

# SHRI SHAKTI LPG LTD



**10th ANNUAL REPORT  
2002-2003**

**BOARD OF DIRECTORS**

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

**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 : 91-040-27907979  
Fax : 91-040-27908989

**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 TENTH ANNUAL GENERAL MEETING OF THE MEMBERS OF THE COMPANY will be held on Friday, the 19th September, 2003 at 10.30 A.M. at Smt. Juloori Vajramma Kalyana Mandapam, Kakaguda, Secunderabad 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 March 31, 2003.
2. To appoint a Director in place of Dr. Kamlesh V. Bulchandani 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. Kamlesh V. Bulchandani, 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 Articles of Association of the Company".

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

4. To appoint a Director in place of Mr. B.R. Shetty 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. B.R. Shetty 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 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 the following resolution with or without modifications as ordinary resolution.

"Resolved that Mr. B.K. Bakhshi who was appointed as Additional Director on the Board during the year and who holds office upto this date of Annual General Meeting and in respect of whom the

company has received a notice in writing pursuant to Section 257 of the Companies Act 1956, from a Member proposing his candidature for the office of Director, be and is hereby appointed as Director whose term of office shall be liable for determination by retirement of Directors by rotation as provided under Article 105 of Articles of Association of the Company."

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

"Resolved that as per the guidelines issued by Securities and Exchange Board of India (SEBI) for delisting of securities, 2003 and subject to other approvals, permissions and formalities, if any, the company shares be and are hereby approved to be delisted from Delhi, Ahmedabad, Bangalore, Mumbai and Hyderabad Stock Exchanges".

"Further Resolved that Board of Directors of the Company be and are hereby authorised to seek voluntary delisting, at such time as they may, in absolute discretion consider appropriate and terms and conditions as stipulated and mutually agreed to in the best interest of the Company, and to do all such things and acts which may be necessary in this connection."

By Order of the Board

Place : Hyderabad

Date : 18.08.2003

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

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**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 September, 2003.
5. 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.
6. The shares of the Company are listed at present on the Stock Exchanges at Hyderabad, Bangalore, Delhi, Mumbai, Ahmedabad and National Stock Exchange of India Ltd.
7. Explanatory statement pursuant to section 173(2) of the Companies Act, 1956, in respect of special business set out in the notice convening the 10th Annual General Meeting is annexed hereto.

The logo for Report Junction.com is centered on the page. It features the word "Report" in a grey sans-serif font, followed by a yellow diamond icon containing a black upward-pointing arrow, and then the word "junction.com" in a green sans-serif font. The entire logo is enclosed within a light green rounded rectangular border.

**SHRI SHAKTI LPG LTD****10th ANNUAL REPORT****Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956, in respect of Special Business set out in the Notice convening the 10th Annual General Meeting.****ITEM NO: 6**

Mr. B.K.Bakhshi whole time Director's office expired on completion of three years period on 27th September, 2002. He has been appointed as an Additional Director on the Board pursuant to Section 260 of the Companies Act, 1956. The company has received a notice from a member under section 257 of the Companies Act, 1956, proposing his candidature for the office of the Director liable to retire by rotation. Mr.Bakhshi is graduate in Chemical Engineering from Oklahoma State University U.S.A. and post graduate in Industrial Engineering and Management from U.S.A. He retired as Chairman of Indian Oil Corporation. He is amongst the most experienced Board level Executives in India having rich experience in Oil field. Keeping his rich experience in view, it is proposed to appoint him as Director liable to retire by rotation. Hence this resolution is proposed.

No Director is interested in this resolution except Mr.B.K.Bakhshi.

**ITEM No: 7**

The Company's shares are listed at Stock Exchanges at Hyderabad, Ahmedabad, Mumbai, Delhi, Bangalore and National Stock Exchange. As a cost cutting measure the company proposed to delist shares from Delhi, Ahmedabad and Bangalore Stock Exchange during the year 2000 as per Guide lines issued by SEBI at that time and accordingly members approval was sought in the 7th Annual General Meeting held on 28th September 2000. However, the Company could not complete the delisting process due to certain reasons. Recently SEBI has issued New Guide lines for delisting of shares 2003. The Company now proposes to delist shares from Hyderabad Stock Exchange, Mumbai Stock Exchange, Ahmedabad Stock Exchange, Bangalore Stock Exchange and Delhi Stock Exchange. As per the New Guidelines the Company need not give any exist offer if it continues to list its shares in a Stock Exchange, where online trading facility is available. Shareholders residing in those Stock Exchange areas will not be put loss since company continues to list its shares at National Stock Exchange, where online trading facility is available. Keeping the above in view it is proposed to delist the shares from Hyderabad Stock Exchange, Mumbai Stock Exchange, Ahmedabad Stock Exchange, Bangalore Stock Exchange and Delhi Stock Exchange. Hence this resolution is proposed.

No Director is interested in this resolution.

By Order of the Board.

Place : Hyderabad  
Date : 18.08.2003

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

**SHRI SHAKTI LPG LTD****10th ANNUAL REPORT****DIRECTORS' REPORT**

To

The Shareholders  
Shri Shakti LPG Ltd.

**1. INTRODUCTION**

Your Directors present herewith the TENTH Annual Report to you.

**2. FINANCIAL PERFORMANCE**

The Financial Performance of the Company for the year 2002-2003 is indicated below:

(Rs .000 Omitted.)

Particulars	2002-2003	2001-2002
Gross Income	90791	-79237
Less : Expenditure excluding Interest, Depreciation & Prior-period and Extraordinary items	94584	95917
Profit before Interest Depreciation & Prior-period and Extraordinary items	-3793	-16680
Interest	87766	91082
Profit/Loss(-) before Depreciation	-91559	-107762
Depreciation	-60852	81947
Loss before Prior-period and Extraordinary items	-152411	-189709
Prior Period and Extraordinary Items	404	171436
Net Loss	-152007	-361145

During the year, the company incurred a cash loss of Rs.91559 thousands, (previous year loss Rs.107762 thousands). After providing for depreciation amounting to Rs.60852 thousands, (previous year Rs.81947 thousands) and prior period/extraordinary items Rs.404 thousands (previous year Rs.171436 thousands), the total loss for the year stood at Rs.152007 thousands (previous year loss Rs.361145 thousands).

The Financial Year 2002-2003 has been yet another year of turbulence for the private sector LPG Industry. Your company has done slightly better than last year with marginal increase in sales volume both in terms of quantity as well as value. As against the quantity of 3346 MT sold in previous year, the quantity sold in 02-03 was 3647 MT.

As mentioned in the earlier Director's Report, the Government of India had made a number of promises to the Private Sector when they opened the LPG sector for the entry of the private sector participation, in the year 1993. None of the promises like removal of subsidy, making available the waitlist to the private sector and making available commercial and industrial markets to the private sector, have been implemented. As a result of this, all the private sector companies including your company have been unable to run the LPG business on a profitable basis due to the total absence of a level play field.

**SHRI SHAKTI LPG LTD****10th ANNUAL REPORT**

As mentioned in the earlier report, your company has made a reference to the Board for Industrial and Financial Reconstruction (BIFR) vide reference no. F.3(S-31)-BC/2002, dt. 27.06.2002 who intimated that the reference application of the company has been registered as case no. 248/2002.

The cumulative loss of the company as on date is Rs. 73 crores. Out of the accumulated losses of Rs. 73 crores, interest amounts to Rs. 44.29 crores and depreciation Rs. 52.66 crores. Thus, despite making a cumulative profit of Rs.23.95 crores on operations in the earlier years, the company due to above absence of level play field, high cost of debt which resulted in total interest accruals of Rs. 44.29 crores and total depreciation of Rs. 52.66 crores is now saddled with accumulated losses of Rs. 73 crores. The Company is in a dialogue with the Banks and Financial Institutions for one time settlement of the dues and it is expected that the interest charges may be waived during the one time settlement. Once this is done, the entire financial picture will change dramatically, paving the way for a quicker financial turn around.

**3. DEPLOYMENT OF FUNDS**

('Rs .000 Omitted.)

Source of Funds	31.03.2003	31.03.2002
Share Capital and Reserves	517462	517462
Secured Loans	889223	763084
Unsecured Loans and Trade Deposits	140194	137758
<b>TOTAL</b>	<b>1546879</b>	<b>1418304</b>
<b>Application of Funds</b>		
Net Fixed Assets, Capital Work-in-Progress, Expenditure during construction pending Capitalisation	616797	677724
Investments	20950	20950
Net Current Assets	146421	107725
Misc.Expenditure to the extent not written off	32700	33900
Profit and Loss A/c.	730011	578005
<b>TOTAL</b>	<b>1546879</b>	<b>1418304</b>

**4. MARKETING AND FUTURE OUTLOOK**

While your Directors are still hopeful that the Government will create a level playing field for the private sector which will help in making LPG operations profitable, in the meantime the Directors, have been vigorously working on various other options for improving the competitiveness and profitability of your company. The Directors have drawn up a business plan looking forward and identified 3 business avenues for turn around of the company. These are:

**1) Enhancing retail LPG business amongst domestic/commercial customers :**

- \* Increasing demand for retail LPG provides a distinct opportunity for SSLPG to leverage on its existing dealer and customer base to increase volumes.
- \* Continuity in retail business is essential to take advantage of established brand name in exploiting new opportunities.
- \* Highly competitive sourcing through strategic tie up with infrastructure providers such as Kakinada Sea Ports/ Associates & GAIL would ensure competitive edge.



## 2) Production and marketing of Auto Conversion Kits

- \* The company plans to aggressively market Auto Conversion Kits for 3 and 2 wheelers.
- \* Reasonable margins with pioneering advantage will help improve company financials.

## 3) Offering the Company's under-utilised infrastructure to meet the requirements of organisations such as Kakinada Sea Ports/ Associates to ensure steady flow of revenues.

In the LPG retail market, your company already has some advantage due to the following:

- \* Strong brand identity in South India
- \* Existing base of customers and dealers
- \* A large number of towns already covered by existing dealers
- \* Adequate infrastructure facilities in place
- \* Low cost of operations and facility maintenance
- \* High level of customer satisfaction already established.

Further through strategic tie up with infrastructure providers, it is found possible to improve the competitiveness and profitability of the LPG operations. One such tie up is with Kakinada Sea Ports/ Associates wherein, the liquid cargo jetty would be connected to our Storage Terminal through a pipe line. Thereafter, our storage terminal would be connected to the GAIL pipeline from Vizag to Hyderabad. Thus the new competitive advantage of the company would arise from:

- \* Kakinada Sea Ports/ Associates project to :

Connect their liquid cargo jetty to SSLPG storage terminal.

Augment storage capacity.

- \* New LPG Pipeline by GAIL from Vizag to Hyderabad with connectivity to Kakinada Storage Terminal.

Substantial reduction in LPG sourcing cost due to above new additional infrastructure.

The above can be leveraged to achieve greater market penetration and larger volumes.

With the above, your company is expected to reduce its operating cost considerably and gain a crucial competitive edge through a lower sourcing cost. This combined with gradual reduction in subsidy by the Government of India will help in increasing its LPG sales volume to higher levels.

The company is also discussing with prospective collaborators/investors to take advantage of the expected competitive advantage that your company will have as a consequence of new developments as above.

**Auto Fuel:**

Your Company's foresight in entering the auto fuel sector is expected to bear fruit soon. After a long delay in developing the standards and specifications, permitting the legal use of LPG as auto fuel is now taking place with all legislations in place for the same. Also the Government of India has started setting up LPG dispensing stations in some of our large cities like Mumbai, Pune, Hyderabad, Delhi, Jaipur, Bangalore, Chennai, Ahmedabad, Chandigarh, etc. All these cities have a large autorickshaw population and represent a high potential market for our Shakti Gas Auto Kit.

The Shakti Gas Auto Kit has received Type Approval Certificates from the Statutory Testing Agency and it can be fitted on all autorickshaws both rear engine and front engine of vintages 1991 to 2000. This represents a large potential market particularly since the Government of India under pressure from the Judiciary, is considering banning older vehicles if they do not convert to gaseous fuels like LPG/CNG. The Type Approvals received for the Shakti Gas Auto Kit are as follows:

Type Approval Certificate No.	Range of Vehicles
ARAI/CMVR-LPG(In-Use)/230B/2002-292 dt. 5th August, 2002	Bajaj RE 3-wheeler A/R 1996 to 1998 model
ARAI/CMVR-LPG(In-Use)/535B/2002-480 dt. 11th December, 2002	Bajaj RE 3-wheeler A/R 1991 to 1996 model
ARAI/CMVR-LPG(In-Use)/368B/2002-482 dt. 12th December, 2002	Bajaj FE 3-wheeler A/R 1998 to 2000 model
ARAI/CMVR-LPG(LAYOUT)/369B/2002-490 dt. 23rd December, 2002	Bajaj FE 3-wheeler A/R 1996 to 1998 model
ARAI/CMVR-LPG(LAYOUT)/700B/2003-037 dt. 18th February, 2003	Bajaj RE 3-wheeler A/R 1998 to 2000 model
ARAI/CMVR-LPG(LAYOUT)/868B/2003-107 dt. 24th March, 2003	Bajaj FE 3-wheeler A/R 1991 to 1996 model

Your company has already launched the Shakti Gas Auto Kit in various cities. The first launch was at Hyderabad on 16th November, 2002 through the hands of the Hon'ble Chief Minister of Andhra Pradesh Shri. N. Chandra Babu Naidu who promised all support to convert vehicles to gaseous fuels to reduce vehicular pollution. Simultaneously, through video conferencing, the Shakti Gas Auto Kit was launched on the same day at Pune at the campus of the highly respected Automotive Research Association of India (ARAI) where Mr. Bhanot, Director of ARAI was the Chief Guest. The launch evoked a lot of interest and the company appointed a number of distributors and fitment centres at both these locations to market the Shakti Gas Auto Kit.

Subsequently, your company launched the auto kit at Bangalore through the hands of Mr. Ramanadh Rai, Hon'ble Minister for Transport, Karnataka on 13th December, 2002 followed by Mumbai on 14th December, 2002. The launch functions were widely covered by all the leading newspapers and TV Channels. Concerned by alarming pollution levels at various metro cities, a number of State Governments are proposing to make it mandatory to convert commercial vehicles to CNG/LPG once sufficient LPG dispensing stations are set up at these cities. The State Governments are putting pressure on the Government Oil Companies to set up more dispensing stations in their respective States. Once it happens, the demand for conversion kits would be substantial.

Your company is positioned to take advantage of this potential by having an approved kit covering a large number of vehicles, the only kit which has undergone detailed road testing through an approved Pilot Project and whose performance is acknowledged as the best in the market.

Your company is also developing a 2-wheeler kit and the same is under testing at ARAI. The potential for this kit is even higher than the auto rickshaw kit as the number of 2-wheelers is about 15 times higher than the auto rickshaws. SSLPG has also tied up with a reputed car kit manufacturer for marketing of their approved car kit through the Company's dealer network. This will enhance the business potential for our company.