

**Driving
Growth.
Building
Momentum.**

THE ROAD AHEAD...

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<http://www.confidencegroup.co/investorsppt.php>

Or simply scan to download



Disclaimer

This document contains statements about expected future events and financials of Confidence Petroleum Limited, which are forward-looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that the assumptions, predictions and other forward-looking statements may not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause assumptions, actual future results and events to differ materially from those expressed in the forward-looking statements. Accordingly, this document is subject to the disclaimer and qualified in its entirety by the assumptions, qualifications and risk factors referred to in the Management Discussion and Analysis of this Annual Report.

Investor information

CIN	: L40200MH1994PLC079766
BSE Code	: 526829
NSE Symbol	: CONFIPET
Bloomberg Code	: CONFG:SP
AGM Date	: 30 September, 2019
AGM Venue	: Dragonfly Hotel, New Chakala Link Road, Near J B Nagar Gurudwara, Near Solitaire Corporate Park, Andheri East, Mumbai 400 093



Leveraging on our solid foundation of integrated infrastructure, we strive to reach new heights through strategic business development, sound execution ability and power to progress by providing clean and green energy solutions.

We are passionately driven to achieve our vision that is guided by our unflinching commitment towards partnering India's dream of clean and green fuel network. We are building steady momentum to become even more emblematic towards our customers.

Our efforts are focussed on investing and implementing our strategies that will drive our future growth. We have sharpened our competitive drives and are poised to play a critical role in the energy space. We are all set to seize every opportunity, leverage our strengths and accelerate our momentum to become a reputable energy supplier, creating values for our customers and maximising returns for our shareholders.

102.16%

Increase in
revenues over
the last 3 years

204.48%

Increase in
EBITDA over the
last 3 years

1127.31%

Increase in
profitability over
the last 3 years

About CONFIDENCE PETROLEUM INDIA LIMITED



WE AT CONFIDENCE PETROLEUM INDIA LIMITED (CPIL) HAVE EMERGED AS ONE OF THE PROMINENT VERTICALLY INTEGRATED LIQUIFIED PETROLEUM GAS (LPG) PLAYERS IN INDIA. CPIL IS THE LEADING PRIVATE PLAYER IN THE AUTO-LPG SEGMENT AND AT THE FOREFRONT OF AUTO LPG, PACKED LPG MARKETING, LPG BOTTLING AND BLENDING SERVICE AND CYLINDER MANUFACTURING.

Established in the year 1993, promoted by the Khara Group, over the past 25 years the Company has built a well-integrated state-of-the-art infrastructure including fleet of tankers for supply which has resulted in seamless execution capabilities and pan India presence. The Company is present across the value chain with businesses comprising AUTO LPG, LPG cylinder manufacturing, LPG bottling, Blending and LPG marketing in cylinders under the brand name Go Gas. CPIL sources, distributes, markets and supplies high-quality green fuel to retail, commercial and industrial customers across the country.



NSE listing 13 June, 2019

BUSINESS DIVISIONS: Our key engagement areas

The business model of CPIL is unique with all its divisions being independent and interdependent. The cylinder manufacturing and bottling & blending units support the packed LPG marketing segment on one hand and the LPG bottling & blending units also serve as a hub to store auto LPG dispensing stations.



Number Station

25+ years

Of expertise and LPG experience

22 states

Presence across India

58

Operational LPG bottling and blending plants

₹1,100+

Dealers and distributors network pan India

Vision

Our vision is to achieve excellence in our industry as the leader, financially sound and positioned to generate value for stakeholders along with finding solutions for a cleaner and greener Earth.

Mission

Our mission is to constantly deliver everyday energy needs profitably and responsibly & maximize the value delivered to each of our clients, employees, investors and other stakeholders.

Values

Integrity

We demand integrity and accountability with a commitment to build a cleaner and greener future, with the best commitment.

Innovation

We promote innovation. Setting high standards for all our employees and vendors.

Investment

We invest in our business and our employees to ensure that they deliver the maximum value to the clients and stakeholders.

What's so striking about us!

-  No middle-men and efficient supply chain
-  Real time monitoring of the inventory, customer orders and delivery
-  Focused approach towards Auto LPG – Future of India's on-road mobility
-  Direct Company-owned operations resulting in higher profitability
-  Uninterrupted dispensing operation
-  Hub and spoke model
-  Quick decision resulting in faster growth

CMD's MESSAGE



Dear Shareholders,

It gives me great pride to present to you the 25th Annual Report on the performance of Confidence Petroleum India Ltd for the year 2018-19.



Key macro developments shaping the Company's prospects

India continued to be recognised amongst the fastest growing economies globally. Thanks to the endeavouring efforts and the vision of the Government and its focus inclusive growth and introducing reforms and schemes that benefit to the larger section of the society. While GST implementation was a favourable move to promote the organised segment, schemes such as Pradhan Mantri Ujjwala Yojna (PMUY) were focussed towards strengthening LPG outreach across the country. The demand for LPG connections accelerated post the implementation of the PMUY Scheme. This demand is not likely to simmer down anytime soon as Government has strongly emphasised on 100% LPG penetration during the Union Budget 2019. Besides, implementation of the Direct Benefit Transfer (DBT) further curbed the supply chain leakages and kept a check on the limits set by the Government on providing the subsidised cylinders to the households.

The energy industry is at an inflection point. Oil prices and consequently LPG prices, remained low in 2018-19. Spilling over for the past 5 years, there have been record investments and policy amendments to adopt clean energy by various states and the Central Government. The policy makers have recognised and realised the impact of the choice of fuel on climate change, carbon emission, environmental degradation, hazards to human health and the long-term impact on the society. It was shocking to see the World Health Organization's report, which stated that 14 out of the top 15 most air polluted cities in the world are in India. (Source: *Times of India*, WHO) The challenge and the opportunity for the LPG industry in this period of change is to be recognised as a clean, green and modern energy and an immediate solution to mitigate air pollution and provide clean and safe environment.

The Centre is also actively promoting the green energy outreach to curb pollution levels and encouraging the use of LPG in automobile. There is also a push towards making India a clean and low carbon economy. These clean energy initiatives by the Central and State Governments have unlocked the potential opportunities for the LPG industry, be it providing safer and healthier kitchens through the Ujjwala scheme or usage of auto LPG in public transportation. These developments present brighter prospects for India's downstream oil and gas sectors. Given the growing demand for clean energy in India and its wide application in household and industrial activities, major investments in this sector is expected to increase over the next 3 to 5 years.



In preparation, CPIL has completed a new strategic review for 2019-2022 to increase our positive impact to the environment, industry, stakeholders and valuable clients as we respond to the opportunities provided within the Indian energy industry and help its transition to a low carbon economy.

Performance and Strategies

In preparation, CPIL has completed a new strategic review for 2019-2022 to increase our positive impact to the environment, industry, stakeholders and valuable clients as we respond to the opportunities provided within the Indian energy industry and help its transition to a low carbon economy.

The Company surpassed its targets in 2018-19, which is largely due to our vertically integrated business model across the LPG space. It continues to remain one of our key strengths. Over the years, we benefitted from economies of scale, improved cost efficiencies through a judicious management of inventories, cutting-edge technology, managed cash flows, focused on value-added products; added new territories and aligned long-term business strategies with diverse stakeholder expectations. Such an approach has enabled us to maintain a robust CAGR revenue growth of at 102.16% and net profit growth of 1127.31% over the last three years.

During 2018-19, the Company reported great numbers across different financial parameters as follows:

- Revenues increased 65% from ₹ 610 Crores in 2017-18 to ₹1009 Crores in 2018-19
- Net profit strengthened 149% from ₹27 Crores in 2017-18 to ₹67 Crores in 2018-19

The year 2018-19 has set the momentum for CPIL for achieving the strategic and operational goals set for the next three financial years. CPIL scaled new heights and recorded its best financial and operational performance.

Our future lies in our strategy. We are financially sounder as we have always sought value over volume.

Over 2018-19, we continued to progress in our cylinder manufacturing division and LPG bottling division. Going in the future, we see significant gains from our consumer facing packed cylinder marketing and the Auto LPG divisions. We have made a good progress in developing our dealer and stockist network in new states and developing the right vendor relations to service our Auto LPG stations. Our initiatives to improve the safety of kitchens through our partnerships with composite cylinder manufacturer have also achieved significant response from the residential segment.

Auto LPG as a transport fuel, continues to grow and in 2019 we have initiated discussions and are also working alongside with various policymakers in the state and Central Government, to introduce Auto LPG in the Northern States. Not only will Auto LPG help towards curbing the



vehicle emissions, motorists will also benefit from significant savings by switching to a lower priced fuel. LPG being a stable priced fuel, will also help the Government in saving billions of dollars on import bill.

As a Company we are increasingly agile and readily adapting to the new realities in the energy sector. We are looking keenly at our downstream activities within the oil and gas space and working to secure our supplies of LPG at competitive rates.

Expansion Plan

We have an ambitious capex plan over the next three years. The Company has planned capacity expansion for ALDS and bottling plants. The total capital expenditure planned is ₹ 444 Crores. The Company has already sourced part of the funding by way of a preferential issue of ₹ 78 Crores as well as issued warrants to the tune of ₹ 53 Crores to promoters, thereby raising over ₹ 131 Crores for the same. The remaining is expected to be generated through strong cash flows over the next 27 months.

Our People – Driving The Momentum

Our employees have brought together a core set of organizational values and have built a culture that inspires us to gain the accelerated momentum. Throughout the Group, there is a spirit of pride and professionalism and these are key qualities at a time of growth inflection. We are determined to recognise talent in across the Group's businesses and to support development of people from early in their careers, not just in top-level succession planning but also focussing on divisional and departmental leadership. Confidence Group takes pride in its employees and their families, who help us to create a difference in the areas of our operation as well as the country.

Closing Thoughts

The Group has strong financial control, sound administration and our governance is robust and transparent. Moreover, we are building the assets and the teams to secure further growth.

I would like to end by thanking all our talented and committed colleagues for their unstinting hard work and dedication. I would also like to thank our Board Members for their constant guidance. Finally, I would like to thank all our stakeholders for being with us and contributing immensely to our success. We remain focused on the task in hand and are committed to delivering on our strategies and continuing to drive profitability within the business and building upon the successes of we achieved in 2018-19. We reaffirm our commitment towards nation building by curbing air pollution and moving towards sustainable development.

Best Wishes,

Nitin Khara



Management DISCUSSION AND ANALYSIS

Industry structure and developments

LPG Industry

Liquefied Petroleum Gas fuel or LPG is a group of flammable hydrocarbon gases that are liquefied through pressurization and commonly used as fuel. It is a natural element derived out of combination with other hydrocarbon fuels, typically crude oil and natural gas. It is produced during natural gas processing and oil refining and liquefied through pressurization and stored in pressure vessels. While over 90% of demand for LPG comes from residential consumers, a consistent hike in the excise duty for automotive fuels such as diesel and petrol has made commercial LPG a favourable option for automotive segment as well. Further petrol and diesel are still under excise and benefit of GST is not available.

LPG as a cooking fuel for residential segment

The Government's initiatives to provide clean fuel to every household has made India as the second largest consumer of LPG fuel globally. On an average, India consumes 19 million tonnes per annum with an average growth of 8.4% per annum.

(Source: Business Today)

The LPG demand reported a record growth in 2018-19, at 24.9 million tonnes. It has grown over 53% in the last five years and 7% over 2017-18. India's LPG imports have shown remarkable trends over the last five years. In 2018-19 LPG imports stood at 13.2 million, highest till date, which is twice the import volumes in 2013-14 and 16% higher compared to last year. The phenomenal consumption growth has also been largely supported by various Government schemes like Pahal, Ujjwala, Direct Benefit Transfer and 'Give it Up'. The LPG penetration in the rural areas have been very robust under these schemes. Under the programme, 90% of Indian households have access to LPG, up from 55% in 2016.

(Source: Economic Times)



45% Jump in new LPG connections in FY2018-19 compared to last year.

Outlook

LPG demand from the residential segment is expected to show strong growth momentum in the coming years owing to favourable Government policies. Besides, an additional 5 million tonnes of import terminal capacity is expected to be operational by FY2020-21 to further cater to the increasing consumption. (Source: Livemint) Under the PMUY scheme the Government is targeting to provide 8 Crores LPG connections by FY2020. As per Oil Ministry's projections, LPG consumption is expected to grow to 30.3 million tonnes by 2025 and 40.6 million tonnes by 2040. (Source: Economic Times)

Threats

The major threat to the industry will be in the form of City Gas Distribution network and Electric Vehicles (EV). But we don't foresee any major threat in coming 5-7 years as huge investment in infrastructure is required for both city distribution and EV. Lots of challenges and doubts are there for the success of PNG, CNG and EV looking to the paying capacity and geographical bottle necks.

Opportunity

LPG prices are coming down sharply in global markets. As a result, LPG is becoming most viable and feasible fuel in comparison to other fuels like CNG. The two major component of LPG Propane and Butane prices came down to 350-360 USD/PER MT from 550-600USD/PER MT in last eight months as USA is now net exporter due to huge production capacity through shell gas.

LPG as a clean fuel for automotive segment

LPG is the third most commonly used automotive fuel following petrol and diesel. It fuels more than 26 million vehicles across 70 countries. It's economic viability and environmental friendliness has paved way for the clean fuel in India as well. The use of auto LPG in automotive in India commenced from the year 2000. Today, there are 1,100 Auto LPG Dispensing Stations (ALDS) set up pan India.

The State Government, of Karnataka, Maharashtra, Tamil Nadu, Andhra Pradesh, Telangana, Rajasthan and West Bengal have made LPG mandatory for auto rickshaws leading to a higher demand of LPG (Source: Indian Auto LPG Coalition).