Initiating Coverage

Everest Kanto Cylinders

On green pastures

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Contents

Everest Kanto Cylinders

STOCK INFO.	BLOOMBERG
BSE Sensex: 15,616	EKCL.IN
S&P CNX: 4,519	REUTERS CODE EKCL.BO

6 September 2007 | **Buy**

Initiating Coverage | Rs227

Y/E MARCH	2007	2008E	2009E	2010E
Net Sales (Rs m)	4,251	5,666	8,430	12,388
EBITDA (Rs m)	1,145	1,501	2,238	3,279
Net Profit (Rs m)	718	985	1,434	2,068
EPS (Rs)	7.4	9.6	14.0	20.2
EPS Growth (%)	95.5	30.6	45.5	44.3
P/E (x)	30.9	23.6	16.2	11.3
P/BV (x)	7.3	4.7	3.8	3.0
EV / EBITDA (x)	19.5	15.8	11.1	7.5
EV / Sales (x)	5.0	3.9	2.8	1.9
RoE (%)	31.7	24.7	25.8	29.4
RoCE (%)	34.4	26.5	26.5	30.2

Consolidated numbers

KEY FINANCIALS	
Shares Outstanding (m)	97.6
Market Cap. (Rs b)	22.0
Market Cap. (US$ b)	0.5
Past 3 yrs Sales Growth (%)	82.6
Past 3 yrs NP Growth (%)	220.5
Dividend Payout (%)	15.9
Dividend Yield (%)	0.4

STOCK DATA	
52-W High/Low Range (Rs)	240/83
Major Shareholders (as of June 2007)	(%)
Promoters	61.8
Domestic Institutions	4.5
Foreign	24.2
Others	9.5
Average Daily Turnover	
Volume ('000 shares)	408.3
Value (Rs million)	271.2
1/6/12 Month Rel. Performance (%)	7/25/136
1/6/12 Month Abs. Performance (%)	11/48/167

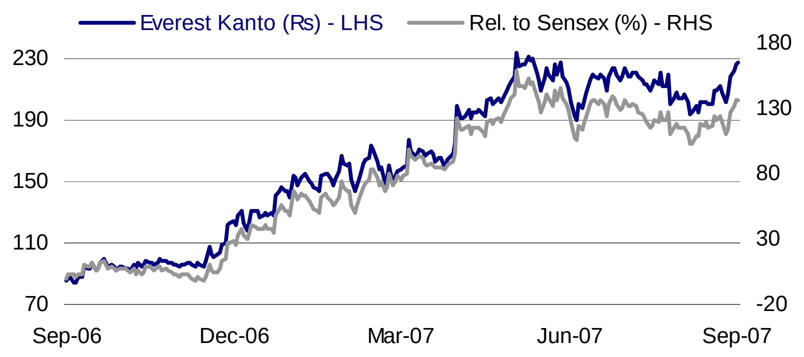
Dominant player in the high-pressure cylinders market: Everest Kanto Cylinders (EKCL) is by far the largest player in the Indian gas cylinders market. With aggressive expansion plans in Dubai and China, EKCL is poised to be a dominant player in the world market as well.

Excellent play on global CNG opportunity: There are two demand drivers for high-pressure cylinders: (1) steady-state growth in industrial gas applications, and (2) hyper growth in CNG use, especially in emerging economies like China and India. EKCL is the largest cylinder company in India; it has plans to add capacity of 1.5m cylinders in China over the next five years. We believe EKCL offers an excellent play on the global CNG opportunity.

Timely investments to sustain de-risked growth: EKCL plans to invest US$125m over the next five years. These investments are not just in manufacturing capacity (additional 2m cylinders), but also in new products (jumbo cylinders) and alternative technologies (cylinders from billets and plates). At the end of this investment plan, we believe EKCL will emerge not only profitable, but also scaleable and de-risked.

40% EPS CAGR to FY10E; target price Rs279; Buy: We believe there is high earnings visibility for EKCL. Based on gradual ramp up of new capacities, we estimate revenue CAGR of 43% and PAT CAGR of 42% through FY10E. EPS CAGR is slightly lower at 40% due to 5% equity dilution. We believe EKCL's de-risked growth merits premium valuation. At 20x FY09E, our target price of Rs279 offers 23% upside from current levels. We recommend **Buy**.

STOCK PERFORMANCE (1 YEAR)



Dominant player in the high-pressure cylinders market

High-pressure gas cylinders are versatile products with wide-ranging applications – fire-fighting systems, welding gases, medical gases and automotive CNG. Everest Kanto Cylinders (EKCL) is by far the largest player in the Indian cylinders market. With aggressive expansion plans in Dubai and China, EKCL is poised to be a global dominant player.

Largest player in the Indian cylinders market

Versatality, wide ranging applications — highlights of high pressure gas cylinders

High pressure gas cylinders are versatile products with wide-ranging applications (see box in page 5). EKCL has 46% of India's installed capacity of high-pressure cylinders.

CYLINDER CAPACITY IN INDIA – MAJOR ORGANIZED PLAYERS

COMPANY	CAPACITY (NOS.)	SHARE (%)	REMARKS
Everest Kanto Cylinders	806,000	46	Two plants in Maharashtra, one in Gujarat, two in Dubai
Rama Cylinders	300,000	17	Located in Anjar, Gujarat
Maruti Koatsu Cylinders	100,000	6	Located in Halol, Gujarat
Bharat Pumps & Compressors	60,000	3	PSU with huge losses; non-operational
Nitin Cylinders	500,000	28	Unit in Visakhapatnam SEZ; IPO in May-07
Total Of Above	**1,766,000**		

From the above, if we exclude Nitin Cylinders which has come up recently in June 2007, EKCL enjoys 67% share of capacity. Most of its units are operating at almost 100% capacity utilization, translating into an 80% share of the Indian market.

EKCL CAPACITY BY PLANT – CURRENT & PROPOSED

LOCATION	CAPACITY (NOS.)	PRODUCTS AND REMARKS
Current Plants		
Aurangabad, Maharashtra	110,000	Small, industrial cylinders (1-21 litres); EKCL's first unit
Tarapur, Maharashtra	160,000	Industrial cylinders (21-80 litres); CNG cylinders up to 280 litres
Dubai – Plant 1	96,000	CNG plant; started commercial production in FY04
Gandhidham, Gujarat	340,000	Flexible capacity for industrial and CNG cylinders; started in Dec-05
Dubai – Plant 2	100,000	Ready for commissioning in Sep-07
Total of above	**806,000**	
Proposed Plants		
China – Phase 1A	200,000	Under construction; scheduled for Dec-07
China – Phase 1B	400,000	Assumed to commission in Dec-08
China – Phase 1C	400,000	Assumed to commission in Dec-09
China – Phase 2A	250,000	Assumed to commission in Sep-10
China – Phase 2B	250,000	Assumed to commission in Jun-11
Gandhidham, Gujarat	5,000	Jumbo cylinders; scheduled for Mar-08
Gandhidham, Gujarat	200,000	Billet-pierced industrial cylinders; scheduled for Mar-08
Kandla SEZ	300,000	CNG cylinders from steel plate; scheduled for Mar-09
Total of above	**2,005,000**	
Grand Total	**2,811,000**	

Source: Published sources/Motilal Oswal Securities

EKCL is also among the world's largest players

The global cylinder market is dominated by about 20 large players including Worthington Cylinders (US), Faber Cylinders (Italy), Luxfer (UK), Dynetek (Canada), Inflex/Argentoil (Argentina), Beijing-Tianhai (China), NK (Korea). Based on the data available on listed companies, we believe EKCL is likely among the world's top 10 cylinder players.

EKCL has an aggressive plan to add 2m cylinder capacity over the next three years. We believe this should propel it into the list of the world's top five companies, and also make it well placed to benefit from the global drive in favor of CNG vehicles.

High-pressure cylinders – versatile products with multiple applications

There are two broad types of cylinders:

1. **Low-pressure cylinders:** These are usually welded steel cylinders, mainly used in the transportation and distribution of LPG and similar gases, which liquefy at low pressure.
2. **High-pressure gas cylinders:** These are seamless (constituted in one piece) and used for the distribution and dispensing of compressed gases.

The gas cylinder industry has improvised gas storage solutions

With increasing usage worldwide of gases and gas mixtures, demand for cylinders has grown. Simultaneously, the gas cylinder industry has also improvised on gas storage solutions by developing storage cylinders with advanced steel materials such as manganese steel and chrome-molybdenum.

High-pressure gas cylinders are used for storage of a variety of industrial, medical and automotive gases as tabled below.

HIGH-PRESSURE CYLINDERS – WIDE-RANGING APPLICATIONS

INDUSTRY	MAJOR APPLICATION(S)
Healthcare	Supply of oxygen as a respiratory aid
Fire-fighting	Cylinders filled with (1) water pressurized with oxygen, or (2) foam or powder pressurized with nitrogen, or (3) sodium or potassium bicarbonate, etc
Welding	Storage and supply of gases like acetylene, propane, mixtures of fuel gases and oxygen
Food & beverages	Liquid nitrogen and carbon dioxide are used in high quality product freezing. In beverages, carbon dioxide is used for carbonating aerated drinks, and nitrogen in the bottling process.
Automobiles	World over, CNG is emerging as the alternative fuel. CNG cylinders are used by both OEMs and CNG kit retrofitters

Source: Published sources / Motilal Oswal Securities

Excellent play on global CNG opportunity

There are two demand drivers for high-pressure cylinders: (1) steady-state growth in industrial gas applications, and (2) hyper growth in CNG use, especially in emerging economies like China and India. EKCL is the largest cylinder company in India, and now has plans to add capacity of 1.5m cylinders in China over the next five years. We believe EKCL offers an excellent play on the global CNG thrust.

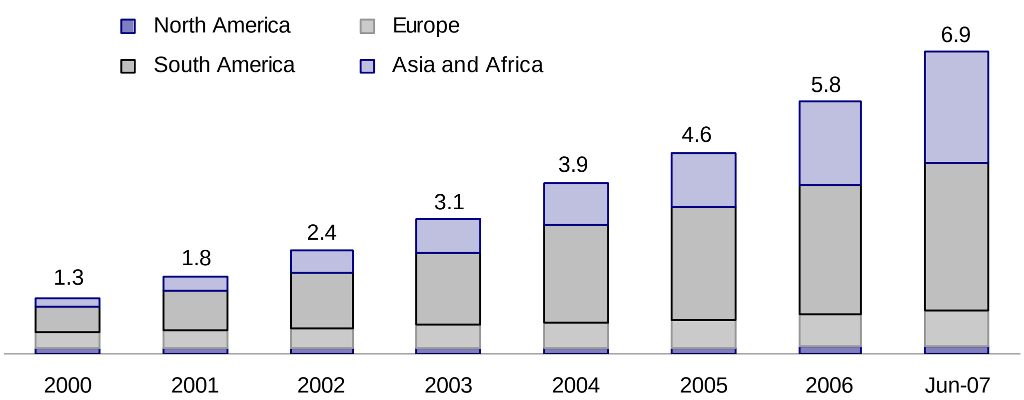
CNG is a fast-emerging alternative fuel for vehicles

CNG (compressed natural gas) has emerged as a key solution for two vexing global issues: oil security and vehicle emission-led air pollution. As a result, world over, sale of – and conversion to – natural gas vehicles (NGVs) is rising.

Asia is driving 51% growth in CNG usage v/s 28% globally

In absolute terms, South America has a large number of NGVs. However, Asia is growing the fastest at 51% per annum (CY2000-06) compared to the world average of 28%.

NATURAL GAS VEHICLES – ASIA DRIVING GROWTH (MILLION NOS.)

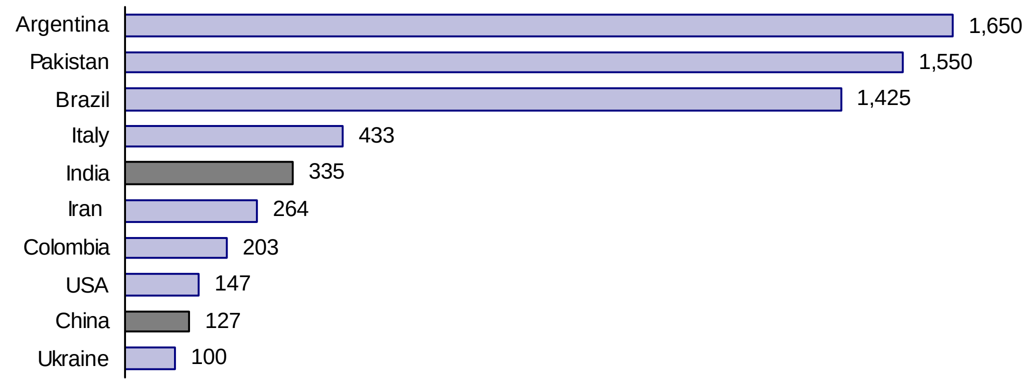


Source: International Association of Natural Gas Vehicles

China and India to lead global CNG thrust

In terms of NGVs, China and India are well behind smaller countries like Argentina and Pakistan.

TOP 10 NGV COUNTRIES (VEHICLES IN '000)



Source: International Association of Natural Gas Vehicles

Two chief drivers are contributing to higher CNG usage globally

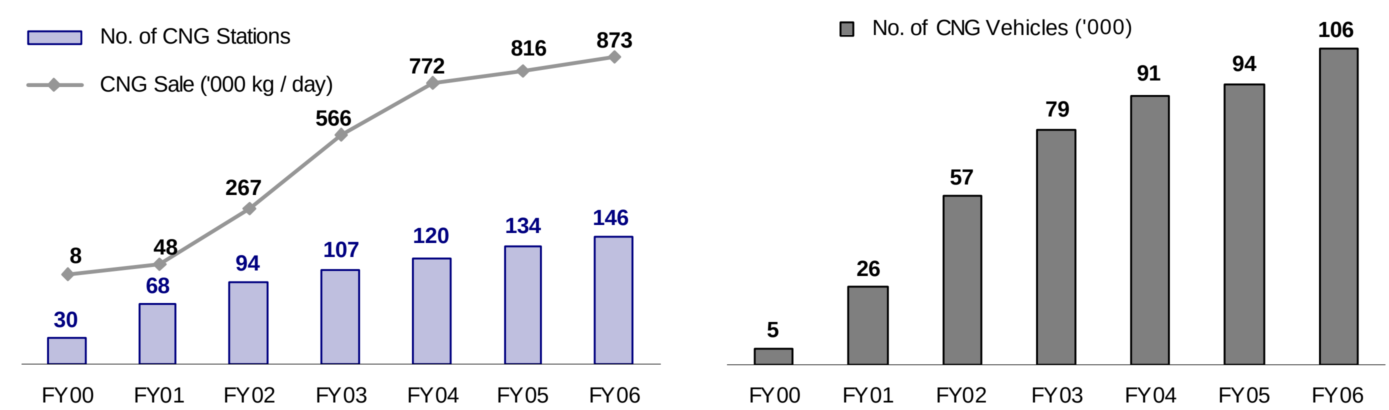
Going forward, the key drivers of high CNG use are: (1) in China, the 2008 Beijing Olympics; and (2) in India, the Supreme Court order on vehicular pollution.

2008 Beijing Olympics: The Chinese government has announced its intention to organize a "Green Olympics", implying that a large number of Chinese vehicles are likely to be converted to CNG by August 2008 (EKCL's China venture is expected to commence in December 2007.

New Delhi, India has recorded successful conversion to CNG

Supreme Court order in India: In India, the Supreme Court has ordered a switch to clean fuel in highly polluted cities such as New Delhi, Agra, Lucknow, Jharia, Kanpur, Varanasi, Faridabad, Patna, Jodhpur and Pune. In New Delhi, Indraprastha Gas was set up in 1999 for CNG distribution, leading to a major success story.

CNG IN INDIA – THE NEW DELHI SUCCESS STORY



Source: Indraprastha Gas Ltd

Other cities are showing signs of following the example of New Delhi. For instance, following the setting up of Mahanagar Gas in Mumbai, almost all taxis and autorickshaws are powered by CNG. So is the scene in the Surat-Ankleshwar region, led by Gujarat Gas. We expect 'CNG-ization' of 46 other cities including Bangalore, Chennnai and Kolkatta to expand the business opportunity for EKCL.

EKCL – a major beneficiary of the CNG opportunity

We believe EKCL is a key beneficiary of the CNG thrust

'CNG-ization' of regions leads to two kinds of demand for CNG cylinders: 1. From auto OEMs for fitment into vehicles; and 2. From CNG retrofitters.

CNG RETROFITTING – ECONOMICS FOR A TYPICAL MID-SIZE CAR

	CNG	PETROL
Fuel unit	Kg	Liter
Fuel cost per unit (Rs)	22	50
Mileage (km per unit)	13	10
Fuel cost per km (Rs)	1.7	5.0
Savings per km (Rs)	**3.3**	
Conversion kit cost (Rs)	40,000	
Break-even (km)	12,000	
Payback period @ 30 km/day	**< 3 years**	

Source: Industry/Motilal Oswal Securities

We believe EKCL is well placed to benefit from the CNG drive, in India, China and the rest of the world. We believe EKCL is leveraging its competitive edge through timely investments in manufacturing capacity, new products and alternative technologies.

EKCL – GLOBAL COMPETITIVE EDGE IN CNG CYLINDERS

In India	In China	Rest of the world
✍ Largest cylinder company ✍ Flexible plants in multiple locations – option to manufac--ture industrial or CNG cylinders ✍ Wide product profile, including gas cascades (large cylinders used for storing CNG in "daughter stations" i.e. dispen--sing stations not connected to a gas pipeline) ✍ Long standing relationships with customers-(1) gas companies (Indraprastha Gas, Mahanagar Gas, etc), (2) auto OEMs (Tata Motors, Ashok Leyland, Eicher Motors), (3) CNG kit manufacturers ✍ Preferred customer status with Tenaris of Luxemburg, a major producer of seamless tubes, the key raw material	✍ Local companies like Beijing-Tianhai mainly focused on industrial cylinders; global auto OEMs in China not happy with CNG cylinder quality ✍ EKCL to start operations with a capacity of 200,000 cylinders, to be scaled up to 1.5m over five years ✍ Opportunity to further deepen and strengthen relationship with raw material supplier Tenaris, by way of higher volumes ✍ Tax incentives, including two-year tax holiday	✍ Exports to countries Pakistan, Iran, Thailand and Bangladesh from Dubai ✍ Dubai is a cost-effective facility with mass production of limited varieties; also location in a tax-free zone ✍ Plans to double Dubai capacity from 96,000 to 196,000 cylinders; second plant to commission by end-Sep 2007 ✍ Plans to export to other countries from India as well, via a 300,000 capacity unit in Kandla SEZ to make cylinders using a different process i.e. from plates instead of seamless tubes ✍ EKCL's products enjoy approvals of local authorities in 16 countries

Source: Motilal Oswal Securities

Timely investments to sustain de-risked growth

EKCL plans to invest US$125m over the next five years. These investments are not just in manufacturing capacity (1.5m cylinders unit in China), but also in new products (jumbo cylinders) and alternative technologies (cylinders from billets and plates). At the end of this investment plan, we believe EKCL's business will emerge not only profitable, but also scaleable and de-risked.

US$75m towards 1.5m cylinders in China

EKCL's expansion plans include enhancing manufacturing capacity and new product introductions

EKCL plans to invest US$75m in China in two phases –

- **Phase 1:** US$50m to increase capacity from 200,000 cylinders (expected in 4QFY08) to 1m over three years
- **Phase 2:** US$25m to increase capacity from 1m to 1.5m over two years.

We believe this capacity expansion is timely, helping EKCL to tap the imminent CNG boom in China led by the 'green' Beijing Olympics in 2008. It has engaged Origo Sino-India Plc., an investment and strategic advisory company, to help guide its China venture.

US$50m towards new products and technologies

EKCL plans to invest US$50m in three plants in Gandhidham, Gujarat – one for a new product — jumbo cylinders, and two for cylinders using different technologies, namely, billet-piercing and deep-drawing of steel plates. (EKCL's current hot spinning technology moulds seamless steel pipes into cylinders).

NEW PRODUCTS, NEW TECHNOLOGIES

PRODUCT, LOCATION	BRIEF DESCRIPTION	CAPACITY, COST, COMMISSIONING	REMARKS
Jumbo cylinders, Gandhidham	Huge cylinders, typically used for carrying CNG to fuel stations which are not connected to pipeline	5,000 US$5m March 2008	Niche, high value product with expected unit realization of Rs500,000, compared to Rs10-12,000 for regular CNG cylinders
Industrial cylinders, Gandhidham	Using billet-piercing technology, where steel billets are pierced into cylinders	200,000 US$10m March 2008	Both these units spread EKCL's technology risk, and also lower its dependence on Tenaris for seamless tubes
CNG cylinders, Kandla SEZ	Made by drawing steel plates, leading to lighter cylinders for OE fitments into CNG vehicles	300,000 US$35m 7March 2009	Deep-drawn cylinders targeted at global OEMs; hence set up in an SEZ for tax benefits

Source: Company/Motilal Oswal Securities

5% equity dilution to part-finance expansion

EKCL's planned US$125m investment is phased out over five years, and hence is not expected to strain its balance sheet. Though debt-equity is low at 0.2:1, EKCL expects to dilute 5% equity to part-finance the expansion. We have assumed issue of 5m shares at current market price, raising Rs1.1b (approx US$28m).

EKCL raised Rs900m (US$20m) via an IPO in December 2005. It raised a further Rs900m (US$20m) in November 2006 by preferential allotment of shares. Thus, this will be the company's third equity dilution in as many years. However, going forward, given strong accruals and low gearing, we do not expect any further equity dilution in EKCL in the foreseeable future.

Profitable, scaleable and de-risked business post-expansion

We believe EKCL's business model is profitable post expansion

High demand for CNG cylinders coupled with EKCL's leadership position and timely expansion will lead to significant improvement in revenue and profits. More importantly, we believe EKCL's business will also be scaleable and de-risked.

- **Scaleable:** All the new projects including the China venture have in-built scalability, depending on the demand situation. For instance, EKCL recently bagged Rs400m orders from defence and Indian Navy for jumbo cylinders. The plant has a business potential of Rs2.5b at full capacity.
- **De-risked:** The new technologies spread EKCL's technology risk and also lower dependence on Tenaris for seamless tubes as raw material for the hot spinning technology. Likewise, the China venture spreads geographic risk by becoming the third region of operations after India and the Middle East.

We believe that numbers may not fully capture the impact of economies of scale and synergies that may kick in e.g. improved bargaining power with Tenaris due to higher volumes, including second plant at Dubai and the planned unit in China.

Financials and projections

High-growth track record barring Dubai hiccup

Over the last six years through FY07, EKCL recorded sales CAGR of 41% and PAT CAGR of 67%. EPS CAGR is lower at 41%, due to equity dilution by way of IPO in December 2005 and the preferential allotment in November 2006. Return ratios are healthy at over 30% for FY07 and debt-equity is comfortable at 0.2:1.

However, this track record veils two years of profit de-growth in FY03 and FY04 due to teething troubles at its Dubai venture (converted into a 100% subsidiary in FY07). Things are back on track FY05 onward, and we do not expect the FY03-04 phase to recur ahead.

EPS CAGR of 40% through FY10

We believe there is good visibility for revenue and profits to FY12 on the assumption that EKCL counters any execution risk

We believe there is high visibility and predictability of EKCL's revenue and profits. The key assumptions for our EKCL earnings estimate are:

- Existing units to operate at full capacity utilization
- Capacity utilization at new units – Dubai-2, China, Jumbo cylinders, Billet-piercing, Kandla SEZ – to be ramped to 100% over 3-4 years
- Margins to remain stable due to high demand scenario, EKCL's strong competitive position and economies of scale.
- Capex of US$125m over the next five years, with bulk of it in the first three years; average depreciation rate of 10%
- Issue of 5m shares @ Rs230 (Rs1.1b or US$28m) to part finance the expansions
- Tax rate to be a moderate 18% due to tax exemptions at Dubai, China and Kandla SEZ.

Incorporating the above, we arrive at revenue CAGR of 43% through FY10. PAT CAGR is 42%, and EPS CAGR is marginally lower at 40% on the fully diluted equity.

Return ratios remain healthy and rising, and cash flow from operations is also positive. Our numbers suggest that the company should turn free cash flow positive FY10 onward.

Valuation and recommendation

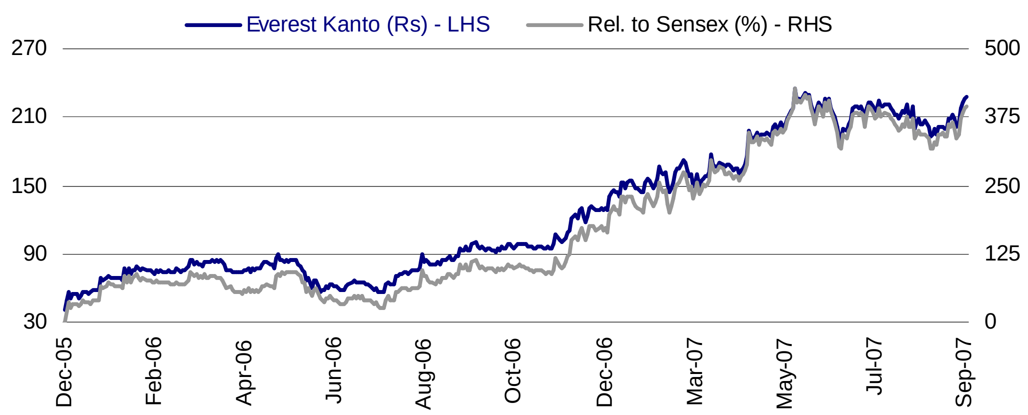
Strong, de-risked growth merits premium valuation

The EKCL stock is a major outperformer since its listing at end-2005. At CMP, the EKCL stock is trading at a PE of 23.6x FY08E and 16.2x FY09E.

We believe EKCL merits premium valuation given 40% EPS CAGR to FY10

We believe EKCL merits premium valuation given its strong EPS CAGR of 40% through FY10, while maintaining high return ratios and reasonable 17% payout. The company's scalable, de-risked business model coupled with high earnings visibility rule out any significant valuation de-rating.

STOCK PERFORMANCE (SINCE LISTING)



Target price of Rs279 at 20x FY09E; 2+% upside; Buy

Our valuation leaves room for positive surprises

We have valued Everest Kanto at 20x FY09E to arrive at a target price of Rs279, 23% upside from current levels. Our DCF model also suggests a similar target based on the following assumptions –

- WACC of 14.8%
- Free cash flows based on our estimates through FY14, by which time all proposed capacities hit near-optimum capacity utilization
- Terminal growth of 5%.

We believe our estimates are fairly conservative and there is room for positive surprises. For instance, the company expects to commission its first China unit in December 2007. However, we have not considered commercial production only in April 2008. Likewise, economies of scale could lead to upside in our margin assumptions. We recommend **Buy**.

Investment concerns

Execution risk, specially the China venture

EKCL's first unit at Dubai had teething troubles. Its second unit at Dubai also was delayed by about six months due to non-availability of power. This weak project execution track record is a concern when it comes to the China venture. Any major delays here could lower our earnings estimates and target price.

Mitigant: The only possible mitigant here is that EKCL has engaged a local company – Origo Sino-India Plc. – as advisors, which may help manage local issues.

Dependence on Tenaris for raw materials

Much of EKCL's raw material – seamless tubes – comes from Tenaris SA of Luxemburg. Thus, any sharp increases in raw material prices may adversely affect margins, and hence earnings estimates and target price.

Mitigant: Over time, EKCL has emerged a major customer for Tenaris and the relationship may well be symbiotic. With the second unit at Dubai and the China unit also going on stream, we believe EKCL could negotiate reasonably good terms for itself on grounds of higher volumes. Further, EKCL's initiatives with respect to new technologies will also help mitigate dependence on Tenaris.

Higher-than-expected equity dilution

EKCL has raised equity twice in the last two years, and is planning to further issue 5% of equity (5m shares). While we have factored this in our estimates, any higher dilution is likely to lower our earnings estimates and target price.

Mitigant: None

INCOME STATEMENT (CONSOLIDATED)						(RS MILLION)
Y/E MARCH	2005	2006	2007	2008E	2009E	2010E
Net Sales	**1,323**	**2,355**	**4,251**	**5,666**	**8,430**	**12,388**
Change (%)	*79.3*	*78.0*	*80.5*	*33.3*	*48.8*	*47.0*
EBITDA	**290**	**589**	**1,145**	**1,501**	**2,238**	**3,279**
Change (%)	*228.3*	*102.8*	*94.5*	*31.1*	*49.1*	*46.5*
EBITDA Margin (%)	*21.9*	*25.0*	*26.9*	*26.5*	*26.5*	*26.5*
Depreciation	78	98	178	239	395	609
EBIT	**212**	**491**	**967**	**1,262**	**1,843**	**2,670**
Interest	29	38	53	91	135	198
Other income	36	22	40	30	40	50
Extra-ordinary items (net)	0	0	0	0	0	0
PBT	**219**	**476**	**953**	**1,201**	**1,748**	**2,522**
Tax	76	141	236	216	315	454
Tax/PBT (%)	*34.8*	*29.6*	*24.7*	*18.0*	*18.0*	*18.0*
Reported PAT	**143**	**335**	**718**	**985**	**1,434**	**2,068**
Adjusted PAT	**141**	**331**	**718**	**985**	**1,434**	**2,068**
Change (%)	*548.6*	*134.4*	*116.5*	*37.3*	*45.5*	*44.3*
PAT margin (%)	*10.7*	*14.1*	*16.9*	*17.4*	*17.0*	*16.7*

E: MOSt Estimates

BALANCE SHEET (CONSOLIDATED)						(RS MILLION)
Y/E MARCH	2005	2006	2007	2008E	2009E	2010E
Equity Share Capital	120	176	195	205	205	205
Reserves	297	1,333	2,829	4,760	5,953	7,685
Net Worth	**417**	**1,509**	**3,024**	**4,965**	**6,159**	**7,890**
Loans	488	395	702	822	1,951	1,700
Net Deferred Tax	27	14	0	0	0	0
Capital Employed	**932**	**1,918**	**3,726**	**5,787**	**8,110**	**9,591**
Gross Fixed Assets	979	1,571	1,958	3,942	5,412	7,212
Less: Depreciation	546	636	814	1,053	1,449	2,058
Net Fixed Assets	**433**	**935**	**1,144**	**2,888**	**3,964**	**5,155**
Capital WIP	6	5	335	777	1,070	103
Investments	21	132	134	21	21	21
Curr. assets	**776**	**1,442**	**3,107**	**2,937**	**4,275**	**6,073**
Inventory	400	423	1,144	1,162	1,829	2,704
Debtors	168	234	575	744	1,107	1,626
Cash & Bank	36	290	471	350	400	450
Loans, Adv. & Others	171	495	917	681	939	1,293
Current liab. & prov.	**305**	**596**	**1,001**	**836**	**1,219**	**1,760**
Creditors	171	250	295	342	509	749
Other Liabilities	11	16	83	109	156	221
Provisions	123	330	623	384	555	790
Net current assets	**471**	**846**	**2,105**	**2,101**	**3,055**	**4,313**
Misc. Exp. (not written off)	0	0	9	0	0	0
Total Assets	**932**	**1,918**	**3,726**	**5,787**	**8,110**	**9,591**

E: MOSt Estimates

RATIOS (CONSOLIDATED)

Y/E MARCH	2005	2006	2007	2008E	2009E	2010E
Basic Ratios (Rs)						
EPS	**2.4**	**3.8**	**7.4**	**9.6**	**14.0**	**20.2**
Growth (%)	*224.3*	*59.5*	*95.5*	*30.6*	*45.5*	*44.3*
Cash EPS	3.7	4.9	9.2	11.9	17.8	26.1
Book Value	7.0	17.1	31.0	48.4	60.0	76.9
Dividend per share	0.5	0.7	1.0	1.4	2.0	2.8
Payout (incl. Div. Tax.) (%)	12.0	21.2	15.9	17.1	16.7	16.3
Valuation (x)						
P/E			30.9	23.6	16.2	11.3
Cash P/E			24.7	19.0	12.7	8.7
Price/Book Value			7.3	4.7	3.8	3.0
EV/Sales			5.0	3.9	2.8	1.9
EV/EBITDA			19.5	15.8	11.1	7.5
Dividend Yield (%)			0.4	0.6	0.9	1.2
Profitability Ratios (%)						
RoE	39.6	34.4	31.7	24.7	25.8	29.4
RoCE	27.3	35.0	34.4	26.5	26.5	30.2
Turnover Ratios						
Debtors (days of sales)	42	34	47	45	45	45
Inventory (days of sales)	110	66	98	75	79	80
Creditor (days of total exp.)	60	52	35	30	30	30
Asset Turnover (x)	1.5	1.2	1.1	1.0	1.0	1.3
Leverage Ratio						
Debt/Equity (x)	1.2	0.3	0.2	0.2	0.3	0.2

E: MOSt Estimates

CASH FLOW STATEMENT (CONSOLIDATED) (RS MILLION)

Y/E MARCH	2005	2006	2007	2008E	2009E	2010E
PBT before EO items	**219**	**476**	**953**	**1,201**	**1,748**	**2,522**
Add : Depreciation	78	98	178	239	395	609
Interest	29	38	53	91	135	198
Less : Direct Taxes	76	141	236	216	315	454
(Inc)/Dec in WC	-227	-122	-1,078	-117	-904	-1,207
CF from Operations	**23**	**348**	**-129**	**1,198**	**1,059**	**1,667**
Extraordinary Items	0	0	0	0	0	0
CF from Oper. incl. EO items	**23**	**348**	**-129**	**1,198**	**1,059**	**1,667**
(Inc)/Dec in Fixed Assets	-74	-598	-717	-2,426	-1,764	-832
(Pur)/Sale of Investments	5	-111	-2	113	0	0
CF from Investments	**-69**	**-709**	**-718**	**-2,314**	**-1,764**	**-832**
Inc/(Dec) in Net Worth	-8	832	911	1,124	0	0
Inc/(Dec) in Debt	138	-93	307	120	1,129	-251
Inc/(Dec) in Deferred Tax	-25	-13	-13	0	0	0
Less : Interest Paid	29	38	53	91	135	198
Dividend Paid	17	70	114	168	240	336
CF from Fin. Activity	**58**	**617**	**1,038**	**985**	**755**	**-785**
Inc/(Dec) in Cash	**12**	**257**	**191**	**-130**	**50**	**50**
Add: Opening Balance	22	36	290	471	350	400
Closing Balance	**33**	**294**	**480**	**341**	**400**	**450**

E: MOSt Estimates

N O T E S

NOTES

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Disclosure of Interest Statement	Everest Kanto Cylinders
1. Analyst ownership of the stock	No
2. Group/Directors ownership of the stock	No
3. Broking relationship with company covered	No
4. Investment Banking relationship with company covered	No