Sushil Finance
ACTIONABLE KNOWLEDGE

EVEREST INDUSTRIES LTD.

Market Cap.	52 Week H/L	CMP	Target Price
Rs.320 Cr.	Rs.370/120	Rs.205	Rs.320

CEMENT & CEMENT PRODUCTS

STOCK DATA

BUY

Reuters Code	EVRI.BO
Bloomberg Code	EVI IN
BSE Code	508906
NSE Symbol	EVERESTIND
Face Value	Rs.10
Shares Outstanding*	1.56 Cr.
Avg. Daily Volume (6m)	129,417 Shares

Price Performance (%)

1M	3M	6M
(5)	10	(31)

200 days EMA Rs.237

SHARE HOLDING (%)

Promoters	50.7
FII/ MF	0.9
FI	0.5
Bodies Corporate	-
Public & Others	47.9

Everest Industries Ltd. (EIL) recently announced its performance for the quarter ended June 30, 2020. Following are the key highlights.

Particulars	Q1 FY21	Q1 FY20	YoY	Q4 FY20	QoQ
Net Sales	317.0	432.18	(26.6%)	290.5	9.2%
EBITDA	38.6	40.4	(4.4%)	1.1	3312.4%
EBITDA Margin	12.2%	9.3%	283 bps	**0.4%**	**1177 bps**
Profit before Tax	32.1	35.7	(10.2%)	(5.0)	NA
Profit after Tax	20.9	24.6	(14.9%)	(3.2)	NA
PAT Margin	6.6%	5.7%	91 bps	**(1.1%)**	**NA**
EPS	13.4	15.7	(14.9%)	(2.0)	NA

Highlights from the Quarter (Q1 FY21):

During Q1 FY21, the top-line fell 26.6% YoY to Rs.317.0 cr clearly impacted by the Covid-19 led lockdown. As shown in the table below, the Building Products segment witnessed a volume decline of 21.6% YoY to 225,000T while Steel Buildings recorded a volume fall of 69.2% YoY to 4,000 T. The realizations stood at Rs.12,173/T (+10.2%, YoY) in Building Products division and Rs.106,750/T (+21.3%, YoY) in Steel Buildings division. Accordingly, the revenue from 'Building Products' and 'Steel Buildings' divisions stood at Rs.273.9 cr (-13.6%, YoY) and Rs.42.7 cr (-62.7%, YoY). The EBIT margin stood at 16.9% (+485 bps) for Building Products and -9.6% (-1,511 bps) for Steel Buildings.

Despite substantial fall in sales the company managed to safeguard its profitability due to better realizations on account of stable demand in the rural areas amid supply constraints; EBITDA margin improved from 9.3% in Q1 FY20 to 12.2% in Q1 FY21 primarily due to substantial decline in other expenses, as a percentage of revenue. At the bottom level, the company recorded PAT of Rs.20.9 cr as against profit of Rs.24.6 cr in the corresponding quarter of previous fiscal. Accordingly, the EPS reported by the company stood at Rs.13.4 as against Rs.15.7 in Q1 FY20 and a negative EPS in previous quarter.

Segmental	Q1 FY20	Q1 FY21	YoY
Building Products			
Sales Volume (T)	287,000	225,000	(21.6%)
Revenue (Rs. Cr)	317	273.9	(13.6%)
Realization/Ton (Rs.)	11,045	12,173	10.2%
EBIT Margin	12.1%	16.9%	485 bps
Steel Products			
Sales Volume (T)	13,000	4,000	(69.2%)
Revenue (Rs. Cr)	114.4	42.7	(62.7%)
Realization/Ton (Rs.)	88,000	106,750	21.3%
EBIT Margin	5.5%	(9.6%)	(1,511 bps)

Y/E Mar	Revenue (Rs Cr)	EBITDA (Rs. Cr)	PAT (Rs. Cr)	NPM (%)	REPS (Rs.)	P/E (x)	P/B (x)	EV/ EBITDA (x)
FY19	1,408.3	104.6	61.9	4.4%	39.6	5.2	0.7	3.7
FY20	1,285.4	42.2	13.5	1.1%	8.7	23.7	0.7	9.2
FY21E	**903.7**	**40.7**	**12.8**	**1.4%**	**8.2**	**25.1**	**0.7**	**9.5**
FY22E	**1,393.8**	**111.5**	**71.4**	**5.1%**	**45.7**	**4.5**	**0.6**	**3.5**

RESEARCH ANALYST
Saurabh Jain | +91 22 4093 4004
saurabh.jain@sushilfinance.com

Sales:
Devang Shah | +91 22 4093 6060/61
devang.shah@sushilfinance.com

According to the Management, the key challenges in Q1 FY21 were lack of manpower, particularly contractual, delayed permission of opening of plants, supply chain, restrictions by local authorities, general health and safety alongwith availability of trucks and increase in petro product prices. Apart from that, the other challenges were inability to visit markets, low demand in urban areas, customers taking additional time in decisions, no physical meetings, projects deferred, customers conserving cash.

In respect of State Government subsidy receivable under GST regime, the Management believes that due to prolonged impact of Covid-19, the state Government may further delay notifying the procedures to claim subsidy and therefore the company has, as a matter of prudence made a provision of Rs.5.8 cr against the subsidy receivable.

OUTLOOK AND VALUATION

EIL reported good top-line and bottom-line for Q1 FY21 considering the lockdown. We have accordingly revised our estimates. **We expect company to report top-line de-growth of 29.7% YoY for FY21 to Rs.904 cr and growth of 54.2% YoY to Rs.1,394.0 cr in FY22; we expect EIL to report a net profit of Rs.71.4 cr for FY22. At current levels, the company trades at 5.2x of FY22 earnings; assigning a P/E multiple of 7.0x, we arrive at the target price of Rs.320 which showcases a potential upside of ~56% from current levels for an investment horizon of 18-24 months. On account of uncertainties with regard to Covid-19 led impact on business, it is difficult to determine the impact on the financials, hence, we will revisit our financial model and may revise our estimates substantially in the coming quarters following the performance of the company.**



PROFIT & LOSS STATEMENT

(Rs. Cr.)

Y/E Mar.	FY19	FY20	FY21 E	FY22 E
Revenue	**1,408**	**1,285**	**904**	**1,394**
Raw Material Cost	784	740	524	794
Employee Cost	116	117	104	125
Power & Fuel	-	-	-	-
Freight & Forwarding	-	-	-	-
Other Expenses	404	387	235	362
EBITDA	**105**	**42**	**41**	**112**
EBITDA Margin (%)	*7.4%*	*3.3%*	*4.5%*	*8.0%*
Depreciation	21	24	24	24
EBIT	**84**	**18**	**16**	**88**
EBIT Margin (%)	*6.0%*	*1.4%*	*1.8%*	*6.3%*
Finance Costs	8	7	6	5
Other Income	6	9	7	13
Profit before Tax	**83**	**21**	**18**	**96**
Tax Expense	21	7	5	24
Net Profit	**62**	**14**	**13**	**71**
Net Margin (%)	*4.4%*	*1.1%*	*1.4%*	*5.1%*
EPS	**40**	**9**	**8**	**46**

BALANCE SHEET

(Rs. Cr.)

Y/E Mar.	FY19	FY20	FY21 E	FY22 E
PP&E (incl. CWIP)	361	372	372	386
Goodwill	-	-	-	-
Intangible Assets/Rights to use Assets	1	8	8	8
Other Non-Current	40	48	40	40
Inventories	329	311	225	326
Trade Receivables	99	67	79	115
Cash and Bank Balances	19	3	35	40
Other Current Assets	51	40	36	50
Total Assets	**902**	**849**	**799**	**965**
Equity Share Capital	16	16	16	16
Reserves & Surplus	436	437	450	516
Borrowings (LT)	47	45	24	23
Other Non-Current Liabilities	29	37	34	34
Borrowings (ST)	36	21	36	35
Trade Payables	184	146	122	185
Other Financial Liabilities	15	19	15	15
Other Current Liabilities	83	54	52	80
Current Tax Liab & Provisions	57	75	50	61
Total Liabilities	**902**	**849**	**799**	**965**

Source: Company, Sushil Finance Research

CASH FLOW STATEMENT

(Rs. Cr.)

Y/E Mar.	FY19	FY20	FY21 E	FY22 E
PBT	83	21	18	96
Depreciation	21	24	24	24
Interest	8	7	6	5
CFO before Working Cap chg	**111**	**52**	**48**	**124**
Chg in Inventories	(82)	19	85	(101)
Chg in Trade Receivables	(29)	32	(12)	(35)
Chg in Other Current Assets	(5)	10	(4)	(3)
Chg in Trade Payables	26	(38)	(24)	63
Chg in Other Current Liabilities	8	(29)	(2)	28
Cash Flow from Operations	**30**	**45**	**91**	**76**
Interest Paid	(8)	(7)	(6)	(5)
Dividend Paid	(13)	(2)	-	(5)
Change in Borrowings	6	(17)	(6)	(2)
Taxes Paid	(21)	(7)	(5)	(24)
Others	24	12	(15)	-
Cash Flow from Financing	**(11)**	**(21)**	**(32)**	**(36)**
Capital Expenditure	(23)	(34)	(27)	(35)
Investments	1	(6)	(1)	-
Cash Flow from Investing	**(22)**	**(41)**	**(28)**	**(35)**
Opening Cash	**23**	**19**	**3**	**35**
Total Cash Flow	**(4)**	**(16)**	**31**	**5**
Closing Cash	**19**	**3**	**35**	**40**

FINANCIAL RATIO STATEMENT

Y/E Mar.	FY19	FY20	FY21 E	FY22 E
Growth (%)				
Revenue	10.8%	(8.7%)	(29.7%)	54.2%
EBITDA	16.3%	(59.6%)	(3.7%)	174.2%
Net Profit	16.6%	(78.1%)	(5.6%)	459.6%
Profitability (%)				
EBITDA Margin	7.4%	3.3%	4.5%	8.0%
Net Profit Margin	4.4%	1.1%	1.4%	5.1%
ROCE	15.7%	3.6%	3.1%	14.8%
ROE	13.7%	3.0%	2.7%	13.4%
Per Share Data (Rs.)				
EPS	40	9	8	46
BVPS	289	289	298	340
CEPS	53	24	24	61
Valuation (x)				
P/E	5.2	23.7	25.1	4.5
P/BV	0.7	0.7	0.7	0.6
EV/EBITDA	3.7	9.2	9.5	3.5
P/SALES	0.2	0.2	0.4	0.2
Turnover				
Inventory days	153	153	157	150
Debtor days	26	19	32	30
Creditor days	86	72	85	85
Gearing (x)				
D/E	0.2	0.1	0.1	0.1

Source: Company, Sushil Finance Research

Earlier Recommendation

Date	Report Type	Reco	Price (Rs.)	Target (Rs.)
08 June 2020	Q4 FY20 Result Update	Buy	202	320
11 November 2019	Q2 FY20 Result Update	Buy	294	437
25 September 2019	Initiating Coverage	Buy	346	437

Rating Scale :

This is a guide to the rating system used by our Institutional Research Team. Our rating system comprises of three rating categories.

Total Expected Return Matrix (Rating and Return)	BUY : Over 20%	HOLD : 0% to 20%	SELL : 0% to -20%

Disclaimer & Disclosures : http://goo.gl/1sOHeV

This report has been furnished to you for your general information only and should not be reproduced, re-circulated, published in any media, website or otherwise, in any form or manner, in part or as a whole, without the express consent in writing of Sushil Financial Services Private Limited. This Research Report is meant solely for use by the original recipient to whom it is sent and is not for circulation. Any unauthorized use, disclosure or public dissemination or copying of information (either whole or partial) contained herein is prohibited.

This Report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. The recommendations, if any, made herein are expression of views and/or opinions and should not be deemed or construed to be neither advice/offer for the purpose of purchase or sale of any securities mentioned herein. Past performance is not a guide for future performance, future returns are not guaranteed. Opinions expressed herein are subject to change without notice. Investor should rely on information/data arising out of their own investigations. The Sushil Equity Universe consists of ## Sushil's Classic- the company's where fundamental reports are published and # Sushil's Bonanza - the other company's under study.

Investors are advised to seek independent professional advice and arrive at an informed trading/investment decision before executing any trades or making any investments. The price and value of the investments referred to in this material and the income from them may go down as well as up, and investor may realize losses on any investments. This Report has been prepared on the basis of publicly available information, internally developed data and other sources believed by us to be reliable. A graph of daily closing prices of securities is available at www.nseindia.com, www.bseindia.com. Research Analyst views on Subject Company may vary based on Fundamental and Technical Research. Sushil Financial Services Private Limited or its directors, employees, affiliates or representatives do not assume any responsibility for, or warrant the accuracy, completeness, adequacy and reliability of such information / opinions / views. None of the directors, employees, affiliates or representatives of company shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages/loss etc whatsoever from the information/opinions/views contained in this Report and investors are requested to use the information contained at their risk.

Sushil Financial Services Private Limited (SFSPL) and its connected companies, and their respective Directors, Officers and employees or their relative, may have a long or short position in the subject companies mentioned in the report and it may not be construed as potential conflict of interest with respect to any recommendation and related information and opinions. Reports based on technical and derivative analysis centre on studying charts company's price movement, outstanding positions and trading volume, as opposed to focusing on a company's fundamentals and, as such, may not match with a report on a company's fundamental analysis. SFPSL has different business segments/Divisions with independent research and maintains arm's length distance catering to different set of customers having various objectives, risk profiles, investment horizon, etc. and therefore may at times have different contrary views on stocks sector and markets. Research Report may differ between SFSPL's RAs on account of differences in research methodology, personal judgment and difference in time horizons for which recommendations are made. User should keep this risk in mind and not hold - SFSPL, its employees and associates responsible for any losses, damages of any type whatsoever.

This Report is not intended to be a complete statement or summary of the securities, market or developments referred to in this document. SFSPL or its affiliates or employees are under no obligation to update the information. SFSPL or its affiliates or employees shall not be in any way responsible and liable for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report.

SFSPL or its affiliates and/or its employees/its associates or his relative does not have financial interest in the subject companies. SFSPL or its affiliates and/or its employees/its associates or his relative may or may not have beneficial ownership of one per cent or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report. SFSPL/its Associates/ Research Analyst have not received any compensation from the subject company in the past twelve months. Further the subject company is/was not a client during twelve months preceding the date of distribution of the research report and the types of services provided. SFSPL or its research analyst has not served as an officer, director or employee of the subject company. SFSPL or its affiliates and/or its research analysts have not been engaged in market making activity for the subject company. SFSPL or its associates or its Research Analyst have not received any compensation or other benefits from the subject companies or third party in connection with the research report. SFSPL/its Associates/ Research Analyst/ his Relatives not have any other material conflict of interest at the time of publication of the research report.

SFSPL/its Associates/ Research Analyst have not managed or co-managed public offering of securities, have not received compensation for investment banking or merchant banking or brokerage services, have not received any compensation for product or services other than investment banking or merchant banking or brokerage services from the subject companies in the last twelve months. There is no material disciplinary action that been taken by any regulatory authority impacting equity research analysis activities.

Sushil Financial Services Private Limited
Member : BSE / NSE - SEBI Regn. No. INZ000165135
Research Analyst – SEBI Registration No. INH000000867
Regd. Office : 12, Homji Street, Fort, Mumbai 400 001.
Phone: +91 22 40936000 Fax: +91 22 22665758
Email : info@sushilfinance.com

Disclosures	
Analyst Stock Ownership	No
Stock Recommended to Clients	Yes
Remuneration/Benefits received from company in 12 months	No
Merchant Banking Market Making activities / projects	No
Sushil Financial Services Pvt. Ltd and Group Companies Holding	No
Sushil Financial Services Pvt. Ltd and Group Directors Holding	No
Broking Relationship with the company covered	No