everest

March 13, 2024

1	**National Stock Exchange of India Limited** Exchange Plaza Plot No. C/1, G Block Bandra – Kurla Complex Bandra (E), Mumbai – 400 051 Scrip Code: EVERESTIND	2	**BSE Limited** Phiroze Jeejeebhoy Towers Dalal Street, Mumbai – 400 001. Scrip Code: 508906

Subject: Intimation of Reaffirmation of credit ratings by CRISIL Ratings

Dear Sir/Madam,

Pursuant to the Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we wish to inform you that CRISIL Ratings vide its Rating Rationale dated March 12, 2024, has re-affirmed the credit rating on Company's Long Term/ Short Term bank Facilities as under:

Long Term Rating	CRISIL A+/Stable (Reaffirmed)
Short Term Rating	CRISIL A1 (Reaffirmed)
Total Bank Loan Facilities Rated	Rs. 440 crores

A copy of CRISIL Rating Rationale dated March 12, 2024 is enclosed.

This is for your information and records.

Thanking you,

Yours faithfully,

For **Everest Industries Limited**

AMRUTA NIHAR AVASARE
Digitally signed by AMRUTA NIHAR AVASARE
Date: 2024.03.13 11:47:52 +05'30'

Amruta Avasare
Company Secretary & Compliance Officer
Membership No: A18844

Encl: A/a

Everest Industries Limited

Everest Industries Limited
Level 3, Tower 14, Solitaire Corporate Park, Chakala,
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Board No - 02269772000

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Corporate Identity No. L74999MH1934PLC002093

Rating Rationale

March 12, 2024 | Mumbai

Everest Industries Limited

Ratings reaffirmed at 'CRISIL A+/Stable/CRISIL A1'

Rating Action

Total Bank Loan Facilities Rated	**Rs.440 Crore**
Long Term Rating	**CRISIL A+/Stable (Reaffirmed)**
Short Term Rating	**CRISIL A1 (Reaffirmed)**

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.
1 crore = 10 million
Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has reaffirmed its ratings on the bank facilities of Everest Industries Limited (EIL) at 'CRISIL A+/Stable/CRISIL A1'.

During first nine months of fiscal 2024, company's revenue declined by ~5% over the corresponding period of last fiscal due to low order execution in the steel business (SB) segment on account of extended monsoon. The revenue from the building products (BP) segment, however, has reported a growth of 4% during the same period. The operating margins declined to 2.3% in 9m fiscal 2024 from 4.1% in fiscal 2023. This was on account of supply chain disruptions due to global geopolitical events and consequent spiralling of asbestos prices for the company. Furthermore, low absorption of fixed cost due to sub-optimal capacity utilisation impacted profitability of SB business.

Nevertheless, the company has taken measures to diversify supply chain and is expected to translate into better profitability going forward. Additionally, improvement in order book for the SB segment will also support profitability due to better operating leverage. The same is visible from sequential improvement in profitability in third quarter of fiscal 2024. Healthy double digit revenue growth and improvement in profitability will remain key monitorables going forward.

Financial risk profile remains healthy, supported by low leverage. Despite plans of availing debt of Rs 160-180 crore for funding capex of Rs 312 crores, the financial risk profile is expected to remain comfortable.

The ratings continue to reflect EIL's established position in the domestic Asbestos Cement (AC) roofing and boards & panel market, its diversified revenue mix and adequate financial risk profile. These strengths are partially offset by exposure to intense competition in the AC roofing and PEB businesses in India, and volatility in operating margin. Besides, the AC roofing business is subject to regulatory risks pertaining to the manufacture/use of asbestos in India, and key asbestos-producing nations (as the raw material is fully imported) and the same remains a monitorable.

Analytical Approach

For arriving at the ratings, CRISIL Ratings has combined the business and financial risk profiles of EIL and its wholly owned subsidiaries.

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description

Strengths:

- **Established position in the domestic AC roofing segment:** Backed by track record of 85 years and a wide pan-India reach, EIL is one of India's largest manufacturers of AC roofing sheets. It has a well-established brand in the rural market, supported by a strong distribution network of about 7,000 retail outlets and over 32 sales depots. Strategic location of plants across the country help enhance overall market reach and enable the group to compete effectively with regional players. This is reflected in its increased market share over the past two years.

- **Diversified revenue mix:** Over the past 6-7 years, EIL has diversified its revenue mix, driven by sustained improvement in the SB segment and reduced contribution from the Building Products segment (which accounted for the entire revenue in fiscal 2008). In first nine months of fiscal 2024, the BP segment accounted for ~76% of revenue (as compared to 69% in 9M of fiscal 2023) due to higher industrial activity and low order inflows adversely impacting the PEB business of SB segment (share in revenue dropped to 24% in 9M-FY24 as compared to 31% in 9M-FY23). Nevertheless, BP segment is likely to remain the mainstay of the business, over the medium term.

- **Healthy financial risk profile:** Financial risk profile is marked by a healthy networth of above Rs 575 crore and debt free capital structure for the 9M of fiscal 2024. However, company has announced capex plans of Rs 312 crores for which debt shall be taken to the tune of ~ Rs 160 to 170 crores as informed by the management. With steady accruals and prudent working capital measures, financial risk profile is expected to remain healthy over the medium term. Liquidity is further supported by liquid funds of ~ Rs 16 crore and partially unutilised bank limit (~ Rs 25 crores utilised out of Rs 160 crore) as on December 31, 2023.

Weaknesses:

- **Dependence on rural spending, and exposure to intense competition from peers and substitute products**: Demand for AC roofing is derived from household construction in rural areas and investment in industrial construction. This exposes the Everest group to fluctuations in rural purchasing power and change in economic cycles. The group also faces intense competition not only from other strong AC roofing players but also from manufacturers of galvanised iron (GI) roofing sheets that are seen as a viable alternative. Any sharp decline in price of GI sheets will impact demand for AC sheets.

  Prices of key raw materials for AC roofing and PEBs - asbestos and steel, respectively - form ~50-60% of the total input cost; hence, the operating margin remains vulnerable to any sharp price volatility or currency fluctuations as seen in the recent past. However, the company has started sourcing asbestos from suppliers in Brazil and Kazakhstan apart from the older supplier in Russia which will help the company in keeping the raw material prices in check. Overall, the ability of the company to pass on increase raw material costs to end customers remains low in BP segment. Some contracts in SB business have price escalation clauses, however a large number are fixed priced in nature impacting profitability in case of sudden spikes in raw material prices.

- **Exposure to regulatory ban on manufacture or use of asbestos in end-user markets and key asbestos-producing nations:** As sale of all roofing products account for more than 50% of revenue, the company remains vulnerable to risk of a ban on mining of asbestos in Russia, Brazil, and Kazakhstan (the largest exporters of the mineral) and use of the same in end-user market. Canada which was among the world's largest producers, have already banned mining and sale of asbestos in 2018. This led to a spike in asbestos prices. In India too, only white asbestos (known as chrysotile) fibre is used, as blue and brown asbestos have been banned. Furthermore, all forms of asbestos mining are banned in the country. Regulatory changes concerning asbestos mining and usage will remain a key monitorable.

<u>Liquidity: Adequate</u>

Liquidity is marked by sufficient liquid funds, cash accrual and minimal reliance on debt. Cash accrual of Rs 45-120 crore (including fiscal 2024 estimates) is expected per fiscal over the medium term, sufficient to cover maintenance capex and incremental working capital expenses. Liquid surplus stood at Rs 16 crore as on December 31, 20223. Bank limit of Rs 160 crore was utilised only at an average 16% during the 12 months through December 2023. Due to comfortable leverage, there is sufficient headroom to raise additional debt for the proposed capex.

<u>Outlook: Stable</u>

CRISIL Ratings expects improvement in EIL’s business risk profile, aided by stable demand from affordable housing and higher capacity utilisation in the steel buildings segment. Financial risk profile should also remain stable, due to adequate capital structure, steady cash generation and prudent working capital management.

<u>Rating Sensitivity Factors</u>

Upward factors:

- Healthy revenue growth and improvement in operating profitability to over 9-10% on a sustained basis.
- Sustaining comfortable capital structure along with healthy liquidity.

Downward factors:

- Weakening of business performance and inability to achieve operating margin above 4-5% resulting in lower-than-expected accruals
- Significant increase in debt due to higher-than expected capex or stretched working capital cycle, leading to a sharp weakening of gearing
- Any regulatory change restricting ability of the company to manufacture and sell asbestos products

<u>About the Company</u>

Incorporated in 1934, EIL is one of India's largest manufacturers of AC roofing. The company has also diversified into non-asbestos building products (roofing sheets, flooring, cladding, and other boards); and design, manufacture, and erection of PEBs. It has eight plants across India.

Income from AC roofing and non-asbestos building products currently accounts for around 76% of total revenue, while the PEB segment accounts for the balance. The company has an installed production capacity of 985,000 tonne per annum (tpa) for conventional building products (including AC roofing) and 72,000 tpa for PEBs.

For the nine months ended December 31, 2023, revenue was Rs 1,143 crore and PAT of Rs 13 crore, against Rs 1,201 crore and Rs 29 crore, respectively, for the corresponding period of the previous fiscal.

<u>Key Financial Indicators (Consolidated)</u>

As on March 31,	Unit	2023	2022

Revenue from operations	Rs.Cr	1,648	1,365
PAT	Rs.Cr	42	44
PAT margin	%	2.6	3.2
Adjusted debt/adjusted networth	Times	0.11	-
Interest Coverage	Times	12.26	24.23

Any other information: Not Applicable

Note on complexity levels of the rated instrument:
CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of the instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue size (Rs.Crore)	Complexity Level	Rating assigned with outlook
NA	Cash Credit	NA	NA	NA	150	NA	CRISIL A+/Stable
NA	Letter of Credit*	NA	NA	NA	290	NA	CRISIL A1

**Fully Interchangeable with bank guarantee*

Annexure - List of Entities Consolidated

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation
Everest Industries Limited	Full	Parent
Everest Building Products (Mauritius)	Full	Subsidiary
Everest Buildpro Private Limited	Full	Subsidiary
Everest Steel Building Private Limited	Full	Subsidiary

Annexure - Rating History for last 3 Years

	Current			2024 (History)		2023		2022		2021		Start of 2021
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	150.0	CRISIL A+/Stable		--	04-04-23	CRISIL A+/Stable	28-02-22	CRISIL A+/Stable	09-03-21	CRISIL A+/Stable	CRISIL A+/Negative
Non-Fund Based Facilities	ST	290.0	CRISIL A1		--	04-04-23	CRISIL A1	28-02-22	CRISIL A1	09-03-21	CRISIL A1	CRISIL A1
Commercial Paper	ST		--		--		--	28-02-22	Withdrawn	09-03-21	CRISIL A1	CRISIL A1

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Cash Credit	20	HDFC Bank Limited	CRISIL A+/Stable
Cash Credit	30	Kotak Mahindra Bank Limited	CRISIL A+/Stable
Cash Credit	30	HDFC Bank Limited	CRISIL A+/Stable
Cash Credit	10	State Bank of India	CRISIL A+/Stable
Cash Credit	25	Axis Bank Limited	CRISIL A+/Stable
Cash Credit	20	ICICI Bank Limited	CRISIL A+/Stable
Cash Credit	15	YES Bank Limited	CRISIL A+/Stable
Letter of Credit*	15	Axis Bank Limited	CRISIL A1
Letter of Credit*	40	HDFC Bank Limited	CRISIL A1
Letter of Credit*	65	HDFC Bank Limited	CRISIL A1
Letter of Credit*	115	ICICI Bank Limited	CRISIL A1

Letter of Credit*	**55**	**Kotak Mahindra Bank Limited**	**CRISIL A1**

**Fully Interchangeable with bank guarantee*

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
Rating criteria for manufaturing and service sector companies
CRISILs Bank Loan Ratings - process, scale and default recognition
Rating Criteria for Construction Industry
CRISILs Criteria for rating short term debt
CRISILs Criteria for Consolidation

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