

SHRI SHAKTI LPG LIMITED



**16TH ANNUAL REPORT
2008-2009**

BOARD OF DIRECTORS

Mr. D.V. Manohar

**Chairman &
Managing Director**

Mr.B.K.Bakhshi

Director

Mr.D.V.Satya Kumar

Director

Mr.D.V.Raja Sekhar

Director

Mr.B.K.Sinha

Director

Mr.R.Prabhakar Rao

Director

Dr.A.Balasetti

Director

Dr.Bharat H. Barai

Director

Dr.Gorantla Govindaiah

Director

Mr.V.Subrahmanyam

Director

AUDITORS

M/s. Venugopal & Chenoy
Chartered Accountants
Hyderabad.

COMPANY SECRETARY &

VICE- PRESIDENT (FINANCE)

Mr. T. Anil Kumar

BANKERS

ICICI Bank, HDFC Bank

REGISTRARS &

SHARE TRANSFER AGENTS

M/s. XL Softech Systems Ltd
3, Sagar Society
Road No.2, Banjara Hills,
Hyderabad - 500034
Tel : 91-040-23545913/14/15
Fax : 91-040-23553214

REGISTERED OFFICE

Venus Plaza
Adjacent to Old Airport,
Begumpet,
Hyderabad - 500016.
Tel : 91-040-27902929
Fax: 91-040-27908989

PLANTS

- (1) Nemam Village
Beach Road,
Kakinada - 533005 (A.P)
- (2) Bibinagar
Near Railway Station
Nalgonda District (A.P)

NOTICE

NOTICE IS HEREBY GIVEN THAT THE SIXTEENTH ANNUAL GENERAL MEETING OF THE MEMBERS OF THE COMPANY WILL BE HELD ON MONDAY, THE 31ST AUGUST, 2009 AT 10:30 A.M. AT HARI HARA KALA BHAVAN, S.P. ROAD, 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, 2009.
2. To appoint a Director in place of Mr. B.K. Sinha, who is retiring at this Annual General Meeting and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. R.Prabhakar Rao, who is retiring at this Annual General Meeting and being eligible, offers himself for re-appointment.
4. To resolve not to fill the vacancy being caused by the retirement of Mr.D.V.L.N.Murthy who is retiring at this Annual General Meeting and does not seek re-appointment.
5. To resolve not to fill the vacancy being caused by the retirement of Mr.S.Gopala Krishnan who is retiring at this Annual General Meeting and does not seek re-appointment.
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 with or without any modification as an Ordinary Resolution :

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 310 & 311 read with Schedule XIII and other applicable provisions of the Companies Act, 1956, approval of the members be and is hereby accorded for the reappointment of Mr. D.V. Manohar as Chairman and Managing Director for a further period of FIVE years from 25th July, 2009 to 24th July, 2014 on the existing terms and conditions of his earlier appointment."

8. To Consider and if thought fit to pass with or without any modification the following Resolution as an Ordinary Resolution:

“RESOLVED THAT Mr. V.Subrahmanyam, who was appointed as an Additional Director of the Company and who holds office until the date of the Annual General Meeting pursuant to Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice from a member under Section 257 of the Companies Act, 1956, proposing his candidature, be and is hereby appointed as a Director of the Company, liable to retire by rotation”.

By Order of the Board

PLACE : HYDERABAD

DATE : 23-07-2009

D. V. MANOHAR

Chairman & Managing Director

NOTE :

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 from 30-08-2009 to 31-08-2009 (both days inclusive).

Explanatory Statement pursuant to Sec. 173(2) of the Companies Act, 1956 in respect of Special Business set out in the Notice convening the 16th Annual General Meeting

Item No.7 :

Mr. D. V. Manohar has been re-appointed as Managing Director of the Company from 25th July, 2004 for a period of 5 years in the scale of Rs.30,000 - 5,000 - 60,000, with other benefits as was given to him in his earlier appointment and approved by the Shareholders in the sixth and eleventh Annual General Meetings held on 28th September, 1999 and 30th September, 2004.

Mr. D. V. Manohar is the Founder Promoter Director of the Company and has contributed to the growth and development of the Company. In view of his dedicated services and in the interest of the Company, it is proposed to re-appoint Mr. D. V. Manohar as Managing Director of the Company for a further period of 5 years w.e.f. 25th July, 2009 on the existing terms & conditions of his earlier appointment.

Your Directors recommend the resolution for your approval.

None of the Directors is interested in the above resolution except Mr. D. V. Manohar, Mr. D. V. Satya Kumar and Mr. D. V. Rajasekhar.

Item No.8 :

Mr.V.Subrahmanyam was appointed as an Additional Director by the Board in its meeting held on 23rd July, 2009.

Mr.V.Subrahmanyam has worked as Deputy Director General at Ordinance Factory Board, Kolkatta. He is a postgraduate in Mechanical Engineering from IIT, Kanpur and also a Cost Accountant. He is Fellow member of three professional organisations viz. Institute of Engineers, Indian Institute of Industrial Engineering and Institute of Cost and Works Accountants of India. He has rich experience in Manufacturing Activities, Finance and Accounts and Management Accountancy.

The Board is of the opinion that his experience would be beneficial to the Company and recommends the resolution to the members for their approval. A notice under Section 257 of the Companies Act, 1956 has been received from a member proposing his candidature for office of Director.

None of the Directors other than Mr.V.Subrahmanyam is concerned or interested in the said resolution.

DIRECTORS' REPORT

To
The Shareholders,
Shri Shakti LPG Limited.

1. INTRODUCTION

Your Directors have pleasure in presenting their report together with audited accounts for the financial year ended 31st March, 2009.

2. FINANCIAL PERFORMANCE

The Financial performance of the Company for the year 2008-09 is indicated below :

Particulars	(Rs.000 Omitted)	
	2008-09	2007-08
Gross Income	19041	35551
Less : Expenditure excluding Interest, Depreciation & prior period and Extraordinary items	20547	37552
Profit / (Loss) before Interest, Depreciation & prior period and Extraordinary items	(1506)	(2001)
Interest	7500	9707
Profit / (Loss) before Depreciation	(9006)	(11708)
Depreciation	30283	31182
Profit / (Loss) before prior period and Extraordinary items	(39289)	(42890)
Prior period and Extraordinary items	0	0
Net Profit / (Loss) before provision for Taxation	(39289)	(42890)
Provision for Taxation	0	0
Net Profit / (Loss)	(39289)	(42890)

During the year, the company incurred cash loss of Rs.9,006 thousands. (previous year Loss of Rs.11,708 thousands). After providing for depreciation amounting to Rs.30,283 thousands (previous year Rs.31,182 thousands), the total loss for the year stood at Rs.39,289 thousands (previous year Rs.42,890 thousands).

The Company had become virtually a debt free Company during the year 2007, after all term loan and working capital liabilities of your Company were fully paid off under the One Time Settlement (OTS) deal. In April, 2009, your Company cleared off the Unsecured Loan to the extent of Rs.8.30 crores by transferring some unutilised land at Kakinada. With this, your company is now truly a debt free company.

Your Company had earlier been denied the Sales Tax Incentives though the same were rightfully due to the Company. Your Company had preferred an appeal before the Sales Tax Appellate Tribunal, A.P. (STAT) and the matter was disposed off in our favour in June, 2009 with a direction from the STAT that the incentives are due to the Company and the Commercial Tax Officer should revise the assessments from 1998 - 1999 onwards taking into account the incentives. This would be a great relief to the Company as it would be able to write off substantial Sales Tax liability which appears in the Books of Accounts.

With the above, the Company would have no Secured or Unsecured Loans except to the extent of Security deposit from the dealers.

Future Outlook :

As you are aware, the Company had been badly let down by the Government of India who did not honour its commitments given to the private sector LPG Industry.

As was informed earlier, your company had tied-up / further tying up arrangements with both Multi National (MNC) LPG Companies as well as Public Sector Oil Companies for sharing its infrastructure with them which had generated revenues to your company, but when their infrastructure facilities were completed they pulled out. All out efforts are being made to get in Companies which would like to avail our infrastructure facilities.

Your company is exploring all avenues to enhance its revenues through optimum utilization of its infrastructure, disposing off idle assets where not required.

3. Deployment of Funds :

(Rs.000 Omitted)

Source of Funds	31.03.2009	31.03.2008
Share Capital and Reserves	773986	773986
Un-secured Loans and Trade Deposits	215125	209170
Total	989111	983156

Application of Funds		
Net Fixed Assets, Capital Work-in-progress	404512	443403
Investments	10250	10250
Net Current Assets	115601	108844
Miscellaneous Expenditure to the extent not written off	25499	26699
Profit and Loss A/c.	433249	393960
Total	989111	983156

4. SUBSIDIARY COMPANY

Financial Results of your fully owned subsidiary Company viz. Asia LPG Pvt. Ltd. (ALPL) have been appended herewith.

5. DIVIDEND

As your Company still has accumulated losses, the Directors regret to inform you that they are not in a position to recommend any Dividend for the year ended 31.03.2009.

6. DEPOSITS

Your Company has not accepted any Deposits during the year.

7. DIRECTORS

In terms of Articles of Association of the Company, Mr. B.K. Sinha, Mr. R. Prabhakar Rao, Mr. D.V.L.N. Murthy and Mr. S. Gopala Krishnan retire as Directors at this Annual General Meeting. Mr. B. K. Sinha and Mr. R. Prabhakar Rao being eligible have offered themselves for re-appointment, while Mr.D.V.L.N.Murthy and Mr. S. Gopala Krishnan have not offered themselves for re-appointment and the Company proposes not to fill the vacancies so created.

During the year Mr.V.Subrahmanyam was appointed as an Additional Director of the Company. Your Directors recommended his appointment as Director liable to retire by rotation.

The term of appointment of Mr. D V Manohar, as Managing Director expires on 24th July, 2009. Your Directors recommend his re-appointment for a further period of FIVE years from 25th July, 2009 on the existing terms and conditions of his earlier appointment

8. AUDITORS

The Statutory Auditors M/s. Venugopal & Chenoy, Chartered Accountants, appointed by the Members at their 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.

9. PERSONNEL

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

10. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A "Management Discussion and Analysis Report" has been furnished separately and the same forms part of this report.

11. CORPORATE GOVERNANCE

A brief report on Corporate Governance in compliance with clause 49 of the Listing Agreement is annexed.

12. 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 Directors responsibility Statement, it is hereby confirmed,

- (i) that in the preparation of the accounts for the financial year ended 31st March, 2009, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of your Company at the end of the financial year and of the profit or loss of your 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 your 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, 2009 on a 'going concern' basis.

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 support to your Company. The Board also wishes to acknowledge the help and assistance rendered by the Banks, 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 your Company. The Board records its appreciation for the contribution of all the team members of your Company.

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 annexed.

For and on behalf of the Board of Directors

D. V. MANOHAR
Chairman & Managing Director

Place : Hyderabad
Date : 23-07-2009

MANAGEMENT DISCUSSION AND ANALYSIS

SHRI SHAKTI LPG LIMITED (SSLPG) is engaged in the business of LPG marketing. The management discussion and analysis given below discusses the key issues concerning the LPG industry in general and SSLPG in particular.

Industry Structure and Developments :

LPG marketing was the monopoly of the Government Oil Companies who had piled up a huge waitlist. The Government of India in 1993 permitted the private sector participation with a commitment that the subsidy enjoyed by the Government Oil Companies would be removed in a phased manner in the next few years. It had also committed that the commercial and industrial LPG markets in India would be reserved exclusively for the private sector, till the subsidy withdrawal in the domestic sector is completed. None of the promises were implemented as a result of which all the private sector companies were unable to run the LPG business on a profitable basis due to the total absence of the level playing field.

The Government of India even failed to implement its G.O. Ms. No.224 dated 27th November, 1997 wherein the Government committed phased withdrawal of subsidy on LPG over a period of 3 years ending with March, 2001. This was subsequently shifted to end of March, 2002. Because of Government's failure to honour its commitments as above and the consequent absence of level playing field, the entire private sector industry was badly affected and became loss making. Later, the Ministry of Petroleum issued a notification stating that the subsidies on LPG and Kerosene will be removed in a phased manner by the year 2007 only. However, the same is yet to be implemented.

SSLPG were the pioneers in the field of LPG marketing and established large integrated infrastructure to carry LPG from dock (Port) to the door of customers, which consisted of dedicated port facilities, large storage terminals, network of bottling plants and distribution and marketing networks. Your company was able to do well from the commencement of commercial operations in 1995 till 1999 and became profitable. Infact your company emerged as the country's largest private sector LPG Company. However, due to abnormal rise in crude oil prices during 1999 to 2000, the international LPG prices also shot up. Despite the big spurt in sourcing costs, it was not possible to proportionately increase the prices due to competition with the Government subsidized gas by virtue of which the company incurred losses. This was further aggravated in the subsequent years due to the growing disparity in the prices between the private LPG operators and the PSU Oil Undertakings, on account of non-removal of subsidy as mentioned earlier. Because your company's dedicated customer base was much larger, it had to suffer greater losses as more sales meant more losses. In spite of the difficult times, the company built a strong brand image viz., SHAKTI GAS which is still quite popular.

SSLPG entered into LPG Auto Field market and developed for the first time patented technology for converting the 2 stroke engines of both 3wheelers and 2 wheelers to run on LPG in collaboration with Automotive Research Association of India (ARAI). In June - 2007, SSLPG received two patents jointly with ARAI for the above. The Government of India which agreed in principle to permit LPG as auto fuel, took a very long time to enact the legislative amendment. The highly potential auto fuel market which was to open by 1998, was not available till recently due to delay in finalization of norms by the Government and setting up of adequate number of LPG dispensing stations.