Everest Industries Limited

Instrument	Amount rated In Rs. Crore	Rating As on September 2015
Fund Based Limits	138.00	[ICRA]A+ (stable); Reaffirmed
Non Fund Based Limits	240.00	[ICRA]A1; Reaffirmed
External Commercial Borrowings	USD 18.0 million	[ICRA]A+; Reaffirmed
Commercial Paper	40.00	[ICRA]A1; Reaffirmed

ICRA has reaffirmed the long term rating of [ICRA]A+ (pronounced ICRA A plus) for Rs. 138.00 crore fund based limits and USD 18.0 million external commercial borrowing of Everest Industries Limited (EIL). ICRA has also reaffirmed the short term rating of [ICRA]A1 (pronounced as ICRA A one) to Rs. 240.00 crore non fund based limits of EIL*. The long-term rating carries a 'Stable' outlook. EIL also has reaffirmed rating of [ICRA]A1 to Rs. 40.00 crore commercial paper programme of the company.

The rating reaffirmation factors in the established position of EIL in the domestic fibre cement (FC) industry backed by its strong brand, distribution capabilities and geographic spread of its plants enabling better customer reach. While the profitability in the pre engineered buildings (PEB) segment during FY15 has been impacted by higher steel prices and overhead expenses pertaining to recently commenced Dahej, Gujarat unit, overall there has been an improvement in the net sales by 18.50% YoY to Rs. 1212.46 crore and operating profitability by 266 bps to 7.15% in FY15 supported by recovery in the demand for the FC sheet segment after witnessing contraction in FY15 coupled with the ramp-up in production of Somnathpur, Orissa unit. Further, the increased contribution from boards and panels products in the FC segment resulted in a positive impact on the profitability. However, despite improvement ICRA notes that the profitability is at moderate levels in FY15. Though there has been an increase in the debt during FY15 to fund capex, which has affected the gearing levels, improvement in profitability and cash accruals resulted in improved coverage indicators in FY15.

The ratings continue to be constrained by vulnerability of both the businesses to cyclical trends in the main consuming segments (real estate, construction and rural housing) and high competitive intensity of the industry which besides exerting pressure on EIL's margins, limits its ability to pass on cost increases to customers. The ratings are also constrained by threats of restrictions on the usage of asbestos in the domestic market as well as restrictions on mining of asbestos in asbestos producing countries (as asbestos is imported) in the long term which can affect EIL's business. However, ICRA notes the company's diversified presence in the PEB segment and boards and panel products which account for ~45%-50% of the total revenues in FY15.

Going forward, with the expectations of rural demand softening in the current year due to monsoon deficit and muted increase in the minimum support price of key crops, the outlook for the FC segment remains subdued. However, recent capacity expansion of 30,000 MT in PEB segment coupled with healthy order flow is expected to augur well for the revenues of the company going forward.

Company Profile:
Incorporated in 1934, EIL is an established player in the domestic Fibre Cement (FC) sheet industry with experience of over seven decades of operations. The company's operations can be classified into two divisions – 'Building Products' and 'Steel Buildings/PEB'. Building products division includes products for providing roofing solutions (asbestos as well as non-asbestos fibre cement sheets), ceiling solutions, wall solutions, floor solutions, cladding solutions and door solutions. The Steel buildings divisions provides end to end solutions from designing, manufacturing to installation of steel buildings

* For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

mainly used for industrial buildings and warehouses. EIL has a capacity of 8,10,000 MTPA for Building Products and 72,000 MTPA for Steel Buildings.

Recent Results

In FY15, EIL reported an operating income of Rs. 1230.50 crore and net profit of Rs. 34.21 crore as against an operating income of Rs. 1035.25 crore and net profit of Rs. 9.15 crore. In Q1 FY16, the company reported profit after tax of Rs. 22.94 crore on an operating income of Rs. 406.93 crore as against profit after tax of Rs. 19.63 crore on an operating income of Rs. 388.28 crore in Q1 FY15.

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