



Everest Industries Ltd. Q1 FY18 Quarterly Update

MARKET DATA

NSE TICKER	EVERESTIND
Networth FY17E (Rs in Crs)	346.3
P/BV Ratio (FY17E) (x)	1.2X
EPS (FY17E)(Rs.)	1.6
Market Price (Rs.)	260
P/E Ratio (FY18E) (x)	16.9X
52 Week High (04/07/2016)(Rs)	328
52 Week Low (20/02/2016)(Rs)	182
Market Capitalisation (rs. Cr)	398

AVERAGE MONTHLY VOLUME ('000)

BSE	5.8
NSE	58.7

SHARE HOLDING PATTERN

Promoter	48.8
FII	2.4
DII	11.2
Public	37.6

RETURN (%)

	3M	6M	12M
Everest	46.8	88.3	88.1
Sensex			

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Everest Industries Ltd. (EIL) reported flattish revenues for Q1FY18 due to lower sales in Building Product Division. Sales stood at Rs. 378.1 cr compared to Rs. 376.7 cr in the corresponding period. Company's EBITDA margins improved by ~200bps YoY to 8.5% led by Pre Engineered Building (PEB) division which reported positive EBITDA against loss of Rs. ~2 cr YoY. Company's EBITDA stood at Rs. 32.1 cr 24.8 cr in corresponding quarter. EIL's PAT grew 43.3% YoY (24.2% QoQ) to Rs. 17.0 cr.

Outlook:

Building Division: In the building division, volumes remained flat during the quarter while revenues were marginally down from 276.8 cr to 272.2 cr. Business was impacted because of GST but towards the end of July, company did see some pick-up in demand. The management asserted that the industry will rebound strongly and company will benefit immensely due to low tax rate, shift from unorganized sector and increased efficiency and reduction in logistics cost.

The monsoon thus far has been normal with shortfall in few pockets. And with company's roofing business being directly correlated to rural household income, we expect increase in volume after 2 years of de-growth. In our model, we have factored in 4% CAGR volume growth over FY17 to FY19, adjusting for short term impact from GST. Competition from Steel Roof will hinder faster growth.

In the Boards and Panels Division, Company is expanding its footprints into newer geographies and creating a market for its products. Besides this, they are educating customers regarding the benefits of their products while training intermediaries like architects, masons, etc to use their products. Higher acceptance of these products will create a new market itself and Everest being amongst the first mover will reap huge benefits in the future. While the management expects growth of ~20% in FY19, we have factored in ~10% volume growth in our model which translates into 12% revenue growth to Rs.

Pre-Engg Buildings: Under PEB Division, company is sitting comfortably with 5-6 month's order book and they are expecting the strong traction to continue. The introduction of pass through clause will remove high volatility in margins and protect the company from wild fluctuations in Raw material prices. We expect volume and revenues from this division to grow at a CAGR 8% & 13% respectively over next 2 years.

Quarterly Performance:

Particulars (Rs in crs)	Q1 FY18	Q1 FY17	YoY (%)	Q4 FY17	QoQ (%)	FY17	FY16	y-o-y
Net Sales	378.0	376.6	0.4	323.7	16.8	1155.4	1313.3	-12.0
RM Consumed	201.6	197.8	1.9	186.8		650.1	731.6	-12.0
RM as % Sales	53.3	52.5	80 bps	57.7	- 430 bps	56.3%	55.7%	60 bps
Employee Cost	33.9	32.8	3.3	27.4	23.8	128.8	127.1	0.5
Other Expenses	110.5	121.2	-9.1	81.1	36.1	336.6	371.5	-9.3
EBITDA	32.1	24.9	29.2	28.4	13.1	37.2	86.9	-57.2
EBITDA Margin	8.5	6.6	200 bps	8.8	-30 bps	3.2%	6.6%	-340 bps
Interest	3.8	4.5	--	3.6	--	18.9	22.8	--
PBT	22.3	16.8	32.6	20.4	9.1	2.5	51.4	-95.2
Tax	5.3	5.0	--	6.3	--	0	16.0	--
PAT	17.0	11.8	43.3	14.1	20.3	2.5	35.3	-93.0
EPS	11.4	7.7	48.2	9.14	24.2	1.6	23.0	-93.0



Everest Industries Ltd. Quarterly Segment-wise performance [INR-Crore]									
Description	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17
REVENUE	406.93	286.72	282.46	337.25	353.53	226.90	251.24	323.71	378.02
Building Products	284.29	164.39	164.75	216.61	257.89	140.65	143.09	194.47	272.19
Steel Buildings	122.64	122.33	117.71	120.64	95.64	86.25	108.15	129.24	105.83
SALES MIX	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Building Products	69.9%	57.3%	58.3%	64.2%	72.9%	62.0%	57.0%	60.1%	72.0%
Steel Buildings	30.1%	42.7%	41.7%	35.8%	27.1%	38.0%	43.0%	39.9%	28.0%
EBIT	40.16	8.87	17.28	25.71	29.77	-4.09	-4.83	26.84	35.41
Building Products	36.35	4.09	9.50	21.93	33.78	-0.77	-5.38	23.16	34.90
Steel Buildings	3.81	4.78	7.78	3.78	-4.01	-3.32	0.55	3.68	0.51
EBIT MARGIN	9.9%	3.1%	6.1%	7.6%	8.4%	-1.8%	-1.9%	8.3%	9.4%
Building Products	12.8%	2.5%	5.8%	10.1%	13.1%	-0.5%	-3.8%	11.9%	12.8%
Steel Buildings	3.1%	3.9%	6.6%	3.1%	-4.2%	-3.8%	0.5%	2.8%	0.5%

Conference Call Highlights

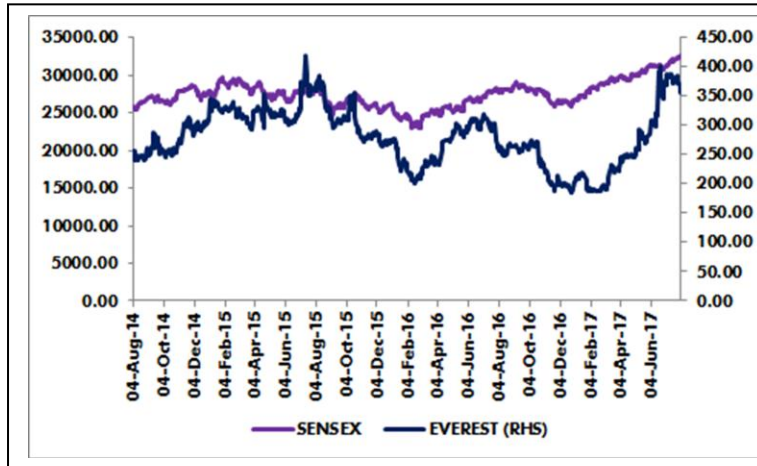
- Q1 is seasonally best quarter for the company as people get their roofing work done before monsoon starts. This seasonality will gradually come down as share of other businesses viz., PEB and Boards go up. Currently Roofing business forms ~50% company's revenues, Boards & Panels is ~15% and PEB is remaining ~35%.
- GST rates for Roofing products and Boards and Panels have come down to 18% from earlier 25-27% while rate for PEB has been neutral.
- Company's export continues (5-7% of sales) to remain sluggish as its major market is Middle East which is hit by low Oil prices.
- The management stated they have scrapped the plan for setting up a plant in the UAE and will bring the assets which it has already bought to India where it is expanding its capacity. Company booked a loss of Rs. 1.1 cr pertaining to the UAE plant.
- Roofing Business:
 - Expecting the business to be impacted for another quarter or so because of GST and normalcy will return from H2. The management guided growth of ~5% for FY19.
 - Co. rolled out a new product under its roofing division viz., Everest Supercolour. Going ahead, the focus of the company would be to grow the market size of its value added roofing products i.e. Super colour and Hi-tech.
- Boards & Panels:
 - Company expects growth of 20% for this division in FY19.
 - Efforts will be made to create a market for Boards and Panels in India. As per company's internal studies nearly 75% of India's districts don't have fiber Boards & panels available in their markets. Company's focus is to expand their dealership to reach these markets.
 - There is a team working on educating architects, designers and masons regarding usage of these products and also educating customers about benefits of these products.
- Pre-Engineered Building Division
 - All the legacy orders have been executed and only new orders remain in hand which have escalation clause to protect from large movements in steel prices.
 - The management believes prices of Steel will remain stable with slightly upward bias.



Valuation and View:

Currently at Rs. 348, Everest Industries is trading at 12.4X FY19 EPS of Rs. 28.1. We are assigning a multiple of 14X FY19 EPS to arrive at our price objective of Rs. 393 which represents an upside of ~13% from CMP. Accordingly we recommend to ACCUMULATE the stock at current price and BUY on every dips.

3-Yr Price comparison





Everest Industries- Statement of Profit & Loss					
DESCRIPTION	FY15	FY16	FY17E	FY18E	FY19E
Net Sales	1230.5	1313.4	1155.4	1334.7	1480.3
EXPENDITURE :					
Raw Material Consumed	709.7	731.6	650.1	703.7	772.0
as % of Sales	57.7%	55.7%	56.3%	52.7%	52.1%
Power & Fuel Cost	36.1	35.9	30.2	31.4	32.6
Employee Cost	109.1	127.1	128.8	136.0	144.5
Other Manufacturing Expenses	75.3	71.8	63.2	69.1	72.9
Processing Cost	36.1	53.1	47.0	53.8	59.4
Freight Cost	95.8	94.3	86.4	95.7	104.8
General Overheads	36.1	46.3	44.9	46.7	49.5
S&D Overheads	14.8	16.0	14.1	15.6	17.1
Other Expenses	35.5	54.1	50.8	43.9	47.0
EBITDA (Ex OI)	81.9	83.2	37.2	84.7	105.8
EBITDA Margin	6.7%	6.3%	3.2%	6.3%	7.1%
Depreciation	25.4	25.6	24.9	27.8	28.9
EBIT	56.5	57.5	12.3	56.9	76.9
Other Income	10.5	12.9	9.1	6.4	6.4
Interest	18.7	19.1	18.9	16.4	18.7
Profit Before Taxation	48.3	51.3	2.5	46.9	64.6
Provision for Tax	14.1	16.0	0.0	15.5	21.3
Profit After Tax	34.2	35.3	2.5	31.4	43.3
Adjusted EPS	22.4	22.9	1.6	20.4	28.1

Everest Industries- Balance Sheet					
DESCRIPTION	FY15	FY16	FY17E	FY18E	FY19E
Share Capital	15.3	15.4	15.4	15.4	15.4
Total Reserves	304.4	332.1	332.7	364.1	407.4
Shareholder's Funds	319.7	347.4	348.1	379.5	422.8
Total Borrowings	300.8	255.7	198.3	191.2	130.7
Other Non Current Liabilities	86.8	129.4	203.7	215.5	252.5
Total Non-Current Liabilities	387.6	385.2	402.0	406.6	383.2
Trade Payables	132.2	172.9	174.6	146.7	160.1
Other Current Liabilities	193.9	140.6	149.8	182.2	179.5
Total Current Liabilities	326.1	313.5	324.4	328.8	339.7
Total Liabilities	1033.4	1046.1	1074.5	1114.9	1145.6
Fixed Assets	320.9	349.7	334.7	343.7	327.4
Other Non Current Assets	179.9	186.6	284.2	297.8	326.0
Total Non-Current Assets	500.8	536.3	618.9	641.5	653.4
Inventories	271.8	252.5	230.1	245.0	262.4
Sundry Debtors	104.3	113.1	92.4	95.2	96.7
Cash and Bank	63.6	52.1	52.1	52.1	52.1
Other Current Assets	92.9	92.1	81.0	81.0	81.0
Total Current Assets	532.6	509.9	455.6	473.4	492.2
Total Assets	1033.4	1046.1	1074.5	1114.9	1145.6

Everest Industries - Key Ratios					
DESCRIPTION	FY15	FY16	FY17E	FY18E	FY19E
EBITM (%)	6.7	6.3	3.2	6.6	7.6
ROE (%)	11.1	10.6	0.7	8.6	10.8
ROCE (%)	9.8	9.4	2.1	10.2	13.7
Inventory Turnover(x)	3.3	3.4	3.5	3.5	3.6
Debtors Turnover(x)	13.3	12.1	12.9	13.9	15.1
Receivable days	27.4	30.2	28.2	26.2	24.2
Inventory Days	109.4	107.2	105.2	103.2	101.2
Payable days	54.3	62.4	62.4	62.4	62.4
Total Debt/Equity(x)	0.9	0.7	0.6	0.5	0.3
Current Ratio(x)	1.6	1.6	1.4	1.4	1.4
Interest Cover(x)	3.0	3.0	0.6	3.5	4.1
Adjusted P/E Ratio	15.6	15.2	216.8	17.1	12.4
Price/ Book value	1.7	0.0	0.0	0.0	0.0

Everest Industries- Cash Flow Summary					
DESCRIPTION	FY16	FY17E	FY18E	FY19E	
PBT	64.6	87.0	32.7	62.3	
Add: Depreciation	28.9	29.5	27.8	28.9	
Change in WC	-20.4	-21.5	-50.7	-31.5	
Cash From Operating Activities	73.1	95.0	9.8	59.7	
Cash from Investing Activities	-12.6	-12.9	-36.9	-12.6	
Cash from Financing Activities	60.5	82.1	-27.1	47.1	
Free Cash Flows after Div	60.5	82.1	-27.1	47.1	
Closing Cash Balance	52.1	52.1	52.1	52.1	



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