

**17th  
Annual Report  
2011-2012**



**EASTERN GASES LIMITED**

**BOARD OF DIRECTORS**

Mr. Sushil Kr. Bhansali – Chairman cum Managing Director  
Mr. Suresh Baid  
Mr. Pawan Kr. Bhansali  
Mr. B.S.Baid

**AUDITOR**

M/S Sarkar Gurumurthy & Associates,  
Chartered Accountants,

**BANKER**

IDBI Bank Limited

**REGISTERED OFFICE**

43 Palace Court, 1 kyd Street  
Kolkata  
Ph: 033-22299897 / 8606  
Fax: 033-22496826  
Email: info@eastgas.co.in

**BOTTLING PLANT**

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

**RETAIL OUTLET**

Location: Paschim Medinipur

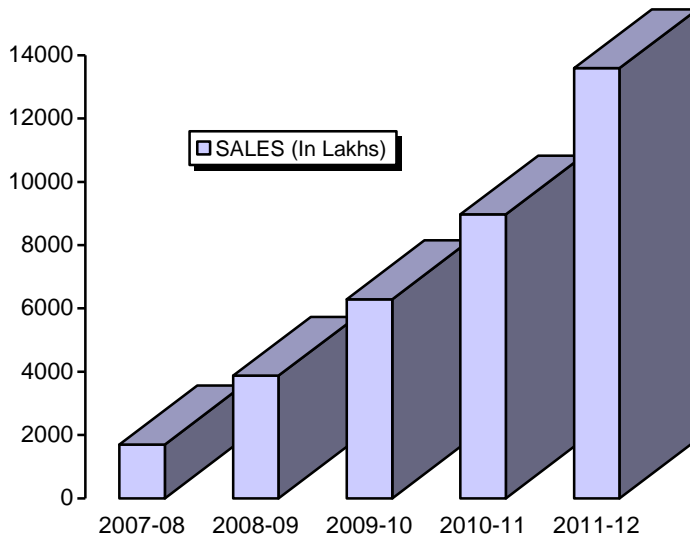
**REGISTRAR & SHARE TRANSFER AGENT**

Name of Registrar: S.K.Infosolutions Pvt. Ltd.,  
Address: 34/1A, Sudhir Chatterjee Street,  
Kolkata 700006  
Phone: +91-33-22196797 / 4819  
Fax: +91-33-22194815  
Email: agarwalaskc@rediffmail.com

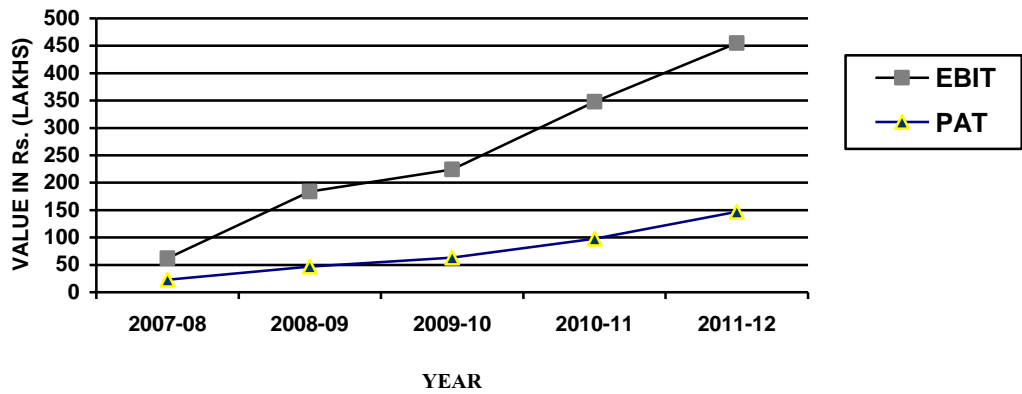
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## **PERFORMANCE AT A GLANCE**



## **PAT & EBIT COMPARISON**



**DIRECTORS' REPORT TO THE MEMBERS**

Dear Members,

The Directors are pleased to present their Seventeenth Annual Report on the business and operations of your Company and the Audited Statement of Accounts for the year ended 31<sup>st</sup> March, 2012.

	(Rs. in Lacs)	
	<u>2011-12</u>	<u>2010-11</u>
<b>Net Sales</b>	<b>13593.26</b>	8972.53
Profit before Interest, depreciation and taxation	454.84	348.28
Financial Cost	208.03	173.80
Depreciation	58.95	47.40
<b>Profit Before Tax</b>	<b>187.86</b>	132.57
Less: Provision for Taxation including FBT	40.43	34.07
<b>Net Profit</b>	<b>147.43</b>	98.50
Add: Balance Brought Forward	232.42	133.92
Surplus carried to Balance Sheet	379.85	232.42
<b>Net Worth</b>	<b>1236.83</b>	1030.19

**1. 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. You shall be happy to note that during the period 2011-12, your Company has clocked a substantial growth, both in turnover and profits

Net Sales increased by	-51% to Rs. 13,593 lakhs
PBDIT increased by	-31% to Rs. 454 lakhs
Profit before tax increased by	-42% to Rs. 187 lakhs
Net Profit increased by	-50% to Rs. 147 lakhs

**2. FUTURE OUTLOOK**

During the course of current financial year, the Board has witnessed an impressive rise in demand mainly due to public awareness for usage of commercial cylinders in commercial applications in the place 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 Retail Outlets (Dispensing stations) which will require substantial investment in future. The company is evaluating all the options to propel its expansion plans.

**A. BOTTLING SEGMENT**

The company caters the commercial cylinder market of West Bengal, Bihar and Orrisa from its own bottling plant situated at Durgapur. Now the company is planning to set up few new LPG bottling plant at strategically potential locations to cover Central and Southern India as well for marketing its "EAST GAS" brand commercial LPG cylinders. This will add to company's presence in Commercial and Industrial segment.

**B. BULK LPG**

The Company expects good growth in this segment due to the conversion of major industries from Coal/ other alternate fuels to LPG/Propane due to Environment concerns. LPG being a cleaner and cheaper fuel is preferred choice of the Industrial customers. The company is also exploring opportunities throughout India as usage of LPG in Industrial heating processes is growing.

**C. AUTO LPG**

The company has already commissioned its 1<sup>st</sup> ALRO in West Bengal. The company has ambitious plans to make the chain of 100 Auto LPG filling stations throughout India in coming years.

**3. DIVIDEND**

The Board believes that it will be prudent for the company to conserve resources in view of future expansion programs in line 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 2011-12.

**4. ISSUE OF SHARE CAPITAL**

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

**5. 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.

**6. CORPORATE GOVERNANCE**

A report on Corporate Governance is annexed as part of Annual Report along with the Auditors' Certificate on its compliance.

**7. VOLUNTARY DELISTING OF EQUITY SHARES**

Consequent upon the approval of members at the Sixth Annual General Meeting of the Company held on 27<sup>th</sup> 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. (ASE) and Jaipur Stock Exchange Ltd. (JSE), there is almost no trading of company's share on the ASE and JSE. The delisting will not adversely affect the members of the Company as the equity shares continue to be listed on Calcutta Stock Exchange Ltd. The Company hereby unconditionally and irrevocably undertakes to keep indemnified and harmless ASE and The JSE, its officials against any action, claim, causes, proceedings, demands, whatsoever which may arise on account of voluntary delisting.

**8. 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.

**9. 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.

**B. TECHNOLOGY ABSORPTION**

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

**10. SUBSIDIARY**

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

**11. INFORMATION TECHNOLOGY**

The Company believes that Information Technology is a source of competitive advantage and has therefore continued to invest in the same. The company has successfully implemented the ERP system and is planning to install SAP system in the coming year for better control and management.

**12. 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, safety and working condition of our workforce and their dependents and society as well.



## 13. ENVIRONMENTAL EFFORTS

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

## 14. SAFETY

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

## 15. DIRECTORS

Shri Bijay Singh Baid, Director of the company retires by rotation at the forthcoming Annual General Meeting and being eligible, offer himself for re-appointment.

## 16. STATUTORY AUDITORS & AUDITORS REPORT

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 2012-2013 and fix their remuneration.

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

## 17. DIRECTORS' RESPONSIBILITY STATEMENT

The 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, if any;
- B. 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;
- C. 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;
- D. the Directors have prepared the annual accounts on a 'going concern' basis.

## 18. ACKNOWLEDGEMENTS

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 suppliers / 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.

Place: Kolkata  
Dated: 31<sup>st</sup> May, 2012

For and on behalf of the Board  
S.K. Bhansali  
Chairman



## MANAGEMENT DISCUSSION AND ANALYSIS INDUSTRY STRUCTURE AND DEVELOPMENTS

"Nobody can do without energy. The relationship between economic growth and the demand of energy is crucial, and the availability of energy sources to economies is crucial."

Global energy demand will be about 30 percent higher in 2040 compared to 2010, as economic output more than doubles and prosperity expands across a world whose population will grow to nearly 9 billion people. Energy demand growth will slow as economies mature, efficiency gains accelerate and population growth moderates.

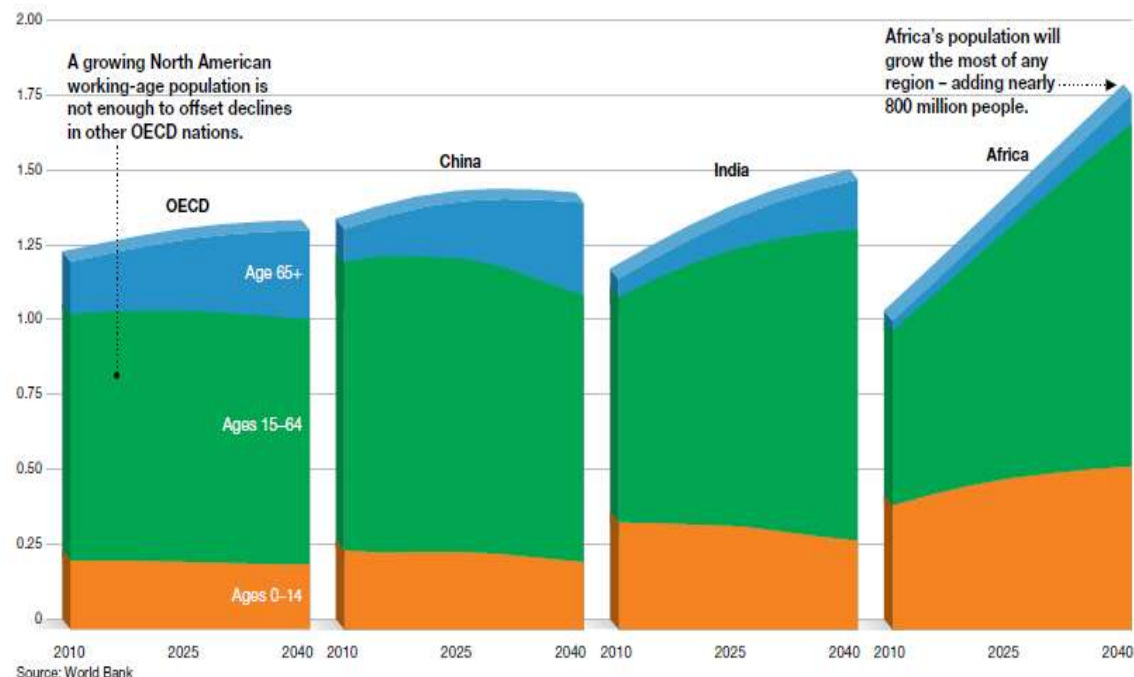
Oil, gas and coal continue to be the most widely used fuels, and have the scale needed to meet global demand, making up about 80 percent of total energy consumption in 2040. Natural gas will grow fast enough to overtake coal for the number-two position behind oil. Demand for natural gas will rise by more than 60 percent through 2040. For both oil and natural gas, an increasing share of global supply will come from unconventional sources such as those produced from shale formations. Gains in efficiency through energy-saving practices and technologies – such as hybrid vehicles and new, high efficiency natural gas power plants – will temper demand growth and curb emissions.

Non OECD (Organization for Economic Cooperation and Development) will see a steep rise in population, but demographics also shape energy demand. Population growth is one reason why we see global energy demand rising by about 30 percent from 2010 to 2040. By 2040, there will be nearly 9 billion people on the planet, up from about 7 billion today.

While population is a key to projecting energy demand, demographics matter, too. Of particular importance is a country's working-age population – people 15 to 64 years old – because that group is the engine for economic growth or gross domestic product (GDP) growth – and its energy demand. India, will see steep growth in its population and its working-age group. These demographic trends will help India to become one among the, strongest areas of GDP growth through 2040.

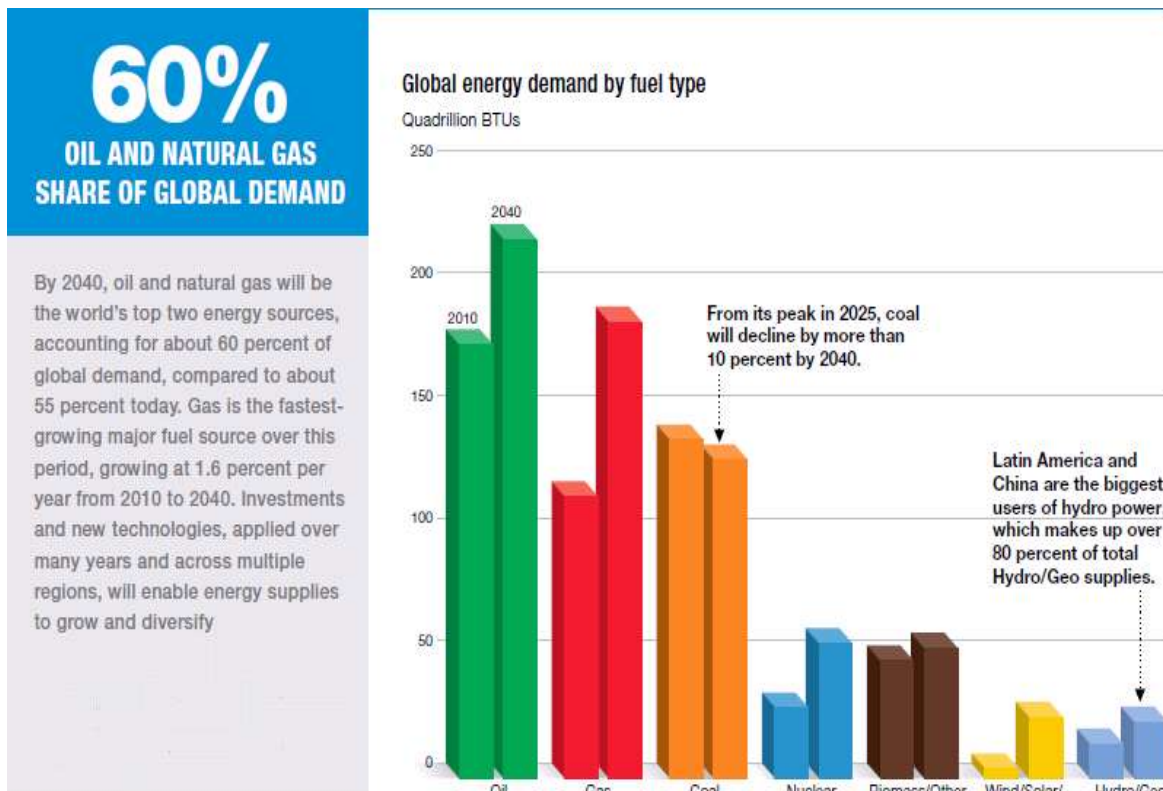
### Demographics by region

Billions of people





Natural gas will become the world's number-two fuel as demand shifts to lower-carbon sources. Even with advances in efficiency, rising populations and expanding economies will produce a net increase in global energy demand. Demand for all forms of energy is projected to rise at an average annual rate of 0.9 percent a year from 2010 to 2040. Oil will remain the world's top energy source, led by 70-percent growth in liquid petroleum demand. The fastest-growing major energy source will be natural gas, with global demand rising by about 60 percent from 2010 to 2040. By 2025, natural gas will have risen to become the second most widely used source of energy worldwide. Demand for coal, on the other hand, will peak around 2025 and then decline, as improved efficiency couples with a shift to less carbon-intensive energies, particularly in the electricity generation sector.



**Source: The Outlook for Energy, ExxonMobil's**

Thus the market of LPG is wide and growing. The LPG caters to large section of Industry for their fuel requirement, Automobile 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. Industrial and Commercial LPG segment is level playing field for all the players whereas Domestic Gas segment are principally dependent on Government's subsidies allowed to PSU's. 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 crude oil import bill in terms of value has increased from Rs 409,077 crore in 2009-10 to Rs 726,386 crore in 2011-12. This increase in the import bill has been was due to the rise in global crude oil and petroleum product prices, rupee depreciation as well as a rise in domestic consumption. However, the increase in refining output has reduced import dependency on petroleum products and the country has exported petroleum products worth Rs 2,84,643 crore during 2011-12.





The use of LPG as an automotive fuel has become legal in India with effect from April 24, 2000. AutoLPG is a clean, high octane and eco-friendly fuel. The higher energy content in this fuel results in a 10% reduction of CO2 emission as compared to MS. AutoLPG impacts greenhouse emissions less than any other fossil fuel. The saving on account of conversion to AutoLPG in comparison to petrol is about 35-40%. Low filling times and the 35-40% saving is a reason enough for a consumer to convert his vehicle to AutoLPG. Seeing the potential the company is steadily making efforts to grow its business in this line and has few undergoing projects also.

LPG is a blend of Butane and Propane readily liquefied under moderate pressure. India is the fourth largest LPG consumer in the world after the US, China, and Japan. The country is also recognized as an emerging player in the CNG industry with plans to link 200 cities to natural gas within the next 5 years. Although the domestic LPG consumption in India is growing annually, it is auto LPG, which is zooming off with better growth figures. The presence of LPG for cooking purposes is currently limited to Tier-1, Tier-2, and Tier-3 cities, thus leaving a vast untapped market in the form of small towns and villages.

A report by RNCOS entitled "Indian Natural Gas Sector Analysis", further reveals that propelled by fast urbanization and rising income levels; the LPG demand in the country is all set to grow at a CAGR of around 6.5% CAGR during 2012-2014. It is expected that the rising awareness about fuel qualities and gas companies, expansion strategies along with the supportive government initiatives will further boost the growth of LPG consumers in the country, especially in the rural areas. Rapid surge in LPG demand and continuously increasing number of LPG running vehicles have encouraged the government to import LPG from international markets, particularly from the Middle-Eastern countries.

## Highlights of LPG Marketing in India (As on 31<sup>st</sup> March, 2012):

- As per data provided by OMCs, domestic LPG customer base has reached 140 million (approx.)
- Non-Domestic LPG customer base has also shown significant increase reaching 1.71 million mark.
- An interesting and welcome development in LPG marketing is that in the last seven years since 1.4.2007 while domestic LPG customer base has grown by 48.7% that of non-domestic customer base has grown by huge 163.1% in the same period.
- The changing face of LPG marketing in India is adequately reflected in the fact that while number of LPG Distributors in urban areas has increased by meager 0.4% over the last seven years since 1.4.207 that of rural LPG Distributors has increased by whopping 148.5% including Distributorships under RGGLV.
- The number of LPG markets in the country has grown to 5006.
- Country has now bottling capacity of 12108 '000 MTPA.
- During 11-12 Domestic LPG production was 15367 vs Production of 9554 ('000 MT's)

## **BUSINESS OVERVIEW**

### **LPG DEMAND OUTLOOK IN INDIA**

	2012-13	2013-14	2014-15
<b>LPG Demand</b>	<b>16140</b>	<b>17418</b>	<b>18680</b>
<b>Projected growth</b>	<b>8.1%</b>	<b>7.9%</b>	<b>7.3%</b>
<b>Indigenous production</b>			
<b>Refineries</b>	<b>6903</b>	<b>7033</b>	<b>7513</b>
<b>Fractionators</b>	<b>2112</b>	<b>2112</b>	<b>2112</b>
<b>RIL</b>	<b>2000</b>	<b>2000</b>	<b>2000</b>
<b>Essar</b>	<b>800</b>	<b>2000</b>	<b>2000</b>
<b>Total Prodn.</b>	<b>11815</b>	<b>13145</b>	<b>13625</b>
<b>Import Required</b>	<b>4325</b>	<b>4273</b>	<b>5055</b>

**All Figures in TMT**



The government planning to withdraw subsidies on diesel, LPG and kerosene in a phased manner. Government is providing subsidy of Rs 22.58 per 14.2-kg LPG cylinder from the fiscal budget. In addition, the public sector oil marketing companies (OMCs) also incur under-recovery (or revenue loss) on sale of domestic LPG as the prices are being modulated by the Government.

### **FINANCIAL PERFORMANCE REVIEW OF THE COMPANY**

The company has outperformed in the year 2011-12 compared to the year 2010-11. Total income has gone up from 8973 lakhs to 13593 lakhs, operating profit from 348.28 lakhs to 454.84 lakhs and net profit after tax from 99 lakhs to 147 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 31/03/2012 is Rs. 380 lakhs.
3. Loan Profile – The Company has taken fund based secured loan of Rs. 1016 lakhs and non-fund based secured loan of Rs. 400 lakhs. The unsecured loan only stands to Rs. 31 lakhs.
4. Fixed Assets – During the year under review, the total additions to the gross block of assets was to Rs. 255 lakhs. Full additional investment in fixed assets 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. 78 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 Indian Oil Petronas Pvt. Ltd. (IPPL) who is the only supplier of Propane in India after Gail in the area where company operates and which allows us to gain extra edge from competitors.

The Industrial advantage:

Fuels	Selling Unit	Selling Price	Gross Calorific Value (Kcal)
HSD	Rs./litre	43.74	12929
Auto LPG	Rs./litre	40.96	11232
LPG	Rs./Kg	65.62	10800
LSHS	Rs./Kg	35.22	9700
Bulk LPG	Rs./Kg	59.96	10800

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 subsidized cylinders.

20-25% 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. The is always a noticeable demand supply gap which is estimated about 7%-10%

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.

Auto-LPG business has high growth potential as India becomes richer, the use of this clean fuel will also increase. The Auto-LPG has emerged as great substitute to petrol leading in great demand for the fuel. It is a segment of higher margin than industrial sales. Auto LPG sells at 30-40% cheaper than petrol prices and is eco-friendly too. The market penetration of Auto LPG, currently at less than 3% of cars, is likely to increase