

**13th
Annual
Report
2007-2008**

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BOARD OF DIRECTORS

Sri S. K. Bhansali	:	Chairman-cum-Managing Director
Sri Gautam Baid	:	Director
Sri Suresh Baid	:	Director
Sri P. K. Bhansali	:	Director

AUDIT COMMITTEE

Sri S. K. Bhansali	:	Chairman-cum-Managing Director
Sri Gautam Baid	:	Director
Sri Suresh Baid	:	Director

AUDITORS

SARKAR GURUMURTHY & ASSOCIATES
Chartered Accountants
35, C. R. Avenue
Kolkata - 700 012.

BANKERS

HSBC LTD.
Oriental Bank of Commerce
UCO Bank
Standard Chartered Bank

REGISTRAR & TRANSFER AGENT

S K Computers
34/1A, Sudhir Chatterjee Street,
Kolkata - 700 006

REGISTERED OFFICE

43, Palace Court,
1, Kyd Street,
Kolkata - 700 016

FACTORY/PLANT

De-Gaul Avenue
Vill. : Khairasole, Durgapur
Dist. Burdwan (W.B.)

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NOTICE

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NOTICE is hereby given that the Thirteenth Annual General Meeting of the Members of the Company will be held on Tuesday, the 30th day of September, 2008 at 11.00 A.M. at Shyamal Smriti Parisad, 30, Nagen Ghosh Lane, Kolkata - 700 031 to transact the following business :-

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 2008 and the Profit and Loss Account for the year ended as on that date alongwith Director's Report and the Auditor's Report there on.
2. To appoint a Director in place of Shri S. K. Bhansali who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint Auditors and fix their remuneration and for this purpose to consider and, if thought fit, to pass the following resolution with or without modification :

RESOLVED THAT pursuant to the provisions of section 224 of the Companies Act, 1956. M/s Sarkar Gurumurthy & Associates, the retiring auditors of the Company, be and is hereby appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting of the company at a remuneration to be decided mutually between the Board of Directors and the Auditors".

Place : Kolkata
Dated : 4th September, 2008.

By Order of the Board
For EASTERN GASES LTD.
S. K. BHANSALI
Chairman & Managing Director

NOTES :

1. A Member is entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself / herself and such proxy need not be a member of the Company.
2. The Proxy Form duly completed must be lodged at the registered office of the Company not later than 48 hours before the time fixed for the Meeting.
3. The Register of Members and Share Transfer Book of the Company will remain closed from 19th September, 2008 to 30th September, 2008 (both days inclusive).
4. The Equity Shares of the Company shall continue to be listed in the Calcutta Stock Exchange Association Ltd. and Bombay Stock Exchange Ltd. However, the De-listing of Shares in Jaipur and Ahmedabad Stock Exchanges are still under process.
5. Members / proxies are requested to bring attendance slip along with copies of Annual report for attending the Meeting .
6. Members desiring any information as regards the Accounts are requested to write to the Company well in advance of the Meeting so as to enable the Management to reply at the Meeting.

EASTERN GASES LIMITED

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the Thirteenth Annual Report and the Audited Statement of Accounts of the Company for the year ended 31st March, 2008.

PERFORMANCE IN FINANCIAL TERMS

	Year Ended 31st March, 2008 (Rs. In lakh)	Year Ended 31st March, 2007 (Rs. In lakh)
Profit/(Loss) before interest and depreciation	66.94	56.94
Less : Interest and Depreciation	40.09	18.97
Profit/(Loss) before tax	26.85	37.97
Less : Provision for tax :		
Current Tax	2.77	4.26
Deferred Tax for current year	0.75	5.43
Adjustment for prior period	0.07	0.01
Fringe Benefit Tax	0.32	0.41
Net Profit/(Loss) after tax	22.94	27.86
Add : Balance brought forward From last year	0.48	(47.38)
Add : Capital Reserve written back	—	20.00
Balance of Profit/(Loss) Carried to the Balance sheet	23.42	0.48

REVIEW OF OPERATION

Your Company has been gradually gearing up its performance level to consolidate its position in the face of stiff competition in the market. During the year under review the Company has achieved sales to the tune of Rs.1,707/- lakhs against Rs.2,473/- lakhs in the previous year. However this performance is not at par with our expectation because of many reasons the major amongst which were increase in both fixed and variable costs in one hand and also disparity in demand — supply curve on the other.

PROSPECT IN THE CURRENT YEAR

However during the course of current financial year, your Board has witnessed an impressive rise in demand powered by accelerated economic growth and accordingly your Company expects to perform better. The Management has taken adequate steps to cater the future demand for consolidating its position in the market.

LPG being more economical, in comparison with others, the industry will gain significantly not only in the Eastern Region, but also in whole of India.

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A. BOTTLING SEGMENT

The Company has already entered into an Agreement with a Private sector Bottling plant for Contract Filling of "East Gas" Cylinders. This will add the company's cylinder presence in Commercial / Industrial market.

B. BULK LPG

The Company also expects a good growth in this segment due to increase in alternate fuel costs.

C. AUTO LPG

EGL also planning to enter in this segment in Eastern India by the year 2009-2010.

DIVIDEND

The Board did not recommend any dividend for the Financial Year 2007-2008 in view of future expansion.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors confirm that :

- A. in the preparation of the annual accounts all applicable accounting standards had been followed along with proper explanation relating to material departures.
- B. the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and the profit or loss of the Company.
- C. the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- D. the Directors had prepared the annual accounts on a going concern basis.

CODE OF CONDUCT FOR BOARD MEMBERS AND SENIOR MANAGEMENT.

In accordance with the requirement of revised Clause 49 of the Listing Agreement, your Board of Directors has laid down and adopted the Code of Conduct for all its Members and Senior Management Personnel of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS.

Pursuant to Clause 49 of the Listing Agreement a separate report on Management Discussion and Analysis, forming part of this Annual Report, is attached.

CORPORATE GOVERNANCE

A separate report on Corporate Governance along with the Compliance certificate duly signed by the Auditors of the Company, forming part of this report, is annexed with this report. The Auditor's Certificate and the Corporate Governance Report on compliance with Clause 49 are self explanatory and do not require further elucidation.

EASTERN GASES LIMITED**DE-LISTING OF EQUITY SHARES**

Your Company has initiated necessary action to delist its Equity Shares from the Ahmedabad and Jaipur Stock Exchanges pursuant to the resolution passed at the Sixth Annual General Meeting of the Company held on 27th September, 2001 and the same is still under process.

However, the Shares of your company will continue to be listed in the Calcutta Stock Exchange Association Ltd and Bombay Stock Exchange Limited.

PARTICULARS OF EMPLOYEES UNDER SECTION 217(2A) OF THE COMPANIES ACT.

None of the employees of the Company is drawing remuneration exceeding prescribed limit specified under section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

PUBLIC DEPOSITS

The Company has not accepted any deposits from the public within the meaning of section 58A of the Companies Act, 1956 and the rules made thereof.

PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO.

The disclosure, as required under the provisions of Section 217(1) (e) of the Companies Act, 1956, your Company does not come under the purview of this section.

However your Board declares that the Company has neither any Foreign Exchange earnings nor any Outgo during the year under review.

DIRECTORS

Shri S.K.Bhansali retires at this Annual General Meeting and being eligible offer himself for re-appointment. Shri Gautam Baid retires during the year and Shri Suresh Baid and Shri Pawan Kumar Bhansali has been appointed during the year.

AUDITORS AND AUDITOR'S REPORT

Your Directors have no comments on the Auditor's Report since the Report itself is self explanatory. It is stated that M/s. Sarkar Gurumurthy & Associates will retire at the conclusion of this Annual General Meeting and being eligible as per Section 224B of the Companies Act, 1956, they have expressed their willingness for re-appointment.

ADEQUACY OF INTERNAL CONTROLS

Your Company has installed adequate internal control systems in combination with delegation of powers. The control system is also supported by internal Audits and Management reviews with documented policies and procedures.

ANNUAL REPORT 2007-2008**SUBSIDIARY**

It is reported that the Company has no Subsidiary within the meaning of Section 4 of the Companies Act, 1956.

APPRECIATION

Your Board records its sincere appreciation for the valuable support extended by the Company's Bankers, Financial Institutions and the Government Agencies. Your Board also wishes to thank all its customers/dealers/sub-dealers and all those associated with the Company. Your Board further conveys cordial thanks to all the employees for their sincere works and takes this opportunity to thank Shareholders for their continued confidence reposed in the Management of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

- Pursuant to clause 49 of the Listing Agreement a separate report on Management Discussion and Analysis, forming part of this Annual Report, is attached.

- **INDUSTRY STRUCTURE & DEVELOPMENTS**

Gas Industry is principally dependent on Government's initiative for expanding necessary infrastructure facilities. With the development of Modern Technology coupled with Industrial Growth, the requirement of LPG/Butane/Propane etc. has been multiplied and become indispensable. This has led to the belief that the Industry is heading for a bright future.

OPPORTUNITIES AND THREAT

There has been a radical change in global economics particularly in the developing countries like India which has raised hope for excellent business opportunities as a whole.

The major threats are higher cost of various inputs, higher transportation cost including increase in fixed cost from time to time. The strategies are constantly re-worked to minimize adverse implications, if any.

OUTLOOK

- In view of the undergoing economic reforms the prospect of the Industry seems certain. The Management of the Company has been keeping close watch to take this opportunity even at the risk of more investment in this respect.

MANAGEMENT OF RISK & CONCERNS

The Management has taken steps to keep its position intact in the market which is predominated with stiff competition. Close and constant touch is being maintained with all the customers while trying to develop new customer base also. The Company has also been in touch with its suppliers so as to ensure un-interrupted supply of the product. The Company has also been trying for certain

EASTERN GASES LIMITED

need-based relief from it's Bankers.

INTERNAL CONTROL SYSTEMS & ADEQUACY

The Company has it's own independent Internal Control Systems which is commensurate with the size of the Company and it is periodically reviewed to confirm adequacy of the system.

FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCES

A critical appraisal is made by the Audit Committee before drawing Quarterly Statement of Accounts and the Board also reviewed the same on each occasion.

SOCIAL COMMITMENT

The aspects of Social Responsibility are carefully looked after by the Company.

ENVIRONMENT EFFORTS

The Company is quite alert in providing clean environment on a continuous basis.

INDUSTRIAL RELATIONS

The Management takes sufficient care in maintaining good relations with the employees of the Company.

CAUTIONARY STATEMENT

The foregoing discussion and analysis may differ with actual achievements due to any change in key factors of the economy which is beyond the control of the Management.

Place : Kolkata

Dated : 4th September, 2008.

For and on behalf of the Board

S. K. Bhansali

Chairman cum Managing Director

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REPORT ON CORPORATE GOVERNANCE

A. MANDATORY REQUIREMENTS

1. Company's philosophy on code of Governance

The Company's philosophy of Corporate Governance is aimed at assisting the management of the Company to create and adhere to a Corporate culture of conscience and consciousness in the efficient conduct of its business and to continuously strive to attain high levels of accountability transparency, responsibility, capabilities & fairness in all aspects of its operations. Your Company with a view to achieve these objectives, adopted corporate strategies, prudent business plans and monitoring of performance and to set high standards of corporate, towards its employees, stakeholders and society.

Clause 49 of the Listing Agreement with Stock Exchanges sets up norms and disclosures that are to be met by the Company on Corporate Governance front. We confirm our compliance with Corporate Governance criteria, as required under the said clause vide this report.

2. Board of Directors

The present strength of board is 4 Directors. The Board comprises of Executive Director and Non-Executive Directors. The Board meets the requirement of not less than 50% being Non-Executive Directors.

During the year under review seven Board meetings were held.

The composition of Directors and their attendance at the Board Meeting during the year and the last Annual General Meeting as also number of other directorships, committee memberships and chairmanships held by them are given below :-

Directors	Category	Attendance Particulars Board Meetings	Last AGM	No. of other Directorship and Committee Membership/ Chairmanship held		
				Directorship	Committee Membership	Committee Chairmanship
1	2	3	4	5	6	7
Mr. S. K. Bhansali	Chairman cum Managing Director	7	Yes	9	3	—
Mr. Pawan K. Bhansali appointed w.e.f. 31.01.2008	Director	2	No	1	—	—
Mr. Suresh Baid appointed w.e.f. 31.01.2008	Director	2	No	2	3	—
Mr. B. S. Baid	Director	7	Yes	1	3	1
Mr. Gautam Baid resigned w.e.f. 31.01.2008	Director	4	Yes	—	2	—