



EVEREST KANTO CYLINDER LIMITED



EVEREST KANTO CYLINDER LIMITED

Annual Report
2005 - 2006



CONTENTS	PAGE NO.
Notice of Annual General Meeting	2
Directors' Report	6
Management Discussion & Analysis	12
Corporate Governance Report	14
Auditors' Report	24
Balance Sheet	28
Profit & Loss Account	29
Schedules	30
Notes to Accounts	36
Cash Flow Statement	44
Balance Sheet Abstract and Company's General Business Profile	46

BOARD OF DIRECTORS

Prem Kumar Khurana
Chairman & Managing Director

Shyam Sundar Khurana
Whole-Time Director

Pushkar Khurana
Whole-Time Director

Puneet Khurana
Whole-Time Director

P. M. Samvatsar
Whole-Time Director

Shailesh Haribhakti
Independent Director

Krishen Dev
Independent Director

Mohan Jayakar
Independent Director

Naresh Oberoi
Independent Director

Vyomesh M. Shah
Independent Director

Company Secretary :
Pawan Laddha

Auditors :
C. D. Pasad & Co.,
Chartered Accountants, Mumbai

Branch Auditors (Dubai Branch) :
Arun Arora & Co.,
Chartered Accountants, Mumbai

Bankers :
State Bank of Hyderabad
ICICI Bank Ltd.
Citibank N. A.
Standard Chartered Bank
National Bank of Fujairah

Registered Office :
501, Raheja Centre,
214, Free Press Journal Marg,
Nariman Point,
Mumbai - 400 021.

Registrar & Share Transfer Agent :
Intime Spectrum Registry Ltd.
C-13, Pannalal Silk Mills Compound,
L. B. S. Marg, Bhandup (W),
Mumbai - 400 078.

**NOTICE**

Notice is hereby given that the Twenty Seventh Annual General Meeting of **EVEREST KANTO CYLINDER LTD.** will be held at Y. B. Chavan Auditorium, General Jagannath Bhosle Marg, Nariman Point, Mumbai - 400 021, on Wednesday, July 26, 2006, at 3:00 p.m. to transact the following business :

ORDINARY BUSINESS :

1. To consider and adopt the Profit and Loss Account for the financial year ended March 31, 2006, the Balance Sheet as at that date and the Reports of the Directors and Auditors thereon.
2. To declare dividend on equity shares for the year ended March 31, 2006.
3. To appoint a Director in the place of Mr. P. M. Samvatsar, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in the place of Mr. Shyam Sundar Khurana, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint a Director in the place of Mr. Puneet Khurana, who retires by rotation and being eligible, offers himself for reappointment.
6. To appoint Statutory Auditors M/s. C. D. Pasad & Co., to hold office until the conclusion of the next Annual General Meeting and to fix their remuneration.
7. To appoint Branch Auditors M/s. Arun Arora & Co., to hold office until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS :

8. To consider, and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:
"RESOLVED THAT Mr. Vyomesh Shah, who was appointed with effect from 17.05.2006 as a Director of the Company and holds office upto the date of this Annual General Meeting under Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing from a Member proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company".
9. To consider, and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:
"RESOLVED THAT pursuant to section 81(1A) and all other applicable provisions of the Companies Act, 1956 (including any modification or re-enactment thereof, for the time being in force and as may be enacted from time to time), subject to all applicable laws and in accordance with all relevant provisions of the Memorandum and Articles of Association of the Company and the listing agreements entered into by the Company with the stock exchanges where the company's shares are listed and subject to necessary approvals, consents, permissions and / or sanctions of the Central Government, Reserve Bank of India, and or any other appropriate authorities, including banks, financial institutions or other creditors, if applicable, and subject to such conditions as may be prescribed by any of them while granting any such approval, consent, permission or sanction and which may be agreed to by the Board of Directors of the Company (hereinafter called 'the Board' which term shall be deemed to include any committee which the Board may have constituted or hereinafter constituted to exercise its powers including the power conferred by this resolution), the consent of the members be and is hereby accorded to the Board to issue, offer and allot, in the course of an international



offering(s) to eligible Indian and foreign investors (whether or not such investors are members of the Company) by way of circulation of any offering circular or prospectus or by way of private placement of equity capital, Foreign Currency Convertible Bonds (FCCBs) / Global Depository Receipts (GDRs) or any other equity linked financial instruments (hereinafter referred to as "Securities") in any foreign convertible currency equivalent and upto the aggregate principal amount of US\$ 50 (Fifty) Million to be subscribed in foreign currency or otherwise, which may be converted into equity shares of the company, such issue and allotment to be made in one or more tranche or tranches, at such price or prices with or without premium, in such manner and on such terms and conditions as may be decided and deemed appropriate by the Board or any Director(s) duly authorized by the Board at the time of issue or allotment of securities."

RESOLVED FURTHER that without prejudice to the generality of the above and subject to all applicable laws, the aforesaid issue of securities may have all or any terms or combination of terms in accordance with international practices including but not limited to conditions in relation to payment of interest, additional interest, premium on payments whatsoever and all such terms as are provided in issue of securities of this nature internationally including terms for issue of equity shares or Global Depository Receipts upon conversion of the securities or variation of the conversion price of the securities during the term of the securities and the Company is also entitled to enter into and execute all such arrangements / agreements as the case may be with any lead managers, underwriters, advisors, guarantors, depositories, custodian and all such agencies or persons as may be involved or concerned in such offerings of securities and to remunerate all such agencies including the payment of commission, brokerage, fees or the like subject to maximum applicable under RBI guidelines, and also to seek the listing of such securities or securities representing the same in one or more stock exchanges outside India.

RESOLVED FURTHER that the Company may enter into any arrangement with any agency or body authorized by the Company for the issue, upon conversion of the Securities, of equity shares of the company in registered or bearer form with such features and attributes as are prevalent in international capital markets for instruments of this nature and to provide for the tradability or free transferability thereof as per the international practices and regulations, and under the forms and practices prevalent in the international markets.

RESOLVED FURTHER that the Board / any committee constituted by the Board be and is hereby authorized to issue and allot such number of equity shares as may be required to be issued and allotted upon conversion of any securities referred to above or as may be necessary in accordance with the terms of the offering, all such equity shares being pari passu with the then existing equity shares of the Company in all respects.

RESOLVED FURTHER that for the purpose of giving effect to any issue or allotment of securities or securities representing the same or equity shares, as described hereinabove, the Board and such persons as may be authorized by the Board, be and are hereby authorized severally on behalf of the Company to do all such acts, deeds, matters and things as they may at their discretion deem necessary or desirable for such purpose, including without limitation, the utilization of issue proceeds, entering into underwriting or marketing arrangements and with power on behalf of the Company to settle any questions, difficulties or doubts that may arise with regard to any such issue of allotment as they may in their absolute discretion deem fit.

BY ORDER OF THE BOARD

PAWAN LADDHA
COMPANY SECRETARYPLACE : MUMBAI
DATE : 28th June, 2006



Notes :

- a) An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of item Nos. 8 & 9 is annexed hereto.
- b) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING MAY APPOINT A PROXY TO ATTEND AND, ON A POLL, TO VOTE INSTEAD OF HIM. A PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORM IN ORDER TO BE VALID SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE ANNUAL GENERAL MEETING.
- c) The Register of Members and Share Transfer Books of the company shall remain closed from 22nd July, 2006 to 26th July, 2006 (both days inclusive).
- d) Payment of dividend as recommended by the Directors, if approved at the Meeting, will be made to those members whose names are on the Company's Register of Members on July 26, 2006. In respect of shares held in electronic form, the dividend will be payable to the beneficial owners of shares as at the end of business hours on July 26, 2006 as per details furnished by the Depositories for this purpose. The dividend will be paid on August 01, 2006.
- e) The shareholders are requested to furnish their Bank Account number, the name of the Bank and the Branch where they would like to deposit the Dividend warrants for encashment. These particulars will be printed on the cheque portion of the Dividend warrants, besides the name of the shareholder so as to avoid fraudulent encashment of warrants. The above mentioned details should be furnished by the first/sole shareholder directly to the Registrar & Share Transfer Agents, quoting the folio number.
- f) The company is also offering the facility of Electronic Clearing Service (ECS) for shareholders residing in specified cities. This facility could be used by the shareholder instead of Bank Mandate System for receiving the credit of dividend.
- g) Members/proxies should bring their copy of the Annual Report and also the attendance slip duly filled in for attending the meeting.
- h) Members who hold shares in dematerialised form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the meeting.
- i) Shareholders desiring any information with regard to the Accounts/Operations of the company are requested to write to the company atleast 10 days in advance so as to enable the company to keep the information ready at the meeting.
- j) All documents referred to in the Notice and the Explanatory Statement are open for inspection at the Registered Office of the company on all working days, except Saturdays & Sundays, between 11:00 a.m. and 1:00 p.m. upto the date of the Annual General Meeting.
- k) The equity shares of the company are compulsorily traded in demat form.



ANNEXURE TO NOTICE

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956.

Item No. 8

Pursuant to the provisions of Section 260 of the Companies Act, 1956, any person appointed as Additional Director shall hold office only up to the date of the next Annual General Meeting. The Board in its meeting held on 17th May, 2006 appointed Mr. Vyomesh Shah as an Additional Director of the company liable to retire at this Annual General Meeting. Notice under Section 257 of the Companies Act, 1956, alongwith deposit of Rs. 500/- has been received from a member signifying his intention to propose Mr. Vyomesh M. Shah as a candidate for the office of the Director of the Company. Mr. Vyomesh Shah is a Chartered Accountant and an eminent businessman. He is a member on the boards of several reputed companies. His extensive business and corporate experience would be of considerable benefit to the Company and his appointment as director would be in the interest of the Company. Your Directors recommend the Resolution as contained in Item No. 8 for your approval. No Director except Mr. Vyomesh Shah is concerned or interested in the passing of this resolution.

Item No. 9

The Company has embarked on a global expansion and is setting up wholly owned subsidiary companies in Dubai & China. With a view to raise long term financial resources for the upcoming projects in these countries, it is proposed to raise amounts in any foreign convertible currency equivalent to the aggregate principal amount of US\$ 50 Million through issue by way of private placements of equity / Global Depository Receipts (GDRs) / Foreign currency convertible bonds (FCCBs) or other suitable financial instruments (hereinafter referred to as 'securities') as contained in the resolution. Since the issue of GDRs / FCCBs or other suitable financial instruments requires the approval of members under section 81(1A) of the Companies Act, 1956, the resolution as given in the notice is proposed for your approval. No Director is concerned or interested in the passing of this resolution.

BY ORDER OF THE BOARD

PAWAN LADDHA
COMPANY SECRETARY

PLACE : MUMBAI
DATE : 28th June, 2006



DIRECTORS' REPORT

Your Directors have pleasure in presenting the 27th Annual Report on the business and operations of the Company together with the Audited Financial Statements of Account for the year ended 31st March, 2006.

FINANCIAL RESULTS :

	(Rs. In Lacs)	
	2005-06	2004-05
Sales	25488.08	14612.28
Less : Excise Duty	1937.84	1376.68
Net Sales	23550.24	13235.60
Profit Before Interest, Depreciation and Tax	6101.83	3238.77
Less :		
- Interest & Finance charges	370.63	266.45
- Depreciation	976.07	782.69
Profit before Tax	4755.13	2189.63
Less : Provision for Taxation		
- Current	1520.00	1015.00
- Deferred	(133.89)	(253.02)
- Fringe Benefit	20.00	-
Profit after Tax	3349.02	1427.65
Balance brought forward	1377.74	269.69
Less : Prior Period Expenses & Tax of earlier years	111.97	-
Available for appropriation	4614.79	1697.34
Appropriations		
Proposed Dividend	616.88	150.00
Tax on Dividend	86.51	19.61
Transfer to General Reserve	1000.00	150.00
Balance carried forward	2911.40	1377.73
	4614.79	1697.34

DIVIDEND :

Owing to the excellent performance, the Board is pleased to recommend a Dividend of Rs. 3.50 per equity share (35%) for the year 2005-2006 (Previous year Rs. 2.50 per equity share) on the expanded capital. If approved, by the shareholders at the Annual General Meeting, dividend will absorb Rs. 703.39 Lakhs inclusive of Dividend Distribution Tax to be borne by the Company.

INITIAL PUBLIC OFFERING :

Your Company made an Initial Public Offering of 56.25 lakhs equity shares through 100% book building route and the price was fixed at Rs. 160/-. The IPO opened for subscription on November 22, 2005 and closed on November 25, 2005 with an over-subscription of more than 16 times. The object of the issue was to part finance the project of setting up a manufacturing facility at Gandhidham. Your company's shares were subsequently listed on Bombay Stock Exchange Ltd. and National Stock Exchange of India Ltd. on December 15, 2005.



DEPOSITORY SYSTEM :

A Tripartite Agreement has been executed by the Company with both National Securities Depository Ltd. and Central Depository Services (India) Ltd. and the Registrar and Share Transfer Agent to enable the dealing of securities in dematerialized mode for investors.

OPERATIONS :

The year under review saw your company achieve remarkable growth in sales volumes and profitability. During the year, the total sales volume of cylinders increased by 16% to 3,61,041 nos. as against 3,10,030 nos. in the previous year. Sales increased to a level of Rs. 235.50 crores as compared to Rs. 132.36 crores in the previous year, registering an impressive growth of 78% mainly aided by improved CNG cylinder sales leading to a better product mix.

The year under review also saw export revenues grow by 143% from a level of Rs. 46.03 crores in the previous year to a level of Rs. 111.64 crores mainly from the Dubai unit.

Profit before Tax was at Rs. 47.55 crores as against Rs. 21.90 crores registering an increase of 117%. Profit after Tax was at Rs. 33.49 crores which is higher by 135% as compared to that of the previous year, mainly on account of overall improvement of sales and continuing efforts to control costs and improve profitability. The rapid growth in international business also contributed towards the overall profitability of the Company.

DEVELOPMENTS :

In view of the sluggish demand for small cylinders at Dubai Unit, the company has taken a decision to dismantle the existing facility in Dubai for small cylinders and is in the process of repatriating back to India the investment in this facility amounting to AED 6.5 Million.

In order to augment the production facilities at Dubai for CNG cylinders, the company has taken steps to set up a wholly owned subsidiary in U.A.E. This facility would have an installed capacity of 96,000 cylinders per annum to be set up with a total project cost of US \$ 8.5 million which shall be funded through equity contribution of US \$ 3.5 million and long term debt of US \$ 5.0 million.

Your Company has commenced production at Gandhidham in December, 2005. The unit has an installed capacity of 3,40,000 cylinders per annum and the production during the year was 10510 nos. cylinders. The production facility at this plant would cater both to the growing domestic demand as well as the export markets in the gulf region.

OUTLOOK :

Your Company has consolidated its position as the market leader in High Pressure Cylinders in India and is ideally positioned towards attaining leadership status globally as well in the coming years. Your Directors are hopeful of sustaining the Company's excellent performance.

SUBSIDIARIES :

Your Company is in the process of forming a wholly owned subsidiary company in Dubai (UAE) in order to augment the production facilities in that country. The company is also in the process of setting up a wholly owned subsidiary in China for commencement of production of cylinders in that country.

ISO CERTIFICATION :

The Company continues to maintain the certificate under ISO 9001:2000 for Quality Management at two of its plants in India located at Aurangabad and Tarapur. Besides, the company has also obtained ISO certification for its unit at Dubai during the year.

**INSURANCE :**

All the fixed assets, finished goods, semi-finished goods, raw materials and other goods and assets of the Company lying at different locations have been insured against fire and allied risks.

DIRECTORS :

On February 16, 2006, Mr. Anand Mehta, on account of his other pre-occupations, resigned from the Board as well as from the Audit Committee. Mr. Puneet Khurana was inducted as a Member of the Audit Committee.

Mr. Vyomesh M. Shah was appointed as Additional Director by the Board at their meeting held on May 17, 2006 and he holds the office of Director till the ensuing Annual General Meeting. Mr. Vyomesh M. Shah, has been on the Board of certain listed companies. The Company has received notice under Section 257 of Companies Act, 1956, recommending his appointment as a Director of the Company. The Board recommends his appointment as Director eligible to retire by rotation.

In terms of the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Puneet Khurana, Mr. Shyam Sundar Khurana and Mr. P. M. Samvatsar retire by rotation at the ensuing Annual General Meeting of the Company and being eligible, offer themselves for re-appointment.

AUDIT COMMITTEE :

On account of resignation of Mr. Anand Mehta owing to his other pre-occupations, Mr. Puneet Khurana was appointed as a Member. Presently, the Audit Committee comprises Mr. Shailesh Haribhakti as Chairman and Mr. Krishen Dev and Mr. Puneet Khurana, as members. Two - thirds of the members of the Audit Committee are Independent Directors.

REMUNERATION COMMITTEE :

The Remuneration Committee comprising Mr. Krishen Dev, as Chairman, and Mr. Mohan M. Jayakar, Mr. Naresh Oberoi and Mr. P. K. Khurana as members, has been constituted to attend to matters relating to nomination to the Board, compensation to Directors and performance bonus, stock options etc. to Directors and employees of the Company. During the year under review, the Committee did not hold any meetings.

SHAREHOLDERS' AND INVESTORS' GRIEVANCE REDRESSAL COMMITTEE :

The Board constituted the Shareholders' and Investors' Grievance Committee inter-alia to allot shares, approve transfer and transmission of shares, issue of duplicate certificates, etc. This Committee comprises of Mr. Mohan M. Jayakar as Chairman and Mr. Puneet Khurana and Mr. P. M. Samvatsar as members.

DIRECTORS' RESPONSIBILITY STATEMENT :

In terms of section 217(2AA) of the Companies Act, 1956 your Directors have:

- a) followed in the preparation of the Annual Accounts, the applicable accounting standards with proper explanation relating to material departures;
- b) selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company at the end of the financial year and of the profit of your Company for that period;
- c) taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities; and
- d) prepared the Annual Accounts on a going concern basis.

**FIXED DEPOSITS :**

The Company has not accepted any deposits from the public during the year with the meaning of Section 58A of the Companies Act, 1956 and the Rules made thereunder.

PARTICULARS OF EMPLOYEES :

Employee relations remained cordial at all Company's locations except for a brief labour unrest at Aurangabad which has since been fully resolved.

Particulars of employees, as required under Section 217(2A) of The Companies Act, 1956, are annexed there to as annexer "B" and forms part of this report.

CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION ETC. :

In accordance with Section 217(1)(e) of the Companies Act, 1956, the required information relating to conservation of energy, technology absorption and foreign exchange earnings and outgo is annexed there to as annexer "A" and forms part of this report.

AUDITORS & AUDITORS' REPORT :

M/s. C. D. Pasad & Co., Statutory Auditors and M/s. Arun Arora & Co., Branch Auditors of the company retire at the ensuing annual general meeting and have confirmed their eligibility and willingness to accept the office, if reappointed. The Board recommends their reappointment at the forthcoming annual general meeting at a remuneration to be fixed by the Board of Directors.

With reference to the observations made in the Auditors' Report, the notes on accounts are self explanatory, and therefore, do not call for further comments or explanations.

CORPORATE GOVERNANCE :

To comply with conditions of Corporate Governance, pursuant to Clause 49 of the Listing Agreements with Stock Exchanges, a Management Discussion and Analysis Report, Corporate Governance Report and Auditor's Certificate confirming compliance are enclosed herewith.

ACKNOWLEDGEMENT :

Your Directors are thankful to the Financial Institutions, HNIs and Retail Investors, Lead Managers and Registrars to the Issue and all employees for their confidence and support in making its maiden public issue of equity shares a great success. Your Directors take this opportunity to express their gratitude towards Bankers, Government Authorities, Business Associates, Suppliers and Customers for their continued faith, support and guidance. Your Directors also wish to place on record their deep sense of appreciation for the devoted services and hard work rendered by the employees of the company.

FOR AND ON BEHALF OF THE BOARD

P. K. KHURANA
CHAIRMAN AND MANAGING DIRECTOR

PLACE : MUMBAI
DATE : May 17, 2006

ANNEXURE "A" TO THE DIRECTORS' REPORT

Information pursuant to section 217(1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the report of the Board of Directors) Rules, 1988 in respect of conservation of energy, technology absorption and foreign exchange earnings and outgo.

A. CONSERVATION OF ENERGY :
I. (a) Energy Conservation measures undertaken :

- i) Wind driven roof ventilators installed as energy saving devices.
- ii) Energy through employing of factory lighting duly simulated by software.
- iii) Power capacitor banks installed to improve plant power factor.
- iv) Installation of Recuperators to recover waste heat from furnaces.
- v) Water recirculation arrangements.

(b) PROPOSED ENERGY CONSERVATION MEASURES :

- i) Installation of open area lighting arrangement duly optimized through software simulation.

II. Impact of measures on reduction of energy consumption and consequent impact on the cost of production of goods :
 Saving in energy costs during the period under consideration.

III. The details of energy consumption are given below. These details cover the operations of your Company's factories at Tarapur, Aurangabad, Dubai and Gandhidham.
a) Power and Fuel consumption :

Electricity	Current year	Previous year
Purchased		
i) Units (kwh In Lacs)	134.80	103.28
ii) Total Amount (Rs. In Lacs)	456.83	345.52
iii) Rate per Unit (Rs.)	3.39	3.34
b) Consumption per unit of production :		
Electricity (kwh/MT)	774.59	783.76

B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :

- i) The company has planned to start production of Composite Cylinders for CNG purpose and Aluminium Cylinders for Industrial purpose. The company is also planning to start a full fledged R & D Centre.
- ii) The Company has developed technology for manufacturing Aluminium Cylinders for Industrial and Fire Fighting applications.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO :

- (i) During the year, cylinders were exported to various countries including Pakistan, Bangladesh, Iran and other countries.
- (ii) Total foreign exchange used and earned :

	Current Year Rs. In Lacs	Previous Year Rs. In Lacs
I. Foreign Exchange used	165.66	97.87
II. Foreign Exchange earned	11164.34	4,603.94

ANNEXURE "B" TO THE DIRECTORS' REPORT

Information under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees), Rules 1975 & forming part of the Directors' Report for the year ended 31st March, 2006.

Sr. No.	Name of Employee	Qualification	Designation	Remuneration Rs.	Experience (Yrs.)	Date of Commencement of employment	Age (Yrs.)	Particulars of previous Employment
1.	Mr. P. K. Khurana	B.A, L.L.B.	Chairman & Managing Director	1,42,47,153	44	01.08.78	64	Industrialist
2.	Mr. Pushkar Khurana	B.Com.	Whole-Time Director	69,01,950	12	12.09.94	34	First Employment

NOTES :

1. Nature of Employment whether contractual or otherwise :
The appointments of the Chairman and Managing Director and Director are contractual and terminable by three months notice on either side.
2. Other Terms and Conditions :
In case of the employees, Gross remuneration as shown above includes salary, house rent allowance, commission, Company's contribution to Provident Fund and monetary value of perquisites as per Income Tax Rules which are given in terms of the agreement entered into with them.
3. Relatives of Directors :
Mr. P. K. Khurana, Chairman and Managing Director and Mr. Pushkar Khurana, Whole-Time Director are related to each other and also related to Mr. S. S. Khurana, Whole-Time Director and Mr. Puneet Khurana, Whole-Time Director. None of the other employees are related to any Director of the Company.

FOR AND ON BEHALF OF THE BOARD

 P. K. KHURANA
 CHAIRMAN AND MANAGING DIRECTOR

 PLACE : MUMBAI
 DATE : May 17, 2006

MANAGEMENT DISCUSSION AND ANALYSIS**INTRODUCTION :**

The Company strongly believes in operating in its core competency areas of High Pressure Gas Cylinders. The product range covers a wide range of applications from Food and Beverages to Defence, Fire Fighting to CNG and of course the Life Saving Medical Gases.

INDUSTRY OVERVIEW :

The conventional High Pressure Cylinder manufacturing units in India, which were initially catering only to the Industrial, Medical, Fire Fighting and Beverages Segment, have now expanded to cater to the automotive segment also with the advent of CNG as an alternative eco-friendly Automotive Fuel. The Hon'ble Supreme Court of India has mandated about 28 highly polluted cities in India to switch to CNG. As on date, only 11 cities have switched over to the use of CNG whereas other cities are in the process of switching over. Besides the vehicle manufacturers, there is also a fast growing market for conversion of existing petrol / diesel vehicles to CNG operated vehicles and this has opened up the market of sale of CNG cylinders through retrofitters which today constitutes a major portion of the CNG cylinder market.

The major domestic clients of the company include CNG distribution companies, major manufacturers of automobiles and several retrofitters for CNG cylinders and cascades. Many leading gas manufacturers in the industrial gas cylinder segment continue to be significant customers in this market.

BUSINESS PERFORMANCE REVIEW :

The year under review witnessed another remarkable performance by the Company with net sales turnover increasing by 78 % to Rs. 235.50 Crores as against Rs. 132.36 Crores in the previous year. The increase was mainly aided by growth both in the industrial as well as the CNG segments and a healthier product mix. Pre Tax profit at Rs. 47.55 Crores registered a growth of 117% and Post tax profit at Rs. 33.49 Crores saw a growth of 135%. Earnings Per Share for the year stands at Rs. 24.37 on the expanded capital as against Rs. 11.90 in the preceding year.

OPPORTUNITIES & THREATS :

The fast growing CNG market presents a unique opportunity for the Company to further consolidate its position in this segment besides the traditional industrial gas segment which is also growing in line with industrial growth. This trend is witnessed both in the domestic as well as overseas markets particularly in the neighbouring countries and China. The Company is also focussing on the retrofitter segment which has also been witnessing significant growth.

The Company is dependent upon a limited number of seamless steel tube manufacturers from outside the country for procurement of raw material. There has also been entry of certain players in the market leading to some competition.

OUTLOOK :

Besides sustaining its market share in the industrial gas segment, the company is also well positioned to consolidate its position in the fast growing CNG cylinders and cascades market as the demand for CNG cylinders in the country is expected to increase exponentially. Besides, increased use of CNG as an auto fuel by neighbouring gas rich countries like Iran, Pakistan, Bangladesh and Malaysia has opened up export markets for Indian companies. The company has identified Middle East, China and African countries as major growth areas and is focusing its expansion plans in these places.

RISKS AND CONCERNS :

The company being dependent upon a limited number of seamless steel tube manufacturers outside India for procurement of critical raw materials, any adverse changes in the terms and conditions including price extended to us by the supplier as well as a falling Rupee vis a vis foreign currency could adversely affect our operations and consequently the profitability. However, the competitors are also exposed to similar risks and so, EKC's risk is lowered.

INTERNAL CONTROL & SYSTEMS :

The Company has proper and adequate systems of internal controls commensurate with its size and nature of operations that provides reasonable assurance that all assets are safeguarded, transactions are authorized, recorded and reported properly and applicable statutes and corporate policies are duly complied with.

HUMAN RESOURCES AND INDUSTRIAL RELATIONS :

The Company has a permanent employee strength of 550. Industrial relations at all the units of the Company remained cordial and harmonious. The Company continued to focus on training its employees on a continuous basis, both on the job and through training programmes by internal and external agencies.

CAUTIONARY STATEMENT :

Statements in the Management Discussion and Analysis describing the company's objectives, expectations, predictions and assumptions may be 'forward looking' within the meaning of applicable Securities Laws and Regulations. Actual results may differ materially from those expressed herein. Important factors that could influence the company's operations include global and domestic economic conditions affecting demand and supply, raw material availability and pricing, change in Government's regulations, tax regimes, other statutes and other factors such as litigation and industrial relations.

REPORT ON CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreements entered into with Stock Exchanges

1. CORPORATE GOVERNANCE PHILOSOPHY :

Your Company's philosophy of Corporate Governance is aimed at assisting the Management of the Company in the efficient conduct of its business and in meeting its obligations to stakeholders. Your Company is committed to the highest standards of Corporate Governance ultimately leading to transparency, accuracy and enhancement of investors' return.

2. BOARD OF DIRECTORS :

The Company's policy is to have a proper blend of Executive and Independent Directors to maintain the independence of the Board and to separate the Board functions of Governance and Management. The Board of Directors consists of 5 Executive Directors and 5 Independent Directors.

The Board meets atleast once in a quarter to consider amongst other business, the performance of the company and the financial results. Ten Board Meetings were held in the year 2005-06 and the gap between two Board Meetings did not exceed four months. These were held on :-

(1) 11th April, 2005, (2) 15th April, 2005, (3) 30th April, 2005, (4) 8th June, 2005, (5) 17th June, 2005, (6) 5th July, 2005, (7) 19th July, 2005, (8) 8th September, 2005, (9) 20th December, 2005, (10) 14th January, 2006.

The information as required under Annexure I to Clause 49 of the Listing Agreement is made available to the Board. The agenda and the papers for consideration at the Board Meeting are circulated well in advance of the meetings to enable the Board to take informed decisions.

The attendance of directors in the Board Meetings and AGM and also the number of other directorships and Committee Member/Chairmanship and shareholding in the Company:

Name of Director	Category	No. of other directorship	Committee Membership	Committee Chair - person	No. of Board Meetings attended out of 10 meetings	Last A G M attended	No. of Shares held in the Company as at held 31.03.2006
Mr. Prem Kumar Khurana	Promoter - Executive Chairman	1	None	None	10	Yes	24,43,600
Mr. Pushkar Khurana	Promoter - Executive	1	None	None	1	No	3,52,400
Mr. Puneet Khurana	Promoter - Executive	1	None	None	10	Yes	3,52,400
Mr. Shyam Sundar Khurana	Executive	1	None	None	2	Yes	6,44,000
Mr. Pramod Samvatsar	Executive	None	None	None	10	Yes	67,000
Mrs. Suman Khurana*	Promoter - Non-Executive	None	None	None	6	Yes	27,81,400

Mr. Shailesh Haribhakti**	Non-Executive	14	9	3	4	No	Nil
Mr. Krishen Dev**	Non-Executive	1	1	None	4	No	Nil
Mr. Mohan Jayakar**	Non-Executive	4	None	None	2	No	Nil
Mr. Naresh Oberoi**	Non-Executive	1	None	None	1	No	Nil
Mr. Anand Mehta***	Non-Executive	None	None	None	2	No	Nil
Mr. Vyomesh M. Shah****	Non-Executive	5	None	None	Nil	No	Nil

* Resigned w.e.f. July 12, 2005

** Appointed w.e.f. July 5, 2005

*** Resigned w.e.f. February 16, 2006

**** Appointed w.e.f. May 17, 2006

None of the Directors hold Directorship in more than 15 companies (as specified in section 275 of the Companies Act, 1956) and no Director holds membership of more than 10 Committees of Boards nor is any Director a Chairman of more than 5 Committees of Boards (as specified in clause 49 of the listing agreement). The information provided above pertains to the following committees in accordance with the provisions of Clause 49 of the Listing Agreement:

1. Audit Committee.
2. Shareholders/Investors' Grievances Committee.

Profiles of Directors seeking re-appointment / appointment at the Annual General Meeting as required by clause 49 of the Listing Agreement with Stock Exchanges :

Mr. Shyam Sunder Khurana

Mr. Shyam Sunder Khurana, 52 years, is a Whole-Time Director of the Company. He is a matriculate and has cumulative work experience of 28 years in the field of marketing of gas cylinders and life-saving accessories. He heads the North Indian marketing operations including sales and liaisoning with government departments, BIS etc. He holds the position of Director in the Company since 7th January, 1981. He is also a Director in Everest Kanto Investment & Finance Ltd.

Mr. Puneet Khurana

Mr. Puneet Khurana, 33 years, is a commerce graduate from Mumbai University and has done a Masters in Business Administration (International Business) from European University, Montreux, Switzerland. He has cumulative experience of 10 years in the Company, including 5 Years as Director-Marketing. His achievements include exploiting international markets for the Company's CNG cylinders in Iran, Malaysia, Thailand & Bangladesh. He has been instrumental in developing business relations with Iran and has procured significant business. He has also been involved in OEM product development from the design stage to production with Bajaj Auto Ltd. (autorickshaws), TATA Motors (Indica) and is closely involved in setting up a project for the manufacturing of cylinders in China. He has also been working with various gas companies in India like MGL, IGL, Adani Energy for providing solutions for CNG distribution. He has been a Director of the Company since 15th April, 1996. He is also on the Board of Everest Kanto Investment & Finance Ltd.

Mr. Pramod M. Samvatsar

Mr. P. M. Samvatsar, 54 years, is a Mechanical Engineer from Visvesvaraya Regional College of Engineering, Nagpur University and has also done D.M.S. from Mumbai University. Having joined the Company in August, 1985 as an Assistant Works Manager, he became Vice-President in 2002 and was later appointed as a Director on 1st November, 2004. He has been playing a key role in setting up systems and vendor development programs for manufacturing and processing. He has also been involved in setting up the plant in Dubai from the inception stage of facility and has also contributed to the upgradation of the plant at Tarapur. He is a member of the BIS committee for standard formulation and has made substantial contributions in upgrading existing standards and formulation of new standards. Under his leadership, the Company has launched development programmes for Aluminium Cylinders and Composite Cylinders.

Mr. Vyomesh M. Shah

Mr. Vyomesh M. Shah, 47 years, is a Chartered Accountant having 20 years of experience in the field of Construction, Finance and Property Development. He is a Director in Akruiti Nirman Limited, Akruiti Education & Research Limited, DLF Akruiti Info Parks (Pune) Limited, Infrastructure Venture India Limited and Mangal Shrusti Gruh Nirmiti Limited.

He is also holding the following prestigious positions:

President	:	Slum Redevelopers Association.
Secretary	:	Maharashtra Chamber of Housing Industry. (MCHI)
Hon. Treasurer	:	Builders Association of India. (BAI)

Code of Conduct

The Company has framed a code of conduct for the members of the Board of Directors and Senior Management personnel of the Company. The said code of conduct is available on the website of the Company. The declaration by Mr. P. K. Khurana, Chairman & Managing Director of the Company regarding compliance by the Board members and Senior Management personnel with the said code is given as Annexure I to this report.

3. AUDIT COMMITTEE :

The Audit Committee of Everest Kanto Cylinder Ltd. was set up on July 19, 2005, consisting of three non-executive directors, all of them being independent. All the members of the Committee have good knowledge of corporate and project finance, accounts and Company law. Mr. Shailesh Haribhakti is a Chartered Accountant. The committee held 2 meetings during the year.

Details of the composition of the Audit Committee and attendance of Members are as follows:

Name	Designation in committee	Attendance out of two meetings held during the year
Mr. Shailesh Haribhakti	Chairman	2
Mr. Krishen Dev	Member	2
Mr. Anand Mehta*	Member	1
Mr. Puneet Khurana**	Member	Nil

* Resigned from the Board w.e.f. February 16, 2006, and consequently ceased to be a member.

** Inducted as a member of the Committee w.e.f. May 17, 2006.

The terms of reference of the Committee as stipulated in Clause 49 of the Listing Agreement are as follows :

- i. Overseeing of the Company's financial reporting process and the disclosure of its financial information.
- ii. Recommending the appointment and removal of external auditors, fixation of audit fees and also approval for payment for any other services.
- iii. Reviewing with management the annual financial statements before submission to the Board, focusing primarily on (i) any changes in accounting policies and practices, (ii) major accounting entries based on exercise of judgement by management, (iii) qualifications in draft audit report, (iv) significant adjustments arising out of audit, (v) the going concern assumption, (vi) compliance with accounting standards, (vii) compliance with Stock Exchange and legal requirements concerning financial statements and (viii) any related party transactions i.e. transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large.
- iv. Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
- v. Reviewing the adequacy of internal audit functions.
- vi. Discussion with internal auditors any significant findings and follow up there on.
- vii. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- viii. Discussion with external auditors before the audit commences on the nature and scope of audit as well as to have post-audit discussions to ascertain any area of concern.
- ix. Reviewing the Company's financial and risk management policies.
- x. To look into the reasons for substantial defaults in payments to depositors, debenture holders, shareholders (in the case of non-payment of declared dividends) and creditors.

4. REMUNERATION COMMITTEE :

The Remuneration Committee of the Board is constituted to formulate and recommend to the Board, from time to time, a compensation structure for Whole-Time Members of the Board. Currently, the Committee consists of the following Directors :

Members	Designation in committee	Meetings attended*
Mr. Krishen Dev	Chairman	None
Mr. Mohan M. Jayakar	Member	None
Mr. Naresh Oberoi	Member	None
Mr. P. K. Khurana	Member	None

* Remuneration Committee did not hold any meetings during 2005-2006.

Details of remuneration paid to Directors during 2005-06 :

Name of the Director	Designation	Salary	Contribution to P. F.	Commission	Total
Mr. Prem Kumar Khurana	Chairman & Managing Director	40,51,200/-	3,45,600/-	98,50,353/-	1,42,47,153/-
Mr. Pushkar Khurana	Whole-Time Director	69,01,950/-	-	-	69,01,950/-
Mr. Puneet Khurana	Whole-Time Director	18,13,200/-	1,72,800/-	-	19,86,000/-
Mr. Shyam Sundar Khurana	Whole-Time Director	12,09,600/-	1,03,680/-	-	13,13,280/-
Mr. Pramod M. Samvatsar	Whole-Time Director	18,89,200/-	2,04,000/-	-	20,93,200/-

Note :

The salary and perquisites include all fixed elements of remuneration i.e. salary and other allowances and benefits. The Company does not pay bonus, pension and any incentives to the Executive Directors. The Company has so far not issued any stock options to Executive Directors.

Apart from sitting fees, Non-Executive Directors are not paid any commission / remuneration.

5. SHARE TRANSFER & SHAREHOLDERS / INVESTORS' GRIEVANCES COMMITTEE :

The Board of Directors of the Company constituted Shareholders / Investors' Grievances Committee on July 19, 2005. The Shareholders / Investors' Grievances Committee of the Company has delegated the power to approve transfer of shares, remat and demat of shares to two of the Executive Directors of the Company. The Committee also monitors redressal of investors' grievances.

The composition of the Committee and the number of meetings held during the year are furnished hereunder.

Name of Directors	Designation in committee	Meetings attended during the year out of 4 meetings held
Mr. Mohan Jayakar	Chairman	1
Mr. Puneet Khurana	Member	4
Mr. P. M. Samvatsar	Member	4

Name, Designation and address of the Compliance Officer :

Mr. Pawan Laddha
 Company Secretary
 501, Raheja Centre, Nariman Point, Mumbai 400 021.
 Tel. : (022) 2285 0777 / 78
 Fax : (022) 2287 0718 / 20
 E-mail : pawan@ekc.in

The total number of complaints received and replied to the satisfaction of shareholders during the year under review was 312. The complaints pending as on March 31, 2006 were NIL. No requests for transfer and for dematerialization were pending for approval as on March 31, 2006.

Intime Spectrum Registry Ltd. (ISRL) has been appointed to act as Registrar and Share Transfer Agent of the Company.

6. INVESTMENT COMMITTEE :

The Board has constituted an Investment Committee on December 20, 2005. The Investment committee has been authorized to invest and disinvest the surplus funds of the Company into various investment options viz. fixed / term deposits with Bank(s), bodies corporate, mutual funds, financial institutions, in shares/debentures of companies through primary or secondary market etc. The details of the Committee composition and attendance are as under:

Name of Directors	Designation in committee	Meetings attended during the year out of 1 meeting held
Mr. P. K. Khurana	Chairman	1
Mr. Puneet Khurana	Member	1
Mr. Shailesh Haribhakti	Member	1
Mr. Krishen Dev	Member	1

7. SUBSIDIARY COMPANIES :

The Company has no subsidiary company as on March 31, 2006.

8. COMPLIANCE CERTIFICATE :

Compliance Certificate for Corporate Governance from Auditors of the Company is given as Annexure - II to this Report.

9. GENERAL BODY MEETINGS :

The last three Annual General Meetings of the Company were held as under :

Financial Year	Date	Time	Venue
2004-05	30-09-2005	2.00 p.m.	501, Raheja Centre, 214, Free Press Journal Marg, Nariman Point, Mumbai, Mumbai 400 021.
2003-04	30-08-2004	3.30 p.m.	— do —
2002-03	30-09-2003	10.00 a.m.	— do —

10. DISCLOSURES :

- (i) There are no transactions of the Company of material nature with Promoters, Directors, Relatives etc. which would have potential conflicts with the interests of the Company at large.
- (ii) No strictures have been passed or imposed on the Company by any regulatory authority for non-compliance of any statute.

11. CEO / CFO CERTIFICATION :

As provided under Clause 49 of the Listing Agreement with the Stock Exchanges, the Chairman & Managing Director and Financial Controller of the Company have certified to the Board in compliance with the Clause 49(V) regarding CEO / CFO certification.

12. MEANS OF COMMUNICATION :

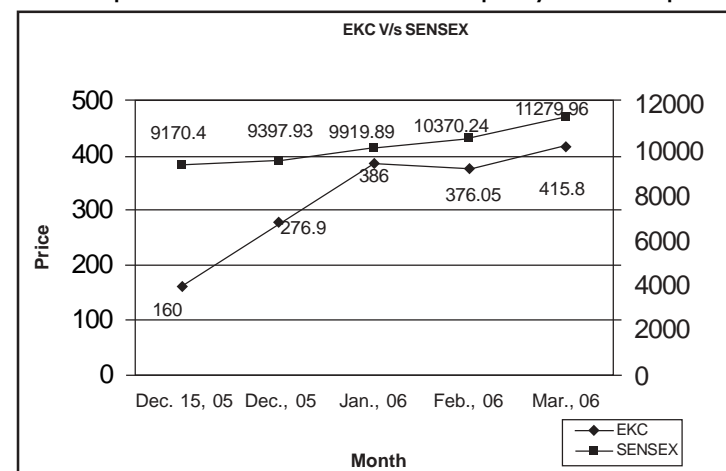
The Quarterly Financial Results are generally published in the Economic Times, Maharashtra Times and Navbharat Times. Information like Quarterly Financial Results, Shareholding patterns etc. that has been made available from time to time to the Press, institutional investors and analysts, is hosted on the Company's website www.everestkanto.com and has also been submitted to the stock exchanges on which the Company's equity shares are listed to enable them to put it on their own websites. Such information is also hosted on the EDIFAR website at www.sebidifar.nic.in within the prescribed time frame.

The Management Discussion and Analysis Report on various matters is appearing elsewhere in this Annual Report.

13. GENERAL SHAREHOLDER INFORMATION :

- i. AGM : Date & Time - July 26, 2006 at 3.00 P. M.
Venue - Y. B. Chavan Auditorium, General Jagannath Bhosle Marg, Nariman Point, Mumbai 400 021.
- ii. Financial Year : 1st April to 31st March.
- iii. Date of Book Closure : July 22, 2006 to July 26, 2006 (Both days inclusive).
- iv. Dividend Payment Date : August 01, 2006.
- v. Listing on Stock Exchange : Bombay Stock Exchange Ltd. & National Stock Exchange of India Ltd. The Company has paid the listing fees for the year 2006-07.
- vi. Stock Code : 532684 on Bombay Stock Exchange Ltd.
EKC on National Stock Exchange of India Ltd.
- vii. Demat ISIN for NSDL & CDSL : INE184H01019.
- viii. High / Low of Market Price :

Month	BSE			NSE		
	High	Low	Volume	High	Low	Volume
December, 05	291.90	190.00	39797905	291.75	198.10	63359097
January, 06	407.80	275.50	19530963	406.35	275.30	29872329
February, 06	403.35	360.00	7254110	403.70	360.10	9570790
March, 06	442.00	368.00	3243449	441.70	368.00	4650867

ix. Share performance of the Company in comparison to BSE Sensex :

x. Distribution of shareholding as on March 31, 2006

Shareholding of Nominal Value (Rs.)	No. of Shareholders	%age of Shareholders	Share amount Rs.	%age of Shareholding
1 - 5000	10051	94.17	5680180	3.22
5001 - 10000	262	2.45	1784810	1.01
10001 - 20000	199	1.86	2516510	1.43
20001 - 30000	67	0.63	1588600	0.90
30001 - 40000	20	0.19	709060	0.40
40001 - 50000	19	0.18	889830	0.51
50001 - 100000	17	0.16	1263950	0.72
100001 - Above 100001	38	0.36	161817370	91.81
TOTAL	10673	100.00	176250310	100.00

xi. Category of Shareholders as on March 31, 2006

Category	No. of shares	% of Shareholding
Directors, Relatives, Promoters & Group Companies	12067000	68.47
Banks, Financial Institutions, Insurance Companies (Central/ State Govt. Institutions/ Non-government Institutions)	115096	0.66
Mutual Funds and UTI	2133210	12.10
FII's	1762249	10.00
NRI's/OCB's	46539	0.26
Private Corporate Bodies	339167	1.92
Indian Public	1129776	6.41
Clearing Members	31994	0.18
GRAND TOTAL	17625031	100.00

xii. Registrar & Share Transfer Agent :

Intime Spectrum Registry Ltd.
C-13, Pannalal Silk Mills Compound,
L. B. S. Marg, Bhandup (W),
Mumbai 400 078.
Tel. : (022) 2596 3838
Fax. : (022) 2594 6969
E-mail : isrl@intimespectrum.com



xiii. Share Transfer System :

All transfers received are processed by the Registrar and Share transfer Agent and the share certificates are returned within a period of 30 days from the date of receipt if documents are complete in all respects. In case of demat transfers, the data on transfers is received from the depositories once in a week. The same is downloaded and the shareholder records are updated.

xiv. Dematerialisation of Shares & Liquidity :

31.91% of the paid-up share capital is in dematerialized form as on March 31, 2006. Promoters and Promoter Group who jointly hold 68.08% of the paid-up share capital of the Company continue to hold their shares in physical form.

xv. ADR / GDR :

The Company has not issued any ADR / GDR.

xvi. Plant Location :

The Company's plants are located at Aurangabad, Tarapur, Gandhidham and Dubai (U.A.E.).

xvii. Address for Correspondence :

Shareholders' correspondence should be addressed to Company's Registrar & Share Transfer Agent at the address mentioned.

Shareholders may also contact Mr. Pawan Laddha, Company Secretary at the registered office of the Company for any assistance :

Tel. : (022) 2285 0777 / 78, Ext. : 21

E-mail id : pawan@ekc.in

Shareholders holding shares in electronic form should address all their correspondence to their respective Depository Participant.

14. CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING :

Pursuant to the requirements of SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended, the Company has adopted a "Code of Conduct for Dealing in Securities" at the meeting of the Board of Directors held on January 14, 2006.



ANNEXURE - I

DECLARATION ON COMPLIANCE OF THE COMPANY'S CODE OF CONDUCT

The Company has adopted a Code of Conduct for Directors and Senior Management, which is also hosted on the website of the Company.

All Board members and senior management personnel have, for the year ended 31st March, 2006, affirmed compliance with the Code of Conduct laid down by the Board of Directors in terms of the Listing Agreement entered with the Stock Exchanges.

P. K. KHURANA
CHAIRMAN & MANAGING DIRECTOR

PLACE : MUMBAI
DATE : May 17, 2006

ANNEXURE - II
COMPLIANCE CERTIFICATE

We have examined the compliance of conditions of Corporate Governance by Everest Kanto Cylinder Ltd. for the year ended on 31st March, 2006, as stipulated in Clause 49 of the Listing Agreements of the said company with the Stock Exchanges.

The compliance of conditions of the corporate governance is the responsibility of the management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion, and to the best of our information and according to explanations given to us, and the representation made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

As required by the guidance note issued by the Institute of Chartered Accountants of India, we state that no investor grievances are pending for a period exceeding one month against the Company, as per the records maintained by the Share Transfer and the Shareholders' Grievances Redressal Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For M/S. C. D. PASAD & CO.
CHARTERED ACCOUNTANTS

R. D. PASAD
PARTNER

M. No. 6136

PLACE : MUMBAI
DATE : May 17, 2006

**AUDITORS' REPORT**

TO THE SHAREHOLDERS OF EVEREST KANTO CYLINDER LIMITED, MUMBAI.

We have audited the attached Balance Sheet of EVEREST KANTO CYLINDER LIMITED as at 31st March, 2006 and the Profit & Loss Account of the company for the year ended on that date annexed thereto and the cash flow statement for the year ended on that date. These Financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit :

1. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
2. As required by the Companies (Auditors' Report) Order 2003, (CARO 2003) issued by the Government of India in terms of Section 227(4A) of the Companies Act, 1956, as we considered necessary during the course of our audit we enclose in annexure A a statement on the matters specified in paragraphs 4 of the said order.
3. Further to our comments in the annexure referred to in paragraph (2) above we report that :
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit :
 - (b) In our opinion, proper books of accounts as required by the law have been kept by the company so far as it appears from our examination of these books and proper returns adequate for the purpose of our audit, have been received from auditors of Dubai Branch not visited by us.
 - (c) The report on the accounts of Dubai Branch audited by branch auditors has been forwarded to us and has been appropriately dealt with by us in preparing the report.
 - (d) The Balance Sheet and Profit and Loss Account dealt with in this report are in agreement with the books of accounts and branch returns.
 - (e) In our opinion, the Profit & Loss Account and the Balance Sheet of the company are in compliance with accounting standards referred to in sub section (3C) of section 211 of the Companies Act, 1956, to the extent applicable.
 - (f) On the basis of the written representations received from the Board of Directors, we report that none of the directors are disqualified as on 31st March, 2006 from being appointed as directors as per terms of section 274(1) (g) of the Companies Act, 1956.
 - (g) In our opinion and to the best of our information and according to explanations given to us, the said accounts read with schedules annexed thereto, together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give, in conformity with accounting principles generally accepted in India a true and fair view.
 - a) In the case of the Balance Sheet of the state of affairs of the company as at 31st March, 2006;
 - b) In the case of the Profit and Loss Account of the Profit of the company for the year ended on that date; and
 - c) In case of the cash flow statement, of the cash flows for the year ended on that date.

For M/S. C. D. PASAD & CO.
CHARTERED ACCOUNTANTS

R. D. PASAD
PARTNER

PLACE : MUMBAI
DATE : May 17, 2006

**ANNEXURE - A**

- I.
 - a. The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - b. As explained to us all the fixed assets have been physically verified by the management during the year. Frequency of verification in our opinion is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verifications.
 - c. During the year the company has not disposed off any major part of the fixed assets. Hence the question of affecting the going concern status does not apply.
- II.
 - a. As explained by the Management the stocks have been physically verified by them with reasonable intervals during the year.
 - b. As explained by the Management the procedures for physical verification of inventories followed are reasonable and adequate in relation to the size of the company and the nature of its business.
 - c. As explained by the management no material discrepancies were noticed on physical verification of stock as compared to book records.
- III.
 - a. The Company has taken loans from Ten parties listed in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 21.81 crores and the year end balance of loans taken from such parties was Rs. Nil.
 - b. In our opinion the rate of interest and other terms and conditions on which loans have been taken from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956, are not prima facie, prejudicial to the interest of the company.
 - c. The company is regular in the payment of interest.
- IV. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods in as much as Directors directly exercise such control. During the course of our audit we have not observed any major weaknesses in internal controls.
- V.
 - a. According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956, have been so entered.
 - b. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956, and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- VI. In our opinion and according to the information and explanations given to us, the company has not accepted any deposits from the public within the meaning of Section 58A and 58AA of the Companies Act, 1956, and the rules framed there under.
- VII. According to the information and explanations given to us, there is no formal internal audit system prevailing in the company.

- VIII. According to the information and explanations given to us the maintenance of cost records has not been prescribed by the Central Government under section 209 (1) (d) of the Companies Act, 1956, for any product of the company.
- IX. a. The company is generally regular in depositing with appropriate authorities undisputed statutory dues applicable to it.
 b. According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty, excise duty and cess were in arrears, as at 31st March, 2006 for a period of more than six months from the date they became payable.
 c. According to the information and explanations given to us, there are disputed statutory dues which have not been deposited as given herein below ;

Statute	Nature of Dues	Amount (Rs. In Lacs)	Forum where disputes are pending
Income Tax Act 1961	Demand	1.55	Income Tax Officer
	Demand	1.99	CIT(Appeals)
Sales Tax	Demand	2.88	Sales Tax Tribunal
	Lease Tax Demand	16.34	Sales Tax Officer(Enf.)

- X. The Company has neither accumulated losses as at 31st March, 2006 nor it has incurred any cash losses during the financial year ended on that date and the immediately preceding financial year.
- XI. In our opinion and according to the information and explanations given to us the company has not defaulted in repayment of dues to a financial institution and/or Bank.
- XII. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- XIII. The company is not a chit fund or Nidhi / Mutual Benefit Fund / Society. Therefore the provisions of clause 4(xiii) of the Companies (Auditors' Report) Order 2003 are not applicable to the company.
- XIV. The Company is not dealing in Shares, Securities, Debentures and Other Investments. Accordingly the provisions of clause 4(xiv) of the Companies (Auditors' Report) Order 2003 are not applicable to the company.
- XV. According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions.
- XVI. To the best of our knowledge and belief and according to the information and explanations given to us, the term loans availed by the company were, prima facie applied during the year for the purposes for which such loans were obtained.
- XVII. According to the information and explanations given to us and on overall examinations of the balance sheet of the company in our opinion there are no funds raised on short term basis which have been used for long term investment and vice versa.

- XVIII. According to the information and explanation given to us the company has not made any preferential allotment of shares to parties and companies covered under the register maintained under section 301 of the Companies Act, 1956, during the year.
- XIX. The company has not issued debentures during the year.
- XX. The company has disclosed the end use of money raised by public issue during the year and the same was verified.
- XXI. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India and accordingly for the information and explanations given to us we have neither come across any instance of fraud on or by the company noticed or reported during the year nor we have been informed of such by the management.

For M/S. C. D. PASAD & CO.
 CHARTERED ACCOUNTANTS

R. D. PASAD
 PARTNER

PLACE : MUMBAI
 DATE : May 17, 2006

**EVEREST KANTO CYLINDER LIMITED****BALANCE SHEET AS AT 31st MARCH, 2006**

SCHEDULE	As at 31.3.2006 Rs.	As at 31.3.2005 Rs.
SOURCES OF FUNDS		
Shareholders' Funds		
Share Capital	A 176,250,310	120,000,000
Reserves & Surplus	B 1,333,000,506	296,974,246
Deferred Tax Liability	13,585,442	26,974,692
Loan Funds		
Secured Loans	C 300,551,639	380,749,826
Unsecured Loans	D 94,415,966	107,119,192
TOTAL	1,917,803,863	931,817,955
APPLICATION OF FUNDS		
Fixed Assets		
Gross Block	E 1,571,004,844	978,754,427
Less : Accumulated Depreciation	636,217,637	545,506,911
Net Block	934,787,207	433,247,516
Capital Work In Progress	4,535,246	5,943,093
Investments	F 132,172,014	21,261,000
Current Assets, Loans and Advances		
Inventories	G 423,308,659	400,398,464
Sundry Debtors	H 234,272,496	167,916,698
Cash and Bank balances	I 289,594,828	36,407,456
Loans and Advances	J 494,918,197	171,326,480
	1,442,094,180	776,049,098
Less : Current Liabilities and Provisions		
Current Liabilities	K 265,945,488	182,222,439
Provisions	L 329,839,296	122,460,313
	595,784,784	304,682,752
Net Current Assets	846,309,396	471,366,346
TOTAL	1,917,803,863	931,817,955
NOTES ON ACCOUNTS	S -	-

AS PER OUR REPORT OF EVEN DATE

FOR AND ON BEHALF OF THE BOARD

C. D. PASAD & CO.
CHARTERED ACCOUNTANTSP. K. KHURANA
CHAIRMAN & MANAGING DIRECTORR. D. PASAD
PARTNERPAWAN LADDHA
COMPANY SECRETARYPUNEET KHURANA
WHOLE-TIME DIRECTORPLACE : MUMBAI
DATE : May 17, 2006PLACE : MUMBAI
DATE : May 17, 2006**EVEREST KANTO CYLINDER LIMITED****PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2006**

SCHEDULE	Year ended 31.3.2006 Rs.	Year ended 31.3.2005 Rs.
INCOME		
Sales	2,548,808,216	1,461,228,201
Less : Excise Duty	193,784,015	137,668,404
	2,355,024,201	1,323,559,797
Trading Sales	-	467,681
Other Income	R 22,186,455	36,323,265
Increase/(Decrease) in Stocks	2,393,467	35,746,471
TOTAL	2,379,604,123	1,396,097,214
EXPENDITURE		
Raw Materials & Components Consumed	M 1,305,754,458	752,473,111
Trading Purchases	-	301,231
Operational Expenses	N 238,351,632	167,768,051
Personnel Expenses	O 89,439,989	66,426,359
Finance Charges	P 37,063,217	26,644,845
Administrative & Sales Expenses	Q 135,874,632	85,251,439
Depreciation for the year	102,600,119	83,619,660
Less : Depreciation Charged to Rev. Res.	4,993,301	5,349,906
	97,606,818	78,269,754
TOTAL	1,904,090,746	1,177,134,790
Profit Before Tax	475,513,377	218,962,424
Provision for Income Tax		
- Current Tax	152,000,000	101,500,000
- Deferred Tax	(13,389,249)	(25,301,827)
- Fringe Benefit Tax	2,000,000	-
Profit After Tax	334,902,626	142,764,251
Taxes of Earlier Years	11,000,000	-
Prior Period Expenses	197,006	-
Balance brought forward	137,773,466	26,969,528
Balance Available for Appropriation	461,479,086	169,733,779
Proposed Dividend	61,687,609	15,000,000
Provision for Dividend Tax	8,651,687	1,960,313
Transfer to General Reserve	100,000,000	15,000,000
Balance carried forward	291,139,790	137,773,466
	461,479,086	169,733,779
Earnings Per Share (See Note 12)		
- Basic	24.37	11.90
- Diluted	24.37	11.90
NOTES ON ACCOUNTS	S	

AS PER OUR REPORT OF EVEN DATE

FOR AND ON BEHALF OF THE BOARD

C. D. PASAD & CO.
CHARTERED ACCOUNTANTSP. K. KHURANA
CHAIRMAN & MANAGING DIRECTORR. D. PASAD
PARTNERPAWAN LADDHA
COMPANY SECRETARYPUNEET KHURANA
WHOLE-TIME DIRECTORPLACE : MUMBAI
DATE : May 17, 2006PLACE : MUMBAI
DATE : May 17, 2006



SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31st MARCH, 2006

	As at 31.3.2006 Rs.	As at 31.3.2005 Rs.
SCHEDULE - 'A'		
Share Capital		
Authorised		
25,000,000 Equity Shares of Rs. 10 each	250,000,000	250,000,000
Issued, Subscribed and Paid up		
17,625,031 (Previous Year 12,000,000) Equity Shares of Rs. 10/- each fully paid up (Of the above 11,747,500 equity shares are allotted as fully paid Bonus Shares)	176,250,310	120,000,000
	<u>176,250,310</u>	<u>120,000,000</u>
SCHEDULE - 'B'		
Reserves & Surplus		
Special Capital Incentives		
As per last Balance Sheet	-	2,000,000
Less : Transfer to General Reserve	-	2,000,000
	-	-
General Reserve		
As per last Balance Sheet	149,100,001	192,100,001
Add : Transfer from Profit & Loss Account	100,000,000	15,000,000
Transfer from Special Capital Incentives	-	2,000,000
	249,100,001	209,100,001
Less : Capitalised for Issue of Bonus Shares during the year	-	60,000,000
	249,100,001	149,100,001
Share Premium		
As per last Balance Sheet	843,754,650	-
Less : Share Issue Expenses Written Off	56,101,413	-
	787,653,237	-
Revaluation Reserve		
As per last Balance Sheet	10,100,779	15,450,685
Less : Depreciation on Revalued Assets	4,993,301	5,349,906
	5,107,478	10,100,779
Profit and Loss Account		
	291,139,790	137,773,466
	<u>1,333,000,506</u>	<u>296,974,246</u>
SCHEDULE - 'C'		
Secured Loans		
From Banks		
- Term Loan	131,154,167	-
- Foreign Currency Term Loan	81,420,900	109,147,500
- Working Capital Facilities	19,091,564	258,565,520
- Packing Credit	-	12,119,645
- Vehicle Loan	4,862,608	917,161
- Buyers Credit	64,022,400	-
	<u>300,551,639</u>	<u>380,749,826</u>

Note :

- Working Capital facilities are secured against Hypothecation of stocks and book debts and also secured by charge on all the fixed assets (except Dubai) and personal guarantee of Directors.
- Foreign currency term loan is secured by charge on all the fixed assets of the company in India (except Gandhidham) & Dubai (present and future) pari-passu with other lenders of the project. The term loan is also personally guaranteed by Shri. P.K. Khurana, S. S. Khurana, Pushkar Khurana and Mrs. Suman Khurana.
- Term loan is secured by charge on all the fixed assets of Gandhidham Unit and is also Personally guaranteed by Mr. P. K. Khurana, Mr. Shyam Sunder Khurana and Mrs. Suman Khurana.
- Vehicle Loan is secured by hypothecation of vehicles.



SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31st MARCH, 2006

	As at 31.3.2006 Rs.	As at 31.3.2005 Rs.
SCHEDULE - 'D'		
Unsecured Loans		
Sales Tax Deferment Loan (From Government of Maharashtra & Gujarat)		
	94,415,966	107,119,192
	<u>94,415,966</u>	<u>107,119,192</u>
SCHEDULE - 'F'		
Investments		
I) Towards Purchase of Immovable Properties	-	316,000
II) In Fully Paid Equity Shares (Unquoted)		
a) 92,000 Equity Shares of Rs. 10/- each of Everest Kanto Investment & Finance Ltd.	920,000	920,000
b) 2,000,000 Equity Shares of Rs. 10/- each of GPT Steel Industries Pvt. Ltd.	20,000,000	20,000,000
c) 23,717 Equity Shares of Rs. 10/- each of Solar Explosives Ltd.	4,506,230	-
d) 17,673 Equity Shares of Rs. 10/- each of Shivalik Global Ltd.	1,060,380	-
III) In Partly Paid up Equity Shares (Unquoted)		
a) 64,654 Equity Shares of Rs. 10/- each, Rs. 5/- paid up of Shivalik Global Ltd.	1,939,620	-
b) 10,000 Equity Shares of Rs. 10/- each, Rs. 2.50 paid up of Everest Industrial Gases Pvt. Ltd.	25,000	25,000
IV) In Mutual Funds		
a) DSP Merrill Lynch Floating Rate Fund (M.V.421387) 421	421,176	-
b) Kotak Floaters Short Term Fund (M.V.593216) 59215	592,463	-
c) Kotak Floaters Short Term Fund (M.V.452713) 45190	452,149	-
d) LICMF Liquid Fund (M.V.218084) 19904	217,709	-
e) Prudential ICICI Liquid Fund (M.V.101444503) 10144450	101,444,503	-
f) UTI Liquid Cash Fund (M.V.593104) 583	592,784	-
	<u>132,172,014</u>	<u>21,261,000</u>
SCHEDULE - 'G'		
Inventories		
(As per inventories taken, valued & certified by Managing Director)		
Raw Materials	342,097,493	321,950,419
Finished Goods	6,612,749	38,974,240
Work In Progress	72,119,222	37,034,008
Scrap	881,932	509,484
Others (Fuel & Gases)	1,597,263	1,930,313
	<u>423,308,659</u>	<u>400,398,464</u>
SCHEDULE - 'H'		
Sundry Debtors		
(Unsecured, Considered Good)		
Debts outstanding for a period exceeding six months	14,124,794	2,880,041
Other Debts	220,147,702	165,036,657
	<u>234,272,496</u>	<u>167,916,698</u>

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2006										
PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	COST AS AT 31.03.05	ADDITIONS DURING THE YEAR 05-06	ADJUSTMENTS ON SALE	COST AS ON 31.03.06	TOTAL UP TO 31.03.05	DEPRECIATION FOR THE YEAR 05-06	DEPR. ON SALE/ DISP.	TOTAL UP TO 31.03.06	AS AT 31.03.06	AS AT 31.03.05
LEASE HOLD LAND-MIDC	21,205,039	-	-	21,205,039	1,062,659	-	-	1,062,659	20,142,380	20,142,380
LAND - KUTCH	4,028,560	1,347,703	-	5,376,263	-	-	-	-	5,376,263	4,028,560
LAND - RESIDENCE	5,492,241	-	-	5,492,241	1,038,903	-	-	1,038,903	4,453,338	4,453,338
FACTORY BUILDING	165,228,145	97,335,926	-	262,564,071	43,933,687	12,581,609	-	56,515,296	206,048,775	121,294,458
RESIDENTIAL BUILDING	15,042,437	9,396,883	-	24,439,320	5,469,407	80,301	-	5,549,708	18,889,612	9,573,030
OFFICE BUILDING	1,537,832	11,801,765	-	13,339,597	769,952	44,859	-	814,811	12,524,786	767,880
RESIDENTIAL FLAT	52,114,998	-	-	52,114,998	23,395,560	1,400,825	-	24,796,385	27,318,613	28,719,438
ELECTRIC INSTALLATION	20,400,359	9,788,213	696,044	29,492,528	9,323,844	2,123,428	-	11,447,272	18,045,256	11,076,515
PLANT & MACHINERY	631,854,479	455,965,551	-	1,087,820,030	409,345,427	82,418,292	-	491,763,719	596,056,311	222,509,052
VEHICLES	5,881,745	10,826,121	-	16,707,866	2,697,824	1,830,153	-	4,527,977	12,179,889	3,183,921
OFFICE EQUIPMENT	3,470,323	941,100	-	4,411,423	1,786,358	269,244	-	2,055,602	2,355,821	1,683,965
FURNITURE AND FIXTURE	9,137,775	6,041,860	-	15,179,635	4,304,194	1,177,374	-	5,481,568	9,698,067	4,833,581
COMPUTERS	4,282,883	1,390,732	-	5,673,615	3,308,009	672,819	-	3,980,828	1,692,787	974,874
GAS CYLINDERS	39,077,611	-	11,889,393	27,188,218	39,071,087	1,215	11,889,393	27,182,909	5,309	6,524
GRAND TOTAL	978,754,427	604,835,854	12,585,437	1,571,004,844	545,506,911	102,600,119	11,889,393	636,217,637	934,787,207	433,247,516
PREVIOUS YEAR	919,105,379	74,817,375	15,168,327	978,754,427	477,048,395	83,619,662	15,161,146	545,506,911	433,247,516	442,056,984

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31st MARCH, 2006

	As at 31.3.2006 Rs.	As at 31.3.2005 Rs.
SCHEDULE - 'I'		
Cash and Bank Balances		
Cash on hand	4,931,077	1,951,491
Balance with Scheduled Banks		
- In Current Accounts	171,178,538	29,819,705
- In Fixed Deposits	112,264,200	4,636,260
- In Margin Accounts	1,221,013	-
	<u>289,594,828</u>	<u>36,407,456</u>
SCHEDULE - 'J'		
Loans and Advances		
(Unsecured, Considered Good)		
Advances recoverable in cash or in kind or for value to be received	121,865,474	42,768,856
Deposits	67,343,971	55,231,786
Balance with Central Excise	14,818,950	5,125,437
Advance Tax and Tax Deducted at Source	290,889,802	68,200,401
	<u>494,918,197</u>	<u>171,326,480</u>
SCHEDULE - 'K'		
Current Liabilities		
Sundry Creditors		
- For Goods	175,479,951	132,665,350
- For Expenses	74,132,632	38,343,498
Security Deposit (Employees)	2,599,655	1,990,350
Other Liabilities	13,733,250	9,223,241
	<u>265,945,488</u>	<u>182,222,439</u>
SCHEDULE - 'L'		
Provisions		
Provision For Taxation	259,500,000	105,500,000
Proposed Dividend	61,687,609	15,000,000
Tax On Dividend	8,651,687	1,960,313
	<u>329,839,296</u>	<u>122,460,313</u>

SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 31st MARCH, 2006

	Year ended 31.3.2006 Rs.	Year ended 31.3.2005 Rs.
SCHEDULE - 'M'		
RAW MATERIAL & COMPONENTS CONSUMED		
Opening Stock	321,950,419	93,963,298
Add : Purchases	1,325,901,532	980,460,232
	<u>1,647,851,951</u>	<u>1,074,423,530</u>
Less : Closing Stock	342,097,493	321,950,419
	<u>1,305,754,458</u>	<u>752,473,111</u>
SCHEDULE - 'N'		
OPERATIONAL EXPENSES		
Power	45,683,629	34,569,301
Fuel & Gas	83,247,468	54,442,684
Stores, Spares & Tools Consumed	88,827,770	67,563,942
Water Charges	2,585,082	2,461,430
Excise Duty paid	1,513,547	664,531
Marking, Inspection & Testing Fees	4,847,466	4,792,833
Repairs & Maintenance		
- Building	4,216,937	461,201
- Plant & Machinery	861,978	595,793
- Others	948,179	806,200
Other Expenses	5,619,576	1,410,136
	<u>238,351,632</u>	<u>167,768,051</u>
SCHEDULE - 'O'		
PERSONNEL EXPENSES		
Salary, Wages & Other benefits	82,666,428	61,359,959
Contribution to Provident Fund & Other Funds	4,101,478	3,332,810
Staff Welfare Expenses	2,672,083	1,733,590
	<u>89,439,989</u>	<u>66,426,359</u>
SCHEDULE - 'P'		
FINANCE CHARGES		
Interest on Cash Credit Accounts	3,532,865	8,981,420
Interest on Term Loan	9,496,374	5,349,060
Interest others	12,964,453	8,346,019
Bank Charges & Commission	11,069,525	3,968,346
	<u>37,063,217</u>	<u>26,644,845</u>

SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 31st MARCH, 2006

	Year ended 31.3.2006 Rs.	Year ended 31.3.2005 Rs.
SCHEDULE - 'Q'		
ADMINISTRATIVE, SALES & OTHER EXPENSES		
Insurance	6,698,762	5,591,995
Rent, Rates & Taxes	15,290,100	10,553,276
Security Service Charges	764,162	1,521,953
Recruitment & Training	38,378	218,848
Licence Fees	1,207,022	727,220
Director's Remuneration	15,287,978	10,339,076
Commission to Managing Director	9,850,353	4,629,119
Travelling & Conveyance	10,649,790	8,384,047
Vehicle Expenses	4,349,945	2,229,077
Telephone, Telex & Postage	3,806,025	3,304,992
Printing & Stationery	1,598,064	1,331,334
Electricity Charges	431,663	567,901
Legal & Professional Fees	7,362,623	2,012,852
Auditor's Remuneration	350,000	225,000
Bank Charges & Commission	617,196	2,668,086
Advertisement & Sales Promotion	8,428,113	3,228,543
Commission	12,139,631	6,555,970
Sales Tax Expenses	-	2,277
Sundry Expenses	7,653,953	7,722,124
Carriage Outward	18,761,208	9,044,774
Donation	2,017,603	2,220,600
Filing Fees	835,301	2,581
Clearing & Forwarding Charges	1,822,716	2,074,223
Loss on sale of Investments	-	75,760
Translation Loss	1,260,798	-
Foreign Exchange Fluctuation Loss	4,653,248	19,811
	<u>135,874,632</u>	<u>85,251,439</u>
SCHEDULE - 'R'		
OTHER INCOME		
Interest	1,006,178	324,716
Scrap Sales	3,122,892	2,544,608
Dividend	3,628,537	-
Miscellaneous Income	8,119,346	1,856,399
Foreign Exchange Fluctuation Gain	-	5,560,830
Duty Drawback-Export Incentive	1,222,381	19,536,877
Translation Gain	-	3,442,439
Profit on sale of Investments	3,936,983	-
Discount & Sundry Balances Written Back	-	408,690
Profit on sale of Fixed Assets	1,150,138	2,648,706
	<u>22,186,455</u>	<u>36,323,265</u>

NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31st MARCH, 2006
SCHEDULE - 'S'
I. Significant Accounting Policies :
A. Basis of preparation of financial statements :

The financial statements are prepared under the historical cost convention on going concern basis and are in accordance with the generally accepted accounting principles. The Company follows the mercantile system of accounting and recognises Income and Expenditure on accrual basis except for the following :

- i) Insurance claims are accounted as and when the claims are received.
- ii) Dividend Income is accounted on receipt basis.

B. Recognition of Income and Expenditure :

- i) Sales are recognised on the basis of dispatches to the customers. Sales does not include sales tax.
- ii) Liability on account of Excise Duty in respect of goods manufactured is accounted on the basis of removal of goods from the place of manufacture/Bonded warehouse for sale etc.

C. Retirement Benefits :

Contribution to Provident Funds and Superannuation Funds are accounted on accrual basis. The liability of Gratuity & Superannuation to employees is covered under the Group Gratuity Scheme with the Life Insurance Corporation of India. The annual premium is debited to Profit & Loss Account.

D. Foreign Currency Transaction :

- i) Exchange difference arising on transactions related to Purchases, Sales and Stores are charged to the Profit & Loss Account under the head "Foreign Exchange Fluctuation Account".
- ii)
 - a) In respect of overseas contracts, the transactions are accounted as per Accounting Standard (AS 11) issued by the council of the Institute of Chartered Accountants of India.
 - b) Gain or Loss arising out of translation/conversion is taken credit for or charged to Profit & Loss Account.

E. Fixed Assets and Depreciation :

- i) Certain assets were revalued on 1.4.94 and are stated at revalued figures.
- ii) The "Gross Block" of Fixed Assets is shown at the cost of acquisition which includes taxes, duties (net of MODVAT availed) plus attributable cost of bringing assets to their present location and in such working condition as is required for its intended use.
- iii) Exchange difference arising on payment of liabilities incurred for the purpose of acquiring Fixed Assets is adjusted in the carrying amount of the respective Fixed Assets at the Balance Sheet date.
- iv) Depreciation :
In case of assets acquired prior to 31.03.91, depreciation is provided on WDV basis at the rates prescribed in Schedule XIV to the Companies Act, 1956. In case of assets acquired after 31.03.91, depreciation is provided on WDV basis, except on Plant & Machinery, Factory Building, Gas Cylinders and Electrical Installation which are depreciated on SLM basis, at the rates prescribed under Schedule XIV to the Companies Act, 1956. However depreciation on all assets held at Dubai and Gandhidham unit is provided on WDV basis at the rates prescribed under Schedule XIV to the Companies Act, 1956.
- v) No depreciation is provided on land.
- vi) Depreciation on additions made to assets during the year has been provided on pro-rata basis, from the date on which assets are put to use.

vii) Depreciation on assets sold during the year is provided till the date of such sale.

viii) Depreciation on Revalued Assets :

The revaluation of certain assets had been given effect as from 1.4.94. The depreciation on those assets has been charged on W.D.V/S.L.M as the case may be on revalued amounts. However the depreciation related to the amounts increased on account of revaluation is recouped from Revaluation Reserve Account.

F. Investments :

Investments are stated at cost.

G. Inventories :

Inventories are valued as prescribed in Accounting Standard (AS-2) issued by the Council of The Institute of Chartered Accountants of India.

Raw Materials	At cost or net realisable value whichever is lower.
Finished Goods	At cost or net realisable value whichever is lower.
W.I.P.	At raw material cost plus factory overheads.
Fuel & Gas	At cost.
Scrap	At net realisable value.

H. Stores, Spares & Consumables :

- i) Stores & spares are charged to revenue in the year of purchase.
- ii) Consumables are charged to revenue on actual consumption basis.

I. Taxes On Income :

Current Tax : Provision for Income Tax is determined in accordance with the Provisions of the Income Tax Act, 1961.

Deferred Tax Provision : Deferred Tax is recognized on timing difference between taxable income and accounting income that originated in one period and are capable of reversal in one or more subsequent period(s).

J. Research and Development :

The Company is in process of setting up separate Research and Development facilities.

K. Sales Tax Loan :

Sales Tax Deferment Loan is adjusted as per the assessment orders received from the Sales Tax department. Sales Tax collected by the company at Gandhidham unit is retained as sales tax deferment loan as per scheme of Gujarat Government for Kutch District.

L. Use of Estimates :

The presentation of financial statements require estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognised in the period in which the results are known/materialized.

M. Borrowing Cost :

Borrowing cost incurred in relation to the acquisition, construction of Assets are capitalised as part of the cost of such assets upto the date when such assets are ready for intended use. Other borrowing costs are charged as expense in the year in which these are incurred.

N. Impairment of Assets :

At the end of each year, the Company determines whether a provision should be made for impairment loss on Fixed Assets by considering the indications that an impairment loss may have occurred in accordance with Accounting standard 28 on "Impairment of Assets" issued by Council of the Institute of Chartered Accountants of India. An Impairment loss is charged to the Profit and loss Account in the year in which, an asset is identified, when the carrying value of the asset exceeds its recoverable value. The impairment loss recognised in prior accounting periods is reversed, if there has been a change in the estimate of recoverable amount.

O. Pre Operative Expenses :

Pre Operative Expenses incurred at Gandhidham have been capitalised in Plant and Machinery and Factory Buildings in their respective proportion of their book values.

II. NOTES ON ACCOUNTS
1. Assets Leased (Operating Lease) :

The Company has rescinded all the outstanding contracts of cylinder lease.

	2005 - 06 (Rs. In Lacs)	2004 - 05 (Rs. In Lacs)
Depreciation on Leased Assets	Nil	0.03
Rent		
Not Later than 1 year	Nil	Nil
Later than 1 year but not later than 5 years	Nil	Nil
Later than 5 years	Nil	Nil

2. Contingent liabilities not provided for in respect of :

	As At 31/03/2006 (Rs. In Lacs)	As At 31/03/2005 (Rs. In Lacs)
a) Matters under Dispute		
- Income Tax	3.54	3.54
- Sales Tax	19.22	19.22
b) Outstanding letters of Credit and Guarantees issued by bank	471.94	393.03
c) Capital Contracts to be executed	315.03	—
d) Uncalled liability on shares partly paid up	20.14	0.75

3. Auditors Remuneration :

	2005 - 06 (Rs. In Lacs)	2004 - 05 (Rs. In Lacs)
Audit fees	3.00	1.75
In other capacity		
For Tax Audit	0.20	0.20
For Other Services	0.30	0.30
Service Tax	0.41	0.23
	<u>3.91</u>	<u>2.48</u>

(Fees for other services include fees for services relating to taxation matters, certification work and other matters)

4. Personnel Expenses include the following payments made to the Directors :

	2005 - 06 (Rs. In Lacs)	2004 - 05 (Rs. In Lacs)
Basic Remuneration	124.27	77.57
Contribution to Provident Fund	8.26	4.90
H.R.A.	14.97	14.08
Other Perquisites	19.40	12.72
Commission to Managing Director	98.50	46.29
TOTAL	<u>265.40</u>	<u>155.56</u>

5. CALCULATION OF PROFIT u/s. 349 & 350 OF THE COMPANIES ACT, 1956.

		For year ended 31.03.2006 Rs.
PROFIT AS PER PROFIT & LOSS ACCOUNT		475513377
ADD:		
COMMISSION	9850353	
DEPRECIATION	97606818	
REMUNERATION TO DIRECTORS (Excluding Contribution to P.F.)	15869578	123326749
		<u>598840126</u>
LESS:		
DEPRECIATION AS PER SEC. 350	97606818	
PROFIT ON SALE OF FIXED ASSETS	1150138	
PROFIT ON SALE OF INVESTMENTS	3936983	
DIVIDEND RECEIVED	3628537	106322476
PROFIT AS PER SEC. 349/350		<u>492517650</u>
2% COMMISSION		<u>9850353</u>

Name	Salary/HRA	Perks	Total
Mr. P. K. Khurana	40,32,000	19,200	40,51,200
Mr. Pushkar P. Khurana	55,43,000	13,58,950	69,01,950
Mr. Puneet P. Khurana	14,40,000	3,73,200	18,13,200
Mr. S. S. Khurana	12,09,600	-	12,09,600
Mr. P. M. Samvatsar	17,00,000	1,89,200	18,89,200
TOTAL	<u>1,39,24,600</u>	<u>19,40,550</u>	<u>1,58,65,150</u>

6. Sundry Debtors includes the following amounts :

	As At 31/03/2006 (Rs. In Lacs)	Maximum Amount during the year
Due from the companies in which some directors are director.	18.44 (86.16)	164.90 (118.13)



7. Excise Duty on finished goods not cleared from the factory has not been provided for as the same is payable at the time of actual clearance. Such excise duty payable on goods awaiting clearance from the factory is estimated at Rs. 8,89,448/- (Previous year Rs. 17,21,487/-).
8. Sundry Creditors include Rs. 41.37 Lacs (Previous Year 36.39 lacs) due to small scale industrial (SSI) undertakings, which are identified by the company based on the information available regarding the status of the suppliers. The list of SSI units where dues exceeding Rs. 1 Lac are outstanding for a period exceeding 30 days as on 31st March, 2006 as determined by the Company, is as under : Coro Chem, Khamir Industries, Om Technologies Pvt. Ltd.
9. The company issued 56,25,031 Equity shares of Rs. 10/- each at a premium of Rs. 150/- per share to finance the new industrial unit at Gandhidham.
The Un-utilised monies as on March 31, 2006 out of the proceeds from the issue of equity shares is invested as

Particulars	Rs. Lacs
a) In Current Account	350
b) In Fixed Deposit Account	1044
c) In Mutual Funds	1000

The Public issue expenses of Rs. 561.01 lacs have been adjusted from Share Premium account.

10. RELATED PARTY DISCLOSURES

- (i) Related Party Relationships
- a) Associates
- Everest Kanto Investment & Finance Ltd.
Khurana Gases Pvt. Ltd.
Medical Engineers (I) Pvt. Ltd.
Khurana Fabrication Industries Pvt. Ltd.
Khurana Exports Pvt. Ltd.
Everest Industrial Gases Pvt. Ltd.
Khurana Charitable Trust
Khurana Education Trust

- b) Key Management Personnel
- Prem Kumar Khurana Chairman & Managing Director
Pushkar Khurana Whole-Time Director
Puneet Khurana Whole-Time Director
Shyam Sunder Khurana Whole-Time Director
Pramod Samvatsar Whole-Time Director

- c) Relatives of Key Management Personnel
- Suman Khurana
Pooja Khurana
Nishita Khurana
Vandana Khurana
Varun Khurana

- (ii) Transactions with related parties



Transaction	Rs. in Lacs			
	Associates	Key Management Personnel	Relative of Key Management Personnel	Total
a) Purchases				
Goods	4.08 (48.44)	- (-)	- (-)	4.08 (48.44)
Consumables	1.00 (-)	- (-)	- (-)	1.00 (-)
b) Expenses				
Remuneration	- (-)	153.32 (105.16)	- (-)	153.32 (105.16)
Commission	- (-)	98.50 (46.29)	- (-)	98.50 (46.29)
Interest	- (-)	90.13 (46.68)	37.83 (26.09)	127.96 (72.77)
Rent	41.94 (27.99)	17.20 (4.58)	- (-)	59.14 (32.57)
Insurance	- (0.49)	- (-)	- (-)	- (0.49)
Electricity charges	4.06 (4.46)	- (-)	- (-)	4.06 (4.46)
Repairs and Maintenance	9.74 (2.51)	- (-)	- (-)	9.74 (2.51)
Telephone charges	1.96 (1.82)	- (-)	- (-)	1.96 (1.82)
Donation	20.00 (22.00)	- (-)	- (-)	20.00 (22.00)
Loans and Advances	510.00 (510.00)	- (-)	- (-)	510.00 (510.00)
Sundry Creditors	7.67 (-)	- (-)	- (-)	7.67 (-)

The figures in brackets represent previous year figures.

11. Earnings Per Share (EPS)

	2005 - 06 (Rs. In Lacs)	2004 - 05 (Rs. In Lacs)
Net Profit as per Profit & Loss Account available for Equity Shareholders	3349.03	1427.64
Weighted Average No. of Equity Shares	1,37,41,448	1,20,00,000
Earnings per Share		
- Basic	24.37	11.90
- Diluted	24.37	11.90

12. Additional information in pursuant to Provisions of Paragraphs 3(i)(a), 3(ii)(a), 4(c) and 4(d) of Part II of the schedule VI to the companies Act, 1956.

A) Manufacturing Operations (Gas cylinders) :

	2005 - 06	2004 - 05
Licenced Capacity (Nos.)	7,06,000	3,66,000
Installed Capacity (Nos.)	6,06,000	3,66,000
Actual Production (Nos.)	3,55,388	3,14,523

* Installed capacity is as certified by directors.



B) Opening stock, Sales & Closing stock in respect of goods produced .

Class of Goods	Year Ending 31 March	Opening Stock (Nos.)	Value (Rs.in Lacs)	Sales (Nos.)	Value in (Rs.in Lacs)	Closing Stock (Nos.)	Value (Rs.in Lacs)
Gas Cylinders	2005	2995	57.41	310030	13235.59	7488	389.74
Gas Cylinders	2006	7488	389.74	361041	23550.24	1835	66.12

* Includes NIL cylinders leased out (Previous year : NIL)

C) Break-up of Raw Materials Consumed :

	2005-06		2004-05	
	Qty. MTs.	Value Rs. In Lacs	Qty. MTs.	Value Rs. In Lacs
Seamless Tubes with Incidental Cost	17402.775	11748.07	13177.451	6285.02
Others	-	1309.47	-	1239.71
		<u>13057.54</u>		<u>7524.73</u>

D) Details of Imported & Indigenous Raw materials & Components.

	2005-06		2004-05	
	%	Value Rs. In Lacs	%	Value Rs. In Lacs
Imported	95.82	12511.59	92.38	6951.37
Indigenous	4.18	545.95	7.62	573.36
TOTAL	<u>100.00</u>	<u>13057.54</u>	<u>100.00</u>	<u>7524.73</u>

13. Information regarding Imports, Exports & other matters

A) C. I. F. value of Imports :

	2005-2006 (Rs. In Lacs)	2004-2005 (Rs. In Lacs)
Raw Materials	11909.75	7217.76
Components	531.34	216.30
B) Earnings in Foreign Exchange		
F.O.B. Value of Exports		
- From India	1521.55	1501.01
- From Dubai	9642.79	3102.93
TOTAL	<u>11164.34</u>	<u>4603.94</u>
C) Expenditure in Foreign Currency		
i) Travelling	46.89	41.11
ii) Commission	118.77	56.76
TOTAL	<u>165.66</u>	<u>97.87</u>

14. DEFERRED TAX LIABILITY (NET)

	(Rs. In Lacs)
Deferred Tax Liabilities	
On Depreciation of Fixed Assets	412.21
	<u>412.21</u>
Deferred Tax Assets	
On Excise Duty	132.87
On Deferred Expenses	143.49
	<u>276.36</u>
Deferred Tax Liability (Net)	<u>135.85</u>

15. Segment Reporting :

As per Accounting Standard (AS 17) issued by Council of The Institute of Chartered Accountants of India. The company's operations predominantly relate to manufacture of cylinders. Other business segments are not significant and hence are not reportable segments.

Secondary segmental reporting is performed on the basis of geographical location of customers.

(Rs. In Lakhs)

PARTICULARS	DOMESTIC	EXPORTS	TOTAL
A. REVENUE			
Segment Sales based on geographical location of customers	14270.41	9279.83	23550.24
Other Income	202.40	19.46	221.86
B. RESULT			
Segment Profit before Tax	2436.37	2318.76	4755.13
Provision for Taxation			
- Current Tax			1520.00
- Deferred Tax			(133.89)
- Fringe Benefit Tax			20.00
Profit after Tax			3349.02
C. OTHER INFORMATION			
1. Segment Assets	12789.21	6075.78	18864.99
2. Other Assets	6270.90	-	6270.90
3. Total Assets			25135.89
4. Segment Liabilities	3708.59	1545.86	5254.45
5. Other Liabilities	3901.05	48.63	3949.68
6. Deferred Tax Liability			135.85
7. Total Liabilities			9339.98
8. Cost incurred during the year to acquire segment fixed assets	5943.53	104.83	6048.36
9. Depreciation	549.84	426.23	976.07

16. Previous year figures have been regrouped, rearranged and recasted wherever necessary.

AS PER OUR REPORT OF EVEN DATE

FOR AND ON BEHALF OF THE BOARD

C. D. PASAD & CO.
CHARTERED ACCOUNTANTSP. K. KHURANA
CHAIRMAN & MANAGING DIRECTORR. D. PASAD
PARTNERPAWAN LADDHA
COMPANY SECRETARYPUNEET KHURANA
WHOLE-TIME DIRECTORPLACE : MUMBAI
DATE : May 17, 2006PLACE : MUMBAI
DATE : May 17, 2006



CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2006

	Year ended 31.03.2006 Rs. In Lacs	Year ended 31.03.2005 Rs. In Lacs
A) CASH FLOW FROM OPERATING ACTIVITIES		
Net profit after Tax & Extraordinary Items	3237.06	1427.64
Adjustments :		
Depreciation	976.07	782.70
Profit on Sale of Fixed Assets	(11.50)	(26.49)
Loss on sale of Investment	0.00	0.76
Profit on sale of Investment	(39.37)	-
Interest Paid	259.93	226.77
Interest Received	(10.06)	(3.25)
Dividend Received	(36.29)	(0.66)
Provision for Tax	1520.00	1015.00
Deferred Tax	(133.89)	(253.02)
Fringe Benefit Tax	20.00	-
	<u>2544.89</u>	<u>1741.81</u>
OPERATING PROFIT BEFORE WORKING CAPITAL	5781.95	3169.45
Adjustments for changes in Working Capital :		
(Increase) / Decrease in Trade & Other Receivables	(1672.57)	(1265.76)
(Increase) / Decrease in Inventories	(229.11)	(2642.60)
Increase / (Decrease) in Trade & Other Payables	835.72	1047.77
	<u>(1065.96)</u>	<u>(2860.59)</u>
Cash Flow from Operating Activities	4715.99	308.86
Direct Taxes Refund / (Paid)	(2206.90)	(462.15)
Fringe Benefit Tax paid	(18.50)	-
Net Cash Flow from Operating Activities	<u>2490.59</u>	<u>(153.29)</u>
B) CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(6034.28)	(799.47)
Sale of Fixed Assets	18.46	26.56
Purchase of Investments	(1112.27)	-
Sale of Investments	42.53	54.64
Dividend Received	36.29	0.66
Interest Received	10.06	3.25
Cash Flow from Investing Activities	<u>(7039.21)</u>	<u>(714.36)</u>



C) CASH FLOW FROM FINANCING ACTIVITIES

Proceeds From Fresh Issue of Share Capital	9000.05	-
Proceeds From Long Term Borrowings	1073.73	-
Repayment of Long Term Borrowings	-	(294.19)
Proceeds from Short Term Borrowings	-	1759.41
Repayment of Short Term Borrowings	(1875.72)	-
Repayment of Unsecured Loans	(127.03)	(87.28)
Share issue expenses	(561.01)	-
Dividend Paid	(169.60)	(135.38)
Interest paid	(259.93)	(226.77)
Cash Flow from Financing Activities	<u>7080.49</u>	<u>1015.79</u>
NET INCREASE / (DECREASE) IN CASH & CASH EQ.	2531.87	148.14
CASH & CASH EQUIVALENT AS AT 1st APRIL	364.08	215.94
CASH & CASH EQUIVALENT AS AT 31st MARCH	2895.95	364.08

Note :

- The above cash flow has been prepared as set out in the accounting standard on "Cash Flow statements (AS-3)" issued by the Institute of Chartered Accountants of India.
- Previous year's figures has been rearranged/regrouped wherever necessary.

AS PER OUR REPORT OF EVEN DATE

FOR AND ON BEHALF OF THE BOARD

C. D. PASAD & CO.
CHARTERED ACCOUNTANTSP. K. KHURANA
CHAIRMAN & MANAGING DIRECTORR. D. PASAD
PARTNERPAWAN LADDHA
COMPANY SECRETARYPUNEET KHURANA
WHOLE-TIME DIRECTORPLACE : MUMBAI
DATE : May 17, 2006PLACE : MUMBAI
DATE : May 17, 2006



Annexure referred to in note 9 of the notes annexed to and forming part of the balance sheet as at 31st March, 2006 and the profit and loss account for the year ended on that date.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.

State Code

Balance Sheet Date

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue

Rights Issue

Bonus Issue

Private Placement

III. Position of Mobilisation and Deployment of funds (Amount in Rs. Thousands)

Total Liabilities

Total Assets

Sources of Funds
Paid-Up Capital

Reserves & Surplus

Secured Loans

Unsecured Loans

Deffered Tax Liability

Application of Funds
Net Fixed Assets

Investments

Net Current Assets

Miscellaneous Expenditure

Accumulated Losses

IV. Performance of Company (Amount in Rs. Thousands)

Turnover

Total Expenditure

+ - Profit/Loss before Tax

+ - Profit/Loss after Tax



Please tick appropriate box + for Profit, - for Loss

Earning Per Share in Rs.

Dividend Rate %

Annexure referred to in note 9 of the notes annexed to and forming part of the balance sheet as at 31st March, 2006 and the profit and loss account for the year ended on that date.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE (contd.)

V. Generic Names of three Principal Products/Services of the Company

Item Code No. (ITC Code)

Product Description

AS PER OUR REPORT OF EVEN DATE

FOR AND ON BEHALF OF THE BOARD

C. D. PASAD & CO.
CHARTERED ACCOUNTANTS

P. K. KHURANA
CHAIRMAN & MANAGING DIRECTOR

R. D. PASAD
PARTNER

PAWAN LADDHA
COMPANY SECRETARY

PUNEET KHURANA
WHOLE-TIME DIRECTOR

PLACE : MUMBAI
DATE : May 17, 2006

PLACE : MUMBAI
DATE : May 17, 2006



Notes

Lined area for notes.

**PROXY FORM
EVEREST KANTO CYLINDER LTD.**

Registered Office : 501, Raheja Centre, 214, Free Press Journal Marg, Nariman Point, Mumbai – 400 021.

Regd. Folio No.
DP ID *
Client ID*
No. of shares held
Proxy No.

I/We of
..... being a member/members of EVEREST KANTO CYLINDER LTD. hereby appoint
..... of or failing him
..... of as my/our proxy
to vote for me/us and on my/our behalf at the **27th ANNUAL GENERAL MEETING** to be held on Wednesday, 26th July, 2006 at Y. B. Chavan Auditorium, General Jagannath Bhosle Marg, Nariman Point, Mumbai - 400 021 at 3.00 p.m. or at any adjournment thereof.

Signed this day of 2006.

Affix 15 Paise
Revenue Stamp

* Applicable for investors holding shares in electronic form.

Note: The Proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting. The Proxy need not be a member of the Company.

Regd. Folio No.
DP ID *
Client ID*
No. of shares held
Proxy No.

**ATTENDANCE SLIP
EVEREST KANTO CYLINDER LTD.**

Registered Office : 501, Raheja Centre, 214, Free Press Journal Marg, Nariman Point, Mumbai - 400 021.

PLEASE FILL ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING VENUE. Joint Shareholders may obtain additional Attendance Slip on request.

I hereby record my presence at the **27th ANNUAL GENERAL MEETING** to be held on Wednesday, 26th July, 2006 at Y. B. Chavan Auditorium, General Jagannath Bhosle Marg, Nariman Point, Mumbai - 400 021 at 3.00 p.m.

- 1. Full Name of the Member (in Block letters)
- 2. Full Name of the Joint-holder(s) (in Block letters)
- 3.** Full Name of the Proxy (in Block letters)
- 4. Signature of the Shareholder or proxy attending the meeting

* Applicable for investors holding shares in electronic form.

** To be filled in if the Proxy attends the meeting.

----- ✂ ----- TEAR HERE ----- ✂ -----