

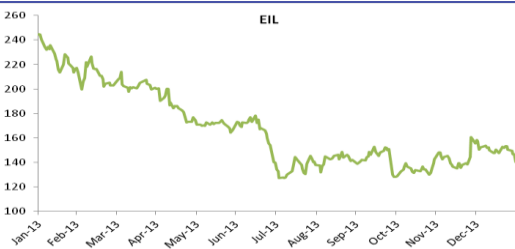
Everest Industries Ltd. (EIL)

Recommendation	BUY
CMP	Rs. 140
Target Price	Rs. 220
Sector	Cement Products

Stock Details

BSE Code	508906
NSE Code	EVERESTIND
Bloomberg Code	EVI IN
Market Cap (Rs cr)	211
Free Float (%)	50.5%
52- wk HI/Lo (Rs)	259/122
Avg. volume BSE (Quarterly)	7601
Face Value (Rs)	10.0
Dividend (FY 13)	Rs. 7.5 per share
Shares o/s (Cr)	1.5

Relative Performance	1Mth	3Mth	1Yr
EIL	0.1%	9.3%	-42.9%
Sensex	-10.0%	-2.5%	2.5%



Shareholding Pattern	31 st Dec 2013
Indian Promoters Holding	49.5%
Institutional (Incl. FII)	12.0%
Corporate Bodies	7.8%
Public & others	30.6%

Ruchita Maheshwari

Research Analyst

(+91 22 3926 8023)

(ruchita.maheshwari@nirmalbang.com)

Signs of improvement visible; Retain BUY

Net revenue declined by 11.2% YoY to Rs 227.1cr and up by 14.7% QoQ. EBITDA margin declined by 400bps YoY to 3.4% in Q3FY14 owing to higher input cost and decline in net revenue. Everest Industries (EIL) reported net loss of Rs 1cr in Q3FY14 as against net profit of Rs 9.6cr due to higher interest cost led by project capitalization and increase in working capital plus higher depreciation cost.

Decline in volume growth and no price hike led fall in Net revenue YoY: The Building Product reported a decline in volume by 13.7% YoY however; Steel Building reported an uptick in volume by just 2.5% YoY resulted into the decline in overall net revenue by 11.2% YoY to Rs 227.1cr in Q3FY14. The Building product volume declined due to subdued demand in Southern region which accounts for ~30% of the total revenue. Further, decline by 20% of price realization in Steel building due to change in product mix, impacted the revenue growth of EIL despite building product registering an increase by 6.7% YoY. **However, we draw comfort from the fact that EIL has registered a substantial improvement from Q2FY14, where Building product and Steel building reported a volume growth by 19.1% and 28.6% QoQ respectively.**

Higher input cost led decline in EBITDA: Moreover, EBITDA margin stood at 3.4%, down by 400bps YoY owing to jump in employee cost and Other expenses as a % of sales. In addition, decline in net revenue further added woes in the operating margin for the company. However, to our surprise, the company reported a substantial improvement in Gross margin by 220bps YoY and by 370bps QoQ to 44.8% in Q3FY14. The key raw-material Chrystolite fibre (forms 45-50% of raw-material) is 100% imported, was relatively stable (QoQ) owing to stable rupee. However, inability to pass on the increase in costs (no price hike during Q3FY14) due to rise in competition continues to strain EBITDA margin. **Nevertheless, management has guided of no price increase expected in Chrystolite fibre, gives us comfort that with the improvement in volume (Building product and Steel building in coming quarters as Q4 & Q1 are historically good quarters) and relatively stable price in Chrystolite fibre, operating margin will improve from hereon. EBITDA declined by 59.5% YoY to Rs 7.7cr and against negative EBITDA of Rs 8.9cr in Q2FY14.**

Valuation & Recommendation

We feel that, with good monsoon, the rural population will enjoy higher disposable incomes which will boost demand for pucca housing and ACS. Secondly, with lot of the RBI initiatives to keep the rupee under check compared to global currencies, we expect rupee to remain stable, thus we feel that operating margin will improve from hereon. We believe the timely expansion in ACS of 0.1MT in June 2013 and PESB (30,000ton by mid 2014) will drive volume growth over the next two years. Currently PESB enjoys Rs 310cr worth of order book. We have slightly tweaked our estimates and expect EIL to post revenue decline by 2.4% in FY14E incorporate the slower volume growth. However, we expect revenue growth by 22% in FY15E. We are positive on the long term prospects of the company. At CMP, EIL is trading at a PE of 18.2x FY14E and 5.6x FY15E. We retain BUY rating with a TP of Rs. 220 per share.

Year	Net Sales	Growth %	EBIDTA	EBIDTAM (%)	APAT	PATM (%)	EPS (Rs.)	P/E(x)	EV/EBITDA(x)	ROE
FY12	886.9	22.6%	80.8	9.1%	44.7	5.0%	29.6	4.0	2.2	19.5%
FY13	1014.1	14.4%	97.8	9.6%	52.7	5.2%	34.7	4.1	1.6	19.5%
FY14E	989.9	-2.4%	45.3	4.6%	11.7	1.2%	7.7	18.2	3.6	4.0%
FY15E	1208.1	22.0%	87.9	7.3%	38.1	3.2%	25.1	5.6	2.0	12.3%

Everest Industries Ltd. (EIL)

Q3FY14: Consolidated and Segment Result

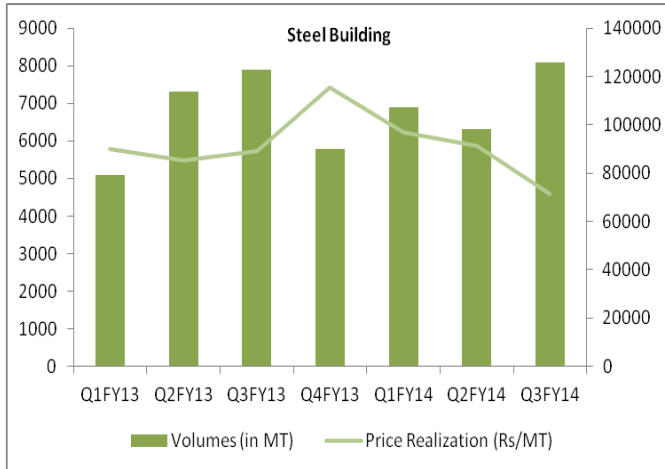
Rs. in crore

Particulars	Q3FY14	Q3FY13	YoY%	Q2FY14	QoQ%	Q1FY14
Net Sales	227.1	255.7	-11.2%	198.0	14.7%	296.8
Other Operating Income	3.4	2.5	38.2%	1.5	123.7%	1.9
Total Income	230.5	258.1	-10.7%	199.6	15.5%	298.7
Raw Material Consumed	126.1	156.5	-19.5%	123.6	2.0%	158.2
Stock Adjustment	-9.3	-12.5		-14.2		4.8
Purchase of Traded Goods	8.5	2.7	221.1%	7.2	17.5%	5.4
Gross Profit	101.8	109.0	-6.6%	81.4	25.1%	128.4
Gross Margin (% of net sales)	44.8%	42.6%	220	41.1%	370	43.3%
Employee Expenses	26.2	22.1	18.4%	25.8	1.6%	26.5
Freight	20.2	19.2	5.3%	17.4	16.6%	26.0
Other Expenses	51.2	51.2	-0.1%	48.7	5.0%	50.3
Total Expenditure	222.9	239.2	-6.8%	208.5	6.9%	271.1
EBITDA	7.7	19.0	-59.5%	-8.9	-186.1%	27.6
% of net sales	3.4%	7.4%	-400	-4.5%	790	9.3%
Depreciation	7.2	5.6	28.3%	6.3	14.1%	5.6
EBIT	0.5	13.4	-96.5%	-15.2	-103.1%	21.9
Interest	4.0	1.3	206.1%	1.9	109.9%	2.0
PBT & OI	-3.5	12.0	-129.4%	-17.1	-79.3%	19.9
Other Income	1.4	2.2	-38.4%	6.9	-80.5%	0.9
PBT	-2.2	14.2	-115.4%	-10.2	-78.6%	20.8
Tax	-1.2	4.6		-3.6		7.1
Tax / PBT	56.2%	32.5%		34.9%		34.0%
Net Profit	-1.0	9.6	-110.0%	-6.6	-85.6%	13.7
% of net sales	-0.4%	3.8%	-420	-3.4%	300	4.6%
Equity	15.2	15.1		15.2		15.2
EPS (Unit Curr.)	-0.6	6.3		-4.4		9.0
Segment Revenues						
Building Products	172.7	187.7	-7.9%	142.0	21.6%	231.9
Steel building	57.8	70.5	-18.0%	57.5	0.5%	66.7
Total	230.5	258.1	-10.7%	199.6	15.5%	298.7
Less: Intersegment	0.0	0.0		0.0		0.0
Net Turnover	230.5	258.1	-10.7%	199.6	15.5%	298.7
Segment Results						
Building Products	6.4	14.6	-56.1%	-5.5	-215.9%	25.8
% of net sales	3.7%	7.8%		-3.9%		11.1%
Steel building	1.0	4.3	-77.3%	-0.3	-437.9%	3.3
% of net sales	1.7%	6.1%		-0.5%		4.9%
Total	7.4	18.9	-60.9%	-5.8	-227.0%	29.1
% of net sales	3.2%	7.3%		-2.9%		9.7%
Interest Exp	4.0	1.3		1.9		2.0
Unallocable Exp	5.6	3.4		2.5		6.3
PBT	-2.2	14.2	-115.4%	-10.2	-78.6%	20.8

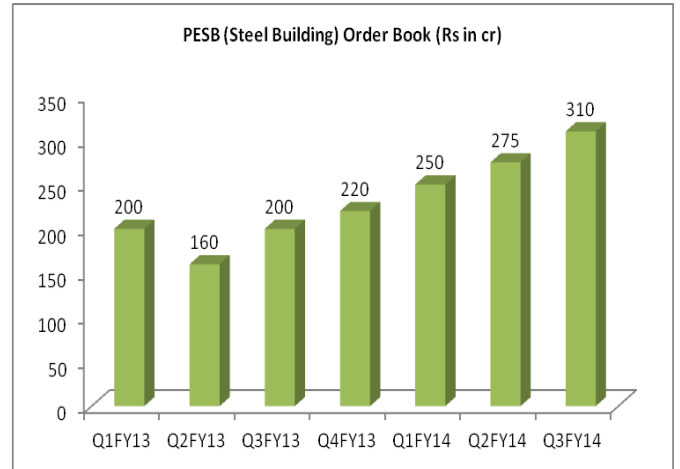
Source: Company & Nirmal Bang Research

Everest Industries Ltd. (EIL)

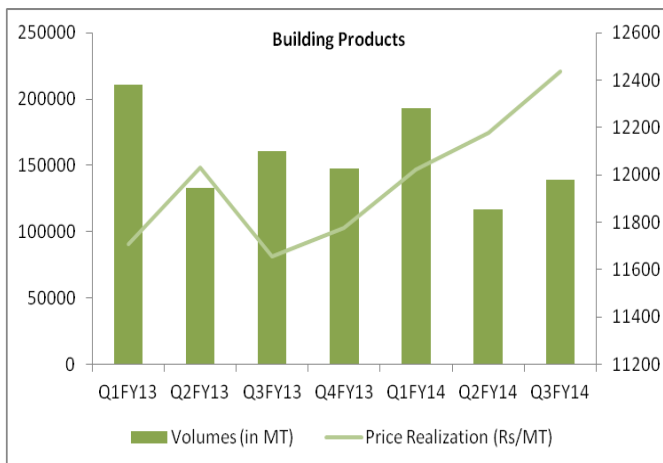
Annexures



Source: Company & Nirmal Bang Research



Source: Company & Nirmal Bang Research



Source: Company & Nirmal Bang Research

Everest Industries Ltd. (EIL)

Consolidated Financials

Income Statement (Rs. In Cr)	FY12	FY13	FY14E	FY15E
Revenues - Net	886.9	1014.1	989.9	1208.1
% change	22.6%	14.4%	-2.4%	22.0%
EBITDA	80.8	97.8	45.3	87.9
% change	22.3%	21.1%	-53.6%	93.9%
Interest	4.4	5.6	12.0	13.0
Other Income	17.8	8.8	10.8	11.8
EBDT	94.1	101.0	44.1	86.6
Depreciation	20.1	22.1	26.2	28.1
Exceptional (Gain)/ Loss	0.0	0.0	0.0	0.0
PBT	74.0	78.9	18.0	58.6
Tax	21.3	26.4	6.3	20.5
PAT	52.8	52.5	11.7	38.1
Extraordinary items	8.1	-0.2	0.0	0.0
Adj PAT	44.7	52.7	11.7	38.1
Shares o/s (No. in Cr.)*	15.1	15.2	15.2	15.2
EPS	34.9	34.6	7.7	25.1
Adj EPS*	29.6	34.7	7.7	25.1
Cash EPS	48.2	49.1	24.9	43.5

Quarterly (Rs. In Cr)	Mar.13	Jun.13	Sep.13	Dec.13
Revenue including OI	241.3	298.7	199.6	230.5
EBITDA	11.7	27.6	-8.9	7.7
Interest	1.4	2.0	1.9	4.0
EBDT	10.3	25.5	-10.8	3.7
Dep	5.8	5.6	6.3	7.2
Other Inc.	3.2	0.9	6.9	1.4
PBT	7.7	20.8	-10.2	-2.2
Tax	3.6	7.1	-3.6	-1.2
PAT	4.1	13.7	-6.7	-1.0
EPS (Rs.)	2.7	9.0	-4.4	-0.6

Operational Ratio	FY12	FY13	FY14E	FY15E
EBITDA margin (%)	9.1%	9.6%	4.6%	7.3%
Adj.PAT margin (%)	5.0%	5.2%	1.2%	3.2%
Adj.PAT Growth (%)	25.9%	17.8%	-77.8%	225.9%
Price Earnings (x)	4.0	4.1	18.2	5.6
Book Value (Rs.)	33.0	38.2	39.0	42.4
ROCE (%)	19.8%	21.3%	6.3%	14.8%
RONW (%)	19.5%	19.5%	4.0%	12.3%
Debt Equity Ratio	0.3	0.6	0.6	0.5
Price / Book Value (x)	4.2	3.7	3.6	3.3
EV / Sales	0.2	0.2	0.2	0.1
EV / EBITDA	2.2	1.6	3.6	2.0

Balance Sheet (Rs. In Cr)	FY12	FY13	FY14E	FY15E
Issued Share Capital	15.1	15.2	15.2	15.2
Reserves & Surplus	234.4	274.6	280.9	306.6
Net Worth	249.5	289.8	296.1	321.8
Total Loans	81.0	173.4	183.4	168.4
Net Deferred Tax Assets	23.9	24.6	24.6	24.6
Total Liabilities	354.5	487.8	504.1	514.8
Net Fixed Assets	220.3	211.4	278.8	287.8
CWIP	7.9	37.1	0.0	0.0
Investments	0.0	0.0	0.0	0.0
Inventories	158.0	254.2	249.5	271.4
Sundry Debtors	41.7	52.4	51.5	62.9
Cash & Bank	33.0	52.9	47.5	34.7
Loans & Advances	24.7	50.0	48.8	56.3
Other non current assets	35.4	43.4	43.4	49.6
C A L&A	292.8	452.8	440.7	474.9
CL & P	166.5	213.5	215.4	248.0
Working Capital	126.3	239.3	225.3	226.9
Total Assets	354.5	487.8	504.1	514.8

Cash Flow (Rs. In Cr)	FY12	FY13	FY14E	FY15E
Operating				
EBITDA	80.8	97.8	45.3	87.9
Change in WC	96.7	-93.2	15.1	-23.1
Tax	-23.3	-30.4	-6.3	-20.5
CF from Operations	154.2	-25.8	54.1	44.3
Investing Activities				
Capex	-25.8	-42.4	-50.0	-30.0
Investment	0.0	0.0	0.0	0.0
Other Income	17.8	8.8	10.8	11.8
Cash from Investment	-8.03	-33.62	-39.25	-18.25
Financing				
Dividend paid	-7.0	-10.6	-5.3	-12.4
Share Capital and Premium	0.0	0.0	0.0	0.0
Interest Paid	-4.4	-4.7	-12.0	-13.0
Loan	-29.8	92.4	10.0	-15.0
Others	-90.7	2.1	-13.0	1.7
Cash from Financing	-131.8	79.2	-20.3	-38.8
Net change in Cash	14.4	19.8	-5.4	-12.8
Opening cash	18.7	33.0	52.9	47.5
Closing Cash	33.0	52.9	47.5	34.7

Source: Company & Nirmal Bang Research

Everest Industries Ltd. (EIL)

Disclaimer:

This Document has been prepared by Nirmal Bang Research (A Division of Nirmal Bang Securities PVT LTD). The information, analysis and estimates contained herein are based on Nirmal Bang Research assessment and have been obtained from sources believed to be reliable. This document is meant for the use of the intended recipient only. This document, at best, represents Nirmal Bang Research opinion and is meant for general information only. Nirmal Bang Research, its directors, officers or employees shall not in anyway be responsible for the contents stated herein. Nirmal Bang Research expressly disclaims any and all liabilities that may arise from information, errors or omissions in this connection. This document is not to be considered as an offer to sell or a solicitation to buy any securities. Nirmal Bang Research, its affiliates and their employees may from time to time hold positions in securities referred to herein. Nirmal Bang Research or its affiliates may from time to time solicit from or perform investment banking or other services for any company mentioned in this document.

Nirmal Bang Research (Division of Nirmal Bang Securities Pvt. Ltd.)

B-2, 301/302, Marathon Innova,
Opp. Peninsula Corporate Park
Off. Ganpatrao Kadam Marg
Lower Parel (W), Mumbai-400013
Board No. : 91 22 3926 8000/8001
Fax. : 022 3926 8010