't produce more.
- Moderator** Thank you. Our next question from the line of Rahul Agarwal from Systematics. Please go ahead.
- Rahul Agarwal** Sir under your pre-engineered steel buildings business what is the profile of end customers you are catering to and is it going to change post your new plant in Dahej.
- Manish Sanghi** We deal with three-four different kinds of customers. Our previous segment are industries and industry of all kind it could be a chemical industry, textile industry, and auto industry unfortunately not doing too well right now. Then at another level we deal with warehousing which is both of the normal kind as well as cold storages. The third kind of buildings, which we do are the retail buildings Carrefour, or Walmart or Reliance when they set up their mega stores they would go for it. The fourth one which is not so common is multistory buildings, but that is not a very big segment, it is a very small segment in the overall scheme of things.
- Rahul Agarwal** So, is this going to change post your plant?
- Manish Sanghi** I did not think so, I think the pattern will remain the same because the demands for a warehousing as well as industry both are fairly consistent. I am not seeing any change in pattern right now.
- Rahul Agarwal** And is there a plan to venture into the infra segment that is to say your railway stations or metro stations and things like this.
- Manish Sanghi** We have not really done any of the metro stations, but the fact is the metro station is also a PEB building and very similar to any other PEB building. There they work on a L1 basis so we are not very anxious to get those orders.
- Moderator** Thank you. Our next question from the line of Bharti Gupta from Sushil Finance. Please go ahead.

- Bharti Gupta** Just one question on the loans and advances front, our short-term loans and advances have almost doubled from say Rs. 24 odd crores to Rs. 48 odd crores. Sir, can you just give us the breakup and what led to this increase?
- Rakesh Gupta** Basically, there are two things which have increased one is the advance to suppliers and the other there is that balances in our excise account etc. Advances to suppliers have increased particularly in this quarter, it is actually not representative that import consignment which is coming in where we had made the payment but the material did not land at the port. It arrives only on the first week of April, so about Rs. 10 crores is on account of that. It is an abnormal kind of a scenario otherwise business as usual there is not much of an increase. The excise balances have gone up because of higher raw material costs and the number two the deliveries could not take place to the extent which Manish has explained the stock is not being sold by the stockiest it is sitting with me. So it is basically on account of that otherwise business as usual, there is no change.
- Bharti Gupta** This kind of an aberration which we will get corrected.
- Rakesh Gupta** It is an aberration particularly for Rs. 10 crores that advance payment we made for the import consignment.
- Moderator** Next question is from the line of Satya Murthy from Sundaram Mutual Fund. Please go ahead.
- Satya Murthy** Is there any time line that you can share on the Dahej PEB or expansion that you are coming up with?
- Manish Singha** We have already being allotted the land by GIDC and we hope to be in production by around May next year.
- Satya Murthy** Okay and the Rs. 11 crores spent on the land acquisition does it get included in the CWIP for the quarter ended figure?
- Manish Singha** It was actually paid in this financial year.
- Moderator** Our next question from the line of Baidik Sarkar from Unify Capital. Please go ahead.
- Abhijeet** This is Abhijeet from Unify Capital. Sir, I just wanted to get a feel about your outlook and if you could just let the number as to what growth you might be looking to achieve this year FY14.
- Manish Singha** We continue to be bullish on the numbers. We continue to think that despite whatever is happening India will continue to grow and we will continue to grow along with that. Added to that the factor, which I mentioned before of an election year, a Somnathpur capacity coming up, and a few small new businesses which should be ramping up, we are quite optimistic. As a policy we have not been giving out guidance numbers or talking of exact numbers where we will be, but if you are asking me a general trend I would say I continue to be bullish.

- Moderator** We have a next question from the line of Chirag Gothi from SKP Securities. Please go ahead.
- Chirag Gothi** Sir can you tell me the reason for the increased tax rate, actually you are just paying this year the 33% and this part of 47%.
- Manish Sanghi** The quarterly tax computations are done on an estimate basis and the year it become far more accurate. The provision for taxation has been done keeping in view the various advantages available. The tax shield that we have in Bhagwanpur which is almost close to getting over and we are now reaching at stage that we will be paying more or less the normal taxes. So that is the reason for the year it is appearing to be closer to what the annual normal tax rates are.
- Chirag Gothi** Okay sir, but this is the last chance to may be and then after you also getting more five years to almost 30% on that particular plant.
- Manish Sanghi** Absolutely, yes.
- Chirag Gothi** And last year you also pay actually, you are getting the extra exceptional incomes and due sir now you are not getting such kind of exception income also. So this is completely business income, so we are actually almost 33.33% in normal tax rate. I think I am expecting something you have paid 31-32% something.
- Manish Sanghi** Actually there are certain tax benefit that we have been claiming in other units also which are now coming to be getting to be over like over like fixed subsidy and other subsidy which were treated as capital receipt so these are getting over because we are no longer getting those fixed subsidy, etc. and there are some advantages that we were getting because of additional depreciation which will be available in next year because of Somnathpur work, but these are the factors which have impacted the tax rate and I think steady state better, I think we will be closer to be the normal tax which is applied to the corporate sector.
- Chirag Gothi** Okay and sir do you have any further plan to increase the capacity in Bhagwanpur for further PEBs.
- Manish Sanghi** No just now we are focusing on Dahej.
- Chirag Gothi** On Dahej only because it takes one year also and if there is sudden demand....
- Manish Sanghi** We still standard increasing productivity, doing de-bottlenecking that process will continue, but because we do not have an ability to really change the capacity there is why we are going in for Dahej.
- Chirag Gothi** Okay, initially you have planned something may be I think increase for capacity.
- Manish Sanghi** Some of the measures have being done and we have already put them into place, but I do not expect the significant change in numbers to happen from that.

Moderator

Thank you. Participants as there are no further questions I would now like to hand the conference over to Mr. Manish Sanghi for closing comments.

Manish Sanghi

Thanks everybody for your continued interest in Everest. We at Everest find this whole session to be very informative for us and also on what we should be focusing on helps us do our job better. As I said we continue to be bullish both on the Indian economy as well as on Everest future because we depend a lot upon how we as a country are performing. The three businesses which we are in that is roofing which today consist of many different products namely my asbestos roofing, my non-asbestos roofing which is increasingly becoming bigger, my metal roofing and polycarbonate roofing are all showing signs that they will ramp up, we have added capacity in the metal roofing and the AC roofing businesses and doing some new launches in the non-asbestos cement roofing. We expect to see results of that in the coming quarter. On the board we have spent a lot of time trying to focus on value-added products and we hope to get encouraging results out of that in the coming year. PEB has been our growth engine and as already said we are ramping up capacity and we think that is the way India will build and we will be able to participate in it. We would be happy to hear from you for any additional queries or questions which you may have and you can direct them to Rakesh and both of us would be happy to answer those. And we hope to talk to you once again three months from now. Thank you all so much.

Moderator

Thank you sir. On behalf of Everest Industries that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.