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Everest Industries

Rs 142

Scaling up well

Sensex: 17,749

Nifty: 5,382

FINANCIAL SUMMARY

PARTICULARS	SALES	OPM (%)	OP	OTHER INCOME	PBIDT	INTEREST (NET)	PBDT	DEP.	PBT BEFORE EO	EO	PBT AFTER EO	TAX	PAT	EPS (RS)*
1203 (12P)	873.76	9.1	79.59	4.52	84.10	4.94	79.16	19.94	59.22	-11.24	70.46	17.58	52.88	29.8
1103 (12)	723.10	9.8	70.79	4.71	75.50	5.39	70.11	18.90	51.21	-1.97	53.18	12.48	40.70	26.0
1003 (12)	654.13	10.1	65.97	8.03	74.00	9.95	64.05	18.37	45.68	3.97	41.71	11.70	30.01	21.8
0903 (12)	529.45	9.2	48.93	3.90	53.73	16.48	37.25	17.14	20.11	0.00	20.11	5.66	14.45	9.6
0803 (12)	285.14	6.6	18.85	5.16	24.01	4.70	19.31	9.64	9.67	8.36	18.03	3.71	14.32	6.1

* Annualised on current equity of Rs 15.09 crore. Face Value: Rs 10 each. EO: Extraordinary items. EPS is calculated after excluding EO and relevant tax. Figures in Rs crore. (P): Projections. Source: Capitaline Corporate Databases

Established 76 years ago, Everest Industries (now controlled by Mrinalini Trust created by highly respected Gujarat Ambuja Cement's former promoter Narottam Sekhsaria) is one of India's leading building solutions company. It has continuously introduced innovative and modern building products with a promise of Strength, Speed and Safety.

Everest offers complete range of building solutions like Roofing, Ceiling, Wall, Flooring, Cladding, Door and the Pre Engineered Steel Buildings for the Industrial, Commercial & Residential sector.

While new products are being tested and developed at its central laboratories, existing ones swiftly make their way across the subcontinent via a nationwide network of stockists and dealers to ensure availability and prompt deliveries anywhere, be it a village, small town or big city.

Everest Industries caters to the demands of the construction industry with a strong portfolio of products for industrial and commercial applications and rural housing.

Broadly, the company operates in two business segments namely Building Products and pre-fabricated Steel building Divisions.

Strong investments in rural infrastructure development

The Government of India is committed to inclusive growth and has increased expenditure on rural and infrastructure development. It has also focused on agriculture and education.

The company operates in all these sectors.

Programs like National Rural Employment Guarantee Scheme, Indira Awas Yojana and Sarva Siksha Abhiyan are rapidly expanding the demand for the company's building products. The thrust on developing backward areas has led to an increase in construction of schools, hospitals and housing. Everest Industries has focused on expanding its existing network to meet this demand.

The company serves 100,000 villages across 600 cities through 31 sales offices and 6,000 retail counters.

Building products business- Witnessing strong demand from commercial and industrial sectors

Rural prosperity, sound agricultural policies and liquidity give long term strength to the roofing market. There are estimated 25 crore buildings in India. Of these, 46% are considered to have pucca roofs. The rest 54% are made of thatch (temporary kuchcha roofing) and clay tiles. Usage of clay tiles is shrinking due to non-availability of raw material. Amongst



STOCK DATA

BSE Code	:	508906
BSE Group	:	B
NSE Code	:	EVERESTIND
Bloomberg	:	EVI IN
Reuters	:	EVRI.BO
Par Value	:	Rs 10
52-week High/Low	:	Rs 177 / Rs 103
Sector	:	Cement - Products

SHAREHOLDING PATTERN*

Category	% of equity
Total Foreign	: 3.59
Total Institutions	: 6.78
Non Promoter Corporate Holding	: 7.26
Total Promoters	: 49.82
Total Public & Others	: 32.54
Totals	: 100

* as on 31st December 2011
Source: Capitaline Databases

pucca buildings, less than half have RCC slabs. Majority are made with ready-to-use roofing products which include Fiber Cement Roofing and metal roofing.

Some roofs are also made using bricks and stone. A kuccha roof owner has aspirations, seeks security and desires to graduate to a pucca roof.

The cost of a pucca roof using Fiber Cement Roofing is 1/3rd the cost of an RCC ceiling slab. The market for Fiber Cement Roofing today is estimated to be Rs 3,500 crore and for metal roofing Rs 3,600 crore.

Sustained demand for Fiber Cement Roofing Sheets comes primarily from rural areas all over the country. Everest serves over 100,000 villages and 600 cities through 37 sales depots and 6000 retail counters. The Everest brand and its assurance of quality continues to command a price premium in the markets it serves.

Exposure to global aesthetics and modern construction techniques has expanded markets for its fiber cement products, Everest Boards and Solid Wall Panels. The market for modern ready-to-install products like acoustic ceilings, access flooring and dry walling techniques is growing. The company understands the needs of the Indian construction market and has introduced new products to cater to this growing demand. These emerging segments provide many opportunities.

Exports of fiber cement building material to various countries all over the globe continues to grow and Everest has been recognized as a Star Export House.

To offer a large variety of roofing options to its consumers, the company has widened its product portfolio by including polycarbonate sheets, coloured and bare galvanized metal roofing in various profiles, and roof accessories. This has enabled its sales teams to offer a wider palette of roofing solutions to serve complex customer requirements. Growth in these products is dependent on new industrial projects and expansions. The company expects them to gather momentum in the coming years.

Boards and Panels market is also growing

The Indian boards industry is highly fragmented. Boards made of different material such as wood, plywood, gypsum, calcium silicate and fiber cement have been introduced in the market within the last decade. Today, at Rs 5000 crore, the wood based product industry dominates the market.

The usage of other kind of boards in India is yet at a very nascent stage - Fiber Cement Boards (Rs 225 crore), Gypsum Boards (Rs 530 crore) and Calcium Silicate (Rs 50 crores). However, it is growing rapidly with new product variants being introduced everyday to cater to specific customer requirements.

Acceptance level of new age Everest Fiber Cement Boards is increasing against traditional brick wall system. The company also makes Solid Wall Panels. These high-quality sandwich panels facilitate rapid construction and maximize space utilization, while offering excellent durability. There is an increase in demand for Everest Fiber Cement Boards and Solid Wall Panels in Infrastructure projects, central & state driven low cost housing, slum rehabilitation, rural sanitation projects, high end hospitals, hotels, corporate buildings and retail segment.

The company's products are absolutely safe for health

There are many misconceptions about one of its raw materials, asbestos. The company uses white asbestos (Chrysotile) fibre bound in a cement matrix in the manufacturing of AC roofing. Chrysotile is a naturally occurring mineral, mined and imported in shrink-wrapped pallets from developed and environmentally conscious countries like Canada, Russia and Brazil. In its manufacturing process, fibre is used in controlled environment. Fibre emission is fully controlled and fibre dust concentration at its production facilities

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Sustained demand for Fiber Cement Roofing Sheets comes primarily from rural areas all over the country. Everest serves over 100,000 villages and 600 cities through 37 sales depots and 6000 retail counters. The Everest brand and its assurance of quality continues to command a price premium in the markets it serves

is better than prescribed international norms. The company has systems to ensure zero discharge of industrial effluent.

Regular health check-ups for all its workmen confirm the absence of any asbestos-related disease over decades of service. Everest Industries ensures the highest level of safety for its workmen and the community.

Pre-engineered building (Steel building Division)-is gaining acceptance and growing rapidly

The Indian steel building industry grew by over 10% in 2010-11. The growth in Pre-engineered building (PEB) industry was over 20%. Today, more Architects and Structural Consultants are recommending Pre-engineered buildings for their projects. The main benefit is erection of a strong long-lasting building with minimal on-site work and accelerated speed of construction as compared to conventional structures.

A Pre-engineered building is at least 50% faster than a conventional building. Infrastructure projects such as airports, cargo hubs, schools, metro rails (such as DMRC, Bangalore Metro, Chennai Metro), Indian Railways, power plants and power plants equipment manufacturers are increasingly using these buildings. Traditional industrial sectors like pharma, automobile engineering, FMCG industry are also increasing capacity. These high-growth segments will boost the demand for Pre-engineered buildings in coming years.

The growth in warehousing and cold storage industry has a positive impact on PEB industry. Warehousing accounts for 20% of the Indian logistics industry and has grown at a rate of 35%. India spends 15%-20% of its GDP on logistics. This is much higher as compared with an average of 8%-10% in other developing countries with better infrastructure. Public and private sector companies are now investing in better logistics support to reduce costs. This will generate further demand for Pre-engineered buildings.

Everest's market share in this segment is about 5%. During the year 2011-12, Everest Steel Buildings will hand over its 500th PEB building.

PBT before EO up 88% in Dec.'11 quarter

For the quarter ended December 2011, sales were up by 17% to Rs 210.23 crore. Revenues from the building product segment were up by 12% to Rs 153.24 crore, which forms 73% of the total revenues. The remaining 27% of the revenue comes from steel building, which was up by 30% to Rs 56.99 crore.

OPM was up by 170 basis points to 7.6% which took up up 49% to Rs 15.89 crore.

PBIT margins of the building products segment improved 34bps to 8.18% with PBIT up 17% to Rs 12.54 crore, while for the steel building segment, PBIT margins fell by 23bps to 4.98% and there was 24% increase to Rs 2.84 crore at the PBIT level.

Other income grew 41% to Rs 1.14 crore. Interest expenses increased 9% to Rs 1.16 crore and depreciation charges rose 7% to Rs 5.07 crore. PBT before EO thus grew by 88% to Rs 10.8 crore.

EO which includes profit on sale of land and gain/loss on derivative transactions was nil against income of Rs 6.86 crore (profit of Rs 6.94 crore on sale of land and loss of Rs 8 lakh on derivatives). As a result PBT after EO fell 14% to Rs 10.8 crore. PAT fell by 27% to Rs 7.3 crore due to rise in tax rate from 21% to 32%.

Nine month performance is also impressive

For the nine month ended December 2011 the company' sales increased 22% to Rs 640.33 crore. The segment sales for the building products were up by 17% to Rs 485.66 crore, forming 76% of the total revenue. The sales for the steel building segment

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More Architects and Structural Consultants are recommending Pre-engineered buildings for their projects. The main benefit is erection of a strong long-lasting building with minimal on-site work and accelerated speed of construction as compared to conventional structures

were up by 42% to Rs 154.67 crore, which forms 24% of the total revenue.

OPM was down by 100 basis points to 9.1%.

PBIT for the building products segment declined by 19% to Rs 48.17 crore, while from the steel building segment increased by 607% from Rs 1.3 crore to 9.19 crore.

Interest expense declined by 15% to Rs 3.36 crore and depreciation charges rose a muted 5% to Rs 14.78 crore. PBT before EO thus increased 12% to Rs 43.54 crore.

There was an EO gain of Rs 11.24 crore on sale of land against nil and loss on derivative transactions (EO) was nil against Rs 4.88 crore resulting in an EO income of Rs 11.24 crore against Rs 2.06 crore.

PBT after EO increased by 34% to Rs 54.78 crore.

After providing for tax (up 41% to 15.23 crore), PAT grew 31% to Rs 39.55 crore.

Attractive valuation

In FY 2012 we expect the company to register EPS (after excluding extraordinary items) of Rs 29.8. The share price trades at Rs 142. P/E works out to just 4.8.

The Government of India is committed to inclusive growth and has increased expenditure on rural and infrastructure development. It has also focused on agriculture and education. The company operates in all these sectors

EVEREST INDUSTRIES: RESULTS

	1112 (3)	1012 (3)	VAR. (%)	1112 (9)	1012 (9)	VAR. (%)	1103 (12)	1003 (12)	VAR. (%)
Sales	210.23	180.32	17	640.33	525.28	22	723.1	654.13	11
OPM (%)	7.6	5.9		9.1	10.1		9.8	10.1	
OP	15.89	10.70	49	58.11	53.01	10	70.79	65.97	7
Other income	1.14	0.81	41	3.57	3.92	-9	4.71	8.03	-41
PBIDT	17.03	11.51	48	61.68	56.93	8	75.50	74.00	2
Interest (net)	1.16	1.06	9	3.36	3.95	-15	5.39	9.95	-46
PBDT	15.87	10.45	52	58.32	52.98	10	70.11	64.05	9
Dep.	5.07	4.72	7	14.78	14.12	5	18.90	18.37	3
PBT before EO	10.80	5.73	88	43.54	38.86	12	51.21	45.68	12
EO	0.00	-6.86		-11.24	-2.06	446	-1.97	3.97	LP
PBT after EO	10.80	12.67	-15	54.78	40.92	34	53.18	41.71	27
Tax	3.50	2.62	34	15.23	10.83	41	12.48	11.70	7
PAT	7.30	10.05	-27	39.55	30.09	31	40.70	30.01	36
EPS (Rs)*	#	#		#	#		26	21.8	

* on current equity of Rs 15.09 crore. Face Value: Rs 10 each. Var. (%) exceeding 999 has been truncated to 999. LP: Loss to Profit PL: Profit to Loss.
EO: Extraordinary items. EPS is calculated after excluding EO and relevant tax. #EPS cannot be annualized due to seasonality of business. Figures in Rs crore.
Source: Capitaline Corporate Databases

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