

Kakinada Seaports Moves HC against GAIL & HPCL on Bhagyanagar Gas Stake

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Hyderabad: Private seaport owner Kakinada Seaports has moved the Hyderabad High Court against public sector oil and gas giants GAIL and HPCL, alleging that it was deprived of the promised equity holding in the city gas distribution firm Bhagyanagar Gas.

Kakinada Seaports has accused GAIL and HPCL, which held 25% equity stake each in Bhagyanagar Gas, of managing to increase stakes to 44.98% each and shrinking the seaport's stake to 0.05% from a high of 50% by dishonouring the promised stake. The court has admitted the petition.

"GAIL and HPCL had promised us 10% stake after other private investors were identified and 40% of our stake was diluted in their favour," Kakinada Seaports' chairman and managing director KV Rao told ET. "They (GAIL and HPCL) went ahead with allotment of shares in their favour in the last annual general meeting without honouring the promise of retaining 10% stake to us." Rao said his company raised objections on the decision over allotment of shares that enabled the state-owned oil and gas giants to gain control over the city gas distribution firm and relegating Kakinada Seaports to a fringe player. "We told them that we were ready to invest proportionate monies to retain 10% as agreed upon originally but they went ahead with arbitrary decision on equity stakes."

Bhagyanagar Gas was incorporated in August 2003 for distribution of compressed natural gas (CNG) and piped natural gas (PNG) to domestic, commercial and industrial sectors. The company obtained authorisations to lay, build and operate city gas distribution projects in Hyderabad, Vijayawa-

da and Kakinada. Rao said the JV between GAIL, HPCL and Kakinada Seaports was entered in July 2003 with the PSUs holding 25% each and his firm 50%. The three partners had signed a pact, whereby Kakinada Seaports would reduce its holding to 10% by transferring 40% in favour of others as agreed by state-owned entities.

Kakinada Seaports has submitted to the court that GAIL and HPCL unilaterally went ahead, allotting themselves 50 crore equity shares on a preferential basis, excluding the private partner in the joint venture. The preferential offer enabled both

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the PSUs to consolidate their holdings, apart from offering 9.99% stake to the Andhra Pradesh Industrial Infrastructure Corporation (APIIC) in lieu of land offered by it. The seaport developer urged the court to protect its interests and direct

GAIL and HPCL to allot 10% to it as agreed upon originally.

A senior GAIL representative at Bhagyanagar Gas said there were no violations on the part of oil and gas PSUs. "The pact entered into in July 2003 clearly said Kakinada Seaports was being taken into Bhagyanagar Gas only to act as a warehousing partner for parking 50% equity stake with it," he said. "Kakinada Seaports had also agreed not to stake claim on 50% being parked with it and to dilute equity in favour of others to be decided by GAIL and HPCL later." Further, the GAIL representative said Kakinada Seaports had invested a nominal amount of ₹2.5 lakh against 50% parked with it while incorporating the joint venture.