

Date:10th November 2022

**To,
The Listing Manager,
BSE Limited
Department of Corporate Services
P. J. Towers, Dalal Street,
Mumbai – 400001**

Scrip Code: 532841

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 Monday, November 07th,2022. 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 ‘23 Earnings Conference Call”
November 07, 2022



**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
MRS. SUJATA BHUDHKAR – VICE PRESIDENT, FINANCE, ACCOUNTS AND TECHNICAL – SAHYADRI INDUSTRIES LIMITED**

Moderator: Ladies and gentlemen good day and welcome Q2 FY '23 Earnings Conference Call of Sahyadri Industries Limited. 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 risk and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in 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 star 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 from Sahyadri Industries. Thank you, and over to you, sir.

Tuljaram Maheshwari: Good morning. me T.R. Maheshwari along with me, Mr. Arvind Garg, he's our Financial Controller; and Mrs. Sujata Bhudhkar, she is Vice President, Finance, Accounts and Technical. So good morning, everyone. On behalf of Sahyadri Industries Limited, I extend a warm welcome to everyone to this Q2 and H1 FY '23 earnings call.

On the call, I'm joined by SGA, our Investor Relation Advisor. I thank you for taking out the time and joining us today. I hope everyone has had a chance to go through our results and investor presentation uploaded on the exchange for the quarter and half year ended September 30, 2022. Given that this is our first earnings call, and for the benefit of the participants at large, I will say an overview of the company followed by financial performance for the quarter and half year ended September 2022.

Sahyadri Industries, is a pioneer in building solution, offering a complete range of products for interior and exterior building system and roofing solution established in 1947. Sahyadri is a flagship company of Patel Group with 70-plus year of group legacy. The company had begun as a roof seat manufacturer under the Swastik brand and has progressed significantly since then. In 1991, Sahyadri had established its first asbestos corrugated sheet production facility in Chinchwad, Maharashtra. We have also expanded our operation to Khadegaon in Maharashtra, Perundurai in Tamil Nadu, Mahuvej in Gujarat, and Vijaywada in Andhra Pradesh. At our Chichwad factory, the company has also started producing Non-Asbestos Flat Sheet.

Our product line contains creative, specialised, futuristic products that are capable of meeting all of contemporary challenges. Sahyadri serves both domestic and foreign markets. We have expanded our network throughout the country to include states such

as Maharashtra, Tamil Nadu, Karnataka, Andhra Pradesh, Gujarat, Telangana, Kerala, Rajasthan, Madhya Pradesh, Odisha and Chhattisgarh. We have effectively built our foothold in the international market, catering to the needs of South Asia, the Middle East, UK and Africa.

We presently have a 45-product branded product portfolio, with the 'Swastik' brand catering to the roofing industry, the Eco Pro brand serving the Cement Fibre market, and the Cemply brand catering to the cement fibre flat sheet market.

Our product eliminates the usage of bricks, thereby assisting in the conservation of cultivable topsoil. Our products contain 30% fly ash, which is a waste product from thermal power plants. Products are environment friendly and free of heat island effects created by slabs, assisting the country in meeting United Nations Framework Convention on Climate Change (UNFCCC) guidelines on global warming.

We have a technological advantage because our machinery, which are utilized to create our products, are design and built in-house, mainly built in-house. At Sahyadri we are abreast with latest technological developments, which is reflected in our products line. Our products are water resistant, termite resistant, fire resistant, strong, and long lasting, to name a few.

The company has a qualified R&D team of 10 people and annual R&D spend is INR 50 lakhs to INR 75 lakhs, which is likely to increase going forward as we modernize R&D center with latest equipment required for producing innovative products. We offered our B2C model, which means we cater to end users through our 3,000-plus dealer network across multiple areas. Since its founding, we have served our one million consumers through its B2C model.

The company has launched a new drive to showcase its value-added product by opening Swastik studio and Ecopro studios location around the market. This campaign will help us improve our brand image and raise awareness of the usage of our products. Our branded product portfolio is well established with the growing sale of value-added products. The company has a product portfolio of around 45-plus products with 20-plus them being value-added.

The manufacturing facilities are strategically located across Western and Southern India. We currently operate five local factories, two of which are in Maharashtra and one each in Tamil Nadu, Gujarat and Andhra Pradesh. The company is in its growth phase, and we believe that capacity expansion is one of the growth levers we must focus on. The company is building a non-asbestos cement board manufacturing facility

in Maharashtra. The plant's capacity will grow by 72,000 metric ton per annum as a result of this.

The capex was the same is INR 95 crores. This expansion will serve to address the requirements of existing Western market and exports. In addition, Sahyadri has announced a greenfield expansion in Odisha to manufacture asbestos corrugated sheet products. The capacity of this plant will be 1,20,000 metric ton per annum. Sahyadri will be able to expand its footprint in the unrepresented markets of Odisha, Jharkhand, West Bengal, and Bihar as a result of this expansion. For the expansion, we have budgeted INR 95 crores in capital expenditure.

Now moving on to the performance during the quarter as anticipated. Q2 of the financial year is a seasonally weak quarter for the roofing business due to the monsoon across the country. The monsoon withdrawal was delayed this year, which affected the overall performance for the quarter. The business has been facing multiple headwinds such as sharp rise in raw material prices coupled with ocean freight and higher fuel costs. On the demand side, we are witnessing a subdued demand for roofing business mainly due to the inflationary trend prevailing in the economy.

Despite multiple challenges, the company demonstrated resilience in its operation and has navigated through all these difficulties. The expansion at Perundurai plant was completed successfully in Q1 and production is usually picking up. Now let me throw some light on the financial performance. The total income increased from INR 106.8 crores in Q1 FY '23 to INR 114.6 crore in Q2 FY '23 EBITDA witness has declined to INR 22.4 crores to INR 16.1 crores on a Y-o-Y basis.

The decline was mainly due to a rise in raw material costs, coupled with higher expenses which comprised of fuel and fed cost as compared to corresponding quarter last year. PAT stood at INR 5.8 crores in Q2 FY '23. PAT witnessed a dip on the back of high interest and depreciation costs, which was attributed to newly commissioned Perundurai plant. The capacity utilization during the first half of the financial year stood at 71%. Our aim is to improve capacity level going forward and achieve operational efficiency. Just to summarize, our endeavor is to become a pan India lplayer by expanding our footprint into different geographies across the country. The company plans to accelerate revenue growth on the back of exploring new markets, deepening market penetration and improving operational efficiencies.

On the Asbestos business, we feel there will be sustainable demand going forward with new and innovative products such as color-coated and textured designed corrugated roofing sheet. On the non-asbestos, there is a huge opportunity available in order to capture market share from the plywood industry and we believe that Sahyadri is well

placed to grab this opportunity. Customer acquisition in the newer geographies through dealer network model coupled with the studio approach will lead to brand recall and increase in the client base in future. Thank you for your kind listening. We will be happy to answer to any questions that you may have.

Moderator: Thank you very much. We will now begin the question-and-answer session. Participants who wish to ask a question, may please press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. We have a first question from the line of Anuv Shah from Srinath Securities. Please go ahead.

Anuv Shah: Sir, I wanted to understand what is the revenue mix between asbestos and non-asbestos products? And how you see this mix evolve in the next three to five years?

Tuljaram Maheshwari: See if you see the half year, in this first half year, the revenue mix is around 80 plus, 80% is the asbestos and 20% is a non-asbestos. Going forward, between next three years to five years, it will be between 70% to 30%.

Anuv Shah: And continuing on the same? Do you see any environmental concerns on the use of asbestos? Can you share some thoughts on that?

Tuljaram Maheshwari: See, asbestos as such, there's no threat. Because this is all you know that NGO-driven things. So we don't find any issue in that because once you follow the rules and regulation prescribed by Pollution Board and MoEF, there's no issue. So we are not seeing any threat on that account.

Anuv Shah: And one last question, sir, I wanted to understand, do we intend to diversify into any other segments within the building Material segment sector?

Tuljaram Maheshwari: At present my plate is full because I have to expand myself to all India. So once we complete all India market penetration, then we will look for any diversification.

Moderator: Thank you. We have our next question from the line of Karan Mehra from Ace Securities. Please go ahead.

Karan Mehra: I have a couple of questions. So the first one is like is the company facing any issues in procuring raw materials, especially fiber, right now? And the follow-up on the same is like currently from which country do we import fiber?

Tuljaram Maheshwari: At present, we are not facing any issue in procurement of the fiber. And Fiber is being imported from two countries, one is the Kazakhstan and second is Brazil. There were

issues in between, but after talking to them, they have sorted out and they have the routed the shipping port instead of Russia to other countries. So there is a cost increase, but there's no issue in getting the material.

Karan Mehra: Yes. So my other question is like what is the typical composition of raw materials in our routing sheets? And how much percent is fiber and how much percent is cement right now?

Tuljaram Maheshwari: See, this is a technical question, and it's confidential. So please leave it there.

Karan Mehra: No worries. No worry. So sir, just one last question from my end. So, what is the revenue share from export as on like H1 of FY '23?

Tuljaram Maheshwari: Revenue is around 17% from export.

Moderator: Thank you. Reminder to participants to press star and one to ask a question. We have a next question from the line of Aditya Sen from Robo Capital. Please go ahead.

Aditya Sen: I have a few questions regarding the company. First of all, I'm looking at Page 33 of the PPT, where we have mentioned that the company has 15% value-added products as of now, and we are expecting to reach 25% going forward. So, I'd like to know in this regard, what levels of margin do we have on the value-added products?

Tuljaram Maheshwari: Value added products generally give 15% to 20% more than the normal products.

Aditya Sen: More than the normal products, right. And there's a continuation to this, the Maharashtra facility that's coming in FY '25, is this dedicated specifically to the value-added products?

Tuljaram Maheshwari: See, as you know that we would be having the three plants, including that new facility. So one is that Chinchwad, second is Perundurair and third is Wada. So we would try to concentrate one plant for the value-added that would be Chinchwad, and all for the normal product will come from the Wada and Perundurair.

Aditya Sen: There's one more question. I'd like to know what levels of capacity utilization would be optimum for this industry?

Tuljaram Maheshwari: Capacity utilization, generally, 60% is okay.

Aditya Sen: And we are at 71%. So, we are going...

Tuljaram Maheshwari: We are not at 21. We are at 71%

- Aditya Sen:** Yes, I said 71%. And just one more last question. At present, you just said that we have 17% exports. And earlier, we were doing 8% to 10% exports?
- Tuljaram Maheshwari:** Early it was 13% last quarter, if you see, it was 13%. And if you see the half year, it was 11% in this half year compared to the last half year 8%.
- Aditya Sen:** So are we focusing on exports because there's an increasing trend here. So are we focusing on it? And also, if we are focusing then what levels of exports do we expect going forward?
- Tuljaram Maheshwari:** See, that is a continuous process and market is good at present. And that's given us the reason to expand ourselves because domestic market has one limitation, but export market doesn't have a limitation. And that's maybe one of the reasons that may be one of the reasons for going for the expansion.
- Moderator:** Thank you. Ladies and gentlemen to ask a question, please press star and one on your phone. We have a next question from the line of Anurag Patil from Roha Asset Managers. Please go ahead.
- Anurag Patil:** Sir, on the margin side, how do you see the second half panning out?
- Tuljaram Maheshwari:** I'm not getting your voice clear. Can you speak a little loudly, please?
- Anurag Patil:** Yes. Sir, in the second half, how do we see out of margin trajectory?
- Tuljaram Maheshwari:** See, I think I'll -- the monsoon issues and those things are behind. And generally, the third quarter always better compared to the second quarter. And going forward, we see there would be a good growth, subject to anything happen in geopolitical situation that -- on that, we don't have any control.
- Anurag Patil:** But sir, on the margin side, we are much lower compared to earlier year same quarter also. So is it possible that raw material prices correcting and then margins can go back to the normalized last year's level or it should remain subdued this year?
- Tuljaram Maheshwari:** The margin, mainly it is the imported cost because of the dollar -- and sea freight, now it is coming down, but dollar is still strong. And second is the fuel cost because of the oil prices is high. So it would have an impact, but -- as we said earlier that generally, it gets passed on in the second quarter, it did get passed on the reason because of the subdued quarter. So, from October onwards, -- there is some pass on into the market. And going forward, there would be a continuous process to pass on into the market.
- Anurag Patil:** And second question on this Tamil Nadu facility last year commission. So can you say this year, we can reach 60%, 65% of utilization for a year as a whole?

Tuljaram Maheshwari: Year, as a whole, it won't be. Because the generally such type of plant gestation period for the stabilization is high. So I would say it would be around 50% a year as a whole.

Anurag Patil: Sir, third question is on the demand environment in the second half, how do you see it panning out? And generally, it is weaker compared to the first half for us. So is there a possibility that we can compensate that part by exporting more in the second half?

Tuljaram Maheshwari: See export, as you know that only non-asbestos product goes to the market, in the export -- and have the limitation on capacity, unless until I have the third plant at Wada, I cannot put more quantity to the export only the balancing quantity, which is left over after giving to the domestic market goes to the export. So that will happen only once my Wada plant starts.

Moderator: Thank you. We have a next question from the line of Saket Kapoor from Kapoor Company. Please go ahead.

Saket Kapoor: That the ocean freight have corrected. So, what has been the impact on higher ocean freight that if you could give for the first half if you could quantify that, sir?

Tuljaram Maheshwari: It would be around 6% to 7% in the totality.

Saket Kapoor: 6% to 7% of the total cost?

Tuljaram Maheshwari: Yes. Total cost of the transportation, if you see, there would be the impact of -- because domestic transport cost is high because of the high fuel prices.

Saket Kapoor: Right.

Tuljaram Maheshwari: So, the net impact would be around 6% to 7%.

Saket Kapoor: That advantage, we will be -- will sell in the second half, but it is only subject to the export proportion. That is...

Tuljaram Maheshwari: One is the export proportion and how the other people are reacting on that. Because you are not in monopoly.

Saket Kapoor: Correct, sir.

Tuljaram Maheshwari: So, suppose, I'm getting a benefit of X percentage, others are also getting and how the prices plays into the export market it's we have to see. But definitely, it will give better benefit, yes.

Saket Kapoor: Sir, how has been the price trend for the finished product for the first half? Have we taken what kind of price realizations because of the increase in the raw material. So

have we absorbed the cost -- or what kind of price hikes or the changes in the price we have taken for the first half?

Tuljaram Maheshwari: See, in the first quarter, there was a price increase. In the second quarter, there is a reduction -- so overall, there is a 6% to 7% increase into the pricing, 7%.

Saket Kapoor: But the costs have gone higher. I mean I just wanted to understand...

Tuljaram Maheshwari: Cost is around 12% to 15%.

Saket Kapoor: So, taking into account the current dynamics of the market -- what kind of price hikes are we anticipating going ahead? And particularly, sir, even in the export market of Europe and all we find -- there are also a lot of capacity shutting down. So, whether that will provide an opportunity for exports or how are the dynamics for the industry working going ahead?

Tuljaram Maheshwari: So, if you see -- first, I will give the answer of your first question. Everybody wants to take the price increase, but the market dynamics are different. And we are not only the players there are a number of players, others also. So, there is always a push to take the price increase and -- in October, we have taken a price increase of 4% to 5%. And in November, we may take around 2% to 3%. So, this will gradually go in increasing the price increase as we reach to the fourth quarter.

Coming to your export related question, so that -- you are right that there is an impact on the European countries export or whatever. But there are a lot of other countries because of the sea freight now coming down earlier the Thailand was not active. Now Thailand again become active. So, there are other countries where they can also push the market to this export market. So, considering that, there will be a good challenge in the export market.

Saket Kapoor: Good challenge, what do you mean, sir?

Tuljaram Maheshwari: Challenge means in the pricing.

Saket Kapoor: Good challenge, I could not understand. We will have the volume advantage to...

Tuljaram Maheshwari: Would be there. But pricing would be a question mark.

Saket Kapoor: Pricing would be depressed, but volume uptake would be there.

Tuljaram Maheshwari: Yes.

Saket Kapoor: Sir, if we come to your -- the new capacity in the southern market, what would have been the impact on ramping up of the capacity for the first half in terms of the bottom line impact?

Tuljaram Maheshwari: The first half, if you see the new plant is not fully stabilized. So there is an impact on the profitability. But going forward in the second half, there would be the project.

Saket Kapoor: Sir, I just wanted the absolute number, if you could guide us...

Tuljaram Maheshwari: I can't give absolute number.....

Saket Kapoor: Correct, sir. Sir, if we take this H2 part which you were explaining that H2 might look better, the second half might look better than the first half so on top of this 71% utilization level and with the increased capacity of Southern plant, what kind of utilization level for H2 are we looking for?

Tuljaram Maheshwari: We are looking 80%, subject to, again, as I said, because situation is very fluid because of the geopolitical situation, anything can happen anywhere. So our expectation is around 80%, subject to the geopolitical situation.

Saket Kapoor: Okay. 80% will be for H2 or for the whole year as a blended?

Tuljaram Maheshwari: H2.

Saket Kapoor: H2. So 70%, 75% we are eyeing for the full year?

Tuljaram Maheshwari: Yes.

Saket Kapoor: Fair assumption. Sir, on the other expenditure part. There, I think so for a year-on-year basis, there has been an increase. So that is mainly on account of the ocean freight part that goes into the line item other expenditure?

Tuljaram Maheshwari: Mainly for ocean freight and also the domestic freight.

Moderator: Thank you. Ladies and gentlemen, to ask a question please press star and one on your phone now. We have a next question from the line of Anjana Shah from Shah Investments.

Anjana Shah: A couple of questions from my end. As we have plans to expand our manufacturing base, can we expect timely completion of these units and do we have any plans to set up any other manufacturing unit in North India?

Tuljaram Maheshwari: See, our present expansion plan already in the place that is one is in Wada and second is in Odisha. And as I said, we want to become all India player. So definitely, there would be the plant in future in the North also.

Anjana Shah: Sure, sir. Sir, then what is the total manufacturing capacity of our company? And what is the peak utilization level the company can achieve?

Tuljaram Maheshwari: My capacity is around 69,000 tons at present and peak we can go till 85%.

Anjana Shah: Sir, something on the dealer network. We have around, say, 3,000-plus dealers. So how many leaders are exclusive for Sahyadri only?

Tuljaram Maheshwari: Exclusive would be very less, maybe around 20%, 15% 15% to 20%.

Moderator: Thank you. Before we take the next question, I would request participants to Press star and one. We have a next question from the line of Dipti Kothari from Kothari Securities. Please go ahead.

Dipti Kothari: So my first question was, that I understand that Q2 is seasonally a weak quarter for your business. But how do you see the demand for roofing business for the rest of the financial year?

Tuljaram Maheshwari: As I said earlier, it will be better because generally, the Q3 would be better than Q2 and Q4 would be better than Q3. So it should be better.

Dipti Kothari: And sir, can you throw some light on the various types of non-asbestos products and its end usage?

Tuljaram Maheshwari: See, presently, we have non-asbestos is a Ecopro-type product. And it uses are, it's a replacement of the plywood, you can use the partition you can use in the floor, you can use in the ceiling, you can do any decorative things. If you go through our website, you'll find all the applications depicted in that website.

Dipti Kothari: And sir, there is a lot to talk on the sharp increase in the freight cost. So, do you expect ocean freight softening in the second half of the financial year?

Tuljaram Maheshwari: Yes, it has already started coming down. So hopefully, yes. But as you know, this is, again, the game plan of certain countries, which create the vaccum into the containers. And then again, they give the containers in the market so it's all depend on how they behave into that.

Moderator: Thank you. Participants are requested to press star and one to ask a question. We have a next question from the line of Prachi Sharma from Ace Investments.

Prachi Sharma: I just have a couple of questions. Firstly, EBITDA margins have declined significantly in Q2 against last year and pre-COVID years. So how much steady-state EBITDA margins can we expect going forward?

Tuljaram Maheshwari: I cannot give a straight answer of your question, but it will be better than what you've seen my EBITDA of the last quarter.

Prachi Sharma: My second question being, what is the current debt-to-equity ratio as on September 30. Are we going to take fresh borrowing for expansion? Or it will be funded through internal accruals?

Tuljaram Maheshwari: Present debt equity is 0.3 and as we generally make the statement and say that generally, we try to finance our capex through internal accruals and balancing is the debt. So we have announced the capex. So some amount of debt will definitely be there

Prachi Sharma: And lastly, I just wanted a broader outlook on the top line and bottom line over the next three to five years.

Tuljaram Maheshwari: I can tell you about the top line, but our bottom line is definitely cannot be forecasted. But top line definitely going forward three to five years between INR 800 crores to INR 1,000 crores.

Moderator: Thank you. We have a next question from the line of Saket Kapoor from Kapoor Company. Please go ahead.

Saket Kapoor: Sir, historically, we find that the total revenue pie shapes for the first half is 55% of the total top line that we do for the year. So with the new plant ramping up, in the second half, do we expect the revenue profile to be similar to what H1 has been or there will be some increase because of the southern plant also reaching some optimum level? Or what's the contribution from that to the top line going ahead for H2?

Tuljaram Maheshwari: Actually, we are looking this year to close between INR 575 crores to INR 600 crores.

Saket Kapoor: And the contribution from the new plant should be, sir, how much? in that...

Tuljaram Maheshwari: It would be around INR 30 crores.

Saket Kapoor: INR 30 crores. So we will break even for that you need the INR 30 crores or sir, it will be EBIT will not be a positive?

Tuljaram Maheshwari: It will not be big. Will break even in next year.

Saket Kapoor: And at what revenue level should be breakeven for the unit, sir?

Tuljaram Maheshwari: 60% to 65%.

Saket Kapoor: 60% to 65%. Sir, the total capex, what we have outlined, can you just get, some of the numbers that we have outlined the total capex for firstly, how much are we going to spend for H2? And what is outlined for the next coming two years?

Tuljaram Maheshwari: H2, actually, we just completed that expansion of Perundurai and that was around INR 60 crores. And next, going, we have the two capex is announced. One was the Wada that is INR 95 crores. And Odisha is INR 95 crores. So, say, next one year, it would be around INR 100 crores would be spent from now.

Saket Kapoor: INR 100 crores would be spent these two facilities?

Tuljaram Maheshwari: From now.

Saket Kapoor: From now. And for that, sir, how are we going to fund for...

Tuljaram Maheshwari: As I said earlier, it will be, whatever the internal accruals are available and balance will be fund debt.

Saket Kapoor: But have we outlined our internal accruals, how is the cash flow shape up?

Tuljaram Maheshwari: But certain things you cannot forecast based on cost increases in those things. So, whatever the balancing figure would be a debt.

Saket Kapoor: Sir, if we take the key challenges and the headwinds, could you outline them, sir, what are the key challenges currently faced by the industry and our company in particular. And what steps have we taken already and there are in the anvil, which wherein we can mitigate the impact of the same.

Tuljaram Maheshwari: See, challenges is mainly the cost increase that is a fiber, and the US dollar, which is impacting the imports as well as the fuel cost and other things. So, dollar and those things are not in your hand, and the import cost thereby increases. So, fuel costs also increase. So, whatever the cost optimization, we have to do that in the ongoing process. Similarly, we go on the increasing the prices as per the market, how much they can take. So that's what is the ongoing process.

Saket Kapoor: And on the dependence on fiber, sir, are we looking for any other what would be the steps for the dependence from one nation or do...

Tuljaram Maheshwari: There's not any much alternative available at present.

Saket Kapoor: At present. But the availability of the same, sir, we have sufficient ability for the continuity of our business going ahead, right? The expanded capacity....

Tuljaram Maheshwari: As such, we don't face any issue.

Saket Kapoor: And on the pricing front for the raw materials, sir, do we have long term...

Tuljaram Maheshwari: That is not in your hand, my dear, because you can't keep inventory at your plant beyond a point. So, you have to leave it what is the cost increases and definitely at the lag and something get passed on to the market.

Saket Kapoor: Just to dwell more point on the same, sir. Depending upon, the availability part is clear, but what factors do you determine the fiber prices, how are they...

Tuljaram Maheshwari: There are two suppliers only they work out based on the total capacity and the demand. And then accordingly, they work out the pricing and they give it and you don't have any negation power in that.

Saket Kapoor: And there, what is their raw materials, sir, I just that the mining part. Okay. So it is up to them how to decide and the market dynamic?

Tuljaram Maheshwari: Yes.

Saket Kapoor: And on the demand outlook, sir, we have spoken about the headwinds and other factors. But what are the pillars on the ground on the demand aspect going ahead? And mainly, sir, do you think the rural will be playing on the Tier 1, Tier 2 cities would be playing a bigger role, or where would the incremental demand will be coming for our products?

Tuljaram Maheshwari: See, the losing business depends on Tier 1, Tier 2 only. And non-asbestos product is a metro and metro area. And generally, quarters-from-quarters, third onwards is a good run up in the demand, slowly, it increases to quarter 4 and then go to the next year first quarter. So that's the trend, and we hope that it will continue.

Saket Kapoor: And for the mix between the non-asbestos, what is the sales mix?

Tuljaram Maheshwari: 80-20 at present

Saket Kapoor: Come again, sir?

Tuljaram Maheshwari: It's 80-20.

Saket Kapoor: It's 80-20.

- Tuljaram Maheshwari:** 80 is asbestos and 20 is non-asbestos.
- Saket Kapoor:** And going ahead, sir, with the type of value-added plant and the type of capex, with both these capex lined up, our -- with the new capacity will be 70% asbestos and 30% non-asbestos, two years, three years down the line, sir?
- Tuljaram Maheshwari:** Yes.
- Moderator:** Thank you. Ladies and gentlemen, to ask a question, please press star and one on your phone. We have our next question from the line of Rajat Sethia from Ithought PMS. Please go ahead.
- Rajat Sethia:** Sir, for the non-asbestos product basket, which is 20% of the sales right now, is that basket as a whole profitable?
- Tuljaram Maheshwari:** Your voice is not clear. Can you repeat, please?
- Rajat Sethia:** Sir, for the known asbestos product basket, which is 20% of the sales right now, is that basket profitable?
- Tuljaram Maheshwari:** It's more or less same with roofing. But value-added is better compared to the normal asbestos.
- Rajat Sethia:** Sorry, sir, I couldn't hear it. Could you repeat?
- Tuljaram Maheshwari:** See, the margin is more or less same in the roofing and the non-asbestos product, except the value-added, value-added is better.
- Rajat Sethia:** And sir, one question related to our performance in 2018 and 2019 when we reported highest ever margins. If you can help us understand what led to those high margins in those two years, particularly?
- Tuljaram Maheshwari:** You're talking for '18, '19?
- Rajat Sethia:** Yes, sir.
- Tuljaram Maheshwari:** '18, '19, I don't have a ready answer. You can contact to SGA and they will connect me and then will reply you.
- Rajat Sethia:** Okay, sir. All right. That's all I have. Thank you so much.
- Moderator:** Thank you. Ladies and gentlemen, to ask a question please press star and one on your phone. As there are no further questions from the participants, I now hand the conference over to Mr. Tuljaram Maheshwari for closing comments. Over to you, sir.

Tuljaram Maheshwari: So thank you, everyone, for taking time out of your busy schedules to attend the conference call today. Please feel free to approach us or SGA with any questions that you may have. 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.