



SAHYADRI INDUSTRIES LIMITED

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To,
The Listing Manager
Department of Corporate Services
Bombay Stock Exchange
P. J. Towers, Dalal Street,
Mumbai – 400001

To,
The Manager
Listing Department
National Stock Exchange of India Limited
"Exchange Plaza"-C1,Block G
Bandra-Kurla Complex, Bandra (E)
Mumbai 400 051

Scrip Code:532841

SYMBOL: SAHYADRI

Sub: Transcript of Analysts / Investors conference call

Ref: Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Dear Sir/Madam,

Enclosed herewith transcript of the Analysts / Investors conference call held on Tuesday, 28th May, 2024. The same is also available on the Company's website i.e. www.silworld.in

You are requested to kindly take note of the same.

Thanking You.

Yours Faithfully,
FOR SAHYADRI INDUSTRIES LIMITED

RAJIB KUMAR GOPE
COMPANY SECRETARY & COMPLIANCE OFFICER
M. NO: F8417

Encl: As Above



“Sahyadri Industries Limited Q4FY24 Earnings Conference Call”

May 28, 2024

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**MANAGEMENT: MR. TULJARAM R. MAHESHWARI – CHIEF EXECUTIVE
OFFICER, CHIEF FINANCIAL OFFICER, & WHOLE
TIME DIRECTOR
MR. ARVIND GARG – FINANCIAL CONTROLLER,
SGA – INVESTOR RELATIONS ADVISORS**

Moderator: Ladies and gentlemen, good day and welcome to the Sahyadri Industries Limited Q4 FY24 Earnings Conference Call.

This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Tuljaram R. Maheshwari – CEO, CFO, and Whole Time Director of Sahyadri Industries Limited, thank you and over to you, sir.

Tuljaram R. Maheshwari: Good morning, everyone, and thank you for joining us on the Sahyadri Industries Limited Q4 & FY24 Earning Conference Call. I hope everyone had a chance to view our financial results and investor presentation, which was posted on the company’s website and stock exchanges. I’m accompanied by Mr. Arvind Garg, our Financial Controller and SGA, our Investor Relation Advisor on this call today.

Starting with the industry overview, the roofing industry in India is undergoing a significant transformation emphasizing sustainability and innovation to address changing weather patterns and environmental concerns. The India’s roofing market size is estimated at USD \$7.59 billion in 2024 and is expected to reach USD \$10.41 billion by 2029, growing at a CAGR of 6.5% during the forecast period 24-29, according to Mordor Intelligence report.

The Indian Meteorological Department has forecasted an above normal monsoon for 2024 in most parts of the country with the exception of certain areas in North and East India. Historical data indicates that normal to above normal monsoon typically result in lower inflation driven by decreased food prices and high economic growth partially fueled by agriculture. This favorable weather outlook is likely to boost demand of our products. During the year, we have faced challenges in passing on the price hike to consumers due to subdued demand scenarios and raw material prices were at elevated levels. However, they have reached a normalized level now, and we expect a positive impact of the same in the coming quarters.

Looking forward to FY25, agriculture prospects appear promising with the anticipated above normal monsoon with this. We anticipate that the demand signal will improve going forward.

The Board has recommended a final dividend of Rs.1 per equity share of the face value of Rs. 10 for the financial year ending 31st March 2024.

Now moving on the Financial Performance:

Q4 FY24 performance. Total income stood at Rs. 154.8 crores for Q4 FY24 as compared to Rs. 136.3 crores in Q3 FY24, it grew by 13.6%. EBITDA of the company for Q4 FY24 stood at Rs. 14.8 crores, up by 7.6% as compared to Rs. 13.8 crores in Q3 FY24 with EBITDA margin of 9.6% in Q4 FY24. Profit after tax up by 35.3% at Rs. 4.3 crores in Q4 FY24 compared to Rs.3.2 crores in Q3 FY24 with the PAT margin of 2.8% in Q4 FY24.

Coming to FY24 performance:

Total income for FY24 reached Rs. 638.4 crores, grew by 6.9% from Rs. 597.2 crores in FY23. EBITDA for FY24 declined by 16.4% to Rs. 70.6 crores compared to Rs. 84.4 crores in FY23 impacted on account of elevated raw material prices. EBITDA margin stood at 11.1%. Profit after tax for FY24 stood at Rs. 26.4 crores, degrew by 28.9% from Rs. 37.1 crores in FY23. PAT margin stood at 4.1% for FY24, Our capacity utilization for FY24 stood at 72% compared to 68% in FY23.

Company generated cash flow from operation and CAPEX funded from it. We also started making repayment of term loan during the first quarter of FY25. ICRA has also reaffirmed the long-term rating A- and short-term rating A2+.

With this, I open the floor for question and answers.

Moderator: Thank you very much. The first question is from the line of Aditya from Securities Investment Management. Please go ahead.

Aditya: Sir, what was the volume growth and price increase in our roofing business for FY 24 ?

Tuljaram R. Maheshwari: FY24, the price increase is around 5% and volume growth is more or less in the line of 6% to 7%.

Aditya: But our revenue has increased by only 7%, I believe.

Tuljaram R. Maheshwari: So that is 6% to 7%. The total volume is 6% to 7% and price increase is 5%.

Aditya: Then that would lead to revenue growth of 11%-12%, but our revenue has increased only 7%.

Tuljaram R. Maheshwari: No, there are two things. One is the price increase is 5%, okay, whereas the volume growth in the last quarter it is reduced, earlier it was better, so average is 2%. Volume growth is 2%, so that is a total 7%. Is it clear?

Aditya: Yes, and sir, have you lost market share in roofing business?

Tuljaram R. Maheshwari: No, there is no market loss, but as a totality, the market itself is subdued. Demand itself is subdued.

Aditya: Understood sir. Sir, how much more price increase, do we have to pass on to get back to our historical margin, double digit margins in the roofing business?

Tuljaram R. Maheshwari: That all depends on the market, so far we are expecting 4% to 5% it may go in Q1.

Aditya: Have we taken any price hikes in Q1, April or May?

Tuljaram R. Maheshwari: It may go to 4% to 5% in the Q1.

Aditya: Sir, have you taken any price hikes in the first two months?

Tuljaram R. Maheshwari: Yes.

Aditya: Okay and how's the demand scenario looking like for our roofing business with good position?

Tuljaram R. Maheshwari: Demand would be more or less of the last year, first quarter.

Aditya: Okay, and sir, now if the monsoons are good, the benefit of that will come to us next year, not this year.

Tuljaram R. Maheshwari: If the monsoon is good from the third quarter onwards, you will get a better result.

Aditya: Understood, sir. Sir, how the competitive scenario looking like, are there any more clear expanding capacity apart from us?

Tuljaram R. Maheshwari: I don't have any knowledge of anybody has announced any capacity expansion so far.

Aditya: Understood and sir, when is our Odisha and new Maharashtra plant commissioning?

Tuljaram R. Maheshwari: As we said earlier, we stand on the same only, Wada would be in FY26 and Odisha will be in FY27.

Aditya: Understood. And sir, in the presentation, we have mentioned that we want to increase the share of value-added products. Sir, if you could just explain what do you mean by value-added products?

Tuljaram R. Maheshwari: Value-added product is the non-asbestos product, where we sell lot of tiles, planks, and water repellent product.

Aditya: Is the distribution similar for our other products, or the distribution channel is different?

Tuljaram R. Maheshwari: Same dealers.

Moderator: Thank you. The next question is from the line of Deep Gandhi from Astute Investment. Please go ahead.

Deep Gandhi: In the presentation, you have mentioned that you expect this year to be normal in terms of raw material prices. So what kind of EBITDA margins should we expect from the roofing division for this year?

Tuljaram R. Maheshwari: Generally, we don't give that forward looking statement, but as we said, whatever the increase was there compared to that, there's no increase, but market prices are not going to that extent, so that is impacting. So in my opinion, more or less the margin would be in the line of what we had in the Q1.

Deep Gandhi: You mean Q4, right?

Tuljaram R. Maheshwari: No, last year Q1, more or less in that line.

Deep Gandhi: Sir, is it only because of markets or are there also other factors in, do you think it will be possible for you to reach the 15% to 16% kind of margin, which you have done in the past or has it been new normal?

Tuljaram R. Maheshwari: Not possible at present, unless until prices go up to that extent, it won't be possible.

Deep Gandhi: Okay and then, sir, in terms of working capital, last year you had stocked up a lot of inventories because of higher RM prices, but if I see the inventory days even this year, it's quite high, so what is the reason for it?

Tuljaram R. Maheshwari: Actually that started coming down in the Q1 because generally, as you know that we make the inventory for the Q1 because the demand is always more. So the finished goods inventory, whichever is there that would be going down in the Q1 and similarly because the plant capacity utilization would be better in the Q1, so fiber consumption would be also more, so going forward there would be a reduction.

Deep Gandhi: Okay and sir, just again on the margin side, if you can explain is it only the demand issue which is impacting us and not taking price hikes or are there also some competitive factors which are impacting the margins in the industry?

Tuljaram R. Maheshwari: Mainly the demand, because competitive everybody is going through the same concerns what concern we have, so I don't think anybody would not like to increase the prices, but the important is if the demand is not to that extent, definitely you can't pass on to the market.

Moderator: Thank you. The next question is from the line of Nishi Shah from RH Investments. Please go ahead.

Nishi Shah: Yes, so with the raw material prices seemingly stabilizing, can we expect to see an improvement in our EBITDA margins in the near future and what number are we targeting for?

Tuljaram R. Maheshwari: There would be definitely improvement in the EBITDA margin, but side by side we have to see how the FOREX is working because if you see last year, the FOREX has increased by 3%. So

if that is also going up, whatever the reduction is happening on account of the raw material prices will again go back to the forex increase. So we are not quantified how much is going to impact on the EBITDA, but it will definitely be positive as a whole.

Nishi Shah: Okay sir, got it and one more question is Q1 is seasonally strong quarter, so how has been April and May been in terms of the demand?

Tuljaram R. Maheshwari: Demand is still not improved, but we expect we would be more or less the same of the last year first quarter.

Moderator: Thank you. The next question is from the line of Vaibhav from Honesty and Integrity Investment. Please go ahead.

Vaibhav: So I just wanted to understand one thing, if you compare the cost of covering the roof, say for example, 50 square feet roof with asbestos sheet and covering the same roof with metal sheet, if you can give us the cost comparison between the two from a consumer point of view that would be helpful.

Tuljaram R. Maheshwari: See the prices for raw material is around Rs. 200 to Rs. 220 per meter, compared to that the metal sheet is around Rs. 500 to Rs. 520. So that is what the difference, so I think 60% cheaper comparatively.

Vaibhav: Okay, so is it like that much of a difference, but then as far as our understanding is concerned, metal sheet is a strong alternative to our product, if that is the price difference and the functionality and the value that metal sheet provide is also not that enough then why do metal sheet exist and what is the value proposition of metal sheets?

Tuljaram R. Maheshwari: See the metal sheet. If you see how many big players are there in that metal sheet, so definitely you know they are driving that business, particularly the industries. Still if you see the Metro cities, Metro 1 and Metro 2 and Metro 3, still they don't prefer the asbestos sheet and they prefer the metal, so that is a big chunk and the demand, if you see the consumption form, the rural economy versus to these particularly the industries in that could be much much higher, so there's no comparison between the two in that sense.

Vaibhav: But industries are anyway not legally allowed to use asbestos sheet, isn't it?

Tuljaram R. Maheshwari: No. It's not like this. If you are following the tile industry and if you go to the Morbi, you'll find 90% of the industry is covered with asbestos sheets, it's not like that.

Vaibhav: Okay, maybe, my misunderstanding.

Moderator: Thank you. The next question is from the line of Karan Mehra from Mehta Investment. Please go ahead.

- Karan Mehra:** Sir, a couple of questions. Sir, in our opening remarks, you mentioned that RM prices have started normalizing. So have there been any savings in RM cost in Q4 and also, how should we look at FY25 in these terms?
- Tuljaram R. Maheshwari:** It will not be in Q4 because we are carrying the inventory also, so the impact of that would come in the third quarter. So third quarter we are expecting the impact would be around 2%.
- Karan Mehra:** Okay, understood and if you can throw some light on the freight cost situation also, is there any kind of challenge in the availability of containers?
- Tuljaram R. Maheshwari:** We are not facing so far any challenge in the availability of containers and freight is also more or less same except as I mentioned, the Rupee-Dollar fluctuation that definitely will have impact and which is not in our control.
- Moderator:** Thank you. The next question is from the line of Shreya Rathi from PK Securities. Please go ahead.
- Shreya Rathi:** Hi sir, I have a couple of questions, I want to know what is the difference in margin profiles between boards and roofing products?
- Tuljaram R. Maheshwari:** It is between 6% to 7%.
- Shreya Rathi:** Okay and my second question is how much debt is pending on our books, also can you please share the average rate of interest for the same?
- Tuljaram R. Maheshwari:** Total debt we have in the books is Rs. 116 crores, which is now Rs. 67 crores and average rate of interest would be 8.5%.
- Moderator:** Thank you. The next question is from the line of Saiganesh from Square 64 Capital Advisors. Please go ahead.
- Saiganesh:** Sir, can you give me the revenue breakup for your roofing, cement boards and non-cement boards?
- Tuljaram R. Maheshwari:** We generally don't give it.
- Saiganesh:** Okay, and I need the margin cement boards are higher margin or roofing business.
- Tuljaram R. Maheshwari:** I would say it is better in the board around 6% to 7% compared to the roofing.
- Moderator:** Thank you. The next question is from the line of Saket Kapoor from Kapoor & Company. Please go ahead.
- Saket Kapoor:** Firstly, how are you seeing this space because current year's monsoons indication from Meteorological department is monsoon would be above the average, but we don't know that how

the spreading of monsoon is going to be, that is another twist that always remain and taking into account tepid rural demand that was there in rural parts for last 3-4 years , sir are you seeing any pent-up demand or how are you seeing the current year for roofing business?

Tuljaram R. Maheshwari: Currently, the trend which is going on, like actually April was impacted because of the elections and March is also because announcement of elections and people were busy, so people did not start their house work, but May onwards we, are seeing some demand. It seems that we are getting closer to the last year's quarter 1 and as far as whole year is concerned according to me when new government comes the way, they are making promises within the market or in public it appears to me that I think they are going to spend on the rural and this side hence demand will be there. So we feel very positive, one is the monsoon and second is this I think going forward should be good, it appears to.

Saket Kapoor: Sir, what is our blended utilization level?

Tuljaram R. Maheshwari: Utilization this year is 72%, but we closed the last year at 68%.

Saket Kapoor: We have an installed capacity of 722,000 metric ton, so on that it is 72%, so for current year what are we envisaging, sir depending upon our marketing strategies?

Tuljaram R. Maheshwari: According to me, the capacity utilization should be between 77% to 80%.

Saket Kapoor: What kind of yield in demand is coming from our Southern Unit where we did fresh capacity investment?

Tuljaram R. Maheshwari: Demand is now improving and the market where we are not present, we are entering into it and we reached to a level of 50%. So next year the planning is to reach to 65%.

Saket Kapoor: So our Southern unit has given utilization of 50%?

Tuljaram R. Maheshwari: Our new Unit has given 50%, so going forward I think we expect it may go to 65% to 70%.

Saket Kapoor: What is the installed capacity for the Southern unit?

Tuljaram R. Maheshwari: That's a 6,000 ton per month, new unit.

Saket Kapoor: That is 72,000; that is only 10% of our total installed capacity in South and I think in raw material front also, we must be experiencing now some moderation, as alluded earlier by you also and you told that it takes around 2 to 3 years or cycles for you to take the price hikes, so in price hike cycle where are we, sir wherein what steps we can take to restore our margins going ahead, sir?

Tuljaram R. Maheshwari: The demand and supply, because prices everybody want to increase, last year we increased the prices by 5% and this year, we are expecting the Q1 it may go to 4% to 5%, so I think there may be a positive impact if the demand increases on account of better monsoon and the government is spending in the rural area, I think this year maybe a little better than the last year.

Saket Kapoor: We were discussing about the factors that will restore us back to our historical margins, our old margins?

Tuljaram R. Maheshwari: I don't see any chances, because the cost increase has been very high, its price reduction has not yet happened that is one thing and second is the prices at what we were operating earlier and the prices now what we are operating there is a huge difference that is number two. Number three is other than the raw material, other costs have also increased like wages, fuel, power that cost has also increased, so there is no chance of going to that level unless until boom is there in the market and the prices go up. So chances are very less to going to 15%-16% level, but definitely there would be improvement going forward, but not to that extent.

Saket Kapoor: But then again the CAPEX which we have envisaged 2 - 3 years down the line, then what are the rationales that augments further capacity addition going ahead, sir?

Tuljaram R. Maheshwari: See, rationale is clear unless if you are getting a ROI better means not to that extent, but still you are getting better than your interest and you are not present in that market you have to enter into that market that is the rationale.

Saket Kapoor: Just to understand that inherently what is the incremental demand every year? There should be a demand and supply gap?

Tuljaram R. Maheshwari: Demand and supply, the point is the market where we are expanding, we are not present, so definitely that would be the extra incremental.

Saket Kapoor: Sir, we are not present, but other players are?

Tuljaram R. Maheshwari: They are present, but definitely if you're coming as a new player, definitely you will get some market share from that and that will be okay for your plant.

Saket Kapoor: My brief point was that out of the total installed capacity and the incremental demand that takes place every year, how does the math work for us that we are entering into 2 other geographies? Is there a gap that we are going to fill or will we be eating somebody else's market sir?

Tuljaram R. Maheshwari: See there are two points, one is in the existing, wherever we are, there is a still gap of around 8%, generally this industries work at 80% capacity and we are at 72%, there's a gap of 8%. Definitely, we have to work to build that gap. Now coming to the expansion, we are doing expansion in the market where we are not present, we are zero at present. So definitely if you're coming as a newcomer, 5% to 7%, if you take a market share that justifies your expansion, that's what we are working.

Saket Kapoor: Right sir and on the raw material front, sir, what is the scenario currently?

Tuljaram R. Maheshwari: As I said, the prices are stabilized, it is not increasing number one. It has not gone back to that level, that level is still far, so slowly gradually, I think there may be the reduction in prices, but there is stabilization, so definitely we will get around 2% benefit somewhere from the quarter 3.

Saket Kapoor: And, sir Q1 just before the monsoon, is our best quarter in terms of the maximum sales happening?

Tuljaram R. Maheshwari: As I said, it is more or less in the line of the last year, Q1.

Saket Kapoor: Okay, seasonally it is the best quarter.

Tuljaram R. Maheshwari: Best quarter, but more or less it is going in the same line of last quarter, we are not seeing any increase in the Q1 compared to what we have done last year.

Saket Kapoor: Lastly, sir on the capital work in progress, the closing balance is Rs. 42 crores, so this money is spent on?

Tuljaram R. Maheshwari: Majorly on the Wada plant.

Saket Kapoor: Okay and then it will take another 2 years for us to commission the Wada unit?

Tuljaram R. Maheshwari: Actually still 1 or 2 parcel of the land is stuck, so we are working to clear that. Once it is done, it may be 1.5 year to 2 years.

Saket Kapoor: What will be our CAPEX for this year, sir, what will be spending this year on the Wada unit?

Tuljaram R. Maheshwari: Normal would be Rs. 8 crores to Rs. 10 crores and other than that, I think if that Wada things goes through, then there may be Rs. 50 crores to Rs. 60 crores extra.

Saket Kapoor: Out of this Rs. 42 crores closing balance which we have as on 31st March?

Tuljaram R. Maheshwari: Rs. 42 plus Rs. 60 crores more.

Saket Kapoor: Out of this, Rs. 42 crores is totally towards the Wada unit only or other also.

Tuljaram R. Maheshwari: Only to the Wada.

Saket Kapoor: Mainly towards Wada, and yearly how much is for our maintenance CAPEX for Wada?

Tuljaram R. Maheshwari: It is between Rs. 10 crores to Rs. 12 crores.

Saket Kapoor: Lastly on the taxation part, we find that last year the accrued tax paid was much higher. So was it on account of any extraordinary?

Tuljaram R. Maheshwari: It is because of the deferred tax adjustment, now this year is more or less done and now we are on the line.

Moderator: Thank you. The next question is from the line of Riya Jain from NM Securities. Please go ahead.

- Riya Jain:** I have two questions. I wanted to know about, what is the overall demand scenario in asbestos and non-asbestos sheet and can you please provide some macroeconomic outlook?
- Tuljaram R. Maheshwari:** See, as I said that more or less roofing is flat in the demand because, generally, it goes to rural area, so it is more or less flat. There may be 2% to 3% increase is happening, whereas in the non-asbestos, it's open, a lot of opportunities are available because it's a direct replacement of plyboard, plywood, boards and those things, so it's a huge market and lot of opportunities are available, but awareness to the customers is less. So we are working as in industry and other industry also doing the same thing, so going forward we see non-asbestos definitely is going to increase.
- Riya Jain:** So my second question is how much CAPEX we have incurred in FY24 including the maintenance CAPEX?
- Tuljaram R. Maheshwari:** Rs. 37 crores.
- Moderator:** Thank you. The next question is from the line of Payal Shah from Billion Securities. Please go ahead.
- Payal Shah:** I have two questions. One is in FY24, value-added products contributed 15% of revenue and we aim for 25% in FY25, so I just wanted to understand what is our strategy to improve the same?
- Tuljaram R. Maheshwari:** Nothing, the point is the awareness among the dealers, working with the architects and the network to make this from 15% to 25%.
- Payal Shah:** My next question is, are there any new roofing materials or technology trends you are seeing as an opportunity?
- Tuljaram R. Maheshwari:** We are not working on any other new things. We are first trying to work what we have at present.
- Moderator:** Thank you. The next question is from the line of Atul Daga from Daga Securities. Please go ahead.
- Atul Daga:** Sir, can you provide some detail on our working capital situation including inventory levels, payables, and receivables for March 2024?
- Tuljaram R. Maheshwari:** Our debtors are 18 days, rest details you will get from my balance sheet. I don't have at present, but you will get from our balance sheet.
- Atul Daga:** Okay, sir one more question. What are you going to stay ahead of the competition in terms of product innovation for roofing solutions?
- Tuljaram R. Maheshwari:** In the roofing practically, what we have announced is if you see, the Classic Gold is a new product what we have launched last quarter, still we have to get the response from the market.

That's what we have put a new announcement. Rest is mainly we are working in the non-asbestos product, continuous innovation is going on and we are tying that product into the market.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions from the participants, I now hand the conference over to the management for closing comments. Over to you, sir.

Tuljaram R. Maheshwari: Thank you everyone. I hope we have been able to answer all your questions satisfactorily. However, if you need any further clarification or want to know more about the company, please contact SGA Team our Investor Relation Advisor. Thank you very much.

Moderator: Thank you. On behalf of Sahyadri Industries Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.