



# 6 Annual Report वार्षिक रिपोर्ट

2009-2010



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 S. Sundareshan</b>	Chairman	(w.e.f. 31 <sup>st</sup> January 2010 A/N)
<b>Shri R.S. Pandey</b>	Chairman	(till 31 <sup>st</sup> January 2010 F/N)
<b>Shri Sudhir Bhargava</b>	Director	(w.e.f. 19 <sup>th</sup> May 2010)
<b>Shri L. N. Gupta</b>	Director	
<b>Shri Arun Kumar</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  
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 6<sup>th</sup> Annual Report on the working of the Company for the year ended 31<sup>st</sup> March 2010 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 31.3.2010 the authorized capital and Issued/Subscribed/Paid up capital of the company were Rs. 1,000 Crores and 519.64 Crores respectively (includes Rs. 178.4 crores pending allotment).

The main object of the company, in terms of Memorandum and Articles of Association, is to carry on the business of storage, handling, treatment, carriage, transport, dispatch and supply of crude oil and petroleum products.

### PERFORMANCE OVERVIEW

Your Company has been mandated to establish strategic crude oil storage of 5 MMT at Visakhapatnam, Mangalore and Padur. The Capital cost for constructing the strategic storage facilities is estimated to be Rs.2397 crores and the operation and maintenance cost is expected to be Rs.90 crores per annum at September 2005 prices. The cost excludes the price of crude oil which shall be procured at the prevailing market rates after the respective caverns are ready to be filled. OIDB will be funding the entire construction costs.

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

The locations selected for creating the strategic reserves are Visakhapatnam (1.33 MMT), Mangalore (1.5 MMT) and Padur (2.5 MMT).

Project wise status for the period April 1, 2009 to March 31, 2010 is 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 VPT and 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.

The Underground works were awarded to M/s Hindustan Construction Company (HCC) on 16.1.2009 at a total cost of Rs.393 crore after following the process of Reverse Auction. The Underground civil works are progressing rapidly. As of March 31<sup>st</sup> 2010, 1086 lakh cubic meters of excavation was completed. In a period of just one year approx 8.5 lakh cubic meters of hard rock excavation was completed. Within the same period the progress in tunneling was approximately 3.5 kilometers. In addition three inlet shafts were completed and over 80% of the other two pump shafts were excavated. The achievement included a record excavation of 6502 cubic meters in a single day on 28.03.2010.

The above ground works were awarded to M/s IOTL on 30.11.2009 and as on 31.3.2010 orders for major critical items like crude submersible pumps and seepage water pumps etc. have been placed. The scheduled mechanical completion of the cavern is by October, 2011 and commissioning by January, 2012.

## **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 have been awarded to Joint Venture of M/s SKE&C and KCT on 16.04.2009 at a total cost of Rs.403.5 Crores, through reverse auction process. As on 31.3.2010, excavation was in progress in the water curtain tunnel and in the portal area.

For the aboveground works, bidders have been pre-qualified and the tendering process is in progress.

Co-developers agreement signed between MSEZL and ISPRL and application for Free Trade Warehousing Zone (FTWZ) has been submitted to Ministry of Commerce & Industries (MoC) for necessary approvals for Mangalore project land. Proposal discussed in the Board of Approvals meeting held on 11<sup>th</sup> February 2010 and formal approval was expected to be received shortly from MoC.

The scheduled date for Mechanical completion is November, 2012.

## **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. 161 acres of land at Padur are being acquired through Karnataka Industrial Area Development Board (KIADB) and Final notification for land acquisition has been issued. Surveys for plot/pipeline route and supplementary investigations have been completed. The tendering activities for the underground civil works are in progress. The target date for Mechanical completion is December 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 Crs and Part B has been awarded to M/s SKEC-KCT JV for Rs 375.92 Crs on 29.12.2009 with completion time as 36 months. However as land was not in the possession of ISPRL and as environmental clearance was yet to be obtained a condition was imposed that the contractors would not commence field activities till ISPRL advises the contractors to do so.

For the Mangalore-Padur pipeline ROU acquisition, DC, Mangalore & DC, Udupi have nominated SLAO KIADB as the land acquisition officer. SLAO, KIADB has also confirmed his acceptance to take up the assignment of ROU acquisition. KIADB has been requested to confirm that they shall undertake the job of ROU acquisition prior to submitting the application for notification of competent authority in the Central Gazette.

## FINANCIAL RESULTS

Based on the comments of the C&AG on the accounts of ISPRL for the year ending 31.3.2009, even though the company has not yet commenced the actual business, Profit & Loss Account for the period 1<sup>st</sup> April 2009 to 31<sup>st</sup> March 2010 has been prepared (to comply with the Accounting Standard 26 issued by Institute of Chartered Accountants of India). Summary of the Financial Results for the year ended 31<sup>st</sup> March 2010 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 2009		22665.05	<b>Schedule 3</b> - Closing balance as of 31.3.2009
(B)	Pre-Operative Expenses during the year		25450.23	<b>Schedule 3</b> - Difference between expenditure as at 31.3.2010 & expenditure as at 31.3.2009
(C)	<b>Increase in Fixed Assets</b>			<b>Schedule 2</b> – from column “additions during the year”
	Fixed assets-Land	-0.46		
	Others Fixed Assets	2.56		
	Increase in Fixed Assets		2.10	
(D)	Miscellaneous expenses during the year (to the extent not written off)		-239.44	<b>Point No. B(3)</b> of Balance Sheet
(E)	Profit & Loss A/c		248.12	
(F)	<b>Net Current Assets</b>			<b>Schedule 4</b>
	(i) Current Assets, Loans & Advances	3323.40		
	(ii) Current Liabilities & Provisions	6554.68		<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)		-3231.27	
<b>Total Expenditure (A+B+C+D+E+F)</b>			<b>44894.79</b>	

## 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 2010 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 2010, 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 2010, 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, 2010 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 S. Sundareshan, Secretary, Ministry of Petroleum and Natural Gas(MOP&NG) - Chairman
- 2) Shri Sudhir Bharghava, Additional Secretary, MoP&NG - Member

- 3) Shri L.N. Gupta, Joint Secretary (R), MOP&NG - Member
- 4) Shri Arun Kumar, Secretary, OIDB - Member

The following are the changes in directorships that occurred since 1<sup>st</sup> April 2009:-

- 1) Shri S. Sundareshan, Chairman (w.e.f. 31.1.2010 (A/N))
- 2) Shri R.S. Pandey, Chairman (till 31.1.2010 F/N)
- 3) Shri Sudhir Bhargava, Director (w.e.f. 19.5.2010)

The Board of Directors place on record their sincere appreciation of the valuable services rendered by Shri R.S. Pandey 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: 09.12.2010

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 2010 and also the Profit and Loss Account 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 complies 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.10 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. 2(d) of schedule 7 regarding non provision of stamp duty of Rs.785 Lacs resulting into understatement of assets and liabilities to the tune of Rs.785 Lacs*, 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, 2010; and
- b. In case of the Profit and Loss account, of the Loss for the year ended on that date.

For **Rastogi Narain & Co.**  
Chartered Accountants



**Sd/-**  
**(SHANTI NARAIN)**  
**Partner**

M.No.87370

Firm Registration No. 008775N

Place : New Delhi  
Date : 16.09.2010

## 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 2010)

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. The Company has a paid up capital exceeding Rs. 50 lacs. The Board of Directors have appointed Oil Industry Development Board (OIDB) as Internal Auditors of the Company and in the absence of any formal report, the company has implemented checks commensurate with their size of operations to check their implementation and transactions.



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. 1.32 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 2010. The Company has incurred cash losses during the financial year ended on that date. However it has not incurred any cash losses 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



**Sd/-**  
**(Shanti Narain)**

Partner

M.No. 87370

Firm Registration No. 008775N

Place : New Delhi  
Date : 16.09.2010

# ANNUAL ACCOUNTS

## 2009-2010

## Balance Sheet as on 31st March 2010

PARTICULARS	Sch	Amt. in Rupees as at 31.03.2010	Amt. in Rupees as at 31.03.2009
<b>A. SOURCES OF FUNDS</b>			
Shareholders Fund :			
- Share Capital	1	5,196,434,004	2,934,234,766
<b>TOTAL</b>		<b>5,196,434,004</b>	<b>2,934,234,766</b>
<b>B. APPLICATIONS OF FUNDS</b>			
<b>1. Fixed Assets</b>			
Gross Block	2	684,386,408	684,432,070
Less:- Accumulated Depreciation		1,165,199	909,606
		683,221,209	683,522,464
Pre-operative Expenses (Pending Allocation)	3	4,811,527,820	2,266,504,989
		4,811,527,820	2,266,504,989
<b>2. Current Assets, Loans &amp; Advances</b>	4		
- Cash & Bank Balances		1,560,494	694,930
- Loans & Advances		330,779,820	41,094,220
		332,340,314	41,789,150
<b>Less : Current Liabilities &amp; Provisions</b>			
- Current Liabilities	5	654,112,545	80,170,911
- Provision for Taxes		422,018	422,018
- Provision for Share Issue Stamp Duty		933,000	933,000
		655,467,563	81,525,929
<b>Net Current Assets</b>		<b>(323,127,249)</b>	<b>(39,736,779)</b>
<b>3. Miscellaneous Expenses</b>			
to the extent not written off (Preliminary Expenses)		-	23,944,092
<b>Profit &amp; Loss Account</b>			
As per P&L account attached		24,812,223	-
<b>TOTAL</b>		<b>5,196,434,004</b>	<b>2,934,234,766</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/-  
(M.C. Singh)  
Chief Finance Officer

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

Sd/-  
(Arun Kumar)  
Director Incharge

Sd/-  
(Sudhir Bhargava)  
Director

As per our report attached

Place : New Delhi  
Date : 16.09.2010

For Rastogi Narain & Co.  
Chartered Accountants



Sd/-  
(Shanti Narain)  
Partner

M No. 087370

Firm Registration No. 008775N

Place : New Delhi  
Date : 16.09.2010

**Profit & Loss Account for the Year Ended 31.03.2010**

	Amt. in Rupees for the current year	Amt. in Rupees for the previous year
<b>Income</b>	-	-
Total	-	-
<b>Expenditure</b>		
Auditors Remuneration	96,275	-
Other Office Expenses	508,763	-
Depreciation	255,593	-
ROC Filing Fees	6,000	-
Legal Fees	1,500	-
Preliminary Expenses	23,944,092	-
Total	24,812,223	-
Net Loss for the period transferred to Balance Sheet	<b>(24,812,223)</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/-**  
**(M.C. Singh)**  
**Chief Finance Officer**

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

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

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

Place : New Delhi  
Date : 16.09.2010

As per our report attached

**For Rastogi Narain & Co.**  
**Chartered Accountants**

**Sd/-**  
**(Shanti Narain)**  
**Partner**

M No. 087370

Firm Registration No. 008775N

Place : New Delhi

Date : 16.09.2010





**Schedules Annexed to and forming part of the Balance Sheet as on  
31<sup>st</sup> March 2010**

PARTICULARS	Amt. in Rupees as at 31.03.2010	Amt. in Rupees as at 31.03.2009
<b>Schedule-1</b>		
SHARE CAPITAL		
<b>- Authorized Capital</b> (100,00,00,000 Equity Shares of Rs. 10/- each)	<b>10,000,000,000</b>	<b>10,000,000,000</b>
<b>- Issued, Subscribed &amp; Paid Up</b> (341,243,476 Equity Shares of Rs. 10/- each) (Previous Year 273,593,355 Equity Shares of Rs. 10/- each)	3,412,434,760	2,735,933,550
<b>- Share Application Money</b> (Pending Allotment)	1,783,999,244	198,301,216
	<b>5,196,434,004</b>	<b>2,934,234,766</b>
Oil Industry Development Board (OIDB) and its nominees hold 100% of the issued, subscribed & paid up capital.		



INDIAN STRATEGIC PETROLEUM RESERVES LTD.											
S.No.	Particulars	Gross Block				Depreciation				Net Block (WDV)	
		As on 1.4.09	Additions During the Year	Deletion the Year #	As on 31.3.10	As on 1.4.09	During the Year	Adjustments	As on 31.3.10	As on 1.4.09	As on 31.3.10
1	Land (VPT)*	269,313,060	-	307,562	269,005,498	-	-	-	-	269,313,060	269,005,498
2	Land (Mangalore)*	413,105,000	-	-	413,105,000	-	-	-	-	413,105,000	413,105,000
3	Computer	977,759	238,650	-	1,216,409	633,259	138,062	-	771,321	344,500	445,088
4	Office Equipment	559,258	22,200	-	581,458	107,316	63,850	-	171,166	451,942	410,292
5	Furniture & Fixture	414,988	-	-	414,988	157,686	46,572	-	204,258	257,302	210,730
6	Books	23,309	1,050	-	24,359	3,582	2,806	-	6,388	19,727	17,971
7	Dip Meter	38,696	-	-	38,696	7,763	4,303	-	12,066	30,933	26,630
	T O T A L	684,432,070	261,900	307,562	684,386,408	909,606	255,593	-	1,165,199	683,522,464	683,221,209
	Previous Year	684,356,089	75,981	-	684,432,070	356,134	553,472	-	909,606	684,356,089	683,522,464

\* Refer note no. 5 in Schedule 7

Include 38 acres land taken on lease from Visakhapatnam Port Trust

Total land of 100 acres taken on lease from Mangalore Special Economic Zone Limited (MSEZL) include approx. 18 acres provided by MSEZL free of cost for becoming codeveloper/unit of FTWZ.

# Annual lease rent and security deposit forming part of balances as on 1.4.2009 have been decapitalised and accounted for suitably



Schedule-3 Preoperative Expenses ( Pending Allocation)	Amt. in Rupees as at 31.03.2010	Amt. in Rupees as at 31.03.2009
<b>A Construction Work-in-progress- Fixed Assets</b> (including unallocated capital expenditure, material at site)		
Land Acquisition Expenses	1,046,000	1,046,000
Advertisement Expenses	4,612,384	2,338,300
Site survey Expenses	35,129,301	18,563,427
Diesel as free issue Material	153,533,902	29,421,119
Underground Civil Works Vishakhapatnam	2,862,287,519	1,322,091,467
Underground Civil Works Mangalore	189,721,446	
Detailed Feasibility Report Expenses	41,192,320	41,192,320
Project Management Consultancy (Engineers India Ltd)	1,408,757,042	781,461,816
Geo-Physical & Technical Survey	9,116,237	9,116,237
Other Project Expenses	932,465	135,200
Pipeline Route Survey & CWS	812,988	812,988
Insurance Expenses	26,983,351	9,899,402
Ministry Monitoring Cell	917,998	469,479
Consultancy Charges	601,150	601,150
Rent for Visakhapatnam Land	3,760,693	
Rent for Mangalore Office	126,000	
Less: Sale of Bidding Documents	741,043	300,000
Impact of Foreign Exchange Variation (underground civil works at Mangalore)	2,802,935	
<b>Sub Total</b>	<b>4,735,986,818</b>	<b>2,216,848,905</b>
<b>B Incidental Expenditure during construction</b>		
(a) Opening balance	49,656,084	28,698,548
(b) Add: Net Expenditure during the year		
(i) Expenses during the year		
Auditors Remuneration	-	85,175
Bank & Credit Card charges	18,401	19,552
Car/Taxi Hiring Expenses	1,550,678	1,150,585
Computer Software & Internet Expenses	73,070	38,373
Consultancy Expenses	588,500	569,418
Contract Services	1,266,318	1,200,279
Depreciation	-	356,134
Electricity Expenses	37,504	48,510
Entertainment Expenses	252,694	170,136
Other Office Expenses	-	183,612
Printing & Stationery Expenses	356,952	294,925
Travelling & Conveyance	3,662,935	4,064,525
Rent Expenses	2,410,134	2,171,287
Repair & Maintenance	333,919	358,440
Salary & Other Benefits	15,055,154	9,791,038
Telephone Expenses	278,720	260,001
ROC Filing Fees	-	4,309
<b>Sub-total</b>	<b>25,884,979</b>	<b>20,766,299</b>
(c) <b>Less: Recoveries</b>		
Interest Income	-	99,922
Miscellaneous Income	60	1,253
<b>Sub-total</b>	<b>60</b>	<b>101,175</b>
<b>(d) Net expenditure during the year (b-c)</b>	<b>25,884,919</b>	<b>20,665,124</b>
(e) <b>Provisions for Taxes- Current Year</b>		
Provision for Income Tax	-	31,681
Fringe Benefit Tax	-	251,142
<b>Provision for Taxes- Earlier Year</b>		
Fringe Benefit Tax	-	9,589
<b>Sub-total</b>	<b>-</b>	<b>292,412</b>
(f) Closing Balance (a+d+e)	75,541,003	49,656,084
<b>C Total (I+II)</b>	<b>4,811,527,820</b>	<b>2,266,504,989</b>



<b>Schedule-4 Current Assets, Loans and advances</b>	<b>Amt. in Rupees as at 31.03.2010</b>	<b>Amt. in Rupees as at 31.03.2009</b>
Cash & Bank Balances		
- Cash in hand	23,670	14,573
- Balances with scheduled bank (in current accounts)	1,536,824	680,357
	<b>1,560,494</b>	<b>694,930</b>
Loans & Advances (unsecured considered good)		
Advance against land (Padur) (Refer note no. 7 in schedule 7)	325,211,500	38,009,300
Security Deposits	2,047,820	1,044,440
Advance Fringe Benefit Tax	408,380	408,380
Advance Income Tax	143,733	40,221
Advances recoverable in cash or in kind or for value to be received	2,968,387	1,591,879
	<b>330,779,820</b>	<b>41,094,220</b>

<b>Schedule - 5 Current Liabilities &amp; Provisions</b>	<b>Amt. in Rupees as at 31.03.2010</b>	<b>Am. in Rupees as at 31.03.2009</b>
Current Liabilities		
Sundry Creditors for Goods & Expenses	526,868,267	79,462,412
Security / Earnest Money Deposit	266,761	346,658
Other Liabilities	126,977,517	361,841
	<b>654,112,545</b>	<b>80,170,911</b>



## SIGNIFICANT ACCOUNTING POLICIES

### 1 a. Basis of accounting

The financial statements have been prepared to comply 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 preparation of financial statements in conformity with generally accepted accounting policies requires 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 recognised 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

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

### e. Revenue Recognition & Pre-Operative Expenses

- i. The project for Strategic Oil Reserves is under implementation and the company has not started commercial operations. During the current year, the company has prepared Profit & Loss account to comply with Accounting Standard 26 on Intangible Assets issued by 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. These expenses have been shown as pre-operative expenses.

#### 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 current management 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 in the preoperative expenses (pending allocation) 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.



**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 OIBD and its nominees on 9<sup>th</sup> May 2006. The main objects of the Company are 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 31.3.2010 (Rs. Lakhs)</b>	<b>As on 31.03.2009 (Rs. Lakhs)</b>
Estimated amount of contracts remaining to be executed on capital account not provided for	<b>189900 (approx)*</b>	<b>61061 (approx)*</b>

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

- 1 M/s.Engineers India Limited for Project Management Consultancy
- 1 Contractors for underground civil works at Visakhapatnam/Mangalore & Padur
- 1 Aboveground process facilities at Visakhapatnam
- 1 M/s.Hindustan Petroleum Corporation Limited/MRPL for diesel supplies (at current product rate for balance quantity to be supplied)
- 1 M/s.RITES for supplementary investigations at Padur (job completed, contract yet to be closed)
- 1 Annual lease rentals for Visakhapatnam land, development etc.





**b. Contingent Liabilities**

	<b>As on 31.3.2010 (Rs. Lakhs)</b>	<b>As on 31.03.2009 (Rs. lakhs)</b>
Contingent liabilities towards land related matters at Visakhapatnam, Mangalore and Padur	<b>6991 (approx)**</b>	<b>7080 (approx)**</b>

\*\* Comprises contingent liabilities arising out of

- 1 additional per acre cost for Mangalore as per MSEZL (including Rehabilitation and Relief measures)
- 1 Stamp duty on land lease deeds and share certificates
- 1 Development of green belt.

**c.** The committed cost indicated at point no. (a) above includes Rs.532 cores for Visakhapatnam project based on the awarded values of various contracts. The approved cost of Visakhapatnam project was Rs.671.83 crores at September 2005 prices. However, 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., the revised cost for Visakhapatnam project is estimated at Rs.1038 cores. The process of obtaining approval of competent authority for the revised cost estimates has been initiated and the effect of the increase would be reflected appropriately, after approval, in the financial statements that would be prepared in the subsequent years.

**d.** In view of the entire funding of company's projects by OADB out of funds generated from cess collection proceeds of the Government, the management is of the opinion that company is exempt from payment of stamp duty under section 3 of the Indian Stamp Act. The company had represented for opinion whether Stamp duty can be exempted on the lease deed to be executed with Visakhapatnam Port Trust before the Collector of Vishakhapatnam. The Collector Visakhapatnam, vide letter dated 16-06-2010 has informed that proposal for exemption of stamp duty and registration fee on the lease agreement to be executed with Vishakhapatnam Port Trust is not feasible for acceptance on revenue considerations. The company has already represented to Principal Secretary to Chief Minister, Government of Andhra Pradesh for review from legal perspective and clarifies whether the document is exempt from Stamp Duty. However, contingent Liabilities include expected expenditure of Rs.785 lakhs (approx.) in case stamp duty becomes payable on land leases at three sites and share certificates.



### 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. The projects are under implementation by the company, Direct Costs incurred upto balance sheet date is booked under Construction Work In Progress and Revenue expenditure incurred are shown under Pre-operative Expenses (Pending Allocation). Profit and Loss Account has been prepared for the year ending 31.3.2010. Expenses incurred during the year 2009-10, that are not attributable to the projects, have been charged to the Profit & Loss account & the company has written off the preliminary expenses (since inception).
4. As on the date of Balance Sheet i.e. 31.3.2010, the construction activities were in progress at Visakhapatnam and Mangalore projects. Subsequent to the close of financial year, the company has taken possession of land at Padur from Karnataka Industrial Area Development Board (KIADB) and commenced the underground civil works during May 2010. Further, during August 2010, Ministry of Commerce has approved a proposal of company to become a co-developer/unit of Free Trade Warehousing Zone (FTWZ) with MSEZL for the Mangalore project.
  5. Subsequent to the close of financial year, during August 2010, Department of Mines & Geology of Government of Karnataka has permitted the Company to dispose the excavated material to the suitable buyers after the payment of Seigniorage fee/Royalty to the department as per the rules. The estimated liability on this account is Rs.4600 lakhs. No quarrying license is required for excavation at Mangalore and Padur.
  6. The construction activities were in progress at Visakhapatnam Port Trust land and Mangalore Special Economic Zone Limited (MSEZL) land, therefore the same have been capitalized, though lease deeds are yet to be executed. Further, the land cost for Visakhapatnam and Mangalore projects shall be amortised over the remaining lease period from the year lease deeds are signed and registered.



7. Advance for Padur land amounted to Rs.32,52,11,500 in schedule 4 represents the tentative cost of 140.65 acres of land being acquired at Padur from Karnataka Industrial Areas Development Board (KIADB). The company has already taken over possession of approx. 101 acres of land during May 2010 and acquisition of balance land is in progress. Pending possession and other documentation, the entire amount paid has been shown as advance for land. Actual expenditure on acquisition of land at Padur is likely to be less than the tentative cost already deposited by the company with KIADB. However, the company may have to pay for the Relief & Rehabilitation. As these are likely to match, these have not been reflected in the accounts for the year ending 31.3.2010.
8. 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)
9. Till the previous financial year, the Company was not making provision for 5% of the value of work done as contractors' invoices were for 95% of the work done in terms of the contractual provisions signed between the company and the underground contractors. However, in the accounts for the year 2009-10, the total impact of 5% amount (Rs.873.26 lakh) that was not payable since commencement of the contracts, has been reflected in Schedule 4 (Other Liabilities).
10. Company's day to day work is presently handled by deputationists from OI DB (4), HPCL (5), ONGC (2) & GAIL (1) and their Leave salary and Pension contribution is reimbursed on Proportionate basis to their respective parent companies on receipt of claim, thereof.
11.
  - a. The company has earned NIL interest from short-term fixed deposits during 2009-10 as against Rs. 99,922 during the year 2008-09.
  - b. Depreciation amounting to Rs. 2,55,593/- has also been charged to Profit & Loss account during 2009-10 as against Rs. 3,56,134/- charged to Pre-Operative Expenses during 2008-09.



**12. Auditors remuneration**

	Year ended 31.03.10 (Rs.)	Year ended 31.03.09 (Rs.)
Statutory audit fees (Incl. Service Tax)	82,725 *	82,725
<b>Total</b>	<b>82,725</b>	<b>82,725</b>

\* excluding out of pocket expenses

**13. Additional Information required to be given pursuant to Part II of Schedule VI of the Companies Act, 1956.**

**a. Earnings in foreign currency**

	Year ended 31.03.2010*	Year ended 31.03.2009
	<i>Equivalent INR</i>	<i>Equivalent INR</i>
Earnings in foreign currency	NIL	NIL

\* Proceeds on sale of bidding documents received in USD 1425 equivalent to INR 58,642/- has been adjusted against project expenses.

**b. Expenditure in foreign currency**

	Year ended 31.03.2010	Year ended 31.03.09
	<i>Equivalent INR</i>	<i>Equivalent INR</i>
Foreign Travelling (net)	8,35,231	13,52,621
Payment released in USD to underground contractor at Mangalore i.e. M/s SKE&C-KCT JV	3,13,79,020	
<b>Total</b>	<b>3,22,14,251</b>	<b>13,52,621</b>

**c. CIF value of imports**

	Year ended 31.3.2010 (Rs.)	Year ended 31.3.2009 (Rs.)
<b>CIF value of imports</b>	<b>NIL</b>	<b>NIL</b>



#### 14. 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.

#### 15. 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.

#### 16. 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 S. Sundareshan, Chairman (w.e.f. 31.1.2010 (A/N))
  - Shri R.S. Pandey, Chairman (till 31.1.2010 F/N)
  - Shri Sudhir Bhargava, Director (w.e.f. 19.5.2010)
  - Shri L.N. Gupta, Director
  - Shri Arun Kumar, Director Incharge
- iii. Remuneration to Board of Directors is NIL (Previous Year-NIL)
- iv. Remuneration to Shri Rajan K. Pillai, CEO

Amount in Rs. Lakhs

	<b>Year ended 31.3.2010 (Rs.)</b>	<b>Year ended 31.3.2009 (Rs.)</b>
Remuneration to CEO during 2009-10 (Includes amounts contained in HPCL Debit notes and direct payments made by company)	27 (approx)	18.10 (approx)

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

*Figures in Rs.*

	<b>Oil Industry Development Board</b>		<b>Hindustan Petroleum Corporation Ltd*</b>	
	<b>Year ended 31.3.2010</b>	<b>Year ended 31.3.2009</b>	<b>Year ended 31.3.2010</b>	<b>Year ended 31.3.2009</b>
(i) Transaction during the year <i>Expenses incurred on behalf of the Company</i>	38,93,238	16,64,35,214	23,47,875	44,14,372
(ii) <i>Balances at the year end</i>	1,78,39,99,244	19,83,01,216	40,12,851	17,35,780

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

**c. Maximum amount due by directors or other officers at any time during 2009-10 is NIL (Previous Year Rs. Nil)**

**17.** There are no dues payable to Small Scale Industrial Undertakings.

**18.** 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 19.5.2010):

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



19. Previous year's figures have been recast wherever necessary to make them comparable with current years' figures. Further, this being the first Profit & Loss Account, there are no previous years' figures.
20. Schedules 1 to 7 form an integral part of the Balance Sheet.

For and on behalf of the Board

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

Sd/-  
**(M.C. Singh)**  
Chief Finance Officer

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

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

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

Place : New Delhi  
Dated : 16.09.2010

As per our report attached

**For Rastogi Narain & Co.**  
**Chartered Accountants**

Sd/-  
**(Shanti Narain)**  
Partner  
M. No. 87370  
Firm Registration No. 008775N  
Place : New Delhi  
Dated : 16.09.2010

**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   
 Preoperative Expenses (Pending Allocation)   
 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)	N A
Product Description	N A
Item Code No. (ITC Code)	N A
Product Description	N A
Item Code No. (ITC Code)	N A
Product Description	N A

For and on behalf of the Board

Sd/-  
(Sudha Venkata Varadhan)  
Company Secretary

Sd/-  
(M.C. Singh)  
Chief Finance Officer

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

Sd/-  
(Arun Kumar)  
Director Incharge

Sd/-  
(Sudhir Bhargava)  
Director

Place : New Delhi  
Dated : 16-09-2010

As per our report attached

For Rastogi Narain & Co.  
Chartered Accountants

Sd/-  
(Shanti Narain)  
Partner  
M. No. 87370  
Firm Registration No. 008775N  
Place : New Delhi  
Date : 16-09-2010





**Cash Flow Statement - Financial year 2009-10 (Indirect Method)**

	Amount in Rupees	Amount in Rupees
Opening Balance of Cash & Bank- (1)		<b>694,929.79</b>
<b>A Cash Flow from Operating activities</b>		
Net Profit		
Adjustments for		
Depreciation	255,593.00	
Foreign Exchange gain		
Interest Income		
Interest Expense		
Increase in Pre-operative expenses	(2,520,261,637.00)	
Increase in Current Liabilities	<b>573,941,634.00</b>	
Increase In Other Current Assets Loan & Advances		
Payment of salary, wages and other operative expenses	(25,884,919.00)	
Cash Flow from Operating activities		(1,971,949,329.00)
<b>B Investing Activities</b>		
Interest Received on Fixed deposits	-	
Purchase of fixed assets, investments	301,255.00	
Advances/loans made to third parties	(289,685,600.00)	
Cash Flow from Investing activities		(289,384,345.00)
<b>C Financing Activities</b>		
Issue of share capital, debentures for cash	<b>2,262,199,238.00</b>	
Long term borrowings		
Cash Flow from Financing activities		2,262,199,238.00
<b>Total Cash Flow (2)</b>		<b>865,564.00</b>
<b>Closing Balance of Cash &amp; Bank (1)+(2)</b>		<b>1,560,494</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 2010.**

The preparation of financial statement of Indian Strategic Petroleum Reserves Limited for the year ended 31<sup>st</sup> March 2010 in accordance with the financial reporting frame work 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 16 September 2010.

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 2010. 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. On the basis of 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 are necessary for enabling a better understanding of the financial statements and the related Audit Report.

**A) Comments on Profitability**

**Balance Sheet:**

**Applications of Funds:**

**Fixed Assets (Gross Block) (Schedule-2) : Rs. 68.44 crore**

- (i) The Company has not amortised leasehold land acquired at Visakhapatnam and Mangalore for 30 years and 50 years' lease respectively in accordance with the provisions of AS 6 prescribed under section 211 (3) (C) of the Companies Act, 1956. This has resulted in understatement of accumulated depreciation and loss to the extent of Rs. 5.17 crore and overstatement of Fixed Assets by the same amount.

- (ii) The Company has not disclosed the nature of the land as lease hold as per requirement of Schedule-VI of the Companies Act, 1956. Depiction of leasehold land as land only is also not in conformity with accounting policy No. 1 (c ) of the Company.

**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 : 01.11.2010**

**COMMENTS OF C&AG ON ACCOUNTS OF ISPRL FOR THE YEAR  
ENDING 31.3.2010 AND MANAGEMENT REPLY THEREON**

COMMENTS OF C&AG	MANAGEMENT REPLY
<p><b>Balance Sheet</b> <b>Applications of Funds:</b> <b>Fixed Assets (Gross Block) (Schedule-2):</b> <b>Rs.68.44 crore</b></p> <p>i) The Company has not amortised leasehold land acquired at Visakhapatnam and Mangalore for 30 years and 50 years' lease respectively in accordance with the provisions of AS 6 prescribed under section 211 (3) (C) of the Companies Act, 1956. This has resulted in understatement of accumulated depreciation and loss to the extent of Rs. 5.17 crore and overstatement of Fixed Assets by the same amount.</p>	<p>In the absence of firm decision on the period of lease for Mangalore site within MSEZL, there is no basis with ISPRL to determine the quantum of amortization. Lease deed for Visakhapatnam site also is yet to be signed. Hence, pending finalization of the lease deed / terms of lease, ISPRL had decided that land cost for Visakhapatnam and Mangalore would be amortised over the remaining lease period from the year lease deeds are signed and registered. Appropriate disclosures to this effect has been made in the Notes to Account (Note 6 of Schedule 7). There would be clarity in the matter by the time accounts for the year 2010-11 are finalized. The company would commence amortising the value of the land from the year 2010-11.</p>
<p>ii) The Company has not disclosed the nature of the land as lease hold as per requirement of Schedule-IV of the Companies Act, 1956. Depiction of leasehold land as land only is also not in conformity with accounting policy No. 1 (c) of the Company.</p>	<p>Even though notes mentioned at Schedule 2 of the accounts already take care of this aspect, w.e.f the financial year 2010-11, appropriate disclosures in this regard shall be made in schedule 2 of the Balance Sheet.</p>



## इंडियन स्ट्रेटेजिक पेट्रोलियम रिज़र्वस् लिमिटेड

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

पेट्रोलियम एवं प्राकृतिक गैस मंत्रालय, भारत सरकार

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