



Clean Energy Solution Company

EVEREST KANTO CYLINDER LIMITED

ANNUAL REPORT 2010-11



Clean Energy Solution Company

EVEREST KANTO CYLINDER LIMITED

The forefront of technology



Looking into the demand of many Automotive OEMs, EKC has now introduced yet another High Quality "Light Weight CNG Cylinders" produced from fine grade steel plates by Deep Drawing Technology. These cylinders have exceptional consistency in cylinder wall thickness that gives higher volumetric capacity to weight ratio. Cylinders made from plate offer uniform and smooth appearance externally. Besides the NGV application, the plate cylinders can also be used for storing high purity industrial and medical gases and breathing apparatus, safety and rescue equipments and aerospace vehicles.

EKC Light Weight CNG cylinders from plate can be supplied conforming to International standards like ECE R 110, ISO: 11439, ISO: 4705D, NZS: 5454, FMVSS304 / NGV2 and other international standards. EKC provides the CNG cylinders for all kinds of automobiles such as cars, buses, three wheelers, pick-ups and other utility vehicles. All EKC CNG cylinders are ultrasonically tested for any defects and all cylinder batches undergo a stringent pressure cycling test to confirm the fatigue strength under repeated "fill - empty" cycles of usage.



new facility

EKC has established a new plant, fully automated with Robots and computerised control in Kandla Special Economic Zone in Gujarat



KANDLA PLANT

BOARD OF DIRECTORS**Chairman & Managing Director**

Mr. P.K. Khurana

Whole - Time Directors

Mr. Puneet Khurana

Mr. P.M. Samvatsar

Non - Executive Director

Mr. Pushkar Khurana

Independent Directors

Mr. Shailesh Haribhakti

Mr. Krishen Dev

Mr. Naresh Oberoi

Mr. Mohan Jayakar

Mr. Vyomesh Shah

Mr. Gurdeep Singh

Non - Executive Non - Independent Director

Mr. Varun Bery

Alternate Director

Mr. Hon Cheong Lam (to Mr. Varun Bery)

Company Secretary & Compliance Officer

Ms. Chanda Makhija Thadani

Statutory Auditors

Dalal & Shah,

Chartered Accountants, Mumbai

Bankers to the Company

State Bank of Hyderabad

Citibank N.A.

ICICI Bank Limited

Standard Chartered Bank

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.: 91 22 2594 6970

Fax: 91 22 2594 6969

Email: rnt.helpdesk@linkintime.co.in

Website: www.linkintime.co.in

BOARD COMMITTEES**Audit Committee**

Mr. Vyomesh Shah (Chairman)

Mr. Naresh Oberoi

Mr. Krishen Dev

Mr. Puneet Khurana

Shareholders' / Investors' Grievances Redressal and Share Transfer Committee

Mr. Mohan Jayakar (Chairman)

Mr. Puneet Khurana

Mr. P.M. Samvatsar

Remuneration Committee

Mr. Krishen Dev (Chairman)

Mr. Mohan Jayakar

Mr. Naresh Oberoi

Mr. P.K. Khurana

Allotment Committee

Mr. P.K. Khurana (Chairman)

Mr. Puneet Khurana

Mr. P.M. Samvatsar

Management Committee

Mr. P.K. Khurana (Chairman)

Mr. Puneet Khurana

Mr. P.M. Samvatsar

Investment Committee

Mr. P.K. Khurana (Chairman)

Mr. Shailesh Haribhakti

Mr. Krishen Dev

Mr. Puneet Khurana

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

Email: investors@ekc.in

Website: www.everestkanto.com

32nd Annual General Meeting on Saturday, 30th July, 2011 at 10.30 a.m.
at M.C. Ghia Hall at Bhogilal Hargovindas Building, 4th Floor, 18/20, Kaikhushru Dubash Marg, Kala Ghoda, Mumbai - 400 001.

Annual Report can be accessed at www.everestkanto.com

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DIRECTORS' REPORT

Dear Shareholders,

Your Directors are pleased to present the 32nd Annual Report and the audited accounts for the financial year ended 31st March, 2011.

FINANCIAL RESULTS

The financial performance of the Company, for the year ended 31st March, 2011 is summarized below:

(Rs. in Lac)

Particulars	Standalone		Consolidated	
	2010-11	2009-10	2010-11	2009-10
Sales	39,993.83	37,166.69	79,997.92	67,225.43
Less: Excise Duty	2,364.41	2,260.18	2,364.41	2,260.18
Total Sales	37,629.42	34,906.51	77,633.51	64,965.25
Profit before Finance Charges, Depreciation, Foreign Exchange Variation (net) and Tax	6,192.62	2,660.23	14,404.74	6,419.16
Less:				
- Finance Charges	314.84	312.20	822.72	1,135.39
- Depreciation	2,419.02	1,429.00	6,389.29	5,688.34
Profit before Foreign Exchange Variation (net) and Taxation	3,458.76	919.03	7,192.73	(404.57)
Foreign Exchange Variation – Gain (net)	91.46	2,434.99	268.02	2,235.03
Profit before Tax	3,550.22	3,354.02	7,460.75	1,830.46
(Less) / Add: Provision for Taxation				
- Current Tax	(1,330.00)	(580.00)	(1,330.00)	(580.00)
- Deferred Tax	28.33	(627.13)	892.66	33.86
- Wealth Tax	(2.50)	(2.00)	(2.50)	(2.00)
Profit for the year	2,246.05	2,144.89	7,020.91	1,282.32
Add: Prior period adjustments and Tax adjustments of earlier years (net)	5.70	1,903.90	5.70	2,860.41
Minority Interest	–	–	24.45	8.32
Net Profit	2,251.75	4,048.79	7,051.06	4,151.05
Balance brought forward from previous year	9,707.17	8,073.88	29,021.76	27,286.21
Balance Available for appropriation	11,958.92	12,122.67	36,072.82	31,437.26
Appropriations				
Proposed Dividend	1,607.37	1,213.89	1,607.37	1,213.89
Provision for Dividend Tax	266.96	201.61	266.96	201.61
Dividend and Dividend Tax for the year 2009-10	83.96	–	83.96	–
Transfer to General Reserve	1,000.00	1,000.00	1,000.00	1,000.00
Balance carried forward	9,000.63	9,707.17	33,114.53	29,021.76
Basic and Diluted earnings per share of Rs. 2 each before excess depreciation*	2.13	2.04	6.66	1.19
Basic and Diluted earnings per share of Rs. 2 each after excess depreciation*	2.13	4.00	6.66	4.10

* Calculated on weighted average number of shares.

PERFORMANCE REVIEW

Financial Year 2010-11 marked a strong resurgence in volume and demand growth post the financial crisis. The Company has registered a strong broad based sequential growth across all key markets and customer segments.

On consolidated basis for FY 2010-11, revenues at Rs. 77,634 Lac were higher by around 20% over the previous year's revenues of Rs. 64,965 Lac. Net profit at Rs. 7,051 Lac was higher by around 70% over the previous year's net profit of Rs. 4,151 Lac. During the year, the total consolidated sales volume of cylinders increased to 884,339 nos. as against 687,212 nos. in the previous year.

This was achieved mainly on account of overall improvement in sales volume, increase in sales of high value added products and continuing efforts to control costs and improve profitability. The growth in international business also contributed towards the overall profitability of the Company.

DIVIDEND

Your Directors have recommended a dividend of Rs. 1.50 per Equity Share (last year Rs. 1.20 per Equity Share) for the financial year ended 31st March, 2011, amounting to Rs. 1,874.33 Lac (inclusive of dividend tax of Rs. 266.96 Lac).

The dividend payout for the year under review has been formulated in accordance with the Company's policy to pay sustainable dividend linked to long term growth objectives of the Company to be met by internal cash accruals.

PREFERENTIAL ALLOTMENT OF EQUITY SHARES

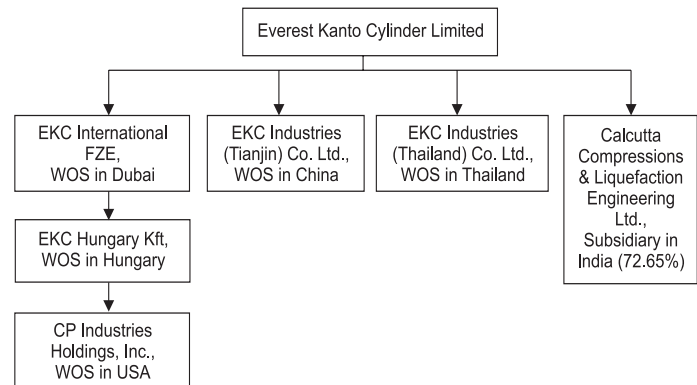
Pursuant to the approval accorded by the members at the Extraordinary General Meeting held on 19th June, 2010, your Company had raised Rs. 81 crores by allotting 6,000,000 equity shares to 2 schemes of Reliance Mutual Fund on a preferential basis at Rs. 135/- per equity share (including a premium of Rs. 133/- per share) on 19th June, 2010. The proceeds of the proposed preferential offer were utilised for capital expenditure, working capital and repayment of debt.

SUBSIDIARIES

Your Company established a wholly owned subsidiary (WOS) in Thailand on 7th Oct, 2010 by the name of EKC Industries (Thailand) Co. Ltd. Since Thailand is promoting Natural Gas Vehicles in a big way, EKC looks forward to expanding its market share in Thailand.

As on 31st March, 2011, the Company had three wholly owned subsidiary companies, viz., EKC International FZE in Dubai, UAE, EKC Industries (Tianjin) Co. Ltd. in China and EKC Industries (Thailand) Co. Ltd. in Thailand 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.

The Current Corporate Structure is as under:



Pursuant to the provision of Section 212(8) of the Companies Act, 1956 (the Act), the Ministry of Corporate Affairs, Government of India vide its circular dated 8th February, 2011 has granted general exemption from attaching the Balance Sheet, Profit and Loss Account and other documents of the subsidiary companies with the Balance Sheet of the Company. A statement containing brief financial details of the Company's subsidiaries for the financial year ended 31st March, 2011 is included in the Annual Report. The annual accounts of these subsidiaries and the related detailed information will be made available to any member of the Company who may be interested in obtaining the same at any point of time and are also available for inspection by any member of the Company at the registered office of the Company and that of the respective subsidiary companies. The Consolidated Financial Statements presented by the Company include the financial results of the subsidiary companies.

FIXED DEPOSITS

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

SHIFTING OF ACTIVITIES OF AURANGABAD UNIT TO GANDHIDHAM UNIT

With a view to consolidate and promote synergy amongst similar facilities which would result in effective utilization of the manufacturing facilities and also considering the feasibility and viability of order execution and prompt delivery of committed supplies to customers, it was considered prudent to shift the entire activities of the plant located at Aurangabad, Maharashtra to the company's larger unit located at Gandhidham, Gujarat which has the resources and the capacity to handle the incremental volume of business as a result of such change.

DIRECTORS

Mr. Arvind Malhan ceased to be alternate director to Mr. Varun Bery w.e.f. 1st January, 2011. Mr. Akash Mehta who had been appointed as an alternate director to Mr. Varun Bery w.e.f. 31st January, 2011 also ceased to be alternate director to Mr. Varun Bery w.e.f. 13th May, 2011. Mr. Hon Cheong Lam has been appointed as an alternate director to Mr. Varun Bery w.e.f. 27th May, 2011.

As per the provisions of Article 137 of the Articles of Association of the Company, Mr. Naresh Oberoi, Mr. Vyomesh Shah and Mr. Gurdeep Singh, retire by rotation and being eligible, offer themselves for re-appointment at the ensuing Annual General Meeting. The Board of Directors has also recommended their re-appointment for consideration of the shareholders.

Brief resume of the Directors proposed to be re-appointed, 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 continues to have 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.

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.

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, 2011, the applicable accounting standards 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, 2011 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

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 re-appointment.

The Company has received letters from M/s. Dalal & Shah and M/s. Arun Arora & Co. to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956 and that they are not disqualified for re-appointment within the meaning of Section 226 of the said Act.

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 Report on Corporate Governance as stipulated under Clause 49 of the Listing Agreement forms part of the Annual Report. 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.

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.

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.

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 globally.

For and on behalf of the Board

P.K. Khurana
Chairman & Managing Director

Mumbai
27th May, 2011

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

To the Members,
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 2011, as stipulated in Clause 49 of the Listing Agreements of the said Company with 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 the 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.

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

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 No. 102021W
Chartered Accountants

S. Venkatesh
Partner
Membership No. F-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:

As a responsible corporate citizen, your Company is taking all possible measures to achieve efficiency in energy such as:

- Efficiency in the use of electrical energy by installing power efficient equipments at all the plants / offices.
- Efficiency in the use of Thermal energy like trying out different fuels, improvements in fuel burners, minimising heat losses by improved insulation, etc.

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. Energy Conservation measures undertaken at the Plants:

Following measures are continuously undertaken to conserve energy at the Plants:

- Modification of water pipe lines & use of high Density Poly Ethylene pipe lines to reduce the pressure losses consequently leading to lower energy requirement.
- Deployment of distributed pumping stations and cooling towers to save energy.
- Servicing of furnace burners in order to improve combustion efficiency of furnaces.
- Installation of automatic shut-off devices on air compressors to ensure they shut down when compressed air demand is low.
- Installation of energy saving transformer for lighting.
- Installation of automatic power factor control panels with capacitors at various load centres for keeping the currents at lower level and also for keeping the power factor under control.
- Medium bay light fittings in factory sheds at optimum locations in place of high bay fittings which consume more power and give uneven light. Help of special lighting software from light fittings suppliers was taken for this purpose.
- Installation of wind driven roof ventilators for ventilation to save electrical energy.
- Installation of transparent windows in addition to the transparent roofing sheets in the side walls of the taller sheds for better ventilation and lighting.
- Use of boiler in place of usual method of thermic fluid heating for heating requirement in surface treatment plant. With steam it is possible to transmit much higher heat per kg. of water pumped, which leads to major energy saving.

- Installation of new furnaces with higher thickness of insulation to reduce heat loss and thereby save energy.
- Installation of camel back style oven for the painting system to avoid funneling of air and resultant heat losses.
- Installation of zero discharge Effluent Treatment Plant with multiple effect evaporator. This reuses steam and reduces energy consumption.
- Installation of more wind driven roof ventilators as energy saving devices.
- Installation of more power saving transformers for the lighting load.
- Replacement of old water pipes with Fibreglass Reinforced Plastic 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 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	1,123.99	2,841,843 units	3,630,344 units
Satara, Maharashtra	3	3 x 0.225 MW = 0.675 MW	332.75	456,524 units	692,771 units

Saving in energy costs during the period under consideration.

- The wind farm projects as mentioned in the preceding parts 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 wind mills.
- At Kandla, the energy generated is utilized for captive consumption at Gandhidham unit.
- At Satara, the energy generated is sold to Maharashtra State Electricity Board as per the Government's policy.

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

Particulars	Current Year	Previous Year
A) Power and Fuel consumption:		
a) Electricity purchased		
Units (kwh in Lac)	224.78	173.36
Total Amount (Rs. in Lac)	1,225.29	724.39
Rate per Unit (Rs.)	5.45	4.18
b) Oxygen purchased		
Units (Cu.M. in Lac)	8.32	7.40
Total Amount (Rs. in Lac)	88.88	64.07
Rate per Cu.M. (Rs.)	10.68	8.66
c) LDO purchased		
Units (Ltrs. in Lac)	32.58	31.58
Total Amount (Rs. in Lac)	876.15	1,092.97
Rate per Ltr. (Rs.)	26.89	34.61
d) LPG purchased		
Units (Kg. in Lac)	13.27	4.74
Total Amount (Rs. in Lac)	549.61	170.24
Rate per Kg. (Rs.)	41.43	35.86
B) Consumption per unit of production:		
i. Electricity (kwh / MT)	845.68	649.20
ii. Oxygen (Cu.M / MT)	31.30	27.65
iii. LDO (Ltr. / MT)	122.57	117.99
iv. LPG (Kg. / MT)	49.91	17.74

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.

TECHNOLOGY ABSORPTION

1. This year the main thrust is on eco friendliness. The Company has taken a major step by installing a state of the art Effluent Treatment Plant (ETP) at the Kandla SEZ plant. This plant uses chemicals for the surface treatment of the steel blanks which are to be processed in the deep drawing presses. This ETP is Zero Liquid Discharge type thereby saving a large amount of water and also recovering few important chemicals for re-use. This makes it very eco friendly and at the same time it saves substantial resources, as it achieves conservation of energy, water and chemicals at the same time.

2. Another major step taken is to use steam for heating and to insulate the heated tanks to prevent loss of heat, thereby reducing the carbon footprint. All the steam pipe lines are also insulated. The condensate at about 80 degrees centigrade is recycled, which results in large savings of energy.

INNOVATION

USE OF ROBOTIC TECHNOLOGY

While manufacturing cylinders from plates, there are two important aspects for material handling. Human safety while carrying out loading / unloading at various stations including the deep draw presses and speed with accuracy of positioning of the Circular Blanks and Drawn Cups ("work pieces") at their required positions for the process.

We have installed Robots for the automated handling of work pieces from one work station to the other. These Robots are "Pick-and-Place" type incorporating state of the art technology and are used for loading the work pieces on the 3 Presses used for Drawing Operation and also for loading the work pieces for the Surface Treatment Operation. They are programmed for the automatic handling of the work pieces and Robot Program Logic for integration with Conveyor, Platform movements, Safety Net, etc. is written intelligently to have total safety of the operations as per European Standards for safety.

The location of the Robots and peripheral equipments such as conveyors (Ground as well as Overhead) is done keeping in mind the sequence of operation and optimum space utilisation. The Robots are designed with Unique Grippers which can handle all the sizes of work pieces at that location in process. This results in total flexibility of operation without any recurring setup time.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

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

Revenue from international sales now represents almost 67% of the Company's total consolidated revenues. The Company has established a substantial market in South Asia, South East Asia, Middle East, Africa, South America and CIS countries.

During the year, the Company had exports (FOB value) worth Rs. 12,158.88 Lac.

Total foreign exchange used and earned: (Rs. in Lac)

Particulars	Current Year	Previous Year
I. Foreign Exchange used	15,175.43	21,535.57
II. Foreign Exchange earned	12,411.24	5,773.13