Everest Industries Limited
Q2 FY18 Earnings Conference Call
October 31, 2017

Moderator: Ladies and gentlemen, good morning and welcome to the Everest Industries Limited Q2 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 the operator by pressing '*' 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, sir.

Anuj Sonpal: Thank you Lizan. 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 Q2 and H1 FY18.

Before we begin, I would like to mention a short cautionary statement as always. Some of the statements made in today's earnings concall maybe forward-looking in nature. Such forward-looking statements are subject to 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 and 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 concall. We have with us Mr. Manish Sanghi – Managing Director and Mr. Nikhil Dujari – CFO. Without much ado, I request Mr. Sanghi to give his opening remarks. Thank you and over to you, sir.

Manish Sanghi: Good morning and thanks a lot Anuj for the introduction. We welcome you to the earnings concall for Q2 and H1 FY18.

Just like Q1, Q2 again has not been a normal quarter. The GST has been the biggest talking point these last three months just like Q1. There have been talks of freight, there have been talks of logistics, they talks of price trends, they talk of how the traders are coping up, there are talks of the multiple returns with each one is expected to do how the electronic method how to do the bill-to-bill matching and thereon; the talk has been endless. The system is yet to settle down and there remains lack of clarity on how things will pan out. As I said at the end of Q1, I really expect the haze to start clearing only towards the end of Q3 and the real impact of GST being felt only in Q3. We expect it to be a big advantage for all those who follow rules and regulations, for all the people who are strictly compliance of whether it is an income tax law, or the GST law or in the old days, the Excise and the VAT regime. Everybody who followed the law would be a major beneficiary of the new GST regime.

Implementation in tier 2 distribution still continues to be a challenge and it is a challenge on account of lack of understanding; and more than lack of understanding the entire value chain has to be redefined with the tax structure to be built-in in the new pricing as well as the profitability challenge. We expect to take some time but I came across many interesting examples while touring rural India that people are preparing seriously for it and everybody has now reconciled that there is no getting away and they will have to follow and so, they are making arrangements with computers, time to educate their people, their teams, and their children to comply with the new regulations.

Talking of our businesses specifically the building product volume was 141,970 tonnes which is a volume growth of 6% and a revenue growth of nearly 2%. Our board and panel sales are particularly encouraging. There have been a few steps which we had taken, and I had mentioned some of them in the last con-call as well as the biggest among them being Pehchan - our outreach to the contractor community. The second big one is our sheer representation which we have increased many fold and risk really started unfolding in Q2. We are now present in 70 more districts compared to before. We continue with our process of introducing new variants into the market. The exports though continue to be a challenge. We are changing our focus of our debt and moving from a product to a system selling; and product to a system selling is a major change because it requires lots of engineering hard work, it also means the people to whom we are selling is becoming different while we were earlier going to the OES and the traders, now our key focus are the interior designers and the architecture and the engineers.

The PEB sales volume was 14,000 tonnes compared to 10,000 tonnes for the same quarter last year and the revenue went up from 90 crores to 100 crores. The segment profits though is still less but it changes the sign from minus 32 to plus 23 lakhs. The order book remains more or less constant at 26,000 metric tonnes which is about 250 crores. We like a pipeline of 5 to 6 months for the PEB business and that is the where we are what is particularly encouraging for us is that despite having good dispatches in the quarter we were able to make it up with a good strong order booking in the quarter. In the PEB business as it was earlier mentioned, we have taken steps to reduce our exposure, particularly through price variations, to debtors. It has been a tough call but we believe it was absolutely essential as far as going forward to recover ourselves.

There where couple of big announcements by the government particularly regarding the recapitalization of banks and Bharat Mala which is something like an 84,000 kilometer road project and an investment of 700,000 crores. We believe this will spur the infrastructure growth significantly and should help all of us who are looking at higher and higher investments in the Indian private sector and in the manufacturing sector as a whole. We hope for a stable FOREX situation wherein the foreign exchange remains stable at the current levels. We hope the steel prices continue to remain stable without any major intervention by either the government or a spike of the kind which we saw at the beginning of last year. All the clients which we see today are positive. We have had a good monsoon, and we know what a good monsoon can do to our business. The monsoon has been good and almost uniform across the country.

Our new initiative which I talked about Everest Super last time is doing well. We are making steady progress in the introduction of the product across the country and we look forward to a very different and evolved cement roofing market in the times to come. I am sure you have a lot of questions and I can firmly cover more ground along with your questions but right now I am handing you over to Nikhil for his comments. Thank you.

Nikhil Dujari: Good morning friends and thank you Mr. Sanghi. I will quickly take you through our results which is already partly done. So, coming back I think our revenue straight away jumped from last year of 227 crores to this year of 261 crores with the impact of the excise and GST, the number that compares in the IndAS basis is 242 and 261 crores. The current year, current quarter's profit for the period reported at 585 lakhs as supposed to last year same year quarter loss of 1241 lakhs. So that is a significant turnaround as Mr. Sanghi already talked of. A change in performance on the steel buildings business where we changed it from 32 million last year negative to this year 23 million positive, so that is already talked about. And then of course it is also visible in the other segment on the building products. So, in terms of H1 performance you noticed the EBITDA reported for H1 was 47 crores versus 27 crores in terms of last year H1 and which is a healthy growth in EBITDA margrins from 4.35% to 7.37%.

Our PAT margins also improved to 3.3% versus 0.6% in the last year. So, that is primarily because of the loss that we incurred in the last year even out of the variety of factors.

Thank you, with that I would leave it back to your questions.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Rajesh Ravi from Centrum Broking. Please go ahead.

Rajesh Ravi: Sir, can I just know what is the GST rate on the PEB segment, sir?

Manish Sanghi: 18%.

Rajesh Ravi: And in terms of PEB volumes sir, what is the outlook now for the second half on volume and margin?

Manish Sanghi: it all depends upon the order book which we have. So, right now as I said our order book is 26,000 metric tonnes and our sales are really constrained; how much we can produce, and the payment coming on time from the customer. So, we expect a similar volume as in the last quarter.

Rajesh Ravi: And in terms of EBITDA, sir when do you see the PEB segment hitting EBITDA like post for early I had of 5%-6% something like that, sir?

Manish Sanghi: Let see by and by everything which should, we are working we are doing a lot of things to improve on the EBITDA. A whole lot of steps which are being taken but I will not be able to give you a specific timeline around that.

Rajesh Ravi: And in terms of our ACS segment can you just tell me the industry growth for Q2, PAN India and reason why sir?

Manish Sanghi: The industry growth I got specific numbers which is around see 4% but there are no specific trends if I might say geographically, nothing significant which I would have to say.

Rajesh Ravi: And our growth was sir higher than that or on the same lines of the industry?

Manish Sanghi: Our rate is slightly higher we improved our market share marginally. We are now in the 15% plus category in the roofing business our market share.

Rajesh Ravi: And in terms of CBP segment sir you had mentioned on your presentation also that the export market is still not looking good. So has it bottomed out or is there still some pains sir in that**?**

Manish Sanghi: Sir, believe it has bottomed out, so we have been seeing that the market is moving in a direction in which more value added products are likely to be sold rather than the basic products, there is also local supplier in the Middle East now. So that essentially would mean that unless and until we have better products we do system selling that market will no longer be very lucrative. So, we have to change the way we have been handling that market and that is what I tried addressing in my opening remarks as well that we are moving towards system selling rather than plain vanilla product selling.

Rajesh Ravi: And in terms of the growth on the CBP segment what kind of growth we saw sir in Q2?

Manish Sanghi: In which segment?

Rajesh Ravi: In the CBP, in the Cement Board segment. In Q2 what was the kind of growth that we saw sir, Q2?

Manish Sanghi: So, the growth though we do not talk of specific number for Board but it was around 19%.

Rajesh Ravi: And in the first half sir, second and first half, sir?

Manish Sanghi: The first half was largely flat

Rajesh Ravi: And sir any CAPEX plans for this year or next year, sir? FY18 and 2019?

Manish Sanghi: So, CAPEX comes in many forms. So there are a whole lot of small CAPEX which are ongoing. So, there is small CAPEX which is happening in pre-engineered steel building segment for having a paint facility. We are doing a modernization of our roofing plants in Calcutta. So, in that nature there are a few things happening but not really in terms of adding new capacity or doing greenfield, not as of now.

Rajesh Ravi: Mainly maintenance CAPEX and up-gradation that is what you are saying?

Manish Sanghi: Modernization is how I would call, largely for quality improvement.

Moderator: Thank you. We take the next question from the line of Vikrant Kashyap from Kedia Securities. Please go ahead.

Vikrant Kashyap: In a recent TV interview you have talked about you will better FY18 number compare to FY16. So, do we expect you will grow more than our full year’s number will be more than 1,300 crores that we have clocked in FY16?

Manish Sanghi: What I had mentioned was that the last year was a blip. Last year performance was exceptionally poor performance and we should be on a continuum compared to the previous year and I would really be benchmarking myself against the 2016 numbers. We are still hoping to do better than that but since we do not give any specific guidance number I will not say that you would do better but that is my target. We have to do better.

Vikrant Kashyap: Sir, we have seen a significant change in revenue mix, means building products are reduced to 67%. I am comparing from last quarter, quarter 1 from 72% to the 67% and the steel building has grown to 33%. Is this mix has been changed because of better execution in steel building or do you think that mix will change over the here?

Manish Sanghi: No, I do not think we should read too much in a quarter-by-quarter change over here. The first quarter is peak season time for roofing which is the highly seasonal business. PEB on the other hand is not as seasonal as roofing is. So, it has remained at the similar level, so the mix has changed. But let me also say that over a period of time the revenue mix of Everest has changes from it being essentially a roofing company now it is being a roofing company, roads company and steel building company. And the steel building part of it is now around one third of the company.

Vikrant Kashyap: In presentation you have talked about a new product launch. Are we expecting any product launch in FY18?

Manish Sanghi: There would be for sure. As I had mentioned, we are working on a few systems which are being done. In the forge products there is one specific product which we are in the process of launching which is Everest Jali, a decorative product which is being introduced in the market place. There is another product in the Board segment which is being test marketed right now which is for water proofing. So, particularly in large cities like Bombay were people have big issues with leakages in wall. This is a product specifically meant to address that particular issue. The ongoing launch of Everest Super will continue, so as I had mentioned in the last quarterly presentation we are producing Super now in 4 plants. So, that roll out continues we will probably be doing it more aggressively in the coming quarters now that the roofing season is coming on.

Vikrant Kashyap: You mentioned about GST pains spreading in quarter two also. So, do we see that second half would be better in terms of pain is spreading out slowly? Gradually reducing, and as we have seen a better monsoon spread across the India. So, second half onwards do we see better performance in roofing and board and panels segment?

Manish Sanghi: I think as far as the issues relating to GST are not particularly concerning, I think that the stock down which happened by the trade on account of GST and that happened in Q1 and in many ways it continued in Q2 as well. So, what we call is Bazar shock continues to be lower than normal. So, considering that we think there is a fertile ground for a good performance to happen.

Moderator: Thank you. The next question is from the line of Harsh Shah from Dimensional Securities. Please go ahead.

Harsh Shah: Sir, just wanted to understand in your steel segment. In your steel segment I wanted to understand the timeline of your order and when you executed. So, once you get the order do you freeze the prices of steel at the same time and that point of time?

Manish Sanghi: So number one, typically a PEB order depending upon the size of the order but for a movement let's consider a normal order not those outliers. So, outliers would be for me is any order which is more than 1,500 tonnes odd- I call that an outlier**.** So, let's consider the normal order which would be around 200 to 300 tonnes of order. So, we estimate the order normally would take a fixed price order from the customer. It takes around 2 to 3 weeks for the order to be designed and another week or 10 days for the approval of customer to happen. It takes another 15 days for the production to happen. So 4 weeks plus 2 weeks, 6 weeks and depending upon the complexity of the site the erection part can take anywhere from 8 to 12 weeks. So, this is a typical cycle of a project. So, the usage of the steel literally starts happening within 4 to 5 weeks from the time an order is received by us. We would normally place orders for steel only after we get the order because each building is customized and beforehand it is not possible for us to know what specific rate, what specific size of steel would be required for that order. Am I answering your question?

Harsh Shah: Yes, you are answering it. So, I just wanted to know when you order your steel, sir you do not do any kind of improvement or any kind of modernization in that space you just order the final requirement that you needed.

Manish Sanghi: I am not sure, I fully understand you. We designed based on customer's drawings, we design the building and based on that we order the steel.

Harsh Shah: So, sir my question is once you get the order you cannot freeze the price of the steel then and there itself. You can take a deliver say a couple of weeks or 4 weeks after when you require it but you cannot freeze the price when you quote it to your customers?

Manish Sanghi: Typically, the answer is no for that question unless the order is very big and you will reach a separate deal with this steel maker. But the steel prices are normally not so volatile that between quoting and ordering the steel there are large variations. So, the problem if any start happening when there are sharp movements in the price of steel. Otherwise situation is fairly normal and it is ok. Our problems also start happening if for any reason the project get delay or this customer is unable to make payments on time. So these are the 2 reasons why we get expose to steel prices. So we are taking steps in various ways to ensure that we do not get exposed to this.

Harsh Shah: And coming to your roofing business, sir what would be the split between industrial and residential orders? By residential, I mean the rural demand on the residential this**.**

Manish Sanghi: The roofing has now predominantly become a retail business and so called the project orders would now account for less than 10% of the total sales.

Moderator: Thank you. The next question is from the line of Praveen Motwani from NMV Securities. Please go ahead.

Praveen Motwani: Sir my question is can you provide us with revenue break up of boards and roofing?

Manish Sanghi: See we do not consider boards and roofing as different segments so we are not ready to share that information.

Praveen Motwani: Any rough percentage sir?

Manish Sanghi: we do not share that number.

Praveen Motwani: Sir, improvement in our steel building business was mainly account of risk mitigation clause which we have included in Q1?

Manish Sanghi: No, I do not think it can be explained with that. I think the biggest reason was that we did much better volumes. Volumes became much stronger that is what I would think is the main reason. So risk mitigation clause really becomes applicable as I have just said whenever there are sharp rises in the steel prices, we didn't see any in this quarter. So there was an increase in steel price but it was relatively gradual, that really didn't hurt us that much.

Praveen Motwani: This clause will not been included in every order which we will be getting henceforth?

Manish Sanghi: Please understand this clause is really relevant in the case of large orders which go on for long period of time. So if I get let say 10,000 tonnes order which going to take a year to get executed over there it become very relevant. But in an order in which it will be executed everything get finished in 3 months – 4 months' time its relevant is relatively low. But we are guarding ourselves.

Moderator: Thank you. We will take the next question from the line of Vaibhav Badjatya from HNI Investments. Please go ahead.

Vaibhav Badjatya: I have a broader question that in this quarterly performance numbers. So if I look at your Annual Report on Page #14, you have highlighted the international position of cement board business and I know you will not have annual report in front of you so I will just outline the broad numbers. So in Australia at present consumption of cement board is near about 4x the level in USA and in Thailand it is near about 1.7x level in USA. So this trend is quite different from all other major industries where say US is always under top. So I just want to understand that what are the structural differences between these markets which are driving these kind of trends which are generally not prevalent in various other industries.

Manish Sanghi: I think it has to do with the building practices in this various market. The US market is a very concentrated market with one company having more than 80% market share. That is not the case particularly in the Southeastern economy. The usage pattern is again very different. In the US, the fiber cement, is essentially is an outdoor product and there is a product called Sidings which really forms the bulk of the usage over thre. The big usage in Thailand is false ceiling. Thailand has physically sloping roofs and so they use false ceiling in every single house and it is almost entirely done with fiber cement also what we called as fascia and ease lining which is very prevalent in Thailand and it is not a practice to do with fiber cement in the American market. So I could say that and really speaking it is not even right to consider US as the single market, the practices in southern US and in northern US are very different and fiber cement board is particularly more popular in areas which are subject to high rainfall where there are more hurricanes and storms where the normal wood kind of products have a problem. So we really should not be comparing but the fact is that I see Thailand has been far closer to our market compared to US in terms of climate, in terms of income, in terms of usage patterns. There are parts of India very similar climatically and what happens in Thailand is what I expect will happen in India in sometime and that is what is extremely encouraging and that is what we have betting on that the usage pattern of fiber cement will increase very significantly in the next few years.

Moderator: Thank you. The next question is from the line of Milind Shah, an individual investor. Please go ahead.

Milind Shah: My first question is got to do with this housing for all opportunity. Is it by any chance a thread for the company rather than a positive because I would imagine our roofing solutions are for what is called kacha houses. But when you do a housing for all and you build pucca would you still need the kind of roofing that you supply today?

Manish Sanghi: It is a very good question and really a question which we are also trying to answer internally. So first of all, I would say housing for all fundamentally is a good thing for us because a pucca house can have a fiber cement roof. The way the government defines the pucca house can be bit a sloping roof. So we qualify to be part of pucca house. But when the pucca house starts becoming multistory in nature then I am not a part of it. So it is a mixed bag of how exactly the scheme gets rolled out, how much of the housing is in urban areas, how much of the housing is in rural areas. The biggest increase in the roofing segment for the last 20 years has been in concrete that is the fact. So if we track the roofing market over the last 20 years – 30 years you find that there are 2 categories which has a big increases the biggest one was RCC, the second biggest was corrugated cement roofing. And these increases came at the expense of tiles and hatch roof with metal remaining more or less constant over the period of time. If I see this trend continuing we still expect a big conversion to take place from hatched to the corrugated fiber cement roofing and to that extent I think it should be helpful for us but you are right, we need to be extremely alert that we are part and we continue to be a part of all government schemes for housing for all.

Milind Shah: So, yes it could be a thread as well. So it is good to hear that you are on the watch out. So to the next question then is when it comes to cement and fiber boards are we in any sector or do we lack a product to which our competitors have and which probably they are taking advantage of particularly in the fiber cement type of this thing because that is what is I think a product which is used in urban demand as you probably know the forecast and the trends are towards greater and greater urbanization. So you need to have a product which caters to that.

Manish Sanghi: Again interesting question. First of all, let me say that we have the biggest product range as far as fiber cement is concerned. I do not think at least in India anybody has the range which even remotely comes close to us. But if I compare myself internationally we can definitely do far more in terms of decorative products. That is what we are targeting, I talked of 2 solutions in the opening remarks one was the jali the other one was the water proofing. These are efforts towards having a deeper penetration into the urban market. There have been traditional usages for boards and panels and the traditional use is in false ceiling and it is used in coastal areas and hill market and Northeastern India and markets like that. Then there is a big segment which is related to the pre-fabricated structure. What you end up using is the vanilla products over there. We are upping the game by first we have started, and others have obviously copy that by having packaged product particularly in the ceiling business. So that has started doing well, we will obviously be having more variants being launched over there. But the second one is the more relevant one of how do I move from just offering a board to offering a board complete with the accessories and an engineering support for the customer to use it in the house. We can do a brilliant wall fencing in a house. The product exist what does not exist are enough number of people who can do it in an esthetic manner and enough number of traders who can make the product available. So, this is the effort which we are currently doing. So, it is not product question for me it is far more an availability and application issue.

Milind Shah: My last question is on the numbers itself. So when you look at the numbers that you released to the stock exchange and you look at the profitability for the quarter, the second quarter, you see there is a category called other expenses. So, if you compare Q2 other expenses versus Q2 of last year you see a decline of almost 15 crores in the other expenses. So, that is what actually I think you have driven the profitability rather than I do not the business segments per say. So, I am trying to understand how other expenses could have gone down so much?

Manish Sanghi: So to answer that one, when you look at the current year's topline you also noticed that we have added the excise duty paid there. So excise duty paid forms a part of the other expenses in the last year. So, 15 crores is exactly that and then on top of that there have been other expenditure controlled measures that we have gone into. The actual reduction in other expenses is about 16 crores, so that is on the generic decline in the expenses.

Milind Shah: So, are you saying that the 16 crores figure is just for the quarter?

Manish Sanghi: Yes.

Milind Shah: So, then I think almost the entire reduction is coming from actual reduction in expenses rather than excise then, because actual reduction was about 15 crores?

Manish Sanghi: That is right.

Milind Shah: So, I will not see any company achieve that kind of reduction, so I am just trying to understand how that could have come about but if you think it is consistent it is not that the next quarter it shoots up again is I think fine for us then.

Manish Sanghi: Again it is seasonal, so when you have a better season you spend more on your activities when you have a low season then accordingly. So even if you spend the impact is not going to be so much. So, we do take that into cognizant.

Moderator: Thank you. We take the next question from the line of Arjun Gupta from Prism Capital. Please go ahead.

Arjun Gupta: I just wanted to understand in the PEB segment, so is there any complete complexity in the buildings like some complex building which you cannot do and your competitors can do?

Manish Sanghi: So, I think as far as the typical factory or warehousing building is concern there is no difference. There is nothing which we cannot do. Once again, I would want to say here that we do a large variety of buildings probably compared to my peers we do a more variety of buildings. So, we end up doing commercial building, we do schools, we do colleges, we do hospitals besides the factories and warehouses.

Arjun Gupta: Sir and one more thing in the fiber cement division, what is the current market size?

Manish Sanghi: Can I just come back with this question after 10 minutes? I am not having that data I will give you the exact data. Just hold on, I will address this issue at the end.

Moderator: We will move on to the next that is from the line of Abhishek Pamecha from Vibrant Securities. Please go ahead.

Abhishek Pamecha: Sir, my question is regarding our solid wall panels business, how big is it currently and how far can it go, can you put some light on that?

Manish Sanghi: So, we have two plants for making the Rapicon solid wall panels. Our brand name which we use is Rapicon which is essentially an acronym for Rapid Construction. Each of these can produce something like 500 to 600 panels a day. That is the kind of capacity which we have. This particular product is by far the fastest way any wall can be made. It is virtually like making it with leg of blocks that you put in channel or on the floor and on the ceiling and keep climbing the panel one by one. It is extremely good for partition walls these are non-load bearing wall. Being a light product and volume in it is price sensitive. So our effort is to develop market more around our plants. So, as I said our plants are right now at Roorkee in north and in Nasik in western India. So, that is where our effort is we see it primarily as an urban product. We believe is that the product is not doing to its potential if you really ask me. We think that it should become the standard method of making wall in a large number of applications, but it is not selling to its potential right now. We believe that the sale should be at least 4x above our current sale is the potential.

Abhishek Pamecha: Sir what are our current sales right now in this segment?

Manish Sanghi: I am not wanting to share product wise information but suffice it to say that I am doing one fourth of what I think I should be doing.

Abhishek Pamecha: This you are envisaging as of today and the market will grow in the future?

Manish Sanghi: Yes.

Abhishek Pamecha: And what can be the margin potential in this business these are not …

Manish Sanghi: This is a good margin business. This is a profitable business, it is as profitable than any other product line we had.

Abhishek Pamecha: And sir the product can be used as a decorative and aesthetic value also for the housing also in the homes residential segment?

Manish Sanghi: No, this is not a decorative product, this is a very functional product. This is to make partition wall, so it makes the life much easier, it makes the life much faster that it would have to what would normally take 15 days would happen in a few hours. That is what would happen but once you painted it look like just any other walls. So it is not a decorative product, no.

Abhishek Pamecha: Sir, another thing how are our payments terms collected in PEB Segment, re-engineering?

Manish Sanghi: So the PEB segment has payment which comes in many different transit. They have payments which are advances, they have payments which are against design then they have payments against supply and then there are stage wise payments for erection. So, this is the way payments get distributed. Our effort is to get all the payments or at least get a security against in terms of LC for all material supplies to customers.

Abhishek Pamecha: So sir, after the payment only we start the work or after the work we get the payment, how is it?

Manish Sanghi: No, I think we are little flexible on that. Not every customer follows exactly what I wish. So, we do not dispatch without payment.

Moderator: Thank you. The next question is from the line of Praveen Motwani from NMV Securities. Please go ahead.

Praveen Motwani: I have one more question. Sir, can you give us market share in boards and panels?

Manish Sanghi: We would be around 25%.

Praveen Motwani: Sir and outlook on PEB segment, sir?

Manish Sanghi: My strong belief is that we are not yet seeing major capacity addition in the country and despite that I am full of as far as my current capacity is concerned. I think all of us to expect that the CAPEX cycle should be starting around now and whenever that happens we should see a big surge of orders coming in. We are right now seeing it only in a few segments, I think automotive is one segment where one is starting to see new CAPEX happening. To some extent wood product but there are large other segments of industry where nothing much is happening in fact that there were delayed decisions also on the logistic side because people are waiting to see how the new GST regime would settle down and what would it mean in terms of the warehousing market. So, once that settles down I expect a big surge in warehousing because the world warehousing markets is undergoing a change. We ourselves are changing our warehouses, everybody is looking at new locations which are not based upon state boundaries but based upon the consuming market rather than tax levels. So, all of that point to a surge in demand. I am hoping that it should start happening from Q3-Q4 onwards we should start seeing that.

Praveen Motwani: So sir, PBIT margins will improve from current level?

Manish Sanghi: If demand increases margins definitely should increase, yes.

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

Jigar Shah: Sir, what would be your capacity utilization in boards and panels segment?

Manish Sanghi: Our current capacity utilization would be something like 65%-70%.

Jigar Shah: And what would be your outlook on boards and panels going forward in next 3 years to 5 years?

Manish Sanghi: 3 years to 5 years I would expect the demand to go up at least 3x to 5x.

Jigar Shah: So, do you have any plans for increasing your capacity going forward?

Manish Sanghi: As the demand changes we will look at separate decisions accordingly. What I am talking of growth is really based on what some the other participants earlier had asked on the Thai or the American or the Australian consumption pattern. If we start achieving those patterns this is the kind of growth which should happen. But let’s also understand clearly that construction is a very conservative business and people take a long time to change habits. We are doing a lot of work and I am sure a lot of my competitors are also doing a lot of work in moving people to modern construction practices and the growth will really depends upon how successful we are in this effort. But the market should grow, and I think our CAPEX decisions will happen in line with that.

Jigar Shah: You are expecting strong double-digit growth in boards and panels in this year FY18?

Manish Sanghi: We should expect particularly in the domestic sector, yes. Export is what is kicking me down but then I think the base in the second half of the year in exports was low to start with.

Jigar Shah: So, exports forms how much percent of your boards and panels segment?

Manish Sanghi: It used to be as high as 50% but now it is down to something like 20%-odd.

Moderator: Thank you. The next question is from the line of Rajesh Ravi from Centrum Broking. Please go ahead.

Rajesh Ravi: Sir, in PEB what is your utilization currently sir, capacity utilization?

Manish Sanghi: We are working virtually to full capacity as is defined right now.

Rajesh Ravi: And sir you had actually planned to set up a plant in the Middle East for CPP which you all have deferred, so any updates sir on that?

Manish Sanghi: I think we had updated last time that we have decided not to go ahead with the project.

Rajesh Ravi: And you had said something about bringing those assets possibly the once **for the** plant?

Manish Sanghi: Yes, so those we had purchased some equipment and that equipment has been got into India, yes.

Rajesh Ravi: And in terms of cement sheets can you tell me any outlook what kind of outlook you have for the rest of the year, sir?

Manish Sanghi: I expect the industry to continue to grow at something between 5% to 10%, we should see an industry growth and we should hopefully do better than that.

Moderator: Thank you. The next question is from the line of Praveen Motwani from NMB Securities. Please go ahead.

Praveen Motwani: Sir, last question from my side. Sir can you give us a market size for PEB segment, sir?

Manish Sanghi: See, it is very difficult frankly to give a market size because there are no formal official data which exist for PEB. Having said that I think the market size is something like around 900,000 into 800,000 to 10,00,000 tonnes per annum.

Moderator: Thank you. Ladies and gentlemen, that was the last question, I now hand the conference over to Mr. Sanghi from Everest Industries Limited for his closing comments.

Manish Sanghi: Thank you a lot, once again for asking all these penetrating questions and particularly impressed by the questions which are talking of how the boards business has really evolved in the other countries around the world. We do study those markets carefully and lot of our team members go over there as well in order to understand what is required for us to increase the market size, what is required for us to adopt a new applications and new usages of the product. We continued to be extremely optimistic not merely about the Indian economy but also about how the Indian population is going to change and adopt newer practices of construction with time. We believe with information being freely available, people would adopt newer things much faster. The India growth story will continue, and I think all of us are going to benefit from that and Everest as an organization is fully-integrated and on the India story and we believe that as India grows so will we since we are present in different segments of the Indian economy. We are strongly present in the rural economic. We are strongly present in the industrial and the logistics part of the economy and this boards and panels we have stake in the urban sector. It is going to be Indian real estate or in the Indian urban market cannot remain in doldrums forever. There has to be a time when all the issues regarding RERA and issues related to demonetization and so on who would be over, and this particular segment starts picking up. We hope to participate in it and I hope that when we meet next time in three months' time we would have hopefully better news to tell on the national front, on the Indian economy front as well as on the Everest front. Thank you all so much for participating and l look forward to talking to all of you once again.

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