



Everest Industries Ltd. Q4 FY17 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	36.9	23.2	-12.9
Sensex	5.7	9.8	16.5

Harsh Shah (Research Analyst)

harsh.shah@dimensional.in

+91-22-66545231

Everest Industries (EIL) reported mixed set of numbers for Q4FY17. Company's revenues were lower by 4.1% YoY to Rs. 325.5 cr while EBITDA was up 12.7% to Rs. 26.6 cr. Highlight of the results were superlative EBITDA margins reported by the company which saw a sharp uptick from -3.2% during Q3FY17 to 9.4% during Q4FY17. After reporting losses for two quarters, EIL was back in black with PAT of Rs. 14.1 cr from -14.0 cr during Q2FY17. On YoY basis, the growth in PAT was 19.5%.

Given that there was some spillover of demand from Q3FY17 to Q4FY17 due to demonetization, the demand scenario still appears weak. Everest's Building Product Division, nearly 40% of which caters to rural saw a decline in its revenues from 216.6 cr in corresponding quarter of FY16 to Rs. 194 cr, despite additional sales of Q3 coming in. Volumes during the quarter were down by 7% and lower demand led to pressure on realizations which were down by 2.9%.

In the Pre-Engineered Building (PEB) Division, EIL saw good off-take during the quarter as its volume grew by 14.3% to 16,000 MT. Revenues for the segment however grew at a slower pace of 7.1% YoY due to 6.3% fall in realizations. On QoQ basis, revenues and volume grew by 19.5% and 14.3% respectively, shedding off impact of demonetization..

Valuation & View:

The worst for Everest Industries is behind and all its Divisions viz., Roofing, Boards & panels and Pre-Engg Buildings are expected to bounce back from its cyclical lows of FY17.

With the effects of demonetization coming off and rural demand expected to pick up, the roofing division will start seeing growth coming in after 2-3 years of sluggishness. Company's efforts to expand its dealership and foray into high margin value added products will improve both its sales and margins.

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.

Under PEB Division, company is sitting comfortably with 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.

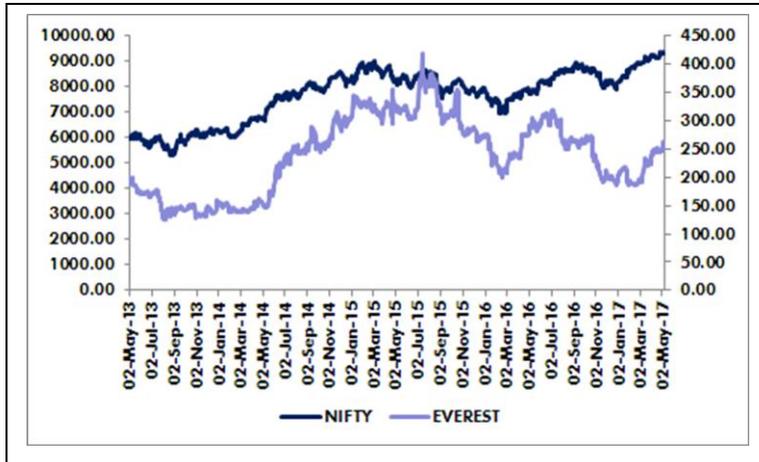
Quarterly Performance:

Particulars (Rs in crs)	Q1 FY17	Q1 FY16	YoY (%)	Q4 FY16	QoQ (%)	FY17	FY16	y-o-y
Net Sales	323.7	337.3	-4.0	251.2	28.8	1155.3	1313.3	-12.0
EBITDA	28.4	27.0	5.1	-10.1	NM	37.2	86.9	-57.2
EBITDA Margin	8.8%	8.0%	80 bps	-4.0%	1280 bps	3.2%	6.6%	-340 bps
Interest	3.6	5.1		6.1		18.9	22.8	
PBT	20.4	17.3	18.0	-7.9	NM	2.5	51.4	-95.2
PAT	14.1	11.9	18.5	-14.0	NM	2.5	35.3	-93.0
EPS	9.1	7.7	18.2	-9.1	NM	1.6	23.0	-93.0



Currently at Rs. 262, Everest Industries is trading at 10X FY19 EPS of Rs. 26. We are assigning a multiple of 12.5X to the same and are arriving at a price objective of Rs. 340 which represents an upside of ~30%. Accordingly we upgrade our recommendation from HOLD to ACCUMULATE on the stock.

3-Yr Price comparison



Conference Call Highlights

- Impact of demonetization is over and demand is coming back to normal levels.
- Company has taken initiatives which resulted in decline of its working capital requirements. It quickened the execution of PEB projects which led to lower inventory and company also maintained its 'no credit policy' to its distributors and dealers. All these initiatives brought down its short term borrowings by 58 cr.
- Export business continues to be under pressure due to poor economic and political scenarios in Middle East countries. Co. saw sharp decline in volume and prices in these markets which also dragged its overall margins of the company. Overall export business de-grew by 12-13% during FY17.
- Roofing Business:
 - 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.
 - All the promotional activities will be targeted towards these value added products and company expects positive response from the same. This will drive the growth and EBITDA margins going ahead for this division.
- Boards & Panels:
 - 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.
 - Expects industry growth of 10% during FY18 and company expects to outperform industry.
- Pre-Engineered Building Division
 - Focus of the company is on two things; protecting their margin from swings in commodity prices. This they have achieved by introducing pass through clause in their contracts. Other focus of the company is to improve their execution and reduce wastages at their site and factory.
 - The management believes prices of Steel will remain stable with slightly upward bias.
- View on Steel Policy:
 - Government's push for more use of steel in the construction should be good growth driver for their PEB division.



- Higher capacity build up will also keep the RM prices under check over longer term however they will not fall much due to Govt. support.
- EBITDA Margins:
 - There were too many black swan events during the year so FY17 shouldn't be classified as normal business. Company will work towards bringing its margin to normal levels and sustain it there.
- Company will carry out modernization and de-bottlenecking of capacity which will release capacity to an extent of 100,000 MT

REVISED ESTIMATES: -

Particulars (₹ crs.)	FY18E			FY19E		
	Revised	Old	%Change	Revised	Old	%Change
Sales	1360.8	1414.9	-3.8%	1529.4	1587.8	-3.7%
EBITDA	73.2	57.6	27.1%	107.8	88.3	22.1%
EBITDA Margin	5.4%	4.1%	130 bps	7.0%	5.6%	140 bps
Recurring PAT	23.7	9.2	157.6%	42.0	29.6	41.9%

Given the prevalent weakness in rural demand we have slightly cut our revenue estimates for both FY18 and FY19 especially for roofing business. However due to better than expected margins during Q4 we have increased our estimates for EBITDA for FY18 and FY19. Softening prices of Asbestos, weaker dollar (company imports asbestos in Dollars) and ability to pass through costs in PEB Division have triggered positive revision in margins. Accordingly our estimate of PAT has also increased.

QUARTERLY PERFORMANCE:

Everest Industries Ltd. Quarterly-Y-O-Y(%) - Standalone - [INR-Crore]					
DESCRIPTION	Mar-17	Mar-16	YoY (%)	Dec-16	QoQ (%)
Net Sales	320.7	333.6	-3.9	249.0	28.8
Other operating income	3.1	3.6	-15.8	2.3	34.4
Total Sales	323.7	337.3	-4.0	251.2	28.8
RM Consumed	186.8	175.5		150.5	
Other Operating Overheads	56.8	80.4		60.6	
Employee Cost	27.4	29.4		34.4	
S&D Overheads	24.4	25.0		15.8	
EBITDA (Ex OI)	28.4	27.0	5.1	-10.1	NM
EBITDA margin	8.8%	8.0%		-4.0%	
Depreciation	6.1	6.3		5.7	
EBIT	22.3	20.8	7.3	-15.8	NM
Other Income	1.8	1.6		2.1	
Interest	3.6	5.1		6.1	
PBT	20.4	17.3	18.0	-7.9	NM
Tax	6.3	5.4		-5.7	
Profit After Tax	14.1	11.9	18.5	-14.0	NM
EPS	9.1	7.7	18.2	-9.1	NM



Everest Industries- Statement of Profit & Loss

DESCRIPTION	FY15	FY16	FY17E	FY18E	FY19E
Net Sales	1230.5	1313.4	1155.4	1360.8	1529.4
EXPENDITURE :					
Raw Material Consumed	709.7	731.6	650.2	773.3	864.3
as % of Sales	57.7%	55.7%	56.3%	56.8%	56.5%
Power & Fuel Cost	36.1	35.9	29.2	31.6	32.4
Employee Cost	109.1	127.1	133.5	145.5	154.3
Other Manufacturing Expenses	75.3	71.8	63.2	73.5	79.5
Processing Cost	36.1	53.1	46.7	55.1	61.9
Freight Cost	95.8	94.3	86.4	101.8	114.4
General Overheads	36.1	46.3	43.5	46.1	48.9
S&D Overheads	14.8	16.0	14.1	16.6	18.6
Other Expenses	35.5	54.1	51.3	44.2	47.3
EBITDA (Ex OI)	81.9	83.2	37.2	73.2	107.8
EBITDA Margin	6.7%	6.3%	3.2%	5.4%	7.0%
Depreciation	25.4	25.6	24.9	27.8	28.9
EBIT	56.5	57.5	12.3	45.4	78.8
Other Income	10.5	12.9	9.1	6.4	6.4
Interest	18.7	19.1	18.9	20.3	22.6
Profit Before Taxation	48.3	51.3	2.5	31.6	62.6
Provision for Tax	14.1	16.0	0.0	7.9	20.7
Profit After Tax	34.2	35.3	2.5	23.7	42.0
Adjusted EPS	22.4	22.9	1.6	15.4	27.3

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	334.6	358.2	400.2
Shareholder's Funds	319.7	347.4	350.0	373.6	415.6
Total Borrowings	300.8	255.7	207.2	231.2	183.6
Other Non Current Liabilities	86.8	129.4	185.6	222.7	267.3
Total Non-Current Liabilities	387.6	385.2	392.8	454.0	450.9
Trade Payables	132.2	172.9	134.9	159.6	177.5
Other Current Liabilities	193.9	140.6	123.7	145.7	163.7
Total Current Liabilities	326.1	313.5	258.6	305.2	341.2
Total Liabilities	1033.4	1046.1	1001.4	1132.8	1207.7
Fixed Assets	351.2	351.5	334.7	343.7	327.4
Other Non Current Assets	149.5	184.7	211.5	284.0	343.3
Total Non-Current Assets	500.8	536.3	546.1	627.8	670.8
Inventories	271.8	252.5	229.7	266.5	290.8
Sundry Debtors	104.3	113.1	92.4	101.3	105.5
Cash and Bank	63.6	52.1	52.1	52.1	52.1
Other Current Assets	92.9	92.1	81.0	85.1	88.5
Total Current Assets	532.6	509.9	455.2	505.0	536.9
Total Assets	1033.4	1046.1	1001.4	1132.8	1207.7

Everest Industries - Key Ratios

DESCRIPTION	FY15	FY16	FY17E	FY18E	FY19E
EBITM (%)	7.1	6.9	3.2	5.4	7.0
ROE (%)	11.1	10.6	0.7	6.5	10.6
ROCE (%)	11.6	11.5	2.1	7.8	13.1
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	26.0	28.4	28.2	26.2	24.2
Inventory Days	109.4	107.2	105.2	103.2	101.2
Payable days	40.9	48.9	62.4	62.4	62.4
Total Debt/Equity(x)	0.9	0.7	0.6	0.6	0.4
Current Ratio(x)	1.0	1.1	1.8	1.7	1.6
Interest Cover(x)	3.6	3.7	0.7	2.2	3.5
Adjusted P/E Ratio	14.3	10.3	NA	16.1	9.1
Price/ Book value	1.5	1.1	1.1	1.0	0.9

Everest Industries- Cash Flow Summary

DESCRIPTION	FY16	FY17E	FY18E	FY19E
Profit Before Tax	51.3	2.5	32.7	62.3
Adjustment	25.6	24.9	27.8	28.9
Changes In working Capital	7.6	32.8	-50.7	-31.5
Cash From Operating Activities*	84.6	60.2	9.8	59.7
Cash from Investing Activities	-52.0	-11.6	-36.9	-12.6
Cash from Financing Activities	32.6	48.5	-27.1	47.1
Net Cash Inflow / Outflow	-9.3	0.0	0.0	0.0
Opening Cash & Equivalents	23.3	48.5	-27.1	47.1
Closing Cash & Equivalents	52.1	52.1	52.1	52.1



ANALYST CERTIFICATION

I (Harsh Shah), Research Analyst, author and the name subscribed to this report; hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Terms & conditions and other disclosures:

Dimensional Securities Private Limited (DSPL) is engaged in the business of stock broking and distribution of financial products. This Report has been prepared by Dimensional Securities Private Limited (DSPL) in the capacity of a Research Analyst having SEBI Registration No. INH000001444 and distributed as per SEBI (Research Analysts) Regulations 2014.

The information and opinions in this report have been prepared by DSPL and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of DSPL. While we would endeavour to update the information herein on a reasonable basis, DSPL is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent DSPL from doing so.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. DSPL or its associates accept no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

DSPL encourages independence in research report preparation and strives to minimize conflict in preparation of research report. DSPL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither DSPL nor Research Analysts have any material conflict of interest at the time of publication of this report.

It is confirmed that (Harsh Shah), Research Analyst of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. DSPL or its associates collectively or Research Analysts do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of DSPL are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

It is confirmed that (Harsh Shah), Research Analyst do not serve as an officer, director or employee of the companies mentioned in the report.

DSPL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

We submit that no material disciplinary action has been taken on DSPL by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject DSPL and associates to any registration or licensing requirement within such jurisdiction.

The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

DSPL shall not be liable for any delay or any other interruption which may occur in presenting the data due to any reason including network (Internet) reasons or snags in the system, break down of the system or any other equipment, server breakdown, maintenance shutdown, breakdown of communication services or inability of DSPL to present the data. In no event shall DSPL be liable for any damages, including without limitation direct or indirect, special, incidental, or consequential damages, losses or expenses arising in connection with the data presented by DSPL through this report.