



## Everest Industries Ltd. Q4 FY19 Quarterly Update

### MARKET DATA

NSE TICKER	EVERESTIND
Networth FY19 (Rs in Crs)	461.0
P/BV Ratio (FY18E) (x)	1.4X
EPS (FY18E)(Rs.)	23.7
Market Price (Rs.)	554
P/E Ratio (FY18E) (x)	23.4X
52 Week High (Rs)	598
52 Week Low Rs)	380
Market Capitalisation (rs. Cr)	662.8

### 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	-8.6	-16.7	-14.0
Nifty	4.8	10.1	9.2

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Everest Industries Ltd. (EIL) reported numbers for Q4FY19, which were largely below expectations. While the company witnessed a decent growth in its revenues grew at 7.6%, it reported a drop of 8.4% at EBITDA level. Company's sales for the quarter stood at Rs. 367.4 cr against Rs. 341.3 cr YoY. The growth in sales was largely aided by building products division (BPD) which saw growth of 9.8% YoY. The Pre-engineered buildings (PEB) saw a modest growth of 4% in its revenues, despite 3.6% fall in volumes.

EIL's EBITDA in absolute terms stood at Rs. 24.3 cr against Rs. 26.5 cr YoY (21.4 cr QoQ). EBITDA Margins deteriorated by 120 bps YoY to 6.6%, despite 220 bps improvement in the gross margins. Increase in logistic costs (to the tune of Rs. 3 cr) and higher amount of erection work in the PEB division, which lead to higher recognition of expenses, led to suppressed margins. The raw material prices were more or less stable YoY and the variation was only because of currency depreciation. Since company imports ~30% of its raw materials and doesn't hedge its forex exposure, it takes a hit from INR depreciation. Everest's PAT declined by 25.6% YoY to Rs. 14.7 cr (growth of 27.8% QoQ).

### Segment wise performance and outlook:

**Building Product Division:** Company saw overall volume growth of 10.5% during the qtr. from 191,000 MT to 211,000 MT. Average realizations were flat YoY but fell 2.6% QoQ largely because of decline in RM cost per unit which was passed on. The revenues were up 9.8% YoY and 19.5% QoQ. Q1 and Q4 are seasonally the best quarters for the company since roofing jobs are usually done before the onset of monsoon. EBIT Margins for the quarter stood at 10.3% down 80 bps QoQ and 230 bps YoY. The fall in margins was attributable to higher logistics cost during the quarter. Blended capacity utilization for roofing and boards and panels have reached ~85-90% now.

**Pre-Engg Buildings:** The volumes declined by 3.9% to 15290 MT during the quarter mainly because of executional delays. Revenues however increased by 4% mainly due to increase in prices of steel. Order book stands at 20,000 MT which is lower than ideal order book of 25-27,000 MT. Ongoing election is one of the reason leading to slower decision making. Post elections they will see larger orders coming in.

### Quarterly Performance:

Particulars (RS in crs)	Q4 FY19	Q4 FY18	YoY (%)	Q3 FY19	QoQ (%)	FY19	FY18	y-o-y
Net Sales	367.4	341.3	7.6	307.3	19.5	1408.3	1270.6	10.8
RM Consumed	207.2	200.1	3.6	173.2	19.6	783.5	710.8	10.2
RM as % Sales	56.4%	58.6%	-220 bps	56.4%		55.6%	56.1%	-50 bps
Employee Cost	25.2	25.0	1.0	29.8	-15.5	115.8	108.2	7.0
Other Expenses	110.7	89.7	23.3	82.9	33.5	404.3	361.6	11.8
EBITDA	24.3	26.5	-8.4	21.4	13.8	104.6	89.9	16.4
EBITDA Margin	6.6%	7.8%	-120 bps	6.9%		7.4%	7.1%	30 bps
Interest	1.5	2.9		2.3		7.6	12.6	
PBT	20.8	20.7	0.4	15.4	35.0	82.9	63.8	29.9
Tax	6.1	0.9		4.0		21.0	11.5	
PAT	14.7	19.8	-25.9	11.5	28.3	61.9	52.3	18.4
EPS	9.4	12.5	-24.6	7.3	28.3	39.3	34.0	15.6



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

Description	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19
<b>REVENUE FROM OPERATIONS</b>	<b>323.7</b>	<b>378.0</b>	<b>259.1</b>	<b>290.6</b>	<b>341.3</b>	<b>416.8</b>	<b>312.8</b>	<b>307.3</b>	<b>367.4</b>
Building Products	194.5	272.2	152.5	181.6	215.1	301.0	176.7	194.2	236.1
Steel Buildings	129.2	105.8	106.6	109.1	126.2	115.7	136.1	113.1	131.2
<b>SALES MIX</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Building Products	60.1%	72.0%	58.8%	62.5%	63.0%	72.2%	56.5%	63.2%	64.2%
Steel Buildings	39.9%	28.0%	41.2%	37.5%	37.0%	27.8%	43.5%	36.8%	35.8%
<b>EBIT</b>	<b>26.8</b>	<b>35.4</b>	<b>17.2</b>	<b>25.7</b>	<b>30.9</b>	<b>52.1</b>	<b>28.4</b>	<b>24.6</b>	<b>27.5</b>
Building Products	23.2	34.9	14.9	25.7	27.1	52.6	22.5	22.4	24.3
Steel Buildings	3.7	0.5	2.3	0.1	3.7	-0.4	5.9	2.3	3.2
<b>EBIT MARGIN</b>	<b>8.3%</b>	<b>9.4%</b>	<b>6.6%</b>	<b>8.9%</b>	<b>9.0%</b>	<b>12.5%</b>	<b>9.1%</b>	<b>8.0%</b>	<b>7.4%</b>
Building Products	11.9%	12.8%	9.8%	14.1%	12.6%	17.5%	12.7%	11.5%	10.3%
Steel Buildings	1.9%	0.2%	1.5%	0.0%	1.7%	-0.1%	3.3%	1.2%	2.4%

### Conference Call Highlights

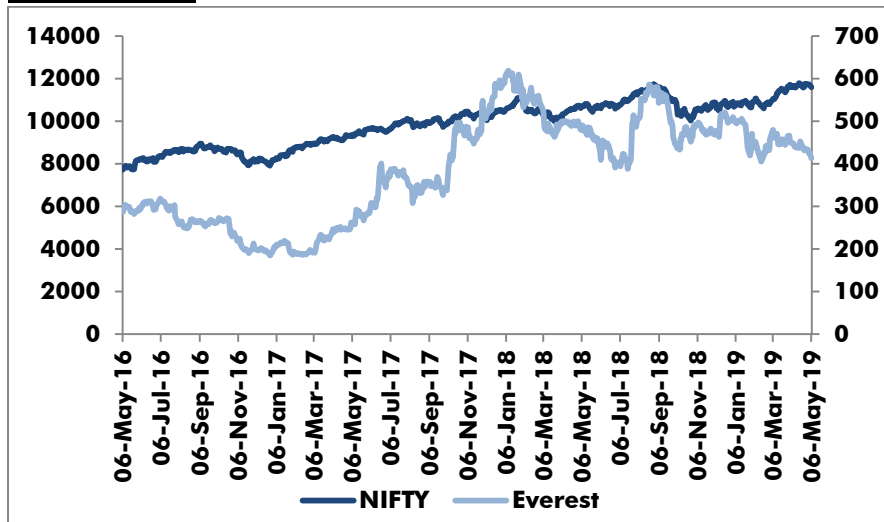
- During the year, company deepened market penetration and has witnessed market share gains across product categories. Focused spend on marketing and increase in channel distribution were behind the market share gains.
- Didn't face major obstacle during the quarter despite macro headwinds like liquidity crises and falling rupee.
- Rural demand is picking up due to higher cash in people's hand due to revision in MSP, election season spending and GST hiccups waning
- Company expects the building product division as a whole to grow by 10%. Growth will be faster in the boards and panels segment as it has been over last couple of years.
- Company has not been able to pass on RM price hikes and took a hit in its margins during the quarter. The industry continues to be competitive so taking a price hike will always be challenging.
- Wood Pulp and Chrysotile fibre are the major raw materials in this segment. Prices of pulp had rocketed from \$600 to 900% in FY19, however off-late they have receded and stabilized at \$700-750. Price of fibre increased 5% YoY but it was largely due to exchange rate difference.
- Company will increase its presence in South India for its boards and panles where its presence is quite weak.
- Co. continues to add new products to its portfolio, especially value added ones to increase its target market size and also profitability. During the year, they introduced three more color for its Everest Super roof. Even in boards and panels division they have come out with new product 'Art Wood' which gives a wood like texture and feel and can be used in interior and also exterior façade. This will help company tap the decorative market.
- Rebound in oil prices will see some momentum in exports wince Middle East is the main market for the company.
- Profitability in PEB division, is based on steel prices which is quite volatile and with large orders not coming in margins have stagnated at 3-4%. Going ahead, margins won't be too high, expects 5% of margins.
- Reason for lower depreciation:
  - Certain assets have reached 5% of asset's value, as per standards these assets cannot be depreciated beyond that.
  - Plants have been run efficiently during the quarter and they ran lower double shifts which lead to reduced wear and tear.

### Valuation and View:

With strong presence in rural areas, Everest Industries will benefit from the impending rural recovery, which is also Govt.'s focus area regardless of which Party comes at the helm. We expect company to report 10.2% CAGR growth in sales which will translate into 12% CAGR in profitability. Therefore we recommend a HOLD on the stock with target price of Rs. 458 which we have arrived by assigning P/E of 10X to FY20's EPS of Rs. 45.8.



**3-Yr Price chart**



Everest Industries- Statement of Profit & Loss					
DESCRIPTION	FY17	FY18	FY19	FY20E	FY21E
<b>Net Sales</b>	<b>1155.4</b>	<b>1270.6</b>	<b>1404.4</b>	<b>1550.4</b>	<b>1704.4</b>
EXPENDITURE :					
Raw Material Consumed	650.1	710.8	792.3	872.0	961.6
as % of Sales	56.3%	55.9%	56.4%	56.2%	56.4%
Power & Fuel Cost	30.2	31.6	34.6	37.1	39.6
Employee Cost	100.4	108.2	115.3	127.6	137.9
Other Manufacturing Expenses	63.2	67.3	72.3	79.1	86.1
Processing Cost	47.0	47.5	50.9	56.2	62.3
Freight Cost	86.4	94.7	107.9	119.1	130.9
General Overheads	44.9	44.4	46.2	49.6	52.6
S&D Overheads	14.1	12.7	14.0	15.5	17.0
Other Expenses	82.1	63.5	64.5	68.3	73.8
<b>EBITDA (Ex OI)</b>	<b>37.0</b>	<b>89.9</b>	<b>106.5</b>	<b>125.9</b>	<b>142.6</b>
EBITDA Margin	3.2%	7.1%	7.6%	8.1%	8.4%
Depreciation	24.9	23.5	20.7	24.1	25.1
<b>EBIT</b>	<b>12.1</b>	<b>66.4</b>	<b>85.9</b>	<b>101.8</b>	<b>117.4</b>
Other Income	9.1	10.0	6.5	4.3	6.3
Interest	18.9	12.6	7.6	4.0	1.4
<b>Profit Before Taxation</b>	<b>2.3</b>	<b>63.8</b>	<b>84.8</b>	<b>102.1</b>	<b>122.4</b>
Provision for Tax	0.0	11.5	20.7	30.6	42.2
<b>Profit After Tax</b>	<b>2.3</b>	<b>52.3</b>	<b>64.1</b>	<b>71.5</b>	<b>80.2</b>
<b>Adjusted EPS</b>	<b>1.5</b>	<b>33.5</b>	<b>41.1</b>	<b>45.8</b>	<b>51.4</b>



Everest Industries- Balance Sheet					
DESCRIPTION	FY17	FY18	FY19	FY20	FY21
Share Capital	15.4	15.6	15.6	15.6	15.6
Total Reserves	323.5	381.3	445.4	516.8	597.0
<b>Shareholder's Funds</b>	<b>338.9</b>	<b>396.9</b>	<b>461.0</b>	<b>532.4</b>	<b>612.6</b>
Total Borrowings	198.3	83.9	53.8	4.3	0.0
Other Non Current Liabilities	119.2	43.2	51.3	60.0	69.4
<b>Total Non-Current Liabilities</b>	<b>317.5</b>	<b>127.1</b>	<b>105.1</b>	<b>64.3</b>	<b>69.4</b>
Trade Payables	160.6	150.2	159.2	170.2	185.8
Other Current Liabilities	143.0	131.6	142.8	160.5	176.5
<b>Total Current Liabilities</b>	<b>303.6</b>	<b>281.8</b>	<b>302.0</b>	<b>330.7</b>	<b>362.4</b>
<b>Total Liabilities</b>	<b>960.0</b>	<b>805.8</b>	<b>868.1</b>	<b>927.4</b>	<b>1044.4</b>
Fixed Assets	344.7	340.1	345.6	349.4	352.9
Other Non Current Assets	161.7	87.9	74.5	82.2	90.3
<b>Total Non-Current Assets</b>	<b>506.4</b>	<b>428.0</b>	<b>420.0</b>	<b>431.6</b>	<b>443.1</b>
Inventories	234.6	247.5	267.1	289.0	311.8
Sundry Debtors	99.0	66.1	95.4	108.3	114.4
Cash and Bank	11.0	19.7	22.6	22.6	86.1
Other Current Assets	109.0	44.5	63.0	76.0	89.0
Total Current Assets	<b>453.6</b>	<b>377.8</b>	<b>448.1</b>	<b>495.8</b>	<b>601.3</b>
<b>Total Assets</b>	<b>960.0</b>	<b>805.8</b>	<b>868.1</b>	<b>927.4</b>	<b>1044.4</b>

Everest Industries- Cash Flow Summary					
DESCRIPTION	FY17	FY18	FY19	FY20E	FY21E
PBT	87.0	63.8	84.8	102.1	122.4
Add: Depreciation	29.5	23.5	20.7	24.1	25.1
Change in WC	-21.5	45.3	-30.1	-12.8	-1.2
<b>Cash From Operating Activities</b>	<b>95.0</b>	<b>131.8</b>	<b>54.6</b>	<b>82.8</b>	<b>104.1</b>
<b>Cash from Investing Activities</b>	<b>-12.9</b>	<b>-15.0</b>	<b>-16.8</b>	<b>-25.6</b>	<b>-28.6</b>
<b>Cash from Financing Activities</b>	<b>-57.4</b>	<b>-114.4</b>	<b>-30.1</b>	<b>-49.6</b>	<b>-4.3</b>
Free Cash Flows after Div	24.7	2.4	7.7	7.7	71.3
<b>Closing Cash Balance</b>	<b>52.1</b>	<b>22.6</b>	<b>22.6</b>	<b>22.6</b>	<b>86.1</b>

Everest Industries - Key Ratios					
DESCRIPTION	FY17	FY18	FY19	FY20E	FY21E
EBITM (%)	3.2	7.1	7.6	8.1	8.4
ROE (%)	0.7	14.2	14.9	14.4	14.0
ROCE (%)	2.1	13.0	17.2	19.4	20.4
Inventory Turnover(x)	3.5	3.5	3.6	3.7	3.7
Debtors Turnover(x)	10.9	15.4	14.0	14.6	15.2
Receivable days	33.5	23.7	26.0	25.0	24.0
Inventory Days	105.2	103.2	102.0	100.0	98.0
Payable days	62.4	62.4	60.0	59.0	59.0
Total Debt/Equity(x)	0.6	0.2	0.1	0.0	0.0
Current Ratio(x)	1.5	1.3	1.5	1.5	1.7
Interest Cover(x)	0.6	5.3	11.3	25.4	86.3
Adjusted P/E Ratio	277.9	12.4	10.1	9.1	8.1
Price/ Book value	1.9	1.6	1.4	1.2	1.1



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