



EVEREST KANTO CYLINDER LIMITED

(Our Company was incorporated under the name Everest Kanto Cylinder Private Limited on June 24, 1978 with the Registrar of Companies, Maharashtra, as a private company. Converted into a public limited company and received fresh Certificate of Incorporation consequent to change of name to Everest Kanto Cylinder Limited on June 7, 2005)

Registered Office: 501, Raheja Centre, 214, Free Press Journal Marg, Nariman Point, Mumbai 400 021

(Previous Registered Office: On incorporation: 10, Marine Chambers, 43, New Marine Lines, Mumbai 400 020, in 1983 shifted its registered office to 167, Atlanta, Nariman Point, Mumbai 400 021)

Tel: 91 22 2285 0777 / 78, 91 22 2284 4462 / 4541, Fax: 91 22 2287 0718 / 20,

Email: ekc@vsnl.com, Web site: www.everestkanto.com

Compliance Officer: Mr. Kishore K. Thakkar

Public Issue of [●] Equity Shares of Rs 10/- each for cash at a price of Rs. [●] (including premium of Rs. [●] per Equity Share, aggregating Rs. 9000 lacs (hereinafter referred to as "the Issue") by Everest Kanto Cylinder Ltd. (hereinafter referred to as "Everest" or the "Company" or the "Issuer"). The issue would constitute [●] of the fully diluted post issue paid-up Equity Share capital of the Company.

PRICE BAND: Rs. 140 TO Rs. 160 PER EQUITY SHARE OF FACE VALUE OF Rs 10/- EACH

The Issue is being made through the 100% Book Building Process, wherein 5% of the Issue shall be reserved for the Eligible Employees of the Company, up to 50% of the Net Issue to the Public shall be allocated on a discretionary basis to Qualified Institutional Buyers ("QIBs"). Further, not less than 15% of the Net Issue to the Public shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue to the Public shall be available for allocation on a proportionate basis to Retail Bidders, subject to valid bids being received at or above the Issue Price.

RISKS IN RELATION TO THE FIRST ISSUE

This being the first issue of Equity Shares of the Company, there has been no formal market for the Equity Shares of the Company. The face value of the Equity Shares is Rs. 10/- and the Issue Price is [●] times of the face value. The Floor Price is 14 times and Cap Price is 16 times of the Face Value. The Issue Price / Price Band has been determined and justified by the Company in consultation with the Book Running Lead Manager as stated under the 'Basis of Issue Price' paragraph, and should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of the Company or regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISKS



Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this offering. For taking an investment decision, investors must rely on their own examination of the Issuer and the Issue including the risk involved. The Equity Shares offered in the Issue have not been recommended or approved by the Securities and Exchange Board of India (SEBI) nor does SEBI guarantee the accuracy or adequacy of this document. **Specific attention of the investors is invited to the statement of Risk Factors on Page No. ix to xviii of the Red Herring Prospectus.**

ISSUER'S ABSOLUTE RESPONSIBILITY

The Company, having made all reasonable inquiries, accepts responsibility for, and confirms that this Red Herring Prospectus contains all information with regard to the Company and the Issue, which is material in the context of the Issue, that the information contained in this Red Herring Prospectus is true and correct in all material respects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Red Herring Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING

The Equity Shares offered through this Red Herring Prospectus are proposed to be listed on the Bombay Stock Exchange Limited, Mumbai (BSE) and The National Stock Exchange of India Ltd. (NSE). The in-principle approval of the Stock Exchanges for listing the Equity Shares has been received pursuant to letter No. DCS/SG/SM/PS/2005 dated 25/10/2005, and Letter No. NSE/LIST/17856-N dated 26/10/2005 respectively. BSE will be the Designated Stock Exchange.

BOOK RUNNING LEAD MANAGER	REGISTRAR TO THE ISSUE
 <p>SBI CAPITAL MARKETS LIMITED 202, Maker Tower "E", Cuffe Parade, Mumbai – 400005 Tel: 91 22 2218 9166, Fax: 91 22 2218 8332 e-mail: ekc.ipo@sbicaps.com Website: www.sbicaps.com Contact Person: Mr. Amit Srivastava</p>	 <p>INTIME SPECTRUM REGISTRY LIMITED C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (W), Mumbai – 400 078 Tel: 91 22 5555 5491-94, Fax: 91 22 5555 5499 e-mail : everestkanto@intimespectrum.com Website: www.intimespectrum.com Contact Person: Mr. Vishwas Attavar</p>

ISSUE PROGRAMME

BID / ISSUE OPENS ON : NOVEMBER 22, 2005

BID / ISSUE CLOSES ON : NOVEMBER 25, 2005

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SECTION I: DEFINITIONS AND ABBREVIATIONS

CONVENTIONAL/ GENERAL TERMS

Term	Description
Companies Act / Act	The Companies Act, 1956 as amended from time to time.
Depository	NSDL and CDSL, both being depositories, which are registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time.
Depositories Act	The Depositories Act, 1996, as amended from time to time.
Depository Participant	A depository participant as defined under the Depositories Act.
Director(s)	Directors of the Company from time to time unless otherwise specified.
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time, and the regulations framed thereunder.
FII	Foreign Institutional Investor, [as defined under SEBI (Foreign Institutional Investors) Regulations, 1995] registered with SEBI under applicable laws in India.
Financial Year / Fiscal / FY	Period of twelve (12) months ended March 31 of that particular year, unless stated otherwise.
General Meeting	General Meeting includes all kinds of General Meetings, whether annual, extraordinary or statutory.
Government / Gol	The Government of India.
Indian GAAP	Generally Accepted Accounting Principles in India.
I.T. Act	The Income-Tax Act, 1961, as amended from time to time.
Lacs / Lakhs	One tenth of a Million (10 Lacs is equivalent of a million).
Memorandum / MoA	Memorandum of Association of the Company.
NRI / Non-Resident Indian	Non-Resident Indian, as defined under Foreign Exchange Management (Deposit) Regulations, 2000.
OCB / Overseas Corporate Body	A company, partnership firm, society and other corporate body owned directly or indirectly to the extent of at least sixty percent (60%) by NRIs and includes overseas trusts in which not less than sixty percent (60%) beneficial interest is held by NRIs directly or indirectly but irreovably as defined under Foreign Exchange Management (Deposit) Regulations, 2000.
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time.
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act, 1992.
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time.
SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000, as amended, including instructions and clarifications issued by SEBI from time to time.
SAST	SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended from time to time.

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OFFERING RELATED TERMS

Term	Description
Allotment	Issue of Equity Shares of the Company pursuant to the Issue to the successful Bidders.
Allottee	The successful Bidder to whom the Equity Shares are being issued.
Bankers to the Issue	The Bankers with whom the Escrow Account for the Issue shall be opened.
Bid	An indication to make an offer made during the Bidding Period by a prospective investor to subscribe to Equity Shares of the Company at a price within the Price Band, including all revisions and modifications thereto.
Bid Price / Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder on submission of the Bid in the Issue.
Bid Opening Date/ Issue Opening Date	The date on which the Syndicate Members shall start accepting Bids for the Issue, which shall be notified in a widely circulated English national newspaper, a Hindi national newspaper and a Marathi regional newspaper.
Bid Closing Date / Issue Closing Date	The date after which the Syndicate Members will not accept any Bids for the Issue, which shall be notified in a widely circulated English national newspaper, a Hindi national newspaper and a Marathi regional newspaper.
Bid cum Application Form	The form in terms of which the Bidder shall make an offer to purchase the Equity Shares of the Company and which will be considered as the application for allotment of the Equity Shares in terms of this Red Herring Prospectus.
Bidder	Any prospective investor who makes a Bid pursuant to the terms of this Red Herring Prospectus.
Bidding Period / Issue Period	The period between the Bid/Issue Opening Date and the Bid/Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids.
Book Building Process	Book building route as provided under Chapter XI of the SEBI Guidelines, in terms of which, this Issue is being made.
BRLM	Book Running Lead Manager to the Issue, in this case being SBI Capital Markets Limited.
CAN / Confirmation of Allocation Note	The note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares in the Book Building Process.
Cap Price	The higher end of the Price Band, above which the Issue Price will not be finalised and above which no bids will be accepted.
Cut-off Price	Cut-off Price refers to any price within the Price Band. A Bid submitted at Cut-off Price is a valid Bid at all price levels within the Price Band.
Designated Stock Exchange	Bombay Stock Exchange Limited, Mumbai.
Designated Date	The date on which the funds are transferred from the Escrow Account of the Company to the Issue Account after the Prospectus is filed with the ROC, following which the Board of Directors shall allot Equity Shares to successful bidders.
Draft Red Herring Prospectus/DRHP	This Draft Red Herring Prospectus issued in accordance with Section 60B of the Companies Act, which does not have complete particulars on the price at which the Equity Shares are offered and size of the Issue. It carries the same obligations as are applicable in case of a Prospectus and will be filed with ROC at least three days before the Bid/Issue Opening Date. It will become a Prospectus after filing with ROC after the pricing.
Eligible Employees	Permanent Employees of the Company as on October 31, 2005, who are Indian Nationals based in India and are physically present in India on the date of submission of the Bid cum Application Form, including Directors of the Company except for directors who are part of the Promoter Group.

Employee Reservation Portion	The portion of the Issue being a maximum of [●] Equity shares available for allocation to Eligible Employees.
Equity Shares	Equity Shares of the Company of the face value Rs. 10 each, unless otherwise specified in the context thereof.
Escrow Account	Account opened with the Escrow Collection Bank(s) and in whose favour the Bidder will issue cheques or drafts in respect of the Bid amount and from which refunds (if any) shall be made of the amount collected by the Bidders.
Escrow Agreement	Agreement entered into amongst the Company, the Registrar, the Escrow Collection Bank(s), the Syndicate Members and the BRLM for collection and refund (if any) of the Bid from and to the Bidders.
Escrow Collection Bank (s)	The banks, which are clearing members and registered with SEBI as Banker(s) to the Issue, at which the Escrow Account will be opened.
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form.
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalised and below which no Bids will be accepted.
Issue	Public issue of [●] new Equity Shares of Rs. 10/- each for cash at the Issue Price of Rs. [●] aggregating to Rs. 9,000 lacs by the Company in terms of this Red Herring Prospectus.
IPO	Initial Public Offering
Issue Account	Account opened with the Banker to the Issue to receive monies from the Escrow Accounts on the Designated Date.
Issuer	Everest Kanto Cylinder Limited.
Issue Size	[●] Equity Shares of the Company aggregating to Rs. 9,000 lacs.
Issue Price	The final price at which Equity Shares will be issued and allotted in terms of this Red Herring Prospectus, as determined by the Company in consultation with the BRLM, on the Pricing Date.
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, which may range between 0% to 100% of the Bid Amount.
Non-Institutional Bidders	All Bidders that are not QIBs or Retail Individual Bidders.
Non-Institutional Portion	The portion of the Issue being atleast [●] Equity Shares of Rs. 10/- each, aggregating to Rs. 1282.5 Lacs, available for allocation to Non-Institutional Bidders.
Pay-in Date	The Bid/Issue Closing Date or the last date specified in the CAN sent to the Bidders as applicable.
Price Band	The Price band with a minimum price (Floor Price) of Rs. 140 and the maximum price (Cap Price) of Rs. 160 and includes any revision thereof.
Pricing Date	The date on which the Company, in consultation with the BRLM, finalises the Issue Price.
Project	The manufacturing facility to be set up at Gandhidham for High Pressure Cylinders, including working capital requirements.
Promoters	Mr. Prem K. Khurana, Mr. Pushkar Khurana, Ms. Suman P. Khurana, Mr. Puneet Khurana

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Prospectus	The Prospectus filed with the ROC containing, inter alia, the Issue Price that is determined at the end of the Book Building Process, the size of the Issue and certain other information.
QIB Portion	The portion of the Issue being upto [●] Equity Shares of Rs. 10 each at the Issue Price, aggregating to Rs. 4275 Lacs, available for allocation to QIBs.
Qualified Institutional Buyers/ QIBs	Public Financial Institutions as specified in Section 4A of the Companies Act, Scheduled Commercial Banks, Mutual Funds registered with SEBI, Foreign Institutional Investors registered with SEBI, Multilateral And Bilateral Development Financial Institutions, Venture Capital Funds registered with SEBI, Foreign Venture Capital Investors registered with SEBI, State Industrial Development Corporations, Insurance Companies registered with the Insurance Regulatory And Development Authority (IRDA), Provident Funds with a minimum corpus of Rs. 25 crores and Pension Funds with a minimum corpus of Rs. 25 crores.
Registrar / Registrars to the Issue	Intime Spectrum Registry Limited
Retail Individual Bidders/ Retail Bidders	Individual Bidders (including HUFs and NRIs) who have Bid for Equity Shares for an amount less than or equal to Rs. 1,00,000 in any of the bidding options in the Issue.
Retail Portion	The portion of the Issue being atleast [●] Equity Shares of Rs.10 each, aggregating to Rs. 2992.5 Lacs, available for allocation to Retail Individual Bidder(s).
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid cum Application Forms or any previous Revision Form(s).
RHP or Red Herring Prospectus	The document issued in accordance with SEBI Guidelines, which does not have complete particulars on the price at which the Equity Shares are offered and the size of the Issue. The Red Herring Prospectus which will be filed with the RoC at least three (3) days before the Bid Opening Date and will become a Prospectus after filing with the RoC and pursuant to pricing and allocation.
Stock Exchanges	BSE and NSE
Syndicate	The Syndicate Members collectively.
Syndicate Agreement	The agreement to be entered into by the Company and the members of the Syndicate in relation to the collection of Bids in this Issue.
Syndicate Members	Intermediaries registered with SEBI and eligible to act as underwriters. Syndicate Members are appointed by the BRLM.
TRS or Transaction Registration Slip	The slip or document issued by the Syndicate Members to the Bidder as proof of registration of the Bid.
Underwriters	The BRLM and Syndicate Members
Underwriting Agreement	The Agreement among the BRLM, the Syndicate Members and the Company to be entered into on or after the Pricing Date.

COMPANY/INDUSTRY RELATED TERMS

Term	Description
Articles / AoA / Articles of Association	Articles of Association of the Company
Auditors	The statutory auditors of the Company, namely C.D. Pasad & Co.
BIS	Bureau of Indian standards
Board / Board of Director	Board of Directors of Everest Kanto Cylinder Limited.
CCOE	The Chief Controller of Explosives, Gol
CNG	Compressed natural gas.

Committee	Committee of the Board of Directors of Everest Kanto Cylinder Limited authorised to take decisions on matters relating to or incidental to this Issue.
DOT	Department of Transportation, Standard in America for Industrial Cylinder
"Everest" or "Company" or "our Company" or "we" or "us" or "Everest" and its subsidiaries	Unless the context otherwise requires, refers to Everest Kanto Cylinder Limited, a Limited Company incorporated under the Companies Act together with its subsidiaries.
EN 1964	Standard in Europe for Industrial Cylinder
EOQ	Economic Order Quantity
Equity Shares	Equity Shares of the Company of Rs. 10/- each unless otherwise specified in the context thereof
Equity Shareholders	Persons holding Equity Shares of the Company unless otherwise specified in the context thereof
Face Value	Value of paid up equity capital per Equity Share, in this case being Rs. 10/- each
Indian Standard	Shall have the meaning ascribed to it under the Bureau of Indian Standards Act, 1986.
ISO	International Standard Organization
Memorandum / MoA / Memorandum of Association	Memorandum of Association of the Company
NGV 2	Standard in America for CNG Cylinder
NZS 5454	Standard in New Zealand for CNG Cylinder
PLR	Prime Lending Rate

ABBREVIATIONS

Abbreviation	Full Form
AGM	Annual General Meeting
AS	Accounting Standards issued by the Institute of Chartered Accountants of India.
AY	Assessment Year
BSE	Bombay Stock Exchange Limited, Mumbai
A/c	Account
CDSL	Central Depository Services (India) Limited
DMM	Dalal Mott MacDonald
EBITDA	Earning Before Interest Tax Depreciation and Amortisation.
EGM	Extraordinary General Meeting
EPS	Earnings Per Share i.e. profit after tax divided by outstanding number of Equity Shares at the year end.
FEMA	Foreign Exchange Management Act, 1999 read with rules and regulations thereunder and amendments thereto.
FII(s)	Foreign Institutional Investors registered with SEBI under applicable laws.
FIPB	Foreign Investment Promotion Board.

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FDI	Foreign Direct Investment.
HUF	Hindu Undivided Family.
MNC	Multi National Company.
NOC	No Objection Certificate.
NRE Account	Non-Resident External Account.
NRI(s)	Non-Resident Indians.
NSDL	National Securities Depository Limited.
NSE	The National Stock Exchange of India Limited.
OEM	Original Equipment Manufacturer
P/E Ratio	Price/Earnings Ratio.
PAN	Permanent Account Number.
QIB	Qualified Institutional Buyer.
RBI	The Reserve Bank of India.
ROC	Registrar of Companies, Maharashtra situated at 100, Everest, Marine Lines, Mumbai - 400 002.
RONW	Return on Net Worth.
Rs. / Rupee(s) / INR	Indian Rupee(s).
SBI Caps	SBI Capital Markets Limited.
USD or \$ or US \$	United States Dollar.



SECTION II : RISK FACTORS

CERTAIN CONVENTIONS AND USE OF MARKET DATA

Unless stated otherwise, the financial data in this Red Herring Prospectus is derived from our financial statements prepared in accordance with Indian GAAP and included in this Red Herring Prospectus. Our current fiscal year commenced on April 1, 2005 and ends on March 31, 2006. In this Red Herring Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding-off.

There are significant differences between Indian GAAP and U.S. GAAP; accordingly, the degree to which the Indian GAAP financial statements included in this Red Herring Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices. Any reliance by Persons not familiar with Indian accounting practices on the financial disclosures presented in this Red Herring Prospectus should accordingly be limited. The Company has not attempted to explain those differences or quantify their impact on the financial data included herein, and the Company urges you to consult your own advisors regarding such differences and their impact on our financial data.

For definitions, please see the section titled "Definitions and Abbreviations" on page i of this Red Herring Prospectus.

Unless stated otherwise, industry data used throughout this Red Herring Prospectus has been obtained from various reports. These reports/publications generally state that the information contained in those reports/publications have been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although the Company believes that industry data used in this Red Herring Prospectus is reliable, it has not been independently verified.

FORWARD LOOKING STATEMENTS

This Red Herring Prospectus contains certain “forward-looking statements”. These forward-looking statements generally can be identified by words or phrases such as “aim”, “anticipate”, “believe”, “expect”, “estimate”, “intend”, “objective”, “plan”, “project”, “shall”, “will”, “will continue”, “will pursue” or other words or phrases of similar import.

All forward-looking statements are subject to risks, uncertainties and assumptions about the Company that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from expectations include, among others:

- Variation in the demand for Company’s products
- The Company’s ability to successfully implement strategy, growth, expansion plans and technological changes;
- Increasing competition in the global and Indian industry;
- General economic and business conditions in India;
- Changes in the value of the Rupee and other currencies;
- Changes in Indian laws and regulations;
- Exposure to market risk, general economic and political conditions in India which can have an impact on the business activities or investments; and
- Changes in laws, regulations and taxes, as are applicable to the Company’s products.

For further discussion of factors that could cause our actual results to differ, see “Risk Factors” beginning on page ix of this Red Herring Prospectus. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither our Company, any member of the Syndicate nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, our Company and the BRLM will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges.

RISK FACTORS

An investment in Equity Shares involves a high degree of risk. You should carefully consider all the information in this Prospectus, including the risks and uncertainties described below, before making an investment in the Equity Shares. If any of the following risks actually occur, our business, results of operations and financial condition could suffer, the trading price of the Equity Shares could decline, and you may lose all or part of your investment.

Prior to making an investment decision, prospective investors should carefully consider all of the information contained in this Red Herring Prospectus, including financial statements included in this Red Herring Prospectus beginning on page 74. Unless stated otherwise, the financial data in this section is as per our financial statements prepared in accordance with Indian GAAP.

Unless otherwise stated in the relevant risk factors set forth below, we are not in a position to specify or quantify the financial or other implications of any of the risks mentioned herein.

Materiality

The risk factors have been determined on the basis of their materiality. The following factors have been considered for determining the materiality:

- a) Some events may not be material individually but may be found material collectively.
- b) Some events may have material impact qualitatively instead of quantitatively.
- c) Some events may not be material at present but may be having material impacts in future.

The risk factors are as envisaged by the management of the Company along with the proposals to address the risk, if any. Wherever possible, the financial impact of the risk factors has been quantified.

Internal Risk Factors

Our inability to manage growth may lead to loss of opportunities and may hamper our future growth plans.

We anticipate rapid growth and expansion in our business, production capacity and scope of operations. We may be subject to growth-related risks including capacity constraints and pressure on internal systems and controls. The Company's ability to manage its growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth could have a material adverse impact on its business, operations and prospects. In order to manage its current operations and any future growth effectively, the Company will need to continue to implement and improve its operational, financial and management information systems and to hire, train, motivate, manage and retain its employees. There can be no assurance that the Company will be able to manage such growth effectively, that its management, personnel or systems will be adequate to support the Company's operations or that the Company will be able to achieve the increased levels of revenue commensurate with the increased levels of operating expenses associated with this growth.

We may face severe competition for our products both from domestic and overseas manufacturers. Besides, we may also face competition from products made of improved or advanced materials.

We operate in an environment, which is facing competition both from domestic and international high pressure gas cylinder manufacturers. The upcoming fresh capacities in the domestic arena and the imports from China are likely to increase as existing competitors improve their products and as new participants enter the market. Moreover, these competitors may enter into strategic or commercial relationships with larger, more established and better financed companies. Some of the competitors may be able to enter into these strategic or commercial relationships on more favourable terms. Additionally, these competitors may have research and development capabilities that would allow them to develop new or improved products that may compete with the products of the Company. New technologies and the expansion of existing technologies may also increase competitive pressures on the Company. Already aluminum cylinders are finding increased acceptance in storage of medical Oxygen for use by patients outside hospitals and efforts are being made to reduce the weight of CNG cylinders by use of composite materials. These competitors may be able to institute price wars, or could with concerted research, imitate the features of the Company's fuel storage systems, resulting in market dilution and reduced profit margins for the Company.

Our future growth and success is highly dependent upon the development of a substantial and widespread market for the new application of our products.

The market for high-pressure seamless steel gas cylinders has been in existence for decades but the new applications for our products, both for industrial and CNG cylinders, is evolving rapidly. Our future success is dependent upon the development of a substantial and widespread market for such new applications. There can be no assurance that a mass market for these applications will develop, and if it does, such a market may develop much slower than anticipated. The market for these type of applications are in the early stages of development and there can be no assurances that the Company will be able to develop its products successfully or that a commercially feasible market for its products will develop. Besides, it is difficult to assess, or predict with any assurance, the present and future size of the potential market for our products, or the growth rate, if any. Moreover, we cannot predict whether our products will continue to retain market acceptability. The development of a commercially feasible market for our products may be affected by many factors, some of which include the emergence of newer, more competitive technologies and products, regulatory and statutory requirements, consumer perceptions of the safety of cylinders, consumer reluctance to try new products and the overall cost of commercial production.

We will be impacted by inadequate availability of compressed natural gas (CNG) across regions and inadequacy or delay in development of infrastructure for distribution of CNG.

CNG is gradually emerging as an alternative fuel for automobiles in areas where the vehicular pollution levels are considered to be high. Except for the initial cost of conversion of vehicles, the running cost for a vehicle using CNG is much lower. However, vehicles using CNG as fuel require specialized refueling systems and on a full tank comparison have a driving range, which is less than that of a conventional fuel vehicle. So far switchover to CNG as an alternative fuel has been due to economy of fuel costs in case of petrol vehicles, public buses and trucks. Court directives have also been the main driving force. Progress in this regard would depend upon creation of a proper infrastructure and easy availability across regions. Any delay in this regard would lead to a slower growth in demand for these kinds of cylinders and in turn would affect us adversely.

Our offices and factory premises, alongwith that of some of our group concerns, and residences of some of our directors had been subjected to search by the Income Tax authorities under section 132 (3) of the I.T. Act 1961.

The search and seizure had been carried out under Section 132 (3) of the Income Tax Act, 1961 and various books / papers of the company and that of its group concerns were seized along with cash. The cash seized was accounted for in the books of accounts. The day to day operations of the company has not been affected in any manner whatsoever. The Company intends to file suitable applications for the release of the Assets, and/ or to initiate suitable proceedings as may be advised by their tax advisers. For details, please refer page 104 of the RHP. No charges have been made or received as of date.

We may witness decline in demand for our products in case of change in transportation methods for CNG.

Presently, the Gas Authority of India Limited (GAIL) has the distribution rights for gas within the country. GAIL carries gas up to the mother stations, after which CNG is transported within city limits and the outskirts by local gas companies like Indraprasth Gas Ltd or Mahanagar Gas Ltd to the filling stations by using mobile cascades. The term 'cascades' refers to a method of stacking and transporting cylinders to the filling stations, and as such they allow for a higher degree of retrieval of gas per trip. In future if pipelines are laid for transportation of the gas from the mother station (the node upto where gas is transported through pipelines) to the CNG filling stations, there may be a decline in demand for mobile cascades, which would affect us adversely.

We may face decline in demand for industrial cylinders in case large users of industrial gas set up their own captive plants.

Certain large manufacturing units in industries like steel, fertilizers etc. require huge quantities of industrial gas for their manufacturing process. Such gases are transported from the gas manufacturing plants to the users site through cylinders and such companies make considerable investments in purchase and transportation of cylinders. In case the cost of handling of cylinders rises to an extent that it becomes viable for those users to set up their own captive production facility for gas, we may face a loss or reduction of orders from such customers.



We are dependent upon a limited number of seamless steel tube manufacturers for procurement of our critical raw material. Any changes in the terms and conditions extended to us by the supplier may have an adverse effect on our operations.

There are very few manufacturers of seamless tubes of the specifications that production of high-pressure cylinders requires. We have so far been procuring most of our requirements of seamless tubes from a single producer through its various plants located across continents. Our policy on procurement is guided by factors such as, the long-term relationship established with our supplier, the quality offered by them, the requirements for economic order quantities (EOQs), their ability to deliver material in relation to our time schedules and the payment terms offered by them. Thus, the tie up with one supplier works beneficially for us. We do, however, keep track on the price movements by regularly obtaining quotes from other manufacturers and sourcing limited quantities of material from other manufacturers. We do not, however, have any long-term agreements with our existing major supplier and are in a position to readily switch to another supplier, if the situation so requires. However, if there is any change in the terms and conditions extended to us by our suppliers, we may face shortage of material or our cost of procurement could go up.

An increase in the prices of raw materials will raise our manufacturing costs and could adversely affect our profitability.

The main raw material that we use in the production of Industrial Cylinders and CNG Cylinders is high pressure seamless steel tubes. Raw material cost accounts for the single largest component of our expense base and constitutes approximately 60 % of our net sales. Historically, we have been able to successfully pass on most of the raw material price increases to our customers because of the global nature of such rise affecting all manufacturers in the same way. However, there is no assurance that we will be able to continue to do so in the future. Any significant increase in the prices of raw materials may increase our manufacturing costs and can adversely affect our profitability.

Our operations may be adversely affected by a shortage of raw materials.

Our business depends on the adequate supply of high quality raw materials obtained at reasonable prices on a timely basis. This makes our operations vulnerable to interruptions or other changes in the raw material supply.

We cannot assure you that all our raw material requirements will continue to be satisfied by our suppliers. Our inability to obtain high-quality raw materials in a timely and cost-effective manner would cause delays in our production and delivery schedules, which may result in the loss of our customers and revenues.

We may be severely impacted in the event of large-scale fluctuation in steel and oil prices.

A major portion of seamless steel tube production is consumed by oil companies for their drilling activity and for laying of oil pipelines. Purchase of seamless steel tubes by our industry constitutes only a fraction of the total output of seamless steel tube manufacturers. Because of this reason, prices of seamless steel tubes are greatly influenced by changes in the crude oil prices as with rise in crude oil prices, drilling activity simultaneously goes up with a corresponding rise in demand for steel tubes. During the recent up trend in oil prices while the pipe line business is relatively soft, the demand for seamless steel tubes has gone up considerably backed by a sharp upsurge in demand from the drilling activity. With expected demand for transportation of gas, even the pipeline business is expected to get a boost from the emerging activity. Besides, the general rise in steel prices globally has also added to the prices of steel tubes. Our products are made of seamless steel tubes, therefore, any change in the steel and crude oil prices globally would lead to an increase in the prices of our major raw material with a simultaneous increase in our cost of production.

We manufacture our cylinders under the “EKC” trademark, which trademark while registered in India is not registered in the countries to which we export our products. Any misuse of our trademark in those countries may cause damage to our reputation and goodwill and may also result in loss of business.

While our trademark is registered in India, we have so far not obtained registration of this trademark in countries to which we export our products. Any misuse of this trademark by an unscrupulous person or entity in those countries can cause serious damage to our reputation and goodwill and may also result in a loss of business. Further, laws of these countries may afford little or no effective protection to our trademark and any unscrupulous person or entity may be able to misuse our trademark and impact our business by causing serious damage to our reputation, goodwill, and/or sales.

The project coming up at Gandhidham, District Kutch, Gujarat falls in an earthquake and cyclone prone area. Onslaught of such natural calamities can cause serious disruption to our production and financial loss to us.

A severe earthquake ravaged the district of Kutch in Gujarat on January 26, 2001, which resulted in large-scale destruction of property and loss of human lives. The area is also known to be prone to cyclones. While the area in which our plant is coming up falls within "Seismic Zone 4" classification, we have gone in for pre-engineered steel structure in the construction of factory premises. Pre engineered steel structures are better designed to withstand tremors than concrete structures. As a step further, even the pre fabricated steel structure being commissioned by us conforms to "Seismic Zone 5" standards, which are superior to cyclone withstanding requirements and "Seismic Zone 4" specifications. As a risk mitigating measure, we have obtained an insurance cover of Rs.15.00 crores against such risks during the construction period. Further, we shall be ensuring suitable insurance cover for risks in future. However, despite such measures any natural calamity of such magnitudes may cause serious dislocation to our business and financial losses.

We may loose on all or some of the tax incentives announced by the Government of India and Government of Gujarat for new industrial units coming up in the Kutch district of Gujarat, in case we are not able to commence commercial production before the dates declared in the respective schemes. Besides, we are yet to order for certain items of plant and machinery envisaged for the project.

As per Central Excise notification No. 39/2001 dated July 31, 2001 and subsequent amendments, all new industrial units coming up in Kutch district of Gujarat and with an investment in plant & machinery exceeding Rs.20.00 crores are eligible for a 5-year excise holiday in case the commercial production starts on or before December 31, 2005. Further, to compliment the incentives announced by the Central Government, Government of Gujarat has also announced certain sales tax incentives, which are available to units who are registered as pipeline cases before December 31, 2005 and provided they go in for commercial production before December 31, 2007. The eligible unit shall have to opt for the incentive as either in the form of sales tax exemption or sales tax deferment or composite scheme for units having capital investment exceeding Rs.100.00 crores. In order to comply with the eligibility criteria we are already a registered pipeline case based on the project report prepared by M/s Dalal Mott Macdonald. Also, we have been sanctioned a Term loan by Citibank to the tune of Rs.1500 Lacs. As for achieving the milestone of commencing commercial production before December 31, 2005, we have already placed the orders for major portion of machineries and other equipments and the delivery of the same is expected to be completed by November 2005 end. The building and other structures are almost ready. The trial runs is expected by November 2005 end and commercial production by December 15, 2005. Additional lines for the manufacture of cylinders is expected to be commissioned by March 31, 2006. Certain items of machineries for these lines are yet to be ordered by us (For details refer to Chapter on "Objects of the Issue"). In case of any delay on our part in the implementation of the Project within the stipulated dates, it would have a material adverse effect on our financial condition and results of operations.

We undertake substantial exports to countries like Iran, who are subject to economic sanctions imposed by the United States of America. Since all letters of credit from Iran in our favour are denominated in USD, we may face difficulty in receipt of payments for our exports in case any of the regulations of U.S. Department of the Treasury, Office of Foreign Assets Control related to banking transactions are violated, as detailed in the following paragraph.

U.S. Government because of its perceived impression about Iran's support for international terrorism and its active pursuit of weapons of mass destruction, has prohibited all trade and investment activities with U.S. persons, wherever located, barring certain exemptions on humanitarian grounds. Iranian Transactions Regulations-31 C.F.R. Part 560 is administered by the U.S. Department of Treasury, Office of Foreign Assets Control. The regulations for other banking services prohibits U.S. depository institutions, including foreign Branches, from servicing accounts of the Government of Iran, including banks owned or controlled by the Government of Iran or persons in Iran. Our exports to Iran are against U.S. Dollar denominated letters of credit opened by Bank Saderat Iran, Dubai, which figures in the list of banks controlled by the Government of Iran. While we take care to settle payments in Euro Dollars, if due to any inadvertent mistake or otherwise the payment gets routed through a U.S. depository institution or its any foreign branch it has the risk of being impounded and accordingly we may face difficulty in realizing the same.

We will have to revive / revise the MoU entered with the Jahad Taghhighat Group of Iran for our proposed manufacturing venture in Iran.

We had on March 8, 2005 entered into an MoU with Jahad Tahghighat Group of Iran for setting up a CNG cylinder manufacturing plant in Iran. Both the parties were to convert this MoU into a Joint Venture agreement latest by July, 15, 2005. However, as the same has not been done, we shall have to either revive the MoU or enter into a fresh MoU / JV agreement with the other party.

We have not appointed any independent monitoring agency for the deployment of funds, which are to be raised by the present issue, in the absence of which the deployment is entirely at the discretion of the management.

The amount being raised through the issue is proposed to be utilised for part funding of a new plant being set up at Gandhidham capable of manufacturing 3,40,000 high-pressure seamless steel gas cylinders per annum at 100% capacity utilisation. We have obtained a techno-economic study for the proposed project prepared by Dalal Mott Macdonald. No monitoring agency has so far been appointed for monitoring the deployment of funds raised from the public issue proceeds, which would be at the sole discretion of the management. Further in terms of the requirement of the Companies Act / Listing Agreement, the Company shall be required to disclose in their periodical publication of the results and the periodic returns about the unutilized proceeds of the issue under a separate head. For the implementation schedule, please refer to the chapter on "Objects of the Issue" on page 13.

Adverse movements in foreign exchange rates may adversely affect our operations and financial condition.

We import seamless steel tubes, which is the basic raw material for manufacturing high-pressure gas cylinders. We also import components and other capital goods, all of which are priced in foreign currencies, either in USD or Euros. Prices of these currencies tend to fluctuate vis a vis the rupee. We also have a branch office in Dubai where all transactions are carried out in Dirhams during the day for making local payments. However, the risk currency is USD only as at the end of the day all balances are converted into USD. Some natural currency hedge is available to us on account of both export and import transactions, however, we may have to bear losses in case of large-scale adverse movement of foreign currencies and timing mismatches.

Certain charges on our assets, for the borrowings made in the past, continue to persist in the register of charges maintained by the Registrar of Companies despite such borrowings having been repaid in full.

It is a usual practice to create charges against assets in favour of a lender(s) depending upon the terms of sanction for such loans. In the past we had created various charges in favour of certain lenders against the properties of the Company, movable and immovable, present and future, including the goodwill of the Company, its uncalled capital and all its licenses and registrations, which were registered in favour of those lenders with the Registrar of Companies, Maharashtra. After the repayment of such loans by us we had obtained no dues certificates from the respective lenders and filed the necessary form with the Registrar of Companies, for recording the due satisfaction of some of these charges. However, certain charges continue to exist against the assets as evidenced by the register of charges maintained by the Registrar of Companies, which are under follow up.

While granting permission for repatriation of capital for the Dubai manufacturing unit, the RBI had laid down a schedule for repatriation from the profits of the venture on an annual basis. We may have to face penal provisions as per the provisions of FEMA in case we are not able to adhere to the repatriation schedule or are unable to obtain necessary permission for waiver or rechedulement from RBI.

We had obtained the required permission of RBI for investing UAE Dhirs 175.50 lacs as capital for the Dubai manufacturing unit, against which RBI had prescribed a schedule for repatriation out of the profits of the Dubai manufacturing unit commencing from 2003-04. We have not been able to remit any amount during 2003-04 and 2004-05 so far as there were losses at the unit in these two years. We have submitted the annual performance report for 2003-04 to RBI and are in the process of submitting the same for 2004-05. We may be liable for penal action from RBI in case the repatriation schedule is not amended by it or a waiver is not granted to us. For further details please refer to chapter "Business of the Company" on page 38 of RHP.

We may face difficulties in understanding the markets in China where we have recently entered into a Joint Venture Agreement for setting up a cylinder manufacturing facility. Besides, we have no prior experience of dealing in this market and our failure to comply with various rules and regulations applicable in that country, or that of any of the clauses of the joint venture agreement, may affect our business and future prospects adversely.

We have entered into a joint venture agreement dated April 27, 2005 with Cangzhou Gas Corporation ("CGC") China for the purpose of setting up a plant for manufacture and sale of 120,000 high-pressure gas cylinders per annum in China, scalable upto 500,000 cylinders per annum within three years. The JV Company would be a limited liability company and would be governed by the laws of the Peoples Republic of China. The products manufactured by the JV Company would be sold under the "EKC" trademark and there is a minimum export obligation of 30% of the turnover. The JV is for a period of 50 years and in terms of one of the provisions of the JV agreement we are also required to guarantee the JV to produce qualified and quality stable products as part of our specific responsibility. China is a new market for us and we have no prior experience of dealings in China or with a Chinese entity. In case we fail to develop a sound understanding of the Chinese high-pressure gas cylinder market and commercial practices prevalent in that country or for that matter we are unable to fulfill the obligations specified in the JV agreement, we may have to suffer business setbacks including legal and or pecuniary liabilities. Further, in terms of the JV Agreement, EKC has covenanted to CGC that not only during the term of the JV Agreement (50 years) but even pursuant to termination of the JV (for any reason whatsoever), EKC shall not operate a commercial enterprise in China. Please refer to Chapter "Business of the Company" on page 38 of RHP for further details.

Our proposed venture in China would involve contribution of share capital from us, for which we shall require RBI permission. In case RBI permission is denied or delayed the said venture may fail to take off and the Company may financially suffer accordingly.

As per the JV agreement the total amount of investment in the project is estimated to be USD 15.8 million. The parties have to invest a total of USD 6.58 million as the registered capital of the joint venture, with EKC subscribing to 65% (USD 4.277 million) and CGC subscribing to 35% (USD 2.303 million) thereof. The schedule of share subscription prescribes that both the parties would bring their shares, only after, but within three months of receiving the formal letter of approval of a bank loan. We intend to meet this funds requirement through our internal accruals. In the event we fail to pay our contribution as per the agreed schedule, we shall be liable to pay 3% penalty per month of delay on the defaulted payment, and if this default continues for 3 consecutive months, the other party shall have the right to terminate the agreement and claim damages. For investing the proposed amount we shall require RBI permission. The permission if denied or delayed may lead to a situation where we are unable to contribute our share of the capital and may have to suffer both financially, and/or due to a loss of opportunity. Please refer to para "Overseas Business - China" on page 54 of RHP for further details.

There are certain related party transactions with the entities in which promoters hold controlling interest.

Our Registered office and premises at Dadar are not owned by us and have been taken on a leave and licence basis from Everest Kanto Investment & Finance Limited and Khurana Exports Pvt. Ltd. respectively, both of which form part of our Promoter Group. Further, we have entered into a leave and licence agreement with one of our promoters, Mr. Prem K. Khurana, for a godown in Mumbai. Further, we have taken an apartment for one of our directors on a leave and licence basis from Khurana Exports Pvt. Ltd. We also hire vehicles from Everest Kanto Investment & Finance Limited as well as from our promoter, Mr. Prem.K. Khurana. We have also taken loans from our promoter and whole-time directors during the year and pay interest to them at a rate of 9% p.a. These loans taken in the middle of the year are however paid off by the end of the year to show NIL balances. Please refer to "Related Party Transactions" on page 81 of this Red Herring Prospectus for more details.

We are yet to make certain applications in connection with required statutory and/or regulatory approvals.

The company has to make application for approval of the appropriate authorities:

1. Application to the sales tax authorities before December 31, 2005, to avail of the Sales Tax benefits under the incentive Scheme, 2001.

As per the audited results as on March 31, 2005 some of the group concerns had incurred losses.

As per the audited balance sheet dated March 31, 2005, two of the group concerns viz M/S Khurana Exports Private Limited and M/S Industrial Gases Corporation had incurred losses. Please refer to "Financial Information of Group Companies" on page 89 of this Red Herring Prospectus for more details.

We have certain contingent liabilities during the course of our business, which we are/may be liable to pay.

The contingent liabilities outstanding against the Company as on March 31, 2005 and June 30, 2005 is as follows:

(Rs. in Lacs)

Particulars	March 31, 2005	June 30, 2005
Letter of Credit outstanding	134.69	304.03
Bank Guarantee	258.34	331.54
Capital Contracts remaining to be executed	106.00	1491.14
Claims against the company not acknowledged as debts	NIL	NIL
Total	499.03	2126.71

We are dependent upon the expertise of our promoters, key management and technical personnel for the future performance of the Company. We may be adversely affected if the Company for any reason is unable to avail of their expertise.

The industry in which we operate has a limited number of players and accordingly expertise is limited to a few persons only. We have a team of professionals who are responsible for the day-to-day operations and drive the business growth. We may lose persons from our key management team to our competitors. If one or more members of our management team are unable or unwilling to continue with the company, we may find it difficult to replace such people and our business may be adversely affected.

Maharashtra Industrial Development Corporation may revoke the agreement for two flats licensed to us at Tarapur due to non-fulfillment of certain terms of the agreement.

We had taken two housing flats at Tarapur on license from Maharashtra Industrial Development Corporation (MIDC) for use by our staff. As per the agreement dated June 20, 1986, a co-operative society was to be formed and registered within six months from the date of the agreement by all the tenement holders in the building. As the society has not yet been formed, MIDC has not yet leased the land and the building to the proposed society, due to breach of this clause of the agreement; MIDC can terminate the allotment after giving us 30 days' prior written notice to cure the breach, and may repossess these flats.

Our future funds requirements, in the form of fresh issue of capital or securities and / or loans taken by us, may be prejudicial to the interest of the shareholders depending upon the terms on which they are eventually raised.

We may require additional capital from time to time depending on our business needs. Any fresh issue of shares or convertible securities would dilute the shareholding of the existing shareholders and such issuance may be done on terms and conditions, which may not be favourable to the then existing shareholders of the Company.

Pending Litigation/ Proceedings

The Company and one of its group companies is involved in some legal proceedings incidental to the business and operations of the Company. No assurance can be given as to whether these matters will be settled in favour of or against the Company and/ or the said group company. Nor can any assurance be given that no further liability will arise out of these claims. For details please refer to Chapter "Outstanding Litigations and Material Developments" on page no. 102 of RHP.

A summary of the said pending proceedings, along with proceedings faced by a director of the Company, is as follows:

A. A total of three matters remain pending against us, with a total claim amount of approximately Rs.25.24 lakhs.

The details of the same are as follows:

- The Company has received a demand notice from the Deputy Commissioner of Income Tax for an approximate amount of Rs. 1.99 lakhs in connection with the Company's returns for the Assessment Year 2002-03.
- The Company has received a notice from the Sales Tax Officer, Enforcement Branch, Mumbai for an approximate amount of Rs.21.7 lakhs in connection with alleged sales tax dues under the Bombay Sales Tax Act, 1959.

EVEREST KANTO CYLINDER LIMITED

- iii) An appeal by Assistant Commissioner of Income Tax has been filed against the Company for approximately Rs.1.55 lakhs in respect of interest allegedly payable, which appeal has been admitted.
- B. M/s Medical Engineers (I) Pvt. Limited ("MEIPL"), a group company of ours, has filed two Sales Tax, where the aggregate amount involved is approximately Rs. 2.94 lakhs
- C. One of the Independent Directors, Mr. Mohan Jayakar, has been a made a party to five proceedings instituted in certain Metropolitan/Judicial Magistrate's Court. These proceedings relate to dishonour of cheques by companies in which Mr. Mohan Jayakar was a director. The four companies are (i) M/s Krishna Filaments Limited; (ii) M/s Arihant Tournesol Limited (*2 complaints filed*), (iii) M/s Europlast India Limited (*two cases – one in Mumbai and the other in Indore*).

We may be subject to liability in case of accidents involving our products due to non availability of insurance cover.

The Company does not provide any product warranty except that the cylinders are manufactured as per the desired specifications and subjected to inspection by a third party inspection agency approved by chief controller of explosives, Government of India or the overseas buyer. While no insurance has been obtained for contingent risks, there may arise a situation where the company is engaged in litigation which may give rise to potential claims. However, no such incident has occurred in the past.

We are subject to the restrictive loan covenants of FI's and Bank's in respect of the short and long term borrowings made from them. Some of the loan covenants may affect some or all of the rights of the shareholders.

We are subject to usual and customary restrictive covenants in agreements that we have entered into with our banks for short-term loans and long-term borrowings. These restrictive covenants require us to seek the prior permission of the banks for various activities, including amongst others, alteration of the capital structure, raising of fresh capital, incurring expenditure on new projects, entering into any merger / amalgamation / restructuring, change in management etc. These restrictive covenants may affect some or all of the rights of our shareholders, including those mentioned on page 115 of this Red Herring Prospectus. For the proposed public issue we have obtained No Objection Certificates from our bankers i.e. ICICI Bank Limited, State Bank of Hyderabad, Citibank N.A. and National Bank of Fujairah vide their letter(s) dated July 12, 2005, July 18, 2005, July 13, 2005 and July 17, 2005 respectively.

Issue of Equity Shares in the last 12 months

We have issued Equity Shares in the last one-year. For details please refer to the notes to the Capital Structure on Page 8. On March 24, 2005, the Company has issued bonus shares in the ratio of 1:1 to all the existing shareholders.

Our Promoters/ Directors may derive benefits out of their direct or indirect interest in the Company and be able to influence the outcome of actions requiring shareholder approval.

The Promoters may be deemed to be interested to the extent of shares held by them, their friends or relatives, and benefits arriving from their holding/directorship in the company. The promoters are interested in the transaction entered into between the Company and the ventures where the Promoters are interested either as a promoter, director, partner, and proprietor or otherwise. For details please refer page 68 and 81 of the RHP. Further, after the Issue is completed, the aforementioned persons will have the ability to influence the outcome of actions requiring the approval of shareholders. The interests of our Promoters may conflict with the interest of the other investors, and investors may not agree with the way in which the Promoters exercise their voting rights and powers. This could delay, defer or prevent a change in control of the Company, impede a merger, consolidation, take-over or other business combination involving the Company, discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of the Company. The Promoters are in a position to influence all decisions at the shareholder's meeting.

Our operations could be seriously affected in case of industrial unrest at any of our plants.

The Company has a strength of 496 employees at its three manufacturing facilities and at the corporate office. In case there is industrial unrest of any kind our operations could be seriously affected with resultant adverse effect on the sales of the Company.



We require certain registrations and permits from government and regulatory authorities in the ordinary course of business and the failure to obtain them in a timely manner or at all may adversely affect our operations.

We require certain approvals, licenses, registrations and permissions for operating our business, some of which have expired and for which we have either made or are in the process of making an application for obtaining the approval or its renewal. For more information, see the section titled “Government Approvals” on page 105 of this Red Herring Prospectus. If we fail to obtain any of these approvals or licenses, or renewals thereof, in a timely manner, or at all, our business may be adversely affected.

External Risk Factors

Cylinder manufacturing activity is subject to the specific laws and regulations of individual countries.

We are subject to various laws, regulations and regulatory actions by authorities of individual countries. There can be no assurance that foreign countries will not adopt laws or regulatory requirements that could adversely affect us.

Exchange rate fluctuations may have an impact on our financial performance.

With imports, exports and foreign investments forming an integral part of our overall operations, we are exposed to exchange rate risks. Adverse movements in foreign exchange rates may impact our business, our future financial performance, and the price of our Equity Shares.

A slowdown in economic growth in India could cause our business to suffer.

The Indian economy has shown sustained growth over the last few years, On June 30, 2005, estimate of GDP released by the Central Statistical Organisation (CSO) has placed the GDP growth at 6.9 per cent during 2004-05, GDP grew by 8.5% in fiscal 2004, 4.0% in fiscal 2003 and 5.8% in fiscal 2002. Industrial growth is estimated to be 8.3 per cent in 2004-05, it was 6.6% in fiscal 2004 compared with 6.2% in fiscal 2003 and 3.5% in fiscal 2002. Any slowdown in the Indian economy could adversely affect the spending capacity of our customers and could adversely affect our financial performance.

A significant change in the Government of India’s economic liberalization and deregulation policies could disrupt our business and cause the price of our Equity Shares to decline.

Our assets and customers are predominantly located in India. The Government of India has traditionally exercised and continues to exercise a dominant influence over many aspects of the economy. Its economic policies have had and could continue to have a significant effect on private sector entities, including us, and on market conditions and prices of Indian securities, including the Equity Shares. The present government, which was formed after the Indian parliamentary elections in April-May 2004, is headed by the Indian National Congress and is a coalition of several political parties. Any significant change in the government’s policies or any political instability in India could adversely affect business and economic conditions in India and could also adversely affect our business, our financial performance and the price of our Equity Shares.

Natural calamities could have a negative impact on the Indian economy and cause our business to suffer.

India has experienced natural calamities such as earthquakes, tsunami, floods and droughts in the past few years. The extent and severity of these natural disasters determines their impact on the Indian economy. For example, as a result of drought conditions in the country during fiscal 2003, the agricultural sector recorded a negative growth of 5.2%. The erratic progress of the monsoon in 2004 has also adversely affected sowing operations for certain crops. Further prolonged spells of below normal rainfall or other natural calamities could have a negative impact on the Indian economy, adversely affecting our business and the price of our Equity Shares.

Any downgrading of India’s debt rating by an international rating agency could have a negative impact on our business.

Any adverse revisions to India’s credit ratings for domestic and international debt by international rating agencies may adversely impact our ability to raise additional financing, and the interest rates and other commercial terms at which such additional financing is available. This could have a material adverse effect on our business and future financial performance, our ability to obtain financing for capital expenditures, and the price of our Equity Shares.

An investor may face volatility in prices or may be plagued by an inactive market for the Equity Shares.

There has been no public market for our Equity Shares and the prices of our shares may fluctuate with high volatility. There can be no assurance that an active trading market for our Equity Shares will develop or be sustained after this Issue or that the prices at which the Equity Shares are sold through this issue will correspond to the prices at which the Equity Shares will trade in the market subsequent to this Issue.

The volatility may be on account of any of the aforementioned reasons.

Notes to Risk Factors

- Investors are advised to refer to the para on "Basis for Issue Price" on page 21 before making any investment in this Issue.
- Investors may note that in case of oversubscription, allotment to Retail Investors and Non Institutional Investors shall be on proportionate basis and will be finalized in consultation with the Designated Stock Exchange. If the Issue is oversubscribed, the Designated Stock Exchange along with the Book Running Lead Manager and Registrar to the Issue shall be responsible to ensure that the basis of allotment is finalized in a fair and proper manner.
- The book value per share as on March 31, 2005 is Rs. 33.91.
- The net worth of the Company as per the Financial Accounts of the Company as on March 31, 2005 is Rs. 4068.73 Lacs.
- The Issue size consists of [●] Equity Shares of Rs. 10/- each for cash at a premium of Rs. [●] per share aggregating to Rs. 9,000 lacs.
- The Issue is being made under clause 2.2.1 of SEBI (DIP) GUIDELINES, 2000 through a 100% Book Building Process wherein upto 5% of the Issue is reserved for employees, upto 50% of the net issue to the public will be allocated on a discretionary basis to Qualified Institutional Buyers ("QIBs"). Further, not less than 15% of the Net Issue to the Public will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue to the Public will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price.
- The average cost of acquisition of Equity Shares of the Promoter is as follows:

Name of the Promoter	Average Cost of Acquisition (in Rs.)
Mr. Prem.K. Khurana	0.1266
Ms. Suman Khurana	0.1730
Mr. Pushkar Khurana	0.0014
Mr. Puneet Khurana	0.0014

- Other than as disclosed either in sections herein which pertain to related party transactions or otherwise, the promoters/directors/key management personnel of the Company have no interest other than reimbursement of expenses incurred or normal remuneration or benefits arising out of the shareholding in the company or out of any business relation with any of the ventures in which they are interested. For interests of Promoters and Directors, please refer page 68 and page 81 of the Red Herring Prospectus
- The Promoter Group / Directors of the Company have not purchased and or sold / financed any shares of the Company during the past six months other than as disclosed in the notes to the Capital Structure on page 8.
- The investors may contact the BRLM or the Compliance Officer for any complaint/clarification/ information pertaining to the Issue, who will be obliged to attend to the same.
- Details of Related Party Transactions for the period ended June 30, 2005 are given on page 81 of the Red Herring Prospectus.
- The Company issued bonus shares in the ratio of 1:1 on March 24, 2005.

SECTION III: INTRODUCTION

Summary

The Industry

Gas cylinders are produced by a small number of manufacturers and used by a large number of customers ranging from households to large industrial enterprises. The high-pressure gas cylinders are used for storage of variety of industrial, automotive and medical gases like: Oxygen, Carbon-Dioxide, Nitrogen, CNG, Helium, and Acetylene etc. With the large-scale use of CNG as an alternate fuel by countries rich in natural gas, demand for CNG cylinders has been a major demand driver for the industry during the recent times.

In India, the competition within the industry is mainly amongst the local manufacturers, with imports forming a negligible proportion of the total cylinder sales. The cylinders manufactured in India or imported from abroad have to be tested and inspected in accordance with the Indian Standards laid down by Bureau of Indian Standards and approved by Chief Controller of Explosives, Government of India.

The conventional High-Pressure Cylinder manufacturing units in India, which were initially catering only to the industrial, medical, fire-fighting and beverages segment, has expanded to cater to the automotive segment with the advent of CNG as an alternative eco-friendly automotive fuel. Due to these developments, the automotive sector is now the major demand driver for the High-Pressure Cylinder manufacturing units in India, with the number of CNG cylinders produced overtaking that of all other segments combined together. The conventional segments have also been generating substantial demand for the cylinders, backed by the current industrial resurgence and new industrial units being set up in India. During 2003-04 domestic demand for High-Pressure Cylinders was estimated to be about 2.75 lakhs numbers annually (Source: DMM).

Business

Incorporated in June, 1978, the Company manufactures wide range of cylinders for industrial gases, medical gases, fire fighting equipments, beverage industry, accumulator shells, aerospace, scientific research, CNG-NGV cylinders for automobiles and many more applications. The main products manufactured by the Company are:

- High Pressure Seamless Industrial Cylinders;
- High Pressure Seamless CNG Cylinders;
- High Pressure Seamless CNG Cylinders Cascades;

(collectively the “**Products**”)

The Products designs are based on the customer’s requirements and conform to the specifications prescribed by the Indian or International Standards. The industrial cylinders for domestic market are manufactured as per IS-7285 standard whereas the CNG cylinders for on-board usage in automobiles are manufactured as per IS-15490. These are later approved by Chief Controller of Explosives, Govt. of India.

The Company also manufactures cylinders in accordance with the standards applicable in countries to whom the company exports its products.

Management

The company is currently managed by Board of Directors comprising of ten (10) directors. Mr. Prem K. Khurana, Chairman and Managing Director of the Company, under the guidance and supervision of the Board, manages the affairs of the Company. The day-to-day affairs of the Company are being managed by Mr. Prem K. Khurana, who is assisted by four (4) Whole time directors.

EVEREST KANTO CYLINDER LIMITED

THE ISSUE

Equity Shares offered (Issue Size):	[●] Equity Shares, aggregating Rs.9, 000 Lacs
Of which:	
● Reservation for Eligible Employees	Upto [●] Equity Shares, aggregating Rs. 450 Lacs <i>Constituting 5% of the Issue size</i> <i>(Allocation on a proportionate basis only to Employees as on October 31, 2005)</i>
● Qualified Institutional Buyers portion	Upto [●] Equity Shares, aggregating Rs. 4, 275 Lacs <i>Constituting 50% of the Net Issue to the Public</i> <i>(Allocation on a discretionary basis).</i>
● Non-Institutional portion	Atleast [●] Equity Shares, aggregating Rs. 1,282.50 Lacs <i>Constituting 15% of the Net Issue to the Public</i> <i>(Allocation on a proportionate basis)</i>
● Retail portion	Atleast [●] Equity Shares, aggregating Rs. 2,992.50 Lacs <i>Constituting 35% of the Net Issue to the Public</i> <i>(Allocation on a proportionate basis)</i>

Under subscription in any of the categories shall be allowed to be met through over-subscription in any other category. The allocation to QIBs shall be determined by the BRLM based on prior commitment, investor quality, price aggression, earliness of bids, etc.

Equity Shares outstanding prior to the Issue	1,20,00,000 Equity Shares
Equity Shares outstanding after the Issue	[●] Equity Shares
Object of the Issue	The Company intends to deploy the net proceeds from the Issue of Equity Shares for funding the proposed Project at Gandhidham, Gujarat. As a result of this Issue, the Company also expects to provide greater liquidity to its existing shareholders. For details, please see the section entitled "Objects of the Issue" on page 13 of this Red Herring Prospectus for additional information.

Corporate Information:

Everest Kanto Cylinder Limited was incorporated as Everest Kanto Cylinder Private Limited on June 24, 1978 under the Act. Subsequently, due to the aggregate turnover exceeding the prescribed limits, the Company became a deemed public company as per the provisions of the Act (*Section 43A of the Act*). Subsequently, due to the amendments effected to the said Section 43A of the Act, the Company reverted to being a private limited company. As of June 7, 2005, the Company obtained the ROC's approval for the conversion from a private company to public company. The registered office of the Company is situated at 501, Raheja Centre, 214, Free Press Journal Marg, Nariman Point, Mumbai 400 021, (the registered office of the Company at the time of incorporation was situate at 10, Marine Chambers, 43, New Marine Lines, Mumbai- 400 020). The telephone number of the Company is 91 22 2285 0777 / 78, the fax no. is 91 22 2287 0718 / 20, the email ID is ekc@vsnl.com, and website: is www.everestkanto.com. Contact Person is : Kishore K. Thakkar.

FINANCIAL SUMMARY

The following table sets forth summary financial information derived from our financial statements as of and for the fiscal years ended March 31, 2001, 2002, 2003, 2004, 2005 and at June 30, 2005, all prepared in accordance with Indian GAAP, the Act and SEBI Guidelines, and restated as described in the auditors' report of November 2, 2005 included in the section titled "Financial Statements" beginning on page 74 of this Red Herring Prospectus and should be read in conjunction with those financial statements and the notes thereto.

STATEMENT OF ASSETS AND LIABILITIES

(Rs. in lakhs)

As at	30-06-2005	31-03-2005	31-03-2004	31-03-2003	31-03-2002	31-03-2001
A ASSETS						
Fixed Assets-gross block	9795.78	9787.54	9191.05	6027.22	6845.27	6710.19
Less: Depreciation	5647.00	5455.07	4770.48	4184.05	4179.82	3717.57
Net Block	4148.78	4332.47	4420.57	1843.17	2665.45	2992.62
Add: Capital Work in Progress	499.89	59.43	8.13	2462.39	0	0
Less: Lease Adjustment	0	0	0	17.95	461.40	430.45
Less: Revaluation Reserve	88.56	101.01	154.51	194.08	257.83	334.29
Net Block after adj. for Revaluation Reserve	4560.11	4290.89	4274.19	4093.53	1946.22	2227.88
B INVESTMENTS	209.45	212.61	267.35	48.85	96.38	96.38
C CURRENT ASSETS, LOANS & ADVANCES						
Inventories	4401.07	4003.99	1361.38	1341.68	1320.36	766.11
Receivables	1376.27	1679.17	997.84	1480.28	720.73	1170.41
Cash & bank balances	446.29	364.07	215.94	222.10	113.07	86.94
Other current assets	0	0	0	0	0	0
Loans and advances	3248.73	1713.26	701.56	2295.96	2132.72	1550.34
TOTAL ASSETS	14241.92	12263.99	7818.26	9482.40	6329.48	5898.06
D LIABILITIES & PROVISIONS						
Loan funds						
Secured loans	2076.45	3807.50	2342.29	2143.08	969.32	684.33
Unsecured loans	2952.71	1071.19	1158.47	1231.97	1532.29	1434.22
Deferred Tax Liability	269.75	269.75	522.77	409.32	0	0
CURRENT LIABILITIES & PROVISIONS						
Sundry liabilities	2848.84	1822.22	808.67	1365.93	298.44	492.55
Provisions	1504.60	1224.60	175.37	1599.22	1043.00	1032.24
E NETWORTH						
<i>Represented by:</i>						
Shareholders funds						
Share Capital	1200.00	1200.00	600.00	600.00	600.00	600.00
Reserves & surplus	3478.13	2969.74	2365.20	2326.96	2144.26	1989.01
Less: Revaluation Reserve	88.56	101.01	154.51	194.08	257.83	334.29
Reserves (Net of Revaluation Reserve)	3389.57	2868.73	2210.69	2132.88	1886.43	1654.72
Less: miscellaneous expenditure not written off	0	0	0	0	0	0
TOTAL LIABILITIES	14241.92	12263.99	7818.26	9482.40	6329.48	5898.06

** Contingent Liability outstanding for the year ending March 05 was Rs. 499.03 Lacs

EVEREST KANTO CYLINDER LIMITED

STATEMENT OF PROFIT AND LOSSES

(Rs. in lakhs)

As at	30-06-2005	31-03-2005	31-03-2004	31-03-2003	31-03-2002	31-03-2001
INCOME						
Sales:	4026.13	13240.28	7379.85	8898.31	7179.79	5641.32
Of products manufactured by the Company	4026.13	13235.60	7379.85	8882.41	7172.54	5638.46
Of products traded by the Company	0.00	4.68	0	15.90	7.25	2.86
Other income	43.24	359.15	376.79	463.93	119.69	235.05
Increase (decrease) in inventory	381.17	357.46	82.94	(15.75)	99.19	120.14
Total Income	4450.55	13956.89	7839.58	9346.49	7398.67	5996.51
EXPENDITURE						
Raw materials & goods consumed	2513.86	7527.74	4518.49	5479.52	4280.63	3485.08
Staff costs	175.73	664.26	542.08	405.37	395.79	315.58
Other Manufacturing expenses	432.11	1671.04	1003.84	835.48	790.73	685.16
Selling & distribution expenses	263.92	855.07	513.52	679.24	347.91	309.87
Interest	82.86	266.45	104.79	134.42	97.32	149.04
Depreciation	179.48	782.70	780.33	373.15	394.25	375.39
Other expenditure	0	0	0	62.32	10.48	32.54
Miscellaneous expenditure written off	0	0	0	0	0	0
Total Expenditure	3647.97	11767.26	7463.05	7969.50	6317.11	5352.66
NET PROFIT BEFORE TAX & EXTRAORDINARY ITEMS	802.58	2189.62	376.53	1376.98	1081.56	643.85
Provision for taxation	280.00	761.98	153.45	949.32	440.00	315.00
NET PROFIT AFTER TAX & BEFORE EXTRAORDINARY ITEMS	522.58	1427.64	223.08	427.67	641.56	328.85
Extraordinary items (net of tax)	0	0	0	0	0	0
NET PROFIT AFTER EXTRAORDINARY ITEMS	522.58	1427.64	223.08	427.67	641.56	328.85
Earlier year adjustments	1.74	0	(9.89)	(12.00)	52.99	0
APPROPRIATIONS						
Transfer to general reserve	0	150.00	40.00	139.16	125.00	200.00
Proposed dividend	0	150.00	120.00	150.00	420.00	120.00
Tax on proposed dividend	0	19.60	15.38	19.22	42.84	12.24
BALANCE TRANSFERRED TO BALANCE SHEET	1898.57	1377.73	269.70	231.88	124.59	17.88

Changes in Accounting Policy

There has been no change in the accounting policy of the company during the last three years.

GENERAL INFORMATION

Board of Directors:

The Company is currently managed by Board of Directors comprising of ten (10) directors. Mr. P. K. Khurana manages the day-to-day affairs of the company and is assisted by other Whole time directors. Our Board of Directors comprises of the follows:

Name	Designation
Mr. Prem.K.Khurana	Chairman and Managing Director
Mr. S.S.Khurana	Wholetime Director
Mr. Pushkar. P.Khurana	Wholetime Director
Mr. Puneet. P. Khurana	Wholetime Director
Mr. P.M. Samvatsar	Wholetime Director
Mr. Shailesh Haribhakti	Independent Director
Mr. Mohan Jayakar	Independent Director
Mr. Krishen Dev	Independent Director
Mr. Anand Mehta	Independent Director
Mr. Naresh Oberoi	Independent Director

Brief Profile of the Chairman and Managing Director and Whole-time Directors:

- Mr. Prem.K. Khurana, 64 years**, is currently the Chairman and Managing Director of the Company. He is a Law and Arts Graduate. As a founder member of the Company, he has been responsible for its overall operations and growth since its inception in 1978. He has been instrumental in the development of the Company and has dealt with all the facets of its business ever since the Company was set up.
- Mr. Shyam Sunder Khurana, 51 years**, is a whole-time Director of the Company. He is a matriculate and has cumulative work experience of 28 years in the field of marketing of gas cylinders and life-saving accessories. He heads the North Indian marketing operations including sales and liaisoning with government departments, BIS officials, etc. He is holding the position of director since January 7, 1981.
- Mr. Pushkar Khurana, 33 years**, is a commerce graduate and has also done a three month course in business management from Harvard University, U.S.A. He has cumulative work experience of 12 years. He has been instrumental in strategizing the recent expansion plans of the Company. His achievements include being a founder of the business project in Dubai from its inception till production. He has also been a pioneer in exploiting the markets in Iran and Pakistan. Having recently concluded the agreements in China and Iran, he is also working on the expansion of the capacity at Dubai. Presently, he is based in Dubai and is looking after the operations of the Dubai plant. He has been holding the position of a Director of this Company since September 12, 1994.
- Mr. Puneet Khurana, 32 years**, is a commerce graduate from Bombay University and has done a Masters in Business Administration (International Business) from European University, Montreux, Switzerland. He has cumulative experience of 10 years in the Company, including 5 Years as a Director-Marketing. His achievements include exploiting international markets for the Company's CNG cylinders in Iran/ Malaysia / Thailand / Bangladesh. He has been instrumental in developing business relations with Iran and has procured business from Iran worth USD 10 million. He has also been involved in OEM product development from the design stage to production with Bajaj Auto Ltd. (autorickshaws) / TATA Motors (Indica) and has finalised a joint venture with a Chinese company. He has also been working with various gas companies in India like MGL / IGL / Adani Energy for providing solutions for CNG distribution. He has been Director of the Company since April 15, 1996.
- Mr. P.M.Samvatsar, 53 years**, is a Mechanical Engineer from Nagpur University and has also done D.M.S. from Bombay University. Having joined the Company in August 1985 as an Assistant Works Manager, he became Vice-President in 2002 and was later appointed as a Director on November 1, 2004. He has been playing a key role in setting up systems and vendor development programs for manufacturing and processing. He has also been involved in setting up the plant in Dubai from the inception stage of facility to the setup stage and has also contributed to the upgradation of the plant at Tarapur. He is a member of the BIS committee for standard formulation and has made substantial contribution in upgrading of existing standards and formulation of new standards.

EVEREST KANTO CYLINDER LIMITED

COMPANY SECRETARY

Mr. Pawan Kumar Laddha.
B.Com., LL.B., A.C.S.
501, Raheja Centre
214, Free Press Journal Marg,
Nariman Point
Mumbai – 400 021
Tel : 91 22 2285 0777 / 78
Fax: 91 22 2287 0718 / 20
E-Mail: ekc@vsnl.com, ekc@everestkanto.com

COMPLIANCE OFFICER

Mr. Kishore K. Thakkar
B.Com., A.C.A.
501, Raheja Centre
214, Free Press Journal Marg,
Nariman Point
Mumbai – 400 021.
Tel: 91 22 2285 0777 / 78
Fax: 91 22 2287 0718 / 20
E-Mail: ekc@vsnl.com, ekc@everestkanto.com

Note: The Bidders can contact the Compliance Officer in case of any pre-issue / post-issue related problems such as non-receipt of letters of allotment/ credit of allotted Equity Shares in the respective beneficiary accounts, refund orders, etc.

LEGAL ADVISORS TO THE ISSUE

J Sagar Associates
Advocates and Solicitors
Contact Person: Mr. Noshirvardhan Modi / Srinivas Parthasarthy
Vakils House
18 Sprott Road
Ballard Estate
Mumbai 400 001
Tel: 91 22 56561500
Fax: 91 22 56561515
Email:nosh@jsalaw.com / partha@jsalaw.com

LEGAL ADVISORS TO THE UNDERWRITER

Rajani Associates
Advocates and Solicitors
Contact Person: Mr. Prem Rajani
F 4, Panchsheel
53, 'C' Road, Churchgate,
Mumbai 400 020
Tel: 91 22 2202 1010
Fax: 91 22 2202 1011
Email:prem@rajaniassociates.net

BANKERS TO THE COMPANY

State Bank of Hyderabad
Nariman Point Branch
11-C,Mittal Towers,201-Nariman Point,
Mumbai – 400 021.
Tel. No. 91 22 2284 4091
Fax No: 91 22 2284 1096
Email: sbhnpthbom5@vsnl.net.in

ICICI Bank Limited

ICICI Bank Towers
Bandra Kurla Complex
Mumbai - 400 051.
Tel.No. 91 222653 1414.
Fax No: 91 22 2653 1122.
Email: raghunathan.s@icicibank.com

Citibank N. A.

Commercial Banking Group
CitiTower, 2nd Floor, 61, Dr.S.S.Rao Road,
Parel, Mumbai - 400 012.
Tel.No. 91 22 2414 6044.
Fax No: 91 22 2415 3612
Email: tolentino.mendonca@citigroup.com

Standard Chartered Bank

P.O.Box 999.
Dubai.(UAE)
Tel.No. 97 14 8004971
Fax No: 97 14 3551630
Email: amin.padamsi@ae.standardchartered.com

National Bank of Fujairah

P.O.Box 17676. Jebel Ali
United Arab Emirates
Tel.No.97 14 8810800.
Fax No: 97 14 8810300
Email: deveshmathur@nbf.ae

BOOK RUNNING LEAD MANAGER**SBI CAPITAL MARKETS LIMITED**

202, Maker Tower "E",
Cuffe Parade, Mumbai – 400005
Contact Person: Mr. Amit Srivastava
Tel: 91 22 2218 9166,
Fax: 91 22 2218 8332
Website: www.sbicaps.com
Email: ekc.ipo@sbicaps.com

REGISTRAR TO THE ISSUE**IN TIME SPECTRUM REGISTRY LTD.**

C- 13 Pannalal Slik Compound,
L.B.S Marg, Bhandup (W), Mumbai - 78
Contact Person : Mr.Vishwas Attavar
Tel No.: 91 22 5555 5454, Fax: 91 22 5555 5353
Web site: www.intimespectrum.com
E-Mail: everestkanto@intimespectrum.com

BANKERS TO THE ISSUE**State Bank of India**

New Issues & Securities Services Division
Mumbai Main Branch
Mumbai Samachar Marg, P.B. No. 13, Fort
Mumbai- 400 023
Contact Person: Anuradha Kurma
Telephone No.: 91 22 2265 1579, 2266 2133, 2265 1363
Fax No.: 91 22 2267 0745, 2269 5277
Email ID: agmnissd@vsnl.net,anuradha.Kurma@sbi.co.in
Website: www.sbi.co.in

EVEREST KANTO CYLINDER LIMITED

ICICI Bank Limited

Capital Markets Division

30, Mumbai Samachar marg,
Mumbai 400 001
Contact Person: Sidhartha Sankar Routray
Tel. No. 91 22 2265 5285
Fax No. 91 22 2261 1138
Email Id: sidhartha.routray@icicibank.com
Website: www.icicibank.com

CITIBANK N.A

Commercial Banking Group
2nd Floor, Cititower, 61, Dr. S.S. Rao Road,
Parel, Mumbai - 400 012
Contact Person: Mr. Amitabh Saraf
Tel No. 91 22 2410 1961
Fax: 91 22 2415 3612
E-mail: amitabh.saraff@citigroup.com
Website : www.citibank.co.in

Standard Chartered

270 D. N. Road, Fort, Mumbai : 400 001
Contact Person : Ramesh Joshi
Tel : 91 22 2268 3965
Fax : 91 22 220 94863
Email Id: CPC.IPO@in.standardchartered.com
Website: www.standardchartered.co.in

BROKERS TO THE ISSUE

All members of the recognized Stock Exchanges would be eligible to act as Brokers to the Issue

SYNDICATE MEMBER

SBI Capital Markets Limited
202, Maker Tower "E", Cuffe Parade,
Mumbai – 400005
Contact Person : Mr. Amit Srivastava
Tel: 91 22 2218 9166,
Fax: 91 22 2218 8332
Website: www.sbicaps.com
Email: ekc.ipo@sbicaps.com

AUDITOR

C.D. PASAD & CO.

105, Shyam Kamal, A (East Wing), 1st Floor, Agarwal Market
Vile Parle (East)- 400 057.
Contact Person: Mr. Rajendra D Prasad
Tel: 91 22 2613 1140
Email: kdodecha@yahoo.co.in

STATEMENT OF INTER-SE ALLOCATION OF RESPONSIBILITY

The responsibilities and co-ordination of various activities in connection with this Issue are as follows:

SR. NO.	ACTIVITIES	RESPONSIBILITY & COORDINATOR
1.	Capital structuring with the relative components and formalities such as type of instruments, etc.	SBI Caps
2.	Due diligence of the Company's operations / management / business plans / legal documents, etc.	SBI Caps
3.	Drafting & Design of Red Herring Prospectus/Prospectus and of statutory advertisement including memorandum containing salient features of the Prospectus. The designated BRLM shall ensure compliance with stipulated requirements and completion of prescribed formalities with Stock Exchange, Registrar of Companies and SEBI	SBI Caps
4.	Drafting and approval of all publicity material other than statutory advertisement as mentioned in 3 above including corporate advertisement, brochure, etc.	SBI Caps
5.	Appointment of Registrar, Bankers, Printer and Advertising Agency	SBI Caps
6.	Marketing of the Issue, which will include the following: <ul style="list-style-type: none"> ● Formulating-marketing strategies, preparation of publicity budget; ● Finalize Media & PR strategy; ● Finalizing centers for holding conferences for brokers, etc.; ● Finalize collection centers; and ● Follow-up on distribution of publicity and Issue material including form, prospectus and deciding on the quantum of the Issue material. 	SBI Caps
7.	Finalizing the list of QIBs for one to one meetings, road shows and order procurement	SBI Caps
8.	Managing the Book and finalising of Pricing and Allocation	SBI Caps
9.	The Post bidding activities including management of Escrow Accounts, co-ordination of non-institutional allocation, intimation of allocation and dispatch of refunds to Bidders.	SBI Caps
10.	The Post Issue activities of the Issue will involve essential follow up steps, which must include finalisation of listing of instruments and dispatch of certificates and refunds, with the various agencies connected with the work such as Registrars to the Issue, Bankers to the Issue and the bank handling refund business. Lead Manager shall be responsible for ensuring that these agencies fulfill their functions and enable them to discharge this responsibility through suitable agreements with the Issuer.	SBI Caps

The selection of various agencies like the Registrar to the Issue, Bankers to the Issue, Escrow Collection Bank(s), Syndicate Members, Brokers, advertising agencies, public relations agencies etc., will be finalised by the Company in consultation with the BRLM.

CREDIT RATING

Since the present issue is of Equity Shares, credit rating is not required.

TRUSTEES

Since the present issue is of Equity Shares, appointment of Trustees is not required.

MONITORING AGENCY

No agency has been appointed to monitor the utilisation of funds.

EVEREST KANTO CYLINDER LIMITED

APPRAISING AGENCY

Dalal Mott MacDonald

Address: 501, Sarkar II, Ellisbridge

Ahmedabad- 380006

Contact Person: Mr. Puneet Suri

Tel No: 91 79 2659 5550, Fax No: 91 79 2659 5558

Email: suri@mottmac-india.com

Citibank N.A.

Commercial Banking Group

Citi Tower, 2nd Floor, 61, Dr. S.S. Rao Road

Parel, Mumbai- 400012. Tel: 91 22 2414 6044, Fax: 91 22 2415 3612

BOOK BUILDING PROCESS

Book Building Process refers to the process of collecting bids from investors, which is based on the Price Band, with the Issue Price being fixed after the Bid Closing Date. The principal intermediaries involved in a Book Building Process are:

- (1) The Company.
- (2) The BRLM.
- (3) Syndicate Members who are intermediaries registered with SEBI or registered as brokers with the Stock Exchanges and eligible to act as underwriters. Syndicate Members are appointed by the BRLM and include the BRLM.
- (4) Registrar to the Issue.

The SEBI Guidelines permit an issue of securities to the public through the 100% Book Building Process, wherein upto 50% of the Issue shall be allocated on a discretionary basis to QIBs. Further, not less than 15% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Issue shall be available for allocation on a proportionate basis to Retail Bidders, subject to valid bids being received at or above the Issue Price.

The Company will comply with these guidelines for this Issue. In this regard, the Company has appointed SBI Capital Markets Limited as the BRLM to manage the Issue and to procure subscriptions to the Issue.

The Book Building Process under SEBI Guidelines is relatively new and investors are advised to make their own judgment about investment through this process, prior to making a Bid or application in the Issue. Pursuant to recent amendments to the SEBI Guidelines, QIBs are not allowed to withdraw their Bid after the Bid/ Issue Closing Date. See page 115 for the section on "Terms of the Issue" in this Red Herring Prospectus.

Illustration of Book Building and Price Discovery Process *(Investors should note that the following is solely for illustrative purpose and is not specific to the Issue)*

Bidders can bid at any price within the Price Band. For instance, assuming a Price Band of Rs. 70/- to Rs. 80/- per share, issue size of 3,000 equity shares and receipt of five bids from bidders, (details of which are shown in the table below). A graphical representation of the consolidated demand and price would be made available at the bidding centers during the bidding period. The illustrative book as shown below shows the demand for the equity shares of the Company at various prices and is collated from bids from various investors.

Number of Equity shares Bid For	BID PRICE (Rs.) Shares bid for	Cumulative Equity	Subscription
500	70	500	16.67%
1000	73	1500	50.00%
1500	75	3000	100.00%
2000	77	5000	166.67%
2500	80	7500	250.00%

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired quantum of equity shares is the price at which the book cuts off i.e., Rs. 75/- in the above example. The Company, in consultation with the BRLM, will finalise the Issue Price at or below such cut off price i.e. at or below Rs. 75/-. All bids at or above this issue price and cut-off bids are valid bids and are considered for allocation in respective category.

Steps to be taken by the Bidders for bidding:

- Check whether he/she is eligible for bidding; (please refer to the section "Issue Procedure- Who Can Bid" on page 120 of the Red Herring Prospectus);

- The Bidder necessarily needs to have a demat account; and
- Ensure that the Bid cum Application Form is duly completed as per instructions given in this Red Herring Prospectus and in the Bid cum Application Form.

UNDERWRITING AGREEMENT

After the determination of the Issue Price and prior to filing of the Prospectus with the ROC, the Company will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through the Issue. In terms of the Underwriting Agreement, the BRLM shall be responsible for bringing in the amount devolved in the event that the Syndicate Members do not fulfill their underwriting obligations.

The Underwriters have indicated its intention to underwrite the following numbers of Equity Shares.

Name and Address of Underwriter	Indicated Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. Lacs)
SBI Capital Marketsets Limited, 202, Maker Tower “E”, 20 th Floor, Cuffe Parade, Mumbai – 400 005	[●]	[●]

The above chart is indicative of the underwriting arrangements and this would be finalized after the pricing and actual allocation.

The above Underwriting Agreement is dated [●]

In the opinion of our Board of Directors (based on a certificate given to it by the Underwriters), the resources of the Underwriter is sufficient to enable it to discharge its underwriting obligations in full. The above-mentioned Underwriter is registered with SEBI under Section 12(1) of the SEBI Act or registered as broker with the Stock Exchanges. The above underwriting Agreement has been accepted by the Board of the Directors at their meeting held on [●] on behalf of the Company, and the Company has issued letter of acceptance to the Underwriter.

Notwithstanding the above table, the BRLM and the Syndicate Members, if any, shall be responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them. In the event of any default in payment, the respective Underwriter, in addition to other obligations defined in the Underwriting Agreement, will also be required to procure or subscribe to the extent of the defaulted amount. Allocation to QIBs is discretionary as per the terms of the Red Herring Prospectus and may not be proportionate in any way.

Authority for the Issue

The Issue has been authorized pursuant to a resolution of the Board of Directors of the Company adopted at its meeting held on June 8, 2005 and by a special resolution adopted pursuant to Section 81(1A) of the Companies Act, 1956, at the EGM of the Company held on July 6, 2005.

Filing

A copy of the Red Herring Prospectus, has been filed with the Corporate Finance Department of SEBI, at B Wing, First Floor, Mittal Court, Nariman Point, Mumbai – 400 021.

A copy of the Red Herring Prospectus, along with documents required to be filed under Section 60B of the Act, shall be delivered for registration to the Registrar of Companies, 100 Everest Building, Marine Drive, Mumbai – 400 002 and a copy of the Prospectus to be filed under Section 60 of the Act shall be delivered for registration with the Registrar of Companies.

Listing

Initial listing applications have been made to NSE and BSE for permission to list the Equity Shares and for an official quotation of the Equity Shares of the Company. BSE will be the Designated Stock Exchange for the issue.

If the permission to deal in and for an official quotation of the Equity Shares are not granted by any of the above mentioned Stock Exchanges, the Company shall forthwith repay, without interest, all moneys received from the applicants in pursuance of the Red Herring Prospectus. If such money is not repaid within eight (8) days after the day from which the Issuer becomes liable to repay it (i.e. from the date of refusal or within seventy (70) days from the date of Issue Closing Date, whichever is earlier), then the Company and every director of the Company who is an officer in default shall, on and from expiry of eight (8) days, be jointly and severally liable to repay the money, with interest as prescribed under Section 73 of the Act.

The Company with the assistance of the BRLM shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges are taken within seven (7) working day of finalization of basis of allotment for the Issue.

CAPITAL STRUCTURE OF THE COMPANY

The Share Capital as on the date of filing of Red Herring prospectus

	Nominal Value	Aggregate Value at Issue Price (Including Premium)
A. Authorised Capital		
2,50,00,000 Equity Shares of Rs 10 each	25,00,00,000	
B. Issued, Subscribed And Paid Up Capital		
1,20,00,000 Equity Shares of Rs 10 each	12,00,00,000	12,00,00,000
C. Present Issue through this Red Herring Prospectus		
[•] Equity Shares of Rs 10/- each	[•]	90,00,00,000
D. Employee Reservation Issue (For Eligible Employees)		
[•] Equity Shares of Rs 10/- each	[•]	[•]
D. Equity Shares after the Issue		
[•] Equity Shares of Rs. 10/- each fully paid up	[•]	[•]
E. Share Premium Account		
Before the Issue	Nil	Nil
After the Issue	[•]	[•]

Notes to Capital Structure:

1. Share Capital History of the Company

Capital Build up: The existing Equity Share capital of the Company has been subscribed and allotted as under: -

Date of allotment	Number of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Consideration	Reasons for allotment	Cumulative Paid up capital (Rs.)	Cumulative Share Premium (Rs.)
20-7-78	300	10/-	10/-	Cash	On Incorporation*	3,000/-	Nil
30-3-79	44,700	10/-	10/-	Cash	Preferential Allotment	450,000/-	Nil
05-1-80	202,500	10/-	10/-	Cash	Preferential Allotment	24,75,000/-	Nil
31-10-92	247,500	10/-	10/-	Non-Cash	Bonus in the ratio 1:1	49,50,000/-	Nil
09-8-93	5,000	10/-	10/-	Cash	Preferential Allotment	50,00,000/-	Nil
16-8-93	500,000	10/-	10/-	Non-Cash	Bonus in the ratio 1:1	100,00,000/-	Nil
25-8-94	50,00,000	10/-	10/-	Non-Cash	Bonus in the ratio 5:1	600,00,000/-	Nil
24-3-05	60,00,000	10/-	10/-	Non-Cash	Bonus in the ratio 1:1	12,00,00,000/-	Nil

* At the time of incorporation, the entire share capital was brought in by the Thakkar family.

- The current authorised capital is sufficient to meet the requirements of the Issue.
- The addition to the share premium account on account of the Issue and the balance in the share premium account after the Issue can be determined only after the Issue Price is known, after the Book Building Process.

2. The Authorised Share Capital of the Company has been increased as per the details given below:

S. No.	Authorised ShareCapital	Increased Authorised Capital	Total (Rs.)	Date of Members Resolution
1.	25,00,000	75,00,000	1,00,00,000	September 30, 1991
2.	1,00,00,000	9,00,00,000	10,00,00,000	August 18, 1994
3.	10,00,00,000	15,00,00,000	25,00,00,000	March 7, 2005

3. Shareholding pattern:

Entity	Existing		After the Public Issue	
	No. of Shares	%	No. of Shares	%
Promoters and their Associates	120,00,000	100	120,00,000	[●]
Employees	Nil	–	[●]	[●]
Others	Nil	–	[●]	[●]
Total	120,00,000	100	[●]	100

4. Shareholding Pattern of the promoters and the promoter group of the Company before and expected after the Issue is given below:

Sr.No. Category		Pre-Issue		Post Issue*	
		Number of Equity Share	Percentage (%)	Number of Equity Share	Percentage (%)
Promoter					
1	Shri P.K.Khurana	2,443,600	20.36%	2,443,600	[●]
2	Smt. Suman khurana	2,781,400	23.18%	2,781,400	[●]
3	Shri Puneet P Khurana	352,400	2.94%	352,400	[●]
4	Mr. Pushkar P.Khurana	352,400	2.94%	352,400	[●]
	Sub Total		49.42%		
Promoter Group					
5	Shri Shyam Sunder Khurana	644,000	5.37%	644,000	[●]
6	Medical Engineers (I) Pvt. Ltd	960,000	8.00%	960,000	[●]
7	Khurana Gases Pvt. Ltd.	2,904,000	24.20%	2,904,000	[●]
8	P.K.Khurana & Sons HUF	960,000	8.00%	960,000	[●]
9	Smt. Vandana S. Khurana	300,000	2.50%	300,000	[●]
10	Shri Varun S. Khurna	300,000	2.50%	300,000	[●]
11	Smt. Nishita Pushkar Khurana	2,000	0.02%	2,000	[●]
12	Smt. Pooja Puneet Khurana	200	0.00%	200	[●]
	Others	Nil	Nil	[●]	
	Sub Total		50.59%		
	Grand Total	12,000,000	100.00%	[●]	100.00%

* None of the natural persons who are in control of the corporate entities forming the “Promoter Group” of the Company, have been restrained from accessing the Capital Market for any reasons by SEBI or any other authorities.

5. Promoters Contribution & Lock-in period

The Promoters of the Company have undertaken that they will lock-in the minimum number of shares as Promoter’s contribution, required to be locked in as per the SEBI Guidelines on finalisation of the number of shares in the Issue and the post Issue capital .They have also undertaken that they will issue necessary instructions to the Depositories for lock-in of these shares for three (3)/one (1) year as per the requirement and provide the information to the BRLM for disclosure in the Prospectus to be filed with ROC.

- The contribution of the Promoters’ of the Company has been brought to the extent of not less than the specified minimum lot and from persons as defined as promoters under the SEBI Guidelines.
- The Promoters and Directors of the Company and the BRLM of the Issue have not entered into any buy-back or “similar” arrangement for the Equity Shares being issued through this Red Herring Prospectus.

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8. An over subscription to the extent of 10% of the Issue Size can be retained for the purpose of rounding off to the nearer multiple of 100 while finalizing the Allotment.
9. The Equity Shares offered through this Red Herring Prospectus will be fully paid up.
10. There are no outstanding warrants, options or rights to convert debentures, loans or other instruments into Equity Shares. The Company does not have any outstanding Employee Stock Option Plan.
11. An investor cannot make a Bid for more than the number of Equity Shares offered under the Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.
12. In this Issue, in case of over-subscription in all categories, up to 50% of the Net Issue to the Public shall be available for allocation on a discretionary basis to QIBs, not less than 15% of the Net Issue to the Public shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue to the Public shall be available for allocation on a proportionate basis to Retail Bidders, subject to valid Bids being received at or above the Issue Price. Under-subscription, if any, in any category, would be met with the spill over from other categories at the sole discretion of the Company in consultation with the BRLM.
13. The Company will not issue further capital, whether by way of bonus Equity Shares, rights issue or preferential allotment or in any other manner, during the period commencing from the submission of this Red Herring Prospectus with SEBI until the Equity Shares have been listed.
14. The Company presently does not have any intention or proposal to alter its capital structure for a period of six months commencing from the date of opening of this Issue, by way of split/ consolidation of the denomination of Equity Shares or further issue of Equity Shares or securities convertible into Equity Shares, whether on a preferential basis or otherwise. However, during such period or at a later date, we may issue Equity Shares pursuant to the Plan or issue equity shares or securities linked to equity shares to finance an acquisition, merger or joint venture by us or as consideration for such acquisition, merger or joint venture, or for regulatory compliance or such other scheme of arrangement if an opportunity of such nature is determined by our Board to be in the interest of the Company.
15. Only Employees as on October 31, 2005 would be eligible to apply in this Issue under the Employee Reservation Portion on competitive basis. Bid / Application by Eligible Employees can be made also in the "Net Issue to the Public" and such Bids shall not be treated as multiple Bids.
16. Under-subscription, if any, in the Employee Reservation Portion will be added back to the Net Issue to the Public, and the ratio amongst the investor categories will be at the discretion of the Company in consultation with the BRLM. In case of under-subscription in the Net Issue, spill-over to the extent of under-subscription shall be permitted from the Employee Reservation Portion.
17. The Company has not raised any bridge loans against the proceeds of the Issue.
18. The Company has not issued Equity Shares for consideration other than cash except to the extent of bonus Equity Shares issued to the existing shareholders by capitalization of free reserves mentioned in the Notes to Capital Structure on page 8 of the Red Herring Prospectus. The Company has Revaluation reserves of Rs. 101.01 lakhs as on March 31, 2005.
19. There will be only one denomination of the Equity Shares of the Company, unless otherwise permitted by law. The Company shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.
20. The Company has a total of 12 Equity Shareholders since October 6, 2005.
21. Locked-in Equity Shares held by the promoters can be pledged with banks or financial institutions as collateral security for loans granted by such banks or financial institutions. In terms of clause 4.16.1 (b) of the SEBI Guidelines, Equity Shares held by the promoters may be transferred to and amongst the Promoters/ Promoter Group or to a new promoter or persons in control of the Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI Takeover Regulations, as applicable.
22. Further, in terms of clause 4.16.1 (a) of the SEBI Guidelines, Equity Shares held by shareholders other than the promoters may be transferred to any other person holding shares which are locked-in as per Clause 4.14 of the SEBI Guidelines, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SAST Regulations, as applicable.
23. Other than as stated above, the entire pre-Issue equity share capital of the Company will be locked in for the period of one year from the date of Allotment of Equity Shares in this Issue.

The Company has taken loans from various banks, and hence is subjected to various terms and conditions including but not limited to the following: The company will not without permission would:

- effect any change in the capital structure;
- formulate any scheme of amalgamation or reconstruction.
- implement any scheme of expansion or acquire fixed assets;
- invest by way of share capital in or lend or advance funds to or place deposits with any other concern except in the normal course of its business or as advances to employees;
- enter into borrowing arrangements, either secured or unsecured, with any other bank or financial institution, company or otherwise;
- undertake guarantee obligations on behalf of any other company;
- declare dividend for any year except out of profits relating to that year after making all due and necessary provisions and provided further that no default had occurred in any repayment obligations.

24. Details of the capitalization of the reserves by the Company in the past: -

Date of allotment of Bonus Shares	Date of approval to the Bonus Issue	Ratio of Bonus issue	Number of Equity Shares of Rs.10/- each issued as bonus	Amount of reserves Capitalised
October 31, 1992	NA	1:1	2,47,500	24,75,000
August 16, 1993	NA	1:1	5,00,000	50,00,000
August 25, 1994	NA	5:1	50,00,000	5,00,00,000
March 24, 2005	March 21, 2005	1:1	60,00,000	6,00,00,000

25. Equity Shares held by top ten Shareholders:

- Particulars of top ten shareholders as on November 4, 2005 (being date of filing of the Red Herring Prospectus with SEBI are as follows)

Sr. No.	Name of the Shareholders	Number of Equity Share	% of holding
1	Khurana Gases Pvt. Ltd.	2,904,000	24.20
2	Smt. Suman Khurana	2,781,400	23.17
3	Shri P.K.Khurana	2,443,600	20.36
4	Medical Engineers (I) Pvt. Ltd	960,000	8.00
5	P.K.Khurana & Sons HUF	960,000	8.00
6	Shri Shyam Sunder Khurana	644,000	5.37
7	Shri Puneet P Khurana	352,400	2.94
8	Mr. Pushkar P.Khurana	352,400	2.94
9	Shri Varun S. Khurna	300,000	2.50
10	Smt. Vandana S. Khurana	300,000	2.50
	Total	11,997,800	99.98

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- Particulars of top ten shareholders as on October 25, 2005, being 10 days prior to the date of filing of the Red Herring Prospectus with SEBI are as follows).

Sr. No.	Name of the Shareholders	Number of Equity Share	% of holding
1	Khurana Gases Pvt. Ltd.	2,904,000	24.20
2	Smt. Suman Khurana	2,781,400	23.17
3	Shri P.K.Khurana	2,443,600	20.36
4	Medical Engineers (I) Pvt. Ltd	960,000	8.00
5	P.K.Khurana & Sons HUF	960,000	8.00
6	Shri Shyam Sunder Khurana	644,000	5.37
7	Shri Puneet P. Khurana	352,400	2.94
8	Mr. Pushkar P. Khurana	352,400	2.94
9	Shri Varun S. Khurna	300,000	2.50
10	Smt. Vandana S. Khurana	300,000	2.50
	Total	11,997,800	99.98

- Particulars of top ten shareholders as on November 4, 2003 (being two years prior to the date of filing of the Red Herring Prospectus with SEBI are as follows).

Sr.No.	Name of the Shareholder	No. of Shares	% of holding
1.	Khurana Gases Pvt. Ltd.	14,52,000	24.20
2	Mrs. Suman Khurana	13,90,700	23.18
3	Mr. P. K. Khurana	12,21,800	20.36
4	Mr. S.S. Khurana	7,28,400	12.14
5	Medical Engineers (I) Pvt. Ltd.	4,80,000	8.00
6	P. K. Khurana & sons HUF	4,80,000	8.00
7	Mrs. Vandana S. Khurana	2,41,200	4.02
8	Mr. Pushkar P. Khurana	1,200	0.02
9	Mr. Puneet P. Khurana	1,200	0.02
10	Ms. Parul S. Khurana	1,200	0.02
	Total	5,997,700	99.96

26. Details of sale/purchase/financing of shares by promoters of the Company.

The Promoter Group of the Company / Directors have not purchased and/or sold/financed any shares of the Company during the period of six (6) months preceding the date on which the Red Herring Prospectus is filed with SEBI except the bonus issue of 1:1 on March 24, 2005.

OBJECTS OF THE ISSUE

We intend to expand our manufacturing facility by setting up a new high-pressure seamless gas cylinder plant at Gandhidham. A techno-economic viability study of the project has been done and the fund requirements have been calculated. We plan to finance the fund requirement through a mix of initial public offering, corporate loan and internal accruals.

We intend to utilise the entire net proceeds of this Issue towards part funding of our proposed Project. The main objects clause and objects incidental or ancillary to the main objects clause of the Memorandum of Association of our Company enables us to undertake our existing activities and the activities for which the funds are being raised by us, through the present Issue.

Main Objects of the Issue are:

1. To part finance (including the working capital requirements) the proposed Project consisting of setting up of manufacturing facility for High Pressure Cylinders in Gandhidham.
2. To meet public issue related expenses

The other object of the issue is to get the shares listed on the Stock Exchanges and to provide liquidity to our existing investors.

Fund Requirements

Particulars	Amount (Rs. Lacs)
Manufacturing facility for High Pressure Cylinders in Gandhidham.	10576.70

APPRAISAL

Dalal Mott Macdonald (DMM) has done a techno Economic Viability Study of the Project. Appraisal by DMM has been used as a basis for this document wherever required. DMM, vide their letters dated July 4, 2005 has given their consent for their name being included as appraising agency and for their appraisal report being used in this document.

State Bank of India, Industrial Finance Branch, Mumbai had undertaken an independent financial appraisal of the project based on which it had sanctioned a corporate loan of Rs.1500 Lacs and working capital of Rs.500 Lacs to us. Simultaneously, Citibank had also undertaken an indepent financial appraisal and had sanctioned a term loan of Rs 1500 lacs and working capital of Rs 500 Lacs. Since the terms of Citibank are favourable, we have decided to avail of the sanctioned facilities from them instead of State Bank of India. Citibank vide its letter dated October 4, 2005 has given consent for its name being included as appraising agency and its appraisal report being used for this document.

The break-up of the Cost of Project:

(In Rs Lacs)

Particulars	Proposed	Total
Land & Site Development	60.00	
Total Land & Site Development		60.00
Factory Building	1389.00	1389.00
Plant and Machineries		
Imported Machineries	1986.00	
Indigenous Machineries	4520.00	
Total Plant and Machineries		6506.00
Vehicles	50.00	50.00
Office Equipments	50.00	50.00
Furniture & Fixtures	50.00	50.00
Preliminary & Pre-Operative Exp.	1006.58	1006.58
Provision for Contingencies	455.58	455.58
Total Capital Cost of Project	9567.16	9567.16
Margin Money for Working Capital	1009.54	1009.54
Total Cost of Project	10576.70	10576.70

Source: DMM Analysis

The cost of plant and machinery, utilities, land development and building has been considered based on the details estimated by the company and by DMM.

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MAJOR COST HEADS

Land & Site Development

The Project is being set-up at a site keeping in view the proximity to **Kandla** and **Mundra** Ports of Gujarat, which makes it well located for import of raw material (seamless tubes) as well as export of finished goods. We have purchased around 1,67,944 square meter of land for the Project at Gandhidham, in the Kutchh district of Gujarat. The actual cost incurred for the purchase of 1,67,944 square meter is Rs. 40.18 lacs (inclusive of stamp duty). The land acquired is free from any encumbrance and we have a clear title for the same. The remaining amount under this head would be spent on site development.

Factory Building

The buildings and other civil work comprise of Factory Sheds, Power Sub-Stations, storage areas for LPG, LDO, Liquid Oxygen, under ground and overhead Water Tanks, Raw Material Storage Yards, Administrative Offices and Stores Building etc. For plant the Company has gone in for all steel structure as against conventional RCC column structure. The steel structure construction is as per seismic zone 5 norms, although the plant lies in seismic zone 4 to insulate it from unforeseen natural calamities. Total cost of buildings and other civil works is estimated at Rs. 1,389 Lacs, as per the estimates given by the consultant.

Plant & Machinery

The main plant & machinery for proposed Project would consist of 4 Nos. CNC hot spinning machines, Hydraulic Press 300 Tonnes and 600 Tonnes respectively. First hand hot spinning machines are to be imported from Leifeld, First hand hot spinning machines are also sourced from the Indian manufacturer of spinning machine i.e. Taurus Private Limited. A1.5 MW Captive power generation is also planned which will reduce dependence on GEB supply and will also provide cheaper source of power. The description of machines, number of machines, the supplier for the various machines to be used, cost of the machines and the order position is given in the table below:

Details of Machinery already ordered

Description of Machinery	No. of Machines	Supplier Name	Total Basic cost of Machines	Order Position	Delivery
Tube cut. B/saw and handling system	2	Niran Mechines	2,990,000	Ordered	Received
CNC Hot Spinning Mach	4	Leifeld Metal Spinning GmbH	198,000,000	Ordered	2 Received/ 2 Expected by 28.02.2006
Tube Cutting Band Saw	2	J.J.machine tools	2,990,000	Ordered	Expected by 28.02.2006
Induction Heater	2	Inductotherm India Pvt. Ltd.	7,200,000	Ordered	Received
Bottom Milling M/c	1	CM hydrosystems Pvt Ltd	764,000	Ordered	Received
Heat treatment facility	1	Dynatech Furnaces Bombay Pvt Ltd	10,000,000	Ordered	Expected by 10.11.2005
Neck cutting band saw	1	CM hydrosystems Pvt Ltd	910,000	Ordered	Received
CNC Turning Machine	1	Lokesh Machine Tools	3,500,000	Ordered	Expected by 20.11.2005
Monorail / Jackets	1	indig. various	390,000	Ordered	Expected by 15.11.2005
Pneu test eq.w/o comp.	1	Parker/various	390,000	Ordered	Expected by 15.11.2005
Steam cleaning set-up	1	indig. various	130,000	Ordered	Expected by 15.11.2005
Internal shot blasting	1	Sapana Engineers	1,560,000	Ordered	Expected by 20.11.2005
External shot blasting	1	Sapana Engineers	1,950,000	Ordered	Received
Vacuum cleaning eq	2	Hafi Electra	169,000	Ordered	Received
Valve fitting m/c	1	CM hydrosystems Pvt Ltd	750,000	Ordered	Received
Ancillary Mechinery	7	Satish Hydrolic and others	27,842,200	Ordered	Expected by 15.11.2005
Tube cut. B/saw and handling system	1	J.J.machine tools	975,000	Ordered	Received
Hot Sp. Machine TPL	2	Taurus P. Ltd.	24,000,000	Ordered	Received
Induction Heater	2	Inducto therm India Pvt Ltd	4,000,000	Ordered	Received
Bottom Milling M/c	1	CM Hydro Systems Pvt Ltd	614,000	Ordered	Expected by 20.11.2005
Heat treat Normalizing	1	Dynatech Furnaces Bombay Pvt Ltd	4,000,000	Ordered	Received
Neck cutting band saw	1	CM Hydro Systems Pvt Ltd	600,000	Ordered	Received
Neck drilling macine	1	CM Hydro Systems Pvt Ltd	594,600	Ordered	Received
CNC Turning Machine	1	Lokesh Machine Tools	3,200,000	Ordered	Expected by 20.11.2005
HST test setup	1	CM Hydro Systems Pvt Ltd	506,000	Ordered	Expected by 20.11.2005
Monorail / Jackets	1	indig. various	300,000	Ordered	Expected by 20.11.2005
Pneu test eq.w/o comp.	1	Parker/various	300,000	Ordered	Expected by 20.11.2005
Ancillary Mechinery	3	CM Hydro Systems Pvt Ltd and others	4,009,800		Expected by 15.11.2005
Other Mechinaries					
Inspection and Test Equipment			15,813,300	Ordered	Expected by 20.11.2005
Tool Room Mechinaries			5,500,500	Ordered	Expected by 20.11.2005
Utilitites			131,120,000	Ordered	Expected by 20.11.2005
GEB (Deposit and Line expenses)			60,000,000	Under Execution	
Electric Substation Cost			20,000,000	Under Execution	
TOTAL			535,068,400		

Details of Machineries not ordered

Description of Machinery	No. of Machines	Supplier Name	Cost as per actual purchase of Machinery	Order Status
Induction Heater	2	Inductotherm India Pvt Ltd	7,200,000	Not ordered
Bottom Milling M/c	1	CM Hydrosystems P Ltd	764,000	Not Ordered
Heat treatment facility	1	Dynatech Furnaces Bombay Pvt Ltd	10,000,000	Not Ordered
Neck cutting band saw	1	CM Hydrosystems Pvt Ltd	910,000	Not Ordered
CNC Turning Machine	1	Lokesh Machines Ltd	3,500,000	Not Ordered
Monorail / Jackets	1	indig. various	390,000	Not Ordered
Pneu test eq.w/o comp.	1	Parker/various	390,000	Not Ordered
Steam cleaning set-up	1	indig. various	130,000	Not Ordered
Internal shot blasting	1	Sapana Engineers	1,560,000	Not Ordered
External shot blasting	1	Sapana Engineers	1,950,000	Not Ordered
Vacuum cleaning eq	2	Hafi Electra Pvt Ltd	169,000	Not Ordered
Valve fitting m/c	1	Conuco/Cmhydro	750,000	Not Ordered
Ancillary Machinery	3	CM Hydro Systems Pvt Ltd and others	27,842,200	Not Ordered
Captive Power Plant	1	Inviting Quotes	60,000,000	Not Ordered
		Total	115,555,200	

The basis of the cost of machines, for which orders are yet to be placed, taken is the same as that of the machineries already ordered for other production lines of the project.

Other Pre-Operative Expenses

A preoperative expenditure of Rs. 1006.58 Lacs has been estimated and the break-up of the same is as enclosed.

Particulars	Rs. in Lacs
Premilinery Expenses*	650.00
Detailed Engineering Fees	45.00
Training Expenses	10.00
Establishment & Travelling	36.00
Interest during Construction	83.33
Salaries & Wages	38.25
Start up Expenses	11.00
Upfront Fees	33.00
Security Deposits to GEB	100.00
Total Pre-Operative Expense	1006.58

(Source: DMM Report)

*The preliminary expenses include the issue related expenses assumed by the consultants. In case, the amount exceeds the estimated amount, the excess will be met through internal accruals.

Contingencies

The Project cost has been estimated by the technical experts, who have substantial experience in implementation of Project. The cost estimate is based on the quotations obtained from the capital equipment manufacturers and the civil contractors and no major change in the cost is expected. However, we plan to keep aside some portion of the net proceeds from the Issue towards meeting contingent expenses and/or cost overruns in carrying out our above-proposed activities. Considering these factors, provision for contingency has been estimated conservatively at 5% on all hard costs aggregating Rs. 455.58 Lacs.

Margin Money for Working Capital

The working capital margin requirements of the Project are estimated at Rs. 1009.54 Lacs, based on the calculations for the first full year of operations for the Project. Working capital has been calculated on the basis of following assumptions:

EVEREST KANTO CYLINDER LIMITED

Current Assets	Months	Current Liabilities	Months
Raw Material	4.00	Raw Materials Credit	4.00
Consumables & Stores	2.00	Consumables & Stores	2.00
Finished Goods	1.50	Sundry Creditors	1.00
Receivables (Debtors)	1.00		

The break-up for each of the projects is given below:

(Rs. in Lacs)

Particulars	Amount
Working Capital Requirement	2019.00
Working Capital Margin	1010.00

Schedule of Implementation

Particulars	Commencement Date	Completion Date
Temporary Permit	April 05	Completed
Land Records to EKC	April 05	Completed
Town Planning Approval	April 05	Completed
NA Conversion	June 05	November 05
Narmada Water Supply	June 05	Completed
GEB Sanction	May 05	Completed
Sheds PO and Drawings	April 05	Completed
Supply and Erection of Sheds	April 05	Completed
Civil Plinth	April 05	Completed
Civil Floorings	August 05	Completed
125 KVA DG	April 05	Completed
Security	April 05	Completed
Civil Engineer recruitment	April 05	Completed
Employment of Managers 7 No's	April 05	Completed
Elect sub station orders	June 05	Completed
Supply and erection of GEB Line	July 05	Completed
Order of production equipment	April 05	Completed
Supply and erection of equipment	June 05	November 05
Utility order placement	April 05	Completed
Supply fabrication and erection of utilities	July 05	November 05
Recruitment of engineers and skilled manpower and training	May 05	November05
Finalization of labor contractors	September 05	Completed
Labour Employed	October 05	November 05
BIS/CCE/SGS/ BV Approvals	October 05	November 05
Production trials	November 05	November 05
Production	November 05	December 15, 05

* The implementation schedule given above is for the operation of the initial two lines of production, the additional lines are expected to be commissioned by March 06

Expenses of this Issue

The expenses for this Issue includes underwriting and management fees, selling commission, distribution expenses, legal fees, fees to advisors, stationery costs, advertising expenses and listing fees payable to the Stock Exchanges, among others. The total expenses for this Issue are estimated at Rs. [-] lacs being, which will be borne by the Company.

Sr. No.	Particulars	Amount Rs. Lacs*
1	Book Running Lead Managers fees	[●]
2	Registrar to the Issue	[●]
3	Bankers to the issue	[●]
4	Advisors to the Issue	[●]
5	Offer Stationery	[●]
6	Advertising Expenses	[●]
7	Brokerage and selling Commission	[●]
8	Legal Fees	[●]
9	Other Expenses (incl. Filing Fees, Listing Fees, Depository Charges, etc.)	[●]
10	Contingencies	[●]
	Total	[●]

* Shall be filled up at the Prospectus stage.

MEANS OF FINANCE

The Project is proposed to be funded from Public Issue of Equity Shares and corporate loans from banks. The proposed means of the finance for the Project is as under:

(Rs. in Lacs)

Particulars	Original Estimates	Revised Estimates*
Equity		
Public Issue	8,000.00	9,000.00
Internal Accruals	576.70	76.70
Debt	2,000.00	1,500.00
Total Project Cost	10,576.70	10,576.70

* The original estimates refer to the estimates made in the techno-economic viability study report by DMM. The estimates have subsequently been revised by the Company as stated above.

The details of means of finance as per the revised estimates is given below:

Equity

The total equity requirement for the Project is projected at Rs.9076.70 Lacs. Of this, Rs. 76.70 Lacs is proposed to be brought in by internal accruals and Rs. 9,000 Lacs is proposed to be funded through the issue of Equity Shares.

Public Issue

The Company proposes to use net proceeds of the Issue for funding its proposed Project including its working capital requirement.

Debt

Term Loan

As per means of finance, the rupee term loans requirement has been estimated at Rs. 1500.00 Lacs, which has been sanctioned by Citibank Commercial banking Group, Mumbai.

More than 75% of the cost of the project excluding funds to be raised through this proposed Issue has been tied up.

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Funds Deployed

The Company has spent Rs.2749.16 lacs till September 30, 2005. The details are summarized below:

(Rs. In Lacs)

EXPENDITURE INCURRED	AMOUNT
Land	40.29
Factory Building	
Construction and Work in Progress	756.84
Plant & Machinery	
Plant & Machinery	1320.65
Advances for Plant & Machinery	446.61
Other Fixed Assets	91.74
Deposits	67.51
Pre-operative Expenses	25.52
Total	2749.16

Sources of Funds

The expenditure have been incurred by drawing from the sanctioned term loan from Citibank, internal accruals and by taking Loan from members. The details of the same are as under-

Citibank N.A. Term Loan	-	450.00 Lacs
Internal Accruals	-	1618.83 Lacs
Loan From Members	-	680.33 Lacs.

Interim Use of Funds

Pending utilization of funds as stated above, we intend to invest the proceeds of this Issue in high quality, interest / dividend bearing short term / long term liquid instruments including deposits with banks for the necessary duration. These investments would be authorised by our Board or a duly authorised committee thereof.

Techno Economic Feasibility Report by Dalal Mott MacDonald

In addition to the above, a techno economic feasibility report of the proposed project by Everest Kanto Cylinder Limited was carried out by Dalal Mott MacDonald.

The scope of the above appraisal was to cover following aspects:

- Market Assessment
- Technical Assessment
- Financial Assessment

A brief summary of the report is as follows:

Technology assessment

New plant of EKC will manufacture both large cylinders and small cylinders. Cylinders would be made for different applications like:

- Industrial and Medical applications
- CNG cylinders for on board storage of gas for automobiles.
- Bulk storage cylinders & Cascades at CNG stations
- Defence applications
- Fire Fighting etc.

The Hot Spinning Seamless Tubes technology proposed by EKC for manufacturing of these cylinders has following features:

- Low initial investment cost
- Flexibility in manufacture of very wide range of cylinders
- Low operating cost

Consultants have done comparative assessment of different technologies and they have come out with the conclusion that the Hot Spinning of Seamless Tubes technology planned to be adopted by EKC is appropriate, cost effective, contemporary and best suited in the given conditions.

Plant and machinery appropriateness

According to the consultants the list of machinery provided by EKC appears to be comprehensive and covers all items required for the particular project. Various aspects pertaining to project implementation time frame spelt out by EKC seems to be reasonable, adequate and conforms to generally accepted norms and conventions of the industry

Plant capacity

EKC intends to install facility to manufacture 340,000 numbers of high pressure cylinders per annum the configuration shown as below:

Type of Capacity	Capacity No's
Large Cylinders (Storage Capacity greater than 21 litres)	200,000
Small Cylinders (Storage capacity of up to 21 litres)	140,000
Total	340,000

The demand for CNG vehicles is growing due to environmental concerns stear economy of operations and better availability of CNG infrastructure .Its use in public transport is also likely to increase significantly in major cities, as a result of a Supreme Court ruling and initiatives by to this effect, Expenditure on health by government in health sector in rural and semi urban areas is fuelling the demand of cylinders to store gases like Oxygen, Helium and Nitrogen.

But DMM also points that increase in Raw material prices, increase in project cost and reduction in selling price are a threat to viability of the project.

Supply in India is less than demand and this gap is bound to increase in future, considering these features the plant capacity proposed by EKC seems to be appropriate.

Demand Supply Scenario (No. Lakhs)

Particulars	Year of Operation					
	2003-4	2004-5	2005-6	2006-7	2007-8	2008-9
Total Expected Domestic Production	2.59	2.59	3.09	4.24	4.39	4.69
Domestic Demand	2.75	3.25	3.85	4.58	5.48	6.58
Exports	0.25	6.6	7.8	9.22	11.11	12.34
Demand Supply Gap	0.41	7.26	8.56	9.56	12.2	14.23

(Source: DMM Report)

Conclusion

Dalal Mott MacDonald has gone through selection of plant & machinery, comparison of various technologies available locally and internationally, Market assessment, reasonableness of project cost, overall financial viability of the project.

The technology proposed to be adopted by Everest Kanto Cylinder Limited for the manufacturing facility is appropriate, cost effective and contemporary and best suited in the given conditions.

The plant and machinery planned to be used for the various projects are appropriate for the technology and the configuration are as per the accepted norms and conventions of the industry.

Based on the review, it can be concluded that the proposed plant capacity considered by EKC is quite appropriate both in terms of economies of scale and marketability of end products.

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Financial Appraisal by Citibank

Citibank N.A. has sanctioned a term loan of Rs 1500 Lacs and working capital of Rs. 500 Lacs.

Cost of project and means of finance as appraised by Citibank N.A. are:

Cost of Project		Means of Finance	
Particulars	Rs Lacs		Rs lacs
Total Land & Site Development	60	Equity	9000
Factory Building	1390	Internal accruals	80
Imported Machineries	1990	Long Term borrowings	1500
Indigenous Machineries	4520		
Vehicles,Office equipment,Furniture & Fixtures	150		
Preliminary & Preoperative Expense	1010		
Provision for Contingencies	450		
Total Capital Cost of Project	9570		
Margin money for working capital	1010		
Total Cost of project	10580	Total Means of Finance	10580

Appraisal report also points to the following risk factors associated with the project:

1. Pricing of CNG : Increase in CNG prices may affect the demand for CNG cylinders, however the environmental benefits of using CNG will continue.
2. Tapering of Industrial growth: any slowdown in Industrial growth might hamper the growth of the company.
3. Increase in Price of Seamless Steel: Any increase in prices of seamless steel may affect the performance of Everest kanto Cylinder limited.

In its conclusion appraisal report finds Everest Kanto to be a strongly positioned company, and with experienced promoters it recommends the project.

BASIC TERMS OF THE ISSUE

The Equity Shares being offered are subject to the provisions of the Act, the Memorandum and Articles of the Company, the terms of this Red Herring Prospectus, Bid-cum-Application Form, the Revision Form, CAN and other terms and conditions as may be incorporated in the Allotment Advice, and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to applicable laws, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, Gol, Stock Exchanges, RBI, ROC and / or other authorities, as in force on the date of the Issue and to the extent applicable.

BASIS FOR ISSUE PRICE

The Issue Price will be determined by the Company in consultation with the BRLM on the basis of assessment of market demand for the Equity Shares offered by way of Book Building Process.

Investors should read the following summary with the Risk Factors included from page number ix to xviii and the details about the Company and its financial statements included in this Red Herring Prospectus. The trading price of the Equity Shares of the Company could decline due to these risks and you may lose all or part of your investments.

Qualitative Factors

- The Company is a leading player in the domestic market.
- The products are well accepted by the consumers and it is the constant endeavour of the Company to further enhance and improvise the product attributes.
- The promoters of the Company are qualified, well versed, have wide experience in this area of business and have a long term vision and passion for the business.
- The business operates in high growth markets both in domestic industrial gas segment and the CNG segment.
- There also exist potential and opportunities for the Company to tap the emerging CNG markets in countries outside India.

Quantitative Factors

1. Earning Per Share (EPS)

Year	EPS (Rs.)	Weight
March 31, 2003	7.13	1
March 31, 2004	1.86	2
March 31, 2005	11.90	3
Weighted Average	7.75	

Note: EPS represents basic earnings per share calculated as per Accounting Standard 20 issued by Institute of Chartered Accountants of India.

2. Price/Earning Ratio (P/E) in relation to Issue Price of Rs. [●]

Based on the yearly results of FY 2005 adjusted EPS is Rs. 11.90 on Equity Share of face value of Rs. 10 each.

3. Return on Net Worth (RONW)

Year	RONW %	Weight
March 31, 2003	15.65	1
March 31, 2004	7.94	2
March 31, 2005	35.09	3
Weighted Average	22.80	

Note: Return on Net Worth is arrived at by dividing Profit after tax (PAT) by total shareholders' funds (Net Worth) at the end of the year.

4. Minimum Return on Increased Net Worth to maintain pre-issue EPS - [●]

5. Net Asset Value (NAV) per share

- NAV as on March 31, 2005 Rs. 33.91
- Issue Price [●]
- NAV after the Issue [●]

Note: Net Asset value per share, computed as per net equity method, is arrived at as Equity net worth at the end of the year minus miscellaneous expenses not written off and divided by the number of Equity Shares at the end of the fiscal year.

6. Comparison with Peer Group

There are no other listed comparables in Indian Seamless High Pressure Gas Cylinder Industry, hence this comparison is not possible.

7. The face value of Equity Shares of EKC is Rs. 10 and the issue price is [●] time of the face value.

The Issue Price of Rs. [●] will be determined by the Company in consultation with the BRLM, on the basis of assessment of market demand for the Equity Shares by way of Book Building, and on the basis of the above factors.

TAX BENEFITS

The auditors for the company are C. D. Pasad & Co., Chartered Accountants who vide letter dated August 1, 2005 have stated the possible tax benefits available to Everest Kanto Cylinder Limited and its shareholders under the current tax laws presently in force in India.

The information provided below sets out the possible tax benefits available to the Company and its shareholders under the current tax laws presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon their fulfilling such conditions, which based on business imperatives the Company may or may not choose to fulfill. The benefits discussed below are not exhaustive. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. Each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue. The auditors do not express any opinion or provide any assurance as to whether:

- i) the Company or its share holders will continue to obtain these benefits in future; or
- ii) the condition prescribed for availing the benefits have been / would be met with.

The contents of their annexure are based on information, explanations and representations obtained from the Company and on the basis of their understanding of the business activities and operations of the Company.

STATEMENT OF POSSIBLE DIRECT TAX BENEFITS AVAILABLE TO THE COMPANY AND IT'S SHAREHOLDERS.

1. Benefits available to the Company under the Income-tax Act, 1961 ('Act')

1.1 Exemption under section 10(23G)

In accordance with and subject to the provisions of section 10(23G) of the Act, the Company will be eligible to claim exemption on any income by way of dividends (other than dividends exempt under Section 10(34) of the Act), interest or long-term capital gains from investments made by way of shares or long-term finance in specified enterprises, wholly engaged in specified businesses or projects and which have been approved by the Central Government.

1.2 Dividends exempt under Section 10(34)

Dividends declared, distributed or paid by domestic companies are exempt in the hands of the Company.

1.3 Dividends exempt under Section 10(35)

The Company will be eligible for exemption of dividend income in accordance with and subject to the provisions of Section 10(35) of the Act.

1.4 Credit available under Section 115JAA

Under Section 115JAA (1A) credit shall be allowed of any MAT paid under Section 115JB of the Act for any A.Y. commencing on or after April, 2006. Credit eligible for carry forward is the difference between MAT paid and the tax computed as per the normal provisions of the Income-tax Act. Such MAT credit shall be available for set-off upto 5 years succeeding the year in which the MAT credit initially arose.

1.5 Fringe Benefit Tax

In addition to income tax, a fringe benefit tax at the rate of 30% (plus surcharge and education cess) would be payable in respect of fringe benefits provided/deemed to be provided to the employees.

1.6 Depreciation under Section 32

Under Section 32 the rates of depreciation on plant and machinery would normally be 15% and those on furniture and fittings 10% and motor cars 15%. Initial depreciation on plant and machinery would be 20%.

1.7 Computation of capital gains

- 1.7.1 Capital assets may be categorised into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as "long term capital gains". Capital gains arising on sale of these assets held for 12 months or less are considered as "short term capital gains".

1.7.2 Section 48 of the Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition / improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long term capital gains, it offers a benefit by permitting substitution of cost of acquisition / improvement with the indexed cost of acquisition / improvement, which adjusts the cost of acquisition / improvement by a cost inflation index as prescribed from time to time.

1.7.3 As per the provisions of Section 112 of the Act, long term capital gains computed as above that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). However, as per the provision to Section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge and education cess).

1.7.4 As per the provisions of section 111A of the Act, short-term capital gains on sale of equity shares or units of an equity oriented fund where the transaction of sale is chargeable to Securities Transaction tax ("STT") shall be subject to tax at a rate of 10 per cent (plus applicable surcharge and education cess).

1.7.5 Exemption of capital gain from income tax

- According to section 10(38) of the Act, long-term capital gains on sale of equity shares or units of an equity oriented fund where the transaction of sale is chargeable to STT shall be exempt from tax.
- According to the provisions of section 54EC of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.
- According to the provisions of section 54ED of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising from transfer of long term assets, being listed securities or units shall not be chargeable to tax to the extent such gains are invested in acquiring equity shares forming part of an "eligible issue of share capital" within six months from the date of transfer of the long term assets (provided they are not transferred within one year of acquisition). Eligible issue of share capital has been defined as an issue of equity shares which satisfies the following conditions:
 - the issue is made by a public company formed and registered in India; and
 - the shares forming part of the issue are offered for subscription to the public.

However, if the above specified shares are sold or otherwise transferred within a period of one year from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the shares are sold or otherwise transferred.

2. Benefits available to the Company under the Indirect Tax

2.1 Exemption in Excise duty

As per the notification No. 39/2001-Central Excise dated the July 31, 2001 as supplemented by notification No. 9/2004 dated January 21, 2004 have announced a five years excise holiday to the new Industrial units set up in the district of Kutch if the commercial production starts on or before December 31, 2005

The facility of exemption is extended for a period of five years from the date of commencement of commercial production.

In the case of units having value of investment in plant and machinery less than Rs. 20 crores, the quantum of exemption is available up to a maximum of twice the value of such investment, of excisable goods every year. In all other cases, no such monetary ceiling applicable.

2.2 Sales Tax Incentives

As per the Incentive Scheme 2001 for Economic Development of Kutch District declared by the State Government of Gujarat dated November 09, 2001, Sales Tax Exemption benefit would be available as under. The quantum prescribed is :

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- i. At the rate of 100 % for a period of five years from the date of commencement of commercial production for the eligible fixed capital investment upto Rs. 10 Crores.
- ii. At the rate of 100 % for a period of seven years from the date of commencement of commercial production for the eligible fixed capital investment exceeding Rs. 10 Crore but upto Rs. 50 Crores.
- iii. At the rate of 100 % for a period of ten years from the date of commencement of commercial production for the eligible fixed capital investment exceeding Rs. 50 Crore.

3. Benefits available to resident shareholders

3.1 Dividends exempt under Section 10(34)

Dividends declared, distributed or paid by the Company are exempt in the hands of shareholders.

3.2 Computation of capital gains

3.2.1 Capital assets may be categorised into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as "long term capital gains". Capital gains arising on sale of these assets held for 12 months or less are considered as "short term capital gains".

3.2.2 Section 48 of the Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition / improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long term capital gains, it offers a benefit by permitting substitution of cost of acquisition / improvement with the indexed cost of acquisition / improvement, which adjusts the cost of acquisition / improvement by a cost inflation index as prescribed from time to time.

3.2.3 As per the provisions of Section 112 of the Act, long term capital gains computed as above that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). However, as per the provision to Section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge and education cess).

3.2.4 As per the provisions of section 111A of the Act, short-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be subject to tax at a rate of 10 per cent (plus applicable surcharge and education cess).

3.2.5 Exemption of capital gain from income tax

- According to section 10(38) of the Act, long-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be exempt from tax.
- According to the provisions of section 54EC of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

Where the benefit of section 54EC has been availed of on investments in the notified bonds, a deduction from the income with reference to such cost shall not be allowed under section 80C of the Act.

- According to the provisions of section 54ED of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising from transfer of long term assets, being listed securities or units shall not be chargeable to tax to the extent such gains are invested in acquiring equity shares forming part of an "eligible issue of share capital" within six months from the date of transfer of the long term assets (provided they are not transferred within one year of acquisition). Eligible issue of share capital has been defined as an issue of equity shares which satisfies the following conditions:
 - the issue is made by a public company formed and registered in India; and
 - the shares forming part of the issue are offered for subscription to the public.

However, if the above specified shares are sold or otherwise transferred within a period of one year from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the shares are sold or otherwise transferred.

The issue of shares by the Company being an eligible issue of share capital, the subscribers thereto would be eligible to claim the exemption granted under section 54ED. However there is a legal uncertainty over whether the benefit under this section can be extended to shares forming part of the offer for sale by the selling shareholders.

Where the benefit of section 54ED has been availed of on investments in the equity shares forming part of an eligible issue of share capital, a deduction from the income with reference to such cost shall not be allowed under section 80C of the Act.

- According to the provisions of section 54F of the Act and subject to the conditions specified therein, in the case of an individual or a Hindu Undivided Family ('HUF'), gains arising on transfer of a long term capital asset (not being a residential house), other than gains exempt under section 10(38), are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If part of such net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

3.3 Rebate under section 88E

Section 88E provides that where the total income of a person includes income chargeable under the head "Profits and gains of business or profession" arising from the transactions of purchase or sale of equity shares of any company entered into in a recognised stock exchange, i.e., from taxable securities transactions, he shall get rebate equal to the securities transaction tax paid by him in the course of his business. Such rebate is to be allowed from the amount of income tax in respect of such transactions calculated by applying average rate of income tax.

4. Benefits available to Non-Resident Indian shareholders

4.1 Dividends exempt under Section 10(34)

Dividends declared, distributed or paid by the Company are exempt in the hands of shareholders.

4.2 Computation of capital gains

4.2.1 Capital assets may be categorised into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as "long term capital gains". Capital gains arising on sale of these assets held for 12 months or less are considered as "short term capital gains".

4.2.2 Section 48 of the Act contains special provisions in relation to computation of capital gains on transfer of an Indian company's shares by non-residents. Computation of capital gains arising on transfer of shares in case of non-residents has to be done in the original foreign currency, which was used to acquire the shares. The capital gain (i.e., sale proceeds less cost of acquisition / improvement) computed in the original foreign currency is then converted into Indian Rupees at the prevailing rate of exchange.

4.2.3 In case investment is made in Indian rupees, the long-term capital gain is to be computed after indexing the cost.

As per the provisions of Section 112 of the Act, long term capital gains computed as above that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). However, as per the provision to Section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge and education cess).

4.2.4 As per the provisions of section 111A of the Act, short-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be subject to tax at a rate of 10 per cent (plus applicable surcharge and education cess).

4.2.5 Options available under the Act

Where shares have been subscribed to in convertible foreign exchange Option of taxation under Chapter XII-A of the Act:

- Non-Resident Indians [as defined in Section 115C(e) of the Act], being shareholders of an Indian Company, have the option of being governed by the provisions of Chapter XII-A of the Act, which inter alia entitles them to the following benefits in respect of income from shares of an Indian company acquired, purchased or subscribed to in convertible foreign exchange:
- According to the provisions of section 115D read with Section 115E of the Act and subject to the conditions specified therein, long term capital gains arising on transfer of an Indian company's shares, will be subject to tax at the rate of 10 percent (plus applicable surcharge and education cess), without indexation benefit.
- According to the provisions of section 115F of the Act and subject to the conditions specified therein, gains arising on transfer of a long term capital asset being shares in an Indian company shall not be chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period of six months in any specified asset or savings certificates referred to in section 10(4B) of the Act. If part of such net consideration is invested within the prescribed period of six months in any specified asset or savings certificates referred to in Section 10(4B) of the Act then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer. However, if the specified asset or savings certificate in which the investment has been made is transferred within a period of three years from the date of investment, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such specified asset or savings certificates are transferred.
- As per the provisions of Section 115G of the Act, Non-Resident Indians are not obliged to file a return of income under Section 139(1) of the Act, if their only source of income is income from investments or long term capital gains earned on transfer of such investments or both, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the Act.
- Under Section 115H of the Act, where the Non-Resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer, along with his return of income for that year under Section 139 of the Act to the effect that the provisions of the Chapter XII-A shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are converted into money.
- As per the provisions of Section 115I of the Act, a Non-Resident Indian may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing his return of income for that assessment year under Section 139 of the Act, declaring therein that the provisions of Chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the Act.

4.2.6 Exemption of capital gain from income tax

- According to section 10(38) of the Act, long-term capital gains on sale of equity shares, where the transaction of sale is chargeable to STT, shall be exempt from tax.
- According to the provisions of section 54EC of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

Where the benefit of section 54EC has been availed of on investments in the notified bonds, a deduction from the income with reference to such cost shall not be allowed under section 80C of the Act.

- According to the provisions of section 54ED of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising from transfer of long term assets, being listed securities or units shall not be chargeable to tax to the extent such gains are invested in acquiring equity shares forming part of an "eligible issue of share capital" within six months from the date of transfer of the long term assets (provided they are not transferred within one year of acquisition). Eligible issue of share capital has been defined as an issue of equity shares which satisfies the following conditions:

- the issue is made by a public company formed and registered in India; and
- the shares forming part of the issue are offered for subscription to the public.

However, if the above specified shares are sold or otherwise transferred within a period of one year from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the shares are sold or otherwise transferred.

The issue of shares by the Company being an eligible issue of share capital, the subscribers thereto would be eligible to claim the exemption granted under section 54ED. However there is a legal uncertainty over whether the benefit under this section can be extended to shares forming part of the offer for sale by the selling shareholders.

Where the benefit of section 54ED has been availed of on investments in the equity shares the forming part of an eligible issue of share capital, a deduction from the income with reference to such cost shall not be allowed under section 80C of the Act.

- According to the provisions of section 54F of the Act and subject to the conditions therein, in the case of an individual or a HUF, gains arising on transfer of a long term capital asset (not being a residential house), other than gains exempt under section 10(38), are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If part of such net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

4.3 Rebate under section 88E

Section 88E provides that where the total income of a person includes income chargeable under the head "Profits and gains of business or profession" arising from the transactions of purchase or sale of equity shares of any company entered into in a recognised stock exchange, i.e., from taxable securities transactions, he shall get rebate equal to the securities transaction tax paid by him in the course of his business. Such rebate is to be allowed from the amount of income tax in respect of such transactions calculated by applying average rate of income tax.

5. Benefits available to other Non-residents

5.1 Dividends exempt under Section 10(34)

Dividends declared, distributed or paid by the Company are exempt in the hands of shareholders.

5.2 Computation of capital gains

5.2.1 Capital assets may be categorised into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as "long term capital gains". Capital gains arising on sale of these assets held for 12 months or less are considered as "short term capital gains".

5.2.2 Section 48 of the Act contains special provisions in relation to computation of capital gains on transfer of an Indian company's shares by non-residents. Computation of capital gains arising on transfer of shares in case of non-residents has to be done in the original foreign currency, which was used to acquire the shares. The capital gain (i.e., sale proceeds less cost of acquisition / improvement) computed in the original foreign currency is then converted into Indian Rupees at the prevailing rate of exchange.

5.2.3 In case investment is made in Indian rupees, the long-term capital gain may be computed after indexing the cost.

As per the provisions of Section 112 of the Act, long term capital gains computed as above that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). However, as per the provision to Section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge and education cess).

5.2.4 As per the provisions of section 111A of the Act, short-term capital gains on sale of equity shares, where the transaction of sale is chargeable to STT, shall be subject to tax at a rate of 10 per cent (plus applicable surcharge and education cess).

5.2.5 Exemption of capital gain from income tax

- According to section 10(38) of the Act, long-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be exempt from tax.
- According to the provisions of section 54EC of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising to the assessee on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the assessee transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

Where the benefit of section 54EC has been availed of on investments in the notified bonds, a deduction from the income with reference to such cost shall not be allowed under section 80C of the Act.

- According to the provisions of section 54ED of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising from transfer of long term assets, being listed securities or units shall not be chargeable to tax to the extent such gains are invested in acquiring equity shares forming part of an "eligible issue of share capital" within six months from the date of transfer of the long term assets (provided they are not transferred within one year of acquisition). Eligible issue of share capital has been defined as an issue of equity shares which satisfies the following conditions:
- the issue is made by a public company formed and registered in India; and
- the shares forming part of the issue are offered for subscription to the public.

However, if the above specified shares are sold or otherwise transferred within a period of one year from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the shares are sold or otherwise transferred.

The issue of shares by the Company being an eligible issue of share capital, the subscribers thereto would be eligible to claim the exemption granted under section 54ED. However there is a legal uncertainty over whether the benefit under this section can be extended to shares forming part of the offer for sale by the selling shareholders.

Where the benefit of section 54ED has been availed of on investments in the equity shares forming part of an eligible issue of share capital, a deduction from the income with reference to such cost shall not be allowed under section 80C of the Act.

- According to the provisions of section 54F of the Act and subject to the conditions therein, in the case of an individual or a HUF, gains arising on transfer of a long term capital asset (not being a residential house), other than gains exempt under section 10(38), are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If part of such net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

As per the provisions of Section 90(2) of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the Non Resident.

5.3 Rebate under section 88E

Section 88E provides that where the total income of a person includes income chargeable under the head "Profits and gains of business or profession" arising from the transactions of purchase or sale of equity shares of any company entered into in a recognised stock exchange, i.e., from taxable securities transactions, he shall get rebate equal to the securities transaction tax paid by him in the course of his business. Such rebate is to be allowed from the amount of income tax in respect of such transactions calculated by applying average rate of income tax.

6. Benefits available to Foreign Institutional Investors ('FIIs')

6.1 Dividends exempt under section 10(34)

Dividends declared, distributed or paid by the Company are exempt in the hands of shareholders.

6.2 Taxability of capital gains

As per the provisions of section 115AD of the Act, FIIs will be taxed on the capital gains that are not exempt under section 10(38) of the Act at the following rates:

Nature of income	Rate of tax (%)
Long term Capital Gain	10
Short term capital gains	30

The above tax rates would be increased by the applicable surcharge and education cess. The benefits of indexation and foreign currency fluctuation protection as provided by Section 48 of the Act are not available to a FII.

According to Section 111A of the Act, short-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be subject to tax at a rate of 10 per cent (plus applicable surcharge and education cess).

6.3 Exemption of capital gain from income tax

- According to section 10(38) of the Act, long-term capital gains on sale of shares where the transaction of sale is chargeable to STT shall be exempt from tax.
- As per the provisions of section 54ED of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising from transfer of long term assets, being listed securities or units shall not be chargeable to tax to the extent such gains are invested in acquiring equity shares forming part of an "eligible issue of share capital" within six months from the date of transfer of the long term assets (provided they are not transferred within one year of acquisition). Eligible issue of share capital has been defined as an issue of equity shares which satisfies the following conditions:
 - the issue is made by a public company formed and registered in India; and
 - the shares forming part of the issue are offered for subscription to the public.

However, if the above specified shares are sold or otherwise transferred within a period of one year from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the shares are sold or otherwise transferred.

The issue of shares by the Company being an eligible issue of share capital, the subscribers thereto would be eligible to claim the exemption granted under section 54ED. However there is a legal uncertainty over whether the benefit under this section can be extended to shares forming part of the offer for sale by the selling shareholders.

As per the provisions of Section 90(2) of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the Non Resident.

6.4 Rebate under section 88E

Section 88E provides that where the total income of a person includes income chargeable under the head "Profits and gains of business or profession" arising from the transactions of purchase or sale of equity shares of any company entered into in a recognised stock exchange, i.e., from taxable securities transactions, he shall get rebate equal to the securities transaction tax paid by him in the course of his business. Such rebate is to be allowed from the amount of income tax in respect of such transactions calculated by applying average rate of income tax.

7. Benefits available to Mutual Funds

As per the provisions of Section 10(23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made there under, Mutual Funds set up by public sector banks or public financial institutions and Mutual Funds authorised by the Reserve Bank of India would be exempt from income tax, subject to the conditions as the Central Government may by notification in the Official Gazette specify in this behalf.

8. Benefits available to Venture Capital Companies / Funds

In case of a shareholder being a Venture Capital Company / Fund, as per the provisions of Section 10(23FB) of Act, any income of Venture Capital Companies / Funds registered with the Securities and Exchange Board of India, would exempt from Income Tax, subject to the conditions specified.

9. Tax Treaty benefits

An investor has an option to be governed by the provisions of the Act or the provisions of a Tax Treaty that India has entered into with another country of which the investor is a tax resident, whichever is more beneficial.

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10. Benefits available under the Wealth-tax Act, 1957

Asset as defined under Section 2(ea) of the Wealth tax Act, 1957 does not include shares in companies and hence, shares are not liable to wealth tax.

11. Benefits available under the Gift-tax Act, 1958

Gift tax is not leviable in respect of any gifts made on or after October 1, 1998. Therefore, any gift of shares will not attract gift tax.

Notes :

1. All the above benefits are as per the current tax law as amended by the Finance (No.2) Act, 2005. The stated benefits will be available only to the sole/first named holder in case the shares are held by joint holders.
2. In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreements, if any, between India and the country in which the non-resident has fiscal domicile.
3. In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her participation in the scheme.

SECTION IV: ABOUT THE COMPANY

Industry Overview

High Pressure Seamless Steel Gas Cylinder Industry

A common man, when thinking about gas cylinders probably visualizes cylinders used for cooking and heating, the breathing air cylinders used by mountaineers, firemen and scuba divers or, maybe, the cylinders of Oxygen used by ambulance crew and in hospitals and of course the red fire extinguishers. Needless to say, these few cases where gas cylinders appear in our everyday lives are only part of the story. Gas cylinders are used in every industry, from the food industry to the manufacture of semiconductors, and come in a variety of configurations and sizes. Broadly, gas cylinders can be split into two basic categories, one being the low-pressure cylinders, usually welded, mainly used in the transportation and distribution of LPG and similar gases, which liquefy at low pressure. The other category is the high-pressure gas cylinders, usually formed in one piece (seamless) and used for the distribution of compressed gases. Gas cylinders are produced by a small number of manufacturers and used by a large number of customers ranging from households to large industrial enterprises.

During the beginning of the 20th century, the production of Acetylene and Oxygen on an industrial scale got established, which required gas cylinders for their storage and transportation for use in welding and cutting processes. Space forays during the 60s gave further rise to demand for cylinders for storing specialized gases used in cryogenic applications. With increase in the use of gases/gas mixtures the demand for cylinders grew further. Simultaneously, the gas cylinder industry also improvised on storage problems by developing high-pressure gas storage cylinders. Presently, high-pressure gas cylinders are used for storage of variety of industrial, automotive and medical gases like: Oxygen, Carbon-Dioxide, Nitrogen, CNG, Helium, and Acetylene etc. With the large-scale use of CNG as an alternate fuel by countries rich in natural gas, demand for CNG cylinders has been a major demand driver for the industry during the recent times.

Compressed Gas is a gas at normal room temperature (20° C) but is packaged as a pressurized gas, dissolved gas or as a gas liquefied by compression or refrigeration. When the pressure of gas in a container is higher than 35 Kgf/cm² it needs to be stored in containers with walls capable of sustaining higher stress levels to avoid bursting. Such containers are termed as High Pressure Gas Cylinders.

Cylinders used in industrial applications are designed to provide an essentially infinite life span. Industrial cylinders remain in service until they eventually fail a periodic retest or visual inspection. On the contrary the primary concern of CNG users is the weight of the vehicle fuel storage system. In order to address this concern, the design for CNG cylinder provide for a specified usage life after which they are scrapped. However, in order to avoid any compromise due to weight reduction on safety parameters, the developed countries are increasingly using aluminium and composite materials to bring about a reduction in the weight of the cylinders. But, the high cost of manufacture is acting as an impediment to a large-scale adoption of such materials in the manufacture of such cylinders.

Storage of gases at very high pressure makes the cylinders accident prone and highly risky to handle. In order to ensure human safety, every country has laid down standards and rules related to the use of cylinders in the respective country. Industrial cylinder standards typically specify the materials of construction, and the allowable wall stresses in design. As CNG is stored on board the vehicles at a typical pressure of 200 Bar, it requires design adequacy even within the designated life span. A consideration in the design of CNG cylinders is the number of pressure cycles a cylinder may experience from filling operations. Repeated pressurization cycles eventually results in the growth of fatigue cracks in metal cylinders and liners. This safety hazard is mitigated by subjecting the cylinders to periodical ultrasonic scanning (or equivalent) tests to detect any defects that could cause a premature fatigue/failure. Once a cylinder fails in the test, it is destroyed by cutting to prevent any further usage.

On a global level gas cylinder industry is dominated by a few global companies like Luxfer (UK, USA, Australia), Faber (Italy), Dynetek (Canada), and Beijing Tianhai Industry Company (China). EKC is amongst one of the largest players in the world, the others being Faber (Italy), Worthington (UK), Inflex (Argentina) and NK (Korea).

Various Applications

High-pressure gas cylinders are used in variety of usage worldwide. A few illustrations of which are as under:

- Storage of medical gases like: Oxygen, Carbon-Dioxide, Helium.
- Storing Carbon-Dioxide for fire fighting etc.
- Storing of CNG to be used in vehicles.
- Storage of Industrial gases for various applications like: welding, beverage industry, scuba diving etc.
- Storage of gases / gas mixtures for defence and space applications.

Various Technology Options In Gas Cylinder Manufacturing:

Globally three basic technology / process routes described below are being followed for the manufacture of High Pressure Seamless Steel Gas Cylinders:

- Billet Piercing Process
- Deep Draw Process
- Hot Spinning Process

There are lot of commonalities among all the three technologies listed above. The basic differences are in the initial process of forming the one end closed cylinder shells. The process differentials are described below:

Billet Piercing process: The cylinder shells are produced by piercing heated steel billet and subsequently drawing it through a ring and roller dies.

Deep Draw process: The deep draw process is a cold forming method. In this process, flat circular steel blanks are loaded into a hydraulic press. A cylindrical draw punch contacts the blank and pushes it through an intake ring. The blank is drawn into a cup of dimensions suitable to the steel type. The steel gets work hardened during this cold draw process. The cup is heat-treated, lubrication is done and cup is again subjected to next draw to reduce the diameter, reduce the wall thickness, and to increase the length. This process is repeated 2 to 3 times to ensure the final bottom formed cylinder blank is available. Even though the cold draw process forms the blanks, they need a large amount of energy, equipment and manpower, to accommodate intermediate annealing and soaping operations.

Presently, due to the use of high alloy steels all the cylinders need multi pass working as above.

Hot Spinning process: Seamless steel tubes are cut into required length and by hot forming on spinning machines the bottom is formed. This process does not call for the huge setup as for Billet Piercing and end sawing, neither does it call for the repeated cycles of deep drawing, annealing heat treatment, soaping, and the end sawing as necessary in the Deep Drawing Process.

Figure 1 shows the process differentials for different technologies.

The remaining steps (i.e. Neck Forming, Pre-boring, Heat Treatment, Inside-Outside Grit Blasting, Identification marking, Hardness Testing, Neck Machining and Threading, Cleaning, Drying, Hydraulic Testing, Pneumatic Testing, Ultrasonic testing, Painting, Drying, Packing, etc) are more or less common in all the three processes.

Figure 2 shows these common processing steps.

Figure 1 : Different techniques.

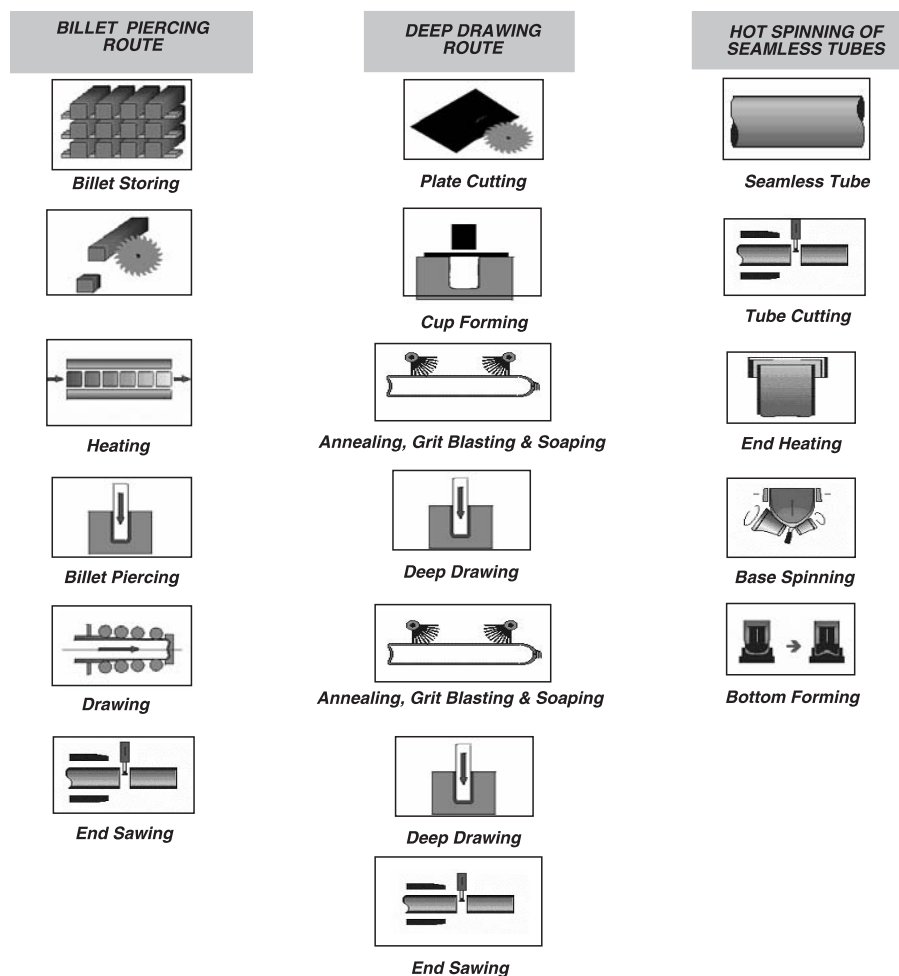
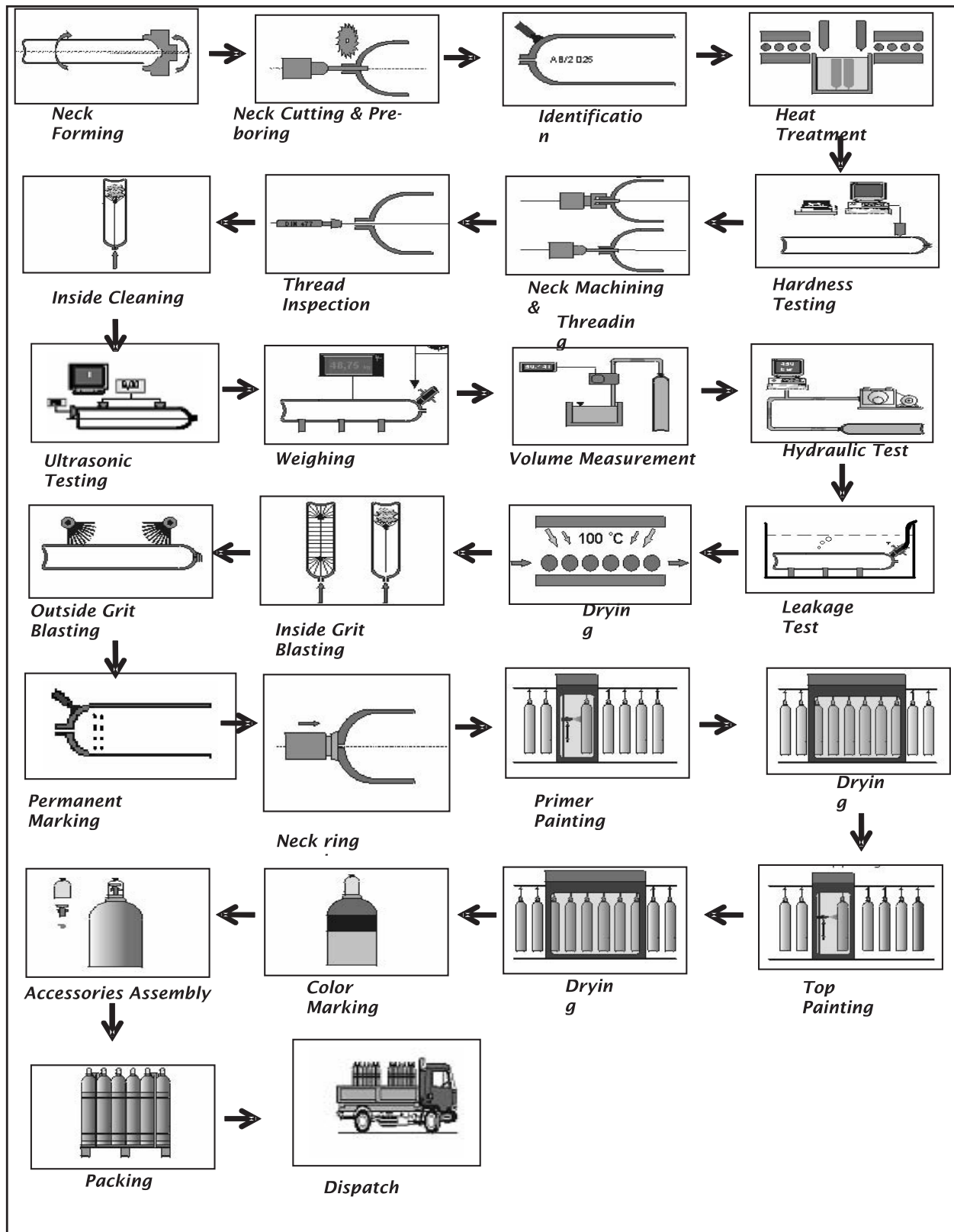


Figure.2: Common Process Steps



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High Pressure Seamless Steel Gas Cylinder Industry In India

As in the international arena, the Indian high-pressure seamless steel gas cylinder industry is also dominated by a few manufacturers only. The prominent players being Everest Kanto Cylinder Limited, Maruti Koatsu Cylinders Pvt. Ltd and Bharat Pumps and Compressors Ltd. With an existing combined annual production of around 3 Lacs cylinders, the high pressure seamless steel gas cylinder industry in India commands an approximately 1% of the global market (*Source: DMM Report*)

In India, traditionally high-pressure cylinder-manufacturing domestic units were catering only to the industrial, medical, fire-fighting and beverages segment. However, with the advent of CNG as an alternative eco-friendly automotive fuel, an altogether new segment has opened up for the Indian players. Due to these development, the auto sector is now the major demand driver for the high-pressure cylinder manufacturing units in India, with the projected number of CNG cylinders produced overtaking that of all other segments combined. The conventional segments have also been generating substantial demand for the cylinders, backed by the current industrial resurgence and new industrial units being set up in India. During 2003-04 domestic demand for seamless steel cylinders was estimated to be about 2.75 lakhs numbers annually (*Source: DMM Report*).

The industry in the recent past has been witnessing fair growth volumes based on surging demand for CNG cylinders. The Supreme Court decision mandating use of CNG as auto fuels by heavy vehicles in New Delhi created demand for such cylinders by both the OEMs and the retrofitters (conversion agents). Buoyed by the success of this measure, as witnessed in a considerable drop in the pollution levels of New Delhi, The Hon. Supreme Court has mandated about 28 highly polluted cities in India to switch to CNG. The Mumbai High Court has in its final order favoured alternative fuels such as CNG and LPG (liquefied petroleum gas). It has almost prohibited the use of dirty diesel engines in taxis and three-wheelers in Mumbai. Supreme Court has also asked The Union of India and all Government Authorities to prepare a scheme containing a time schedule for supply of CNG to the other polluted cities of India which includes Agra, Lucknow, Jharia, Kanpur, Varanasi, Faridabad, Patna, Jodhpur and Pune. This decision itself is expected to generate substantial demand for CNG cylinders in the country. Besides, increasing use of CNG as auto fuel by neighboring gas rich countries like Iran, Pakistan, and Malaysia etc has opened up export markets for Indian companies.

The competition within the industry is mainly amongst the local manufacturers, with imports forming a negligible proportion of the total cylinder sales. This is because compliance of local regulatory standards acts as a barrier to entry of foreign players into the country. Any foreign manufacturer willing to sell cylinders in India has to obtain licenses from the Department of Explosives for import of cylinders in India and comply with the standards prescribed under Indian Gas Cylinder Rules 2004. Besides, achieving price competitiveness by a foreign manufacturer becomes difficult due to the higher operating costs in developed countries and the freight element. Another deterrent is the preference for small lots by the customers, for keeping their own carrying costs lower. But, when the Indian manufacturers can produce and export cylinders as per the standards of importing countries, the day is not far off when reciprocal competition would eventually emerge in India. A few traders are reportedly importing cylinders from China and recently that a new green field project by M/S Rama Cylinders Pvt. Ltd is coming up in Ghandhidham (Gujrat) with a capacity of 3 Lac cylinders per annum. A tabular presentation of production capacity of some of the prominent manufacturers of high pressure seamless steel gas is given below:

Production Capacity in India (in Lakhs) for the Year 2003-04

Company	Installed Capacity	Capacity Utilisation	Production
Everest Kanto Cylinder Ltd	2.7	84%	2.26
Maruti Koatsu Cylinder Ltd.	0.9	37%	0.33
Bharat Pumps and Compressors Ltd	Not Available	Not Available	Not Available

Source:(DMM Report)

In India, high-pressure cylinder industry mainly uses Chromium Molybdenum or Carbon Manganese seamless steel tubes as raw material. The preference for aluminium and composite materials, as in developed countries, has not caught on in India due to the high element of cost involved.

Regulatory Control:

The cylinders manufactured in India or imported from abroad have to be tested in accordance with the Indian Standards laid down by Bureau of Indian Standards. The cylinders are also approved by Chief Controller of Explosives, Government of India.

The government has also framed Gas Cylinders Rules, which were published in 1981, bringing under its purview the design and manufacture of cylinders, valves and regulators. Post 1981 there was introduction of LPG, CNG, increasing use of gases in different applications. Considering the changes in technology, business practices and safety requirements, the Rules were revised by the Government culminating in the formation of Gas Cylinders Rule 2004. For details, refer to Chapter "Key Industry Regulation and Policies" on page 49.

Industry Characteristics

1. Small value chain:

The seamless steel gas cylinder manufacturing industry works in close coordination with their raw material suppliers and the end users. The orders are placed on the manufacturing company directly by the end users of the cylinder. The manufacturing company, in turn, places the orders for the raw materials on the raw material manufacturer directly. There is a little variation in the case of CNG cylinders, wherein; the end users are the vehicle owners. However, in this case the purchase of cylinder is made by the retrofitters and OEMs, who make bulk purchases and fits the cylinders onto the vehicles. Thus, the industry is a typical B 2 B model and does not involve intermediaries/ distributors at any stage.

2. Raw Material Intensive:

The industry uses high-pressure seamless steel tubes for manufacturing the cylinders, both industrial and CNG. The grade of the seamless tubes varies depending upon the application. While Carbon Manganese steel is used for industrial gas cylinder manufacturing, chrome moly steel is used for CNG based gas cylinders. The grade of steel tubes required for manufacturing the cylinders depend, on the thickness, usage, pressure and water capacity of the cylinder.

The raw materials account for a major proportion of Cost of Goods Sold, it is as high as 65%. Thus the industry is dependent on the fluctuation of prices of the raw materials.

3. Government Controlled:

In view of the safety implications, strict norms have been prescribed by the Government for manufacture of each variety of cylinder. For the export market, the manufacturers have to comply with the norms prevailing in the importing countries. Details about the regulations have been discussed in the Chapter “Key Industry Regulations and Policies” on page 49 of the RHP

Market For High Pressure Seamless Steel Gas Cylinders

1. Industrial Gas Manufacturers, Hospitals

Cylinders are supplied to Industrial gas manufacturers, who fill the cylinders and then supply it to different industries.

Chemical Industry: The chemical industry employs all major industrial gases as raw material or for use as an inert gas. Nitrogen and Argon are the two widely used gases.

Gases for Breathing: Divers, who operate at depths of 300 m and more, depend on Oxygen / Helium – mixture as a breathing gas. Oxygen is also used in high altitudes by mountaineers and in airplanes in case of cabin pressure loss for both pilots and passengers at 5000 metre plus altitudes.

Energy Industry: Cylinders are used for bulk storage and transportation of various gases like Sulphur Hexafluoride (SF₆). SF₆ is an excellent insulating gas and gaseous dielectric within the electric utility industry. It is commonly found in high-voltage power applications and is used extensively in circuit breakers and in switchgears. It is also used in linear accelerators, high-voltage transformers, switches, capacitors and coaxial cables.

Metallurgy: Large quantities of Oxygen, Nitrogen and Argon are used in the steel and metal industry. Oxygen is used as a booster and reaction medium for combustion processes for steel and cast iron, to reduce dust emissions and pollutants in flue gases. Argon is used as an inert gas for cleaning, homogenising and degassing in steel production and Nitrogen and Argon as inert gases in the non-ferrous metal industry. Reactive gases produce special metallurgical effects.

Fire Fighting: Fire extinguishers mainly portable fire fighting equipments are widely used. High pressure gas cylinders are used mainly as CO₂ (Carbon-Dioxide) extinguishers. The cylinders are used for other low pressure fire extinguishing agents super pressurised with Nitrogen or CO₂. These cylinders are used vigorously everywhere in Ships, Thermal Power Stations, Automatic fire extinguishing systems, hospitals, malls, cinema halls, offices etc.

Food and Beverage: The improvements in food safety and quality have been achieved using industrial gases. Liquid Nitrogen and Carbon-Dioxide are used in high quality product freezing. These gases are also used to maintain accurate lower temperatures for food distribution. Gas mixtures preserve the freshness of packaged meat, seafood, ready to use vegetables, cakes, etc. Gas mixtures extend the storage life of fresh fruit. Carbon-Dioxide is very important in the beverage industry (mineral water, soft drinks, beer and wine) for carbonation and with Nitrogen for bottling processes and as an inert gas. Nitrogen is used to inflate packages of snack food to prevent damage and preserve freshness.

Hospital: This market segment encompasses hospitals, clinics and residential nursing homes. Main use of cylinders here is in life saving applications for the supply of Oxygen as a respiratory aid. Traditionally Oxygen has been supplied through larger cylinders, where patients are confined to hospital institutions. However today, Oxygen lightweight cylinders enable patients to return to their own homes much earlier. Other gases, such as Helium, are used in sophisticated techniques such as MRI (magnetic resonance imaging), keyhole surgery and PET (positron emission tomography). Carbon-Dioxide is employed in bath therapy and for cryosurgery and Nitrous oxide for Anaesthesia.

Government health services, military health services also purchase large quantities as per their annual plans.

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2. CNG Industry- Gas Distribution Companies, Automobiles OEM's and Retrofitters

Compressed Natural Gas (CNG), is being used the world over as an alternative fuel for automobiles. While over five million vehicles, including buses, cars, taxis, three-wheeler auto rickshaws, forklifts are already estimated to be running on CNG worldwide, several countries including India are rapidly changing over to CNG as an environment friendly alternative fuel for automobiles.

OEM's and retrofitters are the major buyer of high pressure seamless steel gas cylinders, they require cylinders for fitment to vehicles, and also for CNG storage to carry out in-house testing of the assembled vehicles. It is estimated that the OEM's constituted nearly 25%, and the retrofitters nearly 75% of the total CNG Cylinders demand in the year 2004-05. Considering the thrust on CNG usage the demand from OEM's will be rapidly rising. Relationships with OEM's play an important role and the manufacturers also develop this relationship by offering products to fulfill customer requirements and also by improving the product in collaboration with the OEM's

3. Department of Defence

Demand for seamless steel gas cylinders is also coming from defense departments. The rapid indigenization programs lead to various exacting requirements for which tests according to their specifications need to be carried out. The final specific use is not known because of the classified nature of the applications.

4. Exports

Indian Firms exports seamless steel gas cylinders to countries like Bangladesh, Middle East, Pakistan, USA, Japan, Malaysia, Vietnam and Nepal. (Source: DMM). Firms are now setting manufacturing units in other countries especially middle east where they get cheaper power, better logistics.

Growth Rates For The Industry

Sector	Growth Rate	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Auto	26 %	1.37	1.73	2.18	2.75	3.47	4.37
Medical	10 %	0.55	0.61	0.67	0.73	0.81	0.89
Industrial	10 %	0.55	0.61	0.67	0.73	0.81	0.89
Dept of Defence	10 %	0.27	0.30	0.33	0.37	0.40	0.44
Total	19 %	2.75	3.25	3.85	4.58	5.48	6.58

Source: DMM analysis

Domestic demand for cylinders will increase specially on account of demand from automobile sector. With CNG getting acceptance as alternate fuel and its operating cost being less than that of petrol and diesel coupled with crude prices remaining high, the incentive to adopt CNG would be more and hence more demand for CNG cylinders.

Preference for CNG:

Apart from being environment friendly, the running cost for a vehicle using CNG as fuel is much cheaper as compared to the running cost for a petrol engine vehicle. A tabular presentation of the price economy of the alternate fuels and the comparison of running cost of a vehicle is given in the tables below

Price and Economy of Auto Fuels

Auto Fuel	Mumbai (Rs./Litre)	Delhi (Rs./Litre)	Economy (Km/Litre)	Cost (Rs. Per Km.) Mumbai	Cost (Rs. Per Km.) Delhi
Petrol #	45.93	40.49	18	2.55*	2.25*
Diesel #	35.2	28.45	14	2.51**	2.03**
CNG (Rs. kg)	20.9	18.08	22	0.95*	0.82*

* 800 cc engine, ** Indica Diesel Car

Prices as on June 21 (IOCL), CNG price as on July 1, 2005 (BPCL)

Economy (km/litre) is taken from IOCL presentation at Petrotech 2005

Cost Comparison	Maruti 800	
	CNG	Petrol
Mileage (Km/Litre)	22	18
Conversion Cost (Rs)	40000	
Fuel Price (Rs./Litre)	20.9	45.93
Cost per Km	0.95	2.55
Savings (Rs. Km)	1.60	
Breakeven (Km)	24974	

(Source: www.ficci.com)

- Conversion cost, mileage and fuel prices are taken from IOCL presentation at Petrotech 2005. Prices are as applicable in Mumbai

BUSINESS OF THE COMPANY

Company Background

Everest Kanto Cylinder Limited (EKC) was incorporated on June 24, 1978 vide certificate of incorporation no.29434 of 1978 in the name of Everest Kanto Cylinder Pvt. Ltd. The company was promoted jointly by Mr P. K. Khurana and Mr. J.T.Thakkar, both of whom had trading background in High Pressure Seamless gas cylinders. Being conversant with the market, they identified a gap in the small cylinders market segment in the country, and jointly decided to put up a cylinder manufacturing unit in the year 1978. Later on, Mr J. T. Thakkar withdrew from the business and transferred his interest to Mr P. K. Khurana in September 1983.

The first manufacturing facility suitable for manufacturing small sized seamless cylinders of water capacity (1 to 21 litres) was set-up by us in collaboration with Kanto Koatsu Yoki Manufacturing Company, a Japanese cylinder manufacturer at Aurangabad in the year 1978. Later, EKC expanded its manufacturing capacity with in house expertise by setting up a new facility at Tarapur in the year 1985 to manufacture large sized cylinders of higher water capacities (21 to 80 litres) which was later expanded to manufacture the widest range of High Pressure Gas cylinders with water capacity up to 280 litres and capable of withstanding extreme working pressure of upto 400 Bar. In order to tap the emerging potential for cylinders in markets like Iran, Pakistan, Bangladesh etc, EKC set up a new state of the art manufacturing facility at Dubai, which has gone into commercial production during 2003-04. Dubai plant has been set up in the Jebel Ali Free Zone Area and functions as a Branch office of EKC under the operating name of “EKC Industries”. In sum, the company has state of the art manufacturing facilities at Aurangabad, Tarapur and Dubai (UAE) and manufactures its cylinders from seamless tubes of international quality.

Our Business

EKC manufactures wide range of cylinders for industrial gases, medical gases, fire fighting equipments, beverage industry, accumulator shells, aerospace, scientific research, CNG-NGV cylinders for vehicles and many more applications. EKC also manufactures storage cylinders cascades complete with fittings and accessories for CNG and other industrial use.

Cylinder designs are based on the customer's requirements and specifications prescribed by the Indian or International Standards. Design calculation and drawings are duly verified by BIS and finally approved by the Chief Controller of Explosives, Nagpur. The industrial cylinders for domestic market are manufactured as per IS-7285 standard whereas the CNG cylinders for on-board usage in automobiles are manufactured as per IS-15490, both the standards are duly certified by Bureau of Indian Standards (ISI) and later approved by Chief Controller of Explosives, Govt. of India. For the overseas markets, EKC manufactures cylinders according to stringent renowned world standard like BS, DOT, ISO, EN with “CE” marking etc. depending upon the standards followed in the respective countries of import. The details on these international standards are given in the chapter “Key Industry Regulations & Policies” on page 49 of the RHP

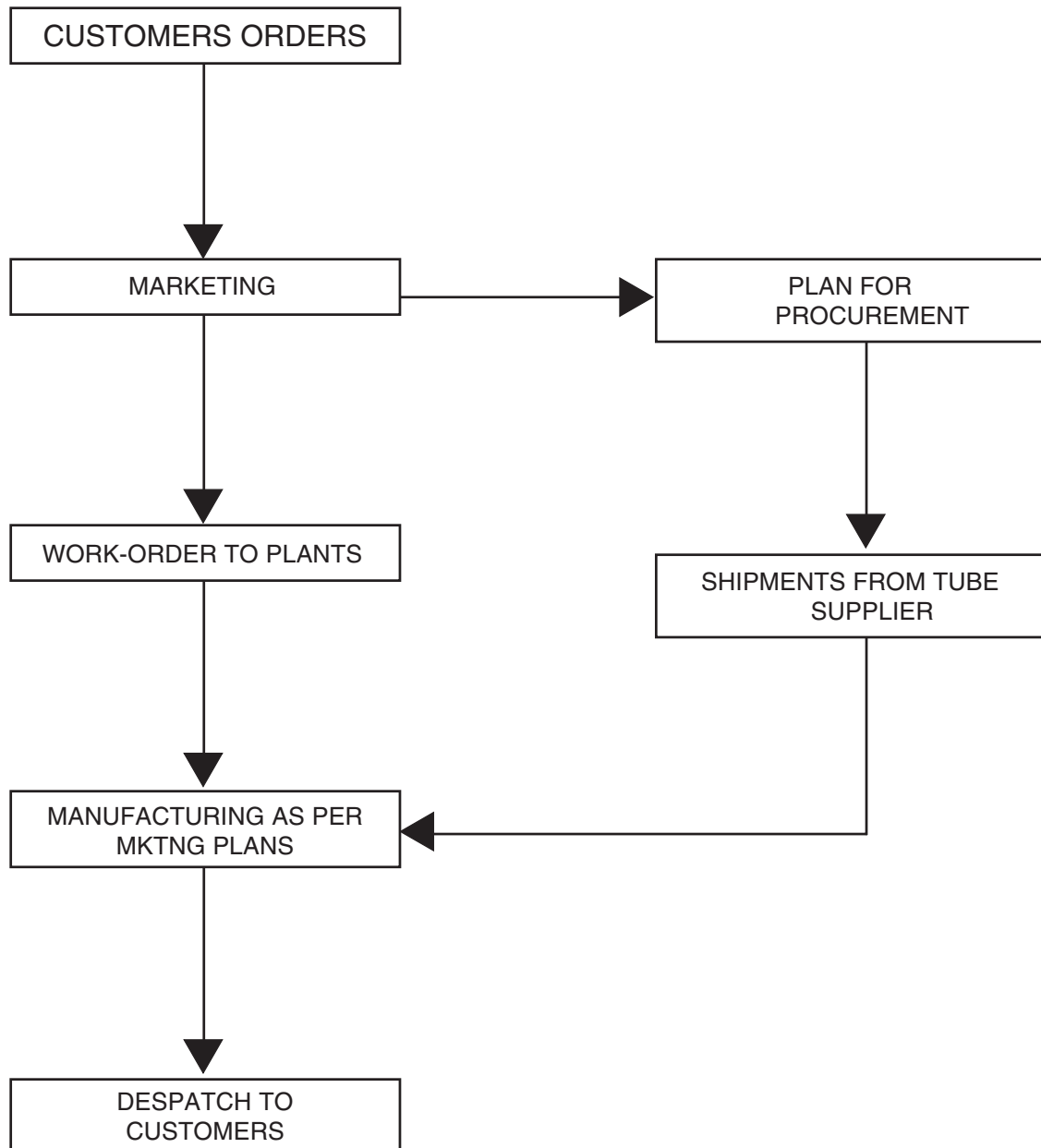
Company's Vision

- ♦ To be the leading manufacturer of high pressure gas cylinders globally.
- ♦ Ensure EKC name to be synonymous with highest standard of safety and quality for high-pressure gas cylinders.
- ♦ Development of new high-pressure cylinders using newer technologies.

Company's Mission

- ♦ Reach the production level of 1.5 million cylinders per year under the EKC trademark by 2010
- ♦ Enhance quality of human assets through training, induction and development of latest technologies in all spheres of working

BUSINESS PROCESS



EVEREST KANTO CYLINDER LIMITED

MANUFACTURING PROCESS

All our plants use the “Hot Spinning Process” in manufacture of cylinders . We have over two and half decades experience in operating this technology. The technology has been chosen over other available technologies due to the following advantages:

- Suitability to medium size capacity and very wide range of product-mix
- Lower initial investment offering competitive edge in domestic as well as export market
- Ability to produce different sizes offers flexibility in terms of changing product mix as per market demand and ability of the company to serve different application segments.

The manufacturing process details are given in the chapter on “Industrial Overview” on page 31 of the RHP

Product Variety

We make a wide variety of cylinders with different specifications applicable for various purposes. Some of them are as follows:

- i) High Pressure Seamless Industrial Cylinders
- ii) High Pressure Seamless CNG Cylinders
- iii) High Pressure CNG Cylinder Cascades

Manufacturing Capacity / Capacity Utilisation

Our existing manufacturing facilities are located at Aurangabad, Tarapur and Dubai with an aggregate installed capacity of 3,66,000 cylinders. A new plant for manufacture of 3,40,000 cylinders per annum is under construction at Gandhidham Gujrat. A tabular detail of installed capacity and utilized capacity from 2002-03 to 2004-05 is given below:

	Mar-03	Mar-04	Mar-05
Total Capacity	270000	366000	366000
Actual Production	201821	227397	314523
<i>CNG Production</i>	59431	54626	113370
<i>Industrial Production</i>	142390	172771	201153
Capacity Utilisation	74.75%	62.13%	85.94%

The breakup of manufacturing capacities and production at each of the plant is given in the paragraphs that follow.

Aurangabad Plant

The Aurangabad plant was the first plant to be set up by EKC to manufacture small sized seamless cylinders of water capacity (1 to 21 litres) in collaboration with Kanto Koatsu Yoki Manufacturing Company, a Japanese cylinder manufacturer in the year 1978. Set up in a area of 5.476 acres, the plant has a capacity of manufacturing 1,10,000 cylinders. The production in the Aurangabad plant in the last three years is given below:

AURANGABAD

	Mar-03	Mar-04	Mar-05
Total Capacity	110000	110000	110000
CNG Production	—	—	—
Industrial Production	109643	120214	127212
Total Production	109643	120214	127212
Capacity Utilisation	99.68%	109.29%	115.65%

Tarapur Plant

In the year 1985, EKC expanded its manufacturing capacity with in house technology by setting up the Tarapur facility to manufacture large sized cylinders of higher water capacities (21 to 80 litres) which was later expanded to manufacture a wide range of High Pressure Gas cylinders with water capacity up to 280 litres and capable of withstanding extreme working pressure of upto 400 Bar.

Set up in an area of 7.638 acres, the plant has a capacity of manufacturing 1,60,000 cylinders. The production in the Tarapur plant in the last three years is given below:

TARAPUR

	Mar-03	Mar-04	Mar-05
Total Capacity	160000	160000	160000
CNG Production	59,431	52,450	57,704
Industrial Production	32,747	52,557	73,941
Total Production	92,178	105,007	131,645
Capacity Utilisation	57.61%	65.63%	82.28%

Dubai Plant

EKC set up a new state of the art manufacturing facility at Dubai, which started commercial production during 2003-04. Dubai plant has been set up in the Jebel Ali Free Zone Area and functions as a Branch office of EKC under the operating name of "EKC Industries".

Set up in an area of 4.941 acres, the plant has a capacity of manufacturing 96,000 cylinders. The production in the Dubai plant since the commencement of the plant is given below:

DUBAI

	Mar-04	Mar-05
Total Capacity	96,000	96,000
CNG Production	2,176	55,666
Industrial Production	–	–
Total Production	2,176	55,666
Capacity Utilisation	2.27%	57.99%

Machinery

All the cylinder-manufacturing plants of EKC are based on same 'Hot Spinning process' technology and use the same variety of machines. Most of the equipments are custom built by the machinery suppliers to EKC's specifications.

Each production line has tube cutting, band saws, hot spinning machines, heat treatment line and high pressure test equipments for hydraulic and pneumatics tests. For surface finishing the lines have automated equipments.

The quality assurance department is equipped with mechanical test laboratory, ultrasonic flaw scanner system and automated hardness tester.

Utilities

The utilities include a tool room, water circulation systems and air compressors for supply of both shop air and high-pressure air for leakage testing.

Power

Aurangabad Plant - Aurangabad Plant also gets its electric power from Maharashtra State Electricity Board. With a connected load 935 KW, MSEB has an agreement to supply a maximum demand of 490 KVA. However, a standby set is also installed to run the essential equipment in case of any power failure due to breakdown.

EVEREST KANTO CYLINDER LIMITED

Tarapur Plant - Maharashtra State Electricity Board, through its 33 KV Transmission feeder, ensures an uninterrupted source of electric power to our Tarapur plant. The plant has a connected load of 2708 KW and sanctioned maximum demand of 1300 KVA. However, a standby 500 KVA D.G. set is also installed to run the essential equipment in case of any power failure due to breakdown.

Dubai Plant - Dubai Plant gets uninterrupted power supply from Dubai Electricity and Water Authority with a total connected load of 3364 KW.

Water

Water is not required as a raw material in any of the processes and its use is restricted for cooling of machines, quenching medium, generation of steam for cleaning of cylinders & other requirements, testing of cylinders etc. MIDC Water supply department is the main source meeting the requirements in the Aurangabad and Tarapur Plants. Similarly Dubai Electricity and Water Authority meets the water requirements of the Dubai Plant.

Economy is observed in use of water at the plants. The average water consumption figures for the existing three plants and that estimated for the Gandhidham project is given below :

Plant Location	No of Cyl. Mfd/month	Water KI/month
Aurangabad	12000	2400
Tarapur	15000	4500
Dubai	8000	900
Gandhidham	26000	6000

It may be noted that due to the very high cost of water in Dubai, we have taken quite a few measures to regulate the use and recycling of water and hence the consumption is less as compared to the Indian plants.

Effluent Disposal

No hazardous effluents are produced in our manufacturing process. As for the ordinary air and water effluents suitable devices have been installed at the plants and "No Objection Certificate" from the Pollution Control Board is obtained periodically.

Manpower

We recruit people from the industry depending on our requirements. We also engage labour on contract basis for doing non-routine type of work as and when required. We have maintained good relationship with our employees. There is easy availability of labour around the towns and cities where we have our factories and we do not foresee any problem in hiring more manpower. Currently the people employed in our factories are as follows :

Category	No. of Employees		
	<i>Aurangabad</i>	<i>Tarapur</i>	<i>Dubai</i>
Staff (Administrative/Office Staff)	15	14	9
Graduate Engineers	8	15	5
Sr. Engineers or Asst. Managers and above Others	2	21	2
Diploma Engineers	25	39	21
Workers	67	125	108
Total	117	214	145

Other than this we have 20 employees in our corporate office and our representative offices also.

Major Customers

Name of the Customers	Type of Purchase
Mahanagar Gas Ltd.	CNG Cascades
Indraprastha Gas Ltd	CNG Cascades
Bhagnagar Gas Ltd.	CNG Cascades
Steelage Industries Limited	Industrial Cylinders
A.P. Health & Medical Housing & Infrastructure Dev. Corporation	Medical Gas Cylinders
Vanaz Engineers Ltd	CNG Kit Manufacturers
Safex Fire Services Ltd	Fire Extinguishers
BOC India Ltd.	Industrial Cylinders
Inox Air Products Ltd.	Industrial Cylinders
Bidass Industrial Services Association	Industrial Cylinders
Tata Motors Limited	OEM's for CNG Cylinders
Eicher Motor Limited	OEM's for CNG Cylinders
Ashok Leyland Co. Limited	OEM's for CNG Cylinders
Swaraj Mazda	OEM's for CNG Cylinders

Major Raw Materials Suppliers

We procure our raw materials from a select number of suppliers. An indicative list is provided as follows:

- Siderca S.A.I.C., Argentina
- Tamtrade, S.A.De.C.V., Mexico
- Dalmine SPA, Italy
- Sumitomo Corporation, Japan

The first three raw material suppliers listed above are part of the Tenaris Group based out of Italy.

Product Certification And Quality Requirement :

In view of the importance of safety related to the High Pressure Seamless Gas Cylinders, the product undergoes Third Party Inspection without fail.. In respect of the cylinders manufactured for use in India, the inspection is carried out by the Bureau of Indian Standards and certified to the relevant Indian Standard with "ISI" marking. Further, the Chief Controller of Explosives, Government of India, also controls use of the product.

Similarly, for use in other Countries, the Third Party Inspection of cylinders manufactured by us is carried out by world renowned agencies like Bureau Veritas, Lloyds, SGS etc. The testing methods and certifications depends upon the customer's preference and the requirements of the Explosives/Health and Safety Departments of the respective country.

Competitors

In India, company's main existing competitors are Maruti Koatsu Cylinders Limited and Bharat Pumps and Compressors Limited. We also understand that a new entrant M/s Rama Cylinders Pvt. Ltd. is coming up with a plant at Gandhidham with a manufacturing capacity of 3 Lacs cylinders

Market Segments

We cater to the demand for cylinders in the following sectors:

a. Automobile sector

EKC manufactures cylinders for storing Compressed Natural Gas (CNG), which is used by the automobile industry for on board storage of gas in the vehicles. We manufacture cylinders for all kinds of vehicles such as cars, buses, three wheelers, pick-ups and others. Several countries including India are rapidly shifting over to CNG as an environment friendly alternative fuel for automobiles, which is boosting the demand for such cylinders.

EVEREST KANTO CYLINDER LIMITED

b. CNG Distribution Companies

CNG, like other automotive fuels, requires a distribution channel. CNG is stored and transported in cylinder cascades. We are a major manufacturer of CNG cascade storage systems in the country. Similar cascades are also manufactured by us for industrial gases like Nitrogen, hydrogen etc.

c. Industrial Gases Industry

We manufacture cylinders used for industrial purposes for storing wide variety of gases and other uses in the industries mentioned below:

Chemical Industry which employs all major industrial gases as a raw material or for use as an inert gas with Nitrogen and Argon being widely used

Energy Industry where the Cylinders are used for bulk storage and transportation of various gases like sulphur hexafluoride (SF6).

Metallurgy where the cylinders are used to store gases like Oxygen, Nitrogen and Argon that are used in the steel and metal industry.

d. Healthcare/Breathing/Mountaineering etc.

We also manufacture cylinders used for life saving applications for the supply of Oxygen as a respiratory aid. Traditionally Oxygen was supplied through larger cylinders, and patients were confined to hospital institutions. However today, Oxygen lightweight cylinders enable patients to leave hospitals much early.

We also manufacture cylinders that are used to store gases such as Helium (used in sophisticated techniques such as MRI (magnetic resonance imaging), keyhole surgery and PET (positron emission tomography) and Carbon-Dioxide (employed in bath therapy and for cryosurgery and nitric oxide for patients with pulmonary failure).

e. Food & Beverage Industry

Cylinders are being increasingly used to store liquid Nitrogen and Carbon Dioxide used in high quality product freezing. These gases are also used to maintain accurate lower temperatures for food distribution.

f. Fire Fighting Industry

We also supply cylinders used for fire fighting equipments. Depending on the class of extinguishers, cylinders can be filled with water and pressurized with foam or powder, with Nitrogen, sodium bicarbonate or potassium bicarbonate, mono-ammonium phosphate or with highly pressurised Carbon Dioxide. These cylinders are used in Carbon-Dioxide fire extinguishers, which are vigorously used everywhere in Ships, Thermal Power Stations, Automatic fire extinguishing systems, hospitals, malls, cinema halls, offices etc. We are a major provider of cylinders to this industry.

g. Welding and various others industrial applications

Cylinders also find usage in the cutting and welding applications wherein it uses stored gases like Acetylene, propane, mixtures of fuel gases and Oxygen. For MIG (metal inert gas) welding, Argon, Helium, Carbon Di Oxide and Oxygen and mixtures of these are used. TIG (tungsten inert gas) welding uses Argon and Helium and, occasionally, hydrogen. All these industrial gases require cylinders for storage, which is manufactured by us.

h. Defense and space applications

Defense department also requires cylinders for storage of gases, which have to be manufactured and tested as per their stringent standards. Similarly, cylinders for space applications are also manufactured by us. We have been successful in developing cylinders for these industries.

i. Others

Divers, who operate at depths of 300 m and more, depend on Oxygen/Helium – mixtures as a breathing gas. Oxygen is also used in high altitudes by mountaineers and in airplanes in case of cabin pressure loss for both pilots and passengers at 5000 metre plus altitudes. Our cylinders are also used for storage of these gases.

Development Initiatives

EKC maintains active long-term development program with OEMs and other strategic partners, in order to fully realize the long-term commercial potential of the cylinders that we manufacture. We have a pool of very experienced engineers who are encouraged to undertake knowledge development projects in-house to build up the knowledge database. Our quality policy also emphasizes the 'continuous improvement' commitment from the top management. The areas where we are presently focused are:

- Producing a lower weight fuel storage system than that is manufactured today
- Developing cylinders with higher storage capacities by withstanding higher pressures

We intend to continue as a market leader in technically advanced lightweight fuel storage systems and intend to dedicate resources to developing new technologies with the main objectives being:

- Producing a lower weight fuel storage system than that is manufactured today
- Developing cylinders with higher storage capacities by withstanding higher pressures
- Continuing to develop manufacturing processes that reduce manufacturing costs

We work closely with clients to develop CNG storage systems to meet their required specifications for on-board CNG storage. We are also involved in product development and design, drafting of specifications, production and testing, and ensuring quality control surrounding the complete manufacturing process.

Exports

Export is an integral part of our business and immense potential exists for further exports to overseas markets. We are currently exporting to countries like: Iran, Pakistan, Bangla Desh, Thailand, Malaysia and other Gulf countries etc. In addition we are targeting countries like China, Indonesia and other SE Asian nations.

Out of 25000 cylinders exported from India in the year 2004-05, EKC exported 18000 cylinders to countries like Iran, Bangladesh, Malaysia, Pakistan & Thailand. (*Source: DMM*)

EKC's Dubai plant sold about 40000 cylinders in countries like Pakistan, Thailand, Iran, Bangladesh and neighboring Middle-East Countries in 2004-2005, the first year of its operations.

Business Strategy

We would strive to retain our leadership position in the domestic market and emerge as a reputed manufacturer in the overseas market by undertaking a judicious mix of capacity enhancements, joint ventures, global tie-ups, contract manufacturing etc.

We have segmented our customers / potential customers across markets. We estimate that apart from the growing domestic market, there are three major upcoming potential markets in Middle East, South East Asia & China. We are an already well established player in the Middle eastern region catering to countries like Iran, Pakistan, Bangladesh and other neighboring countries. In order to gain a foothold in the vast Chinese market we have entered into a joint venture with a gas company in China, which would enable us to produce cylinders both for the Chinese markets and also enable us to cater to another major market of South East Asia. In the Iranian market, we have identified a major opportunity for CNG cylinders. In the recent past, we had on March 8, 2005 entered into an MoU with Jahad Tahghighat Group, a major industrial group of Iran, for manufacture of CNG cylinders. The said MoU was to have been converted into a JV agreement latest by July 15, 2005. We are in touch with the other party for revival of the MoU.

As for the two major categories of cylinders i.e. industrial cylinders and CNG cylinders, we have separate strategies for both these categories. The domestic market for CNG cylinders is expected to grow in a steady manner driven to a large extent by the environmental regulations and Court orders for the implementation deadlines. So far we have been manufacturing CNG cylinders only at our Tarapur plant. In the up-coming Gandhidham production facility, we have contemplated production capacity of 140,000 for industrial and 200,000 for CNG cylinders. Tarapur unit would continue to cater to both the CNG cylinders and industrial cylinders of large sizes. Aurangabad on the contrary would concentrate on industrial cylinders of small sizes. We are already seized of the opportunity that is expected to arise in the aluminum and composite cylinders. While presently prototyping of these variety of cylinders is being done at Aurangabad, the plant design of Gandhidham has been done keeping in mind such potential and to undertake large scale production in future as and when a market for such products develops on an optimum scale. The Company is also considering expanding its manufacturing capacity at Dubai for which it has on October 5, 2005 obtained on lease a premises admeasuring 25,321 sq mts from Government of Duabi at the Jebel Ali Free Trade Zone. The plans are being firmed up and the work on the project would commence after obtaining necessary regulatory approvals.

Marketing Strategy

Ours being an industrial product, the core of our marketing strength lies in our relationships with our customers, quality of our products and timely execution of customers orders. We have a long and continuous relationship with our customers, with whom we closely work in development of cylinders according to the changing requirements. Given the concerns of the automotive sector in reducing the weight of the cylinders, we have been continuously working with various OEMs in developing cylinders made of composite material. Such measure would not only strengthen relationship but also eventually generate demand for such cylinders which we can encash. Similarly we are trying to develop a market for aluminium cylinders, which find applications in storage of medical gases etc.

EVEREST KANTO CYLINDER LIMITED

In the export market we operate through a network of agents who procure orders on a commission basis. Besides, for expanding into the major markets of China and Iran we are entering into tie ups with companies in those countries, where with a local physical presence we would be better positioned to market our products. So far our exports have been 100% against letters of credit of international Bank's. As part of our marketing strategy for exports, orders are procured against LCs only in the name of our Dubai branch office "EKC Industries" and shipments are executed from any of the plant locations depending upon the availability of cylinders.

In the domestic markets we participate in tenders floated by various gas agencies for procurement of CNG cylinders, which is required for development of infrastructure for dispensation & distribution of gas. For CNG cylinder requirements of OEMs and retrofitters, they are procured through individual order negotiations depending upon specific sizes and configurations. For industrial cylinders, orders are procured based on one to one price negotiations.

Future Prospects

With the growing environmental concerns and the need for a cleaner fuel, declining oil reserves and the widening disparity between the running costs of the two fuels, CNG is going to be the automotive fuel of the future. This paradigm shift in usage of energy itself is expected to create huge demand for CNG cylinders in future both in the domestic and overseas market. We are already witnessing change in the consumption patterns, which is going to get reinforced in the future. Somewhat similar would be the case with the industrial cylinders as the countries we are operating / targeting are making giant strides towards industrialization. Cylinders for defense and space applications is another potential area, which we are trying to develop. Overall, the prospects for high pressure seamless steel cylinders is expected to be bright. The major upcoming demand trends in the foreseeable future would be from the undernoted areas:

- Demand for CNG cylinders from the OEMs, retrofitters and the infrastructure gas utilities.
- CNG cylinders made of composite material for on board use in vehicles.
- Cylinders made of Aluminium for storage of high purity gases and as life saving transportable devices.
- Large size industrial cylinders for storage requirements for industrial gases.
- Cylinders for use in defense and space applications.

RBI Conditions

Reserve Bank of India vide their letter dated October 11, 2001 and July 11, 2003 has permitted the company to invest upto 17.55 million Dirhams (AED 11 million and AED 6.55 million respectively) to manufacture small cylinders in the existing manufacturing facility at Dubai. But at the same time EKC is required to annually repatriate from the manufacturing unit in Dubai, the profit of the unit as under:(Amount in UAE Dirhams '000)

2001-02	2002-03	2003-04	2004-05	2005-06	Total
2192	3081	3993	6066	7744	23076

After approval for additional investments of AED 6.55 million Dirhams this schedule was revised to :

(Amount in UAE Dirhame '000)

2003-04	2004-05	2005-06	2006-07	2007-08	Total
1530	2570	3240	4860	6300	18500

We have not been able to repatriate the money in accordance with the said schedule, since the Dubai Unit had been making losses. We have filed an APR (Annual Performance Report) upto year 2003-04 and are in process of filing APR for year 2004-05.

Property Purchased

We have acquired 41.5 acres of lands at village Varsana, Taluka Anjar and Village Padana, Taluka Gandhidham to setup a new manufacturing facility. Total 8 plots are purchased from various parties for a total consideration of Rs. Rs. 36.54 Lacs. In addition, we have paid stamp duty and commissions to agents whereafter the aggregate cost of purchase comes to Rs. 40.18 Lacs

No.	Date of conveyance	Vendor	Property Details	Purchase Consideration
1.	05/03/05	Kantilal Phulchand Acharya Address: Plot no. 202, Ward 12-B, Gandhidham - Kutch Occupation: Farmer and Business	Conveyance in connection with the purchase of agricultural land (Land bearing survey No. 141/1 named "Moro" at Village Varsana, Taluka Anjar, District Kachchh in Gujarat State) admeasuring 12 acres and 14 gunthas	Rs. 10,87,000/-
2.	05/03/05	Nimaben Bhavesh Acharya Address: 267, Ward 12-B, Gandhidham - Kutch Occupation: Farmer and Medical Practice	Conveyance in connection with the purchase of agricultural land, (Land bearing survey No. 141/2 named "Katriu" at Village Varsana, Taluka Anjar, District Kachchh in Gujarat State) admeasuring 03 acres and 12 gunthas	Rs. 2,91,000/-
3.	05/03/05	Nimaben Bhavesh Acharya Address: Plot no. 267, Ward 12-B, Gandhidham - Kutch Occupation: Farmer and Medical Practice	Conveyance in connection with the purchase of agricultural land, (Land bearing survey No. 142/1 named "Moro" at Village Varsana, Taluka Anjar, District Kachchh in Gujarat State) admeasuring 6 acres 25 gunthas	Rs. 5,83,000/-
4.	05/03/05	Mehul Kantilal Acharya Address: Plot no. 202, Ward 12-B, Gandhidham - Kutch Occupation: Farmer and Business	Conveyance in connection with the purchase of agricultural land, (Land bearing survey No. 147/1 named "Kobalu" at Village Padana, Taluka Gandhidham, District Kachchh in Gujarat State) admeasuring 6 acres 4 gunthas	Rs. 5,37,000/-
5.	04/03/05	Yogesh Fakirchand Bansal Address: House no. DBZ-N-195, Gandhidham - Kutch Occupation: Farmer and Business	Conveyance in connection with the purchase of agricultural land, (Land bearing survey No. 147/2 named "Kobalu" at Village Padana, Taluka Gandhidham, District Kachchh in Gujarat State) admeasuring 2 acres 7 gunthas	Rs. 1,92,000/-
6.	05/03/05	Mehul Kantilal Acharya Address: Plot no. 202, Ward 12-B, Gandhidham - Kutch Occupation: Farmer and Business	Conveyance in connection with the purchase of agricultural land, (Land bearing survey No. 147/3 named "Kobalu" at Village Padana, Taluka Gandhidham, District Kachchh in Gujarat State) admeasuring 1 acre 32 gunthas	Rs. 1,59,000/-
7.	04/03/05	Yogesh Fakirchand Bansal Address: House no. DBZ-N-195, Gandhidham - Kutch Occupation: Farmer and Business	Conveyance in connection with the purchase of agricultural land, (Land bearing survey No. 147/4 named "Kobalu" at Village Padana, Taluka Gandhidham, District Kachchh in Gujarat State) admeasuring 3 acres 6 gunthas	Rs. 2,77,000/-
8.	05/03/05	Maulin Bhavesh Acharya Address: Plot no. 267, Ward 12-B, Gandhidham - Kutch Occupation: Farmer and Business	Conveyance in connection with the purchase of agricultural land, (Land bearing survey No. 148 named "Kobalu" at Village Padana, Taluka Gandhidham, District Kachchh in Gujarat State) admeasuring 6 acres	Rs. 5,28,000/-

EVEREST KANTO CYLINDER LIMITED

LOCATION OF OUR BRANCH OFFICES

Our branch offices are located at:

Registered Office	501, Raheja Centre, 214, Free Press Journal Marg, Nariman Point, Mumbai - 400 021
Manufacturing Facilities	<p>Aurangabad E-22,MIDC Industrial Area Chikalthana , Aurangabad 431 210</p> <p>Tarapur N-62, MIDC Industrial Area Kumbavali Naka, Boisar, Tarapur - 401 506</p> <p>Dubai EKC INDUSTRIES Plot No. MO0313 Jebel Ali Free Zone Dubai (UAE)</p>
Branches	<p>Delhi B-69/2,Wazipur Industrial Area Delhi - 110 952.</p> <p>Bhavnagar Survey No. 161/1, 161, Khodiyar Station Road, Bhavnagar Rajkot Road, Shampara, Bhavnagar Dt. - 364 001</p>
Representative Office	<p>Bangalore office Mr. Ramkrishanan No.9,Mota Chambers,Ground Floor No.9,Miller Road, Bangalore - 560 052</p>
Resident Representative Office	<p>Kolkata Office Mr.Santanuutonou Mukherjee 509,Panchanatala Lane, 2nd floor,Behala Kolkata - 700 034.</p> <p>Chennai Office Mr.M.H.Rangarajan 21,Andal Nagar, 1st street, 21 Alpakkam Perur, Chennai - 600 116.</p>

KEY INDUSTRY REGULATIONS AND POLICIES

INDIAN REGULATOR

The Bureau of Indian Standards is the authority for prescribing applicable standards/specifications for manufacture of cylinders. The Standards relating to High Pressure Seamless Gas Cylinders and valves etc. are regulated by the ME-16 Technical Committee.(Mechanical Engineering Department of BIS looking after technical standard for cylinders and related products).

The Chief Controller of Explosives (CCOE) is the regulator who controls the manufacture, standardization, and usage of the gas cylinders. The Bureau of Standards also acts as Third Party Inspection Agency.

Approval to manufacture of high-pressure cylinders by domestic manufacturers is provided jointly by CCOE under inspection of BIS. BIS lays down the testing scheme and approves cylinder designing as per Indian standard duly approved by CCOE. Prior to issuing a Licence, BIS along with CCOE may conduct inspection of the factory and the process for manufacturing of Products to satisfy itself that the applicable standards have been met. The prototype inspection is conducted by BIS & report sent to CCOE for formal approval. The manufacturer can commence commercial operations only after it has obtained the necessary approvals from the CCOE.

In the case of foreign manufacturer, the entrant will have to apply to CCOE for approval with complete technical documentation (technical drawings / standards of manufacturing / machinery details / raw material etc). The CCOE will make a physical visit to the factory to see the system & manufacturing process to provide factory approval. When the cylinders are being manufactured as per Indian Standard, inspection is also conducted by third party International inspection agency. The manufacturer also needs to take approval from BIS under testing scheme laid down by BIS and also comply to CCOE regulations as above.

For imports, the cylinders can be imported after complying with thereafter, as per specific international standards under CCOE testing scheme.

INDIAN STANDARDS FOR HIGH PRESSURE GAS CYLINDERS

The Bureau of Indian Standards has also laid down the standards that are required to be met by the manufacturers of High Pressure Cylinders. BIS keeps modifying/updating the standards at various time intervals to incorporate the changes effected in international standards and also to meet the changing uses of the cylinders.

Standard	Applicability
IS:7285 - Part-I	Indian Standard for Industrial gas cylinder
IS:7285 - Part - II	Indian Standard for Industrial gas cylinder
IS 15490	Indian Standard for CNG cylinders

IS 7285 - Part-I: This Indian Standard for Industrial gas cylinder is applicable to normalized cylinders.

IS 7285 - Part- II: This Indian Standard for Industrial gas cylinder is applicable to quenched and tempered cylinders.

The designing and calculation of dimensions of cylinders manufactured under both these standard are similar. The difference between the standard is only because of the properties of the raw material used in the manufacturing process.

IS 15490: Keeping in mind the growing need in the CNG industry, BIS and CCOE have laid down independent standards for the manufacturing, transporting and usage such of gas cylinders. These standards have been laid down to provide higher safety standards

INDIAN GAS CYLINDER RULES

The Department of Explosives came into existence on September 5, 1898. It acts as a nodal agency regulating safety of hazardous substances, namely explosives, compressed gases and petroleum. Initially, the activities of the Department of Explosives were confined to enforcement of the Explosives Act (4 of 1884). However, after the enactment of the Petroleum Act (8 of 1899), the administration of Petroleum act was also entrusted to the Department.

Though there was no specific statute regulating filling, storage, transport of gas cylinders, all the accidents involving gas cylinders were found investigated by Department of gas cylinders. The framing of Gas Cylinders rules were initiated after the Government of India notification No. M-1272 (1) dated July 28, 1938, the year in which the first gas cylinder rules were published. The rules declared "any gas when contained in any metal container in compressed or liquefied state is an explosive within the meaning of Indian Explosives act 1884". Accordingly, the Department of Explosives (formed under the Explosives Act) acts as the nodal agency regulating safety of hazardous substances, namely explosives, compressed gases and petroleum.

Taking into consideration vast changes undergone by the Gas Industry, a review of the rules were undertaken by the Government culminating in the publication of Gas Cylinders Rules 1981, bringing under its purview the design and manufacture of cylinders, valves and regulators. Post 1981 there was introduction of LPG and CNG, accompanied by increased use of gases in different applications. Considering the changes in technology, business practices and safety requirements, the Rules were reviewed by the Government culminating in the formation of Gas Cylinders Rule 2004.

EVEREST KANTO CYLINDER LIMITED

GAS CYLINDERS RULES 2004 - SALIENT FEATURES

Scope:

The scope of the rules has been widened to cover the applications of the gas cylinders as automotive fuel storage tanks and cylinders made of materials other than metal. This has paved way for entry of latest technology in the field of cylinder manufacturing, for CNG fuelling stations and for cylinders exceeding water capacity 1000 litres for specific industrial application.

Conversion of cylinders

Requirement of prior permission from Chief Controller of Explosives for conversion of cylinders within inert gases, Oxygen and compressed air has been dispensed with.

Examination and testing of cylinders:

Service life of On-board CNG cylinders will be twenty years and Auto LPG containers made of low carbon steel will be fifteen years in line with international codes and practices. Further, the responsibility of condemning of cylinder failing in the periodical testing and due to expiration of the service life has been vested with the cylinder testing stations. This is to ensure that the unserviceable cylinders are effectively weeded out from circulation and from preventing the owners of the cylinders from being tempted to dispose the cylinders as second hand one rather than as metal scrap.

Enhancement of exemption limit

The exemption limit for the possession of non-toxic, non-flammable gases, non-toxic flammable gases and dissolved Acetylene gas cylinders is substantially increased. Majority of medium and small-scale industries using industrial gases other than LPG and toxic gases have been exempted from the requirement of having a license under Gas Cylinders Rules 2004.

Approval of specifications and plans

The initial requirement of prior approval of specifications and plans in respect of non-toxic non-flammable gases is made no longer mandatory. The function of Department of scrutiny and approvals of initial proposal has been transferred to the applicant himself, who is at liberty to prepare the drawings and plans himself with the help of information available on the website of the department or through a competent person of his choice or to by seeking assistance of the department. The entrepreneur has the option of approaching the department directly for grant of license, all the steps being made to save precious lead time.

Night filling of non-toxic non-flammable gases

Licenses granted in respect of non-toxic non-flammable gases have been made to automatically cover night filling permission as well. This will lead to increase in the productivity and profitability of the industry.

Transfer of license:

The absence of provision for transfer of license due to change of ownership or by the death of the licensee, etc that existed under the previous rules had created a lot of hardship to the industry and trade. The revised rule provides for transfer of the license by a simple amendment to the license.

Renewal of license:

The initial requirement of submission of application for renewal at least 30 days prior to the date of expiry has been dispensed with. Necessary provision has been incorporated enabling renewal of license at any time within 1 year from the date of expiry after paying late fee at the rate of '1 year license fee' for every 3 months after the expiry of the license.

CNG Fuelling stations:

A new license format namely 'G' has been introduced so that a single license will cover the storage and filling of CNG in the CNG fuelling station. This is replacing the system of granting two licenses in form 'E' and 'F' for storage and filling separately as per old rules.

INTERNATIONAL STANDARDS FOR CYLINDERS FOR HIGH PRESSURE CYLINDERS

The International Standards for the manufacture of High pressure Cylinders has been formulated by an apex body- Bureau of International standard. The standards applicable for the manufacture of cylinders are dynamic in nature. These standards keep evolving; they are continuously revised or even replaced with the emergence of new usages and applications. At present the important standards on global scene are;

Standard	Applicability
ISO11439	International Standard for CNG - On Board Cylinders
ISO 4705D	International Standard for Industrial Cylinders
ISO 9809	International Standard for Industrial Cylinders

ISO 11439: ISO 11439, for CNG cylinders, laid down by International Standards Organisation, serves as a universal guide to standards adopted by various countries. This standard is either adopted by the countries in entirety or are changed partially to meet the country specific nuances. Thus, it has become a common platform for CNG cylinder industry regulation and standard and various countries like Malaysia, Iran, Thailand and Egypt have adopted it.

ISO 4705D & ISO 9809 : ISO 4705D & ISO 9809, for industrial cylinders, laid down by International Standards Organisation, also serve as a universal guide to standards adopted by various countries. They have set good safety record and systems. This standard is either adopted by the countries in entirety or are changed partially to meet the country specific nuances. Thus, they have become a common platform for industrial cylinder industry regulation and standard and various countries have adopted it

COUNTRY SPECIFIC STANDARDS

Various countries have an apex body for laying down the standards that will be applicable to the manufacture of High pressure Cylinders industry. In addition to this, the complete process is under Controller of Explosives or equivalent Government Authority of the respective countries.

The Countries, who do not have full-fledged programme for standardization, usually adopt the International Standard, or opt for reputed standard from other country under local regulator body in their respective country. Some of the important country specific standards are as follows:

Standard	Applicability
DOT	USA Standard for Industrial cylinders
NGV -2	USA Standard for CNG Vehicle Components
EN 1964	European Standard for Industrial Cylinders
NZS 5454	New Zealand Standard for CNG - On Board Cylinders

DOT (Department of Transportation): This lays down the standards for industrial gas cylinders use in USA for transportation, filling and manufacturing.

NGV -2: It is an American standard for CNG Cylinders and other related CNG vehicle components. This standard is a performance based standard.

EN 1964: This lays down the standards for industrial gas cylinders use in Europe for transportation, filling and manufacturing. Over time, with the development of a common market in Europe, there was a need to ensure hassle free transit and use across the borders of member countries. Therefore, new regulations like PED (Pressure Equipment Directive) and TPED (Transportable Pressure Equipment Directive) have come into force.

NZ 5454: New Zealand was one of the first countries to formulate a CNG standard for On-board Cylinder and other related CNG vehicle components. Today, it has become a de-factor world standard because of its progressive nature. The standards is also gaining popularity and is being adopted by various countries due to its performance based design approach which allows for creativity of Designers.

Some of the countries that have adopted NZ 5454 are as Pakistan, Bangladesh and Indonesia.

THIRD PARTY APPROVING AUTHORITY

In addition to the standards laid down, various countries also have authorities who act as approving agencies. These authorities do third party inspection for the cylinders manufactured in the respective countries to which they belong and also check for the compliance of national and international standards when cylinders are imported into these countries. Some of the authorities are:

Approving Authority	Country
Oil & Gas Regulatory Authority (ORGA)	Pakistan
CCOE/ Rupantarita Prakritik Gas Company Ltd. (RPGCL)	Bangladesh
Iranian Fuel Consumption Optimize (IFCO)	Iran
Labour Dept	Indonesia
Petroleum Authority of Thailand (PTT)	Thailand
Department of Occupational Safety and Health (DOSH)	Malaysia

Therefore, the cylinders are always manufactured to comply with relevant National or International standard, and are in then subjected to third party inspection.

EVEREST KANTO CYLINDER LIMITED

HISTORY AND CORPORATE MATTERS

Everest Kanto Cylinder Limited was incorporated as Everest Kanto Cylinder Private Limited on June 24, 1978 under the Act. The company was promoted jointly by the families of Khuranas and Thakkar, both the families having trading background in High Pressure Seamless gas cylinders. Being conversant with the market, they identified a gap in the small cylinders market segment in the country, and jointly decided to put up a cylinder manufacturing unit in the year 1978. Later on, Mr J. T. Thakkar and family withdrew from the business and transferred his interest to Mr P. K. Khurana in September 1983.

Due to the aggregate turnover exceeding the prescribed limits, the Company became a deemed public company as per the provisions of the Act, namely section 43A of the Act in July 1, 1989. Subsequently, due to the amendment effected to the said Section 43A of the Act, the Company reverted to being a private limited company. On June 7, 2005, the company was converted into a public limited company and received fresh Certificate of Incorporation consequent to change of name to Everest Kanto Cylinder Limited.

The first manufacturing facility suitable for manufacturing small sized seamless cylinders of water capacity (1 to 21 litres) was set-up in collaboration with Kanto Koatsu Yoki Manufacturing Company, a Japanese cylinder manufacturer at Aurangabad in the year 1978. Later, EKC expanded its manufacturing capacity with in house technology by setting up a new facility at Tarapur in the year 1985 to manufacture large sized cylinders of higher water capacities (21 to 80 litres) which was later expanded to manufacture the widest range of High Pressure Gas cylinders with water capacity up to 280 litres and capable of withstanding extreme working pressure of upto 400 Bar. In order to tap the emerging potential for cylinders in markets like Iran, Pakistan, Bangladesh etc, EKC set up a new state of the art manufacturing facility at Dubai, which has gone into commercial production during 2003-04. Dubai plant has been set up in the Jebel Ali Free Trade Zone Area and functions as a Branch office of EKC under the operating name of "EKC Industries". In sum, the company has state of the art manufacturing facilities at Aurangabad, Tarapur and Dubai (UAE) and manufactures its cylinders from seamless tubes of international quality.

Production statistics for the company over the years are given below

	2000-01	2001-02	2002-03	2003-04	2004-05
Number of Cylinders manufactured					
Aurangabad	87,579	96,426	1,09,643	1,20,214	1,27,212
Tarapur	66,817	72,031	92,178	105,007	131,645
Dubai	–	–	–	2,176	55,666
Total	1,54,396	1,68,457	2,01,821	2,27,397	3,14,523
Number of cylinders Sold					
Aurangabad	87,838	96,247	1,08,269	1,19,402	1,29,529
Tarapur	67,204	72,083	92,202	1,05,013	1,29,811
Dubai	–	–	–	2,176	50,828
Total	1,55,042	1,68,330	2,00,471	2,26,591	3,10,168
Break-up of Domestic & Export Sales					
	(Rs. In lacs)				
Domestic Sales	5,319.94	6,951.04	7,662.62	6,150.99	8,631.66
Export Sales	318.52	221.50	1,219.79	1,228.86	4,603.94
Total	5,638.46	7,172.54	8,882.41	7,379.85	13,235.60
Number of Employees					
Aurangabad	121	118	117	118	117
Tarapur	189	183	185	189	214
Dubai	–	–	–	80	145
H.O.Mumbai	15	18	17	20	20
Total	325	319	319	407	496

MILESTONE ACHIEVED BY THE COMPANY

Aurangabad Plant	
Year	
1981	Commercial production started
1986	Commencement of Export-To Gulf Countries
1997	Introduced BS-5045 standard for export to Europe
1998	Export to European countries
1998	Development of Accumulator shells
1998	Company accomplished ISO 9002-1994 certification
1999	Crossed more then 1000 lacs by value of cylinders dispatched
2000	Introduction of first indigeneous spinning machine
2002	More than a lac cylinders were produced and dispatched
2003	ISO upgraded to 9001-2000
2004	400 Bar defence standard cylinders were manufactured.

Tarapur Plant	
1988	Installation and commissioning of plant
1989	Production of 49072 industrial gas cylinders
1993	Installation and commissioning of second Spinning machine
1996	Maximum production of 111787 cylinders
1998	Development of CNG cylinders for Market
1998	Supply of CNG cascades to MGL
1999	Development of CNG cylinders for OEM's
1999	ISO-9002 certification by BVQI
2000	Supply of CNG cascades to IGL
2001	Supply of 43567 CNG cylinders to OEM's
2002	Supply of 45172 CNG cylinders to OEM's
2001	Production of 10000 CNG cylinders in July 2001
2002	Installation of flow forming machine

Dubai Plant	
2001	Signed Contract with Dubai Govt.
2002	Commencement of construction
2004	Commencement of commercial production
2004	First dispatch of cylinders
2005	Achieved full capacity utilization towards the end of the financial year

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Certification Recieved

- Bureau Veritas Quality International Certification for Standard ISO 9001:2000 for Tarapur Plant
- Bureau Veritas Quality International Certification for Standard ISO 9001:2000 for Aurangabad Plant
- Bureau Of Indian Standards Certification for Standard IS 7285:1988 for Aurangabad Plant
- Bureau Of Indian Standards Certification for Standard IS 7285:1988 for Tarapur Plant
- Bureau Of Indian Standards Certification for Standard IS 7285:1988 for Dubai Plant

Main Objects Of The Company:

The main objects of the Company, as stated in the Memorandum of Association are:

To design, develop, manufacture, sell, lease, repair, service, import and export, purchase, deal in or act as agents to persons carrying on the business of manufacturing, producing buying, selling, supplying, importing, exporting, exchanging, assembling, repairing, converting, refining, manipulating, altering, hiring, distributing high pressure seamless gas cylinders and other cylinders, equipments, appliances, and tanks with their parts and accessories used for containing and storage of liquefied petroleum gases and other gases, liquid and air.

Changes in Memorandum of Association of the Company

Since the incorporation of the Company, the following changes have been made in the Memorandum of Association:

- A. By a resolution dated March 7, 2005, the authorised capital of the Company was increased from Rs. 1000 lacs to from Rs. 2500 lacs.
- B. By a resolution dated August 18, 1994 the authorized capital of the Company was increased from Rs 100 lacs to Rs 1000 lacs.
- C. By a resolution dated September 30, 1991 the authorized capital of the Company was increased from Rs 25 lacs to Rs 100 lacs.
- D. By a general meeting resolution dated May 24, 2005, the status of the company was changed from private limited to public limited company and the name of the Company was changed from 'Everest Kanto Cylinder Private Limited' to 'Everest Kanto Cylinder Limited'

SUBSIDIARIES OF THE COMPANY

The company has no subsidiary.

Shareholders agreement

There is no shareholder agreement between the company and any other person.

Other Material Agreements:

Overseas Business - China

The Company has entered into a joint venture agreement dated April 27, 2005, with Cangzhou Gas Corporation, a government owned company, which has varied interests in developing natural gas infrastructure in China and also in manufacturing of cylinders, for the purpose of producing and selling high-pressure gas cylinders. The total amount of investment is estimated to be USD 15.8 million. Both the parties have agreed to invest a total of USD 6.58 million as the registered capital of the joint venture with EKC subscribing to 65% of the capital and Cangzhou Gas Corporation subscribing to 35% thereof. The duration of the joint venture is for 50 years unless extended. The joint venture agreement is subject to the laws of China. Further, EKC has guaranteed the production of "quality products" and has undertaken not to establish, operate or run any commercial enterprise in China in competition with the said joint venture for the duration of the said joint venture. The Company has also agreed not to establish, operate or run a commercial enterprise in China dealing with the same products as the joint venture even after they exit from the joint venture.

Either party can exit the joint venture in case of any of the following events happening:

- ♦ expiration of the duration of the joint venture
- ♦ inability to continue operations due to heavy losses
- ♦ inability to continue operations due to heavy losses caused by Force Majeure
- ♦ inability to continue operations due to the failure of the other party to fulfill its obligations prescribed in the agreement and the articles of association of the joint venture
- ♦ failure to obtain the desired objectives of the operation and no prospects for future development of the joint venture.

The funds requirements for this joint venture would be met out of the internal accruals of the company.

Overseas Business - Iran

The Company had entered into a Memorandum of Understanding dated March 8, 2005 with the Jahad Tahghighat Group. The purpose of this venture was to set up a CNG cylinder manufacturing plant in Iran. This Memorandum of Understanding was to be followed by the the execution of a joint venture agreement by July 15, 2005. However, no agreement has been entered into so far and the MoU may have to be revised/revived.

Tenders

The Company regularly bids for tenders and has a fair amount of experience in this regard. The Company had been awarded a tender from Indraprastha Gas Limited for the designing, engineering, manufacturing, supplying and testing of 30 nos. 3000 WL Capacity CNG storage cascades.

The Company had also been awarded a tender from Mahanagar Gas Limited dated February 14, 2005 for the designing, engineering, manufacturing, assembly, testing at works, supply and testing at site of CNG cascade of 20 nos.

Supplier Contracts

The company has no long term contracts with any of its suppliers. The company procures material from its suppliers in anticipation of demand for cylinders from its regular customers.

Customer Details

The Company's clientele includes Mahanagar Gas Limited, Bhagynagar Gas Limited, Steelage Industries Limited, Indraprastha Gas Limited. The customer's orders include designing, engineering, manufacturing, assembling, inspection and testing of cylinders, supply of CNG cascade for CNG filling stations, depending upon respective orders. The price of the order is computed taking into account packing and forwarding charges, freight charges, sales tax, excise duty and are inclusive of transit insurance. The transit insurance is arranged and borne by the Company immediately after effecting the dispatches, failing which the company shall be fully responsible for transit damages. The Customers of the Company place purchase orders on the Company for purchasing goods.

Key Man Insurance

The Company has taken one key man insurance policy from the Life Corporation of India for Mr. Puneet Khurana (wholtime Director of the Company) and one from ICICI Prudential Life Insurance Company Limited for Mr. Pushkar Khurana (wholtime Director of the Company). The policy in the name of Mr. Puneet Khurana was taken on March 21, 2002 for a sum of Rs. 15,000,000. The policy in the name of Mr. Pushkar Khurana was taken on March 26, 2002 for a sum of Rs. 20,000,000.

Hiring of Vehicles

The Company has entered into agreements with Everest Kanto Investment & Finance Limited, a company which is part of the Promoter Group, for hiring of vehicles from them. The Company also hires vehicles from Prem Kumar Khurana, the Chairman and Managing Director of the Company. The tenure of these agreements is usually 3 to 5 years.

Loan Agreements

The Company has availed of the following borrowings/facilities from the below mentioned lenders:

Name of lender	Date of letter	Reference No.	Total Amount
ICICI Bank Limited	January 14, 2004	CBG/10023	Rs. 570 Lacs.
Citibank, N.A. (Citigroup)	February 12, 2005		Rs. 800 Lacs
State Bank of Hyderabad	April 17, 2004	F/ADV/248	Rs. 1600Lacs
State Bank of Hyderabad	October 24, 2002	F/ADV/980	Dirhams 120 Lacs.
State Bank of India	August 4 ,2005	IFBM:RM-I:1047	Rs. 2000 lacs

Properties

Leave and Licence Agreements

The Company has entered into various leave and licence agreements with its group companies in respect of a number of its properties including its office at Raheja Centre at Nariman Point and residential properties at Dadar, its godown at Byculia and a residential apartment for one of its Directors.

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Lease Agreements / Agreements to Lease

The Company has entered into a lease agreement with the Government of Dubai for the lease of premises at the Jebel Ali Free Zone, which expires in August 2016. The Company has also entered into agreement with the Government of Dubai whereby the Government of Dubai shall provide the Company with skilled and unskilled personnel.

The Company has also entered into various lease agreements and agreements to lease of tenures varying from 35 to 95 years with the Maharashtra Industrial Development Corporation with respect of properties at Tarapur, Thane.

The Company has on October 5, 2005 entered into a lease agreement with the Government of Dubai through Jebel Ali Free Zone Authority for the lease of premises admeasuring 25,321 sq. meters at the Jebel Ali Free Zone for a period of 15 years, further renewable for a period of 15 years. The Company intends to expand its manufacturing capacity at Dubai after obtaining necessary regulatory clearances.

Ownership

The Company has purchased in March, 2005 several parcels of land admeasuring approximately 41.5 acres in Kutch, Gujarat.

Strategic Partners:

The Company does not have any strategic partner.

Financial Partners:

The Company does not have any financial partner.

MANAGEMENT AND ORGANISATION

The Board of Directors comprises of ten (10) Directors, namely Mr. P. K. Khurana- Chairman and Managing Director; Mr. S.S. Khurana - Wholetime Director; Mr. Pushkar P. Khurana- Wholetime Director; Mr. Puneet P. Khurana- Wholetime Director; Mr. P.M. Samvatsar- Wholetime Director; Mr. Shailesh Haribhakti- Independent Director; Mr. Mohan Jayakar- Independent Director; Mr. Krishen Dev- Independent Director; Mr. Anand. Mehta - Independent Director; Mr. Naresh Oberoi - Independent Director.

The overall management of the Company is vested in the Board of Directors. Mr. Prem.K.Khurana, Chairman and Managing Director of the Company, under the guidance and supervision of the Board of Directors, manages the affairs of the Company.

As per the Articles of Association, the Company shall have not less than two and not more than ten Directors unless otherwise determined by the members at a general meeting.

Board of Directors

The following table sets forth details regarding our Board of Directors as on the date of filing of the Red Herring Prospectus with SEBI:

Name & Address	Age	Qualifications	Other Directorships/Positions
Mr. Prem Kumar Khurana <i>Chairman & Managing Director</i> (S/o) Dharmpal Khurana Address: 203, Maker Tower "B" Cuffe Parade Mumbai - 400 005 Occupation: Business Date of Appointment: August 1,1978 Date of Birth: October 29,1940	64 years	B.Com. LLB	<ul style="list-style-type: none"> ● Medical Engineers (India) Pvt. Ltd. (Director) ● Everest Kanto Investment & Finance Ltd. (Director) ● Khurana Gases Pvt. Ltd. (Director) ● Khurana Exports Pvt. Ltd. (Director) ● Everest Industrial Gases Pvt. Ltd. (Director) ● Khurana Fabrication Ind. Pvt. Ltd. (Director) ● Khurana Charitable trust (Trustee) ● Khurana Educational trust (Trustee) ● Apsara Metalica Industry (Partner) ● P.K.Khurana & Sons HUF (Karta) ● Indian Engineers (Proprietor)
Mr Shyam Sunder Khurana <i>Whole-time Director</i> (S/o) Dharmpal Khurana Address: A- 1/D, Gujranwala Town, Part I, New Delhi. Occupation: Business Date of Appointment: January 7, 1981 Date of Birth: August 15, 1954	51 years	S.S.C.	<ul style="list-style-type: none"> ● Medical Engineers (India) Pvt. Ltd. (Director) ● Everest Kanto Investment & Finance Ltd. (Director) ● Khurana Gases Pvt. Ltd. (Director) ● Khurana Fabrication Ind. Pvt. Ltd. (Director)
Mr Puneet Khurana <i>Whole-time Director</i> (S/o) Prem Kumar Khurana Address : 203, Maker Tower "B" Cuffe Parade Mumbai - 400 005 Occupation : Business Date of Appointment: April 15,1996 Date of Birth: December 12, 1973	32 years	B.Com, MBA	<ul style="list-style-type: none"> ● Everest Kanto Investment & Finance Ltd. (Director) ● Khurana Exports Pvt. Ltd. (Director) ● Everest Industrial gases pvt Ltd ● Apsara Metalica Industry (Partner)

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Name & Address	Age	Qualifications	Other Directorships/Positions
Mr Pushkar Khurana <i>Whole time Director</i> (S/o) Premkumar Khurana Address: Golden Sands No. 9, Flat No. 222, 2nd Floor, Bur Dubai, Dubai, U.A.E. Occupation: Business Date of Appointment: September 12, 1994 Date of Birth: July 17,1972	33 years	B.Com.	<ul style="list-style-type: none"> ● Everest Kanto Investment & Finance Ltd. (Director) ● Khurana Gases Pvt. Ltd. (Director) ● Everest Industrial Gases Pvt. Ltd. (Director) ● Apsara Metalica Industry (Partner)
Mr Pramod Samvatsar <i>Director</i> (S/o) Manohar Samvatsar Address: 603, Akruiti Laxmi, 6th Floor, Tilak Rd., Dadar T.T, Dadar Mumbai - 400 014 Occupation: Service Date of Appointment: November 01,2004 Date of Birth: April 10,1952	53 years	B.E. (Mechanical) DMS	NIL
Mr. Shailesh Haribhakti <i>Independent Director</i> S/O. Vishnubhai B. Haribhakti Address: Flat No.7,4th floor, 47A, FIRPOS, Bhulabhai Desai Road, Mumbai- 26. Date of Appointment: July 5,2005 Date of Birth: March 12,1956	49 years	C.A., Graduate Cost Accountant, Certified Internal Auditor, Certified Fraud Examiner, Certified Financial Planner	<ul style="list-style-type: none"> ● Pantaloon Retails (India) Ltd. (Director & Chairman of Audit Committee) ● Ambuja Cement Eastern Ltd. (Director & Chairman of Audit Committee) ● IDBI Capital Market Services Ltd. (Director & Chairman of Audit Committee) ● JBF Industries Ltd. (Director) ● Morarjee Textiles Ltd. (Director & Chairman of Audit Committee) ● Indian Petrochemical Company Ltd. (Director & Member of Audit Committee) ● Mahindra Gesco Eastern Ltd. (Director & Member of Audit Committee) ● Jindal Southwest Holdings Ltd. (Director & Member of Audit Committee) ● Kotak Mahindra Pvt. Equity Trustee Ltd. (Director) ● SIDBI Venture Capital Ltd. (Director) ● Advantages E-Accounting (I) Pvt.Ltd. (Chairman) ● Advantage Moti India Pvt.Ltd. (Chairman) ● Advantage Comfort (I) Pvt.Ltd. (Chairman) ● E-Biz Chem Pvt.Ltd. (Director) ● Moores Rowland Consulting Pvt.Ltd. (Director) ● Alliance Capital Asset Management(I) Pvt.Ltd. (Director) ● Haribhakti MRI Corporate Services Pvt.Ltd. (Director) ● Bihar Caustic & Chemicals Limited (Director) ● Fortune Financial Services (India) Limited (Director)

Name & Address	Age	Qualifications	Other Directorships/Positions
Mr. Krishen Dev <i>Independent Director</i> s/o. Rattan Lal Address: Plot No.16, Pallod Farms II, Baner, Pune - 411045. Date of Appointment: July 5, 2005 Date of Birth: March 3, 1939	66 years	B.Tech, Chemical Engineering	<ul style="list-style-type: none"> ● JBF Industries Ltd. (Director)
Mr. Anand Mehta <i>Independent Director</i> s/o. Late Roshan Lal Mehta Address:- Villa No.135, Street No.71a, Jummerah Beach Road, Post Box - 168 48 -Dubai (UAE) Date of Appointment: July 5, 2005 Date of Birth: December 21, 1945	60 years	B.Com. C.A.	<ul style="list-style-type: none"> ● Pure Helium India Pvt. Ltd. ● Pure Helium Gulf Ltd ● Pure Helium Saudi Ltd ● Pure Helium Egypt Ltd ● Pure Helium Bombay Pvt. Ltd
Mr. Naresh Oberoi <i>Independent Director</i> s/o. Late Sunderdas Oberoi Address :- 181-B, Jolly Maker Apartments No.1, Cuffe Parade, Colaba, Mumbai - 400 005. Date of Appointment: July 05, 2005 Date of Birth: March 08, 1942	63 years	B.A.	<ul style="list-style-type: none"> ● Powerica Ltd.(Director)
Mr. Mohan Jayakar <i>Independent Director</i> S/o. Shri Motiram Jayakar Address:- 12, Makani Manor, 1st Floor, Pedder Road, Mumbai 400 026 Date of Appointment: July 05, 2005 Date of Birth: October 8, 1951	54 years	B.A (LLB)	<ul style="list-style-type: none"> ● Photoquip India Ltd. (Director) ● Chirag Travels Pvt. Ltd. (Director) ● Ezcomm Trade Technologies Ltd. (Director) ● Independent Gemological laboratories Pvt. Ltd. (Director) ● Khaitan & Jayakar (Advocates & Solicitors) (Proprietor)

Brief Profile of the Promoters

Mr. P.Khurana, Mrs. Suman Khurana, Mr. Pushkar Khurana and Mr. Puneet Khurana, are the Promoter of the Company, their profiles are mentioned under the head 'Promoters' on page 70 of this Red Herring Prospectus.

Brief Profile of the Other Directors

1. **Mr. Shailesh Haribhakti**, 49 years, is a Chartered Accountant, Cost Accountant, Certified Internal Auditor, Certified Financial Planner and Certified Fraud Examiner. He is a Fellow member of the Institute of Chartered Accountants of India. He is the Managing Partner of Haribhakti & Co., Chartered Accountants and Chief Executive Officer of Haribhakti Group. He was the President of Indian Merchants' Chamber in 2003-04. He was the Chairman of Western India Regional Council of the Institute of Chartered Accountants of India. He has served as a ASSOCHAM nominee on the J.R.Verma Committee on Sweat Equity, ESOPS and Privately Placed Equity and also, the Naresh Chandra Committee on Corporate Governance. He has organized several programs/seminars/conferences on varied topics. He writes prolifically on the web and in various newspapers and magazines. He is empanelled by Indian Council of Arbitration to conduct arbitral proceedings.
2. **Mr. Krishen Dev**, 66 years, is a business consultant. He is a chemical engineer (B.Tech-Hons.) from IIT, Kharagpur. He has more than 4 decades of experience in business and management. He was the Chief Executive Officer (1993-2000) and also, the Vice-President-Production (1969-1993) of Century Enka Ltd. He was the President (Business Development) in Reliance Industries Ltd from July 2000 to December, 2001. He has played an active role in formulation of business and fiscal policies as a member on the Executive Committees of Maratha Chamber of Commerce, Industry and Agriculture (MCCIA). He is strong in identifying new areas of business interests, business strategy, market orientation and customer relations.

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3. **Mr. Anand Mehta**, 60 years, is a commerce graduate and a Fellow member of the Institute Chartered Accountants in England and Wales. He is an eminent industrialist.
4. **Mr. Naresh Oberoi**, 63 years, is an Arts graduate and first generation entrepreneur. He has vast experience spanning over two decades in managing industrial enterprise. He is, presently, the Chairman and Managing Director of Powerica Ltd., a well-established name in the power generation equipment business, achieving a turnover of over Rs. 300 crores for the year ended March, 2005. Under his leadership, Powerica Ltd. was given "Successful Small-Scale Company of the year" award by IMM in the year 1993.
5. **Mr. Mohan Jayakar**, 54 years, is a solicitor and an eminent lawyer. He has vast experience of 30 years in various aspects of law and specializes in customs, central excise and foreign exchange matters, including writs and criminal procedures. He was a member of the Shipping Committee of the Bombay Chamber of Commerce and has attended various International Commercial Commodity Arbitrations and shipping and other maritime Arbitrations. He was/ is a member of the Managing Committee of CEGAT Bar Association. He attends and advises Nationalised Banks on banking matters including Securitisation.

Details of borrowing powers:

Our Articles authorise our Board, to borrow moneys and secure the payment of such sum or sums in such manner and upon such terms and conditions in all respects as it thinks fit. Please see section titled "Description of Equity Shares and Terms of Articles of Association" on page 139 of this Red Herring Prospectus. Our shareholders at an AGM on November 29, 2001 authorised our Board to borrow a maximum of Rs. 5000 Lacs.

Terms of Appointment & Compensation of Managing Directors/ Whole time Directors

Mr. Prem K. Khurana

Mr. Prem K. Khurana was appointed as Director on 01.8.1978. His terms of appointment and compensation details are as follows:

SALARY:	Rs. 200000 per month
COMMISSION:	2% of the net profit of the company subject to the overall ceilings laid down in Section 198 and 309 of the Act
PERQUISITES	
Category A	
Housing:	40% of salary and gas, electricity and water on actual
Medical benefits for self and family:	Expenses incurred for self, family subject to a ceiling of one month's salary per year or three month's salary in a period of three year
Leave Travel concession for self and family:	For self and family in accordance with the rules of the company.
Club Fees:	Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees
Premium for Personal Accident Insurance :	Nil
Category B	
Contribution to Provident Fund and Pension / Superannuation Fund:	Company's contribution to PF and Pension/Superannuation Fund as per the scheme of the company
Gratuity:	As per the rules of the company, payable in accordance with the approved fund and which shall not exceed half a month's salary for each completed year of service, subject to a ceiling of Rs. 3.5 Lacs
Earned /Privilege Leave:	Privilege Leave as per the rules of the company
Car & Telephone:	Provision for car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of cars for private purpose shall be billed by the company
MINIMUM REMUNERATION:	As per Company law regulations

Mr. Shyam Sunder Khurana

Mr. Shyam Sunder Khurana was appointed as on 07.1.1981. His terms of appointment and compensation details are as follows:

SALARY:	Rs. 60,000 per month
COMMISSION:	NIL
PERQUISITES	
Category A	
Housing:	40% of salary and gas, electricity and water on actual
Medical benefits for self and family:	Expenses incurred for self, family subject to a ceiling of one month's salary per year or three month's salary in a period of three year
Leave Travel concession for self and family:	For self and family in accordance with the rules of the company.
Club Fees:	Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees
Premium for Personal Accident Insurance :	Premium not to exceed Rs. 4000 per year
Category B	
Contribution to Provident Fund and Pension / Superannuation Fund:	Company's contribution to PF and Pension/Superannuation Fund as per the scheme of the company
Gratuity:	As per the rules of the company, payable in accordance with the approved fund and which shall not exceed half a month's salary for each completed year of service, subject to a ceiling of Rs. 3.5 Lacs
Earned /Privilege Leave:	Privilege Leave as per the rules of the company
Car & Telephone:	Provision for car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of cars for private purpose shall be billed by the company
MINIMUM REMUNERATION:	As per Company law regulations

Mr. Puneet Khurana

Mr. Puneet Khurana was appointed as Director on 15.4.1996. His terms of appointment and compensation details are as follows:

SALARY:	Rs. 1,50,000 per month
COMMISSION:	NIL
PERQUISITES	
Category A	
Housing:	Fully-furnished accomodation will be provided by the company. Gas,electricity and water on actuals.
Medical benefits for self and family:	Expenses incurred for self, family subject to a ceiling of one month's salary per year or three month's salary in a period of three year
Leave Travel concession for self and family:	For self and family in accordance with the rules of the company.
Club Fees:	Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees
Premium for Personal Accident Insurance :	Premium not to exceed Rs. 4000 per year

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Category B	
Contribution to Provident Fund and Pension / Superannuation Fund:	Company's contribution to PF and Pension/Superannuation Fund as per the scheme of the company
Gratuity:	As per the rules of the company, payable in accordance with the approved fund and which shall not exceed half a month's salary for each completed year of service, subject to a ceiling of Rs. 5 Lacs
Earned /Privilege Leave:	Privilege Leave as per the rules of the company
Car & Telephone:	Provision for car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of cars for private purpose shall be billed by the company
MINIMUM REMUNERATION:	As per Company law regulations

Mr. Pushkar Khurana

Mr. Pushkar Khurana was appointed as Director on 12.9.1994 . His terms of appointment and compensation details are as follows:

SALARY:	40,000 AED per month
COMMISSION:	NIL
PERQUISITES	
Category A	
Housing:	Fully-furnished accomodation will be provided by the company.Gas,electricity and water on actuals.
Medical benefits for self and family:	Expenses incurred for self, family subject to a ceiling of one month's salary per year or three month's salary in a period of three year
Leave Travel concession for self and family:	For self and family in accordance with the rules of the company.
Club Fees:	Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees
Premium for Personal Accident Insurance :	Premium not to exceed 4000 AED per year
Category B	
Contribution to Provident Fund and Pension / Superannuation Fund:	NIL
Gratuity:	NIL
Earned /Privilege Leave:	Privilege Leave as per the rules of the company
Car & Telephone:	Provision for car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of cars for private purpose shall be billed by the company
MINIMUM REMUNERATION:	As per Company law regulations

Mr. P.M.Samvatsar

Mr. P.M.Samvatsar was appointed as Director on 01.11.2004 . His terms of appointment and compensation details are as follows:

SALARY:	Rs. 1,75,000 per month
COMMISSION:	NIL
PERQUISITES	
Category A	
Housing:	Furnished accommodation will be provided by the company
Medical benefits for self and family:	Expenses incurred for self, family subject to a ceiling of one month's salary per year or three month's salary in a period of three year
Leave Travel concession for self and family:	For self and family in accordance with the rules of the company.
Club Fees:	Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees
Vehical allowance:	Rs. 12,500 per month
Premium for Personal Accident Insurance :	Premium not to exceed Rs. 4000 per year
Category B	
Contribution to Provident Fund and Pension / Superannuation Fund:	Company's contribution to PF and Pension/Superannuation Fund as per the scheme of the company
Gratuity:	As per the rules of the company, payable in accordance with the approved fund and which shall not exceed half a month's salary for each completed year of service, subject to a ceiling of Rs. 5 Lacs
Earned /Privilege Leave:	Privilege Leave as per the rules of the company
Car & Telephone:	Provision for car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of cars for private purpose shall be billed by the company
MINIMUM REMUNERATION:	As per Company law regulations

CORPORATE GOVERNANCE

Company's philosophy

The Company stands committed to good corporate governance – transparency, disclosure and independent supervision to increase the value of our stakeholders. The directions issued by the SEBI vide SEBI/CFD/DIL/JCG) 1/2004/12/10, dated October 29, 2004, under Clause 49 of the Listing Agreement in respect of Corporate Governance will be applicable to the Company immediately upon seeking in principle approval for listing of our Equity Shares on the Stock Exchanges. Accordingly, the Company has undertaken steps in this direction to ensure compliance with the requirements pertaining to Corporate Governance. We have appointed independent directors on our Board of Directors and have also set up such committees as may be necessary under the requirements of the Committees of the Board to look into matters in respect of compensation, shareholding, audit, etc, details of which are as follows:

Audit committee

The company has formed an Audit Committee vide Board resolution dated July 19, 2005, in compliance with Section 292A of the Companies Act and Clause 49 of the Listing Agreement. The Audit Committee has been constituted with the following Directors:

1. Mr. Shailesh Haribhakti -Independent Director - Chairman
2. Mr. Krishen Dev - Independent Director - Member
3. Mr. Anand Mehta – Independent Director - Member

The Audit Committee shall have full access to information contained in the records of the Company and external professional advice, if necessary. The scope of Audit Committee shall be:

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

The Audit Committee also has powers as provided in Clause 49A of the Listing Agreement. The Company Secretary of the Company shall be the Secretary to the Audit Committee.

The Chairman of the Audit Committee shall attend the annual general meetings of the Company to provide any clarifications on matters relating to audit as may be required by the members of the Company.

Remuneration Committee

The company has formed a Remuneration Committee vide Board resolution dated July 19, 2005, in compliance with Schedule XIII of the Companies Act and Clause 49 of the Listing Agreement. The Remuneration Committee has been constituted with the following Directors:

1. Mr. Krishen Dev - Independent Director - Member
2. Mr. Mohan Jayakar - Independent Director - Member
3. Mr. Naresh Oberoi -Independent Director - Member
4. Mr. Prem.K.Khurana – Chairman and Managing Director - Member

The Remuneration Committee shall have the powers of recommending the remuneration package of all Directors as per the requirements of the directions pertaining to Corporate Governance.

The Remuneration Committee shall meet periodically, as and when required, to decide the remuneration package and related matters.

Share Transfer and Shareholders /Investors Grievance Committee

The company has formed a Shareholders' Grievance Committee vide Board resolution dated July 19, 2005, in compliance with Section 292A of the Companies Act and Clause 49 of the Listing Agreement. The Shareholders' Grievance Committee has been constituted with the following Directors:

1. Mr. Mohan Jayakar - Independent Member - Member
2. Mr. Promod M.Samvatsar - Wholetime Director - Member
3. Mr. Puneet Khurana - Whole Time Director - Member

The Shareholders' Grievance Committee shall have the power to make decisions relating to redressal of Shareholders' grievances, which includes the following duty

- to dispose off the Shareholders' complaints, in connection with non-receipt of shares, non-receipt of dividends, non-receipt of Annual Reports and general inquiry about the status of the Shares, within 7 days from the date of receipt
- to communicate to the concerned Stock Exchange and related parties replying to status of the respective complaints.
- Communication to the SEBI explaining satisfactory withdrawal of Shareholders' complaints.
- any other matter related to Shareholders' grievances / complaints.

The Shareholders' Grievance Committee shall review the minutes of the meeting of the delegated authority who shall meet fortnightly for the redressal of Shareholders' grievances.

IPO Committee

The IPO Committee was constituted on July 19, 2005. The Board has appointed this committee to oversee and administer the activities to be undertaken for this Issue.

The members of the IPO Committee are:

1. Mr. P. K. Khurana - Chairman and Managing Director
2. Mr. Puneet Khurana - Whole Time Director
3. Mr. P.M. Samvatsar - Whole Time Director

The committee has been authorised to do all acts, deeds and things and take all the decisions with regard to the proposed offering of the company on behalf of the Board of Directors.

Shareholding of Directors

Our Articles do not require the Directors to hold any qualification shares in our Company. The list of Directors holding Equity Shares held by each of them directly as of October 6, 2005 is set forth below:

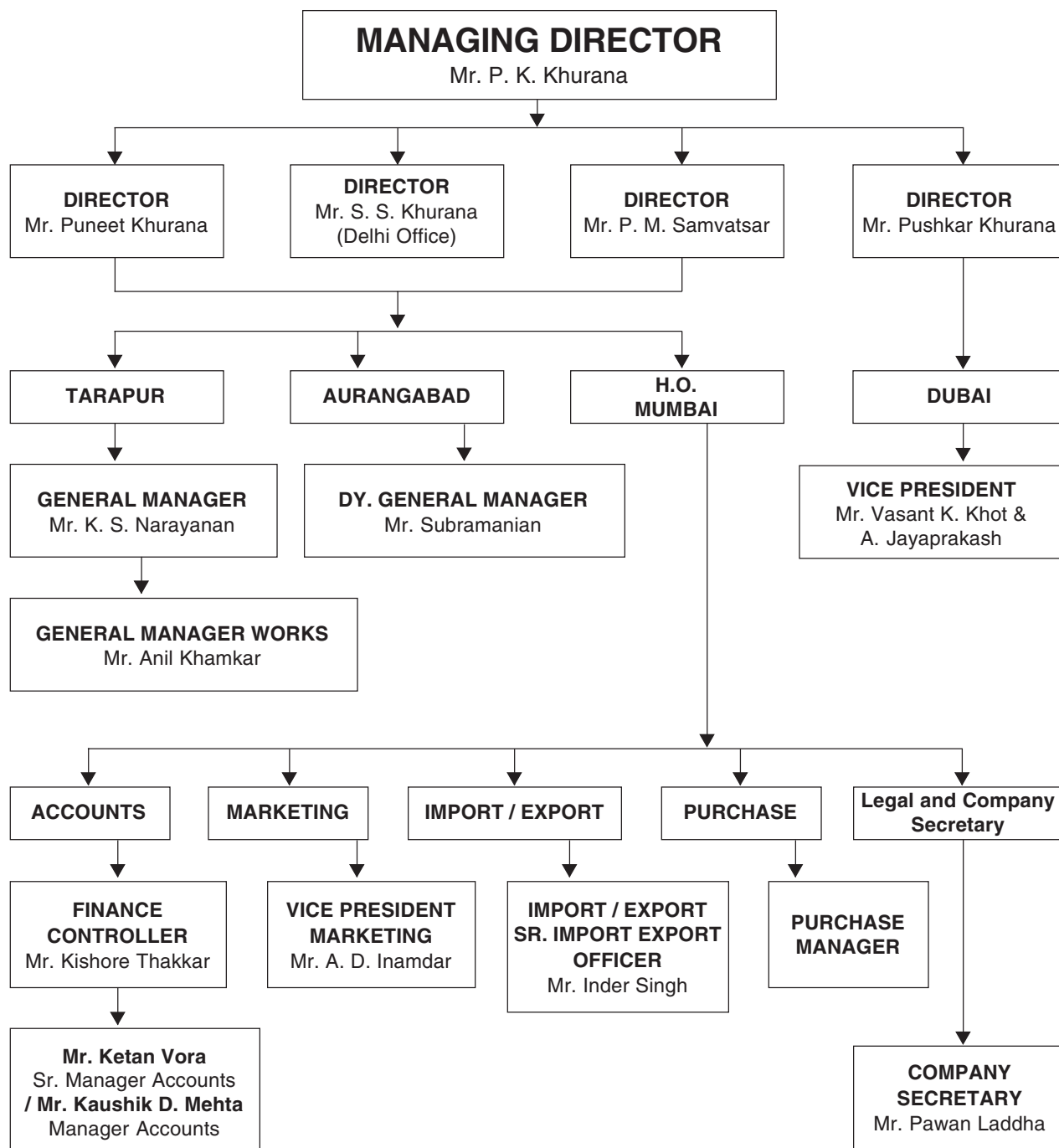
Name of the Director	No. of Shares	% age of the share capital
Mr. Prem.K. Khurana	24,43,600	20.36
Mr. S.S. Khurana	644,000	5.37%
Mr. Pushkar Khurana	352,400	2.94%
Mr. Puneet Khurana	352,400	2.94%
Mr. P. M. Samvatsar	Nil	Nil

For details regarding Equity Shares held by the promoters of the Company and their families and entities controlled by them, please see "Capital Structure of the Company" on page 8 of this Red Herring Prospectus.

Changes in the Board of Directors in the last three years are as follows:

Name	Date of appointment	Date of cessation	Reasons
Mr. P. M. Samavatsar	November 1, 2004		Appointment
Mrs. Suman Khurana		July 12, 2005	Resignation
Mr. Shailesh Haribhakti	July 5, 2005		Appointment
Mr. Mohan Jayakar	July 5, 2005		Appointment
Mr. Krishen Dev	July 5, 2005		Appointment
Mr. Anand Mehta	July 5, 2005		Appointment
Mr. Naresh Oberoi	July 5, 2005		Appointment

MANAGEMENT ORGANISATION STRUCTURE



Key Managerial Personnel

The details of the key managerial personnel of the Company are as follows:

1. **Mr. A. Jayaprakash, Vice-President (Manufacturing), 51 years**, is a mechanical engineer from Madras University. He has cumulative work experience of over 28 years and his areas of expertise include setting up new projects, streamlining the existing production processes and undertaking expansion activities. Prior to joining our Company in August 2004, he was the Vice-President (Operations) in Pennar Profiles Ltd., Hyderabad for a period of 12 years. His gross emoluments for the period from August 10, 2004 to March 31, 2005 were Rs. 2.19 lacs.
2. **Mr. V.K.Khot, Vice-President, 59 years**, is a B.E.(Electrical) and a Chartered engineer from University of Indore. Prior to joining our Company in February 2000, he was Vice-President with Maruti Koatsu Cylinder Ltd., Halol (Gujarat) for a period of 15 years. He has previously worked as Works Manger in our Company from August 1979 to August 1985. He has cumulative work experience of 35 years and is an expert in the field of manufacturing of high-pressure seamless gas cylinders. Having visited other high-pressure seamless cylinder manufacturing companies and seamless tube manufacturing companies over the world, he is aware of the nitty-gritty of the operations. His gross emoluments for the year 2004-05 were UAE Dirhams 71,500/- (approx. Rs. 9.00 lacs)
3. **Mr. K.S.Narayanan, General Manager (Tarapur), 49 years**, is a graduate mechanical engineer (first-class) from Calicut University. He joined our company on March 19, 2003. He has hands-on experience of 27 years in setting up projects, production control and quality systems. He was instrumental in setting up a world-class brass strip plant (100% EOU) in Goa (Meta Strip Limited) right from the initial stages to the final commissioning. His gross emoluments for the financial year 2004-05 were Rs. 3.55 lacs.
4. **Mr. Anil G.Khamkar, General Manager (Tarapur Works), 48 years**, has done L.M.E. from Victoria Jubilee Technical Institute. Prior to joining our Company in 1989, he worked with BRT Ltd., a subsidiary of Bombay Dyeing & Industries Ltd. He has cumulative experience of 27 years in production, maintenance, designs, quality control, and implementation of ISO 9001:2000 quality systems and development of new type of high pressure seamless gas cylinders as per national and international standards. His gross emoluments for the financial year 2004-05 were Rs. 3.69 lacs.
5. **Mr.T.Subramanian, Deputy General Manager (Aurangabad Unit), 54 years**, has a Diploma in Mechanical Engineering. He has cumulative work experience of 36 years in production of machines like Gensets, Marine engines and also in development of special cylinders. Prior to joining our Company in 1997, he had worked with Larsen & Toubro Ltd. He has been instrumental in increasing the production of cylinders with up-gradation of technology and process. His gross emoluments for the financial year 2004-05 were Rs. 3.58 lacs.
6. **Mr. Kishore K. Thakkar, Finance Controller, 48 years**, is a commerce graduate and has qualified as a Chartered Accountant from Mumbai. He has work experience of 25 years in the field of finance and accounts. Prior to joining our Company in February 2005, he was working with Gujarat Petrosynthese Ltd., where he was responsible for matters relating to credit control, income tax and sales-tax assessment and banking activities. He is responsible for financial planning and budgeting, funds management & mobilization and MIS. His gross emoluments for the period February 15, 2005 to March 31, 2005 were Rs. 0.49 lacs.
7. **Mr. Ajit D. Inamdar, Vice-President (Marketing), 42 years**, is a B.E. (Mechanical) from Karnataka University. He has cumulative work experience of 20 years in sales and marketing of capital equipments and execution of automobile projects. Prior to joining our Company on February 27, 2003, he was a Assistant General Manager with Vinar Systems Ltd. He has been involved in the expansion of our Tarapur unit and has contributed in increasing the turnover of the Company. His gross emoluments for the financial year 2004-05 were Rs. 4.72 lacs.
8. **Mr. Ketan J. Vora, Sr. Manager (Finance & Accounts), 40 years**, is a commerce graduate from Bombay University and a qualified Chartered Accountant from the Institute of Chartered Accountants of India. He has cumulative experience of 18 years in various areas like accounts, finance, purchases, import-export, administration etc. Prior to joining our Company in August 2003, he worked with Harish Textiles Engineers Ltd. as Manager (Finance & Accounts). He is mainly responsible for the finance functions and accounting of the Company and in particular, of the Dubai unit. His gross emoluments for the financial year 2004-05 were Rs. 4.15 lacs p.a.
9. **Mr. K.D.Mehta, Manager (Accounts), 49 years**, is commerce and law graduate from Bombay University. Prior to joining us in 1995, he worked with Circle Freight Intl. Ltd., an MNC. With over 28 years of experience, he handles the accounting, banking, income tax and sales tax related functions of the two units i.e. Tarapur and Aurangabad. His gross emoluments for the financial year 2004-05 were Rs. 3.75 lacs.

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- 10. Mr.Indrajit R. Singh, Sr. Import-Export Officer, 38 years**, is a commerce graduate from Bombay University. Prior to joining our Company in January 1998 he worked with M/s. Marksman Marketing Associates as Export Executive. He has cumulative work experience of 14 years in areas like pre- and post shipment documentation, freight negotiation, DGFT matters like input-output norms fixation, advance licence etc., liaison with customs and excise. His gross emoluments for the financial year 2004-05 were Rs. 1.50 lacs.
- 11. Mr. Pawan Laddha, 26 years**, is the company secretary and is an associate member of the Institute of Company Secretaries of India. He is commerce and law graduate and has cumulative experience of 3 years. Prior to joining our Company, he worked with Elcome Surveys Pvt. Ltd. As he has joined our Company in July 2005 there is no gross emoluments paid in the financial year 2004-05.

Bonus or Profit Sharing of the Key Employees

The Company has not provided any bonus or profit sharing to any of its key employees.

Shareholding of Key Employees

None of the above mentioned key managerial personnel hold any shares in the Company.

Changes in Key Managerial Employees during the last three years:

Following have been the changes in the key managerial personnel during the last three years

Name of Employee	Date of Appointment/ Resignation	Designation	Reason for Change
Mr. A. Jayaprakash	August 4, 2004	Vice President (Mnufacturing), EKC Industries, Dubai	Appointment
Mr. K.S.Narayanan	March 19, 2003	General Manager (Tarapur)	Appointment
Mr Mukesh Mistry	July 15, 2003	Deputy General Manager	Resignation- Migrated to Australia
Mr. Ketan Vora	August 25, 2003	Sr. Manager (Accounts & Finance)	Appointment-In Place of Mukesh Mistry.
Mr. Ajit Inamdar	February 27, 2003	Vice President- Marketing	Appointment- New Positon Created.
Mr. Pawan Laddha	July 6, 2005	Company secretary	Appointment
Mr. Satish Pakhale	September 23, 2004 / October 21, 2005	Purchase manager Took up assignment in Iran	Appointment/Resignation
Mr. Kishore Thakkar.	February 15, 2005	Financial Controller	Appointment - New Positon Created.

Interest of Promoters of the Company, Directors & Key Managerial Personnel

Except as stated in "Related Party Transactions" on page 81 of this Red Herring Prospectus, and to the extent of the shareholding in the Company, the Promoters of the Company do not have any other interest in the Company's business. Except to the extent of their compensation as mentioned in "Management and Organization" on page 57 of this Red Herring Prospectus, and their shareholding or shareholding of companies they represent, the Directors, other than the Promoters who are also Directors, do not have any other interest in the Company

All Directors may be deemed to be interested in the contracts, agreements/arrangements entered into or to be entered into by the Company with any company in which they hold Directorships or any partnership firm in which they are partners as declared in their respective declarations.

The key managerial employees, other than the promoters of the Company do not have any interest in the Company other than to the extent of the remuneration or benefits to which they are entitled to as per their terms of appointment and the reimbursement of expenses incurred by them during the ordinary course of business.

All Directors may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or a Committee thereof as well as to the extent of other remuneration, reimbursement of expenses payable to them under the Articles of Association. The wholetime Directors are interested to the extent of remuneration paid to them for services rendered by them as officers or employees of the Company. All Directors may also be deemed to be interested to the extent of Equity



Shares, if any, already held by them or their relatives in the Company, or that may be subscribed for and allotted to them, out of the present Issue in terms of this Red Herring Prospectus and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

Directors may also be regarded as interested in the Equity Shares, if any, held by or that may be subscribed by and allotted to the companies, firms and trust, in which they are interested as directors, members, partners or trustees.

Except as stated otherwise in this Red Herring Prospectus, the Company has not entered into any contract, agreements or arrangement during the preceding two years from the date of this Red Herring Prospectus in which the Directors are interested, directly or indirectly, and payments have neither been made nor are proposed to be made to the Directors in respect of such contracts, agreements or arrangements or are proposed.





ESOP

The Company as on date does not have any ESOP.

Payments or benefits to officers of the company

The Company has made no payments or benefits to its officers besides their salary

PROMOTERS AND THEIR BACKGROUND

	<p>Mr. Prem K. Khurana, 64 years, is currently the Chairman and Managing Director of the Company. He is a Law and Arts Graduate. As a founder member of the Company, he has been responsible for its overall operations and growth since its inception in 1978. He has been instrumental in the development of the Company and has dealt with all the facets of its business ever since the company was set up.</p> <p>His Voter ID no. is MT/04/019/036091. His passport no. is Z 1373860</p> <p>He does not have a driving licence.</p>
	<p>Mr. Pushkar Khurana, 33 years, is a commerce graduate and has also done a three month course in business management from Harvard University, U.S.A. He has cumulative work experience of 12 years. He has been instrumental in strategizing the recent expansion plans of the Company. His achievements include being a founder of the business project in Dubai from its inception till production. He has also been a pioneer in exploiting the markets in Iran and Pakistan. Having recently concluded the agreements in China and Iran, he is also working on the expansion of the capacity at Dubai. Presently, he is based in Dubai and is looking after the operations of the Dubai plant. He has been holding the position of a Director of this Company since September 12, 1994.</p> <p>His Voter ID no. is MT/04/019/036109. His passport no. is Z008387</p> <p>He does not have a driving licence</p>
	<p>Ms. Suman P. Khurana, 55 years, completed her Graduation in Arts from Delhi University. She is the promoter of the company. She is also Trustee of Khurana Charitable Trust and Khurana Education Trust. She is involved in day to day functions of Trust. She takes active interest in charity and social work and is also associated with other social organizations.</p> <p>Her Voter ID no. is MT/04/019/036161. Her passport no. is Z 1373859</p> <p>She does not have a driving licence.</p>
	<p>Mr. Puneet Khurana, 32 years, is a commerce graduate from Bombay University and has done a Masters in Business Administration (International Business) from European University, Montreux, Switzerland. He has cumulative experience of 10 years in the Company, including 5 Years as a Director-Marketing. His achievements include exploiting international markets for the Company's CNG cylinders in Iran/ Malaysia / Thailand / Bangladesh. He has been instrumental in developing business relations with Iran and has procured business from Iran worth USD 10 million. He has also been involved in OEM product development from the design stage to production with Bajaj Auto Ltd. (autorickshaws)/ TATA Motors (Indica) and has finalised a joint venture with a Chinese company. He has also been working with various gas companies in India like MGL / IGL / Adani Energy for providing solutions for CNG distribution. He has been Director of the Company since April 15, 1996.</p> <p>His driving licence no. is 39566. His passport no. is Z 1588418</p>

Relationship between Promoters

Mr. Prem.K.Khurana and Mrs. Suman Khurna are married to each other. Mr. Pushkar Khurana and Mr. Puneet Khurana are their sons. Except as stated otherwise, there is no relation between any other Promoters of the Company.

Common Pursuit

There are no common pursuits in the business of the Company and other companies promoted by the Promoters of the Company other than as described in the RHP.

Companies of the promoter group/subsidiaries referred to BIFR/under winding up/ having negative net worth

There are no companies of the Promoter Group / subsidiaries of the Company that are referred to BIFR/under winding up/ having negative net worth

Interest of the Promoters

The Promoters may be deemed to be interested to the extent of shares held by them, benefits arriving from their holding directorship in the company.

Except as disclosed in related party transaction, the Promoters of the Company have no interest other than reimbursement of expenses incurred or normal remuneration or benefits, if any.

Payment or benefit to promoter of the Company

The Company on April 1, 2002 had entered into a leave and licence agreement with Mr. Prem K. Khurana for premises at Byculla, Mumbai for use as a godown for a period of 48 months. The Company has agreed to pay a monthly compensation of Rs.3000/- for the use of the godown. The Company also hires vehicles from its Promoter, Mr. Prem K. Khurana. We also take loans from our Promoter during the year and pays interest to them at a rate of 9% p.a. These loans taken in the middle of the year are however paid off by the end of the year to show NIL balances.

Other than as disclosed in the RHP there have been no payments or benefits to the promoters of the Company.

Sales or Purchase between companies in the Promoter Group

There have been no sales or purchases between companies in the Promoter Group of the Company exceeding in value in the aggregate 10% of the total sales or purchases of the Company.

Related party transactions

The details of related party transactions have been disclose as a part of the Auditors Report. For Details, please refer page 81 of the RHP

CURRENCY OF PRESENTATION

In this Red Herring Prospectus all references to “Rupees” and “Rs” are to the legal currency of India, all references to “USD” and “\$” are to the legal currency of United States of America, all references to “EURO” and “€” are to the legal currency of European Economic Union and all references to “AED” are to the legal currency of United Arab Emirates. The “USD/\$”, “EURO/ €” and “AED” are referred to as “Foreign Currency” in this Red Herring Prospectus.

DIVIDEND POLICY

The declaration and payment of dividends will be recommended by our Board of Directors and our shareholders upon their discretion and will depend on a number of factors, including but not limited to, our earnings, capital requirements and overall financial condition. Dividends paid by our Company during the last five years are presented below:

Particulars	FY2005	FY2004	FY2003	FY2002	FY2001
Face value of Equity shares (Rs. per share)	10	10	10	10	10
Dividend (Rs. In Lakhs)	150	120	150	420	120
Dividend rate	25	20	25	70	20
Dividend Tax (Rs. in Lakhs)	19.61	15.38	19.22	42.84	12.24

However the dividends paid in the past are not necessarily indicative of our dividend amounts, if any, or our dividend policy, in the future.

SECTION V: FINANCIAL INFORMATION

Auditors Report

The Board of Directors

Everest Kanto Cylinder Ltd.

501, Raheja Centre, Free Press Journal Marg,
214, Nariman Point, Mumbai - 400 021.

Subject : Your Proposed Public Issue

Dear Sirs,

We have examined and found correct the Audited Accounts of Everest Kanto Cylinder Ltd. for the past five financial years ended 31st March 2001, 31st March, 2002, 31st March, 2003, 31st March, 2004, 31st March, 2005 & for the period ended 30th June 2005 being the last date up to which the accounts of the Company have been made up and audited by us from time to time.

In accordance with the requirements of Paragraph B (1) of Part II of Schedule II to the Companies Act 1956 (the Act), the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 (SEBI Guidelines) and on the basis of above said accounts;

- a) The restated profits of the Company for the financial years/period ended 31st March 2001, 31st March, 2002, 31st March, 2003, 31st March, 2004, 31st March, 2005 and for the period ended 30th June, 2005 are as set out in Annexure I to this report. These profits have been arrived at after charging all expenses including depreciation and after making such adjustments and regroupings as in our opinion are appropriate and more fully described in the Significant Accounting Policies and Notes, wherever necessary which are attached to those financial statements.
- b) The restated assets and liabilities of the Company as at 31st March 2001, 31st March, 2002, 31st March, 2003, 31st March, 2004, 31st March, 2005 and 30th June, 2005 are as set out in Annexure II to this report after making such adjustments and regrouping as in our opinion are appropriate and more fully described in the Significant Accounting Policies and Notes.
- c) The restated cash flow statement of the Company as at 31st March, 2004, 31st March, 2005 and 30th June, 2005 are as shown in Annexure III to this report.
- d) The details of dividend paid by the Company in respect of the years ended 31st March, 2001, 31st March, 2002, 31st March, 2003, 31st March, 2004, 31st March, 2005, 30th June, 2005 are as shown in Annexure IV to this report.
- e) We have examined the following financial information relating to the Company and as approved by the Board of Directors for the purpose of inclusion in the Offer documents:
 - i. Accounting Ratios as appearing in Annexure V to this report.
 - ii. Capitalisation Statement as at 31st March, 2005 & 30th June, 2005 as appearing in Annexure VI to this report
 - iii. Information relating to Tax shelters (Deferred Tax Liability) is reflected in the balance sheet of respective years.
 - iv. Details of sundry debtors as appearing in Annexure VII to this report.
 - v. Details of loans and advances as appearing in Annexure VIII to this report
 - vi. Details of unsecured loans as appearing in annexure IX to this report with details thereof given separately.
 - vii. Information relating to the following is covered in the respective Balance sheets of each of the five years mentioned above.
 1. Secured Loans
 2. Related Parties Transactions
 3. Description of securities pledged with the Banks.
 - viii. Details of expenditure on the New Project upto 30th September, 2005 as appearing in Annexure X to this report.

In our opinion the above financial information of the Company read with Significant Accounting Policies and notes on accounts has been prepared in accordance with Part II of Schedule II of the Act and the SEBI Guidelines.

This report is intended solely for your information and for inclusion in the Offer document in connection with the specific Public Offer of Equity Shares of the Company and is not to be used, referred to for any other purpose without our written consent.

Thanking you,

C.D. Pasad & Co.

Chartered Accountants

Rajendra D. Pasad

Partner

Membership No.6136

Place : Mumbai

Date : November 2, 2005

Annexure I: Statement of Profit & Loss Account
(Rs. in lacs)

Period ended on	30-06-2005	31-03- 2005	31-03- 2004	31-03 - 2003	31-03- 2002	31-03- 2001
Income						
Sales:	4026.13	13240.28	7379.85	8898.31	7179.79	5641.32
Of products manufactured by the Company	4026.13	13235.60	7379.85	8882.41	7172.54	5638.46
Of products traded by the Company	0.00	4.68	0	15.90	7.25	2.86
Other income	43.24	359.15	376.79	463.93	119.69	235.05
Increase (decrease) in inventory	381.17	357.46	82.94	(15.75)	99.19	120.14
Total Income	4450.55	13956.89	7839.58	9346.49	7398.67	5996.51
Expenditure						
Raw materials & goods consumed	2513.86	7527.74	4518.49	5479.52	4280.63	3485.08
Staff costs	175.73	664.26	542.08	405.37	395.79	315.58
Other Manufacturing expenses	432.11	1671.04	1003.84	835.48	790.73	685.16
Selling & distribution expenses	263.92	855.07	513.52	679.24	347.91	309.87
Interest	82.86	266.45	104.79	134.42	97.32	149.04
Depreciation	179.48	782.70	780.33	373.15	394.25	375.39
Other expenditure	0	0	0	62.32	10.48	32.54
Miscellaneous expenditure written off	0	0	0	0	0	0
Total Expenditure	3647.97	11767.26	7463.05	7969.50	6317.11	5352.66
Net Profit before tax and extraordinary items	802.58	2189.62	376.53	1376.98	1081.56	643.85
Provision for taxation	280.00	761.98	153.45	949.32	440.00	315.00
Net profit after tax & before extraordinary items	522.58	1427.64	223.08	427.67	641.56	328.85
Extraordinary items (net of tax)	0	0	0	0	0	0
Net profit after extraordinary items	522.58	1427.64	223.08	427.67	641.56	328.85
Earlier year adjustments	1.74	0	(9.89)	(12.00)	52.99	0
Appropriations						
Transfer to general reserve	0	150.00	40.00	139.16	125.00	200.00
Proposed dividend	0	150.00	120.00	150.00	420.00	120.00
Tax on proposed dividend	0	19.60	15.38	19.22	42.84	12.24
Balance carried to Balance sheet	1898.57	1377.73	269.70	231.88	124.59	17.88

EVEREST KANTO CYLINDER LIMITED

Annexure II: Statement of Assets & Liabilities

As at	30-06-2005	31-03-2005	31-03-2004	31-03-2003	31-03-2002	31-03-2001
A Assets						
Fixed Assets-gross block	9795.78	9787.54	9191.05	6027.22	6845.27	6710.19
Less: Depreciation	5647.00	5455.07	4770.48	4184.05	4179.82	3717.57
Net Block	4148.78	4332.47	4420.57	1843.17	2665.45	2992.62
Add: Capital Work in Progress	499.89	59.43	8.13	2462.39	0	0
Less: Lease Adjustment	0	0	0	17.95	461.40	430.45
Less: Revaluation Reserve	88.56	101.01	154.51	194.08	257.83	334.29
Net Block after adjustment for Revaluation Reserve	4560.11	4290.89	4274.19	4093.53	1946.22	2227.88
B Investments	209.45	212.61	267.35	48.85	96.38	96.38
C Current assets, loans and advances						
Inventories	4401.07	4003.99	1361.38	1341.68	1320.36	766.11
Receivables	1376.27	1679.17	997.84	1480.28	720.73	1170.41
Cash & bank balances	446.29	364.07	215.94	222.10	113.07	86.94
Other current assets	0	0	0	0	0	0
Loans and advances	3248.73	1713.26	701.56	2295.96	2132.72	1550.34
Total Assets	14241.92	12263.99	7818.26	9482.40	6329.48	5898.06
D Liabilities & Provisions						
Loan funds						
Secured loans	2076.45	3807.50	2342.29	2143.08	969.32	684.33
Unsecured loans	2952.71	1071.19	1158.47	1231.97	1532.29	1434.22
Deferred Tax Liability	269.75	269.75	522.77	409.32	0	0
Current liabilities & provisions						
Sundry liabilities	2848.84	1822.22	808.67	1365.93	298.44	492.55
Provisions	1504.60	1224.60	175.37	1599.22	1043.00	1032.24
E Net worth						
Represented by:						
Shareholders funds						
Share Capital	1200.00	1200.00	600.00	600.00	600.00	600.00
Reserves & surplus	3478.13	2969.74	2365.20	2326.96	2144.26	1989.01
Less: Revaluation Reserve	88.56	101.01	154.51	194.08	257.83	334.29
Reserves (Net of Revaluation Reserve)	3389.57	2868.73	2210.69	2132.88	1886.43	1654.72
Less: miscellaneous expenditure not written off	0	0	0	0	0	0
Total Liabilities	14241.92	12263.99	7818.26	9482.40	6329.48	5898.06

Annexure III: Statement of Cash Flows

		Quarter ended June 05	Year ended March 05	Year ended March 04
		Rs. in Lacs	Rs. in Lacs	Rs. in Lacs
A) CASH FLOW FROM OPERATING ACTIVITIES				
Net profit after Tax & Extraordinary Items		522.58	1,427.64	223.08
Adjustments :				
Depreciation	179.48		782.70	780.33
Profit on Sale of Fixed Assets	–		(26.49)	(5.60)
Loss on sale of Fixed Assets	–		–	–
Loss on sale of Investment	–		0.76	–
Profit on sale of Investment	–		–	(2.05)
Interest Paid	62.89		226.77	97.78
Interest Received	(1.42)		(3.25)	(6.75)
Dividend Received	–		(0.66)	(2.74)
Provision for Tax	280.00		1,015.00	40.00
Deferred Tax	–	520.95	(253.02)	1,741.81
		113.45		1,014.42
OPERATING PROFIT BEFORE WORKING CAPITAL		1,043.53	3,169.45	1,237.50
Adjustments for changes in Working Capital :				
(Increase) / Decrease in Trade & Other Receivables	(507.20)		(1,265.76)	680.01
(Increase) / Decrease in Inventories	(397.08)		(2,642.60)	(19.70)
Increase / (Decrease) in Trade & Other Payables	1,026.62	122.34	1,047.77	(2,860.59)
		(591.10)		69.21
Cash Flow from Operating Activities		1165.87	308.86	1,306.71
Direct Taxes Refund / (Paid)		(809.33)	(462.15)	6.82
Net Cash Flow from Operating Activities		356.54	(153.29)	1,313.53
B) CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets		(448.70)	(799.47)	(988.64)
Sale of Fixed Assets		–	26.56	14.85
Purchase of Investments		–	–	(214.11)
Sale of Investments		3.16	54.64	–
Dividend Received		–	0.66	2.74
Interest Received		1.42	3.25	6.75
Cash Flow from Investing Activities		(444.12)	(714.36)	(1,178.41)
C) CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds From Long Term Borrowings		–	–	463.64
Repayment of Long Term Borrowings		(86.17)	(294.19)	–
Proceeds From Short Term Borrowings		–	1,759.41	–
Repayment of Short Term Borrowings		(1,644.88)	–	(264.42)
Repayment of Unsecured Loans		(62.73)	(87.28)	(73.50)
Proceeds from Unsecured Loans		1,944.25		
Dividend Paid		–	(135.38)	(169.22)
Interest paid		(62.89)	(226.77)	(97.78)
Cash Flow from Financing Activities		87.58	1,015.79	(141.28)
NET INCREASE / (DECREASE) IN CASH & CASH EQ.		82.21	148.14	(6.16)
CASH & CASH EQUIVALENT AS AT 1st APRIL		364.08	215.94	222.10
CASH & CASH EQUIVALENT AS AT 31st MARCH		446.29	364.08	215.94

Note:

1. The above cash flow has been prepared as set out in the accounting standard on “Cash Flow statements (AS-3)” issued by the Institute of Chartered Accountants of India.
2. Previous year’s figures has been rearranged/regrouped wherever necessary.

EVEREST KANTO CYLINDER LIMITED

Annexure IV: Statement of Dividend Paid by The Company

Years	31-03-2005	31-03-2004	31-03-2003	31-03-2002	31-03-2001
Amount	15000000	12000000	15000000	42000000	12000000
Rate	25%	20%	25%	70%	20%
Tax on Dividend	1960500	1537500	1921875	4284000	1224000

Annexure V: Accounting Ratios

(Rs. In lacs)

	30-06-2005	31-03-2005	31-03-2004	31-03-2003	31-03-2002	31-03-2001
Networth (Rs.) (A)	4589.57	4068.73	2810.69	2732.88	2486.43	2254.73
Adjusted Profit after Tax (Rs.) (B)	522.58	1427.64	223.08	427.66	641.56	328.85
No. of Shares outstanding at the end (C)	12000000	12000000	6000000	6000000	6000000	6000000
Weighted average number of shares outstanding (D)	12000000	12000000	12000000	6000000	6000000	6000000
Earnings per Share (EPS) (Rs.) (B/D)	17.43	11.90	1.86	7.13	10.69	5.48
Return on Net worth (%) (B/A)	11.39	35.09	7.94	15.65	25.80	14.58
Net Asset Value per Share (Rs.) (A/C)	38.25	33.91	46.84	45.55	41.44	37.58
Other Ratios						
Cash Earnings per Share (Rs.)	5.84	18.42	16.72	13.35	17.26	11.74

Note : Earning per share is annualized.

Definitions of key ratios: (to be in conformity with the relevant accounting standards)

1. EPS represents basic earnings per share calculated as per Accounting Standard 20 issued by ICAI.
2. Cash EPS represents PAT for the year plus non-cash charges divided by the number of equity shares at the end of the fiscal year. Non-cash charges comprise depreciation, amortisation of business development expenses, loss on sale of fixed assets and loss on sale of investments.
3. Return on Net Worth is arrived at by dividing PAT by total shareholders' funds (Net Worth) at the end of the year.
4. Net Asset value per share, computed as per net equity method, is arrived at as Equity net worth at the end of the year minus miscellaneous expenses not written off and divided by the number of equity shares at the end of the fiscal year.

Annexure VI: Capitalisation Statement

(Rs. in lacs)

	Pre-issue as at 30.06.2005	Pre-issue as at 31.03.2005	Adjusted for the Public Issue
Borrowing			
Short - Term debt	3015.39	2716.03	
Long - term debt	2013.76	2162.67	
Total Debt	5029.15	4878.70	
Shareholders' funds			
Share Capital			
- Equity	1200.00	1200.00	1200.00
Less: Calls- in- arrears	NIL	NIL	NIL
- Preference	NIL	NIL	NIL
Share premium	NIL	NIL	
Reserves & surplus	3389.57	2868.73	
Less: Miscellaneous Expenditure not written off	NIL	NIL	
Total Shareholders Funds	4589.57	4068.73	
Long-term Debt/Equity ratio	0.52	1.20	

Annexure VII: Details of Sundry Debtors

Age-wise analysis of sundry debtors

Age-wise analysis of sundry debtors

Age wise Break-up	Amount (Rs. In lacs)
Less than six months	1293.32
More than six months	82.94
Total	1376.26

Annexure VIII: Details of Loans and Advances

There are no advance given to affiliates / group companies or to those related to promoters / directors in any way.

Certificate regarding quoted investments

Sr. No.	Details of the investment	Aggregate Book value (Rs.)	Aggregate Market value/ quoted value (Rs.)	Diminution in the value (Rs.)
		NIL	NIL	NIL

Annexure IX: Details of Unsecured Loans

The following table represents the break-up of outstanding unsecured loan in respect of the **Everest Kanto Cylinder Limited** as on June 30 2005.

(Rs. in lacs)

Sr. No.	Name of the Lender	Amount	Repayment Schedule	
			Date	Amount
1	Sales Tax Deferment Loan	1008.46	As Per Details	
2	Loans from members & relatives	1944.25		

There is outstanding unsecured loans borrowed from promoters, Members & Relatives as at 30.06.2005.

Annexure X: (i) Details of Secured Loans & Security Offered

Secured Loans as on 30.06.2005

(Rs. in lacs)

1.	From Banks (Note 1)	NIL
2.	Foreign Currency Term Loan from State Bank of Hyderabad (Note 2)	1,005.31
3.	Packing Credit	120.42
4.	Vehicle Loan from Habib Bank-secured by Hypothecation (Note 3)	12.59
5.	Overdraft with National Bank of Fujairah	938.13
TOTAL		2076.45

DETAILS OF SECURITIES OFFERED

- Working capital facilities are secured against Hypothecation of stocks and book debts and also secured by first charge on all fixed assets and personal gurantee of Directors.
- Foreign currency term loan is secured by charge on all the fixed assets of the company in India & Dubai (present & future) paripassu with others lenders of the project. The term loan is also personally guranteed by Shri P.K.Khurana, S.S.Khurana, Pushkar Khurana and Mrs. Suman Khurana
- Vehicle Loan is secured by hypothecation of vehicles.

EVEREST KANTO CYLINDER LIMITED

Secured Loans as on 31.03.2005	(Rs. in lacs)
1. From Banks (Note 1)	1,570.06
2. Foreign Currency Term Loan from State Bank of Hyderabad (Note 2)	1,091.48
3. Packing Credit	121.20
4. Vehicle Loan from Habib Bank-secured by Hypothecation (Note 3)	9.17
5. Overdraft with National Bank of Fujairah	1,015.59
TOTAL	3,807.50

DETAILS OF SECURITIES OFFERED

- On Cash Credit account with State Bank of Hyderabad and ICICI Bank(Secured by Hypothecation of Stocks & Debtors)
- (Term Loan obtained from State Bank of Hyderabad of US\$ 3.3 million for Dubai Project is secured by first charge on all the fixed assets of the company in India and Dubai (present & future) paripassu with other lenders of the project. This term loan is also personally guaranteed by Shri Prem.K.Khurana (Managing Director), Shri S.S.Khurana, Shri Pushkar Khurana and Mrs. Suman Khurana(Directors) (Due within one year US \$ 6,60,000/- , Previous Year: US \$ 1,65,000/-)
- Vehicle loan from Habib Bank, Dubai is secured by Hypothecation of vehicles

Secured Loans as on 31.03.2004	(Rs. in lacs)
1. From Banks (Note 1)	943.46
2. Foreign Currency Term Loan from State Bank of Hyderabad (Note 2)	1385.67
3. Vehicle Loan from Habib Bank-secured by Hypothecation (Note 3)	13.16
TOTAL	2,342.29

DETAILS OF SECURITIES OFFERED

- On Cash Credit account with State Bank of Hyderabad and ICICI Bank (Secured by Hypothecation of Stocks & Debtors)
- (Term Loan obtained from State Bank of Hyderabad of US\$ 3.3 million for Dubai Project is secured by first charge on all the fixed assets of the company in India and Dubai (present & future) paripassu with other lenders of the project. This term loan is also personally guaranteed by Shri Prem.K.Khurana (Managing Director), Shri S.S.Khurana, Shri Pushkar Khurana and Mrs. Suman Khurana (Directors) (Due within one year US \$ 6,60,000/- , Previous Year: US \$ 1,65,000/-)
- Vehicle loan from Habib Bank, Dubai is secured by Hypothecation of vehicles

Secured Loans as on 31.03.2003	(Rs. in lacs)
1. From Banks (Note 1)	1220.15
2. Foreign Currency Term Loan from State Bank of Hyderabad (Note 2)	922.03
3. Packing Credit	0.89
TOTAL	2,143.07

DETAILS OF SECURITIES OFFERED

- On Cash Credit account with State Bank of Hyderabad and ICICI Bank(Secured by Hypothecation of Stocks & Debtors)
- (Term Loan obtained from State Bank of Hyderabad of US\$ 3.3 million for Dubai Project is secured by first charge on all the fixed assets of the company in India and Dubai (present & future) paripassu with other lenders of the project. This term loan is also personally guaranteed by Shri Prem.K.Khurana (Managing Director), Shri S.S.Khurana, Shri Pushkar Khurana and Mrs. Suman Khurana(Directors) (Due within one year approximately Rs. 78 Lacs, Previous Year :N.A)

Annexure X: (ii) Related Party Transactions

Sr no.	Name of the party	Relationship	Nature of transaction	30.06.2005	31.03.2005	31.03.2004	31.03.2003
1	Prem Kumar Khurana	Managing Director	Directors Remuneration	600,000	2,400,000	2,400,000	2,400,000
			H.R.A	240,000	960,000	960,000	960,000
			P.F., E.P.F. etc.	72,000	288,000	288,000	288,000
			Commission	–	4,629,119	–	–
			Perquisites	4,800	19,200	19,200	19,200
			Car lease rent	234,000	457,952	72,000	181,390
			Godown rent	–	36,000	36,000	36,000
			Loan taken	16,033,000	407,497,000	543,164,000	212,549,668
			Interest on loan	2,100,616	3,499,987	3,018,100	11,649,668
2	Shyam Sunder Khurana	Director	Directors Remuneration	180,000	720,000	720,000	720,000
			H.R.A	72,000	288,000	288,000	288,000
			P.F., E.P.F. etc.	21,600	86,400	86,400	86,400
			Loan taken	16,033,000	13,974,000	9,110,000	–
			Interest on loan	342,645	960,740	241,441	–
3	Pushkar Khurana	Director	Directors Remuneration	889,902	3,669,638	2,474,558	400,000
			H.R.A	–	–	–	160,000
			P.F., E.P.F. etc.	–	–	–	48,000
			Perquisites	314,432	1,173,938	803,586	6,400
			Office rent	–	–	–	27,600
			Loan taken	3,393,000	2,745,000	1,177,000	–
			Interest on loan	73,332	110,032	46,294	–
4	Vandana Khurana	Relative	Loan taken	7,880,000	7,377,000	6,674,000	–
			Interest on loan	174,183	560,287	57,089	–
5	Puneet Khurana	Director	Directors Remuneration	150,000	600,000	600,000	600,000
			H.R.A	–	160,000	240,000	240,000
			P.F., E.P.F etc.	18,000	72,000	72,000	72,000
			Office rent	–	–	–	19,200
			Perquisites	8,550	79,200	19,200	36,480
			Loan taken	7,250,000	7,355,000	5,817,000	–
			Interest on loan	121,014	96,817	73,043	–
6	Pooja Khurana	Relative	Loan taken	1,020,000	979,000	930,000	–
			Interest on loan	22,636	74,713	5,105	–
7	MS. Parul Khurana	Relative	Loan taken	–	–	279,000	2,500,000
			Interest on loan	–	–	227,410	89,589
8	P.K.Khurana & Sons (huf)	Relative	Loan taken	13,450,000	13,075,000	–	–
			Interest on loan	288,530	386,956	–	–
9	Mr. Varun Khurana	Relative	Loan taken	12,140,000	11,255,000	9,904,000	4,000,000
			Interest on loan	252,345	851,944	448,281	143,342
10	Mrs Nishita Khurana	Relative	Loan taken	2,225,000	2,105,000	2,000,000	1,930,000
			Interest on loan	49,377	127,298	175,441	69,163
11	Suman Khurana	Director	Loan taken	12,540,000	39,080,000	76,905,000	–
			Interest on loan	272,288	607,865	768,423	–
12	M/s. Apsara Metalica	Associates	Office rent	–	–	–	100,000

EVEREST KANTO CYLINDER LIMITED

Sr no.	Name of the party	Relationship	Nature of transaction	30.06.2005	31.03.2005	31.03.2004	31.03.2003
13	M/s Khurana Educational Trust	Associates	Donation	–	–	2,000,000	–
14	M/s Khurana Charitable Trust	Associates	Donation	–	2,200,000	–	2,000,000
15	M/s. Medical Engg. (I) Pvt. Ltd.	Associates	Purchase	55,067	4,844,223	348,158	1,485,226
			Cylinder hire charges	–	59,613	48,015	74,159
			Cylinder lease rent	–	–	–	309,980
			Sale of cylinders	–	–	–	8,083,182
			Trading purchase	–	–	8,320	–
16	M/s. Everest Kanto Investment & Finance Ltd.	Associates	Car Insurance	48,764	48,764	627	7,937
			Car lease rent	67,500	379,119	74,410	798,356
			Office rent	450,000	1,800,000	1,800,000	2,475,000
			Electricity charges	32,491	446,273	558,860	523,047
			Office maintenance	–	250,784	25,074	250,784
17	M/s Khurana Gases P Ltd	Associates	Telephone charges	30,789	182,470	160,798	60,939
18	M/s Khurana Export P Ltd	Associates	other rent	360,000	560,000	120,000	120,000
			Sale of assets	–	–	–	4,846,200

SCHEDULE – S

NOTES FORMING PART OF ACCOUNTS FOR THE PERIOD ENDED 30-6-2005

I. Significant Accounting Policies :

A. Basis of preparation of financial statements :

The financial statements are prepared under the historical cost convention on going concern basis and are in accordance with the generally accepted accounting principles. The Company follows the mercantile system of accounting and recognises Income and Expenditure on accrual basis except for the following :

- i) Insurance claims are accounted as and when the claims are received.
- ii) Dividend income is accounted on receipt basis.

B. Recognition of Income and Expenditure :

- i) Sales are recognised on the basis of dispatches to the customers. Sales does not include sales tax.
- ii) Liability on account of Excise duty in respect of goods manufactured is accounted on the basis of removal of goods from the place of manufacture/Bonded warehouse for sale etc.

C. Retirement Benefits:

Contribution to Provident Funds/Employees Pension Scheme and Superannuation Funds are accounted on accrual basis. The liability of gratuity & Superannuation to employees is covered under the group Gratuity scheme with the Life Insurance Corporation Of India. The annual premium is debited to Profit & Loss account.

D. Foreign Currency Transaction

- i) Exchange difference arising on transactions related to Purchases, Sales and Stores are charged to the Profit & Loss A/c. under the head “Foreign Exchange Fluctuation” A/c.
- ii) In respect of overseas contracts, the transactions are accounted as per Accounting Standard issued by the council of Institute of Chartered Accountants of India. Gain or Loss arising out of translation/conversion is taken credit for or charged to Profit & Loss Account.

E. Fixed Assets and Depreciation:

- i) Certain assets were revalued on 1.4.94 and are stated at revalued figures.
- ii) The “gross block” of Fixed Assets is shown at the cost of acquisition which includes taxes, duties (net of MODVAT availed) plus attributable cost of bringing assets to their present location and in such working condition as is required for its intended use.
- iii) Exchange difference arising on payment of liabilities incurred for the purpose of acquiring fixed assets is adjusted in the carrying amount of the respective fixed assets at the balance-sheet date.
- iv) Depreciation :
In case of assets acquired prior to 31.03.91, depreciation is provided on WDV at the rates prescribed in Schedule XIV to the Companies Act, 1956. In case of assets acquired after 31.03.91, depreciation is provided on WDV basis, except on Plant & Machinery, Factory Building, Gas Cylinders and Electrical Installation which are depreciated on SLM basis, at the rates prescribed under Schedule XIV to the Companies Act, 1956. However depreciation for dubai unit is provided on WDV basis at the rates prescribed under Schedule XIV to the Companies Act, 1956
- v) No depreciation is provided on land.
- vi) Depreciation on additions made to assets during the year has been provided on pro-rata basis, from the date of addition.
- vii) Depreciation on assets sold during the year is provided till the date of such sale.
- viii) Depreciation on Revalued Assets:
The revaluation of certain assets had been given effect as from 31.03.94. The depreciation on those assets has been charged on W.D.V/S.L.M as the case may be on revalued amounts. However the depreciation related to the amounts increased on account of revaluation is recouped from Revaluation Reserve Account.

F. Investments :

Investments are stated at cost.

EVEREST KANTO CYLINDER LIMITED

G. Inventories :

Inventories are valued as prescribed in AS-2 issued by ICAI.

Raw materials At cost or net realisable value whichever is lower.

Finished goods At cost or Net realisable value whichever is lower.

W.I.P. At raw material cost plus factory overheads.

Fuel & Gas At cost

Scrap At Net Realisable Value

H. Stores, Spares & Consumables :

i) Stores & spares are charged to revenue in the year of purchase.

ii) Consumables are charged to revenue on actual consumption basis .

I. Taxes On Income :

Current Tax : Provision for income Tax is determined in accordance with the Provisions of the Income Tax Act, 1961

Deferred Tax Provision : Deferred Tax is recognized on timing difference between taxable income and accounting income that originated in one period and are capable of reversal in one or more subsequent period(s). however the provision for the same will be at the year end.

J. Research and Development :

The Company does not have a Separate Research and Development Division and has not incurred any expenditure on the same.

K. Sales Tax Loan :

Sales Tax deferment Loan is adjusted as per the assessment orders received from the Sales-Tax department.

L. Use of Estimates :-

The presentation of financial statements require estimate and assumptions to be made that effect the reported amount of assets and liabilities on the date of the financial statement and the reported amount of revenues and expenses during reporting period. Difference between the actual result and estimate are recognised in the period in the period in which the results are known/materialized.

M. Borrowing Cost

Borrowing cost incurred in relation to the acquisition ,consutruction of Assets are capitalized as the part of the cost of such assets upto the date when such assets are ready for intended use. Other borrowing costs are charged as expense in the year in which these are incurred.

II. Notes to Accounts

1. Contingent liabilities not provided for in respect of :

(Rs. In lacs)

	As at 30/06/2005	As at 31/03/2005
Outstanding letters of Credit and Guarantees issued by bank	635.57	393.03
Uncalled liability on shares/ partly paidup	0.75	0.75

2. Payment/Provision for Auditors Remuneration :

(Rs. In lacs)

	30/06/2005	2004-05
Audit fees	0.70	1.75
In other capacity		
For Tax Audit	0.05	0.20
For Other Services	0.07	0.30
Service Tax	0.08	0.23
	0.90	2.48

(Fees for other services include fees for services relating to taxation matters, certification work and other matters, if any)

3. Employee's Remuneration include the following payments made to the Directors :

(Rs. In lacs)

	30/06/2005	2004-05
Basic Remuneration	18.19	77.57
Contribution to Provident Fund	1.06	4.90
H.R.A	3.12	14.08
Other Perquisites	3.28	12.72
Commission to Managing Director	–	46.29
Total	25.65	155.56

4. Sundry Debtors includes the following amounts :

(Rs. In lacs)

	As at 30/06/2005	Maximum Amount during the year
due from a firm in which director is interested	Nil (Nil)	Nil (Nil)
due from the companies in which some directors are directors.	Nil (Nil)	86.16 (Nil)

5. Excise duty on finished goods not cleared from the factory has not been provided for as the same is payable at the time of actual clearance. Such excise duty payable on goods awaiting clearance from the factory is estimated at Rs.18,62,462/- (Previous year Rs.17,21,487/-).

6. Related Parties Disclosures

A) Particulars of Subsidiary/ Associate Companies

Name of the Related Party

Everest Kanto Investment & Finance Ltd.
 Khurana Gases P.ltd.
 Medical Engineers(i) P.ltd.
 Khurana Fabrication P.ltd.
 Khurana Exports P.ltd.
 Everest Industrial Gases P.ltd.
 Khurana Charitable Trust
 Khurana Education Trust

B) Key Management Personnel & Their Relatives

Nature of the Related Party	Nature of Relationship
Prem Kumar Khurana	Managing Director
Pushkar Khurana	Director
Puneet Khurana	Director
Shyam Sunder Khurana	Director
Suman Khurana	Director
Pramod Samvatsar	Director
Pooja Khurana	Relative Of Director
Nishita Khurana	Relative Of Director
Vanadana Khurana	Relative Of Director
Parul Khurana	Relative Of Director
Varun Khurana	Relative Of Director

EVEREST KANTO CYLINDER LIMITED

Related Parties Disclosure

Sr No	Name of the Party	Relationship	Nature of Transaction	Amount
1	Prem Kumar Khurana	Managing Director	Directors Remuneration	600000
			H.R.A	240000
			P.F., E.P.F etc.	72000
			Commission	
			Perquisites	4800
			Car Lease Rent	234000
			Loan taken	16033000
			Interest on Loan	2100616
2	Shyam Sunder Khurana	Director	Directors Remuneration	180000
			H.R.A	72000
			P.F., E.P.F etc.	21600
			Loan taken	16033000
			Interest on Loan	342645
3	Pushkar Khurana	Director	Directors Remuneration	889902
			Perquisites	314432
			Loan Taken	3393000
			Interest on Loan	73332
4	Vandana Khurana	Relative	Loan Taken	7880000
			Interest on Loan	174183
5	Puneet Khurana	Director	Directors Remuneration	150000
			H.R.A	Nil
			P.F., E.P.F etc.	18000
			Perquisites	8550
			Loan Taken	7250000
			Interest on Loan	121014
6	Pooja Khurana	Relative	Loan taken	1020000
			Interest on Loan	22636
7	P.K.Khurana & Sons (Huf)	Relative	Loan taken	13450000
			Interest on Loan	288530
8	Mr Varun Khurana	Relative	Loan taken	12140000
			Interest on Loan	252345
9	Mrs Nishita Khurana	Relative	Loan taken	2225000
			Interest on Loan	49377
10	Suman Khurana	Director	Loan taken	12540000
			Interest on Loan	272288
11	M/S Khurana Charitable Trust	Associates	Donation	Nil
12	M/S. Medical Engg. (I) Pvt. Ltd.	Associates	Purchase Cylinder Hire Charges	55067
13	M/S. Everest Kanto Investment & Finance Ltd.	Associates	Car Insurance	48764
			Car Lease Rent	67500
			Office Rent	450000
			Electricity Charges	32491
			Office Maintenance	
14	M/S Khurana Gases P Ltd	Associates	Telephone Charges	30789
15	M/S Khurana Export P Ltd	Associates	Other Rent	360000

7. Earnings per Share (EPS)

(Rs. Crore)

	30.06.2005	2004-05
Net Profit as per Profit & Loss Account available For Equity Shareholders	5.23	14.04
No of Equity Shares	1,20,00,000	1,20,00,000
Earnings per Share		
Basic	17.43	11.90
Diluted	17.43	11.90

Earning Per share is annualized for the quarter ending 30-6-2005

8. Additional information in pursuant to Provisions of Paragraphs 3(i)(a), 3(ii)(a), 4(c) and 4(d) of Part II of the schedule VI to the companies Act,1956.

A) Manufacturing Operations (Gas cylinders) :

	2004-05 (Nos. p.a)	2003-04 (Nos. p.a)
Licence Capacity (Nos.)	3,66,000	3,66,000
Installed capacity (Nos.)	3,66,000	3,66,000
Actual Production (Nos.)	71,988	3,14,523

* Installed capacity is as certified by directors.

B) Opening stock, Sales, Closing stock in respect of goods produced by company.

Class of Goods	Year/period Ending	Opening Stock (Nos.)	Value in Lacs (Rs.)	Sales (Nos.)	Value in Lacs (Rs.)	Closing Stock (Nos.)	Value in Lacs (Rs.)
Gas Cyls	30-06-2005	7488	393.48	72181	4026.13	7295	430.90
	31-03-2005	2995	57.41	310030	13235.59	7488	393.48

Includes NIL cylinders leased out (Previous year: NIL nos)

C) Break-up of Raw Materials Consumed :

	2004 - 05		30-06-2005	
	Qty. MTs.	Value Rs. In Lacs	Qty. MTs.	Value Rs. In Lacs
Seamless Tubes with Incidental Cost	13177.45	6285.02	3208.57	2349.23
Others	—	1239.71	—	164.43
		7524.73		2513.86

D) Details of Imported & Indigenous Raw materials & Components

	2004 - 05		30-06-2005	
	%	Value Rs. In Lacs	%	Value Rs. In Lacs
Imported	90 %	7530.65	91%	2222.79
Indigenous	10%	832.15	9%	167.12
Total		8362.80		2389.91

EVEREST KANTO CYLINDER LIMITED

9. Information Regarding Imports, exports & other matters

	2004-2005 Rs.in lacs	30-06-2005 Rs. in lacs
A) C.I.F. value of Imports :		
Raw Materials	7217.76	2158.08
Components	216.30	64.72
B) Earnings in foreign exchange		
F.O.B. Value of exports		
from India	1501.01	274.60
from dubai	3102.93	1731.23
Total	4603.94	2005.83
C) Expenditure in foreign currency		
i) Travelling	41.11	10.65
ii) Commission	56.76	25.52
Total	97.87	36.17

10. Deferred Tax Liability will be provided at the end of year.

11. Previous year figures have been regrouped, rearranged and recasted wherever necessary.

As per our report of even date

C. D. Pasad & Co.
Chartered Accountants
(By R.D.Pasad, Partner)

For & on behalf of the board

1. Shri P. K. Khurana
(Managing Director)

2. Shri Puneet Khurana
(Director)

Place : Mumbai

Dated : October 5, 2005

Place : Mumbai

Dated : October 5, 2005

FINANCIAL INFORMATION OF GROUP COMPANIES

None of the group companies of Everest Kanto Cylinder Limited are listed on any Stock Exchange.

1. MEDICAL ENGINEERS (INDIA) PVT. LTD.

Medical Engineers (India) Pvt. Ltd. is a company incorporated under the Companies Act. The date of incorporation is September 23, 1974. The company is in the business of selling & manufacturing of Medical & scientific equipment & instrument at New Delhi(assembling) and & selling and buying of high pressure gas cylinders at Mumbai.Presently, there are no owned manufacturing facility and the company is involved in assembling of equipments .

Board of Directors

The Board of Directors of the Company as on July 31, 2005 comprises:

1. Mr. P. K. Khurana
2. Mr. S. S. Khurana
3. Mr. Varun Khurana

Shareholding Pattern

The shareholding pattern of the company as on July 31, 2005

Name of the Promoter Group Members	Number of equity Share held	%Shareholding
Mr Shyam Sunder Khurana	7665	33.33 %
Ms.Suman Khurana	475	2.07 %
Mr Prem.K.Khurana	3710	16.13 %
Mr Pushkar Khurana	6700	29.13 %
Mr Puneet Khurana	1180	5.13 %
P.K.Khurana & sons (HUF)	10	0.04 %
Ms. Vandana Khurana	1750	7.61 %
Mr Varun Khurana	1510	6.56 %
Total	23000	100.00 %

Brief Financials

The brief financials results of Medical Engineers (India) Pvt. Limited are set out below:

(Rs. in Lacs)

Particulars	For the year ended March 31		
	2003	2004	2005
Sales	1289.00	795.00	754.44
Other Income	92.93	43.24	22.78
PBIDT	130.00	32.41	68.33
PBT	106.46	25.30	58.40
PAT	67.40	20.04	39.76
Share Capital	23.00	23.00	23.00
Reserves & Surplus	196.21	219.55	419.78
Net Worth	219.21	242.55	442.78
EPS (Rs.)	293.06	87.12	172.88
Book Value per share (Rs.)	953.17	1054.57	1925.13
Debt Equity Ratio	0.03	0.19	0.02
Dividend	Nil	Nil	Nil

EVEREST KANTO CYLINDER LIMITED

2. KHURANA GASES PVT. LTD.

Khurana Gases Pvt. Ltd. is a company incorporated under the Companies Act. The date of incorporation is November 5, 1981. The Company has been set up for engaged in the business of manufacturing, selling & carrying on business of medical gases such as purified Oxygen, industrial gases like Oxygen, Acetylene, Argon, Nitrogen, Hydrogen, Carbon Dioxide, Nitrogen, Oxide, Freon, domestic gases, & kindred substance or any compounds thereof in gas & liquid. Presently, there is no owned manufacturing facility. Currently they are involved in trading of cylinders.

Board of Directors

The Board of Directors of the Company as on July 31, 2005 comprises:

1. Mr. Prem.K. Khurana
2. Ms. Suman Khurana
3. Mr. Pushkar Khurana
4. Mr. S.S.Khurana

Shareholding Pattern

The shareholding pattern of the company as on July 31, 2005

Name of the Promoter Group Members	Number of equity Share held	%Shareholding
Mr Prem.K.Khurana	2,53,000	50.60 %
Ms. Suman Khurana	1,10,000	22.00 %
Mr S.S Khurana	1,14,000	22.80 %
Everest Industrial Gases Ltd.	2,000	0.40 %
P.K Khurana & Sons HUF	10,000	2.00 %
Mr Dharampal Khurana	10,000	2.00 %
Mr Varun Khurana	1,000	0.20 %
Total	5,00,000	100.00 %

Brief Financials

The brief financials results of Khurana Gases Pvt. Limited are set out below:

(Rs. in Lacs)

Particulars	For the year ended March 31		
	2003	2004	2005
Sales	35.53	8.30	3.81
Other Income	42.26	60.72	71.40
PBIDT	28.34	48.86	61.17
PBT	0.40	23.73	61.13
PAT	0.46	1.84	51.64
Share Capital	50.00	50.00	50.00
Reserves & Surplus	181.46	183.30	256.04
Net Worth	231.46	233.30	306.03
EPS (Rs.)	0.08	0.37	10.33
Book Value per share (Rs.)	46.29	46.66	61.21
Debt Equity Ratio	0.00	0.10	0.00
Dividend	6.41	Nil	Nil

3. KHURANA EXPORTS PVT. LTD.

Khurana Exports Pvt. Limited is a company incorporated under the Companies Act. The date of incorporation is March 16, 1982. The Company has been set up for engaged in the business of buying, selling, bartering, exchanging, distributing, treating, repairing, dealing and export and import of engineering goods.

Board of Directors

The Board of Directors of the Company as on July 31, 2005 comprises:

1. Mr. P. K. Khurana
2. Ms. Suman Khurana
3. Mr. Puneet Khurana

Shareholding Pattern

The shareholding pattern of the company as on July 31, 2005

Name of the Promoter Group Members	Number of equity Share held	%Shareholding
K.G.P.L.	5,000	0.16 %
P.K.Khurana & Sons HUF	2,000	0.07 %
Mr Prem.K.Khurana	10,39,900	34.10 %
Ms. Suman Khurana	10,01,000	32.82 %
Mr Puneet Khurana	10,00,100	32.79 %
Mr Laxmidas Mrug	1,000	0.03 %
Mr S.S.Khurana	1,000	0.03 %
Total	30,50,000	100.00 %

Brief Financials

The brief financials results of Khurana Exports Pvt. Limited are set out below:

(Rs. in Lacs)

Particulars	For the year ended March 31		
	2003	2004	2005
Sales	NIL	NIL	NIL
Other Income	0.80	4.34	7.98
PBIDT	0.40	(0.06)	1.45
PBT	0.40	(14.97)	(8.03)
PAT	0.25	(14.97)	(8.15)
Share Capital	1.02	1.02	305.00
Reserves & Surplus	0.82	0.00	0.00
Net Worth	1.84	1.02	305.00
EPS (Rs.)	2.44	(146.81)	(0.27)
Book Value per share (Rs.)	18.08	10.00	10.00
Debt Equity Ratio	0.99	0.99	0.43
Dividend	Nil	Nil	Nil

4. KHURANA FABRICATION INDUSTRIES PVT. LTD.

Khurana Fabrication Industries Pvt. Limited is a company incorporated under the Companies Act. The date of incorporation is November 13, 1981. The Company has been set up for engaged is involved in the business as fabricators, designer, erectors, assembles and repairs and dealer on piping, steam air, thermic fluid, gas and water piping, pipe line, storage tanks.

EVEREST KANTO CYLINDER LIMITED

Board of Directors

The Board of Directors of the Company as on July 31, 2005 comprises:

1. Mr. P. K. Khurana
2. Mr. S.S. Khurana

Shareholding Pattern

The shareholding pattern of the company as on July 31, 2005

Name of the Promoter Group Members	Number of equity Share held	%Shareholding
Mr Prem.K.Khurana	6,200	62.00 %
Mr S.S.Khurana	3,700	37.00 %
Mr Chetan Mehra	100	1.00 %
Total	10,000	100.00 %

Brief Financials

The brief financials results of Khurana Fabrication Industries Pvt. Limited are set out below:

(Rs. in Lacs)

Particulars	For the year ended March 31		
	2003	2004	2005
Sales	NIL	NIL	NIL
Other Income	0.03	0.06	0.06
PBIDT	0.00	0.00	0.00
PBT	0.00	0.00	0.00
PAT	(0.04)	(0.08)	0.00
Share Capital	1.00	1.00	1.00
Reserves & Surplus	0.33	0.25	0.27
Net Worth	1.33	1.25	1.27
EPS (Rs.)	(0.36)	(0.80)	0.21
Book Value per share (Rs.)	13.32	12.52	12.73
Debt Equity Ratio	Nil	Nil	Nil
Dividend	Nil	Nil	Nil

5. EVEREST INDUSTRIAL GASES PVT. LTD.

Everest Industrial Gases Pvt. Ltd. is a company incorporated under the Companies Act. The date of incorporation is November 11, 1981. The Company manufactures, sells and carries on the business of industrial gases such as Oxygen, Acetylene, Argon, Nitrogen, Hydrogen, Carbon Dioxide, Nitrous Oxide, Freon, domestic gases and kindred substances or any compound thereof in gas and liquid.

Board of Directors

The Board of Directors of the Company as on July 31, 2005 comprises:

1. Mr. P. K. Khurana
2. Mr. Puneet Khurana
3. Mr. Pushkar Khurana

Shareholding Pattern

The shareholding pattern of the company as on July 31, 2005

Name of the Promoter Group Members	Number of equity Share held	%Shareholding
Mr Prem.K.Khurana	60,000	60.00 %
Ms. Suman Khurana	5,000	5.00 %
Mr Shyam Sunder Khurana	5,000	5.00 %
Everest Kanto Investment & Finance Ltd	10,000	10.00 %
Khurana Gases P.Ltd	10,000	10.00 %
Everest Kanto Cylinders Ltd.	10,000	10.00 %
Total	100,000	100.00 %

Brief Financials

The brief financials results of Everest Industrial Gases Pvt. Limited are set out below:

(Rs. in Lacs)

Particulars	For the year ended March 31		
	2003	2004	2005
Sales	NIL	NIL	NIL
Other Income	0.12	0.44	0.60
PBIDT	0.00	0.00	0.44
PBT	0.03	0.20	0.44
PAT	0.03	0.12	0.26
Share Capital	2.52	2.52	2.52
Reserves & Surplus	0.46	0.57	0.83
Net Worth	2.98	3.09	3.35
EPS (Rs.)	0.15	0.48	0.26
Book Value per share (Rs.)	2.98	3.09	3.35
Debt Equity Ratio	Nil	Nil	Nil
Dividend	Nil	Nil	Nil

6. EVEREST KANTO INVESTMENT & FINANCE LTD.

Everest Kanto Investment & Finance Limited. is a company incorporated under the Companies Act. The date of incorporation is December 3, 1992 The Company carries has been set up for engaged on the business of an Investment Company and invests in, and acquires and holds, sells, buys or otherwise deals in shares, debentures, debentures stock, bonds, units, Obligations & securities issued or guaranteed by any company, corporation, firm or person whether incorporated or established in India or elsewhere.

Board of Directors

The Board of Directors of the Company as on July 31, 2005 comprises:

1. Mr. P. K. Khurana
2. Mr. S.S. Khurana
3. Mr. Puneet Khurana
4. Mr. Pushkar Khurana

EVEREST KANTO CYLINDER LIMITED

Shareholding Pattern

The shareholding pattern of the company as on July 31, 2005

Name of the Promoter Group Members	Number of equity Share held	%Shareholding
Mr Prem.K.Khurana	1,03,500	25.87 %
Ms. Suman Khurana	20,100	5.02 %
Mr S.S.Khurana	62,700	15.68 %
Vandana Khurana	40,000	10.00 %
Everest Kanto Cylinders Ltd.	92,000	23.00 %
M.E.L	80,000	20.00 %
Mr Pushkar Khurana	100	0.02%
Mr Puneet Khurana	100	0.02%
Ms. Nishita Khurana	500	0.13%
Mr Varun Khurana	500	0.13%
Mr Parul Khurana	500	0.13%
Total	4,00,000	100.00 %

Brief Financials

The brief financials results of Everest Kanto Investment & Finance Limited are set out below:

(Rs. in Lacs)

Particulars	For the year ended March 31		
	2003	2004	2005
Sales	10.32	21.30	14.69
Other Income	66.84	36.76	26.53
PBIDT	74.56	40.21	28.32
PBT	54.77	21.66	17.41
PAT	(10.70)	8.24	13.67
Share Capital	40.00	40.00	40.00
Reserves & Surplus	Nil	8.24	21.91
Net Worth	40.00	48.24	61.91
EPS (Rs.)	2.68	2.06	5.47
Book Value per share (Rs.)	10.00	12.06	15.47
Debt Equity Ratio	0.79	0.68	0.60
Dividend	Nil	Nil	Nil

7. KHURANA CHARITABLE TRUST

Khurana Charitable Trust is a trust incorporated under the Indian Trust Act, 1882. The date of incorporation is August 30, 1982. The trust has been set for

- the advancement and propagation of education
- giving medical relief (in cash or in kind) for the establishment, maintenance and support of institutions and provide fund for medical relief such as hospitals, dispensaries or the like.

Board of Trustees

The trustees as on July 31, 2005 comprises:

1. Mr. P. K. Khurana
2. Ms. Suman Khurana
3. Mr. S.S. Khurana

Brief Financials

The brief financials results of Khurana Charitable Trust are set out below:

(Rs. in Lacs)

Particulars	For the year ended March 31		
	2003	2004	2005
Income	13.65	13.31	14.15
Expenses	14.24	0.37	6.69
Surplus/(Deficit)	(0.59)	12.94	7.45
Trust Fund	128.44	154.59	219.83

8. KHURANA EDUCATIONAL TRUST

Khurana Educational Trust is a trust incorporated under the Indian Trust Act, 1882. The date of incorporation is January 4, 1996. The trust has been set for

- Paying school fees, college fees and expenditure for books, tools etc. to needy students.
- Establishment, maintenance and support of studentship and scholarship for poor, needy and deserving students and scholars of the schools, colleges, universities and other educational, technical and research institutions

Board of Trustee

The Trustees as on July 31, 2005 comprises:

1. Mr. P. K. Khurana
2. Mr. Suman Khurana
3. Mr. S.S. Khurana
4. Mr. Pushkar Khurana

Brief Financials

The brief financials results of Khurana Educational Trust are set out below:

(Rs. in Lacs)

Particulars	For the year ended March 31		
	2003	2004	2005
Income	15.65	16.71	15.12
Expenses	14.31	0.25	0.44
Surplus/(Deficit)	1.34	16.46	14.68
Trust Fund	185.72	185.72	144.59

9. APSARA METALICA INDUSTRY

Apsara Metalica Industry is a partnership concern, which commenced its activity on April 1, 1996. The activities of the concern include manufacture, purchase and sale of metallic yarn and covering yarn or any other business for the establishment of a business center.

Partners

The Partners of the concern as on July 31, 2005 are:

	Partners	Share in Partnership
1.	Mr. P. K. Khurana	40%
2.	Mr. Pushkar Khurana	30%
3.	Mr. Puneet Khurana	30%

EVEREST KANTO CYLINDER LIMITED

Brief Financials

The brief financials results of Apsara Metallica Industry are set out below:

(Rs. in Lacs)

Particulars	For the year ended March 31		
	2003	2004	2005
Sales	0.63	–	–
Other Income	12.18	27.10	18.36
Expenses	3.87	1.73	1.16
Profit/Loss	8.94	25.37	27.19
Capital account	150.57	179.68	175.80

10. INDUSTRIAL GASES CORPORATION

Industrial Gases Corporation is a proprietorship concern set up in 1985. The concern is in the business of buying and selling of cylinders.

P.K.Khurana & Sons (HUF) is the sole proprietor of the concern

Brief Financials

The brief financials results of Industrial Gases Corporation are set out below:

(Rs. in Lacs)

Particulars	For the year ended March 31		
	2003	2004	2005
Other Income	0.60	19.29	0.01
Expense	0.46	0.72	0.01
Profit/Loss	0.14	18.57	(0.01)
Capital Account	1.70	1.40	0.85

11. P.K.KHURANA & SONS (HUF)

The HUF was formed on July 17,1972.

The members of the HUF are

1. Mr. P. K. Khurana (Karta)
2. Mr. Puneet Khurana
3. Mr. Pushkar Khurana

Brief Financials

The brief financials results of P.K.Khurana & Sons (HUF) are set out below:

(Rs. in Lacs)

Particulars	For the year ended March 31		
	2003	2004	2005
Other Income	8.53	39.59	33.13
Expenses	0.00	14.88	0.31
Profit/Loss	8.53	24.71	32.82
Capital Account	262.48	283.21	308.37

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(All the figures used in this section, unless stated otherwise, have been derived from the unconsolidated financial statements of Everest Kanto Cylinder Limited)

Overview of the business of the Company:

The principal business of the company is manufacture of high-pressure cylinders from Seamless Steel Tubes. The company makes a wide variety of such cylinders with different specifications applicable for variety of purposes. Some of them are as follows:

- i) High Pressure Seamless Industrial Cylinders
- ii) High Pressure Seamless CNG Cylinders
- iii) High Pressure CNG Cylinder Cascades

Significant developments subsequent to the last financial year

There have been no circumstances other than those mentioned below, since the date on which the last financial statement was made, which materially and adversely affect or is likely to affect the profitability of the company, the value of the assets of the company or company's ability to pay its liability within the next twelve months.

- Decision to set up a new manufacturing plant at Varsana, Taluka Anjar, Gandhidham, Gujarat
- Entering into a joint venture with Cangzhou Gas Corporation for producing and selling high pressure gas cylinders in China.
- Entering into an MoU with Jahad Tahghighat Group for setting up a CNG cylinder manufacturing plant in Iran. The company was supposed to have entered into a Joint Venture agreement with the group by July, 15, 2005. However, as the same has not been done, the entire MoU will have to be revised.

Factors that may affect results of the Operations

- Entry of other players or significant improvement in the functioning of existing players
- Any change in Government rules and regulations relating to the industry
- Changes in the regulations and technical specifications in other countries
- Emergence of new competitive products and newer techniques

Discussion on Results of Operations:

A summary of past financial results for based on the restated accounts are given below:

A summary of past financial results

(Rs. In lacs)

	30/06/2005	31-03-05	31-03-04	31-03-03	31-03-02	31-03-01
Income						
Operational income	4026.13	13,240.28	7,379.85	8,898.31	7,179.79	5,641.32
Other income	43.24	359.15	376.79	463.93	119.69	235.05
Increase (decrease) in inventory	381.17	357.46	82.94	(15.75)	99.19	120.14
Total Income	4450.55	13,956.89	7,839.58	9,346.49	7,398.67	5,996.51
Expenditure						
Cost of Raw Material Consumed	2513.86	7,527.74	4,518.49	5,479.52	4,280.63	3,485.08
Operational expenses	432.11	1,671.04	1,003.84	835.48	790.73	685.16
Personnel Expenses	175.73	664.26	457.22	324.02	303.32	257.45
Administrative, Selling & distribution Expenses	263.92	855.07	598.38	760.59	440.38	368.00
Other Expenditure	0	—	—	62.32	10.48	32.54
Total Expenditure	3385.62	10,718.11	6,577.93	7,461.93	5,825.54	4,828.23
EBIDTA	1064.93	3,238.78	1,261.65	1,884.56	1,573.13	1,168.28
Interest & financial Charges	82.86	266.45	104.79	134.42	97.32	149.04
Depreciation	179.48	782.70	780.33	373.15	394.25	375.39
PROFIT BEFORE TAX	802.58	2,189.63	376.53	1,376.99	1,081.56	643.85
Provision for Taxation	280	761.98	153.45	949.32	440.00	315.00
PROFIT AFTER TAX	522.58	1,427.65	223.08	427.67	641.56	328.85

EVEREST KANTO CYLINDER LIMITED

GROSS MARGINS

Our Gross margin for the year ended March 31, 2005 was 31.77% as against 23.22% during the year ended March 31, 2004. The prime reason for the growth of profitability was better sales realisation mix in favour of the CNG cylinders, which also accounted for better price realizations from the customers.

(Rs. In lacs)

Particulars	31-Mar-05	31-Mar-04	31-Mar-03	31-Mar-02	31-Mar-01
Sales from Operations (excluding Trading Sales, Sales Tax & Excise duty) (A)	13,235.60	7,379.85	8,882.41	7,172.54	5,638.46
Increase/(Decrease) in stock (B)	357.46	82.94	(15.75)	99.19	120.14
Total Expenditure for working of Gross profit (C)	9,387.76	5,749.31	6,468.81	5,182.56	4,258.96
Gross profit / Margin (D) – A+B-C	4,205.30	1,713.48	2,397.85	2,089.17	1,499.64
Gross Profit Ratio (%)	31.77%	23.22%	27.00%	29.13%	26.60%

NOTE: Sales from operations excludes trading sales, excise duty and sales tax.

PURCHASES

Our primary raw materials comprise Seamless Steel Tubes, Valves and other components. Most of the raw materials are procured in advance depending on sales forecast. In order to service our customers on time and maintain efficient delivery systems, inventory purchase is timed to anticipated orders and sufficient stocks are maintained by us. The break up of our purchases for the last three years is as follows:

(Rs. in lacs)

	2004-2005		2003-2004		2002-2003	
Seamless Steel Tube	7217.76	(76.62%)	3041.73	(68.13%)	3320.66	(60.18%)
Valves & other components	2586.84	(26.38%)	1422.69	(31.87%)	2197.47	(39.82%)
Total	9804.60	(100.00%)	4464.42	(100.00%)	5518.13	(100.00%)

Quarter ended June 30,2005

Sales Revenues: Sales (net of trading sales, sales tax and excise duty) for the quarter ended June 30, 2005 was Rs. 4026.13. The higher sales have been contributed by the Dubai plant, which was operating at full capacity during the quarter. The increased revenue from domestic operations has resulted from better price realizations and sale of higher number of cylinders (especially CNG cylinders), as the company has been successfully able to tap the emerging demand for CNG cylinders both in India and in other countries.

Cost of goods sold (COGS): COGS includes Cost of raw materials consumed, Operational expenses and personnel expenses incurred at the manufacturing facilities. COGS for the quarter ended June 30, 2005 was Rs. 3121.70 Lacs. As a percentage of Sales, however, there has been a slight increase from 74.51% in the year 2004-05 to 77.54% in the current quarter. The COGS has increased on account of the rising cost of raw materials.

Cost of Raw Materials consumed: Raw material expense as a percentage of COGS has increased marginally from 76.32% for the year ended March 2005 to 80.53% for the quarter ended June 2005. As percentage of sales, the expense increased from 56.87% in the year ended March 2005 to 62.44% in the current quarter. This increase was on account of the rising prices of seamless steel tubes.

Operational Expenses: Operational expenses were Rs. 432.11 Lacs in the quarter ended June 2005. As a percentage of sales, the operational expenses decreased from 12.63% in March 2005 to 10.73% in the current quarter. This decrease was on account of better contribution from a better capacity utilization of the plant at Dubai and also in India.

Personnel Expenses: Personnel expenses are more in the nature of fixed expenses. As a percentage of sales, the personnel expenses fell from 5.02% as on March 2005 to 4.36% in the current quarter.

Administrative & Selling & Distribution Expenses: The Administrative and S&D Expenses in the quarter ended June 2005 were Rs. 263.92 Lacs. As a percentage of sales, the expenses remained nearly stagnant at 6.56%.

Profit After Tax (PAT) includes Deferred Tax: During the quarter under review PAT stood at Rs. 522.58 lacs. As a percentage of sales, PAT increased from 10.79% in the year 2004-05 to 12.98% in the current quarter. The increase in PAT has been on account of improved realizations and full capacity utilization at Dubai.

Comparison of FY March 2005 with FY March 2004

Sales Revenues: Sales (net of trading sales, sales tax and excise duty) for the year ended March 31, 2005 was Rs. 13235.60 lacs, as against sales of Rs. 7379.85 lacs during the previous year ended March 31 2004. Out of the total sales, as much as 26% (a sales of Rs. 3441.90 lacs) has come from the Dubai plant. The Dubai plant, which came into commercial production during 2003-04, could achieve a higher capacity utilization only from the beginning of 2004-05. The plant had only produced 2,176 cylinders in the year ended March 2004 as against 55,666 cylinders during the year ended March 31, 2005. The Domestic production in the year 2004-05 contributed Rs. 9793.70 Lacs, which account an increase of 39.77% over previous year. The increased revenue from domestic operations has resulted from better price realizations and sale of higher number of cylinders (especially CNG cylinders), as the company has been successfully able to tap the emerging demand for CNG cylinders both in India and in other countries.

The Export Sales for the year ended March 31, 2005 stood at Rs. 4603.94, an increase of 274.65% over the previous year. The increased exports have primarily been contributed by the Dubai plant, which has helped the company penetrate the emerging markets of Bangladesh, Pakistan and Iran.

Cost of goods sold (COGS): COGS includes Cost of raw materials consumed, Operational expenses and personnel expenses incurred at the manufacturing facilities. COGS for the entire business was Rs. 9863.04 Lacs for the year ended March 31, 2005 as compared to Rs. 5979.55 Lacs for the previous year ended March 31, 2004. This represents an increase of 64.95% over the previous year. As a percentage of Sales, however, the decrease has been from 81.02% in the year 2003-04 to 74.51% in the year 2004-05. The COGS has reduced drastically over the previous year due to better price realization on sale of CNG cylinders.

Cost of Raw Materials consumed: Raw material expense as a percentage of COGS has increased marginally from 75.57% for the year ended March 2004 to 76.32% for the year ended March 2005. However as percentage of sales, the expense has decreased marginally from 61.23% to 56.87 % over the same period. This decrease was on account of better price realization for products sold during the current year.

Operational Expenses: Operational expenses increased from Rs. 1003.84 Lacs for the year ended March 31, 2004 to 1671.04 for the year ended March 31, 2005. As a percentage of sales, the operational expenses decreased from 13.60% in 2004 to 12.63% in 2005. This decrease was on account of better contribution from a better capacity utilization of the plant at Dubai and also in India.

Personnel Expenses: Personnel expense are more in the nature of fixed expenses. For the operationalisation of Dubai plant during 2003-04, while the personnel had been engaged, optimum production could not be achieved during the initial year commensurate to the level of persons employed. Therefore, increased sales during 2004-05 has not led to proportionate increase in personnel expenses. This has contributed to fall of this expense both as % of sales and as a % of COGS. As a percentage of sales, the personnel expenses fell by 18.99% in the current year compared to similar percentages in the previous year and as a percentage of COGS, the decline was as much as 11.92%.

Administrative & Selling & Distribution Expenses: There was an increase in the Administrative and S&D Expenses from Rs. 598.38 Lacs in the year ended March 31, 2004 to Rs. 855.07 Lacs in the year ended March 31, 2005, a rise of 42.90%. However as a percentage of sales, there was a reduction of 20.32% because of efficient operations and economies of scale after operationalisation of Dubai facility.

Profit After Tax (PAT) includes Deferred Tax : During the period under review PAT increased from Rs. 223.08 lacs during the year ended March 31, 2004 to Rs. 1427.64 lacs during the year ended March 31, 2005. As a percentage of sales, PAT increased from 3.02% in the year 2003-04 to 10.79% in the year 2004-05. The increase in PAT has been on account of improved realizations and better capacity utilization at Dubai, which has gone up from 3.89% (2003-04) to 57.99% (2004-05). To elucidate further, while our average sales realization during 2004-05 improved to Rs.4208.15 per cylinder (from Rs.3245.36 per cylinder during 2003-04) , the corresponding major item of cost i.e. raw material increased to only Rs.2392.43 per cylinder (from Rs.1987.05 per cylinder). Besides, our Dubai plant during the current year (2004-05) produced 55,666 cylinders as against only 2176 cylinders produced during the last year (2004-05). The fixed cost distribution over a larger production improved per cylinder realizations.

Comparison of FY 2004 with FY 2003

Sales Revenues: Sales (net of Sales tax and excise duty) for the year ended March 31, 2004 was Rs. 7379.85 lacs, as against sales of Rs. 8882.41 lacs during the previous year ended March 31 2003. Out of the total sales, Rs. 372.64 Lacs was contributed by the Dubai plant, which although had commenced commercial production during the year did not contribute much to the turnover. The Domestic sales contributed Rs. 7007.21 Lacs during the current year, which was a decrease of 21.11% as compared to the previous year.. This was due to non repetition of bulk orders from Indraprastha Gas Limited (IGL) for development of CNG infrastructure in Delhi region.

The Export Sales of Rs. 1228.69 Lacs for the year ended March 31, 2004, was an increase of a meager 0.74% over the previous year. This was due to strategic decision of the company to undertake most of the export sales from the Dubai plant due to improved infrastructure facilities and benefits available at that center.

EVEREST KANTO CYLINDER LIMITED

Cost of goods sold (COGS): COGS for the entire business was Rs. 5979.55 Lacs for the year ended March 31, 2004 as compared to Rs. 6639.02 Lacs for the previous year ended March 31, 2003. This represents a decrease of 9.93% over the previous year on a lower turnover. However, as a percentage of sales COGS increased from 74.74% (31st March 2003) to 81.02% (March 31, 2004). The increase in COGS was mainly on account of lower price realization and higher operational expenses (especially towards salary & wages) at Dubai plant.

Cost of Raw Materials consumed: Raw material expense as a percentage of COGS has decreased from 82.54% for the year ended March 2003 to 75.57% for the year ended March 2004. However as percentage of sales, the expense has only decreased marginally from 61.69% in the year 2002-03 to 61.23% in the year 2003-04. This was primarily due to material in testing / prototype production / certifications from the regulatory authorities of the importing countries etc at the Dubai plant without a corresponding addition to the turnover.

Operational Expenses: Operational expenses increased from Rs. 835.48 Lacs for the year ended March 31, 2003 to Rs. 1003.84 lacs for the year ended March 31, 2004. As a percentage of sales, the operational expenses increased from 9.41% in 2002-03 to 13.60% in 2003-04. As a percentage of COGS, the operational expenses increased from 12.58% in 2002-03 to 16.79% in 2003-04. This increase was on account of major maintenance work undertaken during the current year. The company also witnessed a rise in fuel prices and prices of other sundry components, which rose by almost 20%.

Personnel Expenses: The personnel expenses increased from Rs. 324.02 Lacs in the year ended March 31, 2003 to Rs. 457.22 Lacs in the year March 31, 2004. The personnel expenses increased both as a percentage of sales and as a percentage of COGS. The rise was due to the reason, that while the personnel had been employed at the Dubai plant the contribution to the turnover was only notional.

Administrative & Selling & Distribution Expenses: There was a decrease in the Administrative and S&D Expenses from Rs. 760.59 Lacs in the year ended March 31, 2003 to Rs. 598.38 Lacs in the year ended March 31, 2004, a fall of 21.33% over the previous year. As a percentage of sales, these expenses fell from 8.56% in the year 2002-03 to 8.11% in the year 2003-04. During 2002-03 the company had to incur substantial expenses towards one time commission paid to agents for establishing itself in the Iranian market. Besides, during 2003-04 the expenses were also lower due to non-payment of commission to directors on lower profits.

Profit After Tax (PAT): During the period under review PAT decreased from Rs. 427.67 Lacs in the year the year ended March 31, 2003 to Rs. 223.08 lacs in the year ended March 31, 2004. As a percentage of sales, PAT decreased from 4.81% on the year ended March 31, 2003 to 3.02% in the year ended March 31, 2004. The decrease in PAT has been on account of high depreciation writeback on the investments made in the Dubai Unit and substantial expenses incurred in establishing itself in the overseas market.

Comparison of FY 2003 with FY 2002

Sales Revenues: Sales (net of Sales tax and excise duty) for the year ended March 31, 2003 was Rs. 8882.41 lacs, as against sales of Rs. 7172.54 lacs during the previous year ended March 31, 2002. The sales revenue for the company increased by 23.84%.

The Export Sales of Rs. 1219.79 Lacs for the year ended March 31, 2003, an increase of 450.70% over the year ended March 31, 2002. The increased sales from export was due to the foray of the company into newer countries like Bangladesh and Pakistan. Domestic sales for the company also increased 10.24% over the previous year. Improvement in sales was due to bulk orders received from Indraprastha Gas Limited during the year.

Cost of goods sold (COGS): COGS for the entire business was Rs. 6639.02 Lacs for the year ended March 31, 2003 as compared to Rs. 5374.68 Lacs for the previous year ended March 31, 2002. As a percentage of sales, COGS has remained constant in both the years.

Cost of Raw Materials consumed: Raw material expense as a percentage of COGS has increased from 79.64% in the year ended March 31, 2002 to 82.54% for the year ended March 2003, an increase of 3.63%. Operational Expenses: Operational expenses increased from Rs. 790.73 Lacs for the year ended March 31, 2002 to Rs. 835.48 Lacs for the year ended March 31, 2003. Operational expenses as a percentage of sales and as a percentage of COGS have decreased by 14.68% and 14.46% respectively in the current year 2002-03 over the previous year. The improvement in these parameters was on account of marked improvement in manufacturing efficiencies.

Personnel Expenses: Personnel expense increased from Rs. 303.32 Lacs to Rs. 324.02 Lacs, an increase of 6.82%. As a percentage of COGS, personnel expenses decreased by 13.52% and as a percentage of sales, it fell by 13.74%. This was due to a higher sales as against a disproportionately lower increase in this head.

Administrative & Selling & Distribution Expenses: Their Administrative and S&D Expenses increased from Rs. 440.38 Lacs in the year ended March 31, 2002 to Rs. 760.59 Lacs in the year ended March 31, 2003. These expenses as a percentage of COGS increased by 35.73% over the previous year. Similarly, as a percentage of sales, the expenses increased by 39.46% over the previous year. The increase was contributed by factors such as: expenses incurred towards commission for development of Iranian market, increased shipping freight with the large scale foray into the export market, write off of balances recovered subsequently and increase in remuneration paid to the Directors subsequent to the amendments in the Company's Act.

Profit After Tax (PAT): During the period under review PAT decreased from Rs. 641.56 Lacs in the year ended March 31, 2002 to Rs. 427. 67 Lacs in the year ended March 31, 2003. The sharp decline in PAT was due to accounting for deferred tax liability of Rs. 409.31 Lacs after its compulsory introduced from March 31, 2003.

INFORMATION REQUIRED AS PER CLAUSE 6.10.5.5. OF SEBI DIP GUIDELINES

Unusual or infrequent events or transactions

There are no unusual or infrequent events or transactions that has significantly affected the business of the Company

Significant economic changes that materially affected or are likely to affect income from continuing operations

There have been no significant economic and regulatory changes other than those mentioned below:

- The import duty on seamless steel tube, a primary raw material in the manufactures of cylinders, has been brought down as per the WTO timeframe. The rate of customs duty has been reduced from 20% to 15%. The reduction in the duty structure is expected to have positive impact on the operations of the Company.
- The change in income tax rates announced in Finance Bill 2005 would reduce the tax burden of the Company.

Known trends or uncertainties that have had or are expected to have a material adverse impact on sales, revenue or income from continuing operations

Uncertainty about the implementation of CNG conversion in various metros as per Supreme Court direction may adversely impact demand of CNG cylinders in future. This, in turn, could have a material adverse impact on sales, revenue or income from continuing operations.

Future changes in relationship between costs and revenues, in case of events such as future increase in labour or material costs or prices that will cause a material change are known

Import duty on Seamless Steel Tubes would materially affect cost and revenue and is expected to have a positive impact on the industry as well as the Company.

Total turnover of each major industry segment in which the Company operated

No separate segments have been identified by the company.

Status of any publicly announced new products or business segment

The Company has entered into undernoted agreements:

- A joint venture with Cangzhou Gas Corporation for producing and selling high pressure gas cylinders in China.

MoU with Jahad Tahghighat Group for setting up a CNG cylinder manufacturing plant in Iran. The company was supposed to have entered into a Joint Venture agreement with the group by July 15, 2005. However, as the same has not been done, the entire MoU will have to be revised.

The Company has taken on lease, a plot of land admeasuring 25,321 square meters, for a period of 15 years, renewable for another 15 years, from The Government of Dubai through Jebel Ali Free Zone Authority, P.O. Box 17000, Jebel Ali, Dubai, UAE. The Company intends to expand its manufacturing facilities at Dubai in the near future after obtaining necessary regulatory clearances.

The extent to which business is seasonal

The Cylinder business is relatively stable throughout the year but has peaks during the months of September and March.

Any significant dependence on a single or few suppliers or customers

There are very few manufacturers of seamless tubes, who can supply tubes as per the specifications that are necessary for production of high-pressure cylinders require. In addition to this, EOQ requirements limits choice to a major supplier. We depend on various group companies of our major supplier i.e. the Tenaris Group for sourcing our major raw material of seamless steel tubes. We enjoy long-term relationship with our supplier, which is the largest group company in the market producing the suitable seamless tubes in the market. This in turn enables us to enjoy good credit facility, better payment terms and other benefits that work to the benefit of the company. Thus, the tie up with one supplier works to our advantage. With the large difference continuing in the interest rates between India and other countries, such credits are not expensive for supplier but are valuable to EKC.

Competitive conditions

EKC has risen from a beginner to a leading cylinder manufacturing company and is now a well-established player with an almost 80% market share. The present competitors in the domestic markets are Bharat Pumps & Compressors Limited and Maruti Koatsu Cylinders Limited. We also understand that a new entrant M/s Rama Cylinders Pvt. Ltd. is coming up with a plant at Gandhidham with a manufacturing capacity of 3 Lacs cylinders.

SECTION VI: LEGAL AND OTHER INFORMATION

Outstanding Litigations and Material Developments

Litigations

Except as described below, there are no outstanding litigations, suits, criminal or civil prosecutions, proceedings or tax liabilities against our Company, our Directors or promoters, and, there are no defaults, non-payment of statutory dues, overdues to banks/ financial institutions, defaults in dues payable to holders of any debentures, bonds or fixed deposits, arrears on preference shares issued by the Company, defaults in creation of full security as per terms of any debenture issue, or proceedings initiated for economic/civil/any other offenses (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of part 1 of Schedule XIII of the Act) that would result in a material adverse effect on our consolidated business taken as a whole.

1. Cases filed against the Company

A. INCOME TAX CASES

- a. By as assessment order of the Deputy Commissioner of Income Tax, the Assessing Officer had passed an order charging interest under section 243B and 243C of the Income Tax Act, 1961 ("IT ACT") for a sum of Rs. 1,55,465. Thereafter, the Company filed an appeal dated February 07, 2001 before the Office of the Commissioner Tax against the order of the Assessing Order. The Commissioner heard the case on January 02, 2002 and passed an award in favour of the Company by deleting the interest charged against the Company.

However, the Department has now filed an appeal dated March 28, 2005 before the Income Tax Tribunal, Mumbai bench 'D' against the order of the Commissioner.

Current Status: The appeal has been admitted, and is pending.

- b. The Company has received a demand notice dated 17.02.05 from the Deputy Commissioner of Income Tax in connection with the Company's returns for the assessment year 2002 – 2003.

The Company had filed its return of income on October 30, 2002 declaring a total income of Rs. 12,18,82,824. The Assessing Officer has observed that the Company in its computation of income, has claimed an amount of Rs.25,24,578 as deduction under section 80HHC. However, on examination of the claim made by the assessee, it was noticed that for computing the total turnover the assessee Company has not added excise duty amounting to Rs.10,95,23,950 and sales tax to Rs.4,97,88,733.

The Company in its response to the observations has stated that excise duty and sales tax do not form part of the total turnover, as there was no profit element involved in it.

The Assessing Officer has stated that the submissions made by the Company are not acceptable and accordingly passed an order dated February 17, 2005.

Claim amount: The claim amount is approximately Rs. 1.99 lakhs.

Current Status: The Company is seeking advice in the matter, and they have an option to appeal the said demand.

B. SALES TAX CLAIMS

- a. The Company has received a notice from the Sales Tax Officer, Enforcement Branch, Mazgaon, Mumbai demanding payment of alleged sales tax dues under the Bombay Sales Tax Act, 1959, for the period commencing 01/04/93 and ending on 31/03/98. Apparently, the Company was registered under the Lease Act, but the licence was surrendered some time in the year 1990-91. The Sales Tax Officer in his observations has stated that the Company was effecting lease transaction without any registration and was effecting lease transactions without paying any lease tax.

Claim amount: The claim amount is approximately Rs. 21.7 lakhs. The Company has deposited an approximate amount of Rs. 5.36 lakhs in this regard, and accordingly, the outstanding liability in a worst-case scenario is to the tune of approximately Rs. 16.34 lakhs.

Current Status: The Company has obtained a stay order from the Assistant Commissioner (Appeals) against the recovery of the said sales tax claim. The matter is pending adjudication.

2. Cases filed by the Company

A. CRIMINAL COMPLAINT

Title/Parties:

Everest Kanto Cylinder Limited.... Complainant Versus
Ind Tra Deco Limited and Others ... Accused

Claim

Rs. 2,500,000 (Principal amount) and Rs.15,822 (Interest)

Court	Additional Chief Metropolitan Magistrate (37 th Court at Esplanade Bombay)- Case No. 229/S of 1996
Stage	Pending Hearing
Facts	<p>The Suit has been filed by the Company against Ind Tra Deco Limited under Section 138 read with Section 141 and 142 of the Negotiable Instruments Act, 1881.</p> <ul style="list-style-type: none"> ➤ The Company has alleged that it advanced Rs.25 lacs on August 02, 1995 by way of inter-corporate deposit for ninety (90) days carrying interest at 20% per annum; ➤ Pursuant thereto, the accused delivered two post dated cheques both dated October 30, 1995 for Rs.25 lacs and Rs. 94,932 towards interest; ➤ The cheque for Rs. 94,932 towards interest was honoured but the cheque for Rs.25 lacs was returned dishonoured. ➤ Thereafter the accused issued another post dated cheque dated November 10, 1995 for Rs. 25,15,822, which too was returned dishonoured; ➤ Accordingly, the Company on November 21, 1995 sent a notice to the Accused.

B. SALES TAX CLAIMS

- a. The Company has filed an appeal against the Assistant Commissioner of Sales Tax, Palghar's order, which order raised various monetary demands under the Bombay Sales Tax Act, 1959, and the Central Sales Tax Act, 1956. Various set offs, which were previously allowed, had been overlooked at the time of assessment, and the Company filed this appeal as they were aggrieved by the same.

Claim amount : The claim amount is approximately Rs. 2.88 lakhs.

Current Status: The appeal has been admitted and subsists on a nominal portion of the initial disputed amount payable, being the said Rs. 2.88 lakhs. The matter is pending for hearing

3. Litigations against Directors

One of the Independent Directors, Mr. Mohan Jayakar, has been a made a party to five proceedings instituted in certain Metropolitan/Judicial Magistrate's Court. These proceedings relate to dishonour of cheques by companies in which Mr. Mohan Jayakar was a director. The four companies are (i) M/s Krishna Filaments Limited; (ii) M/s Arihant Tournesol Limited (*2 complaints filed*), (iii) M/s Europlast India Limited (*two cases – one in Mumbai and the other in Indore*). Mr. Mohan Jayakar has, in his submission to the Courts stated that the proceedings were instituted after his resignation from the aforesaid companies and therefore not liable to be proceeded against. In matters pertaining to M/s Krishna Filaments Limited and M/s Arihant Tournesol Limited, the Court has admitted the submissions made by Mr. Mohan Jayakar and a stay has been granted in the proceedings instituted against him. In relation to M/s Europlast India Limited (Mumbai), a petition has been filed by Mr Mohan Jayakar in the Mumbai High Court seeking a stay on the proceedings instituted against him.

4. Litigations by Group Company

M/s Medical Engineers (I) Pvt. Limited ("MEIPL"), a group company of ours, has filed two Sales Tax appeals as follows:

- a.. MEIPL was not allowed to claim set off under rule 43 C of the Bombay Sales Tax Act, 1959, by the Assistant Commissioner of Sales Tax, (Assessment) B- 193, Kalyan. As per the assessment order dated March 22, 2001, MEIPL was required to pay an amount of Rs 6,12,858 for the period April 01, 1997 to March 31, 1998 along with penalty of Rs.70246. Accordingly, MEIPL was required to pay a total sum of Rs. 6,83,104. However, MEIPL has already paid a sum of Rs. 1,53,924 and after adjusting the refund due to MEIPL for Rs. 3,62,123, MEIPL is now required to pay approximately Rs.1,67,000. Being aggrieved by the said assessment order, an appeal was filed before the Deputy Commissioner of Sales Tax, (Appeal) Thane. The above appeal was rejected by the Deputy Commissioner of Sales Tax (Appeals), Thane without being given an opportunity to be heard.. Being aggrieved by the said rejection the present appeal has been filed.

Claim amount: The claim amount is approximately Rs. 1.67 lakhs.

Current Status: The matter is pending for hearing.

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- b. MEIPL has filed an appeal before the Assistant Commissioner of Sales Tax, (Appeals) Kalyan against an assessment order of the Sales Tax Officer, Kalyan dated March 30, 1996. The original assessment was completed by the Sales Tax Officer by an order dated September 19, 1994, which resulted in a refund of Rs.84,367/-. The Sales Tax Officer however reassessed the turnover (sales) of mild steel scrap (of drums) and the turnover of sluge (lime slurry-chemical), and taxed valve repairing/replacement charges, damaged cylinders charges, and miscellaneous income as sales, and also levied an interest of Rs.69,290/-. However, a refund of Rs.84,367/- was granted by the said reassessment, and consequently a notice of demand for the amount of Rs.1,27,032/- was served on MEIPL, requiring it to pay the aforesaid amount on or before June 10, 1996. Being aggrieved by the said assessment order, an appeal was filed before the Assistant Commissioner of Sales Tax, (Appeals) Kalyan on June 11, 1996. The Assistant Commissioner of Sales Tax, (Appeals) Kalyan passed an order wherein MEIPL was required to deposit a sum of Rs. 10,000/- pending the final hearing of the matter.

Claim amount: The claim amount is Rs.1,27,032.

Current Status: The matter is pending for hearing.

Save as detailed herein:

- a. neither the Company, nor any director or promoter of the Company is party to any ongoing proceedings before any statutory or regulatory authority, nor are any show cause notices pending against any of them;
 - b. neither the Company, nor any director of the Company was party to any past proceedings where any penalty was imposed;
 - c. there have been no defaults to financial institutions/ banks for non-payment of statutory dues and dues towards instrument holders like debenture holders, fixed deposits, and arrears on cumulative preference shares by the Promoters of the Company and the companies/ firms promoted by the Promoters of the Company;
 - d. the Company has not failed to pay any statutory dues;
 - e. no disciplinary action has been taken against the Promoters of the Company by the Securities and Exchange Board of India or any Stock Exchange in India; and
 - f. none of the names of the directors of the Company have appeared on the RBI's defaulters list.
2. The following are the names of small scale creditors to whom the Company owes a sum exceeding Rupees one lakh which is outstanding for more than thirty days as on March 31, 2005.
- a. A.K Industries
 - b. Adarsh Fab O Mech Pvt Ltd.
 - b. Kashmir Industries
 - c. Marsun Coating Systems
 - d. Om Technologies Pvt. Ltd.
 - e. Umiya Airpack Pvt. Ltd.

Material developments

Income Tax Search

On the 10th and 11th of August 2005, the Income Tax authorities conducted a search and seizure activity at various offices (Mumbai, Delhi, Kolkata, Bangalore, Bhavnagar) and factory premises (Tarapur and Aurangabad) of the Company and that of our other group concerns viz: M/s Khurana Gases Private Limited, M/s Medical Engineers (I) Private Limited, M/s Industrial Gases Corporation, M/s Everest Kanto Investment & Finance Limited and also at the residences of three of the directors, namely Mr. Prem. K. Khurana, Mr. Puneet Khurana and Mr. P.M. Samvatsar. The search and seizure activity was carried out under Section 132 (3) of the Income Tax Act, 1961, as per standard procedures. Pursuant to such activity, various books / papers of the company and that of its group concerns were seized along with a sum of Rupees Four lacs from the office premises at Raheja Centre, Mumbai, Rupees Three lacs from the factory premises at Tarapur, Rupees One lac and seven thousand from the factory premises at Aurangabad, and Rupees Twelve Lacs and fifty thousand from the residence of the Mr. Prem.K.Khurana, the promoter of the company, (collectively referred to as the "Assets"). The investigation by the Income Tax authorities is in progress and the Company and / or the Directors have not received any demand notice till date. The assets were accounted for in the books of concerned entities/persons. A demand notice however may be served on the Company and/ or the Directors, by the Income Tax authorities at a later date, ("Demand"). The day to day operations of the company has not been affected in any manner whatsoever due to the the said activity. The Company intends to file suitable applications for the release of the Assets, and/ or to initiate suitable proceedings as may be advised by their tax advisers. The Company may accordingly be subjected to proceedings, which could have a negative financial impact. This is however contingent upon the contents of the Demand, and further contingent upon whether a Demand is served. No charges have been made or received as of date.

GOVERNMENT APPROVALS

In view the Company has received all the the necessary licences, consents, permissions and approvals required for its present business and no further material approvals are required for carrying on the present and proposed business of the Company except as stated in the Chapter on 'Business' in this Red Herring Prosepectus of the approvals listed below, we can undertake this issue and the current and proposed business activities and no further material approvals are required from any government or any other authority to continue our activities.

Approvals Received :-

License	Issued By	Expiry Date
Import Export Code No. 0390001937 dated 12.05.2005 in the name of the Company	Office of Joint Director General of Foreign Trade, Mumbai	Valid until cancelled
SIA acknowledge No. 3130/SIA/IMO/97 dated 21.07.1997 of the companies entrepreneurial memorandum for manufacture of 1,10,000 high pressure cylinders at Aurangabad.	SIA	Valid until cancelled
SIA acknowledge No. 3127/SIA/IMO/95 dated 09.10.1995 of the companies entrepreneurial memorandum for manufacture of 1,60,000 high pressure cylinders at Tarapur.	SIA	Valid until cancelled
SIA acknowledge No. 1333/SIA/IMO/2005 dated 22.03.2005 of the companies entrepreneurial memorandum for manufacture of 4,32,000 high pressure cylinders at Gandhidham.	SIA	Valid until cancelled
Industrial License No.03130 issued on 25.08.2001 for manufacturing of high pressure gas cylinders	Govt.of Dubai.	24.08.2006
Tax Deduction Account No.NSKE00443C of the Company allotted to the Companies unit at Aurangabad under Income Tax Act,1961. dated 26.08.2004.	Allotted under Income Tax Act,1961.	Valid until cancelled
Tax Deduction Account No.MUME04574D of the Company allotted to the Company under Income Tax Act,1961 dated 24.03.2004.	Allotted under Income Tax Act,1961.	Valid until cancelled
Registration certificate No. 401506/S/557 dated 30.03.1996 issued to the unit at Tarapur under Maharashtra Sales Tax Act.	Sales Tax Department, Palghar	Valid until cancelled
Registration certificate No. 400021/S/1668 dated 25.02.1996 issued to the unit at Aurangabad under Maharashtra Sales Tax Act.	Sales Tax Department, Mumbai	Valid until cancelled
Registration certificate No. 141700124 dated 27.06.2002 to the Companies Branch at Bhavnagar under Gujarat Sales Tax Act.	Sales Tax Department, Bhavnagar	Valid until cancelled
Registration certificate No. 400021/C/1665 dated 25.02.1996 issued to the Company under Central Sales Tax Act.	Sales Tax Department, Mumbai	Valid until cancelled
Permanent Account No. allotted on 29.02.1996 under Section 139A of the Income Tax Act,1961.	Allotted under Section 139A of the Income Tax Act,1961.	Valid until cancelled
License to store compressed Gas in pressure vessel/vessels issued for storage of LPG for the Tarapur Unit.	Department of Explosives, Navi Mumbai	31.3.2006
License to store compressed Gas in pressure vessel/vessels issued for storage of Liquid Oxygen at the Tarapur unit.	Department of Explosives, Navi Mumbai	31.3.2006
License to store compressed Gas in pressure vessel/vessels issued for storage of LDO for the Tarapur unit.	Department of Explosives, Navi Mumbai	Valid until cancelled
License No. CM/L-1731145 to use standard mark of BIS issued to the Companies Tarapur unit.	Bureau of Indian Standard	16.9.2006

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License	Issued By	Expiry Date
Central Excise Registration Certificate bearing No. AAACE0836 FXM002 dated 22.07.2004 in name of the Company for Tarapur Unit.	Assistant Commissioner of Central Excise, Boisar	Valid until activities are carried out by Registrant
Permission for release of additional power supply to the Companys Unit at Tarapur vide letter dated 19.03.1997.	Maharashtra State Electricity Board	Valid until cancelled
Factory License No.50108 for the Companies Tarapur Unit.	Govt. of Maharashtra	31.12.2005
Consent to operate our manufacturing facilities at the Companies Tarapur unit vide the consent No. BO/WP/AE/Thane-83/CC – 170 dated 16.04.2004.	Maharashtra pollution control board	31.12.2005
Letter dated 15.09.1995 to the company confirming that the provisions of the Employees Provident Fund & miscellaneous Provisions Act, 1952 and the schemes provided there under namely EPF scheme, Family Pension scheme and Deposit Linked insurance scheme, are applicable to the company including the head office & Tarapur unit. The Code No.allotted to the company is MH/90591/PF/APP/Enf.Zone VIII/206. and registration is effective from 15.09.1995.	The Office of the Regional Provident Fund Commissioner	Valid until cancelled
License No. CM/L-0940250 to use standard mark of BIS issued to the Companies Aurangabad Unit.	Beaurau of Indian Standard	15.2.2006
Registration certificate No. PT/R/3/1/9/543 issued under Maharashtra State Tax on professions, Trades, calling & employments Act,1975 for the Companies Aurangabad unit.	Profession Tax Officer, Auragabad	Valid until cancelled
License No. IM-I/B/29(61)/77 for the manufacturing of Light weight seamless gas cylinders.	Chief Controller of Explosives, Directorate General of Technical Development	Valid until cancelled
Consent to operate for manufacture of empty high pressure seamless gas cylinder at the Aurangabad Unit - vide the consent No. BO/ROA'bad /A'bad/08-05/R/CC-37 dated 27.01.2005.	Maharashtra pollution control board	31.12.2005
Central Excise Registration Certificate bearing No. AAACE0836 EXM001 dated 02.04.2002 - in name of the Company for Aurangabad Unit.	Commissioner of Central Excise, Aurangabad	Valid until activities are carried out by Registrant
Service tax Registration No. BFS/Mumbai-I/345 dated 22.09.2003 for the Mumbai office.	Superintendent of Central Excise Mumbai-I	Valid until activities are carried out by Registrant
Service tax Registration No. 04/ST/Tech inspection and certification services/2004 dated 03.06.2004 for the Aurangabad unit.	Superintendent of Customs and Central Excise Auranganbad	Valid until activities are carried out by Registrant
Registration cum membership registration No. RCMC:B:MFG:602A: 2005-06 dated 11.05.2005	Engineering Export promotion council.	31.3.2009
License to store compressed Gas in pressure vessel/vessels issued for storage of LPG for the Aurangabad unit.	Department of Explosives, Nagpur	31.3.2008
Factory License No.43077 for the Aurangabad unit.	Govt.of Maharashtra	31.12.2005
License to store compressed Gas in pressure vessel/vessels issued for storage of LDO for the Aurangabad unit.	District Collector Aurangabad	Valid until cancelled
Certificate of ISO9001:2000 dated 24.10.2002	Beaureau Veritas Quality International	19.10.2005
Permission for release of additional power supply to the Unit at Aurangabad vide the letter dated 15.12.2003.	MSEB	Valid until cancelled

License	Issued By	Expiry Date
Registration certificate No. GUJ-99987983 dated 01.04.2005 issued to the Company under Central Sales Tax Act.	Sales Tax Department, Gandhidham	Valid until cancelled
Central Excise Registration Certificate bearing No. AAACE0836FXM004 issued on 26.04.2005 in name of the Company for the Gandhidham Unit.	Assistant Commissioner of Central Excise, Bhuj	Valid until activities are carried out by Registrant
Permission under notification No. 39/2001-CE dated 31.07.2001 issued for setting up of New unit and avail refund of Excise Duty.	Superintendent, Central Excise, Gandhidham	Valid until cancelled
Registration certificate No. 0104008369 dated 09.05.2005 issued to the unit at Gandhidham.	Sales Tax Department, Gandhidham	Valid until cancelled
“Saath Bara Uttara “ or Village Form 7 and 12 dated 11.05.2005 showing mutation entry No. 702 to the effect that the land admeasuring acres 12-14 Gunthas on plot 1 of survey of 141, entry No. 701 to the effect that the land admeasuring acres 06-25 Gunthas on plot 1 of survey of 142 & entry No. 703 to the effect that the land admeasuring acres 03-12 Gunthas on plot 2 of survey of 141.	Deputy Collector (Revenue) Village -Varasana, Anjar	Valid until cancelled
“ Saath Bara Uttara “ or Village Form 7 and 12 dated 06.06.2005 showing mutation entry No. 941 to the effect that the land admeasuring acres 6-04 Gunthas on plot 1 of survey of 147, entry No. 942 to the effect that the land admeasuring acres 2-07 Gunthas on plot 2 of survey of 147, entry No. 943 to the effect that the land admeasuring acres 1-32 Gunthas on plot 3 of survey of 147, entry No. 944 to the effect that the land admeasuring acres 3-06 Gunthas on plot 4 of survey of 147, entry No. 945 to the effect that the land admeasuring acres 6-00 Gunthas on plot of survey of 148.	Talathi,Village Padana, Gandhidham	Valid until cancelled
In principal permission for catering 1700 KVA high tension power supply at 11 KV to unit located at Village Varsana-Padana,Taluka – Aanjar-Gandhidham.	Paschim Gujrath Vij Co. Ltd. Bhuj Kutch	Valid until cancelled
Approval to set up a manufacturing unit in Dubai for the manufacture of high pressure gas cylinders involving a remittance of AED 11,000,000/-	Reserve Bank of India	Valid until cancelled
Approval for additional investment of AED 6,550,000/- in the existing unit at Dubai	Reserve Bank of India	Valid until cancelled
No Objection Certificate for setting up a unit for manufacturing of high-pressure seamless gas cylinders at Gandhidham.Vide letter no FT-232/26573	Gujarat Pollution Control Board	Valid until cancelled
Increase in the supply of power from 1300 KVA to 1800 KVA for the unit at Tarapur vide letter no 04217 dated July 19, 2005.	Maharashtra State Distribution Power Comapny	Valid until cancelled
Certificate of Registration of establishment employing building workers under the Building and Other Construction Workers dated September 16, 2005	Labour Commisioner, Gandhidham, Kutch	Valid until March 31, 2006

Approvals to be applied for :-

Company also has to make applications for the following approvals

1. Application to the sales tax authorities before December 31, 2005, to avail the Sales Tax benefits under the incentive Scheme, 2001.

SECTION VII: OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

The Issue has been authorized pursuant to a resolution of the Board of Directors of the Company adopted at its meeting held on June 8, 2005 and by a special resolution adopted pursuant to Section 81(1A) of the Companies Act, 1956, at the EGM of the Company held on July 6, 2005.

Prohibition by SEBI

The Company and companies with which the Company's Directors are associated as directors or as promoters are not prohibited from accessing the capital markets under any order or direction passed by SEBI. None of the Company's Directors have been prohibited from accessing the capital markets under any order or direction passed by SEBI.

Eligibility of the Company to enter the capital market

As per clause 2.2.1 of SEBI (Disclosure & Investor Protection) Guidelines, 2000, for an unlisted company making an initial public offering of Equity Shares, the company has to comply with the following:

Clause 2.2.1:

An unlisted company may make an initial public offering (IPO) of Equity Shares or any other security, which may be converted into or exchanged with Equity Shares at a later date, only if it meets all the following conditions:

- (a) The company has net tangible assets of at least Rs. 3 crores in each of the preceding 3 full years (of 12 months each), of which not more than 50% is held in monetary assets:

Provided that if more than 50% of the net tangible assets are held in monetary assets, the company has made firm commitments to deploy such excess monetary assets in its business/project;

- (b) The company has a track record of distributable profits in terms of Section 205 of the Companies Act, 1956, for at least three (3) out of immediately preceding five (5) years;

Provided further that extraordinary items shall not be considered for calculating distributable profits in terms of Section 205 of Companies Act, 1956;

- (c) The company has a net worth of at least Rs. 1 crore in each of the preceding 3 full years (of 12 months each);

- (d) In case the company has changed its name within the last one year, atleast 50% of the revenue for the preceding 1 full year is earned by the company from the activity suggested by the new name; and

- (e) The aggregate of the proposed issue and all previous issues made in the same financial year in terms of size (i.e., offer through offer document + firm allotment + promoters' contribution through the offer document), does not exceed five (5) times its pre -issue network as per the audited balance sheet of the last financial year.)

In terms of a certificate issued by M/S. C.D. Pasad & Co. dated November 2, 2005, the Company satisfies the above eligibility criteria as follows:

Rs. In Lacs

Year	March 2005	March 2004	March 2003	March 2002	March 2001
Net Tangible Assets	4290.89	4274.19	4093.53	1946.22	2227.88
Monetary Assets	364.07	215.94	222.10	113.07	86.94
Distributable Profit	1427.64	223.08	427.66	641.56	328.85
Network	4068.73	2810.69	2732.88	2486.43	2254.73

The Company changed its name from Everest Kanto Cylinders Private Limited to Everest Kanto Cylinder Limited on June 7, 2005. The new name does not suggest any new activity of business.

Further the Company shall ensure that the aggregate of the proposed issue and all previous issues made in the same financial year in terms of size (i.e., offer through offer document + firm allotment + promoters' contribution through the offer document), does not exceed five (5) times its pre-issue network as per the audited balance sheet of the last financial year.

Net Tangible assets is defined as the sum of fixed assets (including capital work in progress), current assets (excluding deferred tax assets) less current liabilities (excluding deferred tax liabilities and long term liabilities).

Monetary Assets include cash on hand and bank.

In addition to these, the Company shall ensure that the number of allottees getting Equity Shares is not less than one thousand in number.

DISCLAIMER CLAUSE:

IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE RED HERRING PROSPECTUS TO SEBI SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE RED HERRING PROSPECTUS. BRLM, SBI CAPITAL MARKETS LIMITED HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI GUIDELINES IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE RED HERRING PROSPECTUS, THE BRLM IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BRLM HAS FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED AUGUST 30, 2005 IN ACCORDANCE WITH SEBI (MERCHANT BANKERS) REGULATIONS 1992 WHICH READS AS FOLLOWS:

WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE;

ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY.

WE CONFIRM THAT:

- (A) THE RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPER RELEVANT TO THE ISSUE;
- (B) ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE, AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND
- (C) THE DISCLOSURES MADE IN THE RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE;
- (D) BESIDE OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND TILL DATE SUCH REGISTRATION IS VALID;
- (E) WE SHALL SATISFY OURSELVES ABOUT THE NETWORTH OF THE UNDERWRITERS TO FULFILL THEIR UNDERWRITING COMMITMENTS.
- (F) WE CERTIFY THAT WRITTEN CONSENT FROM PROMOTERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SECURITIES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF THE PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN, WILL NOT BE DISPOSED/SOLD/TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE RED HERRING PROSPECTUS WITH SEBI TILL THE DATE OF COMMENCEMENT OF LOCKIN PERIOD AS STATED IN THE RED HERRING PROSPECTUS.
- (G) ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF FILING OF THE RED HERRING PROSPECTUS WITH THE REGISTRAR OF COMPANIES, MUMBAI, IN TERMS OF SECTION 56, SECTION 60 AND SECTION 60B OF THE COMPANIES ACT.

THE FILING OF RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 OR 68 OF THE COMPANIES ACT, 1956 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI, FURTHER, RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE BRLM ANY IRREGULARITIES OR LAPSES IN THE RED HERRING PROSPECTUS.

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Caution

The Company, BRLM accept no responsibility for statements made otherwise than in the Red Herring Prospectus, Prospectus or the advertisement's or any other material issued by or at the instance of the Company and any one placing reliance on any other source of information, including our website "www.everestkanto.com" would be doing so at his or her own risk.

The BRLM do not accept any responsibility save to the limited extent as provided in terms of the Memorandum of Understanding entered into between the Company and the BRLM and the Underwriting Agreement to be entered into between the Company and the Underwriters.

All information shall be made available by the BRLM and the Company to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports or at bidding centres etc. We shall not be liable to the Bidders for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

Disclaimer in respect of Jurisdiction

This Issue is being made in India to persons resident in India including Indian nationals resident in India who are majors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, scheduled commercial banks, regional rural banks, cooperative banks (subject to RBI permission), trusts registered under the Societies Registration Act, 1860, as amended, or any other law relating to trusts and who are authorised under their constitution to hold and invest in Equity Shares, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital funds registered with SEBI, State Industrial Development Corporation, insurance companies registered with Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 25 Lacs and Pension Funds with minimum corpus of Rs. 25 Lacs and to non-residents including NRIs and FIIs. This Red Herring Prospectus does not, however, makes an invitation to subscribe to shares offered hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Red Herring Prospectus comes is required to inform himself or herself about, and to observe, any such restrictions. Any dispute arising out of this Issue will be subject to the exclusive jurisdiction of appropriate court(s) in Mumbai only.

No action has been or will be taken to permit a public Issue in any jurisdiction where action would be required for that purpose, except if this Red Herring Prospectus has been filed with SEBI for observations and SEBI has given its observations and the Red Herring Prospectus has been filed with the concerned RoC as per the provisions of the Companies Act. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and the Red Herring Prospectus, and the Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of the Red Herring Prospectus, and the Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change of affairs of the Company since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

A copy of the Draft Red Herring Prospectus, along with the documents has been filed with the Corporate Finance Department of SEBI, at B wing, First Floor, Mittal Court, Nariman Point, Mumbai - 400 021 and SEBI vide its letter no CFD/DIL/NB/AC/ISSUES/52953/2005 dated October 27, 2005 has given its comments.

A copy of the Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Act, would be delivered for registration to the Registrar of Companies, 100 Everest Building, Marine Drive, Mumbai 400 002 and a copy of the Prospectus would also be delivered with the Registrar of Companies.

Investors may please note that Central Government/RBI does not take any responsibility for the financial soundness or correctness of the statements disclosed in this Red Herring Prospectus.

Disclaimer Clause of NSE

As required, a copy of the Red Herring Prospectus has been submitted to National Stock Exchange of India Limited ("NSE"). NSE has given vide its letter No. NSE/LIST/17856-N dated October 26, 2005 permission to the Company to use the NSE's name in this Red Herring Prospectus as one of the stock exchanges on which the Company's securities are proposed to be listed subject to, the Company fulfilling the various criteria for listing including the one related to paid up capital (i.e. the paid up capital shall not be less than Rs. 10 Lacs and market capitalization shall not be less than Rs. 250 million at the time of the listing). NSE has scrutinised the Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Company. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the Red Herring Prospectus has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that the Company's securities will be listed or will continue to be listed on NSE; nor does it take any responsibility for the financial or other soundness of the Company, its promoters, its management or any scheme or project of the Company.

Every person who desires to apply for or otherwise acquire any securities of the Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription or acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

Disclaimer Clause of BSE

Bombay Stock Exchange Limited ("BSE") has given vide its letter No. DCS/SG/SM/PS/2005 dated October 25, 2005 permission to the Company to use BSE's name in this offer document as one of the stock exchanges on which the Company's securities are proposed to be listed. BSE has scrutinised this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Company. BSE does not in any manner:

1. Warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; or
2. Warrant that this company's securities will be listed or will continue to be listed on BSE; or
3. Take any responsibility for the financial or other soundness of this company, its promoters, its management or any scheme or project of this company;

and it should not for any reason be deemed or construed that this Red Herring Prospectus has been cleared or approved by BSE. Every person who desires to apply for or otherwise acquires any securities of this company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against BSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Undertaking from Promoters and Directors

The company accepts full responsibility for the accuracy of the information given in the Red Herring Prospectus and confirms that to the best of their knowledge and belief, there are no other facts, omission of which make any statement in the Red Herring Prospectus misleading and they further confirm that they have made all reasonable inquiries to ascertain such facts. The company further declares that the Stock Exchanges to which an application for official quotation is proposed to be made do not take any responsibility for the financial soundness of this offer or for the price at which the Equity Shares are offered or for the correctness of the statement made or opinions expressed in this offer document. The Promoters/Directors declare and confirm that no information/material likely to have a bearing on the decision of investors in respect of the shares offered in terms of this Red Herring Prospectus has been suppressed, withheld and/or incorporated in the manner that would amount to mis-statement, misrepresentation and in the event of its transpiring at any point of time till allotment/refund, as the case may be, that any information/material has been suppressed /withheld and/or amounts to a mis-statement/ mis-representation, the Promoters/Directors undertake to refund the entire application monies to all the subscribers within seven days thereafter without prejudice to the provisions of Section 63 of the Companies Act.

Filing

A copy of the Red Herring Prospectus has been filed with Corporate Finance Department of SEBI, at B Wing, First Floor, Mittal Court, Nariman Point, Mumbai 400 021.

A copy of the Red Herring Prospectus along with the documents required to be filed under Section 60B of the Companies Act will be delivered for registration to the Registrar of the Companies, Maharashtra located at 100 Everest Building, Marine Drive, Mumbai 400 002 and a copy of the Prospectus to be filed under Section 60 of the Companies Act will be delivered for registration with such RoC.

Listing

Applications have been made to NSE and BSE for permission to deal in and for an official quotation of the Equity Shares. If the permissions to deal in and for an official quotation of the Equity Shares are not granted by any of the Stock Exchanges mentioned above, the Company shall forthwith repay, without interest, all monies received from the applicants in pursuance of the Red Herring Prospectus and the Prospectus. If such money is not repaid within eight days after the Company becomes liable to repay it (i.e. from the date of refusal or within 70 days from the date of Issue Closing Date, whichever is earlier), then the Company and every Director of the Company who is an officer in default shall, on and from the expiry of eight days, will be jointly and severally liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act.

The Company together with the assistance of the BRLM shall ensure that all steps for the completion of the necessary requirements for listing and commencement of trading at the Stock Exchanges mentioned above are taken within seven working days of finalisation and adoption of the basis of allotment for the Issue.

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Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Act, which is reproduced below: "Any person who:

- (a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or
- (b) otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years."

Consents

The written consents of Promoters, Directors, Company Secretary, Auditors, Legal Advisors, Lead Manager to the Issue, Registrars to the Issue, Bankers to the Company and Bankers to the Issue to act in their respective capacities, have been obtained and filed along with a copy of the Red Herring Prospectus with the Registrar of Companies, Maharashtra, Mumbai as required under Section 60 of the Act and such consents have not been withdrawn up to the time of delivery of the Red Herring Prospectus for registration.

Expert Opinion

Save as provided in this Red Herring Prospectus the Company has not obtained any expert opinion.

Expenses of the Issue

The expenses of the Issue payable by the Company inclusive of brokerage, fees payable to the BRLM, Registrar to the Issue, Legal Advisors, stamp duty, printing, publication, advertising and distribution expenses, bank charges, listing fees and other miscellaneous expenses will not exceed Rs. [●], and will be met out of the proceeds of the present Issue.

Details of the fees payable

Particulars	Amount (Rs. Lacs)	% of total issue expenses	% of total issue size
Book Running Lead Managers Fees	[●]	[●]	[●]
Bankers to the issueRegistrars to the Issue	[●]	[●]	[●]
Legal Fees	[●]	[●]	[●]
Advertising Expenses`	[●]	[●]	[●]
Other Expenses	[●]	[●]	[●]
Contingencies	[●]	[●]	[●]
Total	[●]	100	[●]

Fees Payable to the BRLM, Brokerage and Selling Commission :

The total fees payable to the BRLM including brokerage and selling commission for the Issue will be as per the Memorandum of Understanding executed between the Bank and the BRLM dated August 30, 2005 a copy of which is available for inspection at our Head Office.

Fees Payable to the Registrar to the Issue

The fees payable to the Registrar to the Issue will be as per the Registrar's Memorandum of Understanding dated July 20, 2005, a copy of which is available for inspection at our Head Office. Adequate funds will be provided to the Registrar to the Issue to enable them to send refund orders or allotment advice by registered post or speed post or under certificate of posting.

Underwriting Commission, Brokerage and Selling Commission

The underwriting commission and the selling commission for the Issue is as set out in the Syndicate Agreement amongst the Company, the BRLM and the Syndicate Members. The underwriting commission shall be paid as set out in the Syndicate Agreement based on the Issue Price and the amount underwritten in the manner mentioned on page 7 of the Red Herring Prospectus.

Previous Public or Rights Issues

This is the first public issue of the Company. The company has not made any public issue previously.

Previous Issue of Shares otherwise than for cash

Date of allotment of Bonus Shares	Date of approval to the Bonus	Ratio of Bonus Issue	Number of Equity issue Shares of Rs.10/- each issued as bonus	Amount of reserves Capitalised
October 31, 1992	NA	1:1	2,47,500	24,75,000
August 16, 1993	NA	1:1	5,00,000	50,00,000
August 25, 1994	NA	5:1	50,00,000	5,00,00,000
March 24, 2005	March 21, 2005	1:1	60,00,000	6,00,00,000

Commission or Brokerage on Previous Issues

The company has not made any public or rights Issue since its inception and has not paid any commission or brokerage.

Particulars in regard to the Company and other listed companies under the same Management within the meaning of Section 370(1)(B) of the Companies Act, 1956, which made any capital issue during the last three years

There are no listed companies under the same management within the meaning of section 370 (1)(B) of the Companies Act, 1956 which made any capital issue during the last three years.

Promises Vs Performance

The Company has not made any public issue of shares since its incorporation. There are no group companies which have made any public issues. Hence, neither the Company nor any of the Company's group companies has, pursuant to any public offer, failed to achieve any performance as promised.

Outstanding Bonds/ Debentures

There are no outstanding debentures or bonds or redeemable preference shares or any other instruments issued by the Company outstanding as on the date of Red Herring Prospectus.

Stock Market Data for our Equity Shares

This being an initial public issuing of our Company, the Equity Shares of our Company are not listed on any stock exchange.

Disclosure on Investor Grievances and Redressal System

The Company will settle investor grievances expeditiously and satisfactorily. The agreement between the Company and the Registrar will provide for retention of records with the Registrar for a period of one year from the last date of dispatch of Letters of Allotment/Share Certificates/Refund Orders to enable the investors to approach the Registrar for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, Intime Spectrum Registry Limited, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and the bank branch / collection center where the application was submitted.

Disposal of Investor Grievances

The average time required by the Company/Registrar for the redressal of routine investor grievances shall be seven working days from the date of receipt of the complaint. In case of non-routine complaints and where external agencies are involved, the Company/Registrar would strive to redress these complaints as expeditiously as possible.

Investors can also contact the Compliance Officer for any investor grievances.

Mr. Kishore K.Thakkar
Everest Kanto Cylinder Limited,
501, Raheja Centre, 214, Free Press Journal Marg, Nariman Point, Mumbai 400 021,
Tel: 91 22 2285 0777/78, 22 2284 4462/4541, Fax: 91 22 2287 0718 / 20,
Email: ekc@vsnl.com, Web site : www.everestkanto.com

Changes in Auditors

There has been no change in the Auditors in the last three years.

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Details of the capitalization of the reserves by the Company in the past

Date of allotment of Bonus Shares	Date of approval to the Bonus	Ratio of Bonus Issue	Number of Equity issue Shares of Rs.10/- each issued as bonus	Amount of reserves Capitalised
October 31, 1992	NA	1:1	2,47,500	24,75,000
August 16, 1993	NA	1:1	5,00,000	50,00,000
August 25, 1994	NA	5:1	50,00,000	5,00,00,000
March 24, 2005	March 21, 2005	1:1	60,00,000	6,00,00,000

Revaluation of assets

The Company had revalued its asset during August 1994. The depreciation related to the amounts increased on account of revaluation is recouped from Revaluation Reserve Account. Company has not revalued its assets since then.

As on March 31, 2005, the revaluation reserve account stood at Rs. 101.01 lakhs.

SECTION VIII : OFFERING INFORMATION

TERMS OF THE ISSUE

The Equity Shares being offered are subject to the provisions of the Companies Act, the Memorandum and Articles, the terms of this Red Herring Prospectus, Bid cum Application Form, the Revision Form, the Confirmation of Allocation Note and other terms and conditions as may be incorporated in the Allotment advice and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications, and regulations relating to the Issue of capital and listing and trading of securities issued from time to time by SEBI/Gol/Stock Exchanges/RBI/RoC and/or other authorities, as in force on the date of the Issue and to the extent applicable.

Authority for the Issue

The Issue has been authorized pursuant to a resolution of the Board of Directors of the Company adopted at its meeting held on June 8, 2005 and by a special resolution adopted pursuant to Section 81(1A) of the Companies Act, 1956, at the EGM of the Company held on July 6, 2005.

Ranking of Equity Shares

The Equity Shares being offered shall be subject to the provisions of the Companies Act, the Memorandum and Articles and shall rank paripassu in all respects with the other existing Equity Shares of the Company including rights in respect of dividend, if any, declared by the Company after the date of Allotment.

Mode of payment of dividend

The declaration and payment of dividends will be recommended by our Board of Directors and our shareholders, in their discretion, and will depend on a number of factors, including but not limited to our earnings, capital requirements and overall financial condition.

Face Value and Issue Price

The Equity Shares with a face value of Rs.10 each are being offered in terms of this Red Herring Prospectus at a price band of Rs. 140 to Rs. 160 per Equity Share. At any given point of time, there shall be only one denomination for the Equity Shares of the Company.

Compliance with SEBI Guidelines

The Company shall comply with all disclosure and accounting norms as specified by SEBI from time to time.

Rights of the Equity Shareholder

Subject to applicable laws, the Equity shareholders shall have the following rights:-

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and the Memorandum and Articles of Association.

For a detailed description of the main provisions of our Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation / splitting of Shares, refer to the section titled "Description of Equity Shares and Terms of Articles of Association" on page 139 of this Red Herring Prospectus.

Market lot

In terms of Section 68B of the Companies Act, the Equity Shares of the Company shall be issued only in dematerialized form. In terms of existing SEBI Guidelines, the trading in the Equity Shares of the Company shall only be in dematerialized form for all investors.

Since trading of the Equity Shares will be in dematerialized form/mode, the tradable lot shall be one Equity Share. Allocation and allotment through this Issue will be done only in electronic form in multiples of one Equity Share subject to a minimum Allotment of 40 Equity Shares.

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Jurisdiction

Exclusive jurisdiction for the purpose of this Issue is with competent courts/ authorities in Mumbai, India.

Nomination facility to Investor

In accordance with Section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidder may nominate any one person in whom, in the event of the death of sole Bidder or in case of joint Bidders, in the event of death of all the Bidders, as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, becoming entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his/her death during the minority. A nomination shall stand rescinded upon a sale/transfer/alienation of Equity Share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the registered office of the Company and the Registrars and transfer agents of the Company.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either; -

- a) To register himself or herself as the holder of the Equity Shares; or
- b) To make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to elect/choose either to register himself or herself or to transfer the Equity Shares, and if the notice is not complied within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the allotment/transfer of Equity Shares in the Issue will be made only in dematerialized form, there is no need to make a separate nomination with the Company. Nominations registered with the respective depository participant of the applicant would prevail. If the investors require changing the nomination, they are requested to inform their respective depository participant.

Minimum Subscription

If the Company does not receive the minimum subscription of 90% of the Issue amount, including devolvments of underwriters, if any, within 60 days from the Bid/Issue Closing Date, the Company shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days, the Company and every director of the Company who is an officer in default, becomes liable to repay the amount with interest as per Section 73 of the Companies Act. If the number of allottees in the proposed Issue is less than 1,000 allottees, the Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 15 days after the Company becomes liable to pay the amount, the Company shall pay interest at the rate of 15% per annum for the delayed period.

Withdrawal of the Issue

The Company, in consultation with the BRLM, reserves the right not to proceed with the Issue after the bidding. In case the Company decides so, it shall issue a public notice within two days of the closure of bidding, indicating the reasons for withdrawal of offer in the newspapers in which the bid advertisement appeared earlier. The Company shall also inform the Stock Exchanges on which the shares are proposed to be listed.

Arrangements for disposal of odd lots

The Company's shares will be traded in dematerialized form only and therefore the marketable lot is one (1) share. Therefore there is no possibility of odd lots.

Letters of allotment or refund orders

The Company shall give credit to the beneficiary account with depository participants within 2 working days of finalization of the basis of allotment of Equity Shares. The Company shall despatch refund orders above Rs.1,500, if any, by registered post or speed post at the sole or first bidder's sole risk within 15 days of the Bid/Issue Closing Date. In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Guidelines, the Company further undertakes that:

- Allotment of Equity Shares will be made only in dematerialized form within 15 days from the Bid/Issue ClosingDate;
- Despatch of refund orders will be done within 15 days from the Bid/Issue Closing Date;

- The Company shall pay interest @ 15% per annum (for any delay beyond the 15 day time period as mentioned above), if Allotment is not made, refund orders are not dispatched and/or demat credits are not made to investors within 15 day being the prescribed time period stated above.

The Company will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar to the Issue. Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by us, as an Escrow Collection Bank and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

Restriction On Transfer And Transmission Of Shares

Nothing contained in the Articles of Association of the Company shall prejudice any power of the Company to refuse to register the transfer of any share. No fee shall be charged for sub-division and consolidation of share certificates (physical form), debenture certificates and detachable warrants and for sub-division of letters of allotment and split, consideration, renewal and pucca transfer receipts into denomination corresponding to the market units of trading.

Subscription by NRI/FIIs/ Foreign Venture Capital Funds registered with SEBI

As per the extant policy of the Government of India, OCBs cannot participate in this Issue. As per the current provisions of the Foreign Exchange Management (Transfer or Issue of Security by a person Resident outside India) Regulations, 2000, there exists a general permission to the NRIs, FIIs and Foreign Venture Capital Investors registered with SEBI to invest in shares of an Indian company by way of subscription in a Public Issue. However, such investments would be subject to other investment restrictions under the RBI and/or SEBI regulations as may be applicable to such investors. Based on the above provisions, it will not be necessary for the investors to seek separate permission from the FIBP/RBI for the specific purpose. However, it is to be distinctly understood that there is no reservation for NRIs, FIIs and Foreign Venture Capital Funds registered with SEBI. Applicants will be treated on the same basis with other categories for the purpose of allocation.

ISSUE STRUCTURE

The present issue of [●] Equity Shares of the face value of Rs 10/- each aggregating to Rs. 9,000 Lacs, is being made through a 100% Book Building Process. Details on the Issue structure are as follows:

Particulars	Employees	QIBs	Non-institutional Bidders	Retail
Number of Equity Shares	Upto [●] Equity Shares	Upto [●] Equity Shares	Atleast [●] Equity Shares	Atleast [●] Equity Shares
Percentage of Issue available for allocation	Upto 5% of the Issue	Upto 50% of the Net Issue to the Public or Net Issue Size less allocation to Non Institutional Bidders and Retail Individual Bidders	Atleast 15% of the Net Issue to the Public or Net Issue Size less allocation to QIBs and Retail Individual Bidders	Atleast 35% of the Net Issue to the Public or Net Issue Size less allocation to QIBs and Non Institutional Bidders
Basis of Allocation if respective category is over subscribed	Proportionate	Discretionary	Proportionate	Proportionate
Minimum Bid	40 Equity Shares and thereafter in multiples of 40	Such number of Equity Shares in multiples of 40 Equity Shares such that the Bid Amount exceeds Rs. 1,00,000	Such number of Equity Shares in multiples of 40 Equity Shares such that the Bid Amount exceeds Rs. 1,00,000	40 Equity Shares and thereafter in multiples of 40
Maximum Bid	Not exceeding [●] equity shares reserved for employees aggregating to Rs.450.00 Lacs	Not exceeding the size of the Issue subject to applicable limits	Not exceeding the size of the Issue	Such number of Equity Shares whereby the Bid Amount does not exceed Rs.1,00,000/-
Allotment Mode	Compulsory in dematerialized form	Compulsory in dematerialized form	Compulsory in dematerialized form	Compulsory in dematerialized form
Trading Lot	One Equity Share	One Equity Share	One Equity Share	One Equity Share
Who can Apply	Eligible Employees of the Company as on 31 st October 2005	Public financial institutions Companies, as specified in Section 4A of the Companies Act, FIs registered with SEBI, scheduled commercial banks, mutual funds registered with SEBI multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 25crores and pension funds with minimum corpus of Rs. 25 crores.	Companies, corporate bodies, scientific institutions societies and trusts Resident Indian individuals, HUF (in the name of Karta) and NRIs (applying for an amount exceeding Rs.1,00,000 amount)	Individuals (including NRIs and HUFs) applying for an amount upto Rs.1, 00,000.

Particulars	Employees	QIBs	Non-institutional Bidders	Retail
Terms of Payment	Margin Amount applicable to Employees at the time of submission of Bid-cum-Application Form to the members of the Syndicate	Margin Amount applicable to QIB Bidders at the time of submission of Bid-cum-Application Form to the members of the Syndicate	Margin Amount applicable to Non-Institutional Bidders at the time of submission of Bid-cum-Application Form to the members of the Syndicate	Margin Amount applicable to Retail Individual Bidders at the time of submission of Bid-cum-Application Form to the members of the Syndicate
Margin Amount	Full Bid Amount on Bidding	Nil	Full Bid Amount on Bidding	Full Bid Amount on Bidding

- Equity Shares being offered through this Red Herring Prospectus can be applied for in dematerialized form only.
- Subject to valid bids being received at or above the Issue Price, under-subscription, if any, in any of the categories, would be allowed to be met with spill over from any of the other categories, at the discretion of the Company in consultation with the BRLM.

ISSUE PROCEDURE

Book Building Procedure

The Issue is being made through the 100% Book Building Process. Out of the Net Issue to the Public, up to 50% of the Net Issue to the Public shall be allocated to QIBs on a discretionary basis. Further, not less than 15% of the Net Issue to the Public shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue to the Public shall be available for allocation on a proportionate basis to retail bidders, subject to valid bids being received at or above the Issue Price within the Price Band.

Bidders are required to submit their Bids through Syndicate Members. The Company, in consultation with the BRLM, reserves the right to reject any Bid procured from QIB, by any or all Syndicate Members without assigning any reason thereof. In case of Non-Institutional Bidders and Retail Bidders and Employee Reservation Portion, the Company would have a right to reject the Bids only on technical grounds. Investors should note that Equity Shares would be issued to all successful allottees, only in a dematerialised form.

Bidders will not have the option of Allotment of Equity Shares in physical form. The Equity Shares, on Allotment, shall be traded only in the dematerialised segment of the Stock Exchanges.

Bid-cum-Application Form

Bidders shall only use the specified Bid- cum- Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in their Bid-cum-Application Form and such options shall not be considered as multiple bids. Upon the allocation of Equity Shares, dispatch of the Confirmation of Allocation Note and filing of Red Herring Prospectus with the RoC, the Bid-cum-Application Form shall be considered as the application form. Upon completing and submitting of the Bid-cum Application Form to a member of the Syndicate, the Bidder is deemed to have authorised the Company to make the necessary changes in this Red Herring Prospectus and Bid-cum-Application Form as would be required for filing the Red Herring Prospectus with RoC and as would be required by the RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid-cum -Application Form for various categories, is as follows:

Category	Colour of Bid Cum Application Form
Indian public, NRIs applying on a non-repatriation basis.	White
NRIs/FIIs or Foreign Venture Capital funds registered with SEBI applying on a repatriation basis	Blue
Employee	Pink

Who can Bid

- Indian nationals resident in India who are majors, in single or joint names (not more than three) except the Promoters of the Company and Promoter Group thereof .
- Hindu Undivided Families or HUFs, in the individual name of its Karta except the HUFs of Promoters of the Company and Promoter Group thereof. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid-cum-Application form as follows: "Name of sole or first Bidder: XYZ, a Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta". Bids by HUFs would be considered at par with those from individuals.
- Companies, corporate bodies and societies registered under applicable laws in India and authorised to invest in the Equity Shares except the companies promoted by the promoters of the Company and the Promoter Group thereof:
- Indian mutual funds registered with SEBI.
- Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI regulations, as applicable).
- Venture capital funds registered with SEBI.
- Foreign venture capital investors registered with SEBI.
- State Industrial Development Corporations.
- Trust/society registered under the Societies Registration Act, 1860, as amended or under any other law relating to trusts/ societies and who are authorised under their constitution to hold and invest in Equity Shares).

- x. Eligible non-residents including NRIs and FIIs on repatriation basis or a non-repatriation basis subject to applicable laws.
- xi. Scientific and/or industrial research organizations authorised to invest in Equity Shares.
- xii. Insurance companies registered with the Insurance Regulatory and Development Authority.
- xiii. Provident funds with a minimum corpus of Rs. 25 crores and who are authorized under their constitution to hold and invest in Equity Share.
- xiv. Pension funds with minimum corpus of Rs. 25 crores and who are authorised under their constitution to hold and invest in Equity Shares.
- xv. Multilateral and bilateral development financial institutions.
- xvi. Eligible Employees of the company as on October 31, 2005.
- xvii. Pursuant to the existing regulations, OCBs are not eligible to participate in the Issue.

Note: The BRLM and the Syndicate Members and any associate of BRLM and the Syndicate Members, (except asset management companies on behalf of mutual funds, insurance companies, public sector banks and Indian financial institutions) cannot participate in that portion of the Issue where allocation is discretionary. Further, the BRLM and the Syndicate Members shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligation.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them pursuant to any applicable statutory and regulatory requirements.

Application by Mutual Funds

As per the current regulations, the following restrictions are applicable for investments by mutual funds:

No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or Equity related instruments of any Company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds.

No mutual fund under all its schemes should own more than 10% of any Company's paid-up capital carrying voting rights. These limits would have to be adhered to by mutual funds for investment in the Equity Shares.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

Application by FIIs

As per the current regulations, the following restrictions are applicable for investments by FIIs:

The Issue of Equity Shares to a single FII should not exceed 10% of the post-Issue paid-up capital of the Company. In respect of an FII investing in the Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub account shall not exceed 10% of the total issued capital or 5% of the total issued capital of the Company in case such sub-account is a foreign corporate or an individual.

As of now, the aggregate FII holding in the Company cannot exceed 24% of the total issued capital of the Company. With approval of shareholders by way of a special resolution, the aggregate FII holding can go up to 100%. However, till date, no such resolution has been recommended to the shareholders of the Company for adoption.

Application by Venture Capital Funds

As per the current regulations, the following restrictions are applicable for investments by SEBI registered venture capital funds and foreign venture capital funds:

The SEBI (Venture Capital Funds) Regulations, 1996 and the SEBI (Foreign Venture Capital Investors) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, the holding by any individual venture capital fund or foreign venture capital investor registered with SEBI should not exceed 25% of the Company's paid-up capital. The aggregate holdings of venture capital funds and foreign venture capital investors registered with SEBI could, however, go up to 100% of the Company's paid-up Equity capital.

Application by NRIs

Bid cum application forms have been made available for NRIs at the registered office of the Company. NRI applicants may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for Allotment under the reserved category. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for Resident Indians and shall not use the forms meant for reserved category.

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The above information is given for the benefit of the Bidders. The Company and the BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the limits under applicable laws and regulations.

Maximum and Minimum Bid size

- (a) For Retail Bidders: The Bid must be for such number of Equity Shares and in multiples of 40 Equity Shares thereafter, subject to maximum bid amount of Rs 1,00,000. In case the maximum Bid Amount is for more than Rs 100,000 then the same would be considered for allocation under the Non-Institutional Bidders category. In case of revision of Bids, the Retail Bidders have to ensure that the Bid Amount does not exceed Rs. 1,00,000. In case the Bid Amount is over Rs 100,000 due to revision or on exercise of Cut-off option, the Bid would be considered for allocation under the Non-Institutional Bidders category. The Cut-off option is an option given only to the Retail Bidders indicating their agreement to bid and purchase at the final Issue Price as determined at the end of the Book Building Process.
- (b) For other Bidders (Non-institutional and QIBs) : The Bid must be for a minimum of such number of Equity Shares in multiples of 40 Equity Shares, that the Bid Amount exceeds Rs. 1,00,000. A Bid cannot be submitted for more than the size of the Issue. However, the maximum Bid by a QIB should not exceed the investment limits prescribed for them by regulatory or statutory authorities governing them. Under existing SEBI guidelines:
 - (i) QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date.
 - (ii) In case of revision in Bids, the Non-Institutional Bidders who are individuals have to ensure that the Bid Amount is greater than Rs 1,00,000. In case the Bid Amount reduces to Rs 1,00,000 or less due to a revision in Bids or revision of the Price Band, the same would be considered for allocation under the Retail Portion.
 - (iii) Non-Institutional Bidders and QIB Bidders are not allowed to Bid at Cut-off Price. A QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date.
- (c) For Employee Reservation Portion: The Bid must be for a minimum of 40 Equity Shares and in multiples of 40 Equity Shares thereafter. The maximum Bid in this category by an employee cannot exceed Rs. 450 lacs.

Information for the Bidders

- a) The Company will file the Red Herring Prospectus with the RoC at least three days before the Bid/Issue Opening Date.
- b) The Price Band shall be advertised at least one day prior to the Bid Opening Date/Issue Opening Date in two widely circulated newspapers (one each in English and Hindi) and a regional newspaper (Marathi).
- c) The Syndicate Members will circulate copies of the Red Herring Prospectus along with the Bid-cum-Application Form to potential investors.
- d) Any investor (who is eligible to invest in the Equity Shares) desirous of obtaining the Red Herring Prospectus along with the Bid-cum-Application Form can obtain the same from the registered office of the Company or from the BRLM or from a Syndicate Member.
- e) Investors who are interested in subscribing to the Company's Equity Shares should approach any of the BRLM/ Syndicate Members or their authorized agent(s) to register their bid.
- f) The Bids should be compulsorily submitted on the prescribed Bid-cum-Application Form only. Bid-cum- Application Forms should bear the stamp of the Syndicate Member. The Bid-cum-Application Forms, which do not bear the stamp of the Syndicate Member, will be rejected.

Method and Process of Bidding

1. The Company and the BRLM shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date and Price Band at the time of filing the Red Herring Prospectus with RoC and also publish the same in two widely circulated newspapers (one each in English and Hindi) and a regional newspaper (Marathi). This advertisement shall be in the format and contain the disclosures specified in Part A of Schedule XX-A of the SEBI Guidelines. The BRLM and the Syndicate Members shall accept Bids from the Bidders during the Issue Period, in accordance with the terms of the Syndicate Agreement
2. Investors who are interested in subscribing for the Company's Equity Shares should approach any of the BRLM, or Syndicate Member or their authorised agent(s) to register their Bid
3. The Bidding Period shall be open for at least 3 working days and not more than 7 working days. In case the Price Band is revised, the revised Price Band and the Bidding Period will be published in two widely circulated newspapers (one each in English and Hindi) and one regional newspaper (Marathi) and the Bidding Period shall be extended for a further period of three days, subject to the total Bidding Period not exceeding ten working days.

4. During the Bidding Period, the Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients/investors who place orders through them and shall have the right to vet the Bids.
5. Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph entitled “Bids at Different Price Levels” on page 123 of the Red Herring Prospectus) within the Price Band and specify the demand (i.e. the number of Equity Shares bid for) in each option. The price and demand options submitted by the Bidder in the Bid-cum-Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.
6. The Bidder cannot bid on another Bid cum Application Form after his or her Bids on one Bid-cum-Application Form has been submitted to any member of the Syndicate. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate will be treated as multiple bidding and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed in the paragraph ‘Build up of the Book and Revision of Bids’ on page 125 of the Red Herring Prospectus.
7. The BRLM and Syndicate members will enter each bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip (TRS), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid-cum-Application Form.
8. Along with the Bid-cum-Application Form, all Bidders will make payment in the manner described under the paragraph “Terms of Payment and Payment into the Escrow Collection Account” on page 124 of the Red Herring Prospectus.

Bids at Different Price Levels

1. The price band has been fixed at Rs. 140 to Rs. 160 per Equity Share, Rs. 140 being the floor of the price band and Rs. 160 being the cap of the price band. The bidders can bid at any price within the price band in multiples of Re.1/-
2. The Company, in consultation with the BRLM, can revise the Price Band by informing the Stock Exchanges and issuing a press release and notification on the terminal of the Syndicate Members during the Bidding Period, in which case the Bidding Period shall be extended further for a period of 3 days, subject to the total Bidding Period not exceeding 10 working days. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of Price Band can move up or down to the extent of 20% of the floor of the Price Band disclosed in the Red Herring Prospectus.
3. In case of revision in the Price Band, the Issue Period will be extended for three additional days after revision of the Price Band subject to a maximum of ten (10) working days. Any revision in the Price Band will be widely disseminated by informing the stock exchanges, by issuing a public notice in two widely circulated newspapers (one each in English and Hindi), and one regional newspaper (Marathi) and also indicating the change on the relevant websites and the terminals of the members of the Syndicate.
4. The Company, in consultation with the BRLM, can finalize the Issue Price within the Price Band without the prior approval of, or intimation to, the Bidders.
5. The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders and Bidders in the Employee Reservation Portion applying for a maximum Bid in any of Bidding Options not exceeding upto Rs 100,000 may bid at Cut-off Price. However, bidding at Cut-off Price is prohibited for QIB or Non Institutional Bidders and Employees bidding for more than Rs.100,000 and such Bids from QIBs, Non Institutional Bidders and Employees will be rejected.
6. Retail Bidders who bid at the Cut-off Price and Employees bidding under the Employee Reservation Portion at Cut-off Price agree that they shall purchase the Equity Shares at the Issue Price, as finally determined which would be a price within the Price Band. Retail Bidder bidding at a Cut-off Price shall deposit in the Escrow Account the Bid Amount based on cap of the Price Band. In the event the Bid Amount is higher than the allocation amount payable by the Retail Bidders (i.e. the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), Retail Bidders shall receive the refund of the excess amounts from the Escrow Account.
7. In case of an upward revision in the Price Band announced as above, Retail Bidders and Employees bidding under the Employee Reservation Portion at Cut-off Price who had bid at Cut-off could either (i) revise their Bid or (ii) make additional payment based on the Cap Price of the revised price band, with the member of the Syndicate to whom the original Bid was submitted. In case the total amount (i.e. original Bid Amount plus additional payment) exceeds Rs 100,000, the Bid will be considered for allocation under the Non- Institutional category in terms of the Red Herring Prospectus. If, however, the

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Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the Cap Price of the Price Band prior to revision, the number of shares bid for shall be adjusted downwards for the purpose of allocation, such that no additional payment would be required from the Bidder, and the Bidder is deemed to have approved such revised bid at Cut-off Price.

8. In case of a downward revision in the Price Band and Employee bidding under the Employee Reservation Portion, announced as above, Retail Individual Bidders who have Bid at Cut-off could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account.
9. In the event of any revision in the Price Band, whether upwards or downwards, the minimum application shall remain 40 Equity Shares irrespective of whether the Bid Amount payable on such Minimum Application is not in the range of Rs. 140 to Rs. 160.

Option to Subscribe

Equity Shares being issued through this Prospectus can be applied for in the dematerialized form only. Bidders will not have the option of getting Allotment in physical form. The Equity Shares, on Allotment, shall be traded only in the dematerialised segment of the Stock Exchanges.

Escrow Mechanism

Escrow Account for the issue

The Company shall open Escrow Accounts with one or more Escrow Collection Banks in whose favour the Bidder shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the full Bid amount from Bidders in a certain category would be deposited in the Escrow Account of the Company. The Escrow Collection Banks will act in terms of the Red Herring Prospectus and the Escrow Agreement. The monies in the Escrow Account of the Company shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank shall not exercise any lien whatsoever over the monies deposited therein, and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Public Issue Account with the Bankers to the Issue in terms of the Escrow Agreement with the Company. The Bidders may note that the Escrow mechanism is not prescribed by SEBI and the same has been established as an arrangement between the Escrow Collection Bank(s), the Company, the Registrars to the Issue and the BRLM to facilitate collections from the Bidders. Payments of refund to the Bidders shall also be made from the Escrow Accounts/refund account(s) as per the terms of the Escrow Agreement and this Red Herring Prospectus.

Terms of Payment and payment into the Escrow Collection Account

In case of non-institutional bidder and retail individual bidders, each bidder shall, with the submission of the Bid-cum-Application Form draw a cheque/demand draft for the maximum amount of his/her bid in favour of the Escrow Account of the Escrow Collection Bank(s) (refer to "Payment instructions" on page 131 for further details) and submit the same to the Syndicate Member (s) to whom the Bid is being submitted. Bid-cum-Application form accompanied by cash and stock invest shall not be accepted. The maximum bid price has to be paid at the time of submission of the Bid-cum-Application Form, based on the highest bidding option of the Bidder.

Where the Bid is at Cut-off Price, the investor will be required to make payment at the highest price in the indicative price band. The Syndicate Members shall deposit such cheque/demand draft with the Escrow Collection Bank(s), which will hold the monies for the benefit of the Bidders till the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account or refund account with the Bankers to the Issue.

The balance amounts after transfer to the Public Issue Account, lying credited with the Escrow Collection Banks shall be held for the benefit of the Bidders who are entitled to a refund. On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank(s) shall refund all amounts payable to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allocation, to the Bidders.

In case of QIBs, the members of the Syndicate may, at their discretion, waive such payment at the time of the submission of the Bid cum Application Form. Where such payment at the time of submission of the Bid cum Application Form is waived at the discretion of the members of the Syndicate, the Issue Price shall be payable for the allocated Equity Shares no later than the date specified in the CAN, which shall be subject to a minimum period of two days from date of communication of the allocation list to the members of the Syndicate by the BRLM. If the payment is not made favouring the Escrow Account within the time stipulated above, the application of the Bidder is liable to be rejected. However, if the members of the Syndicate do not waive such payment, the full amount of payment has to be made at the time of submission of the Bid cum Application Form. Where the Bidder has been allocated lesser number of Equity Shares than he or she had bid for, the excess amount paid on bidding, if any, after adjustment for allocation, will be refunded to such Bidder within 15 days from the Bid/Issue Closing Date, failing which and the Company shall pay interest at 15% per annum for any delay beyond the periods as mentioned above

Electronic Registration of Bids

- a) The Syndicate Member will register the Bids using the on-line facilities of the BSE and the NSE. There will be at least one NSE/BSE on-line connectivity in each city where a stock exchange is located in India, and where bids are accepted.
- b) The BSE and NSE will offer a screen-based facility for registering bids for the Issue. This facility will be available on the terminals of Syndicate Members and their authorised agents during the Bidding Period. Syndicate Members can also set up facilities for off-line electronic registration of bids subject to the condition that they will subsequently download the off-line data file into the on-line facilities for book building on a regular basis. On the Bid Closing Date, the Syndicate Member will upload the Bids until such time as permitted by the Stock Exchanges.
- c) The aggregate demand and price for bids registered on each of the electronic facilities of the NSE and the BSE will be downloaded on a half-hourly basis, consolidated and displayed online at all bidding centers. A graphical representation of consolidated demand and price would be made available at the bidding centres during the Bidding Period.
- d) At the time of registering each bid, the Syndicate Members shall enter the following details of the investor in the online system:
 - Name of the investor;
 - Investor category – Employee/Individual/Corporate/NRI /FII/mutual funds etc.;
 - Number of Equity Shares bid for;
 - Bid Price;
 - Bid-cum-Application Form number;
 - Whether payment is made upon submission of Bid-cum-Application Form; and
 - Depository Participant Identification no. and client identification no. of the dematerialized account of the Bidder.
- e) A system generated Transaction Registration Slip (TRS) (or the Order Confirmation Note) will be given to the Bidder as a proof of the registration of each of the bidding options. It is the Bidder's responsibility to obtain the TRS from the Syndicate Members. The registration of the bid by the Syndicate Members does not guarantee that the Equity Shares shall be allocated either by the Syndicate Members or the Company.
- f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
- g) The BRLM/Syndicate Member has the right to vet the bid. Consequently, the BRLM, Syndicate Members also have the right to accept the bid or reject it without assigning any reason in case of QIB's. In case of Non-Institutional Bidders, and Retail Bidders, Bids would not be rejected except on the technical grounds listed on page 133 in the Red Herring Prospectus.
- h) It is to be distinctly understood that the permission given by the NSE and BSE to use their network and the software of the online IPO system shall not in any way be deemed or construed to indicate that the compliance with various statutory and other requirements by the Company, BRLM etc. are cleared or approved by the NSE and/or the BSEs; nor does it in any manner warrant, certify or endorse the correctness or completeness of any compliance with statutory and other requirements nor does it take any responsibility for the financial or other soundness of the Company, its promoters, its management or any scheme or project.
- i) It is also to be distinctly understood that the approval given by the NSE and BSE should not in any way be deemed or construed to indicate that the Red Herring Prospectus has been cleared or approved by the NSE and BSEs; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the Red Herring Prospectus, nor does it warrant that the Equity Shares will be listed on the NSE and BSE.

Build Up of the Book and Revision of Bids.

- a. Bids registered by various Bidders through the Syndicate Member shall be electronically transmitted to the BSE/the NSE mainframe on an on-line basis. Data would be uploaded on a regular basis.
- b. The Price Band can be revised during the Bidding Period, in which case the Bidding Period shall be extended further for a period of three days, subject to the total Bidding Period not exceeding ten working days. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of Price Band can move up or down to the extent of 20% of the floor of the Price Band disclosed in the Red Herring Prospectus.

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- c. Any revision in the Price Band will be widely disseminated by informing the stock exchanges, by issuing a public notice in two widely circulated newspapers (one each in English and Hindi) and one regional newspaper (Marathi) and also by indicating the change on the relevant websites and the terminals of the members of the Syndicate.
- d. The book gets built up at various price levels. This information will be available with the BRLM on a regular basis
- e. During the Bidding Period, any Bidder who has registered an interest in the Equity Shares at a particular price level is free to revise the bid within the Price Band using the printed Revision Form, which is a part of the Bid-cum-Application Form.
- f. Revisions can be made in both the desired number of Equity Shares and the Bid Price by using the Revision Form. The Bidder must complete details of all the options in the Bid-cum Application Form or earlier Revision Form and revisions for all the options as per his Bid-cum-Application Form or earlier Revision Form. For example, if a Bidder has bid for three options in the Bid-cum-Application Form or the earlier Revision Form and is changing only one of the options in the Revision Form, the Bidder must still complete the details of the other two options that are not being revised in the Revision Form. Incomplete or inaccurate Revision Forms will not be executed by the Syndicate Member.
- g. The Bidder can make this revision any number of times during the Bidding Period. However, for any revisions in the earlier Bid, the Bidder will have to use the services of the same Syndicate Member through whom he has placed the original Bid. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must only be made on that Revision Form.
- h. Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on the upward revision of the Bid. The excess amount, if any, resulting from downward revision of Bid would be returned to the Bidder at the time of refund in accordance with the terms of the Draft Red Herring Prospectus. In case of QIBs, the Syndicate Members may at their sole discretion waive the payment requirement at the time of one or more revisions by the QIB Bidder.
- i. When a Bidder revises his or her bid, he or she shall surrender the earlier TRS and obtain a revised TRS from the Syndicate Member. It is the responsibility of the Bidder to request for and get the revised TRS, which will act as proof of his or her having revised the bid.
- j. In case of discrepancy of data between the electronic book and the physical book the NSE or BSE and Syndicate Members, the decision of the BRLM based on the physical records of Bid-cum Application Form shall be final and binding on all concerned.

Price Discovery and Allocation

- a) After the Bid Closing Date, the BRLM shall analyze the demand generated at various price levels and discuss the pricing strategy with the Company.
- b) The Company, in consultation with the BRLM will finalize the Issue Price, the number of Equity Shares to be allotted and the allotment to successful QIB Bidders. The allocation to QIBs will be decided based on the quality of the QIB Bidder determined broadly by the size, price and date of the Bid.
- c) The allocation for QIBs would be up to 50% of the Net Issue to the Public on a discretionary basis. The allocation to Non-Institutional Bidders would be not less than 15% of the Net Issue to the Public and retail bidders would be not less than 35% of the Net Issue to the Public in each category on proportionate basis, in consultation with the Bombay Stock Exchange Limited, which is the Designated Stock Exchange, and subject to valid bids being received at or above the Issue Price.
- d) In terms of SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid
- e) Under-subscription, if any, in any category, would be allowed to be met with spill over from any of the other categories, at the sole discretion of the Company in consultation with the BRLM.
- f) Allocation to eligible Non Residents including NRIs/IIIs applying on repatriation basis will be subject to the terms and conditions, if applicable, stipulated by the FIPB and RBI while granting permission for the transfer of Equity Shares to them.
- g) The BRLM and the Company shall intimate the Syndicate Members of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.
- h) The Company reserves the right to cancel the Issue any time after the Bid/Issue Opening Date without assigning reasons therefore.
- i) The allotment details shall be put on the website of the Registrar to the Issue.

Signing of Underwriting Agreement and RoC Filing

- a. The Company, on its own behalf, the BRLM and other Syndicate Members shall enter into an Underwriting Agreement on finalisation of the Issue Price and allocation(s) to their Bidders.
- b. After signing the Underwriting Agreement, the Company and the BRLM are obliged to, and shall update and file the updated Red Herring Prospectus with ROC, which then would be termed 'Prospectus'. The Prospectus would have details of the Offer Price, Offer Size, underwriting arrangements and would be complete in all material respects.
- c. The Company will file the Red Herring Prospectus with the RoC, which will be termed as 'Red Herring Prospectus'. The Prospectus would have details of the Issue Price, Issue Size, underwriting arrangements and would be complete in all material respects

Advertisement Regarding Issue Price and Red Herring Prospectus

The Company will issue a statutory advertisement after the filing of this Red Herring Prospectus with the RoC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price of the securities along with a table showing the number of Equity Shares to be issued. Any material updates between the Red Herring Prospectus will be included in such statutory advertisement.

Issuance of Confirmation of Allocation Note and Allotment for the Issue

- a. The BRLM / Registrars to the Issue shall send to the Syndicate Members, a list of their Bidders who have been allocated Equity Shares in the Issue.
- b. The Members of the Syndicate would then send the CAN to their Bidders who have been allocated Equity Shares in the Issue. The despatch of a CAN shall be deemed to be a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid the full Bid Amount into the Escrow Account on or prior to the time of bidding shall pay the full amount into the Escrow Account on or prior to the Pay-in Date specified in the CAN.
- c. Bidders who have been allocated Equity Shares and who have already paid the full Bid Amount into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrars to the Issue subject, however, to realization of their cheque or demand draft paid into the Escrow Account. The despatch of a CAN shall be deemed to be a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allotted/transferred to such Bidder.

Designated Date and Transfer of Funds to Public Issue Account

Successful Bidders will receive credit for the Equity Shares directly in their depository account. Equity Shares will be allotted only in the dematerialized form to the allottees. Successful Bidders will have the option to re-materialize the Equity Shares so allotted/transferred, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

The Company will ensure the allotment of Equity Shares within 15 days of the Bid/ Issue Closing Date and also ensure that credit is given to the Successful Bidders' depository accounts within two working days from the date of allotment. After the funds are transferred from the Escrow Account to the Public issue Account on the Designated Date, the Company would allot the Equity Shares to the allottees. The Company would ensure the allotment of Equity Shares within 15 days of Bid / Issue Closing Date and give instructions to credit to the allottees' depository accounts within two working days from the date of allotment. In case of a failure to make allotment within 15 days of the Bid/ Issue Closing Date, interest would be paid to the investors at the rate of 15% per annum. Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated to them pursuant to this Issue

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GENERAL INSTRUCTIONS

Do's:

- Check if you are eligible to apply;
- Ensure that the Bid is only within the Price Band;
- Read all the instructions carefully and complete the Resident Bid-cum-Application Form (white in colour) or Non-Resident Bid-cum-Application Form (blue in colour), as the case may be;
- Ensure that the details about Depository Participant and Beneficiary Account are correct as Equity Shares will be transferred in the dematerialized form only;
- Ensure that the DP account is activated;
- Investors must ensure that the name given in the Bid cum Application Form is exactly the same as the Name in which the Depository Account is held. In case, the Bid cum Application Form is submitted in joint names, investors should ensure that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form;
- Ensure that the Bids are submitted at the bidding centres only, on forms bearing the stamp of a member of the Syndicate;
- Ensure that you have been given a TRS for all your Bid options;
- Submit Revised Bids to the same member of the Syndicate through whom the Original Bid was placed and obtain a revised TRS;
- Ensure that the demographic details (as as given in the Bid cum Application Form), are updated, true and correct in all respects.
- Ensure that you mention your Permanent Account Number (PAN) allotted under the I.T. Act where the maximum Bid for Equity Shares by a Bidder is for a total value of Rs. 100,000 or more and attach a copy of the PAN Card and also submit a photocopy of the PAN card(s) or a communication from the Income Tax authority indicating Allotment of PAN along with the application for the purpose of verification of the number, with the Bid cum Application Form. In case you do not have a PAN, ensure that you provide a declaration in Form 60 prescribed under the I.T. Act along with the application.

Don'ts:

- Do not Bid for lower than the minimum Bid size;
- Do not Bid/ revise Bid to a price that is less than the Floor of the Price Band or higher than the Cap of the Price Band;
- Do not Bid on another Bid-cum-Application Form after you have submitted a Bid to the members of the Syndicate;
- Do not pay the Bid amount in cash;
- Do not provide your GIR number instead of your PAN;
- Do not send Bid cum Application Forms by post; instead hand them over to a member of the Syndicate only;
- Do not bid at Cut-off Price for Non-institutional and QIB Bidders;
- A Bid from any investor should not exceed the investment limit or maximum number of Equity Shares that can be held by a Bidder under applicable laws and regulations.

Instructions for Filling Up the Bid-cum-Application Form

Bidders can obtain Bid-cum-Application Forms and/or Revision Forms from the Syndicate Members.

Bids and Revision of Bids

Bids and revisions to Bids must be:

- a) Made only in the prescribed Bid-cum-Application Form or Revision Form, as applicable (white colour for Resident Indians and NRIs applying on non-repatriation basis and blue colour for NRIs or FIIs applying on repatriation basis).
- b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid-cum-Application Form or in the Revision Form. Incomplete Bid-cum-Application Forms or Revision Forms are liable to be rejected.
- c) For Retail Bidders, the Bids must be for a minimum of 40 Equity Shares and in multiples of 40 thereafter subject to a maximum Bid amount of 100,000/-.

- d) For Non Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity shares that the Bid amount exceeds Rs 100,000 and in multiples of 40 Equity Shares thereafter. Bids cannot be made for more than the size of the Issue. Bidders are advised to ensure that a single bid from them should not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law and regulations.
- e) For Employee Reservation Category, the Bid must be for a minimum of 40 Equity Shares in multiple of 40 equity shares thereafter subject to a maximum of Bid Amount does not exceed Rs.450 Lacs.
- f) In single name or in joint names (not more than three).
- g) Thumb impressions and signatures other than in the languages specified in the Eight schedule of the Constitution of India must be attested by a magistrate or a notary public or a special executive magistrate under official seal.

Bids by Eligible Employees

For the purpose of the Employee Reservation Portion, Eligible Employee means permanent employees of the Company as on October 31, 2005, who are Indian Nationals based in India and are physically present in India on the date of submission of the Bid cum Application Form, including Directors of the Company except for directors who are part of the Promoter Group.

Bids under Employee Reservation Portion by Eligible Employees shall be

- Made only in the prescribed Bid cum Application Form or Revision Form (i.e. pink colour form);
- Eligible Employees, as defined above, should mention Employee Number at the relevant place in the Bid cum Application Form.
- The sole / first bidder should be Eligible Employee as defined above.
- Only Eligible Employees would be eligible to apply in this Issue under the Employee Reservation Portion
- Bids by Eligible Employees will have to be like any other Bidder. Only those bids, which are received at or above the Issue Price, would be considered for allocation under this category.
- Eligible Employees who apply or bid for securities of or for a value of not more than Rs. 100,000 in any of the bidding options can apply at Cut-off. This facility is not available to other Eligible Employees whose minimum Bid Amount exceeds Rs. 100,000.
- The maximum bid in this category by any Eligible Employee cannot exceed Rs. Rs. 450 Lacs.
- Bid/ Application by Eligible Employees can be made also in the “Net Issue to the Public” and such bids shall not be treated as multiple bids.
- If the aggregate demand in this category is less than or equal to Rs 450 Lacs at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand.
- Under-subscription, if any, in the Employee Reservation Portion will be added back to the Net Issue to the Public, and the ratio amongst the investor categories will be at the discretion of the Company and the BRLM. In case of under-subscription in the Net Issue, spillover to the extent of under-subscription shall be permitted from the Employee Reservation Portion.
- If the aggregate demand in this category is greater than Rs 450 Lacs at or above the Issue Price, the allocation shall be made on a proportionate basis. For the method of proportionate basis of allocation, refer to para “Basis of Allotment” on page 135 of this Red Herring Prospectus.

Bidder's Bank Details

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the Bidders bank account details. These Bank Account details would be printed on the refund order, if any, to be sent to Bidders. Hence, Bidders are advised to immediately update their Bank Account details as appearing on the records of the depository participant. Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders sole risk and neither the BRLM nor the Company shall have any responsibility and undertake any liability for the same.

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Bidder's Depository Account Details

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT-IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders and occupation (herein after referred to as Demographic Details). Hence, Bidders should carefully fill in their Depository Account details in the Bid-cum-Application Form.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/ CANs/Allocation Advice and printing of Bank particulars on the refund order and the Demographic Details given by Bidders in the Bid -cum application Form would not be used for these purposes by the Registrar.

Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants.

By signing the Bid-cum-Application Form, Bidder would have deemed to authorize the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Refund orders/Allocation Advice/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither the Bank nor the BRLM shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories that match three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

Bids under Power of Attorney

In case of Bids made pursuant to a Power of Attorney or by limited companies, corporate bodies, or registered societies, a certified copy of the Power of Attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the Memorandum and Articles of Association and/or Bye Laws as the case may be, must be lodged along with the Bid-cum-Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made by insurance Companies registered with the Insurance Regulatory and Development Authority, a certified true copy of the certificate of registration issued with the Insurance Regulatory and Development Authority must be submitted with the Bid cum Application Form. Failing this, the Company and the BRLM reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason.

In case of Bids made by provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million, a certified true copy of a certificate from a chartered accountant, certifying the corpus of the provident fund/pension fund must be submitted with the Bid cum Application Form. Failing this, the Company and the BRLM reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason.

In case of Bids made by any mutual fund registered with SEBI, venture capital fund registered with SEBI or foreign venture capital investor registered with SEBI, a certified copy of their SEBI registration certificate must be submitted with the Bid cum Application Form. Failing this, the Company and the BRLM reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason.

The Company, in its absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the Power of Attorney along with the Bid cum Application form, subject to such terms and conditions that the Company/the BRLM may deem fit.

Bids by NRIs

NRI Bidders will have to comply with the following:

- Individual NRI Bidders can obtain the Bid-cum-Application Forms from the Company's Registered Office or from members of the Syndicate or the Registrars to the Issue.
- NRI Bidders may please note that only such Bids as are accompanied by payment in free foreign exchange through approved banking channel shall be considered for allotment. NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the Bid cum Application form meant for Resident Indians (white in colour).

Bids and Revision to Bids must be made:

- a) On the prescribed Bid cum Application Form or Revision Form, as applicable (blue in colour) and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
- b) In a single name or joint names (not more than three)
- c) By NRIs - Bids for a minimum of 40 Equity Shares and in multiples of 40 thereafter subject to a maximum Bid Amount of Rs 100,000 for the bid to be considered as a part of Retail .Bids for a Bid amount of more than Rs 100,000 would be considered under the Non- Institutional Bidders portion for the purposes of allocation;for further details see 'maximum and minimum bid size " on page 122;
- d) By FIIs - for a minimum of such number of 40 Equity Shares and in multiples of 40 thereafter that the Bid Amount exceeds Rs 100,000/-. For further details see "Maximum and Minimum Bid Size" at page 122 of this Red Herring Prospectus.
- e) In the names of individuals, or in the names of FIIs or in the name of foreign venture capital fund ,Multilateral and Bilateral Development Financial Institutionsbut not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.
- f) Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into U.S. Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be despatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid-cum-Application Form. The Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

Payment Instructions

The Company shall open an Escrow Account of the Company with the Escrow Collection Banks for the collection of the Bid Amounts payable upon submission of the Bid cum Application Form. The BRLM and Syndicate Members shall also open Escrow Accounts of the Syndicate with one or more of the Escrow Collection Banks for the collection of the margin amounts payable upon submission of the Bid-cum-Application Form and for amounts payable pursuant to allocation in the Issue. Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the attendant terms.

Payment into Escrow Account of the Company

1. The Bidders for whom the applicable Margin Amount is equal to 100% shall, with the submission of the Bid cum Application Form, draw a payment instrument for the Bid Amount in favour of the Escrow Account of the Company and submit the same to the member of the Syndicate.
2. In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account of the Company within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLM.
3. The payment instruments for payment into the Escrow Account of the Company should be drawn in favour of:
 - (a) In case of Resident Bidders : **Escrow Account – "EKC Public Issue"**
 - (b) In case of Eligible Employees : **Escrow Account – "EKC Public Issue– EMP"**
 - (c) In case of Non Resident Bidders: **Escrow Account – "EKC Public Issue– NR"**
4. In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR)

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accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of a Non-Resident Ordinary account of a Non-Resident bidder bidding on a repatriation basis. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE or FCNR Account. In case of Bids by FIIs, the payment should be made out of funds held in a Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting the special rupee account.

5. Where a Bidder has been allocated a lesser number of Equity Shares than what the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Escrow Account of the Company.
6. The monies deposited in the Escrow Account of the Company will be held for the benefit of the Bidders till the Designated Date.
7. On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account of the Company as per the terms of the Escrow Agreement into the Issue Account with the Bankers to the Issue.
8. On the designated date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank shall refund all amounts payable to unsuccessful Bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation to the successful Bidders

Payments should be made by cheque or demand draft drawn on any Bank (including a Co-Operative Bank), which is situated at, and is a member of or sub-member of the banker's clearing house located at the centre where the Bid-cum-Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/Stockinvest/Money Orders/Postal Orders will not be accepted.

Payment by Stockinvest

In terms of RBI circular no. DBOD No. FSC BC 42/24.47.00/2003-2004 dated November 5, 2003, the option to use the Stockinvest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn.

Submission of Bid-cum-Application Form

All Bid-cum-Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the BRLM / Syndicate Member at the time of submitting the Bid-cum Application Form. The BRLM / Syndicate Member may at their discretion waive the requirement of payment at the time of submission of the Bid-cum-Application Form and Revision Form. No separate receipts shall be issued for the money payable on submission of Bid-cum-Application Form or Revision Form. However, the collection center of the BRLM / Syndicate Member will acknowledge the receipt of the Bid-cum-Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid-cum-Application Form for the records of the Bidder.

OTHER INSTRUCTIONS

Joint Bids in the case of Individuals

Bids may be made by individuals in single or joint names (not more than three). In the case of joint Bids, all refunds will be made out in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form ("First Bidder"). All communications will be addressed to the First Bidder and will be despatched to his/her address.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole/First Bidder is one and the same.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bid made clearly indicate their intention as to each scheme concerned for which the Bid has been made.

The BRLM reserve the right to reject, in their absolute discretion, all or any of the multiple Bids in any or all categories.

PAN/GIR Number

Where Bid(s) is/are for Rs.50000 or more, the Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/her Permanent Account Number (PAN) allotted under the I.T.Act. The copy of the PAN card or PAN allotment letter is required to be submitted with the application form. Applications without this information and documents will be considered incomplete and are liable to be rejected. It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground. In case the Sole/First Bidder and Joint Bidder(s) is/are not required

to obtain PAN, each of the Bidder(s) shall mention “Not Applicable” and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should mention “Applied for” in the Bid cum Application Form. Further, where the Bidder(s) has mentioned “Applied for” or “Not Applicable”, the Sole/First Bidder and each of the Joint Bidder(s), as the case may be, would be required to submit Form 60 (Form of declaration to be filed by a person of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in rule 114B), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income tax in respect of transactions specified in rule 114B), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) Ration Card (b) Passport (c) Driving License (d) Identity Card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) Any other documentary evidence in support of address given in the declaration. It may be noted that Form 60 and Form 61 have been amended vide a notification issued on December 1, 2004 by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes. All Bidders are requested to furnish, where applicable, the revised Form 60 or 61 as the case may be.

Unique Identification Number (“UIN”)

Through its circular MAPIN / Cir-13/2005, with effect from July 1, 2005, SEBI has suspended all fresh registrations for obtaining a Unique Identification Number (“UIN”) and the requirement to provide or quote a UIN under the SEBI MAPIN Regulations.

Right to Reject Bids

The Company and the members of the Syndicate reserve the right to reject any Bid without assigning any reason therefore in case of QIBs. In case of Non Institutional Bidders and Retail Bidders, the Company would have the right to reject Bids only on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the Bidder’s address at the Bidder’s risk.

Grounds for Technical Rejections

Bidders are advised to note that Bids are liable to be rejected on technical grounds, including the following:

- Amount paid does not tally with the amount payable for the highest value of Equity Shares bid for;
- Bank account details (for refund) are not given;
- Age of First Bidder not given;
- Bids by minors and persons not competent to contract under the Indian Contract Act, 1872;
- PAN not given if Bid is for Rs. 50,000/- or more;
- Bids for lower number of Equity Shares than specified for that category of investor;
- Bids at a price less than the floor of the Price Band or higher than the cap of the Price Band;
- Bids at a price more than the higher end of the Price Band;
- Bids at Cut-off Price by a QIB or a Non Institutional Bidder;
- Bids for number of Equity Shares, which are not in multiples of 40;
- Category not ticked;
- Multiple Bids as defined in Red Herring Prospectus;
- In case of Bid under Power of Attorney or by limited companies, corporate, trust, etc., relevant documents are not submitted;
- Bid-cum-Application Form does not have the stamp of a member of the Syndicate;
- Bid-cum-Application Form does not have the Bidder’s depository account details;
- Bid-cum-Application Forms are not submitted by the Bidders within the time prescribed as per the Bid cum Application Form, Bid/Issue Opening Date advertisement, or the Red Herring Prospectus or as per the instructions in the Red Herring Prospectus and the Bid cum Application Form.
- Bids for amounts greater than the maximum permissible amounts prescribed by the regulations see the details regarding the same at page 122 of the Red Herring
- Bids accompanied by money order/postal order/cash; Signature of sole and / or joint bidders missing; In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the sequence of names of joint holders), the depository participant’s identity (DP ID). Unique Identification Number – MAPIN, not given by specified intermediaries and specified investors as required.
- Bids not duly signed by the sole/joint Bidders; or
- Bids by OCBs.

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Equity Shares in Dematerialized form with NSDL & CDSL

In terms of Section 68B of the Companies Act, the Equity Shares in this Issue shall be issued only in a dematerialized form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through electronic mode.)

In this context:

- a. The following two tripartite agreements have been signed between (Registrars of the Company), the Depositories and the Company:
 1. An Agreement dated 06.10.2005 among NSDL, the Company and Intime Spectrum Share Registry Limited
 2. An Agreement dated 26.09.2005 among CDSL, the Company and Intime Spectrum Share Registry Limited
- b. All bidders can seek allotment only in dematerialised mode. Bids from any Bidder without the following details of his or her depository account are liable to be rejected:
 - A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of NSDL or CDSL prior to making the Bid.
 - The Bidder must necessarily fill in the details (including the beneficiary account number and depository participant's identification number) appearing in the Bid cum Application Form or Revision Form.
 - Equity Shares allotted/transferred to a Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.
 - Names in the Bid-cum-Application Form or Revision Form should be identical to those appearing in the account details in the Depository, In case of joint holders, the names should necessarily be in the same sequence as they appear in the depository account of the Bidders).
 - Non-transferable allotment advice or refund orders will be directly sent to the Bidder by the Registrar to this Issue
 - If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid cum Application Form or Revision Form.
 - Accurate demographic details in the Bid-cum-Application Form , of the Bidder vis-à-vis those with his or her Depository Participant.
- c. It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL or CDSL. All the stock exchanges where Equity Shares are proposed to be listed are connected to NSDL and CDSL.
- d. The trading of Equity Shares of the Company would only be in dematerialized form for all investors.

As this Issue comprises of Fresh Issue, investors are advised to instruct their Depository Participants to accept the Equity Shares that may be allocated to them pursuant to this Issue.

In case of pre issue or post issue related problems such as non-receipt of letters of allotment/ refund orders etc., the investors can contact the Compliance Officer.

Communications

All future communications in connection with Bid made in the Issue should be addressed to the Registrars to the Issue quoting full name of the sole/first Bidder, Bid-cum-Application Form number, number of Equity Shares applied for, date, bank and branch where the Bid was submitted and cheque /draft number and issuing bank thereof.

The Company has appointed Mr. Kishore K.Thakkar as Compliance Officer. He can be contacted at Everest Kanto Cylinder Limited, 501, Raheja Centre, 214, Free Press Journal Marg, Nariman Point, Mumbai 400 021, Tel: 91 22 2285 0777 / 78, 91 22 2284 4462 / 4541, Fax: 91 22 2287 0718 / 20, Email: ekc@vsnl.com, Web site : www.everestkanto.com

The Investors can contact the Compliance Officer in case of any pre-issue or post-issue related problems such as non-receipt of letters of allotment, credit of allotted shares in the respective beneficiary account, refund orders, etc.

Procedure and Time Schedule for Allotment of Equity Shares and Disposal of Applications and Application Money

The Company reserves, at their absolute and uncontrolled discretion and without assigning any reason therefor, the right to accept or reject any Bid in whole or in part. In case a Bid is rejected in full, the whole of the Bid Amount will be refunded to the Bidder within 15 days of the Bid/Issue Closing Date. In case a Bid is rejected in part, the excess Bid Amount will be refunded

to the Bidder within 15 days of the Bid/Issue Closing Date. We will ensure the allotment of the Equity Shares within 15 days from the Bid/Issue Closing Date. The company shall pay interest at the rate of 15% per annum (for any delay beyond the periods as mentioned above), if allotment is not made, refund orders are not despatched and/ or dematerialized credits are not made to investors within two working days from the date of allotment.

Disposal of Applications and Application Money

The Company shall ensure dispatch of allotment advice or refund orders and giving of benefit to the Beneficiary Account with Depository Participants and submission of the allotment and listing documents to the Stock Exchanges within two working days of finalization of the basis of allotment of Equity Shares. We shall ensure the dispatch of refund orders, if any, of value up to Rs.1,500, "Under Certificate of Posting", and dispatch of refund orders above Rs.1,500, if any, by Registered Post or Speed Post at the sole or First Bidder's sole risk.

The Company shall use our best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed are taken within seven working days of finalisation of the basis of allotment.

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI Guidelines, the company, further undertake that:

- Allotment of Equity Shares shall be made only in dematerialised form within 15 days of the Bid/Issue Closing Date;
- The Company would ensure despatch of refund orders within 15 days of the Bid/Issue Closing Date; and
- The Company shall pay interest at 15% per annum (for any delay beyond the 15 days time period as mentioned above), if allotment/ transfer is not made, refund orders are not dispatched and/or demat credits are not made to investors within the 15 days time prescribed above.

The Company shall provide adequate funds required to the Registrar to the Issue for dispatch of refund orders or allotment advice.

Refunds will be made by cheque, pay orders or demand drafts drawn on a bank appointed by us as a refund banker and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

No separate receipts shall be issued for the money payable on the submission of Bid-cum-Application Form or Revision Form. However, the collection center of the members of the Syndicate will acknowledge the receipt of the Bid-cum-Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid-cum-Application Form for the record of the Bidder.

Interest on Refund of excess Bid Amount

The Company shall pay interest at the rate of 15% per annum on the excess Bid Amount received if refund orders are not dispatched within 15 days from the Bid/Issue Closing Date as per the Guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No.F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

Basis of allotment or allocation

A For Retail Bidders

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all the successful Retail Individual Bidders will be made at the Issue Price.
- The Issue Size less allotment to Non Institutional and QIB Bidders shall be available for allotment to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to [●] Equity Shares (aggregating Rs. 2992.5 Lacs) at or above the Issue Price, full allotment shall be made to the Retail Individual Bidders to the extent of their demand.
- If the aggregate demand in this category is greater than [●] Equity Shares (aggregating Rs. 2992.5 Lacs) at or above the Issue Price, the allotment shall be made on a proportionate basis subject to minimum allocation being equal to the Minimum Bid / application size of 40 Equity Shares. For the method of proportionate basis of allotment, refer below.

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B For Employees

- Bids received from the Employees at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all the successful Employees will be made at the Issue Price.
- There is a reservation of 5% of the Issue Size for the Employees of the Company as on October 31, 2005.
- If the aggregate demand in this category is less than or equal to [●] Equity Shares (aggregating Rs. 450 Lacs) at or above the Issue Price, full allotment shall be made to the Employees to the extent of their demand.
- If the aggregate demand in this category is greater than [●] Equity Shares (aggregating Rs. 450 Lacs) at or above the Issue Price, the allotment shall be made on a proportionate basis subject to minimum allocation being equal to the Minimum Bid / application size of 40 Equity Shares. For the method of proportionate basis of allotment, refer below.

C. For Non Institutional Bidders

- Bids received from Non institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all successful Non Institutional Bidders will be made at the Issue Price.
- The Issue Size less allotment to QIBs and Retail Portion shall be available for allotment to Non Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to [●] Equity Shares (aggregating Rs. 1282.5 Lacs) at or above the Issue Price, full allotment shall be made to Non Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than [●] Equity Shares (aggregating Rs. 1282.5 Lacs) at or above the Issue Price, allotment shall be made on a proportionate basis subject to minimum allocation being equal to the Minimum Bid / application size of 40 Equity Shares. For the method of proportionate basis of allotment refer below.

D. For QIBs

- Upto 50% of the Net Issue to the Public i.e. [●] Equity Shares (aggregating Rs. 4275 Lacs) shall be allotted to QIBs
- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all the QIBs will be made at the Issue Price.
- The Issue size less allotment to Non Institutional Portion and Retail Portion shall be available for allotment to QIBs who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- The allotment would be decided by the Company in consultation with the BRLM and would be at their sole discretion, based on various factors, such as quality of the Bidder, size, price and date of the Bid.
- The Company shall, in consultation with the BRLM, would have the discretion for any allocation to QIBs.

Procedure and Time Schedule for Allotment of Equity Shares

The Company reserves, at its absolute and uncontrolled discretion and without assigning any reason therefore, the right to accept or reject any Bid in whole or in part. In case a Bid is rejected in full, the whole of the Bid Amount will be refunded to the Bidder within 15 days of the Bid/Issue Closing Date. In case a Bid is rejected in part, the excess Bid Amount will be refunded to the Bidder within 15 days of the Bid/Issue Closing Date. The Company will ensure the allotment of the Equity Shares within 15 days from the Bid/Issue Closing Date. The Company shall pay interest at the rate of 15% per annum (for any delay beyond the periods as mentioned above), if Allotment is not made, refund orders are not despatched and/ or dematerialized credits are not made to investors within two working days from the date of allotment

Method of Proportionate Basis of Allotment for Eligible Employees, Retail and Non-Institutional

In the event of the Issue being over-subscribed, the basis of allotment to Eligible Employees, Retail and Non Institutional Bidders shall be finalized by the Company, in consultation with the Designated Stock Exchange. The Executive Director or Managing Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLM and the Registrar to the Issue shall be responsible for ensuring that the basis of allotment is finalized in a fair and proper manner. The allocation shall be made in multiples of one share, on a proportionate basis as explained below subject to minimum allocation being equal to the 40 Equity Shares:

- The subscription in the Employee Category will be computed separately.
- The subscription in the Retail and the Non-Institutional portion will be computed separately.

- Bids which are eligible for pure proportionate allotment as provided in the SEBI (DIP) Guidelines, 2000 shall be those which have applied for a minimum shares arrived at by multiplying the minimum shares to be allotted by the number of time the category is subscribed. Allotment to such bidders will be calculated as shares applied for divided by the number of time the category is subscribed.
- If the pure proportionate allotment to a Bidder is a number that is more than minimum allotment lot but is not a multiple of one (which is the marketable lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower whole number. All Bidders in such categories would be allotted Equity Shares arrived at after such rounding off.
- The balance of the bids will be those, which will not be directly entitled for allotment of minimum shares. Such bidders will be allotted shares by a drawal of lots in a fair manner to ensure that each successful bidder (determined by drawal of lot) gets the minimum number of shares to be allotted.
- If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for allotment shall be first adjusted against any other category, where the allotted shares are not sufficient for proportionate allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

Interest in case of delay in Despatch of Allotment Letters/Refund Orders in case of Public Issues

The Company agrees that allotment of securities offered to the public shall be made not later than 15 days of the closure of the public issue. The Company further agrees that it shall pay interest at rate of 15% per annum if the allotment letters/refund orders have not been dispatched to the applicants within 15 days from the date of closure of the Issue

Despatch of Refund Orders

The Company shall ensure despatch of refund orders of value over Rs. 1,500 by registered post or speed post only and refund orders of value upto Rs. 1,500 by under Certificate of Posting and adequate funds for the purpose shall be made available to the Registrar to the Issue by the Company.

The Company shall pay interest at the rate of 15% per annum on the excess Bid Amount received if refund orders are not dispatched within 15 days from the Bid/Issue Closing Date as per the Guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No.F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

Undertaking by the Company

The Company undertakes as follows:

- i. That the complaints received in respect of this Issue shall be attended to by the Company expeditiously;
- ii. That the Company shall take all steps for the completion of the necessary formalities for listing and commencement of trading at all the stock exchanges where the Equity Shares are to be listed within seven working days of finalization of the basis of Allotment;
- iii. That the funds required for despatch of refund orders/allotment letters/ certificates by registered post/ speed post shall be made available to the Registrars to the Issue by the Issuer;
- iv. That the refund orders or Allotment advice to the NRIs or FIIs shall be despatched within specified time; and
- v. That no further Issue of Equity Shares shall be made until the Equity Shares issued through this Red Herring Prospectus are listed or until the Bid moneys are refunded on account of non-listing, under subscription, etc.

Utilization of Issue Proceeds

The Board of Directors of the Company certifies that:

- i) All monies received out of the Fresh Issue shall be transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;
- ii) Details of all monies utilized out of the Fresh Issue shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the purpose for which such monies have been utilized;
- iii) Details of all unutilized monies out of the Fresh Issue, if any, shall be disclosed under the appropriate separate head in the balance sheet of the Company indicating the form in which such unutilized monies have been invested;

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- iv) The utilization of monies received under reservations shall be disclosed under an appropriate head in the balance sheet of the company indicating the purpose for which such monies have been utilized;
- v) The details of all unutilized monies out of the funds received under reservations shall be disclosed under a separate head in the balance sheet of the company indicating the form in which such unutilised monies have been invested; and
- vi) The Company shall not have recourse to the Issue proceeds until approval for trading of Equity Shares from all the stock exchanges where listing is sought and received. Pending utilization for the purposes described above, the Company intends to invest the funds in high quality interest/ dividend bearing liquid instruments including money market mutual funds, inter corporate deposits, deposit with banks for necessary duration or reducing the working capital / term borrowings from banks and financial institutions.

Restrictions on Foreign Ownership of Indian Securities

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of the Government of India and FEMA. While the Industrial Policy, 1991 prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment.

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to shares of an Indian company in a public offer without prior RBI approval, so long as the price of Equity Shares to be issued is not less than the price at which equity Shares are issued to residents.

The transfer of Equity Shares of NRIs, FIIs, Foreign Venture Capita Investors registered with SEBI and Multilateral and Bilateral Development Financial institutions shall be subject to the conditions as may be prescribed by the government of India or RBI while granting such approvals.

SECTION IX: DESCRIPTION OF EQUITY SHARES AND TERMS OF ARTICLES OF ASSOCIATION

MAIN PROVISIONS OF ARTICLES OF ASSOCIATION

Capitalised terms used in this section have the meaning given to such terms in the Articles of the Company.

Pursuant to Schedule II of the Companies Act, 1956 and the SEBI DIP Guidelines, the main provisions of the Articles of Association of the Company relating to voting rights, dividend, lien, forfeiture, restrictions on transfer and transmission of Equity Shares and or their consolidation/splitting are detailed below.

The regulations contained in Table A, in the First Schedule to the Companies Act, 1956, or in the Schedule to any previous Companies Act, shall not apply to this Company, save as reproduced herein, but the regulations for the management of the Company and for the observance of the Members thereof and their representatives, shall, subject to any exercise of the statutory powers of the Company with reference to repeal or alteration of, or addition to, its regulations by special resolution, as specified by the Companies Act, 1956 be such as are contained in these Articles.

SHARE CAPITAL

Authorised Share Capital

Article 3 provides as follows:

- (a) The Authorised Share capital of the Company is Rs. 25,00,00,000/ (Rupees Twenty Five Crores only) divided into 2,50,00,000 (Two Crore Fifty Lacs) Equity Shares of Rs. 10 (Rupees Ten only) each, with power to increase modify the said capital and to divide the Shares for the time being of the Company into several classes and attach thereto preferential, deferred, qualified or special rights or conditions, as may be determined by or in accordance with the Articles of Association of the Company and subject to applicable legislative provisions for the time being in force, and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may for the time being be provided for by the Articles of Association of the Company and subject to applicable legislative provisions for the time being in force. The Company shall be entitled to dematerialise its existing shares, reconvert its shares held by the depositories electronically to physical form and/or to offer its fresh shares in electronic form pursuant to the Depositories Act, 1996 and the rules framed thereunder, if any.
- (b) The minimum Paid-up Share Capital of the Company shall be Rs. 5,00,000/- (Rupees Five Lacs only).

Increase of Capital by the Company and how carried into effect.

Article 4 provides as follows:

The Company at the General Meeting may, from time to time, increase the capital by creation of new shares, such increase to be of such aggregate amount and to be divided into shares of such respective amounts as the resolution shall prescribe. Subject to the provisions of the Act, any share of the original or increased capital shall be issued upon such terms and conditions and with such rights and privileges annexed thereto, as the general meeting resolving upon the creation thereof, shall direct, and if no direction be given, as the Directors shall determine, and in particular, such shares may be issued with a preferential or qualified right to dividends, and in the distribution of assets of the Company, and with, and if the act allows without, a right of voting at general meeting of the Company in conformity with Section 87 and 88 of the Act. Whenever the capital of the Company has been increased under the provisions of this Article, the Directors shall comply with the provisions of Section 97 of the Act.

New Capital same as existing capital.

Article 5 provides as follows:

Except so far as otherwise provided by the conditions of issue or by these presents, any capital raised by the creation of new shares shall be considered as part of the existing capital, and shall be subject to the provisions herein contained, with reference to the payment of calls and instalments, forfeiture, lien, surrender, transfer and transmission, voting and otherwise.

Buy back of shares:

Article 6 provides as follows:

Notwithstanding anything contained in these articles, in accordance with the provisions of Sections 77A, 77AA and 77B of the Act or any statutory modification thereto and such other regulations and guidelines as may be issued in this regard by the relevant authorities, the Board of Directors may, if and when deem fit, buy back such of the Company's own shares, stocks or securities, whether or not they are redeemable, as it may decide, subject to such limits, upon such terms and conditions, and subject to such approval, as are specified in this regard.

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Article 6A provides as follows:

Subject to Article 6, the funds of the Company shall not be employed for the purchase of or lent on the security of shares of the Company and the Company shall not give, directly or indirectly any financial assistance whether by way of loan, guarantee or by provision of security or otherwise for the purpose of or in connection with any purchase of or subscription for the shares in the Company, its holding company.

Article 6B provides as follows:

The article shall not be deemed to affect the power of the Company to enforce repayment of loans to members or to exercise a lien conferred by Article 40.

Further issue of Capital.

Article 7 provides as follows:

- (a) Where at any time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of shares in the Company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the Company by allotment of further shares, then such further shares shall be offered to the persons who at the date of the offer, are holders of the Equity Shares of the Company, in proportion, as nearly as circumstances admit, to the capital paid up on those shares at that date. Such offer shall be made by a notice specifying the number of shares offered and limiting a time not being less than fifteen days from the date of offer within which the offer, if not accepted, will be deemed to have been declined. The aforesaid offer shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to him in favour of any other person. After the expiry of the time specified in the notice aforesaid or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board may dispose of them in such manner as it thinks most beneficial to the Company.
- (b) Notwithstanding anything contained in preceding subclause, the Company may —
by a special resolution; or
where no such special resolution is passed, if the votes cast (whether on a show of hands, or on a poll, as the case may be) in favour of the proposal contained in the motion moved in the general meeting (including the casting vote, if any, of the Chairman) by members who, being entitled so to do, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by members so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf, that the proposal is most beneficial to the Company.
- (c) Nothing contained in subclauses (a) & (b) above, of this article shall apply to the increase of the subscribed capital caused by the exercise of an option attached to the debentures issued or loans raised by the Company to convert such debentures or loans into shares, or to subscribe for shares in the Company.

Reduction of Capital.

Article 10 provides as follows:

The Company may (subject to the provisions of Sections 78, 80, 100 to 105 of the Act) from time to time by Special Resolution, reduce its capital and any capital redemption reserve account or share premium account in any manner for the time being authorised by law by following the procedure prescribed by the Act.

Subdivision consolidation and cancellation of shares.

Article 11 provides as follows:

Subject to the provisions of Section 94 of the Act, the Company in general meeting may, from time to time, subdivide or consolidate its shares, or any of them, and the resolution whereby any share is subdivided, may determine that, as between the holders of the shares resulting from such subdivision, one or more of such shares shall have some preference or special advantage as regards dividend, capital or otherwise over or as compared with the other or others. Subject as aforesaid the Company in general meeting may also cancel shares which have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

Modification of rights.

Article 12 provides as follows:

Whenever the capital, by reason of the issue of preference shares or otherwise, is divided into classes of shares all or any of the rights and privileges attached to each class may subject to the provisions of Sections 106 and 107 of the Act be modified,

commuted, affected or abrogated, or dealt with by agreement between the Company and any person purporting to contract on behalf of that class, provided such agreement is ratified in writing by holders of atleast threefourths in nominal value of the issued shares of the class or is confirmed by a special resolution passed at a separate general meeting of the holders of shares of the class.

Article 13 provides as follows:

- (a) Subject to the provisions of Section 76 of the Act, the Company may at any time pay a commission to any person in consideration of his subscribing or agreeing to subscribe (whether absolutely or conditionally) for any shares in or debentures of the Company, or procuring, or agreeing to procure, subscriptions (whether absolute or conditional) for any shares in or debentures of the Company, but so that the commission shall not exceed, in the case of shares five per cent of the price at which the shares are issued, and in the case of debentures two and half per cent of the price at which the debentures are issued.
- (b) The Company may pay such sum for brokerage as may be lawful and reasonable.

Issue of Sweat Equity Shares:

Article 14 provides as follows:

Company shall subject to and in accordance with the provisions of section 79A of the Act, shall have the power, by a Special Resolution passed at a General Meeting to issue Sweat Equity Shares to the Directors, Employees of either of the Company or of any of its subsidiary or holding Company.

SHARES AND CERTIFICATES

Register and Index of Members

Article 15 provides as follows:

The Company shall cause to be kept a register and index of members in accordance with all applicable provisions of the Companies Act, 1956 and the Depositories Act, 1996 with details of shares held in physical and dematerialised forms in any medium as may be permitted by law including in any form of electronic medium. The Company shall be entitled to keep in any State or Country outside India a branch register of members resident in that State or Country.

Shares under control of Directors.

Article 17 provides as follows:

Subject to the provisions of these Articles and of the Act, the shares (including any shares forming part of any increased capital of the Company) in the capital shall be under the control of the Board of Directors, who may issue, allot or otherwise dispose of the same or any of them to such persons in such proportion on such terms and conditions and at such times as the Board of Directors think fit and subject to the sanction of the Company in General Meeting with full power, to give any person the option to call for or be allotted shares of any class of the Company either (subject to the provisions of Sections 78 and 79 of the Act) at a premium or at par or at a discount and such option being exercisable for such time and for such consideration as the Board of Directors think fit. The Board shall cause to be filed the returns as to allotment provided for in Section 75 of the Act.

Powers of Company to issue shares in General Meeting

Article 18 provides as follows:

In addition to and without derogating from the powers for that purpose conferred on the Board by these Articles, the Company in General Meeting may, subject to the provisions of Section 81 of the Act, determine that any shares (whether forming part of the original capital or of any increased capital of the Company) shall be offered to such person (whether members or not) in such proportion and on such terms and conditions and either (subject to compliance with the provisions of Section 78 and 79 of the Act) at a premium or at par or at a discount, as such General Meeting shall determine and with full power to give any person (whether a member or not) the option to call for or be allotted shares of any class of the Company either (subject to compliance with the provisions of Sections 78 and 79 of the Act) at a premium or at par or at a discount such option being exercisable at such time and for such consideration as may be directed by such General Meeting or the Company in General Meeting may make any other provision whatsoever for the issue, allotment or disposal of any shares.

Acceptance of shares.

Article 19 provides as follows:

Any application signed by or on behalf of an applicant for share in the Company, followed by an allotment of any share therein, shall be an acceptance of shares within the meaning of these Articles, and every person who pays or otherwise accepts any shares and whose name is entered in the register of members shall for the purpose of these Articles, be a member.

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Deposit and call etc. to be a debt payable immediately.

Article 20 provides as follows:

The money, if any, which the Board shall, on the allotment of any shares being made by it, require or direct to be paid by way of deposit call or otherwise in respect of any shares so allotted, shall immediately on the insertion of the name of the allottee in the register of members as the name of the holder of such shares, become a debt due to and recoverable by the Company from the allottee thereof, and shall be paid by him accordingly.

Liability of members

Article 21 provides as follows:

Every member, or his heirs, executors or administrators, shall pay to the Company the portion of capital represented by his share or shares which may, for the time being remain unpaid thereon, in such amounts, at such time or times, and in such manner as the Board shall, from time to time in accordance with the Company's regulations, require or fix for the payment thereof.

Power of Board of Directors to Regulate subdivision or consolidation.

Article 24 provides as follows:

Notwithstanding anything contained in Article 23, the Board of Directors or any committee thereof shall be entitled to refuse any application for subdivision or consolidation of shares into denominations of less than ten except when such subdivision or consolidation is required to be made to comply with a statutory order or an order or a decree of a competent court of law or a request from a member to convert his holding of odd lots of shares into transferable/marketable lots, subject, however, to necessary verification by the Company.

The first named of jointholders deemed sole holder.

Article 25 provides as follows:

If any share stands in the names of two or more persons, the person first named in the register of members shall, as regards receipts of dividends or bonus or service of notices and all or any other matter connected with the Company, except voting at meetings, and the transfer of the shares, be deemed the sole holder thereof but the other jointholders of a share shall be severally as well as jointly liable for the payment of all installments and calls due in respect of share and for all incidents thereof according to the Company's regulations.

Company not bound to recognise any interest in share other than that of registered holder.

Article 26 provides as follows:

Except as ordered by a Court of competent jurisdiction or as by law required, the Company shall be entitled to treat the person whose name appears on the register of members as the holder of any share or whose name appears as the beneficial owner of shares in the records of the Depository, as the absolute owner thereof and accordingly shall not be bound to recognise any benami trust, equity, equitable, contingent or other claim to or interest in such share on the part of any other person whether or not it shall have express or implied notice thereof. The Board shall be entitled at their sole discretion to register any shares in the joint names of any two or more persons or the survivor or survivors of them.

Provision for Employees' Stock Option

Article 27 provides as follows:

- (a) Subject to the provisions of section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956, and subject to the Articles of Association, the Board may, from time to time, create, offer and issue to or for the benefit of the Company's employees including the Executive Chairman, Vice-Chairman, the Managing Directors and the Whole time Directors such number of Equity Shares of the Company, in one or more tranches on such terms as may be determined by the Board prior to the issue and offer, in consultation with the authorities concerned and in accordance with such guidelines or other provisions of law as may be prevalent at that time but ranking pari passu with the existing Equity Shares of the Company.
- (b) The issue price of such shares shall be determined by the Board in accordance with the laws prevalent at the time of the issue.
- (c) In the alternative to Equity Shares, mentioned hereinabove, the Board may also issue bonds, equity warrants or other securities as may be permitted in law, from time to time. All such issues as above are to be made in pursuance of Employees' Stock Option (ESOP) scheme to be drawn up and approved by the Board.

INTEREST OUT OF CAPITAL

Interest may be paid out of capital.

Article 28 provides as follows:

Where any shares are issued for the purpose of raising money to defray the expenses of the construction of any work or building, or the provision of any plant which cannot be made profitable for a lengthy period, the Company may pay interest on so much of that share capital as is for the time being paidup, for the period, at the rate and subject to the conditions and restrictions provided by Section 208 of the Act and may charge the same to capital as part of the cost of construction for the work of building, or the provision of plant

CALLS

Directors may make calls.

Article 29 provides as follows:

The Board may, from time to time, subject to the terms on which any shares may have been issued and subject to the conditions of allotment by a resolution passed at a meeting of the Board in respect of all monies unpaid on the shares held by them respectively and each member shall pay the amount of every call so made on him to the person or persons and at the times and places appointed by the Board. A call may be made payable by installments.

Notice of calls.

Article 30 provides as follows:

Fifteen day's notice in writing of any call be given by the Company specifying the time and place of payment and the person or persons to whom such call shall be paid.

Jointholders, jointly and severally liable to pay calls

Article 33 provides as follows:

The jointholders of a share shall be jointly and severally liable to pay all calls in respect thereof.

Power of Board to extend time for payment of calls.

Article 34 provides as follows:

The Board may, from time to time at its discretion, extend the time fixed for the payment of any calls under Article 29.

Calls to carry interest.

Article 35 provides as follows:

If any member fails to pay any call due from him on the day appointed for payment thereof, or any such extension thereof as aforesaid, he shall be liable to pay interest on the same from the day appointed for the payment thereof to time of actual payment at such rate as shall, from time to time, be fixed by the Board not exceeding 9 per cent per annum but nothing in this Article shall render it obligatory for the Board to demand or recover any interest from any such member.

Sums deemed to be calls.

Article 36 provides as follows:

Any sum, which by the terms of issue of a share becomes payable on allotment or on any fixed date, whether on account of the nominal value of the share or by way of premium shall for the purpose of these Articles be deemed to be a call duly made and payable on the date on which by the terms of issue the same becomes payable, and in case of non payment all the relevant provisions of these Articles as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.

Partial payment not to preclude forfeiture.

Article 38 provides as follows:

Neither receipt by the Company of a portion of any money which shall from time to time be due from any member to the Company in respect of his shares, either by way of principal or interest nor any indulgence granted by the Company in respect of the payment of any such money, shall preclude the Company from thereafter proceeding to enforce a forfeiture of such shares as hereinafter provided.

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Payment in anticipation of calls may carry interest.

Article 39 provides as follows:

- (a) The Board may, if it thinks fit, agree to and receive from any member willing to advance the same, all or any part of the amounts of his respective shares beyond the sums actually called up and upon the moneys so paid in advance, or upon so much thereof, from time to time, and at any time thereafter as exceeds the amount of the calls then made upon and due in respect of the shares on account of which such advances are made the Board may pay or allow interest, at such rate as the members paying the sum in advance and the Board agree upon. The Board may at any time agree to repay any amounts so advanced or may at any time repay the same upon giving to the member three months' notice in writing. Provided that monies paid in advance of calls on any shares may carry interest but shall not confer a right to dividend or to participate in profits.
- (b) No member paying any such sum in advance shall be entitled to voting right in respect of the monies so paid by him until the same would but for such payment become presently payable.

LIEN

Company to have lien on shares.

Article 40 provides as follows:

The Company shall have a first and paramount lien upon all shares (other than fully paid up shares) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof for all monies (whether presently payable or not) called or payable at a fixed time in respect of such shares, and no equitable interest in any shares shall be created except upon the footing and upon the conditions that Article 23 hereof is to have full effect. Any such lien shall extend to all dividends from time to time declared in respect of such shares. Unless otherwise agreed the registration of a transfer of shares shall operate as a waiver of the Company's lien, if any, on such shares.

As to enforcing lien by sale.

Article 41 provides as follows:

For the purpose of enforcing such lien the Board may sell the shares subject thereto in such manner as they shall think fit and for this purpose may cause to be issued duplicate certificate in respect of such shares and may authorise one of their members to execute a transfer thereof on behalf of and in the name of such member. No sale shall be made until such period aforesaid shall have arrived and until notice in writing of the intention to sell shall have been served on such member or his representatives and default shall have been made by him or them in payment fulfilment, or discharge of such debts, liabilities or engagement for fourteen days after such notice.

Application of proceeds of sale.

Article 42 provides as follows:

The net proceeds of any such sale be received by the Company and applied in or towards payment of such part of the amount in respect of which the lien exists as is presently payable and the residue, if any, shall (subject to a like lien for sums not presently payable as existed upon the shares before the sale) be paid to the persons entitled to the shares at the date of the sale.

FORFEITURE OF SHARES

If money payable on share not paid notice to be given to members.

Article 43 provides as follows:

If any member fails to pay any call or instalment of a call on or before the day appointed for the payment of the same or any such extension thereof as aforesaid, the Board may at any time thereafter, during such time as the call or instalment remains unpaid, give notice to him requiring him to pay the same together with any interest that may have accrued by the Company by reason of such non payment.

Form of notice.

Article 44 provides as follows:

The notice shall name a day (not being less than fourteen days from the date of the notice) and a place or places on and at which such call or installment and such interest thereon at such rate not exceeding 9 per cent per annum as the Directors shall determine from the day on which such call or installment ought to have been paid and expenses as aforesaid are to be paid. The notice shall also state that, in the event of the non-payment before the time and at the place appointed the shares in respect of which the call was made or installment is payable, will be liable to be forfeited.

In default of payment, shares to be forfeited.

Article 45 provides as follows:

If the requirements of any such notice as aforesaid shall not be complied with, every or any share in respect of which such notice has been given, may at time thereafter before payment of all calls or installments, interest and expenses due in respect thereof, be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all dividends declared or any other moneys payable in respect of the forfeited share and not actually paid before the forfeiture.

Forfeited share to be property of the Company and may be sold, etc.

Article 47 provides as follows:

Any share so forfeited shall be deemed to be the property of the Company, and may be sold, reallocated, or otherwise disposed off, either to the original holder thereof or to any other person, upon such terms and in such manner as the Board shall think fit.

Member still liable to pay money owing at the time of forfeiture and interest.

Article 48 provides as follows:

Any member whose shares have been forfeited shall notwithstanding the forfeiture, be liable to pay and shall forthwith pay to the Company on demand all calls, installments, interest and expenses owing upon or in respect of such shares at the time of the forfeiture, together with interest thereon from the time of the forfeiture until payment, at such rate not exceeding nine percent per annum as the Board may determine and the Board may enforce the payment thereof, if it thinks fit.

Effect of forfeiture.

Article 49 provides as follows:

The forfeiture of a share shall involve extinction at the time of the forfeiture, of all interest in and all claims and demands against the Company, in respect of the share and all other rights incidental to the share, except only such of those rights as by these articles are expressly saved.

Validity of sale under Articles 42 and 48.

Article 51 provides as follows:

Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers hereinbefore given, the board may appoint some person to execute an instrument of transfer of the shares sold and cause the purchaser's name to be entered in the register in respect of the shares sold, and the purchaser shall not be bound to see the regularity of the proceedings, or to the application of the purchase money and after his name has been entered in the register in respect of such shares, the validity of the sale shall not be impeached by any person and the remedy of any person aggrieved by the sales shall be in damages only and against the Company exclusively.

Power to annul forfeiture

Article 53 provides as follows:

The Board may at any time before any share so forfeited shall have been sold, reallocated or otherwise disposed off, annul the forfeiture thereof upon such conditions as it thinks fit.

TRANSFER AND TRANSMISSION OF SHARES**Transfer or transmission of shares**

Article 54 provides as follows:

In the case of transfer or transmission of shares or other marketable securities where the Company has not issued any certificates and where such shares or securities are being held in an electronic and fungible form in a Depository, the provisions of the Depositories Act, 1996 shall apply.

Register of Transfer

Article 55 provides as follows:

The Company shall keep a 'Register of Transfer' and therein shall be fairly and distinctly entered particulars of every transfer or transmission of any share held in material form.

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Form of transfer.

Article 56 provides as follows:

Shares in the Company may be transferred by an instrument in writing in the usual common form or in such other form as shall from time to time be approved by the Directors provided that if so required by the provisions of the Act, such instrument of transfer shall be in the form prescribed and shall be duly stamped and delivered to Company within the prescribed period

Transfer form to be completed and Presented to the Company

Article 57 provides as follows:

The instrument of transfer duly stamped and executed by the transferor and the transferee shall be delivered to the Company in accordance with the provisions of the Act. The instrument of transfer shall be accompanied by such evidence as the Board may require to prove the title of transferor and his right to transfer the shares and every registered instrument of transfer shall remain in custody of the Company until destroyed by order of the Board. The transferor of shares shall be deemed to be the holder of such shares until the name of the Transferee shall have been entered in the register of members in respect thereof. Before the registration of a certificate or certificates the shares must have been delivered to the Company.

Transfer Books and Register of Members when closed

Article 58 provides as follows:

The Board shall have power on giving not less than seven days previous notice by advertisement in some newspaper circulating in the district in which the office of the Company is situate to close the transfer books, the register of members or register of Debenture holders at such time or times and for such period or periods not exceeding thirty days at a time and not exceeding in the aggregate forty-five days in each year.

Dematerialisation of Securities

Article 59 provides as follows:

Company to recognise interest in dematerialised securities under Depositories Act.

- (i) Either the Company or the investor may exercise an option to issue, deal in, hold the securities (including shares) with a Depository in electronic form and the certificates in respect thereof shall be dematerialised, in which event the rights and obligations of the parties concerned and matters connected therewith or incidental thereof, shall be governed by the provisions of the Depositories Act, as amended from time to time or any statutory modification thereto or re-enactment thereof.
- (ii) Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise its existing securities, dematerialise its securities held In the Depository and/or offer Its fresh securities in the dematerialised form pursuant to the Depositories Act and the rules framed thereunder, if any.
- (iii) Every person subscribing to or holding securities of the Company shall have the option to receive security certificate or to hold the security with a Depository, the Company shall intimate such Depository the details of allotment of the security, and on receipt of the information, the Depository shall enter in its record the name of the allottee and the beneficial owner of the security.
- (iv) All securities held by a Depository shall be dematerialised and be in fungible form. Nothing contained in Sections 153, 153A, 187C and 372 of the Act shall apply to a Depository in respect of the securities held by it on behalf of the beneficial owners.
- (v) Notwithstanding anything to the contrary contained in the Act or the Articles, a Depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of security on behalf of the beneficial owner.
- (vi) Same as otherwise provided In (1) above, the Depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.
- (vii) Every person holding securities of the Company and whose name is entered as beneficial owner in the records of the Depository shall be deemed to be the member of the Company. The beneficial owner of securities shall be entitled to all the rights and benefits subject to all the liabilities in respect of his securities which are held by a Depository.
- (viii) Except as ordered by a court of competent jurisdiction or as required by law, the Company shall be entitled to treat the person whose name appears on the register of members as holders of any share or where the name appears as beneficial owner of shares in the records of the Depository as the absolute owner thereof and accordingly shall not be bound to recognise any benami trust or equitable, contingent, future or partial interest in any share, or (except only as is by these Articles, otherwise expressly provided) any right in respect of a share other than an absolute right thereto in accordance with these Articles, on the part of any other person whether or not it has express or implied notice thereof, but the Board shall be at their sole discretion to register any share in the joint names of any two or more persons or the survivor or survivors of them.

- (ix) Every Depository shall furnish to the Company about the transfer of securities in the name of the beneficial owner at such intervals and in such manner as may be specified by the bye-laws and the Company in that behalf.
- (x) Upon receipt of certificate of securities of surrender by a person who has entered into an agreement with the Depository through a participant, the Company shall cancel such certificate and substitute in its records the name of Depository as the registered owner in respect of the said securities and shall also inform the Depository accordingly.
- (xi) If a beneficial owner seeks to opt out of a Depository in respect of any security, the Beneficial Owner shall inform the Depository accordingly. The Depository shall on receipt of information as above make appropriate entries in its records and shall inform the Company. The Company shall, within thirty (30) days of the receipt of intimation from the Depository and on fulfilment of such conditions and on payment of such fees as may be specified by the regulations, issue the certificate of securities to the beneficial owner or the transferee as the case may be.
- (xii) Notwithstanding anything in the Act or these Articles to the contrary, these securities are held in a Depository, the records of the beneficial ownership may be served by such Depository on the Company by means of electronic mode or by delivery of floppies or discs.
- (xiii) Except as specifically provided in these Articles, the provisions relating to joint holders of shares, calls, lien on shares, forfeiture of shares and transfer and transmission of shares shall be applicable to shares held in Depository so far as they apply to shares held in physical form subject to the provisions of the Depository Act.
- (xiv) Notwithstanding anything in the Act or these Articles, where securities are dealt with by a Depository, the Company shall intimate the details thereof to the Depository immediately on allotment of such securities.
- (xv) The shares in the capital be numbered progressively according to their several denominations, provided however, that the provision relating to progressive numbering shall not apply to the shares of the Company which are dematerialised or may be dematerialised in future or issued in future in dematerialised form. Except in the manner herein before mentioned, no share shall be sub-divided. Every forfeited or surrendered share held in material form shall continue to bear the number by which the same was originally distinguished.
- (xvi) The Company shall cause to be kept a register and index of members and a register and index of Debenture holders in accordance with Sections 151 and 152 of the Act respectively, and the Depositories Act, with details of shares and debentures held in material and dematerialised forms in any media as may be permitted by law including in any form of electronics media. The register and index of beneficial owners maintained by a Depository under Section 11 of the Depositories Act shall be deemed to be the register and index of members and register and index of Debenture holders, as the case may be, for the purpose of the Act. The Company shall have the power to keep in any state or country outside India a branch register of members resident in that state or country.
- (xvii) The Company shall keep a register of transfer and shall have recorded therein fairly and distinctly particulars of every transfer or transmission of any share held in material form.

Nomination of Securities

Article 60 provides as follows:

- (a) In accordance with and subject to the provisions of Section 109A of the Act, every holder of shares in or holder of debentures of, a company may, at any time nominate, in the prescribed manner, a person to whom his shares in or debentures of the Company shall vest in the event of his death.
- (b) Where the shares in or debentures of, the Company are held by more than one person jointly, the joint holders may together nominate, in the prescribed manner, a person to whom all the rights in the shares or debentures of the Company shall vest in the event of death of all the joint holders.
- (c) Notwithstanding anything contained in any other law for the time being in force or in any disposition, whether testamentary or otherwise, in respect of such shares in or debentures of, the Company, where a nomination made in the prescribed manner purports to confer on any person the right to vest the shares in or debentures of the Company or as the case may be, on the death of the joint holders become entitled to all the rights in the shares or debentures of the Company or as the case may be, all the joint holders, in relation to such shares in or debentures of the Company to the exclusion of all other persons, unless the nomination is varied or cancelled in the prescribed manner.

Notice of application when to be given.

Article 61 provides as follows:

Where, in the case of partly paid shares, an application for registration is made by the transferor, the Company shall give notice of the application to the transferee in accordance with the provisions of Section 110 of the Act.

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Death of one or more jointholders of securities.

Article 62 provides as follows:

Every holder of share(s) in and/or debenture(s) of the Company may at any time nominate in the manner prescribed under the Act a person to whom his share(s) in and/or debenture(s) of the Company shall vest in the event of his death.

Where the share(s) in and /or debenture of the Company, are held by more than the one person jointly, all the joint holders may together nominate in the manner prescribed under the Act a person to whom all the rights in the share(s) and/or debenture(s) of the Company, as the case may be shall vest in the event of death of all the joint holders.

Notwithstanding anything contained in any other law for the time being in force or in these article or in any disposition, whether testamentary or otherwise, in respect of such share(s) in , and/or debenture(s) of the Company, where a nomination made in the manner prescribed under the Act purports to confer on any person the right to vest the share(s) in and/or debenture(s) of the Company the nominee shall on the death of the shareholder and/or debenture holder concerned or on the death of all the joint holder, as the case may be, become entitled to all the rights in relation to such share(s) and/or debenture(s) to the exclusion of all other person unless the nomination is varied cancelled in the manner prescribed under the Act.

Where the nominee is a minor the holder of the share(s) in and/or debenture(s) of the Company, can make a nomination in the manner prescribed under the Act to appoint any person to become entitled to the share(s) in and/or debentures(s) of the Company in the event of his death during the minority.

Article 63 provides as follows:

Notwithstanding anything contained in these article any person who became a nominee by virtue of the provision of Article 60 upon the production of such evidence as may be required by the Board and subject as hereinafter provided may elect either.

To be registered himself as holder of the share(s) and/or debenture(s) as the case may be or

To make such transfer of the share(s) and/ or debenture(s) as the case may be as the deceased shareholder and debenture holder as the case may be could have made.

If the person being a nominee so becoming entitled elects to be registered as holder of the share(s) and/or debenture(s) himself he shall deliver or send to the Company, notice in writing duly signed by him stating that he so elects and such notice shall be accompanied with the death certificate of the deceased shareholder and/or debenture holder, as the case may be.

All the limitation restriction and provision of the Act relating to the right to transfer and the registration transfer of share(s) and/ or debenture(s) shall be applicable to any such notice or transfer as aforesaid as if the death of the share holder/debenture holder had not occurred and the notice or transfer were a transfer signed by that shareholder and/or debenture holder as the case may be.

Article 64 provides as follows:

A person, being nominee becoming entitled to the share(s) and/or debenture(s) by reason of the death of the shareholder shall be entitled to the same dividend and other advantage to which he would be entitled if he were the registered a member in respect of his share(s) and/or debenture(s) except that he shall not, before being registered a member in respect of his share(s) or debenture(s) be entitled in respect of it to exercise any right conferred by membership in relation to meeting of the Company.

Provided that the Board may, at any time give notice requiring any such person to elect either to be registered himself or to transfer the share(s) and/ or debenture(s) and if the notice is not complied with within ninety days, the Board may hereinafter withhold payment of all dividend bounces or other moneys payable in respect of the share(s) and/or debenture(s) until the requirement of the notice have been complied with.

No transfer to infant, etc.

Article 65 provides as follows:

No share shall in any circumstances be transferred to any infant, insolvent or person of unsound mind.

Registration of persons entitled to share otherwise than by transfer.

Article 66 provides as follows:

Subject to the provisions of the Act and Articles 60 and 61 any person becoming entitled to shares in consequences of the death, lunacy, bankruptcy or insolvency of any member or by any lawful means other than by transfer in accordance with these articles may with the consent of the Board (which it shall not be under any obligation to give), upon producing such evidence that he sustains the character in respect of which he proposes to act under this Article or of such title as the Board thinks

sufficient, either be registered himself as the holder of the shares or elect to have some person nominated by him and approved by the Board registered as such holder provided nevertheless, that if such person shall elect to have his nominee registered, he shall testify the election by executing in favour of his nominee an instrument of transfer in accordance with the provisions herein contained and until he does so, he shall not be freed from any liability in respect of the shares.

Persons entitled may receive dividend.

Article 67 provides as follows:

A person entitled to a share by transmission shall, subject to the right of the Directors to retain such dividends or money as hereinafter provided, be entitled to receive and may be given a discharge for, any dividends or other moneys payable in respect of the share.

Fee on transfer or transmission.

Article 68 provides as follows:

There shall be paid to the Company, in respect of the transfer or transmission of any number of shares to the same party, such fee, if any, as the Directors may require.

Company not liable for disregard of a notice prohibiting registration of a transfer.

Article 69 provides as follows:

The Company shall incur no liability or responsibility whatsoever in consequence of its registering or giving effect to any transfer of shares made or purporting to be made by any apparent legal owner thereof (as shown on appearing in register of members) to the prejudice of persons having or claiming any equitable right, title or interest to or in the said shares, notwithstanding that the Company may have had notice of such equitable right, title or interest or notice prohibiting registration of such transfer, and may have entered such notice or referred thereto, in any book of the Company and the Company shall not be bound or required to regard or attend or give effect to any notice which may be given to it of any equitable right, title or interest, or be under any liability whatsoever for refusing or neglecting so to do, though it may have been entered or referred to in some book of the Company but the Company shall nevertheless be at liberty to regard and attend to any such notice and give effect thereto if the Board shall so think fit.

BORROWING POWER

Powers to borrow

Article 71 provides as follows:

Subject to the provision of Section 292 of the Act the Board may, from time to time at its discretion by a resolution passed at a meeting of the Board accept deposits from members either in advance of calls or otherwise and generally raise or borrow or secure the payment of any sum or sums of money for the purpose of the Company. Provided however, where the monies to be borrowed together with the moneys already borrowed (apart from temporary loan obtained from the Company's bankers in the ordinary course of business) exceed the aggregate of the paid up capital of the Company and its free reserves (not being reserves set apart for any specific purpose) the Board shall not borrow such moneys without the consent of the Company in General Meeting.

Payment or repayment of moneys borrowed

Article 72 provides as follows:

Subject to the provisions of Articles 69 hereof, the payment or repayment of moneys borrowed as aforesaid may be secured in such manner and upon such terms and conditions in all respects as the Ordinary Resolution shall prescribe including by the issue of debentures or debenturestock of the Company, charged upon all or any part of the property of the Company (both present and future), including its uncalled capital for the time being and debentures, debenturestock and other securities may be made assignable from any equities between the Company and the person to whom the same may be issued.

Register of Mortgages, etc. to be kept

Articles 74 provides as follows:

The Board shall cause a proper Register to be kept in accordance with the provisions of Section 143 of the Act of all mortgages, debentures and charges specifically affecting the property of the Company; and shall cause the requirements of Sections 118, 125 and 127 to 144 (both inclusive) of the act in that behalf to be duly complied with, so far as they fall to be complied with by the Board.

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MEETING OF MEMBERS

Annual General Meeting – Annual Return

Article 82 provides as follows:

The Company shall in each year hold a General Meeting as its Annual General Meeting in addition to any other meetings in that year. All General Meetings, other than Annual General Meetings shall be called "Extraordinary General Meetings". The first Annual General Meeting shall be held within six months after the expiry of the financial year in which the Company was established and thereafter an Annual General Meeting of the Company shall be held within six months after the expiry of each financial year provided that not more than fifteen months shall lapse between the date of one Annual General Meeting and that of the next. Nothing contained in the foregoing provisions shall be taken as affecting the right conferred upon the Registrar under the provisions of Section 166(1) of the Act to extend the time within which any Annual General Meeting may be held. Every Annual General Meeting shall be called for a time during business hours, on a day that is not a public holiday, and shall be held at the office of the Company or at some other place within the city in which the office of the Company is situated as the Board may determine and the Notices calling the Meeting shall specify it as the Annual General Meeting. The Company may in any one Annual General Meeting fix the time for its subsequent Annual General Meetings. Every member of the Company shall be entitled to attend either in person or by proxy and the Auditor of the Company shall have the right to attend and to be heard at any General Meeting which he attends on any part of the business which concerns him as Auditor. At every Annual General Meeting of the Company, there shall be laid on the table the Director's report and audited statement of accounts, Auditor's report (if not already incorporated in the audited statement of accounts), the proxy register with proxies and the register of Directors' share holdings which latter register shall remain open and accessible during the continuance of the meeting. The Board shall cause to be prepared the annual list of members, summary of the share capital, balance sheet and profit and loss account and forward the same to the registrar in accordance with Sections 159, 161 and 220 of the Act.

Extraordinary General Meeting

Article 83 provides as follows:

The Board may, whenever it thinks fit, call an Extra ordinary General Meeting and it shall do so upon a requisition in writing by any member or members holding in the aggregate not less than one tenth of such of the paid up capital as at that date carries the right of voting in regard to the matter in respect of which the requisition has been made.

Requisition of Members to state object of meeting.

Article 84 provides as follows:

Any valid requisition so made by members must state the object or objects of the meeting proposed to be called, and must be signed by the requisitionists and be deposited at the office provided that such requisition may consist of several documents in like form, each signed by one or more requisitionists.

On receipt of requisition Directors to call meeting and in default requisitionists may do so.

Article 85 provides as follows:

Upon the receipt of any such requisition, the Board shall forthwith call an Extraordinary General Meeting, and if they do not proceed within twentyone days from the date of the requisition being deposited at the office to cause a meeting to be called on a day not later than forty five days from the date of deposit of the requisition, the requisitionists, or such of their number as represent either a majority in value of the paidup share capital held by all of them or not less than onetenth of such of the paidup share capital of the Company as is referred to in Section 169(4) of the Act, whichever is less, may themselves call the meeting, but in either case any meeting so called shall be held within three months from the date of the delivery of the requisition as aforesaid.

Meeting called by requisitionists.

Article 86 provides as follows:

Any meeting called under the foregoing Articles by the requisitionists shall be called in the same manner, as nearly as possible, as that in which meetings are to be called by the Board.

Twenty one days' notice of meeting to be given.

Article 87 provides as follows:

At least twenty-one days' notice of every General Meeting Annual or Extraordinary and by whomsoever called specifying the day, place and hour of meeting, and the general nature of the business to be transacted thereat shall be given in the manner hereinafter provided, to such persons as are under these Articles entitled to receive notice from the Company. Provided that

in the case of an Annual General Meeting with the consent in writing of all the members entitled to vote thereat and in case of any other meeting, with the consent of members holding not less than 95 percent of such part of the paid-up share capital of the Company as gives a right to vote at the meeting, a meeting may be convened by a shorter notice. In the case of an Annual General Meeting, if any business other than (i) the consideration of the accounts, balance sheets and reports of the Board of Directors and Auditors, (ii) the declaration of dividend, (iii) the appointment of Directors in place of those retiring, (iv) the appointment of, and fixing of the remuneration of the Auditors is to be transacted, and in the case of any other meeting, in any event, there shall be annexed to the notice of the meeting a statement setting out all material facts concerning each such item of business, including in particular the nature or interest if any, therein of every Director of the concern, and the manager, (if any). Where any such item of special business relates to, or affects any other company, the extent of shareholding interest in other company of every Director, and the manager if any, of the Company shall also be set out in the statement if the extent of such shareholding interest is not less than 20 per cent of the paidup share capital of that other company. Where any item of business consists of according of approval to any document by the meeting, the time and place where the document can be inspected shall be specified in the statement aforesaid.

Omission to give notice not to invalidate a resolution passed.

Article 88 provides as follows:

The accidental omission to give any such notice as aforesaid to any of the members or the non receipt thereof, shall not invalidate any resolution passed at any such meeting.

General Meeting not to transact business not mentioned in the notice.

Article 89 provides as follows:

No General Meeting, Annual or Extraordinary, shall be competent to enter upon discuss or transact any business which has not been mentioned in the notice or notices upon which the meeting was convened.

Quorum at General Meeting.

Article 90 provides as follows:

Five members present in person shall form a quorum for a General Meeting.

If quorum not present meeting to be dissolved or adjourned.

Article 91 provides as follows:

If at the expiration of half an hour from the time appointed for holding a meeting of the Company, a quorum shall not be present, the meeting if convened by or upon the requisition of members, shall stand dissolved, but in any other case the meeting shall stand adjourned to the same day in the next week or if that day is a public holiday until the next succeeding day which is not a public holiday at the same time and place or at such other time and place within the city town or village in which the registered office of the Company is situated as the Board may determine, and if at such adjourned meeting, a quorum is not present at the expiration of half an hour from the time appointed for holding the meeting, the members present shall be a quorum, and may transact the business for which the meeting was called. It shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

Chairman of General Meeting.

Article 92 provides as follows:

The Chairman of the Board shall be entitled to take the chair at every General Meeting whether Annual or Extra Ordinary. If the Chairman is unable or unwilling to take the chair or if he is not present within fifteen minutes of the time appointed for holding such meeting then the Vice Chairman shall be entitled to take the chair at such meeting. If there be no such Chairman and/or Vice Chairman if he/they are unable/unwilling to take the chair, or if he/they are not present within fifteen minutes of the time appointed for holding such meeting, then the Directors present shall elect another Director as Chairman, and if no Director is present, or if all the Directors present decline to take the chair, then the members present shall elect one of their number to be the Chairman.

Business confined to election of Chairman whilst Chair vacant.

Article 93 provides as follows:

No business shall be discussed at any General Meeting except the election of a Chairman, whilst the chair is vacant.

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Chairman with consent may adjourn meeting.

Article 94 provides as follows:

The Chairman with the consent of the members may adjourn any meeting from time to time and from place to place but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

Questions at General Meeting how decided

Article 95 provides as follows:

Before or on the declaration of the result of the voting on any resolution on a show of hands, a poll may be ordered to be taken by the Chairman of the meeting of his own motion and shall be ordered to be taken by him on a demand made in that behalf by any member or members present in person or by proxy, and holding shares in the Company, which confer a power to vote on the resolution not being less than one-tenth of the total voting power in respect of the resolution or on which an aggregate sum of not less than fifty thousand rupees has been paid up. The demand for a poll may be withdrawn at any time by the person or persons making the demand, unless a poll is so demanded a declaration by the Chairman that a resolution has, on show of hands, been carried or carried unanimously or by a particular majority or lost; and an entry to that effect in the minutes book of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution.

Chairman's casting vote.

Article 96 provides as follows:

In the case of an equality of votes, the Chairman shall both on show hands and at a poll (if any) have a casting vote in addition to the vote or votes to which he may be entitled as a member.

Article 97 provides as follows:

If a poll is demanded as aforesaid the same shall subject to Article 94 be taken at such time (not later than forty-eight hours from the time when the demand was made) and place in the city or town in which the office of the Company is for the time being situated and either by open voting or by ballot, as the Chairman shall direct, and either at once or after an interval or adjournment or otherwise and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The demand for a poll may be withdrawn at any time by the person or persons who made the demand.

Scrutineers at poll.

Article 98 provides as follows:

Where a poll is to be taken the Chairman of the meeting shall appoint two scrutineers to scrutinise the vote given on the poll and to report thereon to him. One of the scrutineers so appointed shall always be a member (not being an officer or employee of the Company) present at the meeting, provided such a member is available and willing to be appointed. The Chairman shall have power at any time before the result of the poll is declared to remove a scrutineer from office and fill vacancies in the office of scrutineer arising from such removal or from any other cause.

In what case poll taken without adjournment.

Article 99 provides as follows:

Any poll duly demanded on the election of a Chairman of a meeting or on any question of adjournment shall be taken at the meeting forthwith.

Demand for poll not to prevent, transaction of other business.

Article 100 provides as follows:

The demand for a poll except on the question of the election of the Chairman and of an adjournment shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded.

Passing of resolutions by postal ballot

Article 101 provides as follows:

Subject to the provisions of Section 192A of the Act read with the Companies (passing of resolutions by postal ballot) rules, 2001, the Company may pass resolutions by way of postal ballot from time to time.

VOTES OF MEMBERS

Members in arrears not to vote.

Article 102 provides as follows:

No member shall be entitled to vote either personally or by proxy at any General Meeting or meetings of class of shareholders either upon a show of hands or upon a poll in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid or in regard to which the Company has, and has exercised, any right of lien.

Number of votes to which Member entitled.

Article 103 provides as follows:

Subject to the provisions of these Articles and without prejudice to any special privileges or restrictions as to voting for the time being attached to any class of shares for the time being forming part of the capital of the Company, every member, not disqualified by the last preceding Article shall be entitled to be present and to speak and vote at such meeting, and on a show of hands every member present in person shall have one vote and upon a poll the voting right of every member present in person shall have one vote and upon a poll the voting right of every member present in person or by proxy shall be in proportion to his share of the paid-up Equity Share capital of the Company. Provided, however, if any preference shareholder be present at any meeting of the Company, save as provided in Section 87 (2) (b) of the Act, he shall have a right to vote only on resolution placed before the meeting which directly affects the right attached to his preference shares.

Casting of votes by a member entitled to more than one vote.

Article 104 provides as follows:

On a poll taken at a meeting of the Company a member entitled to more than one vote, or his proxy or other persons entitled to vote for him as the case may be, need not, if he votes, use all his votes or cast in the same way all the votes he uses.

How Members of unsound mind and minor may vote.

Article 105 provides as follows:

A member of unsound mind or in respect of whom an order has been made by any Court having jurisdiction in lunacy may vote, whether on a show of hands or on a poll, by his committee or other legal guardian; and any such committee or guardian may, on poll vote by proxy, if any member be a minor the vote in respect of his share or shares shall be by his guardian, or any one of his guardians if more than one, to be selected in case of dispute by the Chairman of the meeting.

Votes of jointmembers.

Article 106 provides as follows:

If there be joint registered holders of any shares, any one of such person may vote at any meeting or may appoint another person (whether a member or not) as his proxy in respect of such shares, as if he were solely entitled thereto but the proxy so appointed shall not have any right to speak at the meeting and, if more than one of such joint holders be present at any meeting that one of the said persons so present whose name stand higher on the Register shall alone be entitled to speak and to vote in respect of such shares, but the other or others of the jointholders shall be entitled to be present at the meeting. Several executors or administrators of a deceased member in whose name shares stand shall for the purpose of these Articles be deemed joint holders thereof.

Voting in person or by proxy.

Article 107 provides as follows:

Subject to the provisions of these Articles votes may be given either personally or by proxy. A body corporate being a member may vote either by a proxy or by a representative duly authorised in accordance with Section 187 of the Act and such representative shall be entitled to exercise the same rights and powers (including the right to vote by proxy) on behalf of the body corporate which he represents as that body could exercise if it were an individual member.

Votes in respect of shares of deceased and insolvent Member.

Article 108 provides as follows:

Any person entitled under Article 64 to transfer any share may vote at any General Meeting in respect thereof in the same manner as if he were the registered holder of such shares provided that fortyeight hours atleast before the time of holding the meeting or adjourned meeting as the case may be at which he proposes to vote he shall satisfy the Directors of his right to transfer such shares and give such indemnity (if any) as the Directors may require or the Directors shall have previously admitted his right to vote at such meeting in respect thereof.

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Appointment of proxy.

Article 109 provides as follows:

Every proxy (whether a member or not) shall be appointed in writing under the hand of the appointer or his attorney or if such appointer is a corporate body under the common seal of such corporation, or be signed by an officer or any attorney duly authorised by it, and any committee or guardian may appoint such proxy. The proxy so appointed shall not have any right to speak at the meetings.

Proxy either for specified meeting or for a period.

Article 110 provides as follows:

An instrument of proxy may appoint a proxy either for the purpose of a particular meeting specified in the instrument and any adjournment thereof or it may appoint for the purpose of every meeting of the Company, or of every meeting to be held before a date specified in the instrument and every adjournment of any such meeting.

Proxy to vote only on a poll.

Article 111 provides as follows:

A member present by proxy shall be entitled to vote only on a poll.

Deposit of instrument of appointment.

Article 112 provides as follows:

The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or notarised/ certified copy of that power or authority, shall be deposited at the office not later than fortyeight hours before the time for holding the meeting at which the person named in the instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of twelve months from the date of its execution.

Form of proxy.

Article 113 provides as follows:

Every instrument of proxy whether for a specified meeting or otherwise shall as nearly as circumstances will admit, be in any of the forms set out in Schedule IX of the Act.

Validity of votes given by proxy notwithstanding death of member.

Article 114 provides as follows:

A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal, or revocation of the proxy or of any power of attorney under which such proxy was signed, or the transfer of the share in respect of which the vote is given provided that no intimation in writing of the death or insanity, revocation or transfer shall have been received at the office before the meeting.

Time for objections of votes.

Article 115 provides as follows:

No objection shall be made to the validity of any vote, except at any meeting or poll at which such vote shall be tendered and every vote whether given personally or by proxy, not disallowed at such meeting or poll shall be deemed valid for all purposes of such meeting or poll whatsoever.

Chairman of the meeting to be the judge of validity of any vote.

Article 116 provides as follows:

The Chairman of any meeting shall be the sole judge of the validity of every vote tendered at such meeting. The Chairman present at the taking of a poll shall be the sole judge of the validity of every vote tendered at such poll.

Article 117 provides as follows:

- (a) The Company shall cause minutes of all proceedings of every General Meeting to be kept by making within thirty days of the conclusion of every such meeting concerned, entries thereof in books kept for that purpose with their pages consecutively numbered. minutes of General Meeting and inspection thereof by members.

- (b) Each page of every such book shall be initialled or signed and the last page of the record of proceedings of each meeting in such book shall be dated and signed by the Chairman of the same meeting within the aforesaid period of thirty days or in the event of the death or inability of the Chairman within that period, by a Director duly authorised by the Board for the purpose.
- (c) In no case the minutes of proceedings of a meeting shall be attached to any such book as aforesaid by pasting or otherwise.
- (d) The minutes of each meeting shall contain a fair and correct summary of the proceedings thereat.
- (e) All appointments of officers made at any meeting aforesaid shall be included in the minutes of the meeting.
- (f) Nothing herein contained shall require or be deemed to require the inclusion in any such minutes of any matter which in the opinion of the Chairman of the meeting (a) is or could necessarily be regarded as defamatory of any person, or (b) is irrelevant or immaterial to the proceedings, or (c) detrimental to the interest of the Company. The Chairman of the meeting shall exercise an absolute discretion in regard to the inclusion or noninclusion of any matter in the minutes on the aforesaid grounds.
- (g) Any such minutes shall be evidence of the proceedings recorded therein.
- (h) The book containing the minutes of proceedings of General Meeting shall be kept at the office of the Company and shall be open during business hours, for such periods as the Directors may determine, for the inspection of any member without charge.

MANAGEMENT

Certain powers of the Board

Article 167(b) provides as follows:

Without prejudice to the generality of the foregoing, upon the adoption of preliminary contracts, if any, entered into by and between the promoters and any other persons as provided in Article 160 (1), herein, the Board shall have power in its absolute discretion to issue and allot fully paid equity or preference shares of the Company or by issue of fully and/or partly paid convertible / non-convertible Debentures or such other securities or partly by one and partly by other, in any combination, in one or more tranches may be thought fit by the Board, for consideration in cash or otherwise than in cash to the Promoters or to any other person in terms of the agreement that may be entered into between the Company and the Promoters or to any other person including.

- (i) To pay cost, charges and expenses preliminary and incidental to the promotion, formation, establishment and registration of the Company.
- (ii) To enter into contracts for the acquisition of fixed assets, net current assets, selling rights etc and to enter into non-compete agreements with any other person, firm or company on behalf of the Company by way of ratification or substitution and to remunerate person or company for services rendered or to be rendered or for the acquisition of any property, licence, trademarks, letter of intent, allotments, know how or similar thing by the Company and for the purpose to pay for such consideration as may arise therefrom by issue of fully paid equity or preference shares of the Company or by issue of fully and/or partly paid convertible / non-convertible Debentures or partly by one and partly by other, in any combination, in one or more tranches as the Board may deem fit.
- (iii) To pay and charge to the capital account of the Company any commission, brokerage or interest lawfully payable thereon under the provisions of Sections 76 and 208 of the Act.
- (iv) Subject to Sections 292, 297 and 360 of the Act to purchase or otherwise acquire for the Company any property, rights or privileges which the Company is authorised to acquire, at or for such price or consideration and generally on such terms and conditions as they may think fit and in any such purchase or other acquisition to accept such title as the Directors may believe or may be advised to be reasonably satisfactory.
- (v) At their discretion and subject to provision of the Act to pay for any property, rights, or privileges acquired by or services rendered to the Company, either wholly or partially, in cash or in shares, bonds, debentures, mortgages or other securities of the Company, and any such shares may be issued either as fully paid up or with such amount credited as paid up thereon as may be agreed upon; and any such bonds, debentures, mortgages or other securities may be either specially charged upon all or any part of the property of the Company and its uncalled capital or not so charged.
- (vi) To secure the fulfillment of any contracts or engagement entered into by the Company by mortgage or charge of all or any of the property of the Company and its uncalled capital for the time being or in such manner as they may think fit.
- (vii) To accept from any member, as far as may be permissible by law, a surrender of his shares or any part thereof, on such terms and conditions as shall be agreed.
- (viii) To appoint any person to accept and hold in trust for the Company any property belonging to the Company, in which it is interested, or for any other purposes, and to execute and do all such deeds and things as may be required in relation to any trust, and to provide for the remuneration of such trustee or trustees.

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- (ix) To institute, conduct, defend, compound, or abandon any legal proceedings by or against the Company or its officers or otherwise concerning the affairs of the Company, and also to compound and allow time for payment or satisfaction of any debts due and or any claim or demands by or against the Company and to refer any differences to arbitration, and observe and perform any awards made thereon.
- (x) To act on behalf of the Company in all matters relating to bankruptcy and insolvency.
- (xi) To make and give receipts, releases, and other discharges for monies payable to the Company and for the claims and demands of the Company.
- (xii) Subject to the provisions of Sections 292, 295, 369, 370 and 372 of the Act, to invest and deal with any monies of the Company not immediately required for the purposes thereof upon such security (not being shares of this Company) or without security and in such manner as they may think fit, and from time to time to vary or realise such investments. Save as provided in Section 49 of the Act, all investments shall be made and held in the Company's own name.
- (xiii) To execute in the name and on behalf of the Company in favour of any Director or other person who may incur or be about to incur any personal liability whether as principal or surety, for the benefit, of the Company, such mortgages of the Company's property (present and future) as they think fit, and any such mortgage may contain a power of sale and such other powers, provisions, covenants and agreements as shall be agreed upon.
- (xiv) To determine from time to time who shall be entitled to sign on the Company's behalf bills, notes, receipts, acceptances, endorsements, cheques, dividend warrants, releases, contracts and documents and to give them necessary authority for such purpose.
- (xv) To distribute by way of bonus amongst the staff of the Company a share or shares in the profits of the Company and to give to any officer or other persons employed by the Company a commission on the profits of any particular business or transaction and to charge such bonus or commission as part of the working expenses of the Company.
- (xvi) To provide for the welfare of Directors or ex-Directors or employees or ex-employees of the Company and their wives, widows and families or the dependants or any connection of such persons, by building or contributing to the building of houses, dwellings, or chawls, or by grants of moneys, pension, gratuities, allowances, bonus or other payments or by creating, and from time to time subscribing or contributing to provident fund and other associations, institutions, funds, trusts and by providing or subscribing or contributing towards places of instruction and recreation, hospital and dispensaries, medical and other attendance and other assistance as the Board shall think fit, and to subscribe or contribute or otherwise to assist or to guarantee to charitable, benevolent, religious, scientific, national or institutions or objects which shall have any moral or other claim to support or aid by the Company either by reason of locality of operation, or of public and general utility or otherwise.
- (xvii) Before recommending any dividend, to set aside out of the profits of the Company such sums as they may think proper for depreciation or to depreciation fund or to an insurance fund or as a reserve fund or sinking fund or any special fund to meet contingencies or to repay debenture or debenture stock or for special dividends or for equalising dividends or for repairing, improving, extending, and maintaining any of the property of the Company and for such other purposes (including the purposes referred to in the preceding clause), as the Board may, in their absolute discretion, think conducive to the interest of the Company and subject to Section 292 of the Act, invest the several sums to set aside for so much thereof as required to be invested, upon such investments (other than shares of the Company) as they may think fit, and from time to time to deal with and vary such investments and dispose of and apply and expend all or any part thereof for the benefit of the Company in such manner and for such purposes as the Board in their absolute discretion, think conducive to the interest of the Company notwithstanding that the matters to which the Board apply or upon which they expend the same, or any part thereof may be matters to or upon which the capital monies of the Company might rightly be applied or expended, and to divide the reserve fund into such special funds as the Board may think fit with full power to transfer the whole or any portion of a reserve fund or division of a reserve fund to another reserve fund or division of a reserve fund and with full power to employ the assets constituting all or any of the above funds, including the depreciation fund, in the business of the Company or in the purchase or repayment of Debenture or debenture stock and without being bound to keep the same separate from the other assets and without being bound to pay interest on the same with power however to the Board at their discretion to pay or allow to the credit of such funds interest at such rate as the Board may think proper, not exceeding nine percent per annum.
- (xviii) To appoint, and at their discretion remove or suspend such general managers, managers, secretaries, assistants, supervisors, clerks, agents and servants for permanent, temporary or special services as they may from time to time think fit, and to determine their powers and duties and fix their salaries or emoluments or remuneration, and to require security in such instances and to such amount as they may think fit. And also from time to time to provide for the management and transaction of the affairs of the Company in any specified localities in India or elsewhere in such manner as they think fit and the provisions contained in the four next following subclauses shall be without prejudice to the general powers conferred by this subclause.

- (xix) To comply with the requirements of any local law which in their opinion shall be in the interests of the Company necessary or expedient to comply with.
- (xx) From time to time and at any time to establish any local Board for managing any of the affairs of the company in any specified locality in India or elsewhere and to appoint any persons to be members of such local Boards, and to fix their remuneration.
- (xxi) Subject to Section 292 of the Act, from time to time and at any time to delegate to any persons so appointed any of the powers, authorities and discretion for the time being vested in the Board, other than their power to make calls or to make loans or borrow monies, and to authorise the members for the time being of any such local Board, or any of them to fill up any vacancies therein and to act notwithstanding vacancies and any such appointment or delegation may be made on such terms and subject to such conditions as the Board may think fit, and the Board may at any time remove any person so appointed, and may annul or vary any such delegation.
- (xxii) At any time and from time to time by power of attorney under the Seal of the Company, to appoint any person or persons to be the attorney or attorneys of the Company for such purposes and with such powers, authorities and discretion (not exceeding those vested in/or exercisable by the Board under these presents and excluding the power to make calls and excluding also except in their limits, authorised by the Board, the power to make loans and borrow moneys) and for such period and subject to such conditions as the Board may from time to time think fit; and any such appointment may (if the Board thinks fit) be made in favour of the members or any of the members of any local Board, established as aforesaid or in favour of any Company, or the shareholders, directors, nominees, or managers of any company or firms or otherwise in favour of any fluctuating body of persons whether nominated directly or indirectly by the Board and any such power of attorney may contain such powers for the protection or convenience of persons dealing with such attorneys as the Board may think fit, and may contain powers enabling any such delegates or attorneys as aforesaid to sub delegate all or any of the powers authorities and discretion for the time being vested in them.
- (xxiii) Subject to Section 294 and 297 of the Act, for or in relation to any of the matters aforesaid or otherwise for the purposes of the Company to enter into all such negotiations and contracts and rescind and vary all such contracts, and execute and do all such acts, deeds and things in the name and on behalf of the Company as they may consider expedient.
- (xxiv) From time to time to make, vary and repeal bylaws for the regulation of the business of the Company its officers and servants.

DIVIDENDS

Division profits.

Article 172 provides as follows:

The profits of the Company, subject to any special rights relating thereto created or authorised to be created by these Articles and subject to the provisions of these Articles, shall be divisible among the members, in proportion to the amount of capital paid-up or credited as paid-up on the shares held by them respectively.

The Company in General Meeting may declare a dividend.

Article 173 provides as follows:

The Company in General Meeting may declare dividends to be paid to members according to their respective rights, but no dividends shall exceed the amount recommended by the Board, but the Company in General Meeting may declare a smaller dividend.

Dividends only to be paid out of profits.

Article 174 provides as follows:

No dividends shall be declared or paid otherwise than out of profits of the financial year arrived at after providing for depreciation in accordance with the provisions of Section 205 of the Act or out of the profits of the Company for any previous financial year or years arrived at after providing for depreciation in accordance with these provisions and remaining undistributed or out of both provided that:

- (a) If the Company has not provided for depreciation for any previous financial year or years it shall, before declaring or paying a dividend for any financial year, provide for such depreciation out of the profits of the financial year or out of the profits of any other previous financial year or years;
- (b) if the Company has incurred any loss in any previous financial year or years the amount of the loss or an amount which is equal to the amount provided for depreciation for that year or those years whichever is less, shall be set off against the profits of the Company for the year for which the dividend is proposed to be declared or paid or against the profits of the Company for any previous financial year or years arrived at in both cases after providing for depreciation in accordance with the provisions of subsection (2) of Section 205 of the Act or against both.

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Interim dividend.

Article 175 provides as follows:

The Board may from time to time, pay to the members such interim dividends as in their judgement the position of the Company justifies.

Capital paid up in advance to interest but not to earn dividend.

Article 176 provides as follows:

Where capital is paid in advance of calls such capital may carry interest but shall not in respect thereof confer a right to dividend or participate in profits.

Dividends in proportion to amount paidup.

Article 177 provides as follows:

All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid; but if any share is issued on terms providing that it shall rank for dividend as from a particular date, such share shall rank for dividend accordingly.

Retention of dividends until completion of transfer under Article 64.

Article 178 provides as follows:

The Board may retain the dividends payable upon shares in respect of which any person is, under Article 64 entitled to become a member or which any person under that Article is entitled to transfer, until such person shall become a member, in respect of such shares or shall duly transfer the same.

Dividend etc. to jointholders.

Article 179 provides as follows:

Any one of several persons who are registered as the jointholders of any share may give effectual receipts for all dividends or bonus and payments on account of dividends or bonus or other monies payable in respect of such shares.

No member to receive dividend whilst indebted to the Company, and Company's right of reimbursement thereof.

Article 180 provides as follows:

No member shall be entitled to receive payment of any interest or dividend in respect of his share or shares whilst any monies may be due or owing from him to the Company in respect of such share or shares or otherwise howsoever, either alone or jointly with any other person or persons; and the Board may deduct from the interest or dividend payable to any member all sums of monies so due from him to the Company.

Right to Dividend, rights shares and bonus shares to be held in abeyance pending registration of transfer of shares.

Article 181 provides as follows:

Where any instrument of transfer of shares has been delivered to the Company for registration and the transfer of such shares has not been registered by the company, it shall.

- (a) transfer the dividend in relation to such shares to the special account referred to in Section 205A of the Act, unless the Company is authorised by the registered holder of such shares in writing to pay such dividend to the transferee specified in such instrument of transfer; and
- (b) keep in abeyance in relation to such shares any offer of rights shares under clause (a) of subsection (1) of Section 81 and any issue of fully paid up bonus shares in pursuance of subsection (3) of Section 205 of the Act.

Dividends how remitted.

Article 182 provides as follows:

Unless otherwise directed any dividend may be paid by cheque or warrant or by a payslip or receipt having the force of a cheque or warrant sent through the post to the registered address of the member or person entitled or in case of jointholders to that one of them first named in register in respect of the jointholdings. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. The Company shall not be liable or responsible for any cheque or warrant or payslip or receipt lost in transmission, or for any dividend lost to the member or person entitled thereto by the forged endorsement of any cheque or warrant or the forged signature of any payslip or receipt or the fraudulent recovery of the dividend by any other means.

Unclaimed dividend

Article 183 provides as follows:

No unclaimed dividend shall be forfeited and the same shall be dealt with in accordance with the provisions of Section 205A, 205B, and 206A or other provisions, if any, of the Act as may be applicable, from time to time.

No interest on dividends.

Article 184 provides as follows:

No unpaid dividend shall bear interest as against the Company.

Dividend and call together.

Article 185 provides as follows:

Any General Meeting declaring a dividend may on the recommendation of the Directors make a call on the members of such amount as the meeting fixes, but so that the call on each member shall not exceed the dividend payable to him and so that the call be made payable at the same time as the dividend; and the dividend may, if so arranged between the Company and the member, be set off against the calls.

Capitalisation.

Article 186 provides as follows:

- (a) The Company in General Meeting may by a special resolution resolve that any monies, investments or other assets forming part of the undivided profits of the Company standing to the credit of the reserve account or fund, or any capital redemption reserve account, or in the hands of the Company and available for dividend (or representing premium received on the issue of shares and standing to the credit of the shares premium account) be capitalised and distributed amongst such of the shareholders as would be entitled to receive the same if distributed by way of dividend and in the same proportions on the footing that they become entitled thereto as capital and that all or any part of such capitalised value or sum or fund be applied on behalf of such shareholders in paying up in full either at par or at such premium as the resolution may provide, any unissued shares or debentures or debenture stock of the Company which shall be distributed accordingly or in or towards payment of the uncalled liability on any issued shares or debentures or debenture stock and that such distribution or payment shall be accepted by such shareholders in full satisfaction of their interest in the said capitalised sum, provided that a share premium account and a capital redemption reserve account may, for the purpose of this Article, only be applied in the paying of any unissued shares to be issued to members of the Company as fully paid bonus shares.
- (b) A General Meeting may resolve that any surplus monies arising from the realisation of any capital assets of the Company, or any investments representing the same, or any other undistributed profits of the Company not subject to charge may be distributed among the members on the footing that they receive the same as capital.
- (c) For the purpose of giving effect to any resolution under the preceding paragraphs of this article, the Board may settle any difficulty which may arise in regard to the distribution as it thinks expedient and in particular may issue fractional certificates and may fix the value for distribution of any specific assets, and may determine that such cash payments shall be made to any members upon the footing of the value so fixed or that fraction of less value than Rs. 10/- may be disregarded in order to adjust the rights of all parties and may vest any such cash or the specific assets in trustees upon such trusts for the person entitled to the dividends or capitalised funds as may seem expedient to the Board. Where requisite, a proper contract shall be delivered to the Registrar for registration in accordance with Section 75 of the Act, and the Board may appoint any person to sign such contract on behalf of the persons entitled to the dividend or capitalised fund, and such appointment shall be effective.

INDEMNITY AND RESPONSIBILITY

Directors' and others' right of indemnity

Article 220 provides as follows:

Every officer or agent for the time being of the Company shall be indemnified out of the assets of the Company against all liability incurred by him in defending any proceedings, whether civil or criminal, in which judgement is given in his favour or in which he is acquitted or discharged or in connection with any application under Section 633 of the Act, in which relief is granted to him by the Court.

LIST OF MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by our Company or entered into more than two years before the date of this Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by our Company. These contracts, copies of which have been attached to the copy of this Red Herring Prospectus, delivered to the ROC, Mumbai for registration and also the documents for inspection referred to hereunder, may be inspected at the registered office of our Company situated at Everest Kanto Cylinder Limited; 501, Raheja Centre, 214, Free Press Journal Marg, Nariman Point, Mumbai 400 021 India from 10.00 a.m. to 4.00 p.m. from the date of this Red Herring Prospectus until the Bid/ Issue Closing Date

Material Contracts

1. Memorandum of Understanding dated August 30, 2005 entered into with SBI Capital Markets Ltd. to act as Book Running Lead Manager to the Issue alongwith interse allocation of responsibility.
2. Memorandum of Understanding dated July 20, 2005 entered into with Intime Spectrum Registry Limited to act as Registrar to the Issue.
3. Letter dated March 21, 2005 from SBI Capital Markets Ltd. as the Book Running Lead Manager and the acceptance by the Company.
4. Letter dated July 20, 2005 appointing Intime Spectrum Registry Limited as the Registrar to the issue.
5. Escrow Agreement dated November 3, 2005 between Escrow Collecting Banks, BRLM, Registrar and Company.
6. Syndicate Agreement dated November 3, 2005 between BRLM and the Issuer.
7. Underwriting agreement dated [●]

Material Documents

1. Our Memorandum and Articles of Association as amended from time to time.
2. Certificate of Incorporation of the Company.
3. Resolution passed by the Board of Directors of the Company at its meeting on June 8, 2005 and a special resolution pursuant to Sec. 81(1A) of the Companies Act, 1956, at the EGM of the Company on July 6, 2005.
4. Copies of Annual reports of the company for the years ended March 31, 2001, 2002, 2003, 2004 and 2005.
5. Copy of the tax benefit report dated August 1, 2005 from our Auditors.
6. Report of the Auditors C.D. Prasad & Co. dated Novembar 02, 2005.
7. Consents of Auditors, Bankers to the Company, BRLM, Syndicate Member, Domestic Legal Advisor for the Issue, Directors, Company Secretary, Registrars, Bankers to the Issue, Compliance Officer as referred to, in their respective capacities.
8. Joint venture contract with Cangzhou Gas Corporation, China dated April 27, 2005.
9. Memorandum of Understanding with Jahad Tahghihat Group dated March 8, 2005.
10. General power of attorney executed by Directors in favour of person(s) for signing and making necessary changes in the Red Herring Prospectus.
11. Listing application filed with BSE and NSE.
12. In principal listing approvals from BSE dated October 25, 2005 and NSE dated October 26, 2005.
13. Tripartite agreement between the NSDL, our Company and dated October 6, 2005.
14. Tripartite agreement between the CDSL, our Company and dated September 26, 2005.
15. Due diligence certificate dated August 30, 2005 to SEBI from SBI Capital Markets Limited.
16. SEBI observation letter No CFD/DIL/NB/AC/ISSUES/52955/2005 dated October 27, 2005.
17. Copy of lease agreement dated October 5, 2005 with The Government of Dubai through Jebel Ali Free Zone Authority, P.O. Box 17000, Jebel Ali, Dubai, UAE.



DECLARATION

All the relevant provisions of the Companies Act, 1956, and the guidelines issued by the Government of India or the guidelines issued by the Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or rules made thereunder or guidelines issued, as the case may be. We further certify that all the statements in this Red Herring Prospectus are true and correct.

SIGNED BY ALL THE DIRECTORS

Sd/-
Mr. P. K. Khurana
Chairman and Managing Director

Sd/-
Mr. S. S. Khurana *
Wholetime Director

Sd/-
Mr. Pushkar P. Khurana *
Wholetime Director

Sd/-
Mr. Puneet P. Khurana
Wholetime Director

Sd/-
Mr. P. M. Samvatsar
Wholetime Director

Sd/-
Mr. Shailesh Haribhakti
Independent Director

Sd/-
Mr. Mohan Jayakar
Independent Director

Sd/-
Mr. Krishen Dev
Independent Director

Sd/-
Mr. Anand Mehta
Independent Director

Sd/-
Mr. Naresh Oberoi
Independent Director

Place: Mumbai

Date: November 9, 2005.

* through their constituted power of attorney.

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