

February 25, 2025

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 December 31, 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 February 20, 2025 for discussion on Unaudited Financial Results (Standalone and Consolidated) of the Company for the quarter ended December 31, 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.

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of High Pressure
Seamless
Gas Cylinders**

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Everest Kanto Cylinder Limited

Q3 & 9M FY25 Earnings Conference Call Transcript

February 20, 2025

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: Thank you. Good evening, everyone, and thank you for joining us on Everest Kanto Cylinder's Q3 and 9M FY25 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 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: Thanks. 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 third quarter and nine months ended 31st December 2024, following which we will have the Q&A session.

We are pleased to report a steady performance in Q3 FY25, supported by an uptick in our domestic business, driven by healthy demand from the CNG and industrial segments. Additionally, our domestic operations delivered an improvement in margins, aided by prudent inventory management and operational efficiencies. On a standalone basis, revenue stood at Rs. 244.3 crores, marking a YoY increase of 18.2%, with EBITDA of Rs. 36.5 crores and margins of 14.9%, reflecting the progress in our domestic operations.

On a consolidated basis, revenue stood at Rs. 367.0 crore, a YoY increase of 11.4%, while EBITDA came in at Rs. 39.9 crore, with margins at 10.9%. PAT stood at Rs. 18.0 crores. International operations faced challenges, with margins impacted by the nature of order booking in the U.S. and a difficult operating environment in Dubai. Despite these challenges, we remain focused on enhancing operational resilience to drive profitability across our global markets in the coming quarters.

In India, the outlook for the CNG market remains strong, supported by environmental benefits and cost efficiency. The steady expansion of CNG vehicle adoption, coupled with the growing refueling infrastructure, reinforces CNG's critical role in India's energy transition. Additionally, emerging developments such as bio-CNG integration are strengthening CNG's position as a sustainable fuel alternative. The government's commitment to green mobility through incentives for biofuels, stricter emission norms, and infrastructure investments is expected to sustain the momentum for cleaner fuel solutions, benefiting overall demand for CNG cylinders.

Additionally, Green Hydrogen continues to gain traction as a transformative solution in India's clean energy landscape. As industries and transportation sectors move toward decarbonization, we anticipate significant demand for high-performance gas storage solutions, including hydrogen and industrial gas cylinders. We are well-prepared to address this growing demand, leveraging our expertise in manufacturing high-pressure cylinders to cater to the evolving energy ecosystem.

With a robust operational and financial foundation, we are well-positioned to capitalize on opportunities in the clean energy space. Our continued focus on innovation, operational excellence, and strategic expansion efforts will drive long-term value creation. As a leading player in the high-pressure gas cylinder industry, we are committed to strengthening our market leadership and pursuing sustainable growth.

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. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from Deepan S. Narayanan from TrustLine Holdings. Please go ahead.

Deepan S. Narayanan: Good evening, everyone and thanks a lot for the opportunity. Firstly, what are the key drivers for 22% YoY growth in India business and also 5% plus QoQ improvement in margins for India business?

Puneet Khurana: You know here in India of course as you see the CNG infrastructure is growing. So, there are more CNG vehicles that are going to be plying and now the CV business is also growing which was subdued in the last 2 years. We think the growth is going to come from there, as you know the price rise of CNG did you know dampen that for some time. But now we are seeing that more with growth of infrastructure. So the CV business and the CNG businesses continues to grow.

Deepan S. Narayanan: Okay and as the inventory restocking cycle has begun for CNG cylinders used by commercial manufacturer?

Puneet Khurana: Yes.

Deepan S. Narayanan: Okay, and how is the current capacity utilization for domestic business?

Puneet Khurana: We are still around at 60%.

Deepan S. Narayanan: Any update on passenger vehicle customer addition front, sir?

Puneet Khurana: The same customer base continues.

Deepan S. Narayanan: And for USA business, despite reporting strong growth in revenues, margin has reduced to 5%. So what are the reasons for the same and do we expect it to improve during Q4?

Puneet Khurana: USA is a completely project-based business. So, what happens is that you cannot be seeing the business QoQ. It is more how the order book moves. The order book is very strong, but the movement of the product, because we have a lot of defense orders and other things, so sometimes you have delays in the product movement. But the order book is good, and if you see it on an annual basis, definitely you will see that how the business is growing, and it's going to continue to grow. In the US, now with the new regime, we believe that US business will be definitely benefited from the policies that the government is coming out with now.

Deepan S. Narayanan: What is the kind of order book currently we have in USA subsidiary?

Puneet Khurana: Around \$30 million.

Moderator: Thank you. The next question is from Reet Jain from First Water Global. Please go ahead.

Reet Jain: Hello, sir. Despite similar revenue in the previous quarter on the console basis, which is Rs. 367 crores, our power and fuel costs have increased by 20%. And also other expenses have increased by close to 20%. So what is the reason for such an increase?

Sanjiv Kapur: Good evening. This is Sanjiv Kapur. In respect to power and fuel, I mean, I'm sure you're aware that from previous years, there have been increases in all the costs of all the items which go into power and fuel, that is PNG, LPG, and basic power, that is one reason. And the other is, on a QoQ basis, if you compare, you'll find that sometimes it's a little higher because of the production having been carried out, but the final finished goods have not been done and just get reflected in the inventory. This is how the power and fuel is being. But it's well under control and we are always finding ways and means of reduction in this cost.

Reet Jain: Okay and regarding finance cost, that has also increased. Last quarter it was Rs. 2.74 crores now it is Rs. 4.59 crores Have we increased the debt level?

Sanjiv Kapur: Yes, we have increased slightly the debt level because what we wanted to push on the sales turnover, so obviously there's a little more funding gone into my inventory and debtors.

Reet Jain: Can you quantify the debt amount?

Sanjiv Kapur: Total debt for the whole group is Rs. 140 crores.

Reet Jain: And sir, regarding GST notice, we have the liability of Rs. 127 crores Have other players also received the notice or we are the only one who has received this notice?

Sanjiv Kapur: It's an industry-related matter because everyone is following the same classification. The GST demand notice is due to difference in tax classification of CNG cylinders. And the department content, these should be classified under a different HSN, which is at 28% and we have its classification under 18%. And it's some interpretation and there is no lapse on our part and there are all multiple industrial players, we have received similar notices.

Reet Jain: All have appealed to the system?

Sanjiv Kapur: Yes, we are in the process of filing an appeal and we are also pursuing various other legal routes available to us.

Reet Jain: And in the press release, you have mentioned that there is some challenging operating environment in Dubai. Can you explain the situation?

Sanjiv Kapur: Yes, because Dubai caters to the market in Europe, Africa, Brazil and in all other areas across the world. Obviously everywhere it's not so conducive the way we have it in India.

Reet Jain: But we are setting up a new plant in Egypt.

Sanjiv Kapur: Egypt has separate dynamics where government is favoring that we should have CNG unit there. So, there CNG will get easily absorbed because they are pushing for CNG conversion. So, there we don't think it should be related to the turnover or the sales.

Reet Jain: Okay, but since we have the spare capacity in Dubai, can we repurpose that available capacity to new geographies?

Sanjiv Kapur: Obviously, so we will be always be looking out for new geographies, but the overall environment in the global scenario is all, it's a wait and watch because the Trump administration is bringing a lot many new policies. People are on the wait and watch theory as of now. So which country will have which impact is not very well known.

Reet Jain: Okay. And one more thing is regarding the USA subsidiary, you mentioned you have an order book of close to \$30 million and do you see this order book being maintained going forward due to new policies in oil and gas?

Sanjiv Kapur: We already have said that the new administration of the Trump will obviously support manufacturing within US. Obviously, there will be more orders coming to us because we have government companies who give us orders.

Moderator: Thank you. The next question is from Vidhi Shah from C.R. Kothari & Sons. Please go ahead.

Vidhi Shah: Hello sir, can I get a revenue guidance for FY25 and the kind of margin that we are expecting?

Puneet Khurana: Yes, it should be better than last year. We're not going to give you any specific figures.

Vidhi Shah: Okay, so can you assume that it will sustain at 14%?

Puneet Khurana: Yes, we're working towards that.

Moderator: Thank you. Next question is from Ramakrishnan V who is an Individual Investor. Please go ahead.

Ramakrishnan V: Sir, our domestic business is doing very well, but whereas we have headwinds in the overseas market, and now we are putting further investment in Egypt now. I would like to know that what is the total investment we have made globally? And I think global operations are very volatile. Why can't we bifurcate and deal this global company as a separate company and the domestic company as a separate company

because we have seen this kind of growth in domestic market? And quarterly it is very volatile. So most of investors, they don't like that quarterly this kind of volatility.

Puneet Khurana: I agree with what you're saying, but the only thing is that these businesses have some value that they add to the total business. So separating them, it might not be looking, in the long run, definitely they'll be adding value. There might be some volatility in the short term, but in the long term they will definitely be rewarding.

Ramakrishnan V: Globally, what is the amount of investment we have done in our US operation, the field operation, Dubai and Egypt? And when the Egypt is going to be operational, are we supplying to Maruti?

Puneet Khurana: In September we will, the Egypt operations will come operational in Egypt in September '25 and we just don't have the figure off hand on the investment, it's what we've made in the last two years internationally. We will just give it to you a little bit later on the call.

Moderator: Thank you. Next question is from Kaushal, who's an Individual Investor. Please go ahead.

Kaushal: Hi, sir, I have two questions. The first one is that on the overseas business, we've seen that in Q3, the EBITDA has been around Rs. 3 crores, I mean, if I just do console minus standalone. But overall, on a nine-month basis, the EBITDA for overseas business has been around Rs. 50 crores. So while I understand that there were some headwinds in Dubai and also there was some project related this thing in US, just wanted you to understand, just wanted to understand how do you account for revenues and profitability in the US business, which is like a project business?

Puneet Khurana: It's more like project accounting.

Kaushal: So in line with the revenue booking, you should also book the P&L, right? I mean, the profit should also be commensurate. It's percentage of completion method, right?

Puneet Khurana: Yes.

Kaushal: But it is not visible. I mean, if you see the console EBITDA, it is just Rs. 3 crores in Q3. I mean, Rs. 3 crores higher than the standalone EBITDA.

Puneet Khurana: Maybe some projects have a lower margin, so that's the reason why the EBITDA is lower.

Kaushal: And sir, with respect to this Dubai business, this is not a project business, right?

Puneet Khurana: No, it's not.

Kaushal: So then, I mean, if you could just give us, I mean, QoQ, what would be EBITDA for Dubai or QoQ, what would be EBITDA for USA, it will help us better understand this overseas business because there's a lot of volatility in the EBITDA?

Puneet Khurana: In Dubai of course the order book is being a little bit stalled because some of the customers have not picked up the product. That is some part of it, the reason why we had the slowdown in the Dubai business. Sorry, what was the other question?

Kaushal: No, I was saying, could you give us like quarter-on-quarter EBITDA of let's say Dubai and USA business in your investor presentation that you circulate? So it is better to

help us understand the overseas business in terms of QoQ, what has been the EBITDA. Because for nine months you've given that, overseas business is typically Rs. 50 crores in EBITDA, but in the US and Dubai put together, but for Q3 it was only Rs. 3 crores, so?

Puneet Khurana: What we will do is, we will just work out these numbers and we can share it with you later when we have them. We don't have them off hand here.

Moderator: Thank you. The next question is from Bhavin who's an Individual Investor. Please go ahead.

Bhavin: Sir, can you share the status on Maruti? Have we started delivering to them or what is the status on that?

Puneet Khurana: No, we haven't got any orders from Maruti as yet.

Bhavin: But are we pitching there?

Puneet Khurana: Yes, we are pitching but we are still waiting for business.

Moderator: Thank you. The next question is from Ravi Jain who is an Individual Investor. Please go ahead.

Ravi Jain: Sir, actually I wanted to know regarding USA Business, this percentage completion method is being followed for accounting purpose. Revenue should be booked accordingly and profits should also come likewise. But what I understood from previous concalls and this concall that we saying that this is a project business and in the project business revenues and profits are coming in a quarter and not coming the way percentage completion method, it's not coming in line with the percentage completion method. Just wanted to know how we are accounting the revenues and profits for USA projects?

Sanjiv Kapur: Yes, we are accounting as per the project method. But like we already indicated that sometimes some projects may carry lower EBITDA or lower margins. So that will affect your basic calculation.

Ravi Jain: It seems there is a very significant variation in terms of margins project to project, very large variation. So your profits which we are seeing in this quarter, compared to what we have seen in the last quarter, there is a very significant variation.

Sanjiv Kapur: There are always some additional orders which you get, which may be more revenue generating and profit generating. So whenever you account for it, you will get the profit or the margin over it.

Ravi Jain: And how long does it take to complete a project? What is the duration of the project when we call something as a project? What time period is generally considered?

Sanjiv Kapur: Time period is one year to 18 months.

Ravi Jain: One more thing I would like to ask regarding this UAE business. What is the expectation for the next quarter to the next year? How do we see growth coming in UAE?

Sanjiv Kapur: Next quarter is definitely going to be better. But going forward, we are wanting to explore other areas across the world. And obviously, we will do better than this year.

Moderator: Thank you very much. That was the last question in queue. I would now like to hand the conference back to the management team for closing comments.

Puneet Khurana: Thank you once again for the interest and support. If you need any further clarification or would like to know more about the company, please feel free to contact our investor relation at CDR India. Thank you so much. 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.