



“Everest Industries Limited Conference Call”

October 28, 2013



**MANAGEMENT: MR. MANISH SANGHI
MR. RAKESH GUPTA**

Moderator: Ladies and gentlemen, good day and welcome to the Everest Industries, Q2 FY14 Earning Conference Call. As a reminder for the duration of the conference all participants' lines are 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 this conference call, please signal an operator by pressing "*" and then "0" on your touchtone phone. Please note that this conference is being recorded. I would now like to handover the conference over to Mr. Manish Sanghi. Thank you and over to you Sir.

Manish Sanghi: Good morning and thanks. We welcome you all to the discussion on our quarter and six months ending September 30, 2013. Along with me I have our CFO, Rakesh Gupta and SGA, our Investor Relations Advisor. We have prepared and circulated our result update presentation and the same has been uploaded on our website as well.

The Second Quarter of Financial Year 2013-2014 saw a performance below our expectations across product lines. The drop in performance is mainly due to an early and extended monsoon besides an economic instability, and liquidity crunch in the market. A policy paralysis in the government, which led to a loss of confidence amongst the users also a slowdown in infrastructure and housing spending, has worsened the situation on the demand side.

I would talk about the major business segments separately now. Q2 FY14 on the roofing business saw a significant drop in earnings mainly on account of drop in volumes and increases in cost in roofing business. As mentioned earlier the early onset of monsoon this year, monsoon was really there beginning of June this year and is continuing in parts of the country even today and that affected the demand very adversely.

People like to have a roof over their heads before the rains hit and particularly in rural India construction activity slows down very significantly as long as the rains are there. You are also aware that we import all the Chrysotile Fiber and this forms up to 65% of our raw material cost. The depreciation in the Indian rupee has increased the cost on account of Chrysotile by up to Rs. 600 and it depends on what timeframe we are taking Rs.600 to Rs.1000 per tone.

In addition, the transportation cost has seen an upward trend on account of the increase in diesel prices. The reduced demand often results in a double whammy in the sense that the reduced demand results in our inability to recover the increased cost from the marketplace.

However, a healthy and well-spread monsoon it is a best in last 15 years. This year should result in a very good Rabi and Kharif crops. The rural economy should increase the spending on construction in the coming year, also the next year being election year the government's increasing focus on rural development will have a positive effect on demand for coming quarters.

Demand is further expected to get support by the growth in pipeline by stockist, who anticipates a release of pent up demand. People have very definitely deferred their housing decisions and

that should come into play as we go forward. We are already seeing signs of it in October wherein the sales are significantly better than in September. We are seeing good traction in our boards and panels business on domestic as well as on exports. Our boards and panels are exported to Middle East, North Africa, and South Africa where they are very well accepted. In the domestic market the architects and builders have realized a potential of our products and are increasingly specifying it for their projects.

On the capex side as you are aware we were expanding our roofing capacity by adding 100,000 metric tonnes at Baleshwar in Odisha. I am glad to inform you that we have commissioned the plant and commercial production has already started over there. The product has been completed without any time or cost overruns. The production has been smooth and with very, very low rejections in the initial runs.

We are confident of achieving optimum capacity utilization levels by the end of this financial year. With addition of this new plant our roof manufacturing capacity has increased to 700,000 metric tonnes and our total capacity of building products has been increased to 810,000 metric tonnes, which includes 110,000 metric tonnes of boards and panels.

The expansion will help us meet the anticipated demand in the coming years. Cyclone Phailin, which had hit the region of Odisha a few weeks back and the subsequent rains and sludge have not damaged our plants. The surrounding area is however submerged and the plant is working slow on account of breakdown of the surrounding infrastructure.

We expect the situation to improve in the next few days. We will certainly be contributing in the restoration and development of the region and the plant will also help to cater to the redevelopment activities in the region.

Coming to steel building segment, as you are all aware the pre-engineered building solutions industry is growing at 25% to 30% due to its increasing acceptance in sectors like industrial buildings, FMCG, logistics, warehousing, infrastructure. The change in perception about the steel building and willingness to invest in quality and speed is driving the growth of this industry.

Volume in our steel building segment continues to grow even in current economic environment as a share of steel building is increasing in the overall construction sector. Over here we talk of two kinds of volumes in steel buildings; one is the order booking volume the second is the dispatch volume. What the P&L shows is not the order booking but what has physically been dispatched and there is often a big gap between the two.

To take advantage of this growth momentum we are expanding our manufacturing capacity. As you are all aware we are adding 30,000 metric tonnes by investing Rs. 50 Crores in a Greenfield plant at Dahej in Gujarat. The capacity expansion is progressing well at our new state of Dahej plant, which will have high levels of automation for higher productivity. The plant is scheduled

to start commercial production by mid 2014 and will cater to customers in West and South India. The plant is very statistically located and will help us in saving freight cost and reduce the turnaround time and improve the customer service.

These were few of the key points I wanted to share. Now I will handover the call to Mr. Rakesh Gupta, who is our CFO. He will take you through the financial performance of the first quarter. Over to you Rakesh!

Rakesh Gupta:

Thank you Manish and good morning friends. I will now take through our results, which we have circulated in the presentation that have been mailed to you. We have recorded revenue of around Rs.200 Crores in Q2 of FY14, which is lower by around 10% as compared to Rs.222 Crores in the corresponding period last year.

The EBITDA for Q2 FY14 is a loss of Rs.8.9 Crores, the EBITDA for the quarter was mainly affected by lower volumes that we achieved in building products on account of sluggish market condition and extended monsoon during this year as compared to unlike last year where we had a delayed monsoon. Last year monsoon came practically in early August or July whereas this year it came a bit early. It came in June itself. Increase in the material cost due to significant rupee depreciation, our market condition were also impacted by a lower liquidity in the economy and the cost of all construction materials actually went up during this period. So these are broadly the reasons, which impacted our financial performance.

Building product segment contributed approximately Rs.141 Crores to the topline whereas steel building segment contributed Rs.57 Crores. The segment which comprises of fiber cement roofing sheet, boards and panels the volume were lower by approximately 12.5% and the turnover at Rs.141 Crores was lower by approximately 12% in Q2 of FY14. EBIT of the segment for this segment for the quarter was the loss of Rs.5.5 Crores.

In the case of steel building segment our revenue for Q2 of FY14 is approximately Rs.57 Crores versus Rs.62 Crores in the corresponding period of last year. The volume is lower by around 14% at 6200 metric tonnes as compared to corresponding period of last year.

In Q2 of FY14 the EBIT for the segment is a marginal loss of Rs.30 lakhs. The lower volume in steel building segment is mainly due to extended monsoon, which affected civil construction activity at the customer site, which effectively meant delayed takeoff. For certain projects with the financial tie-up or financial closure took longer than expected whereby we had to delay the dispatches. In this segment we have an order book of currently of approximately 36,000 metric tonnes in value terms more than Rs.275 Crores as on September 30. We expect the volumes to improve going forward as civil construction activities at project sites will pickup once the monsoon gets over. There is some rain which is still going on but the buildup of dispatches should take place now.

On the balance sheet side as on September 2013, the gross debt is Rs.150 Crores, which includes Rs.70 Crores in the form of ECB, which is a major part of it actually comprises of two ECBs. Major part is fully hedged both for principle as well as the interest and a small part around 12 Crores is unhedged so to say. The complete cash and bank balance stood at Rs.37 Crores which includes funds kept in fixed deposit to the company's bankers.

As briefly touched already by Manish, the capacity expansion at Baleshwar is over and we have commissioned the plant in September 2013 and our capacity in the building product segment is stands now at 810,000 tonnes.

The capacity expansion of 30,000 metric tonne in our steel building segment is also progressing well. Currently the designing is going on and the ground breaking and foundation, laying activities has started. There would be huge saving in freight cost as the facility will cater to order from western and southern India more effectively.

I think that is what briefly I had to share with you. We can now have the questions and answers from the participants.

Moderator: Thank you very much. We will now begin the question and answer session. First question is from the line of Avinash Nahata from Aditya Birla Money. Please go ahead.

Avinash Nahata: Thank you for the opportunity. My question is what is the net obligation as far as dollar requirement is concerned monthly?

Manish Sanghi: At full capacity what we import is the chrysotile fibre at around 56,000 tonnes production that is around 5,000 tonnes of chrysotile fibre, which we import then we also import the cellulose fibre and again a 10,000 tonnes capacity that would be of the order of around 2,500 tonnes. Sorry in rupee terms on an annual basis we import at a rate of around Rs. 25 Crores per month, some months it is higher, some months it is slower depending upon the delivery cycle.

Avinash Nahata: So you are saying Rs. 300 Crores on an annualized basis depending on the capacity utilization at full capacity it would be Rs .300 Crores for annualized?

Manish Sanghi: At an exchange rate of around Rs. 60 I should mention that nowadays.

Avinash Nahata: What is typically the corporate hedging policy for the net obligation?

Manish Sanghi: We are not taking any bets on how the rupee would move so all our expected imports are kept open. We do not hedge in anticipation of an import. All that we are hedging is when we decide to take a buyer's credit at the time of receiving the documents of import. If we take a buyer's credit we take a call whether to hedge it or not. In the past, we were hedging at 100%. In the recent past we have kept it open.

- Avinash Nahata:** So only when the buyer's credit involved you guys go and hedge otherwise as and when these bills are sited you take a call?
- Manish Sanghi:** That is right so we are not taking any call on which way the rupee is moving.
- Avinash Nahata:** Second is 30,000 tonne MT expansion at Dahej Gujarat what is the project cost expect is Rs. 50 Crores right?
- Manish Sanghi:** Yes.
- Avinash Nahata:** How much was the expansion cost for this 100,000 MT of roofing?
- Manish Sanghi:** That was Rs. 45 Crores.
- Avinash Nahata:** This includes the cost of land as well.
- Manish Sanghi:** It includes the cost of land as well in both the cases.
- Avinash Nahata:** If I may know what was the cost of land?
- Manish Sanghi:** Cost of land at Dahej is around Rs. 11 Crores and in Odisha it was around Rs. 2.5 Crores, it was somewhere in that range I do not have the précised number with me.
- Avinash Nahata:** Thanks that is all from my side.
- Moderator:** Thank you. Next question is from the line of Aksh Vora from Praj Investments. Please go ahead.
- Aksh Vora:** Good morning Sir. We had mentioned in last concall that for the full year we are hoping state building to grow at 15% so are you still sticking to that or are revising any growth numbers on that?
- Manish Sanghi:** I would not revise my numbers on that. My order intake in steel buildings has been extremely robust. In fact my order book has gone up from 30,000 MT, which we talk of in the last quarter to 36,000 MT this quarter. What has happened why the volumes it seems like a dip is the extended monsoon slowed down the construction activity so a lot of customers had flooding problems at their sites and they asked us not to send the materials. In some cases we go and do an inspection at the site before we dispatch the material and we found the place full of water so we actually did not dispatch the material. So once the water goes out and frankly a couple of sites even I visited and saw that there was so much flood that it was not possible to move the cranes at the customer's site. So that resulted in a slowdown which has move to the normal. There is some bit of slowdown which happens every year but this year was exceptional. The second part of it was we also saw a very definite pointer towards slowdown of credit so a few customers at least kept on mentioning that please delay it, I am waiting for a financial closure of the project. So

while every project, which we take we call it an order only after we have received the advance. Yes the advance is sitting with us and the customers did not take delivery on account of late disbursement of their loans. We do not expect this to frankly continue for long and the dispatches from the plant should improve. We have the order book to backup the numbers, which we had talked about.

Aksh Vora: Sir another thing what would be the declined in demand in cement roofing have got from boards and panels?

Manish Sanghi: Most of the decline has come in roofing.

Aksh Vora: So what would be the number last quarter you had said it was around 8.5% of decline in volume what would be the number this quarter?

Manish Sanghi: On roofing the total decline is 12.5%.

Aksh Vora: Including the boards and panels?

Manish Sanghi: Including the boards and panels.

Aksh Vora: Separately for the roofing Sir?

Manish Sanghi: Around 13% for the roofing so as I said almost all of it has come from roofing.

Aksh Vora: Sir boards and panels have continued to grow?

Manish Sanghi: Boards and they are virtually flat.

Aksh Vora: On our Mauritius subsidiary is there any details you want to share because last quarter you had said that we let you know soon so is there any new...?

Manish Sanghi: We have incorporated the company and quite obviously it will result into quarter but at this point of time we are not sharing the plans going forward. We would firstly share with the stock exchange before we can share it in a forum.

Aksh Vora: Sir you are hopeful on the building product segment that the demand will be back in third quarter and fourth quarter in this fiscal due to good rainfalls and robust income that would be gaining in the farmers so is there the demand is you still hoping that on that or would it be delayed?

Manish Sanghi: If you ask me the past trend has been there is a very, very definite correlation, which exist between the monsoon and demand. It has been there over a long period of time large number of years. Second is we have also seen whenever the rains are high or due to some reason construction activity slows down, it results in a spurt in demand after that. We see absolutely no

fundamental reason of why demand should be low other than these seasonal factors. Even in these times the demand in east for example is low because of an extreme flooding situation. We have the whole of Odisha, whole of coastal Odisha which is the main market and Midnapore area in Bengal under water. As soon as the water recedes we should be seeing seasonal demand picking up significantly over there.

Aksh Vora: You are saying that due to in first half also the monsoon was the main reason for the demand slowdown?

Manish Sanghi: Monsoon was the main reason. June is a very good month for us and the monsoon make us in many parts of the country by the second week of June.

Aksh Vora: So there is no fundamental slowdown at company?

Manish Sanghi: I do not think there is a fundamental reason around it.

Aksh Vora: Lastly Sir at what rate you would be means you fix the dollar for the importing at three month quarterly or monthly?

Manish Sanghi: I am not sure, I understand your question correctly.

Aksh Vora: Sir at what rate mean sir you import the Chrysotile fiber the raw material that we import would you fix it on a monthly basis or quarterly basis?

Manish Sanghi: The pricing for Chrysotile is fixed on an annual basis and as far as the exchange rate is concerned it is the day on which it runs. As I said earlier we keep our positions open.

Aksh Vora: Sir it is fixed on the start of the year or end of the year the pricing annually fixed?

Manish Sanghi: Normally the pricing is done in January, some couple of suppliers do it in January some, do it in April but it is January to April.

Aksh Vora: Sir in last concall you had mentioned for the current year vendors have reduced the price of \$4 to \$6 for Chrysotile fiber in dollar terms which will impact margins positively?

Manish Sanghi: Yes, I wish it adverse out in that manner. They did reduce but there is the exchange rate at that point of time was Rs.54.

Aksh Vora: Till net off with the dollars?

Manish Sanghi: Yes, net off I am way off that number.

Aksh Vora: Thanks a lot.

- Moderator:** Thank you. Next question is from the line of Mahesh Bendre from Quantum Securities. Please go ahead.
- Mahesh Bendre:** In the second quarter the building product business has seen a volume decline of 12% and steel building segment has also declined by 14% so how has been the performance in the first half of the financial year this current year?
- Manish Sanghi:** If you really talk in terms of sales volumes, I am down by –10% on building products and on steel buildings on volume terms I am up by 22%, in volume terms. If I talk in revenue terms building products I am down by –8% and in steel buildings I am up by 14.4%.
- Mahesh Bendre:** Sir what is the outlook for the second half do we see a substantial improvement compared to first half and the second half or at least will be able to match the volumes of last year?
- Manish Sanghi:** Let me say it this way that typically first quarter is our best quarter. The second quarter is our worst quarter traditionally this is how the market pans out because of the monsoon. This year we had a subdued first quarter. We had a bad second quarter. The way we are seeing since is things are improving in third quarter I expect them to become significantly better by the time the fourth quarter comes in. I believe we should be able to maintain the volume at least in building products if not grow by a small percentage and steel building are on an aggregate basis for the six months we are already registering a fairly significant growth.
- Mahesh Bendre:** Sir in terms of profitability we have posted operating loss for this current quarter. What is the outlook for next half of the year?
- Rakesh Gupta:** In terms of outlook as Manish said that it will hinge upon the build upon the volume that we do. We are also looking forward to an increase in the realization in the building product segment, which in spite of all the negatives, the positive was that it did not dip we maintained the realizations in the bad time that gives us hope that when the seasonality impact starts building up in our favor we will see significant increase in realization, volume then any case will be this improve is go up during the quarter three and quarter four. So yes we are pretty hopeful about the next couple of quarter's performance.
- Manish Sanghi:** As a policy we do not give out guidance number so I would not be able to specifically point out where will we end up, but we expect things to be definitely better.
- Mahesh Bendre:** Sir last question is we already have completed first month in this quarter so based on what you had seen, do you see a definite improvement in the demand or steel demand remains to be subdued?
- Manish Sanghi:** Come again sorry we lost you in the middle?

- Maresh Bendre:** We have already completed the first month in the third quarter and there is a change in the demand or demand is still remain the same subdued?
- Manish Sanghi:** There was a constant dip in demand, which was happening and October has definitely seen a reversal of the trend. It is significantly better than September and we should be matching the October of last year. So for me the trough is already passed us.
- Maresh Bendre:** That is helpful thank you Sir.
- Moderator:** Thank you. Next question is from the line of Samir Rachh from Reliance Mutual Fund. Please go ahead.
- Samir Rachh:** Good morning. Sir is it correct to assume that you would not have taken any price hikes in building products considering the demand environment this quarter at least?
- Manish Sanghi:** Yes there was no price increase.
- Samir Rachh:** So if we were to pass on the entire cost increases to customers, what kind of price increase we will be required to take?
- Manish Sanghi:** We would be required to take nearly a 15% cost increase, so in terms of price I may have to take a 12% price increase.
- Samir Rachh:** By when you will be taking calls for price increases?
- Manish Sanghi:** I am trying it constantly, but in order to do a price increase I need to be supported by the demand so I would be making in attempt once again in a few days' time.
- Samir Rachh:** Sir is there any significant increase in capacity apart from our capacity in the industry?
- Manish Sanghi:** No actually not. In the recent past there has not been any major capacity addition.
- Samir Rachh:** No other announcements also from any other players?
- Manish Sanghi:** No not really.
- Samir Rachh:** So basically if demand environment improves that will give us confidence to at least pass on some of these increases and that should help a lot in the coming quarters?
- Manish Sanghi:** Yes absolutely.
- Samir Rachh:** This PEB problem was absolutely quarterly problem there is no demand problem exists and extremely that drive on this trend?

- Manish Sanghi:** Yes because my order book continues to grow strong and I am even now negotiating a large number of orders. In many ways I suppose we might be to some extent, an exception over here because we focus on a particular kind of orders. We focus on the small and medium sector and not on the infrastructure segment. What really slowed down was the infrastructure segment and since I do not participate in that, I was not affected. I continue to grow.
- Samir Rachh:** So this overall slowdown in economy and capex and all and it helps this business because you can help people setting up projects faster?
- Manish Sanghi:** That is right and we have in the last six months probably the impact of our having implemented a very robust ERP module has helped us execute our side far better than before and we are seeing signs of that performance as well.
- Samir Rachh:** Has there been any cost increase pressure on the steel pricing?
- Manish Sanghi:** There is an upward trend on the steel pricing, how sustainable it is I am not too sure. Initially at least we attributed it to dollar parity and we do not think that it will be going up much further.
- Samir Rachh:** We see margin pricing in this business also in the coming quarter?
- Manish Sanghi:** Maybe a little bit but not really too much, a little bit because some of the older orders may have been negotiated at our steel price which is higher today so we are renegotiating the prices with them, but otherwise profitability should not get affected over there.
- Samir Rachh:** Right, so I think as you correctly mentioned I think demand environment should be quite robust looking at the situation in rural India into the most way?
- Manish Sanghi:** We are expecting demand to be very robust and all that I am reading up in the general press, talking to economist are pointing towards a major revival in rural demands particularly and we are seeing signs of that in industrial production, indexes, talking to FMCG guys, talking to durable guys, they are all starting to show an upward demand trend.
- Samir Rachh:** Great sir I think that is all from my side and all the best.
- Moderator:** Thank you. Next question is from the line of Baidik Sarkar from Unifi Capital. Please go ahead.
- Baidik Sarkar:** Good morning. Manish you recollect that the end of Q1 when we spoke in July, you specifically said that Q2 business really have an impact of monsoons as start that is the lack of it or the excess of it. Can you tell that because the combination happened in the first month of Q2 and you see how volumes have been impacted the concern is, are we misleading the macros? Are we overestimating by in patterns and if there anyway and I am trying to understand your thoughts on this?

- Manish Sanghi:** Q2 is a bad quarter. So probably when I said it, I meant that whether the monsoon is good or bad the impact really comes in only when the crop starts coming in. The impact is not felt immediately of a good or bad monsoon till the farmer realizes the money out of it and to that extent the quarter two has not been impacted. The quarter two has been impacted only to the extent that it kept raining for a longer period of time. I am still not talking over here of what it will result into which income. The income really starts flowing in depending upon the time of showing November or December and so I expect things to improve from that time onwards when the farmer has more money that is the impact of a good monsoon for me. I suppose that is the context in which I talk. Q2 is not really impacted by the monsoon of this year, but excessive rain is a very different thing all together because anything is not build in.
- Baidik Sarkar:** So I guess, Manish with the exception of past in Odisha, which is seen flooding right now the monsoons are largely over. So the optimism is it translating to distribution behavior or have you are earning what has been the level of dispatches as we talk today the first month of the Q3 we already have that?
- Manish Sanghi:** As I said my dispatches in October have picked up significantly over September. They are nearly back to or they are back to last year levels and my east is not participating so far in it.
- Baidik Sarkar:** So monsoon is one generic phenomenon could you help us understand who your end consumers are across the industries, retail, rural retails, and infrastructure? I think to given the better understanding of how you are tied up with the broader macro?
- Manish Sanghi:** Over the period of time the pattern of usage of the AC industry has changed. It is something 8 – 10 years back it used to be nearly 40% of it going into industry. Today that the particular level has changed from 5% to 10% depending upon, which market we are in, so large quantity is the retail led. Now the retail goes depending upon which area we are talking into it goes into rural housing, it goes into agri-based business, poultry is a very big one for me, it goes into warehousing for agri-product, then it goes into workshops, for example Punjab virtually nothing goes into housing, it primarily goes into a grain storage area into a tractor garage, a service workshop but the pattern is very, very definitely agri income led.
- Baidik Sarkar:** Secondly we just missed out calculations to inventory days and at consol level 20 days seems to be harping under 230 days range. It seems quite alarming. Could you help us understand this figure better in the sense, how much of it was supposed to get dispatched in Q2 and is now in a spillover stage and you just said that Q3 dispatches have become normal. So by what extent you expect this to normalize? If I can just add to that question I am sure the industry is running I will just talk about the industry as well so is there a risk of strict liquidation sometime this quarter, next quarter further liability or realization as well as margins?
- Manish Sanghi:** See as far as the total inventory is concerned my inventory today stands at 253 Crores at the end of March 31, my inventory was 254 Crores. So my inventory has not really gone up too much.

The fact is that we had reduced production at many plants in order to maintain the inventory level. So I am not very sure from when you are talking of increasing inventory, what is the number you are referring to?

Baidik Sarkar:

What we were trying to understand is in Q4, going into Q1 which is your very strong quarter it is logical that you stock up in terms of finished goods but here we are talking on the end of first half. So your second half being comparatively weaker stocking up of inventory we were concerned that how much of it would be finished goods at a much higher raw material cost and whether there might be inventory losses, which might come up if you are unable to take price hikes. That was one part of the quarter and secondly what we wanted to understand was if suppose you are producing more than what is getting dispatched in the sense that if you look at your P&L, exchange stock is negative which indicates that your finished goods is much higher or finished goods are work-in-progress if higher. So let me say that interest rates inch up further and some of your clients will further delay their procurement as well as asbestos sheets. In that case your inventory might continue to remain high and the interest cost or the debt required for your servicing of inventory all these are tied up. So we were looking at the entire picture how it is panning out for you from inventory part?

Manish Sanghi:

We will very carefully look at the inventory numbers. Just as I mentioned earlier my sales volume in building products in metric tonnes went down by 12.5%. Our production we actually cut down by 23.4%. So I am very, very conscious of that. We have very significant capacity so we are not going to stock up of finished goods inventory more than what is absolutely essential and on the steel building side we are keeping it to the minimum in any case. The only thing where my ability to control inventory is not there is on the import side because there is a very long import lead time so over there I am not able to fine-tune the inventory coming in, but otherwise we are keeping a very close watch on it. I was looking at the numbers and last year the same level the inventory was from that time it has gone up by nearly 50 Crores essentially one is there is an increase in quantity but there is a bigger increase in value particularly on the raw material side.

Baidik Sarkar:

Sir if you could just break up this 250 Crores inventory to finished goods raw material that would be helpful Sir?

Rakesh Gupta:

Our raw material inventory I am giving you the numbers September end this year and September end last year. Raw material is 110 Crores versus 100 Crores last year, WIP 74 versus 60 last year and FT 45 versus 24 others are stock and trade etc. There is the material and the traded goods, so 110 – 100, 74 – 60 and 45 – 24.

Baidik Sarkar:

Rakesh, see what I am not able to understand is that from looks of your presentation it seems that your realizations on both building products and PEB has actually gone up. We are able to down to your to get thing operating metrics could you please explain that? Based on whatever sales

volumes you have disclosed for this quarter and the segment revenues it actually looks like your realizations are up?

- Rakesh Gupta:** No, actually realizations as Manish also covered in his deliberation that our realizations we have maintained. When we talk about realization, we look at realization net of freight etc., freight etc., which gets included in our sale price have an impact, in the segment results that you see is the sale revenue, not the net realization. My net revenue appears slightly higher because there is a higher cost of freight, which is included there. When Manish was talking about that we are maintaining realization he is talking about net of freight and net of taxes that realization that comes and appears so to say the company's actual earnings otherwise yes in terms of sale prices that will be marginally higher as compared to last year because of the realization I have mentioned and I am netting up rate etc., in realization so that sale price will appear slightly higher but not much different actually.
- Baidik Sarkar:** My last question just one of that at the end of Q1 I think the value plus volume growth aspiration we have for building product in PEB was about 15% and 10% respectively where we stand at today as regards to that?
- Rakesh Gupta:** Maintaining the call on the steel building, we should be doing that much we should be on target. On building products, I think we should be able to make up for the loss volume.
- Baidik Sarkar:** Should I assume it will be a flat to the entire FY14 or would that be a very aggressive assumption?
- Manish Sanghi:** As I said, I expect an increase in the steel building segment on the building product I expect the quarters to be good, how good? They are going to be is something which I would not like to put a figure at this point of time.
- Baidik Sarkar:** How soon do you think we can come back to our aspired operating margin level 6% to 8.5% respectively for steel and BP?
- Manish Sanghi:** I think we should be back definitely in Q4 and probably in Q3 towards December by the time, the volume starts picking up. It is a very volume driven game for sure and unless the volume picks up the margins would not pick up because there is a large fixed cost, which has to be apportioned, so I expect the volumes to, they have started picking up I expect this space to gather and definitely Q4, Q3 I would hope for it I would not be able to say for sure.
- Baidik Sarkar:** So from Q3 is breakeven realistic or even would that be open far too much?
- Manish Sanghi:** I do not have numbers right now with me on it so I would not like to comment on that.
- Baidik Sarkar:** Thanks gentlemen. I will be in touch.

- Moderator:** Thank you. We shall take the next question from the line of Aksh Vora from Praj Investments. Please go ahead.
- Aksh Vora:** Just a followup on the question, the same impact would be there on competitors or the same outlook would be there for our competitors, what would be your view, can you elaborate it?
- Manish Sanghi:** Not many results have come out, but I expect it to be very similar. The difference can only be to the extent that somebody may have liquidated inventory at lower margins, so that can be the only difference and the other difference can be only on account of the inventory of chrysotile fiber which we keep, so if somebody had very large inventory at low price of chrysotile fiber he would do better, but other than that I do not expect any major difference.
- Aksh Vora:** It would be for industry per se right Sir?
- Rakesh Gupta:** It should be for industry per se.
- Moderator:** Thank you. Next question is from the line of Dhananjay Mishra from Sushil Finance. Please go ahead.
- Dhananjay Mishra:** The steel building segment our order book has increased 20% from Q1 to Q2 in terms of volume and in terms of value it has increased just 10%, so are we taking orders even at lower margin currency in steel building segment?
- Manish Sanghi:** Not really. We consider very often steel as a passthrough in our business and what we really monitor is the value add. We are maintaining the value adds. We are not compromising on that at all.
- Dhananjay Mishra:** From 30,000 MT to 36,000 MT, it has increased 6,000 MT in terms of volume?
- Manish Sanghi:** I would not put too much, the 36,000 MT number is the one which I would focus on and the value add which will come with that is going to be the same.
- Dhananjay Mishra:** Rs. 275 Crores is not your number or it should increase?
- Manish Sanghi:** It can probably be a little higher. The number which I am really counting is the tonnage number.
- Dhananjay Mishra:** In H2 we are still maintaining to deliver about 4.5% to 5% kind of EBIT margin in steel building segment?
- Manish Sanghi:** I see no reason why we should be doing that.
- Dhananjay Mishra:** Because we have been doing about except for this quarter we have been doing close to 5% to 5.5%, so we should at least do 4.5% to 5% kind of EBIT margin?

- Manish Sanghi:** I think we should do that, yes.
- Dhananjay Mishra:** In this quarter, the other income has increased significantly so can you explain that on that, that is about Rs. 7 Crores?
- Rakesh Gupta:** There has been an income tax refund interest that has come and then there is some review of the provisions that as business as usual we keep doing every quarter, so there have been some write back of liability which are no longer required.
- Dhananjay Mishra:** What is one-off of this? Out of Rs. 7 Crores what is the one-off of all these you have talked about?
- Rakesh Gupta:** About slightly less than Rs. 3 Crores is the interest that we received on the income tax refund that we got. There is about Rs. 2 Crores which business as usual which keeps happening. There is about Rs. 2-2.5 Crores of liabilities and provision which are written back.
- Dhananjay Mishra:** Sir, can you give the last year, full year production and sales figure in terms of volume. In FY'13 the production and sales figure in terms of volume for our building materials segment?
- Rakesh Gupta:** I think the specific numbers, Bharti has been in touch and I think she had been actually picking all the data. I can provide you the data separately on the volumes etc.
- Dhananjay Mishra:** Thanks.
- Moderator:** Thank you. We are going to take a followup question from the line of Baidik Sarkar from Unifi Capital. Please go ahead.
- Baidik Sarkar:** Sir just a followup question on your other income. There seems to be disproportionately high could you please throw some color on that?
- Rakesh Gupta:** As I mentioned that this year, this quarter we have received an income tax refund, which came with an interest of slightly less than Rs. 3 Crores around Rs. 2.7-2.8 Crores kind of an interest that is there and then there are some liabilities with provision, which were existing in the books and these had been written back.
- Baidik Sarkar:** The tax part of it given that we have made no provision this quarter, so I wanted to understand if we are taking some MAT credit or what was the development on that?
- Rakesh Gupta:** Actually the tax provision is computed on the cumulative profit, so in Q2 we have a loss which has resulted in two of H1 one profit being lower than Q1 profit, so there is a write back because the tax is calculated on the PBT numbers, so there appears to be a write back, but it is basically on the H1 profits that the tax is computed correctly. There is no MAT kind a thing in this.

Baidik Sarkar: It was helpful. Thank you.

Moderator: Thank you. As there are no further questions, I would now like to hand over the floor back to Mr. Manish Sanghi for closing comments. Thank you.

Manish Sanghi: Thanks everybody for participating in this conference call. We, ourselves are very disappointed with the results we have had this year. We are confident that we will be able to improve upon them significantly in the quarters to come. As I have been repeatedly saying we have seeing signs of turnaround happening in the business and economic environment and that should help us. We are going ahead with our capex plans in Dahej in Gujarat and we are working full-time to ensure that the project gets delivered on time. We also expect the benefit from our new plant in Baleshwar in Odisha. East is a high performance, loyal asset market and as soon as the flood situation changes we hope to be doing well over there. Over a period of time, we have transformed ourselves into a multiproduct company from a single product company and that helps us to participate in the India growth story right from the bottom of the pyramid going up all the levels wide range of building product solutions. With our boards and panels, we are addressing the new India, which wants superior quality at reasonable prices in a timely manner. We really are moving toward solutions because today we not just offered product, but we are ready to design solutions and physically execute solutions for our customers. The steel building segment is seeing a very positive momentum and we would work towards growing in this segment of the business again. I hope that when we meet three months from now, we would be talking more on how do we grow further and what height can Everest reach. Thank you so much.

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