

June 4, 2024

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| BSE Limited<br>Department of Corporate Services<br>Phiroze Jeejeebhoy Towers<br>Dalal Street<br>Mumbai 400 001<br>Scrip Code: 532684 | National Stock Exchange of India Limited<br>Listing Department<br>Exchange Plaza<br>Bandra-Kurla Complex<br>Bandra (East), Mumbai 400 051<br>NSE Symbol: EKC<br>NSE Series: EQ |
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Dear Sir(s),

Sub: Transcript of Earning Conference Call pertaining to the Financial Results for the quarter and year ended March 31, 2024.

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Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we enclose herewith the transcript of the Earning Call held on May 28, 2024 for discussion on Audited Financial Results (Standalone and Consolidated) of the Company for the quarter and year ended March 31, 2024. The same is also uploaded on the website of the Company.

This is for your information and record.

Thanking you,

Yours faithfully,

For Everest Kanto Cylinder Limited

Vishal Totla  
Company Secretary and Compliance Officer

Encl.

## EVEREST KANTO CYLINDER LIMITED

**Manufacturers  
of High Pressure  
Seamless  
Gas Cylinders**

Registered Office :  
204, Raheja Centre,  
Free Press Journal Marg,  
214, Nariman Point,  
Mumbai - 400 021.

CIN L29200MH1978PLC020434

Tel. : +91-22-4926 8300 / 01

Fax : +91-22-2287 0720

Website : [www.everestkanto.com](http://www.everestkanto.com)





**EVEREST KANTO CYLINDER LIMITED**

*Clean Energy Solution Company*

## **Everest Kanto Cylinder Limited**

### **Q4 & FY24 Earnings Conference Call**

**May 28, 2024**

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**Moderator:** Ladies and gentlemen, good day and welcome to the Earnings Conference Call of Everest Kanto Cylinder Limited.

I now hand the conference over to Mr. Anoop Poojari from CDR India. Thank you and over to you, sir.

**Anoop Poojari:** Good afternoon, everyone and thank you for joining us on Everest Kanto Cylinder's Q4 and FY24 Earnings Conference Call. We have with us today, Mr. Puneet Khurana, Managing Director and Mr. Sanjiv Kapur, Chief Financial Officer of the company. We will initiate the call with opening remarks from the management following which we'll have the forum open for a question and answer session.

Before we begin, I would like to state that some statements made in today's call may be forward looking in nature and a disclaimer to this effect has been included in the results presentation shared with you earlier. I would now request Mr. Puneet Khurana to make his opening remarks.

**Puneet Khurana:** Good evening, everyone and thank you for joining us our Earnings Conference Call. I will initiate the call by taking you through the operational and financial performance after which we'll open the forum to have a Q&A session.

We have reported a stable operational and financial performance in FY2024, with a healthy uptick in sales volumes witnessed during the year. While our Q4 revenues increased Y-o-Y and remained stable on a Q-o-Q basis, we experienced a notable impact on gross and EBITDA margins due to lower realizations and higher costs.

In Q4 FY24, consolidated revenues reached Rs. 325.8 crore. EBITDA stood at Rs. 30.8 crore and PAT at Rs. 13.1 crore. Meanwhile, standalone Q4 FY24 revenues stood at Rs. 217.0 crore, a YoY increase of 20.3%, with EBITDA at Rs. 19.6 crore and PAT at Rs. 8.4 crore. For FY24, standalone revenues reached Rs. 771.5 crore, with EBITDA at Rs. 90.8 crore and PAT at Rs. 53.9 crore. On a consolidated basis, revenues stood at Rs. 1,223.0 crore, with EBITDA at Rs. 160.5 crore and PAT at Rs. 97.6 crore, up by 28.6% YoY.

Revenue from the CNG segment contributed 51.1%, followed by Industrial business at 28.6%, and Jumbo cylinders at 15.7% in FY24. Our capacity utilization in India improved to around 60% in Q4 FY24 led by higher volumes.

While our performance in Q4 was impacted, we remain optimistic about the long-term prospects for seamless gas cylinders in India. The government's commitment to eco-friendly natural gas utilization, coupled with fiscal incentives and infrastructure development, should continue to create a conducive environment for growth in CNG vehicles. The increasing number of CNG stations should further fuel the uptake of CNG vehicles. Additionally, the government's plans to expand green hydrogen applications across transportation, industry, and energy storage sectors, coupled with

the growing demand for hydrogen-related infrastructure, should help EKC use its expertise and gain market presence in the growing hydrogen market.

We continue to see a healthy adoption of CNG vehicles in both passenger and commercial segments. In the PV segment, where we currently have a limited presence, we are actively working to add marquee customers in the upcoming fiscal. Meanwhile, the commercial vehicle (CV) segment is experiencing an uptick, a trend we expect to continue. With substantial capacities and a strong balance sheet, we believe, we are well-positioned to capitalize on the growth opportunities in the industry.

On that note, I come to the end of my opening remarks and would request the moderator to open the forum for any questions that you may have.

**Moderator:** We will now begin the question-and-answer session. The first question is from the line of Vishal from Svan Investments. Please go ahead.

**Vishal:** My first question is regarding what has been the volume growth for us during this quarter? And can you compare Q-o-Q as well as Y-o-Y please?

**Puneet Khurana:** Overall, growth in volume for the year is 18%.

**Vishal:** Sir, you said that there has been drop in the realization. How sharply the realization has dropped and what is the reason behind it? Is there any market share pressure from the competitors or what is the reason? Can you throw some light on that?

**Puneet Khurana:** It's year end, so we've taken some provisions. This has been one of the reasons for the drop in margins, along with the product mix. The product mix has also contributed to the drop in margins. Therefore, competition is not the major reason for the drop in margins.

**Vishal:** Sir, drop in the realization is across the business. In domestic, it is quite evident even in the international business.

**Puneet Khurana:** Yes.

**Vishal:** Sir, there has been sharp increase in the other operating expenses, also in the power and fuel cost.

**Puneet Khurana:** So, again, like I said, there were some provisions that were taken. That's the reason you see and you feel that the expenses, the power and fuel expenses are not in ratio, but otherwise, they are in ratio.

**Vishal:** Can you throw some light of what kind of provision, some indication in that regard?

**Puneet Khurana:** For example, the entire CSR was taken in the last quarter. It was around Rs. 3-3.5 crore of CSR was taken around that time.

**Vishal:** Okay. What was the amount? Rs. 3-3.5 crore?

**Puneet Khurana:** Yes. It was taken in the quarter, year-end quarter.

**Vishal:** Sir, but in terms of the drag in the top line is quite high. So if you consider the overall growth in the production numbers of PV, CV is upwards of 15% odd on Q-o-Q basis. Our volume has also in line with that Q-o-Q number of the industry. So what can be the reason that has dragged the realization so much?

**Puneet Khurana:** So, like I said, the product mix - CNG is still coming back. The business is not fully back. The CV business is slowly showing some uptrend, so we'll definitely see the things improving as going forward.

**Vishal:** Sir, there has been good rise in the inventory levels also. It's quite high, Rs. 200 crore

vis-à-vis Rs. 125-odd crore earlier, whereas our sales have remained on similar levels. So what is the reason behind it?

**Puneet Khurana:** In UAE, we had a delay in the pickup of the product which was supposed to be delivered because of the Egypt market. There are some foreign exchange regulations that came in at the last minute that we couldn't dispatch the product. And we had a huge inventory that got left over, which is obviously going to move. But this is one of the reasons why we saw the realizations fall in the UAE.

**Vishal:** So that is the reason why there has been sharp drop. In fact, UAE Q-o-Q has almost, has halved compared to last quarter.

**Puneet Khurana:** Because of the product was ready to leave, but there are lots of delays and because of the Egypt, there is a lot of issues on foreign exchange. So we didn't get the LCs to dispatch the product.

**Vishal:** Sir, going forward are you seeing this issue to be resolved now?

**Puneet Khurana:** It will get resolved, this is just temporary. It will get resolved for sure. Yes, I mean, we have been dispatching product in the past. It's only that there was a delay in the pickup. So, we didn't get the LCs on time, which caused the product to get stuck in Dubai. But it'll definitely move out.

**Vishal:** How are you seeing Q1 progressing in that regard, sir?

**Puneet Khurana:** The product has already moved out.

**Vishal:** Okay. So, UAE will become now steady.

**Puneet Khurana:** Yes, it should.

**Vishal:** From this quarter?

**Puneet Khurana:** Yes.

**Vishal:** And sir, there has been sharp increase in the USA business. So on a steady state, what number should we consider, sir, in USA?

**Puneet Khurana:** This quarter is exceptional but, we can consider it to see some good opt-in because it has good order book.

**Moderator:** The next question is from the line of Kushal Chopra from RV Investments. Please go ahead.

**Kushal Chopra:** I would just want to have a background of the company. I can notice that in 2022, the sales and EBITDA margins of the company was robust. So can I have an insight about why and what has caused the company's financials to, degrade in a lower side after 2022?

**Puneet Khurana:** So, what happened in 2022 was the increase in CNG prices. CNG, being one of the major products of the company, saw prices at the station rise from Rs. 40 in 2022 to Rs. 80 in 2023. This sudden increase affected the entire industry. Consequently, our CV business, which was growing rapidly, saw a decline in production from about 60% to 10-12% due to the sharp price increase of CNG.

**Kushal Chopra:** Okay. Got that.

**Puneet Khurana:** Yes. That's why the 2022 was, I won't say an exceptional year, but we were expecting that the things will keep going, the business, I mean, the prices of CNG will remain stable, but the global situation with the war in Russia and other things this suddenly changed and things, the scenario changed quite fast.

**Kushal Chopra:** Of course.

**Puneet Khurana:** The potential in the business does exist, so people are getting used to accepting that CNG prices will remain in this 80 range or may come down to 75. And so the customer has accepted to buy the product and the sale continues. Nowadays there is a genuine offtake of the product and we are seeing consolidation on a monthly basis. It's showing that CNG can stand on its own. It doesn't really need the support of the price alone. It's a sustainable business model for CNG, even at a price which is quite high.

**Kushal Chopra:** Okay. Got that. Got that. So as you said that the CNG prices currently are lurking around Rs. 80 or level.

**Puneet Khurana:** Rs. 70-75, I don't know. It all depends, CNG prices at different places at different rates. Yes.

**Kushal Chopra:** Of course.. So what is the outlook of the industry from here on?

**Puneet Khurana:** It is very difficult to give you a perspective of the price, of what CNG prices will look like maybe next year or something. But all I can tell you is that, even under the circumstances, there is a, there is a customer need for CNG vehicles. There are customers who are ready to buy CNG vehicles even at these prices.

**Kushal Chopra:** Actually if we see sir, there is a competitive advantage for the electric vehicle. So the cost, the operational expenses in running an electric vehicle is less. So are we expecting a very strong and certain competition from the electric vehicle segments in the country and provided that the government push is very significant in this sector?

**Puneet Khurana:** EV business is a completely different market. CNG will have its own market and EV is going to require a lot of infrastructure development that needs to be done. CNG infrastructure is being developed parallelly plus EV vehicles are more expensive. Customers still find having a CNG vehicle to be advantageous in terms of flexibility. Of course EV got its own advantages and disadvantages of running the vehicle when you want to run the vehicle. So in some places CNG does still have an advantage over electric vehicles.

**Kushal Chopra:** What is the share of CNG cylinders in terms of volumes?

**Puneet Khurana:** It would be around 50%.

**Kushal Chopra:** The half of the chunk of the business comes from CNG?

**Puneet Khurana:** Exactly.

**Moderator:** The next question is from the line of Reet Jain from First Water Global. Please go ahead.

**Reet Jain:** In your presentation you have mentioned that EKC has supplied buffer vessel to ADNOC. So I just wanted to understand how big the opportunity could be for the buffer vessel product?

**Puneet Khurana:** This is something that is project-based orders. Whenever these kinds of projects come so it is not something that it is on a regular basis.

**Reet Jain:** But what kind of orders we can expect like minimum orders every year?

**Puneet Khurana:** It's very difficult because these are projects and you just complete one project and then you just wait for some other project to come at certain times. So, this is very difficult to put in some kind of a clear idea on these projects.

**Reet Jain:** And since you have got this order, any margins for this order?

**Puneet Khurana:** Definitely the margins are there. This is in Dubai. Yes definitely the margins are good

and this is going to start because when more and more hydrogen stations come up, definitely this business will become more and more lucrative.

- Reet Jain:** And sir in Nigeria there is some residential CNG initiative. So how is EKC is taking benefit of that initiative? Are we supplying in that country?
- Puneet Khurana:** Yes, of course. See, now CNG is taking off in Nigeria as well. So, definitely when it takes off, we'll definitely be supplying cylinders there.
- Reet Jain:** But at the same time are we facing any competition in global market from Chinese players?
- Puneet Khurana:** Competition is already there in the global market.
- Reet Jain:** Yes but how intense is the competition? Are the Chinese players offering the lower cost than EKC?
- Puneet Khurana:** Chinese will offer low price, but our quality, our customer reach and other things is definitely going to have some product advantage.
- Reet Jain:** So far just to get an idea suppose for the same product of EKC and Chinese player, what could be the cost difference in terms of percentage?
- Puneet Khurana:** I think Chinese maybe 10%-12% lower.
- Moderator:** The next question is from the Agastya Dave from CAO Capital. Please go ahead.
- Agastya Dave:** Sir, I'm just seeking some clarifications with respect to your opening remarks where you mentioned that there were some cost increases and there were pressures on realizations. So one of the costs you pointed out was CSR which I understand that's a year-end thing. And obviously I guess because of the delay in shipment they would be operating the leverage. Other than that were there any other costs which you would like to point out which were out of control this quarter and also on the realization side can you be a bit more specific about what was the extent of the realization drop? You mentioned that there was pressure on realization and there were some cost increases which happened during the quarter. So one of the cost increases was the CSR thing?
- Puneet Khurana:** There is no cost increase as such. Of course the product mix did affect the realization. And some provisions that we talked about that affected the realisations.
- Agastya Dave:** But if I pick up your entire product portfolio and look at individual SKUs and individual items there like for like how much has the price dropped by or there is no price and it's completely a mix?
- Puneet Khurana:** Very difficult to answer that, but there might be something here. We'll have to consider the prices in the market generally. The prices in the market are generally lower than normal. Yes, but I don't have, you know, because the product mix is there, it's very difficult to determine which was the one affecting the realisation.
- Agastya Dave:** Sir, would it be fair for us to have this understanding that the mix part may resolve itself over a period of time, perhaps next quarter. But whatever pressure there is, there is some pressure on the realisation.
- Puneet Khurana:** Yes.
- Agastya Dave:** And has that continued into Q1, sir?
- Puneet Khurana:** You know, things have improved now.
- Agastya Dave:** Things have improved now. Okay, great, sir. So for next year, can you give some idea as to what kind of volume growth you're expecting across various geographies?

**Puneet Khurana:** About 10%-15%.

**Moderator:** The next question is from the line of Ketan Athavale from RoboCapital. Please go ahead.

**Ketan Athavale:** Sir, what is the revenue and margin guidance for FY25 and FY26?

**Puneet Khurana:** Around 10% to 15%.

**Ketan Athavale:** Revenue growth?

**Puneet Khurana:** Yes.

**Ketan Athavale:** And margin?

**Puneet Khurana:** Yes, in double digit.

**Ketan Athavale:** So by when can we reach, you know, a scale of about Rs. 2,000 crore revenues? When do you see that happening?

**Puneet Khurana:** We are definitely working on that. Let's see, how our plans will come through.

**Ketan Athavale:** In longer run, for the next 3-5 or more years, what will be the sustainable margin in this business?

**Puneet Khurana:** You know, with the current margin, they're quite sustainable. So sustainability, I think these current margins, we can sustain, no problem.

**Ketan Athavale:** But like, can we do like, say, 15%, that will be better? Like, is that sustainable, 15%?

**Puneet Khurana:** No, of course, it is sustainable. It all depends on the product mix. It depends on lots of things.

**Ketan Athavale:** Because like I understand, you know, because of gas prices and your mix, currently we are at sort of a lower in the cycle. So like, I was trying to understand whether we can sustain a 15%.

**Puneet Khurana:** Yes, we're working towards that. Let's see.

**Moderator:** The next question is from the line of Gunit Singh Narang from Counter Cyclical PMS. Please go ahead.

**Gunit Singh Narang:** So you mentioned that 50% of our volumes is in CNG segment. So does this 50% mean we are supplying this to the commercial vehicle segment, or is there some other usage also the CNG?

**Puneet Khurana:** This is going for your CNG, for gas transportation also, for passenger cars and for commercial vehicles.

**Gunit Singh Narang:** Can you give a break-up of this between passenger cars, CVs?

**Puneet Khurana:** No, it's very difficult to do that. Very difficult to give a break-up.

**Gunit Singh Narang:** But how much of this would be going to vehicles, maybe passenger, commercial, both?

**Puneet Khurana:** I'll have to come back to you on this. I don't have it off-hand.

**Moderator:** The next question is from the line of Chirag Jain from Yogya Capital. Please go ahead.

**Chirag Jain:** Sir, I had two questions. What is our market share in the CNG segment currently?

**Puneet Khurana:** I think around 50%.

**Chirag Jain:** Secondly, to clarify, do we have the approval in place due to which, for the Dubai business, due to which our Q4 revenue was stopped?

**Puneet Khurana:** Yes, there was Hold up on the dispatch. That is all done now.

**Chirag Jain:** What was the amount for that?

**Puneet Khurana:** Around 1 million USD.

**Chirag Jain:** By when do we expect to receive the approval?

**Puneet Khurana:** Yes, we already got it. The approval is already done. It is not an approval. It is more like the LC. It is not an approval issue. It is more like the foreign exchange issue that is going on in Egypt.

**Moderator:** The next question is from the line of Chetan Phalke from Alpha Invesco Research Services Limited. Please go ahead.

**Chetan Phalke:** Sir, recently, Bajaj Auto, they have announced that they will be launching some CNG two wheelers. And I think with a tank capacity of around 5 kilos and 5 liters and in some interviews, it is even going up to 11 liters. So, are we having a product portfolio which can cater to?

**Puneet Khurana:** Yes. We are supplying to them.

**Chetan Phalke:** We will be the sole suppliers to Bajaj as we speak?

**Puneet Khurana:** Right now, the program is just starting. It is very early, too early to decide. Right now, we have made some supplies, but you know, it is a new development really. What the market will be and how will it come out, we will know maybe in the next 6 months.

**Chetan Phalke:** And usually, sir, realizations tend to be higher for smaller cylinders or how is it? I mean, broadly speaking, if you can just help us understand how we should estimate the realization profile, whether it is moving up or down accordingly.

**Puneet Khurana:** I do not have the number right now with me, because the product mix is so large. It is just difficult to make a general observation, I mean general distinguish because our product mix keeps changing so much. Some time it is just difficult to put in exact determination where the margins are more higher.

**Chetan Phalke:** Sir, my second question is, now that the year-end is complete, what kind of feelers or, you know, communication that is coming in from the OEMs for the upcoming year? How are their production schedules looking like or...?

**Puneet Khurana:** Schedules have improved considerably than last year, for sure.

**Chetan Phalke:** What kind of volume growth we can expect from the industry and from EKC?

**Puneet Khurana:** At least 10%-15% volume growth should be there.

**Chetan Phalke:** And we expect to retain or improve our market share?

**Puneet Khurana:** Yes. Of course, we have to.

**Chetan Phalke:** What is the pricing difference between the composite cylinders and our products as we speak?

**Puneet Khurana:** There is a Type One, say composite will be at least, I think, maybe three times more expensive.



**Chetan Phalke:** That gap is not narrowing? That pricing gap is still there?

**Puneet Khurana:** No.

**Moderator:** The next question is from the line of Ankur Poddar from Svan Investments. Please go ahead.

**Ankur Poddar:** Sir, just wanted to check firstly on the UAE thing. Now, there were two things that you indicated in the call, that the increase in the overall inventory of Rs. 200 crore was largely due to the order that got pulled up during the last quarter and we dispatched the same. So, is it fair to assume that by end of Q1, the inventory will reduce the almost Rs. 80 odd crore that the shipment has been done?

**Sanjiv Kapur:** The inventory includes your RM, WIP and FG. So, obviously, we say when we talked about the earlier question, it was regarding our finished goods on the finished product. We are saying that the finished product has been dispatched, and on a continuous basis, there'll be production and there'll be finished goods. So, the cycle continues.

**Ankur Poddar:** But the finished good inventory, you amounted to the tune of Rs. 80 odd crore, right?

**Sanjiv Kapur:** Yes.

**Ankur Poddar:** So, definitely, if that got booked out of the book, then the inventories will reduce to substantial amount in the Q1. Am I right? Are we billing up sale inventory at our end. Am I right?

**Sanjiv Kapur:** That's what I'm saying. Every time there'll be some inventory which will lie. So, whatever was held up has been dispatched.

**Ankur Poddar:** In terms of raw materials, how are we hedging ourselves? Because if you look, definitely, quarter-on-quarter and year-on-year also, we have seen an increase in the overall raw material cost. And because of a decline in the overall realization, our gross margin also come down. So, how are we hedged in terms of the raw material cost?

**Sanjiv Kapur:** On the raw material front, I mean, we get better pricing because we buy in bulk. On the other side, on the hedging of the currency, yes, we do hedging at times.

**Ankur Poddar:** For all our entire order book that we have in our hand, our raw material is hedged, right?

**Sanjiv Kapur:** No, hedged from what point? I mean, are you talking of currency?

**Ankur Poddar:** From the volume perspective. So, currency is open, definitely, I know we can't do it much, but from the volume perspective.

**Sanjiv Kapur:** No, we obviously have adequate stocks and adequate orders in place.

**Ankur Poddar:** So, in terms of the Rs. 200 crore of the inventory that we have what will be the component of the raw materials in it?

**Sanjiv Kapur:** I'll have to get back to you on this.

**Ankur Poddar:** Yes. And secondly, definitely, we will see a turnaround in the UAE business with the incremental Rs. 80 crore coming in. Do we foresee any such delay in the LC in the coming quarters or the business is running as usual in the UAE?

**Sanjiv Kapur:** On the currency part since, it's like the conditions in Egypt are a little different and there's a war going on in Gaza. So, obviously there are some elements which we think may come up further but it all depends. I mean, if that thing improves, we may not face any situation.

**Ankur Poddar:** Okay, we are not seeing any major challenges.

**Sanjiv Kapur:** Yes. Because it started moving again.

**Ankur Poddar:** Okay, that's good to hear. And in terms of the USA, definitely, if you look on the sequential numbers you have definitely seen a sharp improvement in the USA, which you indicated a strong order book and a strong inquiry. So, can you help us understand what is the current order book and the executable time period that we need to execute that order?

**Sanjiv Kapur:** We have a large order book and the executable time period is around 18 months to the max. There are long drawn orders because we get it from large government organizations like your Army, Navy, NASA and others.

**Ankur Poddar:** Sir is that in terms of a tonnage or in terms of the absolute number, can you be able to quantify it?

**Sanjiv Kapur:** I can quantify only in terms of value because numbers and all I mean, we don't have that detail here.

**Ankur Poddar:** So, that will be appreciated if you can help us understand the value.

**Sanjiv Kapur:** I will get back to you on this.

**Ankur Poddar:** Sir, on the Indian front and the initial remark you indicated that because of the product mix change, our realisation has dropped down substantially. So, can you help us understand which segment of our product went through in this fiscal or last quarter, which has led to a sharp deterioration in the overall margin?

**Sanjiv Kapur:** It's on a general basis.

**Ankur Poddar:** No. But sir, at the one end we are changing because there's a change in the product mix which has helped because of which the realisation has dropped down substantially and that has taken the entire benefit of the volume growth. So, we just wanted to understand which segment of our business or the product got hit so badly that the benefit of the volume growth has been wiped out.

**Sanjiv Kapur:** We can have this discussion with you separately. We'll let you know.

**Ankur Poddar:** One more question, sir definitely now realisation is not in our hands. Probably, you will come back to us in terms of the other book in USA. So, other than the gross margin below the gross margin just wanted to understand what are the levers as a company that we have in our hands to improve the operating efficiency? And what are we doing there?

**Sanjiv Kapur:** On the operating efficiency obviously, we have control on the price of the purchase cost of the product and the operational efficiency of running the plant. These are the two factors which we work on and saving cost wherever we could do.

**Ankur Poddar:** So, just wanted to understand what I mean, what are the levers or where are we probably putting our extra effort to save a cost? Because if you look last quarter also our power cost has gone up substantially. Other expenses you indicated because of a Rs. 3.5 crore CSR provision. But other than that CSR in terms of power, in terms of the consumption of stores and spares I mean, do we?

**Sanjiv Kapur:** All these areas are monitored, and we are working towards bringing in more efficiency. Obviously, you will be able to see this in our future quarters.

**Moderator:** The next question is from the line of Rishabh Gang from an individual investor. Please go ahead.

**Rishabh Gang:** So, last quarter you have mentioned the margin guidance of 14%-16%. And right now we have mentioned a double digit. So, first of all, I wanted to understand what do you mean by double digit? Mid-teen, low-teen, high-teen? Also, what will lead to an

increase from a 9% to, let's say, a 15%, right? From where the EBITDA margin will increase? Whether it will be from the revenue line item or the cost line or product mix?

**Sanjiv Kapur:** It will be all a combination of every element which you indicated. It will be on the cost basis, on the sales pricing, and then on the cost savings, and everything will work towards it.

**Rishabh Gang:** I would like to know some specific cost line items where you see margin expansion happening, right? Where will the operating leverage come into play?

**Sanjiv Kapur:** See, we are talking of lower margin. When we say lower margin, obviously, we have to ensure that we sell a product at appropriate margins. So, we are working towards that.

**Rishabh Gang:** Also, you mentioned about the product mix moving unfavourable. Wanted to understand whether it is happening because of our internal reasons or because of market forces.

**Sanjiv Kapur:** Market forces.

**Rishabh Gang:** How much variance is there in the gross margin level across different product category, right? Wanted to know on that?

**Sanjiv Kapur:** Normally, CNG is a better market product for better margin.

**Rishabh Gang:** So, if you see your product-wise breakup, FY23, 48% was in CNG. Now, it is 51%. So, how is the CNG changed in quarter 3 and quarter 4 of this year?

**Sanjiv Kapur:** Quarter 3, quarter 4 is improved from the earlier quarters. And between quarter 3 and quarter 4, there has also been a slight improvement.

**Rishabh Gang:** So, when you are saying slight improvement in CNG, then the product mix is bettered, right?

**Sanjiv Kapur:** Even of the whole year. The figures which you are reading is of the whole year.

**Rishabh Gang:** That I understand. So, what was the product mix for quarter 3 and quarter 4 for CNG?

**Sanjiv Kapur:** Quarter 3, quarter 4 was similar. It may be like 1%-2% up or down.

**Rishabh Gang:** Okay, fine. Also, you have been telling about the hydrogen opportunity, right? That compressed hydrogen can be transported in gas cylinders. Wanted to understand what is the opportunity size for you as a manufacturer and like in terms of the volume and the target addressable market for you? And how much do you think that the revenue contribution will be in the going forward years?

**Puneet Khurana:** Hydrogen will, probably in the future will turn out the similar kind of opportunity like it has in CNG.

**Rishabh Gang:** Okay.

**Puneet Khurana:** Yes. It's too initial right now, because we don't have any hydrogen stations in India now. And so, this whole opportunity will, take some time to come. So, there's a lot of, today we are still focused on CNG and EV market. Hydrogen is probably, something that's going to take some time to come.

**Rishabh Gang:** So, let's say by which year do you actually think that some hydrogen related cylinders you will be making? Also, do you already have the cap?

**Puneet Khurana:** The market will take some time to come. Not this year, maybe it may take 2-3 years before hydrogen make small starts will happen. But in a big way, it will take some time.

**Rishabh Gang:** All right. Assuming 3-4 years. Fine. The capacity that you already have for CNG industry and all, can that capacity be used for making cylinders for hydrogen? Or you're going to have to make a different capex?

**Puneet Khurana:** No. This capacity can be used to make hydrogen.

**Rishabh Gang:** So without any incremental capex, you can use it for hydrogen cylinders?

**Puneet Khurana:** Yes, maybe some minimum capex, we can do it.

**Rishabh Gang:** Okay. But we'd appreciate some more clarity on product mix from next quarter. Maybe you can, because you're saying product mix is leading to a lower realization? but I could not understand much.

**Puneet Khurana:** No, we'll definitely work on that and come back to you with probably a little bit more details.

**Rishabh Gang:** Okay. And your EBITDA margin guidance is around 15%, right?

**Puneet Khurana:** Yes.

**Moderator:** The next question is from the line of Vishal from Svan Investments. Please go ahead.

**Vishal:** Sir can you throw some light on our Egypt capacity expansion? And where are we in terms of what is the status? When is the plant expected to commission?

**Puneet Khurana:** The Egypt plant, I mean, as of now, construction is going on. And we believe that it will be concluded by March 31st, or thereabout. And hopefully, the following year, we'll be able to sort of sell in that region.

**Vishal:** March 31st, 2025?

**Puneet Khurana:** Right.

**Vishal:** When are we expected to start booking some revenues for Egypt? And in fact, in terms of cost?

**Puneet Khurana:** In the first quarter of 2025-2026.

**Vishal:** Q4 FY25 there will be cost loaded for the Egypt plant?

**Puneet Khurana:** No, it will be a capital cost. I mean, it's not a cost for revenue, it will be a capital cost.

**Moderator:** The next question is from the line of Rishabh Gang, an individual investor. Please go ahead.

**Rishabh Gang:** I forgot to ask one question. So, the product categories are this one, right? CNG, industrial, jumbo and trading sales?

**Puneet Khurana:** Yes.

**Rishabh Gang:** What are the SKUs that you have in each product category? I want to understand whether it is a very complex business under each category. Can you tell a bit about the SKUs next?

**Puneet Khurana:** SKUs are quite large. In each segment, there are quite a lot of products.

**Rishabh Gang:** Okay. You see, lot can mean anything. Can you give some numbers? How many SKUs that you actually have in each category?

**Puneet Khurana:** Maybe about 150.

**Rishabh Gang:** 150 SKUs across each category?

**Puneet Khurana:** Combined. All three categories.

**Rishabh Gang:** 150 SKUs. All right. Thank you so much, sir.

**Moderator:** Ladies and gentlemen, I will now hand the conference over to the management for their closing remarks. Over to you, sir.

**Puneet Khurana:** Thank you once again for your interest and support. Should you need any further clarification or would you like to know more about the company, please feel free to contact our Investor Relations team. Thank you.

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*Disclaimer: The transcript has been edited for clarity and accuracy. The Company takes no responsibility for such errors, although an effort has been made to ensure a high level of accuracy.*