

**17th
Annual Report
2011-2012**



EASTERN GASES LIMITED

BOARD OF DIRECTORS

Mr. Sushil Kr. Bhansali – Chairman cum Managing Director
Mr. Suresh Baid
Mr. Pawan Kr. Bhansali
Mr. B.S.Baid

AUDITOR

M/S Sarkar Gurumurthy & Associates,
Chartered Accountants,

BANKER

IDBI Bank Limited

REGISTERED OFFICE

43 Palace Court, 1 kyd Street
Kolkata
Ph: 033-22299897 / 8606
Fax: 033-22496826
Email: info@eastgas.co.in

BOTTLING PLANT

Address : De-Gaul Avenue,
Vill. : Khairasole, Durgapur,
Dist. : Burdwan (W.B.)

RETAIL OUTLET

Location: Paschim Medinipur

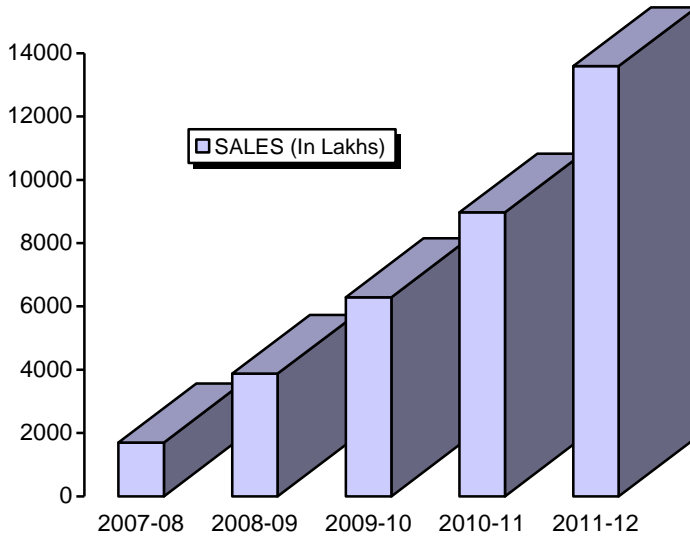
REGISTRAR & SHARE TRANSFER AGENT

Name of Registrar: S.K.Infosolutions Pvt. Ltd.,
Address: 34/1A, Sudhir Chatterjee Street,
Kolkata 700006
Phone: +91-33-22196797 / 4819
Fax: +91-33-22194815
Email: agarwalaskc@rediffmail.com

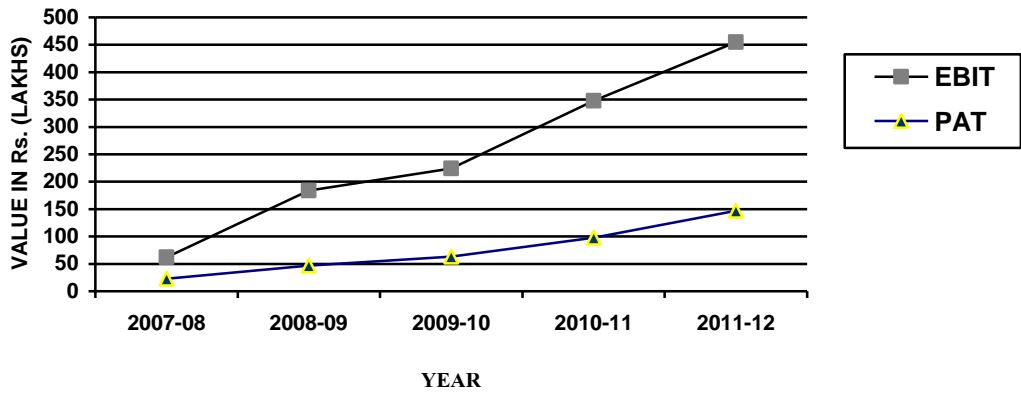
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PERFORMANCE AT A GLANCE



PAT & EBIT COMPARISON



**DIRECTORS' REPORT TO THE MEMBERS**

Dear Members,

The Directors are pleased to present their Seventeenth Annual Report on the business and operations of your Company and the Audited Statement of Accounts for the year ended 31st March, 2012.

| | (Rs. in Lacs) | |
|---|-----------------|----------------|
| | <u>2011-12</u> | <u>2010-11</u> |
| Net Sales | 13593.26 | 8972.53 |
| Profit before Interest, depreciation and taxation | 454.84 | 353.77 |
| Financial Cost | 208.03 | 173.80 |
| Depreciation | 58.95 | 47.40 |
| Profit Before Tax | 187.86 | 132.57 |
| Less: Provision for Taxation including FBT | 40.43 | 34.07 |
| Net Profit | 147.43 | 98.50 |
| Add: Balance Brought Forward | 232.42 | 133.92 |
| Surplus carried to Balance Sheet | 379.85 | 232.42 |
| Net Worth | 1236.83 | 1030.19 |

1. REVIEW OF OPERATION

The Company has been gradually gearing up its performance level to consolidate its position in the face of stiff competition in the market with firm commitment & sustained efforts. The company expects to maintain persistent growth in the years to come. You shall be happy to note that during the period 2011-12, your Company has clocked a substantial growth, both in turnover and profits

| | |
|--------------------------------|--------------------------|
| Net Sales increased by | -51% to Rs. 13,593 lakhs |
| PBDIT increased by | -31% to Rs. 454 lakhs |
| Profit before tax increased by | -42% to Rs. 187 lakhs |
| Net Profit increased by | -50% to Rs. 147 lakhs |

2. FUTURE OUTLOOK

During the course of current financial year, the Board has witnessed an impressive rise in demand mainly due to public awareness for usage of commercial cylinders in commercial applications in the place of domestic cylinders and accordingly the Company expects to perform better. The Management has taken adequate steps to cater the future demand for consolidating its position in the market. LPG being more economical in comparison with others fuels and the industry will gain significance not only in the Eastern Region, but also throughout India. The company has also decided for setting up more Bottling plant/Auto LPG Retail Outlets (Dispensing stations) which will require substantial investment in future. The company is evaluating all the options to propel its expansion plans.

A. BOTTLING SEGMENT

The company caters the commercial cylinder market of West Bengal, Bihar and Orrisa from its own bottling plant situated at Durgapur. Now the company is planning to set up few new LPG bottling plant at strategically potential locations to cover Central and Southern India as well for marketing its "EAST GAS" brand commercial LPG cylinders. This will add to company's presence in Commercial and Industrial segment.

B. BULK LPG

The Company expects good growth in this segment due to the conversion of major industries from Coal/ other alternate fuels to LPG/Propane due to Environment concerns. LPG being a cleaner and cheaper fuel is preferred choice of the Industrial customers. The company is also exploring opportunities throughout India as usage of LPG in Industrial heating processes is growing.

C. AUTO LPG

The company has already commissioned its 1st ALRO in West Bengal The company has ambitious plans to make the chain of 100 Auto LPG filling stations throughout India in coming years.

**3. DIVIDEND**

The Board believes that it will be prudent for the company to conserve resources in view of future expansion programs in line for the coming year, which will enhance the profitability to a great extent. Hence, your directors are not recommending any dividend for the Financial Year 2011-12.

4. ISSUE OF SHARE CAPITAL

There was no further issue of share capital during the year.

5. MANAGEMENT DISCUSSION AND ANALYSIS

Pursuant to clause 49 of the Listing agreement a separate report on Management Discussion and Analysis, forming part of this Annual Report, is annexed.

6. CORPORATE GOVERNANCE

A report on Corporate Governance is annexed as part of Annual Report along with the Auditors' Certificate on its compliance.

7. VOLUNTARY DELISTING OF EQUITY SHARES

Consequent upon the approval of members at the Sixth Annual General Meeting of the Company held on 27th September, 2001 and in pursuance of the delisting guidelines issued by SEBI, the Company has applied for delisting of shares from Ahmedabad Stock Exchange Ltd. (ASE) and Jaipur Stock Exchange Ltd. (JSE), there is almost no trading of company's share on the ASE and JSE. The delisting will not adversely affect the members of the Company as the equity shares continue to be listed on Calcutta Stock Exchange Ltd. The Company hereby unconditionally and irrevocably undertakes to keep indemnified and harmless ASE and The JSE, its officials against any action, claim, causes, proceedings, demands, whatsoever which may arise on account of voluntary delisting.

8. PUBLIC DEPOSITS

The Company has not accepted any deposits from the public within the meaning of section 58A of the Companies Act, 1956 and the rules made thereof.

9. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:**A. CONSERVATION OF ENERGY**

Information required to be provided under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 in relation to the Conservation of Energy and Technological Absorption are currently not applicable to the Company.

B. TECHNOLOGY ABSORPTION

The Company always keeps a check on global innovation and techniques to avail the latest technology trends and practices. The Company has not imported any technology or process in the financial year.

C. FOREIGN EXCHANGE EARNINGS & OUTGO

The Company neither had any Foreign Exchange earnings nor any Outgo during the year under review.

10. SUBSIDIARY

It is reported that the Company has no Subsidiary within the meaning of Section 4 of the Companies Act, 1956.

11. INFORMATION TECHNOLOGY

The Company believes that Information Technology is a source of competitive advantage and has therefore continued to invest in the same. The company has successfully implemented the ERP system and is planning to install SAP system in the coming year for better control and management.

12. SOCIAL COMMITMENT

The Company is fully aware of responsibilities towards its own employees, their dependent and local community within which the works are situated and to the people of Durgapur and West Bengal in general. Our driving objective has been to improve living, safety and working condition of our workforce and their dependents and society as well.



13. ENVIRONMENTAL EFFORTS

The Company is quite alert in providing clean environment on a continuous basis.

14. SAFETY

The Company has adequate system for Industrial safety. The year under review continued to be NIL accident year.

15. DIRECTORS

Shri Bijay Singh Baid, Director of the company retires by rotation at the forthcoming Annual General Meeting and being eligible, offer himself for re-appointment.

16. STATUTORY AUDITORS & AUDITORS REPORT

M/s. Sarkar Gurumurthy & Associates, the auditor of the Company will retire at the conclusion of this Annual General Meeting and being eligible as per Section 224 (1B) of the Companies Act, 1956, they have expressed their willingness for re-appointment. It is proposed to re-appoint them as auditors for the financial year 2012-2013 and fix their remuneration.

Your Directors have no comments on the Auditor's Report since the Report itself is self-explanatory.

17. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm that:

- A. in the preparation of the annual accounts all applicable accounting standards had been followed along with proper explanation relating to material departures, if any;
- B. the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are 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 of the Company for that period;
- C. the Directors had 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;
- D. the Directors have prepared the annual accounts on a 'going concern' basis.

18. ACKNOWLEDGEMENTS

The Board records its sincere appreciation for the valuable support extended by the Company's Bankers, Financial Institutions and the Government Agencies. The Board also wishes to thank all its suppliers / customers / dealers / sub-dealers and all those associated with the Company. The Board further conveys cordial thanks to all the employees for their sincere works and takes this opportunity to thank Shareholders for their continued confidence reposed in the Management of the Company.

Place: Kolkata
Dated: 31st May, 2012

For and on behalf of the Board
S.K. Bhansali
Chairman



MANAGEMENT DISCUSSION AND ANALYSIS INDUSTRY STRUCTURE AND DEVELOPMENTS

“Nobody can do without energy. The relationship between economic growth and the demand of energy is crucial, and the availability of energy sources to economies is crucial.”

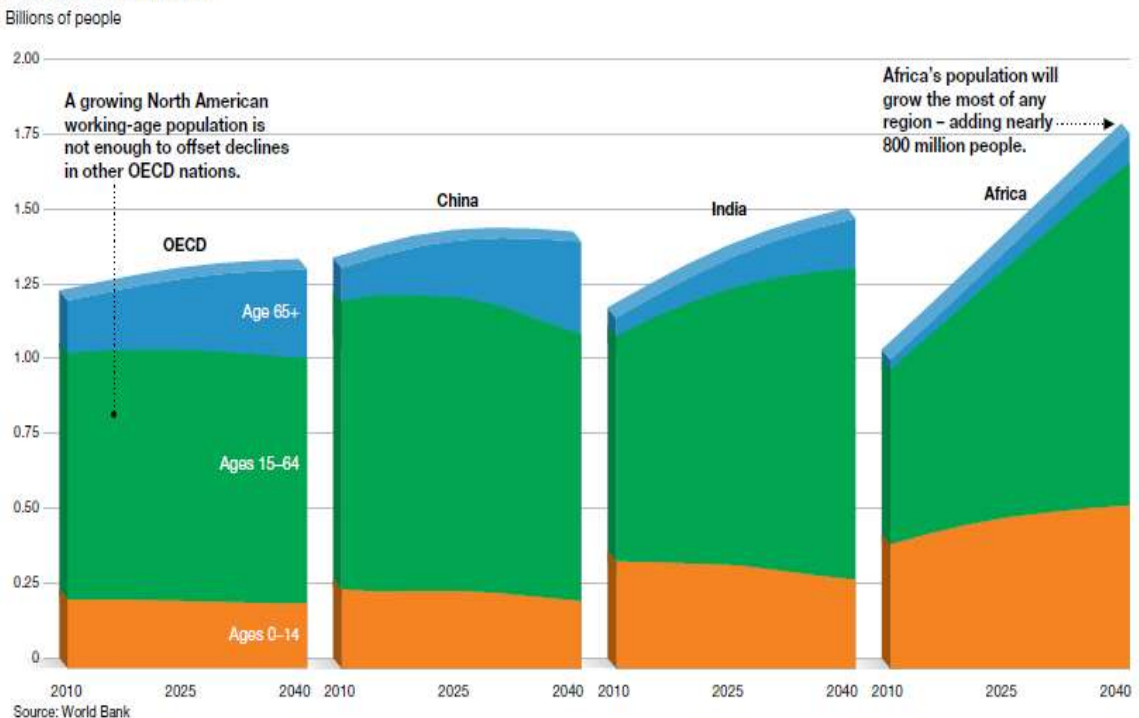
Global energy demand will be about 30 percent higher in 2040 compared to 2010, as economic output more than doubles and prosperity expands across a world whose population will grow to nearly 9 billion people. Energy demand growth will slow as economies mature, efficiency gains accelerate and population growth moderates.

Oil, gas and coal continue to be the most widely used fuels, and have the scale needed to meet global demand, making up about 80 percent of total energy consumption in 2040. Natural gas will grow fast enough to overtake coal for the number-two position behind oil. Demand for natural gas will rise by more than 60 percent through 2040. For both oil and natural gas, an increasing share of global supply will come from unconventional sources such as those produced from shale formations. Gains in efficiency through energy-saving practices and technologies – such as hybrid vehicles and new, high efficiency natural gas power plants – will temper demand growth and curb emissions.

Non OECD (Organization for Economic Cooperation and Development) will see a steep rise in population, but demographics also shape energy demand. Population growth is one reason why we see global energy demand rising by about 30 percent from 2010 to 2040. By 2040, there will be nearly 9 billion people on the planet, up from about 7 billion today.

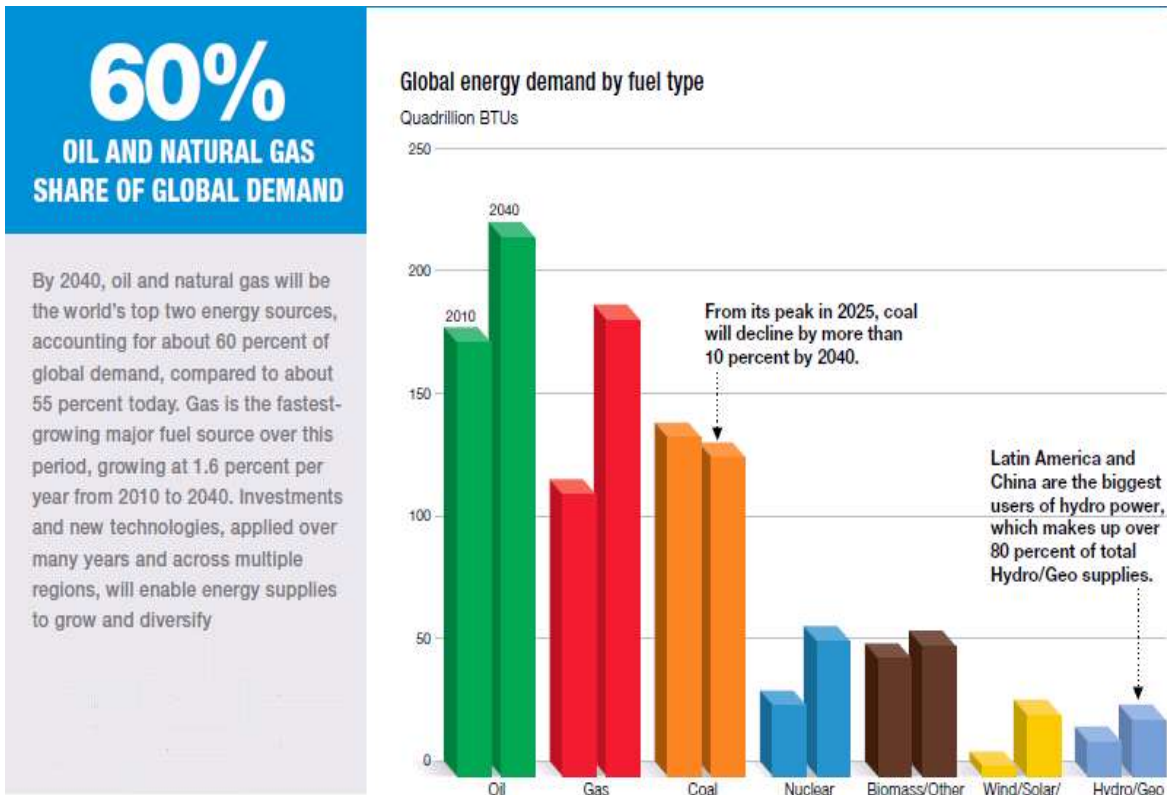
While population is a key to projecting energy demand, demographics matter, too. Of particular importance is a country’s working-age population – people 15 to 64 years old – because that group is the engine for economic growth or gross domestic product (GDP) growth – and its energy demand. India, will see steep growth in its population and its working-age group. These demographic trends will help India to become one among the, strongest areas of GDP growth through 2040.

Demographics by region





Natural gas will become the world’s number-two fuel as demand shifts to lower-carbon sources. Even with advances in efficiency, rising populations and expanding economies will produce a net increase in global energy demand. Demand for all forms of energy is projected to rise at an average annual rate of 0.9 percent a year from 2010 to 2040. Oil will remain the world’s top energy source, led by 70-percent growth in liquid petroleum demand. The fastest-growing major energy source will be natural gas, with global demand rising by about 60 percent from 2010 to 2040. By 2025, natural gas will have risen to become the second most widely used source of energy worldwide. Demand for coal, on the other hand, will peak around 2025 and then decline, as improved efficiency couples with a shift to less carbon-intensive energies, particularly in the electricity generation sector.



Source: The Outlook for Energy, ExxonMobil’s

Thus the market of LPG is wide and growing. The LPG caters to large section of Industry for their fuel requirement, Automobile sector as substitute to costly Petrol/Diesel, Household sector as efficient fuel, and then there is growing rural sector which is gradually shifting from traditional fuel (Wood, Coal etc.) to LPG. Industrial and Commercial LPG segment is level playing field for all the players whereas Domestic Gas segment are principally dependent on Government’s subsidies allowed to PSU’s. With the development of Modern Technology coupled with Industrial Growth, the requirement of LPG / Butane /Propane etc. has been multiplied and become indispensable.

India’s crude oil import bill in terms of value has increased from Rs 409,077 crore in 2009-10 to Rs 726,386 crore in 2011-12. This increase in the import bill has been was due to the rise in global crude oil and petroleum product prices, rupee depreciation as well as a rise in domestic consumption. However, the increase in refining output has reduced import dependency on petroleum products and the country has exported petroleum products worth Rs 2,84,643 crore during 2011-12.



The use of LPG as an automotive fuel has become legal in India with effect from April 24, 2000. AutoLPG is a clean, high octane and eco-friendly fuel. The higher energy content in this fuel results in a 10% reduction of CO2 emission as compared to MS. AutoLPG impacts greenhouse emissions less than any other fossil fuel. The saving on account of conversion to AutoLPG in comparison to petrol is about 35-40%. Low filling times and the 35-40% saving is a reason enough for a consumer to convert his vehicle to AutoLPG. Seeing the potential the company is steadily making efforts to grow its business in this line and has few undergoing projects also.

LPG is a blend of Butane and Propane readily liquefied under moderate pressure. India is the fourth largest LPG consumer in the world after the US, China, and Japan. The country is also recognized as an emerging player in the CNG industry with plans to link 200 cities to natural gas within the next 5 years. Although the domestic LPG consumption in India is growing annually, it is auto LPG, which is zooming off with better growth figures. The presence of LPG for cooking purposes is currently limited to Tier-1, Tier-2, and Tier-3 cities, thus leaving a vast untapped market in the form of small towns and villages.

A report by RNCOS entitled "Indian Natural Gas Sector Analysis", further reveals that propelled by fast urbanization and rising income levels; the LPG demand in the country is all set to grow at a CAGR of around 6.5% CAGR during 2012-2014. It is expected that the rising awareness about fuel qualities and gas companies, expansion strategies along with the supportive government initiatives will further boost the growth of LPG consumers in the country, especially in the rural areas. Rapid surge in LPG demand and continuously increasing number of LPG running vehicles have encouraged the government to import LPG from international markets, particularly from the Middle-Eastern countries.

Highlights of LPG Marketing in India (As on 31st March, 2012):

- a) As per data provided by OMCs, domestic LPG customer base has reached 140 million (approx.)
- b) Non-Domestic LPG customer base has also shown significant increase reaching 1.71 million mark.
- c) An interesting and welcome development in LPG marketing is that in the last seven years since 1.4.2007 while domestic LPG customer base has grown by 48.7% that of non-domestic customer base has grown by huge 163.1% in the same period.
- d) The changing face of LPG marketing in India is adequately reflected in the fact that while number of LPG Distributors in urban areas has increased by meager 0.4% over the last seven years since 1.4.207 that of rural LPG Distributors has increased by whopping 148.5% including Distributorships under RGGLV.
- e) The number of LPG markets in the country has grown to 5006.
- f) Country has now bottling capacity of 12108 '000 MTPA.
- g) During 11-12 Domestic LPG production was 15367 vs Production of 9554 ('000 MT's)

BUSINESS OVERVIEW

LPG DEMAND OUTLOOK IN INDIA

| | 2012-13 | 2013-14 | 2014-15 |
|------------------------------|----------------|----------------|----------------|
| LPG Demand | 16140 | 17418 | 18680 |
| Projected growth | 8.1% | 7.9% | 7.3% |
| Indigenous production | | | |
| Refineries | 6903 | 7033 | 7513 |
| Fractionators | 2112 | 2112 | 2112 |
| RIL | 2000 | 2000 | 2000 |
| Essar | 800 | 2000 | 2000 |
| Total Prodn. | 11815 | 13145 | 13625 |
| Import Required | 4325 | 4273 | 5055 |

All Figures in TMT



The government planning to withdraw subsidies on diesel, LPG and kerosene in a phased manner. Government is providing subsidy of Rs 22.58 per 14.2-kg LPG cylinder from the fiscal budget. In addition, the public sector oil marketing companies (OMCs) also incur under-recovery (or revenue loss) on sale of domestic LPG as the prices are being modulated by the Government.

FINANCIAL PERFORMANCE REVIEW OF THE COMPANY

The company has outperformed in the year 2011-12 compared to the year 2010-11. Total income has gone up from 8973 lakhs to 13593 lakhs, operating profit from 348.28 lakhs to 454.84 lakhs and net profit after tax from 99 lakhs to 147 lakhs.

1. Share Capital – The company has authorised share capital of Rs. 1000 lakhs comprising of equity shares of face value Rs.10/- The paid up share capital is Rs.857 lakhs . During the year there was no change in share capital except receipt of unpaid calls from shareholders.
2. Reserve and Surplus – Total accumulated profit as on 31/03/2012 is Rs. 380 lakhs.
3. Loan Profile – The Company has taken fund based secured loan of Rs. 1016 lakhs and non-fund based secured loan of Rs. 400 lakhs. The unsecured loan only stands to Rs. 31 lakhs.
4. Fixed Assets – During the year under review, the total additions to the gross block of assets was to Rs. 255 lakhs. Full additional investment in fixed assets was funded out of internal accruals.
5. Investments – The Company has not made any fresh investment in capital market during the year.
6. Cash and Bank Balance – The Company had adequate liquidity in hand. Rs. 78 lakhs were in the Fixed Deposit of various banks.

OPPORTUNITIES AND THREAT:

There has been a radical change in global economies particularly in the developing countries like India which has raised hope for excellent business opportunities as a whole.

The Company has added advantage of LPG sourcing from Indian Oil Petronas Pvt. Ltd. (IPPL) who is the only supplier of Propane in India after Gail in the area where company operates and which allows us to gain extra edge from competitors.

The Industrial advantage:

| Fuels | Selling Unit | Selling Price | Gross Calorific Value (Kcal) |
|----------|--------------|---------------|------------------------------|
| HSD | Rs./litre | 43.74 | 12929 |
| Auto LPG | Rs./litre | 40.96 | 11232 |
| LPG | Rs./Kg | 65.62 | 10800 |
| LSHS | Rs./Kg | 35.22 | 9700 |
| Bulk LPG | Rs./Kg | 59.96 | 10800 |

The company has also witnessed growth of demand in cylinder segment due to customer awareness for use of commercial cylinders in commercial application and government initiatives to check black marketing of subsidized cylinders.

20-25% of the LPG is imported every year and still the shortage is noticeable. Demand and supply of gas is improving every day but prices remained by and large restrained putting pressure on profit margins. Demand of gas is bound to increase due to strong emphasis of Government on development of infrastructure in the country which leads to opening of new industrial houses and expansion of current houses as well. The is always a noticeable demand supply gap which is estimated about 7%-10%

The Industrial LPG distribution business shows good long term potential as demand for gas increases from Indian Industry. There is scope for competition from natural gas, as this will be cheaper than LPG. However, the infrastructure to carry natural gas is enormously expensive to build and we are confident that LPG will remain a very important fuel for industry due to the ease of transportation and logistics.

Auto-LPG business has high growth potential as India becomes richer, the use of this clean fuel will also increase. The Auto-LPG has emerged as great substitute to petrol leading in great demand for the fuel. It is a segment of higher margin than industrial sales. Auto LPG sells at 30-40% cheaper than petrol prices and is eco-friendly too. The market penetration of Auto LPG, currently at less than 3% of cars, is likely to increase



over time. With high oil prices here to stay, a cheaper alternative in the form of Auto LPG's appears to be catching the imagination of car owners.

The above factors have opened a new vista in automobile sector, added to it, many of the automobile giants like Maruti, HM, Hyundai, Ford, GM, Bajaj, Tata Motors, Leyland, etc., have started manufacturing gas operated vehicles as OEM. India produces about 65 lakhs of vehicles and with the entering of new international players from Japan, Italy, Germany, France etc., market will be flood with more varieties of vehicles in petrol. This will lead to an increase in conversion to Auto LPG, which will create more demand for Auto LPG stations. Some industry analysts say that 10% of new cars will be fitted with Auto LPG kits.

SEGMENTWISE OR PRODUCTWISE PERFORMANCE

The company is engaged primarily in the business of Distribution of LPG. Hence Segment wise operational performance is not applicable.

OUTLOOK

The company has achieved its highest sales turnover during the year. In view of the undergoing economic reforms the prospect of the Industry seems certain. The Management of the Company has been keeping close watch to take this opportunity even at the risk of more investment in the sector. LPG will see growing consumption in India despite the availability of more natural gas from KG basin, Gail, etc. This is due to the ease of transportation unlike natural gas which requires huge investment in infrastructure such as pipelines and a gas grid. All segments of the LPG business, including Industrial supplies, Commercial LPG and Auto LPG dispensing stations are expected to see high growth.

RISK & CONCERNS

The Companies fate is linked to the fate of its user industries. The Management has taken steps to keep its position intact in the market which is predominated with stiff competition. Close and constant touch is being maintained with all the customers while trying to develop new customer base. The Company has also been in touch with its Suppliers so as to ensure un-interrupted regular supply of the product. Corporate Governance Policy clearly laying down roles, duties and responsibilities of various entities in relation to risk management is in place. Macro economics factors including economics and political developments, natural calamities which affect the industrial sector generally would affect the business of the Company. Legislative changes resulting in changes in the taxes, duties and levies, whether local or central, also impact business performance and relative competitiveness of the business. Given below is a brief of the underlying risks:

1. Interest Rate Risk – Few fixed and current assets are financed by Bank and Financial Institutions (FI) at different floating rates linked to prime lending rates of respective bank/FI. Company has also taken term unsecured loan from bank at fixed rate. Accordingly, the company is exposed to cash flow interest rate risk on its secured loans. The company analyses its interest rate exposure regularly. Various scenarios are analyses taking into consideration refinancing, alternative financing etc. Based on these scenarios, the Company calculates the impact on profit and loss of a defined interest rate shift. The sensitivity analysis is based on a reasonably possible change in the market interest rates computed from historical data and is representative of the interest rate risk inherent in financial assets and financial liabilities reported at the balance sheet date.

2. Credit Risk - Credit risk refers to the risk of default on its obligation by the counterparty resulting in a financial loss. The Company makes advances to suppliers and vendors in the normal course of its business. The Company also makes advances to employees and places security deposits with related parties and restricted margin money deposits with banks. The majority of the Company's sales to its customers are on credit. These transactions expose the Company to credit risk on account of default by any of the counterparties. Credit risk is managed through credit approvals and continuously monitoring the creditworthiness of counterparties.

3. Liquidity Risk - Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. The company ensures flexibility in funding by maintaining availability under committed credit lines. The unused amounts pertain to the credit facility availed from the consortium of banks. The company's liquidity management policy involves considering the level of liquid assets necessary to meet the funding requirement; monitoring the liquidity of fund and creating a quarterly budgetary plan.



4. Industrial Sales Dependency – The largest contribution to the company's turnover is from supplies made to Reputed Industrial Houses. This scenario is due to the low developed Commercial cylinder market and lower contribution of Auto LPG Retail Outlets (ALRO). Company is currently venturing into expanding its commercial cylinder business as well as initiatives has been taken to set up further ALRO at various locations in India. Thus, moving forward it's expected to be a major growth driver for the company de-risking its business model suitably.

5. Competitive Scenario – The LPG is highly competitive industry with major stake of PSU's and MNC's in the industry. The company is proud to reiterate that its services cater to various segments of the market. The Company keeps close touch with customers and keeps close watch on new industrial developments to keep track of changing demand and supply trends.

6. Government Subsidy - The major threat to our industry is again the subsidies provided by the Central Government to the PSU's only. The entire private sector faces competitive pressures from the PSUs, which enjoys access to lower costing due to the subsidies available to them. The company is thus basically focusing on commercial segment of LPG and Auto Gas where there is no subsidy allowance even by the government and company is also targeting the high class domestic consumer who prefers to pay then waiting for long for subsidised cylinders.

7. Market Risk - Fluctuations in the demand supply gap in the future can have significant impact on the realizations and on the competitive scenario. The Company's objective therefore is to understand measure and monitor these risks regularly, and take appropriate measures to minimize their impact. The Company has taken several initiatives to mitigate the market risks associated with its operations. The company, over the years, has continuously invested in creating strong bond of relationship and brand image which have led to significant increase in market share in relevant markets. This has also helped the Company to command a premium on its products, even in relatively adverse market conditions. The company has further initiated a detailed micro-market analysis to foresee the demand supply situation in different markets.

8. Regulatory Risk - There is a fair amount of regulatory control exercised by the Government on the Domestic LPG business but there are no restrictions by the government on Commercial LPG pricings.

9. Alternate Fuel - Natural Gas is slowly emerging as an alternative to LPG. Coal to liquid conversion based on coal gasification (CBM) is also a potential alternative, considering the abundance of coal in India in comparison to oil and gas. Other alternatives include Wind Power, Hydropower, Biomass, Solar thermal power, Ethanol and Bio-Diesel. The company is keeping close watch on the same and would be adding more product base in its basket in future.

10. Other Risks - The other threats were higher cost of various inputs, higher transportation cost including increase in fixed cost from time to time. The strategies are constantly re-worked to minimize adverse implications, if any.

INTERNAL CONTROL SYSTEMS & ADEQUACY

The company has an adequate internal control system commensurate with the size and nature of its business.

FINANCIAL & OPERATIONAL PERFORMANCES

A critical appraisal is made by the Audit Committee before drawing Quarterly Statement of Accounts and the Board also reviewed the same on each occasion.

CAUTIONARY STATEMENT

Statement in this report, particularly those which relate to Management Discussion and Analysis, description of company's objective, estimates and expectations may constitute forward looking statements within the meaning of applicable laws or regulations. Actual results might differ materially from those either. The Company takes no responsibility for any consequence of decisions made based on such statements and holds no obligation to update these in the future.



REPORT ON CORPORATE GOVERNANCE

Company's philosophy on code of Governance

Eastern Gases Ltd. (EGL) is dedicated to achieve the highest level of integrity, transparency and accountability in our operations, financial results and public disclosures. We retain and enhance stakeholder trust by maximizing shareholders value while safeguarding and promoting the interests of other stakeholders and maintaining a steadfast commitment to ethics and code of conduct which is essential for sustained corporate growth. We have engrained into our culture and into each associate the values of honesty and fairness. For us, adherence to Corporate Governance stems not only from the letter of law but also from our inherent belief of doing business in the right way.

Belief of our Corporate Governance Philosophy

- ▶ Respect, accountability and fairness towards all stakeholders.
- ▶ Creating value for all stakeholders without compromising on ethical principles.
- ▶ Comply with laws.
- ▶ Clear communication of relevant information and high degree of disclosure levels.
- ▶ Identification and Management of key risks for better performance of the Company.

EGL is in full compliance with the corporate governance norms and disclosures of clause 49 of the Listing Agreement with the Stock Exchanges. We inform our financial results and other relevant disclosures & developments in a clear and timely manner through print and electronic media. The company files its quarterly, half yearly, annual results and quarterly shareholding patterns in a manner and within such time as prescribed by the Stock Exchanges. In terms of the Company's Corporate Governance Policy, all statutory and other significant and material information are placed before the Board.

BOARD OF DIRECTORS

At the helm of the Corporate Governance practice is its Board. The Board provides strategic direction to the company's senior management and oversees the interests of all stakeholders.

Composition of Board of Directors

Your Board consists of eminent directors who have the diverse experience and expertise necessary to serve effectively on the Board and its committees which may include financial, business and other expertise as determined by the Board. The size and composition of the Board confirms to the requirement of the Corporate Governance code under the Listing Agreement with the Stock Exchanges.

None of the Directors on the Board holds the office of director in more than 15 companies or memberships in committees of the Board in more than 10 committees or Chairmanship of more than 5 committees.

The present strength of board is 4 Directors and meets the requirement of not less than 50% being non-executive Directors. During the year 2011-12 seven Board meetings were held on 7th April 2011, 31st May 2011, 30th July 2011, 30th August 2011, 31st October 2011, 31st January 2012 and 24th March 2012 respectively.

The Composition of Directors and their attendance at the Board Meeting during the year ended on 31st March 2012 and the last Annual General Meeting as also number of other directorships, committee memberships and chairmanships held by them are given below :-

| Directors | Category | Attendance Particulars | Last AGM | No. of other Directorship and Committee Membership/Chairmanship held | | |
|------------------|----------------------------|------------------------|----------|--|----------------------|------------------------|
| | | | | Directorship | Committee Membership | Committee Chairmanship |
| Mr. S.K.Bhansali | Executive Director | 7 | YES | 4 | NIL | NIL |
| Mr. B.S.Baid | Non-Executive, Independent | 4 | YES | 2 | 1 | 1 |
| Mr. P.K.Bhansali | Non-Executive Director | 3 | YES | NIL | NIL | NIL |
| Mr. Suresh Baid | Non-Executive, Independent | 3 | YES | 5 | 1 | 1 |



Notes:

- ▶ The Directorship held by Directors as mentioned above, do not include Alternate Directorships and Directorships of Foreign Companies, Section 25 Companies and Private Limited Companies as exempt under section 278 of the Companies Act, 1956
- ▶ In accordance with Clause 49, Membership/ Chairmanships of only the Audit Committee and Shareholders/ Investors Grievance Committees of all public limited companies have been considered.
- ▶ None of the Non-Executive directors have any pecuniary relationship or transactions with the company other than for holding directorship and receiving sitting fees.

DIRECTORS' SHAREHOLDING

Shareholding of the Directors in the Company as on 31st March, 2012 is as follows:

| Names of Directors | No. of shares held | % of holding. |
|--------------------|--------------------|---------------|
| Mr. S.K.Bhansali | 357400 | 4.17 |
| Mr. B.S.Baid | - | - |
| Mr. P.K.Bhansali | 600 | 0.01 |
| Mr. Suresh Baid | - | - |

In terms of Article 129 of the Articles of Association of the Company, the Directors are not required to hold any qualification shares.

CODE OF CONDUCT

The Board has framed a code of conduct for all Board members and senior management personnel of the Company focusing transparency, accountability & ethical expression in all acts and deeds. The Company's Code of Conduct is in consonance with the requirements of Clause 49 of the Listing Agreement with Stock Exchanges. The Code of Conduct is soon to be posted on companies. A certificate of affirmation in this regard is appended.

DECLARATION UNDER CLAUSE 49(I)(D)(II)

As provided under Clause 49 of the Listing Agreement with the Stock Exchanges, the Board of members and the senior management personnel have affirmed compliance with the Code of Conduct of the Company for the year ended March 31st, 2012.

On behalf of the Board of Directors

Kolkata
Dated: 31st May, 2012

S.K.Bhansali
Chairman

RISK MANAGEMENT

The Company has a risk management framework in place under which the management identifies and monitors business risks on a continuous basis and initiates appropriate risk mitigation steps as and when required. The Company periodically place before the Board the risk assessment and minimisation procedures being followed by the company and steps taken by it to mitigate those risks through a properly defined framework.

1. Audit Committee

The Audit committee had four meetings during the year 2011-12 on 31st May 2011, 30th July 2011, 31st October 2011 and 31st January 2012 and the gap between two meetings did not exceed four months. The composition of audit committee and attendance of its meetings is given hereunder:

| Member | Position | No. of meetings | |
|-------------------|----------|-----------------|----------|
| | | Held | Attended |
| Mr. Suresh Baid | Chairman | 4 | 4 |
| Mr. B.S. Baid | Member | 4 | 4 |
| Mr. P.K. Bhansali | Member | 4 | 3 |

The Audit Committee is empowered, pursuant to its terms of reference, inter-alia:

- ▶ To investigate any activity within its terms of reference
- ▶ To seek any information it required from any employee



- To obtain legal or other independent professional advice
- To secure the attendance of outsiders with relevant experience and expertise, when considered necessary.

The Audit Committee has reviewed the information placed before it, as required under sub clause II (E) of clause 49 of listing agreement.

The Chairman of the Audit Committee was present at the last Annual General Meeting of the Company to answer the queries raised by the Shareholders regarding Audit and Accounts.

2. Remuneration Committee

A. Composition of the Committee

The present composition of the Remuneration Committee containing independent directors and attendance of the Committee members are as follows:

| Member | Position Held | No. of meetings | |
|-----------------|---------------|-----------------|----------|
| | | Held | Attended |
| Mr. Suresh Baid | Chairman | 2 | 2 |
| Mr. B.S.Baid | Member | 2 | 2 |

B. Terms of Reference of the Committee

The Committee shall have authority to deal with the matters specified under the Companies Act, 1956 and the terms of reference of the Committee are as under:

- Any fixation/change in remuneration of Whole Time Directors/Managing Director.
- Any fixation/change in sitting fees payable to Board/Committee members for attending meeting.
- To review the existing remuneration of the executives (GM level and above) and to approve any changes thereof.

C. Remuneration to Directors

Executive Directors -The Company has paid remuneration by way of salary to its Managing Director in terms of the resolutions passed at the General Meetings of the Company under Section 269, 309 and other applicable provisions of the Companies Act, 1956 and the resolution passed in that behalf by the Remuneration Committee/Board of Directors duly constituted pursuant to Schedule XIII of the Companies Act, 1956.

Details of remuneration paid to Directors during the year 2011-12 are given below:

| Director | Remuneration Package (Rs) | Fixed component and incentives (Rs) |
|-------------------|---------------------------|-------------------------------------|
| Mr. S.K. Bhansali | 11,76,000/- | NIL |

Non-Executive Directors - During the year no sitting fee/commission was paid to any Non-Executive Director for attending the meeting of the Board of Directors and for Committees thereof.

The Company does not have an incentive plan which is linked to performance and achievement of the Company's objectives. The Company has no stock option and pension scheme.

3. Investors' /Shareholders Grievance Committee

A. Composition of the Committee

The composition of Investors/Shareholders Grievance committee and attendance at its meeting is given hereunder:

| Member | Position | No. of meetings | |
|------------------|----------|-----------------|----------|
| | | Held | Attended |
| Mr. P.K.Bhansali | Chairman | 4 | 4 |
| Mr. Suresh Baid | Member | 4 | 3 |
| Mr. B.S.Baid | Member | 4 | 4 |



B. Compliance Officer

Mr. Anand Roy is the compliance officer, complying with the requirements of SEBI (Prohibition of Insider Trading) Regulations, 1992 and the Listing requirements with the Stock Exchanges.

C. Investor Grievance Redressal

| | |
|--|-----|
| Details of Shareholders/Investors complaints/ request for action : | |
| Number received during the year | 1 |
| Number resolved to the satisfaction of complaint | 1 |
| Number pending | NIL |
| Number pending Transfers | NIL |

The Company has attended to most of the investors grievances/correspondences within a period of 21 days from the date of receipt of the same. All transfers were completed within 30 days.

INSIDER TRADING CODE

This code is applicable to all Directors and designated employees and seeks to prevent dealing in Company's shares by persons having access to unpublished, price sensitive information. Compliance Officer regularly monitors all transactions, in terms of the said Code, undertaken by designated employees of the Company. The Company also informs the stock exchanges periodically about the transactions undertaken by the Directors and designated employees and their share holdings as per the regulations.

GENERAL BODY MEETING

Particulars of last three years Annual General Meetings

| Financial year | Date | Time | Location |
|----------------|--------------|----------|---|
| 2010-11 | Sept.30,2011 | 11.00 AM | Smriti Charitable Medicle Centre, 81, K.P.Roy Lane, Haltu, Kolkata - 700078 |
| 2009-10 | Sept.30,2010 | 11.00 AM | Smriti Charitable Medicle Centre, 81, K.P.Roy Lane, Haltu, Kolkata - 700078 |
| 2008-09 | Sept.24,2009 | 11.00 AM | Shyamal Smriti Parisad, 30, Nagen Ghosh Lane, Kolkata - 700031 |

No special resolution was passed through postal ballot in the last AGM.

Disclosures

1. Accounting Treatment in Preparation of Financial Statements

The Company has followed the guidelines of accounting standards laid down by the Institute of Chartered Accountants of India (ICAI) in preparation of its financial statements.

2. Status of Regulatory Compliances

The Company has complied with all the requirements of the Listing Agreements with Stock Exchanges as well as the regulations and guidelines of SEBI and other statutory authorities. Consequently, there are no strictures and penalties imposed on any matter relating to capital markets during the last three years.

3. Whistle Blower Policy

The Company does not have a Whistle Blower Policy. But the employees are free to communicate their concerns and/or reports, unethical happenings to the Management and/or Board through officers and even direct communication of the employee to Audit Committee/Board is entertained.

4. Public, Rights and other Issues

During the year 2011 -2012, the company did not make any public, rights or any other issue of securities.

5. Compliance with Clause 49 of Listing Agreement

The Company has complied with all the mandatory requirement of clause 49 of the Listing Agreement with



stock exchanges. As regards non-mandatory requirements, the extent of compliance has been stated in this report.

CMD/CFO CERTIFICATION

The Company is duly placing a certificate to the Board from CMD/CFO in accordance with the provisions of Clause 49 (V) of the Listing Agreement regarding the accuracy of financial statements and adequacy of internal controls for financial reporting purposes

AUDITORS CERTIFICATE ON CORPORATE GOVERNANCE

The Statutory Auditors have certified that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges and the same is annexed to the Directors' Report and Management Discussion and Analysis.

MEANS OF COMMUNICATION

‣ **Quarterly Results:**

Quarterly Results are published in leading English daily's and in local vernacular newspaper having wide circulation in West Bengal.

‣ **News Release, Presentation etc.:**

Official news releases, detailed presentations made to media, analysts, institutional investors, etc. are displayed on the Company's website.

‣ **Website:**

The Company's website www.eastgas.co.in carries a separate dedicated section 'Investor Relations' where shareholders information is available. Full Annual Report is also available on the website in a user-friendly and downloadable form.

‣ **Annual Report:**

Annual Report containing, inter-alia, Audited Annual Accounts, Directors' Report, Auditors' Report and other important information is circulated to members and others entitled thereto. The Management Discussion and Analysis (MD&A) and Corporate Governance Report form part of the Annual Report.

‣ **Corpfilings with Stock Exchanges:**

All announcements, Quarterly Results, Shareholding Pattern etc. of the Company are also filed with the Stock Exchanges within prescribed timeline.

PROFILE OF DIRECTOR SEEKING APPOINTMENT/ RE-APPOINTMENT

Details of Directors seeking re-appointment at the ensuing Annual General Meeting as required under Clause – 49 of the Listing Agreement with Stock Exchanges is given in the Explanatory Statement to the Notice of the ensuing Annual General Meeting as 'Additional information'

SUBSIDIARY COMPANIES

The Company doesn't have any subsidiary companies in the year under review.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A Management Discussion and Analysis Report forms a part of the Annual Report and includes discussion on various matters specified under Clause 49[IV][F] of the Listing Agreement. The said report is appearing elsewhere in the Annual Report.

GENERAL SHAREHOLDER INFORMATION**1. 17th Annual General Meeting:**

Date : September 29, 2012
 Time : 11:00 A.M.
 Venue : Smriti Charitable Medical Centre, 81, K.P.Roy Lane, Haltu, Kolkata - 700078

2. a. Financial Year

: 2011-12

b. Financial Calendar

: April – March (2012-2013) (tentative)

(i) First Quarter results

: July 31, 2012

(ii) Second Quarter results

: By end of October, 2012

(iii) Third Quarter results

: By end of January, 2013

(iv) Fourth Quarter & Annual results

: By end of May/June 2013

3. Book Closure Date

: September 23, 2012 to September 29, 2012
 (both days inclusive)

4. Dividend payment date

: The Board of Directors has not recommended any dividend for the financial year 2011-12.



5. Listing of Equity shares in Stock Exchanges and Stock Codes

| Name of the Stock Exchange | Stock Code |
|--|------------|
| The Calcutta Stock Exchange Association Ltd. | 015066 |
| Bombay Stock Exchange Ltd. | 590080 |

The annual listing fee for the period 2011-12 has been paid to the Stock Exchange.

Note: The Company has made an application for delisting of Equity Shares from Ahmedabad and Jaipur Stock Exchange and active follow up is being made with the stock exchanges.

6. Demat ISIN for NSDL & CDSL : INE 846 C 01014
Registrar and Share Transfer Agent : S.K.Infosolutions Pvt. Ltd.
 34/1A, Sudhir Chatterjee Street, Kolkata – 700006
 Tel : 22194815/22196797 / Fax: 22194815
 Email: mail@skcomputers.net, agarwalsko@rediffmail.com

7. Share Transfer System: S.K.Infosolutions Pvt. Ltd. the Registrar and Share transfer Agent of the Company, process transfer, sub-division, consolidation, splitting, etc of shares in physical form in close co-ordination with the Company. Share transfer etc., are registered and dispatched within a period of 30 days from the date of receipt, if the documents are clear in all respect.

8. Name and Address of Compliance Officer : Mr. Anand Roy
 Eastern Gases Limited
 43 Palace Court, 1 Kyd Street,
 Kolkata – 700016
 Phone: 033-22299897
 Fax : 033-22496826
 Email : cs@eastgas.co.in

9. Email id for Investor Grievances : sumit@eastgas.co.in

During the financial year 2010-11 queries/complaints/requests were received by the Company from Shareholders and almost all of which have been satisfactorily replied

10. Addresses for Correspondences : Registered Office : 43 Palace Court, 1 Kyd Street, Kolkata – 700016

11. Registrar and Share Transfer Agents : 34/1A, Sudhir Chatterjee Street, Kolkata-700006

12. Market Price Data: The monthly high low data on Bombay Stock Exchange Ltd. from April' 11 to March'12 is given below

| Mon- th | Apr- 11 | May- 11 | Jun- 11 | Jul- 11 | Aug- 11 | Sep- 11 | Oct- 11 | Nov- 11 | Dec- 11 | Jan- 12 | Feb- 12 | Mar- 12 |
|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| High Price | 21.75 | 19.40 | 20.55 | 27.90 | 30.00 | 21.60 | 21.45 | 22.80 | 18.85 | 18.50 | 18.50 | 17.75 |
| Low Price | 17.00 | 16.55 | 17.10 | 16.40 | 17.00 | 17.60 | 17.00 | 16.45 | 15.60 | 15.70 | 16.00 | 15.00 |

(Source: BSE website)

I) Distribution of Shareholding as on 31st March, 2012

| No. of shares | Number | % of total Holders | No. of shares | % of total Holding |
|------------------|-------------|--------------------|----------------|--------------------|
| 1 - 500 | 1752 | 62.17 | 578783 | 6.75 |
| 501 - 1000 | 699 | 24.80 | 556085 | 6.49 |
| 1001 - 2000 | 187 | 6.64 | 248935 | 2.90 |
| 2001 - 3000 | 34 | 1.21 | 86697 | 1.01 |
| 3001 - 4000 | 18 | 0.64 | 66455 | 0.78 |
| 4001 - 5000 | 10 | 0.35 | 47675 | 0.56 |
| 5001 - 10000 | 28 | 1.00 | 219538 | 2.56 |
| 10001 - 50000 | 57 | 2.02 | 1701420 | 19.85 |
| 50001 - 100000 | 17 | 0.60 | 1156763 | 13.50 |
| 100001 and above | 16 | 0.57 | 3907449 | 45.60 |
| TOTAL | 2818 | 100.00 | 8569800 | 100.00 |



| CATEGORYWISE DISTRIBUTION OF SHARES AS ON 31/03/2012 | | | | |
|---|--------------------|-------------------------|----------------|-------------------|
| Category Description | No of Shareholders | % To Total Shareholders | No of Shares | % To Total Shares |
| RES. IND. | 2679 | 95.06% | 3571444 | 41.67% |
| DOM. COM. | 49 | 1.74% | 238259 | 2.79% |
| N. R. I. | 45 | 1.60% | 111578 | 1.30% |
| DIRECTORS/REL | 21 | 0.75% | 1797970 | 20.98% |
| PROM. COM. | 24 | 0.85% | 2850549 | 33.26 |
| TOTAL | 2818 | 100.00% | 8569800 | 100.00% |

ii) Share holding pattern as on 31st March 2012

| Category | No. of Shares | % of Shares |
|------------------------------|----------------|---------------|
| A. PROMOTORS HOLDING : - | | |
| 1. Indian Promoters | 1573214 | 18.36 |
| 2. Persons Acting in Concert | 2845649 | 33.21 |
| B. NON-PROMOTERS HOLDING : - | | |
| 3. Others : - | | |
| a. Private Corporate Bodies | 243159 | 2.84 |
| b. Indian Public | 3796200 | 44.29 |
| c. NRIs/OCBs | 111578 | 1.30 |
| TOTAL | 8569800 | 100.00 |

Dematerialisation of Shares & liquidity

The Company has established connectivity with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) through the Registrar S.K.Infosolutions Pvt. Ltd. to enable shareholders to hold their shares in electronic form and to facilitate script less trading.

Share Dematerialisation Records

Status of Dematerialisation of shares and Physical form of shares as on 31st March, 2012

| Particulars | No. of shares | % to Capital |
|--------------------|------------------|---------------|
| NSDL | 32,48,801 | 37.91 |
| CDSL | 5,22,198 | 6.09 |
| Total Dematted (A) | 37,70,999 | 44.00 |
| Physical (B) | 47,98,801 | 56.00 |
| Total (A+B) | 85,69,800 | 100.00 |

Secretarial Audit

As stipulated by SEBI, a qualified Practicing Company Secretaries, M/s. D.K.Sarawagi & Co conducts the Secretarial Audit of the Company every quarter for a limited purpose of reconciliation of the total Listed and Paid-up Capital is in agreement with the aggregate of the total number of shares in dematerialise form (held with NSDL and CDSL) and total number of shares in physical form.

The quarterly Secretarial Audit Reports which were placed before the Board of Directors were also sent in time to both the Stock Exchanges where the Company's shares are listed.

NON-MANDATORY DISCLOSURES

The non-mandatory requirements have been adopted to the extent and in the manner as stated under the appropriate headings detailed below:

Shareholders Rights:-

The quarterly results of the Company are being published in newspapers and www.eastgas.co.in along with timely filed with Stock Exchanges. The results are not sent to the shareholders individually.

Training of Board Members:-

The present Board of Directors consists of well experienced and responsible members of the society. All the directors are well aware of business model as well as the risk profile of the business parameters of the Company and their responsibilities as directors, so no training mechanism is followed by the company. However, periodical briefings are made to the directors about the business model & risk profile of the Company.



AUDITORS' CERTIFICATE ON COMPLIANCE OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT (S) TO, THE MEMBERS OF EASTERN GASES LTD.

We have reviewed the implementation of Corporate Governance procedures by EASTERN GASES LTD. during the year ended on 31st March 2012, with the relevant records and documents maintained by the Company, furnished to us for our review and we have examined the compliance of Corporate Governance as stipulated in sub clause f Clause 49 of the Listing Agreements of the Company with the Stock Exchange(s).

We state that no investor grievance is pending for a period exceeding one month against the Company as per records maintained by the Investors/Shareholders Grievance Committee.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company. We further state that such compliance is neither an assurance as to future viability of the Company nor the efficiency with which the management has conducted the affairs of the Company.

On the basis of our review and in our opinion and to the best of our information and according to the explanation given to us, we certify that the Company has complied with the conditions of the Corporate Governance as stipulated in clause 49 of the Listing Agreement (s) with the stock exchange (s).

FOR SARKAR GURUMURTHY & ASSOCIATES

Place : Kolkata
Dated : 31st MAY 2012

Chartered Accountants
Parimal Sarkar
(Partner)
M.No. 051550

**AUDITORS' REPORT**

TO THE MEMBERS OF EASTERN GASES LIMITED,

We have audited the attached Balance Sheet of EASTERN GASES LIMITED as at 31st March, 2012, and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and a significant estimate made by our audit provides a reasonable basis for our opinion.

We report as follows:

1. As required by the Companies (Auditor's report) Order, 2003, issued by the Central Government of India, in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in the paragraphs 4 and 5 of the said Order.

2. Further to our comments in the Annexure referred to in paragraph 1 above:

a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books;

c) The Balance Sheet, Profit and Loss account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;

e) On the basis of the written representations received from the Directors as on 31st March, 2012 and taken on record by the Board of Directors, none of the Directors of the Company is disqualified as on 31st March, 2012 from being appointed as Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the Company's Accounting Policies and the Notes thereto, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

i) In the case of the Balance Sheet, of the state of affairs of the Company as on 31st March, 2012;

ii) In the case of the Profit and Loss Account of the PROFIT of the Company for the year ended on that date; and

iii) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

Place : Kolkata
Dated : 31st May 2012

For SARKAR GURUMURTHY & ASSOCIATES

Chartered Accountants

Parimal Sarkar

(Partner)

M.No. 051550

**Annexure to the Auditors' Report**

Referred to in paragraph 1 of our report of even date:

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
2. As explained to us the fixed assets have been physically verified by the management during the year in a phased / Periodical manner which in our opinion is reasonable having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such verification.
3. During the year, Company has not disposed of any substantial/major part of fixed assets, so the question of going concern status being affected does not arise.
4. As explained to us, the inventory has been physically verified during the year by the management. In our Opinion, the frequency of verification is reasonable.
5. In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
6. In our opinion and according to the information and explanations given to us and on the basis of our examination of the records of inventory; the Company is maintaining proper records of inventory. As explained to us there were no material discrepancies noticed on physical verification of inventory a compared to the book records.
7. According to the information and explanations given to us, the Company has not taken any loan from or granted any loan to the Parties listed in the Register maintained under section 301 of the Companies Act, 1956.
8. According to the information and explanations given to us; parties to whom loans and advances in the nature of loans have been given, where stipulations are made, are repaying the principal amount as stipulated.
9. According to the information and explanations given to us; there is no overdue amount of loans granted to the parties listed in the Register maintained under Section 301 of the Companies Act, 1956.
10. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business with regard to the purchase of inventory and fixed assets, and with regard to the sale of goods. During the course of our audit, no major weakness has been noticed in the internal controls.
11. Based on audit procedures applied by us, to the best of our knowledge and belief and according to the information and explanations given to us, we are of the opinion that the transactions that needed to be entered into the register maintained under Section 301 have been so entered.
12. According to the information and explanations given to us there are no transactions of purchase of goods and material in excess of Rs. 5 lakhs in respect of any party.
13. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public within the Provisions of Section 58A of the Companies Act, 1956 and rules there under.
14. In our opinion, the Company has an internal audit system commensurate with the size and the nature of its business.
15. We have broadly reviewed the books of account maintained by the Company. As explained to us the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 are not prescribed by the Central Government.
16. According to the records of the Company and explanations given to us, the Company has been regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income -Tax, Sales Tax, Wealth-Tax, Customs Duty, Excise Duty, Cess and other Statutory dues with the appropriate authorities during the year.
17. The Company has not incurred cash losses during current and the immediately preceding financial year.
18. Based on our audit procedures and on the basis of information and explanations given by the management, we are of the opinion that the Company has not defaulted in the repayment of dues to banks.
19. According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
20. The provisions of any Special Statute applicable to Chit Fund, Nidhi or Mutual Benefit fund/Societies are not applicable to the Company.



21. Based on our audit procedures and to the best of our knowledge and according to the information and explanations given to us, we are of the opinion that the company is maintaining proper record of the transactions and contracts of dealing in shares and securities and that timely entries have been made in these records.
22. Based on our audit procedures and to the best of our knowledge and belief and according to the information and explanations given to us, the shares and securities have been held by the Company in its own name.
23. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment by the Company and vice versa.
24. The Company has not made any preferential allotment to parties and companies covered under register maintained Under Section 301 of the Companies Act, 1956, during the year and question of whether the price at which the shares have been issued is prejudicial to the interest of the Company does not arise.
25. According to the information and explanations given to us, and the records examined by us, the Company has not issued any debentures hence no question of creation of securities.
26. The Company has not raised money by any public issues during the year and hence the question of disclosure and verification of end use of such money does not arise.
27. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

FOR SARKAR GURUMURTHY & ASSOCIATES

Place : Kolkata
Dated : 31st May 2012

Chartered Accountants
Parimal Sarkar
(Partner)
M.No. 051550



Balance Sheet as at 31 March 2012

(Rs. in lacs)

| Particulars | Note No. | 31-Mar-12 | 31-Mar-11 |
|--|--|---|-----------------|
| I. EQUITY AND LIABILITIES | | | |
| (1) SHARE HOLDERS FUNDS | | | |
| (a) Share Capital | 1 | 856.98 | 797.77 |
| (b) Reserves and Surplus | 2 | 379.85 | 232.42 |
| (2) Share application money pending allotment | | 505.00 | - |
| (3) NON-CURRENT LAIBILITIES | | | |
| (a) Long-term borrowings | 3 | 41.83 | 43.16 |
| (b) Other Long term liabilities | 4 | 502.68 | 432.65 |
| (4) CURRENT LAIBILITIES | | | |
| (a) Short-term borrowings | 5 | 1,005.59 | 1,112.76 |
| (b) Trade payables | | 1,492.42 | 958.25 |
| (c) Short-term provisions | 6 | 36.37 | 38.05 |
| TOTAL | | 4,820.72 | 3,615.06 |
| II. ASSETS | | | |
| (1) NON-CURRENT ASSETS | | | |
| <i>(a) Fixed assets</i> | | | |
| (i) Tangible assets | 7 | 850.59 | 654.74 |
| (b) Deferred tax assets (net) | 22.3 | 27.91 | 31.58 |
| (2) CURRENT ASSETS | | | |
| (a) Inventories | | 49.66 | 141.42 |
| (b) Trade receivables | 8 | 3,278.20 | 2,192.19 |
| (c) Cash and cash equivalents | 9 | 99.98 | 84.88 |
| (d) Short-term loans and advances | 10 | 472.03 | 471.89 |
| (e) Other current assets | 11 | 8.82 | 4.82 |
| III. MISC. ASSETS TO THE EXTENT NOT W/F | | | |
| | 12 | 33.53 | 33.54 |
| TOTAL | | 4,820.72 | 3,615.06 |
| Significant Accounting Policies | 19-20 | | |
| Other Notes on Financial Statements | 21-23 | | |
| As per our report of even date For Sarkar Gurusurthy & Associates Chartered Accountants (Registration No. 314062E) | | For and behalf of the Board <u>Eastern Gases Ltd.</u> | |
| Parimal Sarkar Partner Membership No. : 051550 Place : Kolkata Date : May 31, 2012 | S.K.Bhansali Director | S.Baid Director | |



Profit and Loss Statement for the year ended 31st March 2012

(Rs. in lacs)

| Particulars | Note No | 31-Mar-12 | 31-Mar-11 |
|--|------------|------------------|-----------------|
| I. Revenue from operations | 13 | 13,593.26 | 8,972.53 |
| II. Other Income | 14 | 10.93 | 7.14 |
| III. Total Revenue (I +II) | | 13,604.19 | 8,979.67 |
| IV. Expenses: | | | |
| Cost of materials consumed | | 12,974.42 | 8,597.97 |
| Change in inventories of stock-in-trade | 15 | 91.76 | (45.01) |
| Employees benefits expenses | 16 | 29.04 | 24.73 |
| Financial costs | 17 | 208.03 | 173.80 |
| Depreciation and amortization expense | | 58.95 | 47.40 |
| Other expenses | 18 | 54.13 | 48.21 |
| IV. Total Expenses | | 13,416.33 | 8,847.10 |
| V. Profit before exceptional and extraordinary items and tax | (III - IV) | 187.86 | 132.57 |
| VI. Exceptional Items | | - | - |
| VII. Profit before extraordinary items and tax (V - VI) | | 187.86 | 132.57 |
| VIII. Extraordinary Items | | - | - |
| IX. Profit before tax (VII - VIII) | | 187.86 | 132.57 |
| X. Tax expense: | | | |
| (a) Current tax expense for current year | | 34.83 | 24.58 |
| (b) Current tax expense relating to prior years | | 1.93 | - |
| (c) Deferred tax | | 3.67 | 9.49 |
| | | 40.43 | 34.07 |
| XI. Profit(Loss) from the period from continuing operations | (IX-X) | 147.43 | 98.50 |
| XII. Profit/(Loss) from discontinuing operations | | - | - |
| XIII. Tax expense of discounting operations | | - | - |
| XIV. Profit/(Loss) from Discontinuing operations (XII - XIII) | | - | - |
| XV. Profit/(Loss) for the period (XI + XIV) | | 147.43 | 98.50 |
| XVI. Earning per equity share: | | | |
| (1) Basic | | 1.72 | 1.15 |
| (2) Diluted | | 1.72 | 1.15 |
| Significant Accounting Policies | 19-20 | | |
| Other Notes on Financial Statements | 21-23 | | |

As per our report of even date

For Sarkar Gurumurthy & Associates

Chartered Accountants

(Registration No. 314062E)

For and behalf of the Board

Eastern Gases Ltd.

Parimal Sarkar

Partner

Membership No. : 051550

Place : Kolkata

Date : May 31, 2012

S.K.Bhansali
Director

S.Baid
Director



Cash Flow Statement for the year ended 31 March, 2012

(Rs. in lacs)

| Particulars | 31-Mar-12 | 31-Mar-11 |
|--|-----------------|----------------|
| A. Cash flow from operating activities | | |
| Net Profit / (Loss) before extraordinary items and tax | 187.86 | 132.57 |
| <i>Adjustments for:</i> | | |
| Depreciation and amortisation | 58.95 | 47.40 |
| Misc. Expenses amorted | 0.01 | 2.46 |
| | 246.82 | 182.43 |
| Operating profit / (loss) before working capital changes | | |
| <i>Changes in working capital:</i> | | |
| <i>Adjustments for (increase) / decrease in operating assets:</i> | | |
| Inventories | 91.76 | (45.01) |
| Trade receivables | (1086.01) | (94.74) |
| Short-term loans and advances | (7.21) | (134.23) |
| Other current assets | (4.00) | (1.34) |
| Other non-current assets | 3.67 | 9.49 |
| <i>Adjustments for increase / (decrease) in operating liabilities:</i> | | |
| Trade payables | 534.17 | (146.40) |
| Other long-term liabilities | 70.03 | 234.92 |
| Short-term provisions | 0.20 | (4.00) |
| | (397.39) | (181.31) |
| Cash generated from operations | (150.57) | 1.12 |
| Net income tax (paid) / refunds | (35.24) | (25.31) |
| Net cash flow from / (used in) operating activities (A) | (185.81) | (24.19) |
| B. Cash flow from investing activities | | |
| Capital expenditure on fixed assets | (254.80) | (79.91) |
| Net cash flow from investing activities (B) | (254.80) | (79.91) |
| C. Cash flow from financing activities | | |
| Proceeds from issue of equity shares | 59.21 | 48.10 |
| Share application money received / (refunded) | 505.00 | - |
| Repayment of long-term borrowings | (1.33) | (7.60) |
| Proceeds from other short-term borrowings | (107.17) | 13.49 |
| Net cash flow from / (used in) financing activities (C) | 455.71 | 53.99 |
| Net increase / (decrease) in Cash and cash equivalents (A+B+C) | 15.10 | (50.11) |
| Cash and cash equivalents at the beginning of the year | 84.88 | 134.99 |
| Cash and cash equivalents at the end of the year | 99.98 | 84.88 |

As per our report of even date

For Sarkar Gurumurthy & Associates

Chartered Accountants

(Registration No. 314062E)

For and behalf of the Board

Eastern Gases Ltd.

Parimal Sarkar

Partner

Membership No. : 051550

Place : Kolkata

Date : May 31, 2012

S.K.Bhansali

Director

S.Baid

Director



NOTE 1 - SHARE CAPITAL

| Particulars | 31-Mar-12 | 31-Mar-11 |
|--|-----------------|-----------------|
| <u>Authorised</u> 1,00,00,000 Equity Shares of Rs. 10/- Each | 1,000.00 | 1,000.00 |
| Total | 1,000.00 | 1,000.00 |
| <u>Issued, Subscribed & Fully Paid Up</u> 85,69,800 Equity Shares of Rs 10/- Each | 856.98 | 797.77 |
| Total | 856.98 | 797.77 |

Disclosure pursuant to Note no. 6(A)(d) of Part I of Schedule VI to the Companies Act, 1956

| Particulars | Equity Shares | |
|--|---------------|-------------|
| | Number | Rs. in lacs |
| Shares outstanding at the beginning of the year @ Rs.5/share | 1184200 | 59.21 |
| Shares Issued/(brought back) during the year | - | - |
| Shares outstanding at the end of the year | - | - |

NOTE 2 - RESERVE & SURPLUS

| Particulars | 31-Mar-12 | 31-Mar-11 |
|---|---------------|---------------|
| <u>Profit and Loss Account</u> As per last Balance Sheet | 232.42 | 133.92 |
| Add: Profit for the year | 147.43 | 98.50 |
| Total | 379.85 | 232.42 |

NOTE 3- LONG TERM BORROWINGS

| Particulars | 31-Mar-12 | 31-Mar-11 |
|--|--------------|--------------|
| <u>Term Loans</u> from banks Secured | 10.38 | 29.09 |
| from other parties Unsecured | 31.45 | 14.07 |
| Total | 41.83 | 43.16 |

(i) Details of terms of repayment for the other long-term borrowings and security provided in respect of the secured other long-term borrowings:

| Particulars | Outstanding Balance and Security | As at 31 March, 2012 | |
|--|--|----------------------|-----------|
| | | Secured | Unsecured |
| <u>Term loans from banks:</u> IDBI Bank Ltd. | Against 2 LPG Tankers - 5 EMI of Rs152000 & 1 of 136000 + int. | 8.96 | |
| HDFC Bank Ltd. | Against Car - 30 EMI of Rs.5436 incld. int. | 1.42 | |
| Total - Term loans from banks | | 10.38 | |
| <u>Term loans from other parties</u> Magma Fincorp Ltd. | 6 EMI of Rs. 89132 incld. int. | | 4.92 |
| Magma Fincorp Ltd. | 26 EMI of Rs.124785 incld. int. | | 26.53 |
| Total - Term loans from others | | | 31.45 |

**NOTE 4 - OTHER LONG-TERM LIABILITIES**

| Particulars | 31-Mar-12 | 31-Mar-11 |
|--|---------------|---------------|
| (i) Trade / security deposits received | 500.71 | 431.68 |
| (ii) Others liabilities payable after 1 year | 1.97 | 0.97 |
| Total | 502.68 | 432.65 |

NOTE 5 - SHORT TERM BORROWINGS

| Particulars | 31-Mar-12 | 31-Mar-11 |
|--|-----------------|-----------------|
| <u>Secured</u> Loans repayable on demand from banks | 1005.59 | 1112.76 |
| Total | 1,005.59 | 1,112.76 |

Notes:

(i) Details of security for the secured short-term borrowings:

| Particulars | 31-Mar-12 | 31-Mar-11 |
|---|-----------|-----------|
| <u>Loans repayable on demand</u> <u>from banks:</u> IDBI Bank - (Secured by charge over present and future current assets, plant and machinery at Durgapur and shares of few promoters) | 1005.59 | 1112.76 |
| Total - from banks | 1005.59 | 1112.76 |

NOTE 6 - SHORT TERM PROVISIONS

| Particulars | 31-Mar-12 | 31-Mar-11 |
|-------------------------------------|--------------|--------------|
| (a) Provision for employee benefits | 0.02 | 0.37 |
| (b) Others | | |
| ESI payable | 0.01 | - |
| Sale Tax Payable | 0.18 | - |
| TDS Payable | 0.82 | 0.57 |
| Salary Payable | 0.49 | 0.38 |
| Provident Fund Payable | 0.02 | 0.02 |
| Provision for Taxation | 34.83 | 36.71 |
| Total | 36.37 | 38.05 |



Notes forming part of the financial statements

NOTE 7 - FIXED ASSETS

Particulars of Depreciation as per Company Act 1956

Rs. in Lacs

| Fixed Assets | Gross Block | | | Depreciation | | | Net Block | |
|------------------------------------|---------------------|---------------------------|---------------------|---------------------|-----------------|---------------------|---------------------|---------------------|
| | As at 01.04.2011 | Additions/ (Disposals) | As at 31.03.2012 | As at 01.04.2011 | For the year | As at 31.03.2012 | As at 31.03.2012 | As at 31.03.2011 |
| Tangible Assets | | | | | | | | |
| A. Land & Development - Leasehold | 211.46 | 29.15 | 240.61 | 0.51 | - | 0.51 | 240.10 | 210.95 |
| B. Building | 229.85 | 64.75 | 294.60 | 64.34 | 9.32 | 73.66 | 220.94 | 165.51 |
| C. Plant , Machinery and Equipment | 279.57 | 160.25 | 439.82 | 113.16 | 24.47 | 137.63 | 302.19 | 166.41 |
| D. LPG Cylinders | 160.98 | - | 160.98 | 102.56 | 17.11 | 119.67 | 41.31 | 58.42 |
| E. LPG Regulators | 9.49 | - | 9.49 | 9.49 | - | 9.49 | - | - |
| F. Furniture and Fixtures | 0.44 | - | 0.44 | 0.19 | 0.03 | 0.22 | 0.22 | 0.25 |
| G. Vehicles & Motor car | 60.76 | - | 60.76 | 10.20 | 6.66 | 16.86 | 43.90 | 50.56 |
| H. Office Equipments - Mobile & Pc | 8.06 | 0.65 | 8.71 | 5.72 | 1.35 | 7.07 | 1.64 | 2.34 |
| I. Office Equipment - Other | 0.30 | - | 0.30 | - | 0.01 | 0.01 | 0.29 | 0.30 |
| Total | 960.91 | 254.80 | 1,215.71 | 306.17 | 58.95 | 365.12 | 850.59 | 654.74 |

Note:

The company has negligible amount of Softwares (Intangible Fixed Assets) and thus the same has been clubbed with Office Equipment - Mobile & PC

NOTE 8 - TRADE RECEIVABLES

| Particulars | 31-Mar-12 | 31-Mar-11 |
|---|----------------|----------------|
| Trade receivables outstanding for a period less than six months from the date they are due for payment Unsecured, considered good | 3189.76 | 2094.20 |
| Less: Provision for doubtful debts | | |
| Total | 3189.76 | 2094.20 |
| Trade receivables outstanding for a period exceeding six months from the date they are due for payment Unsecured, considered good | 89.67 | 99.22 |
| Less: Provision for doubtful debts | 1.23 | 1.23 |
| Total | 88.44 | 97.99 |
| Total | 3278.20 | 2192.19 |



Notes forming part of the financial statements

Rs. in lacs

NOTE 9 - CASH AND CASH EQUIVALENTS

| Particulars | 31-Mar-12 | 31-Mar-11 |
|---|--------------|--------------|
| a. Balances with banks | | |
| (i) In current accounts | 0.22 | 0.16 |
| (ii) In deposit accounts | 0.80 | - |
| (iii) In earmarked accounts | | |
| - Balances held as margin money or security against borrowings (Refer Note (1) below) | 77.77 | 83.18 |
| b. Cash on hand | 21.19 | 1.54 |
| Total | 99.98 | 84.88 |

Notes:

(1) Balances with banks include deposits/margin money amounting to Rs. 2825000.00 (as at 31 March, 2012) which have an original maturity of more than 12 months.

NOTE 10 - SHORT TERM LOAN AND ADVANCES

| Particulars | 31-Mar-12 | 31-Mar-11 |
|--|---------------|---------------|
| (a) Security deposits | | |
| Unsecured, considered good | 42.60 | 45.10 |
| (b) Loans and advances to employees | | |
| Unsecured, considered good | 1.07 | 0.58 |
| (c) Balances with government authorities | | |
| (i) CENVAT credit receivable | 3.83 | 3.83 |
| (ii) VAT credit receivable | 0.69 | 0.39 |
| (iii) Service Tax credit receivable | 0.02 | 0.02 |
| (iv) IT Refundable | 7.04 | 6.73 |
| (v) TDS | 0.69 | 1.70 |
| (vi) Advance IT | 32.53 | 38.90 |
| (d) Advances receivable in cash or in kind or for value to be received | | |
| Unsecured, considered good | 383.56 | 374.64 |
| Total | 472.03 | 471.89 |

NOTE 11 - OTHER CURRENT ASSETS

| Particulars | 31-Mar-12 | 31-Mar-11 |
|----------------------------------|-------------|-------------|
| (a) Accruals | | |
| (i) Interest accrued on deposits | 8.82 | 4.82 |
| Total | 8.82 | 4.82 |

EASTERN GASES LIMITED



Notes forming part of the financial statements

Rs. in lacs

NOTE 12 - MISC. ASSETS

| Particulars | 31-Mar-12 | 31-Mar-11 |
|--------------------|------------------|------------------|
| Prepaid Expenses | 33.53 | 33.54 |
| Total | 33.53 | 33.54 |

NOTE 13 - REVENUE FROM OPERATIONS

| Particulars | 31-Mar-12 | 31-Mar-11 |
|--------------------|------------------|------------------|
| Gross Sales | 13,593.26 | 8,972.53 |
| Less: Taxes | - | - |
| Excise duty | - | - |
| Sales tax | - | - |
| Net sales | 13,593.26 | 8,972.53 |
| Total | 13,593.26 | 8,972.53 |

NOTE 14 - OTHER INCOME

| Particulars | 31-Mar-12 | 31-Mar-11 |
|--------------------------|------------------|------------------|
| Interest Received | 7.26 | 6.45 |
| Product Handling Charges | 2.38 | - |
| Other Misc. Income | 1.29 | 0.69 |
| Total | 10.93 | 7.14 |

NOTE 15 - CHANGES IN INVENTORIES OF STOCK-IN-TRADE

| Particulars | 31-Mar-12 | 31-Mar-11 |
|--|------------------|------------------|
| <u>Inventories at the end of the year:</u> | | |
| Stock-in-trade | 49.66 | 141.42 |
| <u>Inventories at the beginning of the year:</u> | | |
| Stock-in-trade | 141.42 | 96.41 |
| Net (increase) / decrease | 91.76 | (45.01) |

NOTE 16 - EMPLOYEE BENEFITS EXPENSES

| Particulars | 31-Mar-12 | 31-Mar-11 |
|--------------------------------|------------------|------------------|
| Salaries and wages | | |
| (i) Employees Salaries & wages | 16.83 | 14.00 |
| (ii) Salary to director | 11.76 | 10.08 |
| Contributions to | | |
| (i) Provident Fund | 0.18 | 0.18 |
| (ii) Gratuity | - | 0.20 |
| (iii) Medical Insurance | 0.18 | 0.17 |
| Staff welfare expenses | 0.09 | 0.10 |
| Total | 29.04 | 24.73 |



Notes forming part of the financial statements

NOTE 17 - FINANCE COSTS

Rs. in lacs

| Particulars | 31-Mar-12 | 31-Mar-11 |
|------------------------------|------------------|------------------|
| <u>Interest expense</u> | | |
| Interest on car loan | 0.19 | 0.23 |
| Interest on CC | 181.27 | 156.01 |
| Interest on Term Loan | 9.17 | 8.28 |
| Interest on VAT | 0.02 | 0.05 |
| Interest on IT / TDS | 0.98 | 0.01 |
| <u>Other borrowing costs</u> | 16.40 | 9.22 |
| Total | 208.03 | 173.80 |

NOTE 18 - OTHER EXPENSES

| Particulars | 31-Mar-12 | 31-Mar-11 |
|---|------------------|------------------|
| Advertisement | 0.52 | 0.46 |
| Audit Fees | 0.19 | 0.19 |
| Commission | 1.94 | - |
| Conveyance | 0.04 | 0.37 |
| Donation | 2.89 | 0.49 |
| Entertainment | 0.05 | 0.01 |
| Freight | 10.22 | 9.44 |
| Hotel, Boarding & Lodging | 0.10 | 0.34 |
| Insurance | 0.80 | 0.59 |
| <u>Misc.Exp</u> | | |
| a. Printing & Stationary | 0.31 | 1.56 |
| b. Legal & Professional Charges/Fees | 2.11 | 2.36 |
| c. Shares Expenses | 0.77 | 0.66 |
| d. Packing Mat. | 0.01 | 0.84 |
| e. Security Expenses | 2.63 | 3.26 |
| f. General & Other Expenses | 0.74 | 0.58 |
| <u>Power & Fuel</u> | | |
| a. Car Running | 1.63 | 1.14 |
| b. Truck Running & Maintenance | 14.82 | 14.00 |
| c. Electricity & Fuel | 0.92 | 0.53 |
| <u>Rates & Taxes, excluding taxes on income</u> | | |
| a. Service Tax | 3.64 | 1.59 |
| b. ROC | 0.08 | 0.01 |
| c. Any other Govt. Taxes | 0.90 | 0.71 |
| <u>Rent</u> | | |
| a. Lease Rent/Leave & Licence Charges | 1.81 | 2.40 |
| b. Godown | 0.72 | 0.72 |
| Repairs to buildings | 0.88 | 0.05 |
| Repairs to machinery | 1.42 | 2.17 |
| Sales Promotion including publicity | 0.20 | 0.05 |
| Telephone | 0.82 | 0.80 |
| Travelling Expenses incl. foreign travelling | 2.97 | 2.89 |
| Total | 54.13 | 48.21 |


Notes forming part of the financial statements

| Note | Particulars |
|-------------|---|
| 19 | Corporate information |
| | The company is engaged primarily in the business of Bottling, trading of LPG and Retailing of AutoLPG. It has its LPG Bottling plant at Durgapur and AutoLPG retailing station at Paschim Medinipur. |
| 20 | Significant accounting policies |
| | "The Company is a Small and Medium Sized Company as defined in the General Instructions in respect of Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended). Accordingly, the Company has complied with the Accounting Standards as applicable to a Small and Medium Sized Company." |
| 20.1 | Basis of accounting and preparation of financial statements |
| | The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on accrual basis under the historical cost convention. |
| 20.2 | Use of estimates |
| | The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise. |
| 20.3 | Inventories |
| | Inventories are valued at the lower of cost (on FIFO / weighted average basis) and the net realisable value after providing for obsolescence and other losses, where considered necessary. Cost includes all charges in bringing the goods to the point of sale, including octroi and other levies, transit insurance and receiving charges. Work-in-progress and finished goods include appropriate proportion of overheads and, where applicable, excise duty. |
| 20.4 | Cash and cash equivalents (for purposes of Cash Flow Statement) |
| | Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value. |
| 20.5 | Cash flow statement |
| | Cash flows are reported using the indirect method, whereby profit / (loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information. |
| 20.6 | Depreciation and amortisation |
| | Depreciation has been provided on the straight-line method as per the rates prescribed in Schedule XIV to the Companies Act, 1956 except in respect of the following categories of assets, in whose case the life of the assets has been assessed as under: Leasehold land is yet to be amortised Assets costing less than ` 5,000 each are fully depreciated in the year of capitalisation |


Note 20 Significant accounting policies (contd.)

| Note | Particulars |
|--------------|--|
| 20.7 | Revenue recognition |
| | <u>Sale of goods</u> |
| | Sales are recognised, net of returns and trade discounts, on transfer of significant risks and rewards of ownership to the buyer, which generally coincides with the delivery of goods to customers. Sales excludes excise duty, sales tax and value added tax. |
| 20.8 | Other income |
| | Interest & Other income is accounted on accrual basis. |
| 20.9 | Tangible fixed assets |
| | Fixed assets, are carried at cost less accumulated depreciation and impairment losses, if any. The cost of fixed assets includes interest on borrowings attributable to acquisition of qualifying fixed assets up to the date the asset is ready for its intended use and other incidental expenses incurred up to that date. Machinery spares which can be used only in connection with an item of fixed asset and whose use is expected to be irregular are capitalised and depreciated over the useful life of the principal item of the relevant assets. Subsequent expenditure relating to fixed assets is capitalised only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance. |
| 20.10 | Employee benefits |
| | Employee benefits include provident fund, superannuation fund, gratuity fund, compensated absences, long service awards and medical benefits. |
| | <u>Defined contribution plans</u> |
| | The Company's contribution to provident fund is considered as defined contribution plans and are charged as an expense as they fall due based on the amount of contribution required to be made. |
| | <u>Defined benefit plans</u> |
| | For defined benefit plans in the form of gratuity fund the company has made arrangement with Life Insurance Corporation of India. |
| 20.11 | Borrowing costs |
| | Borrowing costs include interest, amortisation of ancillary costs incurred. Costs in connection with the borrowing of funds to the extent not directly related to the acquisition of qualifying assets are charged to the Statement of Profit and Loss over the tenure of the loan. Borrowing costs, allocated to and utilised for qualifying assets, pertaining to the period from commencement of activities relating to construction / development of the qualifying asset upto the date of capitalisation of such asset is added to the cost of the assets. |
| 20.12 | Segment reporting |
| | The Company identifies primary segments based on the dominant source, nature of risks and returns and the internal organisation and management structure. Being Primarily the trading nature of business hence company don't prepare segment reporting |
| 20.13 | Leases |
| | Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognised as operating leases. Lease rentals under operating leases are recognised in the Statement of Profit and Loss on a straight-line basis. |



Note 20 Significant accounting policies (contd.)

| Note | Particulars |
|--------------|--|
| 20.14 | Earnings per share |
| | Basic earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is same as company has no dilutive potential equity shares. |
| 20.15 | Taxes on income |
| | <p>Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961.</p> <p>Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax. Accordingly, MAT is recognised as an asset in the Balance Sheet when it is probable that future economic benefit associated with it will flow to the Company.</p> <p>Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantially enacted as at the reporting date. Deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognised only if there is virtual certainty that there will be sufficient future taxable income available to realise such assets. Deferred tax assets are reviewed at each Balance Sheet date for their realisability.</p> |
| 20.16 | Impairment of assets |
| | The carrying values of assets / cash generating units at each Balance Sheet date are reviewed for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognised, if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor. When there is indication that an impairment loss recognised for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Statement of Profit and Loss, except in case of revalued assets. |
| 20.17 | Provisions and contingencies |
| | A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Contingent liabilities are not recognised but are disclosed in the Notes. Contingent Assets are neither recognized nor disclosed in the financial statements. |
| 20.2 | Balances |
| | Balances of Sundry Debtors, Unsecured Loan & Advances and Sundry Creditors are subject to the confirmation and reconciliation. |
| 20.19 | Service tax input credit |
| | Service tax input credit is accounted for in the books in the period in which the underlying service received is accounted and when there is no uncertainty in availing / utilising the credits. |
| 20.20 | Other Notes |
| | <p>1. The Company did not employ any person during the year with a salary of Rs. 500000/- P.M. Or Rs 6000000/- P.A. and as such information required u/s 217 (2A) of the Companies Act, 1956 ready with Companies (Particular of the employees) Rule, 1975 has not been given.</p> <p>2. The deposit shown in the Balance Sheet is the trade deposit which will not attract the provisions of Section 58A of the Companies Act,1956</p> |



Note 21 Additional information to the financial statements

| Note | Particulars | As at 31/03/2012 Rs. In lacs | As at 31/03/2011 Rs. In lacs |
|-------------|--|---------------------------------|---------------------------------|
| 21.1 | Contingent liabilities | | |
| | (a) Bank Guarantee issued and effective | 400.25 | 5.93 |
| | (b) L.C. issued and effective | - | 400.00 |
| 21.2 | Disclosure under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006 | | |
| | There has been no dues to Micro and Small Enterprises which have been determined to the extent such parties have been identified on the basis of information collected by the Management. This has been relied upon by the auditors. | | |
| 21.3 | Disclosure as per Clause 32 of the Listing Agreements with the Stock Exchanges | | |
| | The company has no Loans and advances in the nature of loans given to subsidiaries, associates and others and investment in shares of the Company by such parties. | | |

Note 22 Disclosures under Accounting Standards

| Note | Particulars | | |
|-------------|---|--|--|
| 22.1 | Related party transactions | | |
| | Description of relationship | Name | Details of transaction |
| | Managing Director | Mr. S.K.Bhansali | Remuneration |
| | Amount-Rs in lacs | | |
| | 11.76 (P.Y.- 10.10) | | |
| | Note: Related parties have been identified by the Management. | | |
| 22.2 | Earnings per share | For the year ended 31/03/2012 | For the year ended 31/03/2011 |
| | Profit for the year (after tax) | Rs.14743000 | Rs.9850000 |
| | Weighted average number of equity shares | 85,69,800 | 85,69,800 |
| | Face value per share | Rs.10 | Rs.10 |
| | Basic/Diluted Earnings per share | 1.72 | 1.15 |
| 22.3 | Deferred Tax Asset | Amount in Rs. | Amount in Rs. |
| | Opening Balance | 31,58,322.00 | 41,07,331.00 |
| | Terminating during the year | 3,66,724.00 | 9,49,009.00 |
| | Net deferred tax asset | 27,91,598.00 | 31,58,322.00 |
| | The Company has recognised deferred tax asset on unabsorbed depreciation and brought forward business losses based on the Management's estimates of future profits considering the customer orders received by the Company. | | |

Note 23 Previous year's figures

| Note | Particulars |
|-----------|---|
| 23 | The Revised Schedule VI has become effective from 1 April, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure. |

| | | |
|---|---------------------|-----------------------------|
| As per our report of even date | | |
| For Sarkar Gurumurthy & Associates | | For and behalf of the Board |
| Chartered Accountants | | Eastern Gases Ltd. |
| (Registration No. 314062E) | | |
| Parimal Sarkar | S.K.Bhansali | S.Baid |
| Partner | Director | Director |
| Membership No. : 051550 | | |
| Place : Kolkata | | |
| Date : May 31, 2012 | | |



Regd. Office : 43, Palace Court, 1, Kyd Street, Kolkata – 700016

Attendance Slip

Shareholders attending the Meeting in person or by Proxy are requested to complete the attendance slip and hand it over at the entrance of the meeting hall.

Folio No. /DP ID
No.*..... &

Client ID No.*..... No. of Share(s) held.....

Full name and address of the Shareholder (in block capitals)

I/We hereby record my/our presence at the **17th ANNUAL GENERAL MEETING** of the Company held on Saturday, the 29th day of September, 2012 at 11.00 am. at Smriti Charitable Medical Centre, 81, K.P.Roy Lane, Haltu, Kolkata – 700078.

.....
Signature of the Shareholder or

proxy

*** Applicable for members holding shares in electronic form.**

Eastern Gases Limited
Regd. Office : 43, Palace Court, 1, Kyd Street, Kolkata – 700016

PROXY FORM

Folio No. /DP ID
No.*..... &

Client ID No.*..... No. of Share(s) held.....

I / We of

..... being a Member /Members of Eastern Gases Limited, hereby appoint

..... of or failing him of

..... or failing him of

..... as my/our Proxy to attend and vote for me / us and on my / our behalf at

the **17th ANNUAL GENERAL MEETING** of the Company to be held on Saturday the 29th September, 2012 at

11 a.m. and at any adjournment thereof.

Signed thisday of2012 Signature (s).....

Affix
revenue
Stamp

Note : The proxy must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the Meeting.

* Applicable only in case of investors holding shares in Electronic Form.

If undelivered, please return to:
EASTERN GASES LIMITED
43 PALACE COURT,
1 KYD STREET
KOLKATA - 700016