



Everest Industries Ltd. Q4 FY18 Quarterly Update

MARKET DATA

NSE TICKER	EVERESTIND
Networth FY18 (Rs in Crs)	400.4
P/BV Ratio (FY18E) (x)	2.3X
EPS (FY18E)(Rs.)	23.7
Market Price (Rs.)	554
P/E Ratio (FY18E) (x)	23.4X
52 Week High (Rs)	636
52 Week Low Rs)	185
Market Capitalisation (rs. Cr)	767

AVERAGE MONTHLY VOLUME ('000)

BSE	5.8
NSE	58.7

SHARE HOLDING PATTERN

Promoter	48.4
FII	2.4
DII	11.2
Public	38.0

RETURN (%)

	3M	6M	12M
Everest	-2.4	-1.0	83.8
Sensex	-1.3		

Harsh Shah (Research Analyst)

harsh.shah@dimensional.in

+91-22-66545231

Everest Industries Ltd. (EIL) reported 6% growth in top line aided by 10% growth in volumes in Building Products. Realizations were flat at company level; segment wise- in roofing business realizations were up by 2-3%, in buildings and panels it was down by 1-1.5% mainly because of product mix while in case of pre-engineered buildings, realizations were marginally lower by 0.5%. Company reported EBITDA of 26.6 cr during the quarter against Rs. 28.9 cr in the corresponding quarter. The decline in EBITA was mainly on the back of 20% increase in employee cost, due to wage revision. EIL's EBITDA margin declined from 8.9% during Q4FY18 to 7.8% in current quarter. Due to lower taxes (on account of utilization of MAT credit), increase in other income and lower depreciation, company's PAT increased by 41.5% to Rs. 19.8 cr

Segment wise performance and outlook:

Building Product Division: In the building product division, volume growth for the quarter was strong at ~10% to 191,000 MT, mainly led by roofing division. Revenue of the segment grew at 26.9% to Rs. 181.6 cr. The Company has recently set up a metal roofing facility in Lakhmapur, Maharashtra to tap the metal market as well. By the end of FY18, Co. introduced Everest Super in all markets and it is pushing it aggressively. These are colored sheets and come with superior features. The company witnessed an increased demand for value added products, leading to relatively higher revenues and better margins. The contribution of value added products was 5-6% in roofing and 25% in Boards, which the management expects to increase further. The demand scenario is expected to improve going ahead and company is already seeing signs of the same. With 80% revenue from this division coming from the rural regions, it will benefit immensely from recovery in rural demand. Higher tax compliance, post GST, is likely to reduce price gap between organized and unorganized players.

Boards & Panels: During the quarter growth for this division was ~8%. The growth was much higher in domestic market and export remained muted for another quarter. 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. The management expects significantly better performance from this division going ahead.

Pre-Engg Buildings: Under PEB Division, with steel prices relatively stable over the last quarter, company was able to register normal EBITDA margins in the range of 4-5%. Co. clocked volume of ~16,000 MT which was flat YoY and growth of 8% QoQ. Company's order book stands at 25000 MT which is 20% higher than what it was at the end of Q3FY18. Revenues from this division fell 1.5% YoY while EBIT rose by 2.4%.

Quarterly Performance:

Particulars (RS in crs)	Q4 FY18	Q4 FY17	YoY (%)	Q3 FY18	QoQ (%)	FY18	FY17	y-o-y
Net Sales	341.3	321.9	6.0	290.6	17.4	1270.6	1155.4	9.9
RM Consumed	200.1	188.3	6.2	158.9	25.9	710.8	650.1	9.3
RM as % Sales	63.6%	64.3%	-70 bps	54.7%	890 bps	56.1%	56.3%	-20 bps
Employee Cost	25.0	20.3	23.1	36.6	-31.6	108.2	100.2	8.0
Other Expenses	89.7	84.5	6.2	77.2	15.8	361.6	367.9	-1.8
EBITDA	26.5	28.8	-8.0	17.9		89.9	37.0	43.0
EBITDA Margin	7.8%	8.9%	-110 bps	6.2%		7.1%	3.2%	390 bps
Interest	2.9	3.9		2.4		12.6	18.9	
PBT	20.7	20.3	2.0	12.2		63.8	2.5	NM
Tax	0.9	6.3	-85.4	2.8		11.5	0	
PAT	19.8	14.0	41.5	9.4		52.3	2.5	NM
EPS	12.5	9.1	37.3	6.5		34.0	1.6	NM



Everest Industries Ltd. Quarterly Segment-wise performance [INR-Crore]

Description	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18
REVENUE FROM OPERATIONS	337.3	353.5	226.9	251.2	323.7	378.0	259.1	290.6	341.3
Building Products	216.6	257.9	140.7	143.1	194.5	272.2	152.5	181.6	215.1
Steel Buildings	120.6	95.6	86.3	108.2	129.2	105.8	106.6	109.1	126.2
SALES MIX	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Building Products	64.2%	72.9%	62.0%	57.0%	60.1%	72.0%	58.9%	62.5%	63.0%
Steel Buildings	35.8%	27.1%	38.0%	43.0%	39.9%	28.0%	41.1%	37.5%	37.0%
EBIT	25.7	29.8	-4.1	-4.8	26.8	35.4	17.2	25.7	30.9
Building Products	21.9	33.8	-0.8	-5.4	23.2	34.9	14.9	25.7	27.1
Steel Buildings	3.8	-4.0	-3.3	0.6	3.7	0.5	2.3	0.1	3.8
EBIT MARGIN	7.6%	8.4%	-1.8%	-1.9%	8.3%	9.4%	6.6%	8.8%	9.1%
Building Products	10.1%	13.1%	-0.5%	-3.8%	11.9%	12.8%	9.8%	14.2%	12.6%
Steel Buildings	3.1%	-4.2%	-3.8%	0.5%	2.8%	0.5%	2.2%	0.1%	3.0%

Conference Call Highlights

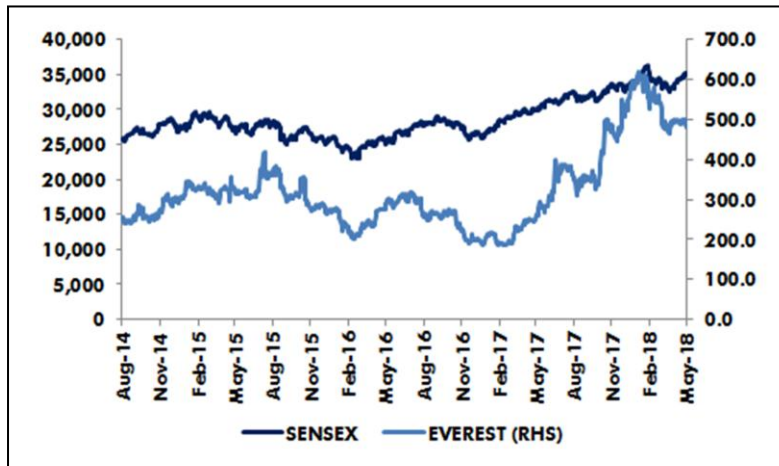
- Realizations for roofing business were up by 2% while for Boards and Panels it was slightly down owing to unfavourable product mix. Company was able to pass on increase in RM prices during the quarter.
- Company has gained market share in roofing business during the quarter while in Boards and Panels the market share has been similar. The gain in market share has been mainly from unorganized players who are becoming tax compliant now and losing their arbitrage.
- The roofing industry is expected to grow by 5-6% during the year while PEB industry can grow at 20% if the private investments gather further momentum.
- Steel prices have been increasing in recent times, however they are not impacting the company much. Till the time increase is slow and steady, company would be able to pass on most of it. Only if there are sharp spikes then company will have to take a hit which was the case last year when MIP was introduced by the Govt. on import of steel.
- Once capacity addition by the industry gathers pace then they would pay any increase that the company will take. Company is already seeing such demand scenario in certain industry pockets like auto ancillary.
- Company's target is to achieve EBITDA Margin of 10%, which they aim to achieve by controlling cost, mainly administrative costs, and addition of value added products which would be 10-20% costlier than existing product basket and would be margin accretive.
- There will be capex of Rs. 20-25 cr in FY17 mainly for modernization of plants.



Valuation and View:

With strong presence in rural areas, Everest Industries will benefit immensely from rural recovery, which is also Govt.'s focus area. We expect company to report 10.1% CAGR growth in sales which will translate into 17%% CAGR in profitability. The recent correction in the price offers good opportunity to enter the stock. Therefore we recommend a BUY on the stock with target price of Rs. 648 which we have arrived by assigning P/E of 14X to FY20's EPS of Rs. 46.3.

3-Yr Price comparison





Everest Industries- Statement of Profit & Loss					
DESCRIPTION	FY16	FY17	FY18	FY19E	FY20E
Net Sales	1313.4	1155.4	1270.6	1404.8	1541.6
EXPENDITURE :					
Raw Material Consumed	731.6	650.1	710.8	787.4	865.0
as % of Sales	55.7%	56.3%	55.9%	56.1%	56.1%
Power & Fuel Cost	35.9	30.2	31.6	33.8	35.9
Employee Cost	127.1	100.4	108.2	115.0	121.9
Other Manufacturing Expenses	71.8	63.2	67.3	73.8	80.2
Processing Cost	53.1	47.0	47.5	52.7	58.4
Freight Cost	94.3	86.4	94.7	104.7	114.8
General Overheads	46.3	44.9	44.4	47.0	49.9
S&D Overheads	16.0	14.1	12.7	14.0	15.4
Other Expenses	54.1	82.1	63.5	68.0	73.4
EBITDA (Ex OI)	83.2	37.0	89.9	108.4	126.7
EBITDA Margin	6.3%	3.2%	7.1%	7.7%	8.2%
Depreciation	25.6	24.9	23.5	25.6	26.7
EBIT	57.5	12.1	66.4	82.7	100.0
Other Income	12.9	9.1	10.0	8.4	8.4
Interest	19.1	18.9	12.6	12.7	6.6
Profit Before Taxation	51.3	2.3	63.8	78.4	101.8
Provision for Tax	16.0	0.0	11.5	19.6	30.5
Profit After Tax	35.3	2.3	52.3	58.8	71.2
Adjusted EPS	22.9	1.5	34.0	38.2	46.3

Everest Industries- Balance Sheet					
DESCRIPTION	FY16	FY17E	FY18E	FY19E	FY20E
Share Capital	15.4	15.4	15.4	15.4	15.4
Total Reserves	332.1	332.7	385.0	443.8	515.1
Shareholder's Funds	347.4	348.1	400.4	459.2	530.5
Total Borrowings	255.7	198.3	161.9	114.2	20.9
Other Non Current Liabilities	129.4	203.7	215.5	252.5	295.9
Total Non-Current Liabilities	385.2	402.0	377.3	366.7	316.8
Trade Payables	172.9	174.6	146.5	162.0	177.7
Other Current Liabilities	140.6	123.6	136.7	149.5	160.9
Total Current Liabilities	313.5	298.2	283.2	311.5	338.6
Total Liabilities	1046.1	1048.3	1061.0	1137.4	1185.8
Fixed Assets	349.7	334.7	332.1	338.7	325.0
Other Non Current Assets	186.6	284.2	295.8	326.7	358.3
Total Non-Current Assets	536.3	618.9	627.9	665.5	683.3
Inventories	252.5	230.1	244.8	265.4	285.4
Sundry Debtors	113.1	92.4	94.6	96.9	97.9
Cash and Bank	52.1	52.1	52.1	52.1	52.1
Other Current Assets	92.1	54.9	41.6	57.5	67.1
Total Current Assets	509.9	429.4	433.1	471.9	502.5
Total Assets	1046.1	1048.3	1061.0	1137.4	1185.8



Everest Industries - Key Ratios

DESCRIPTION	FY16	FY17E	FY18E	FY19E	FY19E
EBITM (%)	6.3	3.2	7.1	7.7	8.2
ROE (%)	10.6	0.7	14.0	13.3	13.7
ROCE (%)	9.4	2.1	12.0	14.6	17.9
Inventory Turnover(x)	3.4	3.5	3.5	3.6	3.7
Debtors Turnover(x)	12.1	12.9	13.9	15.1	16.4
Receivable days	30.2	28.2	26.2	24.2	22.2
Inventory Days	107.2	105.2	103.2	101.2	99.2
Payable days	62.4	62.4	62.4	62.4	62.4
Total Debt/Equity(x)	0.7	0.6	0.4	0.2	0.0
Current Ratio(x)	1.6	1.4	1.5	1.5	1.5
Interest Cover(x)	3.0	0.6	5.3	6.5	15.1
Adjusted P/E Ratio	21.0	322.1	14.1	12.9	11.0
Price/ Book value	2.1	2.1	1.8	1.6	1.4

Everest Industries- Cash Flow Summary

DESCRIPTION	FY17	FY18E	FY19E	FY20E
PBT	87.0	32.7	62.3	101.8
Add: Depreciation	29.5	27.8	28.9	26.7
Change in WC	-21.5	-50.7	-31.5	-22.2
Cash From Operating Activities	95.0	9.8	59.7	106.3
Cash from Investing Activities	-12.9	-36.9	-12.6	-13.0
Cash from Financing Activities	-87.6	-6.2	-47.7	-93.3
Free Cash Flows after Div	-5.5	-33.3	-0.6	0.0
Closing Cash Balance	52.1	52.1	52.1	52.1



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