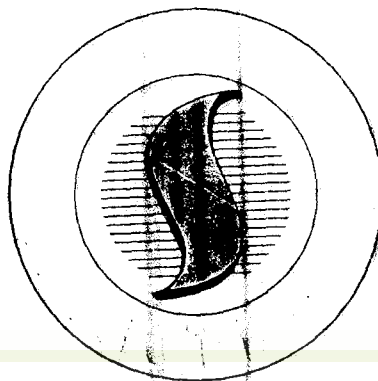


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SHRI SHAKTI LPG LTD.

INDIA'S LARGEST PRIVATE SECTOR LPG COMPANY

2001-02 ANNUAL REPORT 2002-03

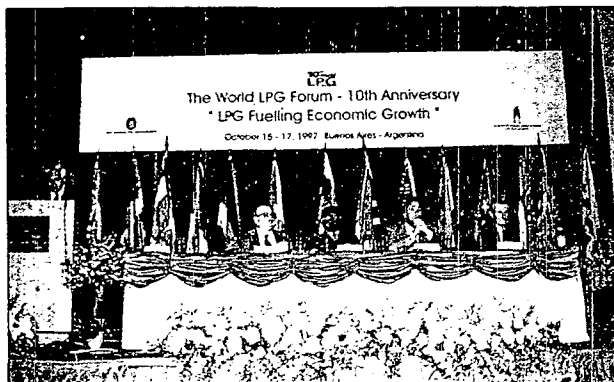


The Hon'ble Prime Minister of India Shri H.D. Deve Gowda dedicated India's Largest Private Sector LPG Infrastructure of SSLPG to the nation on 28th Jan. '97.

The 2,00,000th connection of Shakti Gas, India's largest selling private sector LPG brand was released by the Hon'ble Chief Minister of Andhra Pradesh Shri N. Chandrababu Naidu, in the presence of Hon'ble Prime Minister of India, Shri H.D. Deve Gowda on 28th Jan. '97.



Report Junction.com



Mr. D.V. Manohar, Chairman & Managing Director of SSLPG was the Chairman & Speaker at Session-III on "Managing Global Safety & Environmental Issues" at 10th World LPG Forum at Buenos Aires, Argentina, in October, 1997.

Shri Shakti LPG Limited

BOARD OF DIRECTORS	Mr. D.V. Manohar	<i>Chairman & Managing Director</i>
	Mr. D.V. Satya Kumar	<i>Executive Director</i>
	Mr. D.V. Rajasekhar	<i>Director</i>
	Dr. D.V. Prabhu Kumar	<i>Director</i>
	Dr. A. Balasetty	<i>NRI Director</i>
	Dr. Vijaya A. Kinni	<i>NRI Director</i>
	Dr. Bharat H. Barai	<i>NRI Director</i>
	Mr. B.R. Shetty	<i>NRI Director</i>
	Dr. Kamlesh V. Bulchandani	<i>NRI Director</i>
	Dr. P. Suruli Narayanasami	<i>NRI Director</i>
	Dr. Gorantla Govindaiah	<i>NRI Director</i>
	Mr. C.V. Kamalaker	<i>Director (IFCI Nominee)</i>
COMPANY SECRETARY & CHIEF MANAGER (FIN.)	Mr. P.S. Narayana	
AUDITORS	M/s. Venugopal & Chenoy Chartered Accountants Hyderabad.	
LEGAL ADVISOR	Mr. Koka Satyanarayana Hyderabad.	
BANKERS	State Bank of Hyderabad	
REGISTRARS & SHARE TRANSFER AGENTS	Karvy Consultants Ltd. Regd. Office : Karvy House 46, Avenue 4, Street No. 1 Banjara Hills Hyderabad - 500 034.	
REGISTERED OFFICE	Venus Plaza Adjacent to Airport Begumpet Hyderabad - 500 016. Tel: 91-40-869416 Fax: 91-40-814411	
PLANTS	Nemam Village Beach Road Kakinada - 533 005 (A.P.) Bibinagar Near Railway Station Nalgonda District (A.P.)	

NOTICE

NOTICE IS HEREBY GIVEN THAT THE FOURTH ANNUAL GENERAL MEETING OF THE MEMBERS OF THE COMPANY will be held on Saturday, the 20th December, 1997 at 10.00 a.m. at HARI HARA KALA BHAVAN, Near Patny Circle, Secunderabad - 500 003, to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet, Profit and Loss Account and the Report of Directors and Auditors thereon for the year ending 31st March, 1997.

2. **Appointment of Director**

To appoint a Director in place of Dr. D.V. Prabhu Kumar, who is retiring at this meeting under Article 105 of Articles of Association of the Company and being eligible, offered himself for reappointment.

Therefore submitted to members to pass the following resolution with or without modification as an ordinary resolution:

"RESOLVED that Dr. D.V. Prabhu Kumar, Director, retiring by rotation at this Annual General Meeting be and is hereby reappointed as a Director whose term of office shall be liable for determination by retirement of Directors by rotation as provided under Article 105 of the Memorandum and Articles of Association of the Company."

3. **Appointment of Director**

To appoint a Director in place of Mr. B.R. Shetty, who is retiring at this meeting under Article 105 of Articles of Association of the Company and being eligible, offered himself for reappointment.

Therefore submitted to members to pass the following resolution with or without modification as an ordinary resolution:

"RESOLVED that Mr. B.R. Shetty, Director, retiring by rotation at this Annual General Meeting be and is hereby reappointed as a Director whose term of office shall be liable for determination by retirement of Directors by rotation as provided under Article 105 of the Memorandum and Articles of Association of the Company."

4. **Appointment of Director**

To appoint a Director in place of Dr. A. Balasetty, who is retiring at this Meeting under Article 105 of Articles of Association of the Company and being eligible, offered himself for reappointment.

Therefore submitted to members to pass the following resolution with or without modification as an ordinary resolution:

"RESOLVED that Dr. A. Balasetty, Director, retiring by rotation at this Annual General Meeting be and is hereby reappointed as a Director whose term of office shall be liable for determination by retirement of Directors by rotation as provided under Article 105 of the Memorandum and Articles of Association of the Company."

5. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

By order of the Board

Hyderabad
7 November, 1997

P.S. Narayana
Company Secretary &
Chief Manager (Finance)

NOTES :

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy and the proxy so appointed need not be a member of the Company.
2. The proxies in order to be effective, must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.
3. Members/Bodies Corporate/Proxies to bring the Entry Pass/ Attendance Slip duly filled in for attending the Meeting.
4. The Register of Members and Share Transfer Books will remain closed on 19th December and 20th December, 1997 (both days).
5. Members are requested to notify any change in their address immediately to the Company's Share Transfer Agents M/s. Karvy Consultants Ltd., Karvy House, 46, Avenue 4, Street No.1, Banjara Hills, Hyderabad - 500 034.
6. Members are requested to bring their copy of Annual Report to the Meeting as the company is unable to provide another copy in view of the increased cost of paper and printing.

DIRECTORS' REPORT

To

The Shareholders
Shri Shakti LPG Ltd.

1. INTRODUCTION

Your Directors have immense pleasure in presenting the Fourth Annual Report to you. Your Company continues to enjoy the Leadership status in the Private Sector LPG Industry in India.

2. FINANCIAL PERFORMANCE

The Financial Performance of the Company for the year 1996-97 is indicated below :

Particulars	(Rs. in lakhs)		
	Projections given in Prospectus dated 28.08.95 for the year 1996-97	1996-97	1995-96
Gross Income	20384	4729.39	1868.64
Less : Expenditure excluding Interest and Depreciation	16918	3981.87	1771.11
Profit before Interest and Depreciation	3466	747.52	97.53
Interest	901	346.46	32.57
Profit before Depreciation	2565	401.06	64.96
Depreciation	805	494.02	269.99
Net Profit/(Loss)	1760	(92.96)	(205.03)

There is no liability towards income tax for the year.

We are glad to inform you that your Company has made a cash profit of Rs.401.06 Lakhs (previous year Rs.64.96 Lakhs). However, after providing for depreciation for the year amounting to Rs.494.02 Lakhs (previous year Rs.269.99 lakhs) there is a net loss of Rs.92.96 lakhs (previous year Rs.205.03 lakhs loss) which is carried over to the Balance Sheet.

It may be noted that depreciation includes Rs.409.31 lakhs pertaining to only Rolling Stock i.e., Cylinders and Regulators accounting for 82% of the current year's depreciation, which is unique to the industry. Thus, the above loss is primarily due to this factor which is peculiar to our industry.

As widely acknowledged the oil and gas sector in India including LPG inspite of the tremendous potential, could not really take off in view of the Government's delay in carrying through the envisaged reforms in this sector. Because of the uncertainties on the political front, the promised action by the Government on removal of subsidies and customs duties was very much delayed. In addition to that, this being a green field area, there are lot of initial constraints and hassles both in respect of infrastructure creation as well as market penetration. Given this scenario, it is really a matter of satisfaction and pride that your Company has fared

Never try to repair your gas cylinder, yourself. Call a Mechanic



very well in facing these problems and captured as much as 24% share in the Private Sector LPG market in India. In fact, including our fully owned subsidiary Asia LPG Pvt. Ltd. the market share goes up to 29%.

Thus, your Company further consolidated its position as the undisputed leader in the LPG Private Sector in India in a market which consists of several large Indian Companies and Multi National Corporations.

The Company's performance could have been much better but for the unprecedented spurt in the international prices of LPG in 1996-97. The year witnessed the highest ever cost price increase for LPG in the international market during October 96 to March '97. It has been conceded in many international fora that this was an unprecedented aberration. Added to this the rupee also depreciated against the US Dollar considerably.

In spite of all these severe odds, your Company increased the tonnage handled from 9914 MT during 1995-96 to 25021 MT during 1996-97 registering an increase of 152%. Further your Company could achieve the 2,00,000 connection base as on 31st March '97, which is the largest customer base in the Private Sector in India. As of now, the same stands at over 2,50,000.

However, during 1997-98, which would be the first full year of operations, your Company is aiming at doubling its volumes. With its own dedicated port handling facility which is commissioned from September 96, the Company expects to vastly improve its turnover and profitability in the years to come. Particularly in view of the fact that after the unfortunate accident at Vizag recently, our above port facility at Kakinada is the only LPG import handling facility on the entire east coast, the Company expects substantial growth in the near future.

The Indian Private Sector LPG scenario still holds tremendous potential and opportunities. However, due to political uncertainties it has become one classic example of half carried through reforms. Even in such a scenario in spite of all the above constraints, your company has acquitted itself very well and further increased its lead over all others. It now has a dominant presence both in respect of the infrastructure as well as the market base way ahead of other giant Indian companies and other Multi National Companies.

The Government has finally taken up the unfinished agenda on the Petroleum and Gas Sector recently and it is generally acknowledged that the worst is over in this field. The Government has already announced a time frame for the removal of subsidies and dismantling of Administered Pricing Mechanism (APM). It has already made a beginning by partially withdrawing subsidy for LPG and putting Diesel prices on import parity pricing mechanism. With this, the prospects for a better future for LPG and the realization of its high growth potential are definitely much better.

Thus, in the next financial year, your company expects multi fold increase in its sales volume due to above factors and also its forays into the new application market (for further details please see under 4. Marketing). Even in the present year of 1997-98, your company has already achieved a turnover of Rs.34 crores in the first six months itself against rupees Rs.17 crores during the same period last year. It is also heartening to note that even after depreciation, there is a healthy profit in the first six months which is expected to further improve during the second half.

LPG is a long term business and to ensure that we would realize the potential to the fullest extent, your company has worked out a 10 year plan called **SHAKTI VISION 2007**.

Your company has worked out a detailed year by year plan to achieve the targets in the Shakti Vision 2007. If you wish to have more information on Shakti Vision 2007, please feel free to write to us. We are confident that with your continued support and encouragement we would be able to achieve much faster growth for your company and healthy returns for you, the esteemed shareholders.

Use only ISI approved gas stoves

3. PROJECT IMPLEMENTATION

The Company has mobilized Rs.10824.44 lakhs as on 31.03.97 (previous year Rs. 10711.81 lakhs) as per brief details given below :

Financial :

(Rs. in lakhs)

31.03.1997 31.03.1996

Source of Funds:		
a) Share Capital Reserves	5055.58	4974.78
b) Secured Loans	3667.48	3394.86
c) Unsecured Loans & Trade Deposits	2101.38	2342.17
TOTAL	10824.44	10711.81

Application of Funds :		
a) Net Fixed Assets, Capital Work-in-Progress, Expenditure during construction pending Capitalization	8600.64	6979.02
b) Investments	216.50	241.50
c) Net Current Assets	1370.93	2947.89
d) Misc. Expenditure to the extent not written off	339.13	339.13
e) Net Loss	297.23	204.27
TOTAL	10824.43	10711.81

From the above, it could be observed that your company has already mobilised most of the funds that are required for the implementation of the Project and has incurred an expenditure to the tune of Rs.9387 lakhs for developing infrastructure facilities upto 31.03.1997.

During the year, your company commissioned its own dedicated import facility consisting of Finger Jetty, Shore Terminal and M.B. SHRI SHAKTI, the first LPG Vessel to be built in India and classified by Lloyd's Register, London. This System is the first of its kind in the LPG Industry in India and is capable of handling about 110,000 MT per annum of LPG. With the commissioning of the own dedicated Import handling facilities, the Company is now fully integrated to import LPG without depending on other terminal facilities.

Your Company was sanctioned some incentives by the Government of Andhra Pradesh. Under the same, your company has already availed a sum of Rs. 189.21 lakhs upto 31.03.97 (previous year Rs. 162.83 lakhs) as amount of Sales Tax payable to Govt. of Andhra Pradesh which has been deferred for 10 years. The Company is also entitled for waiver of sales tax for a period of 7 years upto the year 2003 under the above scheme for the units set up at Nalgonda and on expansion of Kakinada Plant facilities.

4. MARKETING

In January 1997, your company has crossed the 2,00,000th connection mark achieving another first and further adding to its largest customer base in the Indian Private LPG Sector. The same presently stands at over 2,50,000. On 28.01.97, the then Prime Minister of India Shri. H.D. Deve Gowda dedicated the infrastructure of

Keep the window in your kitchen open while you are cooking



the Company to the Nation, at a glittering function at Hyderabad and on the same occasion the Chief Minister of Andhra Pradesh, Shri N. Chandrababu Naidu released the 2,00,000th Shakti Gas connection. Your company has made deep inroads into the states of Andhra Pradesh, Karnataka, Goa, Kerala, Tamil Nadu and Pondicherry. It has already appointed over 300 dealers in these States. Your Company has introduced several schemes including TAKSHAN SHAKTI Scheme to ensure more effective market penetration and better customer satisfaction. Under this scheme, Gas supply would be made at GOC rates throughout the life time of customer on certain terms. The scheme has evoked good response. Similarly the JANATA SHAKTI Scheme introduced by your company also is getting popular.

Further, your company has embarked upon pioneering the usage of LPG for various alternate applications such as to run Automobiles, Water heaters, Generators and various other white goods commonly used at home. Your company has already initiated introduction of LPG in several new commercial applications also. In view of the fact that there is no competition from subsidized Government gas in these markets, your company expects good profitability and fast market penetration in these segments.

In respect of usage of LPG as Auto Fuel, the Government of India has already accorded its approval for the same in principle. Your Chairman Mr. D.V. Manohar is actively involved in the expert committees set up by the Government of India for working out the Norms, specifications and Standards for the introduction of LPG as Auto Fuel. We are glad to state that most of the work on the same has already been completed and it is expected that usage of LPG as Auto Fuel will be a reality very shortly. There are about 23 million two wheelers, 1 million three wheelers and 4 million four wheelers in India. LPG is acknowledged to be a much cleaner and economical fuel than both Petrol and Diesel. Infact the Supreme Court has directed the Government to consider introduction of usage of LPG in three wheelers to reduce pollution in Delhi. Though the technology for the running of four wheelers is available all over the world, only very few possess the technology for running two wheelers and three wheelers on LPG. We are glad to state that your company has already conducted trials and demonstration to run two wheelers and three wheelers on LPG and put itself in an advanced position to tap this high potential market.

5. NO.1 (TOP MOST) RATING FROM ICRA

Your Directors are immensely pleased to state that the designated Rating Agency ICRA, has renewed the Rating No.1 for one more year. This is the TOP MOST rating under the mandatory rating requirements.

6. JOINT VENTURES

Your Company is actively working on concluding suitable Joint Venture Agreements both for further consolidation of existing business as well as expansion. Subsequent to the MoUs entered into earlier, your Company has jointly commissioned various studies including Techno-Economic Feasibility Studies, Market Feasibility Studies, Environmental Impact Assessment Studies, Risk Assessment Studies by reputed Agencies such as UHDE India Ltd., DNV Teknica, etc., Your Company expects the finalisation of Joint Venture Agreements shortly with leading Multi National Companies.

7. SUBSIDIARY COMPANY

Our wholly owned Subsidiary Company, namely Asia LPG Pvt. Ltd., (ALPL) Bangalore has improved its performance and its Financial Accounts are being furnished separately.

8. DIVIDENDS

As the Company could not earn any profits for the year ended 31.03.97, the Directors regret to inform that they are not in a position to recommend any dividend for the year ending 31.03.97.

Use only ISI approved rubber tube useful for LPG only

9. DEPOSITS

The Company has not invited or accepted any deposits within the meaning of Sec. 58 (A) of the Companies Act, 1956, during the year.

10. DIRECTORS

In terms of Articles of Association of the Company, Dr. A. Balasetty, Dr. D.V. Prabhu Kumar and Mr. B.R. Shetty retire at this Annual General Meeting and being eligible offer themselves for re-appointment. The Board recommends re-appointment of these Directors.

11. AUDITORS

The Statutory Auditors M/s. Venugopal & Chenoy, Chartered Accountants, appointed by the Members at earlier AGM retire at the conclusion of this Meeting and they are eligible for re-appointment. The members are requested to appoint Auditors and fix their remuneration.

12. PERSONNEL

The particulars of employees who are in receipt of remuneration of Rs.3,00,000/- or more if employed for full year or Rs.25,000/- per month if employed for part of the year are furnished in the Annexure I.

We are glad to mention that Mr. D.V. Manohar, The Chairman of the Company, was the Chairman and Speaker at Session III on "Managing Global Safety and Environmental Issues" at the 10th World LPG Conference at Buenos Aires, Argentina in October '97. This is the first time that such an honour has been given to an Indian. This is in recognition of the high standards of safety maintained by your Company and the commitment for safety at all levels in our organisation. Mr. Manohar's speech, his hi-tech presentation on CD-ROM and his conducting of the above Session have been rated excellent and won appreciation and accolades from the delegates from all over the world.

13. ACKNOWLEDGEMENT

The Board wishes to place on record its deep sense of gratitude and appreciation to all the Promoters and Shareholders for their whole hearted and spontaneous support to the Company. The Board also wishes to acknowledge the help and assistance rendered by all the banks, financial institutions, suppliers, collaborators, consultants and contractors. The Board places on record its deep sense of gratitude to IFCI and SBH for their excellent and timely co-operation in implementation of the Project but for whose help it would have been difficult to achieve what was achieved by the Company so far. The Board wishes to record its gratitude to various Departments of the Government of Andhra Pradesh and Government of India for the support and encouragement given to your Company. The Board records its appreciation for the efforts made by employees of the Company at all levels and for their unflinching support and co-operation.

14. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXPENDITURE

The prescribed details as required U/s 217 (I) (e) of the Companies Act, 1956 are given in the Annexure II.

For and on behalf of the
Board of Directors

D.V. MANOHAR
Chairman & Managing Director

Hyderabad
7 November, 1997

Avoid wearing synthetic sarees while cooking. Best, use a cotton apron

