

# SHRI SHAKTI LPG LTD



9th ANNUAL REPORT  
2001 - 2002

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**BOARD OF DIRECTORS**

Mr.D.V.Manohar	Chairman & Managing Director
Mr.D.V.Satya Kumar	Executive Director
Mr.D.V.Raja Sekhar	Director
Dr.D.V.Prabhu Kumar	Director
Mr.B.K.Bakhshi	Director
Mr.D.V.L.N.Murthy	Director
Mr.S.Gopala Krishnan	Director
Dr.A.Balasetty	NRI Director
Dr.Bharat H.Barai	NRI Director
Mr.B.R.Shetty	NRI Director
Dr.Kamlesh V.Bulchandani	NRI Director
Dr.Gorantla Govindaiah	NRI Director
Mr.S.D.Mathur	Director (IFCI Nominee)

**COMPANY SECRETARY & VICE PRESIDENT (FIN)**

Mr.P.S.Narayana

**AUDITORS**M/s.Venugopal & Chenoy  
Chartered Accountants  
Hyderabad.**LEGAL ADVISOR**Mr.Koka Satyanarayana Rao  
Hyderabad.**BANKERS**State Bank of Hyderabad  
Punjab National Bank.**REGISTRARS & SHARE TRANSFER AGENTS**M/s.Karvy Consultants Ltd.  
46 Avenue, Road No:1,  
Banjara Hills  
Hyderabad - 500 034.**REGISTERED OFFICE**Venus Plaza  
Adjacent to Airport  
Begumpet  
Hyderabad - 500 016.  
Tel : 91-040-790 7979  
Fax : 91-040-790 8989**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 NINTH ANNUAL GENERAL MEETING OF THE MEMBERS OF THE COMPANY will be held on Monday, the 30th September 2002 at 10.30 A.M. at Hari Hara Kala Bhavan, Near Patny Centre, Secunderabad 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 March 31, 2002.

2. To appoint a Director in place of Dr.A.Bala Setty who is retiring at this Annual General Meeting and being eligible offers himself for re-appointment. Therefore submitted to Members to pass the following resolution with or without modifications as Ordinary Resolution.

"Resolved that Dr.A.Bala Setty, Director retiring by rotation at this Annual General Meeting be and is hereby re-appointed 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. To appoint a Director in place of Dr.D.V.Prabhu Kumar who is retiring at this Annual General Meeting and being eligible offers himself for re-appointment. Therefore submitted to Members to pass the following resolution with or without modifications as Ordinary Resolution.

"Resolved that Dr.D.V.Prabhu Kumar, Director retiring by rotation at this Annual General Meeting be and is hereby re-appointed 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. To appoint a Director in place of Mr.D.V.L.N.Murthy who is retiring at this Annual General Meeting and being eligible offers himself for re-appointment. Therefore submitted to Members to pass the following resolution with or without modifications as Ordinary Resolution.

"Resolved that Mr.D.V.L.N.Murthy, Director retiring by rotation at this Annual General Meeting be and is hereby re-appointed 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 a Director in place of Mr.S.Gopala Krishnan who is retiring at this Annual General Meeting and being eligible offers himself for re-appointment. Therefore submitted to Members to pass the following resolution with or without modifications as Ordinary Resolution.

"Resolved that Mr.S.Gopala Krishnan, Director retiring by rotation at this Annual General Meeting be and is hereby re-appointed 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".

6. 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**

7. To consider, and if thought fit to pass the following resolution with or without modifications as special resolution.

"Resolved that the action taken the Board of Directors in applying to the Board for Industrial and Financial and Reconstruction (BIFR) u/s.15(1) of the Sick Industrial Companies (Special

Provisions ) Act 1985 for registering with BIFR be and is hereby noted and ratified".

"Further resolved that the Board of Directors be and are hereby authorised to do all such acts and things that may be necessary and appropriate in connection with proceedings rehabilitation packages or any other measures with BIFR in the best interests of the company".

By Order of the Board

Hyderabad  
September 2, 2002.

**P.S. Narayana**  
Company Secretary &  
Vice President (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 30th September, 2002.
5. Members are requested to notify any change in their address immediately to the Company's Share Transfer Agents M/s.Karvy Consultants Ltd., 46 Avenue, Road 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. The shares of the Company are listed on the Stock Exchanges at Hyderabad, Bangalore, Delhi, Mumbai, Ahmedabad and National Stock Exchange of India Ltd.
8. Explanatory statement pursuant to section 173(2) of the Companies Act, 1956, in respect of special business set out in the notice convening the 9th Annual General Meeting is given below.

**Item No:7.**

As per the Provisional Accounts submitted to the Board, the directors, at the meeting held on 25.05.2002, have opined that the the entire net worth of the company has been eroded as on 31.03.2002 and the Company has become a Sick Company as per the provisions of clause (o) of subsection (1) of Section 3 of Sick Industrial Companies (Special Provisions) Act, 1985 (1 of 1986).

As required by the statute the Company is required to make a reference to the Board for Industrial and Financial Reconstruction u/s.15(1) of the Sick Industrial Companies (Special Provisions) Act, 1985 (1 of 1986).

Accordingly the Board of Directors have made a reference to the BIFR under section 15(1) and the case has been provisionally registered as case no : 248/2002 thereafter a revival package is to be considered and implemented. This resolution is placed before you for ratification for the action taken by the board.

Your Directors commend your accord for the resolution. None of the directors is interested in this resolution.

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**DIRECTORS' REPORT**

To  
The Shareholders  
Shri Shakti LPG Ltd.

**1 INTRODUCTION**

Your Directors present herewith the Ninth Annual Report to you.

**2 FINANCIAL PERFORMANCE**

The Financial Performance of the Company for the year 2001-2002 is indicated below:

(Rs .000 Omitted.)

Particulars	2001-2002	2000-2001
Gross Income	79237	95852
Less: Expenditure excluding Interest, Depreciation & Prior-period and Extraordinary items	95917	139279
Profit before Interest, Depreciation & Prior-period and Extraordinary items.	- 16680	- 43427
Interest	91082	56711
Profit /Loss (-) before Depreciation	-107762	-100138
Depreciation	81947	72352
Loss before Prior-period and Extraordinary items	-189709	-172490
Prior Period and Extraordinary Items	171436	2000
Net Loss	-361145	-174490

During the year, the company incurred a cash loss of Rs.107762 thousands, (previous year loss Rs.100138 thousands). After providing for depreciation amounting to Rs.81947 thousands, (previous year Rs.72352 thousands), and prior period / extra ordinary item Rs. 171436 thousands (previous year Rs. 2000 thousands) the total loss for the year stood at Rs.361145 thousands. (previous year loss Rs.174490 thousands).

The Financial Year 2001-2002 continued to be another rough year for the company. As the members are well aware, after Government of India has thrown open the LPG sector to the Private Sector in 1993 SSLPG was one of the first entrants into this field, having been lured by the promises of the Government to :

- \* Remove the subsidies on LPG in a phased manner to ensure a level playing field.
- \* Make available the Commercial and Industrial market segments to the private sector on exclusive basis
- \* Make available the huge waitlist to the private sector for its development

Based on the above promises, SSLPG was formed with active support of NRIs, the esteemed share holders and like minded associates. The company borrowed term loans from IFCI Ltd and State Bank of Hyderabad and also had gone for a Public issue during September- October 1995. SSLPG had set up an integrated dock to door infrastructure which includes dedicated import facility, Bulk Storage Terminal and State of the Art Bottling Plants at Kakinada, AP and at Bibinagar Mandal Nalgonda Dt. AP. It had acquired a running bottling Plant at Bangalore viz., Asia LPG Pvt Ltd as a wholly owned subsidiary company. SSLPG developed a customer base of over 4 lacs and has been operating in the states of Andhra Pradesh, Karnataka, Tamil Nadu, Kerala, Goa, Pondicherry and Orissa, serviced through a net work of over 300 Dealers.

However, the promises made by the Government as above have not materialised in the last nine years i.e, from the time LPG marketing has been permitted in the Private Sector.

- a) The members are well aware that as per GOMS No:224 dt:27.11.1997, Government of India (GOI) has spelt out a phased plan for withdrawal of subsidies in the Oil and Gas Sector including LPG over a period of 3 years ending with March 2001. This was subsequently shifted to end of March 2002. However, even by the end of March 2002, there exists a subsidy of about Rs.100/- per cylinder on the domestic gas as against the subsidy of Rs.60/- per cylinder as of 1993, which means instead of reducing, the Government increased the subsidy. The hype with which the dismantling of APM has been announced is negated by the fact that even today the LPG prices are controlled and operated by the Ministry of Petroleum as against the policy of leaving the same to the respective oil companies. Thus, the promise of removal of subsidies on domestic gas remains a mirage.
- b) As against the Government's promise of making available the Commercial and Industrial Segments to the private sector, the Government Oil Companies have been aggressively marketing in these segments and left little or no room for the private sector players. Further there was also under cutting of the prices.
- c) As against the Government's promise of making available the then existing huge wait list of the domestic customers to the private sector, the GOCs have released more than 3.13 Crores subsidised LPG connections in the last 4 years as against 3.37 Crores connections released in the earlier 40 years. (This is as per the joint statement of all the Government Oil Companies dt:16.08.2002). Thus, the purpose for which private sector oil companies have started the business is totally defeated. It may be noted that, the Government came-up with the concept of Parallel Marketing of LPG, primarily to contain further increase in the LPG burden through encouraging the private sector to release non-subsidised domestic connections. However, there is a volte face in the Government's approach thereafter, wherein the Government Oil Companies have been encouraged to release subsidised LPG connections on a massive scale as above, resulting in an equally massive increase in the LPG subsidy burden on the National Exchequer.

Adding to the above woes, there has been a steep increase in the LPG cost in the International Market, coupled with skewed depreciation of Rupee against the Dollar. The compounding effect was that the company suffered heavily during the last three years resulting in severe liquidity crunch. The company could not service the high cost debts and the accounts with the Institutions and Banks have become heavily overdrawn. The Banks have frozen the limits and suspended the operations.

It may be noted that, despite the uneven play field consequent to the competition with the Government Subsidised Gas, your company managed to achieve considerable market penetration and also profitability till 1999. However, the multifold sudden increase in the international prices of LPG from mid 1999 coupled with the absence of any increase in the Government Subsidised prices thereafter, affected your company very badly as above resulting in a severe liquidity crunch. The paucity of Working Capital affected the volumes resulting in a substantially lesser sales turnover and considerable losses. The paid-up capital of the company is Rs 515462 thousands as per the Audited Accounts for the year ended 31st March, 2002. The cumulative loss at the same time stands at Rs.578005 thousands, thus wiping out the entire net worth of the company.

The auditors of the company vide audit note no:9 (xx) in their report dt:05.06.2002, have reported as under:

"As per the accounts referred to in this report, the entire net worth of the company has been eroded as on 31.03.2002. Therefore, the Company has become a Sick Company as per the provisions of clause (o) of subsection (1) of Section 3 of Sick Industrial Companies (Special Provisions) Act, 1985 (1 of 1986). The Company, in fact, has made a reference to the Board for Industrial and Financial Reconstruction under section 15 of the said Act, on the basis of the provisional accounts adopted at the meeting of the Board of Directors of the Company held on 25.05.2002."

The Board of Directors of the company at its meeting held on 25th May, 2002, took stock of the situation and formed an opinion pursuant to the proviso to Section 15 (1) of the Act, that the Company has become a Sick Industrial Company as defined in Section 3 (1) (o) of the Act, based on the provisional results for the year ended 31.03.2002.

Accordingly, a reference application has been made u/s.15(1) of the SICA to the Board for Industrial and Financial Reconstruction (BIFR) intimating about the sickness of the company and to register the same with the BIFR for its further action. The company has also submitted a detailed rehabilitation / revival package plan to the BIFR. The salient features of the rehabilitation / revival plan are :

- \* Request for reduction of interest rates by the institutions and banks on the term loans from the existing 19.85% to 15% p.a. in tune with the present norms.
- \* Waiver of the accumulated and overdue interest on the term loans.
- \* Rescheduling the balance term loans for repayment in 5 years after a fresh moratorium of 2 years.
- \* Restoration of the Working Capital Facilities.
- \* Infusion of fresh loans for taking-up the Auto LPG market which has a good potential and which could help the company in turning around etc.,

BIFR vide proceedings No:E3(S-31)-BC/2002, dt:27.06.2002 have intimated that the reference application of the company has been registered as case no:248/2002 and required the company to seek a formal approval of Audited Accounts by the members of the company at its next annual general meeting. The same is put forth before the members for their ratification as an Item in the agenda for the AGM.

Further, extracts of the Board Note submitted for the meeting of Board of Directors held on 25.05.2002 which inter alia considered making a reference application to BIFR is attached at **Annexure - I** for the information of the members.

In spite of all the above, your directors are hopeful that the Government will revise its present policy by creating a level playing field, and with the active support and co-operation from the institutions, banks and the sustained co-operation from the esteemed members and other associates, your directors are confident of reviving the company. The Board would like to allay the fears of the members and dispel any misgivings in this matter and state that given a suitable rehabilitation package and the support of the Government, the company expects to turn around and make a come back in this field. In the interregnum, we seek the active support and co-operation from all our esteemed shareholders and associates who have stood with the company as a sheet anchor during all these years.

### 3. DEPLOYMENT OF FUNDS

(Rs .000 Omitted.)

Source of Funds	31.03.2002	31.03.2001
Share Capital and Reserves	517462	517462
Secured Loans	763084	567026
Unsecured Loans and Trade Deposits	137758	130150
<b>TOTAL</b>	<b>1418304</b>	<b>1214638</b>
<b>Application of Funds</b>		
Net Fixed Assets, Capital Work-in-Progress, Expenditure during construction pending Capitalisation	677724	786866
Investments	20950	20950
Net Current Assets	107725	154862
Misc. Expenditure to the extent not written off	33900	35100
Profit and Loss A/c.	578005	216860
<b>TOTAL</b>	<b>1418304</b>	<b>1214638</b>

**4. MARKETING AND FUTURE OUTLOOK.**

As explained earlier the company had to be referred to BIFR mainly due to reasons beyond its control and external to the company. However, the reference has no bearing on the day to day activities of the company and the company has been functioning normally discharging its day to day activities. Further, there exists a strong potential in the Auto LPG Market, which the company has pioneered for three wheelers.

In fact, a detailed revival strategy based on the auto fuel market and also for the LPG market has been submitted to BIFR along with the reference application for its consideration and its mediatory action.

As the members are well aware, your company has been buying LPG from domestic producers like Reliance Petroleum and other Oil Companies. Now that LPG prices have stabilised, the time is right to begin importing again. Keeping this in view, your company has resumed the importation of LPG after a gap of more than two and a half years, with the first consignment of 2,100 tonnes imported during August 2002. We are happy to inform you that for these imports, your company has entered into a strategic agreement with M/s.Indian Oil Petronas Pvt., Ltd., a Joint Venture company of M/s.Indian Oil Corporation, India's largest company and M/s.Petroliaam Nasional Berhad, Malaysia's largest company, for supply of LPG at our Kakinada Terminal. With this, an assured and continuous supply chain will be maintained, which will result in improved cash flows.

Your company has already started Bulk Sales during the current financial year with which it is improving its liquidity position. It is also making relentless efforts to regain the domestic market, which it had lost during the last two years mainly because of non availability of working capital funds.

**Auto Fuel:**

The long awaited opening of LPG auto fuel market is at last taking place. As the members are already aware, Shri Shakti LPG Ltd., had developed the LPG conversion kits for three-wheelers along with the Automotive Research Association of India (ARAI), under jointly patented technology. We are happy to inform you that the Auto Kits for three-wheelers with fixed tanks had been validated both by the ARAI and the Vehicular Research and Development Establishment, (VRDE) vide their TYPE APPROVAL, which permit us to go for commercial launch. Thus, we are fully geared to commercially launch our Shakti Gas Auto Kit for three wheelers, which has the following unique features.

- \* The only LPG conversion kit in India to go through an elaborate Pilot Project under actual usage conditions in Hyderabad, successfully covering a million kilometers.
- \* The only conversion kit, to be approved by both the statutory certifying authorities viz., ARAI and VRDE.
- \* Developed under patented technology in collaboration with ARAI.

We take great pleasure to inform our esteemed share holders that we are planning to launch our Auto Kits for 3 wheelers in the current financial year at all major cities in India in a phased manner. This would be followed by the launch of our Auto Kits for 2 wheels thereafter. We are also working on setting-up a few Shakti Gas Auto LPG Dispensing Stations in due course.

This would help in quick marketing of the conversion kits as well as generate volumes for LPG sales.

**5. SUBSIDIARY COMPANY**

Your fully owned Subsidiary Company namely Asia LPG Pvt. Ltd's (ALPL) financial results have been appended herewith.



**6. DIVIDEND**

As the Company has not earned any profits during the year, the Directors regret to inform you that they are not in a position to recommend any Dividend for the year ended 31.03.2002.

**7. DEPOSITS**

The Company has not invited any Deposit within the meaning of Section 58A of the Companies Act, 1956 during the year.

**8. DIRECTORS**

In terms of Articles of Association of the Company, Dr.A.Bala Setty, Dr.D.V.Prabhu Kumar, Mr.D.V.L.N.Murthy and Mr.S.Gopala Krishnan retire as Directors at this Annual General Meeting and being eligible offer themselves for re-appointment. Your directors recommend their reappointment.

**9. ACCOUNTING STANDARDS.**

The Company has followed and complied with the mandatory Accounting Standards, wherever applicable.

As far as, tax on assets (AS - 22) is concerned, the company did not recognise deferred tax asset on the losses incurred by the company, as a prudent practice.

In respect of Related Party Disclosures (AS - 18), the following are the related parties:

- a) Directors: Mr.D.V. Manohar, Mr.D.V. Satya Kumar, Mr.D.V. Raja Sekhar, Dr.D.V. Prabhu Kumar, Mr.B.K. Bakhshi, Mr.D.V.L.N. Murthy, Mr.S.Gopala Krishnan, Dr.A. Balasetty, Dr. Bharat H. Barai, Mr.B.R.Shetty, Dr. Kamlesh V. Bulchandani, Dr. Gorantla Govindaiah, Mr.S.D. Mathur.
- b) Subsidiary Company: Asia LPG Pvt., Ltd.
- c) Remuneration to Mr.D.V.Manohar, Chairman and Managing Director is Rs.403 Thousands as disclosed in Note No:11 in notes to accounts as annexed to the Balance Sheet.
- d) The non-executive directors have been paid sitting fee of Rs.19,250/-
- e) The Transactions with Asia LPG Pvt., Ltd are properly dealt with in the accounts.

**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 the Auditors and fix their remuneration.

**11. PERSONNEL**

During the year none of the employees is in receipt of the remuneration in excess of the limits prescribed u/s.217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975.

**12. CORPORATE GOVERNANCE.**

A brief report on Corporate Governance in compliance with Clause 49 of the Listing Agreement is annexed as Annexure - II hereto.

**13. DIRECTORS RESPONSIBILITY STATEMENT AS REQUIRED UNDER SECTION 217 (2AA) OF THE COMPANIES ACT, 1956:**

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956, with respect to Director's Responsibility Statement, it is hereby confirmed:

- (i) that in the preparation of the accounts for the financial year ended 31st March 2002, the applicable accounting standards have been followed along with proper explanation relating to material departure;
- (ii) that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were 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 or loss of the Company for the year under review;
- (iii) that the Directors have 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
- (iv) that the Directors have prepared the accounts for the financial year, ended 31st March 2002 on a 'going concern' basis.

**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 inspite of the turbulent period faced. The Board also wishes to acknowledge the help and assistance rendered by all the banks, financial institutions, dealers, customers, suppliers, collaborators, consultants and contractors. The Board wishes to further record its gratitude to various Departments of the Government of Andhra Pradesh and Government of India and other State Governments for their support and encouragement given to the Company during the last year. 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 EXCHANGE**

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

For and on behalf of the Board of Directors

Hyderabad  
September 02, 2002

**D.V. Manohar**  
Chairman & Managing Director