

December 3, 2024

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
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Dear Sir(s),

Sub: Transcript of Earning Group Conference Call pertaining to the Financial Results for the quarter ended September 30, 2024.

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we enclose herewith the transcript of the Earning Group Conference Call held on November 27, 2024 for discussion on Unaudited Financial Results (Standalone and Consolidated) of the Company for the quarter ended September 30, 2024. The same is being 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 & Compliance Officer

Encl.

EVEREST KANTO CYLINDER LIMITED

**Manufacturers
of High Pressure
Seamless
Gas Cylinders**

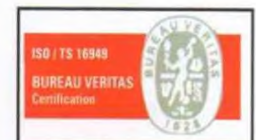
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Everest Kanto Cylinder Limited

Q2 & H1 FY25 Earnings Conference Call Transcript

November 27, 2024

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. Mitesh Jain from CDR India. Thank you, and over to you, sir.

Mitesh Jain: Good evening, everyone, and thank you for joining us on Everest Kanto Cylinder's Q2 and H1 FY25 Earnings Conference Call. We have with us 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 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 earlier.

I would now request Mr. Puneet Khurana to make his opening remarks. Thank you, and over to you, sir.

Puneet Khurana: Good evening, everyone, and thank you for joining us on our earnings conference call. I will begin by sharing an overview of our performance for the second quarter and six months ended 30th September 2024, following which we will have the Q&A session.

We are pleased to report a strong performance in Q2 FY25, driven by robust contributions from our international operations and a steady uptick in our India business. Consolidated revenues for the quarter stood at Rs. 367 crores, reflecting a YoY increase of 22.7%. EBITDA grew by 28.7% YoY to Rs. 53.1 crores, with margins at 14.5%, while PAT saw a notable increase of 47.0% YoY to Rs. 38.6 crores.

Our strong performance in international operations was primarily driven by the U.S., which was a key contributor during the quarter. The order-based nature of our U.S. business resulted in a significant jump in profitability. While we anticipate the fiscal year as a whole to remain strong for the U.S. market, the second half is expected to deliver steady performance compared to the same period last year.

In the Indian market, the outlook for seamless gas cylinders remains highly encouraging. The government's focus on eco-friendly initiatives continues to drive the

adoption of CNG vehicles. The ongoing nationwide expansion of the CNG distribution network highlights the growing importance of CNG in India's transportation sector.

India's focus on sustainable energy is also gaining traction, supported by private sector plans to establish multiple biomass-to-CNG plants. With CNG already recognized as a cleaner and more efficient alternative to traditional fuels, the integration of bio-gas into the energy mix will further enhance its sustainability and accessibility. This aligns with the country's broader green energy goals and positions CNG as a future-ready fuel capable of addressing India's evolving energy needs while reducing dependence on imported fossil fuels.

Complementing these advancements, Green Hydrogen is expected to gain prominence as a transformative force in India's clean energy landscape, offering immense opportunities for growth. The Company is already addressing Hydrogen demand and anticipates significant potential emerging in India. With Green Hydrogen poised to play a pivotal role in decarbonizing industries and transportation, we are well-positioned to leverage our expertise to support this high-potential market.

Coming to an update on our expansion plans, we are strengthening our manufacturing capabilities with the development of facilities in Egypt and Mundra, India. These plants, designed to produce seamless high-pressure CNG, Hydrogen, and industrial gas cylinders, are progressing as planned and are expected to become operational in the upcoming quarters.

At our Mundra project, we have earmarked an additional capex budget of Rs. 50 crores to set up new manufacturing lines, with execution planned over the next 12–14 months. This move reflects our confidence in the medium-to-long-term demand for CNG and sustainable energy solutions in India. These expansions will enable us to meet growing market needs and further strengthen our leadership position in the industry.

To conclude, with our established leadership position and strong financial foundation, we believe we are well-positioned to capitalize on the growing opportunities for seamless cylinders in both domestic and international markets, creating long-term value for all stakeholders in the years to come.

With that, I conclude my remarks and invite the moderator to open the floor for questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question comes from Deepan Sankara Narayanan from TrustLine Holdings Private Limited. Please go ahead.

Deepan S. Narayanan: Firstly, from my side, what is driving India business strong growth performance during this quarter?

Puneet Khurana: Mainly the CNG business continues to drive this quarter.

Deepan S. Narayanan: CNG business, this is, we are referring to the new two-wheeler CNG launch or our general cylinder business to ILCV?

Puneet Khurana: No, general cylinder business. The CNG cylinder business.

Deepan S. Narayanan: But despite having incrementally grown over last year considerably, but our EBITDA has not grown much and margins remain lower at 7%. What is the reason for it? And when do we expect the margins to improve at India business level?

Puneet Khurana: We had a little bit of a drop in our cascade business margin. Hopefully that will improve with our bettering the cost on the product.

Deepan S. Narayanan: And how is our two-wheeler CNG business doing? We could see the volumes every month going up in the range of 4,000 to 8,000. Are we a 100% supplier to the two-wheeler OEM?

Puneet Khurana: No, we are not a 100% supplier. The volumes have just started. Hopefully, they will pick up much going forward.

Deepan S. Narayanan: So that we will have a better margin in double digits in line with other India business, right?

Puneet Khurana: Yes, definitely the margins will be there. The only thing is the cylinder, the product itself is a low-cost product. You will have sales, but it may not be as large as the CV business or the PV business.

Deepan S. Narayanan: It will be lower than PV business, but higher than our industrial business, right?

Puneet Khurana: Higher, not today. Maybe in the future, like I said, even in the industrial, lots of the products are very high value products. The product here is a little bit small, very small product, a small cylinder. The value of the product is quite small. It definitely adds to the business of the Company, but yes, it may not be so impactful as you are expecting it to be.

Deepan S. Narayanan: And sir, what is your opinion on this recent CNG price hike which has happened, which has further increased the gap between CNG and diesel prices? This will impact the CNG demand or the CNG conversions happening at CV business. How do you see the impact going ahead?

Puneet Khurana: No, currently we don't see much. It's not affected much because the CV business also continues and the order book is there. A little slight change in the price has not really created too much impact because now the customer is more or less used to this kind of pricing of CNG.

Deepan S. Narayanan: And how do you see these opportunities from these hydrogen and biogas kind of opportunities? And when it will actually get reflected in our numbers?

Puneet Khurana: Biogas has definitely already started to reflect because lots of biogas plants are coming and getting commissioned. Biogas definitely is happening, and we will continue to see in the next 2 to 3 years you will see more and more growth on biogas. We are already seeing that happening. Biogas traction has already started and hydrogen, the country has just started to set up infrastructure. Hydrogen will take some time to happen.

Deepan S. Narayanan: Sir, understanding this biogas opportunity further, will it be a cascade kind of an opportunity or our cylinders will be used in biogas?

Puneet Khurana: No, it's like an opportunity in every way. You know, a CNG station comes up, it gives you all opportunity. It gives you all opportunity in the cascade business. It gives you in the automobile business, in the auto side. Opportunities will come, more CNG stations, see, as we are already at around 7,000 stations and the way the biogas is going, maybe we will have, maybe by the end of next year maybe 10,000 stations will be there. As the infrastructure grows, definitely the demand for people converting into CNG becomes greater because infrastructure is easily available near their home and biogas is just helping, is giving a big push.

Deepan S. Narayanan: And this quarter we have seen U.S. business contributing heavily towards profit. Do we expect this run rate of profit contribution continuing the U.S. business or it will be more lumpy in nature?

Puneet Khurana: No, U.S. business will be profitable, but sometime what happens is some orders are executed. U.S. business is a project business, you will always have one quarter where you will have the orders are executed because you start preparing in quarter one and those orders get executed at one time in quarter two. In quarter three you will see that maybe the order book is very good, and there may not be what you saw in the last quarter, but definitely the business will be good.

Deepan S. Narayanan: Sir, lastly from my side, this incremental CAPEX of Rs. 50 crores at Mundra, this has been done with reflection of higher demand coming from our two-wheeler CNG or our normal CNG cylinders for CV business also we are expecting to pick up over-time.

Puneet Khurana: It's a mix of both. It's a mix of what we are expecting from the two-wheeler, expecting coming from the CNG industrial market also.

Moderator: The next question comes from Reet Jain from First Water Global. Please go ahead.

Reet Jain: I wanted to ask you, what is the order book that we have in the USA subsidiary?

Puneet Khurana: \$40 million - \$50 million.

Reet Jain: And that is executable in what time period?

Puneet Khurana: Maybe 18 months.

Reet Jain: And what is the current capacity utilization after the Q2 numbers?

Puneet Khurana: 70%.

Reet Jain: And this is before capturing the further expansion that we are doing in Egypt and Mundra?

Puneet Khurana: Yes. This is only India we are talking about.

Reet Jain: And regarding the new facility in Egypt and Mundra, are we going to produce only Type-1 cylinder or are we focusing on other value-added products?

Puneet Khurana: We will be focusing on other value-added products also.

Reet Jain: That includes composite cylinders also, Type-3, Type-4?

Puneet Khurana: Yes.

Reet Jain: And can you give us the idea about the size of the opportunity in Nigeria? Because a lot of conversions are happening from petrol to CNG.

Puneet Khurana: Nigeria is just, it just started, the market. And these countries are very volatile places because foreign exchange issues. It's an infrastructure again. Everything comes down to infrastructure. As we talk a lot about Nigeria and other things, but the markets are just beginning. It's just in a very initial stage, but you cannot compare the opportunity to somewhere like India, because we are in a very organized marketplace, we are in a very stable country. Nigeria has very unstable currency related issues,

government decision on how the CNG infrastructure will be laid out. There is no, you know, a clear plan or the execution of the plan that's come through. The opportunity is at very nascent stage.

Reet Jain: And Reliance has just announced Rs. 65,000 crores CAPEX for biogas plant. Are we seeing any major opportunity there?

Puneet Khurana: Yes, of course. Like I said, in the next 2-5 years, you will see that all these projects that have been announced is going to come on stream. Because they are announced today, obviously, the projects will take time, but Reliance you know, we are selling to them. There are projects which are coming today, and there are some projects which are planned in the future.

Reet Jain: It is very much possible that we are going to supply to them in the future.

Puneet Khurana: We are already supplying to them. And as the opportunity becomes bigger, we get a bigger chance to sell more and more CNG cylinders to them.

Reet Jain: And this is regarding the product development by our Time Technoplast. They just developed Type-3 cylinder, which has applications in hydrogen, aerospace, drones. Are we working on any such innovations?

Puneet Khurana: No, we already developed the Type-3. We also have a product. We also have developed the Type-3 cylinder. We are also in line with development of these products.

Reet Jain: No, but they received the PESO approval. So, are we at that stage?

Puneet Khurana: See, anything we do is with PESO approval only. All the developments that we do is with PESO approval. Without PESO, we cannot do anything. We have also developed these products, but like the market is just in the beginning stage of growth. We are going to definitely see a lot of growth coming from this market in the future. The Company is product ready. We are ready with the product. We are also trying to fill in the order book. So, definitely there will be, you will see some impact in the future from here. Some value add, some sales will be coming from here.

Reet Jain: And last question. Regarding the new CAPEX in Egypt and Mundra, what could be the peak revenue at 100% capacity utilization we can expect? Like the peak revenue from each plant, Mundra and Egypt?

Puneet Khurana: Mundra, I think around Rs. 300 crores.

Reet Jain: And Egypt?

Puneet Khurana: Maybe Rs. 200 crores.

Moderator: The next question comes from Ankur Poddar from Svan Investments. Please go ahead.

Ankur Poddar: Sir, my question is just a follow-up of a few questions' participants have asked earlier. I wanted to know what was the impact in the cascade business you explained earlier which impacted our margins and when you see the things stabilizing, and on a sustainable basis, what should the margin be assumed in near term in few quarters going ahead?

Puneet Khurana: The margin definitely will improve in the coming quarters.

Ankur Poddar: Sir, we have made earlier margins close to around 10%-11%-13% in 3-4 quarters back. Can we go back to that number?

Puneet Khurana: 12% - 14%, yes, I think it should be okay.

Ankur Poddar: And sir, we have seen some phenomenal spurt in the margins in U.S. business for last two quarters. 17% in Q1 and 29% in Q2. You said that there was some revenue booked in this quarter. On the cost part, what is the US part, and going forward what is the sustainable margins we expect here?

Puneet Khurana: U.S. is a project business, you know, whole, you cannot be taking the business quarter-to-quarter. You will have to take an annual overview. An annual overview will give you a 12% to 14% return. They will give it to you. So, you might get a few quarters where things will look very, very good. But overall, this should be the trend.

Ankur Poddar: You see this business can sustain around 12% to 14% margin. Is this understanding right?

Puneet Khurana: Yes. Because you know the order book is good. And the U.S. also now with the new regime, definitely there will be a huge boost in a lot of industry activity.

Ankur Poddar: And sir, is there any plans to discontinue this business going ahead? Have we cancelled that plan?

Puneet Khurana: No, we were never going to discontinue the business. We have been fighting the costs, trying to find new avenues of growing the business. Definitely, there is an idea to continue the business.

Ankur Poddar: And last question regarding the Egypt CAPEX. When can we see the start of production for this plant? And you said the peak utilization levels, at the peak utilization levels, you can clock around Rs. 100 odd crores.

Puneet Khurana: Here in Egypt, currently we have already completed the construction at the site, and the equipment ordering has also begun. I would say somewhere around June-July 2025 is when we think we can probably start commercial production.

Ankur Poddar: And when we see that the peak utilization can be achieved for this plant?

Puneet Khurana: Maybe in the next 6 months after that. Maybe by December.

Ankur Poddar: And you said that at the peak utilization, the annualized revenue can be close to around Rs. 200 odd crores?

Puneet Khurana: Rs. 200 crores, yes.

Ankur Poddar: And which markets are through this plant where we will be catering?

Puneet Khurana: They are locally. They will sell mainly local market.

Moderator: The next question comes from Hiten Boricha from Sequent Investments. Please go ahead.

Hiten Boricha: Sir, actually, you have given us sales break up country wise. Can you highlight what is the sales from the cascade business?

Puneet Khurana: No, I don't have those numbers.

Hiten Boricha: Is it significant? Like the cascade business is significant because that segment seems to be growing quite fast in India?

Puneet Khurana: Yes, it is significant. Yes, it is of course, you know, it contributes.

Hiten Boricha: Total India business is, I think, Rs. 235 crores. Out of that, what percentage would be the cascade business, if I have to look at it that way?

Puneet Khurana: I don't have the number with me. I do not have the exact numbers with me.

Hiten Boricha: And where do you see the maximum growth for us, whether commercial vehicles or from the cascade business or from the bike business is too small right now?

Puneet Khurana: Yes, we feel the CV business is where the growth is going to come.

Hiten Boricha: The CV business is where the growth is, okay. In India also, we do the cascade business, right? Not only in India.

Puneet Khurana: Of course, India is only where we do the cascade business. We don't have any cascade business anywhere else.

Moderator: The next question comes from Darshil Jhaveri from Crown Capital. Please go ahead.

Darshil Jhaveri: Sir, I think in the opening statements you mentioned that H2 will be stable as compared to last year H2. I just wanted to know, so our sales growth of like around 20% that we have done in H1, will that continue over for H2 or how would H2 pan out, sir?

Puneet Khurana: Yes, the top line should remain.

Darshil Jhaveri: The top line of H1, how quarterly run rate has been, that should remain?

Puneet Khurana: Yes.

Darshil Jhaveri: And with regards to FY26, like our Egypt plant will come in and when will our Mundra plant come in? What kind of revenue growth can we see for FY26, sir?

Puneet Khurana: Mundra plant, I think around in 12 to 14 months. Yes. So, there we can definitely see a growth of around Rs. 300 crores as the plant ramps up.

Darshil Jhaveri: But that will come in FY27, right? Or it will come in FY26?

Puneet Khurana: Yes, correct, the plant will be commissioned in FY26 and the ramp up should happen in FY27.

Darshil Jhaveri: For FY26, what kind of growth can we look at, sir?

Puneet Khurana: Maybe 10% - 15%.

Darshil Jhaveri: And sir, the margins that we are doing currently will remain, right, sir?

Puneet Khurana: Margin should improve.

Darshil Jhaveri: Margin should improve. And just one question, sir. Just want to know what should be our effective tax rate? Because we have U.S. business also. Just wanted to know that, that what will be our effective tax rate, sir?

Puneet Khurana: 25.16% is India.

Darshil Jhaveri: Yes, but then because the U.S. is on a branded basis, I think we don't have that much tax, right, sir? Because I think last year, we have not had 25%.

Puneet Khurana: Yes, right.

Moderator: The next question comes from Priti Bhavana, an individual investor. Please go ahead.

Priti Bhavana: I have a couple of questions. In the series of questions, first question, how many units we are having operational, and at what location, and what is the overall capacity of all these units?

Puneet Khurana: We have operation in India. We have unit operation is in Tarapur, outside Mumbai and one in Gujarat, in Gandhidham. In Dubai, we have one unit running, that is in Jebel Ali Free Zone. And in the U.S., we have a unit running.

Priti Bhavana: What is the capacity, overall capacity of each unit?

Puneet Khurana: I can give you the total capacity with India, Dubai should be about 1.2 million. And U.S., usually the number of cylinders is around 4,000-cylinder capacity.

Priti Bhavana: Per annum or per month?

Puneet Khurana: Per annum.

Priti Bhavana: Per annum, okay.

Puneet Khurana: It's all per annum.

Priti Bhavana: And how much cylinders we sold in quarter 2 and quarter 1? On the guidelines of revenue, what are the volumes we sold overall?

Puneet Khurana: We don't have those figures in hand currently.

Priti Bhavana: Rough figures?

Puneet Khurana: I don't have them right now with me, but we can always share it with you if you are here in the office.

Priti Bhavana: And on the part of, I have seen like the U.S. business has grown, like the margins have grown very high. I just want to understand what kind of project work we are doing in the U.S. And is that in U.S. and Hungary, both are the project works or we are supplying the cylinders there?

Puneet Khurana: No, so basically U.S. is the manufacturing unit, and Hungary is just the Company. U.S., mainly the projects are all government-based projects. In aerospace and defense.

Priti Bhavana: Are we expecting these projects to be like in the future as well or they are only time-barred project?

Puneet Khurana: We already have an order book of \$40 million - \$50 million there. U.S. business is all about projects, they always have a good order book.

Priti Bhavana: We are having an order book for next year as well?

Puneet Khurana: Exactly, yes. You have an order book, yes. You have an 18 months order book.

Priti Bhavana: And on the part of like current cascade orders, what are the current cascade orders you are having in hand for India for next six months?

Puneet Khurana: I don't have the order book in my hand, but it's decent. We have a good order book for cascades.

Priti Bhavana: Can you answer in numbers, like rough estimation of?

Puneet Khurana: I don't have the numbers with me currently.

Moderator: The next question comes from Hiten Boricha from Sequent Investments. Please go ahead.

Hiten Boricha: My question is on the borrowing, sir. Our borrowing has gone up from Rs. 39 crores to Rs. 140 crores. Can you throw some light on that?

Puneet Khurana: We have been utilizing our CC limits, which was not being utilized earlier. And top line also is grown.

Hiten Boricha: What would be our rate of borrowing, sir?

Puneet Khurana: 9%.

Hiten Boricha: And sir, one more clarification. You mentioned our cascade business is only in India. What is this collaboration with Nigerian Company related to cascade?

Puneet Khurana: We have no collaboration with Nigerian Company. We have no collaboration in any Nigerian Company for cascades.

Hiten Boricha: What exactly we do there?

Puneet Khurana: Anyway, you see, we sell cylinders in Nigeria. And if somebody, maybe some customer, maybe if they require some cascades, we might have sold some cascades. But there is no such collaboration. And Nigeria is just at very nascent stage, the market. It's just starting. The market is just starting, still early days.

Moderator: The next follow-up question comes from Reet Jain from First Water. Please go ahead.

Reet Jain: On the financials, this quarter we have interest expense of Rs. 8 crores. Is there any one-off expense here? Because borrowing of close to Rs. 160 crores should throw

up the interest rate of around Rs. 16 crores for the full year, if I assume 10% interest rate. And for one quarter, we have expense Rs. 8 crores in this Q2. Is there any one-off here?

- Puneet Khurana:** Yes, Sanjiv will answer. Sanjiv will talk to you.
- Reet Jain:** If you look at the consol P&L, the interest expense is close to Rs. 8 crores. And why it is so high? I mean, if we have the borrowings of Rs. 160 crores, per quarter interest expense should be close to Rs. 3 – Rs. 4 crores. Then why it is 8 crores?
- Sanjiv Kapur:** A detailed reply shall be provided on your contacting us.
- Moderator:** The next follow-up question comes from Ankur Poddar from Svan Investments. Please go ahead.
- Ankur Poddar:** Sir, can you throw some visibility on our UAE business? What is the growth visibility we are seeing here on a near-term to long-term basis?
- Puneet Khurana:** UAE business is traditionally, they have a good order book from countries like Egypt and Europe, South America. We are continuously exploring new markets here.
- Ankur Poddar:** Going forward, what is our order book and what are we seeing run rate here? How do we proceed here for the next year or in the coming quarters?
- Puneet Khurana:** Definitely the sales will improve, and we have a decent order book. And you know how the whole area is a little bit volatile. Sometimes we do have some disruption in product moving and sales because of some of the other disruption in that area from the war or something happens and some kind of disruption happens and then the sales get hampered and move to the next few months.
- Ankur Poddar:** And regarding the earlier question of interest cost, Rs. 8 crore interest, I missed what was the answer here?
- Sanjiv Kapur:** A detailed reply shall be provided on your contacting us.
- Ankur Poddar:** From next quarter you will see some benefit flowing here?
- Sanjiv Kapur:** Yes.
- Moderator:** Thank you. As there are no further questions from the participants, I now hand the conference over to the management for closing comments.
- 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 India. 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.