Everest Kanto Cylinder
May 2010

Moderator:

Ladies and gentlemen good afternoon and welcome to the Everest Kanto Cylinder Limited Q4 FY10 Earnings Conference Call hosted by Alchemy Share & Stock Brokers Private Limited. 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 today's presentation. If you should need assistance during the conference call, please signal an operator by pressing * and then 0 on your touchtone phone. Please note that this conference is being recorded. At this time, I would like to hand the conference over to Mr. Nirmal Shah from Alchemy. Thank you and over to you sir.

Nirmal Shah:

Good afternoon ladies and gentlemen. On behalf of Alchemy, I welcome you all to the fourth quarter earnings call of Everest Kanto Cylinder. To discuss the results, we have with us Mr P. K. Khurana, Chairman & Managing Director, Mr Sivakumar, Chief Financial Officer and Mr Kishore Thakkar, Finance Controller of Everest Kanto Cylinder (EKC). Now, I would like to hand over the floor to Mr Sivakumar for initial remarks and then we can have the Q&A session. Over to you sir.

Sivakumar:

Thank you Nirmal and good afternoon to everyone. I will introduce with the brief highlights of the performance of the company during 2009-10 compared to 2008-09. First I am starting with the standalone performance that is the Indian operations, the total sale value of cylinders in this quarter has been 85.53 crores which represents the growth of 25% as against 69 crores in the same period last year and the total cumulative sales value for the year was at 331.57 crores that is only cylinders as against 340 crores last year. During the quarter, EKC had done the exercise of marking down the inventory based on the accounting standards considering the net realisable value of the stock which we are carrying and the net impact on the Indian balance sheet has been to the extent of about 12.12 crores. With this mark down, all the current stocks are close to the present market value. Also, the company during 2009-10 has taken a decision to change its method of depreciation from hitherto aggressive method of depreciation of WDV which we had been following many years to the SLM method that is the straight-line method. This is keeping in mind the realistic business scenario as well as the impending migration to IFRS where in all fixed assets would have to be valued considering the useful life of the assets. So considering useful life and the economic value of the assets, we have decided to move from WDV method to SLM, straight-line method basis.

So this obviously had an impact on the performance of the company and going forward also, the same method will be followed. The PAT for the year, profit after tax for the Indian operations for the quarter was at 6.33 cores as against the loss of 1.89 crores in the same period of last year and PAT for the full year has been at 40.49 crores as against 37.25 crores in the previous year. Coming to the consolidated performance where Dubai operations continued to improve significantly over the sequential quarter. During the quarter ended that is the fourth quarter ended of March 2010, the total sale value of Dubai operations was 57.2 crores representing a sequential growth of almost 94% as compared to Q3 of the same year. The sale value in Dubai improved from 29.41 to 57.2 crores and US operations registered a turnover of 37.53 crores as against 30.98 crores in Q4 of 2008-09. In the U.S. operation, the production was low leading to higher unwinding of over heads during the Q4, although the performance in terms of the top-line has been quite encouraging. The China operations continued to be subdued in the fourth quarter and we sold about 6,700 cylinders in this quarter. The total consolidated sales revenue was at 182.34 crores in this quarter as against 169 crores in the immediately preceding quarter that is in Q3 2009-10 and as compared to 196 crores in Q4 of 2008-09. This has been mainly aided by robust growth in Dubai. Total consolidated sales revenue for the full year was at 649.65 crores as against 856.55 crores in the previous year. The consumption of high-cost inventory continued in this quarter and of course we have taken a decision of marking down inventory based on the realisable value and due to that, cumulative EBITDA has been impacted by about 18 to 19 crores. The cumulative EBITDA for the year has been at 9.7% that is after considering the marked down inventory and if without considering this mark down, it would have been at 12.2% and after FOREX gain. The EBITDA margin has been at 15.6%. The input cost as a percentage of sales revenue was at 62%, again this is high because of the high-cost inventories that had been consumed in the full year. Depreciation has been at 56.88 crores as against 69.28 crores in view of change in the method of depreciation. Due to favourable moment of foreign exchange rates due to the weakening of the dollar, there is a gain of 22.35 crores during the full year. Interest has been much lower at 11.35 crores for the full year as against 27.17 crores in the previous year. This is mainly due to commencement of repayment of term loans at various locations as well as much lower interest rates considering the LIBOR is only around 0.28 to 0.5% per year.

PAT was at 41.51 crores in 2009-10 as against 137.53 crores in 2008-09. Coming to the financial position, the net worth of the company was at 621 cores and the loan balance including the FCCB balance has come down to 501.55 crores as against 622 crores in the previous year that is on March 31, 2009. This has been mainly due to repayments as well as favorable exchange rate. During the quarter, we have re-paid loans worth 37 crores in the March quarter. Inventory level has also been consistently coming down and inventory level as on March 31, 2010, is now at a level of 339 crores as against 393 crores as on December 31, 2009, and as compared to 488 crores as on March 31, 2009, and because of this, the number of days holding had also significantly come down. The receivable was at 93 crores. The cash and bank balances are at 59.94 crores as on March 31, 2010. Coming to the status of expansion activity, commercial production in the billet piercing plant is expected to commence in Q1 2010-11. The CNG plant in SEZ will be operational in Q2 of this year and with regard to business outlook, we are seeing robust growth in Middle East in terms of orders being received from Iran especially as well as other countries. We also received the first order from within China for jumbo cylinders for which we already started production for about 120 cylinders and further 400 cylinders are in the pipeline. The orders are expected to be implemented within this first two quarters of this year. Indian business continues to be in upward trend for both industrial and CNG. With this, I come to the end of brief performance highlights. We would now invite questions from people.

Moderator:

Ladies and gentlemen, we will now begin with the question and answer session. The first question is from the line of Ashwini Kumar Agarwal from JM Financial Mutual Fund. Please go ahead.

Ashwini Kumar Agarwal:

Can you give us a trend of the raw material prices right now?

P. K. Khurana:

The raw material now, the prices have started rising again. The new quotes from the suppliers, they are almost between 10 to 20% higher and we are negotiating, but we have already procured the raw material for the next quarter.

Ashwini Kumar Agarwal:

Okay, so what is your total inventory holding for the raw material in terms of the amount?

Sivakumar:

As of 31st March, the total inventory that we had was 339 crores. Out of which, raw material is at around 187 crores.

Ashwini Kumar Agarwal:

And what is the size of the order book currently?

P. K. Khurana:

As on today, I would not be able to give the figures, but for the next two quarters, we are sold out.

Ashwini Kumar Agarwal:

Okay that is Q1 and Q2?

P. K. Khurana:

Right.

Ashwini Kumar Agarwal:

And how has the price of the final product behaving, have you seen any increase in the prices?

P. K. Khurana:

The prices are, yes new orders for the second quarter, they definitely are at better prices.

Ashwini Kumar Agarwal:

By how much have they increased?

P. K. Khurana:

May be about 7 to 12% more.

Ashwini Kumar Agarwal:

7 to 12% okay and in the last con-call, you had said that you had the inventory of around 30-35 crores of high-cost inventory and in this quarter and Q4, you had around 18 to 20 crores of high-cost inventory, so approximately 20 crores of high-cost inventory is still there in your books, right?

P. K. Khurana:

Not as on today. As on 31st March, we had made the high-cost inventory level to 0. What has happened is that the hit has already been taken in this quarter by writing it down and in the consumption.

Sivakumar:

Actually Rs19-20 crores what we talking about is the additional cost which has been marked down to that extent actually all high-cost inventories are now valued at the right current market prices.

Ashwini Kumar Agarwal:

So now you must have got some benefit from increasing the prices that is why the marked down has been low?

Sivakumar:

No, what has happened is that we are talking about only one particular size of raw material which was not moving for sometime, so obviously we have taken that mark down on the materials which will also be used for the future in the next six months or so, it will be depleted. So the impact will be seen depending on how the price movement happens.

Ashwini Kumar Agarwal:

And what are your current EBITDA margins for the current orders over the next two quarters?

P. K. Khurana:

As on today, it is approximately 20%, but going forward, we expect to increase it.

Ashwini Kumar Agarwal:

What is the total debt outstanding in the books?

Sivakumar:

501 crores is the total…

P. K. Khurana:

That was on 31st March, it has further come down.

Ashwini Kumar Agarwal:

And what is the rate of interest you are paying on it?

Sivakumar:

We are paying somewhere around 3 to 3.5% on that and even less than that because the total interest outgo at 500 crores should be about 13 crores considering the present LIBOR rate.

Ashwini Kumar Agarwal:

Okay. Thank you.

Moderator:

Thank you. The next question is from the line of Ajay Nandanwar from Laburnum Capital. Please go ahead.

Ajay Nandanwar:

You mentioned that the next two quarters, you are sold out. So how much would we expect 200-250,000 volume per quarter?

P. K. Khurana:

The volume per quarter as on today, we see that we may be in a position to match the volumes of the 2009 quarter, but because the sales prices are lower, may be in the first quarter, the realization in comparative figures may be little subdued, but going forward, this is going to increase.

Ajay Nandanwar:

Do you think Q1 and Q2 volumes could be in line with FY09 first half?

Sivakumar:

It could be, but industrial is growing more than that. Industrial, we have seen a very good growth. So it could be more than 2008-09 level for industrial cylinders. CNG would be more or less in line with that or could be better depending on the market conditions.

Ajay Nandanwar:

Okay and with raw material prices today, do you expect the price to return to historical level with the current order book?

P. K. Khurana:

This will be more seen going forward because we are carrying some inventory which we had procured against the orders and where the prices are little lower. So going forward, we have to see how much more benefit we can see.

Ajay Nandanwar:

And what is the status of your billet that we are seeing and plate based plants?

P. K. Khurana:

The billet trial runs have been successful and we have to go for the commercial production. For the commercial production, the parameters are being refined and may be by the next month end, we may be in a position to go about 30-40% production and for the plate, and it will be commissioned by the second quarter.

Ajay Nandanwar:

What has been the reason that the plate and billet based plants have been delayed, what part of the CAPEX has already been done on both of these?

P. K. Khurana:

Billet, the CAPEX has almost been completed may be another 5-7 crores and in plate, there is a further CAPEX about Rs35 crores for which we have already made provision for that.

Sivakumar:

Total CAPEX both these plants put together will be about 210 crores after completion.

Ajay Nandanwar:

Could you split the debt and what is the source of your debt and what is the interest rate on each component?

Sivakumar:

FCCB is the major debt in that is about $ 35 million in the FCCB itself and there is debt sitting in the US balance sheet to the extent of about $ 34 million which is at LIBOR plus 2.75% is the rate.

Ajay Nandanwar:

5-year LIBOR or 1-year LIBOR?

Sivakumar:

It is a 3-month LIBOR which is at 0.28%, LIBOR is 0.28% and the FCCB is zero coupon and coming to the other debt, Dubai has got a very marginal $ 2 million debt left to be repaid for term loan which is at LIBOR plus 0.9% and China has a debt of about Rs 20 crores that is about $ 4.5 million which is at around 6% per annum and that is the highest interest rate. In India, we have short-term debt ECB of about $ 10 million which is at around 5.75%, interest which is repayable in the next 2.5 years and short-term debt of about Rs 70 crores which is between LIBOR plus 1% to LIBOR 2% maximum. There is no rupee loan in India.

Ajay Nandanwar:

Okay, how do you fund your working capital especially inventory working capital for supply within India?

Sivakumar:

In India, we have imports as well as exports.

P. K. Khurana:

We had import as well as export. So either we use packing credit or the buyers credit.

Sivakumar:

Today, the entire requirement of whatever we are borrowing today of about 60-70 crores is covered against either import or exports.

Ajay Nandanwar:

Great, thank you so much.

Moderator:

Thank you Mr. Nandanwar. The next question is from the line of Apurva Doshi from Kotak Securities. Please go ahead.

Apurva Doshi:

Can you comment on the Iran market and functioning of the Dubai plant and also the U.S. plant?

P. K. Khurana:

As of today as far as Dubai plant is concerned, we are not concentrated that much on Iran. Of course, we are supplying and the majority quantity is going there, we have the deliveries to Pakistan and to the other neighbouring countries. As far as U.S. is concerned, U.S. we are having some pressure on the sales because of the shortage of the orders from the local U.S. market. So these are the current positions.

Apurva Doshi:

So basically U.S. can be a drag on your profitability going forward?

P. K. Khurana:

They are may be this year, but we are monitoring it very closely. We do not feel there will be because we are not carrying any large inventory there. So we do not feel because the workman also if they are required, they will take that number of workmen this is a normal system in U.S. and possibly we are monitoring it very closely and we are sure the situation will improve very shortly.

Apurva Doshi:

Okay and something on the China plant, the volumes have gone down sequentially?

P. K. Khurana:

No, China is I feel from this quarter onwards that we have got reasonably good orders and I feel the first two quarters with the sales going up and possibly this year, we are hopeful that there will be no more losses in the China unit.

Apurva Doshi:

But can we expect to operate 50%?

P. K. Khurana:

Yes, it is very near to that.

Apurva Doshi:

Because fourth quarter is only 6000 cylinders, so how can you expect to have 50%?

Sivakumar:

Initially of course this plant as I mentioned earlier in the call, we have orders for jumbo cylinders which is again a high value-added product, so obviously initially definitely will be doing jumbo cylinders which is close to 50% of the capacity that we have for jumbo. Small cylinders also we are expecting to have a breakthrough in the Chinese market. Till March we have never sold in the Chinese market at all. These orders which have come for jumbos are from the local market to that extent it is breakthrough for us. So we expect for small cylinder also we should be able to get some orders.

P. K. Khurana:

And we have got some export orders for small cylinders also now.

Apurva Doshi:

Okay. From China, it will be industrial or CNG cylinders?

P. K. Khurana:

It is all CNG only.

Apurva Doshi:

All CNG, there is no industrial. Okay last question on the APM gas price hike, post that we are expecting 30-35% gas price hike, so do you expect any impact on demand?

P. K. Khurana:

You know till now I feel that the cost of running natural gas vehicle will go up may be about 10%. It is still far lower than running the gasoline that is petrol or diesel.

Apurva Doshi:

Okay and compared to autogas?

P. K. Khurana:

LPG has no comparison, but LPG is present only where CNG is not present in a large manner.

Apurva Doshi:

Okay, thank you very much and best of luck.

Moderator:

Thank you. The next question is from the line of Nidhi Agrawal from Sharekhan. Please go ahead.

Nidhi Agarwal:

My question is on capacity utilization in the various plants wise if you can give that?

Sivakumar:

In India we have two plants which are running at almost close to 100% utilization and the third plant in Ghandhidham has been at around 70%. Overall, we had at around 75-80% and in Dubai in fact fourth quarter has been about 100% utilization with production of around 55,000 cylinders. In China capacity utilization has been lower, then of course as I mentioned earlier, production and sale of finished cylinders will start in only this financial year and hence the capacity utilization was not relevant in the last year in U.S.A, which was around 40%.

Nidhi Agarwal:

What is the CAPEX plan for this year?

Sivakumar:

We have total requirement of about 40-45 crores including normal maintenance CAPEX i.e. we have about $10 million for 2010-2011.

Nidhi Agarwal:

And you are not going to raise because…..

Sivakumar:

No, we are already having and have lined up the funds for capex. And also we have the preferential allotment coming in another month and a half. So we see some part of it will be used for CAPEX also.

Nidhi Agarwal:

Okay, my last question is on realization in different categories, if you can give that?

Sivakumar:

CNG in India is around Rs11,000 a cylinder including the jumbos that we delivered in the last quarter. Industrial will be close to Rs4000 a cylinder and in Dubai, it would be close to Rs. 10,500 to 11,000 now considering the large orders that are coming in now. It was low last year of course, but they will be around 10,500 or so. In China, for jumbo cylinders, it would be about $12,000 a cylinder and in U.S.A., it is between $17,000 to 20,000 depending on what type of customers are there. It is even lower for certain government orders. There were some orders which we delivered at the lower price.

Nidhi Agarwal:

What kind of margins can we look for FY11?

Sivakumar:

The margins we got impacted in 2009-10 mainly because of the high-cost inventory and the selling prices coming down. Now, we are almost seeing bottoming-out of the selling prices and also high cost inventory going out of the way. We can expect margin expansion from second quarter in a big way. First quarter also you will find improvement in certain markets. Second quarter onwards, we can see good expansion in the margins.

Nidhi Agarwal:

Thanks a lot sir and all the best for the future.

Moderator:

Thank you. The next question is from the line of Abhijit Akella from JM Financial. Please go ahead.

Abhijit Akella:

Can you give us the volume figures for the full year and if possible break it down between the different cylinder categories?

Sivakumar:

Total volume for the full year consolidated was 6.87 lakhs cylinders. Compared to the industrial volume of 2.67 lakh cylinders. CNG in India has been at around 2.06 lakh cylinders. Dubai CNG was 1.57 lakh cylinders. China semi-finished cylinders had been at almost 56,000 and U.S.A jumbo cylinders were 1277. The total is 687,212.

Abhijit Akella:

Which is down slightly from 691,000 in the FY09?

Sivakumar:

Correct, 691 was last year 2008-2009, that is correct.

Abhijit Akella:

And what you are saying is in FY11 you expect to hit the FY09 level at least?

Sivakumar:

No, what has happened is that was in terms of the top-line, since selling price has come down, we expect that we should grow close to 2008-2009 level, but in volume terms, there would be much larger expansion.

Abhijit Akella:

Okay, so would 800,000 plus volume levels be kind of reasonable to expect?

P. K. Khurana:

The possibility is again the quantity of jumbos that will decide the factor because that will help more value wise. Again, we are trying to reach that figure of around 800,000, but we are trying to work very hard for that and possibly let us see how much improvement we can do on that.

Abhijit Akella:

Got it and I believe there were some customer contracts that were coming up for renewal after July of this year, just wanted to confirm that is indeed the case and do you expect some kind of uptick in pricing after that happens?

P. K. Khurana:

Whatever the new orders which we are entering, there is already a price increase clause and in India of course they are mostly ongoing, there is rather we have not discussed any price increase because they are all OEMs and once the new price impact is going to be seen, we will contact our customers. Still our emphasis is to be completely sold out.

Abhijit Akella:

Sir one last question from my side. If you could just talk a little bit about how the competitive scenario is in the OEM side of the business, how many suppliers are there, how is the intensity there, how do you see that going forward?

Khurana:

I feel that the OEM side we are still 80-85% where the higher capacities are concerned as far as the smaller capacity where the lesser value wise, we are still high volume, but may be when it comes to be price competition, then we may be where the lower value items are there, we will have to take a decision as per the our order position and the requirements of the company.

Abhijit Akella:

Thank you so much.

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 the supplies from India as well as Dubai in which countries will we be supplying?

Sivakumar:

From India actually we have started now supplies to Iran also. We have initial order now going to Iran and Pakistan, we already started supplying, then of course today we do not have fresh order of jumbos, but we are discussing with other countries for jumbos also which could materialize in the coming few weeks. Actually we are talking of customers in the South Asia and Middle East where India will be servicing over and above what Dubai is servicing especially Iran to the extent they can service from Dubai, we will do it and the balance will be from India.

Kamal Gada:

So how many jumbo cylinders from India are we expecting?

P. K. Khurana:

As on today, we cannot make any commitment, but in the next few weeks we may be in a position to discuss about that.

Kamal Gada:

You had said about 400 cylinders in first quarter?

P. K. Khurana:

We are expecting the order of a reasonably good quantity and at the moment we have defense order in our hand which we are executing and may be the new orders we will be able to discuss only for the sales in second quarter.

Kamal Gada:

Okay and what about our supplies from Dubai, how much is currently to Iran?

P. K. Khurana:

No, that is again to the Middle East and the various regions particularly may be 50% plus is Iran.

Kamal Gada:

So can we expect the volume run rate which we achieved in Q4 to continue for rest of the year in FY11?

P. K. Khurana:

As of today, Q4 again the volumes were a little higher in Dubai, the reason being we had some customers raw material that we finished and they were lying ready that they decided to pick up only in March and going ahead, it could be normal capacities which is 100% capacity utilisation about 18,000 to 20,000 cylinders per month. We will go ahead on those quantities.

Kamal Gada:

18, 20,000 to Iran you are saying?

P. K. Khurana:

No, total capacity. Dubai capacity total is 200,000 where we are generally producing more than 100%.

Kamal Gada:

And regarding the current position from Iran, any orders in your hand right now?

P. K. Khurana:

They are the continuing orders. We have specific orders for the next 3 to 6 months.

Kamal Gada:

If you can give it in quantity terms?

P. K. Khurana:

No, I will not be in a position to give.

Kamal Gada:

Okay and what is the pricing, is it on a higher side now?

P. K. Khurana:

Yes, the new contracts are all on the higher side.

Kamal Gada:

Could you give us the price range for those Dubai orders?

P. K. Khurana:

In Dubai, I feel this year we will be fully sold out, but the profits, etc., or the EBITDA, we may be able to tell you after the first quarter.

Kamal Gada:

But our supplies to Iran would not be greater than 50% from Dubai?

P. K. Khurana:

You know that we cannot comment. Again the reason it is the decision of the Dubai plant to manufacture a higher value or the quantity-wise but because they have their order book full, they will take their decision.

Kamal Gada:

Okay and what about the current pricing pressure in the initial con-call you said the raw material prices are increasing, so whether you would be in a position to take necessary price hike if at all needed competition in India?

P. K. Khurana:

No, we have already got the raw material requirement for the next 3 to 4 months and excepting the Indian market, there is hardly any pressure on our prices.

Kamal Gada:

And what was the breakup between the OEMs and the retrofitters for the last year FY10?

Sivakumar:

Last year, OEM would be close to about 60% of the CNG sales in volume.

Kamal Gada:

Okay and this was 40% in FY09?

Sivakumar:

This was about 40 to 45% in FY09; they are increased to about 60%.

Kamal Gada:

So this year we could see increase in the volume for retrofit?

P. K. Khurana:

Again as of today, the more and more the vehicles are going to the OEMs. They would like to sell directly to their clients but on our exports for retrofits it is not decreasing, it is being maintained.

Kamal Gada:

And lastly with the change in depreciation policy, what would be the depreciation rates in the coming year?

Sivakumar:

Actually if you see for the full year, it is close to about 60 crores what we have provided for depreciation for the full year. So it will be in a more or less steady state basis at least next two years and it also includes goodwill amortization. So this will be for the present assets, you can see this continuing for the next 2 years, thereafter goodwill will go out of the net block and as regards to depreciation on capitalization, of course straight-line method would be used and it could be anywhere between 7 to 11% depending on two shifts or three shifts depreciation.

Kamal Gada:

And what could be the amount of goodwill in the 60 crores?

Sivakumar:

We have already amortized two years of goodwill. We already amortized almost 20 crores in the last two years, so we are left with around 30 crores goodwill which will be amortized in the next years.

Kamal Gada:

Thank you sir.

Moderator:

Thank you. The next question is a follow up from the line of Ajay Nandanwar from Laburnum Capital. Please go ahead.

Ajay Nandanwar:

I think this year your revenue growth in Dubai that is for this quarter or last quarter, what end geography drove your revenue growth.

Sivakumar:

Lot of it has gone in the last quarter to Iran of course because we started getting orders in Q3 onwards, so 50 to 60% would have been to that country. The rest has gone partly to Pakistan and some in CIS and other countries.

Ajay Nandanwar:

What is your distribution mechanism there, directly to the OEMs or retrofitters for…?

P. K. Khurana:

Pakistan had 90% is retrofitters, Iran 90% are OEMs.

Ajay Nandanwar:

OEM you can reach out to Pakistan and how do you reach out to retrofitters?

P. K. Khurana:

Because of the market situation in Pakistan is as such. There in only the major manufacturer Suzuki they are rolling out natural gas vehicles from their plant and other is only after market and there are various types of vehicles and may be certain old vehicles being also converted.

Ajay Nandanwar:

What is your mechanism of reaching the Pakistan market?

Khurana:

We are well known in Pakistan market and we, Everest Kanto brand, have about 5 to 10% premium on our name.

Ajay Nandanwar:

And what do you think will be premium as you compared to Nitin Fire in India?

P. K. Khurana:

Nitin Fire, I would not like to comment on our competitors. Nitin Fire is as on today is not a manufacturer of cylinders, he is a trader and the production capacity of cylinders is negligible hardly 10% of may be I am not in a position to comment properly, but it may be that much of the total cylinder sale.

Ajay Nandanwar:

Okay when you compare to other cylinder manufacturers or traders in India, what is your opinion on their market share and what would you say is your premium over other brands?

P. K. Khurana:

The premium is again because of the preference of the OEMs to stay with us.

Ajay Nandanwar:

In the retrofitting market in India?

P. K. Khurana:

Retrofitting market, the major is they would like to go only on prices, which is why in retrofitting market; we may have an equal share. We would not like to sell that aggressively because the quality has a lesser consideration.

Ajay Nandanwar:

Okay, in the OEM market in India and OEM market….

P. K. Khurana:

Not par, we have a premium, but a marginal premium.

Ajay Nandanwar:

Okay, in the OEM market in India and OEM market…

P. K. Khurana:

OEMs, they are preferable.

Ajay Nandanwar:

So you are saying OEM in Iran and India you have 5-10 % premium over your competition?

P. K. Khurana:

Right.

Ajay Nandanwar:

Could you give a ballpark number of what was the tonnage shift in FY10?

Sivakumar:

Tons of cylinder or numbers?

Ajay Nandanwar:

Tonnage of raw material that you…..

Sivakumar:

From India, it will be close to about 20,000 tons.

P. K. Khurana:

We used more than 25,000 tons.

Ajay Nandanwar:

25,000 tons overall.

Sivakumar:

Overall from India.

Ajay Nandanwar:

Your tonnage in 2009 was 22,500.

Sivakumar:

No, that will depend again. We cannot compare year-on-year because there will be different sizes in different years. Like this year, we had jumbos. For Jumbo, one cylinder itself is about 3 tons. So the numbers and tonnage cannot correlate from one year to the other. It will depend on the mix of the size of the cylinders, what type of mix is in use in a particular year.

Ajay Nandanwar:

The number for 2010 will be 25,000?

Sivakumar:

Last year from India, we sold 22,000 tons worth of cylinders. This year is 26,000 because as I mentioned we had jumbos this year. So even the volume may be the same, but the tonnage is more.

Ajay Nandanwar:

And how about Dubai per se….

Sivakumar:

Dubai would be like 150,000 cylinders they have done and an average size is about 70 to 80 kg a cylinder approximately, may be 12,000 to 14,000 tons.

Ajay Nandanwar:

Okay great, thanks.

Moderator:

Thank you. The next question is from the line of Gagan Thareja from Batlivala & Karani Securities. Please go ahead.

Gagan Thareja:

Would you be able to give the material cost in US dollar per ton for FY10?

P. K. Khurana:

As of now, we have the variety of sizes and they depend from $1200 per ton to may be $1800 or 1900 per ton.

Sivakumar:

It has come down over the last year, the prices have come down. During the second half of 2009-2010, it has come down.

Gagan Thareja:

Could you provide the cylinder produced in each of your plants in India in FY10?

Sivakumar:

In India, we produced about 5 lakh cylinders and total production of cylinders for the full year has been 6.84 lakh cylinders.

Gagan Thareja:

Could you give the breakup joint wise?

P. K. Khurana:

No, we will not be able to give you here. You can visit our office any time.

Gagan Thareja:

Okay sir, thank you.

Moderator:

Thank you. Ladies and gentlemen that was the last question. I would now like to hand the floor back to Mr. Nirmal Shah for closing comments. Please go ahead sir.

Nirmal Shah:

I would like to thank the management of Everest Kanto Cylinder for giving us chance to host the conference call. Thank you sir.

P. K. Khurana:

Thank you.

Moderator:

Thank you gentlemen of the management. Thank you Mr. Shah. Ladies and gentlemen on behalf of Alchemy Share & Stock Brokers Private Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.