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**Board of Directors****Mr. P.K. Khurana**

Chairman &amp; 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 &amp; 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](mailto:investors@ekc.in)Website: [www.everestkanto.com](http://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](mailto:mt.helpdesk@linkintime.co.in)Website: [www.linkintime.co.in](http://www.linkintime.co.in)31<sup>st</sup> Annual General Meeting on Tuesday, 27<sup>th</sup> July, 2010, at 4.00 p.m.,at 4<sup>th</sup> Floor Convention Hall, Y. B. Chavan Centre, General Jagannath Bhosle Marg, Nariman Point, Mumbai - 400 021Annual Report can be accessed at [www.everestkanto.com](http://www.everestkanto.com)

## DIRECTORS' REPORT

Dear Shareholders,

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

### FINANCIAL RESULTS

The financial performance of the Company for the Financial Year ended 31<sup>st</sup> 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
<b>Profit before Foreign Exchange Variation (Net) and Taxation</b>	<b>919.03</b>	<b>7,844.38</b>	<b>(404.57)</b>	<b>17,859.86</b>
Foreign Exchange Variation - (Loss)/Gain (Net)	2,434.99	(2,058.84)	2,235.03	(1,887.89)
<b>Profit before Tax</b>	<b>3,354.02</b>	<b>5,785.54</b>	<b>1,830.46</b>	<b>15,971.97</b>
(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)
<b>Profit for the year</b>	<b>2,144.89</b>	<b>4,385.22</b>	<b>1,282.32</b>	<b>14,413.09</b>
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	—
<b>Net Profit</b>	<b>4,048.79</b>	<b>3,724.76</b>	<b>4,151.05</b>	<b>13,752.63</b>
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
<b>Appropriations</b>				
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 31<sup>st</sup> 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 31<sup>st</sup> 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 19<sup>th</sup> 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 19<sup>th</sup> June, 2010 to obtain their approval for the said preferential issue.

## SUBSIDIARIES

As on 31<sup>st</sup> 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. 30<sup>th</sup> 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. 30<sup>th</sup> 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. 30<sup>th</sup> 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 31<sup>st</sup> 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 31<sup>st</sup> 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  
26<sup>th</sup> May, 2010

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**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 31<sup>st</sup> 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	Investment (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.

- 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.
- 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).
- 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.

- During the year, cylinders were exported to various countries in South Asia, South East Asia, Middle East, Africa, South America and CIS countries.
- 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 specialty 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 broaden 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 broaden 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.