



SAHYADRI INDUSTRIES LIMITED

Registered Office :

Swastik House, 39/D, Gultekdi, J. N. Marg, Pune - 411 037, Maharashtra, INDIA

T: +91 20 2644 4625 / 26 / 27 E: cs@silworld.in W: www.silworld.in

CIN No :- L26956PN1994PLC078941

Date: 15th November, 2024

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 Monday, 11th November, 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 Q2 FY25 Earnings Conference Call”

November 11, 2024

E&OE: This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchanges on 11th November 2024, will prevail.



MANAGEMENT: **MR. TULJARAM R. MAHESHWARI – CEO, CFO, & WHOLE TIME
DIRECTOR, SAHYADRI INDUSTRIES LIMITED
MR. ARVIND GARG – FINANCIAL CONTROLLER, SAHYADRI
INDUSTRIES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Sahyadri Industries Limited Q2 FY25 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 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 – Whole Time Director, CEO & CFO. Thank you and over to you, Mr. Maheshwari.

Tuljaram R. Maheshwari: Good afternoon, everyone, and thank you for joining us on the Sahyadri Industries Limited Q2 & H1 FY25 Earning Call. I am accompanied by Mr. Avind Garg – the Financial Controller and SGA, who is Investor Relation Advisor on this call today.

I hope everyone had a chance to view the “Financial Results and Investor Presentation” which was posted on the Company's website and stock exchanges.

Let me begin with the business overview followed by “Financial Performance” for Q2 and H1 FY25, where we navigated a challenging environment marked by softer demand and prolonged monsoon conditions, which impacted us across many regions.

The ongoing demand continues to be tepid on account of lower consumer spending, especially in the rural areas of the country. This

extended monsoon affected our volume offtake, resulting in moderate decline of 6.6% in overall income in H1 FY25 compared to the same period last year. The EBITDA also dipped by 16.3% in H1 FY25 on a YoY basis. This decline in EBITDA is on the back of rise in export, ocean freight expenditure due to shortage of containers. Lower capacity utilization levels have also impacted resulting in lower EBITDA. The capacity utilization in the first half stood at 73%, which was slightly below, last year level of 77% underscoring the influence of these external factors on our operations.

We are pleased to share that the board has approved to acquire 26% of equity of Emerge Solar One private limited. The acquisition involves purchase of equity shares against cash consideration of Rs.1,28,00,000. The Company in undertaking this acquisition will provide captive power to its Tamil Nadu plant under the Group Captive Scheme, as per the Electricity Act 2003.

Now moving on the “Financial Performance”:

For H1 FY25, total income stood at Rs. 324.6 crores for H1 FY25 as compared to Rs. 347.3 crores in H1 FY24. EBITDA for H1 FY25 stood at Rs. 35.2 crores, against Rs. 42 crores in the corresponding period last year. EBITDA margin reported at 10.8% in H1 FY25. The Company registered profit after tax at Rs. 14.4 crore in H1 FY25 against Rs. 18.9 crore in H1 FY24. For Q2 FY25, total income stood at Rs. 106.8 crore for Q2 FY25, compared to Rs. 121.3 crores in Q2 FY24.

EBITDA for Q2 FY25 was Rs. 10.3 crores, down from Rs. 13.6 crores in the same period last year. EBITDA margin was 9.6% in Q2 FY25, profit after tax was Rs. 1.9 crore in Q2 FY25 compared to Rs. 3.8 crores in Q2 FY24.

To Summarize, we continue to navigate macroeconomic headwinds in terms of market demand and pricing pressure. Both of which we have presented further challenges in the maintaining of growth momentum. Despite these challenges, we remain committed in improving our operational efficiencies and capturing higher markets than the existing markets. We expect demand revival in future.

Thank you. Now we open the floor to QA session.

Moderator: Thank you. We will now begin the question-and-answer session. The first question comes from the line of Souresh Pal with KRSP Capital Limited. Please go ahead.

Souresh Pal: Sir, my question is, in our roofing business, are we seeing any signs of uptick in second half of this financial year? And what is your outlook for the second half of this financial year?

Tuljaram R. Maheshwari: As I mentioned that rural economy is still not picked up. Hopefully, post-election, particularly in the Maharashtra, and after this, you know that harvest that comes into the hands of farmers, hopefully, the things would be better.

Souresh Pal: My question is in the investor presentation; it is mentioned that our Company is foraying into value added products. So, if you can provide some light on where do you see the margins going ahead?

Tuljaram R. Maheshwari: See, as you have seen over value added, last year it was 16% now it increased to 17%. Going forward, the value added would be going to 25% that what we are maintaining, and we are working towards it. And value-added margins are better than the normal.

Souresh Pal: So, what difference is there in the normal products and value-added products in terms of margin?

Tuljaram R. Maheshwari: Margin, it will be around 15% to 20% higher in the value added.

Moderator: Thank you. Next question comes from the line of Ravindranath Mehta with Crystal Capital. Please go ahead.

Ravindranath Mehta: With Sahyadri being the only competitor adding capacity, how does the current industry structure affect your long-term growth and pricing power?

Tuljaram R. Maheshwari: The point is the capacity everybody is increasing, not we only. If you see that, Visaka is also increasing and other companies are also increasing. So, we are increasing the capacity where we are not present as in the East we are coming, there we are not present. And the second capacity that is coming is only near Maharashtra border, which is mainly for the export purpose. So, far the growth and that thing as we said that it's a continuous endeavor to reach to the Rs. 1000 crores in the next 5 years. That we are still maintaining.

Participant: And my next question is, the raw material prices have been elevated since the past 1.5 years. So, can we consider this as the new normal?

Tuljaram R. Maheshwari: As we said continuously in the last two calls that there is now stability in the pricing. There is no increase in the raw material pricing. Only there is fluctuation in the forex which is getting impacted because as you have seen the rupee is getting weak against the dollar.

Moderator: Thank you. The next question comes from the line of Tanya DI. Please go ahead from Mehta Investments.

Tanya DI: I have couple of questions. So, my first question is, one of the key players has said that roofing industry has de-grown by approximately 10%. What are your views on this?

Tuljaram R. Maheshwari: Yes, because we also are facing the same situation because there is a de-growth compared to what it used to be. So, the totality what they are saying may be correct.

Tanya DI: And my next question was that, could you provide me with more details on the strategies and investments planned for the expanding into the Eastern and Northern regions with your asbestos and non-asbestos products?

Tuljaram R. Maheshwari: It is already there, madam, if you see, we have clearly said that Odisha is asbestos and Palghar is non-asbestos. And already we have provided Rs. 95 crores each for both the facilities which are going to come.

Moderator: Thank you. Next question comes from the line of Arnab Agarwal, an individual investor. Please go ahead.

Arnab Agarwal: My first question is that for the past few quarters, we have seen commentary around subdued rural demand and pricing pressure due to limited ability to pass on cost increases. So, how do you see this demand recovering in the near term?

Tuljaram R. Maheshwari: That all depends on how the rural economy improves and that is not impacting to us. I think if you seen the results of most of the FMCG companies are impacted because of that rural economy going down. So, that all depends how this time the monsoon is good. I think agriculture produce would also be good. And they may be going to get good return of that and things may improve. That's what we expect that in the second half should be good.

Arnab Agarwal: Okay. Sir my next question is that what is the rationale behind the acquisition of your recent Emerge Solar One Private Limited?

Tuljaram R. Maheshwari: See, as we said, this is purely a solar power where we are going to invest around Rs. 1.26 crore and we are going to get the required quantity of power which is being used in our Tamil Nadu plant Perundurai. And the saving would be around Rs. 2.5 per unit. 15 to 24 months is the payback.

Moderator: Thank you. Next question comes from the line of Raj Mehta with Wisdom Advisors. Please go ahead.

Raj Mehta: Yes, so I have couple of questions. So, first is like with asbestos prices having increased 40% to 45% and ASP is rising only 6 to 7%. How do you plan to manage this margin pressure and is there any scope for further price adjustments?

Tuljaram R. Maheshwari: See, there is no increase in asbestos price. Whatever the price has increased, it has already increased one and a half year before. And after that, there is a stability. So, there is no increase. Only the increase is happening on account of foreign exchange fluctuations. So, prices are now stable. There is no increase.

Raj Mehta: And sir, what is your outlook on raw material price change in the near future? So, given the recent challenges in sourcing asbestos and the normalization in procurement, how are you managing inventory levels to mitigate future supply disruptions?

Tuljaram R. Maheshwari: See at present, there is no issue of supply. There is no any increase in the prices. Supply is smooth and things are before Ukraine War whatever the situation were, we are in the same situation. So, there is no challenge in getting the asbestos, number one. Number two, overall prices of the raw material are also well under control and there is no increase we foresee in the near future other than whatever the foreign exchange fluctuation which may come.

Moderator: Thank you. Next question comes from the line of Jiya Shah with Wealth Securities. Please go ahead.

Jiya Shah: So, if you could provide me with an update on the timeline for the Wada plant and the expected impact on capacity utilization once both new plants are operational by FY27 and 28?

Tuljaram R. Maheshwari: See as we mentioned, Wada plant will start somewhere in the Q4 of FY26, and it will take two years to reach to a capacity of 75% capacity utilization. It is not going to impact our existing capacity because that's already set. So, whatever that plant capacity will come, slowly gradually we will reach to the 75% in the next 2 years, from 27 onwards.

Jiya Shah: And my second question is that how do you see the EBITDA margins going forward?

Tuljaram R. Maheshwari: Generally, we don't give forecast on EBITDA margins. It all depends on how the rural economy works, how the economics work, depends on that. But we generally don't give any forecast on the EBITDA margins.

Moderator: Thank you. The next question comes from the line of Deep Gandhi from ithought PMS, please go ahead.

Deep Gandhi: So, first question is on the roofing side. So, this reported losses, EBIT losses this quarter. So, if you can talk about it, is it entirely because of rupee depreciation or were there also other factors?

Tuljaram R. Maheshwari: As we have mentioned in the press release also, there is a lower capacity utilization and also the export transportation, the sea freight has increased. These are the two main factors in addition to the lower demand in the market.

Deep Gandhi: Are those problems still persisting in quarter 3 or has there been some improvement?

Tuljaram R. Maheshwari: Quarter 3 would be better compared to the Q2 definitely because now post Diwali, things are looking better. So, hopefully it will be positive.

Deep Gandhi: As we know that some of the other competitors are also increasing the capacity. So, the rural economy is not doing well. Do you think there can be a pricing pressure so that the volumes get absorbed in the industry

because of the slow demand and the capacity is increasing in the industry? Is that a possibility?

Tuljaram R. Maheshwari: The point is, whosoever increases the capacity, I think they have done their homework because there's definitely, they might be having a demand in the area where they're increasing the capacity. So, far we are concerned, we are increasing the capacity where we are not present. So, I don't see that is going to impacted anywhere on the capacity utilization or the pricing. There are a few months when you start, the new plant initially 3 to 6 months, always there is a pressure on existing player and also, they will have pressure to increase the capacity utilization. Other than that, I don't see that's a long-term impact.

Moderator: Thank you. Next question is from the line of Aditya from Security Investment Management. Please go ahead.

Aditya: In the roofing business, have you taken any price cuts this quarter?

Tuljaram R. Maheshwari: Price cut is a minimal.

Aditya: Okay, So, this 13% to 14% drop in revenue year-on-year, this is purely because of volume?

Tuljaram R. Maheshwari: Mainly the volume, capacity utilization and as I mentioned, the export Sea freight.

Aditya: And sir, in the marketplace, are we witnessing higher discounts by unorganized smaller players? Are you witnessing that sort of phenomenon because the demand is pretty low?

Tuljaram R. Maheshwari: See, by giving a discount or by reducing the price, I don't think your material can move. It can move for a few days but after that it is going to have an impact. I don't think the pricing plays a bigger factor when the market is dull.

Moderator: Thank you. The next question comes from the line of Gunit Singh with Counter PMS. Please go ahead.

Gunit Singh: Hi sir, so we used to enjoy margins between 17% to 24% earlier, probably from FY18 till FY22. So, I just would like to understand, are these margins only attributable to increase in raw material prices? Or is there some change in the supply dynamics? Has our competitor added supply in the market, or the competition has increased which is led to lower pricing power or can we just simply attribute this to increase in price of raw materials? What is your take on this?

Tuljaram R. Maheshwari: See, what you are comparing is correct that from 2018 to 2022, the market situation different, dynamics was different. Now, because before two years if you see one and half years before, the raw material prices have increased around 40% to 45%. And we could pass on to the market not more than 8% to 10%. So, there is a straight impact of 30% to 35% in the bottomline, which is what you are seeing today, the gap, what we are reporting at that time and now. That's number one. Number two is the rural economy is not doing the great, they used to. So, there is impact on total volume also resulting your lower capacity utilization. So, these are the two major factors which have impacted to the bottom line. Hopefully going forward, see nothing from the promoter, from the management side we are working the way we were working earlier. I think we are working more aggressively, but market has to give support and if everything is fine, we will again reach to the same glory what we used to.

Gunit Singh: Alright sir, so basically the supply dynamics have not, I mean it's not that the market has been over-crowded, or competition is very high, it's just that raw material prices and demand have been subdued. But recently sir, we have been reading about rural demand picking up because of good rains. So, are you seeing those up shoots?

Tuljaram R. Maheshwari: I think the second half should be good and post Diwali; we are seeing little bit spike in the demand. So, if this continues, I think it should be good.

Gunit Singh: Sir, my assumption about the supply dynamics is also correct, right?

Tuljaram R. Maheshwari: The raw material side, I don't see there will be any reduction in the prices of that. If they maintain this, that will be also okay. But only the forex part, which is going to play, because if you've seen the last 15 days to 20 days, rupee devaluation is around...

Gunit Singh: Sorry sir, I was talking about the supply dynamics, I mean, over supply or over competition. So, it's my assumption that, I mean, there is no over supply in the market or...

Tuljaram R. Maheshwari: Because based on the demand only, we produce it because there's no point of producing and keeping it in the stock. So, that's not the case. But production we take a cut generally.

Gunit Singh: For the overall market as well, I just want to understand, has the supply or competition increased over the previous 3-4 years?

Tuljaram R. Maheshwari: No, because both, more or less capacity is same in the market where we are working.

Gunit Singh: Sir, I am saying in terms of percentage of total raw materials used or raw material cost, what are top three raw materials and their total contribution in the...

Tuljaram R. Maheshwari: Main is the fiber and cement.

Gunit Singh: Asbestos fiber and cement?

Tuljaram R. Maheshwari: Yes, mainly these two.

Moderator: Thank you. Next question comes from the line of Souresh Pal with KRSP Capital Limited. Please go ahead.

Souresh Pal: Just a follow up question. Sir, I have noticed that in good times, EBITDA margin used to be around 20%, 24% historically and in bad times 6%, 9% in EBITDA margin. So, is it fair to assume that we are in the bottom range of the margin and one can only expect things to improve from here on? We don't know when it will happen but things only can improve from here. Is that a fair assumption?

Tuljaram R. Maheshwari: Yes. It has to improve.

Souresh Pal: So, if the raw material cost comes down and if the rural economy does well, that will be the trigger, right?

Tuljaram R. Maheshwari: One is definitely that, but that is unlikely to happen. Only the thing is the prices have to go up, and I think third quarter onwards things would be better from the pricing front also. So, hopefully the pricing would be good, and second half should be good. That's what we expect.

Souresh Pal: No, sir, I am not talking about short term. I am talking in terms of long term. I know that our Company is in a cyclical industry. So, you might have seen this happening in the past also that 2-3 years margins are down due to several factors and then it goes up. So, how long the cycle usually plays out in case of our Company?

Tuljaram R. Maheshwari: It is difficult to tell you about this, but we all are expecting that things will be upside going forward.

Moderator: Thank you. Ladies and gentlemen, once again, we will hand over to Mr. Tuljaram R. Maheshwari for closing comments. Please go ahead.

Tuljaram R. Maheshwari: Thank you everyone and 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.

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