



August 12, 2025

To National Stock Exchange of India Limited Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra – Kurla Complex, Bandra (E), Mumbai – 400 051 SYMBOL: ELLEN	To BSE Limited New Trading Ring, 2nd Floor, Rotunda Building, P.J. Towers, Dalal Street, Mumbai – 400 001 SCRIP CODE: 544421
---	---

Sub: Transcript of Conference Call with Analysts / Investors pertaining to the Unaudited Financial Results of the Company for the quarter ended June 30, 2025- Disclosure under Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Dear Sir/Madam,

Pursuant to the provisions of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, enclosed herewith is the transcript of the Conference call with Analysts / Investors held on August 07, 2025, post declaration of the Unaudited Financial Results for the quarter ended June 30, 2025.

The same has also been disseminated on the website of the Company.

We request you to kindly take the above on records.

Thanking You.

Yours faithfully,

For Ellenbarrie Industrial Gases Limited

Aditya Keshri
Company Secretary and Compliance Officer
Membership No.: A73390



“Ellenbarrie Industrial Gases Limited
Q1 FY '26 Conference Call”
August 07, 2025



**MANAGEMENT: MR. PADAM KUMAR AGARWALA – CHAIRMAN AND
MANAGING DIRECTOR -- ELLENBARRIE INDUSTRIAL
GASES LIMITED
MR. VARUN AGARWAL – JOINT MANAGING DIRECTOR
– ELLENBARRIE INDUSTRIAL GASES LIMITED
MR. K. SRINIVAS PRASAD – CHIEF FINANCIAL
OFFICER – ELLENBARRIE INDUSTRIAL GASES LIMITED**

Moderator:

Ladies and gentlemen, good day and welcome to Ellenbarrie Industrial Gases Limited Q1 FY '26 Conference Call hosted by Raadhi Advisors Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

To discuss Q1 and FY '26 business performance, we have with us the senior management team of Ellenbarrie Industrial Gases Ltd, represented by Mr. Padam Kumar Agarwala, Chairman and Managing Director, Mr. Varun Agarwal, Joint Managing Director, and Mr. K. Srinivas Prasad, Chief Financial Officer.

Before we proceed with this call, I would like to mention that some of the statements made in today's call may be forward-looking in nature and may involve risks and uncertainties. The company also undertakes no obligation to update any forward-looking statements to reflect developments that occur after the statement is made.

Documents relating to the company's financial performance, including investor presentation, have been uploaded on the stock exchange and company's website. I now hand the conference over to Mr. Padam Kumar Agarwala, Chairman and Managing Director. Thank you and over to you, sir.

Padam K. Agarwala:

Thank you, Team Raadhi. Dear partners, thank you for joining this call and your interest in Ellenbarrie. This is the first call post listing of the company's shares on major stock exchanges. And I'm very happy to be hosting this. We look forward to your continued engagement. The results for the period ending June are in your hands.

We have had a strong Q1. There is a 24% year-on-year growth in revenue and almost 40% year-on-year growth in EBITDA. EBITDA margins are strong at about 37% and we hope to improve further from there. There has been a ramp-up of recently commissioned facilities at Kurnool and Tata Steel Metaliks Division.

Argon revenue is close to 10% of the total gas revenue. With increased production, the share of Argon in revenue will also increase further, leading to further improvement in margins. We have already achieved more than decent loading of our two newly commissioned facilities.

Growth shall continue with further ramp-up of these two facilities. Additionally, we expect a merchant plant in East India to commence operation in October 2025 and another on-site plant, Forest Steel Mill, in March 2026. We shall continue to look at building additional capacities in merchant and on-site towards furtherance of our core business of ASU gases.

Our focus shall be on geographical expansion as well and we hope to be a Pan-India company very shortly. We are looking at inorganic growth in synergistic areas, acquisition of our cylinder filling assets in Bangalore is a move in that direction. This shall provide value addition to

available products from Kurnool. The facility shall be used for secondary distribution of existing available products in the area.

Thank you for your time and attention. Mr. Srinivas, CFO now shall discuss actual numbers and along with our Joint Managing Director, Mr. Varun Agarwal, shall be open for any questions which will come up. Thank you.

K. Srinivas Prasad:

Thank you, sir. This is Srinivas, the Chief Financial Officer. A very good evening to you all. As you know, our company got listed on 1st of July. In a way, Q1 is significant being the last of our quarters as an unlisted company. Our results for the quarter ending June 2025 records a growth in revenue of 24% year-on-year basis and an EBITDA growth of 40% over the same period.

As you know, EBITDA margin is the key metrics for our kind of business. It has improved from 30% of revenue to 37% on a year-on-year basis. This margin expansion can be attributed to few major factors.

One is in-house production of Argon, which happens to be the product with the highest value addition. Simultaneously, Argon revenue, which was only 7% a year ago of our total revenue, has gone up to 9% over the same period, over the last one quarter.

So, the second factor being contribution from new on-site business, which has come up line during last few months. So, in this case, it is Tata Steel Metaliks division.

And the third point which contributes to our margin expansion is volume growth, which is coming from again the ramping up of new capacities, which have been added a couple of quarters back.

Therefore, margin expansion is happening on a sustainable basis, as you can see. We see that Q2 revenue and margins expanding further as the projects once again ramp up. And in the second half of the year, once the proposed two new projects are commissioned, we expect the second half to be even better than the first half.

Growth momentum is expected to continue going forward with more projects coming online over the next few quarters. Coming to the capital work in progress, as of now we have a position of about INR52 crores, and we are committed to spend around INR250 crores over the next 1.5 years.

In terms of IPO proceeds, which we received in the first week of July, we have started deploying the funds towards the objects of the IPO. We have already spent, the company has already repaid about INR210 crores borrowings in the first week of July, most of it being long-term borrowings. So with a strong unlevered balance sheet, the road is open for taking up new capital expenditures and new capacity creation.

Thank you. We are now open for a question-answer event.

Moderator:

Thank you very much, sir. We will now begin the question-and-answer session. First question is from the line of Dayanand Mittal from JM Financial. Please go ahead.

Dayanand Mittal:

Yes. Good evening, Padam ji, Varun ji and Srinivas ji. Thanks for that brief summary of your results. My first question is around just a quick wrap-up of your project updates. You briefly summarized, but if you can just take us maybe project-by-project in terms of Kurnool, how is the utilization currently and by when do you expect it to reach maybe optimum utilization of 90%, 95%? That's one.

And the other two projects broad timeline in terms of commissioning. You mentioned it, but yes, in terms of ramp-up as well as guidance, by when do you see it reaching to optimum utilization? Would it be 2 years or longer? If you can give those details and then what kind of volume growth we can envisage over the next 2, 3 year period? That would be my first question.

Varun Agarwal:

Thanks, Dayanand, for that question. So, basically all of our facilities apart from the Kurnool plant are running at full capacity utilization. The Kurnool plant, ramp-up is happening currently as on Q1, it was about 60% to 65%. Q2 capacity utilization will be significantly higher than Q1.

And we would expect this plant to reach sort of the optimum capacity utilization of about 85%, 90%, maybe sort of in the second half of this year. In terms of the new projects, that are coming up, so as we mentioned, we have a merchant plant in eastern India, which will be up and running in October of this year. We have an onsite plant, which is coming up in Q4 of this year. And then we have a merchant plant in North India, which will be up and running in end of Q1 of next financial year.

Now, when it comes to ramp-up of these plants, the way that the business model works for onsite plants is that we, from day one itself, have a take-or-pay arrangement with the off-taker for whom we set up the capacity. So, in that sense, for an onsite plant, the capacity utilization becomes irrelevant because the revenues of the company are guaranteed from that plant.

When it comes to merchant plants, we typically take about an 18 to 24-month ramp-up period. So, let's say if a plant is starting in October of 2025, we would expect the entire capacity to be utilized by, say, March of 2027. Similarly, the plant which will start in the next financial year, again, will take about 18 to 24 months to ramp-up.

Now, if we sort of put this all together, I would say that, in terms of revenue growth, the kind of revenue growth that we shared Q1 to Q1, which was about 25%, we definitely expect at least this level of revenue growth to continue. As we keep adding more capacity, the revenue growth will sort of keep coming through. So, we definitely think that for the next two to three financial years, there's a strong growth runway for us.

Dayanand Mittal:

Thanks, Padamji, for the answer. Second thing, in terms of your aspiration to become a Pan India player, if you can just detail a bit more about the acquisition which you did, how it improves your business model in the South, and also in terms of future plans, in case you may like to disclose now or else it's fine, about how do you want to get into the Western part of the country or a geography that you may have a plan to?

Varun Agarwal:

Yes, so this acquisition actually is, of course, it's quite a small acquisition, but in terms of and it's, the outlay is only about Rs. 5.5 crores. But what it does is, it gives us a good penetration into the Bangalore market. Now, why that is important for us is because our Kurnool plant, which is

located halfway between Hyderabad and Bangalore, ultimately, we have to sell this product to these two key markets.

So, having a local presence in Bangalore allows us to do a lot more value addition with our production. Sometimes also what happens is, customers want a full variety of gases, not just liquefied gases, but cylinder gases. So, having a local cylinder filling station in Bangalore will allow us to cater to those kinds of customers.

It also allows us to cater to medical customers because, medical customers, because it's a life and death kind of situation when it comes to oxygen (medical oxygen). So, they don't want to take supplies from someone who's located, you know, 200-300 kilometers away. So, having a local presence in Bangalore again helps us target the medical customers as well. So, in that sense, it's a very strategic kind of complementary acquisition for us to sort of add more value and load up our Kurnool facility.

In terms of becoming an All India player, of course, you know, we have something coming up in North. We are actively looking at something in the West as well. And, at the appropriate time, we will, of course, make the necessary announcement, with respect to that. But currently, it is still in the drawing board stage. So, nothing really that we can talk about at this moment. But definitely, you should expect an announcement from us fairly soon.

Dayanand Mittal:

Thank you. The last question is on argon. So, you mentioned your revenue from Argon this quarter was around 9% to 10%, from 7%, I think Y.O.Y, if I'm correct. So, how do you see this ramping up, let's say, over by, let's say, FY26, let's say, FY27. So, next two/three years, how it could go, where do you see it ramping up to and what could be the peak revenue from argon, let's say, when everything is at optimum utilization?

Varun Agarwal:

So, I think we would look at an Argon revenue of somewhere in the region of about 15 odd percent. That's 15% plus, you know, when all this capacity sort of kicks in. And, of course, you know, having a 15% plus contribution from Argon would obviously also feed into the EBITDA margins to some extent. So, I think one of our key strategies going forward is to actually really focus on our marketing and sort of value addition when it comes to Argon.

Dayanand Mittal:

Thanks, Padam ji. Thanks for the detailed answers.

Moderator:

Thank you. Next question is from the line of Raman KV from Sequent Investments. Please go ahead.

Raman KV:

Hello, sir. Thank you for allowing me to ask question. So, first, I have two questions. One is with respect to the capacity. Can you give the current capacity figures and capacity figures for FY25 end and FY for the current quarter, as well as how much capacity will be coming up by the end of this year?

Varun Agarwal:

Sure. So, as on FY25 end, we were at 1,370 tons per day. That's 1,370. When we talk about the capacity, this we are talking of capacity of liquid oxygen, liquid nitrogen, liquid argon, as well as the gaseous oxygen production (for owned onsite plants). All of this put together is about

1,370 tons per day, which is owned and operated by us. We have not added any new capacity in Q1. However, we have capacity additions which are planned in the second half of this year.

So, that will take our capacity as on end of FY26 from 1,370 tons per day to 1,910 tons per day. And basis the project that we are currently constructing and sort of planning. FY27 capacity would be 2,130 tons per day.

Raman KV: 21?

Varun Agarwal: 2,130 tons per day is what we have planned in FY27. Now, of course, if we do announce any new projects, there could be an upside to this number. But currently, basis what we are currently sort of executing and planning. It is 2,130 tons per day. So, 1,370 becomes 1,910 and 1910 becomes 2,130. So, that is the evolution over FY25, FY26 and FY27.

Raman KV: Okay, sir. Understood. So, just a follow up with respect to your new capacity coming. So, from the presentation, I can see there are three new capacities coming, two in West Bengal and one with respect to North India, right?

Varun Agarwal: That's right.

Raman KV: And so, what about the other facility which you were talking about, which will be commenced in March 2026?

Varun Agarwal: Yes, that is one out of the three that you have mentioned.

Raman KV: So, that is the North Indian plant, which is with respect to liquid ASU and...

Varun Agarwal: No, that one is the onsite plant, the one which is in March '26. Yes.

Raman KV: And that capacity is 2,050 tons per day.

Varun Agarwal: That one is 320 tons per day.

Raman KV: Okay, sir. So, and my second and final question is with respect to TAM, sir. I just wanted to understand what is the total addressable market with respect to, the business which we are in? And if you can, can you please provide the breakup between different gases, if it's possible?

Varun Agarwal: Sure. So, and let me just fetch that. So, basically, I think the total market size is about, roughly about 14,000 crores to 15,000 crores. And that is largely driven by the three air gases, oxygen, nitrogen and argon. Oxygen is, I would say the largest share, about close to about 40% basis the last. Basis these figures are basis report, which was commissioned by Frost and Sullivan at the time of our IPO. So, oxygen is the largest, and then nitrogen, followed by argon.

Raman KV: Okay, sir. So, just one doubt, this Kurnool facility, which is in Andhra Pradesh, is this started operational, or will it be operational in the second half as well?

Varun Agarwal: No, this is operational. We started this in the, in fact, in the second half of the last financial year. But typically, these plants take time to ramp up because we need to sort of sign up contracts with

new customers. So, what's happening is that every quarter, the revenue which is being generated from this plant is increasing until we reach the optimum capacity utilization.

So, currently, we are at about 60% to 65% capacity utilization in this plant. And, you know, as we increase that, which we are doing every quarter, as we keep increasing that capacity utilization, the revenues from that plant will keep increasing until we sort of reach that 90%, 95% level.

Raman KV: And, sir, I just have one doubt with respect to this, the difference between onsite facility and bulk distribution facility. What's the difference between both of them?

Varun Agarwal: So, onsite facility is basically a plant where we set up the plant inside the premises of a customer. And we supply gases via pipeline to that customer. Sometimes in case of an onsite, we can set up a plant which is larger than the demand of the customer inside whose factory we have set up our plant.

In that case, the surplus production that we are generating, so that is the onsite model. The merchant model is where we sort of buy a piece of land, we set up a plant, and we market it to the production to, let's say, 300, 400 customers over a 500-kilometer radius. So, that's the basic model. One is inside the customer's premises, and one is an independent plant.

Raman KV: Okay. Thank you, sir.

Moderator: Thank you. Next question is from the line of Gautam Rajesh from Leo Capital. Please go ahead.

Gautam Rajesh: Hi, sir. Good evening. Thank you for the opportunity. I had two questions. My first question was, what sort of market share do we have in our core products? And who would be our key competitors? That would be my first question, sir.

Varun Agarwal: So, we have a market share currently of, I would say, about 4 odd percent. So, very, very small market share, which means that there is a lot of room for us to grow. Our key competitors would be large MNC companies, such as Linde, who is sort of the listed peer and the largest competitor, and also Inox Air Products.

So, these two would be the largest players in this industry in terms of market share. There are a few other MNC players as well, but these two are the largest. And we would be sort of the fourth or fifth largest company in the country.

Gautam Rajesh: Sir, what would be their market share? First one was Linde, right?

Varun Agarwal: Sorry?

Gautam Rajesh: What would be their market share? Inox Air Products and the first one, I couldn't get the first one.

Varun Agarwal: The first one is Linde India. So, Linde and Inox would each be at, I mean, somewhere close to about 25% each.

- Gautam Rajesh:** Understood. Okay. And my next question was, what sort of growth and margin is the company targeting over the next, let's say, three to four years?
- Varun Agarwal:** So, look, first I'll answer the question on margins. I think our margins were about 37% in terms of EBITDA. We don't expect these margins to go down. In fact, as we sort of build up more capacities, have higher argon production, more onsite plants, we would expect to at least maintain these margins with a sort of potential upside to these EBITDA margin numbers.
- In terms of growth, revenue growth, last year, I mean, if you compare the Q1 versus Q1 numbers, so it's about a 25% year-on-year growth. I think we are fairly with the sort of pipeline that we have in terms of our plants that we are setting up, the capacities that we are rolling out and the kind of capacities that we are currently, which are on the drawing board stage. But, of course, some of these will be finalized going forward. We are fairly confident of maintaining at least this growth, if not higher, over the next at least two to three years.
- Gautam Rajesh:** Understood. They're saying that the current 25% growth Q-o-Q, you can based on your existing, you can maintain for two to three years at least?
- Varun Agarwal:** Yes and I'm talking about annual growth numbers, because sometimes quarter-on-quarter, it doesn't give you a very accurate picture because the growth will come sort of in, its growth is lumpy like when a new plant gets commissioned, then you'll see significant growth. So I think probably a year-on-year is a better way to look at it.
- Gautam Rajesh:** Understood. Thank you. That would be from my side. All the best.
- Varun Agarwal:** Thank you.
- Moderator:** Thank you. Next question is from the line of Suvaan Mittal from MFC. Please go ahead.
- Suvaan Mittal:** Hello, sir. Thank you for the opportunity. I have two questions, mainly the first being from the DRHP is that over the due course of three years of FY24-23-22, our power expense in 2022 was 26% and then it shoot up till 36 and then 2024 it is back to 28. In FY23, we had a sudden surge in that. So if you could give some reason as to what was the reason, because it's a major cost and do we anticipate such incidents in the coming FYs?
- Padam K. Agarwala:** No, I think, look, sorry, go ahead.
- Management:** Can you please repeat, Suvaan, you are talking about which year?
- Suvaan Mittal:** For power expenses in fiscal 23, it was around INR73 crores, which is 36% of the revenue. And in FY22, it was 26%. So it was like a considerable jump. And we are already having a higher EBITDA margin, so the only thing which can affect is the power expenses. So do we anticipate such a surge and if you could give some color as to why was the surge in FY23?
- Management:** Yes, you're right. I mean, as you know, power is our basic raw material for us, for our industry. And 23-24, there must have been some tariff increase, especially in the South, which does typically increase the power cost, but at the same time, we try to, over a long period, we try to

optimize that to purchase off from the exchange, power from the exchange which normally comes at a discount.

And also on a long-term basis, sustainable basis we take actions to improve the power cost by better utilization of the loading of the plant and those kind of things. So 23-24, I remember there was some spike in power in the South.

Suvaan Mittal: It was between FY22 and 23. Like from 26% it increased by 12 odd percentage to 36%. In fact, for 23-24, it decreased from 36 to 28, but from 22-23, it increased by 12 odd basis points, 12 percentage points?

Varun Agarwal: No, I think one more thing which I'd like to add is that the new capacities that we have recently commissioned as well as the ones that are currently under construction, those are significantly more efficient in terms of power consumption. So, I'm answering the second half of your question where is there a risk of this kind of jump happening again.

And you'll see gradually that the power cost as a percentage of revenue will actually sort of trend down to lower levels just because of the greater efficiency of the plants. Regarding your question on FY23, maybe we'll be able to get back to you post this call.

Management: One major factor was 21-22 was a COVID-affected year when the revenue was much higher than the going level of prices. So, that's why, I mean, it's a misnomer to look at power cost as a percentage of revenue. The average realization was much higher in 21-22.

Suvaan Mittal: Okay. So, my second question being we have mainly been a company operating in oxygen and nitrogen and now you have been stating that argon can contribute significantly up to 15%. But in terms of TAM, hydrogen also has a good amount of market size. So, do we expect any further additions or contributions from hydrogen as a gas in the coming like 3 year, 5 year period over long-term perspective?

Padam K. Agarwala: As of now, we are not much into the hydrogen as you perceive, which is more related to non-conventional energy and green economy and so on. Of course, hydrogen is produced by way of electrolysis. So, this is the same method which is used for production of green hydrogen. As of now, this plant capacity is small and we are just testing the waters before actually making a major entry into this business.

Our present customers are different from the buyers or manufacturers of green hydrogen. We would generally supply to power plants and Vanaspati units and so on. Going forward, yes, hydrogen appears to be a promising market and I would say for us it is more of a pilot project. We will understand the business and moving forward, maybe take some major investment decisions after we are sure of what we want to do.

Suvaan Mittal: Okay, sir. Thank you. That's it.

Moderator: Thank you. Next question is from the line of Parikshit Kabra from Pkeday. Please go ahead.

Parikshit Kabra: Hi. Thank you for the opportunity. My first question is a very basic one. Your slide shows that your capacity, operational capacity is 3,800 odd TPD. But earlier in the presentation, you said that your current capacity is only about, I think 1370 going to 1910. So, how are you segregating the two numbers? Can you please explain that?

Varun Agarwal: So, Parikshit, there is just one difference between the two numbers. There is a 2,500 tons per day plant which is being operated by us, which is coming in that larger figure. Whereas the figure that I am mentioning, the 1370 figure, those are plants which are owned and operated by us.

So, those are the plants on our balance sheet, the 1370 tons per day. In addition, there is a 2,500 tons per day plant which we operate, but which is not on our balance sheet. So, for the purposes of DRHP, we had to include it in our production capacity, because it is effectively a capacity which is operated by us. However, the true capacity which is owned and operated by us on our balance sheet is 1370 tons per day. That is the difference between the two figures.

Parikshit Kabra: Got it. But essentially, this 2,500 TPD plant, you are operating and earning revenue from. So, from a revenue generation perspective, I should look at 3,800 tons TPD as the correct number?

Varun Agarwal: So we are earning a revenue, but here again the revenue what we earn is a fixed fee every month. It is not, let us say, we are not earning double the revenue of 1,300 just from this one plant. So, it is a bit misleading in that sense. The revenue is not proportionate to the capacity here.

Parikshit Kabra: Got it. Understood. So, my second question is, sorry -- the second question I had was in terms of your approach to how you are trying to build out your facilities, you are trying to become a pan India company. I was wondering whether this is more of a geographical play and so rather having a cluster approach and going on to particular areas might be a more prudent approach. I just want to hear your thoughts on that?

Varun Agarwal: No, you are right. I think there is a benefit of having multiple plants in a cluster and that is what we have been doing. So, while we are looking at becoming a pan India player, at the same time, it is not that we are ignoring the geographies that we are already strong in. Now, there are a couple of reasons to ultimately want to become a pan India player because, for example, the Western part of the country is where a lot of industrial growth is happening.

And by not being present there, we have actually realized that that is actually a significant disadvantage because we are missing out on a lot of new business opportunities that are coming up in Western India. So, at some point, of course, we do want to be an all India company and now that we have achieved certain critical mass, at least in our home geographies of East and South.

We felt that it was prudent to actually now take a step into North to begin with and we are also currently evaluating something in the West and we feel this is the correct time because the balance sheet is strong. The company is a lot more visible as a brand, especially post IPO. So, we felt this is the right time to embark on this pan India expansion.

- Parikshit Kabra:** Perfect. Thank you so much. And the last question I had is Linde gets the technology from their global company. Inox also has a partnership with a global company. Where do you get your technology from and how do you compete with these MNCs? Of course, they are much larger, but what is your right to win here?
- Padam K. Agarwala:** We have our own in-house team who keep track of the global developments in terms of production technology. Our team, they keep themselves updated and generally the engineering team would be able to take care of any challenges in this direction without any external support.
- Parikshit Kabra:** Got it. So, you are saying our technology is in-house completely?
- Padam K. Agarwala:** Absolutely.
- Parikshit Kabra:** And we are able to compete with Linde and Inox with their foreign technological stack and technology stack and still beat them like what is our right to win here? Are we better than them in pricing?
- Padam K. Agarwala:** I wouldn't say that we still beat them. We are generally, I would say it's a situation of coexistence. In terms of pricing, generally the market finds the level of the pricing and the current market pricing etcetera leaves us with decent EBITDA margins as you can already see. So, generally, I wouldn't say our prices are lower than Linde or Linde's prices are lower than us. Generally, everybody stays as per the market, the competition is on service and customer connect.
- Parikshit Kabra:** Got it. Perfect. Thank you so much for your time.
- Moderator:** Thank you. Next question is from the line of Shivkumar Prajapati from Ambit Investment Advisors. Please go ahead.
- Shivkumar Prajapati:** Hi, thanks for taking my question. First of all, congratulations to the whole management for the successful IPO. So, my first question is on the seasonality factor, like how all four quarters of a year looks for us and is there any factor of temperature that plays over our cost structure?
- I'm asking this question because you gave some clarity on EBITDA margin because if I look at the EBITDA margin, say for FY21, it is 26%, then it goes to 33% next year, then comes down to 16%, then again 23%, and now 34%. And you also highlighted the potential of upside from here. I just want more clarity like what exactly is happening, why these margins are volatile?
- Varun Agarwal:** So, I think historically, if you see, there was a bit of volatility in this FY21-22 sort of period due to COVID because COVID had pushed up the margins and then post COVID, there was a decline in the margin. So, that's obviously a very one-off and exceptional kind of a scenario. But going forward, if you see FY25, it was around 34%, this quarter it is 37%.
- And now this is sort of the steady state margin, which as we had highlighted that as we build up more capacity, as we increase the production of argon, more onsite plants, as the size of the company grows, as the plants get ramped up, all these things will lead to an improvement in the margins.

And I think if you look at sort of a steady state number for margins, it would be somewhere around this number or maybe a couple of percentage points higher, and that's when we sort of become of a reasonable size where we can sort of maintain these margins. Your first question about the seasonality, there is no seasonality as such in the industry.

However, sometimes there can be quarter on quarter movements in revenue due to maybe certain ad-hoc orders. Maybe we have a division, a project engineering division, where we also sell certain equipment and medical gas pipeline systems. So, booking of those revenues is typically very lumpy. So, those things may lead to quarter on quarter differences. But broadly, if you compare year on year, you should see steady growth over the next several years.

Shivkumar Prajapati: Understood, sir. So, my next question is around 20% of your revenue comes from the government or PSUs. So, is there any difference between the like difference for the term?

Padam K. Agarwala: Sorry, could you repeat that?

Moderator: Sorry to interrupt. Mr. Prajapati, may I please request you to please repeat your question, sir?

Shivkumar Prajapati: Yes, sure. So, I was thinking around 20% of our revenue comes from government or say PSUs. I just want to understand, does the terms and conditions differ here compared to other entities that we serve? I just want to understand the credit period, the payment cycle?

Varun Agarwal: Sure, sure. So, look, typically, the major difference between a private sector customer and a government customer is the length of the contract. That's the main difference. I think other than that, the payment terms, etcetera are more or less similar. Now, when I say length of the contract, typically, with our private sector customers, we have typical duration of contract is five years.

Whereas with public sector customers, it is typically one to two years. So, you know, and then it sort of keeps getting retendered. Having said that, you know, there are a number of public sector customers to whom we have been supplying for, you know, more than a decade. So, it's not that every two years, they change suppliers. But yes, the length of the contract is by the mandatory process, they have to keep doing tenders every one year or two years.

Shivkumar Prajapati: That's helpful. And so my last question is, just want to understand more about the gases that we supply. So, could you please throw some light on the products that we supply, the realizations and the margin?

Varun Agarwal: So, the primary products are the air gases, which means the where the raw material is atmospheric air, we take this air and we split it into oxygen, nitrogen and argon. And these are the three main products. Together, these products account for close to 90% of our revenue. And apart from that, we do supply a few other gases like, you know, acetylene, hydrogen, carbon dioxide, etcetera.

But the main gases continue to be oxygen, nitrogen and argon. Now, in terms of margins, I would say that, you know, oxygen and nitrogen have sort of similar margins, which are slightly lower than the overall EBITDA margin of the company. And argon has a margin which is significantly

higher than the EBITDA margin of the company. So therefore, on a blended basis, that's how we achieve that 37% EBITDA margin.

Shivkumar Prajapati: Got it, sir. Sir, do we supply helium gases?

Varun Agarwal: We do supply helium, yes. But helium is not manufactured in India. All of India's helium is imported.

Moderator: Next question is from the line of Sanjay Nandi from VT Capital.

Sanjay Nandi: Yes, Sir, can you just describe the operating margins which we generate from argon compared to oxygen and nitrogen, if it's possible to quantify that number, sir?

Varun Agarwal: So, you know, without giving a specific number, what we would say is that oxygen and nitrogen are lower margin compared to argon, right? Argon has a significantly higher margin because basically the cost to make all these gases is more or less the same.

But in terms of realization, argon is, you know, three to four x, at least or maybe even higher than oxygen and nitrogen. So therefore, the margin on argon is significantly higher. I would say, you know, one and a half to two times the margin of the blended EBITDA margin of the company.

Sanjay Nandi: And so just one more question from my side, like just to mention the initial conversation, like we are planning to increase our argon sales from 4% or to 15% in the near future, right? So if this would be the margins for the argon, which is like three to four x from the existing oxygen and nitrogen. So then what kind of peak margin can we see, sir, once that argon sales shoots up to 15% of total sales?

Varun Agarwal: See, I think, look, 37 is what we have achieved, right? Now, as I mentioned in our initial comments that we think this is a sustainable margin with some upside from this incremental argon. I think, you know, without giving a specific number, I would say that there is a potential upside to this margin number with increased argon production.

Sanjay Nandi: And, sir, if we compare us with our global peers like Linde's and the [Inaudible 0:49:12], so they are having a market share of 25%-odd as we talk, and we are at 4% talking something like that. So if companies like Linde, they are growing at a CAGR of roughly 7% to 8% on an annual basis. Like what kind of confidence we are getting or what kind of demand drivers are there, sir, which we can foresee as 7%, 8% kind of sales growth going forward, sir?

Varun Agarwal: See, I think one thing is that, you know, as you grow larger, then, you know, that base becomes larger, right? So then the percentage growth to maintain a very high percentage growth becomes more challenging, the larger you grow, in our case, because the base is significantly smaller at only about 4% or so. So the room for us to grow is quite high.

And, you know, given the way that we are adding capacity, I don't think there is a challenge in terms of growth. I think we continue to do significantly higher growth than the industry average. And, you know, last year as well, if you compare Q1 to Q1, we've done 25%.

I think we'll continue to grow at those sort of numbers with some upside. You know, so and of course, you know, the fact that we have now a cash surplus on our balance sheet, you know, enables us to put up significant amount of capex to really charge up our growth. So I don't think we'll be at any point, you know, we'll be definitely significantly higher growth than the industry average.

Sanjay Nandi: And for the operating margins as well, sir, we are talking about 37% kind of EBITDA as we talk in Q1, whereas the peers like Linde, they are like touching on margins of up to 30%-odd. So is there any probability of like getting that margin like increased higher from the Linde side or our margins might contract going forward?

Varun Agarwal: Yes, I don't want to comment on Linde. But definitely, you know, I can tell you about our numbers, and we don't expect this margin to really decline. In fact, as I mentioned that, you know, from our perspective, we see this number to sustain, and maybe with a small upside.

Moderator: Participants, please restrict your questions to two participants. If you have a follow up questions, please rejoin the queue. Next question is from the line of Raman KV from Sequent Investments.

Raman KV: I just wanted to understand with respect to for example, let's say we have around 100 tons per day capacity, how much revenue can we do from that particular and how much capex is required? I just want to understand the unit economics of the business?

Varun Agarwal: So you know, very broadly, of course, like any other industry, you know, 100 tons capacity cost, and a 200 tons capacity cost will not increase proportionately. Right? So let me give you a live example where we are putting up a 220 tons per day capacity. That 220 tons per day capacity is costing us about INR160 crores. Right.

And that has a revenue potential of somewhere in the region of INR100 crores to INR120 crores. Those are the broad numbers. Now, you know, obviously, 100 tons capacity will not cost half of this, right? So it doesn't work in a linear way.

Raman KV: Oh, okay. I understood. So but from what I can see is that around 400, around 600 tons, roughly about speaking 600 tons capacity is being added from FY '25 to '26. Am I right? So this can potentially improve our revenue by around INR500 crores per year?

Varun Agarwal: No, so there's a distinction here, Raman, because basically, what I told you is for a merchant market plant, right? For an onsite plant, the way the business model works is that we get a fixed revenue from the captive customer, which is significantly lower because all the costs are borne by the captive consumer as well. So you know, you can extrapolate that for merchant market capacity, but not for onsite capacity.

Onsite capacity, typically, the revenues will be very limited. For example, a 300 tons plant, which we are setting up now, the onsite plant has a revenue potential of only about INR25 crores a year, because all the costs are borne by the onsite customer. So that number goes straight into our margin.

Moderator: Thank you. Next question is from the line of Aditya Arora from P4 Capital.

- Aditya Arora:** So, sir, I just basically had one question. When you say your capacity is 100 TPD per day, like what is the split between oxygen, nitrogen and argon between that?
- Varun Agarwal:** So it depends on how we configure the plant. Typical capacity of an oxygen plant or an air separation plant would be, let's say, you know, about, and this is a very typical kind of a configuration, maybe about 75% or 70% oxygen, 20%-25% nitrogen and about 5% argon. So that's a very typical sort of configuration.
- Now argon is something which obviously we want to maximize as much as possible, because that's a high value. But that is restricted, because the quantum of argon and air is also very less. So, you know, those, there are those complications as well when it comes to designing the capacity.
- Moderator:** Thank you. Ladies and gentlemen, we will take this as the last question for the day. I would now like to hand the conference over to the management for the closing comments.
- Varun Agarwal:** So thank you, all participants for joining and asking a lot of very interesting questions. You know, going public for us is a key milestone for our company. It reflects our commitment to transparency, governance and sustainable value creation.
- We acknowledge the responsibilities of being a listed company, and we are committed to upholding high standards of accountability and integrity while delivering sustainable growth and delivering on the commitments that we make. Thank you for your time and attention today. If you have any further queries, please feel free to reach out to our investor relations team. Thank you, everyone.
- Moderator:** Thank you so much, sir. On behalf of Ellenbarrie Industrial Gases Limited, that concludes this conference. Thank you all for joining us and you may now disconnect your lines.