

COMMUNICATION WITH INVESTOR- IN QUESTION ANSWER

FORMAT- FOR THE QUERIES RAISED BY HIM

INVESTOR –

First of all let me congratulate you and entire team of Sahyadri Industries for turning around the business and making it profitable once again.

REPLY –

Thank you very much for your good wishes, it strengthen us to continue with our efforts to make company more strong.

QESTION 1 -.

The company has not declared any dividend for FY17-18 so far even after reporting healthy EPS of Rs. 25.60 for the year. I am sure you are aware that peer companies from the same sector like Everest Industries, HIL and Visaka Industries have already declared healthy dividend with dividend yield of around / above 1 percent. Would like to know the specific reasons for not declaring dividend or will it be declared later? If yes, by when?

ANWER

Your company has gone through a bad patch during last about three to four years. Company management adopted a strategy of controlling cost, putting efforts to keep the cost at minimal level. This was applied in all the activities of production, marketing and administration. The concentration was on cost controlling. Controlling cost of borrowing was taken as task. Company has achieved it substantially but not completely. It is intended to make company debt free. It was thought fit to conserve funds to meet the goal. At times unpopular decisions were required to be taken. Dividend skip is one of them.

QUESTION 2 –

The promoters holding in the quarter is reduced marginally from 66.44% to 66.17%, the company is doing so well and Industry growth prospects are bright for coming years, any specific reasons for reduction in promoter's holding in last quarter? As you know any significant reduction in shareholding of promoters may be considered as negative by long term investors. Trust there will not be any further reduction in promoter's shareholding going forward.

ANSWER

There appears change in relatives of promoter's.

QUESTION 3

I believe the company is operating with capacity utilization of around 55 - 60 percent. Hence, do not need any capex plans. Would like to know how much of revenue growth company is targeting during this FY and in next FY19-20. Also like to understand the operating and profit margins company is looking forward to achieve during this period, how much improvement in operating profit margins do you see with increase in capacity utilization levels going forward.

ANSWER –

It is expected that a marginal growth of around 5% at top line / capacity utilization. Bottom line will depend mostly on increasing trend in dollar price fluctuations and impact of rising crude prices.

QUESTION 4

In annual report of last year, the management mentioned that lower exports of fibre boards was mainly due to lesser orders

from middle east countries because of fall in crude oil prices. With recent recovery in crude oil prices, does the company's management expect increase in exports in coming quarters? With continuous weakening of rupee, is there any plans to revive export growth to achieve higher turnover with better operating profits?

ANSWER –

For last couple of years there has been capacity addition in Middle East resulting in acute price pressure. Efforts are all to maintain the current market position. However we will be primarily focusing more on the domestic market to improve the volume.

QUESTION –5

In March quarter results, finance cost, depreciation and amortization expenses and other expenses (increased significantly) are increased. Finance cost and depreciation were reduced in previous quarters but increased in March quarter. Is there any addition of machinery / capacity during the quarter, please enlighten sharing the reason for increase in finance cost, depreciation cost and other expenses.

ANSWER –

Basically Depreciation is an annual charge and taken proportionately on estimated working and is worked out on the basis of actual running of machines in multi shifts or single shift. It appears that workings of machines were under estimated during earlier quarters.

Historically during pre Monsoon period we have a peak volume of business. Company get prepared to take advantage of peak sales by accumulating inventory which requires utilization of working capital limits with the bank and which is reflected in increase in finance and other cost.

QUESTION 6-

I understand that the company sold one of its wind mill and used the cash flows to reduce debt in last financial year, is there any such plans to further sell off your other wind mills for further debt reduction? Like to know the capacity you have currently for cement sheets and fibre cement boards, please share the total capacity and current capacity utilization for cement sheets and fibre board business separately.

ANSWER -

Management may consider a viable proposal of sale of wind power projects in future also.

Total capacity 475k mt pa of CS and 96k mt p.a. of Boards

Capacity utilization

Corrugated Cement sheet 53%

Cement Board 45%

QUESTION 7 -

With no capex requirement for at least 1 to 2 years, is there any plans to reduce the debt levels further to improve overall profitability over next 2 years?

ANSWER

Target is to make the company debt free.

QUESTION -8

Last but not the least, in case if I want to visit your office in Pune, will it be possible. I wish to visit your office and meet you /

management in person to understand company's plan to drive business growth in future.

ANSWER-

You are always welcome with mutually decided pre scheduled date.

QUESTION – 9

As you mentioned that management plans to make company debt free hence decided not to announce dividend payout for last financial year. Would like to know the total debt company has on its book and the expected timelines management target to make company debt free. What is the current debt on books and what is the company's target to bring it down to by end of this financial year?

ANSWER –

Last year we have paid term loan of Rs 38 crore approximately. We aim to reduce borrowings with similar amount subject to repeat performance.

QUESTION 10. You mentioned that volatility in currency and rise in crude oil prices can have impact on bottom line going forward. Would like to know how much impact do you foresee in profitability due to these factors. How rise in crude oil prices will impact company's margin, how much contribution crude oil / fuel makes in overall / manufacturing expenses? What is total revenue contribution company is generating from exports?

ANSWER –

Higher exchange rates would impact costs of our key raw material asbestos. Higher exchange rate also impacts oil prices which would impact logistic costs. Higher crude prices have a general inflationary impact all around.

QUESTION 11. You mentioned that company aims for increase in revenue / capacity utilization by 5 percent, will the company able

to sustain or improve its operating margins going forward due to higher capacity utilization and decrease in long term debt? I understand asbestos sheet industry is growing by around 5 - 6 percent annually. However, fibre cement board business is growing at faster pace of 15 percent to 18 percent annually as per industry reports. Does the company target higher growth from this segment in coming years?

ANSWER –

As regards higher growth in boards segment we have already improved sales team and look forward for the growth.

QUESTION 12-

How much term loan is there currently on books?

ANSWER –

Term loan is fully liquidated.

CAUTIONARY STATEMENT :

It may be noted that the statements in the above note describing the Company's objectives and predictions may be forward looking within the meaning of applicable rules and regulations. Actual results may differ materially from those either expressed or implied in the statements depending on circumstances.