Everest Industries Limited
Earnings Conference Call
May 03, 2018

Moderator: Ladies and gentlemen, good day and welcome to the Everest Industries Limited Q4 FY18 earnings 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 would now like to hand the conference over to Mr. Anuj Sonpal from Valorem Advisors. Thank you and over to you, Sonpal.

Anuj Sonpal: Thanks, Anikat. Good morning everybody and a warm welcome to you all. My name is Anuj Sonpal – CEO of Valorem Advisors. We represent the Investor Relations of Everest Industries Limited. On behalf of the company and Valorem Advisors, I would like to thank you all for participating in the Company's Earnings Conference Call for Q4 FY18 and Financial Year-Ending 2018.

Before we begin, I would like to mention a short cautionary statement as always. Some of the statements made in today's earnings concall may be forward-looking in nature. Such forward-looking statements are subject to risks and uncertainties which could cause actual results to differ from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. Audiences are cautioned not to place 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 ado, 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. We would like to welcome you to the Earnings Concall for Q4 FY18 and for the full year.

On an overall basis the macroeconomic scenario has been improving steadily and we have been witnessing secular growth trends. Indicators like the 'ease of doing business ranking' and constant focus on connectivity be it roads, rail, waterways are likely to present more opportunities for building solution innovators like us. Enhancing this is the constant focus of the government on the infrastructure segment and many projects and typical one being

Bharatmala project is likely to give us more opportunities in the construction segment. The company has experienced robust business operations this quarter and the year alike. Improved performance was driven by increased tax compliance that has reduced the price gap between organized and unorganized sector.

For us particularly in the case of steel buildings in order to gain a strong foothold in the market place we are ~~putting a focus on selling more of systems~~ focusing on a systems selling approach as well as more of value-added product life. Improved cost control measures has resulted into lower RM cost, administrative expenses, lower interest and tax cost which have resulted in higher disposable profit. Debt has come down from Rs. 180 crores to Rs. 77 crores. We expect in the coming quarter significant operating leverage to kick in further due to lower overhead cost. Positive cash flows due to improve to receivable management has also further reduced our debt burden.

Talking specifically of building product segments:

We have witnessed a growth volume in the quarter of roughly 17,000 metric tons taking our volume up to 1.91 lakhs metric tons which represents a growth of 10% on a Y-O-Y basis. The company has undertaken and done two different projects in the recent past one was the modernization of our Calcutta works wherein our roofing line has been completely modernized which will result into better quality and enhanced production.

The second one is the setting up of Metal Roll Forming line in our factory in Nasik, Maharashtra. We have also introduced Everest Super in all markets and we are noticing that this product is fulfilling the aspirations of customers all over the country for superior long-lasting comfortable colored sheet. In our boards and panel segment we have achieved better volumes as compared to Q4 FY17 in the domestic market following the enhanced operational utilization of plants, better volumes and boards and panels have been achieved compared to Q3 as well. Improved stable raw material prices in building product segment has further helped in reducing cost.

The export market however ~~continuous~~ continues to be a matter of concern and we do not expect things to change much over there in the coming timeframe. Steel building segment in Q4 FY18 we saw a throughput of 16,000 tons 8% increase in volumes on Q-O-Q basis. The volatility in steel prices is likely to keep margins bit under pressure. We are having a very close watch and we are keeping a close watch on the order pipeline which we have because we do not really wish to have a pipeline which is too big so that our exposure to the steel price variation becomes more than what is absolutely essential.

We are meanwhile, committed to timely handover of projects to customers with the industry benchmark quality in order to create and maintain brand awareness and customer stickiness. We are experiencing a major shift from conventional construction to pre-engineered steel structures. The coming of GST also is bringing us at par with local fabricator who ~~are~~ were earlier significantly cheaper on account of tax advantage which they had that is no longer there now.

Our order book as of 31st March stands at 25,000 metric tons which is close to five months of production. The good monsoon last year good MSP have resulted into good seasons sales. We have opened a year with significantly higher FG stocks compared to last year and this should translate into better sales and hopefully better profitability in the coming quarter and in the coming year as well. I am sure you would have lot of questions, but before the questions, Nikhil our CFO, would elaborate a little more on the financial numbers and then we can go to the Q&A. Thank you over to you Nikhil.

Nikhil Dujari: I will quickly take you through a results which is already partly done by Mr. Sanghi. Our revenue for the quarter change form Rs. 346 crore last year to Rs. 344 crore this year. However, this has a little bit of skew because earlier we were on the VAT regime and now we are on the GST regime. If we were to look at the way it should have been accounted for in the earlier regime ~~than~~ then our revenue would have been about Rs. 360 crores. So really there is on a comparable basis some jump, but it is not showing the way it is presented because of differential accounting treatments. The EBITDA has gone from Rs. 31 crores last year to Rs. 30 crores this year and PAT has increased from Rs. 14 to Rs. 20 crores mainly because of lower interest and lower tax cost. Now here again if you back on to the last year and we have presented a reconciliation of the income to the current year. We had higher profit in the IndAS regime for the previous year and whatever the adjustments that we made in the last year are actually impacting the current year.

Also there is an element that is going to be other comprehensive income which is why the profit is showing up lower, but on a comparable basis it would actually be slightly higher. In terms of yearly performance revenue on a consolidated basis went up from Rs. 1250 crores to Rs. 1307 crore has increased of 4.6% EBITDA reported was Rs. 99.9 crores versus Rs. 51 crores last year an increase of 96%. A healthy growth ~~on~~ in EBITDA margins from 4.06% to 7.65%. Our consolidated PAT for financial year '18 has grown has Rs. 3 crore to Rs. 53 crores and margins have also improved from 4.06% versus 0.25% in the last year. On the building product business, the top line was Rs. 215 crores for the quarter which was Rs. 209 crores in the last year in the same quarter it represents a 3% increase on EBIT level which has improved from Rs. 27 crores Rs. 22 crores ~~which represents~~ representing an increase of 22%.

Now this also did turn over bit is a little bit of change versus in previous accounting measurement. So that if it was the same basis then this number would have been higher by 8 crores. Volumes for the quarter has changed from 1,74,000 metric tons to 1,91,000 metric tons a 10% increase for the year. ~~the~~ The building product revenue was Rs. 823 crore versus Rs. 791 crore a 4% increase and EBIT increased from INR 53 crores versus Rs. 103 crores to the current year. So volumes have also improved from 6,48,000 tons to 7,07,000 tons which is an increase of 9.1%. So clearly, I think the benefits of the GST that we got have been fully passed on to the end customers in-line with the requirements of the law. In ~~Our~~ our steel buildings business the top line had de-grown by 7.35% to Rs. 126 crores for the quarter; EBIT slightly reduced from 3.9 to 3.74 crores, but this is again mainly due to the way that it is accounted for during the current year when we look at it on a comparable basis it would come up to be almost the same as last year.

Volumes for the quarter versus the last quarter have increased 8% quarter-on-quarter to 16,000 metric tons for the last year. ~~steel~~ Steel building revenue was 474 crores versus 450 crores and EBIT has increased from (-2) crore to positive 8 crores and volumes improved from 53,000 metric tons to 57,600 metric tons which is increase of roughly about 7%. So thank you with that and we will leave it back to your questions.

Moderator: We will now begin the question and answer session. The first question is from the line of Praveen Sahay from Edelweiss Securities. Please go ahead.

Praveen Sahay: My question is pertaining to the fourth quarter. In the fourth quarter, the building materials segment if I look at the realization on a Q-O-Y side has not gone down even if you had mentioned the boards and panel volumes has not picked up. So can you give some color on this like how much of the volume contribution is from the boards and panel and why the realization 6% is at down on Y-O-Y basis?

Manish Sanghi: In fact, it is more to do with the way it is accounted under the GST regime and the IndAS~~,~~. ~~under~~ Under IndAS there are certain regrouping that have happened. So even if I was to look at the last year realizations they would actually reflect slightly lower. We have in fact recorded a roughly 2% increase on the roofing business on the boards and panels there is a (-1.5%) and (-2%) on the realization, but that is more to do with the product mix there is no real decline in the selling pricing. I think somewhere this GST has changed the way a lot of things happen~~ed~~ - we had incentives in various plans wherein the excise duty was not added through the revenue and now so when we gross it up the revenue it has gone down compared to the earlier period. So some bit of this comparison which we are doing vis-à-vis last period is a little appreciated on that.

Praveen Sahay: How much is the volume of boards and panel for an entire year if you can give?

Manish Sanghi: It is 1,10,000 metric tons.

Praveen Sahay: If I go ahead with another question related to be PEB. ~~so~~ So in the PEB segment as you had already mentioned there is a margin pressure to continue with a steel prices up so we are at the 3% of EBIT margin in the PEB business. So whether we are going to sustain this numbers or this steel prices going up will further impact our business~~.~~?

Manish Sanghi: So the steel pricing has been climbing in the recent past. As I have said it repeatedly steel prices do not affect us as long as the change in steel prices is slow and steady. It is a particularly the spikes which results into increase in price which are bad. So changes are of many kind there can be a secular decline, there can be a secular increase, there can be a spike downwards. These three do not matter ~~these three volatility do not matter .~~. ~~the~~ The only volatility which can be harmful for us is the spike upwards. So that kind of an event would only happen once in a while it is not something which would happen on a regular basis. The second one which you said is this kind of a ~~margin~~ sustainable margin. If you leave a couple of periods actually we have done better than this particular margin. And our profitability is a direct relationship between what kind of an order book that I have and how quickly am I executing. When executions get delayed then our exposure to this spikes in steel prices increase.

So if I were to further put it in case of a strong positive business environment wherein people are in a hurry to add capacities~~.~~, ~~Our~~ our vulnerability will not be there. I am seeing a period right now wherein capacity addition is going to be the prime focus of a cross section of industries. We are already seeing it in auto related ~~a~~ sectors - ~~big time~~ tyres and components all over the country, food and few others. So at least in the near term we believe that it is sustainable, but even on the long term we are working and we have managed to cut down our costs particularly with regards to conversion ~~our~~ and fixed cost. We have been able to have higher utilization of our plant at Narmada the plant in Gujarat and all of that should help us not merely sustain it because [18:51] this is still a very low margins, but actually improve it in the coming time period.

Praveen Sahay: Lastly like order book of 25,000 metric ton in this segment is entirely domestic.

Manish Sanghi: Yes it is entirely domestic**.**

Moderator: The next question is from the line of Dhruv Agarwal from Cresita Investments. Please go ahead.

Dhruv Agarwal: Sir my question is specifically regarding the market share how are we placed in the market in-lieu with our competitors. So are we gaining market share, have we lost market share, how are things on the ground when it comes to market share?

Manish Sanghi: As far as roofing is concerned we have gained market share. We are on a stronger footing compared to last year in fact our market share gain over the last five, six years has been very steady and we are at least planning that this trend will continue. Our market share as far as boards and panels is concerned is kind of steady there is neither a loss nor a gain and even in steel building the formal numbers are difficult to come by over there so it is very difficult to actually estimate a market share, but we are seeing a decline in market shares of the small and unorganized sector plans. So our market share has actually crept up more than the volume.

Dhruv Agarwal: Can you give me a number regarding like for example in the roofing market where are you placed right now are you in the top 3, are you in the top 5 when compared to competitors?

Manish Sanghi: We are in top 3 in each of the businesses that we operate in.

Dhruv Agarwal: Okay top 3 in all of the segments is what we can say. My ~~another~~ other question is regarding the EBITDA margin, so we exclude other income from EBITDA we have done a 7.1% EBITDA for this FY18 as a whole. So moving forward what is the aim of the company regarding the EBITDA do you see it inching up towards 8%, 10% how do you see the EBITDA margin moving forward?

Manish Sanghi: Our target EBITDA is 10% and all our efforts are in that direction to take it over there and we believe that it will come through a combination of cost reduction and secondly, which is the big one for us, by adding more and more higher value products and I will just take a minute and talk about a new product which we launch in our roofing segment called the Everest Super. Everest Super is priced ~~between~~ 15% to 20% higher than the normal roofing sheet and it offers three significant advantages that it does not absorb moisture, it does not become black over a period of time and by the way it also comes in red, green and yellow colors three colors as of now.

You would also notice that there is a national TV campaign which is on for this particular product right now. We believe that this is the answer to a whole lot of questions which a customer has had over a long period of time and it will definitely retard the trend stop - the trend which was of people moving towards metal because it is offering more than what metal offers in terms of comfort, in terms of life and now also in terms of saving. So similarly, we are doing a product like this in the board segment. We are doing a lot of stuff around the steel building where we are doing some project which are in the commercial segment. Our one latest project which we have just ~~backed~~ bagged is ~~around~~ making an indoor stadium. So we are seeing a very definite move towards higher percentage of value addition which should result into a higher EBITDA for us as a company.

Dhruv Agarwal: For this year FY19 can we assume the EBITDA margin to be in the range of 7.5% to 8% or more precisely in the 8% range?

Manish Sanghi: I do not wish to give guidance number. I would only stop it saying that we are making all efforts to do better than that.

Dhruv Agarwal: One last question regarding the segmental breakup for this year your building product segment has grown by around 12% and the steel building has grown by around 13%. So for FY19 can we see a similar growth the higher double digit growth or can it be more than this?

Manish Sanghi: See as I have said as a policy I do not give out guidance number, so I would not be able to answer your question.

Dhruv Agarwal: One last question to the CFO if like for this whole year we have tax rate around 17%, so what can be the estimated tax rate for FY19 and 20?

Nikhil Dujari: We will clearly be below the maximum marginal tax rate we will have to see how things evolve where are origins of our profitability and what tax exemptions we actually will be able to enjoy so that is something that will come out only when the actual has come out. I am afraid and ~~then~~ you know in this country there ~~is~~ could be changes in tax litigation, so we do not know what kind of tax litigation that might come up or might get decided so as things evolve we will be able to see that, but I can confirm that it will be below the maximum marginal tax rate.

Moderator: The next question is from the line of Pratim Roy from Stewart & Mackertich. Please go ahead.

Pratim Roy: I have two to three questions ~~that is~~ . ~~firstly~~ Firstly~~in order to entry barrier any new entrant try to enter this kind of business~~ are there any entry barriers in this business, if so, what are the barriers they have to face? ~~means how you position yourself [26:25]is there so the competitor will not be able to [26:32]~~

Manish Sanghi: Just clarify the question your voice is not very clear, can you just repeat it again. I did not get the operative part of the question. You are asking this about which particular business?

Pratim Roy: See I am talking about mainly the roofing sheet business and other engineering business - what are the entry barriers for this kind of business?

Manish Sanghi: The PEB business is essentially as much about ~~a~~ design as it is about fabrication, it is about erection ~~and~~ as well as~~it is also~~ about managing all these things seamlessly ~~and~~ along with project management and the last bit of it, but not the least, is around working capital management. Now none of them can be called as classical way of calling it a barrier to entry, but when you see each of them as a whole as together they form a very significant barrier to entry. You design complex buildings, you require a large team of motivated, highly trained and skilled engineering manpower that they do the design perfectly. Please understand if I have to make a hole in a factory it cost me Rs. 10 if I were to do it in the site it will cost me Rs. 1000. So how do I have a design, how do I have a manufacturing which is pinpoint accurate so the barriers to entry becomes the basic skill level of the team of which one has. We are currently working at 60 different sites there are 60 live sites across the country, how do we ensure that each site gets ~~a~~ material which is required in an erectable sequence complete so that work can be done. ~~even~~ Even a small nut bolt missing at a site can make crores of material lying there absolutely useless.

So the barrier to entry for me are soft barriers rather than hard technology barriers as you talked about. The third one I talked of working capital what is the kind of terms which I am able to negotiate with customer we manage to work with probably the lowest outstanding in the market place because of our brand, because of what we are able to deliver to the customer. People can get stuck with large outstanding, people can get stuck with large working capital on that account in the market place. In the case of other businesses one they do not really fall into the unorganized sector so the investment required would be normally upward of 50 odd crore - so very small people, very small businessman cannot enter those businesses, but we have been constantly working towards increasing our product portfolio and that becomes difficult to manage. In my board business I worked with close to 800 different SKUs in our roofing business. It used ~~is~~ to be very simple when we were working with only one color which is gray now with multiple color, multiple profiles, multiple material the business has become more complex and that itself has become barrier to entry.

Pratim Roy: One more thing ~~were~~ is there any CAPEX ~~are you~~ ~~planning~~ planned in coming 19, 20?

Manish Sanghi: We have not announced any Greenfield CAPEX as of now there would be CAPEX which is related to modernization of current set of factories that would be happening.

Pratim Roy: How much that is do you have any idea sir?

Manish Sanghi: It is not a very significant amount it will be in the order of around 20-25 crores.

Pratim Roy: Any new debt you are planning or debt reduction ~~is there~~since already we have seen that the finance cost has come down so further come down is possible?

Manish Sanghi: Yeah, we ~~having~~ have an ECB which is the primary form of the long-term debt and as per certain rules and regulation I am not allowed to repay that.

Pratim Roy: Okay interest rate on that?

Nikhil Dujari: The effective interest rate in this year on the ECB is about 4.8%.

Pratim Roy: Is this ~~render~~ blended interest rate as a whole or it is a particularly your ECB interest rate~~.~~?

Nikhil Dujari: Pardon could you repeat the question?

Manish Sanghi: Blended or is it independent?

Nikhil Dujari: No I am talking of the ECB alone it is on various other facilities that we have totally different.

Pratim Roy: And blended.

Nikhil Dujari: It would be about 6.5%.

Moderator: The next question is from the line of Arjun Sengar from Reliance Mutual Fund. Please go ahead.

Arjun Sengar: Sir pardon me if you already discussed this point, but in this quarter you have grown 10% in volume terms and 3% in revenue terms, so what are the reasons for lower growth in your top line versus your volume growth?

Manish Sanghi: So if you look at our investor presentation which itself we are giving the turnover number and the EBITDA number when you see the 3.3% there is a hash and below the hash you have seen it is up 8% on a comparable basis. So what has happened is with the introduction of the GST on certain factories where we did enjoy our tax exemptions, we have to account for the ~~CEN~~VAT credit in relation to the GST failed and we have to let off the revenue. So earlier we were not paying an excise duty on those factories and that is the reason why there is a mismatch. Because of this change we have actually shown up our revenue increase that is 3.3% while it is actually 8.3% and I hope thay does ~~I~~ answer your question straightaway.

Arjun Sengar: Secondly Indian Rupee~~s~~ has marginally appreciated in the last two months, so any impact it is having on raw material sourcing?

Manish Sanghi: Yes we have fiber that is important and we also have couple of other raw materials that are ~~important~~imported. We are regularly keeping a watch on the currency and whatever is the impact we have the ability to handle it.

Moderator: The next question is from the line of Viral Shah from Asit C Mehta. Please go ahead.

Viral Shah: Sir over the years you have improved your working capital day substantially from 101 days to 66 days, so is it probability to increase further from here on?

Manish Sanghi: Our FG inventory will continue to be a bit of a seesaw and I can also tell you that my FG Rs 35.05 Crs inventory was ~~probability~~ probably at its highest level on 31st March. It is very deliberately done so that I am prepared for the season - that kind of a trend will continue to be there because we are in a seasonal business. So FG side of it will continue to go up and down. The raw material side we have worked hard at curtailing on the outstanding so we have worked hard at curtailing that and I think we will continue to make improvements in that particular direction. I do not see much improvement happening on the FG side particularly because that is a market requirement.

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Viral Shah: Okay in terms of payable side?

Nikhil Dujari: Payables are expected to be about the same next year. So this year this is a 10 crore difference from 160 crore to 150 crore this is more cyclical in nature is likely to be there, but by and large it is going to be the same.

Manish Sanghi: Do not really expect terms to change. We are not budgeting any change in terms.

Viral Shah: So we can expect this kind of working capital days going ahead also?

Manish Sanghi: Yes.

Viral Shah: Secondly sir what kind of industry growth you estimate for roofing business in FY19, FY20 and for steel building business for the next two years?

Manish Sanghi: We are looking at the traditional roofing business to grow at a rate of about 5%.

Viral Shah: And for steel building side sir?

Manish Sanghi: The steel buildings side big if the private investment climate continuous to be improving the way it is improving we should be seeing a 20% increase.

Viral Shah: And sir how different you know this Everest super product compared to your peer~~s~~ ~~which~~ who has a launched ~~fortune~~ Fortune kind of a product in the market~~.~~?

Manish Sanghi: I restrict the answer to what we have. The Everest roofing portfolio has multiple product line, have a product which is the Everest standard product and ~~but~~ I talked a little while back we have Everest super which is a product of our own R&D innovation patented in name and so on. Third product which we have is a non-asbestos roofing called Hi-Tech. We have been doing this product for many years it is a popular product in certain segments. It has a strong niche market particularly in industry. We have a metal roofing business and we also have a polycarbonate roofing business. So we have a wide range of roofing products and we cover all the segments of the roofing market except probably for the RCC roofs.

Viral Shah: So you feel ~~you know maybe~~ your products ~~also that~~are superior as compared to your peers?

Manish Sanghi: We believe that our products ~~have~~ are significantly superior to any of our peers.

Viral Shah: Lastly you can tell me your market share in roofing. You said it has been improving so that is a current market share?

Manish Sanghi: Market share is around 16% is a little more than 16%.

Viral Shah: And how was it last year?

Manish Sanghi: It was around 15%.

Viral Shah: And for steel building sir?

Manish Sanghi: Market share figures are difficult to come so difficult to actually estimate a market share.

Moderator: The next question is from the line of Abhijit Sinha from Pi Square Investments. Please go ahead.

Abhijit Sinha: I was really impressed with your TV campaign that was going on, do we have more plans in marketing over there?

Manish Sanghi: This particular TV campaign if you have noticed it is very focused campaign on talking of our new product the Everest Super it is an all India campaign. It is covering all states with the exception of Tamil Naidu because the season start there a little later this is second part of the campaign as well which is happening in eastern part of the country wherein we have hired a Wriddhiman Saha the cricketer as our brand ambassador who has a very close association ~~of~~ in Bengal in particular. He is a ~~current~~ Bengal star. He is our brand ambassador we are using him in the markets all over. We are going to be pushing very, very hard on the marketing front and for that purpose we have made organizational changes we have got in a new people in our team and you would be finding a far more visible.

Abhijit Sinha: So a lot of focus will be there on the east region.

Manish Sanghi: Just interestingly the common greeting in our office today has become from "Hello to Raho Rangeen."

Abhijit Sinha: Just a couple of questions regarding the interest rate from 8.84% ~~and~~ to 6.5% - the number that you provided do you see any further reduction over there or this one is going to be stay the same?

Manish Sanghi: We prefer to make it happen before we speak. It all depends on the macro climate as far as I can see that there is hardening of interest rate which is hardening by various banks. ~~recently~~ Recently HDFC kind of announced increase in their fixed deposit rates and so on. So there seems to be a scenario where interest rates are hardening I do not expect a very significant change or reduction to happen in the current scenario as far as the rate of interest are concerned. As far as the amount of debt is concerned we would be working towards speaking it more appropriate to the kind of business we are doing.

Abhijit Sinha: How much was the utilization of the Narmada project**?**

Manish Sanghi: Higher utilization of…

Abhijit Sinha: You said that there was higher utilization in the Narmada project in Gujarat.

Manish Sanghi: As of today, we are running to capacity. It is flexible we can increase the capacity very easily we have the land, we have the physical infrastructure over there and it is only a matter of between 4 months.

Abhijit Sinha: Is there lot of unused land?

Manish Sanghi: Yeah we have a lot of land over there.

Abhijit Sinha: Talking about your new project like of course you did the ~~NASCO~~ NESCO project last quarter in Bombay, do you see any reordering from them like do you have like strong relations with them because they are planning to renovate their factories, so do you see getting orders from there?

Manish Sanghai: I do not think I would want to comment on individual customers. I enjoy good relationship with all my customers and see a lot of my business is really built upon repeat orders.

Abhijit Sinha: What about the indoor stadium you are talking about where is that exactly?

Manish Sanghi: It is there in Bihar.

Abhijit Sinha: In Bihar sure. I think that clarifies a lot sir. Thank you so much.

Moderator: The next question is from the line of Kaushal Shah from Dhanki Securities. Please go ahead.

Kaushal Shah: So I have two questions what is our current in the building product segment, so what would be the breakup between the rural and the urban?

Manish Sanghi: In the building product segment if I would say it is something like 80-20. 80% would be what we would typically define as rural 20% is what we would define as urban.

Kaushal Shah: So if you can clarify ~~I mean~~ you did speak just now about the capacity utilization, but if you can clarify, so what would be a capacity utilization at a various plans both in the building products and the PEB segment?

Manish Sanghi: As far as PEB is concerned we are virtually running to capacity except for our plant in Ranchi which is a very small plant essentially for Roll Forming other than that as of today we have pressed for capacity and we expect that scenario to continue ~~for~~ because we have the order book of 5 months, so we expect that to continue and our order intake is pretty strong as of this moment. As far as roofing is concerned this is the time when we are working to capacity I wish I had more capacity right now, but on an aggregate yearly basis we are operating at something like 80%, 85% capacity, but we have just undertaken one modernization at one of our plant~~s~~ in Calcutta to both improve the quality and the capacity and during the year we would be doing more of that in some other plants as well. As far as boards are concerned we are operating at something like 75% capacity.

Kaushal Shah: Next year we would probably need some serious capacity addition of maybe a higher magnitude.

Manish Sanghi: Just come again I lost you in the middle.

Kaushal Shah: I am saying given our current order book and the prospects that we are seeing is it assumed that next year we will see maybe a higher magnitude of capacity being put in place or maybe some more capacity addition.

Manish Sanghi: We would be requiring ~~a~~ new capacities towards, if not for this year, definitely for FY19-20, but there are two models of capacity addition one is debottlenecking and the second model is going in for Greenfield. ~~the~~ The debottlenecking bit keeps happening on a regular basis and we would be doing that on an ongoing basis. As of now we have not announced any plans for any Greenfield or a major Brownfield expansion of capacity, but you are right if the current phase of growth continuous in the Indian economy capacity addition is going to be the key word not just Everest for everybody and that means good business for us because we are a big player as far as industrial capacity addition is concerned.

Moderator: The next question is from the line of Kashyap Jhaveri from Emkay Fincap. Please go ahead.

Kashyap Jhaveri: On this segmental reporting our unallocable expenses have risen quite dramatically from about 35 crores, 36 crores to about 43 crores, 44 crores for full year FY18 any particular reason why this has grown up by about 20% any big component in that.

Manish Sanghi: During the current year there is a change that we made on our technology front, so we have kind of enhanced our SAP capabilities to the absolutely latest version, we have had the regular increases in compensation for our management we have had so last year because of a poor performance our employee related bonuses were relatively lower, and in general there is an element of additional expenses that we did undertake to kind of taken forward. So last year when we did this project Parivartan there were many things that came out as a result of that project and the overall results of that are now visible in the financial performance.

Kashyap Jhaveri: And SAP up gradation any number that we spend if you can tell me?

Manish Sanghi: It is a fairly large number and the total expenditure on that was an excess of 1.5 crores.

Kashyap Jhaveri: And the balance would be you know bonuses for the corporate office and plus some other expenses.

Manish Sanghi: We also had things like GST coming on so we had to have some consulting of that. So there were various events that also unfolded during the year.

Kashyap Jhaveri: Second question is on your tax rate during the quarter, I joined a call little late so probably I do not know whether this has been discussed was just about you know 4 and half odd percent and so any particular reason for that is it just a balancing figure for the full year or what exactly has gone there?

Manish Sanghi: Yes you are right it is a balancing figure for the full year, but when we look back there are certain plants where we enjoyed the tax holiday on the profits now on a quarter-on-quarter basis ~~what~~ when it starts to happen is ~~basis~~ basic seasonality - the numbers fluctuate so that is something that one looks at over full year period also simultaneously we have had the opportunity to recognize some of the MAT that we paid during the year as a deferred tax asset which is reasonable certainty so that is something that we have recognized versus the last year when we had very low profit number where the certainty of that recognition was not possible so those are the two factors that are responsible for this.

Kashyap Jhaveri: So related to the same I said deferred tax rate at about 30 crore in the balance sheet as a differed tax liability is almost like 50% of our remainder ~~just~~ will get recognized; is it in the immediate future or is it like expand over a period of time~~.~~?

Manish Sanghi: Differed tax liability rise as a result of certain obligation ~~so~~ that the company has to pay which are not allowed as tax deductions. So as an expense, so for example, if I was to take my provision for gratuity or provision for leave encashment etcetera that is something that comes in as a deferred tax liability in the balance sheet. So these will be realized as and when those payments are made so that exactly what is and by the very virtue if you look at the last 4 years the average number of that deferred tax liability has been 28 crore to 32 cores. So by and large at any given year there is a carry forward effect of the expenses in depreciation that you have in the income tax act versus what you have in the companies act and things like that. So that I would say I would say is a sustainable number over the period.

Kashyap Jhaveri: One last question within the roofing solutions what was the proportion of boards and panels in FY17?

Manish Sanghi: FY17 my boards and panels were so roughly about 21%.

Kashyap Jhaveri: Which is now about 25%**.**

Manish Sanghi: It is about 20%, 1% here or there is a regular market fluctuation.

Kashyap Jhaveri: 21 would be probably 20-21 again that is right**.**

Moderator: The next question is from the line of Meet Patel an Individual Investor~~s~~. Please go ahead**.**

Meet Patel: I have ~~a~~ two questions. My first question I heard that our company had [53:54] with a ~~France~~ Franch company for the solar roof top it is true or not and if it is true then what is the progress on it?

Manish Sanghi: We have just started the business on rooftop and really it is related with a fact that we do make a large number of roofs both as a product as well PEB so we are working towards becoming a EPC for the rooftop solar business, but it is early days yet we are still in the stage of putting the team together, getting our first few initial orders so early stages to talk about it right now.

Meet Patel: My second question is what is the market size of fiber~~,~~ cement~~,~~ board industry and what is the ~~reach~~ rate at which this board and panel industry grow**?**

Manish Sanghi: Again there are no formal numbers available, but it is very difficult to define this board market let me just because a plywood is also a board a MDF is also a board, gypsum is also a board and a fiber cement is also a board if you were to take all of them together the market would be in excess of 50,000 crores or 1 lakh crore I do not know the number, but if we talk specifically about cement based boards and not this market in general this market size is in the region of about 5 lakh metric tons which makes it around 700, 800 crore market as of now**.**

Meet Patel: And ~~we create~~at what rate will this boards and panels industry grow?

Manish Sanghi: ~~It actually is growing right now t~~This year has not particularly been a great year, but market growth would be in the order of around 15%.

Moderator: The next question is from the line of Dheeraj Shah from ICICI Securities. Please go ahead.

Dheeraj Shah: What is the breakup of 1,91,000 in the building product segment between roofing and board and panels?

Manish Sanghi: Breakup it is about 28,000 tons for boards and panels and 1,63,000 tons for roofing.

Dheeraj Shah: And same for previous year~~.~~**?**

Manish Sanghi: No previous year was much lower than this. So if you want to look at the previous year same quarter, the roofing was about 143,000 tons and about 50,000 tons on boards and panels.

Dheeraj Shah: Rest 174-143 and for the full year out of 1,10,000 boards and panels for FY18 and it was for FY17.

Manish Sanghi: Yeah we already answered that one. So it was 110 versus some 640,000 tons**.**

Moderator: The next question is a follow up from the line of Dhruv Agarwal from Cresita Investments. Please go ahead.

Dhruv Agarwal: Sir if you can just repeat the volume numbers for Q4 18 for boards and panels and roofing it. For boards and panels it is 28,000 tons correct.

Manish Sanghi: That is right.

Dhruv Agarwal: And for roofing it is 1,63,000 tons.

Manish Sanghi: That is right.

Dhruv Agarwal: And for last year Q417 roofing was 1,43,000 tons and boards and panels was 16,000. Sir if you can give yearly also for FY18 versus FY17 okay no the breakup for both of these boards and panels and roofing?

Manish Sanghi: You can get in touch with the investor relation advisor~~ on a due date~~s.

Dhruv Agarwal: Sir one just question regarding the steel building segment - for this year as a whole the steel building PBIT margins have been around 1.8% so can we take into account that there will be an improvement from your ~~further~~ steel building further and it will not see your negative reversal**?**

Manish Sanghi: We do not expect a negative reversal to happen. ~~having~~ Having said that we have to guard ourselves and a lot will depend on what is going to be the behavior of steel prices. If ~~We~~ we see a further increase of Rs. 10,000 a ton in steel prices happening over 2 months period then numbers are going to be obviously very different. As of now all indications point to the steel pricing coming to a relatively stable scenario. The fluctuation and volatility will get significantly reduced. So under that scenario we think we should be able to do better, but some pain would remain on the existing order which were taken at the older price levels which will get executed in Q1. So some of those orders would go out in Q1 so that extent Q1 will be little more difficult we think from Q2 onwards we should be better off.

Dhruv Agarwal: Because I see like if you see historical trends at best you have done a 6% PBIT margin in steel buildings for FY 2012. So what can we go there coming 2, 3 years we will be able to see that kind of a PBIT.

Manish Sanghi: Two factors that play - one is pure volume and ~~another~~ the other interesting thing which happens with volume is that if everybody capacity get filled the price competitions reduces significantly. So an increase in volume would almost invariably be accompanied by an increase in realization. How that would plan out depends on the economy. We are all seeing a rather robust [01:01:10] number and we believe it is going to be good.

Moderator: The next question is a follow up from the line of Abhijit Sinha from Pi Square Investments. Please go ahead.

Abhijit Sinha: I just wanted to know ~~bring to~~ our order book we have 25,000 metric ton, ~~but~~ how long does it take for us to execute that?

Manish Sanghi: Five months.

Abhijit Sinha: On an average basis?

Manish Sanghi: 5,000 tons a month.

Abhijit Sinha: I am sorry what did you ~~said~~say?

Manish Sanghi: 5,000 metric tons a month so it is a 5-month order book.

Abhijit Sinha: And sir you were talking about the fiber being imported, where do we import that sir and do we have a transaction in USD or is it in INR generally?

Manish Sanghi: Fibers are almost all of them are imported from Russia, CIS countries and the pricing is fixed in dollar terms.

Abhijit Sinha: As per the roofing lines in Lakhmapur where do we see that growing, what is happening there exactly**?**

Manish Sanghi: I think I would want to avoid specific factory related at granular level of discussion over here.

Abhijit Sinha: About the business mix because obviously the steel margins is one of the [01:02:41] sometime, do you see us improving our building side revenue more from a 60-40 to maybe a 65-35 or something.

Manish Sanghi: I am expecting to grow volumes and profitability in all business segment. I think the 01:03:00] is that I have still in my 25,000 order book I still have probably 5,000-7,000 tons of order which are at lower prices which needs to be run out which will happen in this quarter. I think that is all what I meant over there. I am not really seeing any weak performance over there. In fact, what I am expecting and what we are working towards is a very significant growth. As far as steel buildings is concerned we think that with India growing with investments in India coming in a big way with manufacturing capacity is being added. This is a sector which is going to see probably the fastest growth.

Abhijit Sinha: I agree as well. So we remain to stay on this business things right same proportion.

Manish Sanghi: Yeah that is a conclusion which you will draw I am telling you my side of it.

Moderator: We take the last question from the line of Rajesh Ravi from Centrum Broking. Please go ahead.

Rajesh Ravi: Sir ~~I~~ just a few questions - first of on the boards ~~this~~ and roofing segment~~s~~ what portion would you feel value added products and like just wanted to understand what is your thought process in terms of the share of these value added products it is ending to over 2 to 3 years~~.~~?

Manish Sanghi: The current numbers are small because it has just been launched. As ~~somebody~~ earlier mentioned we are in the midst of a national campaign right now, but our own expectation is that going forward in the next 2, 3 years we should be seeing something like 30% to 40% of the business converting to value added.

Rajesh Ravi: It is a good number that should enhance the margin profile and we would what total capacity 7 lakh tons in the roofing segment currently?

Manish Sanghi: We ~~are~~ have 7 lines roughly that number yeah.

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Rajesh Ravi: In the UAE project that we discontinued with crude prices now recovering to good level, do we have some opportunity over there or we have completely wind up the project there and what would have happened to those equipments that you may be investing into?

Manish Sanghi: We have completely ~~wind~~ wound up the project over there. So the crude prices have improved, but ~~their~~ there are local producers who have come up in middle east. ~~market~~ Market opportunity in middle east is really not there anymore whereas equipments are concerned we have got them here and some of them we have used for our modernization projects and we will utilize them with time.

Rajesh Ravi: So we will see more of the focus on the domestic business and also in the presentation you have mentioned the 3% of revenues came from the export markets that broadly works out to be 40 crores, so what would be your export share Y-O-Y in terms of the boards and would that remain stable now or we would see that further declining?

Manish Sanghi: I am not expecting a significant change to take place.

Rajesh Ravi: So the focus would remain at similar level now?

Manish Sanghi: Our focus is on India.

Rajesh Ravi: Also in this project that you mentioned in the presentation the of Lakhmapur. So is it the metal roofing sheet as you have in the Ranchi similar project**?**

Manish Sanghi: So now Everest has the ability to produce metal roofing at 4 of our plants. So we can produce it in our plant in North India, in East India and two plants in Western India both in Gujarat and in Maharashtra**.**

Rajesh Ravi: North eastern two plants in [01:07:34] markets. And FY19 you mentioned there is a CAPEX of 20 crores for FY19 or is this a CAPEX during the call you mention the CAPEX of 20 crores were this for this current financial year FY19.

Manish Sanghi: Looking for the ongoing financial year**.**

Rajesh Ravi: I think that would lastly be from my end.

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

Manish Sanghi: Thanks a lot for taking so much interest and asking us the whole lot of penetrating detailed questions. As always your questions also help us reorient ourselves also look at issues in greater detail. At Everest we believe that ~~this is a time to that~~ India is growing and it is growing not merely in cities, it is also growing in villages and the best time for India is yet to come. We are closely related with what is happening to the country both on the village side the urban side and the industrial side and as of now we see a scenario which is positive on all ~~the~~ these three sides of the Indian economy. We are working hard as a company towards consolidating our business, working hard on controlling our cost, working hard towards making our new product lines more popular, working hard towards launching a few more product lines which should be happening in the next few months and we believe that we will have a far more interesting, vibrant and more profitable country in the times to come. Thank you for participating and I will look forward to talking to you once again in three months' time. Thanks and bye.

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.