Everest Industries Limited
Q1-FY21 Results Conference Call
July 24, 2020

Moderator: Ladies and gentlemen, Good evening and welcome to the Q1 FY21 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 "0" and "*" 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 Dipesh. Good morning everybody and a warm welcome to you all. My name is Anuj Sonpal from Valorem Advisors. We represent the investor relations of 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 Q1 FY21. Before we begin, I would like to mention a short cautionary statement as always. Some of the statements made in today's earnings concall maybe forward looking in nature. Such forward looking statements are subject to risk and uncertainties which could cause actual results who differ from those anticipated. Such statements are based on management's belief as well as assumptions made by an information currently available to management. Audiences are cautioned not to place any undue reliance on these forward looking statements and making any investment decision. The purpose of today's earnings conference call is purely to educate and bring awareness about the company fundamental business and financial quarter under review.

I would now like to introduce you to the management participating with us in today's earning 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: Thanks Anuj and good morning everybody, good to talk to you. This is probably the shortest period between two calls for us. We last talked on the 3rd June and it is merely 45 days. Nowadays, lot seems to be changing everyday so 45 days can be really a lifetime. So the company has experienced a decent quarter in performance. This was due to better than expected demand for roofing sheets and supply constraints which resulted in better pricing due to the lockdown. The steel building business was affected due to slowdown in manufacturing and CAPEX activities. Though, we have a decent orderbook, projects have been put on hold and even deferred.

The last quarter has been an extremely challenging quarter for us in every sense of the word from an operations point of view, in our factories we face lack of manpower, people going back what we call as reverse migration.. We had permissions coming for opening up of plants at various points of time. We had issues of supply chain, availability of raw materials, availability of trucks. We had varying set of requirements and restrictions by local authorities, quite obviously we had a whole lot of issues regarding general health and safety of our workforce at plants, at sites and other locations. We had limited amount of stock and the SKU combination was a challenge and we also had this strange phenomena during this period when petrol prices kept going up virtually every single day which resulted in some uncertainty around a movements of truck in the country.

Our sales team had to move from a physical pattern of going to customers, dealers, architects, consumers to a virtual pattern. So, we were not able to physically visit markets and we also had this phenomena that the urban market in particular remained shutdown other than the absolutely essentially commodities groceries and pharmacist. In the steel buildings we have this challenge of customers deferring their decisions, taking a lot of time and virtually each one of them saying let this time pass and then we will take a call. Our steel building decisions are big decisions for our clients and I think clients feels more comfortable physically meeting and deciding on the orders, the order size could vary from INR 2 Cr to INR 50 Cr and while INR 2 Cr may seem less, but for the person who is putting up a INR 2 crore factory it is a significant amount of money. So we had a whole lot of projects the projects which we expected to finalize the input on hold. In fact, project which had started and there were some work done over there, orders have been placed on us even there we found that companies had put projects on hold and each and everyone in the industry is trying to conserve cash by delaying CAPEX, by delaying payments.

On the sites, we had significant issues regarding manpower availability where we required 100 people we could barely get 20. We have this phenomenon where there were very frequent mobilization and demobilization of sites so somebody test positive for COVID at a particular site the whole site is demobilized and then you wait for 10 days, 12 days and then you start work again and that kind of a thing kept happening. Thankfully our teams remained not really seriously affected by the COVID, but it constrained our operations very significantly and just like our depot and factories the sites also got affected by a local authorities and since there is no uniform single authority in this case each district and at times each taluka taking their own decisions on what is right and what is required to be done.

I think what I shared with you that the government in the last meeting as government declared lockdown on 23rd March we suspended operations in all units of the company. COVID-19 has impacted a normal business operations of the company by way of interruption and production, supply chain, production facilities etcetera, things have commenced gradually during the April, May period at manufacturing locations of the company after due approvals from relevant authorities have been taken. We have made a detailed assessment of company's liquidity position to continue operations for the foreseeable future and recoverability and carrying value of its assets based on current indicators for future economic conditions the company expects to recover carrying amount of these assets. We will continue to monitor closely any material change arising out of future economic conditions. One particular call which we took based upon this COVID situation was we were to receive, a subsidy from a state government on VAT, after imposition of GST the state government did not rollout the new procedure for the incentive under the GST regime. It is now looking at the impact of COVID we felt that it is it is unlikely that cash will come soon from government. We believe that it should come to us for sure legally, orally in every which way, but we thought it is prudent to provide for this amount subsequently we are made an additional provision of INR 5.77 Cr towards this time. One should also realize that we have not accrued the subsidy amount for this particular quarter as well and to this extent our results are understated by that amount. If we had continues with the original ones the results would have been better by INR 5.77 Cr plus around 2 Cr which we would have accrued in this period.

The cash availability in the rural belts has been good because of good crops and we believe that the good rains which have been timely and plentiful across the country goes well for the next season for us. The liquidity in rural India was good and we expect it to continue to remain good and will be the major driver for demand as far as our roofing business is concerned. We believe that the great opportunity exist to promote quick dry constructions when market open. We have played an active role in India's fight against COVID-19 by setting up quarantine centers and building quick hospitals at many locations across the country. We believe that this is going to become the trend due to projects which have been delayed, we believe that lack of trained manpower in general would drive construction practices towards quick dry construction and that should help us.

In Q1-FY21, we have delivered roughly 3,950 tons of steel buildings, the steel building has witnessed a tough quarter. A post outbreak of COVID-19 capital investment in manufacturing activities have slowed down, clients have put their expansion plans on hold which has resulted in increase in inventory levels particularly of. We obviously have as I said earlier challenges with regard to availability of labor. We believe that industrial space in particularly will be more adversely affected. The warehousing space may actually be less affected simply because there is far more of online business which is happening and online requires large warehousing capacities.

The Aatma Nirbhar Bharat initiative by government of India should encourage investment and hopefully it should result into companies locating out of the current manufacturing power house of China. India should gets its new share and that should result into good business for us. We are meanwhile committed to timely handover of projects to customers with industry benchmark quality in order to create and maintain brand awareness and customer stickiness. Everest continues its focus on creating more brand awareness by developing new applications and use of modern technology to cater to all its customers.

I think we talked about earlier we have totally moved our promotion and advertising to an online system and it is yielding us interesting results and we believe that is a way work for us. I am sure all of you would have lot of questions, but before we get on to the questions let me hand over to Mr. Nikhil Dujari, our CFO to talk of the financial numbers. Over to you, Nikhil.

Nikhil Dujari: Good Morning ladies and gentlemen. For a companywide financial performance on a standalone basis our revenue for the quarter decline from INR 434 Cr last year to INR 318 Cr this year which is a year-on-year decrease of 26.9% which is slightly lower than the real period of shutdown during April. On the quarterly basis, our EBITDA has gone down from 44 Cr to 40 Cr and EBITDA margins for the quarter though rose to 12.5% versus the last year number of about 10.25%. So for the period, on the PAT level we made a profit of INR 21 Cr as opposed to INR 25 Cr last year and PAT margins have increased from 5.78% last year to 6.48% in the current year first quarter.

Coming to the consolidated performance our revenue for the quarter changed from the last year number of INR 435 Cr to INR 318 Cr which is a year-on-year decrease of 27% the corresponding changes to EBITDA which has gone from INR 43.3 Cr last year to INR 40 Cr in the current year and margins on EBITDA falling from 12.5% as against going up from 9.95% last year to 12.5% this year. On a PAT level we are again at INR 21 Cr as oppose to 24.6 Cr last year and the PAT margins have gone up from 5.65% last year to 6.5% this year. From the building product segment, we have a decent financial performance where in the first quarter our top line was INR 274 Cr versus INR 317 Cr representing 13.5% decline while we have been able to manage to improve our profitability.

On a EBIT level we made INR 46 Cr as against INR 38 Cr last year primarily coming from cost savings and slight improvements in realizations and volumes for the quarter have come down to 2.25 lakh metric tons as against 2.87 lakh metric tons a year before. In the steel building segment, our top line has been affected due to the lockdown where the revenues for the quarter stood at INR 43 Cr as against INR 114 Cr for the corresponding quarter last year as the volumes have come down from about 13,000 metric tons to about 4,000 metric tons in Q1. Here we had a loss of INR 4.1 Cr as against INR 6.3 crore profit for the last year. Thank you we would now like to open the floor for the questions.

Moderator: Thank you very much. We will now begin the question and answer session. First question comes from the line of Vaibhav Barjatya from HNI Investment.

Vaibhav Barjatya: In the roofing segment in spite of the sharp decline in the revenue we have seen quite a significant jump in margin obviously it is because of the pricing actions, so can you just highlight that what has been the price increase and what has enabled us to take this increase you have indicated this earlier quarter. Also what is the absolute in percentage terms, what is the price increase and what has been the key reason behind that?

Manish Sanghi: So, there are two aspects to the entire thing. One is the average increase in the prices which were commensurate with the increase in cost over the last year so that is one aspect to it. The other aspect is the element of cost that we could manage to eliminate out of the whole thing. So there is a fair bit of cost that we incur in respect of the dealer related schemes, sales promotions and travelling and all that so that also is not there. So it is a combination of both these factors. I think if we talk of individual prices which is not in the market domain then actually get into an area where we would not like to get at this stage, but having said that during the quarter we could manage to improve upon our pricing to kind of offset the increase in cost that we had witnessed over the last one year particularly in relation to the exchange rate and raw material cost.

Vaibhav Barjatya: So you mean to say apart from this compensation that you have kind saved on some sales promotion and what the incentive scheme you used to give to dealers also that has also kind of improved your net realization?

Manish Sanghi: That is right. There is also an element that we sold our value added products better. So it is a combination, there is no single reason around this particular increase in margin, margin as we say there is a price versus cost. So we were able to get a premium in the marketplace. I believe strongly that during the period we managed to get a premium over virtually every brand in the marketplace.

Vaibhav Barjatya: And what is the outlook going forward and how we are seeing the competition from the steel roofing segment coming, is it coming again in after this price increase, are our products really competitive because I have not seen much changes in the steel prices, but say our product prices goes up definitely there is some competitive effect there?

Manish Sanghi: What is going to happen going forward in this COVID times is frankly a very difficult question. We do not know how this whole lockdown situation will plan out. There are two things happening. For me on the positive side is that the rains have been very good, the sowing and frankly even before that harvesting process actually despite COVID went very smoothly. I am hoping that sowing process would be equally smooth. So, this particular part of it boards well for us. I do not expect significant change as far as the steel side of it is concerned. Steel prices we do not really expect a steel prices to go down any further, the availability was bit of a constraint during this time just like in every other product, but I do not see much changes happening on that front on either on the price it would not go down. The negative side is really true for any rural economy. As we all know that starting from cities it was after all Chinese virus if I might say so it came from China, it came from Italy, it came from Spain, England to India. It did not come from our villages, so it has taken sometime for it to spread from the big cities and now into the smaller cities and I do not know how much it will spread in villages, but if it spreads widely in villages under rural demand can get affected negatively, but that is something which obviously we all hope would not happen and very difficult to predict, but if things remain as they are I think that in the months going forward we should be seeing a demand which is similar to last year.

Vaibhav Barjatya: My question was more around the pricing side of it vis-à-vis the steel. So have we seen the differential between our roofing product and steel roofing product widened or we have seen it reducing in last one quarter and what is the outlook going forward?

Manish Sanghi: In the last one quarter the gap between steel and us has remained virtually the same there has not been really too much difference.

Moderator: Thank you. Next question comes from the line of Pritesh from Lucky Investment.

Pritesh: Sir, just one clarification now the building products within that how much as asbestos unit and when you are referring to reason for margin expansion which is price increase in roofing and associated reduction in cost you are referring largely to asbestos in that or I have to look at the entire building product for that reasoning?

Manish Sanghi: First is that we do not give out separate number for our roofing and board products. We consider it as one segment and we stick to talking about the numbers as a whole. The price increase in specific was far more to do with the roofing product simply because most of the urban centers were shut down and the difference between the boards and the roofing is one is more rural the other is more urban. So, the margin expansion happened in the case of boards, but that was significantly lesser than that in the roofing business.

Pritesh: And on the overall basis, did roofing also decline for us or roofing was largely flat because FY20 was a year where roofing for the industry and for us also would have been volume decline with margin decline, so directionally there if you could give some comments?

Manish Sanghi: I am not sure I understood your question clearly, can you repeat it for me.

Pritesh: So, FY20 was a year where fiber cost had hit the roofing margins and also the volume decline as an industry and for lot of players there was volume decline, so some color there that has roofing in FY21 and obviously this is one of the major quarters for the roofing business is also looking at is looking at a flattish volume probably or a volume growth with margin expansion if you could directionally give some thought process on this?

Manish Sanghi: Sir, number one is I think our volumes have decline for roofing. In the Quarter 1 the building material sales totally last year were 287,000 MT against that we have 225,000 MT. So there is a decline of 62,000 MT and that is 20 odd percent of the sales it has decline. The revenue has also decline, but it is quite obviously if you look at the revenue per ton that has gone up, decrease in revenue is less than the decrease in the tonnage. So that is what I tried answering, that going forward we lost the month of April. So there is a loss in sale which happened in the month of April. We made it a partially in the month of May and June. Going forward this pent up demand that is what we saw in the month of May, June which helped us. I believe that given the positive aspect as things are right now we should see a demand which is similar to last year.

Pritesh: And on the cost side have we gained on the fiber cost reduction?

Manish Sanghi: No, there have been no fiber cost reduction. In fact, during this period dollar appreciated against the rupee and that has hit us.

Pritesh: What would be the fiber cost now in dollar terms versus the fiber cost last year?

Manish Sanghi: So we use a variety of fibers. So if I were to look at the fiber cost versus Q1 last year purely in dollar terms our prices have gone up by roughly 15% and in addition there would be I think around 8-9% of depreciation in the Indian rupee.

Pritesh: So, the margin expansion is despite the fiber cost so lot of margin expansion then…

Manish Sanghi: You are absolutely right the margin expansion is despite that.

Moderator: Next question comes from the line of Vikrant Kashyap from Kedia Securities Private Limited.

Vikrant Kashyap: Sir, you said there was some raw material issue during the lockdown and relating to SKUs, so how is the situation right now?

Manish Sanghi: I think raw material wise the situation is back to normal. Our specific problem which I mentioned was a very strange one which was regarding availability of fly ash and something interesting happened that with the lockdown happening all industrial activities stopped and so a lot of power plants stopped operations as well and the power plants near us were shut down. So we have to shift fly ash over longer distances and that resulted in a price increase for us due to essentially increase in freight cost, and that is what affected on that fronts otherwise things are virtually back to normal. So availability of steel, availability of cement, availability of fiber, and even availability of fly ash are no longer issues.

Vikrant Kashyap: And on the SKU challenges have you able to been sell all the SKUs after the lockdown and are we able to run our plant at optimum capacity at what utilization we are working right now?

Manish Sanghi: So all our plants are running to capacity right now. We actually did all the modifications, modernization in the last year and that helped us ramp up production. On the SKU front we are still not perfectly all right. There are plans where we continue to face challenges on the

SKU side and I think it will be another two, three weeks before all SKUs will be available freely.

Vikrant Kashyap: One more question, we have seen a sharp decline in steel building and we also assumes as the challenges are similar we can see the challenges in its steel building over the next three quarters for FY21, so do we expect buildings product will recover some of the losses if not all in top line, in bottom line do we expect this kind of performance going forward for the next 9 months?

Manish Sanghi: First of all we sell a seasonal product. So I think wrong for me to say that similar performance will be repeated in every quarter. So that is unlikely to happen, but we are also working simultaneously on a major cost initiative and we understand that steel volumes would be lower, but we are cutting down our cost in that segment very significantly and we believe that we should be able to curtail the negative impact of steel buildings to quite some extent. We believe that with cities opening up my board & panel portfolio will pick up and I may be able to kind of more or less balance it out

Vikrant: One final thing you said INR 5.77 Cr of provisioning you have made I just missed out the point on account of what and is it for the quarter only or it is accumulated for a period of sometime, will you please clarify on that again?

Manish Sanghi: INR 5.77 Cr actually does not relate to this quarter. It is accumulation of a subsidy which we had which we are expecting from the state government. It is the time GST was implemented and we took this call on a conservative basis and because of COVID impact the government is likely to delay the notification of a new GST incentive scheme that is why we have taken this particular call and quite obviously this is onetime call. What we also said is that normally and last year as well we had accrued incentive in this period and that incentive would have normally been around INR 2 Cr which in addition to writing off or rather provisioning INR 5.77 Cr also did not accrue INR 2 Cr so total impact if we compare it with last year would be close to 7.7 Cr.

Moderator: Thank you. We have a question from the line of Ashok Shah from Care PMS.

Ashok Shah: I just wanted to ask this question that I am not sure particularly we were having fiber imports were from Brazil, so I just wanted to know what is the take on that?

Manish Sanghi: So as far as Everest is concerned our imports from Brazil were very small and so it did not really impact us in anyways at all. Our imports of fiber were predominantly coming from Russia and they continue unawaited. There is a legal situation on fiber in Brazil and we are not very sure if supplies have and we are not sure of the sustainability of those supplies.

Ashok Shah: And sir, what will be the forward outlook according to you in terms of roofing sheets and specifically in cement roofing sheet, so going forward these are these volume sustainable or we can see decrease or increase in the volumes?

Manish Sanghi: It is literally a million dollar question and for us probably it is many million dollar question, but let me try answering this question giving you a macro picture. The sloping roof is literally the best kind of roof which a person can have in any place which has significant amount of rainfall and that is to ensure that there is no leakage. It gives better protection against heat. In India for some reason, people considered a sloping roof to be less desirable compared to flat roof but this is not the trend in Europe or US or Japan or Australia, but in India a pakka ghar was associated was a concrete roof. So the roof which was increasing most across categories was the concrete roof. However, there is a huge price differential between these two kinds of roofs. The cost of roof which is for a sloping roof be it metal or be it our AC roof or the sheeting cost around let us say Rs. 250 a meter square meter the structure around it may cause another Rs. 200, Rs. 300 square meter so we are talking of something like Rs. 550 square meter. Compared to that a concrete roof would cost close to Rs. 400 to Rs. 500 a square foot so we are talking of a price gap of nearly 1 is to 10 that may vary from area to area so it may become 1 is to 6 to 1 is to 10 depending upon the span, depending upon what we talk and I am talking specifically residential roof. As soon as I go into roofs which are for areas where I cannot give support this gap keeps on becoming higher and higher to the extent that we move into industry and all, flat concrete roofs are not at all feasible because you cannot have that kind of spend. As a lot of the programs of the government were aimed around making concrete roofs and in the last few years one of the reasons for the industry not to do so well was around the government support which used to be there is declining nature. What we expect is that with government resources being lesser and they are wanting to service a larger number in a larger population they would allow houses of every kind to be made not merely the concrete roofs. This should help us a lot because we frankly believe that our kind of roof is actually better suited and it also will serve the purposes of areas government authorities and across. I think all of us must have seen there was a news article yesterday or today where there was this news item about PMAY the Pradhan Mantri Awas Yojana that how the disbursement under that has severely been curtailed. We believe that this will result into a higher percentage of sloped roofs happening and that should help us. There is a second element of it and I think there we have played a significant role and will continue to play a significant role is that a lot of times the sloping roofs particularly the AC roofs were not very aesthetic to look at and we introduced the super color the colored variant of our roofs and we are finding that getting acceptance across a variety of geography. So Bengal, Orissa, Jharkhand, Raigarh in Maharashtra, Punjab, Tamil Naidu some of the states where we found that acceptance of these roofs becoming better and this is giving us business. Initially it gave us business from metal roofs and now it is giving us business also from concrete roofs. We believe that with all of this on the long term probably it should remain good and healthy for our industry and I think for Everest in particular. I know it is a longish answer, but I hope I answered some bit of it.

Ashok Shah: So, sir I just wanted to ask one thing that the colored roofing sheets which you have introduced right now, so can you explain the market size or specifically the size of current size in the company of that particular sheet, so for example if that sheet is going to be the next big product for the company to basically?

Manish Sanghi: So we can make that colored sheets in all our plants. So, the capacity for colored sheet if you are asking this as a number I can be 100%. I do not produce 100%, but if the demand picks up I can do 100%.

Ashok Shah: So current production must be?

Manish Sanghi: I would prefer not to share that number.

Moderator: Thank you. We have a question from the line of Archit Shah from Prabhudas Lilladher.

Archit Shah: During the last quarter you had mentioned something about your order pipeline of 33,000 metric ton in a steel building segment, so am I correct about it?

Manish Sanghi: I think we talked about 23, 000 odd.

Archit Shah: And now you mentioned that your customers are delaying the decision-making process and are holding on cash, so what is the view on that now like is this pipeline still intact or like only deferred or they have been cancelled or something like that?

Manish Sanghi: No, the pipeline has declined to around 20,000 MT now.

Archit Shah: And secondly you have also mentioned about you have not CAPEX expansion in FY21 so we are still going back the same? We have no major CAPEX plan.

Manish Sanghi: We are not having any major CAPEX there would be a small CAPEX which would be happening, but as of today we have no major CAPEX plans.

Archit Shah: And on scalar prices they are still the stable I might have make some comment on it earlier, but then last time you mentioned that?

Manish Sanghi: Yeah, they are stable as of now.

Moderator: Thank you. Next question comes from the line of Kishor Agarwal he is an individual investor.

Kishor Agarwal: My question is with regards to the prefabricated portion of a business, so couple of builders in their concall mentioned that they are looking prefabricated structures in order to shorten delivery timelines, so have you seen any momentum in that part of the portfolio and can you just share how big is that as a part of your total revenue?

Manish Sanghi: So I do not know which kind of builders you are talking about because our sale to what we call as a commercial sector is extremely small and that is not the segment which we service with our steel building business. The sector which we service in the steel building are essentially industrial and warehousing. We do some small part for office buildings, schools, colleges, hospitals and all, but that is a significantly smaller part of our total business. Last year we had done a turnover of INR 442 Cr all over in steel building out of a total business of INR 1,284 Cr so that was a mix which was there. This quarter is no indication of what is likely to happen, but in this quarter quite obviously this number has come down. We did a turnover of INR 43 Cr out of a total turnover of INR 317 Cr.

Moderator: Thank you. Next question comes from the line of Aniket Khanolkar from Trivikram Consultants.

Aniket Khanolkar: I have a question on cost front. In Q1, we were able to save cost because of lockdown impact, so going forward what percent of cost do you expect to come back when things go normal?

Manish Sanghi: Frankly a very good question and this is a question which has been asked to everybody in the company if we manage to achieve this cost level why we cannot continue with it. We are absolutely sure that we will not spring back to the old cost level ever again. We have all learned a lot of lessons on how we can do things, how they were things which were not so productive which were getting done in organization and I am sure this is a learning of not just Everest, but companies across the spectrum. There are a few cost elements where we particularly think savings will be permanent in nature. One is on the manpower side, the second is on the advertising side. Number three is on the travelling side, number four is on the productivity per person side. Number five is on maintenance and our spares and stores consumption sides. So these are few where we believe strongly that we will never bring back to what was if I might say the PCR which is a pre COVID era. So we divided Everest into three parts now Pre-COVID, During-COVID and After-COVID so PC, DC, AC so AC would never be the same as the pre COVID era. I think our cost to the extent of at least 60% the cost saving would be permanent in nature.

Moderator: Thank you. Next question comes from the line Vaibhav Barjatya from HNI Investment.

Vaibhav Barjatya: INR 5.8 Cr, the cost that you broke during the quarter in our segmental reporting this is going to both the segments or this is just for the roofing segment?

Manish Sanghi: This is just going to the building product segment.

Vaibhav Barjatya: Secondly, I am just following up again on my earlier question when you said that the differential pricing has not changed between AC roofing and steel roofing, it would also mean that the steel roofing prices will also increase?

Manish Sanghi: Yeah, there was it increase there were major supply constraints which was there in steel buildings roofing as well.

Vaibhav Barjatya: So, is that supply constraint still there? What is the market telling is those supplies are still there?

Manish Sanghi: Market is telling that it is still not fully gone. The situation is not very different from ours if you really ask me.

Moderator: Thank you. We have a question from the line of Pawan Mahar, he is an individual investor.

Pawan Mahar: Sir, you mentioned on advertising and promotion you have made certain changes one you have moved online, two you said after COVID you will never go back to whatever the original level, if you can elaborate what changes are you talking about when you say you moved online, two is when you say that you have cut your advertising spent and it will not go back to the original what is the absolute and the percentage that cut that we are talking about.

Manish Sanghi: I do not know how much I can cover in a session of this time on this, but what the traditional means of advertising available to us who are we used to do a lot of wall paintings, we would do lot of hoardings, we would do TV, we would do radio, we would do some melas, we would do lot of meets of dealers, of consumers, of people involved in fabrication these used to comprise of and a lot of obviously schemes for customers and traders. So this used to compromise from our buildings product point of view a bulk of what we used also exhibitions and architects meet. So we are as of now taken out completely all outdoor media from our advertising mix and we replace it with going on Facebook particularly and WhatsApp for our roofing and for Instagram and Twitter, LinkedIn and so on for our other product lines. We find that we are able to target our customers far better. Our wastage in advertising is significantly lesser than before. What we will continue to do was in-shop branding we are not going to change that, we are not going to change any incentives scheme for our trade, we need to keep the trade with us and this whole situation is evolving. What I meant is we will never go back, we will never spring back to where we were. It is not that we will not advertise, we will advertise but we will advertise in a different way and it will now be a mix of online. We did a lot of films for our customers, we used our customers for as a media, we used our dealers as the media. If I were to share a number on Facebook one of our films got something close to 4 lakh viewers on that. We made films with a 1,000 of our customers which we spread through their phones. Hence the whole game plan on advertising we have evolved we have changed, but it is changing every day I cannot be sure what shape it is going to take six months from now. I think what I meant to say is that it will never go back to what it used to be. I think the standard world nowadays is the new normal.

Pawan Mahar: The second question I wanted to ask you is about the fiber as raw material for you it has generally been a pinpoint in terms of price increases right over the years, so is there like do you see a future where this will become a less of a pinpoint and let us say some alternate though I know you all have been trying or the industry might have been trying if you can talk about that?

Manish Sanghi: As of now there is substitute which is very expensive and for asbestos fiber they are only two if I include Brazil they are three suppliers in the world so do not really expect the situation to change.

Pawan Mahar: So no polymer alternative?

Manish Sanghi: No as of now there is nothing equivalent available.

Moderator: Thank you. Next question comes from the line of Ashish from Lucky Investment.

Ashish: I just wanted to ask you about the product range, do we have a fire-proof wall partition kind of product in our portfolio?

Manish Sanghi: The answer is yes, but when we talk of fire it is a very complicated answer because when we talk fire proofing it is always for a system and not a product. So we have tested a lot of our products in solutions where fire protection can be offered in terms of up to two hours of fire rating for the enclosure.

Moderator: Thank you. The next question comes from the line of Anshul Sehgal from Kotak PMS.

Anshul Sehgal: This is an industry which is very cyclical you have capacities which come on board in spurts and suddenly prices come down, what is the industry situation at this time, how is the capacity being added over the last I would say about one to two years and what is the outlook going ahead and secondly if I look at your capital employed it looks like your capital employed has come down in both divisions and has gone up in the un-allocable segment, could you just throw some light on that as well?

Manish Sanghi: There has not been any new capacity which has been added in the last two years in the roofing segment. If I were to really think hard there is one particular plant which had shut down earlier which has come back into production. This is a plant somewhere in Himachal Pradesh which came back into production so that is the only new capacity if we want to call it that which has come into picture. I am not aware of any new Greenfield projects which are taking place in the roofing business. People would modify their plants and get more out of the current plants and that exercise I think is ongoing. We have done it I am sure others have done it as well. The second part of the question the capital employed we had a large amount of inventory which was there when we ended the year though in retrospect I wish I had more, but all the inventory has now been has been converted has been sold out and that is why it has moved from the BU into unallocated.

Anshul Sehgal: From the first part of the question can one derive that price outlook for the coming years is going to remain strong at least for the next four quarters?

Manish Sanghi: I definitely hope so from our side we are making all efforts by improving service levels, by having better product lines, by promoting our brands to ensure that we get that price premium. Interestingly, we have a new campaign, we repositioned our products and we move from a very product centric advertising to a psychographic advertising which is basically "Apni Pehchan" that if you use an Everest it is going to enhance your prestige in the local area particularly with our colored sheets that you will be known better with a very different kind of an advertising and probably the first time such a thing has happened in our product category. It has always been around strength, long lasting and all, we are moving to pride and we are moving to different, a totally different methods of doing things.

Anshul Sehgal: My question is not in the context of product mix it is more in the context of industry pricing on each of those products given that there has not been much capacity addition over the last two years and also you are saying that it does not look like there is any Greenfield capacity which is being added even today, can one and we have gone through a period of low demand because of COVID, if demand starts picking up the outlook for prices should only improve that is my question?

Manish Sanghi: You are absolutely right.

Anshul Sehgal: In typical periods like this in the past what is the kind of price fluctuation that we have seen meaning how much higher have prices gone from cyclical lows in the past?

Manish Sanghi: I would not have very specific data.

Anshul Sehgal: Even broadly if you can tell us say 10% to 15% may be 20%?

Manish Sanghi: So in this period our prices if we consider a February, March to be the low end of the pricing. Our prices went up by a factor of something like between 15% to 20%.

Anshul Sehgal: And that is in the month of May and June?

Manish Sanghi: That is more June, but this is I have to say this that this is also I do not know how sustainable it is because with this COVID everything is unprecedented. So, I do not know whether we should take this unprecedented times as something which can foretell the future.

Anshul Sehgal: Any color that you can give on Steel Buildings and payment from your customers how is that progressing is that smooth, are payment terms becoming better?

Manish Sanghi: So, there are two segments for us as I think we talked about on our building product segment, our payment terms are advance payment. Everest does not extend even 1 paisa of credit in the marketplace and this has been there for past many years. If anything we have become even more strict on that in the sense that we do not even take cheques anymore. On the trading side it is a challenge and as I said everybody is trying to conserve cash so we are facing a situation where payment terms are becoming more challenging.

Anshul Saigal: Any color on the debt on the balance sheet?

Nikhil Dujari: Currently our total debt is only in the form of long term loans from 31st March we have repaid about 2 Cr of long term loans in line with repayment schedules, none of our repayments has gone beyond our scheduled dates.

Anshul Saigal: I am sorry I do not remember the debt number as of March so if you could just?

Nikhil Dujari: Long term loans on the balance sheet as of 31st March were about 51 Cr which has come down to 49 Cr.

Anshul Saigal: What is our total capacity and what is the CAPEX plan for the coming year and will that add to capacity or is that more maintenance CAPEX?

Manish Sanghi: We do not have as I said earlier we do not have any specific major CAPEX plan as of today and capacity numbers are there in the presentation.

Moderator: Due to time constraints that was our last question for the day. I now hand the conference over to Mr. Sanghi from Everest Industries Limited for closing comments. Over to you, sir.

Manish Sanghi: Thanks everybody for taking such interest in Everest and asking, proving questions, your questions always help us focus on issues which are relevant for our investor community. The times are difficult, the times are unprecedented and every day we are discovering new methods, new things and it is extremely tough at this point of time to talk of anything which will happen six months from now. I am sure none of us three months back or six months back expected any of the things which are happening to us today. So it is challenging times we are all that I can say is we are on our toast, we are acting extremely quickly, we are taking decisions extremely fast in the interest of the organization. I hope for all our sake that we are able to contain this disease. All of you keep safe, do well, keep healthy and look forward to meeting all of you in three months' time. Thank you.

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. Thank you all.