Contents	Page No.

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

Mr. Gurdeep Singh
Independent Director

Mr. Varun Bery
Non-Executive Non-Independent Director

Mr. Arvind Malhan
Alternate Director to Mr. Varun Bery

Company Secretary & Compliance Officer

Ms. Chanda Makhija Thadani

Bankers to the Company

State Bank of Hyderabad
ICICI Bank Ltd.
Citibank N.A.
Standard Chartered Bank

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 0720
E-mail: investors@ekc.in
Website: www.everestkanto.com

Registrar and Share Transfer Agent

Link Intime India Private Limited
C-13, Pannalal Silk Mills Compound,
L.B.S Marg, Bhandup (W),
Mumbai - 400 078.
Tel.: 022 - 2594 6970
Fax: 022 - 2594 6969
E-mail: mt.helpdesk@linkintime.co.in
Website: www.linkintime.co.in

31st Annual General Meeting on Tuesday, 27th July, 2010, at 4.00 p.m.,
at 4th Floor Convention Hall, Y. B. Chavan Centre, General Jagannath Bhosle Marg, Nariman Point, Mumbai - 400 021

Annual Report can be accessed at www.everestkanto.com

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the 31st Annual Report together with the audited accounts for the financial year ended 31st March, 2010.

FINANCIAL RESULTS

The financial performance of the Company for the Financial Year ended 31st March, 2010 is summarized below:

(Rs. in Lac)

Particulars	Standalone		Consolidated	
	2009-10	**2008-09**	**2009-10**	**2008-09**
Sales	**37,166.69**	38,308.99	**67,225.43**	88,661.82
Less: Excise Duty	**2,260.18**	3,006.50	**2,260.18**	3,006.50
Total Sales	**34,906.51**	35,302.49	**64,965.25**	85,655.32
Profit before Finance Charges, Depreciation, Foreign Exchange Variation (Net) and Tax	**2,660.23**	10,662.97	**6,419.16**	27,505.14
Less:				
- Finance Charges	**312.20**	553.84	**1,135.39**	2,717.48
- Depreciation	**1,429.00**	2,264.75	**5,688.34**	6,927.80
Profit before Foreign Exchange Variation (Net) and Taxation	**919.03**	7,844.38	**(404.57)**	17,859.86
Foreign Exchange Variation - (Loss)/Gain (Net)	**2,434.99**	(2,058.84)	**2,235.03**	(1,887.89)
Profit before Tax	**3,354.02**	5,785.54	**1,830.46**	15,971.97
(Add)/Less: Provision for Taxation				
- Current Tax	**(580.00)**	(2,060.00)	**(580.00)**	(2,060.00)
- Deferred Tax	**(627.13)**	687.68	**33.86**	529.12
- Fringe Benefit Tax	**–**	(26.50)	**–**	(26.50)
- Wealth Tax	**(2.00)**	(1.50)	**(2.00)**	(1.50)
Profit for the year	**2,144.89**	4,385.22	**1,282.32**	14,413.09
Add/(Less): Prior period adjustment and Tax adjustment of earlier years (Net)	**1,903.90**	(660.46)	**2,860.41**	(660.46)
Minority Interest	**–**	–	**8.32**	–
Net Profit	**4,048.79**	3,724.76	**4,151.05**	13,752.63
Balance brought forward from previous year	**8,073.88**	6,769.31	**27,286.21**	15,953.77
Balance available for appropriation	**12,122.67**	10,494.07	**31,437.26**	29,706.40
Appropriations				
Proposed Dividend	**1,213.89**	1,213.89	**1,213.89**	1,213.89
Provision for Dividend Tax	**201.61**	206.30	**201.61**	206.30
Transfer to General Reserve	**1,000.00**	1,000.00	**1,000.00**	1,000.00
Balance carried forward	**9,707.17**	8,073.88	**29,021.76**	27,286.21
Basic and Diluted earnings per share of Rs. 2 each before Excess Depreciation on reworking (in Rupees)*	**2.04**	3.68	**1.19**	13.60
Basic and Diluted earnings per share of Rs. 2 each after Excess Depreciation on reworking (in Rupees)*	**4.00**	3.68	**4.10**	13.60

*Calculated on weighted average number of shares.

PERFORMANCE REVIEW

The year under review was a transformational year for the Company that required EKC to demonstrate its ability to adapt quickly to the changing economic scenario. This was a challenging year for the Company across all markets given the extraordinary situation due to price volatility and demand slowdown. The Company had to take steps for realigning its policies and practices which helped the company to post growth in certain markets despite the overall slowdown. This was achieved through increased focus on niche markets and customers, prudent procurement policies and continued focus on improving productivity and quality to serve the customers more efficiently than ever before.

The Consolidated revenues were at a level of Rs. 64,965 Lac for the year ended 31st March, 2010 as compared to Rs. 85,655 Lac for the previous year resulting primarily from slowdown in the markets across certain geographies as well as due to drop in realizations. For the same period, Consolidated Profit before Tax was at Rs. 1,830 Lac as against Rs. 15,972 Lac. Consolidated Profit after Tax was at Rs. 4,151 Lac which is lower by around 70% as compared to that of Rs. 13,753 Lac in the previous year.

During the year, the total consolidated sales volume of cylinders decreased to 687,212 nos. as against 691,478 nos. in the previous year.

Your attention is also invited to Note No. 12 of Notes forming Part of Accounts regarding change in the method of charging Depreciation on fixed assets. Hitherto, the company has been following the WDV (Written Down Value) method of providing depreciation on all its fixed assets at the rates prescribed under the Companies Act. Due to accelerated depreciation in earlier years, the Net Block has eroded faster than necessary considering the useful life of the assets and the economic benefits derived from the use of such assets. Considering the above factors, the Board of Directors considered it prudent to change the method of Depreciation to SLM (Straight Line Method) basis. This would also prepare the company for convergence with IFRS which shall be effective April 2011 as per which depreciation would have to be provided based on useful life of the asset and the depreciation should reflect the pattern in which the asset's economic benefits are consumed.

OUTLOOK

Despite the downturn, EKC continues to enjoy market leadership in the domestic market and favourable position in international markets on account of its long history in business and adherence to the highest quality standards. Our customers have always benefited from high quality products delivered at the most competitive prices.

With renewed focus on emerging markets, EKC continues to invest in new technologies. With increased capacities and coupled with its strong customer relationship, EKC is ideally positioned towards attaining leadership status globally as well in the coming years.

DIVIDEND

Your Directors are pleased to recommend, for approval of the Members, payment of a dividend for the financial year ended 31st March, 2010 at the rate of Rs. 1.20 per Equity Share of Rs. 2 each which is the same as paid last year. While the dividend payout on profits is higher in percentage terms when compared to the earlier dividend payouts, the Directors believe that in view of the fact that the immediate resource requirements for capital expansion have been met and considering the adequate cash accumulations, it was appropriate to maintain the dividend payable to shareholders.

PREFERENTIAL ALLOTMENT

The Board of Directors at their meeting held on 19th May, 2010, subject to the approval of members and other statutory approvals, approved the raising of Rs. 81 crores by allotment of 60,00,000 equity shares to 2 schemes of Reliance Mutual Fund on a preferential basis at Rs. 135/- per share (including a premium of Rs. 133/- per share). The proceeds of the proposed preferential offer will be utilised for capital expenditure, working capital and repayment of debt.

Accordingly, an Extraordinary General Meeting of the members of the Company has been convened on 19th June, 2010 to obtain their approval for the said preferential issue.

SUBSIDIARIES

As on 31st March, 2010, 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 and two step down wholly owned subsidiary companies, viz. EKC Hungary Kft in Hungary and CP Industries Holdings, Inc. in USA and one Indian Subsidiary Company viz., Calcutta Compressions & Liquefaction Engineering Ltd ("CC&L"). During the year under review, there has been a change in the status of CC&L from 'Private' to 'Public' Limited.

Ministry of Corporate Affairs, Government of India has granted approval that the requirement to attach various documents in respect of subsidiary companies, as set out in Section 212(8) of the Companies Act, 1956, shall not apply to the Company. Accordingly, the Balance Sheet, Profit and Loss Account and other documents of the subsidiary companies are not being attached with the Balance Sheet of the Company. Financial information of the subsidiary companies, as required by the said approval, is disclosed in the Annual Report. The Company will make available the Annual Accounts of the subsidiary companies and the related detailed information to any member of the Company who may be interested in obtaining the same. The annual accounts of the subsidiary companies will also be kept open for inspection at the Registered Office of the Company and at the Registered Office of the respective subsidiary companies. The Consolidated Financial Statements presented by the Company include financial results of its subsidiary companies.

FIXED DEPOSITS

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

DIRECTORS

Mr. Varun Bery has been nominated as Investor Director by TVG India Investment Holdings Limited ("TVG"), the allottee of 32,00,000 Equity Shares in terms of Clause 8.1 of the Investment Agreement entered into by the Company with TVG ("the Agreement"). Accordingly, pursuant to the provisions of Section 260 of the Companies Act, 1956 and Article 125 of the Articles of Association of the Company, Mr. Varun Bery was appointed as an Additional Director w.e.f. 30th January, 2010.

Mr. Varun Bery is a non-executive non-independent director and would hold office up to the date of the ensuing Annual General Meeting. The Company has received a notice in writing from a member proposing the candidature of Mr. Varun Bery for the office of Director liable to retire by rotation.

Mr. Arvind Malhan ceased to be a non-executive non-independent director w.e.f. 30th January, 2010.

In terms of Clause 8.5 of the Agreement, TVG has nominated Mr. Arvind Malhan as an alternate director to Mr. Varun Bery and accordingly, pursuant to the provisions of Section 313 of the Companies Act, 1956 and Article 124 of the Articles of Association of the Company, Mr. Arvind Malhan has been appointed as an alternate director to Mr. Varun Bery w.e.f. 30th January, 2010.

As per the provisions of Article 137 of the Articles of Association of the Company, Mr. Pushkar Khurana, Mr. Shailesh Haribhakti and Mr. Mohan Jayakar, retire by rotation and being eligible, offer themselves for reappointment at the ensuing Annual General Meeting. The Board of Directors has also recommended their reappointment for consideration of the shareholders.

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

CREDIT RATING FROM CRISIL

The Company has been assigned the highest domestic credit rating of P1 for short term borrowings and A+ / Stable for long term borrowings by CRISIL.

Strong credit ratings by the leading rating agency reflect the Company's financial discipline and prudence.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed that :

(i) in the preparation of the annual accounts for the year ended 31st March, 2010, the applicable accounting standards read with requirements set out under Schedule VI to the Companies Act, 1956, have been followed and there are no material departures from the same;

(ii) the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2010 and of the profit of the Company for the year ended on that date;

(iii) the Directors have 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 the Company and for preventing and detecting fraud and other irregularities; and

(iv) the Directors have prepared the annual accounts of the Company on a 'going concern' basis.

CONSOLIDATED FINANCIAL STATEMENTS

In accordance with the Accounting Standard AS-21 on Consolidated Financial Statements, your Directors provide the Audited Consolidated Financial Statements in the Annual Report. As a significant part of your Company's business is conducted through its subsidiaries, your Directors believe that the consolidated accounts provide a more accurate representation of the performance of your Company.

AUDITORS AND AUDITORS' REPORT

M/s. Dalal & Shah, Chartered Accountants, Statutory Auditors and M/s. Arun Arora & Co., Chartered Accountants, 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 reappointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956 and that they are not disqualified for reappointment within the meaning of Section 226 of the said Act.

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

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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

CORPORATE GOVERNANCE

Your Company is committed to achieving and maintaining the highest standards of Corporate Governance and places high emphasis on business ethics. The Report on Corporate Governance as stipulated under Clause 49 of the Listing Agreement forms part of the Annual Report.

The declaration regarding compliance with EKC - Code of Conduct and Ethics for all Board Members and Senior Management Personnel of the Company forms part of Report on Corporate Governance.

The requisite Certificate from the Auditors of the Company, M/s. Dalal & Shah, confirming compliance with the conditions of Corporate Governance as stipulated under the aforesaid Clause 49, is annexed hereto as “Annexure A” and forms part of this report.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars relating to energy conservation, technology absorption, foreign exchange earnings and outgo, as required to be disclosed under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are provided as “Annexure B” to this Report.

PARTICULARS OF EMPLOYEES

In terms of the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, the particulars of employees are set out in annexure to this Report.

However, having regard to the provisions of Section 219(1)(b)(iv) of the said Act, the Annual Report excluding the aforesaid information is being sent to all the members of the Company and others entitled thereto. Any member interested in obtaining such particulars may write to the Company Secretary at the registered office of the Company.

ACKNOWLEDGEMENT AND APPRECIATION

Your Directors would like to express their appreciation for the assistance, support and co-operation received from the 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

Mumbai
26th May, 2010

ANNEXURE A TO THE DIRECTORS’ REPORT
Auditors’ Certificate on Corporate Governance

To the Members of
Everest Kanto Cylinder Limited

We have examined the compliance of conditions of Corporate Governance by Everest Kanto Cylinder Limited, for the year ended 31st March, 2010, as stipulated in Clause 49 of the Listing Agreement(s) of the said Company with the Stock Exchanges in India.

The compliance of conditions of corporate governance is the responsibility of the Company’s management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in clause 49 of Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

We certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement(s).

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

For Dalal & Shah
Firm Registration Number: 102021W
Chartered Accountants

S.Venkatesh
Partner
Membership Number: 037942

ANNEXURE B 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 :

Your Company is taking all possible measures to improve overall energy efficiency by installing power efficient equipments at all the plants / offices. Several environment friendly measures have been adopted by your Company such as:

- Minimising usage of air-conditioning
- Shutting off the lights when not in use
- Creating environmental awareness amongst the employees by way of distributing relevant information in electronic form

The management frequently issues circulars to the employees, educating them on ways and means to conserve electricity and other natural resources and ensures strict compliance with the same.

I. (1) Energy Conservation measures undertaken at the Plants:

i. In the existing plants following measures have been taken to conserve energy:

a. Modification of Water Pipe Lines done to reduce the pressure losses and consequently leading to lower energy requirement.

b. Deployment of distributed pumping stations and cooling towers to save energy.

c. Furnaces Recuperators have been serviced in order to improve Combustion Efficiency of Furnaces.

d. Automatic Shut-off devices installed on Air Compressors to ensure they shut down when Compressed Air demand is low.

e. Wiring up of under loaded motors from Delta configuration to Star configuration. This gives about 20% saving on these applications.

f. Billet piercing project constitutes large size hydraulic accumulators for saving on installed motor kw.

g. Installed energy saving transformer for lighting.

ii. In the new projects coming up for installation and commissioning, we have taken following measures to conserve energy:

a. Automatic Power Factor Control Panels with Capacitors are installed at various Load Centers for keeping the currents at lower level and also for keeping the power factor under control.

b. In place of high bay fittings consuming more power and giving uneven light, we have selected Medium Bay Light Fittings in Factory Sheds at optimum locations. Help of special lighting Software from Light Fittings suppliers was taken for this purpose.

c. Wind driven Roof Ventilators installed for ventilation. These do not require any electrical energy.

d. In addition to the Transparent Roofing Sheets, we have installed transparent windows in the side walls of the taller sheds for better ventilation and lighting.

e. For LPG supply system and Surface Treatment Plant, we shall be using Boiler in place of usual method of heating. With steam we can transmit much higher heat per kg of water pumped, which leads to major energy saving.

f. In place of thermic fluid, we shall be employing steam heating for conservation of energy and savings in costs.

g. New furnaces being installed are with higher thickness of insulation to reduce heat loss and thereby saving energy.

h. For the painting system, we have installed a Camel Back style oven to avoid funneling of air and resultant heat losses.

i. We are installing Zero Discharge ETP plant with multiple effect evaporator. This reuses steam and reduces energy consumption.

(2) Proposed Energy Conservation Measures at the Plants:

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 more power saving transformers for the lighting load.

iv) Running of larger and cyclic duty motors are planned to be fitted with load sensors for switch over from Delta to Star when motors are under loaded.

v) Replacement of old water pipes with FRP pipes which have very low losses.

II. Impact of measures on reduction of energy consumption and consequent impact on the cost of production of goods:

The Company has also started to benefit in the area of energy conservation through its wind power projects. The Company had undertaken Wind farm projects in the financial year 2007-08 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	Invest-ment (Rs.in Lac)	Energy Generated during the year	Energy Generated during previous year
Kandla, Gujarat	1	1.650 MW	1123.99	3,630,344 units	3,503,331 units
Satara, Maharashtra	3	3 x 0.225 MW = 0.675 MW	332.75	692,771 units	739,610 units

Saving in energy costs during the period under consideration.

a) 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 has directly benefited in terms of captive consumption of energy generated by aforesaid wind farm and also from the sale of power generated from these new wind mills.

b) At Kandla, the energy generated is first utilized for captive consumption at Gandhidham unit and the excess energy generated is available for sale to Paschim Gujarat Vij Company Limited (PGVCL).

c) At Satara, the energy generated is 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 Lac)	173.36	172.36
Total Amount (Rs. in Lac)	724.39	733.83
Rate per Unit (Rs.)	4.18	4.25
b) Oxygen purchased		
Units (Cu.M. in Lac)	7.40	6.82
Total Amount (Rs. in Lac)	64.07	73.20
Rate per Cu.M. (Rs.)	8.66	10.74
c) LDO purchased		
Units (Ltrs. in Lac)	31.58	33.17
Total Amount (Rs. in Lac)	1,092.97	1,285.74
Rate per Ltr. (Rs.)	34.61	38.76
d) LPG purchased		
Units (Kg. in Lac)	4.74	2.52
Total Amount (Rs. in Lac)	170.24	105.67
Rate per Kg. (Rs.)	35.86	41.93
B) Consumption per unit of production:		
i. Electricity (kwh/MT)	649.20	763.79
ii. Oxygen (Cu.M/MT)	27.65	30.45
iii. LDO (Ltr. / MT)	117.99	146.42
iv. LPG (Kg/MT)	17.74	11.11

B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

The management understands the importance of technology in the business segments it operates and lays utmost emphasis on the systems development and the use of cutting-edge technology available in the industry. The management keeps itself abreast with technological advancements in the industry and ensures continued and sustained efforts towards absorption of technology, adaptation as well as development of the same to meet business needs and objectives. The Company has procured the latest equipment and its personnel are trained from time to time, on the use, operation and maintenance of such highly sophisticated equipment.

Jumbo Cylinders and Cascades:

For the first time, we have started manufacturing Jumbo cylinders in India. These are large diameter high pressure vessels for bulk transportation of CNG and other gases. These carry gases at pressure upto 400 bar.

Virtual Pipelines:

We have introduced ISO skids using Jumbo cylinder. These will serve the CNG to nodal points like City Gas Supply projects and industrial units which are away from main gas pipelines. This is a very flexible and cost effective solution to make available low cost energy at various places.

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 explore export opportunities based on economic considerations. During the year, the Company had exports (FOB value) worth Rs. 5,409.14 Lac.

(i) During the year, cylinders were exported to various countries in South Asia, South East Asia, Middle East, Africa, South America and CIS countries.

(ii) Total foreign exchange used and earned:

(Rs. in Lac)

Particulars	Current Year	Previous Year
I. Foreign Exchange used	21,535.57	31,582.67
II. Foreign Exchange earned	5,773.13	11,961.88

MANAGEMENT DISCUSSION & ANALYSIS

FORWARD - LOOKING STATEMENTS

The Readers are cautioned that this report contains forward-looking statements that are not historical in nature, which may be identified by their use of words like 'plans', 'expects', 'will', 'anticipates', 'believes', 'intends', 'projects', 'estimates' or other words of similar meaning. All statements that address expectations or projections about the future, including, but not limited to statements about the Company's strategy for growth, product development, market position, expenditures and financial results, are forward-looking statements. Forward-looking statements are based on certain assumptions and expectations of future events.

The Company cannot guarantee that these assumptions and expectations are accurate or will be realised. The Company's actual results, performance or achievements could thus differ materially from those projected in any such forward-looking statements. 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.

CHALLENGING TIMES

The year gone by saw Everest Kanto Cylinder Limited (EKC) pass through the most challenging phase in its life and also marked the entry of the parent company into more value added products including large sized pressure vessels. The year was marked by slowdown across certain markets caused due to the impact of the global recessionary tendencies. EKC's resilience in successfully weathering all such challenges was reflective of its strength in adjusting to the changed economic scenario across various geographies.

DOMESTIC BUSINESS

The first half of the year continued to witness slow demand especially from the Original Equipment Manufacturers (OEM) and retrofit segments of CNG cylinder business in India while the demand for industrial cylinders continued to be robust and saw significant growth in volume terms although there was pressure on realizations. The second half of the year saw improvement in offtake by OEMs. The visibility in the storage and transportation business also improved with thrust being on creation of infrastructure for gas distribution across existing cities. Fresh licences given to gas companies for gas distribution in more cities across the country also improved visibility in this sector.

EKC's share of the OEM market continued to be healthy with significant growth in volumes to this segment following the upturn in OEM business across India. However, the more fragmented after market retrofit segment saw sluggish growth with pressure on both volumes and realizations.

EKC maintains its dominant position in the domestic market with a significant market share mainly on account of its long history in business and adherence to the highest quality standards. EKC also benefits from having the first mover advantage. This coupled with strong relationships on the raw material supply chain, quality certifications and a strong safety track record has helped EKC to maintain its leadership position.

INTERNATIONAL BUSINESS

Although EKC's growth during the year was hampered due to a slowdown in South Asia and Middle East markets, there were newer markets which were explored and EKC started selling in other geographies in Asia and South America which have drawn long term plans to convert to eco friendly CNG. Since the end of the financial year 2009-10, EKC has also managed to bag its first order for sale of Jumbo cylinders in China which is set to happen in 2010-11.

While the US market witnessed the effects of the slowdown thereby affecting the sales of the US subsidiary within USA, this was compensated with robust sales in other parts of the world especially in Europe.

EKC continued to consolidate its position as the market leader across Indian as well as key international markets with a varied and diverse product offering unmatched in any part of the world. EKC is by far the only company which commands a product range that caters to all segments of the cylinder industry with a wide range of sizes ranging from 1 Litre going upto almost 3000 Litres water capacity under one roof and with multiple facilities across the globe.

EXPANSION PLANS

EKC successfully commissioned the large pressure vessel manufacturing facility in India and started producing and selling jumbo cylinders within India and in the international market amidst fierce competition. With the commissioning of this plant, EKC group has become the largest jumbo cylinder manufacturer in the world. EKC has also ventured forward with the acquisition of a company in India which is into purchase and sale of Natural Gas. This foray by EKC has opened a window to the hitherto untapped eastern region and presents a significant growth opportunity in the years to come.

EKC is also proceeding to complete the implementation of a brown field expansion project for manufacture of industrial cylinders from Billets and the plant is expected to be operational in the financial year 2010-11. The Greenfield project being set up in Special Economic Zone (SEZ) would help EKC to make an entry into the lucrative OEM segment which uses light weight cylinders. This project is also expected to go on stream in 2010-11.

OPPORTUNITIES

1. **Growth in CNG Infrastructure**

   In the domestic market, CNG infrastructure is expected to grow on account of increase in coverage of city gas distribution projects and increased availability of gas with new discoveries by the various gas exploration companies. On the global front, rising concerns over environmental pollution by vehicle emissions and oil price fluctuations have caused governments of various countries to initiate CNG implementation programmes. With natural gas becoming easily available and CNG infrastructure improving, we believe the demand for CNG vehicles will continue to rise. This, in turn, will boost demand for CNG cylinders.

2. **Expansion to meet demand**

   The organic expansion plans of EKC are targeted at meeting the growing domestic and global demand for CNG and speciality gas applications as well as offering value-added products such as jumbo cylinders and cascades which would add significantly to the topline and bottomline enabling 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, South America, USA, etc.) while maintaining its leadership position in the countries where it is already operating.

3. **Change in Product Mix**

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

4. **Economies of Scale**

   EKC's existing manufacturing facilities are fully geared up to utilize their capacities thereby leading to greater operational efficiency which would result in lower cost of production and increased profitability. Also, EKC has the ability to manufacture and deliver vessels of different sizes ranging from 1 Ltr. upto 3000 Ltrs. water capacity from its multiple operating units.

5. **Investment in New Technologies**

   EKC has made significant investments in newer and alternate technologies which would ultimately enable it to reach leadership status globally. Also, it would be the only company in India to use alternate technologies and raw materials in its new plants. This would enable EKC to broadbase its raw material supply chain which would also lead to lower cost of production and better working capital management. The new Greenfield project for CNG cylinders would enable it to cater to the niche OEM segment outside India through supply of light weight and more value added cylinders.

RISKS AND CONCERNS

1. **Competition**

   The Indian cylinder landscape has witnessed the proliferation of small manufacturers including those without prior track record of experience in the industry. This has posed a challenge mainly in the unorganized retrofit and industrial cylinder segments. While this had a pronounced effect in the first half of the year, however, with EKC's track record and experience, EKC managed to increase its presence in the OEM segment as well as improve the sales of high value added products. Although increase in competition does pose a challenge, however, given EKC's scale of operations and with the setting up of new facilities using alternate technologies and raw materials, EKC's dominance in the market place would continue to be maintained in the years to come.

2. **Volatile Steel Prices**

   Seamless steel tube prices continued to be volatile and the impact of high cost inventory affected the operational results of EKC. However, EKC took effective steps towards unwinding of such high cost inventory and realigned its procurement policies in order to ensure that the benefits of lower procurement cost are achieved while at the same time, inputs are available at the right time for operations. Any further volatility in the prices or disruption in availability of raw material could negatively impact the profitability of the Company. As already mentioned elsewhere in this document, EKC has taken proactive steps to broadbase its supplier as well as raw material base whereby alternate raw materials shall be used in its new plants thereby derisking the volatility factor associated with the inputs.

3. **Dependence on Government Plans**

   The growth in CNG cylinder market for storage and transportation of CNG would be dependent on government plans and initiatives to switch over to alternative fuel. Any slowdown in the implementation of the stated policies of the government as well as creation of infrastructure could affect the growth in the cylinder industry. However, with natural gas being made available in 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.

4. **Slowdown in the Indian automobile industry**

   OEMs and retrofitters are the major customers of EKC's CNG cylinders in the automobile sector. Any slowdown in cylinder off take from OEMs in India will adversely affect EKC's operations. However, demand from other markets would help in offsetting the slowdown in the Indian auto sector.

5. **Increase in imports**

   The Indian cylinder industry has witnessed increased imports of industrial cylinders during the past years, EKC has therefore ventured into production of cylinders with indigenous and non conventional inputs. This move will significantly dent the advantages, if any that imported cylinders had over domestic products.

6. **Fluctuation in Foreign Currency**

   Since EKC has significant imports as well as exports, any foreign currency fluctuations might affect the results or performance of the Company.

FINANCIAL PERFORMANCE

Despite the impact of the economic slowdown across various geographies, EKC managed to sell 687,212 cylinders during the year 2009-10. However, the drop in the topline was mainly on account of reduced realizations across almost all the global markets. This coupled with consumption of high cost inventories led to a significant drop in margins and consequently the profit for the year.

The consolidated turnover for the year decreased by 24% from Rs. 85,655 Lac to Rs. 64,965 Lac and the consolidated profit after tax was at Rs. 4,151 Lac as against Rs. 13,753 Lac in the previous year.

With prudent working capital management and measures taken to realign procurement systems and aggressive follow up with customers for collections, there was significant improvement in Cash flow from operations which was at a level of Rs. 19,248 Lac as against Rs. 12,901 Lac in the previous year. This led to significant repayment of high cost debt and debt levels came down to a level of Rs. 50,155 Lac from a level of Rs. 62,206 Lac as on 31st March, 2009 leading to a healthier debt equity ratio.

INTERNAL CONTROLS

EKC has a comprehensive system of internal controls to safeguard the Company's assets against loss from unauthorised use and ensure proper authorisation of financial transactions. The Company maintains a system of internal controls designed to provide a high degree of assurance regarding the effectiveness and efficiency of operations, the reliability of financial controls and compliance with applicable laws and regulations.

The Company has an internal audit function, which is empowered to examine the adequacy and the compliance with policies, plans and statutory requirements. It is also responsible for assessing and improving the effectiveness of risk management, control and governance process. The management of the Company duly considers and takes appropriate action on the recommendations made by the statutory auditors, internal auditors and the independent Audit Committee of the Board of Directors.

The prevailing system of internal controls and internal audit 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, EKC has implemented an Enterprise Wide Resource Planning (ERP) system.

HUMAN RESOURCES AND INDUSTRIAL RELATIONS

EKC continued to place emphasis on human capital with a strong and highly experienced management with more than three decades of experience in the high pressure cylinder industry. EKC also recruited several skilled managerial and operational personnel at all levels to manage the new projects which are in various stages of implementation.

EKC's 'human talent' today is around 1500. This comprises of highly qualified and experienced professionals from various faculties like engineering, finance and management. EKC also has a Graduate Engineer Trainee Program under which graduate engineers are recruited and trained. Industrial Relations continue to be cordial and harmonius.

REPORT ON CORPORATE GOVERNANCE

1. CORPORATE GOVERNANCE PHILOSOPHY

For your Company, good corporate governance is a synonym for sound management, transparency and disclosure, encompassing good corporate practices, procedures, standards and implicit rules which propel a Company to take sound decisions, thus maximising long-term stakeholder value without compromising on integrity, social obligations and regulatory compliances. As a Company with a strong sense of values and commitment, EKC believes that profitability must go hand in hand with a sense of responsibility towards all stakeholders. This is an integral part of EKC's business philosophy. The cardinal principles such as independence, accountability, responsibility, transparency, trusteeship and disclosure serve as means for implementing the philosophy of Corporate Governance.

2. BOARD OF DIRECTORS

The Corporate Governance principles of the Company ensure that the Board remains informed, independent and involved in the Company and that there are ongoing efforts towards better Corporate Governance to mitigate "non business" risks. The Company's business is conducted by its employees under the direction of the Chairman & Managing Director and the overall supervision of the Board.

A. Composition and Size of Board

The Company's policy is to maintain optimum combination of Executive and Non-Executive Directors, all of whom are leading professionals in their respective fields. Your Company is managed and guided by a professional Board comprising 11 Directors, out of which 6 are Independent Directors.

The composition of the Board of Directors is in total 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 with the Stock Exchanges.

None of the Directors hold directorship in more than 15 public limited companies, nor is any of them a member of more than ten Committees of the prescribed nature or holds Chairmanship of more than five such Committees across all public limited companies in which they are Directors. The Board does not have any Nominee Director representing any institution.

Inter se relationships among Directors

Mr. Pushkar Khurana & Mr. Puneet Khurana are related to each other as brothers. Mr. P.K. Khurana is the father of Mr. Pushkar Khurana & Mr. Puneet Khurana. Except the above there are no inter-se relationships among the Directors.

B. Board Meetings and Procedures

- **Institutionalised decision making process**

  The Board of Directors is the apex body constituted by the shareholders for overseeing the overall functioning of the Company. The Board provides and evaluates the strategic direction of the Company, management policies and their effectiveness and ensures that the long term interests of the shareholders are being served. The Chairman and Managing Director is assisted by the Executive Directors / senior managerial personnel in overseeing the functional matters of the Company.

- **Scheduling and selection of Agenda Items for Board meetings**

  (i) Minimum four pre-scheduled Board meetings are held every year. Apart from the above, additional Board meetings are convened by giving appropriate notice to address the specific needs of the Company. In case of business exigencies or urgency of matters, resolutions are passed by circulation.

  (ii) The meetings are usually held at the Company's Registered Office at 204, Raheja Centre, Free Press Journal Marg, 214, Nariman Point, Mumbai - 400 021.

  (iii) All divisions/departments of the Company are advised to schedule their work plans well in advance, particularly with regard to matters requiring discussion / approval / decision at the Board / Committee meetings. All such matters are communicated to the Company Secretary in advance so that the same can be included in the Agenda for the Board / Committee meetings.

  (iv) The Board is given presentations covering Finance, Sales, Marketing, 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. 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.

- **Board Material distributed in advance**

  Agenda and Notes on Agenda are circulated to the Directors, in advance, in the defined Agenda format. All material information is incorporated in the Agenda 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. Additional or supplementary item(s) on the Agenda are taken up for discussion / decision with the permission of the Chairman.

- **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. The minutes are entered in the Minutes Book within 30 days from conclusion of the meeting.

C. Number of Board Meetings held, the dates on which held and Attendance:

Six Board meetings were held during the year, 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 four months. All the meetings were well attended.

The details of the Board Meetings are as under:

Sr. No.	Date of Board Meeting	Board strength	No. of Directors present
1	15th May, 2009	11	8
2	11th June, 2009	11	8
3	28th July, 2009	11	10
4	27th October, 2009	11	8
5	30th January, 2010	11	10
6	3rd March, 2010	11	10

D. Attendance of Directors at Board Meetings, last Annual General Meeting (AGM) and number of other Directorships and Chairmanships / Memberships of Committees of each Director in various companies and shareholding in the Company:

Director	Category	No. of Shares in the Company	Attendance Particulars			No. of Other Directorships	No. of Other Committee Positions held	
			Board Meetings held during tenure	Board Meetings attended	Attended Last AGM held on 28th July, 2009		Member	Chairman
Mr. P.K. Khurana	Promoter, Executive Chairman	12218000	6	6	Yes	2	None	None
Mr. Pushkar Khurana	Promoter, Non - Executive	2762000	6	1	No	1	None	None
Mr. Puneet Khurana	Promoter, Executive	2762000	6	3	Yes	1	None	None
Mr. P.M. Samvatsar	Executive	335000	6	6	Yes	None	None	None
Mr. Krishen Dev	Independent, Non-Executive	Nil	6	6	Yes	1	1	None
Mr. Shailesh Haribhakti	Independent, Non-Executive	100	6	6	No	13	5	5
Mr. Mohan Jayakar	Independent, Non-Executive	Nil	6	3	Yes	6	3	None
Mr. Naresh Oberoi	Independent, Non-Executive	Nil	6	6	No	1	None	1
Mr. Vyomesh Shah	Independent, Non-Executive	1600	6	5	Yes	5	None	2
Mr. Gurdeep Singh	Independent, Non-Executive	Nil	6	6	Yes	3	2	None
Mr. Arvind Malhan@	Non-Independent, Non-Executive	746	4	4	Yes	None	None	None
Mr. Varun Bery#	Non-Independent, Non-Executive	Nil	2	2	NA	None	None	None
Mr. Arvind Malhan@	Alternate Director to Mr. Varun Bery	746	2	None	NA	None	None	None

Mr. Varun Bery was appointed as Non - Independent Non - Executive Director w.e.f. 30th Jan, 2010.

@ Mr. Arvind Malhan resigned as a Non - Independent Non - Executive Director w.e.f. 30th Jan, 2010. Consequently, Mr. Arvind Malhan was appointed as Alternate Director to Mr. Varun Bery w.e.f. 30th Jan, 2010.

Note:

1. The Directorships held by Directors as mentioned above, do not include Alternate Directorships and Directorships in Foreign Companies, Section 25 Companies and Private Limited Companies.
2. In accordance with Clause 49, Memberships / Chairmanships of only the Audit Committees and Shareholders' / Investors' Grievance Committees in all Public Limited Companies (excluding Everest Kanto Cylinder Limited) have been considered.

E. Details of the Directors seeking appointment / re-appointment at the forthcoming Annual General Meeting:

Mr. Pushkar Khurana, Mr. Mohan Jayakar and Mr. Shailesh Haribhakti retire by rotation and being eligible, have offered themselves for re-appointment. Mr. Varun Bery was appointed as Additional Director during the year and the Company has received a notice in writing from a member along with the requisite deposit proposing the candidature of Mr. Varun Bery.

I. Mr. Pushkar Khurana

Mr. Pushkar Khurana, aged 37 years, 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 19 years. He has been a Director of the Company since 12th September, 1994.

Mr. Pushkar Khurana played an important role in strategizing the 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 Europe and South America. He is overseeing the operations of the subsidiaries of the Company in Dubai and USA and is also actively involved in the procurement of machineries from Europe.

Mr. Pushkar Khurana is a Director of Calcutta Compressions and Liquefaction Engineering Limited and several Private Limited companies.

Mr. Pushkar Khurana holds 27,62,000 shares of the Company.

II. Mr. Mohan Jayakar

Mr. Mohan Jayakar, aged 58 years, is B.A., LL.B and holds a solicitor's degree. He has a vast experience of around 32 years in various aspects of law and specializes in customs, central excise and foreign exchange matters, including Writs and Criminal procedures. He has been a member of the Managing Committee of CEGAT Bar Association. He was a member of shipping committee of the Bombay Chamber of Commerce and a member of the panel of Arbitrators of Bombay Incorporated Law Society. He has attended various corporate matters like Joint Ventures, Acquisitions, Mergers and has advised corporates in setting up entities in the Free Trade Zones in India and also worldwide. He is presently the senior partner in M/s. Khaitan Jayakar Sud and Vohra and heads the entire operations of the Mumbai branch of the firm.

Mr. Mohan Jayakar is a Director of Photoquip India Limited, Birla Cotsyn (India) Limited, Mysore Petrochemicals Limited, Satyagiri Shipping Company Limited, Shree Ram Urban Infrastructure Limited, Talwalkars Better Value Fitness Limited and several Private Limited companies.

Mr. Mohan Jayakar is a Member of Audit Committee and Shareholders'/ Investors' Grievance Committee of Photoquip India Ltd and member of Shareholders'/ Investors' Grievance Committee of Birla Cotsyn (India) Limited.

Mr. Jayakar is the Chairman of the Shareholders' / Investors' Grievances Redressal and Share Transfer Committee and member of the Remuneration Committee of the Company.

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

III. Mr. Shailesh Haribhakti

Mr. Shailesh Haribhakti, aged 54 years is the Managing Partner of Haribhakti & Co., Chartered Accountants and Chairman of BDO Consulting Private Limited.

He is a member of the Standard Advisory Council of the International Accounting Standards Board. He has been the Past Chairman of the Indian affiliate of the Certified Financial Planner Board of Standards (CFP Board) – FPSB (India) and Western India Regional Council – Institute of Chartered Accountants of India. He is Member of the ICAI's Group on Implementation of Convergence with IFRS, Committee member of Futures & Options segment of the National Stock Exchange of India, Member of SEBI Committee on Disclosures and Accounting Standards, Member of the Standard Advisory Council (SAC) of the International Accounting Standards Board (IASB), Member of the Managing Committees of ASSOCHAM and IMC, Member of the Corporate Governance Committee of CII and ASSOCHAM and Chairman of the Global Warming Committee of IMC. He has received "The Best Non-Executive Independent Director Award - 2007" from the Asian Centre for Corporate Governance & IMC.

Mr. Haribhakti is a Director of Pantaloon Retail (India) Limited, Future Capital Holdings Limited, Hexaware Technologies Limited, Ackruti City Limited, ACC Limited, Ambuja Cements Limited, Mahindra Lifespace Developers Limited, Blue Star Limited, The Dhanalakshmi Bank Limited, JK Paper Limited, Hercules Hoists Limited, Raymond Limited, Future Capital Finacial Services Limited, Fortune Financial Services (India) Limited (alternate director) and several Private Limited Companies.

Mr. Haribhakti is the Chairman of the Audit Committee of Future Capital Holdings Limited, Hexaware Technologies Limited, Ambuja Cements Limited, ACC Limited, Raymond Limited and a member of the Audit Committee of Blue Star Limited, The Dhanalakshmi Bank Limited, Mahindra Lifespace Developers Limited, Ackruti City Limited and Pantaloon Retail (India) Limited.

Mr. Haribhakti holds 100 shares in the Company.

IV. Mr. Varun Bery

Mr. Varun Bery, aged 51 years, is a BA from Yale University and MBA from Harvard Business School. Mr. Bery is Managing Director and Head of the Private Capital Asia (PCA) Group of JP Morgan. Previously, Mr. Bery was Managing Director of TVG Capital Partners Ltd., a private equity firm that he has co-founded in 1998 that invested in the telecommunications, media and technology (TMT) sectors in the Asia-Pacific region. Mr. Bery has been involved with the TMT businesses as both a financial / strategic advisor and as an equity investor. He currently serves on the Board of Directors of several Asian companies including Tianrui Cement and Asia Pacific Anxun in the PRC and Claude and TransACT in Australia. Till recently, he was on the Boards of Hanaro Telecom, Enertech International and Initech in Korea. Mr. Bery was formerly Director of Telecommunications at the Asian Infrastructure Fund (AIF) in Hong Kong. Prior to relocating to Hong Kong to join AIF in 1995, Mr. Bery was Director of Investment Banking in the Telecommunications Group at Credit Suisse First Boston (CSFB) in New York.

Mr. Varun Bery does not hold any shares in the Company.

3. BOARD COMMITTEES

The Board is responsible for formation / reconstitution of the committees and assigning, co-opting and fixing of terms of service for the members of the committee. The Chairman of the Board, in consultation with the company secretary and the committee chairman, determines the frequency of the committee meetings. Recommendations of the committee are submitted to the full Board for approval.

Powers of the Committees

1. To investigate any activity within its terms of reference.
2. To seek information from any employee.
3. To obtain outside legal or other professional advice.
4. To secure attendance of outsiders with relevant expertise, if it considers necessary.

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.

A. AUDIT COMMITTEE

(a) Terms of reference

The Audit Committee assists the Board in its responsibility for overseeing the quality and integrity of the accounting, auditing and reporting practices of the Company and its compliance with the legal and regulatory requirements. The Committee's purpose is to oversee the accounting and financial reporting process of the Company, the audits of the Company's financial statements, the appointment, independence and performance of the statutory auditors, the performance of internal auditors and the Company's risk management policies.

Apart from all the matters provided in Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956, the Committee reviews reports of the Internal Auditors and Statutory Auditors and discusses their findings, suggestions, internal control systems, scope of audit, observations of the auditors and also reviews accounting policies followed by the Company.

(b) Meetings of the Audit Committee

Four meetings of the Audit Committee were held during the year ended 31st March, 2010. The dates on which the meetings were held are 15th May, 2009, 28th July, 2009, 27th October, 2009 and 30th January, 2010.

The Statutory Auditors, Internal Auditors and executives of Accounts & Finance Department are invited to attend all the meetings of the Committee. The Chairman of the Audit Committee was present at the last Annual General Meeting.

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

The Audit Committee comprises of three Independent Non - Executive Directors and one Executive Director. The Composition of the Audit Committee is as under:

Name of the Member	Designa-tion	Nature of Directorship	No. of Committee Meetings held during the year	No. of Meetings attended
Mr. Vyomesh Shah	Chairman	Independent & Non – Executive	4	4
Mr. Krishen Dev	Member	Independent & Non – Executive	4	4
Mr. Naresh Oberoi	Member	Independent & Non – Executive	4	4
Mr. Puneet Khurana	Member	Promoter & Executive	4	2

All the members of the Committee have good knowledge of finance, accounts and company law. The Chairman of the committee, Mr. Vyomesh Shah is a Chartered Accountant and has extensive 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 Thadani, Company Secretary of the Company is the Secretary to the Audit Committee.

B. SHAREHOLDERS' / INVESTORS' GRIEVANCES REDRESSAL AND SHARE TRANSFER COMMITTEE

(a) Terms of reference

The terms of reference of the Shareholders' / Investors' Grievances Redressal and Share Transfer Committee inter-alia includes:

i) To approve Transfer / Transmission / Dematerialisation / Rematerialisation of Equity Shares of the Company.

ii) To approve issue of Duplicate / Consolidated / Split Share Certificate(s).

iii) To carry out such functions for redressal of shareholders' and investors' complaints, including but not limited to, matters relating to transfer of shares, non-receipt of balance sheet, non-receipt of dividend and any other grievance that a shareholder or investor of the Company may have against the Company.

iv) To oversee the performance of the Registrar and Transfer Agents of the Company and recommend measures for overall improvement in the quality of investor services.

v) To do all other acts, deeds and things or otherwise deal with all matters in relation to the Shareholders and Investors Grievances.

(b) Meetings of the Shareholders' / Investors' Grievances Redressal and Share Transfer Committee

Two meetings of the Shareholders' / Investors' Grievances Redressal and Share Transfer Committee were held during the year ended 31st March, 2010. The dates on which the meetings were held are 11th June, 2009 and 30th January, 2010.

(c) Composition of the Committee and attendance of each Member at the Shareholders' / Investors' Grievances Redressal and Share Transfer Committee meetings held during the year

Name	Designation in Committee	Nature of Directorship	No. of Committee Meetings held during the year	No. of Committee Meetings attended
Mr. Mohan Jayakar	Chairman	Independent & Non – Executive	2	2
Mr. Puneet Khurana	Member	Promoter & Executive	2	1
Mr. P.M. Samvatsar	Member	Executive	2	2

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

Ms. Chanda Makhija Thadani
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 0720
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 were 16. There were no outstanding complaints as on 31st March, 2010. No requests for transfer and for dematerialization were pending for approval as on 31st March, 2010.

The Company has appointed Link Intime India Private Limited as the Registrar and Share Transfer Agent. Ms. Chanda Makhija Thadani looks into the investor grievances and coordinates with Link Intime India Private Limited for redressal of grievances.

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

(f) Shares issued pursuant to Initial Public Offer

In respect of the shares issued pursuant to the Initial Public Offer of the Company which remain unclaimed and are lying in the suspense account, Link Intime India Private Limited, Registrar to the Initial Public Offer has sent three reminders at the address given in the application form as well as captured in depository's database asking for the correct particulars. The unclaimed shares have been credited to a demat suspense account. All corporate benefits in terms of securities accruing on such shares viz. split have been credited to the demat suspense account.

The suspense account is held by EKC purely on behalf of the allottees who are entitled for the shares and the shares held in such suspense account shall not be transferred in any manner whatsoever except for the purpose of allotting the shares to the allottee as and when the allottee approaches EKC.

The voting rights on such shares shall remain frozen till the rightful owner claims the shares.

The status of the shares issued pursuant to the Initial Public Offer of the Company which remain unclaimed and are lying in the suspense account is as under:

i. Aggregate number of shareholders and the outstanding shares in the suspense account as on 1st April, 2009

15 Records for 3440 Equity Shares

ii. Number of shareholders who approached for transfer of shares from suspense account during 1st April, 2009 to 31st March, 2010 and the transfer was processed

4 Records for 1020 Equity Shares

iii. *Aggregate number of shareholders and the outstanding number of shares lying in our suspense account as on 31st March, 2010*

11 Records for 2420 Equity Shares

C. REMUNERATION COMMITTEE

(a) *Terms of Reference*

The Remuneration Committee has been constituted to recommend / review the overall compensation policy and structure, service agreements and other employment conditions for the members of the board, 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 and attendance*

One meeting of the Remuneration Committee was held during the year ended 31st March, 2010 on 27th October, 2009. Mr. Krishen Dev, Mr. Naresh Oberoi and Mr. P.K. Khurana attended the meeting.

(d) *Composition of the Remuneration Committee*

Name	Designation in Committee	Nature of Directorship
Mr. Krishen Dev	Chairman	Independent & Non - Executive
Mr. Mohan Jayakar	Member	Independent & Non - Executive
Mr. Naresh Oberoi	Member	Independent & Non - Executive
Mr. P. K. Khurana	Member	Promoter & Executive

(e) *Payment to Directors*

i. *Remuneration to Executive Directors:*

The appointment of Managing Director and Whole - Time Directors is governed by resolutions passed by the Board of Directors and shareholders of the Company, which covers the terms of such appointment.

Remuneration paid to Managing Director and Whole - Time Directors is recommended by the Remuneration Committee, approved by the Board and is subject to the overall limits as approved by the shareholders.

Remuneration paid/payable to the Managing Director and Whole - Time Directors for the year ended 31st March, 2010:

(in Rs.)

Name of Director	Mr. P.K. Khurana	Mr. Puneet Khurana	Mr. P.M. Samvatsar
Designation	Chairman & Managing Director	Whole - Time Director	Whole - Time Director
Salary, allowances, etc	72,10,000	30,90,000	40,95,000
Contribution to P.F. & other funds	6,30,000	3,70,800	4,13,400
Other Perquisites	1,60,896	18,80,168	15,29,475
Commission	73,42,864	18,35,716	18,35,716
Total	**1,53,43,760**	**71,76,684**	**78,73,591**

Other perquisites include club fees, Contribution to SAF, Gratuity and medical reimbursement.

ii. *Sitting Fees & Commission paid to Non - Executive Directors*

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

Each of the Independent Directors are also paid commission amounting to Rs. 5,00,000/- on an annual basis, provided that the total commission payable to such Directors shall not exceed 1% of the net profits of the Company. The commission is paid uniformly to the Independent Directors based on the principle of collective responsibility.

In respect of the financial year 2009 – 10 the sitting fees and commission paid/payable to the Non-Executive Directors are as detailed below:

(in Rs.)

Name	Sitting fees paid during the year 2009-10		Commission	Total
	Board Meetings	Committee Meetings		
Mr. Shailesh Haribhakti	1,20,000	–	5,00,000	6,20,000
Mr. Mohan Jayakar	60,000	20,000	5,00,000	5,80,000
Mr. Krishen Dev	1,20,000	50,000	5,00,000	6,70,000
Mr. Vyomesh Shah	1,00,000	40,000	5,00,000	6,40,000
Mr. Naresh Oberoi	1,20,000	50,000	5,00,000	6,70,000
Mr. Gurdeep Singh	1,20,000	–	5,00,000	6,20,000
Mr. Varun Bery	40,000	–	–	40,000
Mr. Arvind Malhan	80,000	–	–	80,000

D. ALLOTMENT COMMITTEE

(a) Terms of Reference

The Board of Directors constituted an Allotment Committee on 21st 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 exercise their right of conversion.

(b) Meetings of the Allotment Committee

During the year under review, Allotment Committee did not hold any meetings since none of the FCCB holders have exercised their right of conversion.

(c) 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

E. MANAGEMENT COMMITTEE

(a) Terms of Reference

The Management Committee has been set up 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 meetings of the Committee were held on 3rd June, 2009, 22nd June, 2009, 24th August, 2009 & 23rd November, 2009.

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

The Management Committee comprises of exclusively executive directors.

The details of the Committee composition are as under:

Name	Designation in Committee	No. of Committee Meetings held during the year	No. of Committee Meetings attended
Mr. P. K. Khurana	Chairman	4	4
Mr. Puneet Khurana	Member	4	1
Mr. P. M. Samvatsar	Member	4	4

F. INVESTMENT COMMITTEE

(a) Terms of Reference

The Investment Committee has been authorized to invest and disinvest the investible surplus funds of the Company and thereby maximize the returns with minimum risks. The Committee has put in place operating guidelines which facilitate efficient management of EKC's investible surplus.

(b) Meetings of Investment Committee

During the year under review no meetings of the Committee were held.

(c) Composition of the Committee

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

(d) Investment Sub Committee

The Investment Committee also has a Sub Committee called as the Investment Sub Committee.

The Investment Sub Committee works under the superintendence of the Investment Committee of the Board of Directors. The Investment Sub Committee comprises of exclusively executive directors.

The details of the Sub Committee composition are as under:

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

All important investment decisions have to be approved in advance by any two members of the Investment Sub Committee. Such approval may be obtained either at a meeting or by passing of resolution by circulation.

4. GENERAL BODY MEETINGS

A. Annual General Meetings

Annual General Meetings of the Company during the preceding 3 years were held at M.C. Ghia Hall, Bhogilal Hargovindas Building, 2nd Floor, 18/20, K. Dubash Marg, Mumbai – 400 001.

Date and time of the Annual General Meetings held during the preceding 3 years and the Special Resolutions passed thereat are as follows:

2006 – 07

Date and Time: 3rd July, 2007 at 4:00 p.m.

Special Resolutions passed:

1. Further issue of securities
2. Alteration of Article 3(a) of Articles of Association

2007 – 08

Date and Time: 30th July, 2008 at 4:00 p.m.

Special Resolution passed: Nil

2008 – 09

Date and Time: 28th July, 2009 at 3:30 p.m.

Special Resolutions passed:

1. Further issue of securities
2. Increase in the limit of Foreign Institutional Investors Holding in the Company

B. Postal Ballot

No special resolution was passed through Postal Ballot during 2009-10.

5. DISCLOSURES

A. 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 entered into based on considerations of various business exigencies such as synergy in operations, Company's long term strategy for optimization of market share, profitability, legal requirements, liquidity and capital resources of Subsidiaries and Associates. All related party transactions are negotiated on arms length basis and are intended to further the interests of the Company.

B. 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.

C. Whistle Blower Mechanism

The Company promotes ethical behaviour in all its business activities and has put in place a mechanism of reporting illegal or unethical behaviour. Whistle blower mechanism forms a part of the Code of Conduct and Ethics for its Board and Senior Management Personnel wherein the employees are free to report violations of laws, rules, regulations or unethical conduct to their immediate supervisor / notified person. Such reports received will be reviewed by the Audit Committee from time to time. The confidentiality of those reporting the violations shall be maintained and they shall not be subjected to any discriminatory practice. No personnel have been denied access to the Audit Committee.

D. Adoption of Mandatory and Non-mandatory Requirements of Clause 49 of the Listing Agreement

The Company has complied with all the applicable mandatory requirements and has adopted following non-mandatory requirements of Clause 49 :

(i) The Independent Directors:

The Company ensures that the Independent Directors are highly qualified professionals, with expertise and experience in general corporate management, legal, public policy, finance, banking and other allied fields. This wide knowledge of both, their field of expertise and boardroom practices helps foster varied, unbiased, independent and experienced perspective. The Company benefits immensely from their inputs in achieving its strategic direction.

Independent Directors play a key role in the decision-making process of the Board by participating in framing the overall strategy of the Company. The Independent Directors are committed to acting in what they believe to be in the best interest of the Company and its stakeholders.

(ii) Remuneration Committee:

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

(iii) Audit Qualification:

Company is in the regime of unqualified financial statements.

(iv) Training of Board Members:

Periodic presentations are made at the Board and Committee Meetings, on business and performance updates of the Company, global business environment, business strategy and risks involved.

The Board members are also provided with the necessary documents / brochures, reports and internal policies to enable them to familiarize with the Company's procedures and practices.

As such, there is no formal training programme for the Directors.

(v) 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.

6. MEANS OF COMMUNICATION:

EKC recognizes the importance of two-way communication with shareholders and of giving a balanced report of results and progress and responds to questions and issues raised in a timely and consistent manner. Shareholders seeking information may contact the Company directly throughout the year. They also have an opportunity to ask questions in person at the Annual General Meeting.

(i) Quarterly Results:

The approved financial results are forthwith sent to the Stock Exchanges where the shares are listed and are displayed on the Company's website www.everestkanto.com and are published in widely circulated national and local daily newspapers such as Financial Express / Business Standard (English) and Mumbai Lakshadeep (Marathi), within forty-eight hours of approval thereof.

(ii) News Releases, Presentations, etc:

Official news releases, detailed presentations made to media, institutional investors, analysts, etc are displayed on the Company's website www.everestkanto.com and are also submitted to the stock exchanges.

(iii) Website:

The Company's website www.everestkanto.com contains a separate dedicated section 'Investor Relations' where shareholders information is available. Quarterly Results, Annual Reports for the last 5 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.

(iv) Annual Report:

Annual Report containing inter alia Audited Annual Accounts, Consolidated Financial Statements, Directors' Report, Auditors' 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.

(v) Designated Exclusive Email ID:

The Company has designated the Email ID viz., investors@ekc.in exclusively for investor servicing.

7. GENERAL SHAREHOLDER INFORMATION

7.1 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.

7.2 31st Annual General Meeting:

Day, Date and Time: Tuesday, 27th July, 2010 at 4.00 p.m.

Venue: 4th Floor Convention Hall, Y.B. Chavan Centre,
General Jagannath Bhosle Marg,
Nariman Point, Mumbai - 400 021.

7.3 Financial Calendar (tentative and subject to change)

Financial Year: 1st April, 2010 to 31st March, 2011

Results for the quarter ending 30th June, 2010

3rd / 4th week of July, 2010

Results for quarter ending 30th September, 2010

3rd / 4th week of October, 2010

Results for quarter ending 31st December, 2010

3rd / 4th week of January, 2011

Results for year ending 31st March, 2011

3rd / 4th week of May, 2011

Annual General Meeting

July, 2011

7.4 Book Closure Period

Saturday, 17th July, 2010 to Tuesday, 27th July, 2010 (both days inclusive), for payment of dividend.

7.5 Dividend Payment Date

Before 7th August, 2010.

7.6 Listing on Stock Exchanges

Exchange	Code / Trading Symbol	ISIN
Equity Shares 1. Bombay Stock Exchange Limited (BSE) Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 1. 2. National Stock Exchange of India Limited (NSE) "Exchange Plaza", Bandra-Kurla Complex, Bandra (E), Mumbai 51	532684 EKC	INE184H01027
FCCBs Singapore Exchange Securities Trading Limited (SGX-ST) [a wholly owned subsidiary of Singapore Exchange Limited]	–	XS0324309029

Payment of Listing Fee

Annual listing fee payable to BSE and NSE for 2009-10 and SGX-ST for 2010 have been paid in full by the Company.

7.7 Stock Market Data

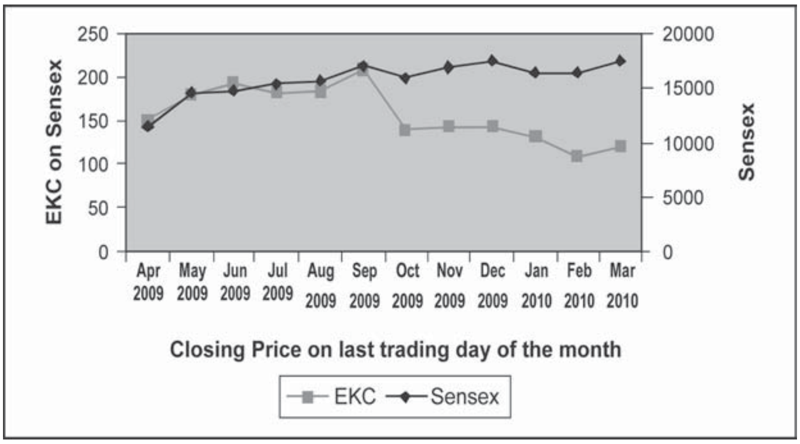
High, Low during each month and trading volumes of the Company's Equity Shares during the last financial year at BSE and NSE are given below :

Month	Bombay Stock Exchange Limited (BSE)			National Stock Exchange of India Limited (NSE)		
	High (Rs.)	Low (Rs.)	Shares traded (Nos.)	High (Rs.)	Low (Rs.)	Shares traded (Nos.)
April 2009	173.00	117.60	1,391,436	171.95	117.00	3,026,470
May 2009	193.50	134.00	5,971,021	193.80	123.80	11,246,947
June 2009	238.10	180.50	8,315,460	238.90	181.00	23,697,174
July 2009	205.00	151.30	3,212,219	204.85	151.55	6,280,271
August 2009	201.70	170.00	3,347,966	201.35	170.00	9,326,029
September 2009	221.80	178.80	5,427,975	221.70	179.10	15,178,800
October 2009	216.00	135.65	5,143,161	215.50	134.20	12,215,755
November 2009	157.50	132.55	6,432,823	156.90	133.10	19,633,315
December 2009	154.70	139.30	3,797,821	155.65	139.55	11,317,066
January 2010	162.30	120.95	5,039,514	162.40	120.40	16,395,094
February 2010	135.50	107.80	2,147,672	135.40	107.60	7,704,259
March 2010	128.60	110.25	3,427,743	130.00	110.55	9,771,131

Source: BSE & NSE website

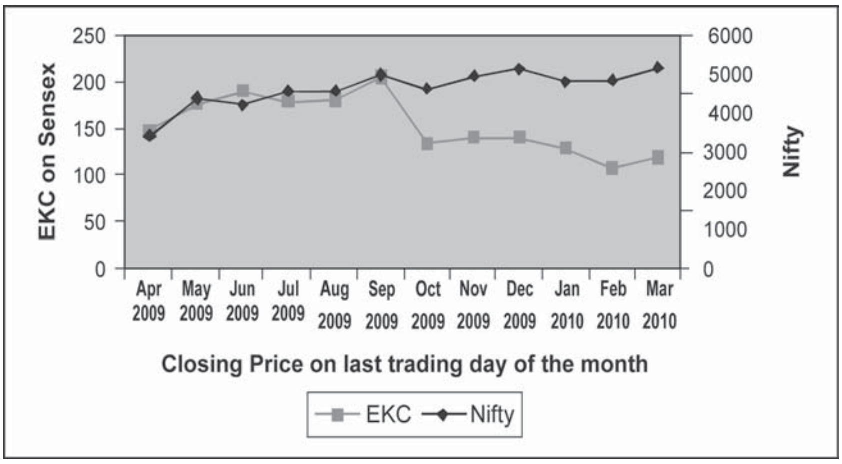
7.8 Stock Performance

The performance of the Company's shares relative to the BSE Sensitive Index (SENSEX) is given in the chart below:



Source: BSE website

The performance of the Company's shares relative to the NSE Sensitive Index (S&P CNX Nifty) is given in the chart below:



Source: NSE website

7.9 Registrar & Share Transfer Agent:

Link Intime India Pvt. Ltd.
C-13, Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup (W),
Mumbai - 400 078.
Tel. : (022) 2594 6970
Fax. : (022) 2594 6969
E-mail : rnt.helpdesk@linkintime.co.in

7.10 Share Transfer System

The transfer of shares in physical form is processed and completed by Link Intime India Private Limited within a period of seven days from the date of receipt thereof provided all the documents are in order. In case of shares in electronic form, the transfers are processed by NSDL/CDSL through respective Depository Participants.

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.

7.11 Statement showing shareholding pattern as on 31st March, 2010

Category of Shareholders	Number of shares	% of Shareholding
Shareholding of Promoter and Promoter Group	60,511,715	59.82
Mutual Funds	2,223,773	2.20
Financial Institutions / Banks	98,375	0.10
Foreign Institutional Investors	19,833,444	19.61
Bodies Corporate	2,508,942	2.48
i. Individual shareholders holding nominal share capital up to Rs. 1 lakh	7,034,973	6.95
ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	53,520	0.05
Clearing Member	522,048	0.52
Non Resident Indians (Repat)	286,483	0.28
Non Resident Indians (Non Repat)	44,859	0.04
Foreign Companies	8,036,714	7.94
Other Directors	2,446	0.00
Trusts	390	0.00
TOTAL	**101,157,682**	**100.00**

7.12 Distribution of shareholding by size as on 31st March, 2010

No. of Shares held	No. of shareholders	% to no. of shareholders	No. of shares	% to no. of shares
1 - 500	37,538	93.79	4,181,775	4.13
501 - 1000	1,302	3.25	1,054,962	1.04
1001 - 2000	555	1.39	863,015	0.85
2001 - 3000	202	0.50	508,284	0.50
3001 - 4000	82	0.21	283,799	0.28
4001 - 5000	80	0.20	379,830	0.38
5001 - 10000	113	0.28	819,112	0.82
Above 10000	151	0.38	93,066,905	92.00
TOTAL	**40,023**	**100.00**	**101,157,682**	**100.00**

7.13 Dematerialization of shares as on 31st March, 2010

The Company's shares are compulsorily traded in dematerialised form and are available for trading on both the Depositories in India – National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL).

Particulars of Shares	Equity Shares of Rs. 2 each of		Shareholders	
	Number	% of total	Number	% of total
Dematerialised form				
NSDL	47,352,994	46.81	26,238	65.56
CDSL	2,891,648	2.86	13,771	34.41
Sub – Total	**50,244,642**	**49.67**	**40,009**	**99.97**
Physical Form	50,913,040	50.33	14	0.03
Total	**101,157,682**	**100.00**	**40,023**	**100.00**

Liquidity

Shares of the Company are actively traded on BSE and NSE as is seen from the volume of shares indicated in the table containing stock market data and hence ensure good liquidity for the investors.

7.14 Outstanding Foreign Currency Convertible Bonds

The Company had issued, Zero Coupon Foreign Currency Convertible Bonds (FCCBs) aggregating to US D 35 million in the year 2007-08. The said Bonds are convertible into fully paid up equity shares of the Company at any time on or after 19th November, 2007 up to the close of business on 3rd December, 2012 at the option of the Bondholders. The Conversion Price of the FCCBs has been reset from Rs. 303.36 to Rs. 271.32 w.e.f. 9th October, 2008.

All the FCCBs were outstanding for conversion on 31st March, 2010. The outstanding FCCBs if converted into the Equity Shares of the Company would result in increase of the paid up Equity Share Capital of the Company by 51,39,319 Equity Shares of Rs. 2/- each.

7.15 Plant Location

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

Aurangabad	Tarapur	Gandhidham
E-22, MIDC Area, Chikalthana, Aurangabad - 431 210 Maharashtra	N-62, MIDC Industrial Area, Kumbhavali Naka, Tarapur - 401 506 Maharashtra	Survey no. 141/1 & 141/2, Village Varsana, Near NH 8A East, P.O. Box Gopalpuri, Taluka - Anjar, Gandhidham, Kutch - 370240 Gujarat

7.16 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 Thadani, Company Secretary at the registered office of the Company for any assistance :

Tel. : (022) 3026 8300 / 01

E-mail Id : investors@ekc.in

8. Code of Conduct

Board has laid down a Code of Conduct and Ethics for all Board Members and Senior Management Personnel of the Company. The code has been circulated to all the Board Members and senior management and the same is available on the Company's website www.everestkanto.com. All Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct during the financial year 2009-10. A declaration signed by the Chairman & Managing Director to this effect is given below.

"I hereby confirm that the Company has obtained from all the members of the Board and senior management personnel, affirmation that they have complied with the Code of Conduct and Ethics for Directors and Senior Management of the Company in respect of the financial year 2009-10."

P. K. Khurana
Chairman & Managing Director

9. CEO and CFO Certification

The Chairman and Managing Director and the Chief Financial Officer of the Company give annual certification on financial reporting and internal controls to the Board in terms of Clause 49. The Chairman and Managing Director and the Chief Financial Officer also give quarterly certification on financial results while placing the financial results before the Board in terms of Clause 41.

10. Auditors' Certificate on Corporate Governance

Certificate from the Auditors of the Company, M/s. Dalal & Shah, confirming compliance with the conditions of Corporate Governance as stipulated under Clause 49, is attached to the Directors' Report forming part of the Annual Report.

11. Subsidiary Monitoring Framework

As on March 31, 2010, the Company had two wholly owned subsidiary companies viz., EKC International FZE and EKC Industries (Tianjin) Co. Ltd and two step down wholly owned subsidiaries viz., EKC Hungary Kft and CP Industries Holdings, Inc and one subsidiary company viz., Calcutta Compressions & Liquefaction Engineering Ltd. All these companies are Board managed with the respective Boards having the rights and obligations to manage such companies in the best interest of their stakeholders. 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.

The Company does not have any material unlisted Indian subsidiary and hence is not required to nominate an independent director of the Company on the Board of any subsidiary.

12. Policy on insider trading

The Company has formulated a Code of Conduct for Prevention of Insider Trading (Code) in accordance with the guidelines specified under the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 and as amended from time to time.

The Board has appointed Ms. Chanda Makhija Thadani, Company Secretary as the Compliance Officer under the Code responsible for complying with the procedures, monitoring adherence to the rules for the preservation of price sensitive information, pre-clearance of trades, monitoring of trades and implementation of the Code of Conduct under the overall supervision of the Board.

The Company's Code, inter alia, prohibits purchase and/or sale of shares of the Company by an insider, while in possession of unpublished Price Sensitive Information in relation to the Company during certain prohibited periods.

13. Secretarial audit for reconciliation of capital

The Audit Report, confirming that the total issued capital of the Company is in agreement with the total number of shares in physical form and the total number of dematerialised shares held with National Securities Depository Limited and Central Depository Services (India) Limited, is placed before the Board on a quarterly basis. A copy of the Audit Report is submitted to BSE & NSE within 30 days of the end of each quarter.

AUDITORS' REPORT ON FINANCIAL STATEMENTS

To the Members of
Everest Kanto Cylinder Limited

1. We have audited the attached Balance Sheet of Everest Kanto Cylinder Limited as at 31st March, 2010, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. 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.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the "Order"), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:

(a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

(b) 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 those books;

(c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

(d) 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 Act;

(e) On the basis of written representations received from the directors, as on 31st March, 2010 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;

(f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give, in the prescribed manner, the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:

(i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;

(ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and

(iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For Dalal & Shah
Firm Registration Number: 102021W
Chartered Accountants

S.Venkatesh
Partner
Membership Number: 037942

Mumbai
26th May, 2010

Annexure to Auditors' Report

Referred to in paragraph 3 of our Report of even date

1. (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.

   (b) The fixed assets of the Company have been physically verified by the Management during the year and no material discrepancies between the book records and the physical inventory have been noticed. In our opinion, the frequency of verification is reasonable.

   (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.

2. (a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.

   (b) In our opinion, the procedures of physical verification of inventory followed by the management are 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, in our opinion, the Company is maintaining proper records of inventory. In our opinion, the discrepancies noticed on physical verification of inventory as compared to book records were not material.

3. (a) The Company has, granted unsecured loan to a company covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year and the year end balance of such loan amounts to Rs. 500 Lac and Rs. 200 Lac, respectively.

   (b) In our opinion, the rate of interest and other terms and conditions of the loan are not prima facie prejudicial to the interest of the Company.

   (c) In respect of the aforesaid loan, the party is repaying the principal amounts as stipulated and is also regular in payment of interest, where applicable.

   (d) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act.

4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, no major weaknesses have been noticed or reported.

5. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.

   (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements entered in the register maintained under Section 301 of the Act and exceeding the value of Rupees Five Lac in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.

6. The Company has not accepted any deposits from the public within the meaning of Section 58A of the Act and the rules framed there under.

7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.

8. We have broadly reviewed the books of account maintained by the Company in respect of products where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

9. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities in India.

   (b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of income tax and sales tax as at 31st March, 2010 which have not been deposited on account of disputes are as follows:

Nature of dues	Amount (Rs. in lacs)	Period to which the amount relates	Forum where the dispute is pending
Income Tax	7.44	AY 2000-2001 to AY 2006-2007	Commissioner of Income Tax (Appeals)
Sales Tax (Lease Tax)	16.00	AY 1994-1995 to AY 1998-1999	Departmental Authorities

There were no disputed dues towards wealth tax, service tax, customs duty, excise duty or cess.

10. The Company has no accumulated losses as at 31st March, 2010 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.

11. According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holder during the year.

12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

13. In respect of shares, securities, debentures and other investments dealt or traded by the Company, proper records have been maintained in respect of the transactions and contracts and timely entries have been made therein. All the investments are held by the Company in its own name.

14. In our opinion and 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 its subsidiaries. The terms and conditions of these guarantees given are not prejudicial to the interest of the Company.

15. In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.

16. On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short term basis which have been used for long term investment.

17. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.

18. The Company has not issued any debentures during the year.

19. The Company has not raised any money by public issues during the year.

20. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

21. The other clauses, (iii)(d), (iii)(f), (iii)(g) and (xiii) of paragraph 4 of the Order are not applicable in the case of the Company for the current year, since in our opinion there is no matter which arises to be reported in the aforesaid Order.

For Dalal & Shah
Firm Registration Number: 102021W
Chartered Accountants

S.Venkatesh
Partner
Membership Number: 037942

Mumbai
26th May, 2010

BALANCE SHEET AS AT 31ST MARCH, 2010

	Schedule	As at 31.03.2010 (Rs. in Lac)	As at 31.03.2009 (Rs. in Lac)
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	A	2,023.15	2,023.15
Reserves and Surplus	B	41,851.81	37,268.72
		43,874.96	39,291.87
Loan Funds			
Secured Loans	C	6,325.49	9,832.06
Unsecured Loans	D	24,394.90	23,706.29
		30,720.39	33,538.35
Deferred Tax Liability (Net)		1,415.56	-
TOTAL		76,010.91	72,830.22
APPLICATION OF FUNDS			
Fixed Assets	E		
Gross Block		26,999.44	23,154.92
Less: Depreciation / Amortisation		8,272.75	10,231.65
Net Block		18,726.69	12,923.27
Capital Work In Progress		15,774.78	15,779.56
		34,501.47	28,702.83
Investments	F	9,730.56	9,274.47
Deferred Tax Asset (Net)		-	234.69
Current Assets, Loans and Advances			
Inventories	G	21,012.72	24,315.62
Sundry Debtors	H	6,847.47	4,688.19
Cash and Bank Balances	I	832.61	1,549.34
Other Current Assets	J	842.91	700.27
Loans and Advances	K	13,927.06	17,674.92
		43,462.77	48,928.34
Less: Current Liabilities and Provisions			
Current Liabilities	L	10,100.56	12,788.59
Provisions	M	1,583.33	1,521.52
		11,683.89	14,310.11
Net Current Assets		31,778.88	34,618. 23
TOTAL		76,010.91	72,830.22
Notes forming part of Accounts	U		

As per our report of even date
For **DALAL & SHAH**
Firm Registration No. 102021W
Chartered Accountants

For and on behalf of the Board

P. K. Khurana
Chairman & Managing Director

S. Venkatesh
Partner
Membership No. 037942
Mumbai
26th May, 2010

Chanda Makhija Thadani
Company Secretary

J. Sivakumar
Chief Financial Officer

P. M. Samvatsar
Whole - Time Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

	Schedule	Year Ended 31.03.2010 (Rs. in Lac)	Year Ended 31.03.2009 (Rs. in Lac)
INCOME			
Sales		36,505.49	37,815.65
Less: Excise Duty		2,260.18	3,006.50
		34,245.31	34,809.15
Trading Sales		661.20	493.34
Total Sales		34,906.51	35,302.49
Other Income	N	939.36	1,629.01
		35,845.87	36,931.50
EXPENDITURE			
Raw Materials and Components Consumed	O	28,026.23	21,010.16
Trading Purchases		643.91	342.68
(Increase) / Decrease in Stocks	P	(2,715.96)	(2,439.94)
Manufacturing Expenses	Q	3,291.60	3,838.04
Personnel Expenses	R	2,077.09	1,730.79
Administrative, Sales and Other Expenses	S	1,862.77	1,786.80
Finance Charges	T	312.20	553.84
Depreciation / Amortisation for the year (Refer Note 12)		1,429.00	2,264.75
		34,926.84	29,087.12
Profit before Foreign Exchange Variation and Taxation		919.03	7,844.38
Foreign Exchange Variation - (Loss) / Gain (Net)		2,434.99	(2,058.84)
Profit for the year before taxation		3,354.02	5,785.54
Provision for Taxation			
Current Tax		(580.00)	(2,060.00)
Wealth Tax		(2.00)	(1.50)
Deferred Tax (Charge) / Credit		(627.13)	687.68
Fringe Benefit Tax		-	(26.50)
Profit for the year before earlier year adjustments		2,144.89	4,385.22
Excess Depreciation written back in respect of earlier years, pursuant to change in accouting policy (net of Tax Rs. 1,023.12 Lac) (Refer Note 12)		1,986.69	-
Tax Adjustments of Earlier Years (Net)		(82.79)	(660.46)
Net Profit		4,048.79	3,724.76
Balance brought forward from previous year		8,073.88	6,769.31
Balance available for Appropriation		12,122.67	10,494.07
Proposed Dividend		1,213.89	1,213.89
Provision For Dividend Tax		201.61	206.30
Transferred To General Reserve		1,000.00	1,000.00
Balance carried to Balance Sheet		9,707.17	8,073.88
		12,122.67	10,494.07
Weighted average number of Equity Shares Outstanding during the year		101,157,682	101,157,682
Basic and diluted earnings per share of Rs. 2 each before Excess Depreciation written back (in Rupees)		2.04	3.68
Basic and diluted earnings per share of Rs. 2 each after Excess Depreciation written back (in Rupees)		4.00	3.68
Notes forming part of Accounts	U		

As per our report of even date
For **DALAL & SHAH**
Firm Registration No. 102021W
Chartered Accountants

For and on behalf of the Board

P. K. Khurana
Chairman & Managing Director

S. Venkatesh
Partner
Membership No. 037942
Mumbai
26th May, 2010

Chanda Makhija Thadani
Company Secretary

J. Sivakumar
Chief Financial Officer

P. M. Samvatsar
Whole - Time Director

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2010

	As at 31.03.2010 (Rs. in Lac)	As at 31.03.2009 (Rs. in Lac)
SCHEDULE - 'A'		
Share Capital		
Authorised		
125,000,000 Equity Shares of Rs. 2 each	**2,500.00**	2,500.00
Issued, Subscribed and Paid up		
101,157,682 Equity Shares of Rs. 2 each fully paid up	**2,023.15**	2,023.15
[Includes 20,000,000 fully paid up bonus shares issued by capitalisation of revaluation reserve (on 25.08.1994) and 38,737,500 shares by capitalisation of General Reserve, in earlier years]	**2,023.15**	2,023.15
SCHEDULE - 'B'		
Reserves and Surplus		
Capital Reserve	**1,015.22**	1,015.22
General Reserve		
As per last Balance Sheet	**5,491.00**	4,491.00
Add: Transferred from Profit and Loss Account	**1,000.00**	1,000.00
	6,491.00	5,491.00
Securities Premium Account		
As per last Balance Sheet	**25,278.57**	25,275.18
Add: FCCB Issue Expenses Written Back (Net of Tax Rs. Nil, 31.03.2009 Rs. 1.75 Lac)	**–**	3.39
	25,278.57	25,278.57
Hedging Reserve Account (Refer Note 21)	**(2,589.95)**	(2,589.95)
Add: Addition during the year	**1,949.80**	–
	(640.15)	(2,589.95)
Surplus in Profit and Loss Account	**9,707.17**	8,073.88
	41,851.81	37,268.72
SCHEDULE - 'C'		
Secured Loans (Refer Note 1)		
From Banks		
- Term Loan	**4,514.00**	6,275.79
- Interest Accrued and Due on Term Loan	**–**	15.39
- Working Capital Facilities	**1,811.49**	3,539.00
- Vehicle Loan	**–**	1.88
	6,325.49	9,832.06
SCHEDULE - 'D'		
Unsecured Loans		
Sales Tax Deferment Loan	**1,576.13**	1,352.38
Foreign Currency Convertible Bonds (Refer Note 5)	**15,799.00**	17,832.50
Short Term Loans from Banks		
- Packing Credit	**–**	1,401.13
- Overdraft Facilities	**–**	1,139.96
- Buyers Credit	**7,019.77**	1,980.32
	24,394.90	23,706.29

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2010

SCHEDULE - 'E'
Fixed Assets

(Rs. in Lac)

Particulars	Gross Block (At Cost / Book Value)				Depreciation / Amortisation				Net Block	
	Balance as at 01.04.2009	Additions/ Adjustments	Deductions/ Adjustments	Balance as at 31.03.2010	Upto 31.03.2009	For the Year	Deductions/ Adjustments	Upto 31.03.2010	As at 31.03.2010	As at 31.03.2009
A. Assets										
Freehold Land	451.69	7.63	–	**459.32**	–	–	–	**–**	**459.32**	451.69
Leasehold Land*	266.97	–	–	**266.97**	90.75	1.29	(64.08)	**156.12**	**110.85**	176.22
Buildings@	6,180.59	78.20	–	**6,258.79**	1,680.21	143.36	477.68	**1,345.89**	**4,912.90**	4,500.38
Electrical Installation	431.20	247.97	–	**679.17**	175.69	19.40	64.76	**130.33**	**548.84**	255.51
Plant and Machinery	13,511.48	3,762.09	189.40	**17,084.17**	7,456.96	1,128.37	2,408.89	**6,176.44**	**10,907.73**	6,054.52
Windmills	1,456.74	–	–	**1,456.74**	311.20	76.92	198.53	**189.59**	**1,267.15**	1,145.54
Vehicles	203.24	40.41	–	**243.65**	90.72	19.74	46.68	**63.78**	**179.87**	112.52
Office Equipments	113.30	9.43	1.04	**121.69**	41.12	5.58	18.93	**27.77**	**93.92**	72.18
Furnitures and Fixtures	217.96	11.29	–	**229.25**	92.42	20.38	10.43	**102.37**	**126.88**	125.54
Computers	95.19	15.58	–	**110.77**	67.49	11.16	15.65	**63.00**	**47.77**	27.70
Gas Cylinders	220.91	–	208.47	**12.44**	220.91	–	208.47	**12.44**	**–**	–
Cylinders given on Lease	5.65	70.83	–	**76.48**	4.18	2.80	1.96	**5.02**	**71.46**	1.47
As Per Balance Sheet	**23,154.92**	**4,243.43**	**398.91**	**26,999.44**	**10,231.65**	**1,429.00**	**3,387.90#**	**8,272.75**	**18,726.69**	**12,923.27**
Previous Year Total	**18,021.52**	**5,208.21**	**74.81**	**23,154.92**	**8,034.11**	**2,264.75**	**67.75**	**10,231.65**	**12,923.27**	**–**
B. Capital Work In Progress									**15,774.78**	**15,779.56**

Notes:

* Execution of lease deed for land acquired at Tarapur Plant (Rs. 111.42 Lac) is pending.

@ Includes Rs. 750/- (Previous Year Rs. 750/-) paid for shares acquired in co-operative societies.

\# Excess depreciation written back on account of change in method of depreciation Rs. 3,009.81 Lac (Previous Year Rs. Nil) (Refer Note 12).

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2010

SCHEDULE - 'F'	Face Value	Nos. As at 31.03.2010	As at 31.03.2010 (Rs. in Lac)	Nos. As at 31.03.2009	As at 31.03.2009 (Rs. in Lac)
Investments					
A. Long Term Investment (At cost):					
Unquoted, Fully paid up Equity Shares					
a) In Subsidiary Companies					
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.	USD 1	**16,670,000**	**6,925.07**	16,670,000	6,925.07
Calcutta Compressions & Liquefaction Engineering Limited	Rs. 10	**1,606,950**	**238.88**		-
			9,281.34		9,042.46
b) In Other Body Corporates (Non-Trade)					
Everest Kanto Investment & Finance Pvt. Ltd. (Formerly Everest Kanto Investment & Finance Ltd.)	10	**115,000**	**39.10**	92,000	9.20
GPT Steel Industries Pvt. Ltd. (Refer Note 22)	10	**2,000,000**	**200.00**	2,000,000	200.00
			239.10		209.20
			9,520.44		9,251.66
B. Current Investments (At lower of cost and fair value)					
Non-Trade, Unquoted					
Investments in Mutual Funds Units, fully paid up					
Kotak Floaters Short Term Fund - Dividend Option (NAV Rs. 0.29 Lac, NAV Previous Year Rs. 0.28 Lac)	10	**2,906.10**	**0.29**	2,820.99	0.28
LICMF Liquid Fund - Dividend Plan (NAV Rs. 1.10 Lac, NAV Previous Year Rs. 1.06 Lac)	10	**9,984.47**	**1.10**	9,619.59	1.06
UTI Money Market Fund - Dividend Plan (NAV Rs. 1.79 Lac, NAV Previous Year Rs. 1.73 Lac)	1000 (previous year 10)	**97.21**	**1.79**	9,476.99	1.73
UTI Treasury Advantage Fund - Institutional Plan Daily Dividend Option (NAV Rs. 0.64 Lac, NAV Previous Year Rs. Nil)	1000	**63.74**	**0.64**	-	-
UTI Money Market Mutual Fund - Institution Growth Plan (NAV Rs. 0.12 Lac, NAV Previous Year Rs. Nil)	1000	**11.33**	0.12	-	-
UTI Liquid Cash Plan Institutional Daily Income Option - Dividend Plan (Re - Investment) (NAV Rs. 206.18 Lac, NAV Previous Year Rs. 19.74 Lac)	1000	**20,224.68**	**206.18**	1,936.30	19.74
			210.12		22.81
			9,730.56		9,274.47

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

Mutual Fund Units	**Nos.**	**Purchase Value (Rs. in Lac)**
UTI Liquid Cash Plan Institutional Daily Income Option - Dividend Plan (Re - Investment)	**134,386.76**	1,370.00
UTI Money Market Mutual Fund - Institutional Growth Plan	**24,301.72**	250.00
UTI Treasury Advantage Fund - Daily Dividend Option - Reinvestment	**99,978.60**	1,000.00

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2010

	As at 31.03.2010 (Rs. in Lac)	As at 31.03.2009 (Rs. in Lac)
SCHEDULE - 'G'		
Inventories		
(at lower of cost or net realisable value)		
Stores, Spares, etc.	44.93	33.60
Stock in Trade:		
- Raw Materials	12,238.78	17,540.87
- Work In Progress	7,126.07	3,859.53
- Finished Goods	1,590.40	2,145.37
- Goods for Trade	12.54	-
Stock in Transit (at Cost to date)	-	736.25
	21,012.72	24,315.62
SCHEDULE - 'H'		
Sundry Debtors		
(Unsecured, Considered Good)		
Debts outstanding for a period exceeding six months	370.85	503.95
Other Debts	6,476.62	4,184.24
[Includes Rs. 40.51 Lac due from Subsidiaries (31.03.2009 Rs. 336.11 Lac)]	6,847.47	4,688.19
SCHEDULE - 'I'		
Cash and Bank Balances		
Cash on hand (Including Cheques on hand Rs. Nil, 31.03.2009 Rs. 34.52 Lac)	28.78	57.49
Bank balances with Scheduled Banks		
- In Current Accounts	454.61	55.59
- In Unclaimed Dividend Account	3.26	2.16
- In Fixed Deposits (Includes Deposits as security against Bank Guarantees/ Letters of Credit Rs. 309.16 Lac, 31.03.2009 Rs. 336.05 Lac)	309.16	840.88
- Interest accrued on fixed deposits	13.81	54.83
Bank balances in Current Account with Non-Scheduled Banks (Refer Note 20)	22.99	538.39
	832.61	1,549.34
SCHEDULE - 'J'		
Other Current Assets		
Interest receivable from Subsidiaries	435.73	521.33
Interest receivable - Others	4.12	20.02
Other Receivables (Includes Rs. Nil receivable from Subsidiary, 31.03.2009 Rs. 29.30 Lac)	403.06	158.92
	842.91	700.27
SCHEDULE - 'K'		
Loans and Advances		
(Unsecured, Considered Good)		
Loans to Subsidiaries	7,193.65	12,456.99
Inter Corporate Deposits	200.00	525.00
Deposits [Includes Rs. 1,120.00 Lac (31.03.2009 Rs. 948.51 Lac) to private companies in which directors are directors / members]	1,935.30	1,580.67
Advances recoverable in cash or in kind or for value to be received [Includes Rs. 377.90 Lac (31.03.2009 Rs. Nil) from a subsidiary]	3,855.57	2,677.77
Advance Tax and Taxes Deducted At Source (Net of Provision for Taxes Rs. 7,565.54 Lac, 31.03.2009 Rs. 9,580 Lac)	742.54	434.49
	13,927.06	17,674.92

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2010

	As at 31.03.2010 (Rs. in Lac)	As at 31.03.2009 (Rs. in Lac)
SCHEDULE - 'L'		
Current Liabilities		
Sundry Creditors (*)		
[Including Due to Subsidiary Rs. 2,137.38 Lac,		
31.03.2009 Rs. 3,093.49 Lac] (Refer Note 3)	**9,263.17**	11,656.66
Advances from Customers	**637.53**	763.17
Other Liabilities	**161.44**	330.25
Unclaimed Dividend	**3.26**	2.16
Interest Accrued but not due	**35.16**	36.35
(*) (Includes dues to Directors Rs. 159.29 Lac, 31.03.2009 Rs. 209.70 Lac)		
	10,100.56	12,788.59
SCHEDULE - 'M'		
Provisions		
Provision For Taxation (Wealth Tax)	**2.00**	1.50
(Net of Tax Rs. Nil, 31.03.2009 Rs. 1.50 Lac)		
Proposed Dividend	**1,213.89**	1,213.89
Tax On Dividend	**201.61**	206.30
Provision For Employee Benefits	**165.83**	99.83
	1,583.33	1,521.52

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

	Year Ended 31.03.2010 (Rs. in Lac)	Year Ended 31.03.2009 (Rs. in Lac)
SCHEDULE - 'N'		
Other Income		
Interest (Gross, Tax Deducted at Source Rs. 11.02 Lac,		
Previous Year Rs. 69.94 Lac)		
- On Loans / Inter Corporate Deposits	**360.20**	1,064.99
- On Fixed Deposits	**16.99**	21.71
- Others	**22.51**	10.32
Scrap Sales	**176.72**	238.76
Dividend on Current Investments (Non-Trade)	**2.31**	2.42
Insurance Claim Received	**10.31**	13.37
Miscellaneous Income	**242.31**	61.34
Commission	**53.97**	56.54
Export Incentives	**14.93**	-
Profit on sale of Current Investments (Non-Trade)	**-**	116.88
Credit balances appropriated	**0.17**	-
Surplus on Sale of Fixed Assets	**38.94**	42.68
	939.36	1,629.01
SCHEDULE - 'O'		
Raw Materials and Components Consumed		
Opening Stock	**17,540.87**	11,943.28
Add: Purchases	**22,724.14**	26,607.75
	40,265.01	38,551.03
Less: Closing Stock	**12,238.78**	17,540.87
	28,026.23	21,010.16

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

	Year Ended 31.03.2010 (Rs. in Lac)	Year Ended 31.03.2009 (Rs. in Lac)
SCHEDULE - 'P'		
(Increase) / Decrease In Stocks		
Opening Stocks:		
Finished Goods	2,145.37	420.44
Work in Progress	3,859.53	2,863.46
Goods for Trade	-	115.20
	6,004.90	3,399.10
Closing Stocks:		
Finished Goods	1,590.40	2,145.37
Work in Progress	7,126.07	3,859.53
Goods for Trade	12.54	-
	8,729.01	6,004.90
	(2,724.11)	(2,605.80)
Add: Variation in Excise Duty on Finished Goods Stocks	8.15	165.86
	(2,715.96)	(2,439.94)
SCHEDULE - 'Q'		
Manufacturing Expenses		
Stores , Spares, etc.	725.44	839.02
Power	724.39	733.08
Fuel and Gas	1,445.72	1,536.44
Repairs and Maintenance		
- Building	51.86	186.03
- Plant and Machinery	52.96	81.72
- Others	31.11	24.67
Other Expenses	260.12	437.08
	3,291.60	3,838.04
SCHEDULE - 'R'		
Personnel Expenses		
Salary, Wages and Other benefits	1,839.56	1,576.58
Contribution to Provident Fund and Other Funds	178.05	94.00
Staff Welfare Expenses	59.48	60.21
	2,077.09	1,730.79
SCHEDULE - 'S'		
Administrative, Sales and Other Expenses		
Insurance	94.12	101.38
Rent	130.01	104.09
Rates and Taxes	16.58	18.04
Directors' Sitting Fees and Commission	39.20	38.50
Legal and Professional Fees	145.63	135.85
Loss on Assets Sold / Discarded	8.88	-
Advertisement and Sales Promotion	69.27	77.16
Commission	78.99	259.77
Sundry Expenses	661.32	411.51
Carriage and Freight	376.63	277.70
Contribution to Charitable Funds	10.41	25.00
Debit balances written off	-	12.54
Excise Duty paid	22.19	22.74
Bank Charges and Commission	209.54	302.52
	1,862.77	1,786.80
SCHEDULE - 'T'		
Finance Charges		
Interest on Term Loans	6.87	38.08
Interest on Working Capital / Short Term Loans	284.29	513.82
Interest - Others	21.04	1.94
Net of Rs. 284.96 Lac (Previous Year Rs. 58.85 Lac) Capitalised		
	312.20	553.84

SCEHDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2010

SCHEDULE - 'U'
Notes forming part of the Accounts

1. Loan Funds:

(a) External Commercial Borrowing from DBS Bank is to be secured by first charge on the specific fixed assets of Kandla SEZ and till such time is guaranteed by a director.

(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. The borrowings are guaranteed by Directors and their relatives.

2. Contingent liabilities not provided for in respect of:

	As at 31.03.2010 (Rs. in Lac)	As at 31.03.2009 (Rs. in Lac)
(a) Disputed Tax and other Matters		
Lease Tax	**16.34**	16.34
Wealth Tax	**-**	0.23
Claims not acknowledged as debts	**1.74**	1.77

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) Corporate Guarantees given on behalf of subsidiaries and step down subsidiaries.	**36,112.00**	43,307.50
(Amounts outstanding there against)	**19,247.55**	28,380.95

3. (a) Sundry Creditors in Schedule 'L' to the Accounts include (i) Rs. 36.31 Lac (Rs. 2.05 Lac as at 31.03.2009) due to micro and small enterprises registered under the Micro, Small and Medium Enterprises Development Act, 2006 (MSME) and (ii) Rs. 9,226.86 Lac (Rs. 11,654.61 Lac as at 31.03.2009) due to other creditors.

(b) No interest is paid / payable during the year to any enterprise registered under MSME.

(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.

	As at 31.03.2010 (Rs. in Lac)	As at 31.03.2009 (Rs. in Lac)
Estimated amount of contracts remaining to be executed on Capital Account and not provided for (net of advances)	**1,249.43**	4,058.94

5. During an earlier year, the Company had raised a sum of USD 35 Million by issue of Zero Coupon Foreign Currency Convertible Bonds (FCCB) which are 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, upto seven days prior to maturity, at a fixed conversion price, which has been reset w.e.f. 9th October, 2008 to Rs. 271.32 per share with a fixed rate of Rs. 39.84 to USD 1 (i.e. a conversion ratio of 14,684.0103 shares per bond).

(ii) 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% of the bonds originally issued.

(iii) 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.

(iv) Bonds outstanding on the maturity date will be redeemed at 142.8010% of the principal amount.

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 31.03.2010	As at 31.03.2009
(a) Derivative instruments outstanding:	Foreign Currency	
- US Dollar Currency Option (Exports)	**16,325,000**	27,250,000
- JPY Swap to USD (Loan Borrowed)	**942,000,000**	942,000,000

(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	**3,664,215**	898,706
Creditors / Payables - US Dollars	**11,525,405**	8,465,699
Creditors - Euro	**71,900**	2,108,738
Creditors - AED	**1,274,388**	2,174,036
Advances to Suppliers / Others - USD	**156,070**	2,415,679
Advances to Suppliers / Others - Euro	**3,376,731**	3,009,300
Advance received from Customers - USD	**55,595**	377,907
Loans given - USD	**15,936,260**	24,449,450
Loans Borrowed - USD*	**64,551,119**	56,486,758
Loans Borrowed - AED	**-**	13,244
Other Receivables - USD	**965,293**	1,080,711
Bank Balances - USD	**80,352**	1,066,446
Cash & Bank Balances - AED	**86,738**	106,106
Interest Payable - USD	**105,513**	71,337

* Includes swap from JPY to USD.

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

	2009-10 (Rs. in Lac)	2008-09 (Rs. in Lac)
Salary, allowances, etc.	**143.95**	100.30
Contribution to Provident and other funds	**14.14**	10.56
Other Perquisites	**35.71**	28.68
Commission	**110.94**	169.93
	304.74	309.47

The employee wise break - up of benefits, calculations of which are based on actuarial valuations are not ascertainable. The amounts relatable 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.

	2009-10 (Rs. in Lac)	2008-09 (Rs. in Lac)
Profit before Tax - As per Profit and Loss Account	**3,354.02**	5,785.54
Add: Managerial Remuneration Paid / Provided	**304.74**	309.47
Directors' sitting fees and Commission	**39.20**	38.50
	343.94	347.97
	3,697.96	6,133.51
Less: Profit on Sale of Investments	**-**	116.88
Surplus on Sale of Assets (as per Section 349)	**-**	20.08
	-	136.96
Net Profit in accordance with Section 198(1) / 349	**3,697.96**	5,996.55
Commission to Managing Director @ 2% of said profit	**73.96**	119.93
Commission to Whole Time Directors @ 1% of said profit maximum commission restricted to	**36.98**	50.00
Commission to Independent Directors @ 1% of said profit maximum commission restricted to	**30.00**	30.00

8. Auditors' Remuneration:

(i)	Audit Fees (includes Branch Auditor Fees Rs. 0.50 Lac; Previous Year Rs. 0.50 Lac)	**10.50**	10.50
(ii)	Tax Audit Fees	**3.00**	2.00
(iii)	Other Services	**7.70**	5.67
(iv)	Reimbursement of Expenses	**-**	0.39
	TOTAL	**21.20**	18.56

9. A. Value of Imports calculated on CIF basis in respect of:

		2009-10 (Rs. in Lac)	2008-09 (Rs. in Lac)
(i)	Raw Materials and Components	**18,624.26**	23,153.48
(ii)	Stores, Spares, etc.	**3.41**	9.80
(iii)	Capital Goods	**2,317.84**	7,906.12

B. Expenditure in Foreign Currency including expenses capitalised

		2009-10 (Rs. in Lac)	2008-09 (Rs. in Lac)
(i)	Traveling	**46.40**	35.22
(ii)	Commission	**68.89**	191.44
(iii)	Interest	**411.81**	246.35
(v)	Others	**62.96**	40.26

10. Earnings in Foreign Currency:

		2009-10 (Rs. in Lac)	2008-09 (Rs. in Lac)
(i)	Export of goods calculated on FOB Basis	**5,409.14**	11,118.41
(ii)	Commission for Bank Guarantee	**53.97**	56.54
(iii)	Interest on loans given	**310.02**	781.40
(iv)	Others	**-**	5.53

11. Assets taken on operating lease:

	As at 31.03.2010 (Rs. in Lac)	As at 31.03.2009 (Rs. in Lac)
The total future minimum lease rentals payable at the Balance Sheet date are as under:		
For a period not later than one year	**173.22**	130.05
For a period later than one year and not later than five years	**222.68**	86.42
For a period later than five years	**-**	-
Assets given on operating lease:		
(i) Cylinders:		
Gross Carrying Amount	**76.48**	5.65
Depreciation for the year	**2.80**	0.97
Accumulated Depreciation	**5.02**	4.18
(ii) The total future minimum lease rentals receivable at the Balance Sheet date are as under:		
For a period not later than oneyear	**16.08**	-
For a period later than one year and not later than five years	**57.68**	-
For a period later than five years	**-**	-

12. The Company, during the year, has changed its method of providing for depreciation on fixed assets, from the existing Written Down Value (WDV) method to Straight Line Method (SLM). This change would enable the Company to make a more appropriate allocation of depreciation so as to charge a fair proportion of the depreciable amount in each accounting year during the expected useful and economical life of the assets. Consequently, the said change would also result in more accurate presentation of carrying value of fixed assets at the balance sheet date.

Accordingly, depreciation has been recalculated in accordance with SLM from the date the assets were put to use and the surplus of Rs. 1,986.69 Lac (net of tax) in respect of earlier years has been credited to the Profit and Loss Account. Consequent to such change in the method, the depreciation charge for the year is lower by Rs. 1,175.58 Lac and the profit for the year is higher by the said amount and the reserves and surplus is higher by Rs. 2,771.77 Lac.

13. Computation of profit for Earnings per Share:

	2009-2010 (Rs. in Lac)	2008-2009 (Rs. in Lac)
Profit for the year	**2,144.89**	4,385.22
(Less): Tax Adjustments for earlier years (net)	**(82.79)**	(660.46)
Net Earnings Before Excess Depreciation written back	**2,062.10**	3,724.76
Add/(Less) : Excess Depreciation written back (net to tax)	**1,986.69**	-
Net Earnings After Excess Depreciation written back	**4,048.79**	3,724.76
Weighted Average No. of Equity Shares	**101,157,682**	101,157,682
Nominal Value per share (in Rupees)	**2.00**	2.00
Basic and Diluted Earnings Per Share (in Rupees) before Excess Depreciation written back	**2.04**	3.68
Basic and Diluted Earnings Per Share (in Rupees) after Excess Depreciation written back	**4.00**	3.68

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

14. Deferred Tax:

(Rs. in Lac)

	As at 31.03.2010	As at 31.03.2009	As at 31.03.2008
Deferred Tax Liability on account of :			
Depreciation	**2,231.60**	757.62	771.60
Deferred Tax Asset on account of:			
Taxes and Duties on Inventories	**492.64**	645.19	-
Shares / FCCB Issue Expenses	**237.95**	279.17	293.51
Employee Benefits	**85.45**	62.85	25.05
Others	**-**	5.10	1.80
	816.04	992.31	320.36
Deferred Tax Liability / (Asset) (net)	**1,415.56**	(234.69)	451.24

15. Related parties disclosures:

1. Relationships:

a) Subsidiary Companies:

EKC Industries (Tianjin) Co. Limited, China

EKC International FZE, UAE

Calcutta Compressions & Liquefaction Engineering Limited (CC&L)

(b) Step Down Subsidiary Companies:

EKC Hungary Kft, Hungary

CP Industries Holdings, Inc., USA

(c) Other related parties where control exists:

Everest Kanto Investment and Finance Pvt. Ltd.

Khurana Gases Pvt. Ltd.

Medical Engineers (India) Ltd. (MEIL)

Khurana Fabrication Industries Pvt. Ltd.

Khurana Exports Pvt. Ltd.

Everest Industrial Gases Pvt. Ltd.

Khurana Charitable Trust

Khurana Education Trust

G.N.M.Realtors Pvt. Ltd.

Ukay Valves & Founders Pvt. Ltd.

(d) Key Management Personnel:

Mr. Prem Kumar Khurana

Mr. Puneet Khurana

Mr. Pramod Samvatsar

(e) 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 Lac)

Nature of Transactions	Related parties referred in				
	1 (a) above	1 (b) above	1 (c) above	1 (d) above	1 (e) above
Sales:					
Goods - EKC International FZE	1,564.70 (3,340.54)	- (-)	- (-)	- (-)	- (-)
Others	125.25 (143.66)	- (-)	759.95 (583.36)	- (-)	- (-)
Purchases:					
Raw materials and components - EKC International FZE	1,296.40 (377.89)	- (-)	- (-)	- (-)	- (-)
Raw materials and components – MEIL	- (-)	- (-)	2489.84 (1,353.40)	- (-)	- (-)
Others	- (-)	352.84 (-)	- (-)	- (-)	- (-)
Consumables	107.79 (12.98)	- (-)	25.61 (34.24)	- (-)	- (-)
Expenses / Payments:					
Remuneration	- (-)	- (-)	- (-)	304.74 (309.47)	- (-)
Commission	3.50 (157.65)	- (-)	- (-)	- (-)	- (-)
Rent					
Everest Industrial Gases Private Limited	- (-)	- (-)	24.00 (28.63)	- (-)	- (-)
Khurana Fabrication Industries Private Limited	- (-)	- (-)	19.42 (19.22)	- (-)	- (-)
Everest Kanto Investment and Finance Private Limited	- (-)	- (-)	13.50 (20.22)	- (-)	- (-)
Khurana Exports Private Limited	- (-)	- (-)	33.30 (32.47)	- (-)	- (-)
Others	- (-)	- (-)	22.76 (0.22)	3.00 (6.00)	6.00 (-)
Contribution to Charitable Funds					
Khurana Charitable Trust	- (-)	- (-)	10.00 (25.00)	- (-)	- (-)
Other Expenses	- (-)	- (-)	32.10 (16.20)	12.75 (-)	- (-)
Reimbursement of expenses	- (-)	- (2.34)	- (-)	- (0.11)	- (-)
Finance and Investments:					
Commission Income - EKC International FZE	53.97 (56.54)	- (-)	- (-)	- (-)	- (-)
Interest from Subsidiaries - EKC International FZE	128.35 (532.89)	- (-)	- (-)	- (-)	- (-)
Interest from Subsidiaries- EKC Industries (Tianjin) Co. Ltd., China	181.68 (248.51)	- (-)	- (-)	- (-)	- (-)
Interest received – CC&L	17.03 (-)	- (-)	- (-)	- (-)	- (-)
Investments through rights issue of equity shares of Everest Kanto Investment & Finance Private Limited	- (-)	- (-)	29.90 (-)	- (-)	- (-)
Loans given					
EKC International FZE	- (2,765.84)	- (-)	- (-)	- (-)	- (-)
EKC Industries (Tianjin) Co. Ltd.	- (2,140.09)	- (-)	- (-)	- (-)	- (-)
Loan repayments received EKC International FZE	4,197.54 (-)	- (-)	- (-)	- (-)	- (-)

(Rs. in Lac)

Nature of Transactions	Related parties referred in				
	1 (a) above	1 (b) above	1 (c) above	1 (d) above	1 (e) above
Corporate Guarantees given on behalf of subsidiaries					
EKC International FZE	- (5,604.50)	- (-)	- (-)	- (-)	- (-)
EKC Industries (Tianjin) Co. Ltd.	960.90 (1,019.00)	- (-)	- (-)	- (-)	- (-)
CP Industries Holdings, Inc.	- (-)	- (17,832.50)	- (-)	- (-)	- (-)
EKC Hungary Kft	- (-)	- (5,095.00)	- (-)	- (-)	- (-)
Guarantees given for borrowings by the Company	- (-)	- (-)	- (-)	- (5,095.00)	- (-)
Guarantee cancelled – EKC International FZE	3,363.15 (-)	- (-)	- (-)	- (-)	- (-)
Outstandings : #					
Payables -					
EKC International FZE	2,135.30 (3,091.15)	- (-)	- (-)	- (-)	- (-)
CP Industries Holdings, Inc.	- (-)	2.08 (2.34)	- (-)	- (-)	- (-)
Others	- (-)	- (-)	642.23 (107.98)	129.29 (179.70)	5.40 (-)
Loans given					
EKC International FZE	3,560.13 (8,355.80)	- (-)	- (-)	- (-)	- (-)
EKC Industries (Tianjin) Co. Ltd.	3,633.52 (4,101.19)	- (-)	- (-)	- (-)	- (-)
Other Receivables					
EKC International FZE	18.16 (429.96)	- (-)	- (-)	- (-)	- (-)
EKC Industries (Tianjin) Co. Ltd.	458.08 (456.78)	- (-)	- (-)	- (-)	- (-)
Everest Industrial Gases Private Ltd.	- (-)	- (-)	300.00 (300.00)	- (-)	- (-)
Everest Kanto Investment & Finance Private Limited	- (-)	- (-)	200.00 (200.00)	- (-)	- (-)
Khurana Exports Private Ltd.	- (-)	- (-)	320.00 (330.00)	- (-)	- (-)
G.N.M.Realtors Pvt. Ltd.	- (-)	- (-)	- (300.00)	- (-)	- (-)
Khurana Gases Pvt. Ltd.	- (-)	- (-)	300.00 (-)	- (-)	- (-)
Others	377.90 (-)	- (-)	81.17 (18.51)	- (-)	20.00 (20.00)
Guarantees given for borrowings by the Company@	- (-)	- (-)	- (-)	4514.00 (5095.00)	- (-)
	- (-)	- (-)	- (-)	1,811.49 (Jointly) (4,701.98) (Jointly)	
Corporate Guarantees given on behalf of subsidiaries@					
EKC International FZE	937.63 (3,415.45)	- (-)	- (-)	- (-)	- (-)
EKC Industries (Tianjin) Co. Ltd.	2,708.40 (2,038.00)	- (-)	- (-)	- (-)	- (-)
CP Industries Holdings, Inc.	- (-)	12,836.69 (17,832.50)	- (-)	- (-)	- (-)
EKC Hungary Kft	- (-)	3,667.63 (5,095.00)	- (-)	- (-)	- (-)

Foreign currency balances are restated at year end rates.

@ To the extent of amounts outstanding there against. (Previous year figures are in brackets).

16. A. Capacity and Production (Annual Capacity)

Particulars	As at 31.03.2010		2009-2010	As at 31.03.2009		2008-2009
	Licenced / Registered	Installed	Actual Production	Licenced / Registered	Installed	Actual Production
Seamless Gas Cylinders - Nos	612,000	612,000	486,414	610,000	610,000	470,178

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 31st March	Opening Stock Nos.	Value (Rs. in Lac)	Sales Nos.	Value (Rs. in Lac)	Closing Stock Nos.	Value (Rs. in Lac)
Seamless Gas Cylinders	2010	31,253	2,145.37	472,763	34,245.31	44,904	1,590.40
Seamless Gas Cylinders	2009	9,782	420.44	448,707	34,809.15	31,253	2,145.37

'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 Consumed

Particulars	2009 – 2010		2008 – 2009	
	Quantity Metric Tonnes	Value (Rs. in Lac)	Quantity Metric Tonnes	Value (Rs. in Lac)
Seamless Tubes with Incidental Costs	26,765.73	25,675.56	22,565.99	19,179.68
Others	-	2,350.67	-	1,830.48
TOTAL	**26,765.73**	**28,026.23**	22,565.99	21,010.16

D. Details of Imported and Indigenous Raw Materials and Components

Particulars	2009 – 2010		2008 – 2009	
	%	Value (Rs. in Lac)	%	Value (Rs. in Lac)
Imported	93.55	26,219.48	93.74	19,695.15
Indigenous	6.45	1,806.75	6.26	1,315.01
TOTAL	**100.00**	**28,026.23**	100.00	21,010.16

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

Particulars	2009 – 2010		2008 – 2009	
	%	Value (Rs. in Lac)	%	Value (Rs. in Lac)
Imported	0.47	3.40	1.17	9.80
Indigenous	99.53	722.04	98.83	829.22
Total	**100.00**	**725.44**	100.00	839.02

17. Bonds / Undertakings given by the Company under concessional duty / exemption schemes to government authorities (net of obligations fulfilled) aggregate Rs. 5,874.44 Lac as at the close of the year (31.03.2009 Rs. 3,104.65 Lac).

18. In accordance with Accounting Standard (AS) 15 - "Employee Benefits", an amount of Rs. 99.53 Lac (Previous Year Rs. 79.85 Lac) 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:

(Rs. in Lac)

Particulars	2009-10	2008-09	2007-08
Change in present value of obligation:			
Obligation at beginning of the year	110.91	96.69	78.29
Current Service Cost	44.07	11.26	8.62
Interest Cost	10.96	7.73	5.87
Actuarial (gain)/loss	20.14	5.38	6.20
Benefits paid	(8.09)	(10.15)	(2.29)
Obligation at the end of the year	177.99	110.91	96.69
Change in Plan assets (Managed by LIC):			
Fair value of Plan Assets at beginning of the year	121.08	93.67	80.17
Expected return on plan assets	9.08	8.58	7.46
Actuarial gain / (loss)	2.26	Nil	Nil
Contributions	20.52	28.98	8.33
Benefits paid	(8.09)	(10.15)	(2.29)
Fair Value of plan assets at end of the year	144.85	121.08	93.67
Reconciliation of present value of the obligation and the fair value of plan assets and amounts recognized in the balance sheet:			
Present value of obligation at the end of the year	177.99	110.91	96.69
Fair Value of plan assets at the end of the year	144.85	121.08	93.67
Net (Asset) / Liability recognized in the balance sheet	33.14	(10.17)	3.02
Gratuity cost recognised for the year:			
Current Service Cost	44.07	11.26	8.62
Interest Cost	10.96	7.73	5.87
Expected return on plan assets	(9.08)	(8.58)	(7.46)
Actuarial (gain) / loss	17.88	5.38	6.20
Net gratuity cost	63.83	15.79	13.23
Assumptions:			
Interest rate	7.75%	8%	8%
Rate of growth in salary levels*	6%	4%	4%

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

19. Loans and advances in the nature of loans.

(Rs. in Lac)

Name of Company	As at 31.03.2010	Maximum balance 2009-2010	As at 31.03.2009	Maximum balance 2008-2009
EKC International FZE*	**3,560.13**	8,355.80	8,355.80	9,405.78
EKC Industries (Tianjin) Co. Ltd.*	**3,633.52**	4,101.19	4,101.19	4,101.19
Ackruti City Limited$	**200.00**	500.00	500.00	1,500.00

* Wholly owned subsidiaries.

$ Company in which a director is interested.

Shareholding by loanees - Nil

20. Bank Balances in current accounts with Non - Scheduled Banks.

(Rs. in Lac)

Name of Bank	As at 31.03.2010	Maximum balance 2009 - 2010	As at 31.03.2009	Maximum balance 2008 - 2009
National Bank of Fujairah, UAE	**1.59**	4.40	4.40	4.62
Standard Chartered Bank, UAE	**0.52**	2.18	0.74	28.72
Standard Chartered Bank, UAE	**0.03**	122.67	0.05	214.47
Citibank NA, London	**20.85**	533.20	533.20	4,946.67

21. In respect of currency options contracts entered into, to hedge highly probable forecast export transactions, the Company has followed the principles set out in Accounting Standard - 30 - Financial Instruments: Recognition and Measurement issued by the Institute of Chartered Accountants of India. Consequently, such exchange variations are accumulated in hedging reserve and recognized in the Profit and Loss Account only on completion of the transaction. Accordingly, debit balance in the Hedging Reserve, as at 31st March, 2010, representing mark to market losses, in respect of contracts maturing upto December, 2012, stands at Rs. 640.15 Lac.

22. The Company has an investment of Rs. 200 Lac in 2,000,000 equity shares of GPT Steel Industries Private Limited (GPT). As per the latest audited financial statements of GPT, the net worth has eroded. However, as per information available with the Company, GPT continues to be a going concern

and has now embarked upon a revival plan. Considering the same and the intention of the management to hold this investment on a long term basis, no diminution in the value of the above investment is considered necessary, at present.

23. In accordance with Accounting Standard – 17 'Segment Reporting' segment information has been given in the consolidated financial statements of the Company, and therefore, no separate disclosure on Segment information is given in these financial statements.

24. Previous year figures have been regrouped / recast wherever necessary.

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 **DALAL & SHAH**
Firm Registration No. 102021W
Chartered Accountants

For and on behalf of the Board

P. K. Khurana
Chairman & Managing Director

S. Venkatesh	**Chanda Makhija Thadani**	**J. Sivakumar**	**P. M. Samvatsar**
Partner	**Company Secretary**	**Chief Financial Officer**	**Whole - Time Director**
Membership No. 037942			

Mumbai
26th May, 2010

Annexure I

SIGNIFICANT ACCOUNTING POLICIES:

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

The financial statements are prepared under the historical cost convention 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. **Recognition of Revenue and Expenditure:**

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 despatch of goods. Export Sales are generally accounted for on the basis of the dates of 'On Board Bill of Lading';

c. Export Benefits are recognised in the year of export;

d. Share 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. Exchange differences arising on other derivative contracts entered into to hedge foreign currency exposure on account of highly probable forecast transactions, are recognized and marked to market, in line with principles laid down in Accounting Standard 30 – Financial Instruments – Recognition and Measurement, issued by The Institute of Chartered Accountants of India, to the extent, no specific accounting treatment is prescribed under Company law or by any other regulatory authority. Accordingly, such gain or loss on effective hedges is carried forward under Hedging Reserve to be recognized in the Profit and Loss Account only in the year in which underlying transactions are complete. In the absence of a designation as effective hedge, the gain or loss is immediately recognized in the Profit and Loss Account.

e. 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:

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 and in the manner prescribed under Schedule XIV to the Companies Act, 1956, on the Straight Line Method. This is the changed accounting policy, to be followed here after. (Refer Note 12 in Schedule 'U')

iii. 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 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. 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.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

			Year Ended 31.03.2010 (Rs. in Lac)		Year Ended 31.03.2009 (Rs. in Lac)
A)	**CASH FLOW FROM OPERATING ACTIVITIES**				
	Net Profit for the year before taxation		**3,354.02**		5,785.54
	Add/ (Deduct):				
	(a) Depreciation / Amortisation for the year	**1,429.00**		2,264.75	
	(b) Foreign Exchange Variation (net)	**(724.25)**		1,765.54	
	(c) Loss on Assets Sold / Discarded	**8.88**		-	
	(d) Finance Charges	**312.20**		553.84	
	(e) Interest Income	**(399.70)**		(1,097.02)	
	(f) Dividend on Current Investments (Non - Trade)	**(2.31)**		(2.42)	
	(g) Profit on Sale of Current Investments (Non - Trade)	**-**		(116.88)	
	(h) Surplus on Sale of Fixed Assets	**(38.94)**		(42.68)	
			584.88		3,325.13
	Operating Cash Profit before Working Capital Changes		**3,938.90**		9,110.67
	(a) (Increase) / Decrease in Inventories	**3,302.90**		(7,661.77)	
	(b) (Increase) / Decrease in Sundry Debtors	**(2,159.28)**		1,106.50	
	(c) (Increase) in Other Receivables	**43.89**		(650.80)	
	(d) Increase in Trade and Other Payables	**(1,224.46)**		2,069.58	
			(36.95)		(5,136.49)
	Cash Inflow from Operations		**3,901.95**		3,974.18
	Deduct:				
	Direct Taxes Paid		**972.34**		2,366.35
	Net Cash Inflow in course of Operating activities (A)		**2,929.61**		1,607.83
B)	**CASH FLOW FROM INVESTING ACTIVITIES**				
	Inflow:				
	(a) Dividend on Current Investments (Non - Trade)	**2.31**		2.42	
	(b) Interest Income Received	**501.20**		695.53	
	(c) Sale of Current Investments	**2,620.00**		2,095.79	
	(d) Repayment of Inter Corporate Deposits given (net)	**325.00**		1,575.00	
	(e) Sale of Fixed Assets	**44.14**		47.69	
			3,492.65		4,416.43
	Outflow:				
	(a) Purchases of Current Investments	**2,837.21**		991.33	
	(b) Investment in Subsidiaries	**238.88**		-	
	(c) Fixed Loans repaid during the year (net)	1,539.92		-	
	(d) Loans given to Subsidiaries (net)	**-**		4,905.93	
	(e) Purchase of Fixed Assets (including capital advances)	**5,473.16**		13,097.04	
			10,089.17		18,994.30
	Net Cash (Outflow) in the course of Investing Activities (B)		**(6,596.52**		(14,577.87)

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

		Year Ended 31.03.2010 (Rs. in Lac)		Year Ended 31.03.2009 (Rs. in Lac)	
C)	**CASH FLOW FROM FINANCING ACTIVITIES**				
	Inflow:				
	(a) Working Capital / Short Term Loan availed during the year (net)	770.85		4,876.35	
	(b) Fixed Loans availed during the year (net)	-		5,796.98	
	(c) Loans repaid by Subsidiaries (net)	3,954.09		-	
	(d) Share / FCCB Issue Expenses Reversed	-		5.14	
			4,724.94		10,678.47
	Outflow:				
	(a) Interest paid on loans borrowed	328.78		516.45	
	(b) Dividend Paid	1,212.79		1,212.84	
	(c) Dividend Tax Paid	206.30		206.30	
			1,747.87		1,935.59
	Net Cash Inflow in the course of Financing activities (C)		2,977.07		8,742.88
	Net Increase / (Decrease) in Cash/Cash Equivalents (A+B+C)		(689.84)		(4,227.16)
	Add: Balance of Cash/Cash Equivalents at the beginning of the year		1,213.29		5,440.45
	Cash/Cash Equivalents at the close of the year		523.45		1,213.29
	Cash/Cash Equivalents at the close of the year				
	Cash and Bank Balances as per Schedule		832.61		1,549.34
	Less: Fixed Deposits given as securities		(309.16)		(336.05)
			523.45		1,213.29

As per our report of even date
For **DALAL & SHAH**
Firm Registration No. 102021W
Chartered Accountants

For and on behalf of the Board

P. K. Khurana
Chairman & Managing Director

S. Venkatesh
Partner
Membership No. 037942
Mumbai
26th May, 2010

Chanda Makhija Thadani
Company Secretary

J. Sivakumar
Chief Financial Officer

P. M. Samvatsar
Whole - Time Director

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

CIN	L29200MH1978PLC020434		
Registration No.	20434	State Code :	11
Balance Sheet Date	31.03.2010		

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

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

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

Total Liabilities	8769480	Total Assets	8769480
Sources of Funds			
Paid-Up Capital	202315	Reserves & Surplus	4185181
Secured Loans	632549	Unsecured Loans	2439490
Deferred Tax Liability	141556	Current Liabilities	1168389
Application of Funds			
Net Fixed Assets	3450147	Investments	973056
Net Current Assets	4346277	Miscellaneous Expenditure	NIL
Accumulated Losses	NIL	Deferred Tax Assets	NIL

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

Net Turnover	3490651	Total Expenditure	3249185
Profit before Tax	335402	Profit after Tax	404879
Earning Per Share in Rs.	4.00	Dividend Rate %	60

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

Item Code No. (ITC Code)	73110003
Product Description	HIGH PRESSURE CYLINDER

STATEMENT PURSUANT TO SECTION 212(8) OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARIES AND STEP DOWN SUBSIDIARIES

(Rs. in Lac)

Sr. No.	Particulars	EKC International FZE	EKC Industries (Tianjin) Co. Ltd.	Calcutta Compressions & Liquefaction Engineering Limited	CP Industries Holdings, Inc	EKC Hungary Kft
1	Country of Incorporation	United Arab Emirates	People's Republic of China	India	United States of America	Hungary
2	Share Capital	2,109.73	8,412.69	221.20	4,062.60	3,209.45
3	Reserves & Surplus	21,670.35	(1,381.08)	(131.80)	221.40	(1,110.02)
4	Total Assets	29,513.86	14,755.33	594.95	27,580.19	18,204.47
5	Total Liabilities	5,733.78	7,723.72	505.55	23,296.19	16,105.04
6	Investments	3,198.06	-	-	-	4,062.60
7	Turnover and other Income	16,573.47	3,407.24	18.67	13,902.74	687.59
8	Profit / (Loss) Before Taxation	1,811.95	(637.39)	(186.44)	(1,807.52)	(420.94)
9	Provision for Taxation	-	-	(54.64)	(411.10)	2.50
10	Profit / (Loss) After Taxation	1,811.95	(637.39)	(131.80)	(1,396.42)	(423.45)
11	Proposed Dividend	-	-	-	-	-

Note:

a) Items 2 to 6 and 11 are translated at exchange rates as on 31st March, 2010 as follows: AED = Rs. 12.2633, 1 RMB = Rs. 6.6064 and 1 USD = Rs. 45.14.

b) Items 7 to 10 are translated at exchange rates as follows: 1 AED = Rs. 13.0027, 1 RMB = Rs. 7.00099 and 1 USD = Rs. 47.4161.

AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Board of Directors
Everest Kanto Cylinder Limited

1. We have audited the attached consolidated balance sheet of Everest Kanto Cylinder Limited (the "Company") and its subsidiaries, hereinafter referred to as the "Group" (Refer Note 1 in Schedule 'U' to the attached consolidated financial statements) as at 31st March, 2010, the related consolidated Profit and Loss Account and the consolidated Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These consolidated 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.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We did not audit the financial statements of 5 subsidiaries (including 2 step down subsidiaries) included in the consolidated financial statements, which constitute total assets of Rs. 57,420 Lac and net assets of Rs. 33,293 Lac as at 31st March, 2010, total revenue of Rs. 32,021 Lac, net profit Rs. 552 Lac and net cash flows amounting to Rs. 2,788 Lac for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion on the consolidated financial statements to the extent they have been derived from such financial statements is based solely on the report of such other auditors.

4. We report that the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard (AS) 21 - Consolidated Financial Statements notified under sub-section 3C of Section 211 of the Companies Act, 1956.

5. Based on our audit and on consideration of the reports of other auditors on separate financial statements and on the other financial information of the components of the Group as referred to above, and to the best of our information and according to the explanations given to us, in our opinion, the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

   (a) in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at 31st March, 2010;

   (b) in the case of the consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date: and

   (c) in the case of the consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For Dalal & Shah
Firm Registration No.: 102021W
Chartered Accountants

S. Venkatesh
Partner
Membership No.: 037942

Mumbai
26th May, 2010

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2010

	Schedule	As at 31.03.2010 (Rs. in Lac)	As at 31.03.2009 (Rs. in Lac)
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	A	2,023.15	2,023.15
Reserves and Surplus	B	60,069.35	59,939.42
		62,092.50	61,962.57
Loan Funds			
Secured Loans	C	25,759.91	38,499.28
Unsecured Loans	D	24,394.90	23,706.29
		50,154.81	62,205.57
Minority Interest		24.45	–
Deferred Tax Liability (Net)		1,088.15	–
TOTAL		113,359.91	124,168.14
APPLICATION OF FUNDS			
Fixed Assets	E		
Gross Block		71,442.86	69,635.52
Less: Depreciation / Amortisation		16,978.55	16,391.36
Net Block		54,464.31	53,244.16
Capital Work In Progress		16,211.82	19,833.39
		70,676.13	73,077.55
Investments	F	449.22	232.01
Deferred Tax Asset (Net)		–	58.74
Current Assets, Loans and Advances			
Inventories	G	33,908.91	48,848.77
Sundry Debtors	H	9,283.57	9,804.71
Cash and Bank Balances	I	5,994.17	3,922.68
Other Current Assets	J	521.97	159.86
Loans and Advances	K	6,937.80	8,607.90
		56,646.42	71,343.92
Less: Current Liabilities and Provisions			
Current Liabilities	L	12,389.09	18,498.41
Provisions	M	2,022.77	2,045.67
		14,411.86	20,544.08
Net Current Assets		42,234.56	50,799.84
TOTAL		113,359.91	124,168.14
Notes forming part of Accounts	U		

As per our report of even date
For **DALAL & SHAH**
Firm Registration No. 102021W
Chartered Accountants

For and on behalf of the Board

P. K. Khurana
Chairman & Managing Director

S. Venkatesh
Partner
Membership No. 037942
Mumbai
26th May, 2010

Chanda Makhija Thadani
Company Secretary

J. Sivakumar
Chief Financial Officer

P. M. Samvatsar
Whole - Time Director

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

	Schedule	Year Ended 31.03.2010 (Rs. in Lac)	Year Ended 31.03.2009 (Rs. in Lac)
INCOME			
Sales		66,914.90	88,623.88
Less: Excise Duty		2,260.18	3,006.50
		64,654.72	85,617.38
Trading Sales		310.53	37.94
Total Sales		64,965.25	85,655.32
Other Income	N	855.96	890.75
		65,821.21	86,546.07
EXPENDITURE			
Raw Materials and Components Consumed	O	42,154.48	48,268.25
Trading Purchases		675.30	22.03
(Increase) in Stocks	P	(1,049.75)	(9,157.88)
Manufacturing Expenses	Q	6,247.96	9,034.10
Personnel Expenses	R	7,783.34	6,609.59
Administrative, Sales and Other Expenses	S	3,590.72	4,264.84
Finance Charges	T	1,135.39	2,717.48
Depreciation / Amortisation for the year (Refer Note 8)		5,688.34	6,927.80
		66,225.78	68,686.21
Profit before Foreign Exchange Fluctuation (Net) and Taxation		(404.57)	17,859.86
Foreign Exchange Fluctuation - (Loss) / Gain (Net)		2,235.03	(1,887.89)
Profit for the Year before Taxation		1,830.46	15,971.97
Provision for Taxation			
Current Tax		(580.00)	(2,060.00)
Wealth Tax		(2.00)	(1.50)
Deferred Tax (Charge)		33.86	529.12
Fringe Benefit Tax		–	(26.50)
Profit for the Year before earlier year Adjustment and Minority Interest		1,282.32	14,413.09
Excess Depreciation written back in respect of earlier years, pursuant to change in accounting policy (Net of Tax Rs. 1,198.77 Lac) (Refer Note 8)		2,943.20	–
Taxes Adjustments of Earlier Years (Net)		(82.79)	(660.46)
Profit before Minority Interest		4,142.73	13,752.63
Minority Interest		8.32	–
Net Profit		4,151.05	13,752.63
Balance brought forward from previous year		27,286.21	15,953.77
Balance Available For Appropriation		31,437.26	29,706.40
Proposed Dividend		1,213.89	1,213.89
Provision For Dividend Tax		201.61	206.30
Transferred To General Reserve		1,000.00	1,000.00
Balance carried to Balance Sheet		29,021.76	27,286.21
		31,437.26	29,706.40
Weighted average number of Equity Shares Outstanding during the year		101,157,682	101,157,682
Basic and diluted earnings per share of Rs. 2 each before Excess / (Short) Depreciation on reworking (in Rupees)		1.19	13.60
Basic and diluted earnings per share of Rs. 2 each after Excess / (Short) Depreciation on reworking (in Rupees)		4.10	13.60
Notes forming part of Accounts	U		

As per our report of even date
For **DALAL & SHAH**
Firm Registration No. 102021W
Chartered Accountants

For and on behalf of the Board

P. K. Khurana
Chairman & Managing Director

S. Venkatesh
Partner
Membership No. 037942

Chanda Makhija Thadani
Company Secretary

J. Sivakumar
Chief Financial Officer

P. M. Samvatsar
Whole - Time Director

Mumbai
26th May, 2010

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2010

	As at 31.03.2010 (Rs. in Lac)	As at 31.03.2009 (Rs. in Lac)
SCHEDULE - 'A'		
Share Capital		
Authorised		
125,000,000 Equity Shares of Rs. 2 each	2,500.00	2,500.00
Issued, Subscribed and Paid up		
101,157,682 Equity Shares of Rs. 2 each fully paid up.	2,023.15	2,023.15
[Include 20,000,000 fully paid bonus shares issued by capitalisation of revaluation reserve (on 25.08.94) and 38,737,500 shares by capitalisation of General Reserve, in earlier years]	2,023.15	2,023.15
SCHEDULE - 'B'		
Reserves and Surplus		
General Reserve		
As per last Balance Sheet	5,491.00	4,491.00
Add: Transferred from Profit and Loss Account	1,000.00	1,000.00
	6,491.00	5,491.00
Securities Premium Account		
As per last Balance Sheet	25,278.57	25,275.18
Add: Share / FCCB Issue Expenses Written Back		
(Net of Tax Rs. Nil, 31/03/09 Rs. 1.75 Lac)	–	3.39
	25,278.57	25,278.57
Hedging Reserve Account (Refer Note 13)	(2,589.95)	–
Add: Addition during the year	1,949.80	(2,589.95)
	(640.15)	(2,589.95)
Surplus in Profit and Loss Account	29,021.76	27,286.21
Exchange Fluctuation Reserve on Consolidation of Overseas Subsidiaries	(81.83)	4,473.59
	60,069.35	59,939.42
SCHEDULE - 'C'		
Secured Loans		
From Banks		
- Term Loan	23,918.05	34,080.70
- Interest Accrued and Due on Term Loan	–	15.39
- Working Capital Facilities	1,811.49	4,347.28
- Vehicle Loan	30.37	55.91
	25,759.91	38,499.28
SCHEDULE - 'D'		
Unsecured Loans		
Sales Tax Deferment Loan	1,576.13	1,352.38
Foreign Currency Convertible Bonds (Refer Note 5)	15,799.00	17,832.50
Short Term Loan from Banks		
- Overdraft Facilities	–	1,139.96
- Packing Credit	–	1,401.13
- Buyers Credit	7,019.77	1,980.32
	24,394.90	23,706.29

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2010

SCHEDULE - 'E'
Fixed Assets

(Rs. in Lac)

Particulars	Gross Block (At Cost / Book Value)				Depreciation / Amortisation				Net Block	
	Balance as at 01.04.2009	Additions/ Adjustments	Deductions/ Adjustments **	Balance as at 31.03.2010	Upto 31.03.2009	For the Year	Deductions/ Adjustments **	Upto 31.03.2010	As at 31.03.2010	As at 31.03.2009
A. Assets										
Goodwill	5,006.86	75.20	674.88	**4,407.18**	1,001.37	888.25	172.07	**1,717.55**	**2,689.63**	4,005.49
Intellectual Property Rights	9,065.08	–	1,033.72	**8,031.36**	827.03	842.10	134.74	**1,534.39**	**6,496.97**	8,238.05
Freehold Land	896.64	17.26	50.74	**863.16**	–	–	–	**–**	**863.16**	896.64
Leasehold Land *	714.29	–	60.71	**653.58**	109.39	9.48	(51.09)	**169.96**	**483.62**	604.90
Buildings @	15,187.12	369.00	1,073.02	**14,483.10**	2,297.00	439.16	591.71	**2,144.45**	**12,338.65**	12,890.12
Electrical Installation	1,874.74	248.25	186.62	**1,936.37**	285.06	88.33	82.28	**291.11**	**1,645.26**	1,589.68
Plant and Machinery	34,091.52	7,154.59	2,863.52	**38,382.59**	10,921.10	3,229.34	3,640.82	**10,509.62**	**27,872.97**	23,170.42
Windmills	1,456.74	–	–	**1,456.74**	311.20	76.92	209.77	**178.35**	**1,278.39**	1,145.54
Vehicles	355.62	40.41	(1.45)	**397.48**	135.15	36.66	43.33	**128.48**	**269.00**	220.47
Office Equipments	156.46	14.95	7.53	**163.88**	50.17	9.45	19.97	**39.65**	**124.23**	106.29
Furnitures and Fixtures	385.76	17.83	53.99	**349.60**	128.43	34.48	24.96	**137.95**	**211.65**	257.33
Computers	218.13	31.95	21.18	**228.90**	100.37	31.37	22.16	**109.58**	**119.32**	117.76
Gas Cylinders	220.91	–	208.47	**12.44**	220.91	–	208.47	**12.44**	**–**	–
Cylinders given on Lease	5.65	70.83	–	**76.48**	4.18	2.80	1.96	**5.02**	**71.46**	1.47
As Per Balance Sheet	**69,635.52**	**8,040.27**	**6,232.93**	**71,442.86**	**16,391.36**	**5,688.34**	**5,101.15#**	**16,978.55**	**54,464.31**	**53,244.16**
Previous Year Total	**24,131.53**	**43,759.16**	**(1,744.83)**	**69,635.52**	**8,696.55**	**6,964.72$**	**(730.09)**	**16,391.36**	**53,244.16**	**–**
B. Capital Work In Progress									**16,211.82**	**19,833.39**

Notes :

* Execution of lease deed for land acquired at Tarapur Plant (Rs. 111.42 Lac) is pending.

@ Includes Rs. 750/- (Previous Year Rs. 750/-) paid for shares acquired in co-operative societies.

$ Depreciation for the year includes Rs. Nil (Previous year Rs. 36.92 Lac) capitalised.

\# Excess Depreciation written back on account of change in method of depreciation Rs. 4,141.97 Lac (Previous Year Rs. Nil) (Refer Note 8)

** Includes adjustments on account of translation of balances in foreign currency.

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2010

SCHEDULE - 'F'

	Face Value (In Rs.)	Nos. As at 31.03.2010	As at 31.03.2010 (Rs. in Lac)	Nos. As at 31.03.2009	As at 31.03.2009 (Rs. in Lac)
Investments					
A. Long Term Investments (At cost) :					
Unquoted, Fully paid up Equity Shares					
In Body Corporates (Non-Trade)					
Everest Kanto Investment & Finance Private Ltd. (Formerly Everest Kanto Investment & Finance Ltd.)	10	**115,000**	**39.10**	92,000	9.20
GPT Steel Industries Pvt. Ltd. (Refer Note 14)	10	**2,000,000**	**200.00**	2,000,000	200.00
			239.10		209.20
B. Current Investments (At lower of cost and fair value)					
Non-Trade, Unquoted					
Investments in Mutual Funds Units, fully paid up					
Kotak Floaters Short Term Fund - Dividend Option (NAV Rs. 0.29 Lac, NAV Previous Year Rs. 0.28 Lac)	10	**2,906.10**	**0.29**	2,820.99	0.28
LICMF Liquid Fund - Dividend Plan (NAV Rs. 1.10 Lac, NAV Previous Year Rs. 1.06 Lac)	10	**9,984.47**	**1.10**	9,619.59	1.06
UTI Money Market Fund - Dividend Plan (NAV Rs. 1.79 Lac, NAV Previous Year Rs. 1.73 Lac)	1000 (Previous Year 10)	**97.21**	**1.79**	9,476.99	1.73
UTI Tresury Advantage Fund (NAV Rs. 0.64 Lac, NAV Previous Year Rs. Nil)	1000	**63.74**	**0.64**	–	–
UTI Money Market Mutual Fund (NAV Rs. 0.12 Lac, NAV Previous Year Rs. Nil)	1000	**11.33**	**0.12**	–	–
UTI Liquid Cash Plan Institutional Daily Income Option - Dividend Plan (Re - Investment) (NAV Rs. 206.18 Lac, NAV Previous Year Rs. 19.74 Lac)	1000	**20,224.68**	**206.18**	1,936.30	19.74
			210.12		22.81
			449.22		232.01

Note: 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.

SCHEDULE - 'G'

	As at 31.03.2010 (Rs. in Lac)	As at 31.03.2009 (Rs. in Lac)
Inventories		
(at lower of cost or net realisable value)		
Stores, Spares, etc.	**52.53**	40.52
Stock in Trade:		
- Raw Materials	**18,679.47**	32,834.07
- Work In Progress	**11,648.65**	10,357.16
- Finished Goods	**3,310.76**	4,880.77
- Goods for Trade	**217.50**	–
Stock in Transit (at Cost, to date)	**–**	736.25
	33,908.91	48,848.77

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2010

	As at 31.03.2010 (Rs. in Lac)	As at 31.03.2009 (Rs. in Lac)
SCHEDULE - 'H'		
Sundry Debtors		
(Unsecured, Considered Good)	**9,283.57**	9,804.71
	9,283.57	9,804.71
SCHEDULE - 'I'		
Cash and Bank Balances		
Cash on hand	**40.57**	83.22
Balances with Banks		
- In Current Accounts	**2,681.46**	2,941.59
- In Fixed Deposits	**3,255.07**	840.88
- In Unclaimed Dividend Account	**3.26**	2.16
- Interest accrued on Fixed Deposits	**13.81**	54.83
	5,994.17	3,922.68
SCHEDULE - 'J'		
Other Current Assets		
Interest Receivable	**4.12**	20.02
Other Receivables	**517.85**	139.84
	521.97	159.86
SCHEDULE - 'K'		
Loans and Advances		
(Unsecured, Considered Good)		
Inter Corporate Deposits	**200.00**	525.00
Deposits	**1,966.28**	1,611.04
Advances recoverable in cash or in kind or for value to be received	**3,925.16**	5,819.30
Advance Tax and Taxes Deducted At Source (Net of Provision for Taxes Rs. 7,565.54 Lac, 31.03.2009 Rs. 9,580 Lac)	**846.36**	652.56
	6,937.80	8,607.90
SCHEDULE - 'L'		
Current Liabilities		
Sundry Creditors	**10,449.02**	13,978.54
Advances from Customers	**1,621.57**	3,204.96
Other Liabilities	**176.19**	819.51
Unclaimed Dividend	**3.26**	2.16
Interest Accrued but not due	**139.05**	493.24
	12,389.09	18,498.41
SCHEDULE - 'M'		
Provisions		
Proposed Dividend	**1,213.89**	1,213.89
Tax On Dividend	**201.61**	206.30
Provision For Taxation (Wealth Tax) (Net of Tax Rs. Nil, 31.03.2009 Rs. 1.50 Lac)	**2.00**	1.50
Provision For Employee Benefits	**605.27**	623.98
	2,022.77	2,045.67

SCHEDULES FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR YEAR ENDED 31ST MARCH, 2010

	Year Ended 31.03.2010 (Rs. in Lac)	Year Ended 31.03.2009 (Rs. in Lac)
SCHEDULE - 'N'		
Other Income		
Interest	**111.90**	336.77
Scrap Sales	**229.66**	305.96
Dividend on Current Investments (Non-Trade)	**2.31**	2.42
Insurance Claim Received	**10.31**	13.37
Miscellaneous Income	**445.73**	61.34
Export Incentives	**14.93**	–
Profit on sale of Current Investments (Non-Trade)	**–**	116.88
Credit balances appropriated	**3.08**	8.25
Surplus on sale of Fixed Assets	**38.04**	45.76
	855.96	890.75
SCHEDULE - 'O'		
Raw Materials and Components Consumed		
Opening Stock	**32,834.07**	22,161.43
Add: Purchases	**29,510.59**	57,340.97
	62,344.66	79,502.40
Less: Closing Stock	**18,679.47**	32,834.07
	43,665.19	46,668.33
Add/(Less): Transfer to Exchange Fluctuation Reserve	**(1,510.71)**	1,599.92
	42,154.48	48,268.25
SCHEDULE - 'P'		
(Increase) In Stocks		
Opening Stocks:		
Finished Goods	**4,880.77**	678.34
Work in Progress	**10,357.16**	4,260.84
	15,237.93	4,939.18
Closing Stocks:		
Finished Goods	**3,310.76**	4,880.77
Work in Progress	**11,648.65**	10,357.16
Goods for Trade	**217.50**	–
	15,176.91	15,237.93
	61.02	(10,298.75)
Add/(Less): Variation in Excise Duty on Finished Goods Stocks	**8.15**	165.86
	69.17	(10,132.89)
Add/(Less): Transfer to Exchange Fluctuation Reserve	**(1,118.92)**	975.01
	(1,049.75)	(9,157.88)

SCHEDULES FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR YEAR ENDED 31ST MARCH, 2010

	Year Ended 31.03.2010 (Rs. in Lac)	Year Ended 31.03.2009 (Rs. in Lac)
SCHEDULE - 'Q'		
Manufacturing Expenses		
Stores, Spares, etc.	**1,263.51**	2,092.71
Power	**1,367.44**	1,448.11
Fuel and Gas	**2,212.88**	2,922.21
Repairs and Maintenance		
- Building	**51.86**	203.45
- Plant and Machinery	**229.28**	651.46
- Others	**31.12**	25.13
Other Expenses	**1,091.87**	1,691.03
	6,247.96	9,034.10
SCHEDULE - 'R'		
Personnel Expenses		
Salary, Wages and Other benefits	**7,193.14**	5,515.48
Contribution to Provident Fund and Other Funds	**454.83**	946.07
Staff Welfare Expenses	**135.37**	148.04
	7,783.34	6,609.59
SCHEDULE - 'S'		
Administrative, Sales and Other Expenses		
Insurance	**479.48**	399.37
Rent	**132.70**	202.28
Rates and Taxes	**18.49**	29.01
Directors' Sitting Fees and Commission	**39.20**	38.50
Legal and Professional Fees	**327.17**	285.87
Loss on Assets Sold / Discarded	**9.64**	–
Advertisement and Sales Promotion	**155.03**	131.65
Commission	**203.33**	1,249.76
Sundry Expenses	**1,304.04**	965.24
Carriage and Freight	**584.46**	464.07
Contribution to Charitable Funds	**10.52**	26.38
Debit Balances written off	**–**	12.54
Excise duty Paid	**22.19**	22.74
Bank Charges and Commission	**304.47**	437.43
	3,590.72	4,264.84
SCHEDULE - 'T'		
Finance Charges		
Interest on Term Loan	**696.56**	1,448.73
Interest on Working Capital / Short Term Loans	**414.34**	518.05
Interest others	**24.49**	1.94
Loan Processing charges	**–**	748.76
Net of Rs. 284.96 Lac (Previous Year Rs. 73.09 Lac) Capitalised		
	1,135.39	2,717.48

SCEHDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2010

SCHEDULE - 'U'

Notes forming part of the Consolidated Accounts

1. The consolidated financial statements present the consolidated accounts of Everest Kanto Cylinder Limited ("the Holding Company") along with its following subsidiaries and step down subsidiaries (together referred to as "the Group"). The names, country of incorporation and proportion of ownership interest are as under:

Name of the Company	Country of Incorporation	% of shareholding
EKC Industries (Tianjin) Co. Ltd. (Subsidiary of Everest Kanto Cylinder Ltd.)	People's Republic of China	100%
EKC International FZE (Subsidiary of Everest Kanto Cylinder Ltd.)	United Arab Emirates	100%
Calcutta Compressions & Liquefaction Engineering Limited ("CC&L") (Subsidiary of Everest Kanto Cylinder Ltd.)	India	72.65%
EKC Hungary Kft. (Subsidiary of EKC International FZE)	Hungary	100%
CP Industries Holdings, Inc. (Subsidiary of EKC Hungary Kft)	The United States of America	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 Group. 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 31.03.2010 (Rs. in Lac)	As at 31.03.2009 (Rs. in Lac)
(a) Disputed Tax and other Matters		
Lease Tax	**16.34**	16.34
Wealth Tax	**-**	0.23
Claims not acknowledged as debts	**1.74**	1.77

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.

4.

	As at 31.03.2010 (Rs. in Lac)	As at 31.03.2009 (Rs. in Lac)
Estimated amount of contracts remaining to be executed on Capital Account and not provided for (net of advances)	**1,520.79**	4,340.71

5. During an earlier year, the Company had raised a sum of USD 35 Million by issue of Zero Coupon Foreign Currency Convertible Bonds (FCCB) which are 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, upto seven days prior to maturity, at a fixed conversion price, which has been reset w.e.f. 9th October, 2008 to Rs. 271.32 per share with a fixed rate of Rs. 39.84 to USD 1 (i.e. a conversion ratio of 14,684.0103 shares per bond).

   (ii) 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% of the bonds originally issued.

   (iii) 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.

   (iv) Bonds outstanding on the maturity date will be redeemed at 142.8010% of the principal amount.

   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 and Finance Private Limited
Khurana Gases Private Limited
Medical Engineers (India) Limited
Khurana Fabrication Industries Private Limited
Khurana Exports Private Limited
Everest Industrial Gases Private Limited
Khurana Charitable Trust
Khurana Education Trust
G.N.M. Realtors Private Limited
Ukay Valves & Founders Private Limited

(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
Mr. Jack T. Croushore
Mr. Rajiv Menon
Mr. Sujit Sugathan

(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 Lac)

Nature of Transactions	Related parties referred in		
	1(a) above	1(b) above	1(c) above
Sales:			
Goods	759.95 (2,257.67)	- (-)	- (-)
Purchases:			
Raw Materials & Components	2,513.76 (1,353.40)	- (-)	- (-)
Consumables	25.61 (34.24)	- (-)	- (-)
Expenses / Payments:			
Remuneration	- (-)	1,050.56 (627.22)	- (-)
Rent	112.98 (100.76)	3.00 (6.00)	6.00 (-)
Contribution to Charitable Funds	10.00 (25.00)	- (-)	- (-)
Other Expenses	32.10 (16.20)	12.75 (-)	- (-)
Reimbursement of expenses	- (-)	- (0.11)	- (-)

(Rs. in Lac)

Nature of Transactions	Related parties referred in		
	1(a) above	1(b) above	1(c) above
Finance and Investments:			
Investment in Equity Shares	29.90 (-)	- (-)	- (-)
Guarantees given for borrowings by the Holding Company	- (-)	- (5,095.00)	- (-)
Outstandings:			
Payables	642.23 (107.98)	129.29 (179.70)	5.40 (-)
Other Receivables	1,201.17 (1,490.06)	- (-)	20.00 (20.00)
Guarantees given for borrowings by the Holding Company	- (-)	4,514.00 (5,095.00)	- (-)
(to the extent of amount oustanding there against)		1,811.49 (Jointly) (4,701.98) (Jointly)	

(Previous year figures are in brackets)

7. Assets taken on operating lease:

	As at 31.03.2010 (Rs. in Lac)	As at 31.03.2009 (Rs. in Lac)
The total future minimum lease rentals payable at the Balance Sheet date are as under:		
For a period not later than one year	**222.06**	179.47
For a period later than one year and not later than five years	**526.91**	133.80
For a period later than five years	**290.17**	–

8. The Company, during the year, has changed its method of providing for depreciation on fixed assets, from the existing Written Down Value (WDV) method to Straight Line Method (SLM). This change would enable the Company to make a more appropriate allocation of depreciation so as to charge a fair proportion of the depreciable amount in each accounting year during the expected useful and economical life of the assets. Consequently, the said change would also result in more accurate presentation of carrying value of fixed assets at the balance sheet date.

Accordingly, depreciation has been recalculated in accordance with SLM from the date the assets were put to use and the surplus of Rs. 2,943.20 Lac (net of tax) in respect of earlier years has been credited to the Profit and Loss Account. Consequent to such change in the method, the depreciation charge for the year is lower by Rs. 2,182.15 Lac and the profit for the year is higher by the said amount and the reserves and surplus is higher by Rs. 4,608.65 Lac.

9. Computation of profit for Earnings per Share:

	2009-2010 (Rs. in Lac)	2008-2009 (Rs. in Lac)
Profit for the year before earlier year Adjustment and Minority Interest	**1,282.32**	14,413.09
(Less): Tax Adjustments for earlier years (net)	**(82.79)**	(660.46)
Net Earning Before Excess Depreciation written back	**1,199.53**	13,752.63
Add: Excess Depreciation written back (net of tax) in respect of earlier years	**2,943.20**	-
Add: Share of Minority Interest	**8.32**	-
Net Earnings	**4,151.05**	13,752.63
Weighted Average No. of Equity Shares	**101,157,682**	101,157,682
Nominal Value per share in Rupees	**2.00**	2.00
Basic and Diluted Earnings Per Share (in Rupees) before Excess Depreciation written back	**1.19**	13.60
Basic and Diluted Earnings Per Share (in Rupees) after Excess Depreciation written back	**4.10**	13.60

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

(Rs. in Lac)

10. Deferred Tax:

	As at 31.03.2010	As at 31.03.2009	As at 31.03.2008
Deferred Tax Liability on account of:			
Depreciation	**2,473.45**	422.65	771.60
Inventory Valuation under tax laws	**154.21**	-	-
	2,627.66	422.65	771.60
Deferred Tax Asset on account of:			
Inventory Valuation under tax laws	-	126.88	-
Shares / FCCB Issue Expenses	**237.95**	279.17	293.51
Employee Benefits	**85.45**	62.13	25.05
Others	**1,198.09**	30.60	1.80
	1,521.49	498.78	320.36
Transfer to Exchange Fluctuation Reserve	**(18.02)**	17.39	-
Deferred Tax (Asset) / Liability (net)	**1,088.15**	(58.74)	451.24

11. Variation in Accounting Policies:

Employee benefits such as gratuity and long term compensated absences are recognised by the UAE subsidiary only in the year in which such liability is discharged, where as employee benefits are recognised on the basis of an actuarial valuation by others.

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

12. Bonds / Undertakings given by the Holding Company under concessional duty / exemption schemes to government authorities (net of obligations fulfilled) aggregate Rs. 5,874.44 Lac as at the close of the year (31.03.2009 Rs. 3,104.65 Lac).

13. In respect of currency options contracts entered into, to hedge highly probable forecast export transactions, the Company has followed the principles set out in Accounting Standard - 30 - Financial Instruments: Recognition and Measurement issued by the Institute of Chartered Accountants of India. Consequently, such exchange variations are accumulated in hedging reserve and recognized in the Profit and Loss Account only on completion of the transaction. Accordingly, debit balance in the Hedging Reserve, as at 31st March, 2010, representing mark to market losses, in respect of contracts maturing upto December, 2012, stands at Rs. 640.15 Lac.

14. The Holding Company has an investment of Rs. 200 Lac in 2,000,000 equity shares of GPT Steel Industries Private Limited (GPT). As per the latest audited financial statements of GPT, the net worth has eroded. However, as per information available with the Company, GPT continues to be a going concern and has now embarked upon a revival plan. Considering the same and the intention of the management to hold this investment on a long term basis, no diminution in the value of the above investment is considered necessary, at present.

15. Segment Reporting

A. Geographical Segment – Primary

(Rs. in Lac)

Particulars	India		UAE		China		USA & Hungary		Total	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
(a) **Segment Revenue**	34,925.18	35,302.49	16,184.74	37,522.66	3,390.54	1,674.32	13,839.50	15,032.24	68,339.96	89,531.71
Less: Inter Segment Revenue	1,661.12	3,484.20	1,324.36	392.19	-	-	389.23	-	3,374.71	3,876.39
	33,264.06	31,818.29	14,860.38	37,130.47	3,390.54	1,674.32	13,450.27	15,032.24	64,965.25	85,655.32
(b) **Segment Results before Minority Interest and Excess Depreciation written back**	737.17	6,862.03	2,018.33	12,340.13	(573.26)	(740.44)	(1,565.63)	1,659.54	616.61	20,121.26
Minority Interest	8.32	-	-	-	-	-	-	-	8.32	-
Excess Depreciation written back in respect of earlier year (net of tax)	1,986.69	-	413.57	-	256.35	-	286.59	-	2,943.20	-
Segment Results after Minority Interest and Excess Depreciation written back	2,732.18	6,862.03	2,431.90	12,340.13	(316.91)	(740.44)	(1,279.04)	1,659.54	3,568.13	20,121.26
Unallocated Income (net of Expenses)									114.21	456.08
Profit after Minority Interest and Excess Depreciation written back but Before Foreign Exchange Fluctuation (Net)									3,682.34	20,577.34
Foreign Exchange Fluctuation - (Loss) / Gain (net)									2,235.03	(1,887.89)
Operating Profit									5,917.37	18,689.45
Finance Charges									1,135.39	2,717.48
Profit Before Tax									4,781.98	15,971.97
Add / (Less):										
Provision for Taxation										
- Current Tax									(580.00)	(2,060.00)
- Wealth Tax									(2.00)	(1.50)
- Deferred Tax (Charge)									33.86	529.12
- Fringe Benefit Tax									-	(26.50)
- Tax Adjustments of Earlier Years (Net)									(82.79)	(660.46)
Net Profit after Tax									4,151.05	13,752.63
Other Information										
(c) **Segment Assets**	70,493.46	64,522.13	14,250.89	22,453.72	14,460.16	16,182.72	28,118.04	41,321.64	127,322.55	144,480.21
Add: Unallocated									449.23	232.01
Total Segment Assets									127,771.78	144,712.22
(d) **Segment Liabilities**	9,465.37	9,760.07	1,351.37	1,561.79	1,718.46	406.31	1,549.31	6,902.48	14,084.51	18,630.65
Add: Minority Interest	24.45	-	-	-	-	-	-	-	24.45	-
Add: Unallocated									51,570.31	64,119.00
Total Segment Liabilities									65,679.27	82,749.65
(e) **Capital Expenditure (Net of Foreign Exchange Fluctuation)**	4,806.01	14,087.59	(347.29)	1,161.31	(188.84)	4,191.16	148.82	23,308.93	4,418.70	42,748.99
Add: Unallocated									-	-
Total Capital Expenditure									4,418.70	42,748.99
(f) **Depreciation / Amortisation**	1,459.96	2,264.75	484.38	697.65	910.33	826.54	2,833.67	3,138.86	5,688.34	6,927.80
Add: Unallocated									-	-
Total Depreciation / Amortisation									5,688.34	6,927.80
(g) **Other Significant Non Cash Expenditure**	-	-	-	-	-	-	-	-	-	-

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 geographical location of the operations carried out by the Holding Company, its wholly owned subsidiaries and wholly owned step down 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 the amounts allocated on a reasonable basis.

16. Previous year figures have been regrouped / recast wherever necessary.

17. 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 **DALAL & SHAH**
Firm Registration No. 102021W
Chartered Accountants

For and on behalf of the Board

P. K. Khurana
Chairman & Managing Director

S. Venkatesh	**Chanda Makhija Thadani**	**J. Sivakumar**	**P. M. Samvatsar**
Partner	**Company Secretary**	**Chief Financial Officer**	**Whole - Time Director**
Membership No. 037942			

Mumbai
26th May, 2010

Annexure I

SIGNIFICANT ACCOUNTING POLICIES:

A. Basis of preparation of financial statements:

The financial statements are prepared under the historical cost convention in accordance with the generally accepted accounting principles. 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 31st 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 variation mentioned above, which, in the opinion of the management, do not have any material impact.

C. Recognition of Revenue and Expenditure:

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, which is generally on the despatch of goods;

c. Export Benefits are recognised in the year of export;

d. Share / 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 and long term compensated absences are recognised 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 only in the year in which they 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 within the entity:

   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. Exchange differences arising on other derivative contracts entered into to hedge foreign currency exposure on account of highly probable forecast transactions, are recognized and marked to market, in line with principles laid down in Accounting Standard 30 – Financial Instruments – Recognition and Measurement, issued by The Institute of Chartered Accountants of India, to the extent, no specific accounting treatment is prescribed by any regulatory authority. Accordingly, such gain or loss on effective hedges is carried forward under Hedging Reserve to be recognized in the Profit and Loss Account only in the year in which underlying transactions are complete. In the absence of a designation as effective hedge, the gain or loss is immediately recognized in the Profit and Loss Account.

v. 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 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. Intangible assets are amortized on a Straight Line basis over the estimated useful life of the respective asset, not exceeding a period of ten years;

iii. Depreciation on other assets is provided as per the Straight Line method at the rates permissible under applicable local laws [This is the changed accounting policy to be followed hereafter (Refer Note 8 in Schedule 'U')].

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:

Income tax expense comprises Current 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. 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. 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 31ST MARCH, 2010

		Year Ended 31.03.2010 (Rs. in Lac)		Year Ended 31.03.2009 (Rs. in Lac)	
A)	**Cash flow from Operating Activities**				
	Net Profit for the year before taxation		**1,830.46**		15,971.97
	Add / (Deduct):				
	(a) Depreciation / Amortisation for the year	**5,688.34**		6,927.80	
	(b) Foreign Exchange Variation (net)	**(2,614.50)**		4,428.04	
	(c) Loss on Assets Sold / Discarded	**9.64**		–	
	(d) Finance Charges	**1,135.39**		2,717.48	
	(e) Interest Income	**(111.90)**		(336.77)	
	(f) Dividend on Current Investments (Non - Trade)	**(2.31)**		(2.42)	
	(g) Profit on Sale of Current Investments (Non - Trade)	**–**		(116.88)	
	(h) Surplus on Sale of Fixed Assets	**(38.04)**		(45.76)	
			4,066.62		13,571.49
	Operating Cash Profit before Working Capital Changes		**5,897.08**		29,543.46
	(a) (Increase) / Decrease in Inventories	**14,939.86**		(16,883.89)	
	(b) Decrease in Sundry Debtors	**521.14**		1,070.80	
	(c) Decrease in Other Receivables	**3,125.76**		152.21	
	(d) Increase / (Decrease) in Trade and Other Payables	**(4,377.46)**		1,603.14	
			14,209.30		(14,057.74)
	Cash Inflow from Operations		**20,106.38**		15,485.72
	Deduct:				
	Direct Taxes Paid		**858.09**		2,588.49
	Net Cash Inflow in course of Operating activities (A)		**19,248.29**		12,901.30
B)	**Cash Flow from Investing Activities**				
	Inflow:				
	(a) Dividend on Current Investments (Non - Trade)	**2.31**		2.42	
	(b) Interest Income Received	**127.80**		319.68	
	(c) Sale of Current Investments	**2,620.00**		2,095.79	
	(d) Repayment of Inter Corporate Deposits given (net)	**325.00**		1,575.00	
	(e) Sale of Fixed Assets	**59.13**		54.13	
			3,134.24		4,047.02
	Outflow:				
	(a) Purchases of Current Investments	**2,837.21**		991.33	
	(b) Change in Minority Interest	**27.73**		–	
	(c) Purchase of Fixed Assets (including capital advances)	**5,534.11**		27,540.80	
	(d) Acquisition of subsidiaries by purchase of Net Assets	**238.89**		27,910.87	
			8,637.94		56,443.00
	Net Cash (Outflow) in the course of Investing Activities (B)		**(5,503.70)**		(52,395.98)

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

		Year Ended 31.03.2010 (Rs. in Lac)		Year Ended 31.03.2009 (Rs. in Lac)	
C)	**Cash Flow from Financing Activities**				
	Inflow:				
	(a) Working Capital / Short Term Loan availed during the year (net)	–		5,684.63	
	(b) Fixed Loans availed during the year (net)	–		28,547.47	
	(c) Share / FCCB Issue Expenses Reversed	–		5.14	
			–		34,237.24
	Outflow:				
	(a) Interest paid on loans borrowed	1,504.97		2,227.70	
	(b) Dividend Paid	1,212.79		1,212.84	
	(c) Dividend Tax Paid	206.30		206.30	
	(d) Working Capital / Short Term Loan repaid during the year (net)	46.87		–	
	(e) Fixed Loans repaid during the year (net)	9,383.44		–	
			12,354.37		3,646.84
	Net Cash Inflow in the course of Financing activities (C)		(12,354.37)		30,590.40
D)	**Change in currency fluctation reserve arising on consolidation**		669.58		4,256.11
	Net Increase / (Decrease) in Cash / Cash Equivalents (A+B+C+D)		2,059.80		(4,648.17)
	Add: Cash acquired on purchase of net asset of subsidiaries		38.58		1,963.97
	Add: Balance of Cash / Cash Equivalents at the beginning of the year		3,586.63		6,270.83
	Cash / Cash Equivalents at the close of the year		5,685.01		3,586.63
	Cash / Cash Equivalents at the close of the year				
	Cash and Bank Balances as per Schedule		5,994.17		3,922.68
	Less: Fixed Deposits given as securities		(309.16)		(336.05)
			5,685.01		3,586.63

As per our report of even date
For **DALAL & SHAH**
Firm Registration No. 102021W
Chartered Accountants

For and on behalf of the Board

P. K. Khurana
Chairman & Managing Director

S. Venkatesh
Partner
Membership No. 037942
Mumbai
26th May, 2010

Chanda Makhija Thadani
Company Secretary

J. Sivakumar
Chief Financial Officer

P. M. Samvatsar
Whole - Time Director