

## Everest Kanto Cylinder Limited

September 29, 2025

Facilities/Instruments	Amount (₹ crore)	Ratings <sup>1</sup>	Rating Action
Long Term Bank Facilities	164.00 (Enhanced from 144.00)	CARE A-; Stable	Upgraded from CARE BBB+; Positive
Short Term Bank Facilities	63.00 (Enhanced from 46.00)	CARE A2+	Upgraded from CARE A2

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The upgrade in ratings assigned to bank facilities of Everest Kanto Cylinder Limited (EKCL) factors in volume backed growth in its scale of operations in FY25 (FY refers to April 01 to March 31) and Q1FY26 (Q1 refers to April 01 to June 30) while maintaining healthy profitability triggering its positive rating sensitivity. Growth is supported by the government's thrust on expanding compressed natural gas (CNG) infrastructure, increasing off-take from city gas distribution (CGD) entities and rising adoption of CNG vehicles.

Ratings continue to derive strength from EKCL's long track record of operations, its established market position, diversified and reputed customer base and high entry barriers in the high-pressure seamless steel cylinder industry. Ratings further factor in EKCL's comfortable solvency position and adequate liquidity position.

However, the rating strengths continue to remain constrained by fluctuating profitability which is also susceptible to raw material price volatility and foreign exchange rates and working capital intensive operations. Ratings are further constrained by project execution risk associated with EKCL's ongoing capital expenditure (capex) in India and Egypt, of which the project in Egypt is being funded through high-cost debt. To reduce the average cost of borrowings for the capex in Egypt, EKCL has contracted part debt in US dollar (USD).

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Improvement in total operating income (TOI) above ₹2,000 crore with profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin at existing levels on a sustained basis.
- Improvement in working capital cycle below 150 days on a sustained basis.

#### Negative factors

- Significant decline in TOI with PBILDT margin below 10% on a sustained basis.
- Deterioration in total debt/ PBILDT above 2.25x on a sustained basis.
- Delay in realisation of envisaged benefits from the ongoing capex, impacting its financial performance.

### Analytical approach: Consolidated

CARE Ratings Limited (CareEdge Ratings) has considered consolidated financials of EKCL. The consolidated approach factors in significant management, operational and financial linkages between EKCL and its subsidiaries and step-down subsidiaries. Subsidiaries consolidated are listed under Annexure-6.

### Outlook: Stable

'Stable' outlook reflects CareEdge Ratings expectation that EKCL will continue to benefit from its established presence in the high-pressure seamless steel cylinder industry supported by favourable demand outlook, while maintaining its adequate liquidity position.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE Ratings Limited's publications.

## Detailed description of key rating drivers:

### Key strengths

#### Growing scale of operations while maintaining healthy profitability

In FY25, EKCL's consolidated TOI grew significantly by ~23% to ₹1,499.21 crore (PY: ₹1,222.96 crore), driven by healthy demand across both domestic and international markets. Standalone TOI also improved by ~23% to ₹946.22 crore in FY25 (PY: ₹771.52 crore). The growth was primarily supported by a ~22% increase in CNG cylinder volumes. EKCL reported TOI of ₹386.88 crore in Q1FY26 on a consolidated level, which grew by ~13% y-o-y. Growth is supported by the government's thrust on expanding CNG infrastructure and rising adoption of CNG vehicles.

In FY25, the consolidated PBILDT margin remained healthy, though moderated, to 11.91% (PY: 13.32%) amidst raw material price volatility. EKCL's Dubai subsidiary also faced challenges in maintaining margins due to weak demand in Europe and Africa. EKCL's profitability improved in Q1FY26 with PBILDT margin of 15.85% considering higher margins reported by CP Industries Holdings, Inc., USA (step-down subsidiary of EKCL). EKCL is likely to maintain its profitability in the medium term.

Government's measures to moderate gas prices, and regulatory support for widening the CNG distribution network are likely to drive demand for CNG in the near to medium term. In addition, EKCL's ongoing capacity enhancement initiatives in both India and Egypt are expected to support EKCL's performance over the medium term.

#### Established market position and experienced promoters

EKCL is one of the leading players in the domestic market with a healthy market share and well-established relationships with reputed industry players. With over four decades of operations in the high-pressure seamless steel cylinder industry, EKCL has developed long-standing relationships with its customers and suppliers.

The promoters have an experience of over three decades in the industry and are supported by a team of qualified professionals with significant experience in their respective fields.

#### Diversified and reputed customer profile

EKCL manufactures both CNG and industrial cylinders, catering to a wide range of end users, including automobile original equipment manufacturers (OEMs), CGD companies, and industries such as healthcare, aerospace, and chemical processing. Over the years, EKCL has built established relationships with its customers, resulting in repeat orders. Its reputed clientele includes leading automobile OEMs, such as Tata Motors Limited, VE Commercial Vehicles Limited, and Bajaj Auto Limited. EKCL also supplies CNG cascades to reputed CGD players such as Mahanagar Gas Limited, Hindustan Petroleum Corporation Limited, and Adani Total Gas Limited. While customer concentration remains moderate with top five customers accounting for ~45% of TOI, EKCL benefits from a well-diversified and reputed customer base.

#### Comfortable solvency position

EKCL's debt profile mainly comprises working capital borrowings, term loan, and lease liabilities. As on March 31, 2025, the company's capital structure remained comfortable with an overall gearing of 0.14x (PY: 0.06x) despite addition of term loan for capex and higher utilisation of working capital limits as on balance sheet date.

In FY25, debt coverage indicators moderated but continued to remain comfortable with total debt to gross cash accruals of 1.24x (PY: 0.47x) and interest coverage of 10.81x (PY: 16.18x). Going forward, the capital structure and debt coverage metrics are expected to moderate due to the planned debt-funded capex, however, they are expected to remain at a comfortable level.

CareEdge Ratings takes a note of high contingent liabilities as on March 31, 2025, related to GST matters. Any crystallisation of the same will be a key rating monitorable.

#### High entry barriers in the high-pressure seamless steel cylinder industry

The high-pressure seamless cylinder industry is characterised by high entry barriers due to stringent regulatory requirements. As per directives of the Petroleum and Explosive Safety Organization (PESO), manufacturers must undergo rigorous testing and obtain clearances at multiple levels. In addition, approvals from the Chief Controller of Explosives (CCOE) are mandatory for imports into India. Companies in this sector are also required to comply with strict quality standards in manufacturing the cylinders.

### Key weaknesses

#### Fluctuating profitability that is susceptible to raw material price and forex rate volatility

EKCL's PBILDT margin reflected a fluctuating trend in the past primarily due to raw material price volatility. The key raw material, seamless steel tubes, accounts for ~50-55% of TOI, prices of which are volatile in nature. However, the price change is passed on to the customers with a lag of ~3 months. Additionally, EKCL remains exposed to foreign exchange fluctuations given its high import dependence (over 80% seamless steel tubes is imported).

### Working capital intensive nature of operations

EKCL's operations continue to remain working capital intensive mainly due to funds being blocked in inventory. In FY25, the operating cycle improved but remained high at 176 days (PY: 223 days). The company maintains high inventory levels to ensure uninterrupted production and timely order execution, particularly as its key raw material, seamless steel tubes, has an import lead time of ~4-5 months. EKCL grants a credit period of ~2 months to its customers. Currently, the company meets its working capital requirements through a mix of internal accruals and working capital facilities from banks.

### Project risk associated with ongoing debt-funded capex

EKCL is setting up two new manufacturing units – one in Mundra, Gujarat, and the other in Egypt for manufacturing cylinders. The total estimated cost of ₹320 crore (excluding capitalised interest), which is expected to be funded by 55% debt and remaining through equity/ internal accruals/ unsecured loans from group companies. EKCL has already contracted debt for both projects and has incurred a cost of ~₹190 crore as on June 30, 2025.

The loan contracted for the Egypt project is structured in two tranches: EGP 627.8 million and USD 6.5 million. While the EGP-denominated debt carries a high interest cost, the USD tranche is likely to decrease the average borrowing cost. However, the USD-denominated loan exposes EKCL to foreign exchange and currency convertibility risk.

While EKCL's investment in Egypt supports its strategic expansion and benefits from favourable policy support, macroeconomic challenges, such as inflation, currency volatility, and high interest rates may impact project costs and debt servicing. CareEdge Ratings will monitor the company's ability to manage these risks.

Commercial operations for both projects are expected to commence by beginning of FY27. Ramp-up of operations, realisation of envisaged benefits and reduction in the borrowing cost will remain crucial from credit perspective.

### Liquidity: Adequate

EKCL's liquidity position continues to remain adequate, characterised by sufficient cushion in accruals of ₹140-150 crore against low annual repayment obligations of ₹15-30 crore over FY26-FY28. This leaves sufficient headroom for internal funds to contribute to the capital expenditures. The company has free cash and bank balance of ₹77 crore and investments in mutual funds of ₹61 crore as on June 30, 2025, providing additional cushion. The average maximum utilisation of fund-based limits and non-fund-based limits stood at ~84% and ~80%, respectively, for 12 months ended July 31, 2025.

### Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Consolidation](#)

[Short Term Instruments](#)

### About the company and industry

#### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital goods	Industrial manufacturing	Industrial products

Incorporated in 1978, EKCL is engaged in manufacturing high-pressure seamless gas cylinders. Key product lines include CNG cylinders for automotive and CGD networks, industrial gas cylinders (oxygen, nitrogen, argon, and helium among others), jumbo cylinders, cascades, jumbo-skids (for bulk transport and storage), and fire safety equipment (fire extinguishers, suppression systems).

EKCL has two manufacturing facilities in India (located at Tarapur in Maharashtra and Kandla in Gujarat) and two manufacturing units outside India (located at Dubai and US).

Brief Financials (₹ crore) - Consolidated	March 31, 2024 (A)	March 31, 2025 (A)	Q1FY26 (UA)
Total operating income	1222.96	1499.21	386.88
PBILDT	162.92	178.58	61.31
PAT	97.60	97.72	51.58
Overall gearing (times)	0.06	0.14	NA
Interest coverage (times)	16.18	10.81	15.68

A: Audited; UA: Unaudited; NA: Not available; Note: these are latest available financial results

Brief Financials (₹ crore) - Standalone	March 31, 2024 (A)	March 31, 2025 (A)	Q1FY26 (UA)
Total operating income	771.52	946.22	236.98
PBILDT	92.06	101.48	40.72
PAT	53.86	53.30	26.09
Overall gearing (times)	0.02	0.17	NA
Interest coverage (times)	19.76	10.11	13.85

A: Audited; UA: Unaudited; NA: Not available; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

#### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	84.00	CARE A-; Stable
Fund-based - LT-Cash Credit		-	-	-	40.00	CARE A-; Stable
Fund-based - LT-Term Loan		-	-	December 2030	40.00	CARE A-; Stable
Non-fund-based - ST-BG/LC		-	-	-	63.00	CARE A2+

**Annexure-2: Rating history for last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Fund-based - LT-Cash Credit	LT	84.00	CARE A- ; Stable	-	1)CARE BBB+; Positive (26-Sep-24)	1)CARE BBB+; Stable (29-Aug-23)	1)CARE A- ; Stable (27-Jul-22)
2	Non-fund-based - ST-BG/LC	ST	63.00	CARE A2+	-	1)CARE A2 (26-Sep-24)	1)CARE A3+ (29-Aug-23)	1)CARE A2 (27-Jul-22)
3	Fund-based - LT-Cash Credit	LT	40.00	CARE A- ; Stable	-	1)CARE BBB+; Positive (26-Sep-24)	1)CARE BBB+; Stable (29-Aug-23)	1)CARE A- ; Stable (27-Jul-22)
4	Fund-based - LT-Term Loan	LT	40.00	CARE A- ; Stable	-	1)CARE BBB+; Positive (26-Sep-24)	-	-

LT: Long term; ST: Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities – Not applicable****Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-BG/LC	Simple

**Annexure-5: Lender details**To view lender-wise details of bank facilities please [click here](#)

**Annexure-6: List of entities consolidated**

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	EKC International FZE (EKC FZE)	Full	Wholly owned subsidiary
2	Next Gen Cylinder Private Limited	Full	Wholly owned subsidiary
3	Calcutta Compressions & Liquefaction Engineering Limited	Full	Wholly owned subsidiary
4	EKC General Trading FZE	Full	Step-down subsidiary
5	CP Industries Holdings, Inc.	Full	Step-down subsidiary
6	EKC Hungary Kft	Full	Step-down subsidiary
7	EKC Europe GmbH	Full	Step-down subsidiary
8	EKC Egypt SAE	Full	Step-down subsidiary
9	EKC Europe Gyártó Zrt.	Full	Step-down subsidiary

**Note on complexity levels of rated instruments:** CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for clarifications.

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