

Annual Report 2009-2010



PETRONET
LNG
LIMITED

PETRONET LNG LIMITED


PETRONET LNG LIMITED
Board of Directors :

Shri S. Sundareshan	Chairman
Shri Prosad Dasgupta	Managing Director & CEO
Shri Amitava Sengupta	Director (Finance & Commercial)
Shri C. S. Mani	Director (Technical)
Shri Ashok Sinha	Director
Shri B. C. Tripathi	Director
Shri S. V. Narasimhan	Director
Dr. A. K. Balyan	Director
Mr. Dominique PELLOUX-PRAYER	Director
Shri Shantanu Chakraborty	Director
Shri D. J. Pandian	Director
Shri D. P. Roy	Director
Shri P. K. Chadha	Director
Shri J. L. Zutshi	Director

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Sr. Vice President – Finance & Company Secretary

Shri R. K. Garg

Statutory Auditors:

M/s V. Sankar Aiyar & Company

Bankers :

Allahabad Bank
 Asian Development Bank
 Bank of America
 Canara Bank
 CITI Bank
 Development Bank Singapore
 Federal Bank
 HDFC Bank
 ICICI Bank Limited
 IDFC Ltd
 Indian Overseas Bank
 International Finance Corporation (Washington)
 Jammu & Kashmir Bank
 Oriental Bank of Commerce
 Punjab National Bank
 Proparco
 State Bank of Indore
 State Bank of Patiala
 State Bank of Hyderabad
 State Bank of India
 Standard Chartered Bank
 Syndicate Bank
 The Hongkong & Shanghai Banking Corporation Ltd.

Registrar & Share Transfer Agent:

M/s Karvy Computershare Pvt. Ltd
 Plot No. 17 to 24, Vittal Rao Nagar,
 Madhapur, HYDERABAD-500081
 Tel. : 040-23312454 / 23320751 / 52
 Fax : 040-23311968 / 23323049

Registered Office:

World Trade Centre, 1st Floor, Babar Road,
 Barakhamba Lane, New Delhi-110 001
 Tel. : 011-23411411, 23472525
 Fax : 011-23472550
 Website: www.petronetlng.com

LNG Terminal:

GIDC Industrial Estate, Plot No.7/A,
 Dahej, Talukavagra,
 Distt. Bharuch-GUJARAT
 Tel. : 02641- 257002 to 257007
 Fax : 02641- 300310

Kochi LNG Project Site:

Survey No. 347,
 Puthuvypu (Puthuypeen SEZ)
 P.O. 682508, Kochi
 Tel.: 0484-2502259

NOTICE OF 12TH ANNUAL GENERAL MEETING – 2010

NOTICE is hereby given that the 12th (Twelfth) Annual General Meeting of the Members of Petronet LNG Limited (PLL) will be held on Thursday, the 24th day of June, 2010 at 10:00 A.M. at Air Force Auditorium, Subroto Park, Dhaula Kuan, New Delhi-110 010 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as on 31st March, 2010, Profit & Loss Account for the year ended 31st March, 2010, together with Report of Directors and Statutory Auditors thereon.
2. To declare a dividend for the financial year ended 31st March, 2010.
3. To appoint a Director in place of Shri Ashok Sinha, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri B. C. Tripathi, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri S. V. Narasimhan, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint a Director in place of Dr. A. K. Balyan, who retires by rotation and being eligible, offers himself for re-appointment.
7. To appoint a Director in place of Mr. Dominique PELLOUX-PRAYER, who retires by rotation and being eligible, offers himself for re-appointment.
8. To appoint Statutory Auditors, fix their remuneration and in connection therewith, to pass with or without modification(s) the following resolution as **Special Resolution**:

“**RESOLVED THAT** pursuant to the provisions of Section 224A and other applicable provisions, if any, of the Companies Act, 1956, M/s V. Sankar Aiyar & Company, Chartered Accountants, New Delhi, the retiring Auditors of the Company, be and are hereby re-appointed as Statutory Auditors of the Company to hold office from the conclusion of the Twelfth Annual General Meeting till the conclusion of the next Annual General Meeting at a remuneration of Rs. 7.00 lacs plus out of pocket expenses and applicable service tax.”

SPECIAL BUSINESS

To consider and if thought fit, to pass with or without modification(s) the following resolution(s) as Ordinary Resolution(s)

9. “**RESOLVED THAT** Shri S. Sundareshan, who has been appointed as an Additional Director of the Company by Board of Directors under Section 260 of the Companies Act, 1956 and who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director under Section 257 of the Companies Act, 1956, be and is hereby appointed as Director of the Company liable to retire by rotation.”

10. “**RESOLVED THAT** Shri Shantanu Chakraborty, Nominee of Asian Development Bank (ADB), who has been appointed as an Additional Director of the Company by Board of Directors under Section 260 of the Companies Act, 1956 and who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director under Section 257 of the Companies Act, 1956, be and is hereby appointed as Director of the Company liable to retire by rotation.”

11. “**RESOLVED THAT** pursuant to Section 293(1)(d) and all other applicable provisions, if any, of the Companies Act, 1956, the consent of the Members be and is hereby accorded to the Board of Directors to borrow such sums of money (including by way of debentures secured or unsecured, loans or otherwise), at any time or from time to time as may be required for the purpose of the business of the Company in excess of the aggregate of the paid up share capital of the Company and its free reserves i.e. to say, reserves not set apart for any specific purpose, subject to the condition that such borrowing together with the money which is already borrowed (apart from temporary loans obtained by the Company from its bankers/ other entities in the ordinary course of business) shall not at any time exceed Rs. 15,000 crores.”

“**RESOLVED FURTHER THAT** for the purpose of giving effect to this resolution, the Board be and is hereby authorized to finalize, settle and execute such documents/ deeds/ writings/ papers/ agreements as may be required and do all such acts, deeds, matters and things, as it may in its absolute discretion deemed necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in this regard to borrowing as aforesaid.”

To consider and if thought fit, to pass with or without modification(s) the following resolution(s) as Special Resolution(s)

12. “**RESOLVED THAT** consent of the Members be and is hereby accorded for substituting **Article No. 104 i.e. Number of Directors** of the Articles of Association of the Company by the following:

“Subject to the provisions of Section 252 of the Act, the Board shall consist of not less than 4 and not more than 16 Directors including a Director, if any, nominated by any financial institution(s) pursuant to the terms of any financing documents entered into by the Company with such financial institutions.”

FURTHER RESOLVED THAT subject to the approval of the Central Government, consent of the Members be and is hereby accorded to increase the number of Directors from 15 to 16.”

By Order of the Board
For Petronet LNG Limited



(R. K. Garg)

Sr. V.P. - Finance & Company Secretary

Place : New Delhi
Date : 18.05.2010



PETRONET LNG LIMITED

NOTES:

1. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Item No. 8, 9, 10, 11 & 12 set out above is annexed hereto.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND THE MEETING AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. A PROXY SHALL NOT HAVE ANY RIGHT TO SPEAK AT THE MEETING AND SHALL NOT VOTE EXCEPT ON A POLL.**
3. The instrument appointing the proxy must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Annual General Meeting.
4. All documents referred to the accompanying Notice and the Explanatory Statement(s) are open for inspection at the Registered Office of the Company during office hours on all working days except Saturday and Sunday between 11.00 a.m. to 1.00 p.m. up to the date of the Annual General Meeting.
5. Members / Proxies should bring the Attendance Slip duly filled for attending the Meeting.
6. Members are requested to bring their copies of the Annual Report to the Meeting.
7. Members holding Shares in physical mode are requested to notify the change in their Address / Bank Account to M/s Karvy Computershare Private Limited, Plot No. 17 to 24, Vittal Rao Nagar, Madhapur, Hyderabad - 500081, the Registrar & Share Transfer Agent (R & T Agent) of the Company.
8. Members holding Shares in De-mat mode are requested to notify the change in their Address / Bank Account to their respective Depository Participant(s) (DPs).
9. Members must quote their Folio Number / De-mat Account No. in all correspondence with the Company / R&T Agent.
10. No gift will be distributed at the Annual General Meeting.
11. The Register of Members and Share Transfer Books of the Company will remain closed from 14th June, 2010 to 24th June, 2010 (both days inclusive). The dividend on equity shares, as recommended by the Board of Directors, subject to the approval of Members in the Annual General Meeting, will be paid on and after 28th June, 2010 to the Members or their Mandates whose name appear on the Company's Register of Members on

24th June, 2010 in respect of Physical Shares and in respect of Dematerialized Shares, the dividend will be payable to the Beneficial Owner of the Shares whose name appear in the statement of Beneficial Ownership furnished by NSDL and CDSL at close of business hours on 11th June, 2010.

12. In order to avail the facility of Electronic Clearing System (ECS) for receiving direct credit of dividend to his / their respective account with Bank(s), the Members holding equity shares in Physical Mode are requested to provide their Bank Account No., Name and Address of the Bank / Branch to M/s Karvy Computershare Pvt. Limited, Plot No. 17 to 24, Vittal Rao Nagar, Madhapur, Hyderabad - 500081, the Registrar & Share Transfer Agent (R & T Agent) of the Company.
13. Entry to the Auditorium will be strictly against entry slip available at the counters at the venue.
14. Any briefcase / bags / eatables will not be allowed to be taken inside the Auditorium.
15. Annual Listing Fee for the year 2010-11 has been paid to all Stock Exchanges wherein Shares of the Company are listed.
16. Corporate Members intending to send their authorised representatives to attend the Meeting are requested to send a certified copy of Board Resolution authorising their representative to attend and vote on their behalf in the Meeting.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

ITEM NO: 8

M/s. V. Sankar Aiyar & Company, Chartered Accountants, were appointed as the Statutory Auditors of the Company in the Eleventh Annual General Meeting held on 25th June, 2009 in terms of Section 224A of the Companies Act, 1956, the Auditors shall hold office till the conclusion of the ensuing Annual General Meeting. Further, in terms of the provisions of Section 224A of the Companies Act, 1956, the appointment / re-appointment of Auditors will be made in the Annual General Meeting by passing a Special Resolution, if 25% or more of the paid up share capital of the Company is being held by Public Financial Institution(s) or a Government Company or Companies or the Central or the State Government. As more than 25% of the paid up share capital of the Company is being held by the Government Companies, therefore, the Directors of the Company recommend the appointment of M/s V. Sankar Aiyar & Company, Chartered Accountants, as Auditors of the Company by passing a Special Resolution at a remuneration of Rs. 7.00 lacs plus out of pocket expenses and applicable service tax.

No Director of the Company is in any way concerned or interested in the proposed resolution.

ITEM NO: 9

Pursuant to the Article 113 A of the Articles of Association of the Company and in terms of Section 260 of the Companies Act, 1956, Shri S. Sundareshan was appointed as Additional Director w.e.f. 17th February, 2010 on the Board of the Company. Pursuant to provisions of Section 260 of the Companies Act, 1956, he holds office as Director up to the date of ensuing Annual General Meeting. The Company has received a notice under Section 257 of the Companies Act, 1956, from a Shareholder proposing the name of Shri S. Sundareshan as Director of the Company. A brief resume of Shri S. Sundareshan as required in terms of Clause 49 of the Listing Agreement is enclosed with the notice. The Board recommends that he may be appointed as Director liable to retire by rotation. Your Directors recommend the resolution for approval of the Shareholders. Shri S. Sundareshan is interested in the resolution to the extent of his appointment as Director.

No other Director of the Company is in any way concerned or interested in the proposed resolution.

ITEM NO: 10

Pursuant to the Article 113 A of the Articles of Association of the Company and in terms of Section 260 of the Companies Act, 1956, Shri Shantanu Chakraborty was appointed as Additional Director w.e.f. 2nd September, 2009 on the Board of the Company. Pursuant to provisions of Section 260 of the Companies Act, 1956, he holds office as Director up to the date of ensuing Annual General Meeting. The Company has received a notice under Section 257 of the Companies Act, 1956, from a Shareholder proposing the name of Shri Shantanu Chakraborty as Director of the Company. A brief resume of Shri Shantanu Chakraborty as required in terms of Clause 49 of the Listing Agreement is enclosed with the notice. The Board recommends that he may be appointed as Director liable to retire by rotation. Your Directors recommend the resolution for approval of the Shareholders. Shri Shantanu Chakraborty is interested in the resolution to the extent of his appointment as Director.

No other Director of the Company is in any way concerned or interested in the proposed resolution.

ITEM NO: 11

The Members of the Company in the 9th Annual General Meeting held on 14th June, 2007 accorded their approval to the Board of the Company to borrow up to Rs. 10,000 crores to meet the project and other expenses.

The Board has already approved the construction of 2nd LNG Jetty at Dahej Terminal. In addition, Company is

planning to set up Gas based Power plant at Dahej. To meet the financing requirement of construction of 2nd LNG Jetty and Power Plant at Dahej, the Company would need to borrow money from Banks/Financial Institutions in the years to come.

Since Company would need additional borrowing, it is proposed that the borrowing limits be increased from the present limit of Rs. 10,000 crores to Rs. 15,000 crores. In terms of the provisions of Section 293 (1) (d) of the Companies Act, 1956, approval of Shareholders is needed to enhance the borrowing limits by way of Ordinary Resolution.

Hence, your Directors recommend the resolution for approval of the Shareholders as an Ordinary Resolution.

No Director of the Company is in any way concerned or interested in the proposed resolution.

ITEM NO: 12

In order to appoint an additional Independent Director to broad base the Board of the Company, it is proposed to alter the Articles of Association of the Company to increase the maximum number of Directors from 15 to 16. In terms of Section 31 of Companies Act, 1956, amendment in Articles of Association of the Company requires the approval of the Members of the Company by way of Special Resolution. Further, pursuant to provisions of Section 259 of Companies Act, 1956 approval of the Central Government is also required in addition to Members approval to increase the number of Directors beyond 12. In view of the above, your Directors recommend the resolution for approval of the Shareholders as a Special Resolution.

No Director of the Company is in any way concerned or interested in the proposed resolution.

By Order of the Board
For Petronet LNG Limited



(R. K. Garg)

Sr. V.P. – Finance & Company Secretary

Place : New Delhi

Date : 18.05.2010

BRIEF BIOGRAPHY OF DIRECTORS PROPOSED TO BE APPOINTED / REAPPOINTED AS REQUIRED IN TERMS OF LISTING AGREEMENT

Shri Ashok Sinha

Presently, Shri Ashok Sinha is the Chairman & Managing Director of Bharat Petroleum Corporation Limited (BPCL). Earlier to his appointment as CMD, he was Director (Finance) of BPCL. Shri Sinha is a Graduate in Electric Engineering from IIT Kanpur and an MBA from the Indian Institute of Management, Bangalore with



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Specialization in Finance. During his association with BPCL, he has handled key responsibilities in the areas of Corporate Affairs, Planning, Information Technology and Retail Marketing and has vast experience in Oil business. Shri Ashok Sinha is the nominee of BPCL on the Board of Petronet LNG Limited.

Shri Ashok Sinha holds Directorship/Chairmanship in the following other Companies:

Name of the Companies	Position held
Bharat Petroleum Corporation Limited	Chairman & Managing Director
Numaligarh Refinery Limited	Chairman
Bharat Oman Refineries Limited	Chairman
Bharat Renewal Energy Ltd.	Chairman
Matrix Bharat Marine Services Pte Ltd.	Chairman
Bharat Petro Resources Limited	Director

Shri Ashok Sinha holds Membership/Chairmanship in the following Company in terms of Clause 49 of the Listing Agreement:

Name of the Company	Name of the Committee(s)	Position Held
Bharat Petro Resources Limited	Audit Committee	Member

Shri B.C. Tripathi

Shri B.C. Tripathi, Chairman & Managing Director of GAIL (India) Ltd., is a Mechanical Engineer from NIT Allahabad formerly known as Moti Lal Nehru Regional Engineering College, Allahabad. He joined GAIL in 1984 and has over 26 years experience in Gas Sector. Prior to joining GAIL he had worked in ONGC. He was one of the initial team members involved in the construction and commissioning of the HBJ pipeline system. During his tenure as Director (Marketing) in GAIL, he has been actively involved in customer relations and servicing of major consumers in gas sector. Shri B.C. Tripathi is the nominee of GAIL on the Board of Petronet LNG Limited.

Shri B.C. Tripathi holds Directorship / Chairmanship in the following other Companies:

Name of the Companies	Position Held
GAIL (India) Limited	Chairman & Managing Director
Brahmaputra Cracker & Polymer Limited	Chairman
GAIL Gas Limited	Chairman
Indraprastha Gas Limited	Director

Shri B.C. Tripathi is not a Member/Chairman of Committees of Board of any other Company.

Shri S. V. Narasimhan

Shri S. V. Narasimhan is Director (Finance) of Indian Oil Corporation Ltd. He is a Chartered Accountant and also an MBA from Faculty of Management Studies (FMS), Delhi. Prior to becoming Director in Indian Oil, he was the Managing Director of Chennai Petroleum Corporation Ltd. Shri Narasimhan has over three decades of experience in the Oil Industry and has served as Member of several specialist committees of the Government of India that drafted oil sector policies. Shri Narasimhan is also credited with assisting the Oil Cost Review Committee set up by the Government to formulate the basis for pricing of petroleum products. Shri Narasimhan is the nominee of IOCL on the Board of Petronet LNG Limited.

Shri S.V. Narasimhan holds Directorship / Chairmanship in the following other Companies:

Name of Companies	Position held
Lanka-IOC Ltd.	Chairman
Indian Oil Corporation Ltd.	Director

Shri S.V. Narasimhan holds Membership in the following Companies in terms of Clause 49 of the Listing Agreement:

Name of the Company	Name of the Committee(s)	Position Held
Indian Oil Corporation Limited	Remuneration Committee	Member
Indian Oil Corporation Limited	Shareholders' / Investors' Grievance Committee	Member

Dr. A. K. Balyan

Dr. A. K. Balyan holds Degree in M. Tech. from IIT, Delhi and also Ph.D. from Germany. He is presently Director (HR) of Oil & Natural Gas Corporation Ltd. (ONGC) and also holds additional charge as Director, In-charge Business Development and Joint Ventures, ONGC. Dr. Balyan took over as Chief-Human Resources Development of ONGC in 2002 and appointed to the Board of Directors of ONGC as Director HR in 2003. As Director (HR), he led Corporate Rejuvenation Campaign, Pioneered a study to redefine the organization norms - focusing on Roster, Roles and Responsibilities to be benchmarked with global best practices. Dr. A.K. Balyan is the nominee of ONGC on the Board of Petronet LNG Limited.

Dr. A. K. Balyan holds Directorship / Chairmanship in the following other Companies:

Name of the Companies	Position Held
Petronet MHB Ltd.	Chairman
Oil & Natural Gas Corporation Ltd.	Director
Mangalore Refinery & Petrochemicals Ltd.	Director
ONGC Videsh Ltd.	Director
Mangalore SEZ Ltd.	Director
Dahej SEZ Ltd.	Director
ONGC Tripura Power Company Ltd.	Director
ONGC Petro Additions Ltd.	Director

Dr. A. K. Balyan holds Membership in the following Company in terms of Clause 49 of the Listing Agreement:

Name of the Company	Name of the Committee(s)	Chairman / Member
Oil & Natural Gas Corporation Ltd.	Shareholders' / Investors' Grievance Committee	Member

Mr. Dominique PELLOUX-PRAYER

Mr. Dominique PELLOUX-PRAYER, born in 1955, graduated engineer from the Ecole Centrale de Paris, joined Gaz de France in 1980. His first ten years were dedicated to research in the field of gas appliances. He has been involved in the LNG business since 1990, mainly on the Receiving Terminals side and held various positions such as Project Manager or Head of LNG Experts' Team.

He has been working on LNG strategy as Deputy Vice-President for LNG within Gaz de France from 2004 to 2008, and has been appointed as of October 2008 as Vice-President of GDF SUEZ, heading the Facilities Asset Management Department of the LNG Division (Business line: Global Gas & LNG), in charge of the interests of the Group in liquefaction plants and supply-driven receiving terminals. Mr. Dominique PELLOUX-PRAYER is the nominee of GDFI on the Board of Petronet LNG Limited.

Mr. Dominique holds Directorship / Chairmanship in the following other Companies:

Name of the Companies	Position Held
Tritone GNL SJA (Italy)	Director
GNL Saint-Laurent (Canada)	Director
GDF SUEZ LNG – Liquefaction S.A. (Luxemburg)	Director
GDF SUEZ LNG Trinidad and Tobago Ltd. (Trinidad)	Director

Mr. Dominique is not a Member/Chairman of Committees of Board of any other Company.

Shri S. Sundareshan

Shri S. Sundareshan joined Indian Administrative Services (IAS) in 1976. Presently Shri S. Sundareshan is Secretary, Ministry of Petroleum & Natural Gas (MOP&NG). Shri S. Sundareshan has wide and vast experience of working at various senior level positions in Central / State Government like Chairman, Forward Market Commission, Government of India and Principal Secretary (Revenue) Government of Kerala etc. Shri Sundareshan was also incharge of Disinvestment programme of Government of India while working as Joint Secretary, Department of Economic Affairs, Ministry of Finance, Government of India.

Shri Sundareshan holds the position of Chairman in Indian Strategic Petroleum Reserves Ltd.

Shri Sundareshan is not a Member/Chairman of Committees of Board of any other Company.

Shri Shantanu Chakraborty

Shri Shantanu Chakraborty is a Graduate Engineer in Electrical & Electronics from BITS, Pilani and holds Post Graduate Diploma in Management from Indian Institute of Management, Ahmedabad. He is also an MBA (Finance) from New York University. Presently, Shri Shantanu Chakraborty is working as Sr. Investment Specialist (Infrastructure), Private Sector Operations, Asian Development Bank. He is responsible for structuring and arranging of debt financing for infrastructure projects across various sectors in Central Asia and India (oil & gas, telecom, power). Shri Shantanu Chakraborty has wide and vast experience of working at various senior level positions in reputed organizations like as Assistant Vice President (Project Finance), Helaba Bank, New York and as Investment Banking Associate, UBS Warburg LLC, New York etc. Shri Shantanu Chakraborty is the nominee of ADB on the Board of Petronet LNG Limited.

Shri Shantanu Chakraborty does not hold the position of Director/Chairman on the Board of any other Company.

Shri Shantanu Chakraborty is not a Member/Chairman of Committees of the Board of any other Company.

PETRONET LNG LIMITED

DIRECTORS' REPORT

Dear Shareholders,

The Directors have the pleasure of presenting the Twelfth Annual Report and the Audited Accounts of your Company for the year ended 31st March, 2010.

Your Company has emerged as a significant player in the Nation's pursuit for energy, within a very short time since its incorporation, and has been instrumental in shaping the growth of the natural gas sector in the Country by mitigating the deficit and short fall in gas availability. In the supply constrained Natural Gas market in India, your Company is the operator and owner of the country's first and largest LNG terminal at Dahej, and has operated the terminal at the highest international standards for the industry. In spite of Global slowdown, your Company has maintained a steady growth in its performance parameters.

FINANCIAL PERFORMANCE

In 2009-10, your Company made substantial gains in revenues. Turnover during the year under review was Rs. 10649.09 Crore against Rs. 8428.70 Crore in 2008-09. Gross margin, however, stood at Rs 1082.16 Crore against Rs 1129.58 Crore in the previous year. The net profit during the year was lower mainly on account of higher depreciation and interest due to capitalization of Dahej expansion. A summary of the comparative financial performance in fiscal 2009-10 and 2008-09 is given below:

Particulars	2009-10	2008-09
	(Rs. in crores)	
Turnover	10649.09	8428.70
Other Income	97.83	76.50
Total Revenue	10746.92	8505.20
Cost of Import of LNG	9664.76	7375.62
Gross Margin	1082.16	1129.58
Salary and Other Operating Expenses	137.87	151.80
Finance Charges	183.93	101.22
Depreciation	160.86	102.52
Profit before Taxation	599.50	774.04
Provision for Tax / Deferred Tax	195.00	255.60
Profit after Taxation	404.50	518.44
Earning per Share (Rs. / Share)	5.39	6.91

DIVIDEND

Keeping in view the consistent performance and financial position of the Company, the Directors are pleased to recommend a dividend of 17.50% on the paid-up share capital of the Company for the year ending 31st March, 2010.

OPERATIONS AT DAHEJ

During the financial year 2009-10, your Company has imported 124 LNG cargoes (including 31 spot cargoes) representing 7.46 MMTPA and 384.41 Trillion British Thermal Units of regasified LNG was sold. Your Company has also provided regasification services to 4 LNG Cargoes to Gujarat State Petroleum Corporation and 1 LNG Cargo to GAIL (India) Limited representing 15.2 Trillion British Thermal Units during the financial year 2009-10.

Expansion of Dahej Terminal

The expansion of the Dahej Terminal from 5 MMTPA to 10 MMTPA was completed this year with an incremental cost of Rs. 1569.99 crores. The expanded capacity was taken over for operations with effect from 15th July, 2009. The expanded capacity has additional flexibilities for enhanced capacity operations by way of additional vaporization unit utilizing waste heat. The entire work was completed without interfering with the productive capacity of the adjacent operating terminal with minimum shut down for tie-in of the new facilities. The Dahej expansion project has an excellent safety record of only one lost time incident with over 16.30 million man-hours worked.

Additional LNG Jetty at Dahej

The Company is in process of construction of a 2nd LNG berth (Jetty) in Dahej to mitigate associated risks of port operations, vis-à-vis the implications of disruption in unloading of LNG, in the

event the only jetty is immobilised. The additional LNG jetty would also enhance the capacity of the terminal to 12.5 MMTPA, jetty capacity being the current constraint. Bids for selection of EPC Contractor is in progress, and is likely to be awarded by the second quarter of the 2010-11.

Pilot Project for Supply of LNG in Cryogenic Vehicles

Your Company has successfully developed the pilot project for loading of LNG in cryogenic road tankers. During the year 542 tankers were loaded and supplied to customers in the State of Gujarat and Maharashtra. Many other customers have also evinced interest in getting LNG transported by cryogenic road tankers to fuel the captive generators.

SOLID CARGO PORT AT DAHEJ

A Solid Cargo Port, through a Joint Venture Company namely Adani Petronet (Dahej) Port Private Ltd. is being implemented, in which your Company holds 26% of the equity. The first phase of the project is scheduled for completion by July 2010. Piling work of the jetty has already been completed and the marine facilities for berthing of vessels are under completion. The onshore facilities such as conveyor systems and other equipment are nearing completion. The Solid Cargo Port would have facilities to import/export bulk products like Coal, Steel and Fertilizer.

SHIPPING ARRANGEMENT

The Third ship namely 'Aseem' having a capacity of 155,000 cbm was delivered on 16th November, 2009 at Samsung Shipyard, South Korea to transport additional 2.5 MMTPA of LNG from RasGas, Qatar. Now, your Company has three LNG tankers 'Disha', 'Raahi' and 'Aseem' on long-term charter hire basis to transport 7.5 MMTPA LNG from RasGas, Qatar to Dahej.

MARKET SCENARIO

With increased availability of domestic natural gas to 144 MMSCMD during the year under review from 82 MMSCMD, downstream infrastructure capacity has become the constraining factor, i.e. pipe-line capacity and conversion from other fuels to gas. However, with the commissioning of new pipelines in early 2011, the Dahej terminal would also get connected with some of the high potential markets. By 2012-13 many new pipelines, which are going to be part of the national pipeline grid, would be commissioned, and would further increase the demand of gas in the Country.

In the Southern region, new gas pipelines to be operational from 2012 along with PLL's Kochi LNG Terminal, will open the high-demand markets in Karnataka, Tamil Nadu and Kerala. This will also facilitate revival of NTPC's stranded Power plant near Kochi. The Company is also in an advanced stage of discussion for supply of RLNG to the new 1500 MW power plant in Delhi, which is likely to become operational in the 3rd Quarter of 2010.

LNG SOURCING

To cater to the Country's growing demand particularly from power and fertilizer sectors and full utilization of name plate capacity of Dahej LNG Terminal, your Company is engaged in sourcing additional volumes of LNG on long / medium term basis.

Your Company continued to maintain excellent relations with most of the Global LNG Suppliers for import of long-term as well as spot / short term LNG supplies. Your Company intends to broaden its sources of LNG and is in constant touch with various LNG suppliers, beyond the present 7.5 MMTPA from Qatar, for the expanded capacity of Dahej LNG Terminal as well as for the greenfield Kochi Terminal.

It is encouraging that your Company, during the financial year 2009-10, has executed a 20 years Sale & Purchase Agreement with Mobil Australia Resources Company Pty. Ltd., a subsidiary of Exxon Mobil Corporation for the supply of 1.44 MMTPA LNG from its Gorgon, Australia Project, with the potential for additional volumes for Company's LNG Terminal under construction at Kochi.

LNG TERMINAL AT KOCHI

Your Company has commenced construction of another greenfield LNG Receiving, Storage & Re-gasification Terminal of 2.5 MMTPA capacity, expandable to 5.0 MMTPA at Kochi. The

terminal consists of two storage tanks, vaporization system, utilities and marine facilities. Cochin Port Trust (CoPT) has allocated 32 ha of land for the LNG terminal at Puthuvypeen Island in the outer Cochin harbor, which is in the Puthuvypeen SEZ. The Concession Agreement and Lease Agreement for usage of water front and land respectively have been executed with Cochin Port Trust. The EPC Contract for construction of two LNG storage tanks each of 188,000 cu m (gross capacity) is being carried out by M/s IHI Corporation, Japan. The tanks have been completed, in as much as roof raising of both the tanks had been completed by end of May, 2010. The award of EPC contracts for re-gasification, vaporization plant and marine facility have also been completed and both these contractors are also mobilized at site. Approximately, 2000 construction personnel are presently working at site. The terminal is expected to be mechanically completed as per schedule by December, 2011.

FINANCING

To meet the funding requirement of the Kochi project, your Company has opted for Balance Sheet / Asset based financing approach, at a debt equity ratio of 70:30. During the financial year 2009-10, your Company has completed the financial closure of Kochi project, and Loan Agreements were executed with the consortium of Indian Lenders (Rs. 1400 crores), International Finance Corporation (IFC) Washington (USD 200 million) and Proparco of France (USD 100 Million). Equity requirement for the project is being met through internal accruals.

During the financial year 2009-10, your Company took short-term bridge loans of Rs. 400 crores to take advantage of lower short-term financing rates.

GAS BASED POWER PROJECT

Your Company is planning to exploit its downstream synergy with gas based power generation business. This move is guided by the formidable challenges the Country is facing in meeting its growing energy needs with demand continuing to outstrip available and planned generation. Compared to per capita power consumption of approx. 17000 kWh in Canada, 7000 kWh in Germany and 2000 kWh in China, per capita consumption in India is just 900 kWh.

As the Company is in a unique position to provide quality energy to various users in a sustainable manner, it is planning to set-up a power plant of 1,200 MW capacity at Dahej contiguous to its existing LNG terminal. The Government of Gujarat has already allotted 50 hect. of land for the same. The Detailed Feasibility Report has already been prepared and is under review for making the final investment decision.

Your Company has an advantage of assured RLNG availability besides the distinct economic advantages of no VAT (currently), and transportation charges, over other users of RLNG as fuel. The proposed project will have an additional benefit of availability of "cold energy" extracted from LNG. The cold energy utilization will enable your Company to raise the plant capacity and consequently reduce cost of generation.

DEPOSITS

During the year, your Company did not accept any deposits from the public under Section 58A of the Companies Act, 1956.

EMPLOYEE PARTICULARS

As required, pursuant to provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (particulars of employees) Rules, 1975, the names and other particular of employees are set out in the annexure to the Directors' Report.

CORPORATE GOVERNANCE

As required under Clause 49 of the Listing Agreement with the Stock Exchanges, the Report on Corporate Governance together with Auditors' Certificate regarding Compliance of the SEBI Code of Corporate Governance is annexed herewith.

MANAGEMENT DISCUSSION AND ANALYSIS

The Annual Report also contains a separate section on the 'Management Discussion and Analysis' which is a part of the Directors' Report.

INDUSTRIAL RELATIONS

Your Company continued to enjoy cordial relations amongst all its employees. No man days were lost due to strike, lock out etc.

CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION

All possible steps have been taken by your Company to achieve the objective of energy conservation and technology absorption. Your Company's engineers have been involved with the Consultants and the Contractors in all phases of design of Dahej Expansion & Kochi project in order to ensure optimum conservation of energy and absorption of technology.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, the Directors hereby confirm

- That your Company had followed the applicable accounting standards along with proper explanations relating to material departures in the preparation of the annual accounts;
- That your Company had selected such accounting policies and applied those consistently and made judgment and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss account of the Company for that period;
- That your Company had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities; and
- That the accounts of your Company have been prepared on a going-concern basis.

BOARD OF DIRECTORS

During the year under review, Shri R. S. Pandey, Secretary, Ministry of Petroleum & Natural Gas, ceased as Chairman and Director owing to superannuation from the services of Government of India w.e.f. 31st January, 2010 and Shri S. Sundareshan, Secretary, Ministry of Petroleum & Natural Gas has been appointed as Chairman of the Company w.e.f. 17th February, 2010, Shri Seethapathy Chander ceased as Nominee Director of ADB w.e.f. 21st July, 2009 and Shri Shantanu Chakraborty has been appointed in his place as Nominee Director of ADB w.e.f. 2nd September, 2009.

FOREIGN EXCHANGE EARNING AND OUTGO

Your Company has incurred expenditure in foreign exchange to the extent of Rs.9307.97 Crores during the year under review. Foreign exchange earnings during the year was Rs. 0.67 Crores.

AUDITORS

M/s. V. Sankar Aiyar & Company will retire at the ensuing Annual General Meeting of your Company and, being eligible, offer themselves for re-appointment. The re-appointment, if made, for the financial year 2010-11, will have to be by a Special Resolution as required under Section 224A of the Companies Act, 1956.

ACKNOWLEDGEMENTS

The Board of Directors thank and wish to place on record its appreciation of the Ministry of Petroleum and Natural Gas, Government of Gujarat and Kerala, Promoters of the Company, Rasgas, Exxon Mobil and other LNG suppliers, Offtakers & Consumers of re-gasified LNG and the employees of the Company at all levels, for their continued co-operation and unstinted support. The Directors also express their sincere thanks to all the Shareholders for the continued support and trust they have shown in the Management. The Directors look forward to a bright future with confidence.

On behalf of the Board of Directors



(S. Sundareshan)
Chairman

Place : New Delhi
Date : 18.05.2010

Annexure to Directors' Report

PARTICULARS OF EMPLOYEES PURSUANT TO SECTION 217(2A) OF THE COMPANIES ACT, 1956

Name of the employee (S/Shri)	Remuneration received in Rs.	Nature of employment whether permanent or contractual	Other terms & conditions	Nature of duties of the employee	Qualification & Experience of the employee	Date of commencement of employment	Age of the employee	No. of equity shares held in the Company	The last employment held by such employee before joining the Company
P. Dasgupta	5,811,729	Contractual	Appointed for a period of 5 years w.e.f. 1 st September, 2005	MD & CEO	Chartered Accountant Exp. - 37 years	02.01.2003	63 yrs.	70000	Chief Financial Officer, Essar Telecom, Essar Teleholdings Ltd.
A. Sengupta	4,245,764	Contractual	Appointed for a period of 5 years w.e.f. 27 th April, 2006	Director (F & C)	Chartered Accountant Exp. - 32 years	03.06.2002	57 yrs.	5750	GM-(Fin., Admn. & Png.), Indo Mobil Ltd.
C. S. Mani	4,219,080	Contractual	Appointed for a period of 5 years w.e.f. 1 st August, 2006	Director (Technical)	B. Tech. (Chem.) M.E. (Chem.) Exp. - 38 years.	01.08.2006	62 yrs.	50	ED-(Png. & Projects), Gujarat Alkalies & Chemicals Ltd.
R. K. Garg	2,622,704	Permanent	Appointed w.e.f. 27 th September, 2001.	Sr. V.P. Finance & Company Secretary	Company Secretary, Chartered Accountant Exp. - 31 years.	27.09.2001	54 yrs	5300	Secretary, Steel Authority of India Ltd.
Mannohan Ahuja	2,549,133	Permanent	Appointed w.e.f. 2 nd November, 1998	Sr. V.P. (Technical)	B.E. Chemical Engineering Exp. - 29 yrs	02.11.1998	50 yrs.	2500	Chief Engineer (Process), Protek Engineers, Malaysia, SDN, BHD
Rajender Singh	2,541,486	Permanent	Appointed w.e.f. 1 st December, 2005	Sr. V.P. (Dahej & Kochi)	B.Sc. (Eng.) Civil Exp. - 28 yrs	01.12.2005	51 yrs.	NIL	Chief Engineer (Civil), ONGC, Baroda

PETRONET LNG LIMITED
Management Discussion and Analysis forming part of Directors' Report for the year ended 31st March, 2010
Global LNG Scenario:

LNG business has been growing at a fast pace since the first commercial overseas shipment in September 1964. It accounts for more than 7% of the world's natural gas demand. Although the Asia Pacific region is the largest LNG market, accounting for more than 68% of global trade, LNG is becoming an important complementary source of gas supply in Continental Europe and the Americas where the market has long been dominated by pipeline gas supplies. The demand of LNG is increasing rapidly in developing countries like China, India etc.

Countries around the world are converting their coal and other fossil fuels based power plants into natural gas thermal plants. Soaring crude oil and coal prices in the international market, coupled with clean power development pressure, are the main forces that have led to this transformation of power plants. As a result, LNG trade is rapidly becoming the most internationally traded commodity in the world. The global LNG demand is expected to grow over 400 Million Metric Tons (MMT) by 2030.

The Asia-Pacific region creates the highest LNG demand in the world, with Japan and South Korea being the major importing nations. But this scenario will change in future as China and India are expected to evolve as major LNG markets. The Middle East is fast gaining importance as a major LNG supplier, largely due to its huge potential gas reserves. Qatar is the world's largest exporter of LNG, and the production is anticipated to jump to 77 MMT by 2010/11.

After years of consistent growth (3-4% per annum), 2009 marked a reversal, with declining world demand of LNG amid a global slow down. The demand of LNG went down sharply in the highest importing JKT (Japan, Korea, Taiwan) market. Europe demand was also weak as power and industrial demand suffered. In US, in addition to the slow down, substantial increase in production of unconventional shale gas reduced the pressure on import of LNG.

In addition to the reduced demand scenario, large new Liquefied Natural Gas (LNG) projects came online during 2009-10 creating a buyer's market. Currently Spot & short term prices are weak and are expected to remain soft for next 3-4 years till the global economies start recovering from the slow down.

However, in the long term, LNG seems to be a global winner, given its discount to oil and clean nature. China is rapidly becoming a major importer of LNG as it has tied up around 28 MTPA of LNG from various Middle East and Australian suppliers. Japan also has continued to tie up long term volumes from Australia, Papua New Guinea etc. Demand from other countries like India, Korea, Argentina, Brazil, Italy, UK is also on the rise.

Energy Scenario in India:

India has been regularly achieving a growth rate of 8-9% except the year 2008 where a 7% growth rate was achieved inspite of global melt down. It is likely to maintain the same growth rate in the coming years. As one of the fastest growing economies of the world, India is facing challenges to ensure reliable, clean and affordable energy to fuel its transformation.

As per Energy Information Administration (EIA) and Planning Commission of India estimates, India's total primary energy consumption is expected to grow at CAGR of 6% over next 20 years. It is projected that India's primary energy consumption is slated to grow significantly from current level of 500 to 1651 Million Tonnes Oil Equivalent (MTOE) in 2031/32. Supply of indigenous energy lags behind significantly and the expected gap between demand and supply widens from 163 in 2010 to 1217 MTOE in 2030 i.e. gap increases from 32% to 73 %.

India's energy security, at the broadest level, is primarily about ensuring the continuous availability of commercial energy at competitive price to support economic growth and to meet energy needs with safe, clean and convenient form of energy. The critical elements of the country's energy security are augmenting the domestic energy resource base, increasing energy efficiency, demand side management along with adequate import of energy in all forms including crude oil, natural gas and coal.

Given India's growing energy supply deficit as well as global concern over CO₂ emission, natural gas has emerged as a fuel of choice for India and for the future. Over the last few years, there has been considerable increase in natural gas supplies in the country, initially in 2004 with import of LNG by Petronet and recently with gas supply from Reliance KG basin finds. Whereas NELP rounds have given some relief to gas starved Indian economy, none of other discovery till date has been as large as D6 in KG basin. As on date the total gas supply in the country including LNG imports and D6 production (65 MMSCMD (Million Metric Standard Cubic Meters per Day) is around 180 MMSCMD. The demand supply gap is bound to widen with the demand projected to increase 350 MMSCMD by 2025.

Gas industry in India is poised for high growth as the increase in demand would largely depend on supply of gas at a competitive price. However, the gas demand growth would also depend on how fast the transmission and distribution infrastructure is built across the country.

Opportunities:

Your Company, being the pioneer in importing LNG into the country, is instrumental in shaping the growth of the Indian Natural Gas Sector. Your Company has set up benchmarks of efficiency in the operations of LNG terminal. The Company's main thrust is to enhance the gas supply to satisfy the requirements of existing and potential consumers in a timely manner and at reasonable prices.

The gas market is rapidly evolving with strong economic growth fuelling energy demand across sectors. Your Company, in addition to long term import, has been actively involved in sourcing Spot/short term cargoes from different LNG producers to meet the demand of the market.

To bridge the growing gap, your Company has doubled the capacity of its first LNG Re-gasification Plant at Dahej from 5 MMTPA (18 MMSCMD) to 10 MMTPA (36 MMSCMD) and has increased its long term RLNG supplies to consumers from 5.0 MMTPA to 7.5 MMTPA. With the enhanced capacity, your Company will be contributing a substantial share in the natural gas supplies of the country. The Company has also started construction of another 2.5 MMTPA, expandable to 5 MMTPA, Greenfield LNG Import and Re-gasification Plant at Kochi in the State of Kerala. This will enable the Company to expand its reach and supply natural gas in the South Indian market.

Threats:

All the major players in the Indian Hydrocarbon Sector have evinced interest in entering the natural gas business. Commencement of natural gas production from the Krishna Godavari-D6 block and potential availability of gas from new discoveries in Krishna Godavari & Mahanadi Basins would increase domestic supply which may put some pressure on imported LNG. Several Indian and multinational companies are extending their presence in the Indian Gas Market and are expected to pose competition across the gas value chain in the foreseeable future. Your Company is fully prepared to face the competition.

Risk of Competition:

LNG competes with Naphtha, Coal, Fuel Oil and similar Hydrocarbons. These alternate fuels are widely used by various end users industries like Fertilizers, Power and others. In addition, LNG also competes with domestically produced Natural Gas. LNG offers several advantages over the above-mentioned alternate fuels. However, a reduction in prices of the alternate fuels could lead to increase pricing pressure on LNG suppliers and may have an adverse impact on future growth.

Currently, your Company does not produce or market any products other than R-LNG. The sole activity is import and re-gasification of LNG. Your Company has sourced LNG under long term contract from RasGas of Qatar and sells re-gasified LNG to three Intermediate Offtakers, namely, GAIL (India) Limited, Indian Oil Corporation Limited (IOCL) and Bharat Petroleum Corporation Limited (BPCL) with whom your Company has long term Gas Sale & Purchase Agreements. Even though this assures market for the entire production, there are certain risks involved in limited customers. In addition to the existing contracts with RasGas, your Company has also executed another long term LNG contract with the Australian entity of Exxon Mobil for supply of around 1.50 MMTPA of LNG from its Gorgon Project to meet the requirement of new Kochi Terminal.

Segment wise or product wise performance:

Presently, the company primarily deals only in one segment. i.e. Import and Re-gasification of Liquefied Natural Gas (LNG). During the year **9850** MMSCM Re-gasified LNG was delivered to the Intermediate Offtakers.

Risk and Concerns:

The Company considers good Corporate Governance as a pre-requisite for meeting the needs and aspirations of its shareholders and other stake holders in the Company. As part of the Company's efforts to strengthen Corporate Governance, Board of Directors have formulated Risk Management Policy, which put in place a risk management structure with clear definition of roles and responsibilities, as well as a risk portfolio involving a continuous process of risk identification, risk assessment, control assessment and risk monitoring, review & communication. The Company aims to:

- Identify, assess and manage existing as well as new risk in a planned and coordinated manner
- Increase the effectiveness of PLL's internal and external reporting structure.
- Develop and foster a "risk" culture within the organization that encourage all employees to identify, measure risk along with its associated opportunities and respond to them with appropriate actions.

Internal Control Systems and their Adequacy:

The Company has developed adequate internal control system commensurate to its size and business. The Company has appointed M/s KPMG, an outside agency as its Internal Auditors, who conduct internal audit for various activities. The reports of Internal Auditors are submitted to the Management and Audit Committee, who further review the adequacy of internal control system.

Financial Performance with Respect to Operational Performance:

The turnover during the financial year ended 31st March, 2010 was Rs. 10,746.92 Crores including other income as against Rs. 8,505.20 Crores in 2008-09. However, on account of additional depreciation and interest, due to capitalization of Dahej Expansion, the net profit has been reduced to Rs. 404.50 Crores in 2009-10 as against Rs. 518.44 Crores in 2008-09.

Human Resources:

During the year, the Company maintained harmonious and cordial industrial relations. No man-days were lost due to strike, lockout etc. As on 31st March, 2010, there were 274 employees including three whole time Directors and two employees on deputation from Promoting /other Companies.

Disclosure by Senior Management Personnel i.e. one level below the Board including all HODs:

None of the Senior Management personnel has Financial and Commercial transactions with the Company, wherein, they have any personal interest that would have a potential conflict with the interest of the Company at large.

REPORT ON CORPORATE GOVERNANCE FORMING PART OF DIRECTORS' REPORT
A Brief Statement on Company's Philosophy on Code of Corporate Governance

The Philosophy of the Company in relation to Corporate Governance is to ensure transparent disclosures and reporting that conforms fully to laws, regulations and guidelines, and to promote ethical conduct throughout the organization with primary objective of enhancing Shareholders value while being a responsible Corporate Citizen. Company firmly believes that any meaningful policy on the Corporate Governance must provide empowerment to the executive management of the Company, and simultaneously create a mechanism of checks and balances which ensures that the decision making power vested in the executive management are used with care and responsibility to meet Shareholders and Stakeholders aspirations. The Company is committed to attain the highest standards of Corporate Governance..

BOARD OF DIRECTORS

The total strength of the Board as on 31st March, 2010 was Fourteen Directors as detailed herein below:

S. No.	Name	Designation	Category (Whole-time/ Non-executive/ Independent)
1	Shri S. Sundareshan	Chairman, Secretary, Govt. of India, (MOP&NG)	Independent
2	Shri P. Dasgupta	Managing Director & CEO	Whole-time
3	Shri A. Sengupta	Director (Finance & Commercial)	Whole-time
4	Shri C. S. Mani	Director (Technical)	Whole-time
5	Shri Ashok Sinha	Director, Nominee of BPCL	Non-executive
6	Shri B. C. Tripathi	Director, Nominee of GAIL	Non-executive
7	Dr. A. K. Balyan	Director, Nominee of ONGC	Non-executive
8	Shri S. V. Narasimhan	Director, Nominee of IOCL	Non-executive
9	Mr. Dominique PELLOUX-PRAYER	Director, Nominee of GDF International	Non-executive
10	Shri D. J. Pandian	Director, Nominee of GMB	Non-executive
11	Shri S. Chakraborty	Director, Nominee of ADB	Independent
12	Shri D. P. Roy	Director	Independent
13	Shri P. K. Chadha	Director	Independent
14	Shri J. L. Zutshi	Director	Independent

Board Meetings

During the year, eight Board Meetings were held on 25th April, 25th June, 18th July, 17th September, 24th October, 16th November, 2009, 21st January, 2010 and 23rd February, 2010. The attendance of each Director in the Board Meetings and the last Annual General Meeting is detailed herein below:

Name of Directors	Designation	Number of Board Meetings held during the year 2009-10	Number of Board Meetings attended during the year 2009-10	Attendance at last Annual General Meeting held on 25th June, 2009
Executive Directors				
Shri P. Dasgupta	Managing Director & CEO	8	8	Yes
Shri A. Sengupta	Director (Finance & Comm.)	8	8	Yes
Shri C. S. Mani	Director (Technical)	8	8	Yes
Non-executive Directors				
Shri Ashok Sinha	Nominee Director of BPCL	8	5	No
Dr. A. K. Balyan	Nominee Director of ONGC	8	7	Yes
Dr. U. D. Choubey (upto 23 rd April,09)	Nominee Director of GAIL	8	NIL	NA
Shri B. C. Tripathi (Appointed w.e.f. 25 th April, 2009)			6	No
Shri S. V. Narasimhan	Nominee Director of IOCL	8	7	Yes
Mr. Dominique PELLOUX-PRAYER *(Three Board Meetings attended by Mr. Eric Ebelin as an Alternate Director)	Nominee Director of GDF International	8	7	No
Shri D. J. Pandian	Nominee Director of GMB	8	2	No

**PETRONET LNG LIMITED**

Non-executive Independent Directors				
Shri R. S. Pandey (up to 31 st January, 2010)	Chairman	8	7	No
Shri S. Sundareshan (Appointed w.e.f. 17 th February, 2010)			1	NA
Shri S. Chander (up to 21 st July, 2009)	Nominee Director of ADB	8	2	Yes
Shri S. Chakraborty (Appointed w.e.f. 2 nd September, 2009)* (Two Board Meetings attended by Ms. Sujata Gupta as an Alternate Director)			3	NA
Shri D. P. Roy	Independent Director	8	8	Yes
Shri P. K. Chadha	Independent Director	8	5	Yes
Shri J. L. Zutshi	Independent Director	8	6	Yes

Detail of Directorships, Chairmanship and Committees Memberships in other Companies held by Directors as on 31st March, 2010 are given below:

Name	No. of other Companies in which Directorship / Chairmanship is held		No. of Membership / Chairmanship held in Committees of Board of other Companies	
	Directorship	Chairmanship	Membership	Chairmanship
Shri S. Sundareshan	NIL	1	NIL	NIL
Shri P. Dasgupta	1	NIL	NIL	NIL
Shri A. Sengupta	2	NIL	NIL	NIL
Shri C. S. Mani	NIL	NIL	NIL	NIL
Shri Ashok Sinha	1	5	1	NIL
Shri B. C. Tripathi	1	3	NIL	NIL
Dr. A. K. Balyan	7	1	1	NIL
Shri S. V. Narasimhan	1	1	2	NIL
Mr. Dominique PELLOUX-PRAYER	3	1	NIL	NIL
Shri D. J. Pandian	6	8	NIL	NIL
Shri S. Chakraborty	NIL	NIL	NIL	NIL
Shri D. P. Roy	6	NIL	3	NIL
Shri P. K. Chadha	2	NIL	1	1
Shri J. L. Zutshi	2	NIL	NIL	NIL

Note:

As per Clause 49 the above details are required to be disclosed only for the following three committees:

- 1 Audit Committee
- 2 Shareholders/Investors Grievance Committee
- 3 Remuneration Committee

Remuneration paid to Whole-time Directors and Non-executive Directors during the year ended 31st March, 2010

Remuneration to Whole-time Directors is being paid as per terms of their appointment. The Company pays remuneration by way of salary, perquisites, allowances and commission to Whole-time Directors. Commission is calculated with reference to profits of the Company in a particular year and is determined by the Board and Shareholders, subject to overall ceiling as prescribed in the Companies Act, 1956.

PETRONET LNG LIMITED

The details of remuneration paid to the Whole-time Directors during the year are stated herein below:

							(In Rupees)
S. No.	Name	Designation	Salaries & Allowances	Contribution to PF & Gratuity	Other Benefits & Perks	Commission on Profit for the year 2009-10	Total
1	Shri P. Dasgupta	MD & CEO	40,81,048	2,06,424	4,87,257	10,37,000	58,11,729
2	Shri A. Sengupta	Director (Finance & Comm.)	28,41,608	1,47,917	2,19,239	10,37,000	42,45,764
3	Shri C. S. Mani	Director (Technical)	27,70,997	1,47,917	2,63,166	10,37,000	42,19,080

The details of the sitting fees paid to Non-executive Directors / Nominating Companies during the year ended 31st March, 2010 is as detailed below:

S. No.	Name	Sitting Fees paid during 2009-10 (Rs.)
1	Shri D. P. Roy	1,40,000
2	Shri P. K. Chadha	1,00,000
3	Shri J. L. Zutshi	90,000
4	Mr. Dominique Pelloux - Prayer	1,20,000
5	Government of India*	90,000
6	Bharat Petroleum Corporation Ltd.	1,00,000
7	Oil & Natural Gas Corporation Ltd.	1,20,000
8	Indian Oil Corporation Ltd.	1,30,000
9	GAIL (India) Ltd.	80,000
10	Asian Development Bank**	1,10,000
11	Gujarat Maritime Board	10,000

* Sitting fee of Rs. 10,000/- paid for the financial year 2008-09.

** Sitting fee of Rs. 40,000/- paid for the financial year 2008-09.

Terms of appointment of Whole-time Directors

Presently, the Company has the following Whole - time Directors:

1. Shri P. Dasgupta, Managing Director & CEO
2. Shri A. Sengupta, Director (Finance & Commercial)
3. Shri C. S. Mani, Director (Technical)

The initial tenure of Whole - time Director(s) is for a period of five years w.e.f. their respective date of appointment. However, the tenure of Whole - time Directors may further be extended by re-appointing them, subject to approval by Members in the Annual General Meeting.

The appointment of Whole-time Directors is subject to termination by a three months notice in writing by either party.

Audit Committee

The Audit Committee comprises of the following Directors as on 31st March, 2010:

1. Shri D. P. Roy, Chairman
2. Shri Ashok Sinha, Member
3. Shri S. V. Narasimhan, Member
4. Shri P. K. Chadha, Member
5. Shri J. L. Zutshi, Member

All the Members of Audit Committee are Non-executive Directors and three out of five Members are Independent Directors namely Shri D. P. Roy, Shri P. K. Chadha and Shri J. L. Zutshi. The quorum of the Audit Committee is three Members.

The Chairman of the Audit Committee also attended the last Annual General Meeting of the Company.

The Company Secretary is the Secretary of the Audit Committee.

Detail of Meetings of Audit Committee held during the year

Members	No. of Meetings Held	No. of Meeting Attended
Shri D. P. Roy	4	4
Shri Ashok Sinha	4	3
Shri S.Chander (up to 21st July, 2009)	4	1
Shri S. Chakraborty (Appointed w.e.f. 2nd September, 2009 up to 21st January, 2010)		Nil
Shri P. K. Chadha	4	4
Shri S.V.Narasimhan	4	3

Brief Terms of Reference of Audit Committee

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities by reviewing the financial reports and other financial information provided by the Company to any Govt. body or to the investors or the public; the Company's system of internal controls regarding finance, accounting and legal compliances that Management and the Board have established.

The terms of reference of Audit Committee include inter-alia the followings:

- * Oversight the Company's financial reporting process

PETRONET LNG LIMITED

and disclosure of its financial information to ensure that the financial statement is correct sufficient and credible.

- * Recommending the appointment and removal of statutory and internal auditors (wherever required), fixation of audit fee and also approval for payment for any other services.
- * Reviewing with management the quarterly/ half yearly and the annual financial statements before submission to the Board, focusing primarily on:
 - Any changes in accounting policies and practices.
 - Major accounting entries based on exercise of judgment by Management.
 - The going concern assumption.
 - Compliance with accounting standards.
 - Compliance with Stock Exchange(s) and Legal requirements concerning financial statements.
 - Any related party transactions i.e. transactions of the Company of material nature, with Promoters or the Management, or relatives etc. that may have potential conflict with the interest of the Company at large.
- * Reviewing with the management, statutory and internal auditors, the adequacy and compliance of internal control systems.
- * Reviewing the adequacy of internal audit function, reporting structure coverage and frequency of internal audit.
- * Discussion with internal auditors any significant findings and follow up there on.
- * Reviewing the findings of any internal investigations by the internal auditors into matters where they are suspected about any fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- * Discussion with statutory auditors about the scope of audit as well as have post-audit discussion to ascertain any area of concern.
- * Reviewing the Company's financial and risk management policies.
- * To look into the reasons for substantial defaults in the payment to the lenders, shareholders (in case of non payment of declared dividends) and other creditors.

Shareholders' / Investors' Grievance Committee:

As on 31st March, 2010, the Shareholders' / Investors' Grievance Committee comprises of the following Directors:

- 1 Shri D. P. Roy, Chairman
- 2 Shri S. V. Narasimhan, Member
- 3 Shri A. Sengupta, Member
- 4 Shri C. S. Mani, Member

Company Secretary is the Compliance Officer of the Company.

Detail of Meeting(s) of Shareholders' / Investors' Grievance Committee:

Date	Members	Meeting attended
21.1.2010	Shri Shantanu Chakraborty (up to 21 st January, 2010)	No
	Shri S. V. Narasimhan	Yes
	Shri A. Sengupta	Yes
	Shri C. S. Mani	Yes

Details of Complaints received and redressed during the year ended 31st March, 2010:

Complaints pending at the beginning of the year were six. During the year ended 31st March, 2010, 1958 complaints were received and 1956 complaints were resolved. As on 31st March, 2010, only eight complaints were pending.

Share Transfer Committee:

Share Transfer Committee was constituted to deal with the cases like re-materialization of shares, transfer, transposition & splitting of shares in physical mode. Share Transfer Committee consists exclusively Whole time Directors namely ;

- 1 Shri P. Dasgupta, Managing Director & CEO
- 2 Shri A. Sengupta, Director (Finance & Commercial)
- 3 Shri C. S. Mani, Director (Technical)

Shri P. Dasgupta, Managing Director & CEO is the Chairman of the Committee.

Remuneration Committee:

The Remuneration Committee was constituted by the Board to determine the Remuneration Package for Executive Directors. Following Directors are the Members of the Remuneration Committee:

1. Shri J. L. Zutshi
2. Shri Ashok Sinha
3. Dr. A. K. Balyan
4. Shri D. P. Roy
5. Shri P. K. Chadha

One Meeting of the Remuneration Committee was held on 25th April, 2009 which was attended by Shri J. L. Zutshi, Shri Ashok Sinha, Shri D. P. Roy, Dr. A. K. Balyan and Shri S. Chander.

Risk Assessment & Minimisation Procedure

The Company has laid down procedures to inform the Members of the Board about the risk assessment and minimization procedure. A Risk Management Committee consisting Whole-time Directors periodically reviews the procedures to ensure that Executive Management controls risk through properly defined framework. The risk assessment framework encompassed, inter-alia, methodology for assessing risks on ongoing basis, risk prioritization, risk mitigation, monitoring plan and comprehensive reporting system.

Legal Compliance Reporting

As required under Clause 49 of Listing Agreement, the Board periodically reviews compliances of various laws applicable to the Company.

Annual General Meetings (AGMs)

The details of last three Annual General Meetings are as mentioned below:

Year	2006-07	2007-08	2008-09
Date & Time	14 th June, 2007 at 10:00 AM	4 th June, 2008 at 10:00 AM	25 th June, 2009 at 10.00 AM
Venue	Air Force Auditorium, Subroto Park, Dhaula Kuan, New Delhi-110010	Air Force Auditorium, Subroto Park, Dhaula Kuan, New Delhi-110010	Air Force Auditorium, Subroto Park, Dhaula Kuan, New Delhi-110010
Details of Special Resolutions	1. Appointment of Statutory Auditors. 2. Amendment in Articles of Association of the Company. 3. Approval for payment of commission on profit to Directors.	1. Appointment of Statutory Auditors.	1. Appointment of Statutory Auditors.
Resolutions passed through Postal Ballot	Nil	Nil	Nil

Extra Ordinary General Meeting(s) (EGMs)

During the year no Extra-ordinary General Meeting of the Members of the Company was held.

Disclosure

During the year no material transactions with the Directors or the Management, their subsidiaries or relatives etc. have taken place, which have potential conflict with the interest of the Company.

Compliance

There has been no non-compliance of the provisions/requirements of Stock Exchanges/SEBI. No penalties/strictures have been imposed on the Company by the Stock Exchanges or SEBI or any other statutory authority on any matter relating to Capital Market.

Means of Communication

The Company has its web site having updated details about the Company, its project status, Shareholding pattern on quarterly basis, etc. The financial results are being posted on the Company's web site. i.e. www.petronetlng.com. The Company also have exclusive e-mail ID i.e. investors@petronetlng.com for investor's to contact the Company in case of any information and grievances. The financial results were also published in National Daily Newspapers in terms of Listing Agreement and also hosted at SEBI EDIFAR website.

General Shareholders Information

Annual General Meeting (AGM)

Day & Date	Thursday, 24 th June, 2010
Time	10:00 AM
Venue	Air Force Auditorium, Dhaula Kuan, New Delhi – 110 010
Date of Book Closure	14 th June, 2010 to 24 th June, 2010 (Both days inclusive)

Dividend Payment Date

The dividend, if approved by the Members of the Company, will be payable on or after 28th June, 2010.

Financial Calendar

Petronet LNG Ltd. follows the financial year from April to March. The Un-audited Financial Results for the first three quarters and the Audited Financial Results for the year ended 31st March, 2010 were taken on record and approved by the Board in its meeting(s) held on the following dates:

Quarter Ended	Date of Board Meeting
April - June, 2009	18 th July, 2009
July - September, 2009	24 th October, 2009
October - December, 2009	21 st January, 2010
Year Ended	
31 st March, 2010	27 th April, 2010

Listing on Stock Exchange(s)

Name of Stock Exchanges	Stock Code
The Stock Exchange, Mumbai (BSE)	532522
The National Stock Exchange of India Limited (NSE)	PETRONET

Market Price Data: High and Low during each month in last financial year.

Month	BSE (in Rs.)		NSE (in Rs.)	
	High	Low	High	Low
April, 2009	54.90	38.40	54.85	38.50
May, 2009	72.90	51.25	74.00	46.55
June, 2009	82.40	64.65	82.40	64.50
July, 2009	77.00	55.40	74.90	55.40
August, 2009	73.40	63.75	73.45	64.50
September, 2009	80.75	70.85	84.90	70.00
October, 2009	79.35	64.30	79.25	64.50
November, 2009	71.85	61.55	71.75	61.00
December, 2009	75.50	68.10	75.55	68.00
January, 2010	82.90	71.50	83.20	71.10
February, 2010	79.75	69.00	80.80	69.50
March, 2010	82.00	74.10	81.50	74.00

PETRONET LNG LIMITED**Distribution Schedule as on 31.03.2010**

Category (Amount)	No. of Cases	% of Cases	Total Shares	Amount in Rs.	% of Amount
Upto – 5000	4,16,415	87.51	7,00,13,035	70,01,30,350	9.34
5001 – 10000	37,481	7.88	2,98,22,422	29,82,24,220	3.98
10001 – 20000	13,369	2.81	1,98,56,747	19,85,67,470	2.65
20001 – 30000	3,359	0.71	86,51,700	8,65,17,000	1.15
30001 – 40000	1,357	0.29	48,72,335	4,87,23,350	0.65
40001 – 50000	1,081	0.23	51,35,416	5,13,54,160	0.68
50001 – 100000	1,567	0.33	1,15,87,476	11,58,74,760	1.54
100001 & Above	1,163	0.24	60,00,60,913	600,06,09,130	80.01
Total	4,75,792	100.00	75,00,00,044	750,00,00,440	100.00

Shareholding Pattern of the Company as on 31.03.2010

	Category	No. of Shares Held	% of Shareholding
A	Promoter's holding		
	1 Promoters		
	- Indian Promoters	37,50,00,000	50.00
	- Foreign Promoters	Nil	Nil
	Sub- Total (A)	37,50,00,000	50.00
B	Non - Promoter's holding		
	1 Institutional Investors		
	a Mutual Funds and UTI	3,21,46,139	4.29
	b Banks, Financial Institutions	17,00,792	0.23
	c Insurance Companies / Central / State Govt. Institutions / Non-government Institutions / Venture Capital Funds	2,12,257	0.03
	d FI's (Including ADB holding)	7,57,99,556	10.11
	Sub-Total (B1)	10,98,58,744	14.66
	2 Others		
	a Private Corporate Bodies	2,24,77,364	3.00
	b Indian Public	16,15,39,255	21.52
	c NRI's / OCB's (Including GDFI)	8,07,97,302	10.77
	d Any other (Clearing Members & Trusts)	3,27,379	0.05
	Sub-Total (B2)	26,51,41,300	35.34
	GRAND TOTAL (A+B1+B2)	75,00,00,044	100.00

List of Shareholders holding more than 1% of Equity Capital as on 31.03.2010

Name	No. of Shares Held	% of Shareholding
Promoters' Holding		
Bharat Petroleum Corporation Ltd.	9,37,50,000	12.50
GAIL (India) Ltd.	9,37,50,000	12.50
Indian Oil Corporation Ltd.	9,37,50,000	12.50
Oil & Natural Gas Corporation Ltd.	9,37,50,000	12.50
Non-promoters Holding		
GDF International	7,50,00,000	10.00
Asian Development Bank	3,90,00,000	5.20



PETRONET LNG LIMITED

Detail of Unclaimed Shares as on 31.03.2010 issued pursuant to Initial Public Offer (IPO)

Sr. No.	Particulars	Cases	No. of shares
1	Aggregate Number of Shareholders and the outstanding Shares in the suspense account (i.e. KCL ESCROW ACCOUNT PETRONET LNG IPO-OFFER) lying at the beginning of the year i.e. 1.4.2009.	681	1,44,100
2	Number of Shareholders who approached for transfer of Shares from suspense account during the year.	13	5,700
3	Number of Shareholders to whom Shares were transferred from suspense account during the year.	13	5,700
4	Aggregate number of Shareholders and outstanding Shares in the suspense account at the end of year i.e. 31.3.2010.	668	1,38,400

Code of Conduct for Board Members & Senior Management Personnel

The Board of Directors of the Company approved Code of Conduct for Board Members & Senior Management Personnel and the same was made effective from 1st April, 2006. Copy of the same has also been hosted/ placed at the website of the Company. The Board Members and Senior Management Personnel have affirmed compliances with the said Code for the year ended 31st March, 2010.

CEO/CFO Certification

A certificate from the Managing Director & CEO and Director (Finance & Commercial) on the Financial Statements of the Company in terms of Clause 49 of Listing Agreement was placed before the Board, who took the same on record.

Related Party Transactions

The details of all significant transactions with related parties are periodically placed before Audit Committee.

Secretarial Audit

A qualified practicing Company Secretary carried out a Secretarial Audit on quarterly basis to reconcile the total Share Capital with National Securities Depository Limited (NSDL), Central Depository Services Limited (CDSL) and the total issued and listed capital. The audit confirms that the total issued/paid-up capital is in agreement with total number of shares in physical forms and total number of dematerialized shares held with NSDL & CDSL.

Status of Corporate Governance Voluntary Guidelines - 2009

The voluntary guidelines issued by Ministry of Corporate Affairs in December, 2009 pertaining to Corporate Governance are under review.

Major Plant/Unit Location (s) :

Dahej Plant Location

LNG Terminal, Dahej
GIDC Industrial Estate,
Plot No 7/A, Dahej Talukavagra
Distt. Bharuch
GUJARAT
Tel. : 02641-257002 - 257007
Fax : 02641-300310

Kochi LNG Project Site

Survey No. 347,
Puthuvypu (Puthuypen SEZ)
P.O. 682508, Kochi
Tel. : 0484-2502259

Address for Correspondence :

Registered & Corporate Office

Petronet LNG Limited
World Trade Centre, First Floor,
Babar Road, Barakhamba Lane,
New Delhi-110 001
Tel. : 011-23472525, 23411411
Fax : 011-23472550
E-mail : investors@petronetlng.com

Registrar & Share Transfer Agent

M/s Karvy Computershare Pvt. Limited
Plot No. 17 to 24,
Vittal Rao Nagar, Madhapur,
HYDERABAD – 500081
Tele: 040-23312454,23320751/52
Fax: 040-23311968,23323049
Email: mailmanager@karvy.com



PETRONET LNG LIMITED

Auditors' Certificate on Compliance with the conditions of Corporate Governance under clause 49 of the Listing Agreements

To the Shareholders of Petronet LNG Limited

1. We have examined the compliance of conditions of Corporate Governance by Petronet LNG Limited ("the Company") for the year ended March 31st, 2010, as stipulated in clause 49 of the Listing Agreement of the said company with Stock Exchanges in India.
2. The Compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was limited to the review of procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
3. In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.
4. We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**For V. Sankar Aiyar & Co.
Chartered Accountants**

**Place : New Delhi
Date :18th May, 2010**

**Sd/-
(Ajay Gupta)
Partner
Membership No. 90104**

AUDITORS' REPORT TO THE SHAREHOLDERS OF PETRONET LNG LIMITED.

1. We have audited the attached Balance Sheet of PETRONET LNG LIMITED as at 31st March, 2010 and also the Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted the 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We report that
 - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by Law have been kept by the Company, so far as appears from our examination of these books;
 - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of Account;
 - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in section 211 (3C) of the Companies Act, 1956 to the extent applicable;
 - (e) On the basis of written representations received from the directors and taken on record by the Board of Directors, we report that none of the directors are prima facie, disqualified as on 31.03.2010 under section 274(1)(g) of the Companies Act, 1956 from being appointed as directors of the Company.
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
 - i in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;
 - ii in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - iii in the case of cash flow statement, of the cash flows for the year ended on that date.
4. As required by the Companies (Auditors Report) Order, 2003 (as amended) issued by the Department of Company Affairs, Govt. of India in terms of Section 227 (4A) of the Companies Act, 1956, and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we further report on the matters specified in the paragraphs 4 and 5 of the said Order as under :
 - i
 - a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
 - b) The management has physically verified most of the fixed assets at the year end, the frequency of which, in our opinion, is reasonable. No material discrepancies were noticed on such verification.
 - c) Since there is no substantial disposal of fixed assets during the year, the preparation of financial statements on a going concern basis is not affected on this account.
 - ii
 - a) The stock of raw materials and stores have been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
 - b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - c) In our opinion, the Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
 - iii
 - a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties required to be covered in the register maintained under section 301 of the Companies Act, 1956. Therefore, the provisions of clause 4(iii)(a) to (d) of the Companies (Auditors Report) Order are not applicable.
 - b) The Company has not taken any loans, secured or unsecured from companies, firms or other parties required to be covered in the register maintained under section 301 of the Companies Act, 1956. Therefore, the provisions of clause 4(iii)(e) to (g) of the Companies (Auditors Report) Order are not applicable.
 - iv In our opinion and according to the information and explanations given to us, there are adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets



PETRONET LNG LIMITED

- and for the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system of the Company.
- v According to the information given to us, there are no contracts or arrangements during the year that need to be entered into a register in pursuance of section 301 of the Companies Act, 1956.
 - vi The Company has not accepted deposits from the public within the provisions of sections 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975.
 - vii An outside agency has carried out internal audit during the year. In our opinion, the internal audit system of the Company is commensurate with the size and nature of its business.
 - viii We have broadly reviewed the books of accounts maintained by the Company, pursuant to rules made by the Central Government for the maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 and are of the opinion that prima facie, the prescribed accounts and records have been maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate and complete.
 - ix
 - a) According to the records of the Company, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Income-tax, Sales-tax, Wealth Tax, Service Tax, Custom Duty, and any other statutory dues with the appropriate authorities. There were no arrears of undisputed statutory dues as at 31st March, 2010, which were outstanding for a period of more than six months from the date they became payable. We are informed that there is no liability towards Investor Education and Protection Fund, Employees' State Insurance, Cess and Excise Duty for the year under audit.
 - b) There are no disputed dues which have remained unpaid as on 31st March, 2010 in respect of sales tax / income tax / custom duty / wealth tax / service tax.
 - x The Company has no accumulated losses as at the end of the year and has not incurred cash losses during the financial year covered by our audit or in the immediately preceding financial year.
 - xi On the basis of the verification of records and information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions or banks. There are no debentures outstanding in the books of accounts at any time during the year.
 - xii The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
 - xiii The Company is not a chit fund / nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditors Report) Order are not applicable.
 - xiv The Company is not dealing or trading in shares, securities, debentures and other investments. Therefore, the provisions of clause 4(xiv) of the Companies (Auditors Report) Order are not applicable.
 - xv According to information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
 - xvi According to the records of the Company, short term loans taken during the year have been applied for the purpose for which they were obtained.
 - xvii According to information and explanations given to us, the cash flow statement examined by us and on overall examination of the balance sheet of the Company, we report that funds raised on short term basis have not been used for long term investments.
 - xviii During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Act.
 - xix Since no debentures have been issued during the year, question of creating securities or charge does not arise.
 - xx Since there were no public issue of securities during the year, verification of the end use of money does not arise.
 - xxi Based on the audit procedure performed and the representation obtained from the management, we report that no case of fraud on or by the Company has been noticed or reported during the year under audit.

For V. Sankar Aiyar & Co.
Chartered Accountants

Sd/-
(Ajay Gupta)
Partner

Place : New Delhi
Date : 27th April, 2010

Membership No. 90104
ICAI Firm Regn. No. 109208W

Balance Sheet as at 31st March 2010

		(Rupees in lacs)	
	Schedule	<u>As at 31.03.2010</u>	<u>As at 31.03.2009</u>
<u>SOURCES OF FUNDS</u>			
Shareholders' Funds			
a) Share Capital	1	75,000.00	75,000.00
b) Reserves and Surplus	2	148,487.81	123,343.46
		<u>223,487.81</u>	<u>198,343.46</u>
Loan Funds			
a) Secured Loans	3	229,977.18	228,169.76
b) Unsecured Loans-Short Term			
- Other than Banks		20,004.25	-
Deferred Tax Liability (net)		32,620.00	27,220.00
TOTAL		<u><u>506,089.24</u></u>	<u><u>453,733.22</u></u>
<u>APPLICATION OF FUNDS</u>			
Fixed Assets			
a) Gross Block	4	354,951.20	197,482.16
b) Less Depreciation		<u>66,665.21</u>	<u>50,620.07</u>
c) Net Block		288,285.99	146,862.09
d) Capital work in progress (at cost)	5	<u>131,835.93</u>	<u>184,698.46</u>
		420,121.92	331,560.55
Investments	6	53,862.02	30,426.21
Current Assets, Loans and Advances			
a) Inventories	7	22,226.44	38,557.79
b) Sundry Debtors	8	50,348.22	67,115.04
c) Cash & Bank Balances	9	34,049.61	65,779.34
d) Other Current Assets	10	307.88	1,683.48
e) Loans & Advances	11	<u>15,228.22</u>	<u>7,831.65</u>
		<u>122,160.37</u>	<u>180,967.30</u>
Less : Current Liabilities and Provisions	12		
a) Current Liabilities		74,487.04	73,652.26
b) Provisions		<u>15,568.03</u>	<u>15,568.58</u>
		<u>90,055.07</u>	<u>89,220.84</u>
Net Current Assets		32,105.30	91,746.46
TOTAL		<u><u>506,089.24</u></u>	<u><u>453,733.22</u></u>
Significant Accounting Policies	17		
Notes on Accounts	18		

The Schedules referred to above form an integral part of these accounts

Annexure to our report of even date

For V. Sankar Aiyar & Co.
Chartered Accountants

Sd/-
Ajay Gupta
Partner
Membership No 90104

Place : New Delhi
Date : 27th April, 2010

For and on behalf of Petronet LNG Limited

Sd/-
P. Dasgupta
Managing Director & CEO

Sd/-
R. K. Garg
Company Secretary

Sd/-
A. Sengupta
Director - Finance & Commercial


PETRONET LNG LIMITED
Profit and Loss Account for the year ended 31st March 2010
(Rupees in lacs)

INCOME	Schedule	For the year ended 31.03.2010	For the year ended 31.03.2009
Sales		1,060,293.65	842,870.21
Services (Tax Deducted at Source Rs. 104.76 Lacs)		4,615.13	-
Other Income	13	9,783.02	7,650.02
		<u>1,074,691.80</u>	<u>850,520.23</u>
EXPENDITURE			
Raw Material Consumed		966,476.18	737,562.60
Personnel Expenses	14	2,043.66	1,957.16
Operating and Other Expenses	15	11,743.54	13,222.75
Finance Charges	16	18,392.87	10,121.52
Depreciation	4	16,085.81	10,251.84
		<u>1,014,742.06</u>	<u>773,115.87</u>
Profit / (Loss) before taxation		59,949.74	77,404.36
Less: Tax Expense			
Current Tax		14,100.00	25,200.00
Deferred Tax Liability		5,400.00	300.00
Fringe Benefit Tax		-	60.00
Profit after taxation		<u>40,449.74</u>	<u>51,844.36</u>
Add: Profit brought forward from last year		<u>99,596.96</u>	<u>68,108.39</u>
		140,046.70	119,952.75
Less: Appropriations			
Transfer to General Reserve		5,800.00	5,000.00
Dividend /Proposed Dividend		13,125.42	13,125.17
Income Tax on Dividend/Proposed Dividend		2,179.97	2,230.62
Profit carried to Balance Sheet		<u>118,941.31</u>	<u>99,596.96</u>
Basic/Diluted Earnings per share (face value of Rs. 10/- each)		5.39	6.91
Significant Accounting Policies	17		
Notes on Accounts	18		

The Schedules referred to above form an integral part of these accounts

Annexure to our report of even date

For V. Sankar Aiyar & Co.
Chartered Accountants

For and on behalf of Petronet LNG Limited

Sd/-
Ajay Gupta
Partner
Membership No 90104

Sd/-
P. Dasgupta
Managing Director & CEO

Sd/-
A. Sengupta
Director - Finance & Commercial

Place : New Delhi
Date : 27th April, 2010

Sd/-
R. K. Garg
Company Secretary

(Rupees in lacs)

Cash Flow Statement for the year ended 31st March 2010

	<u>2009-10</u>	<u>2008-09</u>
A. Cash Flow from Operating Activities		
Net Profit before Taxes	59,949.74	77,404.36
Adjustment for		
Depreciation	16,085.81	10,251.84
Interest on term loan	17,396.02	8,794.67
Income on Investment (profit)	(43.90)	(311.58)
Interest Income	(2,848.94)	(4,261.18)
Dividend income on current investment	(1,667.93)	(2,986.44)
(Profit)/Loss on Sale of Fixed Assets	56.69	(49.58)
Operating Profit before Working Capital Changes	<u>88,927.49</u>	<u>88,842.09</u>
Adjustment for Working Capital changes		
(Increase)/Decrease in Inventories	16,331.35	(29,462.88)
(Increase)/Decrease Trade & Other receivables	16,766.81	(33,816.06)
(Increase)/Decrease Other Current assets	1,375.61	(1,268.67)
(Increase)/Decrease Loans & Advances	(5,094.39)	(125.88)
Increase/(Decrease) Current liabilities and provisions	884.92	30,833.29
Net Cash from Working Capital changes	<u>30,264.30</u>	<u>(33,840.20)</u>
Cash flow from Operating Activities	<u>119,191.79</u>	<u>55,001.89</u>
Income Tax (Paid)/refund	(16,402.18)	(26,564.24)
Net Cash flow from Operating Activities	<u>102,789.61</u>	<u>28,437.65</u>
B. Cash Flow on Investing Activities		
Purchase of fixed assets and change in Capital work in Progress	(104,720.95)	(78,944.26)
Sale/Adjustment of Fixed Assets	17.08	114.13
Purchase of investment-other than Mutual Funds	(8,554.00)	(1,086.00)
Purchase of Investment-Mutual Funds	(707,312.00)	(857,694.00)
Sale/Adjustment of Investments (mutual funds)	692,474.09	883,397.11
Interest Income	2,848.94	4,261.18
Dividend income on current investment	1,667.93	2,986.44
Net Cash from Investing Activities	<u>(123,578.91)</u>	<u>(46,965.40)</u>
C. Net cash flow on financing activities		
Drawdown of secured long term loan	-	77,953.00
Repayment of Secured long term loans	(18,192.58)	(7,559.33)
Secured short term loan taken	20,000.00	-
Unsecured short term loan taken	20,000.00	-
Interest on term loan	(17,391.77)	(8,780.87)
Dividend Paid	(13,125.42)	(11,250.17)
Dividend Distribution tax paid	(2,230.66)	(1,911.97)
Net cash flow from financing activities	<u>(10,940.43)</u>	<u>48,450.66</u>
Net Increase/(decrease) in cash or cash equivalents	<u>(31,729.73)</u>	<u>29,922.91</u>
Opening Cash and cash equivalents	<u>65,779.34</u>	<u>35,856.43</u>
Closing Cash and cash equivalents	<u>34,049.61</u>	<u>65,779.34</u>

Annexure to our report of even date

For V. Sankar Aiyar & Co.
Chartered Accountants

Sd/-
Ajay Gupta
Partner
Membership No 90104

Place : New Delhi
Date : 27th April, 2010

For and on behalf of Petronet LNG Limited

Sd/-
P. Dasgupta
Managing Director & CEO

Sd/-
R. K. Garg
Company Secretary

Sd/-
A. Sengupta
Director - Finance & Commercial

PETRONET LNG LIMITED**SCHEDULES FORMING PART OF THE BALANCE SHEET**

	(Rupees in lacs)	
	As at 31.03.2010	As at 31.03.2009
Schedule 1 : Share Capital		
Authorised		
1,200,000,000 Equity shares of Rs. 10/- each	120,000.00	120,000.00
Issued and Subscribed		
750,000,044 (Previous year 750,000,044) Equity Shares of Rs. 10 /- each, fully paid up	75,000.00	75,000.00
	75,000.00	75,000.00
Schedule 2 : Reserves and Surplus		
General Reserve		
Balance as per last Balance Sheet	8,200.00	3,200.00
Add: Transfer from Profit & Loss Account	5,800.00	5,000.00
	14,000.00	8,200.00
Securities Premium Account	15,546.50	15,546.50
Profit & Loss Account	118,941.31	99,596.96
	148,487.81	123,343.46
Schedule 3 : Secured Loans (see notes below)		
*Term Loans from :		
- Banks	129,207.38	143,204.46
- Others	80,769.80	84,965.30
** Short term loans from bank	20,000.00	-
	229,977.18	228,169.76

Note :

* Secured by first ranking mortgage and first charge on pari passu basis on all movable and immovable properties, both present and future including current assets.

** Secured by way of hypothecation on the entire stocks, book debts and other moveable assets of the Company by way of subservient charge.

Schedule 4 : Fixed Assets

(Rupees in lacs)

DESCRIPTION	GROSS BLOCK				DEPRECIATION / AMORTISATION				NET BLOCK	
	As on 01.04.2009	Additions	Deductions	As on 31.03.2010	Upto 31.03.2009	For the year	Written back	Upto 31.03.2010	As on 31.03.2010	As on 31.03.2009
Tangible Assets:										
Leasehold Land	775.64	-	-	775.64	252.50	25.83	-	278.33	497.31	523.14
Buildings	9,028.16	4,817.22	-	13,845.38	1,170.38	350.92	-	1,521.30	12,324.08	7,857.78
Plant & Machinery	185,868.01	152,631.28	66.43	338,432.86	48,217.27	15,528.06	19.19	63,726.14	274,706.72	137,650.74
Equipment & Appliances	965.92	49.84	12.14	1,003.62	510.98	132.29	7.54	635.73	367.89	454.94
Furniture & Fixtures	269.27	47.89	4.49	312.67	71.59	19.35	0.79	90.15	222.52	197.68
Speed Boat	66.73	1.72	-	68.45	0.30	4.79	-	5.09	63.36	66.43
Vehicles	134.69	33.63	31.38	136.94	46.66	12.90	13.15	46.41	90.53	88.03
Intangible Assets										
Licenses/Softwares	373.74	1.90	-	375.64	350.39	11.67	-	362.06	13.58	23.35
TOTAL	197,482.16	157,583.48	114.44	354,951.20	50,620.07	16,085.81	40.67	66,665.21	288,285.99	146,862.09
Previous year	197,179.66	381.46	78.96	197,482.16	40,382.64	10,251.84	14.41	50,620.07	146,862.09	156,797.02

Note:

- Plant & Machinery includes Jetty & Trestle (gross block of Rs. 45,437.82 lacs). As per agreement, the ownership would be transferred to the Gujarat Maritime Board in the year 2035.
- Addition in Buildings and Plant & Machinery, includes net borrowing cost of Rs. 1,31,11.54 Lacs capitalised.

PETRONET LNG LIMITED

	(Rupees in lacs)	
	As at 31.03.2010	As at 31.03.2009
SCHEDULE 5 : Capital work in progress		
Dahej Expansion:		
- Mobilisation Advances	-	41.04
- Engineering / project construction	-	121,912.30
- Interest and Finance Charges	-	10,014.97
Kochi Project :		
- Mobilisation Advances	19,498.66	7,623.05
- Engineering / project construction	103,706.99	44,927.32
- Interest and Finance Charges	3,431.89	179.78
Others	5,198.39	-
	131,835.93	184,698.46

SCHEDULE 6 : Investments

Unquoted

Trade

Long Term (at cost)

6,77,15,000 Equity Shares (previous year 3,20,55,000) of Rs. 10 each, fully paid up in Adani Petronet (Dahej) Port Pvt. Ltd*	6,771.50	3,205.50
300 Ordinary Shares (previous year 300) of US\$ 1 each, fully paid up in India LNG Transport Company (No. 3) Limited, Malta**	0.13	0.13

Non Trade

- Central Govt. Securities (Long Term) (at cost) (Face value Rs. 5000 lacs)	4,988.00	
- Mutual Funds (Current) (at lower of cost and fair value) (Net assets value as on 31.03.2010 is Rs. 42102 lacs) (previous year Rs. 27221 lacs)	42,102.39	27,220.58
	53,862.02	30,426.21

* Under lock in for a period of 5 years from the date of commercial operation of the Investee Company as per the Dahej LNG Port Terminal Concession Agreement dated 20th December, 2005 with Gujarat Maritime Board.

**Pledged with Sumitomo Mitsui Banking Corporation.

Notes:

Investments purchased and sold during the year

		(Rupees in Lacs)				
Mutual fund	Option	As on 01.04.2009	PURCHASES	SALES	As on 31.03.2010	No. of units as on 31.03.2010
Axis Mutual Fund	Debt (Liquid-Dividend)	-	9,208	9,208	-	-
Baroda Pioneer Mutual Fund	Debt (Liquid-Dividend)	-	5,001	-	5,001	49,960,822
Birla Mutual Fund	Debt (Liquid-Dividend)	-	14,051	14,051	-	-
Canara Rebeco Mutual Fund	Debt (Liquid-Growth)	-	5,000	5,044	-	-
DSP Black Rock Mutual Fund	Debt (Liquid-Dividend)	-	7,533	7,533	-	-
Fortis Mutual Fund	Debt (Liquid-Dividend)	-	7,540	7,540	-	-
Franklin Templeton Mutual Fund	Debt (Liquid-Dividend)	-	5,012	5,012	-	-
HDFC Mutual Fund	Debt (Liquid-Dividend)	-	46,118	46,118	-	-
ICICI Prudential Mutual Fund	Debt (Liquid-Dividend)	-	14,963	9,904	5,059	4,784,951
IDFC Mutual Fund	Debt (Liquid-Dividend)	-	7,234	7,234	-	-
Kotak Mutual Fund	Debt (Liquid-Dividend)	-	29,992	24,955	5,037	50,130,311
L & T Mutual Fund	Debt (Liquid-Dividend)	5,001	35,330	30,328	10,003	98,496,908
LIC Mutual Fund	Debt (Liquid-Dividend)	7,201	346,573	353,774	-	-
Principal Mutual Fund	Debt (Liquid-Dividend)	15,019	68,669	68,685	15,003	149,845,638
Reliance Mutual Fund	Debt (Liquid-Dividend)	-	76,851	76,851	-	-
Reliance Mutual Fund	Debt (FMP-Growth)	-	2,000	-	2,000	20,000,000
UTI Mutual Fund	Debt (Liquid-Dividend)	-	26,238	26,238	-	-

PETRONET LNG LIMITED

	(Rupees in lacs)	
	<u>As at 31.03.2010</u>	<u>As at 31.03.2009</u>
SCHEDULE 7 : Inventories		
(lower of cost or net realisable value)		
Raw Material	13,775.91	36,938.06
Raw Material in Transit	6,704.60	-
Stores and spares	1,732.23	1,619.73
Stores and spares in Transit	13.70	-
	<u>22,226.44</u>	<u>38,557.79</u>
SCHEDULE 8 : Sundry Debtors		
(Unsecured - Considered good)		
Outstanding for a period exceeding six months	-	-
Other Debts	50,348.22	67,115.04
	<u>50,348.22</u>	<u>67,115.04</u>
SCHEDULE 9 : Cash and Bank balances		
Cash in Hand	0.69	0.61
Balance with Scheduled Banks:		
- In Current Accounts	336.43	164.13
- In Short Term Deposits	33,716.71	
Less: Cheques issued but not presented in Cluster Term Deposit A/cs	4.22	
	<u>33,712.49</u>	65,614.60
	<u>34,049.61</u>	<u>65,779.34</u>
SCHEDULE 10 : Other Current Assets		
(Unsecured - Considered Good)		
Interest accrued		
- on Bank Deposits	194.07	1,683.48
- others	113.81	-
	<u>307.88</u>	<u>1,683.48</u>
SCHEDULE 11 : Loans and Advances		
(Unsecured - Considered Good unless otherwise stated)		
Loans		
Employees	62.67	98.11
Others	1,030.87	1,093.23
Advances recoverable in cash or in kind or for value to be received	6,680.80	1,467.02
Advance payment of tax/TDS/MAT Credit (net of provisions)	6,524.68	4,222.51
Deposits with :		
Government Authorities	908.39	891.19
Others	20.81	59.59
	<u>15,228.22</u>	<u>7,831.65</u>
SCHEDULE 12 : Current Liabilities and Provisions		
a. Current Liabilities		
Sundry Creditors		
Due to Micro, Small and Medium Enterprises (See note 4, Schedule 18)	-	-
Others	60,425.89	57,150.53
Security Deposits	16.32	16.99
Due to Promoter Companies	179.61	130.89
Other Liabilities	13,865.22	16,353.85
Sub total	(A) <u>74,487.04</u>	<u>73,652.26</u>
b. Provisions:		
Leave encashment and gratuity	263.13	212.99
Proposed Dividend	13,125.00	13,125.00
Tax on Proposed Dividend	2,179.90	2,230.59
Sub total	(B) <u>15,568.03</u>	<u>15,568.58</u>
Total	(A+B) <u>90,055.07</u>	<u>89,220.84</u>

	(Rupees in lacs)	
	<u>For the year ended</u> <u>31.03.2010</u>	<u>For the year ended</u> <u>31.03.2009</u>
SCHEDULE 13 : Other Income		
Interest :		
- on bank deposits*	2,561.97	3,963.30
- on investments (non trade)	220.04	-
- others *	66.93	297.88
Profit on disposal of current investments	43.90	311.58
Dividend (on current investments) (non trade)	1,667.93	2,986.44
Provision written back	2.64	29.03
Profit on sale/write off of Fixed Assets (net)	-	49.58
Foreign Exchange fluctuations (net)	5,188.46	-
Miscellaneous Income	31.15	12.21
	<u>9,783.02</u>	<u>7,650.02</u>
* Tax deducted at source on above	<u>779.47</u>	<u>503.23</u>
SCHEDULE 14 : Personnel Expenses		
Salaries and Wages*	1,759.09	1,740.76
Contribution to Provident and Other Funds	201.66	193.97
Staff Welfare Expenses	82.91	22.43
	<u>2,043.66</u>	<u>1,957.16</u>
* includes Commission to the Whole-time Directors Rs. 31.11 lacs (Previous year Rs. 42.86 lacs)		
SCHEDULE 15 : Operating and Other Expenses		
Consumption of stores and spare parts	655.73	584.33
Power & Fuel	4,799.89	3,753.67
Repair & Maintenance		
Machinery	231.61	275.08
Building	136.36	141.49
Others	58.13	56.21
Rent	393.82	428.46
Rates & taxes	349.73	215.58
Insurance	1,508.67	1,079.14
Travelling & Conveyance	598.78	587.42
Legal, Professional & Consultancy Charges	1,043.50	1,109.67
Technical Assistance Services	177.42	126.40
Directors' Sitting fees	10.90	5.00
Directors' Commission (other than Whole-time Directors)	-	157.14
Charity & Donation	104.13	32.88
Loss on sale/write off of Fixed Assets (net)	56.69	-
Foreign Exchange fluctuations (net)	-	3,325.92
Wealth Tax	0.50	0.50
Interest - Others (Statutory Payments)	3.74	56.64
Other Expenses	1,613.94	1,287.22
	<u>11,743.54</u>	<u>13,222.75</u>
SCHEDULE 16: Finance Charges		
Interest on Term Loans	17,396.02	8,794.67
Bank Charges	996.85	1,326.85
	<u>18,392.87</u>	<u>10,121.52</u>

PETRONET LNG LIMITED

Schedule 17
Significant Accounting Policies
1. Basis of Accounting

The financial statements are prepared under historical cost convention, on a going concern basis and in accordance with the applicable accounting standards prescribed in the Companies (Accounting Standards) Rules, 2006 issued by the Central Government, in consultation with the National Advisory Committee on Accounting Standards and relevant provisions of the Companies Act, 1956

2. Use of Estimates

The preparation of financial statements requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and notes thereto. Differences between actual results and estimates are recognized in the period in which they materialise.

3. Fixed Assets

(a) Fixed Assets are stated at cost less accumulated depreciation and impairment loss, if any. The cost of assets comprises of purchase price and directly attributable cost of bringing the assets to working condition for its intended use including borrowing cost and incidental expenditure during construction incurred upto the date of ready to use and share issue expenses related to funds raised for financing the project.

(b) Capital Work in Progress

Capital work in progress includes cost of assets at sites, construction expenditure, advances made for acquisition of capital assets and interest on the funds deployed.

(c) Capital Commitments

Estimated amount of contracts remaining to be executed exceeding rupees one lakh in each case are disclosed in the notes to accounts.

4. Depreciation / Amortisation
Tangible Assets -

(a) Cost of leasehold land is amortized over the lease period.

(b) Depreciation on fixed assets other than those costing upto Rs. 5000 is provided on straight line method in accordance with the rates and in the manner specified in Schedule XIV of the Companies Act, 1956.

(c) Assets costing upto Rs. 5000/- are depreciated fully in the year of purchase / capitalization.

Intangible Assets -

(d) Software/Licenses are amortised over 3 years on Straight Line Method.

5. Investments

(a) Long term investments are carried at cost after deducting provision, where the decline in value is considered as other than temporary in nature.

(b) Current investments are valued at lower of cost or fair value.

6. Inventories

Raw Material, stores and spares are valued at lower of cost or net realizable value. Cost is determined on weighted average cost.

7. Sale / Revenue Recognition

(a) Sales are net of sales tax. Revenue from sales is recognised at the point of dispatch when risk and reward stand transferred to the customers.

(b) Services are net of service tax. Revenue from services is recognised when services are rendered and related costs are incurred.

(c) Interest income is recognised on time proportion basis.

(d) Dividend income is recognised, when the right to receive the dividend is established.

8. Foreign Currency Transactions

- (a) Foreign currency transactions are recorded at the exchange rate prevailing on the date of transaction.
- (b) Monetary items denominated in foreign currencies (such as cash, receivables, payables etc.) outstanding at the year end, are translated at exchange rates applicable on that date.
- (c) Non-monetary items denominated in foreign currency, (such as fixed assets) are valued at the exchange rate prevailing on the date of transaction.
- (d) Any gains or losses arising due to exchange differences arising on translation or settlement are accounted for in the Profit and Loss Account.
- (e) In the case of forward exchange contracts, the premium or discount arising at the inception of such contracts, is amortised as income or expense over the life of the contract as well as exchange difference on such contracts, i.e. difference between the exchange rate at the reporting / settlement date and the exchange rate on the date of inception / the last reporting date, is recognized as income / expense for the period.

9. Employee Benefits

- (a) Provision for gratuity and leave encashment is made on the basis of actuarial valuation at the end of the year. Actuarial gains or losses are recognized to the profit and loss account.
- (b) Contribution to Provident Fund and Superannuation is accounted for on accrual basis.

10. Borrowing Costs

Borrowing cost attributable to acquisition, construction or production of qualifying assets are capitalised as part of the cost till the asset is ready for use. Other borrowing costs are recognized as expense in the period in which these are incurred.

11. Taxes on Income

Provision is made for deferred tax for all timing differences arising between taxable income and accounting income at currently enacted or substantially enacted tax rates.

Deferred tax assets are recognized, only if there is reasonable/ virtual certainty that they will be realized and are reviewed for the appropriateness of their respective carrying values at each Balance Sheet date.

12. Provisions, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognized but are disclosed in the Notes to Accounts. Contingent assets are neither recognized nor disclosed in the financial statements.

13. Impairment of Assets

An asset is treated as impaired, when the carrying cost of asset exceeds its recoverable value. An impairment loss, if any, is charged to profit and loss account, in the year in which an asset is identified as impaired.

PETRONET LNG LIMITED
Schedule 18
Notes on Accounts

1. Estimated amount of Contracts remaining to be executed on Capital Account (net of advances) and not provided for Rs. 19,61,96.99 lacs (Previous year Rs. 10,84,62.35 lacs).

2. Contingent Liabilities

- Letters of Credit / Bank Guarantees Rs. 13,20,91.02 lacs (Previous year Rs. 14,91,87.54 lacs)
- The Collector of Electricity Duty, Gandhinagar (Gujarat) had issued notices classifying the business activity of the Company as 'Storage' instead of 'Industrial Undertaking' and hence levied Electricity Duty @ 45% instead of 20% of the consumption charges and charging 70 paise per unit instead of 40 paise per unit on the power generated by the Company for its own consumption. The Company has challenged the legality and validity of the notices by way of a writ petitions and the matters are pending with the Gujarat High Court. Company has obtained stay against the notices issued by GEB. The High Court has clubbed similar matters pending before it and is expected to be heard on the next date of hearing i.e. April 28, 2010. The total contingent liability till March 31, 2010 is estimated at Rs. 13,36.69 lacs (Previous year Rs. 12,27.67 lacs).
- The Company has filed a writ petition before the Gujarat High Court challenging the legality and correctness of the notice dated April 1, 2006 from the Collector of Stamps, Bharuch stating that pursuant to the amendment to Section 24 of the Bombay Stamp Act 1958, the Company is required to pay stamp duty @ Re.1 per Rs.1000/or part thereof of the value mentioned in the Delivery Order of the goods imported through ports in Gujarat. The Honorable High Court of Gujarat vide its order dated February 24,2010 has upheld the plea of the Company and quashed the notices issued by the Stamp Authorities.No appeal has been filed by the Stamp Authorities so far against the above order.

The future cash flow of items (b) is determinable only on receipt of the decision/judgment from the respective authorities.

- Custom Duty on import of Project material / equipment has been assessed provisionally (current and previous years) and additional liability, if any, on this account will be provided on final assessment.
- The Company has not received any information from suppliers or service providers, whether they are covered under the "Micro, Small and Medium Enterprises (Development) Act, 2006". Disclosure relating to amount unpaid at the year-end together with interest payable, if any, as required under the said act are not ascertainable.

5. Employee Benefits (AS - 15 revised)

Following information are based on report of Actuary.

Defined benefit plans as at 31.03.2010

The principal assumptions used in actuarial valuation are as below

	2009-10	2008-09
- Discount rate	8.00%	8.00%
- Expected rate of future salary increase	5.50%	5.50%
- Mortality	LIC (1994-96)	LIC (1994-96)

Rupees in lacs

	2009-10		2008-09	
	Gratuity Unfunded	Leave Encashment Unfunded	Gratuity Unfunded	Leave Encashment Unfunded
Change in present value of obligations				
- Present value of obligations as at 01.04.2009	82.60	1,30.39	64.19	93.27
- Interest cost	6.61	10.43	5.14	7.46
- Current service cost	20.26	33.77	20.15	40.16
- Benefits paid	(5.24)	(12.91)	(1.54)	(8.50)
- Actuarial (gain)/loss on Obligations	(1.09)	(1.69)	(5.34)	(2.00)
- Present value of obligations as at 31.03.2010	1,03.14	1,59.99	82.60	1,30.39
Changes in fair value of plan assets	Not Applicable		Not Applicable	
Liability recognized in the Balance Sheet				
- Present value of obligations as at 31.03.2010	1,03.14	1,59.99	82.60	1,30.39
- Fair value of plan assets as at the end of the year	-	-	-	-
- Unfunded status	1,03.14	1,59.99	82.60	1,30.39
- Unrecognised Actuarial (Gain)/Loss	-	-	-	-
- Net (Assets)/Liability recognized in Balance Sheet	1,03.14	1,59.99	82.60	1,30.39

PETRONET LNG LIMITED

Expenses recognized in Profit and Loss Account				
- Current service cost	20.26	33.77	20.15	40.16
- Past service cost	-	-	-	-
- Interest cost	6.61	10.43	5.14	7.46
- Expected return on plan assets	-	-	-	-
- Net Actuarial (Gain)/Loss recognized during the year	(1.09)	(1.69)	(5.34)	(2.00)
- Total Expense recognized in Profit and Loss Account	25.78	42.51*	19.95	45.62

* Amount capitalized Rs. 0.66 lakhs

Defined Contribution Plan

Amount recognized as an expense in respect of defined contribution plans are as under

Contribution to Govt. Provident Fund	82.76	82.70
Contribution to Superannuation Fund	93.47	91.32

6. Segment Reporting (AS-17)

Since the Company primarily operates in one segment – Natural Gas Business, segment reporting as required under Accounting Standard - 17 is not applicable. There is no reportable geographical segment either.

7. Related Party Transactions (AS-18)

a) Related parties and their relationships

i. Promoters

Indian Oil Corporation Limited
Bharat Petroleum Corporation Limited
Oil & Natural Gas Corporation Limited
GAIL (India) Limited

ii. Key Managerial Personnel

Prosad Dasgupta (Managing Director &CEO)
Amitava Sengupta (Director – Finance & Commercial)
C. S. Mani (Director – Technical)

b) Transactions with the above in the ordinary course of business

S No	Nature of Transaction	Name of the Party (Relationship)	Rupees in lacs	
			2009-10	2008-09
1	Sale of RLNG	IOCL (Promoter)	26,77,99.22	23,96,17.45
		BPCL (Promoter)	11,40,57.61	11,35,54.48
		GAIL (Promoter)	54,55,04.93	48,41,23.68
		TOTAL	92,73,61.76	83,72,95.61
2.	Regasification services	GAIL (Promoter)	8,30.75	-
3.	Payment of Rent	IOCL (Promoter)	3,01.49	2,57.95
4.	Remuneration to staff on deputation	BPCL (Promoter)	27.09	17.62
		IOCL (Promoter)	0.46	1.18
		TOTAL	27.55	18.80
5	Remuneration paid (See Note 11)	Prosad Dasgupta (Key Managerial Personnel)	58.12	72.51
		Amitava Sengupta (Key Managerial Personnel)	42.46	43.76
		C.S. Mani (Key Managerial Personnel)	42.19	45.79
		TOTAL	1,42.77	1,62.06

**PETRONET LNG LIMITED**

Amount Receivable at the year end	IOCL (Promoter)	1,69,41.45	1,87,26.91
	BPCL (Promoter)	44,64.57	1,09,18.52
	GAIL (Promoter)	2,89,66.47	3,75,15.89
	TOTAL	5,03,72.49	6,71,61.32
Amount Payable at the year end	IOCL (Promoter)	45.37	-
	BPCL (Promoter)	5.63	-
	ONGC (Promoter)	1,85.18	1,58.48
	TOTAL	2,36.18	1,58.48

8. Earning per share (EPS) (AS – 20)

	Rupees in lacs	
	2009-10	2008-09
Net Profit / (Loss) after current and deferred tax	4,04,49.74	5,18,44.36
Weighted average number of equity shares of Rs10/- each	75,00,00,044	75,00,00,044
EPS (Rs.) - Basic and Diluted	5.39	6.91

9. Deferred Tax Assets & Liabilities (AS – 22)

Major Component of deferred tax assets and deferred tax liabilities arising out of timing differences are as under:

	Rupees in lacs		
	As on 31.03.2010	Current Year	As on 31.03.2009
<u>Deferred Tax Liability</u>			
Difference between carrying amount of fixed assets in the financial statements and the income tax computation	3,27,10.00	54,18.00	2,72,92.00
<u>Deferred Tax Asset</u>			
Leave Encashment/Gratuity	90.00	18.00	72.00
Net Deferred Tax Assets/(Liability)	(3,26,20.00)	(54,00.00)	(2,72,20.00)

10. Disclosure in respect of Joint Venture (AS-27)

In terms of the provisions contained in the Dahej LNG Port Terminal Concession Agreement, the Company has to develop a Solid Cargo Port along with LNG Terminal. A joint venture company "Adani Petronet (Dahej) Port Pvt Ltd (APPPL)" has been formed for development of Solid Cargo Port. The Company has acquired 26% Equity in APPPL. Development of the port is in progress. The disclosure as per AS-27 is as follows

Name	:	Adani Petronet (Dahej) Port Pvt Ltd	
Description of Interest	:	Jointly Controlled Company	
Description of Job	:	To develop a Solid Cargo Port along with LNG Terminal at Dahej	
Country of Incorporation	:	India	
<u>Financial interest</u>		2009-10 (Unaudited)	2008-09 (Audited)
Proportion of Ownership Interest	:	26%	50%
Company's share of			
Assets	:	Rs. 1,20,01.37 lacs	Rs. 1,06,59.97 lacs
Liabilities	:	Rs. 48,13.87 lacs	Rs. 45,00.00 lacs
Income	:	Nil	Nil
Expense	:	Rs. 28.10 lacs	Rs. 27.35 lacs

11. Remuneration to Managing and Whole-time Directors

	Rupees in lacs	
	2009-10	2008-09
Salaries and Allowances	96.94	92.15
Contribution to Provident fund and Gratuity	5.02	4.83
Other benefits and perquisites	9.70	22.22
	1,11.66	1,19.20
Commission for the year 2008-09	-	42.86
Commission for the year 2009-10	31.11	-
Total	1,42.77	1,62.06

Note : Managing & Whole-time Directors are allowed use of Company's car for private purposes upto 12,000 kms p.a. on payment of Rs. 600/- p.m.

12. Computation of Commission payable to Directors

	Rupees in lacs	
	2009-10	2008-09
Profit before Taxation	5,99,49.74	7,74,04.36
Add : Directors' Fee	10.90	5.00
Remuneration to Managing and Whole-time Directors	1,11.66	1,19.20
Directors' Commission (for the year 2008-09)	-	2,00.00
Directors' Commission (for the year 2009-10)	31.11	-
Less : Profit on sale of Investments	(43.90)	(3,11.58)
Net Profit for calculating Directors' Commission	6,00,59.51	7,74,16.98
Commission @ 1% on above (As per Shareholders resolution dated 14th June 2007)	6,00.59	7,74.17
Commission payable	31.11	2,00.00

13. Foreign currency exposure of the Company

	2009-10	2008-09
Unhedged foreign currency exposure(In millions)		
- Import of raw material	USD 83.16	89.79
- Others - Payable	USD 0.01	0.36
	EURO 0.02	0.01
- Payable to EPC Contractor	USD 25.70	5.72
	EURO 0.46	0.02
	JPY 396.29	258.15
- Shareholder Loan(Receivable)	USD 2.31	2.16

PETRONET LNG LIMITED**14 Remuneration to Auditors**

	Rupees in lacs	
	2009-10	2008-09
Audit Fee	6.07	6.07
Limited review fees	3.31	3.09
Tax audit fee	1.38	1.40
Fee for certification	10.86	3.60
Others	3.03	-
Reimbursement of expenses	0.88	0.62
Total	25.53	14.78

Note : Fees is inclusive of service tax.

15. Capital Work in Progress at Kochi Project includes following expenses

	Rupees in lacs	
	2009-10	2008-09
Salaries and Wages	79.67	0.02
Contribution to Provident and Other funds	11.34	-
Staff Welfare Expenses	1.60	-
Power and Fuel	2.61	0.29
Repairs and Maintenance - Others	1.75	0.92
Rent	4,60.91	3,75.34
Insurance	2,91.66	1,48.59
Traveling & Conveyance	76.85	26.56

16. Additional information as required under para 4 of part II to Schedule VI of the Companies Act, 1956

	2009-10	2008-09
a) Licensed Capacity	Not Applicable	Not Applicable
Installed Capacity(Certified by the management and not verified by the auditors,being a technical matter)	10.00 MMTPA	5.00 MMTPA
Actual Production	7.55 MMTPA	6.29 MMTPA

	2009-10		2008-09	
	Quantity in	Amount	Quantity in	Amount
	TBTU's	(Rs. in Lacs)	TBTU's	(Rs. in Lacs)
b) Opening Stock of LNG	10.19	3,69,38.06	3.51	41,67.89
Purchases of LNG	3,85.61	95,29,70.70	332.96	77,03,32.77
Sales of RLNG	3,84.41	1,06,02,93.65	321.33	84,28,70.21
Internal Consumption	5.50	1,56,08.84	4.95	63,78.70
Closing Stock of LNG	5.89	1,37,75.91	10.19	3,69,38.06
c) Raw Material (LNG) Consumed	388.56	96,64,76.18	326.28	73,75,62.60

	Rupees in lacs	
	2009-10	2008-09
d) <u>Value of Imports on CIF basis</u>		
Raw Material (LNG)	89,72,57.84	72,53,25.68
Components and spare parts	256.96	1,53.96
Capital Goods	1,64,53.86	59,03.71

PETRONET LNG LIMITED

	2009-10	2008-09
e) <u>Expenditure in Foreign Currency (on cash basis)</u>		
Foreign Travel	129.47	81.13
Professional / Consultant / Technical Fees	1,29,72.91	92,30.12
Others (including insurance and financing charges)	37,25.85	18,99.60
f) <u>Earnings in Foreign Currency</u>		
Interest Income	66.93	59.55
g) Dividend remitted in foreign currency to Non Residents		
Number of Shareholders	1	1
Number of Shares held	7,50,00,000	7,50,00,000
Net amount of dividends remitted in foreign currency		
- Final dividend for the year 2008-09	13,12.50	-
- Final dividend for the year 2007-08	-	11,25.00
In respect of other non residents, the remittance is made to the mandatee bank in India in rupees.		

h) Value of imported and indigenous Raw Material and Spare parts consumed

Rupees in lacs

	<u>2009-10</u>		<u>2008-09</u>	
	%	Amount	%	Amount
<u>Raw Material</u>				
Imported	100.00	96,64,76.18	100.00	73,75,62.60
Others	Nil	Nil	Nil	Nil
<u>Spare Parts</u>				
Imported	22.29	1,44.32	13.11	73.98
Others	77.71	5,03.16	86.89	4,90.35

- 17 The Company has option to claim deduction under Section 80IA of the Income Tax Act, 1961 in respect of Power Generation and Port Undertaking and also under Section 80IB in respect of its Regasification Undertaking. However, provision for income tax has been made without considering the aforesaid deductions.
- 18 There is no impairment loss on any assets that has occurred in terms of AS-28.
- 19 Previous year figures have been regrouped/rearranged wherever necessary, to correspond to current year figures.

**Signatures to Schedules 1 to 18
Annexure to our report of even date**

**For V. Sankar Aiyar & Co.
Chartered Accountants**

For and on behalf of Petronet LNG Limited

**Sd/-
Ajay Gupta
Partner
Membership No. 90104**

**Sd/-
P. Dasgupta
Managing Director & CEO**

**Sd/-
A. Sengupta
Director - Finance & Commercial**

**Place : New Delhi
Date : 27th April, 2010**

**Sd/-
R. K. Garg
Company Secretary**

**PETRONET LNG LIMITED****Part - IV****Balance Sheet Abstract and Company's General Business Profile****I. Registration Details**

Registration No.	55-93073	State Code	55
Balance Sheet Date	31.03.2010		

II. Capital Raised during the year (Rs in Thousands)

Public Issue	NIL	Right Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

III. Position of Mobilisation and Deployment of Funds (Rs in Thousands)

Total Liabilities	50,608,924	Total Assets	50,608,924
Sources of Funds			
Paid-up Capital	7,500,000	Reserves & Surplus	14,848,781
Secured Loans	22,997,718	Unsecured Loans	2,000,425
Deferred Tax Liability	3,262,000		
Application of Funds			
Net Fixed Assets	42,012,192	Investments	5,386,202
Net Current Assets	3,210,530	Misc. Expenditure	NIL
Accumulated Losses	-		

IV. Performance of the Company (Rs in Thousands)

Turnover	107,469,180	Total Expenditure	101,474,206
+ - Profit/Loss Before Tax	5,994,974	+ - Profit/Loss After Tax	4,044,974
(Please tick appropriate box + for Profit, - Loss)			
Earnings per Share in Rs.	5.39	Dividend Rate %	17.50

V. Generic Names of Three Principal products/Services of Company (as per monetary terms)

Principal Product Liquefied Natural Gas

Item Code No. (ITC Code)

Product Description

For and on behalf of Petronet LNG Limited

Sd/-
P. Dasgupta
Managing Director & CEO

Sd/-
A. Sengupta
Director-Finance & Commercial

Place : New Delhi
Date : 27th April, 2010

Sd/-
R. K. Garg
Company Secretary

PETRONET LNG LTD.
Registered Office: World Trade Centre, 1st Floor,
Babar Road, Barakhmaba Lane,
New Delhi-110001

Proxy Form

DP. Id*	
---------	--

Folio No.	
-----------	--

Client Id*	
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I / We _____ of _____ in the district of _____
_____ being a member/members of the Company hereby appoint
_____ of _____ in the district of _____ or failing
him _____ of _____ in the district of _____
_____ as my / our proxy to vote for me / us on my / our behalf at the 12th (TWELFTH) ANNUAL GENERAL MEETING of the Company to be held on Thursday, the 24th day of June, 2010 at 10:00 A.M. at Air Force Auditorium, Subroto Park, Dhaula Kuan, New Delhi-110 010 and at any adjournment (s) thereof.

Signed this _____ day of _____ 2010

Affix Revenue Stamp of Fifteen Paise
--

*Applicable for investor holding shares in electronic form

Note: The proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the company not less than 48 hrs before the time for holding the aforesaid meeting. The Proxy need not be a member of the company.

----- Please tear here -----

PETRONET LNG LTD.
Registered Office: World Trade Centre, 1st Floor,
Babar Road, Barakhmaba Lane,
New Delhi-110001

Attendance Slip

PLEASE FILL ATTENDANCE SLIP AND HAND IT OVER AT THE ENTERANCE OF THE MEETING HALL.

DP. Id*	
---------	--

Folio No.	
-----------	--

Client Id*	
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NAME AND ADDRESS OF THE SHAREHOLDER

Number of Share(s) held:

I certify that I/we are member/proxy for the member of the Company. I/we hereby record my/our presence at the 12th (TWELFTH) ANNUAL GENERAL MEETING of the Company to be held on Thursday, the 24th day of June, 2010 at 10:00 A.M. at Air Force Auditorium, Subroto Park, Dhaula Kuan, New Delhi-110 010.

Signature of the shareholder(s) or proxy.

*Applicable for investor holding shares in electronic form.

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UPC

If undelivered please return to :



**PETRONET
LNG
LIMITED**

PETRONET LNG LIMITED

World Trade Centre, 1st Floor, Babar Road,
Barakhamba Lane, New Delhi-110 001 (India)

Tel. : 91-11-23411411, 91-11-23472525

Fax : 91-11-23472550