

**15th
Annual Report
2009-2010**



EASTERN GASES LIMITED

BOARD OF DIRECTORS

Mr. S.K.Bhansali ,Chairman
Mr. B.S.Baid
Mr. P.K.Bhansali
Mr. Suresh Baid

AUDITORS

M/s Sarkar Gurumurthy & Associates
35. C.R.Avenue
Kolkata – 700012

BANKER

IDBI Bank Ltd.

REGISTER & SHARE**TRANSFER AGENT**

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Kolkata 700006
Phone: +91-33-2219 4815/6797
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REGISTERED OFFICE

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PLANT

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Vill.: Khairasole, Durgapur
Dist. Burdwan (W.B)

WEBSITE

www.eastgas.co.in

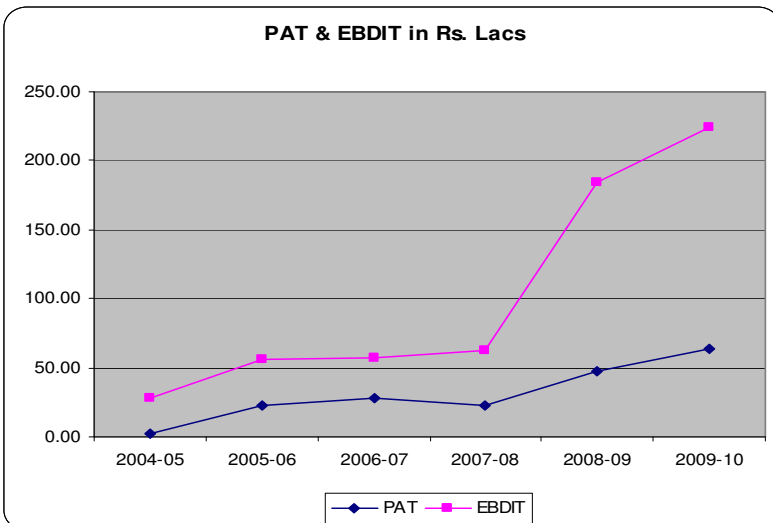
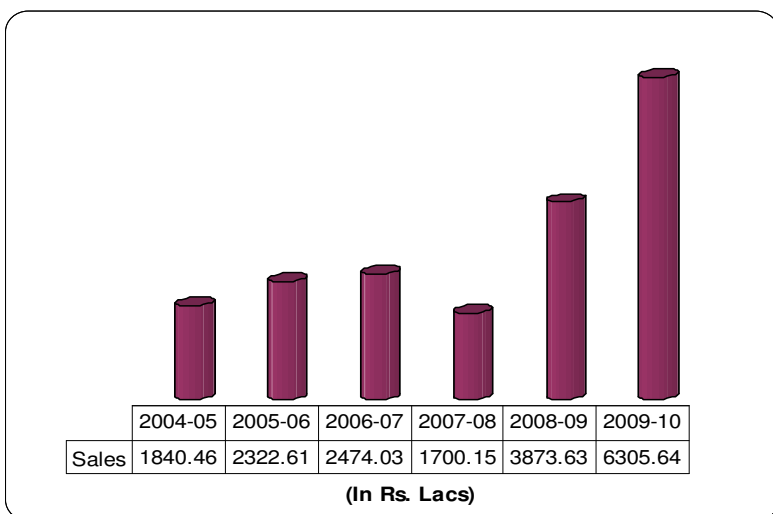
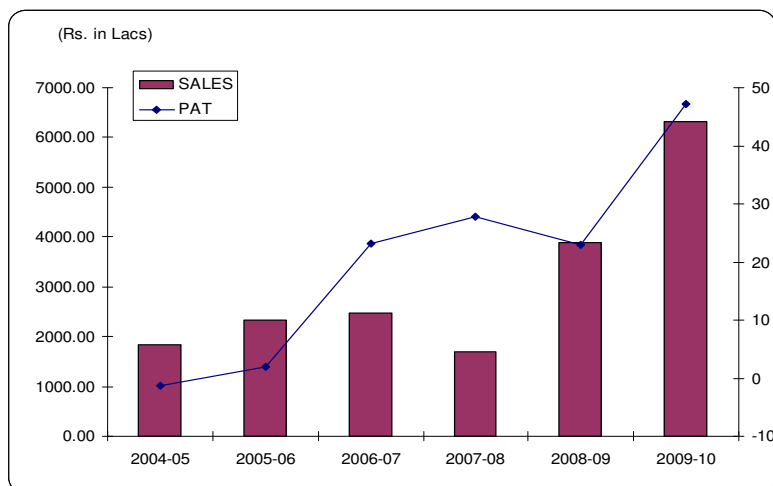
EMAIL ID FOR**INVESTOR QUERIES**

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PERFORMANCE AT A GLANCE



**DIRECTORS' REPORT TO THE MEMBERS**

Dear Member,
Your Directors have great pleasure in presenting the Thirteenth Annual Report and the Audited Statement of Accounts of the Company for the year ended 31st March, 2010.

PERFORMANCE IN FINANCIAL TERMS

(Rs. In Lakhs)

	2009-10	2008-09
Net Sales	6290.46	3873.63
Profit before Interest, depreciation and taxation	224.21	184.00
Interest	115.78	103.22
Depreciation	29.92	26.10
Profit Before Tax	78.51	54.68
Less: Provision for Taxation including FBT	15.23	7.46
Net Profit	63.28	47.22
Add: Balance Brought Forward	70.64	23.42
Surplus carried to Balance Sheet	133.92	70.64
Net Worth	883.59	773.38

REVIEW OF OPERATION

The Company has been gradually gearing up its performance level to consolidate its position in the face of stiff competition in the market with firm commitment & sustained efforts. The company expects to maintain persistent growth in the years to come. During the year under review the Company has achieved sales to the tune of Rs.6291/-lakhs against Rs.3874/- lakhs in the previous year. The Company was also able to achieve Operational Profit to Rs. 224/- lakhs against Rs. 184/- lakhs last year. Net Profit has also grown up to Rs. 63/- lakhs against Rs. 47/- lakhs last year.

PROSPECT IN THE CURRENT YEAR

However during the course of current financial year, the Board has witnessed an impressive rise in demand powered by accelerated economic growth, public awareness for usage of commercial cylinders for commercial application instead of domestic cylinders and accordingly the 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 fuels and the industry will gain significance not only in the Eastern Region, but also throughout India. The company has also decided for setting up more Bottling plant/Auto LPG dispensing stations which will require substantial investment in future.

A. BOTTLING SEGMENT

The company is currently catering the commercial cylinder market of Kolkata and adjoining suburbs from its own bottling plant situated at Durgapur. The Company has already entered into arrangements with various private sector bottling plants situated at major locations to cover all major LPG commercial hubs for refilling of "EAST GAS" Cylinders. This will add to company's presence in Commercial and Industrial marketing segment. In addition to above the Company is also planning to set three more Manufacturing Cum Bottling Plants at strategically best locations to cover West, South and Central India.

B. BULK LPG

The Company expects a good growth in this segment as the prices for alternate fuel are increasing and the Industrial customers prefer

sustained supplies of fuel which is cheap and eco-friendly. The company is planning to explore opportunities throughout India as usage of LPG in Industrial heating processes is growing.

C. AUTO LPG

The company would be the 1st private sector parallel marketer to enter in this segment in Eastern India in the year, 2010-11 along with IPPL. The company is also planning to start 100 Auto LPG filling stations throughout India in coming years.

D. READY MIX CONCRETE

Ready Mix Concrete or RMC is the latest concept of easing out the operations for a big concreting job. Since the demand for such mixed concrete is increasing at the rate of more than 75% per year; he business of putting up RMC plants are upcoming very rapidly. The increasing competition may hamper hefty initial profits, however first players will dominate the market without doubt. Keeping the same in mind East Gas has entered into this segment as well and expects a great growth in this line in upcoming days.

E. OTHER AREAS

The Company is in active talks with India's leading gas companies for business relationships and is keeping close watch to enter into the City Gas Distribution, Coal Bed Methane (CBM) and Compressed Natural Gas (CNG) business.

DIVIDEND

The Board believes that it will be prudent for the company to conserve resources in view of future expansion programs inline for the coming year, which will enhance the profitability to a great extent. Hence, your directors are not recommending any dividend for the Financial Year 2009-10.

ISSUE OF SHARE CAPITAL

There is no further issue of share capital during the year.

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 annexed.

CORPORATE GOVERNANCE.

The Company has complied with the provisions of Clause 49 of the Listing Agreement relating to Corporate Governance. Report on Corporate Governance is annexed. Necessary declaration duly signed by the Executive Director of the Company to the effect that all the Board Members and Senior Management personnel have affirmed their compliance on an annual basis with the Code of Conduct as laid down by the Company pursuant to the requirements of Clause 49 of the Listing Agreement with the Stock Exchanges annexed and forms part of this report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 217 (2AA) of the Companies Act, 1956, your directors hereby confirm that:

- in the preparation of the annual accounts all applicable accounting standards had been followed along with proper explanation relating to material departures, if any;
- the Directors had selected such accounting policies and applied them consistently and made judgments 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 of the profit of the Company for that period;
- the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- the Directors have prepared the annual accounts on a 'going concern' basis.

LISTING OF SHARES

The shares of the company are listed on CSE and BSE.

VOLUNTARY DELISTING OF EQUITY SHARES

Consequent upon the approval of members at the Sixth Annual General Meeting of the Company held on 27th September, 2001 and in pursuance of the delisting guidelines issued by SEBI, the Company has applied for delisting of shares from Ahmedabad



Stock Exchange Ltd. and Jaipur Stock Exchange Ltd. The delisting will not adversely affect the members of the Company as the equity shares continue to be listed on Calcutta Stock Exchange Ltd. and Bombay Stock Exchange Ltd. The Company hereby unconditionally and irrevocably undertakes to keep indemnified and harmless The Ahmedabad Stock Exchange Ltd and The Jaipur Stock Exchange Ltd., its officials against any action, claim, causes, proceedings, demands, whatsoever which may arise on account of voluntary delisting.

PARTICULARS OF EMPLOYEES

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.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO.

A. CONSERVATION OF ENERGY

Information required to be provided under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 in relation to the Conservation of Energy and Technological Absorption are currently not applicable to the Company. However, the company requires energy for its operations and every effort is made to ensure the optimal use of energy, avoid misuse and conserve energy.

B. TECHNOLOGY ABSORPTION

1. Specific areas in which R&D carried out by the Company - Not Applicable
2. Benefits derived as a result of above R & D - Not Applicable
3. Future plan of Action - Not Applicable
4. Expenditure on R&D : -
 - a) Capital - NIL
 - b) Revenue - NIL
 - c) Total - NIL
 - d) Total R&D expenditure as a percentage of net sales – NIL

Technology Absorption, Adaptation & Innovation:

The Company always keeps a check on global innovation and techniques to avail the latest technology trends and practices. The Company has not imported any technology or process in the financial year.

C. FOREIGN EXCHANGE EARNINGS & OUTGO:

The Company has neither had any Foreign Exchange earnings nor any Outgo during the year under review.

INTERNAL CONTROL SYSTEMS & THEIR ADEQUACY

The Company has installed adequate internal control systems in combination with delegation of powers and policy guidelines to ensure optimal utilisation and protection of resources, IT security, accurate reporting of financial transactions and compliance with applicable laws and regulations. The control system is also supported by internal audits and Management reviews with documented policies and procedures:

- The Company has adequate systems of internal control in place to ensure that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are authorized, recorded, and reported correctly.
- Companies internal audit function is empowered to examine the adequacy, relevance and effectiveness of control systems, compliance with laws, regulations & policies, plans and statutory requirements.

➤ The Company also has an exhaustive budgetary control system. Actual performance is reviewed with reference to the budget by the management on an regular basis.

➤ Company's Audit Committee reviews the findings and recommendations of the internal auditor. The system is improved and modified continuously to meet changes in business conditions, statutory and accounting requirements.

SUBSIDIARY

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

INFORMATION TECHNOLOGY

In today's digital networked economy, every company is increasing dependability on IT to deliver their strategic business objectives for increasing sales, enhancing operational efficiency, reducing operational risks and improve productivity. The Company believes that Information Technology is a source of competitive advantage and has therefore continued to invest in the same. The company also plans to install SAP system in the coming year for better control and management.

SOCIAL COMMITMENT

The Company is fully aware of responsibilities towards its own employees, their dependent and local community within which the works are situated and to the people of Durgapur and West Bengal in general. Our driving objective has been to improve living and working condition of our workforce and their dependents and society as well.

There has been a constant endeavor to interact with the workers on a day to day basis and promptly resolve the issues that surface.

SAFETY

The Company has adequate system for Industrial safety. The year under review continued to be NIL accident year.

ENVIRONMENTAL EFFORTS

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

HUMAN RESOURCES AND INDUSTRIAL RELATIONS

As the Company begins to compete in the challenging business environment of the new millennium, it realises that Human Resources(HR) are the most valuable assets for the organisation and it's them who always provides the competitive edge to stay ahead.

The Company's strategy for development of HR is to provide them motivating work environment, recruiting the best talents in industry, providing challenging goals and by creating a culture for learning and growth. The Company aims of HR development is not just about acquiring skills to solve specific problems but also expanding minds to address problems and opportunities which have not become apparent with full understanding of cross functional linkage. Continuing personal development is the constant obligation of all employees and constant responsibility of all Executives, Managers and Supervisors. The development and use of human potential is the Company gateway for continued success in the future.

The relation between the employees, workers and the management were cordial and an atmosphere of understanding prevailed throughout the year.

DIRECTORS

Shri P.K.Bhansali, Director of the company retires by rotation at the forthcoming Annual general Meeting and being eligible, offer himself for re-appointment.

Brief resume of Director proposed to be re-appointed, nature of their experience in their functional area, name of the companies in which they hold directorship and membership/chairmanship of the Board Committees, as stipulated under Clause 49 of the Listing Agreement with the stock exchanges forms the part of the Notice.

STATUTORY AUDITORS

M/s. Sarkar Gurumurthy & Associates the auditor of the Company will retire at the conclusion of this Annual General Meeting and being eligible as per Section 224 (1B) of the Companies Act, 1956, they have expressed their willingness for re-appointment. It is proposed to re-appoint them as auditors for the financial year 2009-10 and fix their remuneration.

AUDITOR'S REPORT

Your Directors have no comments on the Auditor's Report since the Report itself is self explanatory.

APPRECIATION

The Board records its sincere appreciation for the valuable support extended by the Company's Bankers, Financial Institutions and the Government Agencies. The Board also wishes to thank all its customers / dealers / sub-dealers and all those associated with the Company. The 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.

For and on behalf of the Board

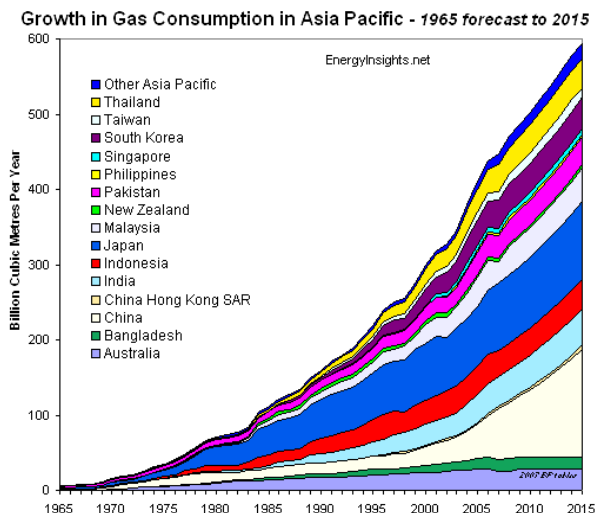
Place: Kolkata
Dated: 31st July ,2010

S.K. Bhansali
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE AND DEVELOPMENTS

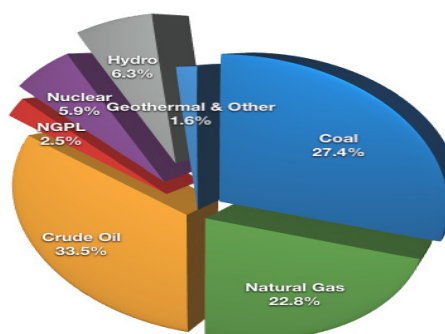
Gas is source of energy and energy is lifeline of any country. There is high annual growth in gas demand world over.



(Source: internet)

We can clearly see that Gas consumption is growing manifold worldwide and India is also not exceptional. LPG Industry has shown a growth of 15% in 2010 despite of global economic

slowdown which shows certainty and growth in the segment. Global Market Energy use by fuel type is as follows:



(Source: EIA Annual Energy Review 2008)

Global Natural gas consumption is projected to increase from about 100 trillion cubic feet in 2004 to 163 trillion cubic feet in 2030 @ 1.9% per year. The Asian gas markets are leading the growth in global gas sector, with specific investment focus on countries like India and China. With China's energy demand growing by 15% and India's by 7.8%, these two Asian giants are projected to be the leading gas consumers by the year 2020. India is fast emerging as the focal point for the future development of the Asian Natural Gas Market. The rapid growth of the Indian Economy has greatly contributed to the development of the Indian Energy Sector as a whole and provided major triggers for the growth of the gas sector as well. Natural gas demand in India is expected to increase from 35 bcm to 142 bcm in 2025 @CAGR of 8.5%. There is shortage of natural gas in India with demand far outstripping supply. The production of gas from major gas discoveries in KG Basin is likely to commence in second half of 2010, which will help in narrowing the demand supply gap.

Gas in unexploited sector in India yet which has high potential of development in years to come. The Gas Industry is one of the core industries in India in recent times. It has a very significant role to play in the growth of the Indian economy. 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. India's total primary energy consumption was above 400 million tones of oil equivalent during 2008-09. Coal has continued to be the cheapest energy/fuel source for big industrial houses however increasing environmental concern and competitiveness of LPG/Natural Gas has been basic factor of demand growth for the sector. With the coming of KG basin gas the dynamics of the Indian gas industry is changing from being largely government controlled to market driven. Gas demand is growing faster than any other fuel. This has led to the belief that the Industry is heading for a bright future.

The World is looking at cleaner fuel. The market of LPG is wide and growing. The LPG caters to large section of Industry for their fuel requirement, Auto sector as substitute to costly Petrol/Diesel, Household sector as efficient fuel, and then there is growing rural sector which is gradually shifting from traditional fuel (Wood, Coal etc.) to LPG.

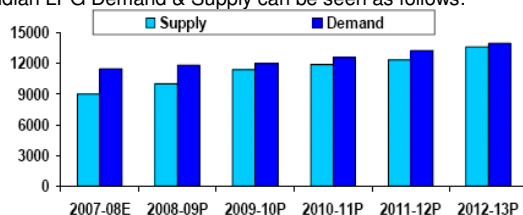
BUSINESS OVERVIEW

Gas Industry has seen rapid growth in past few years. The year was driven by overwhelm demand and response. The gas business has also witnessed huge price swing from Rs. 45000/MT in to Rs.30000/MT. Price decontrol downstream and enlightened policy upstream could accelerate the speed at which the energy industry matures.



Indian oil and gas industry is of Rs. 4500 billion. Indian Economy is 12th largest in the world with a GDP of Rs.63 Trillion (China – Rs.163 Trillion & USA 690 Trillion, and its also 3rd largest economy in the world in terms of purchasing power. India is 5th largest energy consumer in world and is growing at CARG of 3.8%. India is also 6th largest crude consumer.

Indian LPG Demand & Supply can be seen as follows:



25%-30% of the LPG is imported every year and still the shortage is noticeable. Demand and supply of gas is improving every day but prices remained by and large restrained putting pressure on profit margins. Demand of gas is bound to increase due to strong emphasis of Government on development of infrastructure in the country which leads to opening of new industrial houses and expansion of current houses as well. There is always a noticeable demand supply gap which is estimated about 7%-10%.

Energy Majors like Exxon Mobil, Chevron, British Petroleum, Reliance Industries Ltd, ONGC, OIL, Cairn, Aegis, Shell, etc have announced plans of setting up new exploration units and import terminating facilities in India, which shows that there is great potential for gas industry in this country.

Eastern Gases remained to be prominent player in the Eastern region and strengthen its grip in market by getting continuous support of its customers and increasing its customer base substantially. Despite of the global slowdown and production cuts by the industrial customers the company remained committed to its long term strategy of capturing the 80-90% market share in eastern region and also expanding its base pan India.

FINANCIAL PERFORMANCE REVIEW OF THE COMPANY

The company has outperformed in the year 2009-10 compared to the year 2008-09. Total income has gone up from 3874 lakhs to 6291 lakhs, operating profit from 184 lakhs to 224 lakhs and net profit after tax from 47 lakhs to 63 lakhs.

1. Share Capital – The company has authorised share capital of Rs. 1000/- lakhs comprising of equity shares of face value Rs.10/- The paid up share capital is Rs.857/- lakhs . During the year there was no change in share capital except receipt of unpaid calls from shareholders.
2. Reserve and Surplus – Total accumulated profit as on 31/03/2010 is Rs. 134 lakhs.
3. Loan Profile – The Company has taken fund based secured loan of Rs. 1100 lakhs and non-fund based secured loan of Rs. 500/- lakhs. The unsecured loan only stands to Rs. 22 lakhs.
4. Fixed Assets – During the year under review, the total additions to the gross block of assets was to Rs.136 lakhs. Out of the additional investment in fixed assets 50 lakhs was bank loan and rest was funded out of internal accruals.
5. Investments – The Company has not made any fresh investment in capital market during the year.
6. Cash and Bank Balance – The Company had adequate liquidity in hand. Rs. 72 lakhs were in the Fixed Deposit of various banks.

OPPORTUNITIES AND THREAT

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

The Company has added advantage of LPG sourcing from IndianOil Petronas Pvt. Ltd. (IPPL) who is the only supplier of Propane in India after Gail which allows us to gain extra edge from competitors.

The Government of India failed to honour its commitments given to the Private Sector LPG Industry which led to the instability and havoc affecting all the Private Sector LPG Companies. However with your support, the Company could not only survive the above turbulence but also geared to pursue its market revival plans as a part of its growth strategy. Since the Government of India is not removing the subsidy on domestic LPG as committed earlier, the company decided to focus on the non-subsidized markets such as commercial, industrial and auto LPG. The demand for LPG has been increasing due to cost and environmental advantage over other fuels.

The Industrial advantage:

Fuels	Selling Unit	Selling Price	Gross Calorific Value (Kcal)
HSD	Rs./litre	39.94	12929
Auto LPG	Rs./litre	32.89	11232
LPG	Rs./Kg	56.91	10800
LSHS	Rs./Kg	35.52	9700
Bulk LPG	Rs./Kg	56.91	10800
DO	Rs./litre	39.94	8800

*Prices as of June 2010

The company has also witnessed growth of demand in cylinder segment due to customer awareness for use of commercial cylinders in commercial application and government initiatives to check black marketing of subsidised cylinders.

DEMAND SCENERIO OF LPG FOR DOMESTIC USE IS AS FOLLOWS:

YEAR	No. of Household using LPG (Million)	Proportion of total households using LPG (%)	Consumption of LPG (Million tones)
2005-06	55.78	26.36	6.46
2010-11	78.56	33.64	9.10
2015-16	93.69	36.35	10.80

The Industrial LPG distribution business shows good long term potential as demand for gas increases from Indian Industry. There is scope for competition from natural gas, as this will be cheaper than LPG. However, the infrastructure to carry natural gas is enormously expensive to build and we are confident that LPG will remain a very important fuel for industry due to the ease of transportation and logistics.

The Auto-LPG has emerged as great substitute to petrol leading in great demand for the fuel. In the above scenario, the Company is exploring all avenues to enhance its revenues through optimum utilization of its infrastructure. The Company is in an advanced stage of discussions for tie-ups/collaborations for new business opportunities in gas industries like City gas distribution, Auto LPG station setup, etc. The Company is confident of tying up the above arrangements shortly and coming up with a more attractive performance in the year to come.

Auto-LPG business has high growth potential as India becomes richer, the use of this clean fuel will also increase. It is a segment of higher margin than industrial sales. AutoLPG sells at 40% cheaper than petrol prices and is eco friendly too. The market penetration of AutoLPG, currently at less than 3% of cars, is likely to increase over time. With high oil prices here to stay, a cheaper alternative in the form of AutoLPGs appears to be catching the imagination of car owners.



The above factors have opened a new vista in automobile sector, added to it, many of the automobile giants like Maruti, HM, Hyundai, Ford, GM, Bajaj, Tata Motors, Leyland, etc., have started manufacturing gas operated vehicles as OEM. India produces about 65 lakhs of vehicles and with the entering of new international players from Japan, Italy, Germany, France etc., market will be flood with more varieties of vehicles in petrol. This will lead to an increase in conversion to Auto LPG, which will create more demand for Auto LPG stations. Some industry analysts say that new 10% of new cars will be fitted with AutoLPG kits.

SEGMENTWISE OR PRODUCTWISE PERFORMANCE

The company is engaged primarily in the business of LPG. Hence Segment wise operational performance is not applicable.

OUTLOOK

The company has achieved its highest sales turnover during the year. 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 the sector. LPG will see growing consumption in India despite the availability of more natural gas from KG basin, Gail, etc. This is due to the ease of transportation unlike natural gas which requires huge investment in infrastructure such as pipelines and a gas grid. All segments of the LPG business, including Industrial supplies, Commercial LPG and AutoLPG dispensing stations are expected to see high growth.

RISK & CONCERNS

The Companies fate is linked to the fate of its user industries. 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. The Company has also been in touch with its Suppliers so as to ensure uninterrupted regular supply of the product. Corporate Governance Policy clearly laying down roles, duties and responsibilities of various entities in relation to risk management is in place. Macro economics factors including economics and political developments, natural calamities which affect the industrial sector generally would affect the business of The Company. Legislative changes resulting in changes in the taxes, duties and levies, whether local or central, also impact business performance and relative competitiveness of the business. Given below is a brief of the underlying risks:

1. Interest Rate Risk - All the fixed assets of the Company are interest-free only the current assets and current liabilities are financed by Bank and Financial Institutions (FI) at different floating rates linked to prime lending rates of respective bank/FI. Company has also taken term unsecured loan from bank at fixed rate. Accordingly, the company is exposed to cash flow interest rate risk on its secured loans. The company analyses its interest rate exposure regularly. Various scenarios are analysed taking into consideration refinancing, alternative financing etc. Based on these scenarios, the Company calculates the impact on profit and loss of a defined interest rate shift. The sensitivity analysis is based on a reasonably possible change in the market interest rates computed from historical data and is representative of the interest rate risk inherent in financial assets and financial liabilities reported at the balance sheet date.

2. Credit Risk - Credit risk refers to the risk of default on its obligation by the counterparty resulting in a financial loss. The Company makes advances to suppliers and vendors in the normal course of its business. The Company also makes advances to employees and places security deposits with related parties and restricted margin money deposits with banks. The majority of the Company's sales to its customers are on credit. These transactions expose the Company to credit risk on account

of default by any of the counterparties. Credit risk is managed through credit approvals and continuously monitoring the creditworthiness of counterparties. The Company classifies all of its financial assets as 'loans and advances' and 'sundry debtors'.

3. Liquidity Risk - Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. The company ensures flexibility in funding by maintaining availability under committed credit lines. The unused amounts pertain to the credit facility availed from the consortium of banks. The company's liquidity management policy involves considering the level of liquid assets necessary to meet the funding requirement; monitoring the liquidity of fund and creating a quarterly budgetary plan.

4. Industrial Sales Dependency - The largest contribution to the company's turnover is from supplies made to Reputed Industrial Houses. This scenario is due to the low developed Commercial cylinder market and non start of Auto LPG dispensing stations (ALDS). Company is currently venturing into expending its commercial cylinder business as well as initiatives has been taken to set up ALDS at various locations in India. Thus, moving forward it's expected to be a major growth driver for the company de-risking its business model suitably.

5. Competitive Scenario - The LPG is highly competitive industry with major stake of PSU's and MNC's in the industry. The company is proud to reiterate that its services cater to various segments of the market. The Company keeps close touch with customers and keeps close watch on new industrial developments to keep track of changing demand and supply trends.

6. Government Subsidy - The major threat to our industry is again the Subsidies provided by the Central Government to the PSU's only. The entire private sector faces competitive pressures from the PSUs, which enjoys access to lower costing due to the subsidies available to them. The company is thus basically focusing on commercial segment where there is no subsidy allowance even by the government and company is also targeting the high class domestic consumer who prefers to pay then waiting for long for subsidised cylinders.

7. Market Risk - Fluctuations in the demand supply gap in the future can have significant impact on the realisations and on the competitive scenario. The Company's objective therefore is to understand measure and monitor these risks regularly, and take appropriate measures to minimise their impact. The Company has taken several initiatives to mitigate the market risks associated with its operations. The company, over the years, has continuously invested in creating strong bond of relationship and brand image which have led to significant increase in market share in relevant markets. This has also helped the Company to command a premium on its products, even in relatively adverse market conditions. The company has further initiated a detailed micro-market analysis to foresee the demand supply situation in different markets.

8. Regulatory Risk - There is a fair amount of regulatory control exercised by the Government on the LPG business.

9. Alternate Fuel - Natural Gas is slowly emerging as an alternative to crude oil. Coal to liquid conversion based on coal gasification (CBM) is also a potential alternative, considering the abundance of coal in India in comparison to oil and gas. Other alternatives include Wind Power, Hydropower, Biomass, Solar thermal power, Ethanol and Bio-Diesel. The company is keeping close watch on the same and would be adding more product base in its basket in future.

10. Other Risks - The other threats were 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.