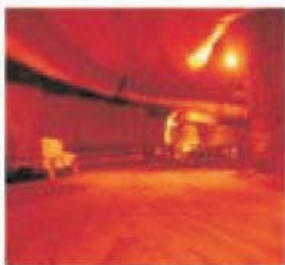


# 7<sup>th</sup> वार्षिक रिपोर्ट ANNUAL REPORT 2010-11



**ISPRL**

**इंडियन स्ट्रेटेजिक पेट्रोलियम रिज़र्वस् लिमिटेड**

(ओ.आई.डी.बी. की पूर्ण स्वामित्व की सहायक कम्पनी)

पेट्रोलियम एवं प्राकृतिक गैस मंत्रालय, भारत सरकार

**Indian Strategic Petroleum Reserves Limited**

(A wholly owned subsidiary of OIBD)

Ministry of Petroleum and Natural Gas, Govt. of India

## Board of Directors

<b>Shri G.C. Chaturvedi</b>	Chairman	(w.e.f. 11 <sup>th</sup> May 2011)
<b>Shri S. Sundareshan</b>	Chairman	(till 2 <sup>nd</sup> May 2011)
<b>Shri Sudhir Bhargava</b>	Director	(w.e.f. 19 <sup>th</sup> May 2010)
<b>Shri Arun Kumar</b>	Director-Incharge	
<b>Shri L. N. Gupta</b>	Director	



**CHIEF EXECUTIVE OFFICER**

Shri Rajan K. Pillai

**COMPANY SECRETARY**

Smt. Sudha Venkata Varadhan

**STATUTORY AUDITORS**

M/s.Rastogi Narain & Co., Chartered Accountants  
Flat No. 303, DDA HIG Multi Storey, Block-1,  
Rani Jhansi Complex, Desh Bandhu Gupta Road  
Paharganj, New Delhi – 110 055

**BANKERS**

**Bank of India**, New Delhi Overseas Branch,  
Vijaya Building, 17, Barakhamba Road,  
New Delhi-110 001

**Corporation Bank**  
M-41, Connaught Circus,  
New Delhi-110 001

**REGISTERED OFFICE**

301, World Trade Centre, 3rd Floor, Babar Road,  
New Delhi-110 001

**ADMINISTRATIVE OFFICE**

OIDB Bhawan, 3rd Floor, Plot No.2, Sector - 73, Noida-201301, U.P.  
Phone No: 91-120-2594641 Fax No. 91-120-2594643  
Website : [www.isprlindia.com](http://www.isprlindia.com)  
Email : [isprl@isprlindia.com](mailto:isprl@isprlindia.com)

**Vishakhapatnam Project Office :**

Lovagardens, Behind HSL Fabrication Yard,  
Gandhigram Post Visakhapatnam-530 005  
Phone : 0891-2574059,  
Fax : 0891-2573503

**Mangalore Project Office :**

Strategic Storage of Crude Oil Project  
Chandrasahas Nagar, Permude P.O.,  
Mangalore - 574 509  
Tel : 0824 - 3006100, Fax : 0824-3006111

**Padur Project Office**

PO : Padur, Via Kaup, Dist. Udupi - 574 106  
Karnataka  
Phone : 0820-2576683, Fax : 0820-2576629

## Directors' Report

To  
The Shareholders,  
Indian Strategic Petroleum Reserves Limited

On behalf of the Board of Directors, it is my privilege to present the 7<sup>th</sup> Annual Report on the working of the Company for the year ended 31<sup>st</sup> March 2011 together with the audited Statement of Accounts and Auditors' Report thereon.

### THE COMPANY

Indian Strategic Petroleum Reserves Limited (ISPRL) was incorporated on 16<sup>th</sup> June, 2004 as a wholly owned subsidiary of Indian Oil Corporation Limited. Certificate of commencement of business was obtained from Registrar of Companies on 17.03.2006. The entire shareholding of the company was subsequently taken over by Oil Industry Development Board (OIDB) and its nominees on 9<sup>th</sup> May 2006. As on 31.3.2011 the authorized capital and Issued/subscribed/Paid up capital of the company were Rs. 2,397 crores and 961.99 crores respectively (includes Rs. 442.74 crores pending allotment).

The main objectives of the Company are to own and control its crude oil inventories and to coordinate the release and replacement of its crude oil stock as per the specific instruction of the Government and to carry on the business of storage, handling, treatment, carriage, transport, dispatch, supply, marketresearch, advice, consultancy, service providers, brokers and agents, engineering and civil designers, contractors, wharfingers, warehousesman, producers, dealers of oil and oil products, gas and gas products, petroleum and petroleum products, fuels, spirits, chemicals, liquids of all types and kinds and the compounds, derivatives, mixtures, preparations and products thereof.

### PERFORMANCE OVERVIEW

Your Company has been mandated to establish strategic crude oil storage of 5.33 MMT. The locations selected for creating the strategic reserves are Vishakhapatnam (1.33 MMT), Mangalore (1.5 MMT) and Padur (2.5 MMT). The Capital cost for constructing the strategic storage facilities is estimated to be Rs.2763 crores including revised costs of Vishakhapatnam project cost of Rs.1038 crores approved in June 2011 and Mangalore & Padur project costs at September 2005 prices. The project costs of the Mangalore and Padur projects are under revision. OIDB will be funding the entire construction costs. These construction costs exclude the price of crude oil which shall be procured at the prevailing market rates after the respective caverns are ready to be filled in accordance with financing pattern as may be decided by Government.

Your company has taken various initiatives in furtherance of its objectives and the status of the projects are as under:-

### **1. Vishakhapatnam (Storage Capacity : 1.33 MMT)**

Engineers India Limited (EIL) has been appointed as Project Management Consultant (PMC). Out of 68 acres of land required for the project, 38 acres has been taken on lease from Vishakhapatnam Port Trust (VPT) and Memorandum of Understanding (MoU) has been signed for the balance land with Eastern Naval Command. Statutory clearances have been obtained. After supplementary site investigations, to avail the benefits of lower marginal costs for additional capacity, the cavern capacity has been increased to 1.33 MMT and approval accorded by the Government for the same.

The Underground works are being carried out by M/s Hindustan Construction Company. As of March 31<sup>st</sup> 2011, 18.74 lacs cubic meters of excavation was completed. The above ground works were awarded to M/s IOTIESL on 30.11.2009. As on 31.3.2011, orders for major critical items like crude submersible pumps and seepage water pumps etc. were placed. Materials have started arriving at site and site grading works were in progress. The overall project progress as of 31.3.2011 is 74.1%. The scheduled mechanical completion date for the project is October, 2011 and commissioning date is April, 2012. However, a rock slide incident inside Cavern A has impacted the completion schedule. The repair/restoration works are in progress.

### **2. Mangalore (Storage Capacity : 1.5 MMT)**

EIL has been appointed as the Project Management Consultant. The land identified for Mangalore Cavern falls in the Mangalore SEZ area and 100 acres of land has been acquired from the Mangalore Special Economic Zone Limited (MSEZL). Environmental clearance has been received from MOE&F and Consent for Establishment has also been obtained from the State Pollution Control Board.

The Underground civil works are carried out through Joint Venture of M/s SK Engineering & Construction and Karam Chand Thapar (SKEC-KCT JV). Till 31<sup>st</sup> March 2011 a total of 3.04 lacs cubic meters. of excavation has been completed out of 22.65 Lacs cubic meters., corresponding to 3.9 kms. of tunneling out of 8.6 kms. of total tunneling. A total of 45 meters. of shafts were completed out of 232.4 meters. planned. For the aboveground works, four bidders were techno-commercially acceptable and their priced bids were opened on 3<sup>rd</sup> February 2011. Since it was discovered during evaluation that one Indian Bidder had quoted in two currencies, the tender could not be finalized by 31.3.2011. The Mechanical completion shall depend on placement of order for above ground works. The overall project progress as of 31.3.2011 is 33.6%.

Approval of Ministry of Commerce for Mangalore Project as co-developer of Free Trade Warehousing Zone (FTWZ) within MSEZ was received on 12<sup>th</sup> August 2010.

### **3. Padur (Storage Capacity : 2.5 MMT)**

EIL has been appointed as the Project Management Consultant. Government of Karnataka has issued the order for land acquisition at Padur/Heruru villages in October 2008. Approximately

182 acres of land at Padur is being acquired through Karnataka Industrial Area Development Board (KIADB), out of which possession of 101.815 acres has been taken over in May 2010.

The underground civil works have been split into two parts i.e. Part A & Part B. The Part A works have been awarded to M/s HCC for Rs 374.66 crores and Part B has been awarded to M/s SKEC-KCT JV for Rs 375.92 Crores on 29.12.2009 with completion time as 36 months. However as land was handed over by KIADB to ISPRL on 29<sup>th</sup> May 2010, the zero date for commencement of construction activities was 29<sup>th</sup> May 2010. The tender for aboveground works had been finalized by EIL and work order is in the process of awarding shortly. The overall project progress as of 31.3.2011 is 26%.

For the Mangalore-Padur pipeline Right of Use (ROU) acquisition, DC, Mangalore & DC, Udupi have nominated Special Land Acquisition Officer (SLAO) Karnataka Industrial Area Development Board (KIADB) as the land acquisition officer. ROU acquisition is being undertaken through KIADB and 3(1) notification has been issued in January 2011. Notices have been sent to individual land owners.

The significant events that occurred between 31.3.2011 and the date of the Directors' Report are:-

- i. Placement of order for Mangalore above ground works on M/s Punj Lloyd after the reverse auction process at a total cost of Rs.329.979 crores (order placed in July 2011).
- ii. Placement of order for preparation of Detailed Feasibility Report (DFR) for Phase II storages of 12.5 MMT capacity at 4 locations i.e. Padur, Rajkot, Chandikhol & Bikaner was awarded to EIL with order value of Rs.7 crores (order placed in July 2011).
- iii. Subsequent to approval of Ministry of Commerce for becoming co-developer of Free Trade Warehousing Zone (FTWZ) at Mangalore in August 2010, SEZ Board of Approval has approved "Authorized Operations" for Mangalore project in its 48<sup>th</sup> meeting held on 19.9.2011 and the project is now entitled to claim fiscal incentives available under the SEZ Act, 2005.
- iv. Submission of application for getting Padur project declared as FTWZ has been submitted to Ministry of Commerce in July 2011. SEZ Board of Approval had also approved the Padur project as FTWZ in its 48<sup>th</sup> meeting held on 19.9.2011. Statutory requirements are being taken up for availment of fiscal benefits for Padur project as are eligible for FTWZ under the SEZ Act, 2005.
- v. Final notification for acquisition of additional 42 acres of land at Padur issued in July 2011.
- vi. Reverse auction for the award of Aboveground works at Padur was conducted on 29.9.2011 and M/s.Linde Engineering India Pvt. Ltd. emerged as L1 bidder at a bid price of Rs.354.25 crores.

## FINANCIAL RESULTS

Summary of the Financial Results for the year ended 31<sup>st</sup> March 2011 are given below:

S. No.	Particulars	Rupees (in lakh)		Reference to Balance Sheet
(A)	Opening Balance of Pre-operative expenses as on 1 <sup>st</sup> April 2010		48115.28	<b>Schedule 3</b> - Closing balance as of 31.3.2010
(B)	Pre-Operative Expenses during the year		42294.32	<b>Schedule 3</b> - Difference between Closing balance of expenditure as of 31.3.2011 and Opening balances of expenditure as on 1.4.2010
(C)	<b>Increase in Fixed Assets</b>			<b>Schedule 2</b> – from column “additions during the year”
	Fixed assets-Land	2138.11		
	Others Fixed Assets	3.59		
	Increase in Fixed Assets		2141.70	
(D)	Miscellaneous expenses during the year (to the extent not written off)			<b>Point No. B(3)</b> of Balance Sheet
(E)	Profit & Loss A/c		920.25	
(F)	<b>Net Current Assets</b>			<b>Schedule 4</b>
	(i) Current Assets, Loans & Advances	6200.01		
	(ii) Current Liabilities & Provisions	9911.18		<b>Schedule 5</b> for current liabilities and <b>point no. B(2)</b> of main balance sheet for provisions
	Net Current Assets (i)-(ii)		-3711.17	
<b>Total Expenditure (A+B+C+D+E+F)</b>			<b>89760.38</b>	

ISPRL is eligible for utilization of CENVAT credit against future tax liabilities, for taxes paid on eligible inputs taken for implementation of the projects. Also taxes paid on inputs for Mangalore and Padur projects could be eligible for refund under SEZ Act, 2005. Accordingly, CENVAT tax credit of Rs. 4694 lacs (including Rs. 2499 lacs upto 31<sup>st</sup> March 2010) has been accumulated during 2010-11 for set off against future tax liabilities of ISPRL/refund under SEZ Act, 2005.

## AUDITOR'S REPORT

Statutory Auditors of the Company i.e. M/s Rastogi Narain & Co, Chartered Accountants have submitted their report on the accounts of the Company for the period ended 31<sup>st</sup> March 2011 and the same is annexed hereto.

C&AG, on the basis of supplementary audit conducted under section 619(3) (b) of the Companies Act, 1956 of the financial statements of the company for the year ended 31<sup>st</sup> March 2011, have



made 2 observations under Section 619 (4) of the Companies Act, 1956. The observations of the C&AG along with Management reply thereto are annexed.

**REPORT ON ENERGY CONSERVATIONS, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGES/OUTGO UNDER SECTION 217 (1) OF THE COMPANIES ACT :**

As the Company has not yet commenced the actual business, the information in respect of power and fuel consumption and consumption per unit of production are nil. There is no foreign exchange earnings/outgo for the Company during the period under review.

**PARTICULARS OF EMPLOYEES:**

The information about particulars of employees pursuant to Section 217 (2A) of the Companies Act, 1956 and the rules framed there under is nil.

**DIRECTORS' RESPONSIBILITY STATEMENT**

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

1. That in preparation of the Annual Accounts for the financial year ended 31<sup>st</sup> March 2011, the applicable accounting standards had been followed
2. That the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year.
3. That 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 ;
4. That the Directors had prepared the accounts for the financial year ended 31<sup>st</sup> March, 2011 on a 'going concern' basis.

**BOARD OF DIRECTORS**

ISPRL Board presently comprises of 4 part-time Non-Executive Directors (ex-officio) as follows :-

- 1) Shri G.C. Chaturvedi, Secretary, Ministry of Petroleum and Natural Gas (MOP&NG) - Chairman
- 2) Shri Sudhir Bhargava, Additional Secretary, MoP&NG - Director
- 3) Shri Arun Kumar, Secretary, OI DB - Director Incharge
- 4) Shri L.N. Gupta, Joint Secretary (R), MOP&NG - Director



The following are the changes in directorships that occurred since 1<sup>st</sup> April 2010 :-

- 1) Shri S. Sundareshan, Chairman (till 02.05.2011)
- 2) Shri G. C. Chaturvedi, Chairman (w.e.f. 11.05.2011)
- 2) Shri Sudhir Bhargava, Director (w.e.f. 19.05.2010)

The Board of Directors place on record their sincere appreciation of the valuable services rendered by Shri S. Sundareshan during his tenure on the Board.

**ACKNOWLEDGEMENT:**

The Board of Directors gratefully acknowledges the valuable guidance and support received from the Govt. of India and Oil Industry Development Board.

For and on behalf of the Board

**Sd/-**  
**(Arun Kumar)**  
**Director-Incharge**

Date: 25/10/2011  
Place: New Delhi

## AUDITORS' REPORT

### TO THE MEMBERS OF INDIAN STRATEGIC PETROLEUM RESERVES LIMITED

We have audited the attached Balance Sheet of INDIAN STRATEGIC PETROLEUM RESERVES LIMITED as at 31<sup>st</sup> March 2011 and also the Profit and Loss Account and Cash Flow Statement of the company 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

#### We report that

1. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we annex a statement on the matters specified in paragraphs 4 & 5 of the said Order.
2. Further to our comments in the Annexure referred to in paragraph (1) above, we report that:
  - i. 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;
  - ii. 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 those books; and proper returns adequate for the purpose of audit have been received from the branches not visited by us;
  - iii. The Balance Sheet and Profit and Loss Account and Cash Flow Statement dealt with by this report is in agreement with the books of account;
  - iv. In our opinion the Balance Sheet and Profit and Loss Account and Cash Flow Statement comply with the accounting standards as referred to in Section 211 (3C) of the Companies Act, 1956 *except non provision of retirement benefits as required by Accounting Standard-15, in view of the fact that company's work is presently handled by deputationists, (Refer Note No.12 of schedule 7), the effect of non-provision, has not been ascertained.*

- v. Disclosure in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 is not required as per Notification No. GSR 829 (E) dated October 21<sup>st</sup> 2003 issued by the Department of Company Affairs.
- vi. 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 Accounting Policies and Notes thereon and *subject to Note no. 9 of schedule 7 regarding eligibility of CENVAT credit of Rs. 4,694 Lacs (including Rs. 2,499 Lacs upto March 2010) during the year based on the opinion of a leading consultant though the company was registered with the Service Tax Authorities in January 2011* 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:
  - a. In the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2011; and
  - b. In case of the Profit and Loss account, of the Loss for the year ended on that date.
  - c. In case of the Cash Flow Statement for the Cash Flow for the year ended on that date.

For **Rastogi Narain & Co.**  
Chartered Accountants  
Firm Registration No. 008775N

**Sd/-**  
**(SHANTI NARAIN)**  
**Partner**  
M.No.087370

Place : New Delhi  
Date : 13.09.2011

### ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 1 of our report of even date to the members of Indian Strategic Petroleum Reserves Limited for the year ended 31<sup>st</sup> March 2011)

1.
  - a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
  - b) As explained to us the fixed assets have been physically verified by the management at the end of the year. In our opinion, the frequency of verification is reasonable having regard to the size of the company and the nature of its fixed assets. No discrepancies were noticed on such verification.
  - c) In our opinion, a substantial part of fixed assets have not been disposed off by the company during the year.
2.
  - a) The company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act 1956.
  - b) The company has not taken any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.  
Accordingly, paragraph (iii)(b), (iii)(c), (iii)(d), (iii)(e), (iii)(f) and (iii)(g) of the Order are not applicable.
3. In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the company and the nature of its business, for the purchase of fixed assets. Further, on the basis of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control procedures.
4. According to the records of the company, there are no transactions that need to be entered in the Register maintained under section 301 of the Companies Act, 1956 in pursuance of said section.
5. The company has not accepted any deposits from the Public within the meaning of section 58A & 58AA or any other relevant provisions of the Act, 1956 and rules framed thereunder.
6. In Our opinion, the Company has *an internal audit system which needs to be strengthened to make the same commensurate with its size and nature of its business*
7.
  - a) According to the information and explanations given to us and records of the company examined by us, in our opinion, the company is generally regular in depositing the statutory dues including income tax and other material statutory dues as applicable with the appropriate authorities in India. *However Tax Deduction at Source amounting to Rs. 0.08 Lacs being undisputed statutory due remains outstanding for more than six months from the date it became payable as at the last day of the financial year.*
  - b) According to the information and explanation given to us and the records of the

- company examined by us, there are no dues of sales tax, income tax, wealth tax, service tax and cess, which have not been deposited on account of any dispute.
8. In our opinion the accumulated losses of the Company are less than fifty percent of the net worth as at 31<sup>st</sup> March 2011. The Company has incurred cash losses during the financial year ended on that date and in the immediately preceding financial year.
  9. The company has not taken any loan from financial institutions or banks and further no debentures have been issued by the company.
  10. Based on our examination of the records and the information and explanations given to us, the Company has not granted any loans and/or advances on the basis of security by way of pledge of shares, debentures and other securities.
  11. In our opinion, the company is not a dealer or trader in shares, securities, debentures and other investments.
  12. According to the information and explanations given to us, the company has not given guarantee for loans taken by others from banks and financial institutions.
  13. According to the information and explanations given to us, the Company has not taken any term loans.
  14. 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 investments.
  15. The company has not made preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year. The company is 100% subsidiary of Oil Industry Development Board (OIDB).
  16. No Debentures have been issued by the Company during the year.
  17. The Company has not raised any money by public issues during the year.
  18. During the course of our examination of the books and records of the company, carried out in accordance with generally accepted auditing practices in India, we have neither come across any instance of fraud on or by the company, noticed or reported during the year, nor have we been informed of such cases by the management.
  19. Clause 4(ii)(a), (ii)(b), (ii)(c), 4(viii), and 4(xiii) of the Companies (Auditor's Report) are either not applicable or transactions are nil as such no detailed information/ comments have been furnished.

**For Rastogi Narain & Co.**

Chartered Accountants

Firm Registration No. 008775N

Sd/-

**(Shanti Narain)**

Partner

M.No. 87370

Place : New Delhi

Date : 13.09.2011



# ANNUAL ACCOUNTS

## 2010-2011

## Balance Sheet as on 31st March 2011

PARTICULARS	Sch	Amt. in Rupees as at 31.03.2011	Amt. in Rupees as at 31.03.2010
<b>A. SOURCES OF FUNDS</b>			
Shareholders Fund :			
- Share Capital	1	9,619,975,833	5,196,434,004
<b>TOTAL</b>		<b>9,619,975,833</b>	<b>5,196,434,004</b>
<b>B. APPLICATIONS OF FUNDS</b>			
<b>1. Fixed Assets</b>			
- Gross Block	2	898,556,903	684,386,408
Less:- Accumulated Depreciation		40,449,127	1,165,199
		858,107,776	683,221,209
- Construction Work in Progress	3	9,040,959,867	4,811,527,820
		<b>9,040,959,867</b>	<b>4,811,527,820</b>
<b>2. Current Assets, Loans &amp; Advances</b>	4		
- Cash & Bank Balances		7,469,709	1,560,494
- Loans & Advances		612,531,735	330,779,820
		620,001,444	332,340,314
<b>Less : Current Liabilities &amp; Provisions</b>			
- Current Liabilities	5	991,118,882	655,045,545
- Provision for Taxes		-	422,018
		991,118,882	655,467,563
<b>Net Current Assets</b>		<b>(371,117,439)</b>	<b>(323,127,249)</b>
<b>3. Profit &amp; Loss Account</b>			
- As per P&L Account		92,025,629	24,812,223
<b>TOTAL</b>		<b>9,619,975,833</b>	<b>5,196,434,004</b>
- Statement of Significant Accounting Policies	6		
- Notes on the Accounts	7		

For and on behalf of the Board

Sd/-  
(Sudha Venkata Varadhan)  
Company Secretary

Sd/-  
(D. K Agarwal)  
Chief Finance Officer

Sd/-  
(Rajan K. Pillai)  
Chief Executive Officer

Sd/-  
(L. N. Gupta)  
Director

Sd/-  
(Arun Kumar)  
Director-Incharge

As per our report of even date attached  
For Rastogi Narain & Co.  
Chartered Accountants  
FRN.008775N

Sd/-  
(Shanti Narain)  
Partner

Membership No. 087370  
Place : New Delhi  
Date : 13.09.2011



### Profit & Loss Account for the Year Ended 31.03.2011

	Amt. in Rupees for the current year	Amt. in Rupees for the previous year
<b>Income</b>	-	-
Total	-	-
<b>Expenditure</b>		
Statutory Auditors Remuneration	184,750	96,275
Internal Auditors Remuneration	75,000	-
Office Expenses	2,012,403	510,263
Depreciation / Amortisation	39,549,061	255,593
ROC Charges	3,000	6,000
Loss of Sale on Assets	160,682	-
Preliminary Expenses	-	23,944,092
Stamp Duty	25,276,234	-
<b>Total</b>	<b>67,261,130</b>	<b>24,812,223</b>
Loss for the Year	(67,261,130)	(24,812,223)
<b>Less : Adj for prior period taxes</b>	47,724	0
Loss for the year after prior period tax	(67,213,406)	(24,812,223)
Add : Balance brought forward from previous year	(24,812,223)	0
<b>Net Loss for the period transferred to Balance Sheet</b>	<b>(92,025,629)</b>	<b>(24,812,223)</b>
Basic Earnings Per Share	(0.13)	(0.07)
Diluted Earnings Per Share	(0.07)	(0.05)
Statement of Significant Accounting Policies	6	
Notes on the Accounts	7	

For and on behalf of the Board

Sd/-  
(Sudha Venkata Varadhan)  
Company Secretary

Sd/-  
(L. N. Gupta)  
Director

Sd/-  
(D. K Agarwal)  
Chief Finance Officer

Sd/-  
(Arun Kumar)  
Director-Incharge

Sd/-  
(Rajan K. Pillai)  
Chief Executive Officer

As per our report of even date attached  
For Rastogi Narain & Co.  
Chartered Accountants  
FRN. 008775N

Sd/-  
(Shanti Narain)  
Partner  
Membership No. 087370  
Place : New Delhi  
Date : 13.09.2011

**Schedules Annexed to and forming part of the Balance Sheet as on  
31<sup>st</sup> March 2011**

PARTICULARS	Amt. in Rupees as at 31.03.2011	Amt. in Rupees as at 31.03.2010
<b>Schedule-1</b>		
<b>SHARE CAPITAL</b>		
<b>- Authorized Capital</b> (2,397,000,000 Equity Shares of Rs. 10/- each) (Previous year Equity Shares 1,000,000,000 of Rs. 10/- each)	23,970,000,000	10,000,000,000
<b>- Issued, Subscribed &amp; Paid Up Capital</b> (519,254,076 Equity Shares of 10/- each) (Previous Year 341,243,476 Equity Shares of Rs. 10/- each)	5,192,540,760	3,412,434,760
<b>- Share Application Money</b> (Pending Allotment)	4,427,435,073	1,783,999,244
<b>Total</b>	<b>9,619,975,833</b>	<b>5,196,434,004</b>
Oil Industry Development Board (OIDB) and its nominees hold 100% of the Issued, Subscribed & Paid up Capital.		

Schedule-2

S. No.	Particulars	Gross Block			Depreciation			Net Block (WDV)		
		As on 01.04.10	Additions During the Year	Deletion During the Year	As on 31.03.11	As on 01.04.10	During the Year	Adjustments	As on 31.03.11	As on 31.03.10
1	Leasehold Land (Mangalore)	413,105,000	-	-	413,105,000	-	17,518,883	-	395,586,117	413,105,000
2	Leasehold Land (Vishakhapatnam)	269,005,498	-	-	269,005,498	-	9,963,167	-	259,042,331	269,005,498
3	Leasehold Land (Padur)		213,811,500	-	213,811,500	-	11,775,133	-	202,036,367	-
4	Computer	1,216,409	675,268	103,745	1,787,932	771,321	195,899	86,887	907,599	445,088
5	Office Equipment	581,458	153,050	22,200	712,308	171,166	72,212	3,879	472,809	410,292
6	Furniture & Fixture	414,988	-	343,378	71,610	204,258	17,563	174,367	24,156	210,730
7	Books	24,359	-	-	24,359	6,388	2,500	-	15,471	17,971
8	Dip Meter	38,696	-	-	38,696	12,066	3,704	-	22,926	26,630
	<b>T O T A L</b>	<b>684,386,408</b>	<b>214,639,818</b>	<b>469,323</b>	<b>898,556,903</b>	<b>1,165,199</b>	<b>39,549,061</b>	<b>265,133</b>	<b>858,107,776</b>	<b>683,221,209</b>
	<b>Previous Year</b>	<b>684,386,408</b>	<b>261,900</b>	<b>-</b>	<b>684,386,408</b>	<b>909,606</b>	<b>1,165,199</b>	<b>-</b>	<b>683,221,209</b>	<b>684,386,408</b>

**Balance Sheet as on 31<sup>st</sup> March 2011**

Schedule-3	Amt. in Rupees as at 31.03.2011	Amt. in Rupees as at 31.03.2010
<b>A Construction Work-in-progress</b> (including unallocated capital expenditure, material at site)		
<b><u>Vishakhapatnam Cavern Storage project</u></b>		
Underground Civil Works	3,854,128,383	3,035,840,119
Aboveground process Facilities	746,622,030	-
Project Management Consultancy	762,903,802	600,097,601
Study & Survey	17,367,914	17,367,914
Other Project Expenses	12,212,934	6,630,077
Head Office Expenses	78,610,536	58,377,530
<b><u>Padur Cavern Storage project</u></b>		
Underground Civil Works	1,270,084,862	-
Project Management Consultancy	615,591,253	469,646,370
Study & Survey	13,873,430	13,336,681
Other Project Expenses	2,994,084	1,527,156
Head Office Expenses	14,854,729	7,728,144
<b><u>Mangalore Cavern Storage project</u></b>		
Underground Civil Works	1,103,214,586	193,142,121
Project Management Consultancy	513,281,017	380,205,390
Study & Survey	14,963,137	14,353,931
Other Project Expenses	4,575,693	3,839,457
Head Office Expenses	15,681,478	9,435,329
<b>Total</b>	<b>9,040,959,867</b>	<b>4,811,527,820</b>

<b>Schedule-4 Current Assets, Loans and advances</b>	<b>Amt. in Rupees as at 31.03.2011</b>	<b>Amt. in Rupees as at 31.03.2010</b>
<u>Cash &amp; Bank Balances</u>		
- Cash in hand	15,783	23,670
- Balances with scheduled bank (in current accounts)	7,453,926	1,536,824
	<b>7,469,709</b>	<b>1,560,494</b>
<u>Loans &amp; Advances (unsecured considered good)</u>		
Advance against land (Padur)	111,400,000	325,211,500
Advance Against Diesel Padur Project	9,973,822	-
Security Deposits	10,397,644	2,047,820
Service Tax Cenvet Credit	469,460,689	-
Advance Fringe Benefit Tax	-	408,380
Advance Income Tax	218,965	143,733
Advances recoverable in cash or in kind or for value to be received	11,080,616	2,968,387
<b>Total</b>	<b>612,531,735</b>	<b>330,779,820</b>

<b>Schedule - 5 Current Liabilities &amp; Provisions</b>	<b>Amt. in Rupees as at 31.03.2011</b>	<b>Am. in Rupees as at 31.03.2010</b>
<u>Current Liabilities</u>		
Sundry Creditors for Goods & Expenses	739,702,922	526,868,267
Security / Earnest Money Deposit	566,417	266,761
Provision for Stamp Duty	26,209,234	933,000
Other Liabilities	224,640,310	126,977,517
<b>Total</b>	<b>991,118,882</b>	<b>655,045,545</b>

**Schedule 6**

**SIGNIFICANT ACCOUNTING POLICIES**

**1 a. Basis of accounting**

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956, under the historical cost convention on the accrual basis of accounting and in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India referred to in section 211(3C) of the Companies Act 1956.

**b. Use of estimates**

The financial statements have been prepared in conformity with generally accepted accounting policies requiring management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported accounts of revenues and expenses for the years presented.

**c. Fixed Assets/ Intangible Assets**

Fixed Assets

All fixed assets are stated at cost less accumulated depreciation. Cost includes purchase price and all other attributable costs of bringing the assets to working condition for intended use.

Land acquired on perpetual lease as well as on lease for over 99 years is treated as free hold land. Land acquired on lease for 99 years or less is treated as leasehold land.

Intangible Assets

Intangible assets are recognized if:

- it is probable that the future economic benefits that are attributable to the assets will flow to the company, and
- the cost /fair value of the assets can be measured reliably.

**d. Depreciation / Amortization**

Depreciation is provided on written down value method at the rates specified in Schedule XIV to the Companies Act 1956.

The Land Cost is amortized over the remaining period of lease.

**e. Revenue Recognition ; Construction Work in Progress & Allocation and Apportionment of expenses**

- i. The project for Strategic Oil Reserves is under implementation and the Company has not started commercial operations. The Profit & Loss account is prepared to comply with Accounting Standard 26 on Intangible Assets issued by The Institute of Chartered Accountants of India. As per Accounting Standard 10 on Fixed Assets, expenses not attributable to the projects are charged to Profit & Loss account.

- ii. The expenses incurred for project development, feasibility studies, fees to pollution control Boards, Project Management Consultancy charges, Land acquisition expenses, payments made to the contractors (underground/aboveground), Advertisement expenses, Insurance premia, cost of diesel supplied for underground works etc. have been shown as “Construction Work In Progress”.
- iii. The indirect/incidental expenses (including Head Office expenses) are apportioned to all the three projects i.e. Vishakhapatnam, Mangalore and Padur in proportion to the direct expenditure incurred as on the close of the financial year.

#### **f. Provisions and contingencies**

The Company recognises a provision when there is present obligation as a result of past event and it is more likely than not that there will be an outflow of resources to settle such obligation and the amount of such obligation can be reliably estimated. Provisions are not discounted to their present value and are determined based on the management’s best estimate of the amount of obligation at the year-end. These are reviewed at each balance sheet date and adjusted to reflect management’s best estimates.

Contingent liabilities are disclosed in respect of possible obligations that have arisen from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of future events not wholly within the control of the Company. Contingent liabilities are also disclosed for present obligations in respect of which it is not probable that there will be an outflow of resources or a reliable estimate of the amount of obligation cannot be made.

When there is a possible obligation or a present obligation where the likelihood of an outflow of resources is remote, no disclosure or provision is made.

#### **g. Impairment of assets**

Management periodically assesses using external and internal sources whether there is an indication that an asset may be impaired. Impairment occurs where the carrying value exceeds the present value of the future cash flows expected to arise from the continuing use of the asset and its eventual disposal. The impairment loss to be expensed is determined as the excess of the carrying amount over the higher of the assets net selling price and present value as determined above. An impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount. An impairment loss is recorded only to the extent that assets carrying cost does not exceed the carrying amount that would have been determined net of depreciation and amortisation, if no impairment loss has been recognised.



#### **h. Leases**

##### *Operating leases*

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor, are recognized as operating leases. Lease payments under operating lease arrangements are recognized as an expense under the head Construction work in progress on a straight line basis over the lease term.

#### **2. Employee Benefits**

As on date the Company had no employee on its own payroll and the company's work is presently handled by deputationists. Hence the provision of AS-15 on "Employee Benefits" are not applicable.

#### **3. Foreign Currency Transactions**

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transactions. Monetary items denominated in foreign currency and outstanding at the balance sheet date are translated at the exchange rate prevailing on the balance sheet date. Exchange differences on foreign exchange transactions other than those relating to fixed assets are recognised appropriately. Any gain/loss on exchange fluctuation on the date of payment of expenditure incurred for acquisition of fixed assets is treated as an adjustment to the carrying cost of such fixed assets.

#### **4. Taxation**

Income tax comprises current tax and deferred tax. Deferred tax assets and liabilities are recognized for the future tax consequences of timing differences, subject to the consideration of prudence. Deferred tax assets and liabilities are measured using the tax rates enacted or substantively enacted by the balance sheet date. As a prudent measure the Company has not recognized Deferred Tax Asset.

#### **5. Earning Per Share**

Basic Earnings Per Share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity share outstanding during the period.

For the purpose of calculating Diluted Earnings PerShare, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period will be adjusted for the effects of all dilutive potential equity shares.

**SCHEDULE - 7****NOTES FORMING PART OF THE ACCOUNTS****1. Background**

Indian Strategic Petroleum Reserves Limited was incorporated on 16<sup>th</sup> June 2004 by IOCL as its subsidiary. The entire shareholding of the Company was taken over by OIDB and its nominees on 9<sup>th</sup> May 2006.

The main objects of the Company are to own and control its crude oil inventories and to coordinate the release and replacement its Crude Oil stock as per the specific instruction of the Government and to carry on the business of storage, handling, treatment, carriage, transport, dispatch, supply, market, research, advice, consultancy, service providers, brokers and agents, engineering and civil designers, contractors, wharfingers, warehousesman, producers, dealers of oil and oil products, gas and gas products, petroleum and petroleum products, fuels, spirits, chemicals, liquids of all types and kinds and the compounds, derivatives, mixtures, preparations and products thereof.

**2. Contingent liabilities and commitments****a. Capital Commitments**

	<b>As on 31.3.2011 (Rs. Lacs)</b>	<b>As on 31.03.2010 (Rs. Lacs)</b>
Estimated amount of contracts remaining to be executed on capital account not provided for	<b>1,52,679 (approx)*</b>	<b>1,89,900 (approx)*</b>

\* Mainly comprises balance commitments arising out of major contracts signed by company for project execution activities with

- M/s. Engineers India Limited for Project Management Consultancy
- Contractors for underground civil works at Vishakhapatnam/Mangalore & Padur
- Aboveground process facilities at Vishakhapatnam
- M/s. MRPL and IOCL for diesel supplies (at current product rate for balance quantity to be supplied)
- Annual lease rentals for Vishakhapatnam land, development etc.

**b. Contingent Liabilities**

	<b>As on 31.3.2011 (Rs. Lacs)</b>	<b>As on 31.03.2010 (Rs. Lacs)</b>
Contingent liabilities	<b>8,137</b>	<b>7,000</b>

- Mangalore Special Economic Zone revised land cost.
- Re-routing of two-lane by pass road in Mangalore Special Economic Zone.
- Construction of 2.6 KM long and 6 Mtr. wide road at padur.
- Development of green belt

- c. In June 2011, Cabinet Committee on Economic Affairs had approved revised cost estimates of Rs.1,03,800 lacs for Vishakhapatnam project, as against the estimated cost of Rs.67,183 lacs (at September 2005 prices). The revision in the cost is on account of cost escalation, exchange rate variations, enhancement in capacity, additions/deletions made to take care of site conditions and technological improvements, increase in statutory levies, owners cost etc. but it excludes costs for security arrangements at Vishakhapatnam site.

**3. Estimated cost of construction**

- a. The estimated cost of construction as determined are based on contract signed for underground civil works, above ground process facilities, pipeline works etc. expected to be incurred over the period of time, on the project, till the final completion and includes cost of land, materials, services and other related overheads.

- b. As on the date of Balance Sheet i.e. 31<sup>st</sup> March 2011, the construction activities were in progress at Vishakhapatnam, Mangalore and Padur projects. Direct Costs and allocable costs incurred upto balance sheet date is shown under Construction Work In Progress. Expenses incurred during the year 2010-11, which are not attributable to the projects, have been charged to the Profit & Loss account.

4. a. Department of Mines & Geology of Government of Karnataka had permitted the Company to dispose off the excavated material to the suitable buyers after the payment of Seigniorage fee/Royalty to the department as per the rules for Padur& Mangalore Projects. No quarrying license is required for excavation at Mangalore and Padur Projects. Seigniorage fee/royalty shall be payable by the buyer of the material.

- b. The Company has issued the tender documents for award of the job for disposal of excavated material at Padur. However at Mangalore, an interim stay has been

granted by the Hon'ble Karnataka High Court on writ petition filed by one of the bidder contending that it has been permitted by Mangalore Special Economic Zone to dispose off the rock from the Company's Mangalore site and had installed a crusher unit near the site. The Company is in process for vacation of the stay.

5. The Vishakhapatnam underground excavation was targeted for completion by April 2011, but this could not be achieved due to various reasons, therefore time for the completion is extended up to 29<sup>th</sup> October 2011. The progress at Vishakhapatnam was also impacted due to failure of rock wedge occurred on 7<sup>th</sup> April 2011 in Cavern A which resulted in a casualty. The repair and restoration works have been commenced and insurance cover is available for reinstatement of loss.
6.
  - a. The cost of land on which the construction activities were in progress at all the three sites have been capitalized, though lease deeds are yet to be executed. No amortization of lease hold land was done upto the last year. The Company has decided to amortise the land cost and charge to Profit & Loss account
  - b. At Vishakhapatnam, out of the committed 38 acres of land, the Company vide letter dated 23.05.2011 has surrendered 1 Acre of unusable leasehold land taken from Vishakhapatnam Port Trust (VPT). The VPT has accepted the land returned by the company. However, VPT have made no refund so far. Refunds, if any received would be recognized in the books of accounts in the year in which these would actually be received from VPT. In addition, at the request of IOTIESL (through ISPRL) for establishment of their temporary site office, VPT have handed over 1.98 acres of land through ISPRL, for which security deposit and other charges have been borne by IOTIESL.
  - c. The Company had deposited Rs.3,252.11 lacs with Karnataka Industrial Areas Development Board (KIADB) for acquisition of 140.65 acres of land for Padur project, which was accounted as advance in the previous year. KIADB has already handed over possession of 101.815 acres of land, which has been capitalized at a cost of Rs.2,138.11 lacs at the rate of Rs.21 lacs per acre indicated by KIADB including the Relief & Rehabilitation assistance paid to the project displaced families. Balance available of Rs.1,114 lacs continues to be treated as advance against remaining land still to be acquired through KIADB, which is considered to be sufficient for the purpose.
7. The share capital of the Company of Rs.96,199 lacs includes equity shares of Rs.51,925 lacs allotted in May 2010 and Rs.44,274 lacs pending allotment as of 31<sup>st</sup> March 2011. The share certificates for shares allotted during current financial year would be issued in next financial year as the decision to pay stamp duty has been taken after 31<sup>st</sup> March 2011.

8. Till the previous financial year the Company did not provide provision for entire Stamp Duty on lease deeds to be executed and on issue of shares, as the management was of the opinion that the Company is exempt from the payment of Stamp Duty under Section 3 of Indian Stamp Act. During the current year the Company has created provision of Rs. 262 lacs for payment of Stamp Duty on share certificates and lease deeds and actual payment could be released after approval of concerned stamping authorities.
9. The Company shall provide Warehousing services for Crude Oil in facilities being developed at different locations in India. The Company registered with Service Tax Authorities in January 2011 and is therefore eligible for CENVAT credit. Based on the opinion of a leading consultant the Company has credited CENVAT credit amounting to Rs. 4,694 lacs (including Rs. 2,499 lacs upto 31<sup>st</sup> March 2010) during this year and has shown under the head Loans & Advances (unsecured considered good) as CENVAT credit receivable (Refer Schedule 4).
10. Approval for becoming Co-developer of Free Trade Warehousing Zone (FTWZ) at Mangalore was given by Ministry of Commerce in August 2010. The fiscal benefits could be availed by the Company after receipt of approval from competent authorities for authorised operations/list of goods and services utilized for construction activities, for which applications have been submitted and the approvals are awaited. The Company has also submitted application for becoming FTWZ at Padur.
11. Retention money of Rs.1,650 lacs specified in Schedule no.5 is towards 5% of the value of work done for variable items, payment of which would be released after successful completion of the contracts. The retention money has been provided for as payable in the accounts.
12. As on 31<sup>st</sup> March 2011, the Company's day to day work was handled by 13 personnel taken on deputation HPCL (6), ONGC (3), IOCL (1), GAIL (1)& OIIB (2) and their Leave salary and Pension contribution is reimbursed on Proportionate basis to their respective parent companies on receipt of claim thereof.
13. Advance recoverable in cash or kind or kind for value to be received including amount due from other companies in which any director is a director or member is Rs. NIL (Previous Year-Rs. NIL).
14.
  - a. The Company has earned Rs.4.44 lacs interest from short-term fixed deposits during 2010-11 as against Rs. NIL during the year 2009-10.
  - b. Depreciation amounting to Rs.395.49 lacs (which includes amortization on leased land for all three projects) has also been charged to Profit & Loss account during 2010-11 as against Rs.2.55 lacs during the year 2009-10.

**15. Auditors remuneration**

Particulars	Year ended 31.3.2011 (Rs.)	Year ended 31.3.2010 (Rs.)
Statutory audit fees (incl. Service Tax)	1,65,450*	82,725*
<b>Total</b>	<b>1,65,450</b>	<b>82,725</b>

\* excluding out of pocket expense

**16. Additional Information required to be given pursuant to Part II of Schedule VI of the Companies Act, 1956****(a) Earnings in foreign currency**

Particulars	Year ended 31.3.2011 Equivalent INR	Year ended 31.3.2010 Equivalent INR
Earnings in foreign currency	NIL	NIL

**(b) Expenditure in foreign currency**

Particulars	Year ended 31.3.2011 Equivalent INR	Year ended 31.3.2010 Equivalent INR
Foreign Travelling	29,26,731	8,35,231
Payment released in USD to Underground contractor at Mangalore i.e. M/s SKE&C-KCT JV	25,28,76,315	3,13,79,020
<b>Total</b>	<b>25,58,03,046</b>	<b>3,22,14,251</b>

**(c) CIF value of imports**

Particulars	Year ended 31.3.2011 (Rs.)	Year ended 31.3.2010 (Rs.)
<b>CIF value of imports</b>	<b>4026 lacs*</b>	<b>NIL</b>

\* CIF Value of equipment imported by contractor M/s IOTIESL with the company as a consignee (Material landed in April 2011 & May 2011)

## 17. Deferred Tax

In the absence of Taxable Income no provision for income tax has been considered necessary. Further, Deferred Tax Asset has also not been recognized as there is no virtual certainty with convincing evidence that sufficient future taxable income will be available against which such Deferred Tax Asset can be adjusted.

## 18. The Micro, Small and Medium Enterprises Development Act, 2006.

The Government of India has promulgated an Act namely 'The Micro, Small and Medium Enterprises Development Act, 2006' which came into force w.e.f October 2, 2006. As per the Act, the Company is required to identify the Micro, Small and Medium Enterprises and pay the interest on overdue beyond the specified period irrespective of the terms agreed with the suppliers. The company had written to such enterprises/ suppliers and has so far not received any confirmation from its suppliers of being a Micro or a Small or Medium Enterprise. Hence, liability in this case is NIL / insignificant in view of suppliers' profile of the company.

## 19. Related Party Transactions

### a. List of related parties and relationships

- i. Entities or key management personnel, which exercise significant influence*
  - Oil Industry Development Board is holding 100% equity in the company
  - Hindustan Petroleum Corporation Limited (*CEO is on deputation from Hindustan Petroleum Corporation Ltd.*)
- ii. Key Management Personnel (Board of Directors)*
  - Shri G.C. Chaturvedi, Chairman (11<sup>th</sup> May 2011)
  - Shri S. Sundareshan, Chairman (2<sup>nd</sup> May 2011)
  - Shri Sudhir Bhargava, Director
  - Shri Arun Kumar, Director Incharge
  - Shri L.N. Gupta, Director
- iii. Remuneration to Board of Directors is NIL (Previous Year-NIL)*
- iv. Remuneration to Shri Rajan K. Pillai, CEO*



Particulars	Year ended 31.3.2011 (Rs.)	Year ended 31.3.2010 (Rs.)
Remuneration to CEO during 2010-11 (Includes amounts contained in HPCL Debit notes and direct payments made by company)	32,00,000 (approx)	27,00,000 (approx)

**b. Balances outstanding/transactions with related parties:**

*Figures in Rs.*

Particulars	Oil Industry Development Board		Hindustan Petroleum Corporation Ltd*	
	Year ended 31.3.2011	Year ended 31.3.2010	Year ended 31.3.2011	Year ended 31.3.2010
(i) Transaction during the year Expenses incurred on behalf of the Company	43,71,829	38,93,238	1,11,55,710	23,47,875
(ii) Balances at the year end	442,74,35,073	178,39,99,244	29,24,591	40,12,851
Total	443,18,06,902	178,78,92,482	1,40,80,301	63,60,726

\* To be reimbursed to HPCL for salaries of CEO & others

- c.** Maximum amount due by directors or other officers at any time during 2010-11 is NIL (Previous Year Rs. Nil)
- 20.** There are no dues payable to Small Scale Industrial Undertakings. Contractors/service providers accounts, in debit/credit, are subject to confirmation, reconciliation and consequential adjustments thereof, if any.
- 21.** The company has a constituted Audit Committee under section 292A of the Companies Act, 1956 with the following composition (reconstituted during Board Meeting held on 19<sup>th</sup> May 2010):

Shri Sudhir Bhargava, Additional Secretary, MoP&NG	—	Chairman
Shri L.N. Gupta, Joint Secretary (R), MOP&NG	—	Member
Shri Arun Kumar, Secretary, OIBD	—	Member

22. Balances of the Contactors are subject to confirmation.
23. Previous year's figures have been regrouped wherever necessary to make them comparable with current years' figures. Expenses during the year that are not directly attributable to projects have been charged off to Profit & Loss account.

Schedules 1 to 7 form an integral part of the Balance Sheet and Profit & Loss Account.

For and on behalf of the Board

Sd/-  
(Sudha Venkata Varadhan)  
Company Secretary

Sd/-  
(L. N. Gupta)  
Director

Sd/-  
(D. K. Agarwal)  
Chief Finance Officer

Sd/-  
(Arun Kumar)  
Director-Incharge

Sd/-  
(Rajan K. Pillai)  
Chief Executive Officer

As per our report of even date attached  
For Rastogi Narain & Co.  
Chartered Accountants  
FRN. 008775N

Sd/-  
(Shanti Narain)  
Partner  
Membership No. 087370

Place : New Delhi  
Date : 13.09.2011

**INFORMATION PURSUANT TO PART IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956**

**I. Registration Details**

Registration No.  State Code   
 Balance Sheet Date

**II. Capital Raised during the year (Amount in Rupees in Thousand)**

Public Issue   
 Right Issue   
 Bonus issue   
 Private Placement

**III. Position of Mobilisation and deployment of Funds (Amount in Rupees in Thousand)**

Total Liabilities   
 Total Assets

**Sources of Funds (Amount in Rupees in Thousand)**

Paid up Capital   
 Reserves & Surplus   
 Share Application Money   
 Secured Loans   
 Unsecured Loans

**Application of Funds (Amount in Rupees in Thousand)**

Net Fixed Assets   
 Investments   
 Net Current Assets   
 Work in Progress   
 Misc. Expenditure

**IV. Performance of Company (Amount in Rupees in thousand)**

Turnover   
 Total Expenditure   
 Profit / (Loss) before Tax   
 Profit / (Loss) after Tax   
 Earning per equity Share in Rs.   
 Dividend

**V. Generic Name of Three Principal Products / Services of Company (as per monetary terms)**

Item Code No. (ITC Code)	NA
Product Description	NA
Item Code No. (ITC Code)	NA
Product Description	NA
Item Code No. (ITC Code)	NA
Product Description	NA

For and on behalf of the Board

Sd/-  
 (Sudha Venkata Varadhan)  
 Company Secretary

Sd/-  
 (D.K. Agarwal)  
 Chief Finance Officer

Sd/-  
 (Rajan K. Pillai)  
 Chief Executive Officer

Sd/-  
 L. N. Gupta  
 Director

Sd/-  
 Arun Kumar  
 Director

As per our report of even date attached  
 For Rastogi Narain & Co.  
 Chartered Accountants  
 Firm Registration No. 008775N

Sd/-  
 (Shanti Narain)  
 Partner  
 M. No. 087370  
 Place : New Delhi  
 Date : 13-09-2011

**Cash Flow Statement - Financial year 2010-2011 (Indirect Method)**

	Amount in Rupees	Amount in Rupees
<b>Opening Balance of Cash &amp; Bank- (1)</b>		<b>1,560,494</b>
<b>A Cash Flow from Operating activities</b>		
Net Loss	(67,213,406)	
<u>Adjustments for</u>		
Depreciation	39,283,929	
Interest Income	448,187	
Increase in Construction Work in Progress	(4,196,274,493)	
Increase in Current Liabilities	335,651,320	
Payment of salary, wages and other operative expenses	(33,605,740)	
<b>Cash Flow from Operating activities</b>		<b>(3,921,710,204)</b>
<b>B Investing Activities</b>		
Purchase of fixed assets, investments	(214,170,495)	
Advances/loans made to third parties	(281,751,915)	
<b>Cash Flow from Investing activities</b>		<b>(495,922,410)</b>
<b>C Financing Activities</b>		
Issue of share capital, debentures for cash	4,423,541,829	
<b>Cash Flow from Financing activities</b>		<b>4,423,541,829</b>
<b>Total Cash Flow (2)</b>		<b>5,909,215</b>
<b>Closing Balance of Cash &amp; Bank (1)+(2)</b>		<b>7,469,709</b>

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF INDIAN STRATEGIC PETROLEUM RESERVES LIMITED FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2011.**

The preparation of financial statement of Indian Strategic Petroleum Reserves Limited for the year ended 31<sup>st</sup> March 2011 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the Management of the Company. The Statutory Auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 13<sup>th</sup> September 2011.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under section 619(3) (b) of the Companies Act, 1956 of the financial statements of Indian Strategic Petroleum Reserves Limited for the year ended 31 March 2011. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to the inquiries of the statutory auditors and Company personnel and a selective examination of some of the accounting records. Based on my supplementary audit, I would like to highlight the following significant matters under section 619 (4) of the Companies Act, 1956 which have come to my attention and which in my view is necessary for enabling a better understanding of the financial statements and the related Audit Report.

**Balance Sheet:**

<b>Fixed Assets (Gross Block)</b>	<b>:</b>	<b>Rs. 89.86 crore</b>
<b>Current Liabilities</b>	<b>:</b>	<b>Rs. 99.11 crore</b>

- (i) A Firm liability of Rs. 18.29 crore towards additional cost of Mangalore leasehold land has not been provided for in the accounts. As such, there is understatement of 'Current Liabilities' and 'Fixed Assets (Gross Block)' by Rs. 18.29 crore each. This has resulted in short-amortization towards the leasehold land by Rs. 0.40 crore.

- (ii) There is excess amortization of Rs. 0.88 crore towards the initial cost of Mangalore leasehold land.

As a result of above, Loss for the year is overstated by Rs. 0.48 crore (Rs. 0.88 crore - Rs 0.40 crore)

**For and on behalf of the  
Comptroller and Auditor General of India**

**Sd/-  
(Naina A. Kumar)  
Principal Director of Commercial Audit  
& Ex-officio Member Audit Board-II,  
New Delhi**

**Place : New Delhi  
Date : 20/10/11**

**COMMENTS OF C&AG ON ACCOUNTS OF ISPRL FOR THE YEAR  
ENDING 31.3.2011 AND MANAGEMENT REPLY THEREON**

COMMENTS OF C&AG	MANAGEMENT REPLY
<p><b>Balance Sheet</b> <b>Fixed Assets (Gross Block) : Rs. 89.86 crore</b></p> <p>i) A firm liability of Rs.18.29 crore towards additional cost of Mangalore leasehold land has not been provided for in the accounts. As such, there is understatement of 'Current Liabilities' and 'Fixed Assets (Gross Block)' by Rs.18.29 crore each. This has resulted in short-amortization towards the leasehold land by Rs.0.40 crore</p>	<p>In accordance with the decisions taken in a meeting Chaired by Secretary, Petroleum on 16.8.2011, ISPRL is required to pay for the portion of land after excluding Green Belt area. The actual liability payable by ISPRL is coming to approximately Rs.60 crores, out of which payment of Rs.41.31 crores have been already released and capitalized in the books of accounts. Now that actual amount payable is firmed up, ISPRL would be providing for the balance land cost on actual basis in the year 2011-12.</p>
<p>ii) There is excess amortization of Rs.0.88 crore towards the initial cost of Mangalore leasehold land.</p> <p>As a result of above, Loss for the year is overstated by Rs.0.48 crore (Rs.0.88 crore-Rs.0.40 crore)</p>	<p>The tentative cost of Rs. 41.31 crores paid initially to Mangalore SEZ Limited (MSEZL) towards cost of land on a provisional basis for taking possession and starting the construction of facilities on site has been capitalized. Balance payable towards cost of land in the best judgement of management as on the date of finalization of the Balance Sheet has been provided as contingent liabilities. Inclusion of provision as contingent liability for amortization has been a mistake and the excess amortization, as pointed out, would be adjusted during Financial year 2011-12.</p>