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## **BOARD OF DIRECTORS**

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

**Mr. Pushkar Khurana**  
Non - Executive 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

**Ms. Genevieve Heng**  
Alternate Director to Ms. Josephine Price

**Company Secretary & Compliance Officer :**  
Ms. Chanda Makhija

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

**Statutory Auditors :**  
Dalal & Shah,  
Chartered Accountants, Mumbai

**Registered Office :**  
204, Raheja Centre,  
Free Press Journal Marg,  
214, Nariman Point,  
Mumbai – 400 021.  
Tel.: 91 22 3026 8300 - 01  
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 - 2594 6969  
Website: www.intimespectrum.com

## DIRECTORS' REPORT

Dear Shareholders,

Your Directors are pleased to present the 29<sup>th</sup> Annual Report together with the audited accounts for the year ended 31<sup>st</sup> March, 2008.

### FINANCIAL RESULTS

The financial performance of the Company for the Financial Year ended 31<sup>st</sup> March, 2008 is summarized below:

(Rs. In Lacs)

Particulars	Standalone		Consolidated	
	2007-08	2006-07	2007-08	2006-07
Sales	38,001.80	35,516.17	57,516.34	44,964.18
Less: Excise Duty	4,642.21	2,459.16	4,642.21	2,459.16
Net Sales	33,359.59	33,057.01	52,874.13	42,505.02
Profit before Interest, Depreciation and Tax	9,618.82	9,042.58	16,063.51	11,678.15
Less:				
- Interest and Finance Charges	483.39	329.26	709.78	365.97
- Depreciation	1,632.27	1,646.90	2,149.13	1,777.96
<b>Profit before Tax</b>	<b>7,503.16</b>	<b>7,066.42</b>	<b>13,204.60</b>	<b>9,534.22</b>
Less/(Add): Provision for Taxation				
- Current	1,751.50	2,450.00	1,751.50	2,450.00
- Deferred	647.44	(130.91)	647.44	(130.91)
- Fringe Benefit	27.20	40.00	27.20	40.00
<b>Profit after Tax</b>	<b>5,077.02</b>	<b>4,707.33</b>	<b>10,778.46</b>	<b>7,175.13</b>
Balance brought forward	4,463.45	2,911.40	7,946.47	2,911.40
Less/(Add): Prior period adjustment and Tax adjustment of earlier years	350.97	(1.93)	350.97	(1.93)
Available for appropriation	9,189.50	7,620.66	18,373.96	10,088.46
<b>Appropriations</b>				
Proposed Dividend	1,213.89	976.10	1,213.89	976.10
Tax on Proposed Dividend	206.30	165.89	206.30	165.89
Transfer to Capital Reserve	-	1,015.22	-	-
Transfer to General Reserve	1,000.00	1,000.00	1,000.00	1,000.00
Balance carried forward	6,769.31	4,463.45	15,953.77	7,946.47
Basic and Diluted earning per share of Rs. 2 each (in Rupees)*	4.78	5.12	10.54	7.80

\* Calculated on weighted average number of shares.

### OPERATIONS

During the year, your Company has scaled new heights and set several new benchmarks in terms of sales, profits, network and assets. The Company has effectively capitalized opportunities presented by a favourable market through its product profile, strengthening its operational excellence practices and further extending its market reach. During the year, the total consolidated sales volume of cylinders increased to 646,490 nos. as against

471,873 nos. in the previous year. Consolidated Net Sales increased to a level of Rs. 52,874 Lacs as compared to Rs. 42,505 Lacs in the previous year, registering an impressive growth of 24% mainly aided by improved CNG cylinder sales and a better product mix.

The year under review also saw consolidated export revenues grow by 38% from a level of Rs. 22,249 Lacs in the previous year to a level of Rs. 30,678 Lacs. Consolidated Profit before Tax was

at Rs. 13,204 Lacs as against Rs. 9,534 Lacs registering an increase of 38%. Consolidated Profit after Tax was at Rs. 10,427 Lacs which is higher by 45% as compared to that of the previous year, mainly on account of overall improvement in sales performance and continuing efforts to control costs and improve profitability. The rapid growth in international business also contributed towards the overall profitability of the Company.

## 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 in the coming years. Your Directors are hopeful of sustaining the Company's growth trajectory to enable it to continue its dominant status in the marketplace.

## DIVIDEND

Your Directors have recommended a dividend @ 60% i.e., Rs. 1.20 per equity share of face value Rs. 2 each (last year @ 50% i.e., Rs. 5 per equity share of face value Rs. 10 each) on the expanded capital, for the financial year ended 31<sup>st</sup> March, 2008. If approved, by the shareholders at the ensuing Annual General Meeting, the dividend will absorb approximately Rs. 1,420 Lacs (inclusive of Dividend Distribution Tax) to be borne by the Company.

The dividend payout for the year under review has been formulated in accordance with the Company's policy to pay sustainable dividend linked to long term performance, keeping in view the Company's need for capital for its growth plans and the intent to finance such plans through internal accruals to the maximum.

## SUB-DIVISION OF EQUITY SHARES

To facilitate easy accessibility to the Company's equity shares by the investors and enhance liquidity of the Company's shares on the Stock Exchanges, the Company has sub-divided its one equity share of Rs. 10 each into five equity shares of Rs. 2 each, which was approved by the members at the Twenty Eighth Annual General Meeting of the Company held on 3<sup>rd</sup> July, 2007. Accordingly, 28<sup>th</sup> August, 2007 was fixed as 'Record Date' for the purpose of determining the shareholders, who would be entitled to receive the sub-divided equity shares. The Company had after completing all corporate actions, debited the demat account of respective shareholders holding equity shares of Rs. 10 each, in demat form represented by ISIN:INE184H01019 and given credit for shares of Rs. 2 each, represented by new ISIN:INE184H01027. In case of shares held in physical form, the Company had dispatched the new certificates for equity shares of Rs. 2 each to all those shareholders who hold their shares in physical form.

## ISSUE OF FOREIGN CURRENCY CONVERTIBLE BONDS

Pursuant to the approval accorded by the members at the Twenty Eighth Annual General Meeting held on 3<sup>rd</sup> July, 2007, the Company had in October 2007 raised US \$ 35 million

(approximately Rs. 13,944 Lacs) through an issue of Zero Coupon Foreign Currency Convertible Bonds (FCCBs). The FCCBs are listed on Singapore Exchange Securities Trading Limited (a wholly owned subsidiary of Singapore Exchange Limited) and are convertible into fully paid up equity shares of the Company at any time on or after 19<sup>th</sup> November, 2007 up to the close of business on 3<sup>rd</sup> October, 2012 at the option of the Bondholder at the conversion price of Rs. 303.36 per share.

## PREFERENTIAL ALLOTMENT

Pursuant to the approval accorded by the members at the Extraordinary General Meeting held on 7<sup>th</sup> November, 2007, your Company had raised around Rs. 8,870 Lacs by allotment of 3,200,000 equity shares to TVG India Investment Holdings Limited and 348,027 equity shares to Brightwill Limited on a preferential basis at Rs. 250/- per equity share (including a premium of Rs. 248/- per share) on 21<sup>st</sup> November, 2007. The Objects of the preferential issue were to finance the expansion plans of the Company in India and for working capital purposes.

## SHIFTING OF REGISTERED OFFICE

With effect from 8<sup>th</sup> April, 2008, the Registered Office of the Company has been shifted from 501, Raheja Centre, Free Press Journal Marg, 214, Nariman Point, Mumbai-400 021 to 204, Raheja Centre, Free Press Journal Marg, 214, Nariman Point, Mumbai-400021, falling under the same jurisdiction and within the local limits of the town, where the registered office of the Company was previously situated.

## SUBSIDIARIES

As on 31<sup>st</sup> March, 2008 the Company had two wholly owned subsidiary companies, viz., EKC International FZE in Dubai, UAE and EKC Industries (Tianjin) Co. 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.

In October 2007, EKC International FZE, the wholly owned subsidiary of the Company in Dubai successfully commissioned the second plant in Dubai which resulted in doubling the existing capacity of the subsidiary to 196,000 cylinders per annum.

EKC Industries (Tianjin) Co. Ltd., the wholly owned subsidiary of the Company in People's Republic of China has successfully

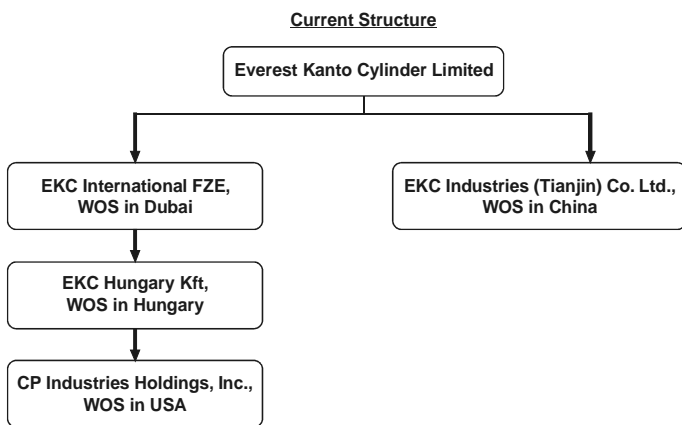
completed the trial production phase and commercial production commenced during the first week of May, 2008. The initial production capacity of the unit is around 2,00,000 cylinders.

**FORMATION OF STEP DOWN SUBSIDIARIES**

During April 2008, EKC International FZE, wholly owned subsidiary of the Company in UAE has formed a wholly owned subsidiary (WOS) in Hungary by the name of EKC Hungary Kft.

Further EKC Hungary Kft has invested in the entire share capital of CP Industries Holdings, Inc. which had been incorporated in the State of Delaware, USA by virtue of which CP Industries Holdings, Inc. has become the WOS of EKC Hungary Kft.

The Current Corporate Structure is as under:



**ACQUISITION**

During April 2008, EKC group successfully completed the acquisition process and acquired all the assets of CP Industries, Inc., a division of Reunion Industries, Inc., USA (“CPI”) located in McKeesport, Pittsburgh, USA. CPI manufactures and sells large seamless pressure vessels for the containment and transportation of pressurized gases and is a global leader in this business. All the tangible and intangible assets of CPI have been acquired by CP Industries Holdings, Inc. and EKC Hungary Kft respectively, the step down subsidiary companies of the Company. The acquisition gives EKC an entry into the global markets for large seamless pressure vessels.

**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 as well as its Subsidiary’s plant in Dubai, U.A.E.

**FIXED DEPOSITS**

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

**DIRECTORS**

As per the provisions of Article 137 of the Articles of Association of the Company, Mr. Pushkar Khurana, Mr. Naresh Oberoi and Mr. Vyomesh Shah are retiring by rotation and being eligible offer themselves for re-appointment at the Twenty Ninth Annual General Meeting. The Board of Directors has recommended their re-appointment for consideration of the shareholders.

With effect from 1<sup>st</sup> January, 2008, Mr. Pushkar Khurana ceased to be Whole-Time Director. However, he continues to function as a Non - Executive Director of the Company.

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 along 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, issued by the Institute of Chartered Accountants of India, on Consolidated Financial Statements, your Directors provide the audited Consolidated Financial Statements in the Annual Report.

**AUDITORS AND AUDITOR’S REPORT**

M/s. Dalal & Shah, 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.

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. 2008-2009.

The Notes on Accounts referred to in the Auditor's 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.

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

#### PARTICULARS OF EMPLOYEES

The Company continues to maintain cordial relationship with its workforce at all locations. Continuous upgradation of core skills by way of training programmes either through internal or external agencies are an integral part of human resources development policy. The statement under sub-section (2A) of Section 217 of

the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended and forming part of this report is given in "Annexure B".

#### 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 forming part of the Annual Report.

Certificate from the Auditors of the Company, M/s. Dalal & Shah, confirming compliance of conditions of Corporate Governance as stipulated under the aforesaid Clause 49, is annexed as "Annexure C" and forms part of this report.

#### ACKNOWLEDGEMENTS AND APPRECIATION

Your Directors would like to express their appreciation for the assistance and co-operation received from Financial Institutions, Banks, Government authorities, customers, vendors and members during the year under review. Your Directors also wish to place on record their deep sense of appreciation for the committed services by the executives, staff and workers of the Company.

**For and on behalf of the Board of Directors**

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

**PLACE : MUMBAI  
DATE : 26<sup>TH</sup> MAY, 2008**

#### 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.
- vi) Installation of transparent roofing sheets to improve natural daylight at the work sheds.

###### (b) Proposed Energy Conservation Measures :

- i) Installation of more wind driven roof ventilators as energy saving devices.
- ii) Installation of open area lighting arrangement duly optimized through software simulation.
- iii) Installation of power saving transformers for the lighting load.
- iv) The Company has also started to benefit in the area of energy conservation through its wind power projects. During the year, the Company has undertaken Wind farm projects at Kandla in the state of Gujarat and Satara in the state of Maharashtra. The brief details of which are given in the following table:

Place of Installation	No. of Windmills installed	Energy Generation Capacity	Investment (Rs. in Lacs)	Energy Generated during the year
Kandla, Gujarat	1	1.650 MW	1,123.99	1,233,491 units
Satara, Maharashtra	3	3 x 0.225 MW = 0.675 MW	332.75	100,708 units

**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.

- The wind farm projects as mentioned in the preceding paras have been undertaken in the states of Gujarat and Maharashtra, where the Company is having its own manufacturing facilities. Considering the present power policy of Governments, the Company is directly benefited in terms of captive consumption of energy generated by aforesaid wind farm and also the power generated from these new wind mills, provide additional revenue and income tax shield to the Company and the project being completely pollution free and environment friendly will also entitle us for carbon credits.
- At Kandla, the energy generated would be first utilized for captive consumption at Gandhidham unit and the excess energy generated would be sold to Paschim Gujarat Vij Company Limited (PGVCL).
- At Satara, the energy generated would be sold to Maharashtra State Electricity Board as per the Government's new policy.

**III. The details of energy consumption are given below. These details cover the operations of your Company's factories at Tarapur, Aurangabad, Gandhidham.**

Particulars	Current Year	Previous Year
A) Power and Fuel consumption :		
a) Electricity purchased :		
Units (kwh in Lacs)	166.28	174.10
Total Amount (Rs. in Lacs)	786.81	787.72
Rate per Unit (Rs.)	4.73	4.52
b) Oxygen purchased :		
Units (Cu.M. in Lacs)	6.56	7.25
Total Amount (Rs. in Lacs)	63.98	70.78
Rate per Cu.M. (Rs.)	9.75	9.76

Particulars	Current Year	Previous Year
c) LDO purchased		
Units (Ltrs. in Lacs)	33.82	28.34
Total Amount (Rs. in Lacs)	911.24	783.43
Rate per Ltr. (Rs.)	26.94	27.64
d) LPG purchased		
Units (Kg. in Lacs)	2.10	1.83
Total Amount (Rs. in Lacs)	85.04	64.22
Rate per Kg. (Rs.)	40.50	35.09
B) Consumption per unit of production:		
i) Electricity (kwh/MT)	864.92	761.89
ii) Oxygen (Cu.M/MT)	34.10	31.73
iii) LDO (Ltr./MT)	175.94	124.04
iv) LPG (Kg/MT)	10.94	8.02

**B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :**

- 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.
- 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 had exports (FOB value) worth Rs. 10,551 Lacs.

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

Particulars	Current Year	Previous Year
I. Foreign Exchange used	26,827.75	15,623.21
II. Foreign Exchange earned	10,854.69	13,512.13

**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, 2008.

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	20,245,451	01.08.1978	67	47	Industrialist
2.	Mr. Puneet Khurana	B.Com, MBA	Whole - Time Director	5,789,647	15.04.1996	34	15	First Employment
3.	Mr. P.M. Samvatsar	B.E., Diploma in Business Management	Whole - Time Director	5,610,887	17.08.1985	56	36	Pembril Fluidrive Limited - a Greaves Cotton group company

**NOTES :**

- Nature of Employment whether contractual or otherwise :  
The appointments of the Chairman and Managing Director and Whole-Time Directors 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 are related to each other. None of the other employees are related to any Director of the Company.

**ANNEXURE “C” TO THE DIRECTORS’ REPORT  
Auditor’s Certificate on Corporate Governance**

To the Members  
Everest Kanto Cylinder Limited

We have reviewed the records concerning the Company’s compliance of conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement entered into, by the Company, with the Stock Exchanges of India, for the financial year ended 31<sup>st</sup> March, 2008.

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

We have conducted our review on the basis of the relevant records and documents maintained by the Company and furnished to us for the review, and the information and explanations given to us by the Company.

Based on such a review, and to the best of our information and according to the explanations given to us, in our opinion, the Company has complied with the conditions of Corporate Governance, as stipulated in Clause 49 of the said Listing Agreements.

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

**For and on behalf of  
DALAL & SHAH  
CHARTERED ACCOUNTANTS**

**VENKATESH SUBRAMANIAN  
PARTNER  
Membership No.: 37942**

**Place : Mumbai  
Dated : 26<sup>th</sup> May, 2008**



## MANAGEMENT DISCUSSION & ANALYSIS

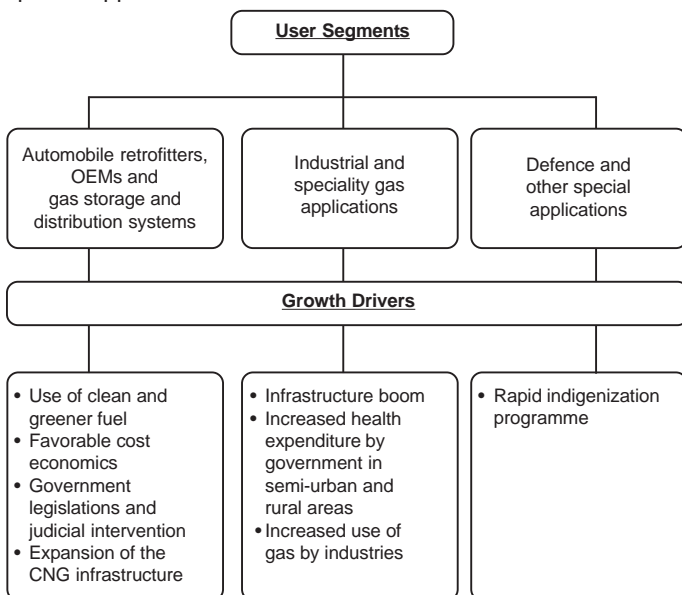
### ABOUT EVEREST KANTO CYLINDER LIMITED (EKC)

Your Company ("EKC") is the largest domestic and amongst the largest international manufacturers 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

### KEY USER SEGMENTS

EKC caters to the automobile, industrial gas, defence and other special applications.



### Automobiles :

In the automobiles sector, OEMs and retrofitters are the major customers of EKC's CNG cylinders, as cylinders are required for fitment in vehicles and for CNG storage to carry out in-house testing of assembled vehicles. Considering the thrust on CNG usage and its enhanced availability all across the country, we believe demand for cylinders from OEMs will continue to rise. Hence, the good relationships that EKC enjoys with OEMs as well as with other market players will play an important role in fulfilling customer requirements and improving the product offering in close collaboration with them.

### Industrial gases :

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 cylinders to store gases like oxygen, helium and nitrogen.

### Defence and other special applications

EKC also manufactures customized pressure vessels used in defence, scientific research and aeronautics. The rapid indigenization drive initiated by the government to reduce dependence on imports is providing fillip to the increased demand for such products.

### INDUSTRY STRUCTURE – DOMESTIC

#### 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-à-vis some other countries. India is on the threshold of witnessing an accelerated growth in the usage of CNG as an alternate fuel. Cost economics, rising awareness, improving refueling infrastructure, need for a cleaner environment and visibility of gas supplies should ensure CNG penetration on an accelerated trajectory in India.

#### 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 CNG cascades storage systems in the coming years in India.

### INDUSTRY STRUCTURE - SPECIFIC TO EKC

#### Industrial gas cylinders :

EKC today supplies the widest range of cylinders for industrial and medical gases, fire fighting and welding equipment, the beverage industry, accumulator shells, aerospace, scientific research, breathing apparatus for high altitude, mountaineering and several other applications.

#### CNG cylinders :

EKC has more than 80% of the market share in the CNG cylinder market in India. EKC caters to the leading automobile manufacturers in the market and manufactures cylinders for different kinds of vehicles. EKC is gradually increasing its capacity

both in India and in its overseas units in order to consolidate its position in India and globally. Due to the extensive quality assurance plan, continuous research and development of new improved technologies and its ability to suit almost every application in Compressed Natural Gases, EKC CNG cylinders are appreciated worldwide.

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

EKC also manufactures CNG cylinder cascades for the storage and transportation of CNG with complete, design, fabrication, manifold and testing. With the expansion of CNG infrastructure in India, the Company is ideally positioned to capitalize on this opportunity of increased cascades requirement in India.

#### **SIGNIFICANT ACHIEVEMENTS**

In February 2008, EKC successfully bid for acquiring all the assets of US based CP Industries, Inc., a division of Reunion Industries ("CPI") and subsequently completed the acquisition in April 2008. CPI is the world leader in the manufacture of very large, seamless, high-pressure vessels and has its manufacturing facility located in Pittsburgh, U.S.A. We view this as a very strategic acquisition given the complementary product portfolio (large vessels of CPI combined with EKC's portfolio of other cylinders), strong market presence in the US and CPI's design capabilities. Post acquisition, EKC is working closely with CPI to ensure improved productivity and better capacity utilization.

CPI can manufacture cylinders compliant with the US and Chinese standards, ISO, ASME, DoT and other standards. The cylinders find applications in various industries such as transport, offshore, storage, defence, and others. CPI has a presence both in the US as well as in international markets (exports contribute about 20% of sales). Key customers include global companies (e.g. Praxair, Air Liquide, BOC, Chesterfield), other US-based companies, the US Government, etc.

#### **EXPANSION ACTIVITIES**

EKC is presently implementing new projects at its existing facility at Gandhidham which would result in creation of a 200,000 cylinders per annum facility for manufacture of industrial cylinders from Billets as well as another project for manufacture of large sized jumbo cylinders. Both these projects are in full swing and commissioning of these plants is expected during the third quarter of the financial year 2008-09.

#### **GREENFIELD UNIT IN KANDLA SEZ**

Kandla Special Economic Zone (KASEZ) is India's first and largest multi – product SEZ. EKC got approval in January 2008 to set up a cylinder manufacturing plant in KASEZ. Infrastructure development at the unit is in full swing and the plant has started

precommissioning activities. This plant is focused towards the booming global OEM exports market. The plant would have the capacity to manufacture 300,000 cylinders per annum. The plant is expected to be commissioned during the first quarter of financial year 2009-10.

#### **WHOLLY OWNED SUBSIDIARIES**

##### **EKC International FZE**

In October 2007, EKC International FZE, the wholly owned subsidiary of the Company in Dubai successfully commissioned the second plant in Dubai which resulted in doubling the existing capacity of the subsidiary to 196,000 cylinders per annum.

##### **EKC Industries (Tianjin) Co. Ltd.**

EKC Industries (Tianjin) Co. Ltd., the wholly owned subsidiary of the Company in People's Republic of China has successfully completed the trial production phase and commercial production commenced during the first week of May, 2008. The initial production capacity of the unit is around 200,000 cylinders.

##### **EKC Hungary Kft**

EKC International FZE formed a wholly owned subsidiary, EKC Hungary Kft in Hungary in April 2008. EKC Hungary Kft acquired all the intangible assets of CP Industries from Reunion Industries for a total consideration of US\$ 14.1 Million.

##### **CP Industries Holdings, Inc.**

CP Industries Holdings, Inc. became a wholly owned subsidiary of EKC Hungary Kft in April 2008. CP Industries Holdings, Inc. has acquired all the tangible assets of CP Industries, Inc. including working capital for a total consideration of US\$ 52.2 Million.

#### **OPPORTUNITIES AND CHALLENGES**

##### **OPPORTUNITIES**

EKC is ideally positioned to capture the growth opportunities by penetrating the growing natural gas cylinder market in the country and would continue to maintain its leadership position in the Indian cylinder industry.

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

###### **Natural Gas in India**

The landscape of the Indian natural gas market is set to witness significant change. Natural gas currently accounts for around 8% of the total energy mix in India as against the global average of 24%. However, with increased availability and rapid development in transmission and distribution infrastructure, the share of natural gas in the energy mix is

set to rise. The following factors are expected to drive the increased consumption of natural gas in India :

- Growth of end-user segments
- Cost of gas vis-à-vis alternate liquid fuels
- Regulation and policy making
- Environmental concerns
- New uses of natural gas (for example, co-generation)

EKC is the key beneficiary of the growing usage of CNG vehicles in India and abroad. The CNG friendly government policies, judicial intervention (the Supreme Court has mandated 28 cities to shift to CNG) and 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. These factors have benefited the Company to a great extent in maintaining its domestic leadership status. 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.

EKC's ambition is to be a global clean energy solution company with a significantly diversified portfolio. The Company's focus on training people, processes and technology is expected to help in strengthening its commitment towards its development and growth plans.

## 2. EKC enjoys economies of scale

EKC's existing manufacturing facilities are fully utilising their capacities. Also, higher capacity utilization is leading to greater operational efficiency leading to lower cost per unit and increased profitability.

## 3. Increase in exports

EKC currently exports to Iran, Pakistan, Bangladesh, Thailand, Malaysia, Egypt and CIS countries. Some of them have the most stringent quality-driven and value-driven norms for the products supplied by EKC. This demonstrates EKC's global competitiveness, the world-class quality of its products and superior logistical capabilities. The Company has been able to achieve leadership status in several of these countries while maintaining its share in the domestic market.

Revenues from consolidated exports now represent 57% of the Company's consolidated revenues.

## 4. Demand in China

The demand for CNG cylinders in China is expected to go up significantly due to the government mandating conversion of commercial vehicles in certain cities to CNG. Also, there has been an aggressive ramp up of gas stations in China with a planned increase in the number of gas stations from current level of 400 to about 2000 CNG stations in the next two to three years.

## 5. Change in Product Mix

In the past few years, EKC has moved up the value chain by changing its product-mix in favour of high value-added products such as CNG cylinders and cascades – thereby positioning itself ahead of competition in the domestic market.

Also, in the coming years, with the setting up of new plants which would use other technologies and cost effective inputs as opposed to the conventional seamless pipes, EKC would hold the competitive edge in terms of product offerings which would enable it to be very cost competitive.

## 6. Supply Chain and Customer Services

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

With the rapid growth in the domestic as well as International markets, EKC is aggressively enhancing its reach by expanding its marketing and distribution network.

## 7. Organic and Inorganic Growth

The Company has acquired all the assets of CP Industries, Inc. through its wholly owned step down subsidiaries, EKC Hungary Kft and CP Industries Holdings, Inc. The acquisition gives EKC an entry into the global large sized seamless pressure vessels market.

Besides, the organic expansion plans are targeted at meeting the burgeoning domestic and global demand for CNG and speciality gas applications as well as offering value-added products such as jumbo cylinders which would add significantly to the topline and bottomline as well as enable EKC to meet competitive pressures.

The expansions would enable EKC to derisk its business model by expanding its presence to other geographies (South East Asia, USA, etc.) while maintaining its leadership position in other countries where it is already operating.



**8. Low degree of competition**

The high pressure gas cylinder industry 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, cost effective technologies and well crafted business strategies have enabled it to retain its leadership in the industry.

**9. Competition from Imports**

While the industry has witnessed increased imports of especially industrial cylinders during the past few years, EKC being fully aware of this fact has ventured into production of cylinders with indigenous and non conventional inputs like billets, etc. This move will significantly dent the advantages, if any that imported cylinders had over domestic products. With these measures, EKC shall consolidate its market leadership position in the domestic market.

**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 (BIS) and approved by the Chief Controller of Explosives (CCE), 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 :**

EKC follows very stringent production and quality control processes for manufacture of its products. The regulation of products are carried out by Indian statutory bodies like BIS, CCE and by global agencies like SGS, etc. 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.

**3. Domestic CNG growth dependent on Government policies and plans**

The growth in CNG cylinder market for storage and transportation of CNG would be dependent on progressive government plans and initiatives to switch over to an alternative fuel viz. CNG.

**Company's Perspective :**

With natural gas being made available to most parts of the Country, it is expected that the Government policies would continue to be progressive leading to accelerated growth in the CNG cylinder industry.

**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 has helped EKC to maintain its leadership position.

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 internal controls designed to provide a high degree of assurance regarding the effectiveness and efficiency of operations, the adequacy of safeguards for assets, the reliability of financial controls and compliance with applicable laws and regulations.

The Company has also implemented suitable controls to ensure that all resources are utilized optimally, financial transactions are reported with accuracy and there is strict compliance with all applicable laws and regulations. Recognizing the important role of internal scrutiny, the Company has an internal audit function 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. In order to further strengthen the internal control

systems and with a view to automate the various processes of the business, the Company is in the process of finalizing an Enterprises Resource Planning (ERP) system which is expected to commence implementation in this financial year.

The Company has further put in place a detailed Risk Management Framework identifying the potential risks associated with the business and is currently in the process of putting in place appropriate monitoring mechanism to identify and take suitable steps to mitigate / eliminate the various risks.

### **FINANCIAL PERFORMANCE VIS-À-VIS OPERATIONAL PERFORMANCE**

EKC delivered superior financial performance during the year with significant improvement in operating results as compared to the previous year. 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 25% from Rs. 42,505 Lacs to Rs. 52,874 Lacs. And the consolidated profit after tax was at Rs. 10,427 Lacs as against Rs. 7,177 Lacs which is higher by 45%.

### **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 relationship 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, 2008, 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.

### **STRATEGY - LEADERSHIP STATUS**

EKC's strategy is to sustain its leadership position across its product categories in the domestic markets, pursue attractive overseas 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.

### **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's actual results, performance or achievements could thus differ materially from those projected in any such forward-looking statements. 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

### I. CORPORATE GOVERNANCE PHILOSOPHY

Good governance practices stem from the culture and mindset of the organisation. Transparency, fairness, disclosure and accountability – the four pillars of corporate governance have always been central to the working of your Company (EKC), its Management and its Board of Directors. EKC 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. EKC recognises that good Corporate Governance is a continuing exercise and reiterates its commitment to pursue highest standards of Corporate Governance to achieve the underlying goal of enhancing overall shareholder value on a sustained basis.

For implementing the Corporate Governance practices, EKC has a well defined policy framework consisting of the following:

- Code of Conduct and Ethics for Board of Directors and Senior Management Personnel
- Code of Conduct for Prevention of Insider Trading

### II. BOARD OF DIRECTORS

#### Composition and Size of Board

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 with more than fifty percent of Board of Directors are Non- Executive Directors. Since the Company has Executive Chairman half of the Board comprises of Independent Directors. Your Company is managed and guided by a professional Board comprising ten Directors, out of which seven are Non-Executive. Five out of the seven are 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. The Board periodically evaluates the need for increasing or decreasing its size.

The Company's 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. The Independent Directors of the Company meet all the criteria mandated by clause 49 of the Listing Agreement.

The composition of the Board of Directors is in conformity with the stipulation laid down in the code of Corporate Governance recommended by the Securities and Exchange Board of India (SEBI) through clause 49 of the Listing Agreement of the Stock Exchanges.

#### Inter se relationships among Directors

Mr. P.K. Khurana, Chairman & Managing Director is father of Mr. Pushkar Khurana, Director & Mr. Puneet Khurana, Whole-Time Director of the Company. Except the above there are no inter-se relationships among the Directors.

#### Board Meetings

##### **A. Scheduling of Board Meetings**

- (i) The Company holds at least four Board meetings in a year, once in each quarter to review the financial results and discuss and approve other business items. Apart from the four scheduled Board Meeting, additional Board Meetings are also convened by giving appropriate notice to address the specific requirement of the Company. In case of business exigencies or urgency of matters, resolutions are passed by circulation.
- (ii) All the meetings are held at the Company's Registered Office.

##### **B. Information placed before the Board**

- (i) The Board is given presentations covering Finance, Sales, Marketing, the major business segments and operations of the Company, global business environment, all business areas of the Company, including business opportunities, business strategy and the risk management practices, before taking on record the quarterly / annual financial results of the Company at each of the Board meetings.
- (ii) All necessary information which includes but not limited to the items mentioned in annexure I A to Clause 49 are placed before the Board of Directors.

##### **C. Board Agenda and related papers**

- (i) 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 focused 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.
- (ii) The Chairman of the Board and the Company Secretary in consultation with other concerned team members of the senior management, finalise the agenda papers for the Board meetings.

##### **D. Recording Minutes of proceedings at Board and Committee meetings**

The Company Secretary records the minutes of the proceedings of each Board and Committee meeting. Draft minutes are circulated to all the members of the Board / Committee for their comments.

##### **E. Compliance**

The Company Secretary while preparing the Agenda, Notes on Agenda, Minutes, etc. of the meeting(s), is responsible for and is required to ensure adherence to all the applicable laws and

regulations including the Companies Act, 1956 read with the Rules issued thereunder and to the extent feasible, the Secretarial Standards recommended by the Institute of Company Secretaries of India, New Delhi.

**F. Number of Board Meetings held, the dates on which held and Attendance**

During the year 1<sup>st</sup> April, 2007 to 31<sup>st</sup> March, 2008, eight Board meetings were held, as against the minimum requirement of four meetings. 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 65 days, whereas statutory requirement for maximum gap between two Board Meetings is four months.

The dates on which the meetings were held and the total strength of directors present are as follows:

Sr. No.	Date of Board Meeting	No. of Directors present
1	21 <sup>st</sup> May, 2007	8
2	26 <sup>th</sup> July, 2007	7
3	18 <sup>th</sup> September, 2007	6
4	6 <sup>th</sup> October, 2007	6
5	30 <sup>th</sup> October, 2007	9
6	21 <sup>st</sup> November, 2007	7
7	21 <sup>st</sup> January, 2008	9
8	18 <sup>th</sup> February, 2008	6

**G. 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**

Director	Category	No. of Board Meetings		No. of Other Directorships	No. of Other Committee Positions held		Attended Last AGM
		Held during tenure	Attended		Chairman	Member	
Mr. P.K. Khurana	Promoter, Executive Chairman	8	8	1	None	None	Yes
Mr. Pushkar Khurana*	Promoter, Non-Executive	8	0	1	None	None	No
Mr. Puneet Khurana	Promoter, Executive	8	7	1	None	None	Yes
Mr. P.M. Samvatsar	Executive	8	3	None	None	None	Yes
Mr. Krishen Dev	Independent, Non-Executive	8	6	1	1	None	Yes
Mr. Shailesh Haribhakti	Independent, Non-Executive	8	8	13	5	4	Yes
Mr. Mohan Jayakar	Independent, Non-Executive	8	7	4	2	None	Yes
Mr. Naresh Oberoi	Independent, Non-Executive	8	7	1	None	None	No
Mr. Vyomesh Shah	Independent, Non-Executive	8	4	12	2	1	No
Ms. Josephine Price	Non-Independent, Non-Executive	8	3	4	2	None	No
Ms. Genevieve Heng**	Alternate Director to Ms. Josephine Price	7	5	1	None	None	N.A.

\* Stationed at Dubai. Ceased to be a Whole – Time Director of the Company w.e.f 1<sup>st</sup> January, 2008. However, he continues to function as a Non-Executive Director of the Company.

\*\* Ms. Genevieve Heng was appointed as Alternate Director to Ms. Josephine Price at the Board Meeting held on 26<sup>th</sup> July, 2007.

**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. In accordance with Clause 49, Memberships / Chairmanships of only the Audit Committees and Shareholders' Grievance Committees of all Public Limited Companies have been considered.

**H. Details of the Directors Seeking appointment / re-appointment at the forthcoming Annual General Meeting****Mr. Pushkar Khurana**

Mr. Pushkar Khurana, son of Mr. P.K. Khurana, is a commerce graduate from Mumbai University and has also completed a course in business management from Harvard University, U.S.A. He has a cumulative work experience of 17 years. He has been a Director of the Company since 12<sup>th</sup> September, 1994.

Mr. Pushkar Khurana played an important role in strategizing the recent expansion plans of the Company. He was involved in the business project at Dubai from its inception and is responsible for the expansion of the capacity of the project at Dubai. He also has experience in the international markets of Iran, Pakistan and China. He is presently based in Dubai and is overseeing the operations of the Dubai plant and is also actively involved in the procurement of machineries from Europe.

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

Mr. Pushkar Khurana holds 17,62,000 shares of the Company.

**Mr. Naresh Oberoi**

Mr. Naresh Oberoi, is an arts graduate from Mumbai University. He has over 20 years of experience in managing industrial enterprises. He is presently the Director of Powerica Ltd., a company engaged in the power generation equipment business, which was awarded the "Successful Small-Scale Company of the year" award by IMM in the year 1993.

Mr. Naresh Oberoi does not hold any shares of the Company.

**Mr. Vyomesh M. Shah**

Mr. Vyomesh M. Shah holds a degree in Commerce from Mumbai University and is a Chartered Accountant having over 20 years of experience in the field of construction, finance and property development. He is the President of the Slum Redevelopers Association, the Vice President of the Maharashtra Chamber of Housing Industry (MCHI), a member of the Managing Committee of Builders Association of India (BAI) and also the Honorary Secretary of CREDAI.

Mr. Vyomesh Shah is also a Director in the following Public Companies:

1. Akruti City Limited
2. Agreem Properties Limited
3. DLF Akruti Info Parks (Pune) Limited
4. Infrastructure Ventures India Limited
5. Joyous Housing Limited (Formerly Known as Mangal Shruti Gruh Nirmiti Limited)
6. Vishal Techno Commerce Limited
7. Gujarat Akruti - TCG Biotech Limited
8. Chaitra Realty Limited
9. Ravin Cables Limited
10. Vishal Nirman (India) Limited

Mr. Vyomesh Shah is the Chairman of the Audit Committee of Infrastructure Ventures India Limited and member of Audit Committee, Remuneration Committee and Investor Grievances Committee of Akruti City Limited.

Mr. Vyomesh Shah does not hold any shares of the Company.

**III. BOARD COMMITTEES**

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 chairperson 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.

**Procedure at Committee Meetings**

Each Committee has the authority to engage outside experts, advisers and counsel to the extent it considers appropriate to assist in its work. Minutes of the proceedings of the Committee meetings are placed before the Board meetings for perusal and noting.

Currently, the Board has six committees, viz.,

1. Audit Committee.
2. Shareholders' / Investors' Grievances Redressal and Share Transfer Committee.
3. Remuneration Committee.
4. Allotment Committee.
5. Management Committee.
6. Investment Committee.

**1. AUDIT COMMITTEE**

The primary objective of the Audit Committee is to monitor and effectively supervise the Company's financial reporting process with a view to provide accurate, timely and proper disclosures and the integrity and quality of the financial reporting. It acts as a



link between the management, statutory auditors, internal auditors and the Board of Directors.

*(a) Terms of Reference*

The terms of reference to the Audit Committee inter alia, cover the matters specified under Clause 49 of the Listing Agreement as well as in Section 292A of the Companies Act, 1956.

*(b) Composition of the Committee and attendance of each Member at the Audit Committee meetings held during the year*

Name of the Member	Designation in Committee	Nature of Directorship	No. of Meetings held during tenure	No. of Meetings attended
Mr. Vyomesh Shah	Chairman	Independent & Non-Executive Director	4	4
Mr. Krishen Dev	Member	Independent & Non-Executive Director	4	4
Mr. Naresh Oberoi	Member	Independent & Non-Executive Director	2	2
Mr. Puneet Khurana	Member	Promoter & Executive Director	4	4

All the members of the Audit Committee are financially literate and Mr. Vyomesh Shah, Chairman of the Committee is a Chartered Accountant and has accounting and related financial management expertise. The composition of the Audit Committee meets the requirements of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement. Ms. Chanda Makhija, Company Secretary of the Company, is the Secretary to the Audit Committee.

*(c) Meetings of Audit Committee*

During the year under review, four meetings of the Audit Committee were held. The dates on which the meetings were held are 21<sup>st</sup> May, 2007, 26<sup>th</sup> July, 2007, 30<sup>th</sup> October, 2007 and 21<sup>st</sup> January, 2008.

In addition to the members of the Committee, the meetings are attended by the heads of the finance department, the internal and statutory auditors.

*(d) Changes in Audit Committee during the year.*

Mr. Vyomesh Shah was elected as the Chairman of the Audit Committee at the meeting held on 30<sup>th</sup> October, 2007 in place of Mr. Shailesh Haribhakti, who had resigned from the Chairmanship & Membership of the Company with effect from 26<sup>th</sup> September, 2007.

Mr. Naresh Oberoi was inducted as a member of the Committee with effect from 30<sup>th</sup> October, 2007.

**2. SHAREHOLDERS' / INVESTORS' GRIEVANCE REDRESSAL AND SHARE TRANSFER COMMITTEE**

*(a) Terms of Reference*

The Committee, inter alia, approves issue of share 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. The main Objective of the Committee is to strengthen Investor Relations.

*(b) Meetings of Shareholders' / Investors' Grievance Redressal And Share Transfer Committee*

During the year under review, three meetings of the Committee were held. The dates on which the meetings were held are 26<sup>th</sup> July, 2007, 30<sup>th</sup> August, 2007 & 28<sup>th</sup> February, 2008.

*(c) Composition of the Committee and Attendance of each Member at the Committee meetings held during the year*

Name of the Member	Designation in Committee	Nature of Directorship	No. of Meetings held during tenure	No. of Meetings attended
Mr. Mohan Jayakar	Chairman	Independent & Non-Executive Director	3	3
Mr. Puneet Khurana	Member	Promoter & Executive Director	3	3
Mr. P.M. Samvatsar	Member	Executive Director	3	1

(d) *Name, Designation and Address of the Compliance Officer*

Ms. Chanda Makhija  
 Company Secretary & Compliance Officer  
 204, Raheja Centre, Free Press Journal Marg,  
 214, Nariman Point, Mumbai - 400 021.  
 Tel. : (022) 3026 8300 - 01  
 Fax : (022) 2287 0718 / 20  
 E-mail : investors@ekc.in

(e) *Investor Grievance Redressal*

The total number of complaints received and replied to the satisfaction of shareholders during the year under review was 13. The complaints pending as on 31<sup>st</sup> March, 2008 were NIL. No requests for transfer and for dematerialization were pending for approval as on 31<sup>st</sup> March, 2008.

Ms. Chanda Makhija looks into the investor grievances and supervises and coordinates with M/s Intime Spectrum Registry Limited, Registrar & Transfer Agents, for redressal of grievances.

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

### 3. REMUNERATION COMMITTEE

(a) *Terms of Reference*

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 parameters.

(b) *Remuneration Policy*

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.

(c) *Meetings of Remuneration Committee*

During the year under review, two meetings of the Committee were held on 21<sup>st</sup> May, 2007 & 21<sup>st</sup> November, 2007

(d) *Composition of the Remuneration Committee and Attendance of each Member at the Remuneration Committee meetings held during the year*

Name of the Member	Designation in Committee	Nature of Directorship	No. of Meetings held during tenure	No. of Meetings attended
Mr. Krishen Dev	Chairman	Independent & Non-Executive Director	2	2
Mr. Mohan Jayakar	Member	Independent & Non-Executive Director	2	2
Mr. Naresh Oberoi	Member	Independent & Non-Executive Director	2	2
Mr. P.K. Khurana	Member	Promoter & Executive Director	2	2

e) *Payment to Directors*

i. Remuneration paid / payable to the Managing Director and Whole - Time Directors for the year ended 31<sup>st</sup> March, 2008:

Name of Director	Mr. P.K. Khurana	Mr. Puneet Khurana	Mr. P.M. Samvatsar
<b>Designation</b>	Chairman & Managing Director	Whole - Time Director	Whole - Time Director
<b>Basic</b>	3,060,000	2,025,000	2,450,000
<b>HRA</b>	1,224,000	—	—
<b>Contribution to P.F.</b>	367,200	243,000	294,000
<b>Other Perquisites</b>	255,000	1,021,647	366,887
<b>Commission</b>	15,339,251	2,500,000	2,500,000
<b>Total</b>	<b>20,245,451</b>	<b>5,789,647</b>	<b>5,610,887</b>

ii. *Sitting Fees & Commission paid to Non Executive Directors for the year ended 31<sup>st</sup> March, 2008:*

The Non-Executive Directors are paid sitting fee 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. Each of the Independent Directors are also paid commission amounting to Rs. 500,000/- on an annual basis, provided that the total commission payable to such Directors shall not exceed 1% of the net profits of the Company.

In respect of the financial year 2007–08 the sitting fees and commission paid to the Non-Executive Directors are as detailed below.

Name	Sitting fees paid during the year		Comm- ission	Total
	Board Meetings	Committee Meetings		
Mr. Shailesh Haribhakti	160,000	20,000	500,000	680,000
Mr. Mohan Jayakar	140,000	50,000	500,000	690,000
Mr. Krishen Dev	120,000	60,000	500,000	680,000
Mr. Vyomesh Shah	80,000	40,000	500,000	620,000
Mr. Naresh Oberoi	140,000	40,000	500,000	680,000
Ms. Josephine Price	160,000	-	-	160,000

#### 4. ALLOTMENT COMMITTEE

(a) *Terms of Reference*

The Board of Directors constituted an Allotment Committee on 21<sup>st</sup> January, 2008. The purpose of setting up the Committee is to allot the equity shares of the Company against the Zero Coupon Foreign Currency Convertible Bonds (FCCBs), as and when the holders of the FCCBs exercised their rights of conversion.

(b) *Composition of Allotment Committee*

The Allotment Committee comprises of exclusively executive directors.

The details of the Committee composition are as under :

Name	Designation in Committee
Mr. P.K. Khurana	Chairman
Mr. Puneet Khurana	Member
Mr. P.M. Samvatsar	Member

Allotment Committee did not hold any meetings during 2007-2008 since none of the FCCB holders have exercised their right of conversion.

#### 5. MANAGEMENT COMMITTEE

(a) *Terms of Reference*

The Management Committee comprises of exclusively executive directors.

The purpose of setting up the Management 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.

(b) *Meetings of Management Committee*

During the year under review, four meeting of the Committee was held on 20<sup>th</sup> April, 2007, 2<sup>nd</sup> June, 2007, 3<sup>rd</sup> July, 2007 & 7<sup>th</sup> March, 2008.

(c) *Composition of the Management Committee and Attendance of each Member at the Management Committee meetings held during the year.*

Name	Designation in Committee	No. of Meetings held during tenure	No. of Meetings attended
Mr. P.K. Khurana	Chairman	4	4
Mr. Puneet Khurana	Member	4	4
Mr. P.M. Samvatsar	Member	4	2

#### 6. INVESTMENT COMMITTEE

(a) *Terms of Reference*

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.

(b) *Composition of the Committee is as under :*

Name	Designation in Committee	Nature of Directorship
Mr. P.K. Khurana	Chairman	Promoter & Executive Director
Mr. Puneet Khurana	Member	Promoter & Executive Director
Mr. Shailesh Haribhakti	Member	Independent & Non-Executive Director
Mr. Krishen Dev	Member	Independent & Non-Executive Director

Investment Committee did not hold any meetings during 2007-2008.

#### IV. GENERAL BODY MEETINGS

(a) Location, date and time of the Annual General Meetings held during the preceding 3 years and the Special Resolutions passed thereat are as follows :

Financial Year	Date	Time	Venue	Special Resolutions passed
2006 - 07	3 <sup>rd</sup> July, 2007	4:00 p.m.	M.C. Ghia Hall, Bhogilal Hargovindas Building, 2 <sup>nd</sup> Floor, 18/20, Kaikhushru Dubash Marg, Mumbai - 400 001.	1. Further issue of securities 2. Alteration of Article 3(a) of Articles of Association
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

(b) Details of Extraordinary General Meetings held during the year :

Sr. No.	Date	Time	Venue	Purpose
1	21 <sup>st</sup> January, 2008	4:00 p.m.	M.C. Ghia Hall, Bhogilal Hargovindas Building, 2 <sup>nd</sup> Floor, 18/20, Kaikhushru Dubash Marg, Mumbai - 400 001.	1. To amend the Articles of Association of the Company 2. Payment of commission to Independent Directors
2	7 <sup>th</sup> November, 2007	3:00 p.m.	— do —	1. To issue 32,00,000 equity shares to TVG India Investment Holdings Ltd. & 3,48,027 equity shares to Brightwill Limited on preferential basis

#### POSTAL BALLOT

(i) **Special Resolutions passed during the financial year 2007-08 through the Postal Ballot Procedure**

During the financial year 2007-08 consent of members was sought through the Postal Ballot Procedure and 2 Special Resolutions relating to alteration of Object clause of Memorandum of Association and commencement of new business were passed on 11<sup>th</sup> September, 2007 under Section 192A of the Companies Act, 1956 read with Companies (Passing of the Resolution by Postal Ballot) Rules, 2001.

(ii) **Person who conducted the Postal Ballot Exercise**

Mr. S.N. Ananthasubramanian, Practicing Company Secretary, Mumbai was appointed by the Board of Directors as Scrutinizer to conduct the Postal Ballot exercise. Mr. S.N. Ananthasubramanian conducted the process and submitted his report to the Chairman and Managing Director.

**(iii) Procedure of Postal Ballot**

- (i) The Postal Ballot Notice and accompanying documents were despatched to shareholders under certificate of posting.
- (ii) A calendar of events along with Board Resolution was submitted to the Registrar of Companies, Maharashtra, Mumbai.

**(iv) Details of voting pattern are as under**

1. Special Resolution under section 17 approving the alteration of Object clause of Memorandum of Association

Particulars	No. of valid Postal Ballot forms received	No. of Shares	Percentage
For	727	1,50,68,795	99.997
Against	8	465	0.003
Total	735	1,50,69,260	100.000

2. Special Resolution under section 149(2A) approving the Commencement of new business.

Particulars	No. of valid Postal Ballot forms received	No. of Shares	Percentage
For	702	1,50,66,705	99.998
Against	7	311	0.002
Total	709	1,50,67,016	100.000

**(v) Postal Ballot during the current year**

If any resolutions proposed to be passed through the Postal Ballot procedure, those will be taken up at the appropriate time.

**V. DISCLOSURES :****(1) 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 'U'**, 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.

**(2) 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.

**(3) 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 behavior or non-adherence to the Company's code of conduct. No personnel have been denied access to the Audit Committee.

**(4) Compliance with requirements of Clause 49 of the Listing Agreement****A. Mandatory Requirements**

The Company has complied with all the applicable mandatory requirements of Clause 49 of the Listing Agreements.

**B. Non-Mandatory Requirements**

The Company has adopted following non-mandatory requirements of Clause 49 of the Listing Agreements:

**Remuneration Committee :**

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

**Audit Qualification :**

Company is in the regime of unqualified financial statements.

**Whistle Blower Mechanism :**

As stated above, Whistle blower mechanism forms a part of the Code of Conduct and Ethics for its Board and Senior Management Personnel.

## VI. MEANS OF COMMUNICATION :

### ➤ Quarterly Results :

Quarterly Results are published in Economic Times, Maharashtra Times / Mumbai Lakshadweep.

### ➤ News Releases, etc :

Information like Quarterly Financial Results and other information 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. Annual Reports for the last financial years 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, Auditor's Report, Corporate Governance Report and other important information is circulated to Members and others entitled thereto. The Management's Discussion and Analysis Report forms part of the Annual Report.

### ➤ SEBI EDIFAR :

Annual Report, Quarterly Results, Corporate Governance Report, Shareholding Patterns, etc. of the Company are also posted on the SEBI EDIFAR website [www.sebiedifar.nic.in](http://www.sebiedifar.nic.in).

### ➤ Designated Exclusive Email ID :

The Company has designated the following Email-ID viz., [investors@ekc.in](mailto:investors@ekc.in) exclusively for investor servicing.

## VII. GENERAL SHAREHOLDER INFORMATION :

### i. Company Registration Details

The Company is registered in the State of Maharashtra, India. The Corporate Identity Number (CIN) allotted to the Company by the Ministry of Corporate Affairs (MCA) is L29200MH1978PLC020434.

### ii. 29<sup>th</sup> Annual General Meeting

**Day, Date and Time:** Wednesday, 30<sup>th</sup> July, 2008 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.

### iii. Financial Calendar (tentative and subject to change)

**Financial Year:** 1<sup>st</sup> April to 31<sup>st</sup> March

**Results for the quarter ending 30<sup>th</sup> June, 2008**

3<sup>rd</sup> / 4<sup>th</sup> week of July, 2008

**Results for quarter ending 30<sup>th</sup> September, 2008**

3<sup>rd</sup> / 4<sup>th</sup> week of October, 2008

**Results for quarter ending 31<sup>st</sup> December, 2008**

3<sup>rd</sup> / 4<sup>th</sup> week of January, 2008

**Results for year ending 31<sup>st</sup> March, 2009**

3<sup>rd</sup> / 4<sup>th</sup> week of May, 2009

**Annual General Meeting**

July, 2009

### iv. Book Closure Period

Saturday, 26<sup>th</sup> July, 2008 to Wednesday, 30<sup>th</sup> July, 2008 (both days inclusive), for payment of dividend.

### v. Dividend Payment Date

6<sup>th</sup> August, 2008.

### vi. Listing of Equity Shares, Foreign Currency Convertible Bonds (FCCBs) on Stock Exchanges, Payment of Listing Fee, Stock Codes, etc.

Exchange	Code / Trading Symbol	ISIN
<b>Equity Shares</b>		
1. The Bombay Stock Exchange Limited (BSE)	532684	INE184H01027
2. National Stock Exchange of India Limited (NSE)	EKC	
<b>FCCB</b>		
Singapore Exchange Securities Trading Limited (a wholly owned subsidiary of Singapore Exchange Limited)	—	XS0324309029

### Payment of Listing Fee

Annual listing fee for the year 2008-09, (as applicable) has been paid by the Company to BSE, NSE and Singapore Exchange Securities Trading Limited.

**vii. High, Low of Market Price Data during each month in the year 2007-08**

High/Low of Market Price Data at BSE & NSE

Month	Face Value	BSE			NSE		
		High	Low	Volume	High	Low	Volume
2007							
April	10	1058.9	792	2479012	1060	790	3146937
May	10	1202	1005	2572521	1200	968	3701952
June	10	1170	930	1743741	1185	930.1	2716965
July	10	1135	1028.8	662752	1209.9	1020.95	1173343
August* (1 <sup>st</sup> Aug, 2007 to 20 <sup>th</sup> Aug, 2007)	10	1095.7	941	412524	1118	920.5	629052
August* (21 <sup>st</sup> Aug, 2007 to 31 <sup>st</sup> Aug, 2007)	2	215	195.5	1358837	215	195.2	3189825
September	2	238.95	205	4741686	239	206.1	9248145
October	2	262.8	200	6290200	263.5	200.5	11419820
November	2	370	248	4920934	368	242.6	10623637
December	2	359	305	1859671	360	305.35	3784873
2008							
January	2	385.35	238	2339470	384.9	225	5338372
February	2	337	260	840300	338	260	2085914
March	2	321.7	230	779222	329.9	231	1667150

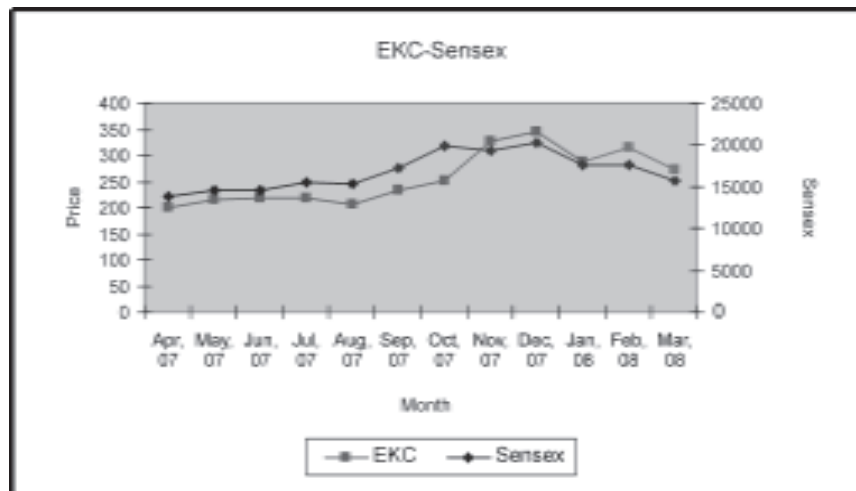
Source: BSE & NSE website

\* Pursuant to the resolution passed by the shareholders in the Annual General Meeting held on 3<sup>rd</sup> July, 2007, the equity shares of the Company were subdivided from shares of face value Rs. 10 each to shares of Rs. 2 each. The Record date for the subdivision was 28<sup>th</sup> August, 2007. The shares were traded in the stock exchanges at the paid-up value of Rs. 2 with effect from 21<sup>st</sup> August, 2007.

**viii. Share Performance of the Company in comparison to broad based indices**

The closing share price for the period from 1<sup>st</sup> April, 2007 till 20<sup>th</sup> August, 2007 has been adjusted to paid up value Rs. 2 in the below graph.

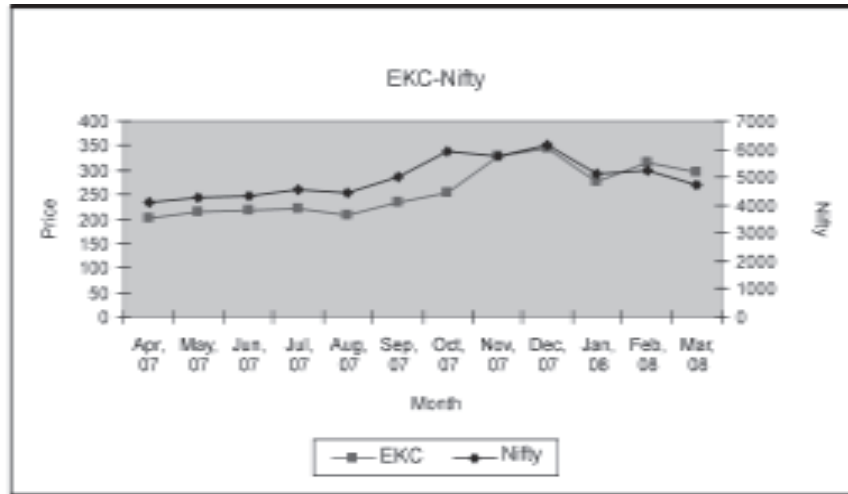
**a) BSE Sensex**



Source: BSE website



**b) NSE Nifty**



Source: NSE website

**ix. Registrar & Share Transfer Agent**

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

**x. Share Transfer System**

The Company has appointed a common Registrar for the physical share transfer and dematerialisation of shares. The Company obtains from a Company Secretary in Practice half-yearly certificate of compliance with the share transfer formalities as required under Clause 47(c) of the Listing Agreement with Stock Exchanges and files a copy of the certificate with the Stock Exchanges.

**xi. (a) Distribution of shareholding as on 31<sup>st</sup> March, 2008**

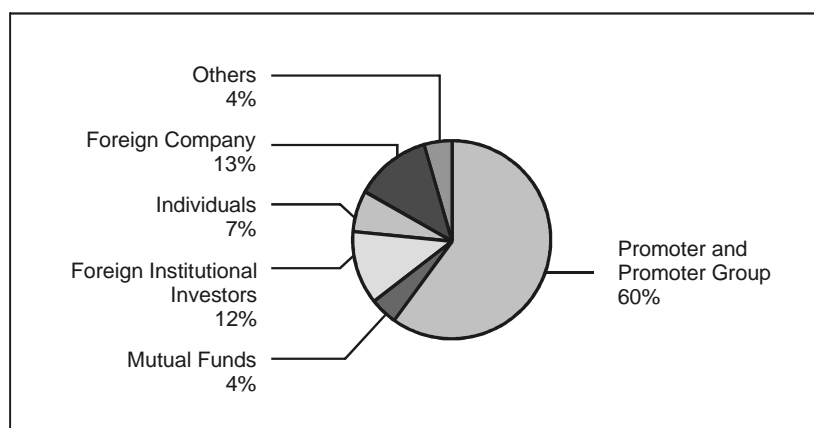
Category of Shareholders	No. of Shareholders	Number of shares	% of Shareholding
Shareholding of Promoter and Promoter Group	15	60335000	59.64
Mutual Funds	16	4299425	4.25
Financial Institutions / Banks	3	5000	0.00
Foreign Institutional Investors	40	12635444	12.49
Bodies Corporate	590	3492244	3.45
i. Individual shareholders holding nominal share capital up to Rs. 1 lac	20030	5692190	5.63
ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lac	10	1086839	1.07
Clearing Member	117	69510	0.07
Non Resident Indians (Repat)	290	509503	0.50
Foreign Company	3	13032527	12.88
<b>Total</b>	<b>21114</b>	<b>101157682</b>	<b>100.00</b>



**xi. (b) Distribution of shareholding as on 31<sup>st</sup> March, 2008**

Shareholding (From – To)	No. of shareholders	% to no. of shareholders	No. of shares	% to no. of shares
1 - 500	19509	92.40	2010799	1.99
501 - 1000	573	2.71	451849	0.45
1001 - 2000	382	1.81	585521	0.58
2001 - 3000	145	0.69	368494	0.36
3001 - 4000	91	0.43	321829	0.32
4001 - 5000	77	0.36	356853	0.35
5001 - 10000	126	0.60	937214	0.93
10001 - 9999999	211	1.00	96125123	95.03
<b>TOTAL</b>	<b>21114</b>	<b>100</b>	<b>101157682</b>	<b>100</b>

**xi. (c) Distribution of shareholding as on 31<sup>st</sup> March, 2008**



**xii. Dematerialization of shares and liquidity**

The Shares of the Company are compulsorily traded in dematerialized form by all categories of investors. The Company has arrangements with both the National Securities Depositories Limited (NSDL) and Central Depository Services (India) Limited (CDSL) to establish electronic connectivity of its shares for scripless trading.

As on 31<sup>st</sup> March, 2008, 43.27 percent of the shares of the Company were held in a dematerialized form. Shares of the Company are actively traded on BSE and NSE and hence ensure good liquidity for the investors

**xiii. Outstanding Foreign Currency Convertible Bonds**

The Company had issued, Zero Coupon Foreign Currency Convertible Bonds aggregating to US \$ 35 million in the year 2007-08. The said Bonds are convertible into fully paid up equity shares of the Company at any time between on or after 19<sup>th</sup> November, 2007 up to the close of business on 3<sup>rd</sup> December, 2012 at the

option of the Bondholder at the conversion price of Rs. 303.36 per share. The said Bonds were outstanding for conversion on 31<sup>st</sup> March, 2008.

**xiv. Plant Location**

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

Tarapur Factory	Gandhidham Factory	Aurangabad Factory
N-62, MIDC Industrial Area, Kambivali Naka, Tarapur - 401 506.	Survey no. 141/1 & 141/2, Village Varsana, Near NH 8A East, P.O. Box Gopalpuri, Taluka - Anjar, Gandhidham, Kutch - 370 240.	E-22, MIDC Area, Chikalthana, Aurangabad – 431 210.

**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) 3026 8300 - 01

E-mail Id : investors@ekc.in

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

**Code of Conduct**

Board has laid down a Code of Conduct for all Board Members and Senior Management Personnel of the Company. The Code of Conduct is available on the Company's website [www.everestkanto.com](http://www.everestkanto.com). All Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct during the financial year 2007-08. A declaration signed by the Chairman & Managing Director to this effect is given as an annexure to this report.

**Auditor's 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 and annex the certificate with the Directors' Report, which is sent annually to all our

shareholders. We have obtained a certificate to this effect from M/s. Dalal & Shah, statutory auditors of the Company and the same is given as an annexure to the Directors' Report.

**Subsidiary Monitoring Framework**

As on 31<sup>st</sup> March, 2008, the Company had two wholly subsidiary companies viz., EKC International FZE and EKC Industries (Tianjin) Co. Ltd. Both these companies are Board managed with their Boards having the rights and obligations to manage such companies in the best interest of their stakeholders. As the sole shareholder, the Company monitors the performance of such companies, inter alia, by the following means :

- a) Financial statements, in particular the investments made by the unlisted subsidiary companies, are reviewed periodically by the Audit Committee of the Company.
- b) All minutes of the meetings of the unlisted subsidiary companies are placed before the Company's Board regularly.
- c) A statement containing all significant transactions and arrangements entered into by the unlisted subsidiary companies is placed before the Company's Board.

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## **ANNEXURE TO REPORT ON CORPORATE GOVERNANCE**

### **DECLARATION ON COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL WITH THE CODE OF CONDUCT AND ETHICS**

I hereby confirm that:

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

The Company has obtained from all the members of the Board and Senior Management, affirmation that they have complied with the Code of Conduct and Ethics for Directors and Senior Management Personnel in respect of the financial year 2007-08.

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

**Place :** Mumbai

**Date :** 26<sup>th</sup> May, 2008

## AUDITOR'S 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, 2008, the annexed Profit and Loss Account 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 the auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from any 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 presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.
  2. As required by the Companies (Auditor's Report) Order, 2003 and the Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
  3. Further to our comments in the Annexure referred to above, we report that:
    - (i) We have obtained all the information and explanations, which, to the best of our knowledge and belief were necessary for the purposes of our audit;
    - (ii) In our opinion, proper books of account as required by law, have been kept by the Company so far as appears from our examination of the books of the Company. The Branch Auditor's Report forwarded to us has been appropriately dealt with in this Report;
    - (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account of the Company;
    - (iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
- (v) Based on the representations made by the Directors and taken on record by the Board of Directors of the Company and the information and explanations given to us, none of the Directors is, as at 31<sup>st</sup> March, 2008, prima-facie disqualified from being appointed as a Director in terms of clause (g) of sub-section(1) of Section 274 of the Companies Act, 1956;
  - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements, read together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and present a true and fair view in conformity with the accounting principles generally accepted in India:
    - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2008;
    - (b) in the case of the Profit and Loss Account, of the Profit for the year ended on that date; and
    - (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**For and on behalf of  
DALAL & SHAH  
CHARTERED ACCOUNTANTS**

**VENKATESH SUBRAMANIAN  
PARTNER  
MEMBERSHIP NO.: 37942**

**PLACE : MUMBAI  
DATED : 26<sup>TH</sup> MAY, 2008**

## **ANNEXURE REFERRED TO IN PARAGRAPH 2 OF AUDITOR'S REPORT OF EVEN DATE ON THE ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2008 OF EVEREST KANTO CYLINDER LIMITED**

On the basis of such checks as we considered appropriate and in terms of the information and explanations given to us, we state that :

- i. (a) The fixed asset registers maintained by the Company, giving description and location of its assets, **are in the process of being updated;**
- (b) As per the representations made to us by the management, physical verification of fixed assets is carried out once in two years, which in our opinion, is reasonable looking to the size of the Company and the nature of its business. We were informed that, according to the schedule, no verification was carried out during the year;
- (c) The Company has not disposed off any substantial part of its fixed assets so as to affect its going concern;
- ii. (a) As explained to us, inventories have been physically verified by the Management, at intervals which, in our opinion, are reasonable in relation to the size of the Company and the nature of its business;
- (b) The procedures, as explained to us, which are followed by the Management for physical verification of inventories, are, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business;
- (c) On the basis of our examination of the inventory records of the Company, we are of the opinion that, the Company is maintaining proper records of its inventories. Discrepancies noticed on physical verification of inventory as compared to book records, have been properly dealt with in the books of account;
- iii. (a) According to the information and explanations given to us, the Company has granted unsecured loans aggregating Rs. 4,000 Lacs (maximum balance outstanding during the year Rs. 2,500 Lacs) to a company covered in the register maintained under Section 301 of the Companies Act, 1956. An amount of Rs. 1,500 Lacs is outstanding at the close of the year. The Company has not granted any other loan, secured or unsecured, to any other party covered in the said register;
- (b) According to the information and explanations given to us, the terms and conditions of the aforesaid loan, including the rate of interest, are, in our opinion, not prima-facie prejudicial to the interest of the Company;
- (c) The receipt of principal and interest of the said loans are regular;
- (d) According to the information and explanations given to us, the Company has not taken any loan, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956;
- iv. In our opinion and according to the information and explanations given to us, there are generally adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and for sale of goods and services. During the course of our audit, no major weakness in internal control, had come to our notice;
- v. (a) On the basis of the audit procedures performed by us, and according to the information, explanations and representations given to us, we are of the opinion that, the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956, and which were required to be entered in the register maintained under the said section, have been so entered;
- (b) In our opinion and according to the information and explanations given to us, we have to state that, the transactions made in pursuance of contracts or arrangements referred to in para (v) (a) above, 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 market prices prevailing at that time;
- vi. The Company has not accepted any deposits from the public;
- vii. In our opinion, the Company has an internal audit system which is commensurate with the size of the Company and the nature of its business;
- viii. We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 in respect of the Company's products to which the said rules are applicable, and are of the opinion that, prima-facie, the prescribed records have been made and maintained. We

- have, however, not made a detailed examination of the records with a view to determine whether they are accurate;
- ix. (a) According to the records of the Company and the information and explanations given to us, we have to state that, the Company is generally regular in depositing statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty and Cess. **No amounts were deposited during the year towards Fringe Benefit Tax (FBT). An amount of Rs. 8.19 Lacs towards FBT, outstanding for more than six months as at 31<sup>st</sup> March, 2008, from the date it became payable, has since been paid. Further, undisputed statutory dues of earlier years relating to Profession tax Rs. 0.73 Lacs (since paid) and Sales tax Rs. 12.82 Lacs, were outstanding for more than six months as at 31<sup>st</sup> March, 2008, from the date they became payable;**
- (b) On the basis of our examination of the documents and records of the Company, there were no disputed dues in respect of Income tax, Wealth tax, Service Tax, Customs duty, Excise duty and Cess. Sales tax / lease tax dues aggregating Rs. 55.53 Lacs have not been deposited on account of disputes pending with Sales tax departmental authorities;
- x. The Company, neither has accumulated losses at the end of the financial year nor has incurred cash losses, both, in the financial year under report and in the immediately preceding financial year;
- xi. According to the records examined by us and the information and explanations given to us, we have to state that, the Company has not defaulted in re-payment of dues to Banks. There were no dues to financial institutions or debenture holders;
- xii. Based on the records examined by us, we have to state that, the Company has maintained adequate documents and records in case of loans granted against shares pledged by the borrowers;
- xiii. In respect of shares, securities, debentures or other investments dealt in or traded by the Company, proper records are maintained in respect of transactions and contracts, and timely entries have been made therein. All the investments are held by the Company in its own name;
- xiv. According to the information and explanations given to us and the representations made by the Management, the Company has given guarantees to banks for loans taken by wholly owned subsidiaries. In our opinion, the terms and conditions of these guarantees, are not, prima-facie, prejudicial to the interest of the Company;
- xv. On the basis of the records examined by us, we have to state that, the Company has, prima-facie, applied the term loans for the purposes for which they were obtained. Amounts unutilised at the close of the year are lying in a separate bank account;
- xvi. According to the information and explanations given to us and on an overall examination of the financial statements of the Company and after placing reliance on the reasonable assumptions made by the Company for classification of long term and short term usage of funds, we are of the opinion that, prima facie, as at the close of the year, no short term funds stand utilised for long term purposes, except for a short term loan for acquiring specific fixed assets amounting to Rs. 371 Lacs;
- xvii. The Company has not made any preferential allotment of shares to any party or company covered in the register maintained under section 301 of the Companies Act, 1956;
- xviii. The Company has not issued any debentures during the year;
- xix. The Company has not raised any money by public issue during the year;
- xx. According to the information and explanations given to us and the representations made by the Management and to the best of our knowledge and belief, no fraud on or by the Company, has been noticed or reported by the Company during the year.
- Looking to the nature of activities being carried on at present by the Company and also considering the nature of the matters referred to in the various clauses of the Companies (Auditor's Report) Order, 2003 and the Companies (Auditor's Report) (Amendment) Order, 2004, clauses (iii)(d), (iii)(f), (iii)(g) and (xiii) of Paragraph 4 of the aforesaid Order, are, in our opinion, not applicable to the Company.

**For and on behalf of  
DALAL & SHAH  
CHARTERED ACCOUNTANTS**

**VENKATESH SUBRAMANIAN  
PARTNER  
MEMBERSHIP NO.: 37942**

**PLACE : MUMBAI  
DATED : 26<sup>TH</sup> MAY, 2008**

**BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2008**

	Schedule	As at 31.03.2008 (Rs. in Lacs)	As at 31.03.2007 (Rs. in Lacs)
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share Capital	A	2,023.15	1,952.19
Reserves and Surplus	B	37,550.71	25,600.95
		<u>39,573.86</u>	<u>27,553.14</u>
<b>LOAN FUNDS</b>			
Secured Loans	C	2,747.54	1,652.13
Unsecured Loans	D	16,003.59	1,005.05
		<u>18,751.13</u>	<u>2,657.18</u>
<b>DEFERRED TAX LIABILITY (NET)</b>		451.24	4.94
<b>TOTAL</b>		<u>58,776.23</u>	<u>30,215.26</u>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Gross Block	E	18,021.52	15,556.57
Less : Depreciation/ Amortisation		8,034.11	6,431.49
Net Block		9,987.41	9,125.08
Capital Work In Progress		4,955.27	—
		<u>14,942.68</u>	<u>9,125.08</u>
<b>INVESTMENTS</b>	F	10,262.05	5,430.19
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Inventories	G	16,653.85	8,133.41
Sundry Debtors	H	5,794.69	3,556.43
Cash and Bank Balances	I	5,607.39	3,186.17
Other Current Assets	J	304.03	74.50
Loans and Advances	K	20,724.79	9,169.59
		<u>49,084.75</u>	<u>24,120.10</u>
<b>LESS : CURRENT LIABILITIES AND PROVISIONS</b>			
Current Liabilities	L	7,155.68	2,233.12
Provisions	M	8,357.57	6,226.99
		<u>15,513.25</u>	<u>8,460.11</u>
<b>NET CURRENT ASSETS</b>		33,571.50	15,659.99
<b>TOTAL</b>		<u>58,776.23</u>	<u>30,215.26</u>
Statement of Significant Accounting Policies and Notes forming part of Accounts	U		

As per our report of even date  
For and on behalf of  
**DALAL & SHAH**  
CHARTERED ACCOUNTANTS

For and on behalf of the Board  
**P.K. KHURANA**  
CHAIRMAN & MANAGING DIRECTOR

**VENKATESH SUBRAMANIAN**  
PARTNER

**CHANDA MAKHIJA**  
COMPANY SECRETARY

**J. SIVAKUMAR**  
CHIEF FINANCIAL OFFICER

**P.M. SAMVATSAR**  
WHOLE - TIME DIRECTOR

PLACE: MUMBAI  
DATE : 26<sup>th</sup> May, 2008

PLACE : MUMBAI  
DATE : 26<sup>th</sup> May, 2008

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2008**

Schedule	Year Ended 31.03.2008 (Rs. in Lacs)	Year Ended 31.03.2007 (Rs. in Lacs)
<b>INCOME</b>		
Sales	37,681.46	34,546.49
Less : Excise Duty	4,642.21	2,459.16
	<u>33,039.25</u>	<u>32,087.33</u>
Trading Sales	320.34	969.68
Total Sales	<u>33,359.59</u>	<u>33,057.01</u>
Other Income	1,255.45	254.91
Profit on Sale of Fixed Assets of Overseas Branch	-	1,015.22
	<u>34,615.04</u>	<u>34,327.14</u>
<b>EXPENDITURE</b>		
Raw Materials and Components Consumed	17,552.76	20,683.08
Trading Purchases	412.06	964.50
(Increase)/Decrease in Stocks	155.28	(2,724.40)
Manufacturing Expenses	3,582.97	3,320.06
Personnel Expenses	1,445.31	1,415.82
Administrative, Sales and Other Expenses	1,847.84	1,625.50
Finance Charges	483.39	329.26
Depreciation/ Amortisation for the year	1,673.44	1,656.80
Less : Depreciation withdrawn from Revaluation Reserve	41.17	9.90
	<u>1,632.27</u>	<u>1,646.90</u>
	<u>27,111.88</u>	<u>27,260.72</u>
<b>PROFIT FOR THE YEAR BEFORE TAXATION</b>		
	7,503.16	7,066.42
Provision for Taxation		
Current Tax (Including Wealth Tax Rs.1.50 Lacs)	(1,751.50)	(2,450.00)
Deferred Tax (Charge)\Credit	(647.44)	130.91
Fringe Benefit Tax	(27.20)	(40.00)
<b>PROFIT FOR THE YEAR</b>	<u>5,077.02</u>	<u>4,707.33</u>
Prior Period Adjustments (Net) (Refer Note 12)	(19.06)	(0.31)
Tax Adjustments of Earlier Years (Net)	(331.91)	2.24
	<u>4,726.05</u>	<u>4,709.26</u>
<b>BALANCE BROUGHT FORWARD FROM PREVIOUS YEAR</b>	4,463.45	2,911.40
<b>BALANCE AVAILABLE FOR APPROPRIATION</b>	<u>9,189.50</u>	<u>7,620.66</u>
Proposed Dividend	1,213.89	976.10
Provision For Dividend Tax	206.30	165.89
Profit on Sale of Fixed Assets of Overseas Branch Transferred To Capital Reserve	-	1,015.22
Transferred To General Reserve	1,000.00	1,000.00
<b>BALANCE CARRIED TO BALANCE SHEET</b>	<u>6,769.31</u>	<u>4,463.45</u>
	<u>9,189.50</u>	<u>7,620.66</u>
Weighted average number of Equity Shares Outstanding during the year	98,898,965	91,996,910
Basic and diluted earnings per share of Rs. 2 each (in Rupees)		
- Including Profit on sale of Fixed Assets of Overseas Branch	4.78	5.12
- Excluding Profit on sale of Fixed Assets of Overseas Branch	4.78	4.39
Statement of Significant Accounting Policies and Notes forming part of Accounts	U	

As per our report of even date  
For and on behalf of

DALAL & SHAH  
CHARTERED ACCOUNTANTS

For and on behalf of the Board

P.K. KHURANA  
CHAIRMAN & MANAGING DIRECTOR

VENKATESH SUBRAMANIAN  
PARTNER

CHANDA MAKHIJA  
COMPANY SECRETARY

J. SIVAKUMAR  
CHIEF FINANCIAL OFFICER

P.M. SAMVATSAR  
WHOLE - TIME DIRECTOR

PLACE: MUMBAI  
DATE : 26<sup>th</sup> May, 2008

PLACE : MUMBAI  
DATE : 26<sup>th</sup> May, 2008

## SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2008

	As at 31.03.2008 (Rs. in Lacs)	As at 31.03.2007 (Rs. in Lacs)
<b>SCHEDULE - 'A'</b>		
<b>SHARE CAPITAL</b>		
<b>AUTHORISED</b>		
125,000,000 Equity Shares of Rs. 2 each	<u>2,500.00</u>	<u>2,500.00</u>
<b>ISSUED, SUBSCRIBED AND PAID UP</b>		
101,157,682 Equity Shares of Rs. 2 each (Previous Year 19,521,931 Equity Shares of Rs. 10 each) fully paid up.	<u>2,023.15</u>	<u>1,952.19</u>
Notes:		
- The Company has completed the process of split of its shares from Rs. 10 to Rs. 2 per share in August, 2007		
- The Company made a preferential allotment of 3,548,027 equity shares of Rs. 2 each at a premium of Rs. 248 per share, pursuant to the approval of the shareholders at their meeting held in November, 2007. (Previous Year 1,896,900 shares of Rs. 10 each at a premium of Rs. 475 per share)		
- 20,000,000 fully paid bonus shares have been issued by capitalisation of revaluation reserve (on 25.08.94) and 38,737,500 shares by capitalisation of General Reserve, in earlier years	<u>2,023.15</u>	<u>1,952.19</u>
<b>SCHEDULE - 'B'</b>		
<b>RESERVES AND SURPLUS</b>		
<b>CAPITAL RESERVE</b>		
As per last Balance Sheet	1,015.22	-
Profit on Sale of Fixed Assets of Overseas Branch transferred from Profit and Loss Account	-	1,015.22
	<u>1,015.22</u>	<u>1,015.22</u>
<b>GENERAL RESERVE</b>		
As per last Balance Sheet	3,491.00	2,491.00
Add : Transferred from Profit and Loss Account	1,000.00	1,000.00
	<u>4,491.00</u>	<u>3,491.00</u>
<b>SECURITIES PREMIUM ACCOUNT</b>		
As per last Balance Sheet	16,590.11	7,876.53
Add : Received During the Year	8,799.11	9,010.28
Add : Tax Adjustments of Earlier Years (Refer Note 19)	276.58	-
	<u>25,665.80</u>	<u>16,886.81</u>
Less: Share/FCCB Issue Expenses Adjusted (Net of Tax Rs. 201.14 Lacs)	390.62	296.70
	<u>25,275.18</u>	<u>16,590.11</u>
<b>REVALUATION RESERVE</b>		
As per last Balance Sheet	41.17	51.07
Less : Transferred to Profit and Loss Account	41.17	9.90
	-	41.17
<b>SURPLUS IN PROFIT AND LOSS ACCOUNT</b>		
	<u>6,769.31</u>	<u>4,463.45</u>
	<u>37,550.71</u>	<u>25,600.95</u>
<b>SCHEDULE - 'C'</b>		
<b>SECURED LOANS</b> (Refer Note 1)		
From Banks		
- Term Loan	557.71	934.62
- Interest Accrued and Due on Term Loan	3.80	-
- Working Capital Facilities	1,429.80	-
- Vehicle Loan	16.12	39.47
- Other Short Term Loan from Bank	740.11	678.04
	<u>2,747.54</u>	<u>1,652.13</u>
<b>SCHEDULE - 'D'</b>		
<b>UNSECURED LOANS</b>		
Sales Tax Deferment Loan	1,192.99	1,005.05
Foreign Currency Convertible Bonds (Refer Note 5)	14,038.50	-
Short Term Loan from Bank	772.10	-
	<u>16,003.59</u>	<u>1,005.05</u>



**SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2008**

**SCHEDULE - 'E'**  
(Fixed Assets)

(Rs. In Lacs)

PARTICULARS	GROSS BLOCK			DEPRECIATION / AMORTISATION			NET BLOCK			
	BALANCE AS AT 01.04.07	ADDITIONS/ADJUSTMENTS	DEDUCTIONS/ADJUSTMENTS #	BALANCE AS AT 31.03.08	UP TO 31.03.07	FOR THE YEAR	DEDUCTIONS/ADJUSTMENTS #	UP TO 31.03.08	AS AT 31.03.08	AS AT 31.03.07
<b>A. Assets</b>										
Freehold Land	65.94	218.71	-	284.65	-	-	-	-	284.65	65.94
Leasehold Land *	266.97	-	-	266.97	21.02	33.34	(3.06)	57.42	209.55	245.95
Buildings @	4,508.23	143.57	55.71	4,596.09	875.01	331.56	(111.42)	1,317.99	3,278.10	3,633.22
Electrical Installation	281.35	-	2.31	279.04	102.79	29.08	(16.16)	148.03	131.01	178.56
Plant and Machinery	9,797.64	842.77	350.45	10,289.96	5,013.34	1,107.83	189.76	5,931.41	4,358.55	4,784.30
Windmills	-	1,456.74	-	1,456.74	-	103.79	-	103.79	1,352.95	-
Vehicles	115.25	83.18	-	198.43	33.82	21.59	-	55.41	143.02	81.43
Office Equipments	60.96	33.07	(8.97)	103.00	22.61	7.13	(0.26)	30.00	73.00	38.35
Furnitures and Fixtures	122.08	51.10	(11.22)	184.40	49.30	25.60	11.70	63.20	121.20	72.78
Computers	60.62	24.09	-	84.71	40.81	11.22	0.26	51.77	32.94	19.81
Gas Cylinders	271.88	-	-	271.88	271.83	0.05	-	271.88	-	0.05
Cylinders given on Lease	5.65	-	-	5.65	0.96	2.25	-	3.21	2.44	4.69
<b>As Per Balance Sheet</b>	<b>15,556.57</b>	<b>2,853.23</b>	<b>388.28</b>	<b>18,021.52</b>	<b>6,431.49</b>	<b>1,673.44</b>	<b>70.82 \$</b>	<b>8,034.11</b>	<b>9,987.41</b>	<b>9,125.08</b>
<b>Previous Year 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>-</b>
<b>B. Capital Work In Progress</b>									<b>4,955.27</b>	<b>-</b>

**Notes:**

- \* Execution of lease deed for land acquired at Tarapur Plant (Rs. 111.42 Lacs) is pending.
- @ Includes Rs 750/- (Previous Year Rs 750/-) paid for shares acquired in co-operative societies.
- \$ Includes excess depreciation written back (net) Rs. 63.43 Lacs. (Previous Year Rs. Nil).
- # Includes assets reclassified during the year.

## SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2008

SCHEDULE - 'F'	Face Value	Nos. As at 31.03.2008	As at 31.03.2008 (Rs. in Lacs)	As at 31.03.2007 (Rs. in Lacs)
<b>INVESTMENTS</b>				Nos. As at 31.03.2007
<b>A. LONG TERM INVESTMENT (At cost) :</b>				
<b>Unquoted, Fully paid up Equity Shares</b>				
<b>a) In Subsidiary Companies</b>				
EKC International FZE	AED 1,000,000	1	124.12	1 124.12
EKC International FZE	AED 1	16,203,619	1,993.27	16,203,619 1,993.27
EKC Industries (Tianjin) Co. Ltd.	RMB 1	459,578,777	6,925.07	34,403,746 1,975.78
			<u>9,042.46</u>	<u>4,093.17</u>
<b>b) In Other Body Corporates (Non-Trade)</b>				
Everest Kanto Investment & Finance Ltd.	10	92,000	9.20	92,000 9.20
GPT Steel Industries Pvt Ltd.	10	2,000,000	200.00	2,000,000 200.00
Everest Industrial Gases Pvt Ltd.	10	-	-	10,000 1.00
			<u>209.20</u>	<u>210.20</u>
			<u>9,251.66</u>	<u>4,303.37</u>
<b>B. CURRENT INVESTMENTS (At lower of cost and fair value)</b>				
<b>Non-Trade, Unquoted</b>				
Investments in Mutual Funds* Units, fully paid up				
Kotak Floaters Short Term Fund-Dividend Option (NAV Rs. 0.27 Lacs, NAV P.Y Rs. 0.25 Lacs)	10	2,642.82	0.27	2,486.53 0.25
LICMF Liquid Fund - Dividend Plan (NAV Rs. 0.99 Lacs, NAV P.Y. Rs. 125.05 Lacs)	10	8,977.85	0.99	11,388,880.45 125.05
UTI Money Market Fund - Dividend Plan (NAV Rs. 1.61 Lacs, NAV P.Y. Rs. 1.52 Lacs)	10	8,997.96	1.61	8,624.88 1.52
UTI Fixed Maturity Plan (NAV Rs. 1066.61 Lacs, NAV P.Y Rs. 1000 Lacs) (Pledged with Citibank NA)	10	10,000,000	1,000.00	10,000,000 1,000.00
UTI Liquid Cash Plan Institutional Daily Income Option - Dividend Plan (Re-Investment) (NAV Rs. 7.52 Lacs) 1000		737.92	7.52	- -
* Unutilised monies raised by issue of equity shares Rs. Nil (Previous Year Rs. 1,000 Lacs)			<u>1,010.39</u>	<u>1,126.82</u>
			<u>10,262.05</u>	<u>5,430.19</u>

**Notes :**

1. All the above Long Term Investments have been so classified by the Company in view of its intention to hold the same on long term basis.
2. During the year the following investments were purchased and sold

a. Equity Shares	Nos.	Purchase Value (Rs. in Lacs)
DLF Ltd.	90,900	477.23
ICICI Bank Ltd.	67,103	630.77
Edelweiss Capital Ltd.	385	3.18
Kolte Patil Developers Ltd.	2,092	3.03
Jyoti Laboratories Ltd.	2,940	20.29
Manaksia Ltd.	62,520	100.03
Reliance Power Ltd.	696	3.13
Rural Electrification Coporation Ltd.	4,379	4.60
Central Bank of India	6,215	6.34
<b>b. Mutual Fund Units</b>		
LIC MF Liquid Fund - Dividend Plan	3,642,954.07	40.00
UTI Liquid Cash Plan Institutional	49,046.26	50.00
Daily Income Option Re-investment	147,138.78	2,400.00

## SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2008

	As at 31.03.2008 (Rs. in Lacs)	As at 31.03.2007 (Rs. in Lacs)
<b>SCHEDULE - 'G'</b>		
<b>INVENTORIES</b>		
(Valued and certified by Management)		
Stores, Spares, etc.	30.75	36.77
Stock in Trade :		
- Raw Materials	11,943.28	4,580.67
- Work In Progress	2,863.46	3,177.55
- Finished Goods	420.44	338.42
- Goods for Trade	115.20	-
Stock in Transit	1,280.72	-
	<u>16,653.85</u>	<u>8,133.41</u>
<b>SCHEDULE - 'H'</b>		
<b>SUNDRY DEBTORS</b>		
(Unsecured, Considered Good)		
Debts outstanding for a period exceeding six months	692.56	203.61
Other Debts	5,102.13	3,352.82
Includes Rs. 1729.48 Lacs due from Subsidiaries (Previous Year Rs. 991.20 Lacs)	<u>5,794.69</u>	<u>3,556.43</u>
<b>SCHEDULE - 'I'</b>		
<b>CASH AND BANK BALANCES</b>		
Cash on hand	41.49	46.36
Bank balances with Scheduled Banks		
- In Current Accounts*	422.55	2,940.95
- In Fixed Deposits	195.58	198.38
- In Unclaimed Dividend Account	1.11	0.48
Bank balances in Current Account with a Non-Scheduled Bank (Citibank, London) (Maximum Balance Rs. 13,404.72 Lacs) (Proceeds from FCCBs issued during the year) *unutilised monies raised by issue of equity shares Rs. Nil (Previous Year Rs. 1,803.91 Lacs)	<u>4,946.66</u>	-
	<u>5,607.39</u>	<u>3,186.17</u>
<b>SCHEDULE - 'J'</b>		
<b>OTHER CURRENT ASSETS</b>		
Interest receivable from Subsidiaries	136.93	-
Interest receivable Others	2.93	-
Other Receivables (Includes Rs. 49.81 Lacs receivable from Subsidiary) (Previous Year Rs. 6.49 Lacs)	<u>164.17</u>	74.50
	<u>304.03</u>	<u>74.50</u>

## SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2008

	As at 31.03.2008 (Rs. in Lacs)	As at 31.03.2007 (Rs. in Lacs)
<b>SCHEDULE - 'K'</b>		
<b>LOANS AND ADVANCES</b>		
(Unsecured, Considered Good)		
Loans to Subsidiaries	5,214.30	–
Inter Corporate Deposits	2,100.00	–
Deposits [Includes Rs. 610 Lacs (Previous Year Rs. 610 Lacs) from private companies in which directors are directors / members]	1,098.74	970.71
Advances recoverable in cash or in kind or for value to be received	4,072.08	2,052.43
Balance with Central Excise	564.94	801.39
Advance Tax and Taxes Deducted At Source	7,674.73	5,345.06
	<u>20,724.79</u>	<u>9,169.59</u>
 <b>SCHEDULE - 'L'</b>		
<b>CURRENT LIABILITIES</b>		
Sundry Creditors (*)		
[Including Due to Subsidiary Rs. 2,590.46 Lacs (Previous Year Rs. Nil)] (Refer Note 3)	6,049.01	1,760.90
Advances from Customers	871.17	312.36
Overdrawn Bank Balance as per Books	5.03	–
Other Liabilities	218.81	159.38
Unclaimed Dividend	1.11	0.48
Interest Accrued but not due	10.55	–
(*) (Includes due as remuneration to Directors Rs. 230.23 Lacs)	<u>7,155.68</u>	<u>2,233.12</u>
 <b>SCHEDULE - 'M'</b>		
<b>PROVISIONS</b>		
Proposed Dividend	1,213.89	976.10
Tax On Dividend	206.30	165.89
Provision For Taxation	6,776.50	5,025.00
Provision For Fringe Benefit Tax	87.20	60.00
Provision For Employee Benefits	73.68	–
	<u>8,357.57</u>	<u>6,226.99</u>

**SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT FOR YEAR ENDED 31<sup>ST</sup> MARCH, 2008**

	Year Ended 31.03.2008 (Rs. in Lacs)	Year Ended 31.03.2007 (Rs. in Lacs)
<b>SCHEDULE - 'N'</b>		
<b>OTHER INCOME</b>		
Interest (Gross, Tax Deducted at Source Rs. 44.36 Lacs)	489.65	77.85
Scrap Sales	108.97	84.84
Dividend on Current Investments (Non-Trade)	3.56	31.98
Insurance Claim Received	18.30	3.12
Miscellaneous Income (Gross, Tax Deducted at Source Rs. 4.46 Lacs)	53.20	44.04
Foreign Exchange Fluctuation Gain (Net)	382.24	-
Bad Debts Recovered	1.02	-
Commission	44.01	6.49
Export Incentives	8.70	6.59
Profit on sale of Long Term Investments (Non-Trade)	0.25	-
Profit on sale of Current Investments (Non-Trade)	139.32	-
Credit balances appropriated	6.23	-
	<u>1,255.45</u>	<u>254.91</u>
<b>SCHEDULE - 'O'</b>		
<b>RAW MATERIALS AND COMPONENTS CONSUMED</b>		
Opening Stock	4,580.67	3,420.97
Add: Purchases	24,915.37	22,703.57
	<u>29,496.04</u>	<u>26,124.54</u>
Less: Sales	-	860.79
Less: Closing Stock	11,943.28	4,580.67
	<u>17,552.76</u>	<u>20,683.08</u>
<b>SCHEDULE - 'P'</b>		
<b>(INCREASE) / DECREASE IN STOCKS</b>		
<b>OPENING STOCKS :</b>		
Finished Goods	338.42	66.12
Work in Progress	3,177.55	721.19
Scrap	-	4.26
	<u>3,515.97</u>	<u>791.57</u>
<b>CLOSING STOCKS :</b>		
Finished Goods	420.44	338.42
Work in Progress	2,863.46	3,177.55
Goods for Trade	115.20	-
	<u>3,399.10</u>	<u>3,515.97</u>
	116.87	(2,724.40)
Add: Variation in Excise Duty on Finished Goods Stocks	38.41	-
	<u>155.28</u>	<u>(2,724.40)</u>

**SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT FOR YEAR ENDED 31<sup>ST</sup> MARCH, 2008**

	Year Ended 31.03.2008 (Rs. in Lacs)	Year Ended 31.03.2007 (Rs. in Lacs)
<b>SCHEDULE - 'Q'</b>		
<b>MANUFACTURING EXPENSES</b>		
Stores , Spares, etc.	921.39	746.54
Power	734.41	791.04
Fuel and Gas	1,277.00	1,295.86
Repairs and Maintenance		
- Building	157.70	84.02
- Plant and Machinery	35.06	11.27
- Others	10.19	17.91
Other Expenses	447.22	373.42
	<u>3,582.97</u>	<u>3,320.06</u>
<b>SCHEDULE - 'R'</b>		
<b>PERSONNEL EXPENSES</b>		
Salary, Wages and Other benefits	1,277.33	1,302.73
Contribution to Provident Fund and Other Funds	115.07	70.03
Staff Welfare Expenses	52.91	43.06
	<u>1,445.31</u>	<u>1,415.82</u>
<b>SCHEDULE - 'S'</b>		
<b>ADMINISTRATIVE, SALES AND OTHER EXPENSES</b>		
Insurance	91.38	69.83
Rent	68.14	163.06
Rates and Taxes	21.72	10.91
Directors' Sitting Fees and Commission	35.10	6.00
Legal and Professional Fees	169.55	156.63
Advertisement and Sales Promotion	50.09	43.47
Commission	282.53	126.20
Sundry Expenses	510.92	437.42
Loss on Assets Sold/ Discarded	26.25	1.89
Carriage and Freight	340.65	304.24
Donation	25.28	24.66
Debit balances written off	-	4.96
Loss on sale of Investments	-	4.28
Foreign Exchange Fluctuation Loss (Net)	-	113.60
Excise Duty paid	20.12	30.01
Bad Debts	3.96	-
Bank Charges and Commission	202.15	128.34
	<u>1,847.84</u>	<u>1,625.50</u>
<b>SCHEDULE - 'T'</b>		
<b>FINANCE CHARGES</b>		
Interest on Term Loans	96.28	168.80
Interest on Working Capital / Short Term Loans	383.84	160.23
Interest others	3.27	0.23
Net of Rs. 0.79 Lacs Capitalised	<u>483.39</u>	<u>329.26</u>

**SCEHDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2008**

**Schedule - 'U': NOTES FORMING PART OF THE ACCOUNTS**

	As at 2007 - 2008 (Rs. in Lacs)	As at 2006 - 2007 (Rs. in Lacs)
1. Loan Funds:		
(a) Term loan is secured by way of first charge on all the fixed assets of Gandhidham Unit (excluding specific fixed assets) and is further guaranteed by Managing Director and his two relatives.		
(b) Working Capital facilities are secured against hypothecation of stocks and book debts of the Company and further secured by way of second charge on all the fixed assets (excluding specific fixed assets) of the Company and is further guaranteed by some of the Directors.		
(c) Vehicle Loan is secured by hypothecation of vehicles purchased there against.		
(d) Other Short Term Loans from banks are secured against specific fixed assets purchased there against.		
(c) Corporate Guarantees given to banks on behalf of subsidiaries.	11,030.25	8,688.34
(Amounts outstanding there against)	7,454.20	7,829.32
3. (a) Sundry Creditors in Schedule 'L' to the Accounts include (i) Rs. 133.31 Lacs due to creditors registered under the Micro, Small and Medium Enterprises Development Act, 2006 (MSME) ; and (ii) Rs. 5,915.70 Lacs due to other creditors.		
(b) No interest is paid / payable during the year to Micro, Small and Medium Enterprises.		
(c) The above information has been determined to the extent such parties could be identified on the basis of the information available with the Company regarding the status of suppliers under the MSME.		
4. Estimated amount of contracts remaining to be executed on Capital Account and not provided for (net of advances)	<u>(Rs. in Lacs)</u>	<u>(Rs. in Lacs)</u>
	3,263.88	440.97
5. During the year, the Company raised a sum of US\$35 Million by issue of Zero Coupon Foreign Currency Convertible Bonds (FCCB), due in 2012. The principal terms of the FCCBs are given below:		
(i) The bond holders can exercise the option to convert into equity shares at any time after 41 days from the date of issue, but upto seven days prior to maturity, at a fixed conversion price of Rs. 303.36 per share with a fixed rate of Rs. 39.84 to USD 1 (i.e. a conversion ratio of 13,133.1279 shares per bond).		
(ii) On expiry of one year from the date of issue of the bonds, the conversion price may be reset not below 85% of the initial conversion price, subject to certain conditions.		
(iii) The Company may opt for early redemption of the bonds at a redemption premium that gives the bond holder a gross yield of 7.25% per annum (compounded half yearly), provided bonds outstanding are less than 10 per cent of the bonds originally issued.		
(iv) The Company may at its absolute discretion, at any time on or after 3 years from the date of issue of bonds, convert all outstanding bonds, provided the closing price of shares during the specified period, is at least 130% of the applicable early redemption amount.		
2. Contingent liabilities not provided for in respect of:		
	As at 2007 - 2008 (Rs. in Lacs)	As at 2006 - 2007 (Rs. in Lacs)
(a) Disputed Tax and other Matters		
Sales Tax	39.19	106.68
Lease Tax	16.34	-
Claims not acknowledged as debts	4.77	4.77
The Company has taken legal and other steps necessary to protect its position in respect of these claims, which in its opinion, based on professional advice, are not expected to devolve. It is not possible to make any further determination of the liabilities which may arise or the amounts which may be refundable in this respect.		
(b) With regard to the search conducted by the Income Tax Department during the Financial Year 2005-06, the Company has not received any demand from the authorities under section 132 of Income Tax Act, 1961. Apart from various records, cash amounting to Rs. 4.07 Lacs, which is included in cash balance, was also seized by the department. The Company has paid tax as per revised income tax returns and also made an application to the Settlement Commission for settling any dispute arising out of the same. As a result, the liability arising there against, if any, is not determinable at present.		

- (v) Bonds outstanding on the maturity date will be redeemed at 142.8010% of the principal amount.
- (vi) Due to variables currently indeterminable, the premium on actual redemption is not computable and hence will be recognised if and as and when the redemption option is exercised. Such premium shall be first charged to the available balance in securities premium account.

6. Disclosure in respect of derivative instruments :

**As at 31.03.2008**

(a) Derivative instruments outstanding :

Foreign Currency

Against Exports  
- US Dollar Forward 13,125,000

(b) All the derivative instruments have been acquired for hedging purposes.

(c) Foreign Currency exposures that are not hedged by derivative instruments :

Debtors - US Dollars	3,519,549
Creditors - US Dollars	4,816,516
Creditors - Euro	115,169
Creditors / Payables - AED	2,036,409
Advances to Suppliers / Others - USD	5,507,212
Advances to Suppliers / Others - Euro	2,883,248
Advance received from Customers - USD	209,824
Loans given - USD	13,000,000
Loans Borrowed - USD	36,000,000
Loans Borrowed - Euro	1,756,500
Loans Borrowed - AED	147,614
Other Receivables - USD	732,282
Other Receivables - AED	52,850
Bank Balances - USD	12,392,740
Cash and Bank Balances - AED	107,337
Interest Payable - USD	2,439

7. A) Managerial Remuneration under Section 198 of the Companies Act, 1956, paid or payable to the Directors' included under Schedule - 'R' :

	<b>2007 – 2008</b>	<b>2006 – 2007</b>
	<b>(Rs. in Lacs)</b>	<b>(Rs. in Lacs)</b>
Salary, allowances, etc.	<b>87.59</b>	133.86
Contribution to Provident and other funds	<b>9.04</b>	9.01
Other Perquisites	<b>16.44</b>	11.50
Commission	<b>203.93</b>	125.70
	<b><u>317.00</u></b>	<b><u>280.07</u></b>

The employee wise break – up of benefits, calculations of which are based on actuarial valuations are not ascertainable. The amounts relating to the Directors are, therefore, disclosed in the year of payment.

B) Statement showing the Computation of Net Profit in accordance with Section 198(1) of the Companies Act, 1956.

**2007-2008**  
**(Rs. in Lacs)**

Profit before Tax – as per Profit and Loss Account	7,503.16
Add: Managerial Remuneration Paid / Provided	317.00
Director sitting fees and Commission	<u>35.10</u>
	<u>352.10</u>
	7,855.26
Less: Profit on sale of Investments (net)	139.57
Prior Period Adjustments	<u>19.06</u>
	<u>158.63</u>
Net Profit in accordance with Section 198(1) / 349	7,696.63
Commission to Managing Director @ 2% of said profit	153.93
Commission to Whole Time Directors @ 1% of said profit maximum commission restricted to	50.00
Commission to Independent Directors	25.00

8. Auditor's Remuneration:

	<b>2007 – 2008</b>	<b>2006 – 2007</b>
	<b>(Rs. in Lacs)</b>	<b>(Rs. in Lacs)</b>
(i) Audit Fees (includes Branch Auditor Rs. 0.50 Lacs)	<b>10.50</b>	6.50
(ii) Tax Audit Fees	<b>2.00</b>	1.00
(iii) Certifying FCCB Offering Circular	<b>3.00</b>	–
(iv) Other Services	<b>5.34</b>	1.49
Total	<b><u>20.84</u></b>	<b><u>8.99</u></b>



	2007 - 2008 (Rs. in Lacs)	2006 - 2007 (Rs. in Lacs)
9. Imports :		
Value of Imports calculated on CIF basis in respect of -		
(i) Raw Materials and Components	22,878.09	15,463.62
(ii) Stores, Spares, etc.	52.63	42.46
(iii) Capital Goods	3,000.66	6.70
Expenditure in Foreign Currency on account of:		
(i) Travelling	40.98	29.46
(ii) Commission	259.65	51.80
(iii) Professional Fees	6.15	29.17
(iv) Rates and Taxes	18.14	-
(v) Share / FCCB Issue Expenses	392.86	-
(vi) Others	83.74	-
10. Remittance in Foreign Currency on account of dividends :		
(a) Year to which the dividend relates	2006 - 07	2005 - 06
(b) Number of non-resident shareholders to whom remittances were made	1	-
(c) Number of Shares (of Rs. 10/- each) on which remittances were made	1,896,900	-
(d) Amount remitted (Rs. in Lacs)	94.85	-
11. Earnings in Foreign Currency:		
(i) Export of goods calculated on FOB Basis	10,551.33	13,505.64
(ii) Commission for Bank Guarantee	44.01	6.49
(iii) Interest on loans given	256.58	-
(iv) Others	2.77	-

	2007 - 2008 (Rs. in Lacs)	2006 - 2007 (Rs. in Lacs)
12. Prior period adjustments represent :		
Debits relating to earlier years	<b>(93.91)</b>	(0.31)
Credits relating to earlier years	<b>11.42</b>	-
Excess Depreciation / Amortisation adjustments (net)	<b>63.43</b>	-
	<b><u>(19.06)</u></b>	<b><u>(0.31)</u></b>

The Company hitherto charged depreciation on certain assets at two of its units as per the Straight Line Method, upto 31<sup>st</sup> March, 2007. In order to follow an uniform policy of providing for depreciation, the Company has, from this year, decided to charge depreciation on Written Down Value Method on all its assets.

As a result of this change, depreciation for the year is lower by, and the profit (before tax) is higher by, Rs. 43.75 Lacs. Excess depreciation relating to earlier years amounting to Rs. 15.20 Lacs has been credited to the Profit and Loss Account as prior period adjustments.

13. Assets taken on operating lease:

The total future minimum leaserentals payable at the Balance Sheet date are as under:

	2007 - 2008 (Rs. in Lacs)	2006 - 2007 (Rs. in Lacs)
For a period not later than one year	<b>77.44</b>	2.40
For a period later than one year and not later than five years	<b>81.30</b>	4.00
For a period later than five years	-	-
Assets given on operating lease:		
(i) Cylinders:		
Gross Carrying Amount	<b>5.65</b>	5.65
Depreciation for the year	<b>2.25</b>	0.96
Accumulated Depreciation	<b>3.21</b>	0.96
(ii) The total future minimum lease rentals receivable at the Balance Sheet date are as under:		
For a period not later than one year	<b>0.05</b>	0.05
For a period later than one year and not later than five years	<b>0.03</b>	0.08
For a period later than five years	-	-

	2007 - 2008 (Rs. in Lacs)	2006 - 2007 (Rs. in Lacs)
14. Computation of profit for Earnings per Share:		
Profit for the year	5,077.02	4,707.33
(Less): Prior period adjustments (net)	(19.06)	(0.31)
Add/ (Less): Tax Adjustments for earlier years (net)	(331.91)	2.24
Net Earnings including profit on sale of fixed assets of overseas branch	4,726.05	4,709.26
Less: Profit on sale of fixed assets of overseas branch (net of tax)	-	673.50
Net Earnings excluding profit on sale of fixed assets of overseas branch	4,726.05	4,035.76
Weighted Average No. of Equity Shares (Restated for share split)	98,898,965	91,996,910
Nominal Value per share (in Rupees)	2.00	2.00
Basic and Diluted Earnings Per Share (in Rupees)		
- Including profit on sale of fixed assets of overseas branch	4.78	5.12
- Excluding profit on sale of fixed assets of overseas branch	4.78	4.39

Note: FCCBs issued during the year are considered to be anti dilutive for the purpose of calculation of Earnings Per Share.

	(Rs. In Lacs)		
	As at 31.03.2008	As at 31.03.2007	As at 31.03.2006
15. Deferred Tax :			
Deferred Tax Liability on account of :			
Depreciation	771.60	641.41	412.21
Deferred Tax Asset on account of :			
Excise Duty	-	449.13	132.87
Shares / FCCB Issue Expenses	293.51	187.34	143.49
Employee Benefits	25.05	-	-
Others	1.80	-	-
	320.36	636.47	276.36
Deferred Tax Liability (net)	451.24	4.94	135.85

16. Related parties disclosures:

1. Relationships :

(a) Subsidiary Companies:

EKC Industries (Tianjin) Co. Ltd.  
EKC International FZE

(b) Other related parties where control exists:

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

Khurana Charitable Trust

Khurana Education Trust

(c) Key Management Personnel:

Mr. Prem Kumar Khurana  
Mr. Puneet Khurana  
Mr. Pramod Samvatsar  
Mr. Pushkar Khurana (During Previous Year)

(d) Relatives of Key management personnel and their enterprises where transactions have taken place:

Mr. S. S. Khurana  
Mrs. Suman Khurana

Note: Related party relationship is as identified by the company and relied upon by the Auditors.

## 2. Transactions with Related Parties

(Rs. in Lacs)

Nature of Transactions	Related parties referred in			
	1 (a) above	1 (b) above	1 (c) above	1 (d) above
<b>Sales:</b>				
<u>Goods</u> - EKC International FZE	5,016.88	-	-	-
	(2,487.18)	(-)	(-)	(-)
Others	5.35	650.35	-	-
	(-)	(472.14)	(-)	(-)
<u>Fixed Assets</u> - EKC International FZE	-	-	-	-
	(2,788.25)	(-)	(-)	(-)
<b>Income / Receipts:</b>				
<u>Commission Income</u> - EKC International FZE	44.01	-	-	-
	(6.49)	(-)	(-)	(-)
Reimbursement of expenses	17.52	-	-	-
	(-)	(-)	(-)	(-)
<b>Purchases:</b>				
<u>Raw materials and components</u> - EKC International FZE	3,100.28	-	-	-
	(1,376.84)	(-)	(-)	(-)
Consumables	-	20.62	-	-
	(-)	(3.32)	(-)	(-)
<b>Expenses / Payments:</b>				
Remuneration	-	-	317.00	-
	(-)	(-)	(280.07)	(5.47)
Commission	233.17	-	-	-
	(-)	(-)	(-)	(-)
<u>Rent</u> -				
Everest Industrial Gases Private Ltd.	-	12.00	-	-
	(-)	(-)	(-)	(-)
Khurana Fabrication Industries Private Ltd.	-	18.21	-	-
	(-)	(4.55)	(-)	(-)
Everest Kanto Investment and Finance Ltd	-	18.00	-	-
	(-)	(18.00)	(-)	(-)
Khurana Exports Private Ltd.	-	15.60	-	-
	(-)	(15.60)	(-)	(-)
Others	-	-	1.68	1.50
	(-)	(0.26)	(0.36)	(-)
<u>Donation</u> -				
Khurana Education Trust	-	25.00	-	-
Khurana Charitable Trust	(-)	(24.50)	(-)	(-)
Other Expenses	-	29.75	9.00	-
	(-)	(9.18)	(9.00)	(-)
Reimbursement of expenses	-	1.75	-	-
	(-)	(-)	(-)	(-)
<b>Finance and Investments:</b>				
Loans given -				
EKC International FZE	3,946.00	-	-	-
	(-)	(-)	(-)	(-)
EKC Industries (Tianjin) Co. Ltd.	1,192.34	-	-	-
	(-)	(-)	(-)	(-)



(Rs. in Lacs)

Nature of Transactions	Related parties referred in			
	1 (a) above	1 (b) above	1 (c) above	1 (d) above
<u>Interest receivable on loans -</u>				
EKC International FZE	119.04	-	-	-
	(-)	(-)	(-)	(-)
EKC Industries (Tianjin) Co. Ltd.	17.89	-	-	-
	(-)	(-)	(-)	(-)
<u>Subscription in Equity Shares -</u>				
EKC International FZE	-	-	-	-
	(2,117.39)	(-)	(-)	(-)
EKC Industries (Tianjin) Co. Ltd.	4949.29	-	-	-
	(1,975.78)	(-)	(-)	(-)
<u>Corporate Guarantees for Loans taken by others -</u>				
EKC International FZE	737.47	-	-	-
	(8,688.34)	(-)	(-)	(-)
EKC Industries (Tianjin) Co. Ltd.	1,604.44	-	-	-
	(-)	(-)	(-)	(-)
<b>Outstandings: (#)</b>				
<u>Payables -</u>				
EKC International FZE	2,590.46	-	-	-
	(-)	(-)	(-)	(-)
Others	-	77.38	205.23	-
	(-)	(12.34)	(125.70)	(-)
<u>Loans given -</u>				
EKC International FZE	4,011.00	-	-	-
	(-)	(-)	(-)	(-)
EKC Industries (Tianjin) Co. Ltd.	1,203.30	-	-	-
	(-)	(-)	(-)	(-)
<u>Other Receivables -</u>				
EKC International FZE	1,892.98	-	-	-
	(997.69)	(-)	(-)	(-)
EKC Industries (Tianjin) Co. Ltd.	23.24	-	-	-
	(-)	(-)	(-)	(-)
Everest Industrial Gases Private Ltd.	-	300.00	-	-
	(-)	(300.00)	(-)	(-)
Everest Kanto Investment and Finance Ltd		200.00	-	-
		(200.00)	(-)	(-)
Khurana Exports Private Ltd.		310.00	-	-
		(310.00)	(-)	(-)
Others		18.51	-	20.00
		(45.72)	(-)	(-)
Guarantees Given for borrowings by the Company	-	-	2,731.42(Jointly)	
	(-)	(-)	(1,612.66)(Jointly)	
<u>Corporate Guarantees given for loans taken by others -</u>				
EKC International FZE	9,425.85	-	-	-
	(8,688.34)	(-)	(-)	(-)
EKC Industries (Tianjin) Co. Ltd.	1,604.40	-	-	-
	(-)	(-)	(-)	(-)

# Foreign currency balances are restated at year end rates. (Previous year figures are in brackets).

17. A. Capacity and Production (Annual Capacity)

Particulars	As at 31 <sup>st</sup> March, 2008			As at 31 <sup>st</sup> March, 2007		
	Licenced / Registered	Installed	Actual Production	Licenced / Registered	Installed	Actual Production
Seamless Gas Cylinders – Nos	610,000	610,000	495,180	610,000	510,000	442,933

Installed Capacities are certified by the management and relied upon by the auditors.

B. Opening Stock, Sales and Closing Stock in respect of goods produced

Class of Goods	Year Ending 31 <sup>st</sup> March	Opening Stock Nos	Value (Rs. in Lacs)	Sales Nos	Value (Rs. in Lacs)	Closing Stock Nos	Value (Rs. in Lacs)
Seamless Gas Cylinders	2008	21906	338.42	507304	33,039.25	9782	420.44
Seamless Gas Cylinders	2007	1835	66.12	422862	32,087.33	21906	338.42

'Trading Sales' comprise of multiple items of machineries, spares, etc. as a result of which, disclosure of quantities is not practicable.

C. Break up of Raw Materials and Components Consumed

Particulars	2007 – 2008		2006 – 2007	
	Quantity Metric Tonnes	Value Rs. in Lacs	Quantity Metric Tonnes	Value Rs. in Lacs
Seamless Tubes with Incidental Costs	19,224.98	16,381.19	22,851.121	14,993.54
Others		1,171.57		5,689.54
<b>TOTAL</b>		<b>17,552.76</b>		<b>20,683.08</b>

D. Details of Imported and Indigenous Raw Materials and Components Consumed

Particulars	2007 – 2008		2006 – 2007	
	%	Value Rs. in Lacs	%	Value Rs. in Lacs
Imported	94.97	16,669.89	91.57	18,939.74
Indigenous	5.03	882.87	8.43	1,743.34
<b>Total</b>	<b>100.00</b>	<b>17,552.76</b>	<b>100.00</b>	<b>20,683.08</b>

E. Details of Imported and Indigenous Stores, Spares, etc. Consumed

Particulars	2007 – 2008		2006 – 2007	
	%	Value Rs. in Lacs	%	Value Rs. in Lacs
Imported	5.71	52.63	5.69	42.46
Indigenous	94.29	868.76	94.31	704.08
<b>Total</b>	<b>100.00</b>	<b>921.39</b>	<b>100.00</b>	<b>746.54</b>

18. Bonds / Undertakings given by the Company under concessional duty / exemption schemes to government authorities (net of obligations fulfilled) aggregate Rs. 880.09 Lacs as at the close of the year.
19. During the years 2005-06 and 2006-07, the Company had adjusted expenses incurred on issue of equity shares, against the balance available in the Securities Premium Account. However, tax benefits arising from the admissibility of such expenses (aggregating Rs. 276.58 Lacs) were recognised in the Profit and Loss Account of those years. In order to give an accounting treatment similar to the aforesaid expenses, the related tax benefits are now transferred to the Securities Premium Account.
20. During the year, the Company has adopted Accounting Standard (AS) 15 – “Employee Benefits” pursuant to which it has, for the first time, provided for long term compensated absences, including Rs. 48.76 Lacs relating to earlier years. No separate treatment has been given for the transitional provisions, in the absence of any significant impact.

An amount of Rs. 92.39 Lacs as contribution towards defined contribution plans is recognised as expense in the Profit and Loss Account.

The disclosures in respect of the Defined Benefit Gratuity Plan (to the extent of information made available by LIC) are given below:

<b>Particulars</b>	<b>2007 – 2008 (Rs. in Lacs)</b>
<u>Change in present value of obligation:</u>	
Obligation at beginning of the year	78.29
Current Service Cost	8.62
Interest Cost	5.87
Actuarial (gain) / loss	6.20
Benefits paid	2.29
Obligation at the end of the year	96.69
<u>Change in Plan assets:</u>	
Fair value of Plan Assets at beginning of the year	80.17
Expected return on plan assets	7.46
Actuarial (gain) / loss	Nil
Contributions	8.33
Benefits paid	2.29
Fair Value of plan assets at end of the year	93.67
<u>Reconciliation of present value of the obligation and the fair value of plan assets and amounts recognized in the balance sheet :</u>	
Present value of the defined benefit obligation at the end of the year	96.69
Fair Value of plan assets at the end of the year	93.67
Net Liability recognized in the balance sheet	3.02

	<b>2007 – 2008 (Rs. in Lacs)</b>
<u>Gratuity cost recognised for the year :</u>	
Current Service Cost	8.62
Interest Cost	5.87
Expected return on plan assets	7.46
Actuarial (gain)/ loss	6.20
Net gratuity cost	13.23
<u>Assumptions:</u>	
Interest rate	8%
Rate of growth in salary levels *	4%

\* The estimate of future salary increases considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors.

Since the Company has adopted AS 15 (Revised) for the first time, previous year figures have not been given.

	<b>Amount Outstanding as at 31.03.2008</b>	<b>Maximum balance during the year</b>
21. Loans and advances in the nature of loans		
EKC International FZE *	4,011.00	4,011.00
EKC Industries (Tianjin) Co. Ltd. *	1,203.30	1,203.30
Akruti City Limited \$	1,500.00	2,500.00

\* Wholly owned subsidiaries

\$ Company in which a director is interested.

	<b>2007 – 2008 Rs. in Lacs</b>	<b>2006 – 2007 Rs. in Lacs</b>
22. Indirect Expenses incurred during construction period capitalized:		
Legal and Professional Fees	0.65	-
Rent	22.76	-
Total	23.41	-

23. As a part of its global expansion plans, the Company has through its wholly owned subsidiary, incorporated step down wholly owned subsidiaries in Hungary and further in U.S.A. which entities have acquired all the assets of CP Industries a division of Reunion Industries Inc., for a total consideration of US\$ 66.30 Million. The Company has, after the close of the year, extended a Corporate Guarantee of US\$ 45 Million to three banks to part finance the said acquisition. This acquisition has been consummated on 18<sup>th</sup> April, 2008 and no adjustment whatsoever has been made in the accounts for the year ended 31<sup>st</sup> March, 2008.

24. Previous year figures have been regrouped / recast wherever necessary. Previous year figures are not comparable in view of the sale of all fixed assets of Dubai Branch to the Company's Wholly Owned Subsidiary on 1<sup>st</sup> November, 2006.

25. Significant Accounting Policies followed by the Company are as stated in the Statement annexed to this Schedule as Annexure I.

**As per our report of even date**

**For and on behalf of**

**DALAL & SHAH**

**CHARTERED ACCOUNTANTS**

**VENKATESH SUBRAMANIAN  
PARTNER**

**CHANDA MAKHIJA  
COMPANY SECRETARY**

**J. SIVAKUMAR  
CHIEF FINANCIAL OFFICER**

**P.M. SAMVATSAR  
WHOLE - TIME DIRECTOR**

**PLACE: MUMBAI**

**DATE : 26<sup>th</sup> May, 2008**

**For and on behalf of the Board**

**P.K. KHURANA**

**CHAIRMAN & MANAGING DIRECTOR**

**PLACE : MUMBAI**

**DATE : 26<sup>th</sup> May, 2008**

**Annexure I**
**SIGNIFICANT ACCOUNTING POLICIES :**
**A. Basis of preparation of financial statements:**

The financial statements are prepared under the historical cost convention on the accrual basis of accounting in accordance with the generally accepted accounting principles the applicable mandatory Accounting Standards and the relevant provisions of the Companies Act 1956.

**B. Use of Estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Differences between actual results and estimates are recognised in the period in which the results are known.

**C. Revenue Recognition:**

- a. Revenue/Income and Cost/Expenditure are generally accounted for on accrual as they are earned or incurred except in case of significant uncertainties;
- b. Sale of goods is recognized on transfer of significant risks and rewards of ownership. Recognition in the case of local sales is generally on the dispatch of goods. Export Sales are generally accounted for on the basis of the dates of 'On Board Bill of Lading' or earlier in case of terms specifically provided in the contracts;
- c. Export Benefits are recognised in the year of export;
- d. Shares / Securities Issue Expenses are charged first against available balance in the Securities Premium Account;
- e. Dividend income is recognised in the year in which the right to receive dividend is established.

**D. Employee Benefits:**

- a. **Short term employee benefits** are recognised as an expense at the undiscounted amount in the Profit and Loss Account of the year in which the related service is rendered;
- b. **Post employment benefits**
  - i. Defined contribution plans: Company's contribution to the superannuation scheme state governed provident fund scheme etc. are recognised during the year in which the related service is rendered;
  - ii. Defined benefit plans: The present value of the obligation under such plans is determined based on an actuarial valuation using the Projected Unit Credit Method. Actuarial gains and losses arising

on such valuation are recognised immediately in the Profit and Loss Account. In the case of gratuity which is funded with the Life Insurance Corporation of India the fair value of the plan assets is reduced from the gross obligation under the defined benefit plan to recognise the obligation on net basis;

- c. Long term compensated absences are provided on the basis of an actuarial valuation;
- d. **Termination Benefits** are recognised as an expense in the Profit and Loss Account of the year in which they are incurred.

**E. Foreign Currency Translations:**

- a. All transactions in foreign currency are recorded at the rates of exchange prevailing on the dates when the relevant transactions take place;
- b. Monetary assets and liabilities in foreign currency outstanding at the close of the year are converted in Indian Currency at the appropriate rates of exchange prevailing on the date of the Balance Sheet. Resultant gain or loss is accounted for during the year;
- c. In respect of forward exchange contracts entered into to hedge foreign currency risks the difference between the forward rate and exchange rate at the inception of the contract is recognized as income or expense over the life of the contract. Further the exchange differences arising on such contracts are recognised as income or expense along with the exchange differences on the underlying assets / liabilities. Profit or loss on cancellations / renewals of forward contracts is recognised during the year;
- d. Accounting of foreign branch (integral foreign operation) :
  - i. Monetary assets and liabilities are converted at the appropriate rate of exchange prevailing on the Balance Sheet date;
  - ii. Fixed assets and depreciation thereon are converted at the exchange rates prevailing on the date of the transaction.
  - iii. Revenue items (excluding depreciation) are converted at the rate prevailing on date of the transaction.

**F. Fixed Assets and Depreciation / Amortisation:**

- a. **Fixed Assets**: Fixed Assets are carried at cost of acquisition / construction or at revalued amounts less accumulated depreciation and amortisation. Cost of acquisition includes taxes / duties (net of credits availed) and other attributable costs for bringing assets to the condition required for their intended use.



**b. Depreciation / Amortisation:**

- i. Cost of Leasehold Land is amortised over the period of the lease.
- ii. Depreciation is provided as per the rates prescribed under Schedule XIV to the Companies Act 1956 as per the Written Down Value (WDV) method. However certain assets (viz. Plant and Machinery Factory Buildings etc.) acquired on or after 1.04.1991 at two of the Company's units were depreciated on a Straight Line basis upto 31<sup>st</sup> March, 2007. The Company has from this year decided to adopt a uniform policy of providing for depreciation on all its assets as per the WDV method.
- iii. Depreciation on revalued assets is calculated on their respective book values and the additional charge on account of revaluation is withdrawn from the Revaluation Reserve and credited to the Profit and Loss Account.
- iv. Depreciation on additions to assets or on sale/disposal of assets is calculated pro-rata from the date of such addition or upto the date of such sale/disposal as the case may be.

**G. Investments:**

Investments are classified into Current and Long-term Investments. Current Investments are stated at lower of cost and fair value. Long-term Investments are stated at cost. A provision for diminution is made to recognise a decline other than temporary in the value of Long-term Investments.

**H. Inventory Valuation:**

- a. Raw Materials and Components, Work in Progress, Finished Goods, Goods for Trade and Stores, Spares, etc. are valued at Cost or Net Realisable value whichever is lower.
- b. Goods in transit are valued at cost to date.
- c. 'Cost' comprises all costs of purchase costs of conversion and other costs incurred in bringing the inventory to their present location and condition. Cost formulae used are either 'First in First Out' or 'Average Cost' as applicable
- d. Inter-unit transfers are valued either at works / factory costs of the transferor unit.

**I. Taxation:**

Income-tax expense comprises Current tax, Fringe Benefit tax and Deferred tax charge or credit.

- a. Provision for current tax is made on the assessable income at the tax rate applicable to the relevant assessment year.

- b. Provision for Fringe Benefit Tax is made on the fringe benefits provided / deemed to have been provided during the year at the rates and the values applicable to the relevant assessment year.
- c. 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). The Deferred tax Asset and Deferred tax Liability is calculated by applying tax rate and tax laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax Assets arising on account of brought forward losses and unabsorbed depreciation under tax laws are recognised only if there is a virtual certainty of its realisation supported by convincing evidence. Deferred tax assets on account of other timing differences are recognised only to the extent there is a reasonable certainty of its realisation. At each Balance Sheet date the carrying amount of deferred tax assets are reviewed to reassure realisation.

**J. Borrowing Costs:** Interest and other borrowing costs attributable to acquisition / construction of qualifying assets are capitalised as part of the cost of such assets upto the date the assets are ready for their intended use. Other borrowing costs are charged as expense in the year in which these are incurred.

**K. Impairment of Assets:** The carrying amounts of assets are reviewed at each Balance Sheet date to assess whether there is any indication that an individual asset / group of assets (constituting a Cash Generating Unit) may be impaired. If there is any indication of impairment based on internal / external factors i.e. when the carrying amount of the assets exceed the recoverable amount an impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. An impairment loss recognized in prior accounting periods is reversed or reduced if there has been a favourable change in the estimate of the recoverable amount.

**L. Provisions Contingent Liabilities and Contingent Assets:** Provisions involving a substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognised but are disclosed in the financial statements. Contingent Assets are neither recognised nor disclosed in the financial statements.

**M. Expenditure During Construction and Expenditure on New Projects:** In case of new projects and in case of substantial modernization / expansion at existing units of the Company, expenditure incurred prior to commencement of commercial production is capitalised.

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2008**

	Year Ended 31.03.2008 (Rs. in Lacs)	Year Ended 31.03.2007 (Rs. in Lacs)
<b>A) CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit for the year before taxation	7,503.16	7,066.42
<b>Add/ (Deduct):</b>		
(a) Depreciation / Amortisation for the year	1,632.27	1,646.90
(b) Prior Period Adjustments (net)	(82.49)	(0.31)
(c) Loss on Assets Sold / Discarded	26.25	1.89
(d) Finance Charges	483.39	329.26
(e) Interest Income	(489.65)	(77.85)
(f) Dividend on Current Investments (Non - Trade)	(3.56)	(31.98)
(g) Profit on Sale of Long Term Investments (Non - Trade)	(0.25)	-
(h) Profit on Sale of Current Investments (Non - Trade)	(139.32)	-
(i) Profit on Sale of Fixed Assets of Overseas Branch	-	(1,015.22)
(j) Loss on Sale of Investments	-	4.28
	<u>1,426.64</u>	<u>856.97</u>
Operating Cash Profit before Working Capital Changes	<b>8,929.80</b>	<b>7,923.39</b>
<b>Add/ (Deduct):</b>		
(a) (Increase) in Inventories	(8,520.44)	(3,900.32)
(b) (Increase) in Sundry Debtors	(2,238.26)	(807.71)
(c) (Increase) in Other Receivables	(40.70)	(1,858.74)
(d) Increase / (Decrease) in Trade and Other Payables	4,985.06	(832.34)
	<u>(5,814.34)</u>	<u>(7,399.11)</u>
<b>CASH INFLOW / (OUTFLOW) FROM OPERATIONS</b>	<b>3,115.46</b>	<b>524.28</b>
<b>Deduct:</b>		
Direct Taxes Paid	<u>2,385.00</u>	<u>2,433.92</u>
Net Cash Inflow / (Outflow) in course of Operating Activities (A)	<u><b>730.46</b></u>	<u><b>(1,909.64)</b></u>
<b>B) CASH FLOW FROM INVESTING ACTIVITIES</b>		
<b>INFLOW:</b>		
(a) Dividend on Current Investments (Non - Trade)	3.56	31.98
(b) Interest Income Received	349.79	77.85
(c) Sale of Current Investments	4,001.98	70.78
(d) Sale of Long Term Investments	1.25	-
(e) Sale of Fixed Assets	-	2,789.50
	<u>4,356.58</u>	<u>2,970.11</u>
<b>OUTFLOW:</b>		
(a) Purchases of Current Investments	3,746.23	90.36
(b) Investment in Subsidiaries	4,949.29	4,093.17
(c) Inter Corporate Deposits given (net)	2,100.00	-
(d) Loan to Subsidiaries and others	5,214.30	-
(e) Purchase of Fixed Assets (including capital advances)	9,414.06	3,164.83
	<u>25,423.88</u>	<u>7,348.36</u>
Net Cash Inflow / (Outflow) in the course of Investing Activities (B)	<u><b>(21,067.30)</b></u>	<u><b>(4,378.25)</b></u>

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2008**

	Year Ended 31.03.2008 (Rs. in Lacs)	Year Ended 31.03.2007 (Rs. in Lacs)
<b>C) CASH FLOW FROM FINANCING ACTIVITIES</b>		
<b>INFLOW:</b>		
(a) Proceeds from issue of Equity Shares - Private Placement	8,870.07	9,199.96
(b) Working Capital/Short Term Loan availed (net)	2,263.97	-
(c) Proceeds from issue of FCCB	<u>14,038.50</u>	-
	<u>25,172.54</u>	<u>9,199.96</u>
<b>OUTFLOW:</b>		
(a) Share / FCCB issue Expenses	591.76	296.70
(b) Fixed Loans Repaid during the year (net)	212.32	1,162.47
(c) Working Capital / Short Term Loan repaid during the year (net)	-	130.02
(d) Interest paid on loans	469.04	329.26
(e) Dividend Paid	975.47	616.88
(f) Dividend Tax Paid	<u>165.89</u>	<u>86.52</u>
	<u>2,414.48</u>	2,621.85
Net Cash Inflow / (Outflow) in the course of Financing activities (C)	<u>22,758.06</u>	<u>6,578.11</u>
Net Increase / (Decrease) in Cash / Cash Equivalents (A+B+C)	2,421.22	290.22
Add: Balance of Cash/Cash Equivalents at the beginning of the year	3,182.10	2,891.88
Cash/Cash Equivalents at the close of the year	<u>5,603.32</u>	<u>3,182.10</u>
Cash/Cash Equivalents at the close of the year		
Cash and Bank Balances as per Schedule	5,607.39	3,186.17
Less: Cash not available for use [refer Note 2(b)]	<u>(4.07)</u>	<u>(4.07)</u>
	<u>5,603.32</u>	<u>3,182.10</u>

**As per our report of even date**
**For and on behalf of**
**DALAL & SHAH**
**CHARTERED ACCOUNTANTS**
**For and on behalf of the Board**
**P.K. KHURANA**
**CHAIRMAN & MANAGING DIRECTOR**
**VENKATESH SUBRAMANIAN  
PARTNER**
**CHANDA MAKHIJA  
COMPANY SECRETARY**
**J. SIVAKUMAR  
CHIEF FINANCIAL OFFICER**
**P.M. SAMVATSAR  
WHOLE - TIME DIRECTOR**
**PLACE: MUMBAI**
**DATE : 26<sup>th</sup> May, 2008**
**PLACE : MUMBAI**
**DATE : 26<sup>th</sup> May, 2008**

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, 2008 and the profit and loss account for the year ended on that date.

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

I. Registration Details

Registration No.

State Code

Balance Sheet Date

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

Public Issue

Rights Issue

Bonus Issue

Private Placement

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

Total Liabilities

Total Assets

Sources of Funds  
Paid-Up Capital

Reserves & Surplus

Secured Loans

Unsecured Loans

Deffered Tax Liability

Current Liabilities

Application of Funds  
Net Fixed Assets

Investments

Current Assets

Miscellaneous Expenditure

Accumulated Losses

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

Net Turnover

Total Expenditure

+ - Profit/Loss before Tax

+ - Profit/Loss after Tax

Please tick appropriate box + for Profit, - for Loss

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, 2008 and the profit and loss account for the year ended on that date.

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

Earning Per Share in Rs.  

				4	.	7	8
--	--	--	--	---	---	---	---

Dividend Rate %  

						6	0
--	--	--	--	--	--	---	---

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  
**DALAL & SHAH**  
 CHARTERED ACCOUNTANTS

For and on behalf of the Board  
**P.K. KHURANA**  
 CHAIRMAN & MANAGING DIRECTOR

**VENKATESH SUBRAMANIAN**  
 PARTNER

**CHANDA MAKHIJA**  
 COMPANY SECRETARY

**J. SIVAKUMAR**  
 CHIEF FINANCIAL OFFICER

**P.M. SAMVATSAR**  
 WHOLE - TIME DIRECTOR

PLACE: MUMBAI  
 DATE : 26<sup>th</sup> May, 2008

PLACE : MUMBAI  
 DATE : 26<sup>th</sup> May, 2008



## **AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS**

**TO THE BOARD OF DIRECTORS OF EVEREST KANTO CYLINDER LIMITED, MUMBAI.**

We have examined the attached Consolidated Balance Sheet of Everest Kanto Cylinder Limited and its subsidiaries as at 31<sup>st</sup> March, 2008, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year then ended.

These consolidated financial statements are the responsibility of the management of Everest Kanto Cylinder Limited. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the 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 frame work and are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in 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.

We did not audit the financial statements of the foreign subsidiaries – EKC International FZE (UAE) and EKC Industries (Tianjin) Co. Limited (China). These financial statements have been audited by other auditors, whose reports have been submitted to us, and our opinion, in so far as it relates to amounts included in respect of these subsidiaries, is based solely on the reports of the other auditors. These foreign subsidiaries have total assets of Rs. 34,111.94 Lacs as at 31<sup>st</sup> March, 2008 and total revenues of Rs. 27,981.30 Lacs for the year ended on that date.

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' and on the basis of the separate audited financial statements of Everest Kanto Cylinder Limited and its subsidiaries.

On the basis of the information and explanations given to us, we are of the opinion that:

- (a) 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, 2008;
- (b) 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 ended on that date; and
- (c) 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 ended on that date.

**For and on behalf of  
DALAL & SHAH  
CHARTERED ACCOUNTANTS**

**VENKATESH SUBRAMANIAN  
PARTNER  
MEMBERSHIP NO.: 37942**

**PLACE : MUMBAI  
DATED : 26<sup>TH</sup> MAY, 2008**

**CONSOLIDATED BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2008**

	Schedule	As at 31.03.2008 (Rs. in Lacs)	As at 31.03.2007 (Rs. in Lacs)
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share Capital	A	2,023.15	1,952.19
Reserves and Surplus	B	45,937.43	28,286.38
		<u>47,960.58</u>	<u>30,238.57</u>
<b>LOAN FUNDS</b>			
Secured Loans	C	7,855.99	5,337.33
Unsecured Loans	D	16,003.59	1,683.09
		<u>23,859.58</u>	<u>7,020.42</u>
<b>DEFERRED TAX LIABILITY (NET)</b>		451.24	4.94
<b>TOTAL</b>		<u>72,271.40</u>	<u>37,263.93</u>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Gross Block	E	24,131.53	19,575.09
Less : Depreciation/ Amortisation		8,696.55	8,139.68
Net Block		15,434.98	11,435.41
Capital Work In Progress		11,133.84	3,438.97
		<u>26,568.82</u>	<u>14,874.38</u>
<b>INVESTMENTS</b>	F	1,219.59	1,337.02
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Inventories	G	28,458.81	11,509.68
Sundry Debtors	H	9,077.54	5,749.63
Cash and Bank Balances	I	6,437.77	4,708.73
Other Current Assets	J	117.29	-
Loans and Advances	K	18,034.33	9,165.04
		<u>62,125.74</u>	<u>31,133.08</u>
<b>LESS : CURRENT LIABILITIES AND PROVISIONS</b>			
Current Liabilities	L	9,285.18	3,853.56
Provisions	M	8,357.57	6,226.99
		<u>17,642.75</u>	<u>10,080.55</u>
<b>NET CURRENT ASSETS</b>		44,482.99	21,052.53
<b>TOTAL</b>		<u>72,271.40</u>	<u>37,263.93</u>
Statement of Significant Accounting Policies and Notes forming part of Accounts	U		

As per our report of even date  
For and on behalf of

**DALAL & SHAH**  
CHARTERED ACCOUNTANTS

**VENKATESH SUBRAMANIAN**  
PARTNER

**CHANDA MAKHIJA**  
COMPANY SECRETARY

**J. SIVAKUMAR**  
CHIEF FINANCIAL OFFICER

**P.M. SAMVATSAR**  
WHOLE - TIME DIRECTOR

For and on behalf of the Board  
**P.K. KHURANA**  
CHAIRMAN & MANAGING DIRECTOR

PLACE: MUMBAI  
DATE : 26<sup>th</sup> May, 2008

PLACE : MUMBAI  
DATE : 26<sup>th</sup> May, 2008

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2008

Schedule	Year Ended 31.03.2008 (Rs. in Lacs)	Year Ended 31.03.2007 (Rs. in Lacs)
<b>INCOME</b>		
Sales	57,516.34	40,399.21
Less : Excise Duty	4,642.21	2,459.16
	<u>52,874.13</u>	<u>37,940.05</u>
Trading Sales	-	4,564.97
Total Sales	<u>52,874.13</u>	<u>42,505.02</u>
Other Income	796.21	255.97
<b>N</b>	<u>53,670.34</u>	<u>42,760.99</u>
<b>EXPENDITURE</b>		
Raw Materials and Components Consumed	27,829.91	22,817.63
Trading Purchases	-	3,517.63
(Increase) in Stocks	(651.89)	(2,885.29)
Manufacturing Expenses	4,949.05	3,738.45
Personnel Expenses	2,167.73	1,740.30
Administrative, Sales and Other Expenses	3,312.03	2,154.12
Finance Charges	709.78	365.97
	<u>2,190.30</u>	<u>1,787.86</u>
Less : Depreciation withdrawn from Revaluation Reserve	41.17	9.90
	<u>2,149.13</u>	<u>1,777.96</u>
	<u>40,465.74</u>	<u>33,226.77</u>
<b>PROFIT FOR THE YEAR BEFORE TAXATION</b>	<b>13,204.60</b>	<b>9,534.22</b>
Provision for Taxation		
Current Tax (Including Wealth Tax Rs.1.50 Lacs)	(1,751.50)	(2,450.00)
Deferred Tax(Charge)\Credit	(647.44)	130.91
Fringe Benefit Tax	(27.20)	(40.00)
<b>PROFIT FOR THE YEAR</b>	<b>10,778.46</b>	<b>7,175.13</b>
Prior Period Adjustments (Net) (Refer Note 15)	(19.06)	(0.31)
Taxes Adjustments of Earlier Years (Net)	(331.91)	2.24
	<u>10,427.49</u>	<u>7,177.06</u>
<b>BALANCE BROUGHT FORWARD FROM PREVIOUS YEAR</b>	<b>7,946.47</b>	<b>2,911.40</b>
<b>BALANCE AVAILABLE FOR APPROPRIATION</b>	<b>18,373.96</b>	<b>10,088.46</b>
Proposed Dividend	1,213.89	976.10
Provision For Dividend Tax	206.30	165.89
Transferred To General Reserve	1,000.00	1,000.00
<b>BALANCE CARRIED TO BALANCE SHEET</b>	<b>15,953.77</b>	<b>7,946.47</b>
	<u>18,373.96</u>	<u>10,088.46</u>
Weighted average number of Equity Shares Outstanding during the year	<b>98,898,965</b>	<b>91,996,910</b>
Basic and diluted earnings per share of Rs. 2 each (in Rupees)	<b>10.54</b>	<b>7.80</b>
Statement of Significant Accounting Policies and Notes forming part of Accounts	<b>U</b>	

As per our report of even date

For and on behalf of

**DALAL & SHAH**  
CHARTERED ACCOUNTANTS

**VENKATESH SUBRAMANIAN**  
PARTNER

**CHANDA MAKHIJA**  
COMPANY SECRETARY

**J. SIVAKUMAR**  
CHIEF FINANCIAL OFFICER

**P.M. SAMVATSAR**  
WHOLE - TIME DIRECTOR

PLACE: MUMBAI

DATE : 26<sup>th</sup> May, 2008

For and on behalf of the Board

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

PLACE : MUMBAI

DATE : 26<sup>th</sup> May, 2008



**SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2008**

	As at 31.03.2008 (Rs. in Lacs)	As at 31.03.2007 (Rs. in Lacs)
<b>SCHEDULE - 'A'</b>		
<b>SHARE CAPITAL</b>		
<b>AUTHORISED</b>		
125,000,000 Equity Shares of Rs. 2 each	<u>2,500.00</u>	<u>2,500.00</u>
<b>ISSUED, SUBSCRIBED AND PAID UP</b>		
101,157,682 Equity Shares of Rs. 2 each (Previous Year 19,521,931 Equity Shares of Rs.10 each) fully paid up.	2,023.15	1,952.19
Notes:		
- The Company has completed the process of split of its shares from Rs.10 to Rs. 2 per share in August, 2007		
- The Company made a preferential allotment of 3,548,027 equity shares of Rs. 2 each at a premium of Rs. 248 per share, pursuant to the approval of the shareholders at their meeting held in November, 2007. (Previous Year 1,896,900 equity shares of Rs.10 each at a premium of Rs. 475 per share)		
- 20,000,000 fully paid bonus shares have been issued by capitalisation of revaluation reserve (on 25.08.94) and 38,737,500 shares by capitalisation of General Reserve, in earlier years	<u>2,023.15</u>	<u>1,952.19</u>
<b>SCHEDULE - 'B'</b>		
<b>RESERVES AND SURPLUS</b>		
<b>CAPITAL RESERVE</b>		
Capital Subsidy		
As per last Balance Sheet	394.05	-
Add : Received during the year	-	394.05
	<u>394.05</u>	<u>394.05</u>
Less : Adjusted in Fixed Assets	394.05	-
	-	394.05
<b>GENERAL RESERVE</b>		
As per last Balance Sheet	3,491.00	2,491.00
Add : Transferred from Profit and Loss Account	1,000.00	1,000.00
	<u>4,491.00</u>	<u>3,491.00</u>
<b>SECURITIES PREMIUM ACCOUNT</b>		
As per last Balance Sheet	16,590.11	7,876.53
Add : Received During the Year	8,799.11	9,010.28
Add : Tax Adjustments of Earlier Years (Refer Note 11)	276.58	-
	<u>25,665.80</u>	<u>16,886.81</u>
Less: Share/FCCB Issue Expenses Adjusted (Net of Tax Rs. 201.14 Lacs)	390.62	296.70
	<u>25,275.18</u>	<u>16,590.11</u>
<b>REVALUATION RESERVE</b>		
As per last Balance Sheet	41.17	51.07
Less : Transferred to Profit and Loss Account	41.17	9.90
	-	41.17
<b>SURPLUS IN PROFIT AND LOSS ACCOUNT</b>		
	15,953.77	7,946.47
<b>EXCHANGE FLUCTUATION RESERVE ON CONSOLIDATION OF OVERSEAS SUBSIDIARIES</b>		
	217.48	(176.42)
	<u>45,937.43</u>	<u>28,286.38</u>



**SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2008**

			As at 31.03.2008 (Rs. in Lacs)		As at 31.03.2007 (Rs. in Lacs)
<b>SCHEDULE - 'C'</b>					
<b>SECURED LOANS</b>					
From Banks					
- Term Loan			5,634.28		5,277.99
- Interest Accrued and Due on Term Loan			3.80		-
- Working Capital Facilities			1,429.80		-
- Vehicle Loan			48.00		59.34
- Other Short Term Loan			740.11		-
			<u>7,855.99</u>		<u>5,337.33</u>
<b>SCHEDULE - 'D'</b>					
<b>UNSECURED LOANS</b>					
Sales Tax Deferment Loan			1,192.99		1,005.05
Foreign Currency Convertible Bonds (Refer Note 5)			14,038.50		-
Short Term Loan from Bank			772.10		678.04
			<u>16,003.59</u>		<u>1,683.09</u>
<b>SCHEDULE - 'F'</b>					
	Face Value	Nos. As at 31.03.2008		Nos. As at 31.03.2007	
<b>INVESTMENTS</b>					
<b>A. LONG TERM INVESTMENT (At cost) :</b>					
<b>Unquoted, Fully paid up Equity Shares</b>					
<b>In Body Corporates (Non-Trade)</b>					
Everest Kanto Investment & Finance Ltd.	10	92,000	9.20	92,000	9.20
GPT Steel Industries Pvt Ltd.	10	2,000,000	200.00	2,000,000	200.00
Everest Industrial Gases Pvt Ltd.	10	-	-	10,000	1.00
			<u>209.20</u>		<u>210.20</u>
<b>B. CURRENT INVESTMENTS (At lower of cost and fair value)</b>					
<b>Non-Trade, Unquoted</b>					
Investments in Mutual Funds Units, fully paid up					
Kotak Floaters Short Term Fund-Dividend Option (NAV Rs. 0.27 Lacs, NAV P.Y Rs. 0.25 Lacs)					
	10	2,642.82	0.27	2,486.53	0.25
LICMF Liquid Fund - Dividend Plan (NAV Rs. 0.99 Lacs, NAV P.Y. Rs.125.05 Lacs)					
	10	8,977.85	0.99	11,388,880.45	125.05
UTI Money Market Fund - Dividend Plan (NAV Rs. 1.61 Lacs, NAV P.Y. Rs. 1.52 Lacs)					
	10	8,997.96	1.61	8,624.88	1.52
UTI Fixed Maturity Plan (NAV Rs. 1066.61 Lacs, NAV P.Y Rs. 1000 Lacs) (Pledged with Citibank NA)					
	10	10,000,000	1,000.00	10,000,000	1,000.00
UTI Liquid Cash Plan Institutional Daily Income Option - Dividend Plan (Re-Investment) (NAV Rs. 7.52 Lacs)					
	1000	737.92	7.52		-
			<u>1,010.39</u>		<u>1,126.82</u>
			<u>1,219.59</u>		<u>1,337.02</u>

**Note:**  
All the above Long Terms Investments have been so classified by the Company in view of its intention to hold the same on Long Term basis.

**SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2008**

**SCHEDULE - 'E'**  
(Fixed Assets)

(Rs. In Lacs)

PARTICULARS	GROSS BLOCK			DEPRECIATION / AMORTISATION			NET BLOCK			
	BALANCE AS AT 01.04.07	ADDITIONS/ADJUSTMENTS	DEDUCTIONS/ADJUSTMENTS	BALANCE AS AT 31.03.08	UP TO 31.03.07	FOR THE YEAR	DEDUCTIONS/ADJUSTMENTS #	UP TO 31.03.08	AS AT 31.03.08	AS AT 31.03.07
<b>A. Assets</b>										
Freehold Land	65.94	218.71	-	284.65	-	-	-	-	284.65	65.94
Leasehold Land *	991.63	-	406.96	584.67	21.02	33.34	(3.06)	57.42	527.25	970.61
Buildings @	5,261.24	1,066.85	279.76	6,048.33	1,114.14	404.37	82.06	1,436.45	4,611.88	4,147.10
Electrical Installation	363.63	0.26	84.59	279.30	146.86	29.12	27.93	148.05	131.25	216.77
Plant and Machinery	12,027.85	3,955.11	1,545.64	14,437.32	6,355.49	1,555.26	1,466.53	6,444.22	7,993.10	5,672.36
Windmills	-	1,456.74	-	1,456.74	-	103.79	-	103.79	1,352.95	-
Vehicles	241.56	115.33	39.64	317.25	77.91	19.97	41.18	56.70	260.55	163.65
Office Equipments	94.70	39.71	5.08	129.33	28.65	30.67	4.72	54.60	74.73	66.05
Furnitures and Fixtures	178.04	53.59	10.42	221.21	74.39	25.73	34.37	65.75	155.46	103.65
Computers	72.97	28.88	6.65	95.20	48.43	13.67	7.62	54.48	40.72	24.54
Gas Cylinders	271.88	-	-	271.88	271.83	0.05	-	271.88	-	0.05
Cylinders given on Lease	5.65	-	-	5.65	0.96	2.25	-	3.21	2.44	4.69
<b>As Per Balance Sheet</b>	<b>19,575.09</b>	<b>6,935.18</b>	<b>2,378.74</b>	<b>24,131.53</b>	<b>8,139.68</b>	<b>2,218.22 **</b>	<b>1,661.35 \$</b>	<b>8,696.55</b>	<b>15,434.98</b>	<b>11,435.41</b>
<b>Previous Year Total</b>	<b>15,710.05</b>	<b>3,977.22</b>	<b>112.18</b>	<b>19,575.09</b>	<b>6,362.18</b>	<b>1,787.92</b>	<b>10.42</b>	<b>8,139.68</b>	<b>11,435.41</b>	<b>-</b>
<b>B. Capital Work In Progress</b>									<b>11,133.84</b>	<b>3,438.97</b>

**Notes:**

- \* Execution of lease deed for land acquired at Tarapur Plant (Rs. 111.42 Lacs) is pending.
- @ Includes Rs. 750/- (Previous Year Rs 750/-) paid for shares acquired in co-operative societies.
- \$ Includes excess depreciation written back (net) Rs. 63.43 Lacs. (Previous Year Rs. Nil)
- # Includes assets reclassified during the year.
- \*\* Depreciation for the year includes Rs. 27.92 Lacs (Previous Year Rs. 0.06 Lacs) capitalised

## SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2008

	As at 31.03.2008 (Rs. in Lacs)	As at 31.03.2007 (Rs. in Lacs)
<b>SCHEDULE - 'G'</b>		
<b>INVENTORIES</b>		
(Valued and certified by Management)		
Stores, Spares, etc.	77.48	41.15
Stock in Trade :		
- Raw Materials	22,161.43	7,073.50
- Work In Progress	4,260.84	3,788.58
- Finished Goods	678.34	460.30
Stock in Transit	1,280.72	146.15
	<u>28,458.81</u>	<u>11,509.68</u>
<b>SCHEDULE - 'H'</b>		
<b>SUNDRY DEBTORS</b>		
(Unsecured, Considered Good)		
Debts outstanding for a period exceeding six months	692.56	203.61
Other Debts	8,384.98	5,546.02
	<u>9,077.54</u>	<u>5,749.63</u>
<b>SCHEDULE - 'I'</b>		
<b>CASH AND BANK BALANCES</b>		
Cash on hand	51.07	53.74
Balances with Banks		
- In Current Accounts	6,089.22	3,763.97
- In Fixed Deposits	296.37	890.54
- In Unclaimed Dividend Account	1.11	0.48
	<u>6,437.77</u>	<u>4,708.73</u>
<b>SCHEDULE - 'J'</b>		
<b>OTHER CURRENT ASSETS</b>		
Interest receivable	2.93	-
Other Receivables	114.36	-
	<u>117.29</u>	<u>-</u>
<b>SCHEDULE - 'K'</b>		
<b>LOANS AND ADVANCES</b>		
(Unsecured, Considered Good)		
Inter Corporate Deposits	2,100.00	-
Deposits	1,124.55	1,045.68
Advances recoverable in cash or in kind or for value to be received	6,570.11	1,972.91
Balance with Central Excise	564.94	801.39
Advance Tax and Taxes Deducted At Source	7,674.73	5,345.06
	<u>18,034.33</u>	<u>9,165.04</u>
<b>SCHEDULE - 'L'</b>		
<b>CURRENT LIABILITIES</b>		
Sundry Creditors	7,739.76	3,021.14
Advances from Customers	1,304.05	667.22
Overdrawn Bank Balance as per Books	5.03	-
Other Liabilities	220.18	159.38
Unclaimed Dividend	1.11	0.48
Interest Accrued but not due	15.05	5.34
	<u>9,285.18</u>	<u>3,853.56</u>
<b>SCHEDULE - 'M'</b>		
<b>PROVISIONS</b>		
Proposed Dividend	1,213.89	976.10
Tax On Dividend	206.30	165.89
Provision For Taxation	6,776.50	5,025.00
Provision For Fringe Benefit Tax	87.20	60.00
Provision For Employee Benefits	73.68	-
	<u>8,357.57</u>	<u>6,226.99</u>

SCHEDULES FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR YEAR ENDED 31<sup>ST</sup> MARCH, 2008

	Year Ended 31.03.2008 (Rs. in Lacs)	Year Ended 31.03.2007 (Rs. in Lacs)
<b>SCHEDULE - 'N'</b>		
<b>OTHER INCOME</b>		
Interest	419.95	83.12
Scrap Sales	144.39	84.84
Dividend on Current Investments (Non-Trade)	3.56	31.98
Insurance Claim Received	18.30	3.12
Miscellaneous Income	53.80	46.32
Bad Debts Recovered	1.02	-
Export Incentives	8.70	6.59
Profit on sale of Long Term Investments (Non-Trade)	0.25	-
Profit on sale of Current Investments (Non-Trade)	139.32	-
Credit balances appropriated	6.88	-
Profit on sale of Fixed Assets	0.04	-
	<u>796.21</u>	<u>255.97</u>
<b>SCHEDULE - 'O'</b>		
<b>RAW MATERIALS AND COMPONENTS CONSUMED</b>		
Opening Stock	7,073.50	3,420.97
Add: Purchases	42,917.84	26,470.16
	49,991.34	29,891.13
Less: Closing Stock	22,161.43	7,073.50
	<u>27,829.91</u>	<u>22,817.63</u>
<b>SCHEDULE - 'P'</b>		
<b>(INCREASE) IN STOCKS</b>		
<b>OPENING STOCKS :</b>		
Finished Goods	460.30	77.51
Work in Progress	3,788.58	1,281.82
Scrap	-	4.26
	4,248.88	1,363.59
<b>CLOSING STOCKS :</b>		
Finished Goods	678.34	460.30
Work in Progress	4,260.84	3,788.58
	4,939.18	4,248.88
	(690.30)	(2,885.29)
Add/(Less) : Variation in Excise Duty on Finished Goods Stocks	38.41	-
	<u>(651.89)</u>	<u>(2,885.29)</u>
<b>SCHEDULE - 'Q'</b>		
<b>MANUFACTURING EXPENSES</b>		
Stores , Spares, etc.	1,202.84	885.03
Power	912.20	851.56
Fuel and Gas	1,865.06	1,444.75
Repairs and Maintenance		
- Building	157.70	84.02
- Plant and Machinery	127.16	12.78
- Others	10.19	18.29
Other Expenses	673.90	442.02
	<u>4,949.05</u>	<u>3,738.45</u>

**SCHEDULES FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR YEAR ENDED 31<sup>ST</sup> MARCH, 2008**

	Year Ended 31.03.2008 (Rs. in Lacs)	Year Ended 31.03.2007 (Rs. in Lacs)
<b>SCHEDULE - 'R'</b>		
<b>PERSONNEL EXPENSES</b>		
Salary, Wages and Other benefits	1,977.63	1,619.70
Contribution to Provident Fund and Other Funds	115.07	70.03
Staff Welfare Expenses	75.03	50.57
	<u>2,167.73</u>	<u>1,740.30</u>
<b>SCHEDULE - 'S'</b>		
<b>ADMINISTRATIVE, SALES AND OTHER EXPENSES</b>		
Insurance	106.20	85.23
Rent	147.46	211.96
Rates and Taxes	21.72	11.52
Directors' Sitting Fees and Commission	35.10	6.00
Legal and Professional Fees	178.88	161.54
Advertisement and Sales Promotion	85.55	57.62
Commission	664.39	315.78
Sundry Expenses	651.86	621.94
Loss on Assets Sold/ Discarded	26.25	1.89
Loss on sale of Investments	-	4.28
Carriage and Freight	595.74	384.70
Donation	25.28	24.66
Foreign Exchange Fluctuation Loss (Net)	485.69	70.87
Excise duty Paid	20.12	30.01
Bad Debts	3.96	-
Bank Charges and Commission	263.83	166.12
	<u>3,312.03</u>	<u>2,154.12</u>
<b>SCHEDULE - 'T'</b>		
<b>FINANCE CHARGES</b>		
Interest on Term Loan	296.03	195.26
Interest on Working Capital/Short Term Loans	388.29	170.48
Interest others	3.27	0.23
Loan Processing charges	22.19	-
Net of Rs. 0.79 Lac Capitalised	<u>709.78</u>	<u>365.97</u>

## SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2008

### Schedule - 'U' : NOTES FORMING PART OF THE CONSOLIDATED ACCOUNTS

1. The consolidated financial statements present the consolidated accounts of Everest Kanto Cylinder Limited along with its following subsidiaries. The names, country of incorporation and proportion of ownership interest is as under:

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

2. Significant Accounting Policies and Notes to these Consolidated Financial Statements are intended to serve as a means of informative disclosure and a guide to better understanding the consolidated position of the Companies. Recognising this purpose, the Company has disclosed only such Policies and Notes from the individual financial statements which fairly present the needed disclosure.

3. Contingent liabilities not provided for in respect of:

	As at 31.03.2008 (Rs. in Lacs)	As at 31.03.2007 (Rs. in Lacs)
--	--------------------------------------	--------------------------------------

- (a) Disputed Tax and other Matters

Sales Tax	39.19	106.68
Lease Tax	16.34	-
Claims not acknowledged as debts	4.77	4.77

The Company has taken legal and other steps necessary to protect its position in respect of these claims, which in its opinion, based on professional advice, are not expected to devolve. It is not possible to make any further determination of the liabilities which may arise or the amounts which may be refundable in this respect.

- (b) With regard to the search conducted by the Income Tax Department during the Financial Year 2005-06, the Company has not received any demand from the authorities under section 132 of Income Tax Act, 1961.

Apart from various records, cash amounting to Rs. 4.07 Lacs, which is included in cash balance, was also seized by the department. The Company has paid tax as per revised income tax returns and also made an application to the Settlement Commission for settling any dispute arising out of the same. As a result, the liability arising there against, if any, is not determinable at present.

4. Estimated amount of contracts remaining to be executed on Capital Account and not provided for (net of advances)

As at 31.03.2008 (Rs. in Lacs)	As at 31.03.2007 (Rs. in Lacs)
3,373.06	440.97

5. During the year, the Company raised a sum of US\$35 Million by issue of Zero Coupon Foreign Currency Convertible Bonds (FCCB), due in 2012. The principal terms of the FCCBs are given below:

- (i) The bond holders can exercise the option to convert into equity shares at any time after 41 days from the date of issue, but upto seven days prior to maturity, at a fixed conversion price of Rs. 303.36 per share with a fixed rate of Rs. 39.84 to USD 1 (i.e. a conversion ratio of 13,133.1279 shares per bond).
- (ii) On expiry of one year from the date of issue of the bonds, the conversion price may be reset not below 85% of the initial conversion price, subject to certain conditions.
- (iii) The Company may opt for early redemption of the bonds at a redemption premium that gives the bond holder a gross yield of 7.25% per annum (compounded half yearly), provided bonds outstanding are less than 10 per cent of the bonds originally issued.
- (iv) The Company may at its absolute discretion, at any time on or after 3 years from the date of issue of bonds, convert all outstanding bonds, provided the closing price of shares during the specified period, is at least 130% of the applicable early redemption amount.
- (v) Bonds outstanding on the maturity date will be redeemed at 142.8010% of the principal amount.
- (vi) Due to variables currently indeterminable, the premium on actual redemption is not computable and hence will be recognised if and as and when the redemption option is exercised. Such premium shall be first charged to the available balance in securities premium account.

6. Related parties disclosures:

1. Relationships:

(a) Related parties where control exists:

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

(b) Key Management Personnel:

Mr. Prem Kumar Khurana  
Mr. Puneet Khurana  
Mr. Pramod Samvatsar  
Mr. Pushkar Khurana  
Mr. C.P. Batra  
Mr. V.K. Khot

(c) Relatives of Key Management Personnel and their enterprises where transactions have taken place:

Mr. S.S. Khurana  
Mrs. Suman Khurana

Note: Related party relationship is as identified by the Company and relied upon by the Auditors.

2. Transactions with related parties:

(Rs. in Lacs)

Nature of Transactions	Related parties referred in		
	1(a) above	1(b) above	1(c) above
<b>Sales:</b>			
Goods	650.35 (472.14)	- (-)	- (-)
<b>Purchases:</b>			
Consumables	20.62 (3.32)	- (-)	- (-)
<b>Expenses / Payments:</b>			
Remuneration	- (-)	427.90 (318.79)	- (5.47)
Rent	63.81 (38.41)	1.68 (0.36)	1.50 (-)
Donation	25.00 (24.50)	- (-)	- (-)
Other Expenses	29.75 (9.18)	9.00 (9.00)	- (-)
Reimbursement of expenses	1.75 (-)	- (-)	- (-)
<b>Outstandings:</b>			
Payables	77.38 (12.34)	205.23 (125.70)	- (-)
Other Receivables	828.51 (855.72)	- (-)	20.00 (-)
Guarantees Given for borrowings by the Company	- (-)	2,731.42 (Jointly) (1,612.66) (Jointly)	

(Previous year figures are in brackets).

7. Computation of profit for Earnings per Share:

	2007 – 2008 (Rs. in Lacs)	2006 – 2007 (Rs. in Lacs)
Profit for the year	10,778.46	7,175.13
(Less): Prior period adjustments (net)	(19.06)	(0.31)
Add/ (Less): Tax Adjustments for earlier years (net)	(331.91)	2.24
Net Earnings	10,427.49	7,177.06
Weighted Average No. of Equity Shares (Restated for share split)	98,898,965	91,996,910
Nominal Value per share (in Rupees)	2.00	2.00
Basic and Diluted Earnings Per Share (in Rupees)	10.54	7.80

Note: FCCBs issued during the year are considered to be anti dilutive for the purpose of calculation of Earnings Per Share.

8. Deferred Tax:

(Rs. in Lacs)

	As at 31.03.2008	As at 31.03.2007	As at 31.03.2006
Deferred Tax Liability on account of :			
Depreciation	771.60	641.41	412.21
Deferred Tax Asset on account of :			
Excise Duty	-	449.13	132.87
Shares / FCCB Issue Expenses	293.51	187.34	143.49
Employee Benefits	25.05	-	-
Others	1.80	-	-
	320.36	636.47	276.36
Deferred Tax Liability (net)	451.24	4.94	135.85

9. Variation in Accounting Policies:

- a. Employee benefits such as gratuity and long term compensated absences are recognised by the UAE subsidiary in the Profit and Loss Account of the year in which such liability is discharged. These employee benefits are recognised on the basis of an actuarial valuation by the Holding Company.



- b. Cost of raw material inventory is measured for the purpose of valuation, by using the Average Cost formula, by the UAE subsidiary. Such cost is measured by the Holding Company using the first-in-first-out method of cost.
- c. EKC Industries (Tianjin) Co. Ltd. provides for depreciation on Straight Line Method, which is in variance with the Written Down Value method adopted by other entities in the group.

The impact of the above, in the opinion of the management, would not be significant.

- 10. Bonds / Undertakings given by the Holding Company under concessional duty / exemption schemes to government authorities (net of obligations fulfilled) aggregate Rs. 880.09 Lacs as at the close of the year.
- 11. During the years 2005-06 and 2006-07, the Holding Company had adjusted expenses incurred on issue of equity shares, against the balance available in the Securities Premium Account. However, tax benefits arising from the admissibility of such expenses (aggregating Rs. 276.58 Lacs) were recognised in the Profit and Loss Account of those years. In order to give an accounting treatment similar to the aforesaid expenses, the related tax benefits are now transferred to the Securities Premium Account.
- 12. Indirect Expenses incurred during construction period capitalised:

**As at 31.03.2008**  
**(Rs. in Lacs)**

Balance as at 1 <sup>st</sup> April, 2007		92.39
Personnel Cost	171.20	
Rent	22.76	
Depreciation	27.92	
Others	173.18	
		395.06
Balance as at 31 <sup>st</sup> March, 2008		487.45

- 13. As a part of its global expansion plans, the Company has through its wholly owned subsidiary, incorporated step down wholly owned subsidiaries in Hungary and further in U.S.A., which entities have acquired all the assets of CP Industries a division of Reunion Industries Inc., for a total consideration of US\$ 66.30 Million. The Company has, after the close of the year, extended a Corporate Guarantee of US\$ 45 Million to three banks to part finance the said acquisition. This acquisition has been consummated on 18<sup>th</sup> April, 2008 and no adjustment whatsoever has been made in the accounts for the year ended 31<sup>st</sup> March, 2008.

- 14. During the year, the Holding Company has adopted Accounting Standard (AS) 15 – “Employee Benefits” pursuant to which it has, for the first time, provided for long term compensated absences, including Rs. 48.76 Lacs relating to earlier years. No separate treatment has been given for the transitional provisions, in the absence of any significant impact.
- 15. Prior period adjustments represent :

	<b>2007 – 2008</b>	<b>2006 – 2007</b>
	<b>(Rs. in Lacs)</b>	<b>(Rs. in Lacs)</b>
Debits relating to earlier years	(93.91)	(0.31)
Credits relating to earlier years	11.42	-
Excess Depreciation / Amortisation adjustments (net)	63.43	-
	(19.06)	(0.31)

The Holding Company hitherto charged depreciation on certain assets at two of its units as per the Straight Line Method, upto 31<sup>st</sup> March, 2007. In order to follow an uniform policy of providing for depreciation, the Company has, from this year, decided to charge depreciation on Written Down Value Method on all its assets.

As a result of this change, depreciation for the year is lower by, and the profit (before tax) is higher by, Rs. 43.75 Lacs. Excess depreciation relating to earlier years amounting to Rs. 15.20 Lacs has been credited to the Profit and Loss Account as prior period adjustments.

## 16. Segment Reporting

### A. Geographical Segment – Primary

(Rs. in Lacs)

	Particulars	India		UAE		China		Total	
		2007 - 08	2006 - 07	2007 - 08	2006 - 07	2007 - 08	2006 - 07	2007 - 08	2006 - 07
(a)	<b>Segment Revenue</b>	33,359.59	24,220.85	27,638.93	21,273.61	-	-	60,998.52	45,494.46
	Less: Inter Segment Revenue	4,985.67	1,391.24	3,138.72	1,598.20	-	-	8,124.39	2,989.44
		28,373.92	22,829.61	24,500.21	19,675.41	-	-	52,874.13	42,505.02
(b)	<b>Segment Result</b>	6,728.67	3,749.46	7,113.36	6,113.75	-	-	13,842.03	9,863.21
	Unallocated Income (net of Expenses)							72.35	36.98
	Operating Profit							13,914.38	9,900.19
	Finance Charges							709.78	365.97
	Profit Before Tax							13,204.60	9,534.22
	Add / (Less):								
	Provision for Taxation								
	- Current Tax							(1,751.50)	(2,450.00)
	- Deferred Tax							(647.44)	130.91
	- Fringe Benefit Tax							(27.20)	(40.00)
	- Tax Adjustments of Earlier Years (net)							(331.91)	2.24
	Prior Period Adjustments (Net)							(19.06)	(0.31)
	Net Profit after Tax							10,427.49	7,177.06
	<b>Other Information</b>								
(c)	<b>Segment Assets</b>	58,510.60	32,253.98	19,664.91	11,352.24	10,519.05	2,333.58	88,694.56	45,939.80
	Add: Unallocated							1,219.59	1,404.68
	Total Assets							89,914.15	47,344.48
(d)	<b>Segment Liabilities</b>	14,384.96	7,318.12	2,011.32	1,548.97	277.55	3.79	16,673.83	8,870.88
	Add: Unallocated							25,279.74	8,235.03
	Total Liabilities							41,953.57	17,105.91
(e)	<b>Segment Capital Expenditure</b>	7,453.87	3,164.81	219.82	2,974.75	6,601.73	837.23	14,275.42	6,976.79
	Add: Unallocated							-	-
	Total Capital Expenditure							14,275.42	6,976.79
(f)	<b>Segment Depreciation and Amortisation</b>	1,632.27	1,444.23	516.86	333.73	-	-	2,149.13	1,777.96
	Add: Unallocated							-	-
	Total Depreciation and Amortisation							2,149.13	1,777.96
(g)	<b>Other Significant Non Cash Expenditure</b>	-	-	-	-	-	-	-	-

**B. Other Disclosures**

1. Segment information has been identified in accordance with Accounting Standard (AS) 17 – Segment Reporting considering the organisation structure and the differing risks and returns of these segments.
2. The Company and its subsidiaries operate within a single business segment. Hence, the Company has disclosed geographical segment as the primary segment on the basis of the geographical location of the operations carried out by the Holding Company and its Wholly Owned Subsidiaries.
3. Inter Segment revenues are recognised at sales price.
4. The Segment Revenues, Results, Assets and Liabilities include the respective amounts identifiable to each of the segment and amounts allocated on a reasonable basis.
17. Previous year figures have been regrouped / recast wherever necessary.
18. Significant Accounting Policies followed by the Company are as stated in the Statement annexed to this Schedule as Annexure I.

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**As per our report of even date**

**For and on behalf of**

**DALAL & SHAH  
CHARTERED ACCOUNTANTS**

**VENKATESH SUBRAMANIAN  
PARTNER**

**CHANDA MAKHIJA  
COMPANY SECRETARY**

**J. SIVAKUMAR  
CHIEF FINANCIAL OFFICER**

**P.M. SAMVATSAR  
WHOLE - TIME DIRECTOR**

**PLACE: MUMBAI**

**DATE : 26<sup>th</sup> May, 2008**

**For and on behalf of the Board**

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

**PLACE : MUMBAI**

**DATE : 26<sup>th</sup> May, 2008**

## Annexure I

### SIGNIFICANT ACCOUNTING POLICIES:

#### A. Basis of preparation of financial statements:

The financial statements are prepared under the historical cost convention on the accrual basis of accounting. The accounts of the Holding Company have been prepared in accordance with the Accounting Standards and those of the foreign subsidiaries have been prepared in accordance with the local laws and the applicable Accounting Standards / generally accepted accounting principles. The financial statements of the subsidiaries used in the consolidation, wherever required, are drawn upto the same reporting date as that of the Holding Company, i.e. year ended 31<sup>st</sup> March.

#### B. Principles of Consolidation:

- a. The financial statements of the Holding Company and its subsidiaries have been consolidated on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating intra-group balances, intra-group transactions and the unrealised profits.
- b. The financial statements of the Holding Company and its subsidiaries have been consolidated using uniform accounting policies except, to the extent of variations mentioned above, which, in the opinion of the management, do not have any material impact.

#### C. Revenue Recognition:

- a. Revenue/Income and Cost/Expenditure are generally accounted for on accrual as they are earned or incurred except in case of significant uncertainties;
- b. Export Benefits are recognised in the year of export;
- c. Shares / Securities Issue Expenses are charged first against available balance in the Securities Premium Account.

#### D. Employee Benefits:

- a. Short term employee benefits and defined contribution plans are recognised in the Profit and Loss Account of the year in which the related service is received;
- b. Termination Benefits are recognised as an expense in the Profit and Loss Account of the year in which they are incurred;
- c. Costs towards defined benefit plans (gratuity) and long term compensated absences are recognised by the Holding Company on the basis of an actuarial valuation. Actuarial gains and losses are recognised immediately in the Profit and Loss Account. These liabilities are however, recognised by the UAE subsidiary in the year in which the liabilities are discharged.

#### E. Foreign Currency Translations:

- a. For the purpose of consolidation, the amounts appearing in foreign currencies in the Financial Statements of the foreign subsidiaries (considered as non-integral operations) are translated at the following rates of exchange:
  - i. Average rates for income and expenditure.
  - ii. The year-end rates for all assets and liabilities.

Resulting exchange rates are accumulated in a foreign currency translation reserve account.

- b. Translations by the Holding Company:
  - i. All transactions in foreign currency are recorded at the rates of exchange prevailing on the dates when the relevant transactions take place;
  - ii. Monetary assets and liabilities in foreign currency outstanding at the close of the year are converted in Indian Currency at the appropriate rates of exchange prevailing on the date of the Balance Sheet. Resultant gain or loss is accounted for during the year;
  - iii. In respect of forward exchange contracts entered into to hedge foreign currency risks the difference between the forward rate and exchange rate at the inception of the contract is recognized as income or expense over the life of the contract. Further the exchange differences arising on such contracts are recognised as income or expense along with the exchange differences on the underlying assets / liabilities. Derivative contracts intended for trading purposes, are marked to their current market value and gain / loss on such contracts is recognised in the Profit and Loss Account for the year. Profit or loss on cancellations / renewals of forward contracts is recognised during the year;
  - iv. Accounting of foreign branch (integral foreign operation):
    - Monetary assets and liabilities are converted at the appropriate rate of exchange prevailing on the Balance Sheet date;
    - Fixed assets and depreciation thereon are converted at the exchange rates prevailing on the date of the transaction.
    - Revenue items (excluding depreciation) are converted at the rate prevailing on date of the transaction.

## F. Fixed Assets and Depreciation / Amortisation:

### a. Fixed Assets:

Fixed Assets are carried at cost of acquisition / construction or at revalued amounts less accumulated depreciation and amortisation.

### b. Depreciation / Amortisation:

- i. Cost of Leasehold Land is amortised over the period of the lease.
- ii. Depreciation is provided by the Holding Company on all assets as per the Written Down Value method at the rates prescribed under Schedule XIV to the Companies Act 1956, including on certain assets which, upto 31<sup>st</sup> March, 2007, were depreciated as per the Straight Line method.
- iii. Depreciation on revalued assets is calculated on their respective book values and the additional charge on account of revaluation is withdrawn from the Revaluation Reserve and credited to the Profit and Loss Account.
- iv. Depreciation is provided for by the UAE subsidiary as per the WDV method. The China subsidiary provides depreciation as per the SLM method.

## G. Investments:

Investments are classified into Current and Long-term Investments. Current Investments are stated at lower of cost and fair value. Long-term Investments are stated at cost. A provision for diminution is made to recognise a decline other than temporary in the value of Long-term Investments.

## H. Inventory Valuation:

- a. The inventories resulting from intra-group transactions are stated at cost after deducting unrealised profit on such transactions.
- b. Goods in transit are stated 'at cost'.
- c. Other inventories are stated 'at cost or net realisable value', whichever is lower.
- d. Cost comprises all costs incurred in bringing the inventories to their present location and condition. Cost formulae used are either 'average cost' or 'first-in-first-out', as applicable.

## I. Taxation:

### Holding Company:

Income-tax expense comprises Current tax, Fringe Benefit tax and Deferred tax charge or credit.

- a. Provision for current tax is made on the assessable income at the tax rate applicable to the relevant assessment year.
- b. Provision for Fringe Benefit Tax is made on the fringe

benefits provided / deemed to have been provided during the year at the rates and the values applicable to the relevant assessment year.

- c. 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). The Deferred tax Asset and Deferred tax Liability is calculated by applying tax rate and tax laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax Assets arising on account of brought forward losses and unabsorbed depreciation under tax laws are recognised only if there is a virtual certainty of its realisation supported by convincing evidence. Deferred tax assets on account of other timing differences are recognised only to the extent there is a reasonable certainty of its realisation. At each Balance Sheet date the carrying amount of deferred tax assets are reviewed to reassure realisation.

There are no tax liabilities applicable to the foreign subsidiaries, at present.

## J. Borrowing Costs:

Interest and other borrowing costs attributable to acquisition / construction of qualifying assets are capitalised as part of the cost of such assets upto the date the assets are ready for their intended use. Other borrowing costs are charged as expense in the year in which these are incurred.

## K. Impairment of Assets:

The carrying amounts of assets are reviewed at each Balance Sheet date to assess whether there is any indication that an individual asset / group of assets (constituting a Cash Generating Unit) may be impaired. If there is any indication of impairment based on internal / external factors i.e., when the carrying amount of the assets exceed the recoverable amount an impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. An impairment loss recognized in prior accounting periods is reversed or reduced if there has been a favourable change in the estimate of the recoverable amount.

## L. Government Grants:

Government grants received to meet the costs of specific fixed assets, are recognised as a reduction in the cost of the respective asset. Revenue grants are recognised in the Profit and Loss Account on a systematic basis so as to match the related costs.

## M. Expenditure During Construction and Expenditure on New Projects:

In case of new projects and in case of substantial modernization / expansion at existing units of the Company, expenditure incurred prior to commencement of commercial production is capitalised.

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2008**

	Year Ended 31.03.2008 (Rs. in Lacs)	Year Ended 31.03.2007 (Rs. in Lacs)
<b>A) CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit for the year before taxation	13,204.60	9,534.22
Add/ (Deduct):		
(a) Depreciation / Amortisation for the year	2,149.13	1,777.96
(b) Prior Period Adjustments (net)	(82.49)	(0.31)
(c) Loss on Assets Sold / Discarded	26.25	1.89
(d) Finance Charges	709.78	365.97
(e) Interest Income	(419.95)	(83.12)
(f) Dividend on Current Investments (Non - Trade)	(3.56)	(31.98)
(g) Profit on Sale of Long Term Investments (Non - Trade)	(0.25)	-
(h) Profit on Sale of Current Investments (Non - Trade)	(139.32)	-
(i) Loss on Sale of Investments	-	4.28
(j) Profit on Sale of Fixed Assets	(0.04)	-
	<u>2,239.55</u>	<u>2,034.69</u>
Operating Cash Profit before Working Capital Changes	15,444.15	11,568.91
(a) (Increase) in Inventories	(16,949.13)	(7,208.91)
(b) (Increase) in Sundry Debtors	(3,327.91)	(3,000.91)
(c) (Increase) in Other Receivables	(2,593.77)	(1,779.69)
(d) Increase in Trade and Other Payables	5,494.96	714.61
	<u>(17,375.85)</u>	<u>(11,274.90)</u>
<b>CASH INFLOW / (OUTFLOW) FROM OPERATIONS</b>	<u>(1,931.70)</u>	<u>294.01</u>
Deduct:		
Direct Taxes Paid	2,385.00	2,433.92
	<u>(4,316.70)</u>	<u>(2,139.91)</u>
Net Cash Inflow / (Outflow) in the course of Operating activities (A)	<u>(4,316.70)</u>	<u>(2,139.91)</u>
<b>B) CASH FLOW FROM INVESTING ACTIVITIES</b>		
<b>INFLOW:</b>		
(a) Dividend on Current Investments (Non - Trade)	3.56	31.98
(b) Interest Income Received	417.02	83.12
(c) Sale of Current Investments	4,001.98	70.78
(d) Sale of Long Term Investments	1.25	-
(e) Sale of Fixed Asset	5.93	99.87
	<u>4,429.74</u>	<u>285.75</u>
<b>OUTFLOW:</b>		
(a) Purchases of Investments	3,746.23	90.36
(b) Inter Corporate Deposits given (net)	2,100.00	-
(c) Purchase of Fixed Assets (Including Capital Advancements)	16,207.71	6,976.73
	<u>22,053.94</u>	<u>7,067.09</u>
Net Cash Inflow / (Outflow) in the course of Investing Activities (B)	<u>(17,624.20)</u>	<u>(6,781.34)</u>

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2008**

	Year Ended 31.03.2008 Rs. in Lacs	Year Ended 31.03.2007 Rs. in Lacs
<b>C) CASH FLOW FROM FINANCING ACTIVITIES</b>		
<b>INFLOW:</b>		
(a) Proceeds from issue of Equity Shares - Private Placement	8,870.07	9,199.96
(b) Working Capital/Short Term Loan availed during the year (net)	2,263.97	-
(c) Fixed Loans availed during the year (net)	532.89	3,223.84
(d) Proceeds from issue of FCCB	14,038.50	-
	<u>25,705.43</u>	<u>12,423.80</u>
<b>OUTFLOW:</b>		
(a) Share / FCCB issue Expenses	591.76	296.70
(b) Working Capital / Short Term Loan repaid during the year (net)	-	153.10
(c) Interest paid on loans	696.27	360.63
(d) Dividend Paid	975.47	616.40
(e) Dividend Tax Paid	165.89	86.52
	<u>2,429.39</u>	<u>1,513.35</u>
Net Cash Inflow / (Outflow) in the course of Financing Activities (C)	<u>23,276.04</u>	<u>10,910.45</u>
<b>D) CHANGE IN CURRENCY FLUCTUATION RESERVE ARISING ON CONSOLIDATION</b>	<u>393.90</u>	<u>(176.42)</u>
Net Increase / (Decrease) in Cash / Cash Equivalents (A+B+C+D)	1,729.04	1,812.78
Add: Balance of Cash/Cash Equivalents at the beginning of the year	4,704.66	2,891.88
Cash / Cash Equivalents at the close of the year	<u>6,433.70</u>	<u>4,704.66</u>
Cash / Cash Equivalents at the close of the year		
Cash and Bank Balances as per Schedule	6,437.77	4,708.73
Less: Cash not available for use [refer Note 3(b)]	(4.07)	(4.07)
	<u>6,433.70</u>	<u>4,704.66</u>

As per our report of even date

For and on behalf of

**DALAL & SHAH**  
CHARTERED ACCOUNTANTS

**VENKATESH SUBRAMANIAN**  
PARTNER

**CHANDA MAKHIJA**  
COMPANY SECRETARY

**J. SIVAKUMAR**  
CHIEF FINANCIAL OFFICER

**P.M. SAMVATSAR**  
WHOLE - TIME DIRECTOR

PLACE: MUMBAI

DATE : 26<sup>th</sup> May, 2008

For and on behalf of the Board

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

PLACE : MUMBAI

DATE : 26<sup>th</sup> May, 2008

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

(Rs. in Lacs)

Sr. No.	Particulars	EKC International FZE, Dubai	EKC Industries (Tianjin) Co. Ltd., China
1	Share Capital	1,889.82	7,233.71
2	Reserves & Surplus	9,106.82	-
3	Total Assets	23,379.64	10,936.11
4	Total Liabilities	12,383.00	3,702.40
5	Investments	-	-
6	Turnover and other income	28,003.01	-
7	Profit Before Taxation	5,647.77	-
8	Provision for Taxation	-	-
9	Profit After Taxation	5,647.77	-
10	Proposed Dividend	-	-

**Note :**

- a) Items 1 to 5 and 10 are translated at exchange rates as on 31<sup>st</sup> March, 2008 as follows : 1 AED = Rs.10.9850 & 1 RMB = Rs. 5.68056  
b) Items 6 to 9 are translated at average exchange rates as follows : 1 AED = Rs. 10.9743.