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SHRI SHAKTI LPG LTD.

INDIA'S LARGEST PRIVATE SECTOR LPG COMPANY

CORPORATE OFFICE : VENUS PLAZA, BEGUMPET, HYDERABAD - 500 016.
TEL : 040 - 869416, FAX : 040 - 814411 INTERNET : <http://www.shrishakti.com>.

FIFTH ANNUAL REPORT - 1997-98



75-11-134
7/16/2006
10:00:00 AM

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. R.R. Dharamdasani	<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 Punjab National Bank	
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.)	

FOR SHRI SHAKTI LPG. LIMITED

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

NOTICE

NOTICE IS HEREBY GIVEN THAT THE FIFTH ANNUAL GENERAL MEETING OF THE MEMBERS OF THE COMPANY will be held on Wednesday, the 23rd September, 1998 at 10.30 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 Reports of Directors and Auditors thereon for the year ending 31st March, 1998.
2. **Appointment of Director**

To appoint a Director in place of Dr. Vijaya A. Kinni 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. Vijaya A. Kinni, 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 Memorandum and Articles of Association of the Company."

3. **Appointment of Director**

To appoint a Director in place of Dr. Kamlesh V. Bulchandani, 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. Kamlesh V. Bulchandani, 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 Memorandum and Articles of Association of the Company."

4. **Appointment of Director**

To appoint a Director in place of Dr. Bharat H. Barai, 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. Bharat H. Barai, 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 Memorandum and Articles of Association of the Company."

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 a Special Resolution :

"RESOLVED that subject to all applicable provisions of the Companies Act, 1956, (including any statutory modification(s) or reenactment thereof and any Ordinance promulgated in this regard for the time being in force and as may be enacted/promulgated from time to time) and subject to such other approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to, by the Board of Directors of the Company (hereinafter referred to as the "Board"), the consent of the Company be and is hereby accorded to the Board to buy-back, from the existing holders of shares and/or other securities giving right to subscribe for shares of the Company, on a proportionate basis and/or from the open market and/or from the lots smaller than market lots of the Securities (odd lots) and/or by purchasing the securities issued to the employees pursuant to a scheme of stock option, the shares or such other securities or securities having such

underlying voting rights as may hereinafter be notified by the Central Government or any other regulatory authority, from time to time (herein for brevity's sake referred to as "the securities"), of the Company, from out of its free reserves or out of the securities premium account of the Company or out of the proceeds of any issue made by the Company specifically for the purpose, or from such other sources as may be permitted by law, on such terms, conditions and in such manner as may be prescribed by law from time to time; provided that the aggregate of the Securities so bought back shall not exceed 10% of the respective Securities of the Company.

"RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to do all such acts and things and deal with all such matters and take all such steps in this regard as it may, in its absolute discretion, deem necessary, fit or proper."

By order of the Board

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

Hyderabad
12 August, 1998

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 September 22-23, 1998 (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.
7. Explanatory statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of special business set out in the notice is annexed hereto.

Explanatory Statement under Section 173 (2) of the Companies Act, 1956

Item No. 6

Buy back of own shares or other securities convertible into equity shares by the Companies is presently not allowed under the Companies Act, 1956. The Companies Bill, 1997, sought to lay down the operative provisions to regulate the buy back of shares/securities by companies. The said bill has not yet become the law. It is expected that, in due course of time, the law will be amended to allow such buy back.

It is proposed to buy back not exceeding 10% of the total voting powers relating to the shares or other securities giving right to subscribe for shares of the Company, from the existing security holders on a proportionate basis and/or from the open market and/or from the lots smaller than market lots of the securities (odd lots) and/or by purchasing the securities issued to the employees of the Company pursuant to the scheme of stock option, subject to necessary enactment in this regard.

The buy back of shares as aforesaid would entail investing of an amount which would not be less than the market value of the shares or other securities giving right to subscribe for shares of the Company

and shall be met out of the free reserves and/or the securities premium account and/or out of the proceeds of an issue specifically made for the purpose or from such other sources as may be permitted by law. The shares so bought back shall be dealt with as per the then prevailing law/regulation.

The Board is of the opinion that it will be in the best interests of the Company if shareholders approve the said resolution, permitting such buy back, so that the Company will be able to implement this resolution once the law is amended.

The resolution, if approved, will be operative and given effect to from the applicable date as may be prescribed in this regard.

Based on the provisions of the Companies Bill, 1997, resolution to be passed at the ensuing Annual General Meeting is valid till 22nd September, 1999. The resolution is an enabling provision aimed at facilitating the Company to buy back its shares as soon as legally permissible.

The Directors recommend the resolution for approval of the shareholders.

None of the Directors of the Company is, in any way, concerned or interested in the resolution.

DIRECTORS' REPORT

To

The Shareholders
Shri Shakti LPG Ltd.

1. INTRODUCTION

Your Directors have immense pleasure in presenting the Fifth 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 1997-98 is indicated below :

(Rs. in Lakhs)

Particulars	Projections given in Prospectus dated 28.08.95 for the year 1997-98	1997-98 (Actuals)	1996-97 (Actuals)
Gross Income	24,420	7,129.04	4,729.39
Less : Expenditure excluding Interest and Depreciation	19,842	5,562.70	3,981.87
Profit before Interest and Depreciation	4,578	1,566.34	747.52
Interest	854	569.12	346.46
Profit before Depreciation	3,724	997.22	401.06
Depreciation	778	645.95	494.02
Profit/(Loss) before Taxation	2,946	351.27	(92.96)
Provision for Taxation (MAT)	--	36.88	--
Net Profit/(Net Loss) After Tax	2,946	314.39	(92.96)

Provision has been made for Minimum Alternative Tax (MAT) of Rs.36.88 Lakhs for the year.

As already informed, the scope and specifications of the Project have undergone substantial changes and the revised Project proposals are submitted to the Financial Institutions for reappraisal. Therefore, the Projections given in the Prospectus dated 28.08.95 are not comparable with the actual performance.

We are very happy to inform you that your Company has turned the corner and has made a cash profit of Rs.997.21 Lakhs (previous year Rs.401.06 Lakhs). After providing for depreciation for the year amounting to Rs.645.95 Lakhs (previous year Rs.494.02 Lakhs), there is a positive profit of Rs.351.26 Lakhs (previous year Rs.92.96 Lakhs Loss) and after setting off the accumulated losses of Rs.297.23 Lakhs, the Company ended the year with a positive profit balance of Rs.17.15 Lakhs. The performance would have been much better than the above but for the unprecedented depreciation of Rupee against Dollar from October 97 onwards. As you are aware, the Company is mostly dependent on the imports for sourcing its main raw material, i.e., LPG. In the second half of the Financial Year, there was about 20% depreciation in the value of Rupee which has had considerable impact on the profitability and performance of the Company. Added to this, with the delay in the implementation by the Government of India of its announced policy of dismantling the Administered Pricing Mechanism APM (Vide G.O. No. 224 dated 24th November, 1997), the Company continued to compete with the subsidised gas of the Government Sector. However, inspite of the severe odds, it is really gratifying to note that your Company has fared well in facing these problems and captured as much as 30% share in the Private Sector LPG Market in India.

The Company increased the tonnage handled from 25,021 MT during 1996-97 to 36,209 MT during 1997-98 registering 45% increase. Further, your Company has crossed the 3.0 Lakh connection mark as on 31.03.98 which is the largest customer base in the Private Sector in India. Thus, your Company further consolidated its position as undisputed leader in the LPG Private Sector in India in a market which consists

Shri Shakti LPG Ltd.

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of several large Indian and Multi-National Companies.

In the next financial year, your company expects to improve its performance further. This is evident from the results published for the first quarter of 1998-99.

We are glad to inform you that Punjab National Bank has joined with State Bank of Hyderabad in the Consortium Lending to meet the Working Capital requirements of the Company during the year.

3. PROJECT IMPLEMENTATION

(Rs. in Lakhs)

Source of Funds	31.03.98	31.03.97
a. Share Capital & Reserves	5090.55	5055.58
b. Secured Loans	3845.13	3667.48
c. Unsecured Loans & Trade Deposits	1673.68	2101.38
TOTAL	10609.36	10824.44
Application of Funds		
a. Net Fixed Assets, Capital Work-in-Progress, Expenditure during construction pending Capitalisation	9014.82	8600.64
b. Investments	216.50	216.50
c. Net Current Assets	1038.91	1370.94
d. Misc. Expenditure to the extent not written off	339.13	339.13
e. Net Loss	-	297.23
TOTAL	10609.36	10824.44

From the above, it could be observed that the 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.10,447 Lakhs for developing the infrastructure facilities upto 31.03.98.

During the year, the bulk storage facilities at our main Terminal at Kakinada are further augmented by the commissioning of 3 x 500 MT LPG Spheres taking our total storage capacity to about 3000 MT.

Your Company was sanctioned some incentives by the Department of Industries, Government of Andhra Pradesh. Accordingly, an investment subsidy of Rs.17.50 Lakhs was released during this year as against sanctioned amount of Rs.20 Lakhs for the Plant set up at Bibinagar.

4. MARKETING

During the year, the Company has crossed the 3,00,000th connection mark, achieving another first and further adding to our customer base which is the largest in the Indian LPG Private Sector. During the year, the Company has extended its forays further by entering the Orissa market.

During the year, the Company has tied up with The Kerala State Co-operative Consumer Federation (CONSUMERFED) for a prestigious arrangement for release of connections under our Takshan Shakti Scheme. The Scheme has evoked tremendous response and with the support and co-operation of CONSUMERFED, the company expects to achieve the distinction of releasing the highest number of connections through Takshan Shakti Scheme in the State of Kerala.

In respect of usage of LPG as Autofuel, your Company has achieved a major breakthrough by jointly developing along with Automotive Research Association of India (ARAI), Conversion Kits to run three wheelers on LPG. The Company is in the process of obtaining the patent jointly with ARAI for this new technology.

It is expected that this would result in sizeable revenues in the near future both from the Indian as well as the export markets. Further, the Company is gearing itself to be in the forefront of LPG Autofuel market as soon as the decks are cleared for the same on the legislative front which is expected to happen during this year.

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

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

6. SUBSIDIARY COMPANY

Our wholly owned Subsidiary Company, namely Asia LPG Pvt. Ltd. has improved its performance and its financial results have been furnished separately.

7. DIVIDENDS

Though the Company earned profits for the year ended 31.03.98, after setting off the accumulated losses, the Company is not in a position to declare any dividend and therefore, the Directors regret to inform you that they are not in a position to recommend any dividend for the year ended 31.03.98.

8. DEPOSITS

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

9. DIRECTORS

In terms of the Articles of Association of the Company, Dr. Vijaya A. Kinni, Dr. Kamlesh V. Bulchandani and Dr. Bharat H. Barai retire at this Annual General Meeting, and being eligible, offer themselves for reappointment. The Board recommends their reappointment as Directors.

10. AUDITORS

The Statutory Auditors M/s. Venugopal & Chenoy, Chartered Accountants, appointed by the Members at the earlier Annual General Meeting 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.

11. 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 Annexures I.A. & I.B

We are glad to mention that Mr. D.V. Manohar, Chairman & Managing Director of the Company was invited as a Speaker in the 11th Annual US International LPG Conference at Houston, U.S.A. in March 98. Further, he was also a Speaker in the 2nd

Annual South Asia LPG Forum '98 at Bangkok in mid-July 98.

12. 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 The Industrial Finance Corporation of India Ltd. (IFCI), State Bank of Hyderabad (SBH) and Punjab National Bank (PNB) 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.

13. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE

The prescribed details as required U/s. 217 (1) (e) of the Companies Act, 1956 are given in the Annexure II.

For and on behalf of
the Board of Directors

Hyderabad
12 August, 1998

D.V. Manohar
Chairman & Managing Director

ANNEXURE - I.A.

STATEMENT OF PARTICULARS OF EMPLOYEES AS REQUIRED UNDER
SECTION 217(2A) OF THE COMPANIES ACT, 1956, EMPLOYED FOR FULL YEAR

S.No. Name	Age	Qualification	Previous Employment	Experience	Date of Employment	Designation	Gross Income (Rs.)
1. Mr. D.V. Manohar	45 Yrs.	M.B.A.	Managing Director , Shri Shakti Resorts & Hotels Ltd.	24 Yrs	25.07.94	Chairman & Managing Director	307,890
2. Mr. D.V. Satya Kumar	36 Yrs	B.E., M.S. (USA)	Director, Shri Shakti Cylinders Pvt. Ltd.	12 Yrs	01.04.94	Executive Director	307,890

ANNEXURE - I.B.

STATEMENT OF PARTICULARS OF EMPLOYEES AS REQUIRED UNDER
SECTION 217(2A) OF THE COMPANIES ACT, 1956, EMPLOYED FOR PART OF THE YEAR

S.No. Name	Age	Qualification	Previous Employment	Experience	Date of Employment	Designation	Gross Income (Rs.)
1. Mr. I.V. Ranga Rao	45 Yrs	Masters Degree in Business Economics	General Manager Phil Systems Ltd.	20 Yrs	18.09.97	Chief General Manager	175,968

NOTES

1. Remuneration includes salary, allowances, value of other perquisites on the basis of Income Tax Act and Rules and Company contribution to Provident Fund and Pension Fund.
2. All appointments are contractual and terminate by notice on either side.
3. The persons at Sl.No. 1 & 2 of Annexure I.A. are related to each other and 2 other Directors of the Company.

For and on behalf of the
Board of Directors

Hyderabad
12th August, 1998

D.V. MANOHAR
Chairman & Managing Director