

**Everest Industries**

**Nilabja Dey**

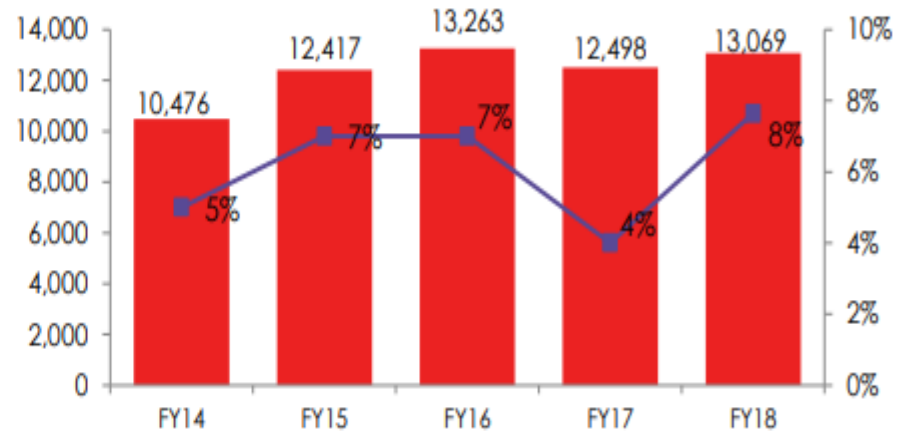
**Bangalore Value Pickr Forum**

**15<sup>th</sup> July 2018**

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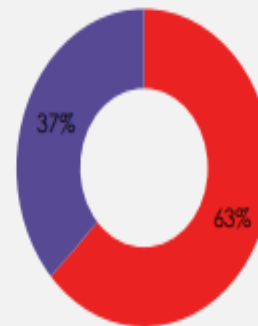
- Everest Industries Limited (Everest) has over 8 decades of experience in building products and is the pioneer of fibre cement products in India.
- The company's business is built on three key pillars: Safety, Speed, and Strength.
- The vision of the company is to be the deepest penetrated housing and building solutions provider in India.
- Everest provides building products and building solutions for commercial, industrial, and residential sectors.
- The company has covered more than 1 Bn sq. mts. of industrial and residential roofs.
- It is among the largest Pre-Engineered Buildings (PEBs) companies in India, and has erected and designed more than 2,200 PEBs.
- The company has an impressive product range of value added products like cement boards and panels for faster and modern construction of ceilings and walls.

**Revenue (INR Mn) and EBITDA Margin (%)\***



**FY18 Business Mix\***

■ Building Products ■ Steel Buildings



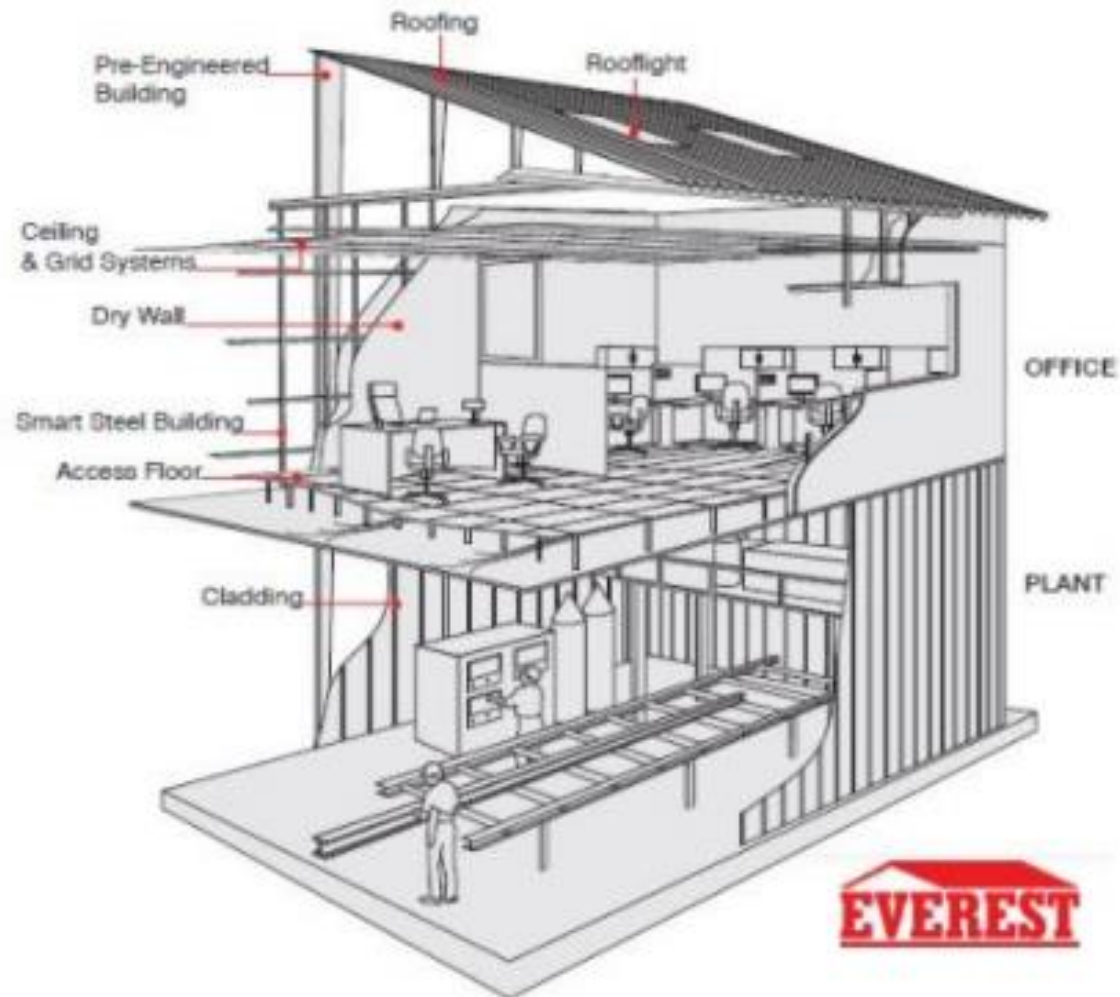
**FY18 Geographical Mix\***



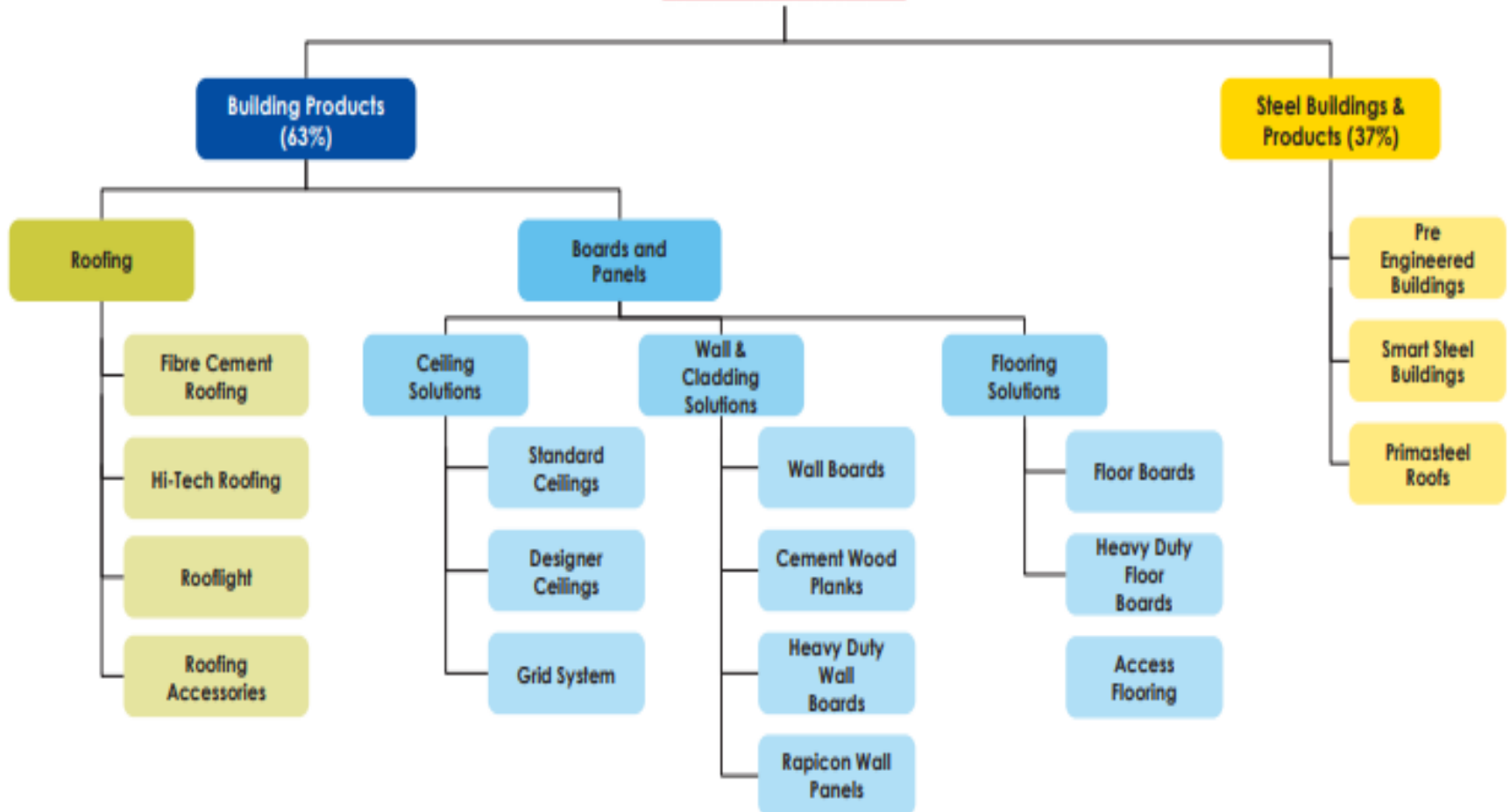
\* Consolidated # Standalone (IndAS)

# Everest Industries

## Business Profile



## Business overview



## ➤ Roofing Segment (49% of FY17 sales)

EVI offers roofing solutions for all kinds of requirements. Everest roofing solutions such as Everest Fiber Cement Roofing, made of cement and cellulose fibres can be used for residential, commercial and industrial roofs. These roofs are manufactured using the latest European technology. They are low in maintenance costs, easy to fix, fire resistant and economical.

**Fibre Cement Roofing**



*Source: EVI, Ventura Research*

**Hi Tech Roofing**



*Source: EVI, Ventura Research*

Everest Hi-Tech is a corrugated cement hi-tech roofing sheet reinforced with a blend of strong factory fibres including High Impact Polypropylene. The imported fibres replace asbestos to give them high-impact resistance. These pre-painted sheets are resistant to impacts of all weathers, UV rays, algae and chemical corrosion.

➤ **Boards and Panels Segment: (15% of FY17 sales)**

EVI offers a wide range of products under the boards and panels section. The boards and panels can be divided as per their usage, i.e., ceiling, wall & cladding and flooring boards & panels. These products are made from a mixture of OPC cement, treated cellulose fibres, silica quartz and fly ash. The range of products is manufactured using high pressure steam curing (HPSC) technology which makes them resistant to moisture, fire and termites. EVI offers a range of Fibre Cement based new-age building products and solutions which enable strong, light and rapid construction of residential, commercial and industrial infrastructure.

### **Boards & Panels – Ceiling**

**Standard Ceiling**



**Designer Ceilings**



**Grid System**



### **Boards & Panels – Wall & Cladding**

**Wall Boards**

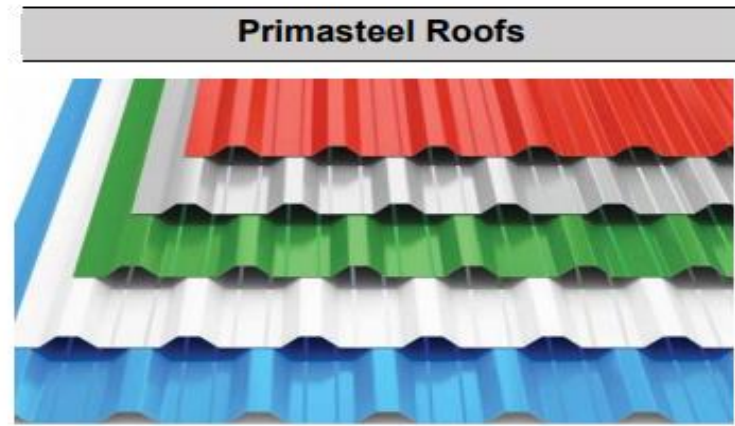
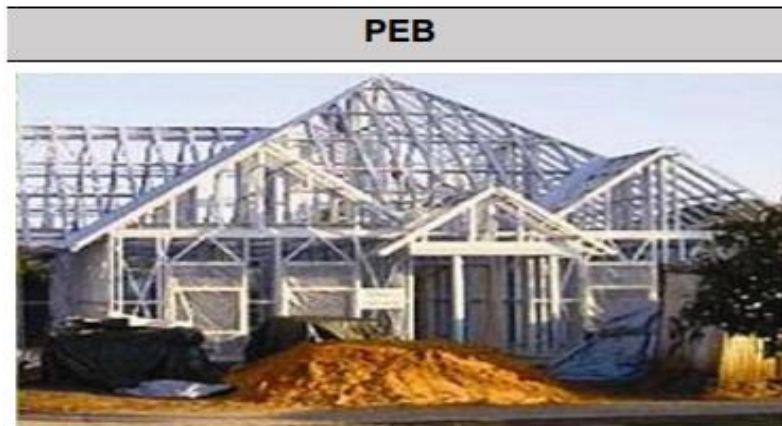


**Cement Wood Planks**

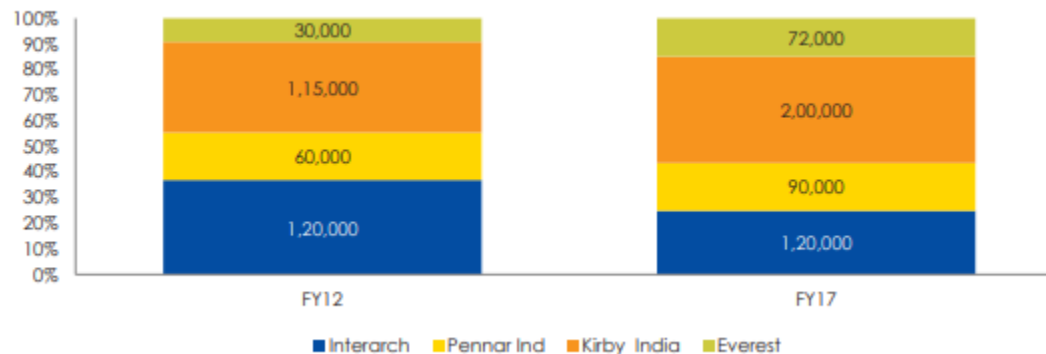


➤ **Steel Buildings and Products: (36% of FY17 sales)**

EVI provides end to end PEB solutions from design to installation. Steel buildings score over traditional constructions in reduced construction time, savings in cost and manufacturing under controlled factory environment. EVI has executed more than 2,000 projects till date. The construction time is reduced and the structures are executed three times faster than by using conventional methods of construction, even in seismic, hilly, coastal and high-wind areas. Everest Smart Steel Buildings are widely used in making industrial accommodations, site offices, sample flats, schools & colleges, rooftop extensions and many such commercial and residential applications.



**PEBs – major players in India Capacity (in M.T)**



# Steel Building



## Comparative Characteristics of Roofing Materials

S. No.	Characteristics	Fibre Cement Sheets	Corrugated Galvanised Iron Sheets (CGI)	Aluminium Sheets	Red Mud Plastic (RMP)
1.	Life Span (years)	50 (Min) Non-Corrosive	5-10 Not (Corrosive)	-	5 (Tends to get Flattened)
2.	Maintenance	Nil	Every 3-5 years	Nil	Nil
3.	Fire Rating	Retardant	Tendency to twist & melt	Tendency to twist & melt	Fire Prone
4.	Thermal Conductivity/ Insulation	Good	Poor	Poor	Fair
5.	Accoustic rating	Good	Poor	Poor	Poor
6.	Absorption of rain & Wind Noise	Good (Deadens these Noise)	Poor	Poor	Poor
7.	Energy Consumption (KWH/Sqm)	3	36.6	33	48
8.	Manpower Potentail	Intensive	Low	Low	Low
9.	Imported Content (₹/ Sqm)	5.6	15-22.5	1	33
10.	Wind Resistance when installed	Good	Poor	Poor	Poor

## Manufacturing facilities

Location	Products	Capacity (MTPA)
Bhagwanpur, Uttarakhand	Building Products	8,65,000
Lakhmapur, Maharashtra		
Kolkata, West Bengal		
Kymore, Madhya Pradesh		
Podanur, Tamil Nadu		
Somnathpur, Odisha	Steel Buildings	72,000
Bhagwanpur, Uttarakhand		
Dahej, Gujarat		
Ranchi, Jharkhand		

- Everest is moving towards value-added products in both its Boards and Roofing businesses. With recovery in the PEB business, consolidated margins could reach mid-teen levels in the near-term.
- Half of current plywood market is an opportunity for the boards and panels business. Cement boards have similar properties to that of Marine Ply but cost half of that. Also, boards are cheaper vs boiling water resistant (BWR) plywood. However, boards are expensive vs commercial plywood.
- Key competitors in boards business include Visaka Industries, NCL Industries, and Ramco Industries.
- Current boards market potential in India is 500-600k MT in India. The potential market size is 10x from current levels. Worldwide, the market for boards is far larger than in India.
- Earlier, exports was 50% of Everest's boards business (largely to the Middle East). However, due to the collapse of oil prices, boards exports fell. Boards utilization is currently at 70% (-90%+ with plant in the Middle East when exports was booming). The company plans to shift idle machines from Middle East to India.
- Everest's boards realization stands at Rs14k/MT on average. Higher value boards fetch upto -Rs28k/MT. On the roofing side, average realization stands at -Rs10-12k/MT.

# Panels and Boards

- ▶ Fibre Cement Boards are a replacement for plywood.
- ▶ Addressable market size is 25000cr.
- ▶ They are water resistant, termite resistant and have good thermal and acoustic insulation properties.
- ▶ They are used in walls, ceilings, flooring, paneling.
- ▶ They can be used both indoors and outdoors.
- ▶ Current market size is 350000 MT and growing at 20%.
- ▶ Dry wall construction drastically reduces construction time.

# Everest Industries Limited (EIL)

EIL is catering to industrial, commercial and residential segment. EIL is touching all the classes of society- lower, middle and upper.

EIL has presence in three key segments – Asbestos, Boards and Panels and Pre- Engineered Buildings.

## Asbestos Industry

As per the last national census, 60% of Indian houses were classified as pucca, 28% semi-pucca and 12% as kutcha.

With an increase in allocation to Rs 230 billion in budget 2018 for the Pradhan Mantri Awas Yojana - Gramin and proposal to complete 10 million houses by 2019 for the homeless people living in 'kuchha' houses, the demand for the rural economy is bound to grow.

## Boards and Panels

It is tough to define the market size of Boards and Panels but estimated addressable market is about Rs 40,000 crores. The industry is growing at an average rate of 20%.

## Pre Engineering Buildings (PEB) Market

The current market size of PEB is around Rs 10,000 crores. The Pre-Engineered Building market in India is growing at a CAGR of 16%.

## EIL-Key Growth Drivers

Macro factors such as rural housing demand, raw material prices and favourable GST rates will drive growth in Building Products. Next-Gen products like Boards and Panels and Solar Roofs will drive growth. Government initiatives like "Swachh Bharat Abhiyan", "Housing for all by 2022" & "Smart City Mission" would drive additional demand for Building Products . Increase in Private Capex will drive growth in PEBs.

	Mar 2007	Mar 2008	Mar 2009	Mar 2010	Mar 2011	Mar 2012	Mar 2013	Mar 2014	Mar 2015	Mar 2016	Mar 2017	Mar 2018
Sales +	303	285	529	652	723	708	1,014	1,035	1,230	1,313	1,228	1,271
Expenses +					657	629	919	1,004	1,134	1,226	1,203	1,181
<b>Operating Profit</b>					<b>59</b>	<b>69</b>	<b>98</b>	<b>39</b>	<b>81</b>	<b>86</b>	<b>42</b>	<b>91</b>
OPM %	%	%	%	%	8.18%	9.79%	9.66%	3.85%	6.66%	6.59%	3.46%	7.2%
Other Income	3	14	4	9	11	17	8	12	10	12	9	7
Interest	2	4	16	9	5	4	5	12	18	22	20	12
Depreciation	8	9	17	18	18	20	22	26	25	25	25	23
<b>Profit before tax</b>	<b>17</b>	<b>18</b>	<b>20</b>	<b>41</b>	<b>53</b>	<b>74</b>	<b>78</b>	<b>12</b>	<b>48</b>	<b>51</b>	<b>5</b>	<b>61</b>
Tax	6	3	5	11	12	21	26	3	14	16	1	10
<b>Net Profit</b>	<b>11</b>	<b>14</b>	<b>14</b>	<b>30</b>	<b>40</b>	<b>52</b>	<b>52</b>	<b>9</b>	<b>34</b>	<b>35</b>	<b>3</b>	<b>50</b>
EPS (unadj)	7.20	8.99	9.34	19.49	26.27	33.79	33.29	5.60	21.37	21.90	2.59	32.43
Dividend Payout %	50.77%	41.34%	25.61%	22.22%	16.67%	20.05%	21.7%	41.52%	22.35%	21.79%	38.65%	20.04%

HIL Data

	Mar 2007	Mar 2008	Mar 2009	Mar 2010	Mar 2011	Mar 2012	Mar 2013	Mar 2014	Mar 2015	Mar 2016	Mar 2017	Mar 2018
Sales +	439	482	618	703	723	857	1,036	869	1,107	1,096	1,245	1,325
Expenses +					635	750	915	828	993	999	1,058	1,178
<b>Operating Profit</b>					<b>85</b>	<b>107</b>	<b>122</b>	<b>43</b>	<b>111</b>	<b>100</b>	<b>93</b>	<b>137</b>
OPM %	%	%	%	%	11.77%	12.54%	11.81%	5.02%	10.04%	9.14%	7.55%	10.38%
Other Income	4	5	4	6	9	8	7	8	17	12	22	23
Interest	5	7	9	6	5	7	10	10	5	9	5	3
Depreciation	9	11	13	15	17	21	26	28	34	39	40	46
<b>Profit before tax</b>	<b>22</b>	<b>21</b>	<b>69</b>	<b>135</b>	<b>74</b>	<b>87</b>	<b>91</b>	<b>9</b>	<b>91</b>	<b>60</b>	<b>73</b>	<b>119</b>
Tax	8	7	25	46	23	26	30	2	25	20	18	39
<b>Net Profit</b>	<b>13</b>	<b>14</b>	<b>44</b>	<b>89</b>	<b>50</b>	<b>60</b>	<b>60</b>	<b>7</b>	<b>66</b>	<b>39</b>	<b>54</b>	<b>80</b>
EPS (unadj)	17.81	17.96	57.17	117.08	64.95	77.89	77.63	8.68	85.54	49.41	68.87	103.76
Dividend Payout %	26.81%	26.6%	16.99%	13.36%	23.68%	22.8%	24.61%	52.33%	22.32%	32.93%	27.33%	20.79%

EQUITIES & LIABILITIES	FY 15	FY16	FY17*	FY18*	ASSETS	FY15	FY16	FY17*	FY18*
<b>Shareholder Funds</b>					<b>Non Current Assets</b>				
Share Capital	153	154	154	156	Tangible Assets	3,138	3,472	3,436	3,385
Reserves& Surplus	3,044	3,321	3,249	3,814	Intangible Assets	71	25	8	21
<b>Total -Shareholder Funds</b>	<b>3,197</b>	<b>3,475</b>	<b>3,403</b>	<b>3,970</b>	Capital Work In Progress	303	18	47	205
					Other financial assets			122	134
<b>Non Current Liabilities</b>					Income tax assets (net)			368	365
Long Term Borrowings	948	1,182	914	511	Non-current investments	77	279	175	4
Deferred Tax Liabilities (Net)	295	323	314	288	Long term loans & advance	871	531	-	-
Other Long Term liabilities	-	-	-	-	Other non-current assets	34	33	26	28
Long Term provisions	60	-	-	-					
<b>Total - Non – Current Liabilities</b>	<b>1,303</b>	<b>1,505</b>	<b>1,228</b>	<b>799</b>	<b>Total - Non – Current Assets</b>	<b>4,494</b>	<b>4,358</b>	<b>4,182</b>	<b>4,142</b>
<b>Current Liabilities</b>					<b>Current Assets</b>				
Short term Borrowings	1,857	1,125	884	258	Inventories	2,718	2,525	2,346	2,475
Trade Payables	1,322	1,729	1,606	1,502	Trade Receivables	1,043	1,131	990	661
Deposit from Business Partners			286	302	Cash & Bank Balances	636	521	105	193
Other Financial Liabilities			258	157	Bank balance other than above			4	4
Other Current Liabilities	1,352	1,161	684	736	Other financial assets			345	89
Short-term provisions	469	269	54	52	Short-term loans & advances	598	720	-	-
Income Tax Liability (Net)			-	131	Other current assets	11	9	431	343
<b>Total – Current Liabilities</b>	<b>5,000</b>	<b>4,284</b>	<b>3,772</b>	<b>3,138</b>	<b>Total – Current Assets</b>	<b>5,006</b>	<b>4,906</b>	<b>4,221</b>	<b>3,765</b>
<b>GRAND TOTAL - EQUITIES &amp; LIABILITIES</b>	<b>9,500</b>	<b>9,264</b>	<b>8,403</b>	<b>7,907</b>	<b>GRAND TOTAL – ASSETS</b>	<b>9,500</b>	<b>9,264</b>	<b>8,403</b>	<b>7,907</b>



## Pros

- Price gap reduction between Organized and Un-Organized in building products as per mgmt.
- Debt Equity ratio improved from 0.27 as at March 17 to 0.13 as at March 18 while the interest coverage ratio improved from 1.3 to 6.9 during the year
- This year CAPEX 20 crs. No Major Capex plan till 2021-22
- Demand from Warehousing Sector and Affordable housing
- Unprofitable business in ME shut down
- Management focusing on EBITA Improvement to 11% in next couple of years
- Overall, volumes of asbestos sheet sold went up 7% to 1.9 lakh T over the March 2017 quarter
- Boards and panels achieved better volumes after losing some ground on account of lower exports
- Stable raw material prices helped in reducing the overall cost of production. The outlook for raw material continues to be stable
- The steel-building segment's volumes rose 8%. Volatility in steel prices resulted in margin fluctuations. The order pipeline is around 25,000 T ( Equivalent to 5 Months Order)
- Shift from conventional structures to prefabricated structures is leading to strong demand visibility in the steel building segment. Good monsoon and higher minimum support price will help FY 2019
- Realizations of the roofing segment improved in the March 2018 quarter. Gain in market share has been notched
- EVI has a sizable market share and is amongst the leading companies in its sectors. In the roofing industry EVI has a market share of ~17% while in the boards and panels industry, it has a market share of ~25%. EVI is one of the largest players in the Pre-Engineered Buildings industry in India

## Risk factors:

- ✓ EVI has a portfolio of foreign currency debt as a result of which it is subject to currency and interest rate risks. The company's export portfolio is not doing well
- ✓ 50% of the company's revenue comes from a single segment - Roofing. The company has decided to reduce its dependence from the roofing segment. EVI is exploring opportunities and building an expertise in other segments such as boards and panels and steel buildings
- ✓ The demand for the roofing products are primarily in the rural area for residential roofs apart from the industrial roofs. India being an agrarian country, there is a greater dependence on the monsoon and good agricultural produce
- ✓ The company's products face competition in the form of roofing tiles and metal roofing, gypsum boards, plywood, wood substitutes, and brick & mortar construction
- ✓ Will Management walk the talk ?