"Everest Industries Limited Q3FY15 Earnings Conference Call"

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INVESTMENT RELATIONS - STELLAR INVESTOR RELATIONS

Moderator: Ladies and gentlemen, good day and welcome to the Everest Industries Limited Q3FY15 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. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Manish Sanghi – Managing Director, Everest Industries. Thank you and over to you sir.

Manish Sanghi: Thanks and a very good morning friends. We welcome you once again to the discussion of our quarter and 9 months ending December 31st 2014 discussion. Along with me, I have CFO – Mr. Rakesh Gupta and Stellar Investor Relations, our Investment Relations Advisor.

We have prepared and circulated an investor presentation and the same is uploaded on our website as well. I am sure all of you could have gone through that.

As discussed in the last quarter, we are continuing to see positive environment across all our business segments. This is particularly through on the demand side and the pace if anything is increasing and it is no more just talk, we are starting to see some actions on the ground. We also believe that the recent popular campaigns initiated by the Prime Minister namely the "Swachh Bharat Abhiyan" and the Make in India campaign can be big drivers for growth in India and in turn for Everest. The "Swachh Bharat Abhiyan" focuses on construction of sanitary toilets, bathrooms and village sanitation complexes in rural India which gives us a large opportunity for our building products business. The government has promised total sanitation by 2019 where every household in India will have a toilet by the end of 2019.

The Make in India campaign should be a major driver for our Steel Buildings business. We are experiencing that the company's establishing manufacturing units would like to achieve commercial production in shortest possible time and are therefore focusing far more on quick deliveries. It is such an ambitious plan. Time and money both become important and steel buildings made out of CEB offer the best solution for the customers.

We all know that construction sector is one of the biggest employers in the country and the government I am sure knows that as well and is focusing on this sector to increase the level of employment. Employment generation is one of the major tasks that the government had set for itself. One of the things which they have talked about is developing new cities. The fact is that the urban population in India is far lower compared to any developed economy and people would gradually move away from villages into cities for better employment, for better wage earnings. Once these cities start really happening, it should mean a lot of business, for companies like Everest and it would be virtually across all our product lines be it roofing, boards or steel building.

Let me specifically talk about Building Products segment. The earnings in Q3FY15 grew compared to the same quarter last year, but growth in profits was fairly small. The growth in the revenue terms was to the order of around 9% and in terms of tonnage was 10.9%. This obviously is showing that we lost out on the price front and that is the matter of concern. We expect the situation to change in the coming months when the season starts taking off. The good part is that the demand is definitely better than last year and very often demand and prices go hand in hand.

Our Boards & Panels division continues to do well with growth in both the domestic and export segments. As we mentioned in the last call, we are setting up a 72,000 metric tonnes per annum fibre cement plant in UAE through our wholly-owned subsidiary in Mauritius. The new manufacturing plant in UAE will cater to markets in Middle East, Africa and Europe and all of them are growing at a fairly healthy rate. These are currently being serviced out of our facility in Nashik and to some extent from our facility in Roorkee. We have therefore already locked in as far as the demand side is concerned. We would be saving significantly on the logistics when we establish new capacity in that geography.

Now there has been a fair bit of turbulence in the Russian economy and the Russian economy becomes important for us because asbestos fiber Russia and Kazakhstan are the major suppliers and any disruption over there is a matter of concern. We have been in regular touch with our suppliers and we find that our sources of supply continue to be stable. The Ruble is going up and down a lot, but we are working on a dollar denominated price and as of now we expect stable raw material pricing.

Talking about the Steel Building segment, the Steel Building segment saw a bit of a stagnation in the last year in general because of low industrial investment. We are starting to see a change in that particular scenario. Once again one of the major objectives of the government major goals which they have set for themselves is to increase the manufacturing ability and the manufacturing competitiveness of India and be it a Gujarat summit or a Bengal summit or a MP summit, monitoring all of them we find that there is a renewed interest in enhancing capacities across virtually all the sectors.

The PEB industry obviously should be benefited due to this revival and PEB is now virtually become the standard for many industries and interestingly, today for any factory building, PEB is in contention**.** The order may or may not go to with PEB player but PEB is definitely one of the alternatives which have considered. Interestingly, PEB is also finding acceptance in lot of new segments wherein so far PEB had no presence at all and I want to particularly mention sections or sectors like education institutes, guest houses, industrial accommodation, we are doing trademarks and this particular trend is being driven essentially by the need of the people to get a defined timeline for their projects and the biggest variation in timeline normally happens due to civil construction, PEB eliminates that. We have recently seen an increase in our order enquiries and despite our higher production, we have been able to maintain our order book which currently stands at 28,000 metric tonnes.

As you are aware, we had set up a new unit at Dahej in Bharuch district of Gujarat. We call it the Narmada Works because our plant is located next to Narmada River. We have announced the plant has commenced commercial production since yesterday. These were the initial few thoughts which I wanted to share. I will hand over the call to Mr. Rakesh Gupta, our CFO, he will take you through the financial performance of the first quarter. Over to you Rakesh.

Rakesh Gupta: Thank you Manish and good morning friends. I will take you through our results which we have circulated in the presentation that has been mailed to you.

Let us first discuss the Q3FY15 numbers. In Q3FY15, we have recorded a revenue of Rs. 277 crores which is up by about 20% as compared to 230 crores in the corresponding quarter last year. The EBITDA for this quarter is Rs. 10.3 crores as compared to Rs. 7.7 crores in the corresponding quarter last year. The EBITDA margin is around 3.7%. In terms of segment, our Building Products segment contributed approximately Rs. 188 crores whereas Steel Building segment contributed approximately Rs. 89 crores. In Q3FY15 in Building Product segment, our volumes were around 154,000 metric tonnes and around 10,300 metric tonnes is Steel Building segment.

Let me share the YTDs that is 9 month’s FY15 numbers. In 9 months, we recorded a revenue of Rs. 912 crores which is up by around 25% as compared to Rs. 729 crores for the corresponding previous period. The EBITDA at Rs. 57 crores compared to Rs.

26.3 crores last year, year-on-a year a growth of 116%. The EBITDA margin for 9 months was 6.2% as compared to 3.6% for the corresponding three period previous years.

In terms of the balance sheet, from the balance sheet side as on 31st December 2014, our gross debt is Rs. 292 crores which include 104 crores ECB and buyer's credit of around 67 crores. This ECB includes the fresh drawls that were done during the quarter of 63 crores taken primarily for the proposed overseas project. While the investing ECB which we had taken previously was fully hedged for principal and interest, the new ECB has been kept open.

The company's cash and bank balance stood at Rs. 65 crores which include funds kept in fixed deposits with company's banker. FDs primarily comprise of the proceeds from the fresh ECBs that we have drawn recently. As mentioned by Manish, commercial production at the new facility at Dahej has been commenced and the operating performance from these two plants will start coming in from the Q4 of FY15. The fiber cement board CAPEX in UAE which we have recently announced which cost us around 100 crores and will be funded by a debt of Rs. 75 crores and the balance will be contributed by the internal accruals. As mentioned previously, we have already availed like ECB part of the loan and so the financial closure is in place. That briefly is what I have to share and with your permission sir we can take the questions now.

Moderator: Thank you very much sir. Ladies and gentlemen, we will now begin the question and answer session. We have first question from the line of Karthik Mehta from Sushil Finance. Please go ahead.

Karthik Mehta: Sir, my question pertains to rural India apparent slowdown which is visible from the commentary of some of the agrochemical companies regarding the reduction in the area under cultivation as well as sharp fall in the agro-commodity prices across the world as well as in India, many of the agro-commodities are even trading below MSP. So there is clearly a sign of income slowdown or wallet pressure on the rural side. So do you have any comment on the same? Are you seeing sort of pressure over there from your portfolio side?

Manish Sanghi: No, not really. I have been saying it I think in the last few consensus the only place where we were seeing was Tamil Nadu. Tamil Nadu incidentally has had good monsoon this year. So we are expecting an upturn over there as well. So far it has not hit us, but I am also hearing noises like the ones which you just mentioned, but it is not visible in the market place as of now.

Karthik Mehta: Sir my second question is pertaining to Ruble fall against dollar which is very sharp. I understand that our billing is happening in the dollar term but are you kind of trying to pursue the supplier to pass on some of the benefit what is going to derive out of the Ruble fall versus US dollar?

Manish Sanghi: It is a difficult one because it is a turbulent economy only. It is an extremely turbulent economy only. When interest rates increase by 7% in one day, it is a difficult situation. As of now the mines are not going to share any profit in Ruble terms with us. So the prices are going to remain more or less stable. There can be some small changes here and there but nothing very major.

Karthik Mehta: So are we done with the pricing fixation for the rest of the full year because generally we do in the month of December-January.

Manish Sanghi: It is on, but it has not happened with everybody but yes, process is on.

Karthik Mehta: Sir just wanted to understand what is our capital employed in the case of boards and panels as of now in India?

Manish Sanghi: I do not have a specific number for boards and panels. I have a number for Building Products which is there in our results.

Karthik Mehta: So my other question related to same is that suppose if you would have let us say done the same CAPEX in India for 72,000 metric tonnes. Would it be more or less same to 100 crores number?

Manish Sanghi: Would it have given me the, it would have.

Karthik Mehta: So you are saying that the capital employed number for both territories are identical?

Manish Sanghi: Yes if I had done it in the case of roofing.

Karthik Mehta: No, I am asking for the boards and panels.

Manish Sanghi: Boards and panels, their difference would not be really that big. Let me put it this way. A plant which is costing 100 crores there in India would have cost it around 75 crores because the revenue would have been much lower.

Karthik Mehta: Because those realizations are higher.

Manish Sanghi: The realizations are higher.

Karthik Mehta: As well as your logistic cost and other benefit would come in?

Manish Sanghi: That is right.

Karthik Mehta: Sir one question pertains to gross margin in this quarter which is roughly I guess 41% vis-à-vis around 45% for the same quarter last year. Even on a sequential basis it has fallen. So is it purely because of the pricing pressure what you mentioned in the beginning commentary.

Manish Sanghi: Yes.

Karthik Mehta: And if you can highlight me the per tonne margins what we have made in the case of PEB for 9 months and for the quarter?

Manish Sanghi: I do not calculate it on a per tonne basis and I can give those numbers to you offline, but there is something interesting in the numbers here. If you notice that in PEB, our sales tonnage grew by 27% while our revenue grew by 54% and it is not on account of a better pricing. The pricing really has not changed that much which has happened because steel is forming a smaller part of our final sales. We are taking contracts, so we are doing turnkey solutions for people, so that is why this disparity is existing. It is a very glaring disparity.

Karthik Mehta: Yes, I was also about to ask that. Thanks for highlighting that. So this is we have started off late right because earlier this disparity was not so much big.

Manish Sanghi: Yes, that is right.

Karthik Mehta: Okay, so having said this because of this disparity maybe our margins could have expanded because of such a large mismatch?

Manish Sanghi: I would start seeing really, I would notice the margins from next quarter, not even the current quarter because I think we mentioned it last time that a lot of costs which were associated with Dahej really being accounted for and booked in the P&L while the benefits of Dahej were not accruing. So the full benefit of Dahej will start accruing from next quarter, I mean we have capitalized in today but I am assuming a little bit of ramp-up and all would be required. So from next quarter, we will really start seeing the benefits of those.

Karthik Mehta: Sir, just a further question on the same that disparity side. Like suppose if I give you Rs. 100 order for a PEB including your complete EPC side contracting, then what could be the typical bifurcation of the steel and the remaining products?

Manish Sanghi: It is a very difficult one to say. It depends upon the extent. Somebody may say make me the roads, somebody says make me the flooring, somebody says just make me the footing, so it is not really possible to give a percentage. It will vary a lot depending on the scope.

Karthik Mehta: So this time it was more often other than steel and that was one of the reasons behind that.

Manish Sanghi: I am not saying this is going to be the pattern but this particular quarter was skewed in that manner.

Moderator: Thank you. We move on to the next question that is from the line of Arjun Sengar from Reliance Mutual Fund. Please go ahead.

Arjun Sengar: Sir, first of all in your Building Products segment, in the first half this year you have grown comfortably above 20%. So that 20% plus growth was accompanied by what kind of volume growth. Basically I am trying to understand why have we grown at 9% this particular quarter compared to 20% plus growth in H1?

Manish Sanghi: I think first of all Arjun, we should compare quarter-to-quarter in our case simply because things happen very differently in season time and we have a very defined season in the Q1 of the fiscal and that grows disproportionately high.

Arjun Sengar: So I should not read too much into this growth number right?

Manish Sanghi: I would not read too much into it, yes.

Arjun Sengar: Okay and also if you look at your profitability in terms of your EBIT margin for building products, I think our EBIT margin is 4.4% this quarter which is quite low, so any particular reason for that?

Manish Sanghi: I think as I mentioned, there is pricing pressure and we should be selling at higher prices.

Arjun Sengar: And what is this pricing pressure the result of as in what is contributing to this pressure?

Manish Sanghi: Pricing basically lower demand.

Arjun Sengar: But in the beginning you said that you are witnessing higher demand.

Manish Sanghi: Higher demand compared to last year, yes but I would have really wanted the pricing to go up, it did not go up.

Arjun Sengar: This is an industry-wide phenomenon?

Manish Sanghi: I really do not know the results of others but yes, I would think so.

Arjun Sengar: And secondly this new capacity that you commissioned yesterday in your PEB, what kind of utilization do you expect for this additional capacity going forward?

Manish Sanghi: I have a total capacity of 30,000 metric tonnes is what we have designed the plant for and we have the order book for it but I think it will take some ramping up and we expect to hit this capacity in about a year's time.

Arjun Sengar: In a year, you should expect full capacity utilization?

Manish Sanghi: That is right. In fact if you see our numbers, we are already doing more, we did 10,000 to 50,000 tonnes of sales in the quarter. We are already using some of the capacity though it is not commercially, and it was trialed production, and we have been outsourcing a lot of our production. So I do not have a doubt about Dahej kicking in to full extent, ramping up training, getting all the processes and systems in place and all might take a while to reach 100% production.

Arjun Sengar: At the beginning you were talking about government's push towards affordable rural housing and things of that nature. So I just wanted to understand how big of an impact do you think this could have on Everest going forward as in what is the ground reality?

Manish Sanghi: See I am particularly excited about the "Swachh Bharat Campaign". And we are seeing a lot of action on the ground, a lot of tenders in the market place by both private sector players and public sector players, most of them doing it out of the CSR budget. It has not yet started translating into orders but it should start happening.

Arjun Sanghi: I am saying this "Swachh Bharat Campaign" should lead to increase demand for your building products right?

Manish Sanghi: That is right.

Moderator: Thank you. We have next question from the line of Subhankar Ojha from SKS Capital and Research. Please go ahead.

Subhankar Ojha: Two questions sir. So what is happening to the South demand and because till last quarter end basically South is an important market for you and Tamil Nadu has not seen a demand growth and sir what is happening specific to South actually that is my question?

Manish Sanghi: I think there are 3-4 different factors which were affecting and one is the power scenario. It continues to be a majorly power deficit state. A whole lot of the small industry to shut shock from there and move out And a lot of our roofing business actually used to go through our retail channels only but it would go to the small industry and that has stopped because we are back to long power cuts in Tamil Nadu. There was a drought for 3 years continuously and Tamil Nadu as you all know behaves differently compared to the rest of the country. It has a winter monsoon and not the summer monsoon the way we have, but I really need to wait and see because the monsoon this year was far better than the last year led into an increase in demand. What I understand when I go over there is that there is a depressed market for virtually all construction sector product be it steel or cement or roofing sheets does not matter. And we are doing a whole lot of things just incidentally in that market place offering alternate products, some value-added products so that we can establish and increase our market shares.

Subhankar Ojha: Secondly the raw material side sir if you can give some input on what is happening to the main raw material which you use which is the chrysotile fiber?

Manish Sanghi: If I talk as a company we use 4 major raw materials. One is a special fiber which essentially comes from the CIS country, Kazakhstan and Russia and I mentioned it in my opening remarks that there is a lot of turbulence over there, nobody is willing to take a call on which way things will happen but the supply remains stable. There are no issues regarding that as of now. In fact the usual problems which we have in winter are port freezing over and ships not being able to sail and also not happened this year. So it has been good. I do not expect much of a change to happen. If there will be a change, it will be to our advantage. On the cellulose side, we are seeing a stable regime, do not really expect too much of a change. On the cement side, it is a little bit volatile and they are occasional spikes and then the price has come down. We expect a similar scenario to continue. On the steel side, we expect a cooling down of the commodity prices on two accounts, one lower China demand and second the fuel costs as well as the transportation costs are both coming down. So that is applicable to both cement and steel and particularly in steel I would work with something like 2%-3% reduction on a yearly basis.

Subhankar Ojha: Sir I missed out on the pricing which you said, so have you taken a price hike during the quarter? Did you say that yes?

Manish Sanghi: No, I did not say that.

Subhankar Ojha: Basically because of the poor demand, the margins are under pressure. You obviously not in a position to take a price hike at this.

Manish Sanghi: It is a supply-demand issue. Yes.

Subhankar Ojha: And so basically do we see the pricing pressure easing any time soon?

Manish Sanghi: I am hoping for that.

Moderator: Thank you. Next question is from the line of Rahul Soni from Baljit Securities. Please go ahead.

Rahul Soni: Sir when I am seeing your segment results, in the Building Products you have reported an EBIT of 14.8 crores on sales of 174 crores in September quarter whereas in the December quarter, you have reported EBIT of 8.3 crores on the sales of 188 crores. So why the difference in the figure so much?

Manish Sanghi: I think I mentioned there is a different prices.

Rahul Soni: No difference is large, EBIT of around 15 crores in September and 8.3 crores in December whereas the revenues have increased.

Manish Sanghi: Revenues have increased but my revenue per tonne has declined.

Rahul Soni: Okay, no any extraordinary items added in the September quarter figure.

Manish Sanghi: It is a business as usual. It keeps happening. We are quite sure that the Q4 would be better.

Rahul Soni: On the CAPEX side, you said you are doing a CAPEX of 100 crores in UAE and 37 crores will come from debt and rest you will contribute from internal accruals?

Manish Sanghi: That is right.

Moderator: Thank you. Next question is from the line of H. R. Gala from Panav Advisors. Please go ahead.

H. R. Gala: In the beginning, you made an observation sir that movement developing new cities, people moving from villages to cities, to begin with do not you think that will affect the industry adversely?

Manish Sanghi: We are in both the segments. I am in rural segment and I am in urban segment as well.

H. R. Gala: But still I think our major turnover is coming from the rural or semi-urban areas where people use the asbestos cement sheets whereas in cities I think that is not going to happen.

Manish Sanghi: I think it is a trend which is going to happen for sure. Nothing can stop that particular trend from taking place if India is to grow but there is another factor which is that there we are still a very large country. If they do establish 500 cities with 10 lakh population, how much does it add up to?

H. R. Gala: I do agree that the demand for the panels and boards, etc., can increase but our main stream business of asbestos sheets do not you think that can take a biting?

Manish Sanghi: No, I do not think so. There is a graph which we have put in the Investor Presentation which talks of how many people still live in housing which is temporary in nature and that is still around (+15%) of people live in housing which we can call as Kacha. This people will keep graduating upwards into better housing and a better housing in large parts of the country means **have a** sloped roof, not a concrete roof and it would go either in to a GI kind of a roof or it will come into a corrugated cement roof. We find that for residential purposes particularly of almost everybody would prefer a corrugated cement roof because it is more comfortable, it does not heat up and it is not noisy and so on.

H. R. Gala: As far as our Steel Buildings are concerned, is it mainly the government driven projects?

Manish Sanghi: No in fact we have very few government driven projects. We primarily cater to private sector.

H. R. Gala: So mainly pertaining to the industrial shades and things like that.

Manish Sanghi: Industrial and logistics.

H. R. Gala: Warehouses, etc.

Manish Sanghi: Warehousing, yes that is right**.** Typical my clients would be Godrej**,** Britannia**,** Walmart, General Motors, and Jain Irrigation and so on. One or two as we do government but they are very few.

H. R. Gala: Sir can you give some details about the total capacities we have as of now including this UAE plant that we are setting up like in asbestos cement sheets, what is our capacity?

Manish Sanghi: We have 6 manufacturing units for asbestos cement products and in that we have 7 lines. Line is roughly around 100,000 metric tonnes.

H. R. Gala: That is what board?

Manish Sanghi: No, this is roofing**.**

H. R. Gala: Each plant around only 100,000.

Manish Sanghi: Yes, 100,000 metric tonnes.

H. R. Gala: Totally 700,000.

Manish Sanghi: Total 700 and we have 3 lines which we are making boards and they add up to around another 110 odd tonnes.

H. R. Gala: Yes that is what you have given in the last presentation.

Manish Sanghi: The new plant in UAE will add 72,000 more to this capacity.

H. R. Gala: So that will be 182.

Manish Sanghi: That is right.

H. R. Gala: And as far as the Steel Building is concerned, what is our capacity?

Manish Sanghi: We have one plant with 30,000. We have added one more plant to 30,000 and we have a small plant in Ranchi which is essentially to do just the cold firms not the major welding section and that is 12,000. We are talking of total around 72,000.

H. R. Gala: 72,000, any plans to increase these capacities further?

Manish Sanghi: No, not as of now. We have just commissioned the plant yesterday.

H. R. Gala: Yes, I understand. As of Dahej, how much CAPEX was incurred?

Manish Sanghi: Dahej, the CAPEX is approximately a little above 50 crores.

H. R. Gala: That is what you said in your beginning comment that why our margins are slightly less mainly because of Dahej costs which are coming in.

Manish Sanghi: That is right because we enhance our infrastructure for design, for sales, for project execution everything.

H. R. Gala: Sir my last question pertains to the thing that you said that improvement is expected in the next year because probably Q4 will be better than Q3 but in terms of margin sir overall margin for the company excluding total element of other income, they are just hovering around say 3%-4%. Like in 9 months we had 4.7%. So where do you see margin settling from next year onward? We exclude the entire element of other income including given the other operating income which was 14 crores in this 9 months.

Manish Sanghi: Other operating income is really part of operations. I would do not really exclude it. A lot of it might be scrap sales and stuff like that. So they are very much a part of operations.

H. R. Gala: Okay. So then sir taking into account that say in 9 months how much EBITDA margin we had? I do not have the presentation which you said you have emailed and I could not find it on your website.

Rakesh Gupta: The EBITDA margin for 9 months is around 6.2% company as a whole.

H. R. Gala: Around 6.2% and say if it is going goes good from next year as we expect with all these capacities and higher realization from this UAE plant, etc.

Manish Sanghi: In FY13, we had an EBITDA margin of 10% nearly.

H. R. Gala: Okay, so you aspire to reach there.

Manish Sanghi: Yes, if things go well, we should go there, but if things go well.

H. R. Gala: Sir just one question, this 100 crores CAPEX you said that the realization will be higher in the export market. So as a full-rated capacity, how much turnover can we expect from that CAPEX?

Manish Sanghi: About 200 crores.

H. R. Gala: About 200 crores and you said that 75 crores CAPEX in India but realization would have been lower. So that would have given how much turnover?

Manish Sanghi: That would have given around 125-130 crores.

Moderator: Thank you. We have next question from the line of Manav Vijay from Peerless Mutual Fund. Please go ahead.

Manav Vijay: I just have one question that the 2% price decline that we have witnessed in our Building Products that is for a long time. Now you mentioned that demand and the price goes hand in hand, quarter 4 seems to be better. Now for FY16, what kind of a price growth you believe is possible, will it be single digit or you can do a double digit price increase?

Manish Sanghi: We have a strange situation where our volumes and price move in tandem. Both go up and down together. In the season time, it would go up, would definitely more than double digit.

Manav Vijay: Means quarter 1?

Manish Sanghi: The quarter 1, yes.

Manav Vijay: Okay and then subsequently we can come down maybe to single digit that is possible.

Manish Sanghi: It should happen that way, yes.

Manav Vijay: Because like I am seeing in FY13 in quarter 1 you had a 20% price growth Y-o-Y, FY14 you had 3%, FY15 you again had only 5%. So 2014-2015 you had only singledigits price rise whereas 2013 you had a double digit price rise. Now FY13 for the full year, you continued with a double digit price rise.

Manish Sanghi: But there is also an element over here of inflation and in general the inflation had cooled down so your raw material prices also then go up, the year you mentioned was the period of hyperinflation, it was 12% inflation. Now we are down to 5% and 6% inflation. The differences can be on account of external factors. There was also a time when the dollar went through the roof and the import prices of everybody went up. So everybody was forced to increase prices. Apart from competitive pressure, there is also a cost pressure. It is a combination of factors which finally works.

Manav Vijay: Now sir one last question is that now this year on the Building Products, we could end with around 7 lakhs tonnes of production and next year what kind of a volume growth are they factoring in your business?

Manish Sanghi: On the Building Products side, we are not really having any new capacity kicking in. So there cannot be any increase on account of new capacities. The increase can only be on account of better utilization of current capacities. So out of 810, what is the best we utilize. My target number would always be (+90%).

Manav Vijay: So let us see if we close this year with around 7 lakhs, at best we can have 3-4% kind of a volume growth next year.

Rakesh Gupta: Next year the focus will be on value-added products. We are working significantly on those things in roofing, in boards, and panels in all the segments. As Manish mentioned in Steel Building also, we have slightly changing the DNA of what subject bouquet we are offering to our customers. I think more of it will come from value-added rather than looking at incremental production. Is that right Manish?

Moderator: Thank you. We have next question from the line of Aksh Vora from Praj Financials. Please go ahead.

Aksh Vora: Sir did we have any inventory loss in the Steel Building segment?

Manish Sanghi: No, not really.

Aksh Vora: Okay and the 100 crores CAPEX for UAE plant, how are we going to fund that?

Manish Sanghi: So we have taken an ECB to the extent of 75 crores. It will be 75-25, 75% debt, 25% equity.

Aksh Vora: So our debt levels will go up to around 275 crores I think so?

Manish Sanghi: Yes, it will go up yes.

Aksh Vora: Mainly sir when will you able to see the margins coming back to (+9%). So that was in 2013 or so because we have seen demand is there probably coming back, volume is there.

Manish Sanghi: I think it is related to the India story. I am very bullish about our growth rates picking up, investments happening in industry. So I would not really be surprised if we start seeing a new CAPEX cycle starting now. As I keeping saying, I am seeing signs of it through enquiry level, and through order booking. It is there, I am getting better realization. All those things are starting to happen and we are working in a low inflation, the cost of money is coming down. It should happen. It should happen sooner rather than later.

Aksh Vora: Okay but do you see next year the margins coming back to those levels around 9% level?

Manish Sanghi: I am not giving any guidance number but I am hoping for it, yes.

Moderator: Thank you. Ladies and gentlemen due to time constraint that was the last question. I would now like to hand over the floor back to Mr. Manish Sanghi for his closing comments. Over to you sir.

Manish Sanghi: First of all thanks a lot for your very enthusiastic participation. A lot of your questions actually help us go back and relook at some of the things which we are doing and so it is always a great help and I should really thank all of you for taking so much time preparing and hearing us out. We, like most other industrialists in the country, expect better volumes to happen in the coming quarter and with better volume should happen better efficiencies, better utilization of assets. With a lower inflation, my raw material prices should be under control and logically all of this should result into better performance for the company and hopefully for the country. There are some very specific steps which are being taken by the government which we believe be it a land act, be it a GST with clearances for environment which we expect to help businesses of all kind. We have undertaken numerous CAPEX programs. We did Balasore, we did Ranchi, we did Dahej, and now we are into UAE. So we have managed to develop a capacity to execute projects in time and within budgets well and we believe that we have done that in a very timely manner to catch the upturn in the economy. The plant CAPEX at UAE should help us maintain our premium status as a biggest player in the Middle East market and the approvals and the various processes are going on well over there. The character of the Everest as I always mentioned is changing and over the years, we have graduated through a complete solutions provider from being a single product company and we are very much a part of the India growth story. I am quite sure that we will do well in the coming periods and I look forward to talking to all of you again in 3 months' time hopefully with much better results. Thank you so much.

Rakesh Gupta: Thank you.

Moderator: Thank you very much sir. Ladies and gentlemen on behalf of Everest Industries Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.