

BUZZING

STOCK

# Everest Kanto Cylinder Ltd.

CMP – Rs.651

**Analyst**

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**Key Stock Data**

Sensex	13487
Nifty	3843
Sector	Packaging
Bloomberg	NA
Reuters	EKCL.BO
No. of shares (m)	18
Market Cap (Rs m)	10,886
Market Cap (US\$ m)	25
52-week H/L	Rs.668/190

**Shareholding Pattern (%)**

Promoters	68.47
Mutual Funds	6.90
FII's	12.49
Corporate Bodies	3.45
Pubic & Others	8.71

**Everest Kanto Cylinder Ltd. (EKCL)**, major player in high-pressure gas cylinder market, is on an expansion spree increasing its aggregate capacity to 1,462,000 cylinders per annum (CPA). This capacity expansion plan is expected to more than triple the company's topline by FY09. EKCL with the current capacity of 706,000CPA caters to varied customers in auto, industrial & defense sector. Post expansion, sale to auto sector is expected to increase to around 70% from current 50% of cylinder sales of EKCL. The major contributor towards this will be increasing CNG demand in the country

**Expansion Plans:** EKCL is planning to go in for brownfield expansions in Dubai & Gandhidham & greenfield in China. Unit in Dubai is expected to increase its capacity to 192,000CPA in FY07 from 96,000CPA whereas the Gandhidham unit is expected to increase to 400,000CPA in FY08 & 500,000CPA in FY09 from its current 340,000 CPA.

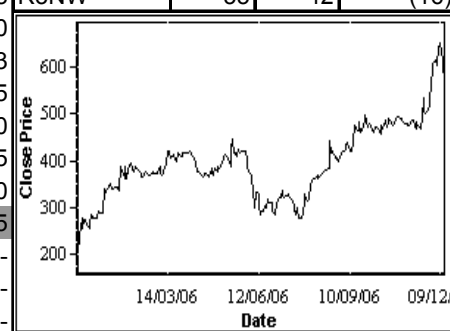
In addition, it is planning to set up a unit in China with initial capacity of 200,000 CPA in FY08, which is expected to increase to 500,000CPA in FY09. The unit shall capture the growing CNG demand and establish a strong foothold in the Chinese market. With all these expansion activity, EKCL's aggregate capacity is expected to increase to 802,000CPA in FY07, 1,062,000 in FY08 & 1,462,000CPA in FY09.

**Capex:** EKCL is expected to spend around Rs.3,850m in phased manner for the expansion activity. This is expected to be funded by preferential allotment, debt and internal accruals. EKCL has recently completed its preferential offer raising around Rs.900m & diluting the equity by 11%. Besides it is planning to raise debt of around Rs.1,500m.

**Valuations:** EKCL is a fundamentally strong company with sound financials. In Q2FY07, sales at Rs.1,001m were up by 74% YoY. EBITDA margins at 26% declined by 214 bps. PAT at Rs.136m was up by 46% YoY. The current market price discounts the H1FY07 annualized, diluted EPS of Rs. 25.7 by 25.3x.

## Financial Snapshot

Everest Kanto Cylinder Ltd.						Rs.m	Ratios (%)			
	Q2 FY07	Q2 FY06	Chg. (%)	FY06	FY05	Chg. (%)		FY06	FY05	Chg.(%)
<b>Financial Year End: March</b>										
Net Sales	1001	574	74	2355	1324	78	Debt -Equity	0.5	1.2	(62)
Other Income	6	3	144	22	36	(39)	PBIDTM	24	22	7
Total Income	1007	576	75	2377	1360	75	PBDM	22	20	11
Total Expenditure	737	410	80	1767	1037	71	RoCE	37	33	13
PBIDT	270	166	63	610	324	88	RoNW	35	42	(16)
Interest	18	8	139	37	27	40				
PBDT	252	159	59	573	297	93				
Depreciation	44	18	140	98	78	25				
Tax	86	47	83	152	102	50				
Reported Profit After Tax	136	93	46	335	143	135				
Extra -ordinary Items	0	0	0	0	0	0				
Adj. Profit After Extra-ordinary item	136	93	46	335	143	135				
No. of shares (m)	18	18	-	18	18	-				
EPS (annualised.) (Rs.)	30.9	31.1	-	19.0	11.9	-				
P/E	21.1	20.9	-	34.3	54.7	-				



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