

Everest Industries Limited
Q4-FY20 Earnings Conference Call
June 03, 2020

Moderator: Ladies and gentlemen, good day and welcome to the Q4-FY20 Everest Industries Limited Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * then 0 on your touchtone phone. I now hand the conference over to Mr. Anuj Sonpal from Valorem Advisors. Thank you and over to you, sir.

Anuj Sonpal: Thank you, Ayesha. Good morning, everybody, and a warm welcome to you all. I'm Anuj Sonpal from Valorem Advisors. We represent the Investor Relations for Everest Industries Limited. On behalf of the company, I would like to thank you all for participating in the company's earnings conference call for the financial year ended 2020 and Q4-FY20.

Before we begin, I would like to mention a short cautionary statement. Some of the statements made in today's earnings conference call may be forward looking in nature. Such forward looking statements are subject to risk and uncertainties which could cause actual results to differ from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. Audiences are cautioned not to place any undue reliance on these forward-looking statements in making any investment decisions. The purpose of today's earnings conference call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review.

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 – Chief Financial Officer. Without much delay, I request Mr. Sanghi to give his opening remarks. Thank you and over to you, sir.

Manish Sanghi: Good morning and thank you, Anuj for the introduction and I would like to welcome you all to the earnings concall for Q4-FY20. I think I need to start with, first of all my apologies for not having the call last quarter. And also wishing you all safety and in coping up not just with COVID, but also Nisarga and I suppose during this call sometime Nisarga is likely to hit all of you and I guess most of you are based out of Mumbai, so please be careful, please be cautious and this has become the buzzword nowadays in any case.

The company experienced a challenging quarter in performance. We witnessed a rise in the prices of our primary raw materials, asbestos, fiber, steel, cement, some on account of the change in exchange prices, some on account of basic change in the pricing itself. The retail demand particularly in the roofing sector was not really distressed, but we found that primary demand that is the demand by the traders was low on account of lower liquidity and this was further impacted by the Covid-19 threat and the subsequent lockdown which happened in March.

The steel building business was affected due to slowdown in manufacturing activities, slowing urban demand as a result of COVID-19 affected demand for boards. Our all building materials and particularly roofing start peaking towards the end of the year which unfortunately couldn't happen due to the lockdown. As government of India declared lockdown on March 23rd, we subsequently suspended the operations in all units of the company in compliance with the lockdown instructions. COVID-19 has impacted the normal business operations of the company by way of interruption in production, supply chain, at production facilities etc. during the lockdown period. However, production and supply of goods has gradually commenced during the month of April-May at the manufacturing locations of the company after obtaining necessary permissions from the government authorities. We were among the first in the industry to open up and have been working with limited labor while maintaining all safety precautions including the social distancing norm. The company has adequate stocks to take care of markets as they open up. Over 50% of our sites in steel building space have become operational, but they are with restricted headcount and are working on account of additional safety health requirement and a very small manpower.

We have made detailed assessment of company's liquidity position to continue operations for the next year and the carrying value of its assets based on current performance and indicators of future economic conditions, the company expects to have adequate liquidity for continued operations. Company will continue to closely monitor any material changes arising out of future economic conditions and its impact. In our building products segment, the demand was pretty decent in the first two months of the quarter but suffered a meltdown in March. The roofing demand has come back strongly as rural areas are less affected by lockdown compared to urban areas. Good Rabi output and smooth harvesting have further boosted the demand. We have witnessed strong demand from geographies that have been opening up. However, there are many operational challenges due to shortage of labors, changing rules for factory operations, restrictions on various products and so on.

The boards and panels business including exports has started more sedately. Great opportunity exists to promote quick dry construction when markets reopen. There are lots of projects that are delayed and we look at ways and means to finish them quickly. I am also pleased to inform that your company has played an active role in India's fight against COVID-19 by setting up quarantine centers at many locations across the country. The months of June and July will really determine the direction of the business trajectory as the urban market

opens up. The whole lots of projects were put on hold with the lockdown and we should see an improved demand as urban centers start opening up. The increase in raw material prices impacted the profitability of the building product business marginally. The bigger impact really coming from the selling prices, but we expect that we will be able to pass on the prices in the coming quarters. We have worked towards expanding our distribution footprint to improve the network and better product profile in the coming quarters.

In the steel building segment, we delivered around 11,000 metric tonnes of project demand in Q4-FY20. Our efforts of entering into larger ticket orders have borne fruit and we expect the same to continue going forward. We are meanwhile committed to timely hand over of projects to customers with industry benchmark quality in order to create and maintain brand awareness and customer stickiness. We are experiencing a perception shift from conventional construction to pre-engineered field structure even in the commercial segments and this can become a significant business in the future.

We have a strong order book pipeline of around 23,000 metric tonnes in projects which provide strong revenue visibility. A lot of projects have however been put on hold as industries decide on how to handle the post COVID situation. Better contract managements, stabilization of steel prices and average order size increasing has resulted in better profitability in the steel building segment in FY20. However, post COVID-19, capital investments in manufacturing activities are likely to slow down. Additionally, clients may put expansion plans on hold which would result in rise in inventory levels for us. We also faced challenges with regards to availability of labor. Fresh order inflows are likely to be affected in the near term.

Some of you may have noticed the new brand identity of the company in this presentation which has been sent across. We are positioning Everest as the company which offers new innovative solutions to the construction industry. These new solutions are aesthetic, quick, light, green and would make our customers stand out in the crowd. The theme is REIMAGINE. Reimagine construction, reimagine buildings, reimagine aesthetics, reimagine the way you have worked so far.

We used the lockdown time to rediscover ourselves. There is a new enthusiasm and passion in team Everest. Our teams have worked hard on customer contacts with more than 150,000 calls during the lockdown period to customers, traders, architects and engineers. We found this to be a great opportunity for training not only the company personnel but everyone connected with the company including the dealers, fabricators, shop salesmen and so on. The operation team has worked hard at numerous value engineering initiatives. We believe that all of them will help us in a better connect with customers, better productivity, many more new products and an ability to get better realizations from the market. I know you would have a lot of questions. The situation is fluid, the situation is changing and we would do our

utmost to answer your queries to the best of our ability. I would like to hand over to our CFO, Mr. Nikhil Dujari to discuss the financial performance of the company.

Nikhil Dujari:

Good morning, ladies and gentlemen. On a standalone basis, our revenue for the quarter declined this year, from the last year number of INR 370 Cr, we were INR 290 Cr. On a quarterly basis, EBITDA has gone down from INR 26 Cr last year to INR 1.7 Cr in Q4-FY20. On the PAT level, we were at a loss of INR 3.6 Cr against a profit of INR 14.7 Cr last year. On a year-on-year basis, revenues decreased by 8.5% from INR 1,410 Cr to INR 1,293 Cr and EBITDA has decreased from INR 113 Cr to INR 52 Cr. EBITDA margins have declined from 8.02% to 4.03% and PAT has reduced to INR 14 Cr from INR 64 Cr. PAT margins dropped from 4.57% to 1.1%.

Coming to the consolidated performance on the revenue for the quarter, changed from the last year INR 370 Cr to INR 291 Cr, year-on-year decrease of 21%. EBITDA has gone down from INR 26 Cr last year to INR 1.2 Cr and margins have dropped to 0.82% in the current year as opposed to 7.03% in the last year. On a PAT level, we made a loss of INR 3.2 Cr as opposed to profit of INR 14.4 Cr last year. On a year-on-year basis, our revenues decreased by 8.5% from INR 1,415 Cr to INR 1,295 Cr. EBITDA decreased from INR 111 Cr to INR 61 Cr and EBITDA margins declined from 7.85% to 3.99%. PAT has reduced to INR 14 Cr from INR 62 crores. PAT margins have dropped to 1.05% from 4.4%.

For building products business, Q4-FY20 was lower versus last year where our topline was INR 183 Cr versus INR 236 Cr, a decline of 28%, and on EBIT levels, we were at INR 24.3 Cr last year versus INR 2.7 Cr this year. Volumes for the quarter came down from 2.1 lakhs MT to 1.65 lakhs MT, primarily due to decline in March sales as a result of lockdown. Our steel buildings business had a topline of INR 107 Cr as opposed to INR 131 Cr last year representing a drop of 22%. EBIT improved from INR 3.2 Cr last year to INR 4.9 Cr this year. Volumes were 11,000 MT for Q4-FY20. Thank you. I would now like to open the floor for questions.

Moderator:

Thank you very much. We will now begin the question and answer session. The first question is from the line of Dhaval Shah from Girik Capital. Please go ahead.

Dhaval Shah:

Sir, what is the assessment of the demand for your roofing product for the rural market given the rural macro is expected to do well, there is lot of migration of people also, so they would build houses which they generally do towards the harvesting season. So there is some sort of spending which is going to happen. There is a high amount of lever also available in the rural areas. So broadly, what do you think how will this entire migration plus good monsoon and how everything will play around?

Manish Sanghi:

So it is very difficult to forecast in current times as to what will happen in the future. I cannot really talk of what is happening right now. What we saw happening particularly in the roofing business was phenomenal and that unlike urban India, we do not think rural India completely

shut down during the lockdown period. Small bit of sales kept happening. That was season time and as a result when supplies resumed, we had a large number of dealers who were starved of stocks. They did not have enough material available with them. So we saw a very strong demand in the month of April and May. We have operated roughly for about a week in the month of April and were fully operational in the month of May and this was with a whole lot of issues. Factories were not really getting permissions. We are spread across in building products, in roofing we have 6 factories and something like 35 depots and opening each one of them was a challenge because whole lot of government regulations and availability of labor and all of that. So we saw a very strong May. What I am unable to say at this point of time is whether this was the pent up demand of April or this is the trend which is likely to continue. I would also say that the macro factors which you also mentioned which is a good crop and surprisingly smooth harvesting are factors which seem to indicate that this demand is strong. Added to this, currently at least, there is a major shortage of metal roofing in the marketplace. So all of them have currently made the demand very strong. I am not convinced about the impact of the migrants going back to villages as a positive. These are people who have lost their livelihoods. I do not know how much money they have and I suspect they moved out in first place because they did not have much to do in the places they came from. So I think we will shortly start seeing a migration back to the places where they were operating from as we start opening up. So I do not see that having any significant impact on the demand.

Dhaval Shah: Sir, if because of this migration, there is a sudden spike in the cases in the agri belt across India, would government go and declare as a containment zone or shut down the retail shops there or do something what they have done in the city, do you think that is possible?

Manish Sanghi: That is really for the government to say, I wish I was the government, but having said that, I think we are not likely to see a complete clamp down the way it happened in April. Again, it will be very selective and localized in nature and I do not think it will impact the market as a whole as it did during the month of April and May.

Dhaval Shah: Got it. And sir you mentioned there is a shortage of steel roofing, what is the reason for that? Is it from the supply side?

Manish Sanghi: I think it is on the supply side, yes.

Moderator: Thank you. The next question is from the line of Praveen Sahay from Edelweiss. Please go ahead.

Praveen Sahay: I have two queries. One, as you had mentioned that steel roofing, there is some shortage. Will that benefit us in terms of prices rise of AC roofing sheets?

Manish Sanghi: I think the answer for that is an absolute yes. It has helped us in the last one month to recover some of the drop in realization which we had because of increased cost. We have been able to recoup that.

Praveen Sahay: So, you mean to say that, the raw material prices of cement increase is rectified with this shortfall in the demand in the steel roofs?

Manish Sanghi: I cannot quantify what is the impact of shortfall of steel roofs. I mentioned it as one of the factors. I think the more important factors is that this is season time for the cement roofing industry or April is the key month and we were able to supply very little and that resulted in the demand. The shortage of steel roofs a bit may have helped us to some extent further, but I don't think that was the primary factor. I just mentioned it as one of the factors, but the better demand in the market has helped us to get better realization all across.

Praveen Sahay: Okay. And is there any challenges related to asbestos fiber procurement or prices right now?

Manish Sanghi: No. There is no problem in shipments happening from the mines to us.

Praveen Sahay: Not even the last quarter, January or February exactly?

Manish Sanghi: I mean, there were some issues when ports were not allowing the trucks to come in and all that, but I think those are all behind us now

Praveen Sahay: Okay, thank you sir. And coming to your steel building, you have 23,000 MT of order book. Can you give some colors like how the demand is going to shape out? Is there a drop out in the order book or something like that?

Manish Sanghi: So we call an order, an order once we get an advance from the customer, so when we talk of that order book, it is something which is backed by advances from the customer. But quite obviously, everybody is relooking at the demand scenario and reassessing whether they should be going through with their expansion plans or they should be stopping. So there are two kinds of orders which we have. One is orders which is related to warehousing. The others are orders which are related to manufacturing and we believe as of now that the impact would be far higher on the manufacturing side of orders than the warehousing bit and we have started focusing on the warehousing segment for the past, let us say around 9 months, around 3 quarters. That means we have built up a significant pipeline around that. So we will have less impact, but I suspect that out of the 20 odd thousand MT of order book which we have, we will experience delays in something like 30% of that.

Praveen Sahay: And also can you give some color on the realization in this particular segment because that for the Q4-FY20, it has gone up quite significantly and also if I compare sequentially or on a Y-o-Y basis. So is there any specific things happen out there?

Manish Sanghi: I think we all know that realization is a function of my selling price. The price at which I booked the orders, the steel price at that time and the steel price at the time of fulfillment of the order when I am buying it. My manufacturing efficiencies and delays and all which are taking place at site. In the last 6 odd months, we have worked a lot in streamlining our operations and we have been able to cut down our wastages a lot on many of the operational issues. We are not taking orders any more at what one would call right price. We are taking orders which are at good realization. We are experiencing a steel price which is relatively stable at lower levels. We did see some increases happening in the month of January-February. But those prices seem to be coming down right now, I suppose because the demand has tapered off in steel as well. So we believe that we should be able to maintain good margins project wise. The key for us is going to be the number of executable orders, how many people come back and say they want the buildings rather than saying that no, we will buy it at a later date. So that is going to be the key and I think June and July, I really think and I mentioned it in my opening remarks as well, I see June and July as being the key, they will tell us all the direction in which economy is likely to be moving how the whole reopening effort is going to be moving

Moderator: Thank you. The next question is from the line of Nimesh Desai from Kitara Capital. Please go ahead.

Nimish Desai: My question is in regards with, see, our most important season was Q4 and Q1 because of it being a pre-monsoon as well as the post farming season which is almost lost. So now do we see a strong Q2 is, because it is slow and anyways the monsoon is almost just on the corner, so that demand is also lost for the year? or this half year will be impacted mostly?

Manish Sanghi: So what you said is absolutely right as far as roofing business is concerned that roofing is very heavily dependent. It is highly seasonal. In almost all parts of the country except for Tamil Nadu, it is very heavily dependent upon the pre-monsoon sale and that kind of stretches from March-April-May-June and actually in Northern India probably it extends into mid-July. That is the kind of timeframe in which it is there. We all know that from March 20th till around 25th of April, everything remained virtually shutdown. So there was this 30 or 35 days in absolute shutdown. In this 35 days, we could have probably done a volume of around 70,000-80,000 MT of material. This would have been the sales, given this time of the year and given the past trends which we have. So that is the amount of sale which was lost. We started the period; we have built up our inventories for the season. We lost the production for this season, but we had built up inventories. We see, as of now that we will be able to liquidate all the inventories which we had built up. In fact, we will probably run short of material, so we will be able to recoup. As I go forward into the months of Q2 or Q3, I think the shaping factor for demand is not going to be the COVID-19 lockdown situation. The shaping factors are going to be what are the crop prices? How much is the crop? How much is the farmer able to get? I see one particular reform, I don't know how it will happen on the ground but I see it as a game changer for rural market. That is the ability of the farmer to really go out and sell his

produce anywhere and not be restricted by the previous regulations or be having to go to the Mandi. We all know that the realization of the farmer versus the realization or the price paid by all of us, there was a gap of something like 50% and this 50% was going to a set of intermediaries. If intermediaries are eliminated, it will help us as a company and it will help the rural economy a great deal because most of these intermediaries did not use my products. My products are used by the farmers and if he is getting a better realization, he is getting a better income, it would definitely help us but we all need to see how it gets implemented on the ground and what happens. So two parts of it, we think we have been able to recoup some of this 85,000 odd or let us say a lakh tonne of sales which got lost because of lockdown. We think that going forward in Q2 and Q3, the macro factors are favoring us to have better volumes and hopefully a better price.

Nimish Desai:

I am just not asking for any estimates but with losing so many key quarters for us, where do you see our year ending? Do we still manage to do what we did in FY20 close to or you see that it will be really impacted by half or some assessment you must have worked upon?

Manish Sanghi:

I think we don't have any assessment, we have scenarios and we have done all these scenarios from a point of view which is very different from looking at profit but we have done all these scenarios and we have done very bad scenarios from a point whether the company has the necessary liquidity to maintain the operations and all and I can really tell you from this point that our worst case scenario says that as a going operation as continuing, whatever we are doing, we will be able to manage that but as of now it is very difficult to say whether it will be down by 10%, 20%, 30%, 50%, extremely difficult to take that call right now. We are working on a ring defence system that if it drops this much, this is what we will do, if it drops this much, this is what we will do, so I am working on scenarios, I am not really having a number and this is where we are going to be. I think that is very difficult.

Nimish Desai:

And sir, lastly your cash levels are at INR 2 Cr, so could you help me that and your margins have gone down to 1%, your EBITDA margin or your PAT margin and EBITDA is 4%, could you help me that what kind of cost rationalization we have done, so that our issue of survival never comes into the picture?

Manish Sanghi:

I think what we are doing; I think first effort is conservation of cash. I think that once the lockdown happened that became our prime target, so where does cash get consumed, first and the foremost thing is inventory, so we have cut down very significantly on all inventories, particularly on the FG inventory. As we move forward and production really picks up in all sectors, we will be reducing the inventories in the raw material side as well. The second bit which happened rather automatically is all travel got stopped. I mean even the desirable travel got stopped; forget undesirable travel, so obviously we ended up having savings around that. We also increased our efficiency levels. We have made some alterations in the manpower cost, we didn't give out our bonuses, we haven't given out increments, but we have maintained our basic salaries to people and as I said earlier, there are a whole lot of

value engineering proposals which operation scheme had worked on. During this period, all of them are under implementation right now. These relate to better use of raw materials, the number of people required for operations, it means lesser scrap generation, it means selling closer to our plant, so that they can cut down on our freight costs. It also means that we sell more of our value-add products. We are focusing on all of them. We believe that they will help us into our realizations in the times to come. They are not just for this period; they are going to affect us on a long term. There were lot of practices which are changing, for example, our head office, our tech centers, we are all work from home like many others, but from the looks of it, we are not going to come back to office at all, so work from home is going to become the norm. We should be able to cut down the whole lot of overheads because of that. I don't want to quantify these numbers, but there is enough work going on in multiple direction contribution.

Nimish Desai:

And sir lastly, do you see an impact on realizations post normalization, let us say Q3 onwards or Q4 onwards, do you see an impact of your realizations across the product line?

Manish Sanghi:

I think as I said, June-July is really going to tell us the direction in which they are heading. If the demand doesn't pick up, we are likely to see a fight for market share which can result in lower prices, though I think everybody would be rational and not really start doing what they were doing before the COVID really hit us. On the roofing business, I am a proponent; I feel that the demand would continue to be fairly good. On the Boards and Panels business, we are getting inquiries from sources which were not talking to us in the past. People who are relying on blocks, people who are relying on the standard brick and mortar are asking us questions and interestingly these are driven by COVID and that I now need to make a building with one third the number of people. I have less time and I have less people, so if I have less time and I have less people, what are the ways of completing the building and that is where we come in with solutions which can be light, green and increasingly far more aesthetic. So we believe it should help us, we should be generally moving in the direction of better realizations.

Moderator:

Thank you. The next question is from the line of Vikrant Kashyap from Kedia Securities Private Limited. Please go ahead.

Vikrant Kashyap:

Sir, if I remember since Q2-FY20, we saw price declines across roofing segment across industry and it continued in quarter 3 as well. I want your view, how much price decline industry took place and what was our price goal? Does it in line with the industry or it was higher or lower and what are our plans to recover the sales prices or how soon we can do it given this tough scenario because it is very challenging for us?

Manish Sanghi:

If we look at this period, I am having a chart with me which shows all India pricing level from January 2019 till March 2020 and we find that the prices in March 2020 were exactly the same as in January 2019. In between, they had gone up, but they came down in between. In

this period the raw material prices went up, particularly of the chrysotile fibre by an order of something like 18% as a combination of a basic price increase and the dollar becoming costlier. I am not even talking of the general inflation levels in terms of increase in wages, increase in logistics cost and so on. So this was the basic cost of the declining contribution levels, particularly in the roofing market. I think this was affecting every company across the board and this current scenario where the demand is definitely more than the supply has the people really price the product rationally rather than pricing it below cost. So we have seen improvements and I think when we discuss the first quarter results, you would notice the better realization.

Vikrant Kashyap: And sir, can you give some sense on, at what capacity we are working across our parts and how much depots we have opened up and how this is going through stand like when we can open up fully, any idea that you have?

Manish Sanghi: Fully yes, the Everest operations have spread wide across, so we have plants in 8 different locations but I actually have 16 production lines. So this is a combination of 7 roofing lines, we have 3 steel building lines, we have 3 board lines and 2 Rapicon Wall lines. So that is a basic split up of Everest manufacturing across the country. Out of 16 lines which we have, we are today operational in 14 of them. There are just two lines in which they are not operating right now. We have 35 depots and all 35 depots are operational. Having said that I should say that this is a situation today, the last of my plants, the roofing lines manufacturing have started only in the last one week.

Vikrant Kashyap: So we had inventory level to meet the pent up demand is what you are saying?

Manish Sanghi: Had inventory levels to meet the pent up demand, but if you really pitch the question, if I had more quantity I would have been able to sell that as well.

Vikrant Kashyap: My last question is on Board and Panels, would you like to give some sense since we were working very good on Boards and Panel and we have seen a hit in across real estate activities, many large players are facing a lot of challenges over there due to some liquidity issue, all the sites are being stopped, so how do you see Boards and Panel going forward, what challenges do you see there?

Manish Sanghi: For me, there are two different factors that work, one which helps us, one which doesn't help us. The point which doesn't help us if I were to take first, the general doom and gloom in the construction sector where liquidity with builders and all is constrained, people are talking of a work from home, so commercial properties are likely to be affected and everybody is talking of reducing their office space by half, so what would happen to all the new spaces which are being created. So this is the problem part of the equation. The positive part of the equation is that which I just mentioned earlier, all these labor which has gone away and some of them are skilled masons, skilled carpenter and without them the construction can't really happen,

so we will have to move to a model which requires lesser number of people and at the same time the job can be done quickly, they would require means like that and I think we are right smack in the middle of that space and we should be able to cater to this surge in demand as times goes on but there are two factors as I said, one which is overall, so I expect the pie of construction to shrink but I think we will get a bigger slice of the pie.

Moderator: Thank you. The next question is from the line of Dhiral Shah from Phillip Capital. Please go ahead.

Dhiral Shah: Sir, my question is pertaining to the roofing segment, you just said there has been 18 to 20% rise in your fibre prices, so now looking at the pent up demand as you envisage, so are you able to take any price hike?

Manish Sanghi: Yes, we have been able to take a price hike. I think that is what I mentioned, yes.

Dhiral Shah: By how much if you can quantify?

Manish Sanghi: No, I think we will have to wait. It is an evolving process, so let us just wait till the end of the quarter.

Dhiral Shah: And sir, you said that roofing realization is right now similar to the January 2019, so what is the overall?

Manish Sanghi: As I mentioned a few months back, I am not talking of that situation now. I said this is what had happened over a period of in the past that the prices did not go up despite the cost going up very significantly now the prices are going up as well.

Dhiral Shah: And sir, what was the reason for such a sharp jump in the fibre prices, is it linked to the rupee depreciation or is there any other reason?

Manish Sanghi: There were two parts, the price went up and dollar went up.

Dhiral Shah: And sir, price went up because of any mismatch in demand supply or what was the reason for that sir?

Manish Sanghi: We have very limited supplies in the market and there are 3 suppliers in the world and really it is not so much of a demand supply and this world major supplier which is in a process of shutting down in Brazil, so probably that is the cause of increase in price.

Dhiral Shah: And sir lastly, one more question sir, in steel building you are expecting capital investment in manufacturing to slowdowns, so does it impact our steel building division in coming quarters, although we have a good order book but let us say, after this execution you feel that we might see some kind of a slowdown in steel building business?

Manish Sanghi: So, if we talk of the quarter per se, right now, as I said we are facing even though we have started a large number of sites, we are finding that working at sites is a challenge because I am not able to transport workers and all workers have gone away, most of them are travelling workers. They are gangs who move from one place to another but they are now stuck at one place and a whole lot of them want to go back home to the safety of their homes which is typically in UP, Bihar, Jharkhand and Orissa and whole lot of them have gone away, so we are working at our sites at an efficiency level, you can say of something like very suffice to say 25 to 30%, any time somebody gets COVID, anywhere near the site, everything shuts down. So we are working under extremely difficult and adverse situation, so quite obviously, our ability to build and our ability of our sites to pull material from factories is limited. So we are.

Dhiral Shah: Sir, I am talking about incremental order inflow in steel building...

Manish Sanghi: There are two parts of it, the results which you see are not a function of order booking, the results which you see in a quarter are the result of order booking which happened 6 months back. My order booking this month will influence probably the Q3 and Q4 of this year.

Dhiral Shah: Yes exactly.

Manish Sanghi: The order booking is very subdued, all orders, everybody has said let us open up and then we will look at the orders and I think we will start seeing some activity in order booking only towards the middle of June.

Dhiral Shah: And sir lastly now, the steel being now fallen substantially in last may be 3 to 4 months because of the global scenario, so do you feel again people shifting towards steel roofing as it is more economical?

Manish Sanghi: No, I think we were seeing a shift back from steel. Steel has been lower even before the COVID pandemic and the people shifting back to fibre cement roofing was essentially on account of this 3 factors which I have mentioned many times before, that our roofing is more durable, it is not as hard as metal roofing is, it is not as noisy in the case when rains, it is having a far better life the fibre cement roofing unless it is physically broken, virtually last forever, while metal roofs are particularly what is sold in retail, rust and deteriorates extremely. So I think these are the long-term trends which you are seeing. We saw a shift away from AC roofing, we are seeing a shift back towards this as a long term, I do not see a lower price having a very significant impact on our sales.

Moderator: Thank you. The next question is from the line of Vaibhav Badjatya from HNI Investments. Please go ahead.

Vaibhav Barjatya: So just wanted to understand the change in environment, in the roofing segment you are clearly indicating that things have turned a little better now as compared to what is for last two years. This is when from January 2019 to March 2020 as you said, the farming environment was not that different during that time and I mean the farmers would in terms of agricultural produce but we were doing well during that time as well and which is the situation now as well, so there is not much change there, so what is causing this increased demand because again on the alternate product as well you said that the factors were largely same, the steel roofing was relatively cheaper there as well and now as well, so what is causing this sudden change in demand side of it?

Manish Sanghi: I think I need to say it once again that I right now don't know whether it is the current good sale is on account of a pent up demand because we didn't supply in the month of March and April is a result of that. We are right now only recouping something of what we lost during that period and unlike a lot of FMCG food products where the demand disappears, the demand for a roof doesn't disappear. The demand for the roof continues to remain, it can get delayed but it doesn't entirely vanish, so I could really rely much more on the macro factor. For me, I mentioned the macro factor has been the crop has been extremely good and despite the COVID prices, the harvesting happened smoothly, I expect in the times to come the ability of the farmer to sell without the use of intermediaries being a major game changer, but depends upon how the government manages to roll it out and how it really happens in the market. I see those as a big macro factor which can help us as the product. Right now, I would say that April and March sales are lost, so we are recouping that.

Vaibhav Badjatya: And lastly on, as you indicated that in steel roofing was getting some supply side issues and sir, we might also be facing some supply side issue, but is there something incremental that they were facing as compared to others and that is why probably there is some demand?

Manish Sanghi: I exactly don't know the constraints they are facing, I am actually not aware but there appears to be a shortage of steel roofing in the market. I don't know the real reasons for it.

Vaibhav Barjatya And as far as competitive intensity is concerned, any change that you have noticed among, I mean we have been able to increase the prices, but the competitors have also increased the prices in the similar range or is there any wide difference?

Manish Sanghi: I suspect that they must have increased their prices as well. Everest sells at a better price compared to all our competitors in almost all the market, thus we have some premium products. We have the Everest Supercolour which we sell at a significant premium over the other products, so I suppose they must have done some catching up with our pricing levels in this period.

Moderator: Thank you. The next question is from the line of Tushar Gupta from Kotak Mahindra Bank. Please go ahead.

Tushar Gupta: Sir, I had one question that what is the volume of your roofing products in FY20 compared to FY19?

Manish Sanghi: In FY20, my building products total volume declined on roofing by 43,000 MT and in case of my Boards and Panels, it has gone down by 200 MT, so total volume for both combined in the FY20 was 7,52,000 MT as compared to 7,88,000 MT in FY19.

Tushar Gupta: And any CAPEX plan sir, you had some CAPEX plans in the South I think?

Manish Sanghi: I think like everybody else, all our CAPEX plans are right now on hold.

Tushar Gupta: So you have deferred it?

Manish Sanghi: Yes, there is some maintenance capex which is happening in plant, so that will go through but no major CAPEX plans as of now. We will review them with time; we will review them as we go forward once we see the direction of the demand.

Moderator: Thank you. The next question is from the line of Siddharth Rajpurohit from JHP Securities. Please go ahead.

Siddharth Rajpurohit: Sir, on the steel building side, sir, have we activated force majeure clause and how much of it has been accepted?

Manish Sanghi: We have invoked the force majeure clause at many places essentially to ensure that we don't get clubbed with liquidity damages, LDs and penalties for delay in projects. Our understanding so far is that everybody appreciates us, understands us and we shouldn't be facing issues regarding that.

Siddharth Rajpurohit: But does this help us in passing on the raw material cost as most of our projects are at fixed cost?

Manish Sanghi: No, but there has not been an impact on raw material cost either.

Siddharth Rajpurohit: Okay, right because steel prices have come down definitely.

Manish Sanghi: Yes.

Siddharth Rajpurohit: Sir, the second question is the chrysotile fibre prices have gone up is one, but recently the cement companies have also taken a significant price hike, so is this statement right when we say that the current price hike that we have taken not only helps us in passing on the prices but also helps us recouping some of the margins that we have lost?

Manish Sanghi: I think it is the combination of the two, so it helps us recoup some and improve margins as well.

Moderator: Thank you. I now hand the conference over to Mr. Sanghi from Everest Industries Limited for closing comments.

Manish Sanghi: Thanks everybody for an enthusiastic participation. We had disappointing results in Q4, we are in a challenging situation, I think like the rest of the country and with whole lot of uncertainties and with whole lot of odds against us. We are doing a lot of work in the background to ensure that Everest becomes better in terms of customer offerings, in terms of customer connect, in terms of our productivities, quality and so on. I think we will see the impact of those in time to come, however, situation remains uncertain at best, however, this whole COVID situation will play out with this opening up, whether the number of infections from 2 lakhs, where will they go, whether they will really infect rural India or the so called herd immunity will start kicking in and the virus would not really go into large numbers is all factors which we have to watch and see. From our side, we are making the company far more efficient, far more productive, far more conscious of costs, far more conscious of premiums, far more conscious of the new position which we have taken in the market place and we think that the immediate future may be a little clouded, we don't know how it is going to pan out, just like the way you are having weather right now, little cloudy but we think that we will emerge from this significantly leaner, significantly stronger, significantly improved performance. Thank you all so much and I look forward through talking to all of you in probably 2 months' time. Thank you all.

Moderator: Thank you. On behalf of Everest Industries Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.