

November 16, 2023

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

Dear Sir(s),

Sub: Transcript of Earning Conference Call pertaining to the Financial Results for the quarter ended September 30, 2023.

-----

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 November 10, 2023 for discussion on Unaudited Financial Results (Standalone and Consolidated) of the Company for the quarter ended September 30, 2023. 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. : +91-22-3026 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**

### **Q2 FY24 Earnings Conference Call**

### **November 10, 2023**

---

**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 evening, everyone, and thank you for joining us on Everest Kanto Cylinder's Q2 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 the opening remarks from the management, following which we will 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 all earlier. I would now request Mr. Puneet Khurana to make his opening remarks.

**Puneet Khurana:** Happy Diwali and a Happy Dhanteras to everybody. Thank you for joining us for the earnings conference call. I will initiate the call by taking you through the operational and financial performance, after which we will open up the forum to have a Q&A session.

During the quarter, we have reported a stable performance with our Indian operations showing signs of improvement. Our international business has sustained its performance on Q-o-Q basis, assisted by healthy growth report in the U.S. subsidiary. This up-tick in business is attributed to both our CNG and industrial segment.

On a consolidated basis, our revenue stood at INR 299 crore in Q2 FY24, up from INR 268 crore in Q1 FY24, and INR 339 crore in Q2 FY23. Our stand-alone revenues

were INR 182 crore, up from INR 165 crore in Q1 FY24, and INR 195 crore in Q2 FY23.

In Q2 FY24, consolidated EBITDA stood at INR 41 crore, with a margin at 13.8%, and our standalone EBITDA stood at INR 22 crore, with a margin of 12.5%. As we continue to improve our topline performance on sequential basis, we believe we can further enhance our profitability level.

We remain bullish on the outlook of CNG cylinder the market in India, on the back of proactive steps taken by the government towards cleaner energy sources. Supportive measures, such as the implementation of the Kirit Parekh committee recommendations, have been instrumental in reducing CNG prices over the last two quarters. This has certainly helped to boost the CNG market. Furthermore, the continuous expansion of the CNG network across the country is a clear indication of progress towards greater environmental sustainability.

From the long-term perspective, the development of the Green Hydrogen sector is also of great interest to us. We are already supplying cylinders for Hydrogen, and with the potential expansion of the industry supported by the government's ambition to become a leading producer and exporter by 2030. We are confident in our position to capitalize on this emerging opportunity.

In conclusion, as we navigate the evolving market scenario, we remain committed to leveraging the inherent capabilities and strengthening ties with our large client base.

With overall CNG sector showing signs of improvement and our industrial segment contributing steadily, we are optimistic about enhancing our performance moving forward. Importantly, our balance sheet has been considerably strengthened over the past years, thanks to the robust cash flow. This financial strength has greatly enhanced our capability to remain resilient and agile in any challenging market scenario. As on September 30, 2023, our gross debt is manageable at INR 49 crore and we are now a net cash company today. Overall, we believe the strong financial standing enables us to approach future opportunities.

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

**Moderator:** The first question is from the line of Deepan Shankar from Trustline PMS. Please go ahead.

**Deepan Shankar:** Good evening everyone and thanks a lot for the opportunity and congratulations for a good set of numbers, Q-o-Q basis. So firstly, this 12% Q-o-Q growth has come mainly

from CNG volumes coming back from the CV sector?

**Puneet Khurana:** It's a mix of CNG and Industrial.

**Deepan Shankar:** So, any updates on the CNG offtake increase in CV purchasing owners and what is the kind of CNG penetration of this total LCV industry currently?

**Puneet Khurana:** So you know, there is some improvement in the offtake on the CV sector. You know, all the backlog of inventory has definitely gone now. And now more or less the demand is coming back from the CV sector. So definitely there is going to be more improvement in the coming time.

**Deepan Shankar:** This penetration used to be 12%-15%. So where is it currently on CNG as percentage of total LCV sold?

**Puneet Khurana:** The penetration might be still quite low, but there is some comeback.

**Deepan Shankar:** Any improvement are we seeing in the near-term? Because now the prices of crude also coming down. So this gap will narrow further go down, right?

**Puneet Khurana:** Yes, if crude goes down, definitely gas prices will also go down.

**Deepan Shankar:** So are we expecting any improvement in demand in near-to-medium-term?

**Puneet Khurana:** Yes. Definitely there will be, there is going to be an improvement of demand.

**Deepan Shankar:** What is the kind of capacity utilization currently? And also revenue breakdown in terms of CNG industrial contribution?

**Puneet Khurana:** So currently the capacity utilization is about 55%-57%, and the CNG you could say is 50% of this. CNG and Industrial is at 50-50%.

**Deepan Shankar:** Any breakthrough in terms of this PV volume addition or any new customer additions are we looking at?

**Puneet Khurana:** No, sir, there is continuous efforts on that. And hopefully, we should have some breakthrough sooner or later.

**Moderator:** The next question is from the line of Nishit Shah from Aequitas. Please go ahead.

**Nishit Shah:** I want to understand, how is the demand for Type 3 cylinders?

**Puneet Khurana:** Last year has been a little bit of a slowdown for the CNG business because the CNG prices had gone high. So the overall growth on infrastructure is a bit slowed down. So the demand for Type 3 also is kind of just slowed down as now and maybe next year

things will be much better.

**Moderator:** The next question is from the line of Madhur Rathi from Counter Cyclical Investments. Please go ahead.

**Madhur Rathi:** Sir, what kind of steady state EBITDA margin can we expect going forward?

**Puneet Khurana:** Definitely, there will be some kind of improvement.

**Madhur Rathi:** What kind of topline and bottom-line growth can we see for the next 2-3 years?

**Puneet Khurana:** Yes, I think performance should improve.

**Moderator:** The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

**Deepak Poddar:** Sir, first up, I just wanted to understand, I mean, next 2-3 years, what sort of topline growth we are looking at?

**Puneet Khurana:** Next 2-3 years. Maybe 15% to 20%.

**Deepak Poddar:** CAGR.

**Puneet Khurana:** Yes.

**Deepak Poddar:** And what risk we see in it?

**Puneet Khurana:** See, the risk is, again, I hope we are over all the risks because, the CNG prices, the gas prices now seem to kind of cool down and people have started, realizing that the price of gas will be higher than before. And there is some realization and we are back to investing. The gas companies are back to investing in the business.

So, this gives us some confidence that there is investment going back in the infrastructure and the customers have started purchasing CNG vehicles and there are more vehicles coming on the road. So that gives us a little bit more comfort that this is probably going to be sustainable and a long-term business.

**Deepak Poddar:** Okay. Understood. But I mean, in the first half, if you see our growth is negative, maybe what, close to 20%.

**Puneet Khurana:** Yes. We are just at the stage, kind of coming back because, if you see last year has been extremely down because of slowdown, because of the sudden rise in price of gas from INR 40 to INR 80. So, that kind of shock is now, kind of absorbed by the customers.

And what happened is that there was a time scale and a lot of inventory and a lot of pile up of things at the customer end and our end. Now that is all cleared out, and now the business is moving a little bit more. Even at this price, if you have business means that any shift downwards will definitely give you a much better kind of improved numbers.

**Deepak Poddar:** This year also we are targeting 15%-20% growth? That means for the second half you need to grow by 40%-50%, right? 40% at least.

**Puneet Khurana:** I don't know the exact numbers in my hand, but this is what we have been budgeted for and, let's hope that we can meet that.

**Deepak Poddar:** Yes. So this year, in spite of first half being a degrowth of 20%, in case we need to grow by 15%-20% for the entire year. In second half, we need to grow at much faster, right?

**Puneet Khurana:** Yes. Definitely things are getting better.

**Deepak Poddar:** Okay. But, I mean, do you see risk from the EV segment as well?

**Puneet Khurana:** EV has been there for a long time. So, I don't see EV much of a risk because EV has its own segment and CNG really has its own segment. Even at INR 80, if people are buying CNG it means at any reduction in prices, you can imagine that there will be a growth of CNG and much higher. Because even at a higher level, customer is still taking the option of CNG and are buying CNG vehicles.

**Deepak Poddar:** Have you done any kind of analysis, like, I mean, the sales that we do, how much percentage goes towards personal use in terms of vehicles and how much is towards the commercial?

**Puneet Khurana:** Yes. Of course, we do that because some of the products that the commercial sector uses may not be used in the PV sector or the aftermarket. So we have some kind of idea that what is happening where.

**Deepak Poddar:** How much percentage would be commercial in CNG?

**Puneet Khurana:** Well, I don't have the numbers in front of me right now, but definitely for us, commercial segment is where we are more focused in.

**Deepak Poddar:** For next 2-3 years, if you're looking at maybe what, 15%-20% kind of growth. So what's the EBITDA margin aspiration we are looking at? I mean, obviously, you should get some leverage advantage, right?

**Puneet Khurana:** Yes. Maybe 2%-3% increase from current levels.

**Deepak Poddar:** So current level is about 14%, close to 14% without other income. So we are looking at maybe 16%-17%.

**Puneet Khurana:** Probably, yes.

**Deepak Poddar:** 2-3 years.

**Puneet Khurana:** Yes.

**Moderator:** The next question is from the line of Jatin Damania from SVAN Investment Managers. Please go ahead.

**Jatin Damania:** Sir, a couple of questions from my end, I just wanted to understand, firstly, on your UAE business and the U.S. business. Well, if you look your UAE business from the last 4 quarters, we are continuously seeing a decline on a sequential basis, with a sharp drop in our EBIT margin to 4.2% in the last quarter.

**Puneet Khurana:** So, I'll ask Sanjiv to have a little bit chat with you.

**Sanjiv Kapur:** Yes, tell me your question, sir. You want to dynamics of UAE, U.S. business?

**Jatin Damania:** Yes, because if you look from last 4 quarters, we have been continuously seeing a decline in the contribution coming from the UAE and EBIT margin has probably come down to almost to a single digit in the last quarter. So, I mean, what was the reason behind it and how shall one look for that into the UAE business? And if you can, help us in understanding the dynamic for the U.S. business as well.

**Sanjiv Kapur:** Yes, you must have seen that the U.S. business is picking up. If you compare the previous quarter, on Q-o-Q, there's been improvement in the U.S. business from the previous years also. So, U.S. business being project based and in spite of that, there are orders which we have got and we are executing. So, the profitability in the U.S has also improved.

Now, turning to our Dubai business, the sector we cater to is facing some challenges due to global conditions such as wars, for example, in Russia. Consequently, the sector in Europe and Egypt is experiencing a slowdown. They had actually pushed in those markets, which resulted in a little slow down there. But now, we can see the pickup happening.

**Jatin Damania:** No. Sir, because you are saying that the UAE business is slow, and we are gradually pickup. And for the full year, since we are guiding a 15% to 20% revenue growth with

the asking rate in second half likely to be much more higher.

**Sanjiv Kapur:** 15% to 20% that was for the following year. The question first started with the following years and then suddenly shifted to include this year as well. So, this year, we are not projecting 15% to 20%. But obviously, for the following years, yes, that's the figure which we would like to say.

**Jatin Damania:** What will be the projected growth rate for FY24, then?

**Sanjiv Kapur:** Would be around 10% over H1 FY24.

**Jatin Damania:** Sir, for that 10% also, we will have to grow by almost 20% on the sequential basis. So, just wanted to understand, where does the growth will come from and from which segment?

**Sanjiv Kapur:** Yes. So obviously, India will do a major chunk of it. And from U.S. also we are having good order. So, we believe that we will have a better contribution from each of our subsidiaries.

**Jatin Damania:** Okay. But then, if India will do better, then probably if you look from the terms of the margin, U.S. is almost double-digit margin and India contributes to around 8%-9% margin from the last couple of quarters.

Is it fair to assume that, can we go back to double-digit or the mid-teens margin which we reported in last year for Indian business?

**Sanjiv Kapur:** No. You cannot reach that particular margin from last year. But obviously, we will show improvement in all whatever we will be doing.

**Jatin Damania:** Okay. And sir, on the industry side, I mean, definitely you are saying that, in Type 3 cylinders there is a huge demand and probably will grow across the board. But if I look at the domestic market, can you help us and understand, what are the number of CNG station that is likely to come up and how many tenders that we have participated? And the competition that is coming from the Polymer end because even that segment is growing, so, have you seen any shift going from Steel to a Polymer side of cylinder? I mean, if you can help us in understanding the broader scenario?

**Puneet Khurana:** The Polymer Cylinder is kind of a very special segment market. Last year has been a little bit of an overall slowdown in the industry because of the CNG prices suddenly shooting up. But going forward, from next year you will definitely see that the business is going to improve quite a lot. A lot of infrastructure is going to come and lots of the new solutions are also coming.



So, I think in the coming year, there will definitely be an improvement. The Type 1 will have its own market and the Type 4 will have its own market. So, really there are two different segments of the business and they will cater to separate customer base.

**Jatin Damania:** But sir, if I want to understand the steady state growth from my Indian business because if you look, last quarter we did near about INR 182 crore revenue from Indian business. And on an average, if I look at the last 4-5 quarters numbers, we are almost INR 170-180 crore.

In last couple of calls, you have been indicating that because of the government initiatives, which have resulted in good growth in the overall demand. So, if you can highlight in terms of the strategy or the number of CNG stations which is likely to come up or the mobility or mobile van Type of CNG stations which government is planning to look out in near future and the execution timeline to understand the growth rate for our Indian business.

**Puneet Khurana:** Government had a project for almost 10,000 CNG stations. This is like the project that there is a clear visibility that they want to do. So, we have already reached almost 5,000 stations. So, there is another 5,000 stations that they want to put up.

And definitely, the project is there. But you know, like I said, because the price of CNG suddenly rose, all these projects came to a little bit of a slowdown. It is happening, but the pace has slowed down.

**Moderator:** The next question is from the line of Miraj from Arihant Capital. Please go ahead.

**Miraj Shah:** Sir, I wanted to understand, on the raw material side, our input is purely seamless tubes or is there anything else also involved?

**Puneet Khurana:** It is purely seamless.

**Miraj Shah:** Purely seamless tubes, right? And where do we procure it from?

**Puneet Khurana:** So, we procure the tubes locally also and we import also.

**Miraj Shah:** Okay. What would be the proportion breakdown between that?

**Puneet Khurana:** Say, maybe 25%-30% is local.

**Miraj Shah:** Okay. Second is, do we give out the order book size? Is that available? What is the order book right now?

**Puneet Khurana:** Maybe INR 300 crore.

**Miraj Shah:** And executable in?

**Puneet Khurana:** 6 months.

**Miraj Shah:** Okay. And lastly, sir, could you give us the volume of inventory, that is finished goods that is currently in our inventory in volume terms?

**Puneet Khurana:** Finished goods? We don't have that figure with us currently.

**Miraj Shah:** Okay. Total. If you could give the total inventory that is there in volume terms?

**Puneet Khurana:** Total inventory? What are you trying to come up with? What are you trying to calculate? Maybe we can help you.

**Miraj Shah:** Just to understand, so, in terms of volume, what kind of delivery will we do in tonnage going ahead and realization, trying to understand the realization that we have. And if we have any costing of inventory that is currently on our books. If it is not available, I will take it offline.

**Puneet Khurana:** Yes. I think it is better if we do that. Thank you.

**Moderator:** The next question is from the line of Madhur Rathi from Counter Cyclical Investments. Please go ahead.

**Madhur Rathi:** Sir, what percentage of our revenue would come from Composite Cylinders?

**Puneet Khurana:** Currently, we have just started with composite cylinders. So, it's at very early stage to tell you that what percentage of revenue will come from it. And like you said, last year has been a little bit of a slowdown for the industry.

So once the industry starts coming back then will have a call sometime in March or April, we can give you much better perspective on how this is looking.

**Madhur Rathi:** Do we see a shift moving from Steel Cylinders to Composite Cylinders? Because some of the Composite Cylinder players in India, they have a very good order book and they are hoping to grow at 15%-16% or 15%-16% EBITDA margin. So, do we see some kind of shift moving from Steel Cylinders to the Composite ones?

**Puneet Khurana:** They both have their own market. Composite Cylinders will have its own market and Steel Cylinders will have its own market.

**Madhur Rathi:** Okay. So, sir, one of our alternative competitors, Time Technoplast, has said that, due to Composite Cylinders being a lightweight, the cascades are more shifting towards the Composite Polymer Cylinders than the Steel Cylinders.

**Puneet Khurana:** Sir again, as I said, there is a market for Composite Cylinders, but there is also a market for the Steel Cylinders. See, Composite Cylinders are very expensive. So, the customer is only choosing that type of product where it is very necessary to do that.

They are not choosing that kind of product for all their applications. So, if they are thinking about saving cost or it is not necessary, they will not shift. It is only where they feel that it is very necessary and a big advantage is where the customer is shifting to the Composites.

**Madhur Rathi:** Okay, sir. That was very helpful. And sir, my next question would be, some of the City Gas Distribution companies like Mahanagar and all, they are tying up with OEMs and retrofitters to increase the CNG usage in vehicle transportation. So, are you seeing some kind of benefit from that?

**Puneet Khurana:** Definitely. All gas companies are trying to get more and more customers to convert to CNG. So, this is good for us that they are also pushing. Previously, because the prices were low, there was no need to push.

Now that the prices have gone high, they have to really go out and try to convince customers to convert to CNG and push more and grow the market because they are also putting up so many CNG stations. They also need customers. So, it's definitely good.

**Madhur Rathi:** Yes, sir. Sir, are you seeing some kind of increase in the order interest from our OEM customers?

**Puneet Khurana:** Definitely. It is definitely going to grow.

**Moderator:** The next question is from the line of Amit Kumar from Determined Investments. Please go ahead.

**Amit Kumar:** Just one question. The CV demand certainly seems to be coming back and your numbers are also starting to look good. But we do have this long-term issue that CV is fundamentally a cyclical business and that sort of then makes our business also a little bit cyclical.

I think over the last year or so, you have talked about diversifying a little bit more on to the Passenger Vehicle side as well.

**Puneet Khurana:** Yes. Of course, the company definitely is working on diversification into PV segment, because we want to be everywhere. So, definitely that has already started and we have built capacity. What was happening is that in 2020-23, the company had decided that we want to focus more on the CV business, because we did not have the

capability and the capacity to focus on the PV business. Now we are developing products and focusing more and more on the PV business and definitely there will be results coming in the quarters. You will see that there will be some results in that.

**Amit Kumar:** Could you sort of help quantify and you are sort of talking about this going forward or did you sort of see that shift in the previous quarters already?

**Puneet Khurana:** No, I see this going forward. Definitely there will be, yes.

**Moderator:** I would now like to hand the conference over to the management for closing comments. Over to you, sir.

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

---

*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.*