

**Everest Industries Limited**  
**Q1 FY19 Earnings Conference Call**  
**July 31, 2018**

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**Moderator:** Ladies and gentlemen good day and welcome to the Everest Industries Limited Q1 FY19 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 \* and then 0 on your touchtone phone. I now hand the conference over to Mr. Anuj Sonpal from Valorem Advisors. Thank you and over to you, Mr. Sonpal.

**Anuj Sonpal:** Thank you, Vikram. 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, I would like to thank you all for participating in the company's earnings conference call for Q1 FY19.

Before we begin, I would like to mention a short cautionary statement as always. Some of the statements made in today's con-call maybe forward-looking in nature. Such forward-looking statements are subject to risks and uncertainties, which could cause the 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 them. Audiences are cautioned not to place any undue reliance on these forward-looking statements in making any investment decision. 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 conference call. We have with us Mr. Manish Sanghi – Managing Director. Without much ado, I request Mr. Sanghi to give his opening remarks. Thank you and over to you, sir.

**Manish Sanghi:** Thanks Anuj and good morning everybody. I have with me our Vice President of Finance Ruchi Puri and our outgoing CFO, Nikhil along with me on the call.

As you are all aware Q1 is an important quarter for many building materials and solutions companies. Construction activity is at its peak in most parts of the country before the monsoons. This is particularly so in the rural India where customers want a roof on their buildings before the rain hits in. The seasonality factor is obviously more pronounced for the building materials business and even more so in rural India. Q1 has been a good quarter backed

by a strong performance in the building products segment. We were able to enhance both the quantity and quality of the sale by keeping the costs in check.

Over the last few quarters we have been working towards enhancing our product portfolio and that effort is succeeding. As I had shared in the last few meetings, we have launched a new product Everest Super which is a colored cement roofing sheet. The product is now manufactured in all the 6 roofing plants of the company. This product is a result of our R&D effort for which necessary patents have been filed. It is aesthetically attractive, doesn't allow for any algae formation and is waterproof. It is at a price point which is Rs. 3 to 4 per square feet lower than the cost of the cheapest paint available in the market.

Our building product volumes went up by 17% to 2.64 lakh metric tonnes in the quarter. On the macro-economic front the rural demand has been buoyant on account of good crops, higher MSP and an overall positive economic environment. A whole lot of government schemes also seem to be having a positive impact on the rural economy. Interestingly as lot of government backed housing schemes are specifying concrete roofs and yet they are having a positive impact on our fiber cement roofing business. This is due to the fact that typically the auxiliary buildings around the house like the kitchen, the toilet, the animals shed, the tractor garage, the verandahs, the storage godowns and many more are made with sloping roofs and that area can be more than double that of the house itself. So as the construction level increases the sale of our products increases even if we are not there in the main house itself. We are also finding that the cement roofing category is picking up on account of disillusionment with low quality metal roofs. This shift back to fiber cement roofing is also on account of the GST rates which has brought our products on par with steel making fiber cement roofing more competitive in the marketplace.

The domestic boards market continues to expand and the steady movement towards modern modular methods of construction continues unabated. Our focus is on the solution's approach and towards that end we are putting in a lot of effort towards system design, certification. The other need for this business is having trained fabricators. An untrained fabricator is a big problem for the product category because he takes longer, he is more expensive and he often does a bad job using our products. So we are having a three tier program of training which we call 'Pehchan, Kaushal, and Saksham' and we are aiming to train over 700 artisans every month and we are finding a strong correlation between this training efforts and the sales. We are in the process of enhancing our product portfolio with the range of finished products which should reach the market place by the end of Q2.

The steel building business continues to face adverse headwinds. Our sales volume in tonnage terms decline compared to Q4 of last year even though we have a strong order book. The lower volume also affected the profitability of the division, the volume declined to 13,300 tonnes. We remain extremely positive about the India story and the fact that India is going to be building factories, warehouses, auxiliary buildings, residences, poultries, cattle sheds in bulk.

Everest is closely tied with the India growth story and we believe that the coming quarters Everest will continue to build the momentum it has established in Q1.

I'm sure all of you have gone through the presentation which has been sent across. That talks in specific about the financial and other numbers and we can have a longer and more detailed discussion on that hereon. Thank you so much and look forward to hearing your questions.

**Moderator:** Thank you very much sir. Ladies and gentlemen we will now begin the question and answer session. We have the first question from the line of Dhruv Agarwal from Crescita Investment. Please go ahead

**Dhruv Agarwal:** My question is more pertaining to the steel building sector which has not been able to perform as per the expectations, so the company expectations about the vision that you have about the steel building and the private sector CAPEX coming in and also regarding the PBIT that the steel building sector has been foreseeing if you see the quarterly numbers which has been very on and off. So I just wanted to understand what is the main reason that is hindering our growth in the steel building segment?

**Manish Sanghi:** The steel building segment as we have often said depends a lot on the steel pricing factor. It's a high turnover low margin business and wherever there are steep changes in the steel price, it affects us adversely. Just to give you an idea, the steel prices on HR Plates which is our major raw material, in the last one year has gone up by 35% and HR Coils by 25%, on the roofing sheets and other coated product which we use have gone up by another 25%. Now a lot of orders get delayed and it is not really practically possible to go and ask for changes in price. We have built-in protective clauses which are related to government levies or government related price changes which are happening but secular price changes which are happening on account of market conditions we have not been able to built-in. This causes disruption and I have often said that we are quite all right once the prices change in a gradual manner. Our problem has been when there are spikes, 35% by any stretch of imagination is a huge spike. The orders which we are booking right now have present price points are all profitable, they are good orders. But if the price point changes today, the all-inclusive HR Plates price is around Rs. 57,000 a ton. If it remains between 57,000-60,000a ton it is fine. But if it becomes Rs. 65,000/MT then we will have an issue. The second part of it is that our PEB business is all about speed. We take order orders with a commitment to the customer that we will complete the building within 4 months. So in 4 months typically the price change of steel should not be very significant and that so it normally is. But at times the requirement of customer gets delayed and that can happen because he is not been able to tie-up his loan or it is because he is not been able to get the necessary approvals or the land has some issues and so on. So I mean whole lot of customer related issues which affect us and the projects get delayed. Logically speaking in the last 5 months the steel prices haven't really changed much, so we should have exhausted the inventory of lower price for us. But the fact is that I am still carrying some older orders. So I have an order book of 27,000 tonnes odd and it would still have a component off

roughly 30%-35% which is on lower prices than the currently ruling prices. So what we are trying to do around it is we are trying to reduce the time for execution by doing a lot of improvement from our side. Second part, whom we are taking orders from. We are actually checking customer size to find out if he is really prepared to take the building or not and in case we find that the customer's preparation is inadequate we are building in a buffer. But having said that I should also say that we are at the end of it in a competitive world and somebody else doesn't build in the buffer the way I do. I will probably not get the order as well. So we are trying to make our whole operations efficient. So in fact the focus is shifting a little bit from the sales side to a far more efficient execution and we have accordingly modified our team, modified our structure and in the coming time we hope we will see better performance. As such the private sector investment hasn't come in at the pace at which we expect it. It is definitely very buoyant in the case of automobiles and food. But the other sectors are still a little slow to catch up but automobile is really booming.

**Dhruv Agarwal:** You are sourcing the steel domestically right now, correct?

**Manish Sanghi:** That's right.

**Dhruv Agarwal:** What is the inventory cycle for it and how do you hedge for it then?

**Manish Sanghi:** The grade which we buy can't really be hedged because the production level for these are different and the price movement of this is very different from what gets traded on the commodity exchanges and so on. As of today the Indian prices are similar to that of imported so it makes sense for us to buy locally. The typical order delivery cycle goes anywhere from 45 to 60 days.

**Dhruv Agarwal:** A delivery cycle is 45 to 60 days?

**Manish Sanghi:** From the steel companies.

**Dhruv Agarwal:** On the building product segment side, the last two years have really seen an uptake in the building product segment and this year we have started with around 300 crores of a turnover in the first quarter itself for the building products. So do you see now that we will see the slag months because of the rains and all, so do you see this building product segment crossing Rs. 1,000 crores of turnover for this year?

**Manish Sanghi:** I don't think so. I don't think it will cross the Rs. 1,000 crores now.

**Dhruv Agarwal:** But then the performance compared to last year will be better is what we can assume?

**Manish Sanghi:** It should be better for sure but Rs. 1,000 Cr would be carrying it a little too much. I don't think that's likely to happen. We would need capacity additions and so on to cross Rs. 1,000 Cr, right now we won't have that.

**Dhruv Agarwal:** What would be the maintenance CAPEX this year?

**Ruchi Puri:** It would be around 20 to 25 crores.

**Moderator:** We have a next question from the line of Praveen Sahay from Edelweiss Broking. Please go ahead.

**Praveen Sahay:** As you have delivered the gross margin improvement of some 130 bps, can you give some color on both the segments gross margin, which one has contributed highest in this improvement?

**Manish Sanghi:** Growth has been led by building products segment as it's pretty obvious from the numbers. The uptick has come on account of a number of factors and I can enumerate them one by one. First is volume, as we said all the macroeconomic factors pointed towards prosperity in rural India backed by good monsoon, good crops and some impact of the government schemes which seem to be reaching the end customers in a far more efficient manner than it has ever done before. The second part of it is related to increasing our product range with value-added products which do two things for us, number one, it creates a new segment for the company and you also give us better margins. Number three has been a very special focus which we have brought in with the beginning of this quarter which was on cost control and this cost control particularly in the case of raw material, you shouldn't really look at the overall raw material numbers because that's a total, there are value-added products and so on so forth. So don't look at the gross numbers which maybe there with you but we have been able to bring a lot of discipline around it. We have been able to optimize them very-very significantly and that's a long term effect. I expect that to sustain over the next few quarters as well.

**Praveen Sahay:** Basically I'm just looking at the numbers. The building material realization is down 5% even in your commentary the raw material is stable, the prices are stable. So just have a query like how that's contributed highest in the gross margin, so can you give any gross margin for the building products division actually, how that's actually performed?

**Nikhil Dujari:** Typically this is an issue with the comparatives. The comparatives could be previous year were under the excise duty and VAT regime versus the GST regime. So what has happened is that the government while fixing the GST rates give us the improve GST rate for which reason and the benefit of that is really been passed down to the end customers. So you would notice that for the 17% increase in volume, our revenue has gone up by 10%.

**Praveen Sahay:** In nutshell you are saying that realization down only due to price in the GST pass on whereas that's improved?

**Nikhil Dujari:** That's right.

**Praveen Sahay:** Whereas if I adjust it for excise for the last year it has improved for building material pricing?

**Manish Sanghi:** Not really, marginally good demand but really if you ask me our margins have improved on account of better cost control, better volumes because now roofing has become at par with the steel industry making us as an industry more competitive and the industry has seen the growth as well. We have probably done a little better than the industry but the industry has also done well.

**Praveen Sahay:** Can you give the numbers for the boards and panels volume?

**Manish Sanghi:** We have a total number of around the building products segment is 264,000 tonnes. We do not share the board numbers separately.

**Praveen Sahay:** Can you give some color on the Everest Super which you had given a commentary like that's contributed maximum for this quarter and that the performance is very good. So how it's done a contribution in the overall roofing segment we have?

**Manish Sanghi:** I liked your question because you said show some color on this Everest Super Color because Everest Super is all about color. One thing is that it is an indigenous R&D development so we have a patent around it. We believe that we should be able to leverage this patent and others will not be able to copy our product quickly. The second part of it is that it is the first time in the cement roofing business that there is available a color option for the customer. During the quarter we actually did a TV campaign. We had an all India campaign and interestingly while it helped our Super but it also helped our standard products as well. When we did a brand recall study it gave us a big pick-up in the brand recall across various segments. We did a third thing in limited markets of Eastern India that we hired during the IPL Wriddhiman Saha as our brand ambassador. And our purpose was that Everest is particularly strong in Eastern India and we wanted an Eastern India brand ambassador and that campaign which we carried out in that area helped us really become top of mind, recall and further reinforce our position. In terms of conversion, the conversion from Grey to color has varied across area to area and it goes from 5% to 15% across different markets. But two things, one the product itself is a better product so it enhances Everest's image. It gives me better margin but it has also helped us to have better differential in price even on numbers Grey products vis-à-vis our competitors. So Super is an ongoing story and as we move forward, we currently offer it in three colors; it comes in red, green and yellow. We would be offering more options in this with time and we believe that the Indian customer deserves a far bigger variety in this particular segment as well.

**Praveen Sahay:** And in this only you are keeping a solar roofing as well or it's a separate product?

**Manish Sanghi:** No we don't have a solar roofing product.

**Moderator:** We have a next question from the line of Vikrant Kashyap from Kedia Securities. Please go ahead

**Vikrant Kashyap:** Keeping in line with your given performance how do we see our top line in rest of the year?

**Manish Sanghi:** We expect the momentum to continue. We don't see any reason why the momentum should slacken. Specifically, we had a bit of a setback in the month of July on account of the transport strike. But I'm assuming that to be temporary because we work on very low inventories on our raw material particularly so to that extent we had a problem. But we believe that the momentum which has been built in grow as our further campaigns and product portfolios also.

**Vikrant Kashyap:** So do we expect a 10% kind of growth for rest of the ears as we have performed in Q1?

**Manish Sanghi:** We should and hopefully the growth in profit should be higher than that.

**Vikrant Kashyap:** On the PEB side as you explain quite in a very detailed manner and you are taking a lot of initiatives, when we will see 5% PBIT levels?

**Manish Sanghi:** As of now that's my target going into Q4.

**Moderator:** We have next question from the line of Baidik Sarkar from Unify Capital. Please go ahead

**Baidik Sarkar:** Just want to understand does this product have asbestos in it and if you can help us understand the product composition slightly better.

**Manish Sanghi:** It is an asbestos -based product. It's a premium product and the painting process on this which is unique.

**Baidik Sarkar:** So the only differentiator is the color coating, is there any other product wise differentiator in terms of thermal insulation or in terms of noise resistance or anything else?

**Manish Sanghi:** No it doesn't offer any greater noise resistance. The noise resistance of our fiber cement roofing in any case is far better than metal and that continues to be the case with this. Because this remains bright it offers better thermal protection as well. So if I were to say better thermal, better waterproofing, better aesthetics and because it comes in options I am actually very surprised by what is happening in the rural landscape. When we launched the product we expected that we would sell the red color but I have been very surprised by the off-take around green and the yellow color. I'm finding people are creatively using combinations and suddenly there is a lot of pride being taken by our customers in their roofs. I'm finding statements like 'who laal chat wale sahib ke yehaan aap jaaiye' when I ask for something. The identity of the person is being related to the kind of roof which he has on his house and that a very major change in the way our product is perceived, in the way people are buying and I expect this trend to continue.

**Baidik Sarkar:** What's the realization difference between your colored roofing and your normal roofing?

**Manish Sanghi:** For the customer the difference in the price is between Rs. 3 to 4 a square feet or Rs. 30 to 40 a running meter including GST.

**Baidik Sarkar:** If you just help me understand the working capital cycles of your imported asbestos fiber, how does that stand now?

**Manish Sanghi:** We typically keep between a total framework inventory, 2 months inventory is what we normally keep.

**Baidik Sarkar:** And payable cycles?

**Manish Sanghi:** Our credit cycles, so we don't really have too much money blocked in the fiber working capital. I have a lot of money blocked in the finished goods. But there is a payment cycle which is between 45 to 60 days.

**Baidik Sarkar:** So, one of your larger peers we were given to understand that their payable cycles are very ballooned to about 150-160 days, clearly we are not seeing that in our case, right?

**Manish Sanghi:** They must be having a different inventory policy and different stocking policy than us.

**Baidik Sarkar:** Obviously your volume growth in roofing has been great but if rural income were to witness some stress because monsoon we all know has been patchy. Is it fair to expect any degree of sales returns and also it would be possible to quantify what your order book for Q2 and Q3 look as things stand today?

**Manish Sanghi:** No I don't think there would be any sales returns, absolutely no way. We have a zero credit policy as far as our building products are concerned. So that possibility doesn't exist and secondly my retail stocks are low, so whatever was pushed into the channel has actually flown on to consumers and the secondary sales have happened in equivalent manner so my bazaar stocks are low right now.

**Moderator:** We have a next question from the line of Jigar Shah from ICICI Securities. Please go ahead.

**Jigar Shah:** I wanted to know about the boards and panels segment what would be the capacity utilization for the segment?

**Manish Sanghi:** Our capacity utilization is of the order of around 85% for the quarter.

**Jigar Shah:** How are we doing in export segment of the boards and panels and how much would be the domestic growth?

**Manish Sanghi:** Our growth has really come from domestic segment, exports are not doing well. The exports are impacted by one demand downturn and second there are at least 2 to 3 producers which

have set up shops in the Middle East which was our primary destination. We don't really expect an upturn in the export sales. So we have shifted focus, we are going more into other developed markets and our focus today has shifted from standard simple boards systems to value-added products and accordingly my markets are more in western Europe, so the volumes are small there but the value added is better.

**Jigar Shah:** What would be the mix from the exports?

**Manish Sanghi:** I don't think exports will contribute significantly to volumes as the situation is right now.

**Jigar Shah:** What would be your outlook on the boards and panels segment going ahead since you are having 85% capacity utilization, so is there any CAPEX plans as such?

**Manish Sanghi:** We are undertaking a modernization of our plant at Lakhmapur, at Nasik that is and that would give us a bump up in capacity. We will look at for the expansion in capacity in due course of time.

**Jigar Shah:** This will increase the capacity by how much?

**Manish Sanghi:** This will not increase by too much; it will be around 25,000 tonnes per annum.

**Jigar Shah:** On your Everest Super what would be your capacity and what would be the volume currently?

**Manish Sanghi:** I'm sorry I won't be able to share the volume numbers specifically but as far as capacity is concerned this is fully interchangeable with our standard roofing lines.

**Moderator:** We have a next question from the line of Rashmi Kwatra from Sixteenth Street Capital. Please go ahead.

**Rashmi Kwatra:** At what point we expand capacity at utilization levels and then when you think about capacity expansion can you give us some color on the size of the expansion and how you think about the granularity of expansion going forward?

**Manish Sanghi:** Typically we start thinking of capacity expansion once we start reaching 80% kind of capacity utilization levels. And we typically do it two ways, one is by debottlenecking and modernization and small improvements in plants and second is either a Greenfield or a Brownfield expansion. If you were to talk off our boards business a new capacity typically nowadays is of the order of 70,000 to 75,000 tonnes per annum and that would cost about 70 to 75 crores so it's literally 1 crores per 1000 tonnes if I were to give you a number. And capacity addition would take from the moment we say we need to have capacity, it takes one year for it to come into production. On the roofing side, we are undertaking small modernizations across all our plans. I had shared in the last meeting that we had done a big modernization of our Calcutta factory. We would be taking on a major modernization of our factory at Nasik which will start towards the end of this

quarter. There are smaller modernizations which will be happening at 3 more lines, so we expect at the end of it that our capacity should get bumped up by about between 75,000 to 100,000 metric tonnes per annum. So that is on the roofing side. But these are smaller changes so they are not really going to require major CAPEX. I hope I answered your question but if there is anything specific please do let me know.

**Moderator:** We have a next question from the line of Ayush B from Equitas Investments. Please go ahead.

**Ayush B:** My first question would be regarding Chrysotile fibre prices, have they been stable?

**Manish Sanghi:** Chrysotile prices have been stable; they vary only on account of the Forex change that's about it. Otherwise they have been stable and typically the new prices are yearly contracts. So we have no indication of how the prices would behave in the next year but right now they are stable.

**Ayush B:** About the Everest Super, so the margins for Everest Super compared to the normal roofing sheet what's the margin difference?

**Manish Sanghi:** Its question which is difficult to answer because right now I'm also spending a lot of money in promotion. The typical gross margin on the product is higher by something like 20%. But right now as I said we did a major TV campaign, we signed a brand ambassador; we are doing a lot of market activity. So the product may not really be contributing so much to the bottom line right now but it's the potential to do so as we go forward.

**Ayush B:** You had mentioned in last con call that you want to take Everest Super sales to 20% to 25% of your roofing sheets sales, so currently how much percentage does it contribute?

**Manish Sanghi:** It varies between 5% to 15% depending on the geography because it has been a graduated launch. It has not been all across the country at once, so eastern and central India came on board much later than north and south, so some places have adopted it more than other. But interestingly we are finding that it has absolutely nothing to do with the general prosperity of the region. It is how well you present your product at last to the customer.

**Ayush B:** Last thing would be regarding your steel segment; the negative EBIT that has happened this quarter is it only because of volumes or also because of steel prices increasing during the quarter?

**Manish Sanghi:** Steel price didn't really increase during the quarter. But we executed orders which were taken when the prices were lower, so it would be on account of that. Steel prices during this quarter April-May-June actually have been very steady. Steel prices from the February onwards have been steady. The last big increase of nearly 10% happened in February, after that they have been fairly constant actually.

**Ayush B:** What impact does the rupee depreciation have on our import of raw material like how much does it affect your cost?

**Manish Sanghi:** We have two imported raw materials primarily, number one is the Chrysotile Fibre, and the other is the pulp, the cellulose pulp which is used in the case of boards. Chrysotile Fibre forms something like 40% of the raw material cost, so from there you can kind of calculate what exchange rate impact would be there. Just wanted to add one more thing over here, as information, in not a question which you asked but just wanted to add. We are seeing a major increase in the prices of cellulose pulp in the last 6 to 9 months and the prices have lined up from close to \$650 per ton to \$900 a ton and on account of apparently a big jump in demand in China. So that's bit of a cause for concern for us but so far so good.

**Ayush B:** But cellulose pulp constitutes how much percentage of your raw material cost?

**Manish Sanghi:** I don't have a specific number right now, can I answer it off-line?

**Ayush B:** Sure.

**Moderator:** We have next question from the line of Ashutosh Garud from Avendus Wealth. Please go ahead.

**Ashutosh Garud:** Can you share what is the exact capacity on product in both the categories? What is the current capacity we have?

**Manish Sanghi:** In our Building Products business, our total capacity is 8,80,000 tonnes and in our steel buildings business, our capacity is 72,000 tonnes.

**AshutoshGarud:** This is as on end of the Q1 quarter you are saying?

**Manish Sanghi:** That's right.

**AshutoshGarud:** And both these are operating at 85% utilization?

**Manish Sanghi:** Our steel buildings capacity is slightly lower at about 78% to 80% and building products is slightly higher than 85% actually.

**AshutoshGarud:** This utilization levels you are mentioning in the case of Q1 quarter.

**Manish Sanghi:** In the case of roofing we run the plant continuously. Our capacity utilization was lower not because there was no demand but because we were doing a modernization of our Calcutta factory and to that extent the plant actually remained shut down for some period.

**AshutoshGarud:** In Q1 you are saying?

**Manish Sanghi:** In Q1, the beginning of Q1 were stabilizing so it was not really producing to the capacity it can, now it is but at that time it was not.

**AshutoshGarud:** These utilization levels during Q1 would be significantly higher than what they were in Q4 I would presume, right?

**Manish Sanghi:** Yeah they would be slightly higher.

**AshutoshGarud:** This 25,000 tonnes of incremental capacity you're doing in the building products segment?

**Manish Sanghi:** That's right, in the boards segment.

**AshutoshGarud:** And typically if the demand is ample what kind of utilization levels do companies like us can operate on?

**Manish Sanghi:** That's a hypothetical question but in the past in roofing we have operated at capacities of over 90%, in both boards and roofing we have operated at over 90% capacity level. And in the case of sheet building, we are operated actually for a shorter periods of time at over 95%.

**AshutoshGarud:** On the volume term we wouldn't be able to grow more than 12% from hereon would that be a fair resumption because apart from this 25,000 tonnes of capacity is there any other major CAPEX which you have planned on any significant capacity addition?

**Manish Sanghi:** As I said we are doing modernization of our roofing lines which should result into a growth in volumes over there, it is around 10% odd. We are doing a debottlenecking and modernization of board's line which is 25,000 tonnes. We recently in the last quarter commissioned a metal roofing line at our Nasik factory that should give us growth and we would be multiplying that in other locations as well, specific plans we will announce as and when we are about to do that. The third way the growth is going to come is I shared that we are getting into finished products particularly in our boards segment. The finished products realization, so in tonnage terms it won't really increase, but the realization over there is significantly higher than of the unfinished products. Right now we are looking at three and we will look at Greenfield or Brownfield as the need maybe in times to come.

**AshutoshGarud:** Regarding these expansions which you mentioned of around 20,000 to 25,000 at a time, can you explain the timelines what timeline do you expect these capacities coming in?

**Manish Sanghi:** Really speaking, these capacities should start paying us towards the middle of Q4.

**AshutoshGarud:** Q4 of FY 19?

**Manish Sanghi:** Yeah, the current financial year.

- AshutoshGarud:** All these put together would be around 70,000 to 75,000 tons?
- Manish Sanghi:** It should be that much minimum, maybe a little more than that.
- Moderator:** We have the next question from the line of Sharad Tripathi from Edelweiss Broking Limited. Please go ahead.
- Sharad Tripathi:** In your annual report you mentioned about the size and the growth of boards and panels. You mentioned that 1000 crores of size and which has been growing at 15-20%, so can you give some more highlight on this front how you are looking at this segment going forward? How is the industry performing and where do you see growth inching up or it is there only?
- Manish Sanghi:** To talk very fundamentally what the board does is: board is a pre-fabricated element. Instead of using multiple components like bricks and cement, water and making a wall with that you are using a single component and you are putting it on to a frame. What you end up achieving is a lighter structure and a much faster structure. Second part of it is that despite our big population in the country we find that we have a deficit of good quality masons in the country. We also have a major problem related to availability of sand and water. In lots of parts of the country you would occasionally keep hearing news that construction has been stopped because of lack of water and we keep hearing about this news of sand mafia and so on. So, a section of the construction industry is mindful of it and saying we need to look at alternate methods of construction which do not involve us in these kinds of hassles. This is what is driving the growth for us. If you ask me the growth is really dependent upon the number of people who are available in the marketplace who can use these product lines. These products make sense economically for sure but the number of people who can effectively use them, and when I say effectively use them, I mean in terms of designing, so the interior designer is the architect, the fabricator, that is the person who can actually put it in place, that number needs to go up very significantly for it to increase beyond this 10%-15% growth rate. In terms of penetration it is extremely low right now and I think we had shared this number in the last year's annual report that our per capita consumption and all is such a small percentage of what is there in the country which is similar in progress to us like Thailand and we believe that this growth rate which we are currently experiencing is extremely small and we haven't really touched the inflection point in growth over here. If we do our job well, if all the competitors everybody in this field does their job well we should be seeing a much higher growth rate here.
- Participant:** Just one more clarification that I think in one previous question you answered your hinted some about profitability of your stay in business going forward, so can you repeat that, when do you expect?
- Manish Sanghi:** Somebody had asked me that question when do you expect to see a 5% kind of a return and I had said that I'm targeting it towards Q4.

**Moderator:** We have the next question from the line of Rajesh Ravi from Centrum Broking. Please go ahead.

**Rajesh Ravi:** Just wanted to understand regional business volume growth which we have seen in the roofing segment business?

**Manish Sanghi:** The volume growth has actually been across the country. There are no specifics I can point out in terms of where the growth is. Some states maybe a little more than others, so Bihar has done well for example, Orissa has done well, the East has probably done a little better than other parts of the country but for us East has done well, West has done well. No real pattern around it.

**Rajesh Soni:** In the boards business, you talked about the value-added products also gaining traction and obviously exports markets are now not a focus area, so out of the total volume growth what sort of growth you have seen in the board segment and also the contribution of these value-added products?

**Manish Sanghi:** Our value-added products contributes something like, it varies month to month, but between 30%-40% of the revenues.

**Rajesh Ravi:** And in terms of the boards domestic growth?

**Manish Sanghi:** Domestic growth has been of the order of I think somewhere around for the quarter is around 8%.

**Rajesh Ravi:** Lastly, on this Super pricing which you said is around Rs. 30-40 per square meter, so it would be like Rs. 160-170 would be the normal roofing sheets, so greater than Rs.200 is what you would be realizing in this segment?

**Manish Sanghi:** Though the price varies a lot, the retail price goes up, even for Grey sheets over Rs. 200 in some.

**Rajesh Soni:** In one of the presentations you have mentioned new product development and also you talked about there was a question around solar roofing, so any business segment you are targeting going forward to solar roofing sheets also?

**Manish Sanghi:** We are not doing anything on solar roofing sheets. What we are doing is roof top solar. On top of factories, warehouses we have done some projects, and this is in combination with our steel building business. It's not a product; it's more an EPC if you might say so.

**Rajesh Soni:** For your steel roofing this is a value-added product which you seek and gain....

**Manish Sanghi:** Absolutely.

**Moderator:** We have a last question from the line of Amit Vohra from PCS Securities Limited. Please go ahead.

**Amit Vohra:** This is a follow-up on one of the participants who had asked this question. Though Rupee has really depreciated still we have been able to maintain our margins and get the cost of raw material as a percentage of sales compared to last year same quarter down, that's number one. And what was the reason for the other expenditure to come down so significantly?

**Nikhil Dujari:** Typically, as you look at it, other expenditure has actually slightly gone up in absolute terms but because of better utilization of facilities its allocated over a larger quantity and that's the reason why we see other expenditure having gone down. If you look at the financial costs, that significantly reduced from about Rs. 4.2 crores to Rs. 1.49 crores. And on the utilization of raw materials it is really to do with the product mix that has improved which has given us better efficiencies and when we do a larger utilization of capacities your wastages, etc., are lower as a percentage.

**Amit Vohra:** On the raw material bit?

**Manish Sanghi:** Normally for the peak season we stock in advance and therefore the recent spurt in the Dollar did not impact us at all during this quarter.

**Moderator:** Ladies and gentlemen, that was the last question. 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 everybody for the set of incisive questions which you had. As I said earlier, we remain bullish about the India growth story and coupled with that the Everest growth story. We have done well in Q1 but quite obviously could have done better if all the segments had contributed to their profitability. We are working towards it. There are a whole lot of initiatives which we have taken to rectify the situation. We believe that the momentum which we have got in the first quarter will sustain and when we meet in three months from now we would have a good set of numbers compared to the equivalent last year.

**Moderator:** Thank you. Ladies and gentlemen, on behalf of Everest Industries Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.