

22

Indian states.

51

bottling plants.

8

cylinder manufacturing units.

75

auto LPG dispensing stations.

55

LPG transport-capable vehicles.

That is Confidence Petroleum India Limited.
India's largest green fuel (LPG – liquefied petroleum gas) crusader.

Vision

- Become the pioneer in alternate eco-friendly fuel provision for the nation
- Make environment-friendly fuels available at every doorstep in the safest manner and across every highway

Legacy

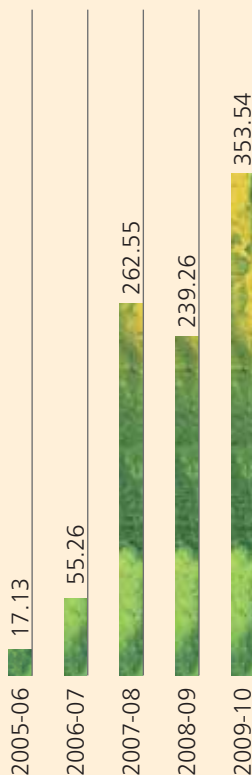
- The Confidence Group commenced operations in 1993 with the acquisition of a cylinder manufacturing unit
- The Confidence Group today transformed into a conglomerate of repute with eight LPG/CNG cylinder manufacturing plants and 51 bottling units with a distribution network across 22 Indian states

Business

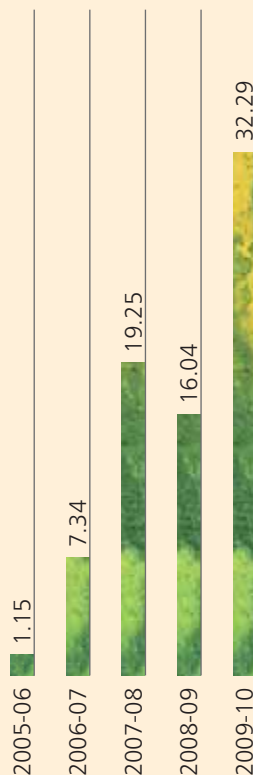
- The Company is positioned as a reputed Indian cylinder manufacturer. It is the largest private LPG bottler and bottling assistance provider in India
- The Company's business is divided across the following:
 - Auto LPG dispensing stations (ALDS)
 - CNG/high-pressure cylinder manufacturing
 - LPG bottling services (with a plant in Indonesia) and LPG cylinder manufacturing in Indonesia for Indonesian state-owned oil and gas company Pertamina
 - LPG cylinder manufacture
 - Integrated engineering solutions
 - LPG logistics

The crusade for clean and green fuel continues to be profitable.

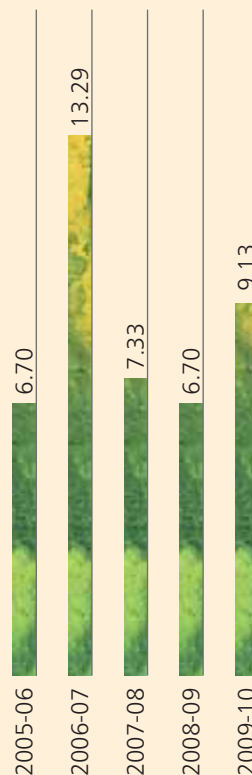
Revenue (gross)
(Rs cr)



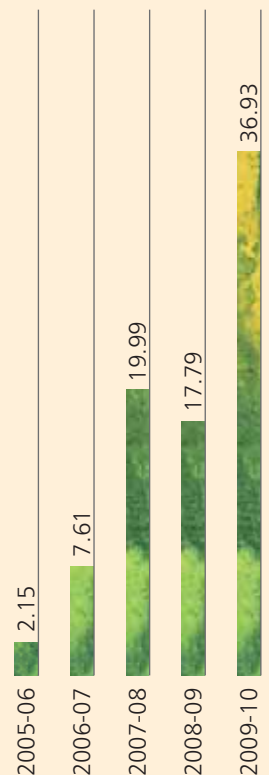
Operating profit
(Rs cr)



Operating profit
margin (%)



Cash profit
(Rs cr)



- LPG and CNG metres for piped natural gas (PNG) and autometer
- Dispensing machines for petrol, diesel, LPG and CNG
- Ethanol and crude distillation

Global associations

- Indonesian subsidiary PT Surya GoGas engaged in LPG bottling and cylinder manufacturing
- Turnkey projects in Africa and the West Indies relating to LPG/propane plants and piping

Listing

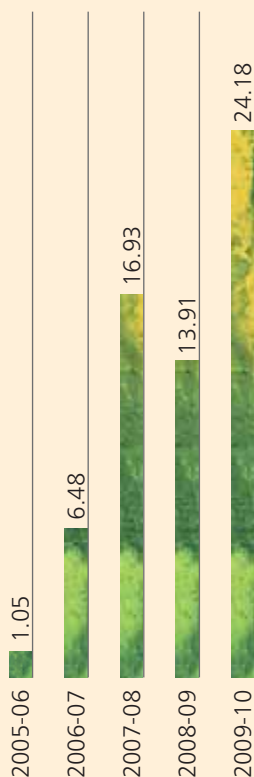
- Listed on the Bombay Stock Exchange and proposed to be listed on the National Stock Exchange

- Market capitalisation of Rs. 208.62 cr (as on 31st March 2010) (based on the closing value as on 31st March, 2010 of Rs. 8.06 per share of face value Re. 1 each)
- Promoted by Mr Nitin Khara, a first-generation entrepreneur

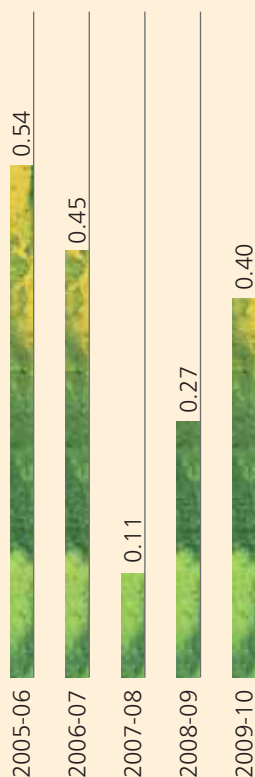
Highlights, 2009-10

- Reported the highest-ever growth in LPG cylinder production and sales
- Started production of CNG cylinders at SEZ Vizag to create opportunities in the global market
- Provided bottling solutions for LPG cylinders to BPCL, HPCL, IOCL and Reliance Group
- Operationalised the Indonesian LPG cylinder manufacturing unit for a bottling plant
- Entered into the field of auto LPG dispensing

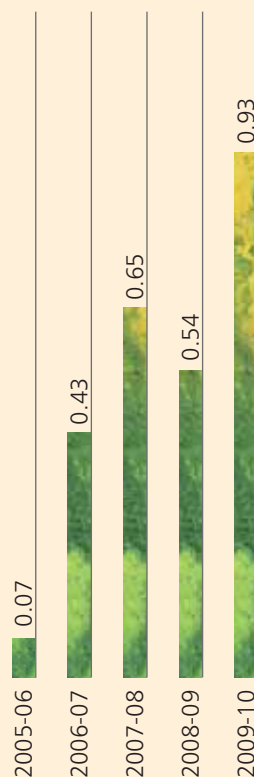
Post-tax profit
(Rs cr)



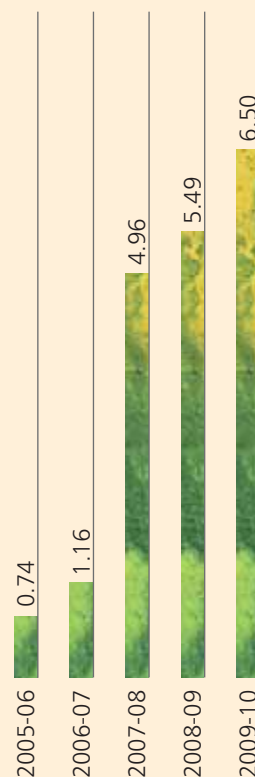
Debt-equity ratio




Earnings per share
(EPS, basic) (Rs)



Book value per share
(Rs)





“We possess a unique environmentalist-industrialist mindset. We focus on eco-friendly fuels. This concept is more relevant now than ever. As a result, our business is positioned at the cusp of exponential growth.”

Mr. Nitin Khara, *Managing Director*, Confidence Petroleum India Limited

Dear fellow Stakeholders,

Our performance

The growing awareness for environment protection and the continuously rising prices of fossil fuels have increased the demand for eco-friendly, low-cost fuels like LPG. Confidence Petroleum, with its foresightedness, developed core strengths in providing complete LPG infrastructural facilities to various companies.

The firm focused on providing its customers a total turnkey solution at every stage. It developed expertise in manufacturing and refuelling cylinders,


installing auto LPG dispensing stations (ALDS), providing engineering and transportation services to customers, providing meters and also developed its own marketing network.

With this, the Company has created a unique position for itself in the market and is on the right track to increase its growth momentum. In 2009-10 (on a consolidated basis), the Company's revenues increased 112.74% from Rs. 263.74 cr in 2008-09 to Rs. 561.11 cr. The Company's profit after tax also grew 59.98% from Rs. 18.64 cr

in 2008-09 to Rs. 29.82 cr in 2009-10.

Industry optimism

LPG: In a recent report, the World Health Organisation (WHO) indicated that an annual investment of USD 13 billion would halve the number of people cooking with solid fuels worldwide by 2015, and supplying them with LPG would lead to a payback of USD 91 billion annually. The government's initiative to implement the Rajiv Gandhi Gramin LPG Vitran Yojana for supplying LPG connections to deep rural areas would create a huge



demand for LPG in India. The PSU majors would require appointing 3,000 LPG dealers in rural areas.

Auto LPG: Over 13 million LPG-fuelled and 8.5 million CNG-powered vehicles are now in use around the world (with the Asian region accounting for almost 51% or 4.4 million vehicles), representing an annual global growth of more than 30% over FY 06 (5.7 million vehicles). An extremely low penetration of natural gas vehicles – 6.1% world over, 5.9% in Asia and CIS and 2% for high-growth markets like India and China – signifies a growing opportunity, going forward. Auto LPG also accounts for 40-50% savings as compared with petrol.

CNG: The KG basin and other gas discoveries in India led to a sharp increase in India's gas production in March 2010 at 155 mmscmd, up 72% YoY. The share of gas in the energy basket remains high but is far below the global averages. Even per capita consumption of gas in India is very low compared with global averages. India ranks 19th in the global pecking order in terms of natural gas consumption at about 429.9 bn m³ as compared with the United State's 6,572 bn m³ (CIA, *World Factbook*). However, with

increased gas availability, the demand for natural gas is estimated to grow at a CAGR of 5.4% to increase to 177 mmscmd from 159.5 mmscmd by 2011-12. On the supply side, it is projected that supply will increase at a CAGR of 14.8% to 176 from 133.5 mmscmd by 2011-12. The deficit is likely to reduce to 1 mmscmd by 2011-12.

Opportunity

As an opportunity-focused organisation, we are capitalising on this situation through the following initiatives:

- Establishing 250 auto LPG dispensing stations (ALDS) across India in two years
- Maximising production at our LPG and CNG cylinder manufacturing facilities
- Strengthening our LPG bottling business through the establishment of 50 such facilities in two years
- Focusing on the Indonesian market by maximising production at PT Surya GoGas (100% subsidiary), which enjoys an annual installed capacity of 1.8 million units
- Commissioning 10 new LPG bottling plants in Indonesia over the next two

years, in line with the growing demand for LPG cylinders in that country

- Enhancing high-pressure CNG cylinder production to cater to the growing CNG kit auto fuel market
- Leveraging our expertise in natural fuel storage and transportation by providing such assistance to third party projects

In doing so, we expect to grow our topline by 30-40% in 2010-11 over the previous year.

Acknowledgements

I take this opportunity to applaud the efforts of all who have had a direct or indirect participation in our growth – our customers, employees, partners, suppliers, associates and community members. I must assure them that the Company will continue to practise what it has always practised – enhance value for all those who depend on us, work with us and invest in us.

Sincerely,

Nitin Khara

Chairman and Managing Director

Brigadier Hemant Deshpande minimises his carbon footprint each time he visits a GoGas LPG station in Mohali.



- Confidence Petroleum owns the largest number of auto LPG dispensing stations (ALDS) in India
- The Company has 75 such stations located strategically across India
- The Company's widely recognised GoGas brand makes clean and cost-effective transportation a reality
- The Company's ALDS infrastructure comprises an LPG blending facility (propane and butane blending), which enables it to cater to various vehicular fuel mixes
- The Company makes fuel available through solid logistical support – a fleet of 550 large and small tankers ensure timely gas availability from the point of origin to the end consuming centre, representing a robust competitive advantage in terms of all-time fuel availability
- The Company plans to establish 200 ALDS over the next two years and 500 ALDS across India by December 2014, ensuring a pan-India presence

Housewife Megawati Suharto in Jakarta fixes the burner on her new LPG cylinder and lights it confidently.



- In Indonesia, the government took a decisive step under 'zero kero', which means zero kerosene consumption in the country; this step aimed at reducing pollution levels, enabling people to live a healthier life as well as minimising the 500% subsidy paid by the government on kerosene
- The Company set up four bottling plants, the largest such capacity in Indonesia, manufacturing 3-kg cylinders (as per Indonesian government recommendations); on account of the small container size, filling is required at least five times a year, ensuring a continual bottling business
- The Company plans to add 20 new plants in 2010-11, the economies-of-scale ensuring a payback within one year
- The Company manufactures a range of domestic, commercial and special-purpose cylinders in India
- The Company works closely with 18 reputed domestic industrial customers including BPCL, HPCL, OIL and Reliance Industries, among others
- The Company provides bottling services through 51 plants located across India and offers state-of-the-art testing and after-market services
- The Company established a subsidiary for cylinder manufacture and marketing in Indonesia (PT Surya GoGas)
- The Company leveraged its LPG cylinder knowledge in the manufacture of CNG high-pressure cylinders (installed capacity of 2.50 lac units per annum) at SEZ, Vizag



Value drivers

Leader

We pioneered the manufacture and bottling of eco-friendly and cost-effective fuels (LPG and CNG) that protect the environment and reduce cumulative energy expenses.

Diversified

Our business focuses on auto LPG gas stations, CNG high-pressure cylinder manufacture, LPG bottling services, LPG cylinder manufacture, engineering solutions, LPG logistics, LPG/CNG metres for piped natural gas, auto metre reading solutions and ethanol and crude distillation. We are competently placed to capture every upturn in the demand for green fuels.

Quality

We adhere to stringent quality standards across all manufacturing facilities endorsed by the prestigious ISO 9001-2008 certification.

Scale

We are Asia's largest LPG cylinder manufacturer with an installed capacity of 38 lac units per annum.

Customers

We cater to the cylinder manufacturing and bottling requirements of three of

the largest sectoral PSUs – HPCL, BPCL and IOCL.

Market share

Our eight geographically dispersed manufacturing units enable India's largest LPG cylinder market share of 24%. Fifty-two LPG bottling plants complete our dominant presence in this space with a 95-98% market share.

Safety

Our plants ensure adherence with international safety standards for manufacturing cylinders; the advanced cylinder testing facility at the Vishakhapatnam plant tests cylinders in the most adverse atmospheric conditions.

Presence

Our network is spread across 51 locations in India with eight cylinder manufacturing plants and 51 bottling units, facilitating cost-effective cylinder distribution.

Strategic locations

Our Vishakhapatnam SEZ facility is strategically located, enabling on-time customer delivery and capitalising on tax and excise exemptions. Besides, eight cylinder manufacturing units and

51 bottling units spread across India enable maximum opportunity capture across diverse geographical pockets.

Cost-competitive

We are Asia's largest LPG/CNG gas cylinder manufacturer and bottling assistance provider. Scale and integration make it possible to ride industry downturns.

Brand

Our GoGas-branded auto LPG dispensing stations are popular; the brand emphasises cost-effective transportation in its 'go anywhere with gas' positioning.

Management

We are spearheaded by a first-generation industrialist, supported by a senior team comprising experience and youth.

Balance sheet

Our debt-equity ratio improved from 0.11 as on 31st March 2008 to 0.40 as on 31st March 2010; reserves and surplus (including share premium) stood at Rs. 142.47 cr as on 31st March 2010 while return on capital employed improved from 6.49% in 2008-09 to 9.14% in 2009-10.



Enhancing shareholder value

At Confidence, we recognise that we are in business to enhance value for our shareholders, reflected in attractive returns on employed capital.

Confidence fared well in this regard. Market capitalisation strengthened from Rs. 97.97 cr (as on 1st April 2009) to Rs. 208.62 cr (as on 31st March 2010). This growth was the direct result of an improvement in our performance, margins and prospects.

Confidence has a diversified shareholder base of 17,892 investors. At the end of 2009-10, the foreign investments (foreign investors and FIIs) was 19.78% of the Company's equity, while retail investors including domestic corporates held 80.22%. Around 46.27% of the equity capital was in the hands of the Company's promoters.

Capital cost per cylinder: Confidence's capital cost per cylinder stands at Rs 870 as compared with the global

benchmark of Rs. 910. With a cumulative 38-lac cylinder manufacturing capacity per year – the largest in Asia – the economies-of-scale enable fixed cost distribution over a larger production volume and hence optimise the overall capital cost per cylinder.

Order book: Confidence's order book for LPG and CNG cylinder manufacture stood at Rs. 95 cr at the end of the financial year 2009-10. This healthy order book backlog represents the cornerstone of our success as it provides revenue visibility for the next two years. The Company's order book grew 53% over 2008-09 even as orders worth Rs. 164 cr were received during the period under review. Confidence expects to almost double its present order book size to Rs. 180 cr by end of 2010-11 on account of robust business prospects (this order book value

excludes the Rs. 500-cr worth of orders that the Company expects to receive in the road space).

Return on gross block (ROGB):

Confidence's gross block represents its competitive edge in terms of advanced equipment, machinery and technology and an effective entry barrier. The Company's ROGB enhanced from 8.94% in 2008-09 to 12.86% to 2009-10.

Margins: Confidence's profit after tax margin in 2009-10 increased 1.18 basis points from 5.81% in 2008-09 to 6.84% in 2009-10. This was despite escalated material cost, interest, depreciation and tax burdens. The margins are expected to improve with lower input costs, higher value-addition and robust order book, going forward.

Earnings per share (EPS):

Confidence's cash EPS stood at Rs. 1.43 in 2009-10 against Rs. 0.69 in 2008-09.



Business review – 1

LPG cylinder manufacturing

Overview

The LPG cylinder manufacturing division of Confidence Petroleum is one of the largest across Asia with an annual production capacity of 40 lakh units. It enjoys a reputation of delivering quality products to major LPG redistributors in India.

Advantages

- The division, with an experience of 15 years, manufactures quality LPG cylinders of different sizes like 14.2kg,

19kg, 35kg and 47.5kg to various PSUs

- The division has nine units in Khapoli (Maharashtra), Nagpur, Saoner, Halol, Hyderabad and Bajpur (Uttanchal)
- The division possesses expertise in the field of cylinder manufacture with investments in state-of-the-art equipment
- The division is supported by well-trained staff

- The division focuses on safety, quality and cost-efficient cylinders, meeting international standards
- The division enjoys tax benefits from various states

Opportunities

- The Rajiv Gandhi Gramin LPG Vitran Yojana intends to distribute LPG connections in deep rural areas of India, which will strengthen demand for new cylinders as well as bottling the same.

Business review – 2

CNG/high-pressure gas cylinder manufacture

Overview

The rising demand for eco-friendly and low-cost fuels prompted Confidence Group to enter CNG/high-pressure gas cylinder manufacturing. The division manufacturing facility is spread across 10 acres at the Vizag SEZ with an annual production capacity of 3,00,000 units. The division also plans to establish a state-of-the-art CNG cylinder manufacturing plant in Uttanchal to make light-weight cylinders, for which, the Company is looking to acquire technology from leaders around the world.

Advantages

- The division is equipped with modern

high-quality equipment which enables it to produce cylinders of international standards

- The division caters to the needs of various domestic as well as international companies across the world
- The division is ISO 9001-2008 certified
- The division manufactures a complete range of high-pressure cylinders used in various applications like medical oxygen, industrial gases, nitrogen cylinders and cylinders for other high-pressure gases
- The division produces cylinders of all the regular sizes and standard

requirements for the domestic and international markets

Opportunities

- With huge natural gas output from the KG Basin and other discoveries across India, the demand for CNG kits for automobile fuel will rise significantly
- The present gas vehicle population of almost 8 lac units in India is slated to increase to a level of about 1.5 million vehicles over the next three years
- A lot of new natural gas import terminals are coming up in Gujarat, Tamil Nadu and Andhra Pradesh, likely to generate huge demand

LPG bottling (bottling assistance, marketing and hand-blending)

Overview

The division has a presence across 19 states in India. It bottles empty cylinders for major PSUs in India and is a leader in the area with plants spread across rural areas. The division plans to add 50 new bottling plants in the coming two-three years to cater to the increasing demand for LPG in rural areas.

Advantages

- The division has 22 bottling plants

across 19 states which provide assistance to companies like BPCL, HPCL, IOCL and Reliance Group

- The division enjoys the benefit of having low operational and investment costs
- The division has a vast experience of 15 years in the field
- The division's vast presence across different states in India helps major PSU companies save substantially,

using the bottling assistance and providing bulk and packed transportation

- The division also offers blending of butane and propane

Opportunities

- The proposed dismantling of subsidies on domestic LPG cylinders for high-income groups will generate incremental demand for cylinders

Ethanol

Overview

The ethanol division of the Company undertakes blending of ethanol into auto fuel. This division came up with the government's norms to allow 10% ethanol as a blending agent to auto fuel to boost agriculture and reduce fuel prices.

Advantages

- All the plants are located near the sugar belt in Maharashtra, reducing the cost and time involved in transportation
- The division supplies ethanol to major PSUs like BPCL, IOCL and HPCL

Opportunities

- Blending of ethanol with fuel checks the rise in the fuel prices to some extent
- Limited crude oil reserves around the world are expected to be exhausted in the next 40-50 years. Thus, blending with ethanol would increase the availability of crude oil by a few years

Auto LPG dispensing stations (ALDS)

Overview

LPG used as automotive fuel is referred to as Auto LPG. It is a clean fuel and its usage in India started in 2000 with prescribed safety norms. The Company promotes this division through its 100% subsidiary Confidence GoGas Ltd. It has the approval to design, supply, erect, install and commission ALDS.

Confidence Group entered into long-term agreements to supply LPG to major multinational companies for automobiles in India. The division plans to add 500 ALDS across India by 2013

in phases.

Advantages

- LPG is about 40-50% cheaper than petrol
- LPG is a green fuel and emits pollutants in significantly less quantities than petrol power equivalents
- The division has LPG storage infrastructure in 19 states of India including Maharashtra, Karnataka, Rajasthan, Gujarat, Tamil Nadu, Madhya Pradesh, West Bengal,

Andhra Pradesh, Punjab, Haryana and Chhattisgarh

- The division received approval for installation and operations of Auto LPG dispensing station by the Static and Mobile Pressure Vessels (Unfired) Rules, 1991

Opportunities

- The initiatives by the government across various states in India to replace old autorickshaws with new LPG models to reduce pollution will increase auto LPG demand