

# ANNUAL REPORT 1998-1999

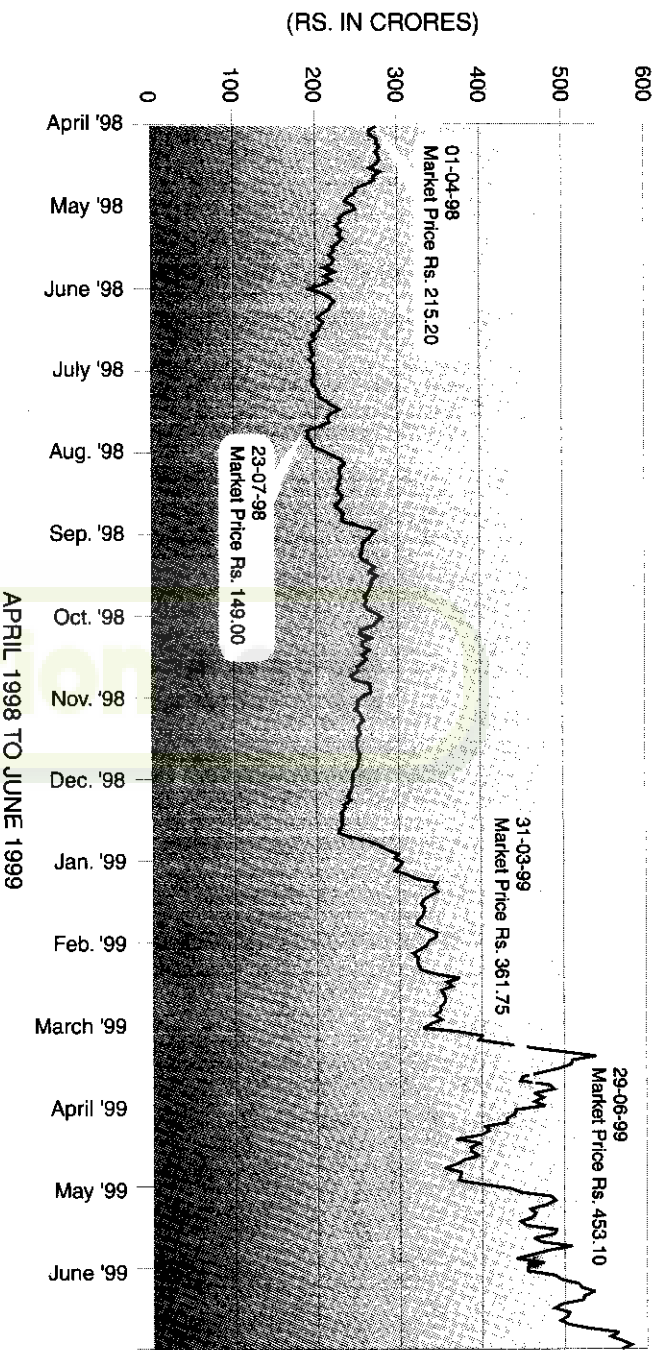


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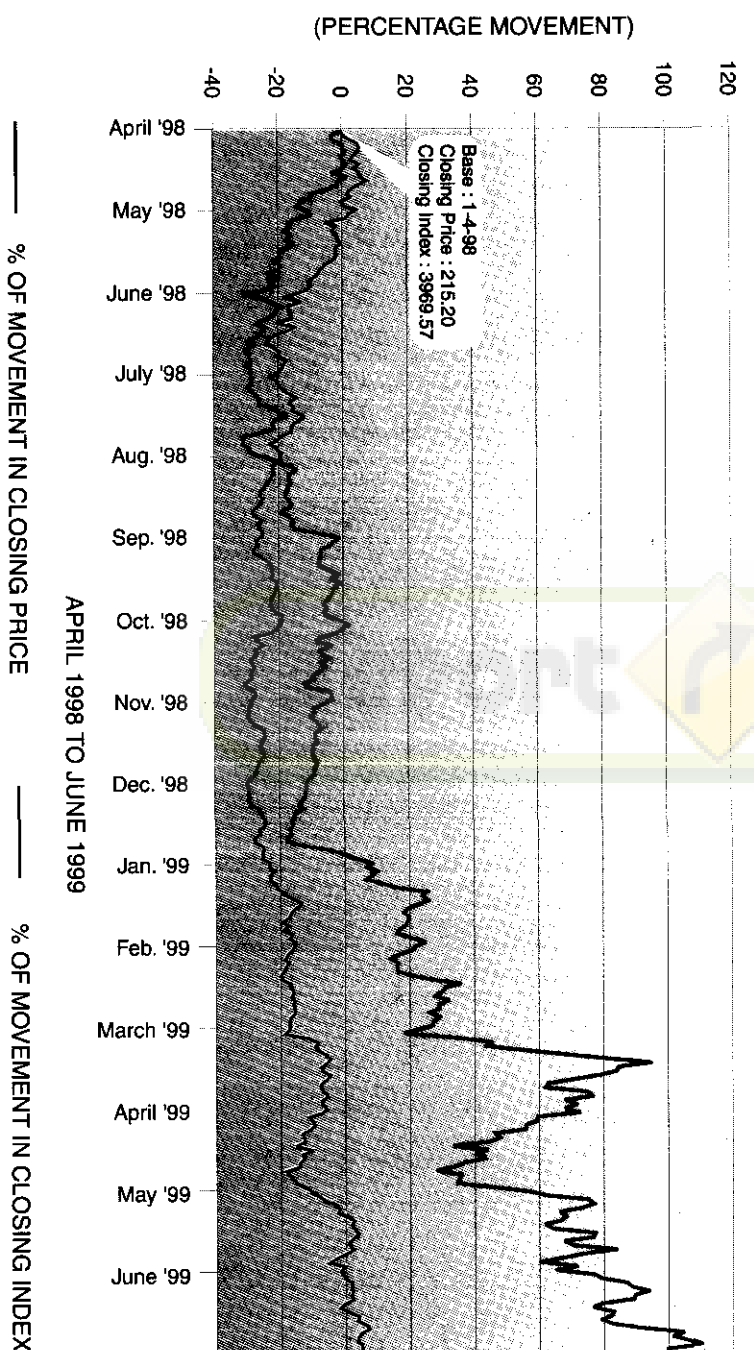


GUJARAT GAS COMPANY LIMITED

**MARKET CAPITALIZATION OF GUJARAT GAS SHARE**



**GGCL SCRIP OUTPERFORMS BSE INDEX**





## GUJARAT GAS COMPANY LIMITED

### BOARD OF DIRECTORS

EDWARD leM TRAFFORD, *Chairman* (upto 12.1.99)  
 HASMUKH SHAH, *Chairman* (w.e.f. 13.1.99)  
 HRISHIKESH A. MAFATLAL (upto 10.6.99)  
 P. K. LAHERI, *IAS*  
 B. D. USHIR, *IDBI Nominee*  
 JENNY CHONG CHIN WAH (Ms) (upto 30.11.98)  
 GERARD REES  
 GRAHAM HALL  
 KEVIN WEARING (upto 27.1.99)  
 CLAIRE HAWKINGS (Ms)  
 EDWARD WALSH (w.e.f. 13.1.99)  
 F. B. VIRANI, *Managing Director* (upto 22.1.99)  
 EDWIN BOWLES, *Managing Director* (w.e.f. 23.1.99)  
 PAUL WHITTAKER (w.e.f. 12.3.99)

### MANAGER FINANCE & COMPANY SECRETARY

J. A. MEHTA

### DIVISIONAL / SERVICE GROUP HEADS

K. P. SINHA, *Vice President* (Gas Division)  
 S. V. TAMBAPARNI, *Vice President* (LPG Division)  
 M. K. SINHA, *Vice President* (Corp. Tech. Services & HS&E)  
 N. N. VAISHNAV, *General Manager* (LNG)  
 N. M. DAVE, *Senior Manager* (Management Services & Infotech)

### BANKERS

State Bank of India  
 HDFC Bank Ltd.

### AUDITORS

PRICE WATERHOUSE, *Chartered Accountants*,  
 New Delhi.

### CORPORATE & REGISTERED OFFICE

2, Shantisadan Society, Near Parimal Garden,  
 Ellisbridge, Ahmedabad – 380 006, India.

### GAS DIVISION

#### SURAT UNIT :

1. 1, Neeva Apartments, Opp. Neelkanth Mahadeo Temple,  
 Court Road, Nanpura, Surat – 395 009
2. Mayavanshi Mohalla, Post Box No. 915,  
 P. O. Navyug College, Adajan Gam, Surat – 395 009

#### ANKLESHWAR UNIT :

Surti Bhagol, Umarwada Road,  
 Via Piraman Naka, Ankleshwar – 393 001

#### BHARUCH UNIT :

Near Anand Mangal Society, Sontalawadi, Bharuch – 392 001

### LPG DIVISION

#### CENTRAL OFFICE :

9th Floor, Avdhesh House, Near Thaltej Cross Road,  
 Sarkhej-Gandhinagar Highway No. 8, Ahmedabad – 380 054

### 19th Annual General Meeting

Date : 6th September, 1999  
 Day : Monday  
 Time : 10.00 a.m.  
 Venue : Bhaikaka Hall,  
 Near Law Garden, Ellisbridge,  
 Ahmedabad-380 006.

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## NOTICE

NOTICE is hereby given that the Nineteenth Annual General Meeting of the members of Gujarat Gas Company Limited will be held on Monday, the 6<sup>th</sup> September, 1999, at 10.00 a.m. at Bhaikaka Hall, Near Law Garden, Ellisbridge, Ahmedabad - 380 006, to transact the following business :

### ORDINARY BUSINESS

1. To consider and adopt the Directors' Report, the Audited Profit and Loss Account for the year ended March 31, 1999, the Balance Sheet as at that date and the Auditors' Report thereon.
2. To declare dividend on Equity Shares.
3. To appoint a Director in place of Ms. Claire Hawkings who retires by rotation, and being eligible, offers herself for re-appointment.
4. To appoint a Director in place of Mr. Paul Whittaker, who retires by rotation, and being eligible, offers himself for re-appointment.
5. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

### SPECIAL BUSINESS

6. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Hasmukh Shah who was appointed as an Additional Director under Section 260 of the Companies Act, 1956, read with Article No. 79 of Articles of Association of the company and who holds office till conclusion of this Annual General Meeting, be and is hereby appointed as a Director of the Company."

7. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Edward Walshe who was appointed as an Additional Director under Section 260 of the Companies Act, 1956, read with Article No. 79 of Articles of Association of the company and who holds office till conclusion of this Annual General Meeting, be and is hereby appointed as a Director of the Company."

8. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution :

"RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309, 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and subject to such sanction as may be necessary, the Company hereby approves the appointment of Mr. Edwin Bowles as Managing Director of the Company for a period of five years, with effect from January 23, 1999, on the terms and conditions including remuneration as detailed in the explanatory statement annexed to this notice placed before this meeting and are hereby specifically sanctioned with liberty to the Board of Directors to alter and vary the terms and conditions so as not to exceed the limits specified in Schedule XIII of the Companies Act, 1956 (including any statutory modification or re-enactment thereof) as may be agreed to between the Board and Mr. Edwin Bowles."

"FURTHER RESOLVED THAT where in any financial year, the Company has no profit or its profits are inadequate, the Company may pay Mr. Edwin Bowles remuneration by way of salary, perquisites and other allowances not exceeding the ceiling as laid down under Section II of Part II of Schedule XIII to the Companies Act, 1956."

"FURTHER RESOLVED THAT the Board of Directors of the Company be and is hereby authorised to take such steps as may be necessary to give effect to this resolution."

9. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution :

“RESOLVED THAT pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be and is hereby altered as follows:

- Article 2(iii) to be deleted.
- After the definition of ‘GIIC’ as mentioned in Article 2(vi), the following two definitions to be added :
  - (vi)(a) ‘Depositories Act’ means the Depositories Act, 1996 and any statutory modification or re-enactment thereof for the time being in force in India.
  - (vi)(b) ‘Depository’ means a depository as defined in the Depositories Act.
- The following words to be added at the end of Article 2 (ix) :
 

“and in case of shares held in a Depository, the Register of Beneficial Owners as kept under section 11 of the Depositories Act.”
- The following article to be added:
 

2(xvi) ‘Beneficial Owner’ means a person whose name is recorded as such with a Depository.
- The words - “and the Depositories Act as may be applicable” to be added at the end of the last para of Article 2.
- The following words to be added in the second line of Article 8 after the words “...as the absolute owner”:
 

“and the person whose name appears on the Register of Beneficial Owners as the holder of any share or where the name appears as the Beneficial Owner of shares in the records of the Depository as the absolute owner...”
- After Article 44, the following new Articles to be added as Article 44A and 44B alongwith marginal notes:
 

**“Applicability to shares held in a depository**

44A. The provisions as contained in Article 33, 35, 38 (i) and (ii) and 39 shall not apply to transfer of shares held in a depository and Article 34, 37(i), 37A, 40 and 41 shall apply to such transfers subject to and consistent with the provisions of the Depositories Act and the Act.

**Exclusions on valid Nominations**

44B. Nothing contained in Articles 42 and 43 shall apply to cases where the shareholder has made a valid nomination pursuant to provisions of Section 109A of the Companies Act, 1956.”
- After Article 64, the following to be added :
 

**“Rights and liabilities of Beneficial Owner**

64A. The depository as a registered owner shall not have any voting rights or any other rights in respect of shares held by it in dematerialized form. However, the beneficial owner as per the Register of Beneficial Owners maintained by a Depository shall be entitled to all the rights and be subject to all liabilities in respect of the shares held by him in the Depository.”
- The words “Article 44B as the case may be applicable” to be added after the words “The Transmission Article” in the second line of Article 65.
- Article 73 (ii) to be deleted and be substituted by the following :
 

“So long as GIIC continues to hold a minimum of 4.79% in the Equity Share Capital of the company, through itself and Gujarat State Investment Limited, GIIC shall be entitled to appoint one non-executive Director, liable to retire by rotation.”



- The following article with the marginal notes be added as Clause IIA :

## **IIA. DEMATERIALIZATION/REMATIALIZATION OF SHARES**

### **Applicability of Depositories Act**

55A. (i) In respect of the shares held with a Depository in electronic form, the rights and obligations of the Company and the shareholder and matters connected therewith or incidental thereof, shall be governed by the provisions of the Depositories Act.

### **Dematerialization and rematerialization of shares**

(ii) Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialize and rematerialize its shares held in the Depository and/or offer its fresh shares in a dematerialized form pursuant to the Depositories Act.

### **Shares in fungible form**

(iii) All shares held with a Depository shall be dematerialized and be in fungible form.”

10. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution :

“RESOLVED THAT pursuant to the provisions of Section 372A and other applicable provisions, if any, of the Companies Act, 1956, and subject to such approvals as may be required, consent of the company be and is hereby accorded to the Board of Directors of the Company to make (directly or indirectly) any loan to any other body corporate, give any guarantee and acquire by way of subscription, purchase or otherwise the securities of any other body corporate exceeding any or all the percentages prescribed by the Central Government under Sub-section (1) of Section 372A of the Act and the provisos thereto, provided however that the maximum amount of investment made or loan or guarantee so given shall not exceed sum of Rs. 10,000 lacs (Rupees Ten thousand lacs).”

“FURTHER RESOLVED THAT the Board of Directors of the Company be and is hereby authorised to take all steps as may be necessary, expedient or desirable to give effect to this resolution and to agree to any modification/s or conditions that may be suggested or prescribed by the Financial Institutions at the time of granting the approval.”

By Order of the Board

**J. A. MEHTA**

*Manager Finance & Company Secretary*

Regd Office:

2, Shantisadan Society,  
Near Parimal Garden, Ellisbridge,  
Ahmedabad - 380 006.

Place : Ahmedabad.

Date : June 16, 1999.

### **NOTES :**

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF ON A POLL AND THAT A PROXY NEED NOT BE A MEMBER.
2. The relevant Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 is annexed hereto and forms part of this Notice.
3. All documents referred to in the accompanying Notice are open for inspection at the registered office of the company during office hours on all working days except Saturdays, between 11 a.m. and 1 p.m. up to the date of the Annual General Meeting.
4. Members/proxies should bring the Attendance Slip duly filled in for attending the meeting.
5. Members desirous of getting any information about the accounts and operation of the Company are requested to address their query to the Company Secretary at the registered office so as to reach him at least seven days before the date of the meeting to enable the management to keep the required information readily available at the meeting.

**ANNEXURE TO NOTICE****EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956****ITEM NO. 6**

Mr. Hasmukh Shah was appointed as an Additional Director on Board of the Company on January 13, 1999 and holds office up to the conclusion of this Annual General Meeting. A notice under Section 257 of the Companies Act, 1956, alongwith the requisite deposit has been received from a member signifying his intention to propose the name of Mr. Hasmukh Shah for appointment as Director of the Company.

Mr. Hasmukh Shah has taken over as the Chairman of the Company from Mr. Edward M. Trafford. Mr. Shah had earlier been the Chairman and Managing Director of Indian Petrochemicals Corporation Ltd. (IPCL) and also served as Joint Secretary to the Prime Minister of India. Currently he also holds the position of Chairman, Sun Petrochemicals Pvt. Ltd. and is a Director on the Board of several companies including Hindustan Oil Exploration Company Ltd., Nirma Limited and General Insurance Corporation of India. He currently holds the office of Chairman - Gujarat Ecology Commission. Your Directors believe that the Company will immensely benefit from his rich and varied experience.

Your Board recommends appointment of Mr. Hasmukh Shah as a Director.

None of the Directors except Mr. Hasmukh Shah is interested in passing of the above resolution.

**ITEM NO. 7**

Mr. Edward Walshe was appointed as an Additional Director on Board of the company on January 13, 1999 and holds office up to the conclusion of this Annual General Meeting. A notice under Section 257 of the Companies Act, 1956, alongwith the requisite deposit has been received from a member signifying his intention to propose the name of Mr. Edward Walshe for appointment as Director of the Company.

Mr. Walshe currently is Senior Vice President, Special Projects in BG International. Previously he held the position of Senior Vice President Gulf, Central and South Asia, in International Downstream, and the positions of Regional Managing Director for CIS Middle East and Africa and Commercial Director in the Exploration and Production.

Your Board recommends appointment of Mr. Edward Walshe as a Director.

None of the Directors except Mr. Edward Walshe is interested in passing of the above resolution.

**ITEM NO. 8**

Mr. F. B. Virani had stepped down as Managing Director of the Company on expiry of his term on January 22, 1999. Consequentially, Mr. Edwin Bowles has been nominated as Managing Director by British Gas Asia Pacific Holdings Pte. Ltd. with effect from January 23, 1999 in terms of Article No. 98 (i) subject to requisite approvals of shareholders in general meeting and Central Government.

Mr. Bowles has worked for British Gas for 14 years in a variety of managerial roles. His most recent assignment had been as General Manager of an integrated gas unit in the Middle East region. Mr. Bowles holds BSc., MSc. degrees in geology. He has worked extensively throughout the world in UK, West Africa, Middle East and South East Asia, and has industry experience in Exploration and Production, Power Generation, Gas Transmission and Distribution. His association at position of Managing Director will be beneficial for your Company and help take your Company to greater heights.

The remuneration payable to Mr. Bowles is as follows :

**(a) Salary :**

Rs. 1,87,500/- per month. Annual increments to be decided by the Board.

**(b) Perquisites and Allowances :**

Perquisites and allowances of Rs. 14,00,000/- p.a. to be allowed in addition to salary, classified into two categories - A and B as detailed below:

**CATEGORY 'A' :****1. Housing :**

The appointee to be provided rent free accommodation in company owned / maintained accommodation.  
The appointee to have free use of the house, furniture and other consumer durable, when and if required.



2. Other perquisites / allowances :

- i. The expenditure incurred by the appointee on gas, electricity, water and furnishing to be reimbursed by the Company.
- ii. Soft furnishing to be provided, if required.
- iii. All medical expenses incurred by the appointee for self and their family to be reimbursed, up to a ceiling of one month's salary.
- iv. Fees for Clubs subject to a maximum of two clubs; excluding admission and life membership fees.
- v. Leave Travel Concession for self and family, once in a year, subject to a ceiling of one month's salary.
- vi. Premium for Personal Accident Insurance. The premium not to exceed Rs. 10,000 per month.
- vii. Children's education allowance.
- viii. Any other payment in the nature of perquisites and allowances.

CATEGORY 'B' :

1. Earned / Privilege leave on full pay as per Rules of the Company. Encashment of Leave at the end of the year permissible.
2. The appointee to be provided with a company car with driver, when required.
3. Telephone to be provided at the appointee's residence for business use. Personal long distance calls on telephone to be reimbursable by the appointee.
4. No contribution to be made to Provident Fund and pension / Superannuating Fund.
5. Gratuity as per the provisions of Payment of Gratuity Act, 1972.

(c) Bonus / Commission :

A Bonus upto Rs. 25,00,000/- p.a. to be paid based upon achievement of targets as defined by the Board, pertaining to the Company's business plan.

Such amount of bonus (in addition to Salary and perquisites herein above stated) calculated with reference to the net profit of the Company for each financial year to be fixed by the Board of Directors or a Sub-Committee of Directors, together with the salary and monetary value of perquisites not to exceed the ceiling laid down in Section 198 of the Companies Act, 1956.

Company's contribution to gratuity as per rules of the company and encashment of earned leave shall not be included in the computation of ceiling on perquisites.

DUTIES AND RESPONSIBILITIES :

Mr. Edwin Bowles to function under the overall supervision of the Board of Directors.

Mr. Bowles permitted to give personal consulting services to BG plc or its subsidiaries.

Mr. Edwin Bowles is deemed to be concerned or interested in passing of the above resolution since it pertains to his appointment and also remuneration payable to him. None of the other Directors of the company is in any way concerned or interested in passing of the said resolution.

**ITEM NO. 9**

Amendments to the Articles of Association are on account of :

1. Your Company joining the Depository system, and
2. Divestment of the remaining 5% equity shares in the Company by the Arvind Mafatlal Group.

Consequent to the Company's scrip entering the compulsory dematerialization list for institutional investors w.e.f. April 5, 1999, your Company had joined the depository system by signing agreements with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Pursuant to these, provisions of the Depositories Act are applicable to the shares held by a shareholder with a Depository. With the enactment of Depositories Act, 1996, the Companies Act, 1956, has been amended to facilitate working of the depository system. Hence the above amendments are being made to align the Articles of Association with provisions of the Depositories Act, 1996.



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A copy of the agreements signed with NSDL and CDSL and the existing Memorandum and Articles of Association of the Company alongwith the proposed alterations are available for inspection by the members at the registered office of the Company.

The resolution is to be passed by way of a Special Resolution.

None of the Directors is interested in passing of the above resolution.

**ITEM NO. 10**

The newly inserted Section 372A of the Companies Act, 1956, stipulates that no loan or investment shall be made or guarantee given exceeding sixty percent of its paid up share capital and free reserves or hundred percent of its free reserves, whichever is more, unless the same has been previously authorised by a special resolution passed by shareholders in a general meeting.

It is reasonably expected that the present limit available under Section 372A of the said Act may prove inadequate for undertaking further investments and deployment of surplus funds. Also there is a need to give a corporate guarantee in favour of lender/s to UGI Gujaratgas India Ltd. Hence the resolution for shareholders' approval for authorizing the Company to exceed the limits as per details given herein :

Avenue	Purpose	Source of Funding	Amount	Terms
Investment in money market mutual funds, and call & intercorporate deposits for a period not exceeding ninety days.	Optimization of surplus funds.	Internal Accruals.	In aggregate not to exceed Rs. 5000 lacs	Investment in well performing mutual funds and investment in call and inter-corporate deposits at prevailing market rates.
Additional strategic investments in associate, subsidiary or new company.	Furtherance of business objectives.	Internal Accruals.	Rs. 500 lacs.	Long term and strategic investment.
Corporate guarantee in favour of lender/s to UGI Gujaratgas India Ltd. (UGIL).	For securing the term loan and working capital facilities to UGIL.	—	Rs. 590 lacs.	—

Mr. Edwin Bowles in his capacity as the Director of Gujarat Gas Financial Services Ltd, Petroleum Infrastructure Ltd. and UGI Gujaratgas India Ltd. and Mr. Graham Hall in his capacity as the Director of Gujarat Gas Financial Services Ltd. to the extent of any investment or granting of corporate guarantee, may be deemed to be concerned or interested in passing of the above resolution.

None of the other Directors of the Company is in any way concerned or interested in passing of the said resolution.

By Order of the Board

**J. A. MEHTA**

*Manager Finance & Company Secretary*

Regd Office:

2, Shantisadan Society,  
Near Parimal Garden, Ellisbridge,  
Ahmedabad - 380 006.

Place : Ahmedabad.

Date : June 16, 1999.



## DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the nineteenth annual report together with the audited annual accounts of your Company for the year ended 31<sup>st</sup> March 1999.

### 1. Financial Results :

	For the year 1998-99 (Rs. in lacs)	Previous year (Rs. in lacs)
Gross Operating Profit for the year	4887.72	3439.66
Less : Depreciation	(1019.26)	(652.52)
Profit before Tax	3868.46	2787.14
Provision for Tax	(1327.00)	(1085.00)
Net Profit After Tax	2541.46	1702.14
Less : Prior period expenses and provision for contingent liabilities	(1136.24)	(1224.33)
Amount available for appropriation	1405.22	477.81
Add : Profit/(Loss) brought forward from the previous year	1171.77	2258.26
Less : Proposed Dividend (including tax)	(854.14)	(564.30)
Less : Transferred to General Reserve	(500.00)	(1000.00)
Less : Transferred to Debenture Redemption Reserve	(1000.00)	—
Balance carried forward to Balance Sheet	222.85	1171.77

Operationally, during the year under review, the Company continued to perform satisfactorily. The sales have increased by around 27 % from Rs. 14,877 lacs to Rs. 18,935 lacs. The gross operating profit for the year increased from Rs. 3,439 lacs to Rs. 4,887 lacs reflecting a growth of 42%. We are also pleased to inform you that we have continued to follow the prudent accounting policies adopted in the previous year. These policies do not have any major impact on the cash flow of the Company. In compliance with these policies, your Company has provided for all contingencies / future liabilities as deemed necessary by the Board.

### 2. Dividend :

Considering the healthy cash flow, your Directors are pleased to recommend a Dividend of 60% for the year ended 31<sup>st</sup> March 1999. The Dividend, if approved by the shareholders at the Annual General Meeting, will be paid to those shareholders whose names appear on the Register of Members of the Company on 16<sup>th</sup> August 1999.

### 3. Business Development :

#### a. Hazira - Ankleshwar Pipeline :

Your Directors have pleasure in informing you

that the Hazira - Ankleshwar pipeline project was commissioned on 9<sup>th</sup> May 1999. This project is the largest project ever undertaken by GGCL and will be the foundation for future growth. This pipeline has already started delivering approximately 1,00,000 scmd of gas to customers in and around Ankleshwar. In future, this pipeline will carry significant volumes of gas and result in improved sales for your Company. The expansion of the distribution network to connect new customers will continue simultaneously.

#### b. Strategic Alliance :

Your Company, alongwith its subsidiary, Gujarat Gas Financial Services Limited, has also recently entered into a Memorandum of Understanding (MOU) for strategic alliance with Thermax Limited. This Strategic Alliance will benefit the prospective customer by providing a one - stop solution to his energy requirements. As per the MoU, GGCL will provide gas, Thermax Limited will provide gas based equipment with the first phase being gas powered air conditioning and Gujarat Gas Financial Services Limited will