

**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	
<b>Dr. S. C. Khuntia</b>	Director	(w.e.f. 9 <sup>th</sup> August 2012)
<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)

**Visakhapatnam 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  
Chandrasah Nagar, Permude P.O, Mangalore - 574 509  
Tel : 0824 - 3006100 Fax : 0824 - 3006111

**Padur Project Office**

PO : Padur, Via Kaup, Dist Udipi - 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 8<sup>th</sup> Annual Report on the working of the Company for the year ended 31<sup>st</sup> March 2012 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 31.3.2012 the authorized capital and Issued/Subscribed/Paid up capital of the company were Rs. 2,397 Crores and Rs. 1450.99 Crores respectively (excluding Rs. 81.12 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, 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.

### 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 Visakhapatnam (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. This includes approved revised cost of Visakhapatnam project of Rs.1038 crores and original approved costs of Mangalore & Padur projects at September 2005 prices. The project costs of the Mangalore and Padur projects are under revision. OIDB will be funding the 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. Government has made a token provision of Rs.1 crore towards crude filling cost in the Annual Plan 2012-13.

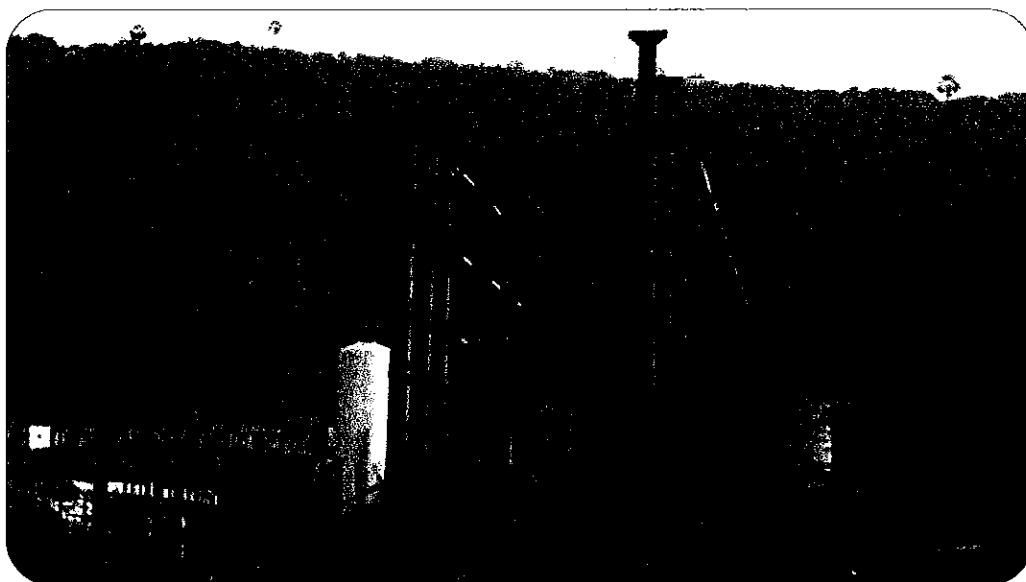
Your company has taken various initiatives in furtherance of its objectives and the status of the projects are as under:-

#### 1. Visakhapatnam (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 Visakhapatnam 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> 2012, 18.94 lakh cubic meters of excavation was completed. The above ground works were awarded to M/s IOTIESL on 30.11.2009. As on 31.3.2012, major critical items like crude submersible pumps and seepage water pumps etc. have been received. Construction of control room, substation, administrative building is in progress. Boilers & Nitrogen tanks have been erected. Pipe rack is under erection. The overall project progress as of 31.3.2012 is 87.2%. The anticipated mechanical completion date for the project is October 2012 and commissioning date is April, 2013. A rock slide incident inside Cavern A 1 in April 2011, has adversely impacted the completion schedule. The repair/restoration works are underway and are likely to be completed by December 2012.



Pipe Rack under construction at Visakhapatnam site

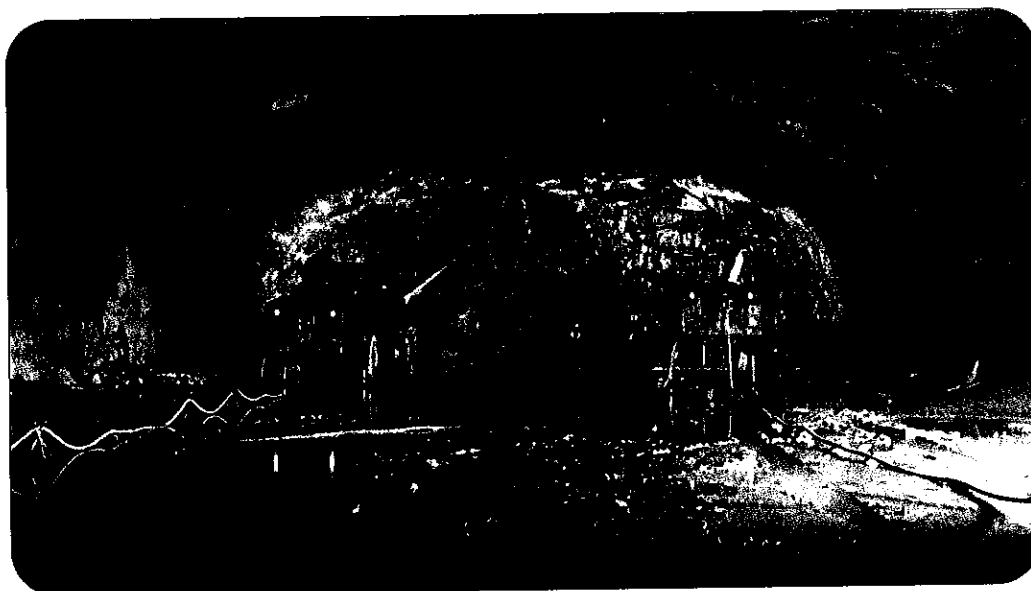
## **2. Mangalore (Storage Capacity : 1.5 MMT)**

EIL has been appointed as the Project Management Consultant. The land identified for Mangalore Cavern falls in the Mangalore SEZ area and approximately 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 2012, a total of 9.73 lakh cubic meters of excavation has been completed out of 22.65 Lakhs cubic meters of total tunneling (corresponding to 8.4 kms. of tunneling out of 8.6 kms. for top heading). A total of 187 meters of shafts were completed out of 232.4 meters planned.

The aboveground works were awarded to M/s Punj Lloyd on 22<sup>nd</sup> July 2011 at a total cost of Rs.329.979 Crs with a completion schedule of 26 months to achieve Mechanical completion by September 2013. The contractor has mobilized at site and orders for critical equipments have been placed. Site grading activities are in progress. The overall project progress as of 31.3.2012 is 47.9%.

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. ISPRL has started getting the tax benefits accruing as a result of being an FTWZ.



Cavern Top Heading under excavation at Mangalore

### 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 138.57 acres has been taken over as on 31<sup>st</sup> March 2012.

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 Crore and Part B has been awarded to M/s SKEC-KCT JV for Rs 375.92 Crore 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 job for aboveground works has been awarded to M/s Linde Engineering on 11.11.2011 at a price of Rs.354.25 crores. Mechanical completion is scheduled for January 2014. The overall project progress as of 31.3.2012 is 44.9%

For the Mangalore-Padur pipeline Right of Use (ROU) acquisition, Special Land Acquisition Officer (SLAO) of Karnataka Industrial Area Development Board (KIADB) has been notified as the land acquisition officer. ROU acquisition is being undertaken through KIADB and 3(1) notification has been issued in January 2011.



Notices sent to individual land owners and hearings conducted in 8 villages, for which 6(1) notification has been sent for issuance. For remaining villages, job is in progress

#### 4. Phase II of Strategic Storage Program

EIL was awarded the job of preparation of DFR for Phase II of the strategic storage program in July 2011. Four sites were identified based on the pre feasibility study as under :-

1. Padur 5 MMT (Underground Rock Caverns)
2. Chandikhol 2.5 MMT (Underground Rock Caverns)
3. Bikaner 2.5 MMT (Salt Caverns)
4. Rajkot 2.5 MMT (Underground concrete tanks)

The underground rock caverns are under construction at three locations under Phase I of the Strategic storages and the technical knowhow is available with EIL now, to proceed with the DFR's and further implementation of the projects.

For the other two technologies i.e Salt caverns and Underground concrete tanks, these being new technologies the requisite knowledge is not available within the country, hence services of Foreign Back up consultant are required. For salt caverns at Bikaner, the job for back up consultant has been awarded to M/s DEEP Underground Engineering, Germany.

At Rajkot, the storage of crude oil will be under double containment principle in underground concrete tanks which will be implemented for the first time in the country. This kind of technology though successfully implemented in Republic of South Africa for 6 MMT of crude oil and operated for last 30 years, is in force in only two other countries Iran and Japan. As part of the studies, foreign back up consultant is required to be engaged for review of basic design and the DFR to be prepared by EIL.

The Geo technical investigation job had been completed by 31.3.2012 at three sites except Padur, where villagers had agitated, and investigations had to be done through satellite imaging.

The significant events that occurred between 31.3.2012 and the date of the Directors' Report, other than the events already stated in the financial statements are:-

- i. Placement of order for Diversion Road at Padur on M/s.Improcs Engineers India Pvt. Ltd. at an order value of Rs.3.76 crores (order placed in April 2012).
- ii. Engagement of M/s.SBI Caps for preparation of detailed Business Models for Utilization of Crude Oil Storage Facilities at Visakhapatnam, Mangalore & Padur and for drafting of documents for inviting Expression of Interest. M/s.SBI Caps have submitted the draft report.
- iii. Disposal of rock debris at Mangalore and Padur have been commenced from October 2012.
- iv. M/s.Thomson Van Eck International (PTY) Ltd., South Africa has been engaged as Foreign Backup Consultant for preparation of DFR for Rajkot at an order value of US\$220000(Order placed in July 2012).
- v. DFR for Phase II for Chandikhol & Bikaner have been submitted by EIL. These are presently being examined.

**FINANCIAL RESULTS**

Summary of the Financial Results for the year ended 31<sup>st</sup> March 2012 are given below :

S.No.	Particulars	Figures in Rupees		Reference to Balance Sheet
(A)	Opening Balance of Work In Progress as on 1 <sup>st</sup> April 2012		9,04,09,59,867	Note 9B(i) - Closing balance as of 31.3.2011
(B)	Pre-Operative Expenses during the year		5,83,93,73,870	Note 9B(i) - Difference between Closing balance as of 31.3.2012 and Closing Balance as of 31.3.2011
(C)	<b>Increase in Fixed Assets</b>		61,05,87,068	Note 9A - Net Additions during the year
	Fixed assets - Land	61,04,62,933		
	Others Fixed Assets	1,24,135		
(D)	Net Non-Current Assets {(i)- (ii)}		7,68,07,545	
	(i) Non-Current Assets	39,12,54,415		Note 10
	(ii) Non Current Liabilities	31,44,46,870		Note 5
(E)	Net Current Assets {(i)- (ii)}		(1,18,77,95,965)	
	(i) Current assets	48,12,97,332		Balance Sheet - Current Assets
	(ii) Current Liabilities	1,66,90,93,297		Balance Sheet - Current liabilities
(F)	Accumulated Loss		(11,67,49,848)	Note 4 - Accumulated Loss
<b>Total Expenditure (A+B+C+D+E+F)</b>			<b>14,26,31,82,537</b>	

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 during the year the Company had credited CENVAT credit amounting to Rs.46,94,60,688 (including Rs.24,99,00,000 upto 31<sup>st</sup> March 2010). During the year, Company has recalculated and accounted eligible CENVAT credit amounting to Rs.38,07,76,770 as on 31.3.2012 and has reversed CENVAT Credit amounting to Rs.8,38,51,588. Service Tax Returns are yet to be revised to match with the Books of Accounts. Subsequent to the notification No.3/2011 dated 1.3.2011, rendering commercial and industrial construction services ineligible for CENVAT credit, Company has discontinued claiming CENVAT credit for the construction activities for setting up of the projects from April 2011.

**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 2012 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 2012, have made 1 observation 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 2012, 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, 2012 on a 'going concern' basis.

**BOARD OF DIRECTORS**

ISPRL Board presently comprises of 5 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) Dr. S.C. Khuntia, Additional Secretary & Financial Advisor, MOP&NG-Director
- 4) Shri Arun Kumar, Secretary, OI DB - Director Incharge
- 5) 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 2011 :-

- 1) Shri S. Sundareshan, Chairman (till 2.5.2011)
- 2) Shri G.C. Chaturvedi, Chairman (w.e.f 11.5.2011)
- 3) Dr. S.C. Khuntia, Director (w.e.f. 9.8.2012)

**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: 26.11.2012

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 2012, the Statement of Profit and Loss and also the 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 dealt with by this report is in agreement with the books of account;
  - iv. In our opinion the Balance Sheet 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.14.15), 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.14.8 regarding advance payment of Stamp Duty of Rs.94.00 lacs, which in our opinion is excess payment of stamp duty as the same is liable to be paid on issued & subscribed capital and not on authorized capital.*

*Note No.14.11 regarding eligibility of CENVAT Credit for the period prior to the registration of Service Tax, based on the opinion of a leading consultant, resulting into overstatement of*



*Current Assets and understatement of Capital Work in Progress, amount not ascertained by management and non matching of Service Tax Returns with Books of Accounts, the impact has not been ascertained.*

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, 2012 and
- b. In case of the statement of Profit and Loss account, of the Loss for the year ended on that date and
- c. In the case of the Cash Flow Statement, of the Cash Flows for the year ended on that date.

**For Rastogi Narain & Co.**  
Chartered Accountants  
FRN. 008775N

**Sd/-**  
**(SHANTI NARAIN)**  
Partner  
M.No.87370

Place : New Delhi  
Date : 25<sup>th</sup> September, 2012

## 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 2012)

1. a) The Company has maintained proper records showing full particulars including quantitative details *except situation of fixed assets, which have been updated on the register.*  
 b) Fixed assets have been physically verified by the management at the end of the year. In our opinion, the frequency of verification is not 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. *However, the internal controls needs to be strengthened in view of (a) excess deposit of tax deducted at source of Rs.38.10 Lakhs (Refer Note No. 12) (b) excess deposit of Stamp Duty of Rs. 94.00 Lakhs (Refer Note No. 14.8) during the year and (c) payment of insurance premium by contractor as well as by the company, the company has sought clarification from the project management consultants after the close of the year.* 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 (TDS) amounting to Rs. 39.00 Lakhs related to financial year 2010-11, has been adjusted with the TDS required to be deducted during financial year 2011-12 which can not be adjusted as per the provisions of Income Tax Act, 1961, therefore, the company is liable to pay interest and penalty under relevant provisions of the Income Tax Act, 1961 effect of which is not ascertained. Therefore in our opinion Rs. 39.00 Lakhs being undisputed statutory due remained 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 2012. 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 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  
FRN 008775N

Sd/-  
**(SHANTI NARAIN)**  
Partner  
M.No. 87370

Place : New Delhi  
Date : 25<sup>th</sup> September, 2012

# **ANNUAL ACCOUNTS**

## **2011-12**



Balance Sheet as at 31 March, 2012

Particulars	Note No.	As at 31 March, 2012	As at 31 March, 2011
		₹	₹
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholder's funds</b>			
(a) Share capital	3	14,50,99,75,830	5,19,25,40,760
(b) Reserves and surplus	4	(11,67,49,848)	(9,20,25,629)
		<b>14,39,32,25,982</b>	<b>5,10,05,15,131</b>
<b>Share application money pending allotment</b>	3.3	81,12,04,370	4,42,74,35,073
<b>Non-current liabilities</b>			
(a) Other Long - Term Liabilities	5	31,44,46,870	16,76,66,708
<b>Current liabilities</b>			
(a) Trade Payables	6	92,16,72,095	73,97,02,922
(b) Other Current Liabilities	7	72,88,79,133	5,75,16,734
(c) Short Term Provisions	8	1,85,42,070	2,62,32,519
		<b>1,66,90,93,297</b>	<b>82,34,52,174</b>
<b>TOTAL</b>		<b>17,18,79,70,519</b>	<b>10,51,90,69,087</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
(a) Fixed assets			
(i) Tangible assets	9A	1,43,50,85,035	85,81,07,775
(ii) Capital work-in-progress	9B	14,88,03,33,737	9,04,09,59,867
(b) Long-term loans and advances	10	39,12,54,415	47,98,58,333
		<b>16,70,66,73,187</b>	<b>10,37,89,25,975</b>
<b>Current assets</b>			
(a) Cash and cash equivalents	11	8,59,53,418	74,69,709
(b) Short-term loans and advances	12	39,53,43,914	13,26,73,402
		<b>48,12,97,332</b>	<b>14,01,43,111</b>
<b>TOTAL</b>		<b>17,18,79,70,519</b>	<b>10,51,90,69,087</b>
Additional information to the Financial Statements	1 to 15		

In terms of our report attached.

**For Rastogi Narain & Co.**  
Chartered Accountants  
FRN. 008775N

**Sd/-**  
**(Shanti Narain)**  
Partner  
M.No.087370

For and on behalf of the Board of Directors

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

**Sd/-**  
**(S.R.Hasyagar)**  
Chief Finance Officer

**Sd/-**  
**(Sudhir Bhargava)**  
Director

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

**Sd/-**  
**(Sudha Venkata Varadhan)**  
Company Secretary

Place : New Delhi  
Date : 25<sup>th</sup> September 2012

Place : New Delhi  
Date : 20<sup>th</sup> September 2012

## Statement of Profit and Loss for the year ended 31 March, 2012

Particulars	Note No.	For the year ended	For the year ended
		31 March, 2012	31 March, 2011
		₹	₹
<b>Expenses</b>			
(a) Depreciation and amortisation expense	9A	3,36,95,276	3,95,49,061
(b) Other expenses	13	27,28,202	24,35,835
(c) Stamp duty	13A	93,17,435	2,52,76,234
<b>Total expenses</b>		<b>4,57,40,913</b>	<b>6,72,61,130</b>
<b>(Loss) before exceptional and extraordinary items and tax</b>		<b>(4,57,40,913)</b>	<b>(6,72,61,130)</b>
Exceptional items-Stamp duty [Refer note No. 14.7 (iv)]		2,10,16,693	
<b>Tax expense:</b>			
Current tax expense relating to prior years		-	47,724
<b>(Loss) from continuing operations</b>		<b>(2,47,24,220)</b>	<b>(6,72,13,406)</b>
<b>(Loss) for the year</b>		<b>(2,47,24,220)</b>	<b>(6,72,13,406)</b>
<b>(Loss) per Share (of ₹10/- each)</b>	15.3		
(a) Basic	15.3.a	(0.02)	(0.13)
(b) Diluted	15.3.b		
Additional information to the Financial Statements	1 to 15	(0.02)	(0.07)

In term of our report attached.

**For Rastogi Narain & Co.**  
Chartered Accountants  
FRN. 008775N

For and on behalf of the Board of Directors

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

Sd/-  
(Arun Kumar)  
Director-Incharge

Sd/-  
(Sudhir Bhargava)  
Director

Sd/-  
(S.R.Hasyagar)  
Chief Finance Officer

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

Sd/-  
(Sudha Venkata Varadhan)  
Company Secretary

Place : New Delhi  
Date : 25<sup>th</sup> September 2012

Place : New Delhi  
Date : 20<sup>th</sup> September 2012



**Notes forming part of the Financial Statements**

**Note  
1.**

**Particulars**  
**Corporate Information**

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 OIBD 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. Significant Accounting Policies**

**2.1 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.

**2.2 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.

**2.3 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.



Note	Particulars
<b>2.4</b>	<b>Depreciation and Amortisation</b>
	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 in terms of number of years or part thereof.
<b>2.5</b>	<b>Revenue Recognition; Construction Work in Progress &amp; Allocation and Apportionment of expenses</b>
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.
iv)	Insurance Claims are accounted on settlement of the claim.
<b>2.6</b>	<b>Provisions and Contingencies</b>
	The Company recognizes 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.
<b>2.7</b>	<b>Impairment of Assets</b>
	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



Note	Particulars
	<p>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 amortization, if no impairment loss has been recognized.</p>
<b>2.8</b>	<p><b>Leases</b></p> <p><u>Operating leases</u></p> <p>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.</p>
<b>2.9</b>	<p><b>Employee Benefits</b></p> <p>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" is not applicable.</p>
<b>2.10</b>	<p><b>Foreign Currency Transactions and Translations</b></p> <p>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 recognized 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.</p>
<b>2.11</b>	<p><b>Taxes on Income</b></p> <p>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.</p>
<b>2.12</b>	<p><b>Earnings Per Share</b></p> <p>Basic Earnings Per Share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the number of equity share outstanding during the period.</p> <p>For the purpose of calculating Diluted Earnings Per Share, the net profit or loss for the period attributable to equity shareholders and the number of shares outstanding during the period will be adjusted for the effects of all dilutive potential equity shares.</p>

**Note 3 Share Capital**

Particulars	As at 31 March, 2012		As at 31 March, 2011	
	No. of Shares	₹	No. of Shares	₹
(a) Authorised Equity shares of Rs. 10 each	2,39,70,00,000	23,97,00,00,000	2,39,70,00,000	23,97,00,00,000
(b) Issued/Subscribed and fully Paid Up Equity shares of Rs. 10 each	1,45,09,97,583	14,50,99,75,830	51,92,54,076	5,19,25,40,760
<b>Total</b>	<b>1,45,09,97,583</b>	<b>14,50,99,75,830</b>	<b>51,92,54,076</b>	<b>5,19,25,40,760</b>

**Note 3.1 Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting period:**

Particulars			
Particulars	Opening Balance	Fresh Issue During the year	Closing Balance
Equity shares			
Year ended 31 March, 2012			
- Number of shares	51,92,54,076	93,17,43,507	1,45,09,97,583
- Amount (₹)	5,19,25,40,760	9,31,74,35,070	14,50,99,75,830
Year ended 31 March, 2011			
- Number of shares	34,12,43,476	17,80,10,600	51,92,54,076
- Amount (₹)	3,41,24,34,760	1,78,01,06,000	5,19,25,40,760

**Note 3.2 Details of shares held by each shareholder holding more than 5% shares:**

Particulars	As at 31 March, 2012		As at 31 March, 2011	
	Number of shares held	% holding in that class of shares	Number of shares held	% holding in that class of shares
Equity shares				
Oil Industry Development Board, New Delhi and its nominees	1,45,09,97,583	100%	51,92,54,076	100%

**Note 3.3 Share Application Money Pending Allotment**

As at 31 March 2012, out of amounts received from OI DB till 31.3.2012, Equity Shares were yet to be allotted for an amount of ₹ 81,12,04,370 and has been shown under "Share Application Money Pending Allotment". The Company has sufficient authorised capital to cover the allotment of these shares.



**Note 4 Reserves and Surplus**

Particulars	As at 31 March, 2012	As at 31 March, 2011
	₹	₹
(Deficit) in Statement of Profit and Loss		
Opening balance	(9,20,25,629)	(2,48,12,223)
Add: (Loss) for the year	(2,47,24,220)	(6,72,13,406)
<b>Total</b>	<b>(11,67,49,848)</b>	<b>(9,20,25,629)</b>

**Note 5 Other Long-Term Liabilities**

Particulars	As at 31 March, 2012	As at 31 March, 2011
	₹	₹
Withholding from Contractors *	31,44,46,870	16,76,66,708
<b>Total</b>	<b>31,44,46,870</b>	<b>16,76,66,708</b>

\* The completion of work in all respects and Commissioning of the facilities at all the three sites are expected to occur after 31.3.2013 and accordingly classified as Long Term Liability.

**Note 6 Trade Payables**

Particulars	As at 31 March, 2012	As at 31 March, 2011
	₹	₹
Trade payables	92,16,72,095	73,97,02,922
<b>Total</b>	<b>92,16,72,095</b>	<b>73,97,02,922</b>

**Note 7 Other Current Liabilities**

Particulars	As at 31 March, 2012	As at 31 March, 2011
	₹	₹
Other Payables		
(i) Statutory remittances (Withholding Taxes, Labour Cess, TDS & Work Contract Tax)	8,00,79,824	4,47,41,136
(ii) Others (Amount Adjustable against Rock Disposal)	2,00,00,000	-
(iii) Security deposit / EMD	25,68,637	5,66,417
(iv) Withholding from Contractors	10,77,88,172	1,22,09,181
(v) Payment for MSEZL land	51,84,42,500	-
<b>Total</b>	<b>72,88,79,133</b>	<b>5,75,16,734</b>

**Note 8 Short-Term Provisions**

Particulars	As at 31 March, 2012	As at 31 March, 2011
	₹	₹
Provision for ENC Land rentals *	5	5
Creditors for Expenses	1,85,42,065	2,62,32,514
<b>Total</b>	<b>1,85,42,070</b>	<b>2,62,32,519</b>

\* On account of excess provision for ENC Land Rentals, no provision has been made in the current year

## Note 9 Fixed Assets

A. Tangible Assets	Gross Block			Accumulated Depreciation			Net Block			
	Balance as at 1 April, 2011	Additions	Deletions During the Year	Balance as at 31 March, 2012	Balance as at 1 April, 2011	Depreciation/ Amortisation expense for the year	Eliminated on disposal of assets	Balance as at 31 March, 2012	Balance as at 31 March, 2011	
	₹	₹	₹	₹	₹	₹	₹	₹	₹	
(a) Land Leasehold *	89,59,21,998	61,75,42,026	70,79,092	1,50,63,84,931	3,92,57,183	3,32,34,892	-	7,24,92,075	1,43,38,92,856	85,66,64,815
(b) Furniture and Fixtures - Owned	71,610	25,370	-	96,980	47,454	5,138	-	52,592	44,388	24,156
(c) Office Equipment - Owned	7,75,363	3,11,053	1,93,800	8,92,616	2,64,157	92,206	85,467	2,70,896	6,21,720	5,11,206
(d) Computer - Owned	17,87,932	-	18,488	17,69,444	8,80,334	3,63,040	-	12,43,374	5,26,070	9,07,598
<b>Total</b>	<b>89,85,56,903</b>	<b>61,78,78,449</b>	<b>72,91,380</b>	<b>1,50,91,43,971</b>	<b>4,04,49,128</b>	<b>3,36,95,276</b>	<b>85,467</b>	<b>7,40,58,937</b>	<b>1,43,50,85,035</b>	<b>85,81,07,775</b>
<b>As at 31 March, 2011</b>	<b>68,43,86,408</b>	<b>21,46,39,818</b>	<b>4,69,323</b>	<b>89,85,56,903</b>	<b>11,65,199</b>	<b>3,95,49,061</b>	<b>2,65,132</b>	<b>4,04,49,128</b>	<b>85,81,07,775</b>	<b>68,32,21,209</b>

\* The lease deeds for leasehold lands are yet to be executed

B. Capital Work In Progress (Refer Note no.9 B(i))	Balance as at 31 March, 2012		Balance as at 31 March, 2011	
	₹	₹	₹	₹
Phase-I				
- Visakhapatnam Cavern Project @	7,30,80,74,797		5,47,18,45,599	
- Padur Cavern Storage Project @	4,52,91,44,085		1,91,73,98,358	
- Mangalore Cavern Project @	3,00,13,28,487		1,65,17,15,910	
Phase II DFR	4,17,86,368		-	
<b>Total</b>	<b>14,88,03,33,737</b>		<b>9,04,09,59,867</b>	

@ Includes apportioned Head Office expenses



**Note 9.B (i) Capital Work in Progress**

Particulars	As at 31.03.2012	As at 31.03.2011
	₹	₹
<b>Construction Work in Progress</b> (including unallocated capital expenditure, material at site)		
<b>Storage Phase-I</b>		
<b>Visakhapatnam Cavern Storage project</b>		
Underground Civil Works	4,22,11,57,918	3,85,41,28,383
Aboveground Process Facilities	2,11,41,91,653	74,66,22,030
Project Management Consultancy	84,84,20,785	76,29,03,802
Study & Survey	1,63,16,780	1,73,67,914
Other Project Expenses	1,80,65,098	1,22,12,934
Head office Expenses	8,99,22,563	7,86,10,536
<b>TOTAL</b>	<b>7,30,80,74,797</b>	<b>5,47,18,45,599</b>
<b>Padur Cavern Storage project</b>		
Underground Civil Works	3,57,81,31,572	1,27,00,84,862
Aboveground Process Facilities	2,50,00,000	-
Project Management Consultancy	86,83,51,518	61,55,91,253
Study & Survey Padur	1,22,65,256	1,38,73,430
Other Project Expenses	1,44,51,440	29,94,084
Head office Expenses	3,09,44,298	1,48,54,729
<b>TOTAL</b>	<b>4,52,91,44,085</b>	<b>1,91,73,98,358</b>
<b>Mangalore Cavern Storage project</b>		
Underground Civil Works	2,19,40,89,996	1,10,32,14,586
Aboveground Process Facilities	6,93,23,883	-
Project Management Consultancy	69,40,57,258	51,32,81,017
Study & Survey	1,35,58,986	1,49,63,137
Other Project Expenses	63,02,645	45,75,693
Head office Expenses	2,39,95,719	1,56,81,478
<b>TOTAL</b>	<b>3,00,13,28,487</b>	<b>1,65,17,15,910</b>
<b>Storage Phase-II</b>		
Project Management Consultancy	3,11,72,400	-
Study & Survey	60,85,487	-
Other Project Expenses	45,28,481	-
<b>TOTAL</b>	<b>4,17,86,368</b>	<b>-</b>
<b>TOTAL CONSTRUCTION WORK IN PROGRESS</b>	<b>14,88,03,33,737</b>	<b>9,04,09,59,867</b>

**Note 10 Long-term Loans and Advances**

Particulars	As at 31 March, 2012	As at 31 March, 2011
	₹	₹
Security deposits	1,04,77,644	1,03,97,644
Balances with Government authorities - CENVAT credit receivable #	38,07,76,771	46,94,60,689
<b>Total</b>	<b>39,12,54,415</b>	<b>47,98,58,333</b>

# Refer Note No.14.11

**Note 11 Cash and Cash Equivalents**

Particulars	As at 31 March, 2012	As at 31 March, 2011
	₹	₹
Cash on hand	19,926	15,783
Balances with banks - Autosweep Current A/c	8,59,33,492	74,53,926
<b>Total</b>	<b>8,59,53,418</b>	<b>74,69,709</b>

**Note 12 Short-term Loans and Advances**

Particulars	As at 31 March, 2012	As at 31 March, 2011
	₹	₹
Prepaid expenses - Unsecured, considered good	43,70,327	47,33,657
Other loans and advances - Unsecured considered good		
TDS Receivable *	44,78,134	41,012
Advances recoverable in cash or kind	1,77,953	65,24,912
Advance towards ROU Acquisition and Diesel Supply	2,07,86,367	99,73,822
Mobilisation Advance	32,18,49,840	-
Advance against land-Padur	3,42,21,270	11,14,00,000
Advance against Stamp Duty on Shares	94,60,024	-
<b>Total</b>	<b>39,53,43,914</b>	<b>13,26,73,402</b>

\* TDS receivable of Rs.38,10,397 is towards excess TDS paid. The Refund claim has been lodged with the Income Tax TDS authorities by way of revised return.



**Note 13 Other Expenses**

Particulars	For the year ended 31 March, 2012	For the year ended 31 March, 2011
	₹	₹
Legal and Professional Fee	3,41,583	78,250
Payments to auditors (Refer Note (i) below)	2,95,385	1,84,750
Fixed assets written off	80,785	1,60,682
Office Expenses	20,10,449	20,12,153
<b>Total</b>	<b>27,28,202</b>	<b>24,35,835</b>

**Note 13 (i) : Details of payments to Auditors**

Particulars	For the year ended 31 March, 2012	For the year ended 31 March, 2011
	₹	₹
Payments to the auditors comprises		
As auditors - statutory audit	1,68,540	1,65,450
For other services	1,26,845	-
Reimbursement of Expenses	-	19,300
<b>Total</b>	<b>2,95,385</b>	<b>1,84,750</b>

**Note 13A Details of Stamp Duty Expenses**

Particulars	For the year ended 31 March, 2012	For the year ended 31 March, 2011
	₹	₹
Stamp duty on share issued	93,17,435	-
Stamp duty on leased land	-	2,52,76,234
<b>Total</b>	<b>93,17,435</b>	<b>2,52,76,234</b>

**Note 14 Additional information to the Financial Statements**

**14.1 Contingent liabilities and commitments (to the extent not provided for)**

Particulars	As at 31 March, 2012	As at 31 March, 2011
	₹	₹
<b>i) Contingent liabilities *</b>	6,11,00,000	81,37,00,000
Includes Liability towards development of Green Belt and CST Reimbursement		
<b>ii) Capital Commitments</b>	14,93,97,00,000	15,26,79,00,000
Estimated amount of all major running contracts remaining to be executed on capital account and not provided for		

iii) In June 2011, Cabinet Committee on Economic Affairs had approved revised cost estimates of Rs.1038,00,00,000 for Visakhapatnam project, as against the estimated cost of Rs.671,83,00,000 (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 Visakhapatnam site.



#### 14.2 Expenditure in Foreign Currency (Equivalent INR)

Particulars	For the year ended 31 March, 2012	For the year ended 31 March, 2011
	₹	₹
Other matters (Foreign Travelling)	11,04,450	29,26,730
Other matters (Payments released in USD to Underground contractor at Mangalore i.e. M/s SKE&C-KCT JV)	Nil	25,28,76,315

#### 14.3 Earnings in foreign exchange

Particulars	For the year ended 31 March, 2012	For the year ended 31 March, 2011
	₹	₹
Earnings	Nil	Nil

#### 14.4 Estimated cost of construction

- i) 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.
- ii) As on the date of Balance Sheet i.e. 31<sup>st</sup> March 2012, the construction activities for Phase I were in progress at Visakhapatnam, 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 2011-12, which are not attributable to the projects, have been charged to the Profit & Loss account.
- iii) As on the date of Balance Sheet i.e. 31<sup>st</sup> March 2012, preparation of Detailed Feasibility Report for Phase II projects for 12.5 MMT capacity at 4 places at Rajkot (2.5 MMT), Padur (5 MMT), Chandikhol (2.5 MMT) and Bikaner (2.5 MMT) was in progress

- #### 14.5
- i) 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.
  - ii) During the year, company was informed that quarrying license from Department of Mines & Geology is required for removal of rock debris. Accordingly, company has obtained the quarrying license from Department of Mines & Geology, Government of Karnataka. Based on Notice Inviting Tender (NIT), the jobs for disposal of rock from the two Sites of Padur had been awarded.
  - iii) At Mangalore, an interim stay had 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. Company had filed an appeal in Hon'ble Karnataka High Court against the Order, which was pending. In the meantime, Company has reached an agreement with MSEZ regarding sharing of the rock debris equally. Consequently, Company has withdrawn the appeal filed in the Hon'ble Karnataka High Court on 30th August, 2012.

- #### 14.6
- The targetted date for completion of Visakhapatnam project has been extended to October 2012. There was a rock slide incidence at Visakhapatnam cavern A1 on 7<sup>th</sup> April 2011, additional amounts of Rs. 10,36,00,000 has been already spent towards repair/restoration and strengthening activities at the



site. Insurance Claim has been lodged for the estimated amount of Rs. 12,77,00,000 and an adhoc amount of Rs. 4,50,00,000 has been received from the insurance companies against the claim. Receipts from insurance company would be recognised in the accounts in the year of such receipt. The amount spent during the year for the repair and restoration work has been included in the CWIP and the work is in progress. Due to further geological variations observed in the caverns, work has thereafter been suspended.

- 14.7 i) At Visakhapatnam, 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 Visakhapatnam Port Trust (VPT). The VPT has accepted the land returned by the company. Company has accounted receivable of Rs.70,79,092 towards proportionate lease premium for the 1 acre land taken over by VPT.
- ii) Land required for Mangalore Project has been acquired from Mangalore Special Economic Zone Limited (MSEZL). Till 31.3.2012, Rs.41,31,00,000 had been released to MSEZL towards tentative land cost @ Rs.50,00,000 per acre and the same has been capitalised in the books. In June 2012, Board had approved release of balance land cost for 71.7234 acres of chargeable land @ Rs.1,25,00,000 per acre. Accordingly, an amount of Rs. 48,34,42,500 has since been released to MSEZL towards balance land cost in June/July 2012 and also capitalised as on 31st March 2012 and amortized for the balance period of lease.
- iii) The Company had deposited Rs.32,52,11,500 with Karnataka Industrial Areas Development Board (KIADB) for acquisition of acres of land for Padur project, which was accounted as advance in the previous year. KIADB has already handed over possession of 138.57 acres of land, which has been capitalized at a cost of Rs.29,43,80,958 at the rate of Rs.21,00,000 per acre indicated by KIADB including the Relief & Rehabilitation assistance paid to the project displaced families. Balance available of Rs.3,08,30,542 continues to be treated as advance against remaining land still to be acquired through KIADB, which is considered to be sufficient for the purpose.
- iv) The company commenced amortisation of land at all the three projects over the remaining years of lease from the year 2010-11. During the year, provision for stamp duty charges amounting to Rs.2,10,16,693 related to land, which was earlier booked in P&L account has been written back out of which Rs.1,99,91,158 have been capitalised and balance adjusted against provision.
- 14.8 Based on the management decision to pay stamp duty on share certificates, stamp duty totalling to Rs.2,39,70,000 have been paid during 2011-12 on the entire authorised share capital. Rs.94,60,024, being stamp duty on shares pending to be issued/allotted, is accordingly shown as stamp duty paid in advance.
- 14.9 The share capital as on 31.3.2012 includes Rs.178,01,06,000 allotted in May 2010 and Rs.479,30,63,240 allotted in May 2011. The Share Certificate for the above allotment should be issued within 90 Days from the date of allotment. Since the decision to pay stamp duty was taken by the board after 31st March 2011. Pursuant to Board approval, the stamp duty on the entire authorised Capital was paid in October 2011 and the share certificate for both the above allotments has been issued in November 2011. A voluntary petition for compounding of the delay in issue of the share certificate beyond 90 Days of allotment has been filed with Company Law Board in April 2012, which is still pending.
- 14.10 Board Meeting for the quarter ending December 2011 which was proposed to be held in December 2011 could not be held in December 2011 and was held on 5.1.2012 (within 120 days of earlier meeting).
- 14.11 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 during the year the Company had credited CENVAT credit amounting to Rs. 46,94,60,688 (including Rs 24,99,00,000 upto 31st March 2010). During the year, Company has recalculated and accounted eligible CENVAT credit amounting to Rs.38,07,76,770 as on 31.3.2012 and has reversed CENVAT Credit amounting to Rs. 8,38,51,588. Service Tax Returns are yet to be revised to match with the Books of Accounts. Subsequent to the notification No.3/2011 dated 1.3.2011, Company has discontinued claiming CENVAT credit for the construction activities for setting up of the projects from April 2011.

- 14.12** Subsequent to the notification No.3/2011 dated 1.3.2011, Company has discontinued claiming CENVAT credit for the construction activities for setting up of the projects from April 2011.
- 14.13** Approval for becoming Co-developer of Free Trade Warehousing Zone (FTWZ) at Mangalore was given by Ministry of Commerce in August 2010. All approvals have been received for Mangalore. At Padur, application for becoming FTWZ has been accepted "in-principle" by Board of Approvals, Ministry of Commerce.
- 14.14** Retention money of Rs.31,44,46,870 specified in Note No. 5 Withholding from contractors 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.
- 14.15** As on 31st March 2012, the Company's day to day work was handled by 11 personnel taken on deputation HPCL (7), ONGC (2), IOCL (1) & GAIL (1) and their Leave salary and Pension contribution is reimbursed on Proportionate basis to their respective parent companies on receipt of claim thereof.
- 14.16** 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).
- 14.17** i) The Company has earned Rs.65,42,356 interest from the balances available in "Sweep-in-Sweep-Out" account during 2011-12 as against Rs.4,44,911 during the year 2010-11.
- ii) Depreciation amounting to Rs.3,36,95,276 (which includes amortization on leased land for all three projects) has also been charged to Profit & Loss account during 2011-12 as against Rs.3,95,49,061 during the year 2010-11.

#### **14.18 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.

- 14.19** Dues to Micro and Small Enterprises have been determined as NIL to the extent such parties have been identified in terms of 'The Micro, Small and Medium Enterprises Development Act, 2006' which came into force w.e.f October 2, 2006. 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. Liability in this case is NIL / insignificant in view of suppliers' profile of the company.
- 14.20** 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.



**14.21** The Company has a constituted Audit Committee under section 292A of the Companies Act, 1956 with the following composition:

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

**14.22** Balances of the Contractors are subject to confirmation.

**14.23** 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 make them comparable with current years' figures.

**Note 15 Disclosures under Accounting Standards**

Note	Particulars			
<b>15.1</b>	<b>Related party transactions</b>			
<b>15.1 a</b>	<b>Details of related parties:</b>			
	<b>Description of relationship</b>	<b>Names of related parties</b>		
	Holding Organisation	Oil Industry Development Board (OIDB) holding 100% equity in the Company		
	Key Management Personnel (KMP)	Shri Rajan K Pillai, CEO. CEO is entrusted under the Articles of Association of the Company with the day to day management of the affairs of ISPRL. He is on deputation from Hindustan Petroleum Corporation Ltd. CEO is not a Board Member. <b>Board of Directors (Ex-Officio)</b> Shri S. Sundareshan, Chairman (till 2 <sup>nd</sup> May 2011) Shri G.C. Chaturvedi, Chairman (w.e.f 11 <sup>th</sup> May 2011) Shri Sudhir Bhargava, Director Shri Subhash Khuntia, Director (w.e.f. 9.8.2012) Shri Arun Kumar, Director Incharge Shri L.N. Gupta, Director		
<b>15.1 b</b>	<b>Details of related party transactions during the year ended 31 March, 2012 and balances outstanding as at 31 March, 2012:</b>			
	<b>Particulars</b>	<b>Holding Organisation (OIDB)</b>	<b>KMP (CEO)</b>	<b>Total</b>
		₹	₹	₹
	Finance (including loans and equity contributions in cash or in kind)	81,30,08,737 (4,43,18,06,902)		81,30,08,737 (4,43,18,06,902)
	Management contracts including for deputation of employees		35,59,252 (32,00,000)	35,59,252 (32,00,000)
	Note: Figures in bracket relates to the previous year			

15.1.c	Board of Directors are appointed by Ministry of Petroleum & Natural Gas, Government of India. Remuneration to Board of Directors is NIL (Previous Year-NIL)				
15.1.d	<b>Balances outstanding / transactions with related parties:</b>				
	Particulars	Oil Industry Development Board		Hindustan Petroleum Corporation Ltd.*	
		Year ended 31.03.2012	Year ended 31.03.2011	Year ended 31.03.2012	Year ended 31.03.2011
		₹	₹	₹	₹
	i) Transaction during the year Expenses incurred on behalf of the Company	18,04,367	43,71,829	1,27,72,143	1,11,55,710
	ii) Balances at the year end	81,12,04,370	4,42,74,35,073	73,15,248	29,24,591
	<b>Total</b>	<b>81,30,08,737</b>	<b>4,43,18,06,902</b>	<b>2,00,87,391</b>	<b>1,40,80,301</b>
	* To be reimbursed to HPCL for salaries of KMP(CEO) & others on deputation from HPCL.				

**Note 15 Disclosures under Accounting Standards**

Note	Particulars	For the year ended 31 March, 2012	For the year ended 31 March, 2011
		₹	₹
15.2	<b>Earnings per share</b>		
15.2.a	<b>Basic</b>		
	(Loss) for the year attributable to the equity shareholders	(2,47,24,220)	(6,72,13,406)
	Number of equity shares Outstanding	1,45,09,97,583	51,92,54,076
	Par value per share	10	10
	Loss per share from continuing operations - Basic	(0.02)	(0.13)
15.2.b	<b>Diluted</b>		
	(Loss) for the year attributable to the equity shareholders	(2,47,24,220)	(6,72,13,406)
	Number of equity shares Outstanding - For Diluted	1,53,21,18,020	96,19,97,583
	Par value per share	10	10
	Loss per share from continuing operations - Diluted	(0.02)	(0.07)



**Cash Flow Statement for the year ended 31 March, 2012**

Particulars	For the year ended 31 March, 2012		For the year ended 31 March, 2011	
	₹	₹	₹	₹
<b>A. Cash flow from operating activities</b>				
(Loss) before extraordinary items and tax	(2,47,24,220)		(6,72,13,406)	
Adjustments for :				
Depreciation and amortisation	3,36,09,809		3,92,83,929	
Fixed Assets W/o during the year	72,91,380		4,69,323	
Increase in current liabilities	99,24,21,285		33,56,51,320	
Operating (Loss) before working capital changes		1,00,85,98,254		30,81,91,166
<b>Net cash (used in) operating activities (A)</b>		<b>1,00,85,98,254</b>		<b>30,81,91,166</b>
<b>B. Cash flow from investing activities</b>				
Increase in fixed assets	(61,78,78,449)		(21,46,39,818)	
Increase in Capital Work In Progress	(5,83,93,73,870)		(4,22,94,32,046)	
Advances/Loans made to third parties	(17,40,66,595)		(28,17,51,915)	
<b>Net cash (used in) investing activities (B)</b>		<b>(6,63,13,18,913)</b>		<b>(4,72,58,23,779)</b>
<b>C. Cash flow from financing activities</b>				
Proceeds from issue of equity shares	5,70,12,04,367		4,42,35,41,829	
<b>Net Cash Flow from financing activities (C)</b>		<b>5,70,12,04,367</b>		<b>4,42,35,41,829</b>
<b>Net increase in Cash and cash equivalents (A+B+C)</b>		<b>7,84,83,708</b>		<b>59,09,216</b>
Cash and cash equivalents at the beginning of the year		74,69,710		15,60,494
<b>Cash and cash equivalents at the end of the year</b>		<b>8,59,53,418</b>		<b>74,69,710</b>

In terms of our report attached.

**For Rastogi Narain & Co.**  
Chartered Accountants  
FRN.008775N

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

Place : New Delhi  
Date : 25<sup>th</sup> September 2012

**For and on behalf of the Board of Directors**

Sd/-  
(Arun Kumar)  
Director-Incharge

Sd/-  
(S.R.Hasyagar)  
Chief Finance Officer

Sd/-  
(Sudha Venkata Varadhan)  
Company Secretary

Sd/-  
(Sudhir Bhargava)  
Director

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

Place : New Delhi  
Date : 20<sup>th</sup> September 2012

**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 2012.**

The preparation of financial statements of Indian Strategic Petroleum Reserves Limited for the year ended 31<sup>st</sup> March 2012 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the Management of the Company. The Statutorily Auditor 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 25<sup>th</sup> September 2012.

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<sup>st</sup> March 2012. This supplementary audit has been carried out independently without access to the working papers of the statutory auditor and is limited primarily to the inquiries of the statutory auditor 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 matter 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:

**Comment on profitability**

**Balance Sheet**

**Assets**

**Non – current Assets**

**(a) Fixed Assets**

**(i) Tangible Assets (Note 9A)**

**Land leasehold: Rs. 143.39 crore**

The above includes Rs.3.43 crore (*Rs. 3.50 crore less Rs.0.07 crore : the amortized amount*) being expenditure incurred on re-routing of 2 – lane Bye pass road, to make approach for ISPRL valve station situated outside Mangalore SEZ Ltd. Boundary, which is not an asset of the Company. The same should have been charged off to 'Revenue' instead of capitalizing the same.

This has resulted in the overstatement of Assets by Rs.3.43 crore and understatement of loss by the same amount.

For and on behalf of  
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  
Dated : 09.11.2012



**COMMENTS OF C&AG ON ACCOUNTS OF ISPRL FOR THE YEAR  
ENDING 31.3.2012 AND MANAGEMENT REPLY THEREON**

COMMENTS OF C&AG	MANAGEMENT REPLY
<p><b>Balance Sheet</b></p> <p><b>Assets</b></p> <p><b>Non-Current Assets</b></p> <p>(a) <b>Fixed Assets</b></p> <p>(i) <b>Tangible Assets (Note 9A)</b></p> <p><b>Land Leasehold : Rs. 143.39 crore</b></p> <p>The above includes Rs. 3.43 crore (Rs. 3.50 crore less Rs.0.07 crore; the amortized amount) being expenditure incurred on re-routing of 2-lane Bye pass road, to make approach for ISPRL valve station situated outside Mangalore SEZ Ltd. Boundary, which is not an asset of the Company. The same should have been charged off to "Revenue" instead of capitalizing the same.</p> <p>This has resulted in the overstatement of Assets by Rs.3.43 crore and understatement of loss by the same amount.</p>	<p>It is not appropriate to charge off the expenditure of Rs.3.43 crore as revenue expenditure because the project is still in progress and entire expenditure is therefore treated as Capital Expenditure. Further, ISPRL has not capitalized the road as its asset, but has included this essential expenditure directly related to acquisition of land for making the land usable as part of total land cost which includes other such costs like R&amp;R cost etc. Therefore, the accounting as per financial statement is correct.</p>