

February 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
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Dear Sir(s),

Sub: Transcript of Earning Conference Call pertaining to the Financial Results for the quarter ended December 31, 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 February 13, 2023 for discussion on Unaudited Financial Results (Standalone and Consolidated) of the Company for the quarter ended December 31, 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.

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**Manufacturers
of High Pressure
Seamless
Gas Cylinders**

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Everest Kanto Cylinder Limited

Q3 FY24 Earnings Conference Call Transcript

February 13, 2024

Moderator Ladies and gentlemen, good day and welcome to 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 Thank you. Good afternoon, everyone and thank you for joining us on Everest Kanto Cylinders Q3 FY24 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 point out 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 Puneet to make his opening remarks.

Puneet Khurana Good evening, everyone. Thank you for joining us for our Earning Conference Call.

I will initiate the call by talking you through the "Operational and Financial Performance" after which we will open the forum to have a Q&A session.

We are pleased to announce a healthy performance during the quarter. Following a challenging FY23, we have witnessed a stable and progressively improving performance through FY24. The rise in demand through our products in both the domestic and international market in recent quarters had enabled us to achieve this improvement in our performance. Our key CNG segment sales in particular have been healthy uptick supporting our overall performance in Q3 FY24.

On a consolidated basis, our revenues stood at Rs. 330 crore in Q3 FY24, up from Rs. 299 crore in Q2 FY24 and Rs. 256 crore in Q3 FY23. Our standalone revenues stood at Rs. 207 crore, up from Rs. 182 crore in Q2 FY24 and Rs. 143 crore in Q3 FY23. The CNG segment's contribution to consolidated revenues improved to 54% in Q3 FY24 compared to 45% in Q3 FY23.

In Q3 FY24, consolidated EBITDA stood at Rs. 52 crore with margin of 15.6% and our standalone EBITDA stood at Rs. 30 crore with a margin of 14.7%. As we continue to improve our topline performance, we are confident in our ability to maintain such

margin levels. With higher revenue, improved product mix and ongoing efforts to manage cost, margins can be improved further in the future. However, we would like to share the margin range from 14%-16% at a consolidated level.

As we have stated in the past, we remain bullish on the outlook of CNG cylinder market in India, owing to the proactive steps taken by the government to promote CNG, as one of the cleaner energy sources. The government is clearly working towards increasing the share of natural gas in India's energy mix from 7% to 15% by 2030, aiming for both environmental and economic benefits. Various steps have been taken to increase the domestic production of gas, including a recent mandate to blend Compressed Biogas (CBG) with CNG. The expansion of City Gas Distribution (CGD) network, which aims to cover the majority of the population and geographical area, together with efforts to make CNG more affordable through revised pricing and financial incentives, further highlights of the government's efforts.

We are also keen on following global developments in green hydrogen, recognizing its potential to transform the seamless gas cylinder industry over the long term. With our seamless technology enabling our cylinders to withstand high pressure, we are already meeting the demands of Hydrogen sector. As Green Hydrogen is set to play a crucial role in shaping India's sustainable energy landscape. EKC's expertise in supplying hydrogen cylinders globally places us in a strong position within the expanding hydrogen market.

To conclude, we remain committed to reinforcing our market leadership in the sector, augmenting value for all our stakeholders and making a meaningful contribution to the worldwide movement towards cleaner energy solution. With adequate capacities and strong balance sheet, we believe we are well-placed to tap the growth opportunity.

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

- Moderator** The first question is from the line of Deepan Shankar from TrustLine PMS. Please go ahead.
- Deepan Shankar** Sir, firstly from my side, 50% plus kind of growth in CNG business, what has contributed this kind of recovery in sales?
- Puneet Khurana** The OEM business last year was a little slow and now the OEM business is coming back quite strong with more development infrastructure, more availability of CNG is making the OEMs to produce more CNG vehicles.
- Deepan Shankar** CNG volume for the industry is not growing to this level, right, sir, so this is only because they had lower inventory in the previous quarter, that has got added to the volumes?
- Puneet Khurana** Yes, you could say that, because last year was a little bit slow and so things are now coming back quite well.
- Deepan Shankar** Now from this level, what kind of growth we are expecting in the CNG business to sustain?
- Puneet Khurana** Yes, about 10%.
- Deepan Shankar** And what is the kind of capacity utilization currently we have?

Puneet Khurana About 65%.

Deepan Shankar And any breakthrough in terms of PV volume addition or any new customer additions, we are in discussions with PV customer?

Puneet Khurana Yes, we are in continued discussion with them. Hopefully, we should have something probably in the next quarter, we might have some breakthrough.

Deepan Shankar Currently, we are not supplying any volumes to PV, right sir?

Puneet Khurana Yes, we are supplying to PV, but not a very large volume.

Deepan Shankar And finally, what is our guidance for FY24 and 25 revenue growth?

Puneet Khurana Maybe after the first quarter, we can have a better visibility and give you some better view. CNG is looking stronger. Definitely, things are looking much better and you can see that in this performance.

Deepan Shankar Q4, we are expecting better numbers?

Puneet Khurana Yes, things are looking up.

Moderator The next question is from the line of Parv Jain from Niveshaay Investments. Please go ahead.

Parv Jain Sir, I am relatively new to the Company. I would like to get to know better the kind of raw material that we are utilizing right now, how the price trend has been over the last quarter and this quarter? And on that same front and what are the key customer segments that we are serving to and if you can give us some broad split between the customer segment that will help me understand the company better?

Puneet Khurana The key raw material of the Company is, we are importing seamless steel tubes and what is your next question?

Parv Jain The raw material price, the price trend of?

Puneet Khurana The raw material price has been more or less stable, it is not a very volatile product. Our seamless tubes are not very volatile. It is more or less stable over last 2-3 quarters.

Parv Jain And going forward, we will see it remaining at the same level.

Puneet Khurana It looks to be quite stable.

Parv Jain And in terms of a customer segment that we are serving, if you can help me broadly understand?

Puneet Khurana Our products have wide variety of customers, because we are also catering to an industrial market where the range is, the product customers is from like say chemical to aerospace to all sorts of industrial gases, we have automobile segment as in CNG, then for CNG infrastructure, we have products also for your medical oxygen we have products. The range of products is huge. We have a huge range and huge industry catering in our products.

Parv Jain Just to simplify, what segment would be the major beneficiary of our product?

Puneet Khurana It would be industrial and CNG, these two it would be divided among them.

Parv Jain Industrial as in the capital goods industry?

Puneet Khurana Capital goods, you could say, it could be chemical processing industry, it could be cutting welding industry, it could be fire industry, anybody using gases is a customer. All people manufacturing gases, selling gases, using gases, all are customers.

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

Vishal Sir, couple of questions from my side. There has been good trajectory last quarter we have seen USA business has seen good growth and you also guided during the last concall that USA and UAE, you have seen some traction in the business coming. But this quarter, again there is a drop in USA business, how should we look and what is your view going forward in near term for USA business and for next quarter and next year?

Puneet Khurana See, USA is a project based business. I think the order book is good and it should continue. This trend, I think it should continue.

Vishal You expect growth in US business for the next year?

Puneet Khurana Yes.

Vishal Sir, there has been one observation, your employee cost this quarter has increased. Is this some one off payment sitting in that number?

Puneet Khurana One second, we just have a look, at employee cost.

Vishal There has been 10% increase on a Q-o-Q basis?

Puneet Khurana Yes, I think it normally increases.

Vishal Sir, my third question is regarding, how do you see the scenario in Cascade business right now as the market scenario is improving and what is the outlook for that business going at?

Puneet Khurana I think it should be good. I mean, Cascade business should be growing. It will be growing.

Vishal And sir, we would like to hear from you, some sort of insight on the outlook of the India business as well for the near to medium term that would be great sir.

Puneet Khurana I cannot give any specific outlook, but I think things are looking up. Things are growing quite structured way now. It is very naturally growing. It is very organic, and it is growing pretty well. It is quite strong and we can see sustainable growth over the period. I think things are things are looking up now.

Vishal Because sir, my point is coming from the fact that last quarter you guided that H2 will see a good 10% growth on a sequential basis. We have seen this quarter around that number. So, that guidance stays. Similarly, do you expect the same kind of run rate to continue next quarter as well and kind of growth in that?

Puneet Khurana The growth will be there, but I think if we maintain this, I think we should be okay to go into the next year where we can look at better things, but definitely, things are improving in everywhere, from every sector. Definitely it is a good time and things are coming in place.

Vishal Sir, I would not press too much, but last, sir, do you expect FY24 to end with better, we would better the number of FY23 in terms of topline?

Puneet Khurana Yes.

Moderator The next question is from the line of Kumar Saurabh from Scientific Investing. Please go ahead.

Kumar Saurabh My question is, we have been very successful in reducing the debt and almost in last 6 years from Rs. 544 crore, we have Rs. 273 crore, so are we planning to become totally debt free? That is the first question and the current CWIP which is there for Rs. 80 crore, I am sure it will go live in some time. What is our CAPEX plan and whatever cash flows will be there post CAPEX in future given we will be debt free, what is the plan to use it especially given we are distributing only Rs. 8 crore as dividend and I believe we will be earning more than Rs. 120 crore as cash flow. If you can combine all of this and address, sir?

Puneet Khurana Company is debt free now, definitely if we have cash, I think we will definitely look to put it to the board to distribute the higher dividend or anything else that they can think off.

Kumar Saurabh What is the CAPEX plan for the next 2 years?

Puneet Khurana CAPEX plan, in India, we have already executed some of the CAPEX, partly executed but in Egypt, we are now moving forward where we have already started construction and that is the CAPEX now in Egypt, the new plant.

Moderator Next question is from the line of Sarthak Awasthi from IDBI Capital Markets. Please go ahead.

Sarthak Awasthi Sir, my questions is on margin front, like we achieved 15% margin in this quarter, Whether we will be able to sustain in upcoming quarters?

Puneet Khurana Yes, margin should be okay.

Moderator Next question is from line of Sanika from Sapphire Capital. Please go ahead.

Sanika Sir, you said that we will be better than last year in terms of topline, which means that we will need around Rs. 370 crore of revenue in Q4, so are we on track to get that ?

Puneet Khurana Yes, we are on track.

Sanika And how are we going to get, like why are we expecting this growth in Q4 like because we already like 1-1/2 months down the qQ4, what are the major?

Puneet Khurana Things have been good in the last quarter. We are we are hoping that it will remain this way and it should meet the target, we set ourselves for this year.

Moderator Next follow up question is from the line of Parv Jain from Niveshaay Investment Advisory. Please go ahead.

Parv Jain Sir, just one follow up question on your ratios, can you help me with your cash conversion ratios and working capital ratio.

Puneet Khurana I think we will have to get back to you on that.

Moderator The follow up question is from the line of Vishal from Svan Investments. Please go ahead.

Vishal Sir, just one small question. Adding to the last question on CAPEX, sir, can you share what kind of CAPEX we have done for the 9 months and what are our plans for FY24 and FY25?

Puneet Khurana Rs. 30 crore we already done CAPEX and another Rs. 20 crore is planned.

Vishal Rs. 20 crore would be done in this quarter so that we will be at Rs. 50 crore for FY24, is the number right?

Sanjiv Kapur On the CAPEX front, we had announced the project earlier, we are going slow on that and out of that we have spent around Rs. 25 to Rs. 30 crore in that project and balance would be spent during the coming year.

Vishal If I understand it right, this year would be Rs. 30 crore we have spent the CAPEX and next year would be subsequent Rs. 20-25 crore.

Sanjiv Kapur Yes.

Moderator The next question is from the line of Avinash Nahata from Parami Financial. Please go ahead.

Avinash Nahata Just one small question, what is the cash generated from operations for the first 9 months ended 31st December post working capital changes?

Sanjiv Kapur Sorry, we are not having the numbers in our hand as of now, we will come back to you on this.

Moderator As there are no further questions, I would now like to 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 you like to know more about the Company, please feel free to contact our Investor Relations team. Thank you.

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