

Date: 11th November, 2023

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/Mam,

Enclosed herewith transcript of the Analysts / Investors conference call held on Tuesday, 07th November, 2023. 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



“Sahyadri Industries Limited
Q2 FY ‘24 Earnings Conference Call”
November 07, 2023



**MANAGEMENT: MR. TULJARAM MAHESHWARI – CHIEF EXECUTIVE OFFICER, CHIEF FINANCIAL OFFICER AND WHOLE TIME DIRECTOR – SAHYADRI INDUSTRIES LIMITED
MR. ARVIND GARG – FINANCIAL CONTROLLER – SAHYADRI INDUSTRIES LIMITED
SGA, INVESTOR RELATIONS ADVISOR – SAHYADRI INDUSTRIES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Sahyadri Industries Limited Q2 and H1 FY '24 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Tuljaram Maheshwari, CEO, CFO and Whole Time Director. Thank you and over to you, sir.

Tuljaram Maheshwari: Good evening. Everyone, and thank you for joining us on the Sahyadri Industries Limited Q2 and H1 FY '24 earnings conference call. I hope everyone had a chance to view our financial results and investor presentation which were posted on the company's website and stock exchanges. I am accompanied by Mr. Arvind Garg, Financial Controller and SGA, who are Investor Relations Advisors on this call today.

Let me begin with the overall industry dynamics. India continues to be the fastest growing major economy, despite global headwinds. The recovery of post-pandemic private conjunction increased manufacturing activity and a resurgent services sector highlighted the economy inherent resilience. The government emphasis on infrastructure development also added economic growth and the creation of employment opportunities.

The rural economy has been impacted on the back of unseasonal weather patterns and below par monsoon in certain geographies. The Q2 of the fiscal year is usually challenging for the roofing business. The inflation is still persisting at elevated levels affecting consumer spending in rural area. At Sahyadri, we had experienced high raw material prices along with rupee depreciation in H1 FY '24 compared to H1 FY '23.

Going forward we expect a softening of imported raw material prices leading to better margins for us subject to forex fluctuation. The overall capacity utilization has increased from 71% in H1 FY '23 to 79% in H1 FY '24. The operations at the Perundurai plant are also stabilizing on a steady state basis. Further we expect capacity utilization to inch up gradually in future.

The company is progressing well on its Maharashtra capex plant with around 45% of the overall capex already being incurred through internal accruals so far. We foresee roofing demand going up in H2 FY '24 and intend to go higher than the industry, which implies gaining market share in the geographies where we operate.

Now moving on the financial performance, though you have already gone through the investor presentation and the financial, but just for your ready reference, coming to the H1 FY '24 performance, consolidated total income stood at INR347.3 crores for H1 FY '24, grew by 13.6% as compared to INR305.8 crores in H1 FY '23.

EBITDA of the company for H1 FY '24 stood at INR42 crores with EBITDA margin of 12.1% in H1 FY '24. Profit after tax after stood at INR18.9 crores in H1 FY '24. Gross debt stood at INR139.3 crores as on 30, September 2023, which includes short-term borrowings of INR101.2 crores. Debt to equity stood at 0.39 as on 30, September.

Cash and bank balance of INR2.8 crores. Just to summarise, our endeavour is to focus on newer markets along with deepening presence in the existing markets. Also, we continue to focus on value-added products and increasing overall utilization levels thereby leading to operating levels.

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

Moderator: Thank you very much. The first question is from the line of Payal Shah from Blilim Securities. Please go ahead.

Payal Shah: Yes, hi, sir. Thank you so much for the opportunity. I have two questions. First, how much capex have we spent in the first half of the financial year and what can you guide for the full year?

Tuljaram Maheshwari: The capex figure, I have already told, we have already incurred around INR45 crores. And going forward, there may be around INR20 crores more.

Payal Shah: Okay, I am sorry I would have missed that before. My next question is on like what is the update on Odisha project? We have been hearing it since last many quarters. However, there isn't any update so far. So, I just wanted to know the progress and when it will commence with commercial production?

Tuljaram Maheshwari: Okay. See, as we have mentioned in the last two earnings calls, the land acquisition is going on and we expect it would be around 2025-2026. In the FY '25- '26, it may commence the production.

Payal Shah: Okay. Thank you so much, sir. That's it from my end.

Tuljaram Maheshwari: Thank you.

Moderator: Next question is from the line of Ruchi Gupta from Valcreat Consultancy. Please go ahead. As there is no response from the current participant, we will move to the next question, which is from the line of Rajvi Shah from Bright Securities. Please go ahead.

Rajvi Shah: Thank you for the opportunity. I had two questions. First, how do you see the overall demand for roofing business? Do you expect it to improve in FY '25?

Tuljaram Maheshwari: Can you repeat your question again please?

Rajvi Shah: Yes, sure. How do you see the overall demand for roofing business? Do you expect it to improve in FY '25?

Tuljaram Maheshwari: The roofing demand is generally between 6% to 8% is the average growth and that what is going to be in '25 also. More or less, it will be in that 6% to 8% bracket.

Rajvi Shah: Okay, and our next question is, what is the top line and bottom-line growth the company is planning to achieve over the next three years?

- Tuljaram Maheshwari:** As we mentioned in earlier earning calls, the endeavour is to reach INR1,000 crores, which would be the next three years to four years planning.
- Rajvi Shah:** Okay, it was really helpful. Thank you.
- Tuljaram Maheshwari:** Thank you.
- Moderator:** Thank you. The next question is from the line of Madhur Rathi from Counter Cyclical Investments. Please go ahead.
- Madhur Rathi:** Sir, I wanted to understand about your Odisha capex, our competitor, Visaka, is also setting up the asbestos sheet in the eastern region. So, do we think the eastern region can take a capacity of more than 2 lakh tons in the next two to three years?
- Tuljaram Maheshwari:** I could not get your questions clear. If you can repeat again.
- Madhur Rathi:** Yes, sure. Our competitor also has set up a capacity of 1 lakh metric ton in the eastern region, and we are also doing it in the eastern region. So, I want to understand a ground-level perspective about the demand in that region. And can that region take that amount of new supply in the market?
- Tuljaram Maheshwari:** Okay, so there are two things. one is as we have mentioned earlier, that we are not present in the East sector. So, for us, the straight way, the markets are whatever we gain from the market because generally any new player can easily get 5% to 7% market share. So, there we don't see if X is putting or Y is putting or Z is putting, the existing player will not have expected markets there. So, we don't see any hit on that account.
- Madhur Rathi:** And sir, do we think that margins will get hit because of so much supply coming in the market?
- Tuljaram Maheshwari:** See margin definitely We would be new entrants, so our margin would definitely be low compared to them. But going forward, after one year or two years gap it would be more or less same.
- Madhur Rathi:** Okay. And sir, what steady state margin can you expect once the asbestos pricing becomes normal?
- Tuljaram Maheshwari:** Can you come again with your question?
- Madhur Rathi:** Sir, I wanted to understand the margin, when will, as the asbestos prices come down, what will be the steady state margin that we can expect in our business?
- Tuljaram Maheshwari:** We generally don't give any forecast on the margin that based on the results we have given you can always calculate and work out. We generally do not give the bifurcation of the margins.
- Madhur Rathi:** So, sir, just a final question: Do we see the asbestos price is coming down, and how is our pricing arrangement regarding the raw material contract? Is it yearly, monthly, quarterly?

- Tuljaram Maheshwari:** See, as we have mentioned, the prices of the raw material is now getting stabilized, imported raw material prices. So, other than the impact of Forex up and down, hopefully that price not going to be the increase. So going forward, margin would be little better than what you have already seen.
- Madhur Rathi:** Okay. And sir, are you doing for some kind of annual agreement or a quarterly agreement regarding the asbestos?
- Tuljaram Maheshwari:** So, there is no agreement in these cases because there are only two suppliers. So, it is always they prices have been fixed by them and accordingly we give a requirement and those prices remain fixed for one year.
- Madhur Rathi:** Okay, thank you, sir and all the best.
- Tuljaram Maheshwari:** Thank you.
- Moderator:** Thank you. We have the next question from the line of Aditya from Securities Investment Management Company. Please go ahead.
- Aditya:** Yes, hi sir, thanks for the opportunity. So, considering the uneven rainfall we witnessed this year, so if you could just...
- Tuljaram Maheshwari:** Aditya, I'm not getting your voice if you come near the mic, handset, or whatever it is.
- Aditya:** Yes, considering the uneven rainfall we witnessed this year, so could we just talk about the demand prospects for the second half of this year as compared to Q H2 of last year. So, do you expect growth to come in H2 or the growth should remain flattish for us?
- Tuljaram Maheshwari:** H2 is always better other than the Q1, with the first year, first quarter. So generally, the H2 is better and hopefully the way now things are moving, I think H2 would be better than the last year.
- Aditya:** Got it. And sir, could you just talk about the pricing which we are witnessing. So, are we looking to increase prices for our products considering the sharp drop in margins which we have witnessed? So, to recover these margins, would we initiate price hikes?
- Tuljaram Maheshwari:** It is always a wish list that depends on how the market behaves. So hopefully there would be some increase in the prices happening in Q3 and Q4.
- Aditya:** Got it. And, sir, when did we, in the second half the demand is weaker than the first half. So, historically, have we undertaken price cuts in the second half?
- Tuljaram Maheshwari:** Second half, no price cut.
- Aditya:** Okay. Okay. And, sir, you mentioned that the chrysotile fibre prices may reduce. So, just wanted to know, is it possible for these reduced prices to be reduced or structurally they will remain at these levels?

- Tuljaram Maheshwari:** Prices of what?
- Aditya:** Chrysotile fibre? Fibre prices?
- Tuljaram Maheshwari:** It is stabilized now. There will be no reduction other than any impact of up and down in the forex.
- Aditya:** Okay. Okay. And, sir, just one question. So, for the largest player, the margins that the largest player makes are almost twice the margins that we make. So, if you just help us understand what helps them make so much margins and what steps can we take to close that margin gap?
- Tuljaram Maheshwari:** So far, we have come across only one company result, and if you look at their EBITDA margins, the difference is more or less the same. What reduction they face and we are also facing the same reduction. However, they are All India player, Pan-India, whereas we are not Pan-India. So, they have some advantage of other market plus and minus. So, overall, if you see, the reduction in the margin in the percentage terms is the same as what they have and we have.
- Aditya:** That I understand. But, historically, if I look at the six seven-year period, our margins have historically been almost half of the largest player. Now, if I have to consider we are predominantly in West and South, if you consider these two markets, so, would our pricing be at a discount to what they would be charging for the products in the West and South markets?
- Tuljaram Maheshwari:** We are keeping our prices generally in the West higher, whereas in the South is lower. But, we have not reduced the prices.
- Aditya:** And what would be our pricing as compared to the competition? Do we match the prices which the competitor does or we price it at a discount or a premium?
- Tuljaram Maheshwari:** As I mentioned, our prices in case of the West is higher and in the South, it is lower.
- Aditya:** Okay, sir. Okay, sir. Thank you. Thank you for answering the questions.
- Moderator:** Thank you. The next question is from the line of Aditya Sen from Robo Capital. Please go ahead.
- Aditya Sen:** Hi, thank you for the opportunity. Sir, when will this Maharashtra facility come? When should we expect the capacity ramp-up to start?
- Tuljaram Maheshwari:** As I mentioned in my last earning call, it will be FY24, 25 Q4.
- Aditya Sen:** FY25 Q2?
- Tuljaram Maheshwari:** FY 24- 25 Q4.
- Aditya Sen:** Q4. All right. All right. And like you replied to the previous participant, prices in West is higher than prices in South. So comparatively, where does the price in East fall where we are expanding in Odisha?

- Tuljaram Maheshwari:** East, as I said, our prices would again be lower because we will be the new entrant, and we have to face competition from others to get the market share. So definitely, our prices would be lower than the existing players there.
- Aditya Sen:** All right. And just to confirm another reply, you said the prices remain fixed for one year. Did I get this right?
- Tuljaram Maheshwari:** Prices are fixed for -- you are talking about the fibre?
- Aditya Sen:** Yes, fibre prices.
- Tuljaram Maheshwari:** Fiber prices are fixed for the next year, which is going to happen now because generally they fix somewhere in November and December.
- Aditya Sen:** Okay. Okay. All right. Thank you.
- Tuljaram Maheshwari:** Yes. Thank you.
- Moderator:** Thank you. The next question is from the line of Ravi Shah from Opal Securities. Please go ahead.
- Ravi Shah:** Yes. So, I just had a question on the borrowing. So basically, our short-term borrowings have increased quite a bit, whereas our long-term borrowings have reduced by INR43 odd crores. So, I just wanted to ask, what's going on here?
- Tuljaram Maheshwari:** See, as we mentioned that, we are not drawing any amount from the bank for capexes. And also we have to start building the inventory for the fibre as well as the finished goods for the coming season. That's why our inventory has increased and to that extent our working capital utilization has increased.
- Ravi Shah:** Understood. That was my next question. I just wanted to know if it was going to inventory. So basically now, what kind of working capital days would we be looking at for the whole year, September? I mean, for the whole, for September 23 as a whole?
- Tuljaram Maheshwari:** The point is generally we don't see much on raw material inventory and finished goods because that's a seasonal phenomenon and that we generally don't see it. But we control our debtors. If you see our debtors, are, now 15 days. If you see H1, compared to the last year, it was 18 days. And if you see the March ending, it was 20 days. So, we generally control our debtors so that we should not end with outstanding in the market.
- Ravi Shah:** Understood, sir. And what are our normalized inventory days? Usually what are our inventory days?
- Tuljaram Maheshwari:** As I said, because it's a seasonal business, generally we don't see it because we generally try building the inventory to take care of our seasons.
- Ravi Shah:** Understood, sir. So usually it will peak now, you're saying?

- Tuljaram Maheshwari:** Yes.
- Ravi Shah:** Understood. Thank you, sir. Thank you for your answer.
- Moderator:** Thank you. The next question is from the line of Ruchi Gupta from Valcreat Consultancy. Please go ahead.
- Ruchi Gupta:** Sir, I have a question regarding RM prices. So how do you look at RM prices? Are these prices starting normalizing? Can we expect our gross margin to improve going forward?
- Tuljaram Maheshwari:** See, as I have already mentioned, raw material prices, particularly the imported, is under control other than the up and down on the forex. As regards the domestic, there is some plus-minus happening. If you see, the cement prices have recently increased, so some impact is there. But going forward, that will get subdued.
- Ruchi Gupta:** Okay. Okay, sir. So, what is the share of Asbestos and Non-Asbestos for the half year?
- Tuljaram Maheshwari:** Asbestos
- Ruchi Gupta:** Yes, Asbestos.
- Tuljaram Maheshwari:** See, that is 80-20. 20% is the Non-Asbestos and 80% is Asbestos, half year.
- Ruchi Gupta:** Okay, sir. Thank you. That's all, sir. Thank you.
- Tuljaram Maheshwari:** Thank you.
- Moderator:** Thank you. The next question is from the line of Sarbir Shahpuri from Nidar Capital. Please go ahead.
- Sarbir Shahpuri:** Hi, sir. I'd like to know, at this point, are you thinking of making any organizational changes, management changes to the team, or compensation structure changes?
- Tuljaram Maheshwari:** Organizational changes?
- Sarbir Shahpuri:** Any management changes, any organizational changes, personnel changes?
- Tuljaram Maheshwari:** No. The same management is going to continue.
- Sarbir Shahpuri:** Okay, great, sir. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Madhur Rathi from Counter Cyclical Investments. Please go ahead.
- Madhur Rathi:** Sir, what is the Sheet capacity, currently.
- Tuljaram Maheshwari:** I didn't get your voice..
- Tuljaram Maheshwari:** Sheet capacity utilization, you are talking?

- Madhur Rathi:** No, sir. Capacity or utilization?
- Tuljaram Maheshwari:** Sheet capacity, you are talking?
- Madhur Rathi:** Yes, sir.
- Tuljaram Maheshwari:** Okay. Sheet capacity is around, at present, it's 50,000 tons.
- Madhur Rathi:** Okay, I'll just ask my question. What is the current realization per meter, and what will the volume numbers be for our sheet segment?
- Tuljaram Maheshwari:** If the moderator can tell me what question he's asking, I can reply.
- Moderator:** Madhur sir, I would request you to please repeat the question.
- Madhur Rathi:** Yes, I'll just ask my question. I wanted to know the realization per meter in the sheets and current monthly or quarterly volumes, whatever you can give me.
- Tuljaram Maheshwari:** Generally, we don't give on the realization anything that you have to work out from yourself because realization is again a confidential number.
- Madhur Rathi:** Okay, sir. Can you just tell me the volume numbers for these quarters?
- Tuljaram Maheshwari:** Volume is the value. Generally, quantity we don't give it.
- Madhur Rathi:** Okay, sir. Thank you so much.
- Tuljaram Maheshwari:** Thank you.
- Moderator:** We have no further questions. I would now like to hand the conference over to the management for closing comments. Over to you, sir.
- Tuljaram Maheshwari:** Thank you, everyone. I hope we have been able to answer all your questions satisfactorily. However, if you need any further clarifications or want to know more about the company, please contact the SGA team our Investor Relations Advisor. On behalf of my colleagues in Sahyadri Industries Limited, I wish you all a very happy Diwali and hope the year ahead brings happiness to you and your dear ones. Thank you very much.
- Moderator:** Thank you. On behalf of Sahyadri Industries Limited, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.