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## BOARD OF DIRECTORS

**Mr. P. K. Khurana**  
Chairman & Managing Director

**Mr. Pushkar Khurana**  
Whole - Time Director

**Mr. Puneet Khurana**  
Whole - Time Director

**Mr. P. M. Samvatsar**  
Whole - Time Director

**Mr. Shailesh Haribhakti**  
Independent Director

**Mr. Krishen Dev**  
Independent Director

**Mr. Naresh Oberoi**  
Independent Director

**Mr. Mohan Jayakar**  
Independent Director

**Mr. Vyomesh Shah**  
Independent Director

**Ms. Josephine Price**  
Non - Executive, Non - Independent Director

**Company Secretary :**  
Ms. Chanda Makhija

**Bankers to the Company :**  
State Bank of Hyderabad  
ICICI Bank Ltd.  
Citibank N.A.

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

**Registered Office :**  
501, Raheja Centre,  
Free Press Journal Marg,  
214, Nariman Point,  
Mumbai – 400 021.  
Tel.: 91 22 3028 9700 - 03  
Fax: 91 22 2287 0718 / 20  
E-mail: investors@ekc.in  
Website: www.everestkanto.com

**Registrars and Transfer Agents :**  
INTIME SPECTRUM REGISTRY LIMITED  
C-13, Pannalal Silk Mills Compound,  
L. B. S. Marg, Bhandup (W),  
Mumbai - 400 078.  
Tel.: 022 - 2596 3838  
Fax: 022 - 2596 0329  
Website: www.intimespectrum.com

## DIRECTORS' REPORT

Dear Shareholders,

Your Directors are pleased to present the 28<sup>th</sup> Annual Report together with the audited accounts for the year ended 31<sup>st</sup> March, 2007.

**FINANCIAL RESULTS :**

Your Company's performance during 2006-07 is summarized below:

(Rs. In Lacs)

Particulars	Standalone		Consolidated
	2006-07	2005-06	2006-07
Sales	35516.17	25488.08	44964.18
Less: Excise Duty	2459.16	1937.84	2459.16
Net Sales	33057.01	23550.24	42505.02
Profit before Interest, Depreciation and Tax	9170.91	6108.00	11844.27
Less:			
- Interest and Finance Charges	457.60	376.80	532.09
- Depreciation	1646.89	976.07	1777.96
Profit before Tax	7066.42	4755.13	9534.22
Less: Provision for Taxation			
- Current	2450.00	1520.00	2450.00
- Deferred	(130.91)	(133.89)	(130.91)
- Fringe Benefit	40.00	20.00	40.00
<b>Profit after Tax</b>	<b>4707.33</b>	<b>3349.03</b>	<b>7175.13</b>
Balance brought forward	2911.40	1377.73	2911.40
Less: Prior Period Expenses and Tax of earlier years	(1.93)	111.97	(1.93)
Available for appropriation	7620.66	4614.79	10088.46
<b>Appropriations</b>			
Proposed Dividend	976.10	616.88	976.10
Tax on Dividend	165.89	86.52	165.89
Transfer to Capital Reserve	1015.22	-	-
Transfer to General Reserve	1000.00	1000.00	1000.00
Balance carried forward	4463.45	2911.40	7946.47
Earnings Per Share* (Basic) (in Rs.)	25.58	24.37	39.00
Earnings Per Share* (Diluted) (in Rs.)	25.58	24.37	39.00

\* Calculated on weighted average number of shares.

**DIVIDEND :**

Your Directors have recommended a dividend of Rs. 5 per equity share (last year Rs. 3.50 per equity share) on the expanded capital, for the financial year ended 31<sup>st</sup> March, 2007. If approved, by the shareholders at the ensuing Annual General Meeting, the dividend will absorb Rs. 1141.99 Lacs inclusive of Dividend Distribution Tax to be borne by the Company.

The dividend payout for the year under review has been recommended keeping in mind the Company's past practice of payment of dividend and keeping in view the Company's need for capital and growth plans.

**CURRENT YEAR NOT COMPARABLE WITH THE PREVIOUS YEAR :**

During the year in order to comply with the advice of the Reserve Bank of India, the Company has sold all the fixed assets of its branch at Dubai to EKC International FZE, the wholly owned subsidiary of the Company on 1<sup>st</sup> November, 2006 after obtaining necessary approvals.

Accordingly, the figures of the standalone accounts include the working of Dubai Branch only upto 31<sup>st</sup> October, 2006.

**PREFERENTIAL ALLOTMENT :**

During the year under review, your Company has raised around Rs. 92 crores by allotting 18,96,900 equity shares on a preferential basis to M/s. Brightwill Limited at Rs. 485/- per equity share (including a premium of Rs. 475/- per share) on 3<sup>rd</sup> November, 2006. The Objects of the offer were to (a) finance the expansion plans of the Company in India and U.A.E. and (b) part funding for setting up a Greenfield project in China.

**RESULTS OF 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 to 4,71,873 nos. as against 3,61,041 nos. in the previous year. Sales increased to a level of Rs. 425.05 crores as compared to Rs. 235.50 crores in the previous year, registering an impressive growth of 80% mainly aided by improved CNG cylinder sales leading to a better product mix.

The year under review also saw export revenues grow by 99% from a level of Rs. 111.64 crores in the previous year to a level of Rs. 222.49 crores mainly from the Dubai unit. Profit before Tax was at Rs. 95.34 crores as against Rs. 47.55 crores registering an increase of 100%. Profit after Tax was at Rs. 71.75 crores which is higher by 114% 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 :**

The year under review witnessed significant growth in the market for high pressure gas cylinders especially of the CNG variety. The Company has accordingly taken steps to consolidate its business both in India and the overseas markets. The Company has embarked on a global expansion plan as per which it is doubling its existing capacity in Dubai and is setting up a Greenfield project in China for the manufacture of high pressure seamless gas cylinders. Production at both these facilities is expected to commence during the financial year 2007-08. Further, ramping up of the production facility at Gandhidham is happening steadily and your Company expects to significantly improve its capacity utilization in the financial year 2007-08.

**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 :**

During the year under review, your Company has formed two wholly owned subsidiary companies, viz., EKC International FZE in Dubai and EKC Industries (Tianjin) Ltd. in People's Republic of China.

The statement pursuant to Section 212 of the Companies Act, 1956, containing details of the two subsidiaries is attached.

In terms of approval granted by the Central Government under Section 212(8) of the Companies Act, 1956, copy of the Balance Sheet, Profit and Loss Account, Reports of the Board of Directors and Auditors of the two subsidiaries have not been attached with the Balance Sheet of the Company. These documents will be made available upon request by any Member of the Company interested in obtaining the same. Further, pursuant to Accounting Standard AS-21 issued by the Institute of Chartered Accountants of India, Consolidated Financial Statements presented by the Company includes financial information of its subsidiaries.

**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.

**FIXED DEPOSITS :**

The Company has not accepted any fixed deposits during the year under review.

**DIRECTORS :**

Pursuant to the provisions of Section 260 of the Companies Act, 1956 and Article 125 of the Articles of Association of the Company, Ms. Josephine Price was appointed as an Additional Director on the Board of the Company w.e.f. 3<sup>rd</sup> November, 2006. She has been nominated as Director by M/s. Brightwill Limited, the allottee of 18,96,900 Equity Shares at Rs. 485/- each in terms of Clause 8.1 of the Investment Agreement entered into by the Company with the said M/s. Brightwill Limited.

Ms. Josephine Price would hold office up to the date of the ensuing Annual General Meeting. The Company has received a notice in writing from a member proposing the candidature of Ms. Josephine Price for the office of Director liable to retire by rotation.

Mr. Shyam Sunder Khurana resigned as Whole - Time Director of the Company w.e.f 3<sup>rd</sup> November, 2006. However, he continues to remain associated with the Company as Senior President. He is in charge of the Delhi operations of the Company.

As per the provisions of the Articles of Association of the Company, Mr. Shailesh Haribhakti, Mr. Mohan Jayakar and Mr. Krishen Dev retire by rotation and being eligible offer themselves for re-appointment at this Annual General Meeting. The Board of Directors have also recommended their re-appointment for consideration of the shareholders.

Brief resume of the Directors proposed to be appointed/reappointed, nature of their expertise in specific functional areas and names of public limited companies in which they hold directorships and memberships/chairmanships of Board Committees, as stipulated under Clause 49 of Listing Agreements with the Stock Exchanges in India, are provided in the Report on Corporate Governance forming part of the Annual Report.

**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.

**CONSOLIDATED FINANCIAL STATEMENTS :**

In accordance with the Accounting Standard AS-21 on Consolidated Financial Statements, your Directors provide the audited Consolidated Financial Statements in the Annual Report.

**AUDITORS AND AUDITORS' REPORT :**

M/s. C. D. Pasad & Co., Statutory Auditors and M/s. Arun Arora & Co., Branch Auditors hold office until the conclusion of the ensuing Annual General Meeting and are eligible for reappointment.

However, M/s. C.D. Pasad & Co., have expressed their unwillingness to be reappointed as statutory auditors of the Company. M/s. Dalal & Shah have consented to act as the statutory auditors of the Company. The Company has received letters from M/s. Dalal & Shah and M/s. Arun Arora & Co. to the effect that their appointment if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956 and that they are not disqualified within the meaning of Section 226 of the said Act.

Members are requested to consider their appointment on a remuneration to be decided by the Board of Directors thereof for the ensuing financial year i.e. 2007 - 2008.

The Notes on Accounts referred to in the Auditors' Report are self-explanatory and therefore do not call for any further comments.

#### **MANAGEMENT DISCUSSION AND ANALYSIS REPORT :**

Management Discussion and Analysis Report for the year under review, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges in India, is presented in a separate section forming part of the Annual Report.

#### **CORPORATE GOVERNANCE :**

Your Company is committed to achieving the highest standards of Corporate Governance. Accordingly, your Board functions as trustees of the shareholders and seeks to ensure the long term economic value for its shareholders while balancing the interest of the stakeholders. A separate section on Corporate Governance standards followed by your Company as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, is presented in a separate section forming part of the Annual Report.

Certificate from the Auditors of the Company, M/s. C. D. Pasad & Co., confirming compliance of conditions of Corporate Governance as stipulated under the aforesaid Clause 49, is annexed to the Report on Corporate Governance.

#### **ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:**

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 thereto as "Annexure A" and forms part of this report.

#### **PARTICULARS OF EMPLOYEES :**

The Company enjoyed cordial relations with the employees during the year under review and the Management appreciates the employees of all cadres for their dedicated services to the Company.

Particulars of employees, as required under Section 217(2A) of The Companies Act, 1956 are annexed thereto as "Annexure B" and form part of this report.

#### **ACKNOWLEDGEMENTS AND APPRECIATION :**

Your Directors take this opportunity to thank the Company's customers, shareholders, suppliers, bankers, financial institutions and Government authorities for their consistent support to the Company. The Directors also wish to place on record their appreciation to employees at all levels for their hard work, dedication and commitment.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

P. K. KHURANA  
CHAIRMAN & MANAGING DIRECTOR

PLACE : MUMBAI  
DATE : 21<sup>ST</sup> MAY, 2007

## 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 :

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, Gandhidham and Dubai (upto 31<sup>st</sup> October, 2006).

## a) Power and Fuel consumption :

Electricity purchased	Current Year	Previous Year
(1) Units (kwh in lacs)	174.10	134.80
(2) Total Amount (Rs. In lacs)	787.72	456.83
(3) Rate per Unit (Rs.)	4.52	3.39
b) Consumption per unit of production: Electricity (kwh/MT)	761.89	774.59

## 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 :

Activities relating to export, initiatives to increase exports, developments of new export markets for products and export plan.

The Company has continued to maintain focus and avail of export opportunities based on economic considerations. During the year the Company has exports (FOB value) worth Rs. 135.05 crores.

- (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	110.43	165.66
II. Foreign Exchange earned	13505.64	11164.34

### 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 31<sup>st</sup> March, 2007.

Sr. No.	Name of Employee	Qualification	Designation	Remuneration (Rs.)	Date of commencement of employment	Age	Experience	Particulars of previous employment
1.	Mr. P. K. Khurana	B.A, L.L.B.	Chairman & Managing Director	169.48 lacs	01.08.1978	66	46	Industrialist
2.	Mr. Pushkar Khurana*	B.Com	Whole - Time Director	45.21 lacs	12.09.1994	35	13	First Employment
3.	Mr. Puneet Khurana	B.Com, MBA	Whole - Time Director	30.78 lacs	15.04.1996	33	11	First Employment
4.	Mr. P. M. Samvatsar	B.E., Diploma in Business Management	Whole - Time Director	26.95 lacs	17.08.1985	55	35	Pembril Fluidrive Limited- a Greaves Cotton group company

\* Remuneration paid for the period 1<sup>st</sup> April, 2006 to 31<sup>st</sup> October, 2006.

#### NOTES :

- 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.
- 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, etc. and monetary value of perquisites as per Income Tax Rules.
- Relatives of Directors :  
Mr. P. K. Khurana, Chairman and Managing Director and Mr. Puneet Khurana, Whole - Time Director and Mr. Pushkar Khurana, Whole - Time Director are related to each other. None of the other employees except Mr. Shyam Sunder Khurana and Mr. Varun Khurana are related to any Director of the Company.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

P. K. KHURANA  
CHAIRMAN & MANAGING DIRECTOR

PLACE : MUMBAI  
DATE : 21<sup>ST</sup> MAY, 2007



## MANAGEMENT DISCUSSION & ANALYSIS

### Your Company

Your Company ("EKC") is the largest domestic manufacturer of high pressure seamless gas cylinders. The main products manufactured by EKC are:

1. High pressure seamless industrial cylinders
2. High pressure seamless CNG cylinders
3. High pressure seamless CNG cylinder cascades

### Strategy :

EKC's strategy is to sustain its leadership position across its product categories in the domestic markets, pursue attractive export opportunities, implement vertical integration, access cutting-edge technologies, achieve economies of scale, focus on prudent financial management and invest in high growth opportunities. EKC has grown by setting up global scale, world class projects, scaling them up to meet local and global demand and developing a large pool of qualified and skilled manpower. EKC will continue its business strategy of building and creating value for all its stakeholders.

### Industry Structure - General

#### Industrial gas cylinders :

Industrial gas cylinders are used in various industries ranging from food, medical, fire fighting and for other industrial purposes and come in a variety of configurations and sizes.

#### CNG Cylinders :

CNG segment in India is still at a nascent stage of development vis – a – vis some other countries. However, India is on the threshold of witnessing a strong growth in the usage of CNG. Cost economics, rising awareness, improving refueling infrastructure, need for a cleaner environment and visibility of gas supplies should see CNG penetration on an accelerated trajectory in India, thereby boosting demand for CNG cylinders. There is also a surge in demand for CNG cylinders globally.

#### CNG cylinder cascades :

With more and more states announcing plans for making gas available in their respective states, there is likely to be more demand for creating the necessary infrastructure for gas availability. This is likely to push the demand for cascades in the coming years in India.

### Industry Structure - Specific to EKC

#### Industrial gas cylinders :

EKC manufactures a wide range of cylinders for industrial and medical gases, fire fighting and welding equipment, the beverage industry and several other applications. Higher industrial activity in India – driven by the current infrastructure boom is likely to generate strong demand for industrial gas cylinders from chemical and welding industries. The increase in health expenditure by the government in rural and semi urban areas is also likely to boost demand for medical cylinders.

EKC also manufactures tailor – made cylinders used in defence, scientific research and aeronautics. The rapid indigenization programs initiated by the government to reduce dependence on imports are providing fillip to the usage of such cylinders.

#### **CNG Cylinders :**

EKC has about 85% of the market share in the CNG cylinders in India. EKC caters to the leading automobile manufactures in the market and manufactures cylinders for different kinds of vehicles. In the automobile sector, OEM's and retrofitters are the major customers of EKC's CNG cylinders. EKC is gradually increasing its capacity and has now entered the global markets.

#### **CNG cylinder cascades :**

EKC also manufactures CNG cylinder cascades. With the expansion of CNG infrastructure in India, the Company is expected to receive several orders for the manufacture of CNG storage cascades.

### **Opportunities and Challenges**

#### **Opportunities :**

EKC will capture the growth opportunities by penetrating the growing natural gas markets in the country. EKC will continue to maintain its leadership position in the Indian cylinder industry.

#### **1. Key beneficiary of the structural upswing in the use of CNG**

EKC is the key beneficiary of the growing usage of CNG vehicles in India and abroad. The CNG friendly government policies, awareness for the cleaner environment and cost economies are the key drivers for the increased usage of CNG vehicles. With the expansion of the city gas distribution networks and strengthening CNG infrastructure in India, demand for CNG cylinders will sustain its current growth momentum. The Supreme Court's mandate for 28 cities to shift to CNG has benefited the Company to a great extent. As on date, many cities are yet to comply with the Supreme Court mandate and they are expected to do so in coming years when gas availability and infrastructure creation for gas distribution would improve.

#### **2. EKC enjoys economies of scale**

EKC's existing manufacturing facilities are already fully utilising their capacities except at the new plant at Gandhidham where production started only a year back. The facility at Gandhidham is expected to ramp up its operations in the financial year 2007-08. Upcoming facility in China would give EKC the much needed edge over its peers in India and abroad.

#### **3. Increase in exports**

EKC currently exports to Iran, Pakistan, Bangladesh, Thailand, Malaysia and CIS countries.

#### **4. Supply Chain and customers**

The Company maintains cordial business relationships with its value chain partners, such as its key raw material suppliers, gas retailers, OEMs and regulatory authorities like The Chief Controller of Explosives (CCE), Bureau of Indian Standards (BIS).

## 5. Expansion

The fixed assets of the Company's branch in Dubai were sold to EKC International FZE, the wholly owned subsidiary of the Company during the year. This unit would cater to the growing demand from South East Asia, Middle East and CIS countries. The subsidiary is now in the process of doubling its capacity from 96,000 cylinders to 1,96,000 cylinders.

The Company has also formed another wholly owned subsidiary, EKC Industries (Tianjin) Ltd. in People's Republic of China which is in the process of setting up a Greenfield cylinder manufacturing plant.

## 6. Low degree of competition

The high pressure gas cylinder is marked by fairly low degree of competition both locally and internationally. EKC controls almost 80% of the market share locally. EKC's economies of scale, operational excellence and well crafted business strategies have enabled it to retain its leadership in the industry.

### Challenges :

#### 1. Highly regulated Industry

Globally a number of countries have adopted different standards for CNG cylinders. Cylinders manufactured locally or imported into India have to be tested in accordance with the standards laid down by the Bureau of Indian Standards and approved by the Chief Controller of Explosives, Government of India. The Government has also framed the Gas Cylinders Rules, 2004, bringing under its purview the design and manufacture of cylinders.

For the export market, cylinder manufacturers have to comply with the norms prevailing in the importing countries. Various countries have an apex body for laying down the applicable standards for the manufacture of high pressure gas cylinders.

#### Company's Perspective :

The regulation at EKC International FZE, Dubai is carried out by global agency, SGS. EKC has numerous quality certifications and a strong safety track record (which are of paramount importance in a highly regulated market).

#### 2. Raw material intensive industry

Manufacture of high pressure gas cylinders is significantly raw material intensive, i.e., seamless steel pipe is the single most important raw material used in the manufacture of cylinders. Since the quality of cylinders produced is directly determined by the quality of seamless tubes used, selection of appropriate tubes is of paramount importance in the industry.

#### Company's Perspective :

Raw material accounts for about 75% of the total direct costs. EKC has strong relationships on the raw material supply side, which is dominated by very few large global players.

**Industry Structure - EKC :**

EKC is uniquely positioned to capture the significant growth potential for the market for high pressure gas cylinders, driven largely by increasing CNG penetration both domestically and abroad.

EKC benefits from being the only incumbent of meaningful size in terms of facilities for the manufacture of cylinders. This coupled with strong relationships on the raw material supply side, quality certifications in multiple countries and a strong safety track record which are of paramount importance in a highly regulated market.

The growth in the demand for industrial gas cylinders will remain robust driven by the strong growth outlook for the Indian economy.

**Adequacy of Internal Control :**

Your Company maintains a system of strict internal controls, including suitable monitoring procedures. The Company has a good internal control system for tendering and pricing, finalisation of purchases, proper safeguarding of all its assets and other important functional areas. The internal control system is properly supplemented by a program of internal audit which is conducted by an independent firm of chartered accountants. Significant issues are brought to the attention of the Audit Committee. The internal controls and internal audit existing in the Company are considered to be adequate vis-à-vis the business requirements.

**Financial Performance vis-à-vis Operational Performance :**

The good financial performance of your Company has been reflective of the excellent operational results achieved by the Company. During the year, EKC continued to post impressive financial numbers. The consolidated turnover for the year increased by 80 per cent from Rs. 235.50 crores to Rs. 425.05 crore. And the consolidated profit after tax was at Rs. 71.74 crores as against Rs. 33.49 crores which is higher by 114%.

**Human Resources and Industrial Relations :**

Occupational Health, Safety and Environment Management are given the utmost importance in your Company. In-house training programs for its employees to upgrade their operating skills are conducted at regular intervals. The relations between the Company and the employees were cordial and the Company experienced peace and harmony throughout the year. As on 31<sup>st</sup> March, 2007, the employee strength, excluding trainee officers, employees on probation and consultants was around 500. The Company has drawn up plans to recruit proven senior cadre professionals in operations and business development who would provide able management support in its endeavor to scale greater heights.

**Forward - Looking Statements :**

This report describing the Company's activities, projections about the future, estimates, assumptions with regard to global economic conditions and government policies, etc maybe forward-looking statements based upon the information available with the Company. The Company cannot guarantee that these assumptions and expectations are accurate or will be realized. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent developments, information or events.

## REPORT ON CORPORATE GOVERNANCE

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

### CORPORATE GOVERNANCE PHILOSOPHY :

The Company had proactively adopted the principles of Corporate Governance much before it became mandatory for the Company to follow them. Transparency, fairness, disclosure and accountability – the four pillars of corporate governance have always been central to the working of the Company, its management and its board of directors. The Company strives to satisfy the spirit of the law and not just the letter of the law as corporate governance standards should go beyond the law. The Company believes that all its actions must serve the underlying goal of enhancing overall shareholder value over a sustained period of time and sound corporate governance is critical to enhance and retain investor trust.

### BOARD OF DIRECTORS :

The Company recognizes the need and importance of having a strong and broad based Board and hence has maintained an optimum combination of Executive and Non-Executive Directors. The Board consists of ten Directors, out of which six are Non – Executive. Five out of the six Non – Executive Directors are Independent. The Board believes that its current composition is appropriate to maintain the independence of the Board and to separate the Board functions of Governance and Management. All Non – Executive Directors are persons of eminence who not only bring a wide range of experience and expertise, but also impart the desired level of independence to the Board.

### BOARD MEETINGS :

Agenda and detailed Notes on Agenda are circulated at least 7 days in advance to all the Directors. All material information is incorporated in the Agenda papers for facilitating meaningful and focussed discussions at the meeting. Where it is not practicable to attach any document to the Agenda, the same is tabled before the meeting with specific reference to this effect in the Agenda.

During the year under review, seven Board meetings were held during the year, as against the minimum requirement of four meetings. The dates on which the meetings were held are 17<sup>th</sup> May, 2006, 26<sup>th</sup> July, 2006 (coinciding with last year's Annual General Meeting of the shareholders), 8<sup>th</sup> September, 2006, 21<sup>st</sup> September, 2006, 20<sup>th</sup> October, 2006 (coinciding with Extraordinary General Meeting of the shareholders), 3<sup>rd</sup> November, 2006 and 23<sup>rd</sup> January, 2007. The Company has held at least one Board meeting in every quarter and the maximum time gap between any two meetings was not more than four months.

Attendance of Directors at Board Meetings, last Annual General Meeting and number of other Directorships and Chairmanships / Memberships of Committees of each Director in various companies :

Name	Category	No. of Board Meetings held during tenure	Attendance Particulars		No. of other Directorships and Committee Memberships / Chairmanships		
			Board Meetings	Last AGM 26 <sup>th</sup> July, 2006	Directorships	Committee Memberships	Committee Chairmanships
Mr. P. K. Khurana	Promoter, Executive Chairman	7	7	Yes	1	None	None
Mr. Shyam Sunder Khurana*	Executive	6	1	Yes	1	None	None
Mr. Pushkar Khurana**	Promoter, Executive	7	1	No	1	None	None
Mr. Puneet Khurana	Promoter, Executive	7	7	Yes	1	None	None
Mr. P. M. Samvatsar	Executive	7	6	Yes	None	None	None
Mr. Krishen Dev	Independent, Non-Executive	7	6	No	1	1	None
Mr. Shailesh Haribhakti	Independent, Non-Executive	7	6	Yes	14	5	4
Mr. Mohan Jayakar	Independent, Non-Executive	7	4	Yes	3	2	None
Mr. Naresh Oberoi	Independent, Non-Executive	7	5	Yes	1	None	None
Mr. Vyomesh Shah	Independent, Non-Executive	6	3	Yes	13	2	1
Ms. Josephine Price***	Non-Independent, Non-Executive	1	1	N.A.	4	3	None

\* Mr. Shyam Sunder Khurana, stationed at Delhi resigned as the Whole - Time Director of the Company w.e.f. 3<sup>rd</sup> November, 2006. However, Mr. Shyam Sunder Khurana continues to be associated with the Company as Senior President.

\*\* Stationed at Dubai.

\*\*\* Ms. Josephine Price was appointed as an Additional Director on the Board of the Company w.e.f. 3<sup>rd</sup> November, 2006. She has been nominated as Director by M/s. Brightwill Limited, the allottee of 18,96,900 Equity Shares at Rs. 485/- each in terms of Clause 8.1 of the Investment Agreement entered into by the Company with the said M/s. Brightwill Limited.

**Note:**

1. The Directorships held by Directors as mentioned above, do not include Alternate Directorships and Directorships of Foreign Companies, Section 25 Companies and Private Limited Companies.
2. Only audit committee and the shareholders' grievance committee are considered for the purpose of committee positions as per the listing agreement.

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).

**Details of the Directors Seeking appointment / re-appointment at the forthcoming Annual General Meeting :****Ms. Josephine Price**

Ms. Josephine Price, aged 53 years is BA Hons (Law) from the University of Kent. She has been appointed as a representative of M/s. Brightwill Limited, the allottee of 18,96,900 equity shares of the Company. Ms. Josephine Price is an Admitted Solicitor, England and Wales and Admitted Solicitor, Hong Kong. Ms. Josephine Price is on the Board of the following Public Limited Companies, viz., Jyothy Laboratories Limited, VLCC Health Care Limited (alternate director), Apar Industries Limited, Havells India Limited and Sanghvi Movers Limited. Ms. Josephine Price does not hold any shares in the Company.

Ms. Price is the member of the Audit Committee of Jyothy Laboratories Limited, Apar Industries Limited and Sanghvi Movers Limited.

**Mr. Shailesh Haribhakti**

Mr. Shailesh Haribhakti, aged 51 years is the Managing Partner of Haribhakti & Co., Chartered Accountants and CEO of Haribhakti Group. He is the only Indian Member on the Standards Advisory Council of the International Accounting Standards Board. He is Chairman, Financial Planning Standards Board, India and serves on Financial Planning Standards Global Board. He is a Member of the 'Takeover Panel' constituted by SEBI, is a member of the SEBI Committee on Disclosures and Accounting Standards and Convergence Committee of the Institute of Chartered Accountants of India (ICAI).

Mr. Haribhakti is on the Board of the following Public Limited Companies, viz., Indian Petrochemicals Corporation Limited, Kotak Mahindra Private Equity Trustees Limited, Pantaloon Retail (India) Limited, Gujarat Ambuja Cement Limited, Bihar Caustics and Chemicals Limited, Mahindra Gesco Developers Limited, Morarjee Textiles Limited, Fortune Financial Services (India) Limited, Hercules Hoists Limited, The Associated Cement Companies Limited, Akruiti Nirman Limited, Blue Star Limited, Hexaware Technologies Limited, Great Offshore Limited, Valecha Engineering Limited (alternate director).

Mr. Haribhakti is the Chairman of the Audit Committee of Pantaloon Retail (India) Limited, Morarjee Textiles Limited, Hexaware Technologies Limited, Akruiti Nirman Limited and a member of the Audit Committee of Mahindra Gesco Developers Limited, Blue Star Limited, The Associated Cement Companies Limited, Indian Petrochemicals Corporation Limited and Gujarat Ambuja Cement Limited.

Mr. Haribhakti does not hold any shares in the Company.

**Mr. Krishen Dev**

Mr. Krishen Dev, aged 68 years is a B. Tech – Hons. Mr. Krishen Dev is a Business Consultant. He has more than 4 decades of business and management experience. He was the CEO (1993-2000) and also Vice-President-Production (1969-1993) of Century Enka Ltd. He was President (Business Development) in Reliance Industries Limited from July, 2000 to December, 2001. He has also been associated in a Joint Venture between a MNC and the B. K. Birla Group.

Mr. Krishen Dev is a Director and member of Audit Committee of JBF Industries Ltd.

Mr. Krishen Dev does not hold any shares in the Company.



### Mr. Mohan Jayakar

Mr. Mohan Jayakar, aged 56 years, is B.A., LL.B. Mr. Mohan Jayakar is a solicitor and an eminent lawyer. He has a vast experience of around 30 years in various aspects of law and specializes in customs, central-excite and foreign exchange matters, including Writs and Criminal procedures. He has been a member of the Managing Committee of CEGAT Bar Association. He has attended various corporate matters like Joint Ventures, Acquisitions, Mergers and has advised corporates in setting up entities in the Free Trade Zones in India and also worldwide.

Mr. Mohan Jayakar is on the Board of the following Public Limited Companies, viz., Photoquip India Ltd, Ez-Comm Trade Technologies Ltd, Satyagiri Shipping Company Ltd.

Mr. Mohan Jayakar is a Member of Audit Committee and Shareholders'/ Investors' Grievance Committee of Photoquip India Ltd.

Mr. Mohan Jayakar does not hold any shares in the Company.

### Mr. P. K. Khurana

Mr. P. K. Khurana, aged 66 years, is the Chairman and Managing Director of the Company. He is a Law and Arts Graduate. As a founder member of the Company, he has been responsible for its overall operations and growth since its inception in 1978. He has been instrumental in the development of the Company and has dealt with all the facets of its business ever since the Company was set up.

Mr. P. K. Khurana is also a Director of Everest Kanto Investment and Finance Limited.

Mr. P. K. Khurana holds 24,43,600 shares of the Company.

### Mr. Puneet Khurana

Mr. Puneet Khurana, aged 33 years, is a commerce graduate from Bombay University and has done a Masters in Business Administration (International Business) from European University, Montreux, Switzerland. He has cumulative experience of 11 years in the Company, including 6 Years as a Director. 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 business from Iran worth USD 10 million. He has also been involved in OEM product development from the design stage to production with Bajaj Auto Limited (autorickshaws)/ TATA Motors (Indica) and has finalised a joint venture with a Chinese company. 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 Director of the Company since 15<sup>th</sup> April 1996.

Mr. Puneet Khurana is also a Director of Everest Kanto Investment and Finance Limited.

Mr. Puneet Khurana holds 3,52,400 shares of the Company.

### COMMITTEES OF THE BOARD :

Currently, the Board has five committees, viz.,

1. The audit committee,
2. The shareholders' / investors' grievances redressal and share transfer committee,
3. The management committee,
4. The investment committee,
5. The remuneration committee.

The Board is responsible for constituting the committees and assigning, co-opting and fixing of terms of service for the members of the committee. The Chairman of the Board, in consultation with the Company Secretary and the Committee Chairman, determines the frequency of the committee meetings. Recommendations of the committee are submitted to the full Board for approval.

### AUDIT COMMITTEE :

The terms of reference to the Audit Committee cover the matters specified under Clause 49 of the Listing Agreement as well as Section 292A of the Companies Act, 1956. The Audit Committee consists of three independent directors and one executive director.

The composition of the audit committee and attendance is as under:



Name	Designation in Audit Committee	No. of Audit Committee Meetings held during tenure	No. of Audit Committee Meetings attended
Mr. Shailesh Haribhakti	Chairman	4	4
Mr. Krishen Dev	Member	4	3
Mr. Vyomesh Shah*	Member	3	2
Mr. Puneet Khurana**	Member	3	3

\* Mr. Vyomesh Shah who was appointed as a director of the Company on 17<sup>th</sup> May, 2006 was inducted as a member of the Committee on 26<sup>th</sup> July, 2006.

\* Mr. Puneet Khurana was inducted as a member of the Committee with effect from 26<sup>th</sup> July, 2006.

All the members of the Audit Committee are financially literate. Mr. Shailesh Haribhakti, Chairman of the Audit Committee is a Chartered Accountant. Ms. Chanda Makhija, Company Secretary, is the Secretary to the Audit Committee.

In addition to the members of the Committee, the meetings are attended by the heads of the finance department, the internal and statutory auditors. The main function of the Audit Committee is to provide the Board of Directors of the Company with additional assurance as to reliability of financial information and statutory financial statements and as to the adequacy of internal accounting and control systems. It acts as a link between the management, statutory auditors, internal auditors and the Board of Directors. During the year under review, four meetings of the Audit Committee were held. The dates on which the meetings were held are 17<sup>th</sup> May, 2006, 26<sup>th</sup> July, 2006, 20<sup>th</sup> October, 2006 and 23<sup>rd</sup> January, 2007.

#### SHAREHOLDERS' / INVESTORS' GRIEVANCE REDRESSAL AND SHARE TRANSFER COMMITTEE :

The Committee, inter alia, approves issue of duplicate certificates and oversees and reviews all matters connected with transfer of securities of the Company. The Committee also looks into redressal of shareholders'/ investors' complaints related to transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends, etc. The Committee oversees performance of the Registrars and Transfer Agents of the Company. In addition the Committee looks into matters which can facilitate better investor services and relations.

During the year under review, three meetings of the Committee were held. The dates on which the meetings were held are 29<sup>th</sup> August, 2006, 20<sup>th</sup> October, 2006, 12<sup>th</sup> December, 2006.

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

Name	Designation in Committee	No. of Committee Meetings attended
Mr. Mohan Jayakar	Chairman	3
Mr. Puneet Khurana	Member	3
Mr. P. M. Samvatsar	Member	1

#### Name, Designation and address of the Compliance Officer :

Ms. Chanda Makhija  
 Company Secretary  
 501, Raheja Centre, Free Press Journal Marg,  
 214, Nariman Point, Mumbai 400 021.  
 Tel. : (022) 3028 9700 - 03  
 Fax : (022) 2287 0718 / 20  
 E-mail : investors@ekc.in

The total number of complaints received and replied to the satisfaction of shareholders during the year under review was 87. The complaints pending as on 31<sup>st</sup> March, 2007 were NIL. No requests for transfer and for dematerialization were pending for approval as on 31<sup>st</sup> March, 2007. Intime Spectrum Registry Ltd. (ISRL) has been appointed to act as Registrar and Share Transfer Agent of the Company.

The Committee expresses satisfaction with the Company's performance in dealing with investor grievances.

#### MANAGEMENT COMMITTEE :

The Board of Directors constituted a Management Committee on 26<sup>th</sup> July, 2006. The Management Committee comprises of exclusively executive directors.

The purpose of setting up the Committee was to expedite various day to day routine matters concerning the Company which need immediate intervention and approval to ensure smooth functioning of the Company. The Committee takes up only such matters which do not involve any financial commitment or liability on the part of the Company.

During the year under review, one meeting of the Committee was held on 12<sup>th</sup> February, 2007.

The composition of the management committee and attendance is as under:

Name	Designation in Management Committee	No. of Management Committee Meetings held during tenure	No. of Management Committee Meetings attended
Mr. P. K. Khurana	Chairman	1	1
Mr. Puneet Khurana	Member	1	1
Mr. P. M. Samvatsar	Member	1	1
Mr. Shyam Sunder Khurana*	Member	N.A.	N.A.

\* Resigned as a Director of the Company w.e.f 3<sup>rd</sup> November, 2006 and consequently ceased to be a member of the Management Committee.

#### INVESTMENT COMMITTEE :

The Board of Directors constituted an Investment Committee on 20<sup>th</sup> December, 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 are as under:

Name	Designation in Investment Committee
Mr. P. K. Khurana	Chairman
Mr. Puneet Khurana	Member
Mr. Shailesh Haribhakti	Member
Mr. Krishen Dev	Member

\* Investment Committee did not hold any meetings during 2006-2007.

#### REMUNERATION COMMITTEE :

The Remuneration Committee has been constituted to recommend / review remuneration of the Managing Director and Whole - Time Directors, based on their performance and defined assessment criteria. The remuneration policy of the Company is directed towards rewarding performance, based on review of achievements on a periodic basis. The remuneration policy is in consonance with the existing Industry practice.

Currently, the Committee consists of the following Directors :

Name	Designation in Remuneration Committee
Mr. Krishen Dev	Chairman
Mr. Mohan Jayakar	Member
Mr. Naresh Oberoi	Member
Mr. P. K. Khurana	Member

\* Remuneration Committee did not hold any meetings during 2006-2007.

The aggregate value of salary and perquisites including commission paid for the year ended 31<sup>st</sup> March, 2007 to the Managing Director and Whole - Time Directors is as follows:

(Rs. in Lacs)

Name of Director	Designation	Salary	Commission	Contribution to P.F.	Total
Mr. P. K. Khurana	Chairman & Managing Director	40.32	125.70	3.46	169.48
Mr. Shyam Sunder Khurana*	Whole - Time Director	7.06	—	0.60	7.66
Mr. Pushkar Khurana**	Whole - Time Director	45.21	—	—	45.21
Mr. Puneet Khurana	Whole - Time Director	28.50	—	2.29	30.79
Mr. P. M. Samvatsar	Whole - Time Director	24.27	—	2.66	26.93

\* Resigned w.e.f 3<sup>rd</sup> November, 2006.

\*\* Remuneration paid for the period 1<sup>st</sup> April, 2006 to 31<sup>st</sup> October, 2006.

The Non-Executive Directors are paid sitting fees at the rate of Rs. 20,000/- for attending each meeting of the Board and Rs. 10,000/- for attending each meeting of the Committees.

In respect of the financial year 2006 – 07, the following sitting fees were paid to the Non-Executive Directors.

Name	Sitting fees paid during the year (Rs.)		Total
	Board Meetings	Committee Meetings	
Mr. Shailesh Haribhakti	1,20,000	40,000	1,60,000
Mr. Krishen Dev	1,20,000	30,000	1,50,000
Mr. Naresh Oberoi	1,00,000	-	1,00,000
Mr. Mohan Jayakar	80,000	30,000	1,10,000
Mr. Vyomesh Shah	60,000	20,000	80,000
Ms. Josephine Price	20,000	-	20,000

There were no other pecuniary relationships or transactions of the Non-Executive Directors vis-à-vis the Company. The Company has not granted any stock option to any of its Directors.

**GENERAL BODY MEETINGS :**

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

Financial Year	Date	Time	Venue	Special Resolutions passed
2005 - 06	26 <sup>th</sup> July, 2006	3.00 p.m.	Y. B. Chavan Auditorium, General Jagannath Bhosle Marg, Nariman Point, Mumbai 400 021.	1. Further Issue of securities
2004-05	30 <sup>th</sup> September, 2005	2.00 p.m.	501, Raheja Centre, Free Press Journal Marg, 214, Nariman Point, Mumbai 400 021.	1. Amendment of Articles of Association 2. Keeping of Register of members and copies of Annual Returns at the office of Company's Registrars and Share Transfer Agent
2003-04	30 <sup>th</sup> September, 2004	3.30 p.m.	— do —	NIL

**Details of Extraordinary General Meetings held during the year :**

Sr. No.	Date	Time	Venue	Purpose
1	20 <sup>th</sup> October, 2006	4.00 p.m.	4 <sup>th</sup> Floor Convention Hall, Y. B. Chavan Centre, General Jagannath Bhosle Marg, Nariman Point, Mumbai - 400 021.	To issue 18,96,900 equity shares on preferential basis to M/s. Brightwill Limited
2	20 <sup>th</sup> December, 2006	4.00 p.m.	— do —	To amend the articles of association of the Company

**POSTAL BALLOT :**
**Ordinary Resolution passed during the financial year 2006-07 through the Postal ballot Procedure :**

Ordinary Resolution was passed under Section 293(1)(a) read with Section 192A of the Companies Act, 1956 and Companies (Passing of Resolutions by Postal Ballot) Rules, 2001 for getting the consent of the Shareholders for the sale of all the fixed assets of the Dubai unit of the Company to EKC International FZE, the wholly owned subsidiary of the Company.

**Person who conducted the Postal Ballot Exercise :**

Mr. S. N. Ananthasubramanian, a practising Company Secretary, Mumbai as Scrutinizer conducted the Postal Ballot exercise.

**Postal Ballot during the current year :**

For the financial year 2007-08, if resolutions are to be passed through the Postal Ballot procedure, those will be taken up at the appropriate time.

**Procedure of Postal Ballot :**

A Postal Ballot Form was sent to all the Shareholders along with Notice dated 7<sup>th</sup> October, 2006 and the Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, for obtaining the approval of the Members.

The Board of Directors appointed Mr. S. N. Ananthasubramanian, a practicing Company Secretary, Mumbai as Scrutinizer for conducting the Postal ballot process. Members were requested to carefully read the instructions appearing in the Postal Ballot Form before recording their assent or dissent therein and return the said Form duly completed, in original, in the attached postage pre-paid envelop so as to reach the Scrutinizer on or before 9<sup>th</sup> November, 2006. Upon the receipt and completion of the scrutiny of the Forms, the Scrutinizer submitted his report to the Chairman of the Board. As specified in the Notice the results of the Postal Ballot were announced by the Chairman of the Company on 13<sup>th</sup> November, 2006 at 4.00 p.m. at the Registered Office of the Company at 501, Raheja Centre, Free Press Journal Marg, 214, Nariman Point, Mumbai 400 021.

Summary of the results announced by the Chairman of the Company on 13<sup>th</sup> November, 2006 on the Postal Ballot Forms received is as follows :

Sr. No.	Particulars	No. of Postal Ballot forms	No. of Shares	% of total paid up Equity Capital
A	Valid postal ballot forms	428	1,32,94,077	75.43
B	Postal ballot forms with assent for the Resolution	410	1,32,92,230	75.42
C	Postal ballot forms with dissent for the Resolution	18	1,847	0.01

**Analysis of Votes Cast**

Particulars	Number of Ballot forms	Number of Votes	Percentage
ASSENT	410	1,32,92,230	99.99
DISSENT	18	1,847	0.01
Total	428	1,32,94,077	100.00

**DISCLOSURES :**

Disclosures on materially significant related party transactions that may have potential conflict with the interests of the Company at large.

None of the transactions with any of the related parties were in conflict with the interest of the Company. Attention of Members is drawn to the disclosures of transactions with the related parties set out in Notes on Accounts – Schedule 'S', forming part of the Annual Report. The Company's major related party transactions are generally with its Subsidiaries and Associates. The related party transactions are negotiated on arms length basis and are only intended to further the interests of the Company.

Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchanges or SEBI, or any other statutory authority, on any matter related to capital markets, during the last three years.

There has been no instance of non-compliance by the Company on any matter related to capital markets during the last three years and hence no penalties or strictures have been imposed on the Company by the Stock Exchanges or SEBI or any other statutory authority.

**WHISTLE BLOWER MECHANISM :**

Whistle blower mechanism forms a part of the Code of Conduct and Ethics for its Board and Senior Management Personnel. The Company encourages an Open door policy, where employees have free access from the level of the immediate reporting authority upto that of the Managing Director, to report any unethical behaviour or non-adherence to the Company's code of conduct.

**AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE :**

Clause 49 of the Listing Agreement mandates us to obtain a certificate from either the auditors or practicing company secretaries regarding compliance of conditions of corporate governance as stipulated in the Clause. We have obtained a certificate to this effect from M/s. C.D. Pasad & Co., statutory auditors of the Company and the same is given as annexure to this Report.

**COMPLIANCE WITH NON-MANDATORY REQUIREMENTS OF CLAUSE 49 OF THE LISTING AGREEMENT :**

Clause 49 of the Listing Agreement states that the non-mandatory requirements may be implemented as per the discretion of the Company. The Company complies with the following Non-mandatory requirements stipulated under Clause 49.

**REMUNERATION COMMITTEE :**

The Company has constituted Remuneration Committee to recommend / review remuneration of the Managing Director and Whole - Time Directors based on their performance and defined assessment criteria.

**AUDIT QUALIFICATION :**

Company is in the regime of unqualified financial statements.

**BOARD MEMBERS :**

Currently the Company is developing a suitable process for assessing the effectiveness of the Board and the Committees.

**MEANS OF COMMUNICATION :**

- **Quarterly Results:** Quarterly Results are published in 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](http://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.
- **Website:** The Company's website [www.everestkanto.com](http://www.everestkanto.com) contains a separate dedicated section 'Investor Relations' where shareholders information is available. Full Annual Reports for the financial years 2004-05 and 2005-06 and Code of Conduct and Ethics for Board of Directors and Senior Management Personnel are also available on the website in a user friendly and downloadable form.
- **Annual Report:** Annual Report containing inter alia Audited Annual Accounts, Consolidated Financial Statements, Directors' Report, Auditors' Report and other important information is circulated to Members and others entitled thereto. The Management's Discussion and Analysis (MD&A) Report forms part of the Annual Report.
- **SEBI EDIFAR:** Annual Report, Quarterly Results, Corporate governance report, Shareholding Pattern etc. of the Company are also posted on the SEBI EDIFAR website [www.sebiedifar.nic.in](http://www.sebiedifar.nic.in).

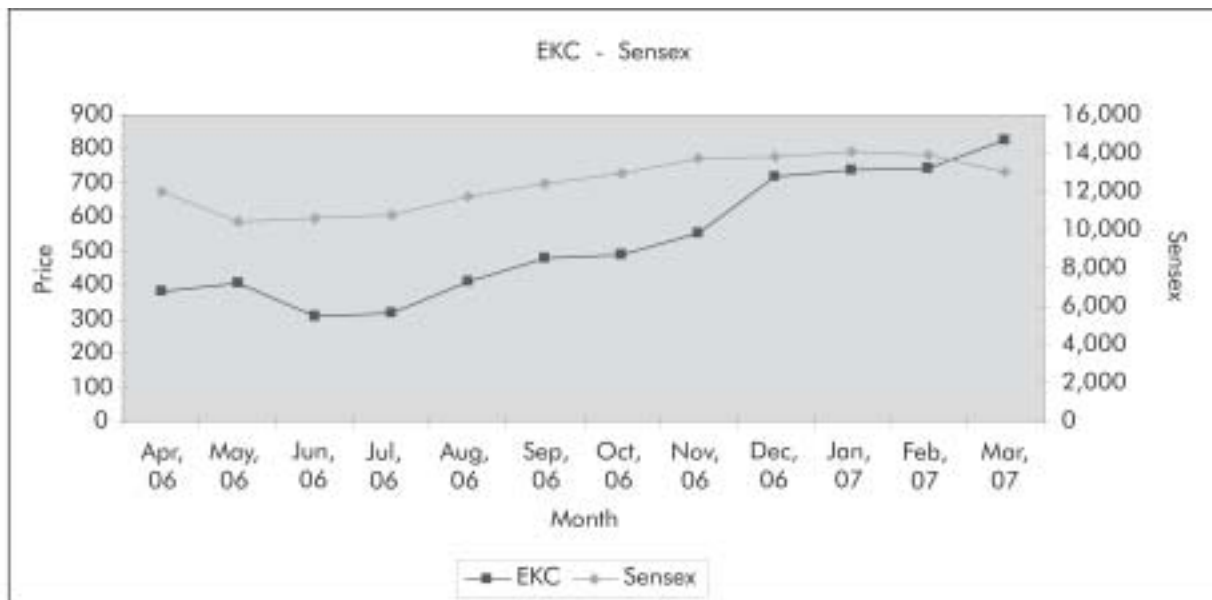
**GENERAL SHAREHOLDER INFORMATION :**

- i. **28<sup>th</sup> Annual General Meeting :**  
**Date and Time:** Tuesday, 3<sup>rd</sup> July, 2007 at 4.00 p.m.  
**Venue:** M.C. Ghia Hall, Bhogilal Hargovindas Building, 2<sup>nd</sup> Floor, 18/20, Kaikhushru Dubash Marg, Mumbai – 400 001.
  
- ii. **Financial Calendar (tentative and subject to change) :**  
**Results for the quarter ending 30<sup>th</sup> June, 2007**  
Last week of July, 2007  
**Results for quarter ending 30<sup>th</sup> September, 2007**  
Last week of October, 2007  
**Results for quarter ending 31<sup>st</sup> December, 2007**  
Last week of January, 2008  
**Results for year ending 31<sup>st</sup> March, 2008**  
Last week of May, 2008  
**Annual General Meeting**  
July, 2008
  
- iii. **Book Closure Period :**  
Saturday, 30<sup>th</sup> June, 2007 to Tuesday, 3<sup>rd</sup> July, 2007 (both days inclusive)
  
- iv. **Dividend Payment Date :**  
9<sup>th</sup> July, 2007.
  
- v. **Listing of Equity Shares on Stock Exchanges :**  
The Bombay Stock Exchange Limited (BSE)  
Phrioze Jeejeebhoy Towers,  
Dalal Street, Mumbai - 400 001.  
  
National Stock Exchange of India Limited (NSE),  
“Exchange Plaza”  
Bandra-Kurla Complex  
Bandra (E), Mumbai 400 051.
  
- vi. **Payment of Listing Fee**  
Annual listing fee for the year 2007-08, (as applicable) has been paid by the Company to BSE and NSE.
  
- vii. (a) **Stock Code**  
Scrip Code on BSE is ‘532684’  
Trading Symbol on NSE is ‘EKC EQ’  
  
(b) **Demat ISIN in NSDL & CDSL for Equity Shares**  
ISIN – INE184H01019

**viii. High/Low of Market Price Data**

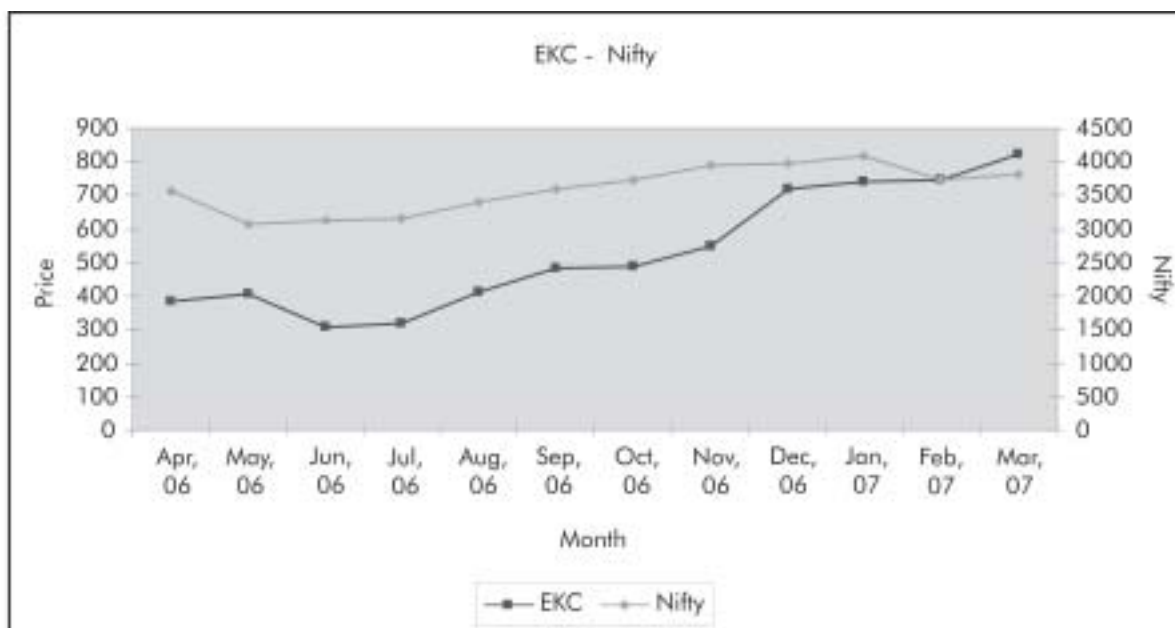
Month	BSE			NSE		
	High	Low	Volume	High	Low	Volume
April, 2006	431.70	303.95	600228	429.90	355.75	690172
May	465.00	342.35	583127	468.40	377.00	774270
June	419.00	274.00	212289	414.00	251.00	352303
July	341.90	269.40	232920	345.00	265.00	351646
August	460.50	311.10	4269537	460.15	305.15	6300393
September	518.80	405.60	7813130	519.00	404.25	13869492
October	507.00	453.00	2152418	506.80	452.25	3630798
November	567.00	455.00	3165585	565.30	452.00	5020907
December	760.00	550.00	7908155	759.00	550.10	12126697
January, 2007	808.45	679.75	4165688	809.40	678.60	6567571
February	907.00	702.00	2480682	905.95	700.00	4227347
March	905.00	720.00	1240718	908.00	715.10	1693976

Source: BSE & NSE website

**ix. Share Performance of the Company in comparison to:**
**a) BSE Sensex :**




## b) NSE Nifty



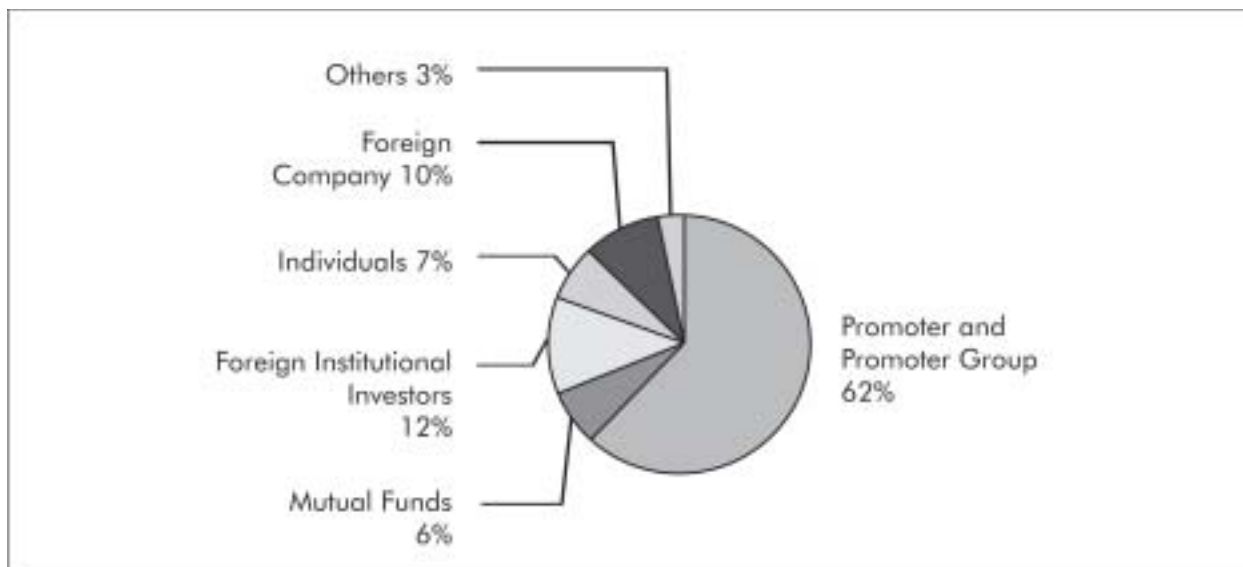
Source: BSE & NSE website

x. (a) Distribution of shareholding as on 31<sup>st</sup> March, 2007

Category of Shareholder	Number of shares	% of Shareholding
Shareholding of Promoter and Promoter Group	120 67 000	61.81
Mutual Funds	12 60 742	6.46
Financial Institutions / Banks	6 372	0.03
Foreign Institutional Investors	23 97 600	12.28
Bodies Corporate	5 50 967	2.82
i. Individual shareholders holding nominal share capital up to Rs. 1 lakh	8 52 255	4.37
ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	4 37 694	2.24
Clearing Member	9 126	0.05
Non Resident Indians (Repat)	43 275	0.22
Foreign Company	18 96 900	9.72

x. (b) Distribution of shareholding as on 31<sup>st</sup> March, 2007

Shareholding (From – To)	No. of shareholders	% to no. of shareholders	No. of shares	% to no. of shares
1 - 500	10 420	96.12	5 29 890	2.71
501 - 1000	194	1.79	1 54 197	0.79
1001 - 2000	103	0.95	1 50 645	0.77
2001 - 3000	28	0.26	73 324	0.38
3001 - 4000	15	0.13	51 848	0.27
4001 - 5000	4	0.04	19 330	0.10
5001 - 10000	13	0.12	89 578	0.46
10001 - 9999999	64	0.59	1 84 53 119	94.52
<b>TOTAL</b>	<b>10 841</b>	<b>100.00</b>	<b>1 95 21 931</b>	<b>100.00</b>

 x. (c) Distribution of shareholding as on 31<sup>st</sup> March, 2007


## xi. Registrar &amp; Share Transfer Agent :

Intime Spectrum Registry Limited  
 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

xii. **Dematerialization of shares and liquidity :**

28.81% of the paid-up share capital is in dematerialized form as on 31<sup>st</sup> March, 2007. Promoters and Promoter Group who jointly hold 1,20,00,000 equity shares constituting 61.47% of the paid-up share capital of the Company and M/s. Brightwill Limited who hold 18,96,900 equity shares constituting 9.72% of the paid-up share capital of the Company continue to hold their shares in physical form. Shares of the Company are actively traded on BSE and NSE and hence ensure good liquidity for the investors.

xiii. **ADR / GDR :**

The Company has not issued any ADR / GDR.

xiv. **Plant Location :**

The Company's plants are located at Aurangabad, Tarapur and Gandhidham.

xv. **Address for correspondence**

Shareholders' correspondence should be addressed to Company's Registrar & Share Transfer Agent at the address mentioned. Shareholders may also contact Ms. Chanda Makhija, Company Secretary at the registered office of the Company for any assistance :

Tel. : (022) 3028 9700 - 03

E-mail id : investors@ekc.in

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

**ANNEXURE – I**  
**DECLARATION ON COMPLIANCE BY BOARD MEMBERS AND**  
**SENIOR MANAGEMENT PERSONNEL WITH THE CODE OF CONDUCT**

I hereby confirm that:

The Company has adopted a Code of Conduct and ethics for all the members of the Board and senior management of the Company. This Code has been hosted on the Company's website.

All the members of the Board and senior management have affirmed compliance with the Code of Conduct and ethics for the financial year 2006-07.

**P. K. KHURANA**  
CHAIRMAN & MANAGING DIRECTOR

PLACE : MUMBAI  
DATE : 21<sup>ST</sup> MAY, 2007

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**ANNEXURE – II**  
**AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE**

We have examined the compliance of conditions of Corporate Governance by Everest Kanto Cylinder Limited for the year ended 31<sup>st</sup> March, 2007, 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 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 shareholders' / investors' grievances redressal and share transfer 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

**RAJENDRA D. PASAD**  
PROPRIETOR

MEMBERSHIP NO.: 6136

PLACE: MUMBAI  
DATED: 21<sup>ST</sup> MAY, 2007

**AUDITORS' REPORT ON FINANCIAL STATEMENTS**  
TO THE SHAREHOLDERS OF EVEREST KANTO CYLINDER LIMITED, MUMBAI.

We have audited the attached Balance Sheet of EVEREST KANTO CYLINDER LIMITED as at 31<sup>st</sup> March, 2007 and the Profit & Loss Accounts 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 provide a reasonable basis for our opinion.
2. As required by the Companies (Auditor's Report) Order, 2003, (CARO 2003) issued by the Government of India in term 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 paragraph 4 of the said order.
3. Further to our comments in 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 by branch auditors have 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 within this report are in agreement with the books of account and branch returns.
  - (e) In our opinion, the Profit and 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 31<sup>st</sup> March, 2007 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 explanation 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 31<sup>st</sup> March, 2007;
    - 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 flow for the year ended on that date.

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

RAJENDRA D. PASAD  
PROPRIETOR

MEMBERSHIP NO.: 6136

PLACE: MUMBAI

DATED: 21<sup>ST</sup> MAY, 2007

## 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 verification.
  - c) During the year the Dubai branch has sold off its fixed assets to the company's wholly owned subsidiary in Dubai on 1<sup>st</sup> Nov, 2006. However, this does not affect the going concern status of the company.
  
- II.
  - a) As explained by the Management the stocks have been physically verified by them at 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) According to the information and explanation given to us, the company has not taken any loans from companies listed in the register maintained under section 301 of the Companies Act, 1956. Hence, provisions of sub-clauses (b),(c),(d) and (e) are not applicable.
  
- IV. In our opinion & according to the information & explanations given to us, there are adequate internal control procedures commensurate with the size of the company & the nature of its business with regard to purchase of inventory, fixed assets & 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 weakness in internal controls.
  
- V.
  - a) According to the information & 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 & according to the information & 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 & exceeding the value of Rupees five lacs 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 & according to the information & explanations given to us, the company has not accepted any deposit from the public within the meaning of section 58A and 58AA of the Companies Act, 1956 & by rules framed thereunder.
  
- VII. In our opinion the company has an internal audit system commensurate with the size and nature of its business.
  
- VIII. According to the information and explanation 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 explanation given to us, undisputed amount to the extent of Rs. 88,330/- on account of professional tax at Gandhidham is remaining unpaid for a period of more than six months from the date they become payable.
  - c) According to the information and explanation 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
Sales Tax	Demand	2.88	Sales Tax Tribunal
	Lease Tax Demand	16.34	Sales Tax Officer (Enf.)
	Demand	35.45	JCST (Appeals)
	Demand	52.01	JCST (Appeals)

- X. The Company has neither accumulated losses as at 31<sup>st</sup> March, 2007 nor it has incurred any cash losses during the financial year ended on that date the immediately preceding financial year.
- XI. In our opinion and according to the information and explanation 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 (Auditor's Report) Order, 2003 are not applicable to the company.
- XIV. In our opinion and according to information and explanations given to us, the company is not a dealer or trader in securities. The Company has invested surplus funds in marketable securities and mutual funds. According to the information and explanation given to us, adequate records have been maintained of the transactions and contracts and timely entries have been made therein. The marketable securities and mutual funds have been held by the company in its own name.
- XV. According to the information and explanation given to us, the company has given guarantee of Rs. 8688.34 Lacs for loans taken by its subsidiary from banks or financial institutions.
- XVI. To the best of our knowledge and belief and according to the information and explanation given to us, the term loans availed by the company were, prima facie applied during the year for the purpose for which such loans were obtained.
- XVII. According to the information and explanation given to us and on over all examination 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 company has not made any preferential allotment of shares to parties and company covered 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 generally accepted auditing practices in India and accordingly for the information and explanation given to us we have neither come across any instance of fraud on or by the company noticed or during the year nor we have been informed of such by the management.

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

RAJENDRA D. PASAD  
PROPRIETOR

MEMBERSHIP NO.: 6136

PLACE: MUMBAI

DATED: 21<sup>ST</sup> MAY, 2007

**BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2007**

	SCHEDULE	As at 31.03.2007 (Rs. In Lacs)	As at 31.03.2006 (Rs. In Lacs)
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	A	1,952.19	1,762.50
Reserves & Surplus	B	25,600.95	13,330.01
Deferred Tax Liability		4.94	135.85
<b>Loan Funds</b>			
Secured Loans	C	1,652.13	3,005.52
Unsecured Loans	D	1,005.05	944.16
	<b>TOTAL</b>	<b>30,215.26</b>	<b>19,178.04</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	E	15,556.57	15,710.05
Less : Accumulated Depreciation		6,431.49	6,362.18
Net Block		9,125.08	9,347.87
Capital Work In Progress		-	45.35
Investments	F	5,430.19	1,321.72
<b>Current Assets, Loans and Advances</b>			
Inventories	G	8,133.41	4,233.09
Sundry Debtors	H	3,556.43	2,748.72
Cash and Bank balances	I	3,186.17	2,895.95
Loans and Advances	J	9,244.09	4,949.18
		24,120.10	14,826.94
<b>Less : Current Liabilities and Provisions</b>			
Current Liabilities	K	2,233.12	3,065.45
Provisions	L	6,226.99	3,298.39
		8,460.11	6,363.85
Net Current Assets		15,659.99	8,463.09
	<b>TOTAL</b>	<b>30,215.26</b>	<b>19,178.04</b>
NOTES ON ACCOUNTS	S		

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

 RAJENDRA D. PASAD  
 PROPRIETOR  
 MEMBERSHIP NO. 6136

 CHANDA MAKHIJA  
 COMPANY SECRETARY

 PUNEET KHURANA  
 WHOLE-TIME DIRECTOR

 PLACE: MUMBAI  
 DATE : 21<sup>ST</sup> MAY, 2007

 PLACE : MUMBAI  
 DATE : 21<sup>ST</sup> MAY, 2007



PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2007

	SCHEDULE	Year ended 31.03.2007 (Rs. In Lacs)	Year ended 31.03.2006 (Rs. In Lacs)
<b>INCOME</b>			
Sales		34,546.49	25,488.08
Less : Excise Duty		2,459.16	1,937.84
		<u>32,087.33</u>	<u>23,550.24</u>
Trading Sales		969.68	-
Other Income	R	352.98	221.86
Profit on Sale of Fixed Assets of Overseas Branch		1,015.22	-
Increase/(Decrease) in Stocks		2,724.40	23.94
	<b>TOTAL</b>	<u>37,149.61</u>	<u>23,796.04</u>
<b>EXPENDITURE</b>			
Raw Materials & Components Consumed	M	20,683.08	13,057.54
Trading Purchases		964.50	-
Operational Expenses	N	3,350.07	2,383.52
Personnel Expenses	O	1,156.26	894.40
Finance Charges	P	457.60	376.80
Administrative & Sales Expenses	Q	1,824.79	1,352.58
Depreciation for the year		1,656.79	1,026.00
Less : Depreciation charged to Revaluation Reserve		9.90	49.93
		<u>1,646.89</u>	<u>976.07</u>
	<b>TOTAL</b>	<u>30,083.19</u>	<u>19,040.91</u>
<b>Profit before tax</b>		<u>7,066.42</u>	<u>4,755.13</u>
Provision for Income Tax			
- Current Tax		2,450.00	1,520.00
- Deferred Tax		(130.91)	(133.89)
- Fringe Benefit Tax		40.00	20.00
<b>Profit After Tax</b>		4,707.33	3,349.03
Taxes Of Earlier Years		(2.24)	110.00
Prior Period Expenses		0.31	1.97
<b>Balance brought forward from last year</b>		<u>2,911.40</u>	<u>1,377.73</u>
Balance Available For Appropriation		<u>7,620.66</u>	<u>4,614.79</u>
Proposed Dividend		976.10	616.88
Provision For Dividend Tax		165.89	86.52
Transfer To Capital Reserve		1,015.22	-
Transfer To General Reserve		1,000.00	1,000.00
<b>Balance carried to Balance Sheet</b>		<u>4,463.45</u>	<u>2,911.40</u>
		<u>7,620.66</u>	<u>4,614.79</u>
Earnings Per Share (See Note 12 of Notes on Accounts)			
- Basic		25.58	24.37
- Diluted		25.58	24.37
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 DIRECTORRAJENDRA D. PASAD  
PROPRIETOR  
MEMBERSHIP NO. 6136CHANDA MAKHIJA  
COMPANY SECRETARYPUNEET KHURANA  
WHOLE-TIME DIRECTORPLACE: MUMBAI  
DATE : 21<sup>ST</sup> MAY, 2007PLACE : MUMBAI  
DATE : 21<sup>ST</sup> MAY, 2007

**SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2007**

	As at 31.03.2007 (Rs. In Lacs)	As at 31.03.2006 (Rs. In Lacs)
<b>SCHEDULE - 'A'</b>		
<b>Share Capital</b>		
<b>Authorised</b>		
25,000,000 Equity Shares of Rs.10 each	2,500.00	2,500.00
<b>Issued, Subscribed and Paid up</b>		
19,521,931(Previous Year 17,625,031) Equity Shares of Rs.10/- each fully paid up.	1,952.19	1,762.50
(Of the above 11,747,500 equity shares are allotted as fully paid Bonus Shares)	<u>1,952.19</u>	<u>1,762.50</u>
<b>SCHEDULE ' B'</b>		
<b>Reserves &amp; Surplus</b>		
<b>Capital Reserve</b>		
Profit on Sale of Fixed Assets to Overseas Subsidiaries	1,015.22	-
<b>General Reserve</b>		
As per last Balance Sheet	2,491.00	1,491.00
Add : Transfer from Profit & Loss Account	<u>1,000.00</u>	<u>1,000.00</u>
	3,491.00	2,491.00
<b>Share Premium Account</b>		
As per last Balance Sheet	7,876.53	-
Add : Premium on Issue of Additional Equity Share Capital	<u>9,010.28</u>	<u>8,437.55</u>
	16,886.81	8,437.55
Less: Share Issue Expenses Written Off	<u>296.70</u>	<u>561.01</u>
	16,590.11	7,876.53
<b>Revaluation Reserve</b>		
As per last Balance Sheet	51.07	101.01
Less : Depreciation on Revalued Assets	<u>9.90</u>	<u>49.93</u>
	41.17	51.07
<b>Profit and Loss Account</b>	4,463.45	2,911.40
	<u>25,600.95</u>	<u>13,330.01</u>
<b>SCHEDULE ' C'</b>		
<b>Secured Loans</b>		
<b>From Banks</b>		
- Term Loan	934.62	1,311.54
- Foreign Currency Term Loan	-	814.21
- Working Capital Facilities	-	190.92
- Vehicle Loan	39.47	48.63
- Buyers Credit	<u>678.04</u>	<u>640.22</u>
	<u>1,652.13</u>	<u>3,005.52</u>

**Note :**

- Working Capital facilities are secured against Hypothecation of stocks and book debts and also secured by charge on all the fixed assets and personal guarantee of Directors.
- Term loan is secured by charge on all the fixed assets of Gandhidham Unit and is also Personally guaranteed by Managing Director and his two relatives.
- Vehicle Loan is secured by hypothecation of vehicles.

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2007

	As at 31.03.2007 (Rs. In Lacs)	As at 31.03.2006 (Rs. In Lacs)
<b>SCHEDULE ' D'</b>		
<b>Unsecured Loans</b>		
Sales Tax Deferment Loan (From Government Of Maharashtra & Gujarat)	1,005.05	944.16
	<u>1,005.05</u>	<u>944.16</u>
<b>SCHEDULE 'F'</b>		
<b>Investments</b>		
<b>Long Term Investment (at cost) :</b>		
<b>In Subsidiary Companies :</b>		
<b>In Fully Paid Equity Shares</b>		
<b>Unquoted :</b>		
1 Equity Share of AED 10,00,000/- each of EKC International FZE	124.12	-
1,62,03,619 Equity Shares of AED 1/- each of EKC International FZE	1,993.27	-
3,44,03,746 Equity Shares of RMB 1/- each of EKC Industries (Tianjin) Ltd.	1,975.78	-
	<u>4,093.17</u>	-
<b>Current Investments</b>		
<b>In Fully Paid Equity Shares</b>		
<b>Unquoted :</b>		
92,000 Equity Shares of Rs. 10/- each of Everest Kanto Investment & Finance Ltd.	9.20	9.20
2,000,000 Equity Shares of Rs. 10/- each of GPT Steel Industries Pvt. Ltd.	200.00	200.00
10,000 Equity Shares of Rs. 10/- each of Everest Industrial Gases Pvt. Ltd.	1.00	0.25
	<u>210.20</u>	<u>209.45</u>
<b>Quoted :</b>		
- (23,717) Equity Shares of Rs. 10/- each of Solar Explosives Ltd.	-	45.06
- (17,673) Equity Shares of Rs. 10/- each of Shivalik Global Ltd.	-	10.60
	-	<u>55.67</u>
<b>In Partly Paid Equity Shares</b>		
<b>Quoted :</b>		
- (64,654) Equity Shares of Rs. 10/- each, Rs.5/-paid up of Shivalik Global Ltd.	-	19.40
<b>- In Units of Mutual Funds</b>		
	Units	
a) DSP Merrill Lynch Floating Rate Fund	-	4.21
b) Kotak Floaters Short Term Fund	-	5.92
c) Kotak Floaters Short Term Fund (M.V.24905.57)	2,486.53	0.25
d) LICMF Liquid Fund (M.V.12505021.31)	1,138,880.45	125.05
e) Prudential ICICI Liquid Fund	-	1,014.45
f) UTI Fixed Maturity Plan (M.V. 100000000)	10,000,000.00	1,000.00
g) UTI Liquid Cash Fund (M.V. 151659.93)	8,624.88	1.52
	<u>1,126.82</u>	<u>1,037.21</u>
	<u>5,430.19</u>	<u>1,321.72</u>

**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2007**
**SCHEDULE - 'E'**

(Rs. In Lacs)

PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	COST AS AT 31.03.06	ADDITIONS DURING THE YEAR 06-07	ADJUSTMENTS ON SALE	COST AS ON 31.03.07	TOTAL UP TO 31.03.06	DEPRECIATION FOR THE YEAR 06-07	DEPR. ON SALE/ DISP.	TOTAL UP TO 31.03.07	AS AT 31.03.07	AS AT 31.03.06
LEASE HOLD LAND	212.05	-	-	212.05	10.63	-	-	10.63	201.42	201.42
FREEHOLD LAND	108.68	12.18	-	120.86	10.39	-	-	10.39	110.47	98.29
FACTORY BUILDING	2,625.64	230.24	792.62	2,063.26	565.15	162.49	215.25	512.39	1,550.87	2,060.49
BUILDING OTHERS	765.54	278.33	-	1,043.87	303.46	28.25	-	331.71	712.16	462.08
OFFICE BUILDING	133.40	1,267.70	-	1,401.10	8.15	22.76	-	30.91	1,370.19	125.25
ELECTRIC INSTALLATION	294.93	68.70	82.28	281.35	114.47	28.80	40.48	102.79	178.56	180.46
PLANT & MACHINERY	10,878.20	1,203.22	2,283.78	9,797.64	4,917.64	1,348.77	1,253.07	5,013.34	4,784.30	5,960.56
VEHICLES	167.08	61.58	113.41	115.25	45.28	33.63	45.09	33.82	81.43	121.80
OFFICE EQUIPMENT	44.11	40.22	23.37	60.96	20.56	6.36	4.31	22.61	38.35	23.55
FURNITURE AND FIXTURE	151.80	27.00	56.72	122.08	54.81	16.98	22.49	49.30	72.78	96.99
COMPUTERS	56.74	15.36	11.48	60.62	39.81	7.80	6.80	40.81	19.81	16.93
GAS CYLINDERS	271.88	-	-	271.88	271.83	-	-	271.83	0.05	0.05
CYLINDERS GIVEN ON LEASE	-	5.65	-	5.65	-	0.96	-	0.96	4.69	-
<b>GRAND TOTAL</b>	<b>15,710.05</b>	<b>3,210.18</b>	<b>3,363.66</b>	<b>15,556.57</b>	<b>6,362.18</b>	<b>1,656.80</b>	<b>1,587.49</b>	<b>6,431.49</b>	<b>9,125.08</b>	<b>9,347.87</b>

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2007

	As at 31.03.2007 (Rs. In Lacs)	As at 31.03.2006 (Rs. In Lacs)
<b>SCHEDULE 'G'</b>		
<b>Inventories</b>		
(As per inventories taken, valued & certified by Management)		
Raw Material	4,580.67	3,420.97
Finished Goods	338.42	66.13
Work In Progress	3,177.55	721.19
Scrap	-	8.82
Others (Fuel & Gases)	36.77	15.97
	<u>8,133.41</u>	<u>4,233.09</u>
<b>SCHEDULE 'H'</b>		
<b>Sundry Debtors</b>		
(Unsecured, Considered Good)		
Debts outstanding for a period exceeding six months	203.61	141.25
Other Debts	3,352.82	2,607.48
	<u>3,556.43</u>	<u>2,748.72</u>
<b>SCHEDULE 'I'</b>		
<b>Cash and Bank Balances</b>		
Cash on hand	46.36	49.31
Balance with Scheduled Banks		
- In Current Accounts	2,940.95	1,711.79
- In Fixed Deposits	198.38	1,122.64
- In Unpaid Dividend Account	0.48	-
- In Margin Accounts	-	12.21
	<u>3,186.17</u>	<u>2,895.95</u>
<b>SCHEDULE 'J'</b>		
<b>Loans and Advances</b>		
(Unsecured, Considered Good)		
Advances recoverable in cash or in kind or for value to be received	2,052.43	1,218.65
Deposits	1,045.21	673.44
Balance with Central Excise	801.39	148.19
Advance Tax and Tax Deducted At Source	5,345.06	2,908.90
	<u>9,244.09</u>	<u>4,949.18</u>
<b>SCHEDULE 'K'</b>		
<b>Current Liabilities</b>		
<b>Sundry Creditors</b>		
- For Goods	1,190.97	1,754.80
- For Expenses	569.93	741.33
Advance from Customers	312.36	406.00
Other Liabilities	159.38	163.33
Unclaimed Dividend	0.48	-
	<u>2,233.12</u>	<u>3,065.45</u>
<b>SCHEDULE 'L'</b>		
<b>Provisions</b>		
Provision For Taxation	5,025.00	2,575.00
Provision For Fringe Benefit Tax	60.00	20.00
Proposed Dividend	976.10	616.88
Tax On Dividend	165.89	86.52
	<u>6,226.99</u>	<u>3,298.39</u>

**SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT  
FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2007**

	Year ended 31.03.2007 (Rs. In Lacs)	Year ended 31.03.2006 (Rs. In Lacs)
<b>SCHEDULE "M"</b>		
<b>RAW MATERIAL &amp; COMPONENTS CONSUMED</b>		
Opening Stock	3,420.97	3,219.50
Add: Purchases	22,703.57	13,259.02
	<u>26,124.54</u>	<u>16,478.52</u>
Less: Sold during the year	860.79	-
Less: Closing Stock	4,580.67	3,420.97
	<u><u>20,683.08</u></u>	<u><u>13,057.54</u></u>
<b>SCHEDULE "N"</b>		
<b>OPERATIONAL EXPENSES</b>		
Power	791.04	456.84
Fuel & Gas	1,295.86	832.47
Stores, Spares & Tools Consumed	941.71	888.28
Water Charges	37.29	25.85
Excise Duty paid	30.01	15.14
Marking, Inspection & Testing Fees	74.95	48.47
Repairs & Maintenance		
- Building	84.02	42.17
- Plant & Machinery	11.27	8.62
- Others	17.91	9.48
Other Expenses	66.01	56.20
	<u><u>3,350.07</u></u>	<u><u>2,383.52</u></u>
<b>SCHEDULE "O"</b>		
<b>PERSONNEL EXPENSES</b>		
Salary, Wages & Other benefits	1,043.17	826.66
Contribution to Provident Fund & Other Funds	70.03	41.01
Staff Welfare Expenses	43.06	26.72
	<u><u>1,156.26</u></u>	<u><u>894.40</u></u>
<b>SCHEDULE "P"</b>		
<b>FINANCE CHARGES</b>		
Interest on Cash Credit Accounts	122.01	35.33
Interest on Term Loan	165.12	94.96
Interest - others	42.13	129.64
Bank Charges & Commission	128.34	116.87
	<u><u>457.60</u></u>	<u><u>376.80</u></u>

SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT  
FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2007

	Year ended 31.03.2007 (Rs. In Lacs)	Year ended 31.03.2006 (Rs. In Lacs)
<b>SCHEDULE "Q"</b>		
<b>ADMINISTRATIVE, SALES &amp; OTHER EXPENSES</b>		
Insurance	69.83	66.99
Rent, Rates & Taxes	173.97	152.90
Security Service Charges	22.37	7.64
Recruitment & Training	0.36	0.38
Licence Fees	19.13	12.07
Director's Remuneration	133.86	152.88
Commission to Managing Director	125.70	98.50
Travelling & Conveyance	155.54	106.50
Vehicle Expenses	61.76	43.50
Telephone, Telex & Postage	48.26	38.06
Printing & Stationery	28.22	15.98
Electricity Charges	6.79	4.32
Legal & Professional Fees	148.63	73.63
Auditor's Remuneration	8.00	3.50
Advertisement & Sales Promotion	43.47	84.28
Commission	126.20	121.40
Sales Tax Paid	30.61	-
Sundry Expenses	70.09	76.54
Carriage Outward	235.00	187.61
Donation	24.66	20.18
Filing Fees	0.30	8.35
Clearing & Forwarding Charges	69.24	18.23
Sundry Balances no longer required written off	4.96	-
Loss on sale of Investments	4.28	-
Loss on sale of Fixed Assets	1.89	-
Translation Loss	211.67	12.61
Foreign Exchange Fluctuation Loss	-	46.53
	<u>1,824.79</u>	<u>1,352.58</u>
<b>SCHEDULE "R"</b>		
<b>OTHER INCOME</b>		
Interest	77.85	10.06
Scrap Sales	84.84	31.23
Dividend	31.98	36.29
Insurance Claim Received	3.12	-
Miscellaneous Income	50.53	81.19
Foreign Exchange Fluctuation Gain	98.07	-
Duty Drawback-Export Incentive	6.59	12.22
Profit on sale of Investments	-	39.37
Profit on sale of Fixed Assets	-	11.50
	<u>352.98</u>	<u>221.86</u>

**NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2007**
**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 despatches 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 :**

- i) Contribution to Provident Funds and Superannuation Funds are accounted on accrual basis.
- ii) Leave encashment is accounted for on cash basis. Quantification of money value of leave encashment to be claimed by employees is under way and would be provided in the accounts on completion of such quantification. However the amount is not likely to be material.
- iii) 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 Cenvat 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 (upto the date of sale, i.e. 31<sup>st</sup> October, 2006) 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.
- ix) Sale of assets to subsidiary have been adjusted at original cost and accumulated depreciation is accordingly adjusted.

**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 :**

Stores & spares and Consumables are charged to revenue in the year of purchase.

**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. Sales Tax Loan :**

Sales Tax Deferment Loan in respect of Tarapur and Aurangabad 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.

**K. 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 reporting period. Difference between the actual results and estimates are recongnised in the period in which the results are known/materialized.

**L. 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.

**M. 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 the 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.

**II. Notes to Accounts**
**1. Assets Leased (Operating Lease) :**

During the year, the company has leased 200 cylinders for a period of 3 years.

	2006-07 (Rs. In Lacs)	2005-06 (Rs. In Lacs)
Depreciation on Leased Assets	0.96	Nil
Rent		
Not Later than 1 year	0.02	Nil
Later than 1 year but not later than 5 years	0.12	Nil
Later than 5 years	Nil	Nil

**2. Contingent liabilities not provided for in respect of :**

	As at 31/03/2007 (Rs. In Lacs)	As at 31/03/2006 (Rs. In Lacs)
Matters under Dispute		
Income Tax	1.55	3.54
Sales Tax	106.68	19.22
Outstanding letters of Credit and Guarantees issued by bank	2,879.19	471.94
Corporate Guarantee given to bank on behalf of subsidiary	8,688.34	Nil
Capital Contracts to be executed	440.97	315.03
Uncalled liability on shares partly paid up	Nil	20.14
Claims not acknowledged as Debts	4.77	Nil

With regard to the search conducted by the Income Tax Department during the year 2005-06, the company has not received any demand from the authorities under section 132 or any other relevant provisions of I.T. Act 1961. However, the company has filed revised returns as advised and paid tax thereon. The company has made an application to the Settlement Commission for settling any dispute arising out the above.

## 3. Auditors Remuneration :

	2006-07 (Rs. In Lacs)	2005-06 (Rs. In Lacs)
Audit fees	6.50	3.00
In other capacity		
For Tax Audit	1.00	0.20
For Other Services	0.50	0.30
Service Tax	0.99	0.41
<b>Total</b>	<b>8.99</b>	<b>3.91</b>

(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 :

	2006-07 (Rs. In lacs)	2005-06 (Rs. In lacs)
Basic Remuneration	111.84	124.27
Contribution to Provident Fund	9.01	8.26
H.R.A.	22.02	14.97
Other Perquisites	11.50	19.40
Commission to Managing Director	125.70	98.50
<b>Total</b>	<b>280.08</b>	<b>265.40</b>

## 5. Calculation of Profit u/s 349 &amp; 350 of the Companies Act, 1956

		For the year ended 31/03/2007 Rs. In Lacs
Profit as per Profit & Loss Account		7,066.40
<b>ADD:</b>		
Commission to Managing Director	125.70	
Depreciation	1,646.89	
Loss on sale of investments	4.28	
Remuneration to Directors (Excluding Contribution to P. F.)	133.86	
		1,910.73
		8,977.13
<b>LESS:</b>		
Depreciation as per Section 350	1,646.89	
Profit on sale of fixed assets	1,013.33	
Dividend received	31.98	
		2,692.20
Profit as per Sections 349 and 350		6,284.93
Commission @ 2%		125.70

Name	Salary / HRA	Perks	Total
Mr. P. K. Khurana	40.32	-	40.32
Mr. Pushkar P. Khurana	45.21	-	45.21
Mr. Puneet P. Khurana	19.05	9.45	28.50
Mr. S. S. Khurana	7.06	-	7.06
Mr. P. M. Samvatsar	22.22	2.05	24.27
<b>TOTAL</b>	<b>133.86</b>	<b>11.50</b>	<b>145.36</b>

6. Sundry Debtors includes the following amounts :

	As at 31.03.2007 (Rs. In Lacs)	Maximum Amount during the year (Rs. In Lacs)
Due from the companies in which some directors of company are directors.	1,018.41 (18.44)	1,661.66 (164.90)

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. 68.38 Lacs (Previous year Rs. 8.89 Lacs)

8. Sundry Creditors include Rs. 117.96 Lacs (Previous Year 41.37 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 31<sup>st</sup> March, 2007 as determined by the Company, are as under :

J. J. Hydraulics Pvt. Ltd.	Om Technologies Pvt. Ltd.
Sapana Engineers	Orient Industries
Kennametal India Ltd.	Regal Industries
Khamir Industries	Venkatesh Plastofilms Pvt. Ltd.

9. (i) During the year 2005-06, 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 proceeds of the issue have been fully utilised during the year for the purpose for which the monies have been raised.

(ii) During the year, the company issued 18,96,900 equity shares of Rs. 10 each at a premium of Rs. 475 per share to M/s Brightwill Ltd. on preferential basis to fund its expansion schemes and for working capital purposes.

The issue expenses incurred in respect of the preferential issue of shares amounting to Rs. 296.70 Lacs has been adjusted in share premium account

The unutilised monies as on 31<sup>st</sup> March, 2007 out of the proceeds from the issue of equity shares is invested as under :

Particulars	Rs. In Lacs
a) In Mutual Funds	1,000.00
b) In Current Accounts with banks	1,803.91
<b>TOTAL</b>	<b><u>2,803.91</u></b>

10. During the year, in order to comply with the advise of Reserve Bank of India, the company sold all its fixed assets of its branch situated at Dubai, U.A.E. to its wholly owned subsidiary, EKC International FZE on 1st November, 2006 after obtaining the necessary clearances. The total consideration for the sale of assets was the equivalent of US \$ 61,86,779 (Rs. 2,788.25 Lacs) which was based on an independent valuation conducted by registered valuers.

## 11. Related Party Disclosures

- (i) Related Party Relationships
- a) Subsidiaries
  - EKC Industries (Tianjin) Ltd.
  - EKC International FZE
- b) Associates
  - Everest Kanto Investment & Finance Ltd.
  - Khurana Gases Private Ltd.
  - Medical Engineers (I) Private Ltd.
  - Khurana Fabrication Private Ltd.
  - Khurana Exports Private Ltd.
  - Everest Industrial Gases Private Ltd.
  - Khurana Charitable Trust
  - Khurana Education Trust
- c) Key Management Personnel
 

Prem Kumar Khurana	Chairman & Managing Director
Pushkar Khurana	Whole - Time Director
Puneet Khurana	Whole - Time Director
Pramod Samvatsar	Whole - Time Director
S. S. Khurana	Whole - Time Director upto 03.11.2006
- d) Relatives of Key Management Personnel
  - Suman Khurana
  - Pooja Khurana
  - Nishita Khurana
  - S. S. Khurana
  - Vandana Khurana
  - Varun Khurana

## (ii) Transactions with related parties

(Rs. In Lacs)

Transaction	Subsidiaries	Associates	Key Management Personnel	Relative of Key Management Personnel	Total
a) Sales					
Goods	2,487.18 (-)	472.14 (-)	- (-)	- (-)	2,959.32 (-)
Fixed Assets	2,788.25 (-)	- (-)	- (-)	- (-)	2,788.25 (-)
b) Income					
Commission Income	6.49 (-)	- (-)	- (-)	- (-)	6.49 (-)
c) Purchases					
Goods	1,376.84 (-)	- (4.08)	- (-)	- (-)	1,376.84 (4.08)
Consumables	- (-)	3.32 (1.00)	- (-)	- (-)	3.32 (1.00)
d) Expenses					
Remuneration	- (-)	- (-)	154.38 (153.32)	5.47 (-)	159.85 (153.32)
Commission	- (-)	- (-)	125.70 (98.50)	(-) (-)	125.70 (98.50)
Interest	- (-)	- (-)	- (90.13)	- (37.83)	- (127.96)
Rent	- (-)	47.59 (41.94)	9.36 (17.20)	- (-)	56.95 (59.14)
Donation	- (-)	24.50 (20.00)	- (-)	- (-)	24.50 (20.00)
Loans and Advances Balance as at 31 <sup>st</sup> March	- (-)	828.51 (510.00)	- (-)	- (-)	828.51 (510.00)
Sundry Creditors Balance as at 31 <sup>st</sup> March	- (-)	12.34 (7.67)	- (-)	- (-)	12.34 (7.67)
Sundry Debtors Balances as on 31 <sup>st</sup> March	991.20 (-)	27.21 (-)	- (-)	- (-)	1,018.41 (-)
Equity Share Capital	4,093.17 (-)	- (-)	- (-)	- (-)	4,093.17 (-)

The figures in brackets represent previous year figures.

## 12. Earnings Per Share (EPS)

	2006-07 (Rs. In Lacs)	2005-06 (Rs. In Lacs)
Net Profit as per Profit & Loss Account available for Equity Shareholders	4,707.33	3,349.03
Weighted Average No. of Equity Shares	183,99,382	1,37,41,448
Earnings per Share		
- Basic	25.58	24.37
- Diluted	25.58	24.37

## 13. 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) :

	2006-07	2005-06
Licensed Capacity (Nos.)	5,10,000	7,06,000
Installed capacity (Nos.)	5,10,000	6,06,000
Actual Production (Nos.)	4,42,933	3,55,388

\* Installed capacity is as certified by Management.

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

Class Of Goods	Year Ending 31 <sup>st</sup> March	Opening Stock (Nos.)	Value (Rs. In Lacs) (Nos.)	Sales (Nos.)	Value in (Rs. In Lacs)	Closing Stock	Value (Rs. In Lacs)
Gas Cylinders	2006	7488	393.48	361041	23550.24	1835	66.12
Gas Cylinders	2007	1835	66.12	422862	32087.33	21906	338.42

\* Includes 200 cylinders leased out (Previous year : NIL)

## C) Break-up of Raw Materials Consumed :

	Qty. MTs.	2006-07 Value Rs. In Lacs	Qty. MTs.	2005-06 Value Rs. In Lacs
Seamless Tubes with Incidental Cost	22851.121	14,993.54	17402.775	11,748.07
Others	-	5,689.54	-	1,309.47
<b>TOTAL</b>		<b>20,683.08</b>		<b>13,057.54</b>

## D) Details of Imported &amp; Indigenous Raw materials &amp; Components.

	%	2006-07 Value Rs. In Lacs	%	2005-06 Value Rs. In Lacs
Imported	91.57	18,939.74	95.82	12,511.59
Indigenous	8.43	1,743.34	4.18	545.95
<b>TOTAL</b>	<b>100.00</b>	<b>20,683.06</b>	<b>100.00</b>	<b>13,057.54</b>

**14. Information regarding Imports, Exports & other matters**
**A) C.I.F. value of Imports :**

	2006-07 (Rs. In Lacs)	2005-06 (Rs. In Lacs)
Raw Materials	18,358.19	11,909.75
Components	840.44	531.34
<b>B) F.O.B. Value of Exports</b>		
- From India	4,790.58	1,521.55
- From Dubai	8,715.06	9,642.79
<b>TOTAL</b>	<u>13,505.64</u>	<u>11,164.34</u>
<b>C) Expenditure in Foreign Currency</b>		
i) Travelling	29.46	46.89
ii) Commission	51.80	118.77
iii) Professional Fees	29.17	-
<b>TOTAL</b>	<u>110.43</u>	<u>165.66</u>

**15. Deferred Tax Liability (Net)**

	(Rs. In Lacs)	(Rs. In Lacs)
Deferred Tax Liabilities		
On Depreciation of Fixed Assets	641.41	412.21
	<u>641.41</u>	<u>412.21</u>
Deferred Tax Assets		
On Excise Duty	449.13	132.87
On Deferred Expenses	187.34	143.49
	<u>636.47</u>	<u>276.36</u>
Deferred Tax Liability (Net)	<u>4.94</u>	<u>135.85</u>

**16. Segment Reporting :**

As per Accounting Standard (AS 17) issued by Council of The Institute of Chartered Accountants Of India. The company's primary business is manufacturing of High Pressure Gas Cylinders

17. Previous year figures have been regrouped, rearranged and recasted wherever necessary. The previous year's figures are not comparable in view of the sale of all fixed assets of Dubai Branch to the subsidiary on 1<sup>st</sup> November, 2006.

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

RAJENDRA D. PASAD  
PROPRIETOR  
MEMBERSHIP NO. 6136

CHANDA MAKHIJA  
COMPANY SECRETARY

PUNEET KHURANA  
WHOLE-TIME DIRECTOR

PLACE: MUMBAI  
DATE : 21<sup>ST</sup> MAY, 2007

PLACE : MUMBAI  
DATE : 21<sup>ST</sup> MAY, 2007



CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2007

	Year ended 31.03.2007 (Rs. In Lacs)	Year ended 31.03.2006 (Rs. In Lacs)
<b>A) CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit after Tax & Extraordinary Items	4,709.26	3,237.06
<b>Adjustments :</b>		
Depreciation	1,646.89	976.07
Profit on Sale of Fixed Assets	(1,015.22)	(11.50)
Loss on sale of Fixed Assets	1.89	-
Loss on sale of Investment	4.28	-
Profit on sale of Investment	-	(39.37)
Interest Paid	329.26	259.93
Interest Received	(77.85)	(10.06)
Dividend Received	(31.98)	(36.29)
Provision for Tax	2,450.00	1,520.00
Deferred Tax	(130.91)	(133.89)
Fringe Benefit Tax	40.00	20.00
<b>OPERATING PROFIT BEFORE WORKING CAPITAL</b>	<u>7,925.62</u>	<u>5,781.95</u>
<b>Adjustments for changes in Working Capital :</b>		
(Increase) / Decrease in Trade & Other Receivables	(2,666.45)	(1,672.57)
(Increase) / Decrease in Inventories	(3,900.32)	(229.11)
Increase / (Decrease) in Trade & Other Payables	(832.33)	835.72
<b>Cash Flow from Operating Activities</b>	<u>526.51</u>	<u>4,715.99</u>
Direct Taxes Refund / (Paid)	(2,406.16)	(2,206.90)
Fringe Benefit Tax paid	(30.00)	(18.50)
<b>Net Cash Flow from Operating Activities</b>	<u>(1,909.65)</u>	<u>2,490.59</u>
<b>B) CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(3,164.81)	(6,034.28)
Sale of Fixed Assets	2,789.48	18.46
Purchase of Investments	(4,183.53)	(1,112.27)
Sale of Investments	70.78	42.53
Dividend Received	31.98	36.29
Interest Received	77.85	10.06
<b>Cash Flow from Investing Activities</b>	<u>(4,378.25)</u>	<u>(7,039.21)</u>

**C) CASH FLOW FROM FINANCING ACTIVITIES**

Proceeds from fresh issue of Share Capital	9,199.96	9,000.05
Proceeds From Long Term Borrowings	37.82	1,073.73
Repayment of Long Term Borrowings	(1,200.29)	-
Repayment of Short Term Borrowings	(190.92)	(1,875.72)
Proceeds from Unsecured Loans	60.89	-
Repayment of Unsecured Loans	-	(127.03)
Share issue expenses	(296.70)	(561.01)
Dividend Paid	(703.39)	(169.60)
Interest paid	(329.26)	(259.93)
<b>Cash Flow from Financing Activities</b>	<b><u>6,578.12</u></b>	<b><u>7,080.49</u></b>
<b>NET INCREASE/(DECREASE) IN CASH &amp; CASH EQ.</b>	<b>290.22</b>	<b>2,531.87</b>
<b>CASH &amp; CASH EQUIVALENT AS AT 1<sup>st</sup> APRIL</b>	<b>2,895.95</b>	<b>364.08</b>
<b>CASH &amp; CASH EQUIVALENT AS AT 31<sup>st</sup> MARCH</b>	<b>3,186.17</b>	<b>2,895.95</b>

**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.

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 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

 RAJENDRA D. PASAD  
 PROPRIETOR  
 MEMBERSHIP NO. 6136

 CHANDA MAKHIJA  
 COMPANY SECRETARY

 PUNEET KHURANA  
 WHOLE-TIME DIRECTOR

 PLACE: MUMBAI  
 DATE : 21<sup>ST</sup> MAY, 2007

 PLACE : MUMBAI  
 DATE : 21<sup>ST</sup> MAY, 2007

Annexure referred to in note 9 of the notes annexed to and forming part of the balance sheet as at 31<sup>st</sup> March, 2007 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. 

	2	0	4	3	4
--	---	---	---	---	---

State Code 

	1	1
--	---	---

Balance Sheet Date 

	3	1
--	---	---

	0	3
--	---	---

	2	0	0	7
--	---	---	---	---

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

Public Issue  

					N	I	L
--	--	--	--	--	---	---	---

Rights Issue  

					N	I	L
--	--	--	--	--	---	---	---

Bonus Issue  

					N	I	L
--	--	--	--	--	---	---	---

Private Placement  

			1	8	9	6	9
--	--	--	---	---	---	---	---

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

Total Liabilities  

	3	0	2	1	5	2	6
--	---	---	---	---	---	---	---

Total Assets  

	3	0	2	1	5	2	6
--	---	---	---	---	---	---	---

Sources of Funds  
Paid-Up Capital  

		1	9	5	2	1	9
--	--	---	---	---	---	---	---

Reserves & Surplus  

		2	5	6	0	0	9	5
--	--	---	---	---	---	---	---	---

Secured Loans  

		1	6	5	2	1	3
--	--	---	---	---	---	---	---

Unsecured Loans  

			1	0	0	5	0	5
--	--	--	---	---	---	---	---	---

Deffered Tax Liability  

					4	9	4
--	--	--	--	--	---	---	---

Application of Funds  
Net Fixed Assets  

		9	1	2	5	0	8
--	--	---	---	---	---	---	---

Investments  

		5	4	3	0	1	9
--	--	---	---	---	---	---	---

Net Current Assets  

		1	5	6	5	9	9	9
--	--	---	---	---	---	---	---	---

Miscellaneous Expenditure  

						N	I	L
--	--	--	--	--	--	---	---	---

Accumulated Losses  

					N	I	L
--	--	--	--	--	---	---	---

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

Turnover  

	3	3	0	5	7	0	1
--	---	---	---	---	---	---	---

Total Expenditure  

	2	5	9	9	0	5	9
--	---	---	---	---	---	---	---

+ - Profit/Loss before Tax  

		7	0	6	6	4	2
--	--	---	---	---	---	---	---

+ - Profit/Loss after Tax  

		4	7	0	7	3	3
--	--	---	---	---	---	---	---

Please tick appropriate box + for Profit, - for Loss

Earning Per Share in Rs.

			2	5	.	5	8
--	--	--	---	---	---	---	---

Dividend Rate %

						5	0
--	--	--	--	--	--	---	---

Annexure referred to in note 9 of the notes annexed to and forming part of the balance sheet as at 31<sup>st</sup> March, 2007 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)

7	3	1	1	0	0	0	3
---	---	---	---	---	---	---	---

Product Description

H	I	G	H		P	R	E	S	S	U	R	E				
C	Y	L	I	N	D	E	R									

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

RAJENDRA D. PASAD  
PROPRIETOR  
MEMBERSHIP NO. 6136

CHANDA MAKHIJA  
COMPANY SECRETARY

PUNEET KHURANA  
WHOLE-TIME DIRECTOR

PLACE: MUMBAI  
DATE : 21<sup>ST</sup> MAY, 2007

PLACE : MUMBAI  
DATE : 21<sup>ST</sup> MAY, 2007

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956, RELATING TO  
COMPANY'S INTEREST IN SUBSIDIARY COMPANIES FOR THE FINANCIAL YEAR 2006-07

	Name of Subsidiary Company	EKC International FZE	EKC Industries (Tianjin) Limited
1	Date of becoming subsidiary	17 <sup>th</sup> June, 2006	30 <sup>th</sup> June, 2006
2	Country in which incorporated	United Arab Emirates	People's Republic of China
3	Financial period ended	March-2007	March-2007
4(a)	No. of shares held by the Company at the end of the Financial Year	16203620	34403746
4(b)	Extent of Interest of holding Company at the end of the financial year	100%	100%
5	The net aggregate of profits or losses of the subsidiary for the current period so far as it concerns the members of the holding company	Rs. 3,438.17 Lacs	Nil
5(a)	Dealt with or provided for in the accounts of the holding company	Rs. 3,438.17 Lacs	Nil
5(b)	Not dealt with or provided for in the accounts of the holding company	Nil	Nil
6	The net aggregate of profits or losses for previous financial years of the subsidiary so far as it concerns the members of the holding company	Nil	Nil
6(a)	Dealt with or provided for in the accounts of the holding company	Nil	Nil
6(b)	Not dealt with or provided for in the accounts of the holding company	Nil	Nil

## AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF EVEREST KANTO CYLINDER LIMITED, MUMBAI

1. We have examined the attached consolidated Balance Sheet of Everest Kanto Cylinder Limited and its subsidiaries as at 31<sup>st</sup> March, 2007 and the consolidated Profit and Loss account for the year then ended.
2. These financial statements are the responsibility of the management of Everest Kanto Cylinder Limited. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. 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 statements. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets of Rs. 1,209,481,388 as at 31<sup>st</sup> March, 2007 and total revenues of Rs. 343,816,899 for the year then ended. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the subsidiaries, is based solely on the report of the other auditors.
4. On the basis of the information and explanation given to us and on the consideration of the separate audit reports on individual audited financial statements of Everest Kanto Cylinder Limited and its subsidiaries:
  - a. we report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Everest Kanto Cylinder Limited and its subsidiaries included in the consolidated financial statements.
  - b. we are of the opinion that:
    - i. the Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of Everest Kanto Cylinder Limited and its subsidiaries as at 31<sup>st</sup> March, 2007; and
    - ii. the Consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of Everest Kanto Cylinder Limited and its subsidiaries for the year then ended.
    - iii. the Consolidated Cash Flow Statement gives a true and fair view of the Consolidated Cash Flows of Everest Kanto Cylinder Limited and its subsidiaries for the year then ended.

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

RAJENDRA D. PASAD  
PROPRIETOR

MEMBERSHIP NO.: 6136

PLACE: MUMBAI  
DATED: 21<sup>ST</sup> MAY, 2007

CONSOLIDATED BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2007

	SCHEDULE	As at 31.03.2007 (Rs. In Lacs)	As at 31.03.2006 (Rs. In Lacs)
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	A	1,952.19	1,762.50
Reserves & Surplus	B	28,286.37	13,330.01
Deferred Tax Liability		4.94	135.85
<b>Loan Funds</b>			
Secured Loans	C	6,015.37	3,005.52
Unsecured Loans	D	1,005.05	944.16
		<u>37,263.92</u>	<u>19,178.04</u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	E	19,575.09	15,710.05
Less: Accumulated Depreciation		8,139.68	6,362.18
Net Block		<u>11,435.41</u>	<u>9,347.87</u>
Capital Work In Progress		3,346.57	45.35
Investments	F	1,337.02	1,321.72
<b>Current Assets, Loans and Advances</b>			
Inventories	G	11,442.00	4,233.09
Sundry Debtors	H	5,749.63	2,748.72
Cash and Bank balances	I	4,708.73	2,895.95
Loans and Advances	J	9,165.04	4,949.18
		<u>31,065.40</u>	<u>14,826.94</u>
<b>Less : Current Liabilities and Provisions</b>			
Current Liabilities	K	3,785.88	3,065.45
Provisions	L	6,226.99	3,298.39
		<u>10,012.87</u>	<u>6,363.85</u>
Net Current Assets		<u>21,052.53</u>	<u>8,463.09</u>
Miscellaneous Expenditure (to the extent not written off or adjusted)		92.39	-
		<u>37,263.92</u>	<u>19,178.04</u>

AS PER OUR REPORT OF EVEN DATE

FOR AND ON BEHALF OF THE BOARD

C. D. PASAD & CO.  
CHARTERED ACCOUNTANTSP. K. KHURANA  
CHAIRMAN & MANAGING DIRECTORRAJENDRA D. PASAD  
PROPRIETOR  
MEMBERSHIP NO. 6136CHANDA MAKHIJA  
COMPANY SECRETARYPUNEET KHURANA  
WHOLE-TIME DIRECTORPLACE: MUMBAI  
DATE : 21<sup>ST</sup> MAY, 2007PLACE : MUMBAI  
DATE : 21<sup>ST</sup> MAY, 2007

**CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2007**

SCHEDULE	Year ended 31.03.2007 (Rs. In Lacs)	Year ended 31.03.2006 (Rs. In Lacs)
<b>INCOME</b>		
Sales	40,399.21	25,488.08
Less: Excise Duty	2,459.16	1,937.84
	<u>37,940.05</u>	<u>23,550.24</u>
Trading Sales	4,564.97	-
Other Income	396.77	221.86
Increase/(Decrease) in Stocks	3,364.22	23.94
	<u>46,266.01</u>	<u>23,796.04</u>
<b>EXPENDITURE</b>		
Raw Materials & Components Consumed	22,817.63	13,057.54
Trading Purchases	3,996.56	-
Operational Expenses	3,768.46	2,383.52
Personnel Expenses	1,442.02	894.40
Finance Charges	532.09	376.80
Administrative & Sales Expenses	2,397.07	1,352.58
Depreciation for the year	1,787.86	1,026.00
Less: Depreciation Recouped from Revaluation Reserve	9.90	49.93
	<u>1,777.96</u>	<u>976.07</u>
	<u>36,731.79</u>	<u>19,040.91</u>
<b>Profit before tax</b>	<u>9,534.22</u>	<u>4,755.13</u>
Provision for Income Tax		
- Current Tax	2,450.00	1,520.00
- Deferred Tax	(130.91)	(133.89)
- Fringe Benefit Tax	40.00	20.00
<b>Profit After Tax</b>	7,175.13	3,349.03
Taxes Of Earlier Years	(2.24)	110.00
Prior Period Expenses	0.31	1.97
<b>Balance brought forward from last year</b>	2,911.40	1,377.73
Balance Available For Appropriation	<u>10,088.46</u>	<u>4,614.79</u>
Proposed Dividend	976.10	616.88
Provision For Dividend Tax	165.89	86.52
Transfer To General Reserve	1,000.00	1,000.00
<b>Balance carried to Balance Sheet</b>	<u>7,946.47</u>	<u>2,911.40</u>
	<u>10,088.46</u>	<u>4,614.79</u>
<b>Earnings Per Share (See Note 12 of Notes on Accounts)</b>		
- Basic	39.00	24.37
- Diluted	39.00	24.37

AS PER OUR REPORT OF EVEN DATE

FOR AND ON BEHALF OF THE BOARD

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 PUNEET KHURANA  
 WHOLE-TIME DIRECTOR

 PLACE: MUMBAI  
 DATE : 21<sup>ST</sup> MAY, 2007

 PLACE : MUMBAI  
 DATE : 21<sup>ST</sup> MAY, 2007



SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2007

	As at 31.03.2007 (Rs. In Lacs)	As at 31.03.2006 (Rs. In Lacs)
<b>SCHEDULE - 'A'</b>		
<b>Share Capital</b>		
<b>Authorised</b>		
25,000,000 Equity Shares of Rs.10 each	2,500.00	2,500.00
<b>Issued, Subscribed and Paid up</b>		
19,521,931(Previous Year 17,625,031) Equity Shares of Rs.10/- each fully paid up. (Of the above 11,747,500 equity shares are allotted as fully paid Bonus Shares)	1,952.19	1,762.50
	<u>1,952.19</u>	<u>1,762.50</u>
<b>SCHEDULE ' B'</b>		
<b>Reserves &amp; Surplus</b>		
<b>Capital Reserve</b>		
Capital Subsidy	394.05	-
	<u>394.05</u>	-
<b>General Reserve</b>		
As per last Balance Sheet	2,491.00	1,491.00
Add : Transfer from Profit & Loss Account	1,000.00	1,000.00
	<u>3,491.00</u>	<u>2,491.00</u>
<b>Share Premium Account</b>		
As per last Balance Sheet	7,876.53	-
Add : Premium on Issue of Additional Equity Share Capital	9,010.28	8,437.55
	<u>16,886.81</u>	<u>8,437.55</u>
Less : Share Issue Expenses Written Off	296.70	561.01
	<u>16,590.11</u>	<u>7,876.53</u>
<b>Revaluation Reserve</b>		
As per last Balance Sheet	51.07	101.01
Less : Depreciation on Revalued Assets	9.90	49.93
	<u>41.17</u>	<u>51.07</u>
Profit and Loss Account	7,946.47	2,911.40
Exchange Fluctuation Reserve on consolidation of overseas subsidiaries	(176.42)	-
	<u>28,286.37</u>	<u>13,330.01</u>
<b>SCHEDULE ' C'</b>		
<b>Secured Loans</b>		
<b>From Banks</b>		
- Term Loan	5,277.99	1,311.54
- Foreign Currency Term Loan	-	814.21
- Working Capital Facilities	-	190.92
- Vehicle Loan	59.34	48.63
- Buyers Credit	678.04	640.22
	<u>6,015.37</u>	<u>3,005.52</u>

**Note :**

- Working Capital facilities are secured against Hypothecation of stocks and book debts and also secured by charge on all the fixed assets and personal guarantee of Directors.
- Term loan and Buyer's Credit to the holding company is secured by way of charge on all the fixed assets of Gandhidham unit and the Term loan to the subsidiary in Dubai is secured by way of first charge on all the Fixed Assets of the Dubai unit and is also Personally guaranteed by Managing Director and his two relatives.
- Vehicle Loan is secured by hypothecation of vehicles.

**SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2007**

	As at 31.03.2007 (Rs. In Lacs)	As at 31.03.2006 (Rs. In Lacs)
<b>SCHEDULE ' D'</b>		
<b>Unsecured Loans</b>		
Sales Tax Deferment Loan (From Government Of Maharashtra & Gujarat)	1,005.05	944.16
	<u>1,005.05</u>	<u>944.16</u>
<b>SCHEDULE 'F'</b>		
<b>Investments</b>		
<b>Long Term Investment (at cost) :</b>		
<b>Current Investments</b>		
In Fully Paid Equity Shares		
<b>Unquoted :</b>		
92,000 Equity Shares of Rs. 10/- each of Everest Kanto Investment & Finance Ltd.	9.20	9.20
2,000,000 Equity Shares of Rs. 10/- each of GPT Steel Industries Pvt Ltd.	200.00	200.00
10,000 Equity Shares of Rs. 10/- each of Everest Industrial Gases Pvt. Ltd.	1.00	0.25
	<u>210.20</u>	<u>209.45</u>
<b>Quoted :</b>		
23,717 Equity Shares of Rs. 10/- each of Solar Explosives Ltd.	-	45.06
17,673 Equity Shares of Rs. 10/- each of Shivalik Global Ltd.	-	10.60
	<u>-</u>	<u>55.67</u>
In Partly Paid Equity Shares		
<b>Quoted :</b>		
64,654 Equity Shares of Rs. 10/- each, Rs. 5/- paid up of Shivalik Global Ltd.	-	19.40
<b>In Units of Mutual Funds</b>		
	Units	
a) DSP Merrill Lynch Floating Rate Fund	-	4.21
b) Kotak Floaters Short Term Fund	-	5.92
c) Kotak Floaters Short Term Fund (M.V.24905.57)	2,486.53	0.25
d) LICMF Liquid Fund (M.V.12505021.31)	1,138,880.45	125.05
e) Prudential ICICI Liquid Fund	-	1,014.45
f) UTI Fixed Maturity Plan (M.V. 100000000)	10,000,000.00	1,000.00
g) UTI Liquid Cash Fund (M.V. 151659.93)	8,624.88	1.52
	<u>1,126.82</u>	<u>1,037.21</u>
	<u>1,337.02</u>	<u>1,321.72</u>

SCHEDULES OF DEPRECIATION FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 31 <sup>ST</sup> MARCH, 2007											
(Rs. In Lacs)											
SCHEDULE - 'E'	PARTICULARS	GROSS BLOCK				DEPRECIATION			NET BLOCK		
		COST AS AT 31.03.06	ADDITIONS DURING THE YEAR 06-07	ADJUSTMENTS ON SALE	COST AS ON 31.03.07	TOTAL UP TO 31.03.06	DEPRECIATION FOR THE YEAR 06-07	DEPR. ON SALE/ DISP.	TOTAL UP TO 31.03.07	AS AT 31.03.07	AS AT 31.03.06
	LEASE HOLD LAND	212.05	724.66	-	936.71	10.63	-	-	10.63	926.08	201.42
	FREEHOLD LAND	108.68	12.18	-	120.86	10.39	-	-	10.39	110.47	98.29
	FACTORY BUILDING	2,625.64	230.24	39.61	2,816.27	565.15	186.37	-	751.52	2,064.75	2,060.49
	BUILDING OTHERS	765.54	278.33	-	1,043.87	303.46	28.25	-	331.71	712.16	462.08
	OFFICE BUILDING	133.40	1,267.70	-	1,401.10	8.15	22.76	-	30.91	1,370.19	125.25
	ELECTRIC INSTALLATION	294.93	68.70	-	363.63	114.47	32.39	-	146.86	216.77	180.46
	PLANT & MACHINERY	10,878.20	1,204.64	54.99	12,027.85	4,917.64	1,437.85	-	6,355.49	5,672.36	5,960.56
	VEHICLES	167.08	90.45	15.97	241.56	45.28	43.05	10.42	77.91	163.65	121.80
	OFFICE EQUIPMENT	44.11	50.87	0.28	94.70	20.56	8.09	-	28.65	66.05	23.55
	FURNITURE AND FIXTURE	151.80	27.43	1.19	178.04	54.81	19.58	-	74.39	103.65	96.99
	COMPUTERS	56.74	16.37	0.14	72.97	39.81	8.62	-	48.43	24.54	16.93
	GAS CYLINDERS	271.88	-	-	271.88	271.83	-	-	271.83	0.05	0.05
	CYLINDERS GIVEN ON LEASE	-	5.65	-	5.65	-	0.96	-	0.96	4.69	-
	GRAND TOTAL	15,710.05	3,977.22	112.18	19,575.09	6,362.18	1,787.92	10.42	8,139.68	11,435.41	9,347.87

**SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2007**

	As at 31.03.2007 (Rs. In Lacs)	As at 31.03.2006 (Rs. In Lacs)
<b>SCHEDULE 'G'</b>		
<b>Inventories</b>		
(As per inventories taken, valued & certified by Management)		
Raw Material	7,021.19	3,420.97
Finished Goods	376.56	66.13
Work In Progress	3,775.76	721.19
Scrap	-	8.82
Others (Fuel & Gases)	41.15	15.97
Trading - others	81.19	-
Stock in Transit	146.15	-
	<u>11,442.00</u>	<u>4,233.09</u>
<b>SCHEDULE 'H'</b>		
<b>Sundry Debtors</b>		
(Unsecured, Considered Good)		
Debts outstanding for a period exceeding six months	203.61	141.25
Other Debts	5,546.02	2,607.48
	<u>5,749.63</u>	<u>2,748.72</u>
<b>SCHEDULE 'I'</b>		
<b>Cash and Bank Balances</b>		
Cash on hand	53.74	49.31
Balance with Scheduled Banks		
- In Current Accounts	3,763.97	1,711.79
- In Fixed Deposits	890.54	1,122.64
- In Unpaid Dividend Account	0.48	-
- In Margin Accounts	-	12.21
	<u>4,708.73</u>	<u>2,895.95</u>
<b>SCHEDULE 'J'</b>		
<b>Loans and Advances</b>		
(Unsecured, Considered Good)		
Advances recoverable in cash or in kind or for value to be received	1,972.91	1,218.65
Deposits	1,045.68	673.44
Balance with Central Excise	801.39	148.19
Advance Tax and Tax Deducted At Source	5,345.06	2,908.90
	<u>9,165.04</u>	<u>4,949.18</u>
<b>SCHEDULE 'K'</b>		
<b>Current Liabilities</b>		
<b>Sundry Creditors</b>		
- For Goods	1,796.57	1,754.80
- For Expenses	1,156.89	741.33
Advance from Customers	667.22	406.00
Other Liabilities	159.38	163.33
Interest Accrued but not due	5.34	-
Unclaimed Dividend	0.48	-
	<u>3,785.88</u>	<u>3,065.45</u>
<b>SCHEDULE 'L'</b>		
<b>Provisions</b>		
Provision For Taxation	5,025.00	2,575.00
Provision For Fringe Benefit Tax	60.00	20.00
Proposed Dividend	976.10	616.88
Tax On Dividend	165.89	86.52
	<u>6,226.99</u>	<u>3,298.39</u>

**SCHEDULES FORMING PART OF CONSOLIDATED PROFIT & LOSS ACCOUNT  
FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2007**

	Year ended 31.03.2007 (Rs. In Lacs)	Year ended 31.03.2006 (Rs. In Lacs)
<b>SCHEDULE 'M'</b>		
<b>RAW MATERIAL &amp; COMPONENTS CONSUMED</b>		
Opening Stock	3,420.97	3,219.50
Add: Purchases	26,470.16	13,259.02
	<u>29,891.13</u>	<u>16,478.52</u>
Less: Closing Stock	7,073.50	3,420.97
	<u><u>22,817.63</u></u>	<u><u>13,057.54</u></u>
<b>SCHEDULE 'N'</b>		
<b>OPERATIONAL EXPENSES</b>		
Power	851.56	456.84
Fuel & Gas	1,444.75	832.47
Stores , Spares & Tools Consumed	1,080.20	888.28
Water Charges	41.70	25.85
Excise Duty paid	30.01	15.14
Marking, Inspection & Testing Fees	84.74	48.47
Repairs & Maintenance		
- Building	84.02	42.17
- Plant & Machinery	12.78	8.62
- Others	18.29	9.48
Other Expenses	120.41	56.20
	<u>3,768.46</u>	<u>2,383.52</u>
<b>SCHEDULE 'O'</b>		
<b>PERSONNEL EXPENSES</b>		
Salary, Wages & Other benefits	1,321.42	826.66
Contribution to Provident Fund & Other Funds	70.03	41.01
Staff Welfare Expenses	50.57	26.72
	<u>1,442.02</u>	<u>894.40</u>
<b>SCHEDULE 'P'</b>		
<b>FINANCE CHARGES</b>		
Interest on Cash Credit Accounts	132.26	35.33
Interest on Term Loan	191.58	94.96
Interest - others	42.13	129.64
Bank Charges & Commission	166.12	116.87
	<u>532.09</u>	<u>376.80</u>

**SCHEDULES FORMING PART OF CONSOLIDATED PROFIT & LOSS ACCOUNT  
FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2007**

	Year ended 31.03.2007 (Rs. In Lacs)	Year ended 31.03.2006 (Rs. In Lacs)
<b>SCHEDULE 'Q'</b>		
<b>ADMINISTRATIVE, SALES &amp; OTHER EXPENSES</b>		
Insurance	85.23	66.99
Rent,Rates & Taxes	223.48	152.90
Security Service Charges	22.37	7.64
Recruitment & Training	0.36	0.38
Licence Fees	23.60	12.07
Director's Remuneration	172.58	152.88
Commission to Managing Director	125.70	98.50
Travelling & Conveyance	189.12	106.50
Vehicle Expenses	66.69	43.50
Telephone,Telex & Postage	55.92	38.06
Printing & Stationery	31.59	15.98
Electricity Charges	7.21	4.32
Legal & Professional Fees	151.12	73.63
Auditor's Remuneration	10.42	3.50
Advertisement & Sales Promotion	57.62	84.28
Commission	315.78	121.40
Sales Tax Paid	30.61	-
Sundry Expenses	195.21	76.54
Carriage Outward	240.14	187.61
Donation	24.66	20.18
Filing Fees	0.30	8.35
Clearing & Forwarding Charges	144.56	18.23
Sundry Balances no longer required written Back	4.96	-
Loss on sale of Investments	4.28	-
Loss on sale of Fixed Assets	1.89	-
Translation Loss	211.67	12.61
Foreign Exchange Fluctuation Loss	-	46.53
	<u>2,397.07</u>	<u>1,352.58</u>
<b>SCHEDULE 'R'</b>		
<b>OTHER INCOME</b>		
Interest	83.12	10.06
Scrap Sales	84.84	31.23
Dividend	31.98	36.29
Insurance Claim Received	3.12	-
Miscellaneous Income	46.32	81.19
Foreign Exchange Fluctuation Gain	140.80	-
Duty Drawback-Export Incentive	6.59	12.22
Profit on sale of Investments	-	39.37
Profit on sale of Fixed Assets	-	11.50
	<u>396.77</u>	<u>221.86</u>

NOTES FORMING PART OF THE CONSOLIDATED ACCOUNTS FOR  
THE YEAR ENDED 31<sup>ST</sup> MARCH, 2007

**SCHEDULE - 'S'**

1. The Consolidated Financial Statements includes results of all the subsidiaries of the company. The names, country of incorporation and proportion of ownership interest is as under :

Name of the Company	Country of Incorporation	% shareholding by Everest Kanto Cylinder Ltd.
EKC Industries (Tianjin) Co., Ltd.	People's Republic of China	100%
EKC International FZE	United Arab Emirates	100%

**Principles of Consolidation :**

The Consolidated financial statements pertain to Everest Kanto Cylinder Ltd., the holding company and its two subsidiaries and the following principles have been considered while preparing the Consolidated financial statements :

The Consolidated financial statements have been prepared by combining individual financial statements on a line – by – line basis by adding together the balances of assets, liabilities, income and expenditure, after netting off the inter – se transactions within the group.

The income and expenditure of overseas subsidiaries are translated at the average of daily closing exchange rate for the period. Year end balances of all assets and liabilities are restated at the year end exchange rates. Exchange differences arising on restatement at year end exchange rates, of the net investment in foreign subsidiary, are taken to reserves.

**2. Significant Accounting Policies :**

The significant accounting policies, unless stated otherwise in the Consolidated Notes to Accounts, are the same as stated in the holding company's Notes to Accounts.

**3. Foreign Currency Transaction :**

- i) Exchange rate differences arising on Consolidation are charged to the Profit & Loss Account under the head "Foreign Exchange Fluctuation Account".
- ii) In the case of the overseas subsidiary, the exchange rate differences arising due to translation has been taken to Reserves.

**4. Contingent liabilities not provided for in respect of :**

	As at 31.03.2007 (Rs. In Lacs)	As at 31.03.2006 (Rs. In Lacs)
Matters under Dispute		
Income Tax	1.55	3.54
Sales Tax	106.68	19.22
Outstanding letters of Credit and Guarantees issued by bank	2,879.19	471.94
Capital Contracts to be executed	440.97	315.03
Uncalled liability on shares partly paid up	Nil	20.14
Claims not acknowledged as Debts	4.77	Nil

With regard to the search conducted by the Income Tax Department during the year 2005-06, the company has not received any demand from the authorities under section 132. However, the company has paid tax as per revised income tax returns. The company has made an application to the Settlement Commission for settling any dispute arising out of the above.

**5. Related Party Disclosures**
**(i) Related Party Relationships**
**a) Associates**

Everest Kanto Investment & Finance Ltd.  
 Khurana Gases Private Ltd.  
 Medical Engineers (India) Private Ltd.  
 Khurana Fabrication Private Ltd.  
 Khurana Exports Private Ltd.  
 Everest Industrial Gases Private Ltd.  
 Khurana Charitable Trust  
 Khurana Education Trust

**b) Key Management Personnel**

Prem Kumar Khurana	Managing Director
Pushkar Khurana	Whole - Time Director
Puneet Khurana	Whole - Time Director
Pramod Samvatsar	Whole - Time Director
V. K. Khot	Director
C. P. Batra	Director
S. S. Khurana	Whole - Time Director upto 03-11-2006

**c) Relatives of Key Management Personnel**

Suman Khurana  
 Pooja Khurana  
 Nishita Khurana  
 S. S. Khurana  
 Vandana Khurana  
 Varun Khurana



## (ii) Transactions with related parties

(Rs. In Lacs)

Transaction	Associates	Key Management Personnel	Relative of Key Management Personnel	Total
a) Sales				
Goods	472.14 (-)	- (-)	- (-)	472.14 (-)
Fixed Assets	- (-)	- (-)	- (-)	- (-)
b) Purchases				
Goods	- (4.08)	- (-)	- (-)	- (4.08)
Consumables	3.32 (1.00)	- (-)	- (-)	3.32 (1.00)
c) Expenses				
Remuneration	- (-)	213.81 (153.32)	5.47 (-)	219.28 (153.32)
Commission	- (-)	125.70 (98.50)	- (-)	125.70 (98.50)
Interest	- (-)	- (90.13)	- (37.83)	- (127.96)
Rent	47.59 (41.94)	9.36 (17.20)	- (-)	56.95 (59.14)
Donation	24.50 (20.00)	- (-)	- (-)	24.50 (20.00)
Loans and Advances Balance as at 31 <sup>st</sup> March	828.51 (510.00)	- (-)	- (-)	828.51 (510.00)
Sundry Creditors Balance as at 31 <sup>st</sup> March	12.34 (7.67)	- (-)	- (-)	12.34 (7.67)
Sundry Debtors Balances as on 31 <sup>st</sup> March	27.21 (-)	- (-)	- (-)	27.21 (-)

The figures in brackets represent previous year figures.

## 6. Segment Reporting :

As per Accounting Standard (AS 17) issued by Council of The Institute of Chartered Accountants Of India, the company's primary business is manufacturing of High Pressure Gas Cylinders.

7. Previous year figures have been regrouped, rearranged and recasted wherever necessary. The previous year's figures are not comparable in view of the sale of all fixed assets to the subsidiary on 1<sup>st</sup> November, 2006.

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

RAJENDRA D. PASAD  
PROPRIETOR  
MEMBERSHIP NO. 6136

CHANDA MAKHIJA  
COMPANY SECRETARY

PUNEET KHURANA  
WHOLE-TIME DIRECTOR

PLACE: MUMBAI  
DATE : 21<sup>ST</sup> MAY, 2007

PLACE : MUMBAI  
DATE : 21<sup>ST</sup> MAY, 2007

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2007**

	Year ended 31.03.2007 (Rs. In Lacs)	Year ended 31.03.2006 (Rs. In Lacs)
<b>A) CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit after Tax & Extraordinary Items	7,177.06	3,237.06
<b>Adjustments :</b>		
Depreciation	1,777.96	976.07
Profit on Sale of Fixed Assets	-	(11.50)
Loss on sale of Fixed Assets	1.89	-
Loss on sale of Investment	4.28	-
Profit on sale of Investment	-	(39.37)
Exchange fluctuation reserve on consolidation	(176.42)	-
Interest Paid	365.97	259.93
Interest Received	(83.12)	(10.06)
Dividend Received	(31.98)	(36.29)
Provision for Tax	2,450.00	1,520.00
Deferred Tax	(130.91)	(133.89)
Fringe Benefit Tax	40.00	20.00
<b>OPERATING PROFIT BEFORE WORKING CAPITAL</b>	<b>11,394.73</b>	<b>5,781.95</b>
<b>Adjustments for changes in Working Capital :</b>		
(Increase) / Decrease in Trade & Other Receivables	(4,780.60)	(1,672.57)
(Increase) / Decrease in Inventories	(7,208.92)	(229.11)
Increase / (Decrease) in Trade & Other Payables	720.42	835.72
<b>Cash Flow from Operating Activities</b>	<b>125.64</b>	<b>4,715.99</b>
Direct Taxes Refund / (Paid)	(2,406.16)	(2,206.90)
Fringe Benefit Tax paid	(30.00)	(18.50)
<b>Net Cash Flow from Operating Activities</b>	<b>(2,310.52)</b>	<b>2,490.59</b>
<b>B) CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(7,278.43)	(6,034.28)
Sale of Fixed Assets	99.87	18.46
Capital subsidy received	394.05	-
Purchase of Investments	(90.36)	(1,112.27)
Sale of Investments	70.78	42.53
Dividend Received	31.98	36.29
Interest Received	83.12	10.06
Preliminary expenses	(92.34)	-
<b>Cash Flow from Investing Activities</b>	<b>(6,781.34)</b>	<b>(7,039.21)</b>

<b>C) CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from fresh issue of Share Capital	9,199.96	9,000.05
Proceeds From Long Term Borrowings	4,411.77	1,073.73
Repayment of Long Term Borrowings	(1,211.00)	-
Repayment of Short Term Borrowings	(190.92)	(1,875.72)
Proceeds from Unsecured Loans	60.89	-
Repayment of Unsecured Loans	-	(127.03)
Share issue expenses	(296.70)	(561.01)
Dividend Paid	(703.39)	(169.60)
Interest paid	(365.97)	(259.93)
<b>Cash Flow from Financing Activities</b>	<b><u>10,904.65</u></b>	<b><u>7,080.49</u></b>
<b>NET INCREASE/(DECREASE) IN CASH &amp; CASH EQ.</b>	<b>1,812.78</b>	<b>2,531.87</b>
<b>CASH &amp; CASH EQUIVALENT AS AT 1<sup>st</sup> APRIL</b>	<b>2,895.95</b>	<b>364.08</b>
<b>CASH &amp; CASH EQUIVALENT AS AT 31<sup>st</sup> MARCH</b>	<b>4,708.73</b>	<b>2,895.95</b>

**Note :**

1. 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.
2. 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 DIRECTORRAJENDRA D. PASAD  
PROPRIETOR  
MEMBERSHIP NO. 6136CHANDA MAKHIJA  
COMPANY SECRETARYPUNEET KHURANA  
WHOLE-TIME DIRECTORPLACE: MUMBAI  
DATE : 21<sup>ST</sup> MAY, 2007PLACE : MUMBAI  
DATE : 21<sup>ST</sup> MAY, 2007

STATEMENT PURSUANT TO SECTION 212(8) OF THE COMPANIES ACT, 1956,  
RELATING TO SUBSIDIARY COMPANIES

(Rs. In Lacs)

	Name of Subsidiary Company	EKC International FZE	EKC Industries (Tianjin) Limited
1	Issued and Subscribed Share Capital	2,119.57	1,935.72
2	Reserves	3,282.24	394.05
3	Total Assets	9,765.05	2,329.76
4	Total Liabilities	9,765.05	2,329.76
5	Investments	Nil	Nil
6	Turnover	12,437.45	Nil
7	Profit / Loss before Tax	3,438.17	Nil
8	Provision for Taxation	Nil	Nil
9	Profit / Loss after Tax	3,438.17	Nil