

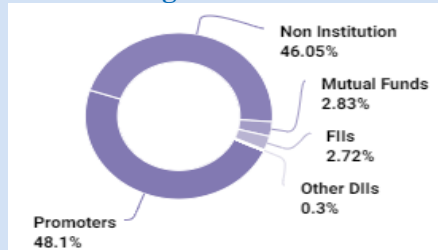
Company Details

CMP:	Rs.405.9
Face value:	Rs.10
Market cap:	Rs.634.68 Crs.
TTM EPS	Rs.39.55
52 week high:	Rs. 597.50
52 week low:	Rs.380.45
BSE Code:	508906
Sector	Cement & Cement Products

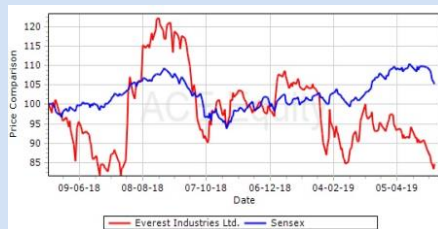
Consolidated Financial Highlights (YoY)

Rs. in crores			
	FY19	FY18	% Var
Net Sales	1408.32	1270.51	10.8%
Total Expendit	1303.75	1180.60	10.4%
PBDIT	104.57	89.91	16.3%
Op.Profit	111.04	99.95	11.1%
OPM (%)	7.9%	7.9%	0.2%
PBT	82.86	63.81	29.9%
PAT	61.86	53.06	16.6%
EPS (Rs.)	39.55	33.93	16.6%
Equity	15.64	15.64	0.0%

Shareholding Pattern



Price Vs Sensex Chart



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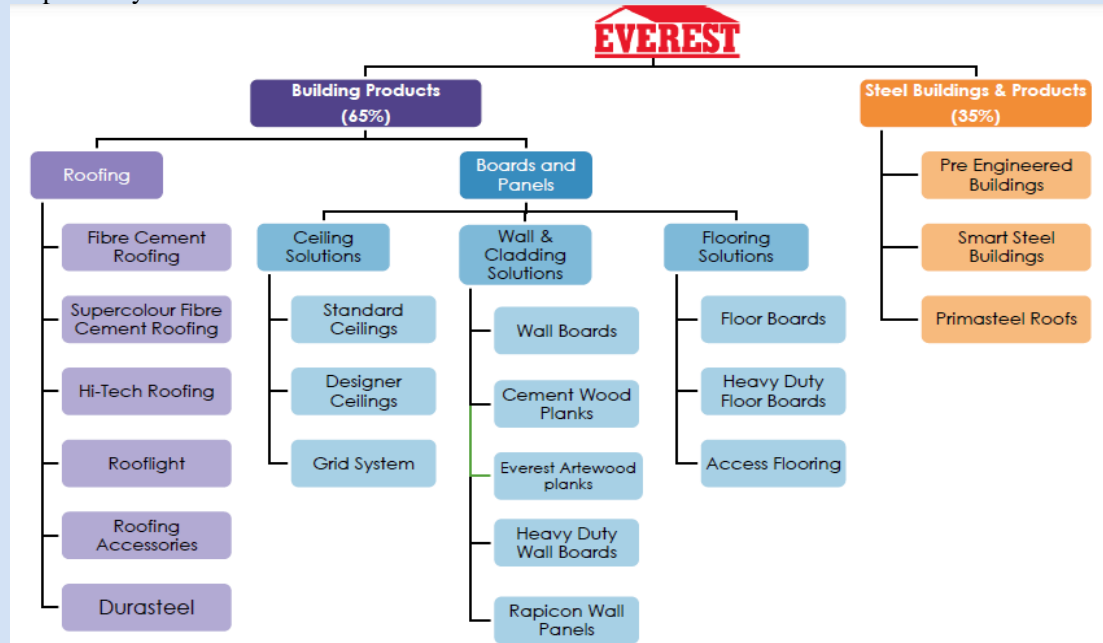
Satco Capital Markets Ltd.

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Company Background

Everest Industries Ltd., incorporated in 1934, and is engaged in manufacture of Building and Steel products. The company offers a complete range of roofing, ceiling, wall, flooring, cladding products as well as engineered steel buildings for industrial, commercial and residential applications. With six building products plants and two steel buildings and component plants, the company distributes its products through large network of 32 sales depots, over 6000 dealer outlets, serving over 600 cities & 100,000 villages. The total capacity for Steel Building Plants, Roofing, and Boards & Panel is 72,000MTPA, 7, 30,000MTPA and 1, 50,000 MTPA respectively.



Building Products (65%)

The company offers wide range of building products & solutions to meet the requirements of both, commercial and residential segments. Apart from the standard roofing products the enhanced product “Everest Super” and its new variants, which has superior aesthetic quality, has been well received. Boards and Panels have high value added through variants and solutions offerings, which has been successful in tapping the demand from rural and Tier II towns. The company has launched “Everest Artewood planks” a new luxury product for wall & cladding solutions, available in 3 different colours.

Steel Buildings (35%)

The company offers building solutions like Pre-Engineered steel buildings and smart steel buildings, and is one of the largest players in the Pre-Engineered industry in India. Smart steel buildings are ideal for commercial buildings that require faster execution, which are easy to transport to difficult terrains and geographies. The domestic market is expected to grow at a CAGR of ~15% over the next 5 years.

Financial Performance

The company has reported Net sales of Rs. 1408.32 crore during FY19 higher by 10.8% against Rs. 1270.51 crore during FY18 on the back of strong volume growth. The **Net profit was at Rs.61.86 crore in FY19 up by 16.6% against that of Rs.53.06 crores in FY18. The EPS has improved from Rs. 33.93 in FY18 to Rs. 39.55 in FY19.** There has been increase in the market share across product segment with deeper penetration.

Investment Rationale

- Improvement in standard of living along with shifting preference for newer and improved building material would be the key driver of the demand. The company is strategically working on adding new value added products to improve the margins.
- Everest super (colored roofing sheets) which has better margins than standard roofing sheets is gaining good acceptance amongst all markets.
- The increase in volume has been result of focused marketing effort, strong product mix, added stimulus on value added product, expanded distribution network and reactivation of clients. The management continues to take further action to debottlenecking the utilization

level and expected to see the impact in second half of FY20.

- Currently, the plants are running on average capacity utilization of 80%. By looking ahead the high demand during the peak season (pre-monsoon), the management intended to increase the capacity utilization and has taken strategic move to build up inventories to cater the customers in various markets.
- The company has taken various steps to increase the average order size in steel buildings segment, profitability is expected to improve with better execution cycle and larger ticket size projects.
- The management expects to grow the topline by 10% and to take further actions in line to improve the margins in FY20.
- The company has reduced its Debt.
- The company has been consistently paying dividend since FY07 and it has declared dividend of Rs.7.5/- per share i.e 75% on equity share of face value of Rs. 10 for FY19. The dividend provides tax free dividend yield of 1.85%.
- Promoter holds 48.1% whereas, FIIs and Mutual Funds hold 2.72% and 2.83% respectively, rest about 0.3% and 46.05% shares of the company are held by Other DIIs and Public.

Concerns

Raw material prices, competition from peers and fluctuations in Foreign Exchange rates are the main concerns.

Valuation

The share of the Company is trading at **P/E of 10.2x**. Keeping the increase in rural spending the demand of building material is likely to be boosted, acceptance of new variants of product, increase in market share in overall segment and cost control actions from the management, we expect 10% revenue CAGR over FY20 and to report an **EPS of about Rs. 43.47 for FY20E and with the PE of 12x** and accordingly, we estimate the price of the scrip to appreciate to about Rs. 525 (an appreciation of about 29%) over the next 12 months.



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