

Everest Kanto Cylinder Limited (EKCL IN)

Q1FY12 Results

CON-CALL TRANSCRIPT

Moderator:

Ladies and gentlemen, good day and welcome to the Everest Kanto Cylinder Limited Q1FY12 Earnings Conference Call hosted by Systematix Shares & Stocks. As a reminder for the duration of this conference, all participants' lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of the today's presentation. If you should need assistance during the conference call please signal an operator by pressing "*" followed by "0" on your touchtone phone. Please note that this conference is being recorded. At this time I would now like to hand the conference over to Mr. Eric Martins of Systematix Shares & Stocks. Thank you and over to you, Sir.

Eric Martins:

Good evening to everyone. On today's conference from the management team we have Mr. P.K. Khurana. He is the Chairman and Managing Director. We have Mr. Vipin Chandok; he is the CFO and has recently joined the company. We have Mr. Kishore K. Thakkar who is the Finance Controller and Ms. Chanda Makhija, the Company Secretary and also Mr. Pushkar Khurana is the Whole Time Director. To proceed there will be opening remarks from the management team followed by detailed Q&A session. I would like to handover the proceedings to the management team. Over to Sir and you can start with the opening remarks.

Vipin Chandok:

This is Vipin Chandok, the CFO of the company. Ladies and gentlemen good evening and welcome to the conference call of EKC for the Q1 Financial. As you must have noticed from the numbers, which have, been published that the company has done pretty well in this quarter vis-à-vis the previous quarter and also on standalone basis.

Let me take you through the financials briefly. The turnover in the Q1 is 212.60 Crores vis-a-vis 138.62 Crores in the corresponding quarters of the previous year representing a growth of 53%. The sales quantity for the current quarter is 240570 units representing a growth of about 29.71% and the average realization for cylinders is Rs.8713 per unit a growth of 18.24% over previous year.

I will give the important ratios now. The material cost ratio for the current quarter is about 59%. The EBITDA is 21.6% and the PAT is 13.65% all improvements over the Q1 of last year. All the operations except for China for the year have done well. Dubai has the highest contribution followed by India and US. It is heartening to note that the US operations had turned around at PAT level on standalone basis in the current quarter and the trend is expected to continue throughout the year.

India and Dubai operations together contribute to around 85% of the total profit of the company. The debts of the company as on June 31, is 360 Crores and debt equity ratio is 0.46 times. Another important point is that the Kandla we have started the trial production in the current quarter.

With this I handover to Mr. P.K. Khurana.

P.K. Khurana:

May I request all the participants to go ahead with the questions?

Moderator:

Thank you Sir. Ladies and gentlemen, we will now begin with the question and answer session. The first question is from the line of Kiran Chedda from Value Quest. Please go ahead.

Kiran Chedda:

In the opening remarks you just mentioned that the US operations have been PAT level positive but the segment results show that US and Hungary are still negative at 2.48 Crores. So is it from Q2 or is it from Q1 that they are PAT positive?

P.K. Khurana:

In the US there is a goodwill element also and the depreciation element also. So those elements when they are added and they may be difference so they are showing the negative. This quarter they have been able to make their installment repayment of the interest and they have also been able to generate a reasonable cash reserve also.

Kiran Chedda:

What about the Chinese operations; what is our target of turning it around and when do you think it will start making contribution to the profits?

P.K. Khurana:

China is a difficult subject. There is lot of competition. We are facing the competition and possibly this year we will be able to start selling our Jumbo Cylinders in a larger quantity that will add to the topline as well bottomline and what we hope that there will not be any cash loss in China by the end of the year and we may turn to the profit from the next year.

Kiran Chedda:

That is great. Thank you Sir.

Moderator:

Thank you. The next question is from the line of Karthik Subramanian from Unify Capital. Please go ahead.

Karthik Subramanian:

Can you just tell what are the current operational capacities of the company across all the zones and the total capacity also?

P.K. Khurana:

It is 88% is the capacity utilization as on today and it is 1.07 million it is the installed capacity.

Karthik Subramanian:

When the Kandla SEZ starts happening how much capacity will be added?

P.K. Khurana:

It will add another 200,000.

Karthik Subramanian:

Kandla SEZ will be predominantly CNG or Jumbo Sir?

P.K. Khurana:

Mostly CNG.

Karthik Subramanian:

How is the situation in India Sir? Your Dubai unit is doing very well but India how is the situation, realizations are still weaker compared to the historical high so where do you see India growth happening?

P.K. Khurana:

India there is a reasonably good demand especially for industrial cylinders and the CNG cylinders also but there is some competition also as on today. So that brings our profitability down to at a lower level but almost whatever is produced is completely sold out.

Karthik Subramanian:

In Dubai we were talking about I do not know whether we are talking about some capacity expansion. Are we looking anything in Dubai because Dubai is doing very well so have we see any capacity expansion there?

Pushkar Khurana:

We are still debating on the issue of expansion. It is in the cards but there is nothing 100% yet. I just want to add for India the issue is even the infrastructure is very big key when it comes to CNG and the infrastructure is not growing at the pace it should be the PNRG. PNRG the cases are happening. The things are not as fast as expected and the OEMs outtake also is not improved as in the previous years.

Karthik Subramanian:

What is the order book now in Dubai?

Pushkar Khurana:

Dubai it is still pretty good. We will have a good three to six months order book on hand.

Karthik Subramanian:

What is the target for year? How many cylinders are we looking sell Sir?

P.K. Khurana:

I think we should do the same like last year something close to about 2000000 and 220000. Company we are hoping to at least the utilization should remain in the up 80% and above.

Karthik Subramanian:

It is something like 8 to 8.5 lakh cylinders roughly.

Pushkar Khurana:

Something closed to may be 900,000.

Karthik Subramanian:

Expect realizations improve going forward?

P.K. Khurana:

The margins whatever we are running as on today 20%, 21%, 22%, 23% EBITDA that we feel we will be in a position to achieve the increase in sales also.

Karthik Subramanian:

Because good times in 2008 we were having some 28% to 29% so when do you think we will reach that level?

P.K. Khurana:

28% to 29% we would not be able to comment as on today but anything above 22% to 23% is acceptable and it will be only when our Jumbo sales start in a larger quantities there those margins will be achieved.

Karthik Subramanian:

Once the Kandla unit comes we have a capacity of about 1.27 million cylinders so are we looking at adding anymore capacity in India or anywhere else other than Dubai?

P.K. Khurana:

As on today you will be we are trying to capitalize and conserve our resources and unless some really lucrative opportunity comes we would like to invest about 40 to 45 Crores in the capital to just keep our things upgrading.

Karthik Subramanian:

What is your gross block at the moment?

P.K. Khurana:

Gross block is about 788 Crores.

P.K. Khurana:

This includes Kandla project?

P.K. Khurana:

Yes.

P.K. Khurana:

Just one last question Sir, our debt on books is about you said something like 360 odd Crores. Any plans on the FCCB what is the plan \$35 million?

P.K. Khurana:

As on today FCCB with our cash generation the FCCB is not a problem because we feel it will be a debt only and it will be at paid when it is due.

Karthik Subramanian:

If you look at our interest for the Q1 it is only about 1.6 Crores and last full year was something like about 8.2 Crores. Is not the interest cost too low for us compared to our debt?

P.K. Khurana:

We export also and we import also some raw materials. So we are trying to bet on dollars only and we take loans in dollars and where the interest rate comes less than 2%.

Karthik Subramanian:

What is the cost of debt Sir for these 365 Crores?

P.K. Khurana:

3.5% maximum.

Karthik Subramanian:

Last year if you look at from FY'11 to FY'12 we have repaid quite a bit of debt. So that strategy would be the same going ahead as well?

P.K. Khurana:

That is the strategy, actually we do not have any high cost debt but the installments of our US loan and the ECB etc., whatever we had received they are gradually being paid and we feel by the end of year our the total loans will come lower than 300 Crores.

Karthik Subramanian:

Closer to 300 Crores. Thanks a lot Sir.

Moderator:

Thank you. The next question is from the line of Chetan Vadia from JHP Securities. Please go ahead.

Chetan Vadia:

My question is that we have placed our shares for the first time in the last four years. Trying to get if I am correct. Any specific reasons for the same? The shares have been placed to the customers at 6.83% of the promoter holding as given in the table, any specific reason for the same?

P.K. Khurana:

This is one of the promoters they had applied shares to take their personal business ahead. They had taken a loan of about Rs.15 Crores that is why they are pledged otherwise this is a smaller time requirement by one of the promoter that is why taken this loan.

Chetan Vadia:

We have enough of cash to repaid 37 million loan book. Are they due by end of the financial or somewhere in between?

P.K. Khurana:

The SCB is due only in October 2012.

Chetan Vadia:

You said that the targeting capacity addition of plus 80% so what do you think will drive the sales in India?

P.K. Khurana:

The capacity utilization it depends from plant-to-plant and especially it has our China utilization also, which is still at about 45% to 50%. So average will be 80% plus.

Chetan Vadia:

That it is from my side Sir.

Moderator:

Thank you. The next question is from the line of Sarika Kukshya from Prabhuas Liladhar. Please go ahead.

Sarika Kukshya:

Could you elaborate on the capacity expansion, how is it going on from deferment and what was the CapEx for FY'12?

P.K. Khurana:

As on today our unit at Gandhidham it has come into production and the maximum requirement we are planning as on today is about Rs.40 Crores. There is no major expansion as on today. The major expansion if there is anything lucrative in any other country or major expense we will let you know.

Sarika Kukshya:

This facility at Gandhidham came into existence last month itself?

Pushkar Khurana:

We started our trial reduction this came into since about 1.5 years ago. It has taken us about that much to come into trial production now.

P.K. Khurana:

Specialized line from the place this is only available in Europe and our second unit in India after that Europe unit. This special product and it has taken the initial time and now already this tenders are under approval and we hope to get larger orders very soon.

Sarika Kukshya:

So the initial schedule of Q2 commencement in terms of full capacity stands as it is?

P.K. Khurana:

Yes, the reason easy approvals they take a reasonably good time, but definitely we feel it should be improvement from quarter-to-quarter.

Sarika Kukshya:

How about Kandla? How has it progressed?

P.K. Khurana:

Kandla, I will not be able to comment. The reason being these are to be sold in Europe and other countries and the approvals are the most important factor, their approvals are in process, immediately the approvals come we will be able to get the orders only then.

Sarika Kukshya:

Are we holding onto a substantial inventory at the moment?

P.K. Khurana:

It is a reasonable inventory there is nothing substantial now and whatever is there is a very reasonable cost.

Sarika Kukshya:

If we get the margin expansion we almost are close to 21% for the quarter and we expect the year to end at 22%, 23% that has been stated before. What would actually lead it to improve, if you can elaborate?

P.K. Khurana:

These are the normal margins and across the globe and as our US operations they are coming into they are also going to make reasonably good profits in this year, the margins are far better and we are trying to go only for value added products, so where we see lower margins we will improve.

Sarika Kukshya:

You also mentioned about the outlook that currently the demand has not be that strong as has been expected by you at the beginning of the year, so much more time you expect would take for the overall scenario to kind of...?

P.K. Khurana:

The demand is satisfactory of course if there is a higher demand then possibly we can choose more value added products, but as on today with the petrol price increase the demand suddenly came up now. So any such action by the government can again increase the demand and again the orders from the government to the OEMs like buses etc., if they come into play definitely we have a better segment, which are accepted also.

Sarika Kukshya:

Is it possible to quantify on a month-on-month basis how much conversion are we kind of seeing?

P.K. Khurana:

These are very, very volatile and rather unpredictable so again the demand as on today is growing may be more than 22% to 25%.

Sarika Kukshya:

Are we expecting raw material prices also to turn favorable for us from here on?

P.K. Khurana:

We do not feel there will be a major change at least in this year.

Sarika Kukshya:

All right Sir. Thank you so much.

Moderator:

Thank you. The next question is from the line of Raj Gandhi from Principal Mutual Fund. Please go ahead.

Raj Gandhi:

This quarter the raw material cost as a percentage of sales is at 47.5%, which is generally tended to be at 52%, is there some one off or it will stay at this level?

P.K. Khurana:

Yes, it is 43% because we had certain raw materials, which has come in the last year that is being utilized.

Raj Gandhi:

What level will it stabilize at?

P.K. Khurana:

It should be about 47%, 48% or may be more than that again in the CNG when we are buying from Europe and other places it is sometimes 55% plus.

Raj Gandhi:

That you are talking about the Kandla plant?

P.K. Khurana:

Kandla plant, yes, it will be 55% plus, you are right.

Raj Gandhi:

Just in US because in the last call you had said that there will be very pleasant surprise this year, so even post goodwill do you expect it to turn EBIT positive as you go forward?

P.K. Khurana:

Definitely it will turn positive we are sure about that.

Raj Gandhi:

Could you just elaborate?

P.K. Khurana:

We have a reasonably good order book as of today.

Raj Gandhi:

Because you have a \$40 million order book built up there.

P.K. Khurana:

Not \$40, \$30 plus.

Raj Gandhi:

More or less you are covered for this year, right?

P.K. Khurana:

Right.

Raj Gandhi:

You have bought inventory for that or you will have to buy it, are you covered that?

P.K. Khurana:

It is a gradual process. We have some and some is already on order.

Raj Gandhi:

So broadly what kind of margins will you enjoy in US because you already have the orders so you will have lot of clarity there?

P.K. Khurana:

As on today the clarity is there you know this is the start of the year and we have such a large order and it will gradually increase with every month passing the order book is increasing and may be within another quarter we will be able to tell you but definitely there will be a reasonably good EBITDA positive and they will be able to meet their commitment, interest, payments and everything and we will be able to right off goodwill, depreciation, etc., to our favor. Basically even as I told because we have delivery schedules so we are not able to confirm everything 100% right now, you know they are different projects, they have different schedules may be some recent received delivery within the next two months some old which takes delivery six months it is basically project orders.

Raj Gandhi:

But which would be busy months in the sense that high level of revenue booking will typically happen in which quarter?

Pushkar Khurana:

It is going to be same most of it, all the quarter look the same right now.

Raj Gandhi:

In terms of Dubai, can you just let us what is the thinking going around currently in the sense why not to expand whatever with the thought process currently?

Pushkar Khurana:

Basically it is a thought whether to expand or no, we would rather have huge utilization of all our capacities in India and India helps them or they themselves get another capacity that is what our thoughts are basically.

P.K. Khurana:

We have already acquired the land, but again it is the decision of the management that they will decide when to go ahead.

Raj Gandhi:

But let us say if not for expansion with geography can you service it from?

Pushkar Khurana:

We can service it from India and from China. In servicing that markets are not a problem for us.

Raj Gandhi:

But I was just working on the break-even works out to be very attractive in the sense you just have less than two years of break even there?

Pushkar Khurana:

But we have do have some capacity if you see 80% or something so we do have some capacity so that is the debate going on.

Raj Gandhi:

But then given the payment issues it would not be possible to supply from India, right?

Pushkar Khurana:

No payment issues, we have no issues that way.

Raj Gandhi:

But if you start supplying from India there will be?

P.K. Khurana:

No, it is nothing, we supply against LC and then we supply mostly direct to the customers to the OEMs, from India we are billing directly to them.

Raj Gandhi:

Any near term measure can you do what you earlier used to do as a set of at least a finishing line in the new land that you have bought, so then it can be sent out?

P.K. Khurana:

This is again the management decision.

Pushkar Khurana:

We have never done that, we finished mutually when we put a line we put it directly from start to ending.

Raj Gandhi:

But I guess earlier in Dubai when we had spare capacities used to supply semi-finished from India and China then finish it there then supply from Dubai?

P.K. Khurana:

This is a time-to-time requirement, which we take the timely action and as on today there is nothing such any plans.

Raj Gandhi:

This quarter it shows lot of increase in stock in trades, any particular reason for that some Rs.25 Crores of inventory built up or WIP built up this quarter?

P.K. Khurana:

The WIP is a part of P&L.

Raj Gandhi:

This is in the P&L, so it has to do with closing the inventory.

P.K. Khurana:

You can imagine Rs.25 Crores across the globe it is not a huge amount.

Raj Gandhi:

What will be your inventory number in the balance sheet now?

P.K. Khurana:

Rs.324 Crores.

Raj Gandhi:

What was it in the March ending?

P.K. Khurana:

It was about Rs.280 Crores.

Raj Gandhi:

Is there any reason for this increase?

P.K. Khurana:

The demand in US has also gone up; in China also some jumbo orders are there.

Raj Gandhi:

Thanks a lot. That is it from my side.

Moderator:

Thank you. The next question is from the line of Rohit Gajare from UTI Portfolio Management. Please go ahead.

Rohit Gajare:

One quick question, what is the level of cash at the consolidated level?

P.K. Khurana:

About Rs.136 Crores.

Rohit Gajare:

This was Rs.105 Crores last quarter at March end?

P.K. Khurana:

Yes.

Rohit Gajare:

If you can help me go through the balance sheet, I was just looking at your consolidated balance sheet, how do we break this Rs.105 Crores because I see Rs.150 Crores of cash and investments of Rs.34 Crores, is there anything else which is leading to Rs.105 Crores?

P.K. Khurana:

We have given Rs.20 Crores as ICD and then the Rs.64 Crores in cash and Rs.50 Crores in investments.

Rohit Gajare:

So this is Rs.136 Crores?

P.K. Khurana:

This will be reduced by Rs.20 Crores out grow of the dividend payment.

Rohit Gajare:

The only plan another Rs.40 Crores of CapEx as in cash CapEx for FY'12, right?

P.K. Khurana:

That is the normal CapEx we are predicting as of today.

Rohit Gajare:

That is the normal CapEx. With these levels of cash I do not think we need to raise any debt for any particular purpose?

P.K. Khurana:

Nothing right now.

Rohit Gajare:

For FY'13 do you have any CapEx number you want to give of to people?

Pushkar Khurana:

No there is nothing right now we can give out.

Rohit Gajare:

Thank you.

Moderator:

Thank you. The next question is from the line of Sanjay Manali from ICICI Direct. Please go ahead.

Sanjay Manali:

Actually just wanted to know the volume breakup geography wise what is the volume in India, UAE, China and US and the realization for the same geographies?

P.K. Khurana:

I feel whatever we have given in the value breakup, you can contact us and we will give you. You just need to email to me, Kishore or Mr. Vipin, and we will give you all those.

Sanjay Manali:

Okay no problem. As far as the jumbo cylinder, can you just throw some light on jumbo cylinders business, what kind of margins you have specifically in jumbo cylinders and how do you see the revenue growth in this specific segment?

P.K. Khurana:

Jumbo cylinders have not been moving that fast as our plants of course in China it is going marginally better and in US these are the only jumbo cylinders, which are being sold, so from India the demand has not picked up much but definitely there is some demand which has started coming very recently because of the movement of the CNG gas through jumbos because of the roads and other constraints it is not moving that fast.

Sanjay Manali:

You earlier had some orders from Indian Army also so?

P.K. Khurana:

Those orders the defense orders they are on hand and we have already as we have already executed a very large order the last quarter in the March quarter. Of course there are reasonably good orders but that capacity is not fully utilized and possibly once those orders come the EBITDA profits will be quite reasonably high.

Sanjay Manali:

Just one last question, I think once you mentioned about Indian OEMs are not taking supplies because of the Euro-IV norms?

P.K. Khurana:

That story is finished now. They are taking of these quantities, but again their requirements will depend on their order position from the local governments like for buses etc., they have to depend on the local state orders.

Sanjay Manali

Thank you.

Moderator:

Thank you. The next question is from the line of Vinay Rohit from ICICI Prudential. Please go ahead.

Vinay Rohit:

As mentioned in the balance sheet the production from Aurangabad facility so is this being closed permanently?

P.K. Khurana:

Yes this is being closed permanently and because the machinery this was established 1979 and the machines had gone quite old and the capacity utilization has gone very bad. So we have already put up the similar facilities in Gandhidham, the Gandhidham is all already producing almost double the capacity that we had in Aurangabad.

Vinay Rohit:

My next question is regarding the volumes in various segments, as in China, USA, India?

Pushkar Khurana:

The volumes in Q1 in India we had Rs.1.63 Lakhs, in Dubai it was Rs.67,000 in China about Rs.15000 and in USA we had 542.

Vinay Rohit:

Thank you. That is all from my side.

Moderator:

Thank you. The next question is from the line of Arun Baid from IDBI Capital. Please go ahead.

Arun Baid:

Just wanted to understand what is the status of billet-piercing plant?

P.K. Khurana:

The billet piercing plant, the cost of production, we were using the natural gas, so the cost was coming higher. So we have decided to switch it to the electrical heating installation and the delivery of that electrical unit are going to be in September and possibly we will come into the full production may be some time in October.

Arun Baid:

Sir just what to understand because last quarter you did say that you will do a CapEx in Dubai and now you are saying that we are not yet decided so what is changed in the last one quarter, because your revenues have been very good from Dubai from March to June basically it is similar, but it has gone back?

P.K. Khurana:

As on today we have gone back there is always some gestation period for getting the electricity driving the approvals. They are in process, but again as on today the management has decided only to place orders for some specific machines not the full plant orders and I feel that this has been debated, because the cost of production Dubai also is no more reasonable, because again this is nothing is decided, but definitely there are certain machines are coming to streamline and increase the production at a lower cost.

Arun Baid:

What could be the CapEx then, what will the capacity and what you have decided right now to spend?

P.K. Khurana:

It may hardly be about less at \$10 million and that will be met from the Dubai plant is in a position to make it from their internal approvals?

Arun Baid:

What could the capacity grow up with 10 million CapEx you do?

P.K. Khurana:

Definitely there will be an increase but it will be only a marginal increase.

Arun Baid:

Roughly how much?

P.K. Khurana:

May be 30% unless we go for the whole project implant.

Arun Baid:

One more question I had which relates to margins in India, can you give us some idea about what its margins in CNG cylinders as compared to industrial cylinders?

P.K. Khurana:

The margins are about of 15% in industrial and about 23%-25% in CNG.

Arun Baid:

When I see your cumulative blended margins it comes to about 16% that should have been higher, because 15-23 it should have been higher right Sir?

P.K. Khurana:

Again it depends the CNG cylinders also we have for three-wheeler, we have for cars we have for buses again at if it is a three-wheeler the margins are still lower, which we supply to large OEMs 10%-12%.

Arun Baid:

Of this I think we did 90000 cylinders in India in CNG this quarter. So majority part would go to which kind of segment it is three wheelers or it is cars?

P.K. Khurana:

Three wheelers will be almost about 15%-20%.

Arun Baid:

That is it. Thank you Sir.

Moderator:

Thank you. The next question is from the line of Raj Gandhi from Principal Mutual Fund. Please go ahead.

Raj Gandhi:

Just to confirm you are saying this \$10 million CapEx will get us 25%-30% increase in Dubai plant, this is by when?

P.K. Khurana:

These are specific machines which we have ordered and as some of the machines are already lying ready in our shop, because which is heart of the plant, so if to commission them or to commission them later this is to be decided by the management later. These are the some retreatments line and the other lines, which we have they will be taking them earlier.

Raj Gandhi:

Sir just trying to understand what is the relation between the other Greenfield expansion whereas the debottlenecking your existing location in that sense?

P.K. Khurana:

You know, as on today the Greenfield expansion as on today there is nothing. As on today we are going ahead in Dubai we are already working at a 120% so we have to add certain equipments, where we can get a larger quantity at a lower cost. So we are going for those products only.

Raj Gandhi:

Just coming back to the margin of India industrial being at 15% and 23%, the India segmental results shows the margin at 8%. Am I missing something there?

Pushkar Khurana:

All the corporate expenses they booked in India.

Raj Gandhi:

Got it thanks.

Moderator:

Thank you. The next question is from the line of Sarika Kukshya from Prabhuas Liladhar. Please go ahead.

Sarika Kukshya:

One clarification, we mentioned that we have done 2.4 lakhs units for the quarter so that gives us the run rate of 9.6 annually and we also mentioned that probably we are targeting 900000 units for FY'12 as the whole, so there is a disconnect somehow?

P.K. Khurana:

I feel you are correct. Possibly it will be more than 900000 and it could be 100000 or a million we can correct it.

Sarika Kukshya:

If I recall probably at the end of Q4 in EBITDA we have guided for 25% jump on the volume front and taking into account the FY'11 figure of 8.8 lakhs, it gives us a figure of 11 for FY'12?

P.K. Khurana:

As on today we would like to be conservative rather than giving you a bright picture, which may be or may not be able to achieve.

Sarika Kukshya:

You can be optimistic?

P.K. Khurana:

No as on today you will ask me that I committed this and as on today we would be like be conservative and if we can deliver more we will definitely be happy.

Sarika Kukshya:

So what is figure I should actually take into account?

P.K. Khurana:

About 1 million.

Sarika Kukshya:

That would be on the installed capacity of 1.07 million is it?

P.K. Khurana:

1.2 million there.

Sarika Kukshya:

This 1.2 would the year-end or starting?

P.K. Khurana:

Year end.

Sarika Kukshya:

All right Sir. Thank you.

Moderator:

Thank you. The next question is from the line of Kamal Gada from UTI Mutual Fund. Please go ahead.

Kamal Gada:

Just wanted to understand how the process right now in Iran is, how do they give the orders to the company?

Pushkar Khurana:

We still get direct and we get orders from few people itself in Dubai so that is how we get our Iranian orders.

Kamal Gada:

How long or whether those Iran order are three months six months how long are they?

Pushkar Khurana:

Usually anything between three or six months.

Kamal Gada:

Currently we have visibility for six months in Dubai?

Pushkar Khurana:

Yes something like that.

Kamal Gada:

How much Iran be forming from Dubai and how much proposition of volumes would be to Iran from Dubai?

Pushkar Khurana:

About 55% approximately.

Kamal Gada:

Where would the balance be going?

Pushkar Khurana:

It goes to CIS countries South America, Pakistan, Middle East. We export lot of places from Dubai.

Kamal Gada:

How is the realization between let us say I bifurcate between Iran and other than Iran, how has been the realization between the two regions?

Pushkar Khurana:

Iran would be little better.

Kamal Gada:

Okay and this you think would continue in future?

Pushkar Khurana:

It looks to be, yes.

Kamal Gada:

This proposition would remain around 50%-55%?

Pushkar Khurana:

It is something between 50% it would be there only, because we plan to export also and not to depend on one country.

Kamal Gada:

Are we the sole suppliers to Iran or there are other companies?

Pushkar Khurana:

No, there are a lot of people supplies going on.

Kamal Gada:

Coming to US what are the changes that have taken place finally. What changes we are seeing there, the outlook for US is now improving?

Pushkar Khurana:

The thing in the last two years the US customers and everybody had demand, but were holding out to their orders, now they are slowly and suddenly giving their orders because there customers have given there-- means there are many orders out that is the reason you see a better outlook right now.

Kamal Gada:

So this would be the order would be from the corporate side, the institutional?

Pushkar Khurana:

Mostly yes.

Kamal Gada:

Are the margins improving in US?

Pushkar Khurana:

Yes, always been better in the US.

Kamal Gada:

We have currently around \$13 million order book in US so how much would be relating to the navy orders?

Pushkar Khurana:

The navy orders would be 5%-7% not very much.

Kamal Gada:

Okay and coming to India how are we seeing the pricing in India are we able to pass on the increase in the raw material prices?

Pushkar Khurana:

The material price has not increased so much this year, it will very steady since last year. So there has not been something lots to talk about regarding the raw material.

Kamal Gada:

But have we taken any price increases?

Pushkar Khurana:

There has been, you see the steel has gone up but not to the core to we have to go out to our customer and say anything drastic.

P.K. Khurana:

It is 300000 only, as on today the plate plant will be 200000 and we have a two plant also. It takes time to reach full capacity in any new plant. So we are just sitting gradually it will come up to 300000, for sure not next quarter or next to next quarter.

Kamal Gada:

But it would be fully plate based?

P.K. Khurana:

This is a plate and tube, as on today we have already installed capacity of 100000 and 200000 is in this pipeline, which we have trial commissions have already succeeded that is total 300000.

Kamal Gada:

From Kandla we are producing CNG cylinders only right?

P.K. Khurana:

Yes only CNG.

Kamal Gada:

Lastly on China how do see the Jumbo cylinders demand on?

P.K. Khurana:

We have the orders and we are trying our best. The order we have got reasonably good orders and orders in the pipeline. The demand in China Jumbo cylinders is good.

Kamal Gada:

Coming to tax rate this has been lower in the last few quarters, so could you guidance what would be tax rate for the full year?

P.K. Khurana:

Full year guidance possibly, we feel there will be an increase in each quarter, but as on today most will depend on our Jumbo cylinder orders any jump, but there will be jump of almost 20% for the whole year.

Kamal Gada:

Thailand unit is the marketing unit right?

P.K. Khurana:

That is only a trading unit.

Kamal Gada:

How was the demand in Thailand?

P.K. Khurana:

Thailand demand as on today still very, very low only a few OEMs they have started buying from us.

Kamal Gada:

Can you indicate how much the volumes are on quarterly?

P.K. Khurana:

They are almost negligible.

Kamal Gada:

How is the scenario in India from OEMs have they started reducing the order size have they kept the orders?

P.K. Khurana:

The OEMs, we still hold everybody is buying about 70%-80% of their requirements from EKC or from us only.

Kamal Gada:

Fine sir. Thanks for answering the questions.

Moderator:

Thank you. The next question is from the line of Kiran Chedda from Value Quest. Please go ahead.

Kiran Chedda:

About the Iranian business how many customers do you have, is it just an Iranian oil company or more than that?

P.K. Khurana:

We have the OEMs mostly the car manufacturers; we do not deal with the oil companies there. We deal with the car and wherever we deal we only deal with car manufacturers.

Kiran Chedda:

Sir with the recent sanctions against Iran, how do the payments and all come and what is the profit for that?

P.K. Khurana:

It is regular and LCs are there even we get somewhere in some places advance payments.

Kiran Chedda:

So we have not faced any problems from those places?

P.K. Khurana:

No problems, because lot of people deal in gas cylinders in Iran. We are not the only one.

Kiran Chedda:

Because, we keep hearing in the press about payments of oil to Iran and the problems with that.

P.K. Khurana:

No with gas cylinders.

Kiran Chedda:

All right sir. Thank you.

Moderator:

Thank you. Ladies and gentlemen that was the last question. I would now like to hand the conference over Mr. Eric Martins for closing comments.

Eric Martins:

Thank you everyone for taking out time for today's conference call. I would also like to thank the management of Everest Kanto Cylinder for joining this conference. If there are any queries one can contact the management.

Moderator:

Thank you. Ladies and gentlemen on behalf of Systematix Shares & Stocks that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.