



PETRONET LNG LIMITED


PETRONET LNG LIMITED
Board of Directors :

Shri M. S. Srinivasan	Chairman
Shri Prosad Dasgupta	Managing Director & CEO
Shri Amitava Sengupta	Director (Finance & Commercial)
Shri C. S. Mani	Director (Technical)
Shri Ashok Sinha	Director
Dr. U. D. Choubey	Director
Shri B. M. Bansal	Director
Shri N. K. Mitra	Director
Mr. Jacques Gautier	Director
Shri Arun Duggal	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

Bankers:

Allahabad Bank
 Canara Bank
 Citi Bank
 Federal Bank
 ICICI Bank Limited
 IDFC Ltd
 Indian Overseas Bank
 Jammu & Kashmir Bank
 Oriental Bank of Commerce
 Punjab National Bank
 State Bank of Indore
 State Bank of Patiala
 State Bank of Hyderabad
 State Bank of India
 Syndicate Bank
 The Hong Kong & Shanghai Banking Corporation Ltd.

Statutory Auditors:

M/s V. Sankar Aiyar & Company

Registered Office:

World Trade Centre, 1st Floor, Babar Road,
 Barakhamba Lane, NEW DELHI 110 001
 Tel. : 011-23411411, 011-23413616
 Fax : 011-23414271
 Website: www.petronetlng.com

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

LNG Terminal:

GIDC Industrial Estate, Plot No.7/A, Dahej,
 Talukavagra, Distt. Bharuch-GUJARAT
 Tel. : 02641- 257004 to 257007 & 253182
 Fax : 02641- 253184

Cochin:

7-D, Peevees, Triton Apartment,
 Shanmugham Road, Marine Drive,
 Ernakulam - KERALA
 Tel. : 0484-2360754
 Fax: 0484-2360754

PETRONET LNG LIMITED

NOTICE OF 9TH ANNUAL GENERAL MEETING - 2007

NOTICE is hereby given that the 9th (Ninth) Annual General Meeting of the Members of Petronet LNG Limited (PLL) will be held on Thursday, the 14th day of June, 2007 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, 2007, Profit & Loss Accounts for the year 31st March, 2007, together with Report of Directors' and Statutory Auditors thereon.
2. To declare a dividend for the financial year ended 31st March, 2007.
3. To appoint a Director in place of Shri D. P. Roy, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri P. K. Chadha, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri J. L. Zutshi, who retires by rotation and being eligible, offers himself for re-appointment.
6. 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 Ninth Annual General Meeting till the conclusion of the next Annual General Meeting at a remuneration of Rs. 3.75 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):

7. **"RESOLVED THAT** pursuant to the Article 111 of Articles of Association of the Company and the provisions of Section 198, 269, 309, 310 and the provisions of Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 and subject to approval of the Central Government, if required and such alterations / modifications, if any, that may be affected by the above mentioned body in that behalf, approval of the Members be and is hereby accorded to the appointment of Shri C. S. Mani as Director (Technical) for a period of five years w.e.f. 1st August, 2006 on the following terms and conditions."

Salary:

Rs.70, 000 p.m. in the time scale of Rs. 70,000 – 4,000 – 90,000 with an annual increment of Rs. 4,000/-.

Perquisites:

- A. Housing: Rent free furnished accommodation along with benefits of gas, fuel, water, electricity (Rs. 2000/- per month),

telephone, internet and fax as also upkeep and maintenance of Company's furnished accommodation.

or

House Rent Allowance (HRA) limited to the 60% of basic salary or if he offers a house in his own name / spouse, the same may be taken on lease limited to 60% of the basic salary.

- B. Medical Reimbursement: Reimbursement of medical expenses for self and family including dependent parents at actual.
- C. Leave Travel Allowance: Leave Travel Allowance will be paid by the Company, for self and family once in a year subject to a ceiling of one and half months salary in a year.
- D. Club Fees: Reimbursement of club fees, subject to maximum of two clubs.
- E. Personal Accident Insurance Policy: The Company subject to a maximum premium of Rs. 4,000/- p.a. will provide Personal Accident Insurance Cover as applicable to him.
- F. Furniture at residence up to Rs. 2,25,000/- subject to recovery of Rs. 100/- p.m. and payment of 5% as maintenance allowance on self certification basis with option to repurchase at book value after 7 years or on retirement whichever is earlier.

Other Benefits:-

- G. Contribution to Provident Fund, Superannuation Fund / Annuity Fund in accordance with the rules of the Company.
- H. Gratuity at a rate not exceeding one half month's salary for each completed year of service.
- I. Car with services of a driver to be maintained by the Company for official use. The permissible limit for personal use would be 1000 Kms per month with an annual ceiling of 12000 km against a monthly deduction of Rs. 600 p.m.
- J. Telephone / Fax / Internet facility – at actual.
- K. Leave / Leave Salary as per the rules of the Company.
- L. The performance incentive would be decided by a Remuneration Committee to be constituted by the Board on a year-to-year basis based on the performance of the Company.
- M. Any and all allowances, perquisites and benefits under the appropriate schemes and rules applicable generally to the officers of the Company provided however that the total remuneration shall be within the ceiling prescribed under Schedule XIII of the Companies Act, 1956.
- N. The appointment will be subject to termination by three-month notice in writing on either side."
8. **"RESOLVED THAT** Shri D. J. Pandian, Nominee of Gujarat Maritime Board (GMB), who was appointed as an Additional Director of the Company by the 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. "

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9. **"RESOLVED THAT** Dr. U. D. Choubey, Nominee of GAIL (India) Ltd., who was appointed as an Additional Director of the Company by the 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** 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. 10,000 crores."
- "RESOLVED FURTHER THAT** for the purpose of giving affect 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."
11. **"RESOLVED THAT** in partial modification of resolution no. 6 passed by the Members in 8th Annual General Meeting of Members of the Company held on 14th June, 2006 and pursuant to the provisions of Section 198, 269, 309 & 310 and other applicable provisions, if any, of the Companies Act 1956, read together with Schedule XIII of the Companies Act, 1956, consent of the Members be and is hereby accorded to increase the remuneration (Cost to the Company) of Shri P. Dasgupta, Managing Director & CEO by 25% with effect from 1st April, 2007 and his salary is fixed at Rs. 1,33,350/- per month with an annual increment of Rs. 5,000/-.
- "RESOLVED FURTHER THAT** perquisites and other benefits to Shri P. Dasgupta, as approved by the Shareholders in the 8th Annual General Meeting held on 14th June 2006, shall be payable in consonance with the revised salary, wherever applicable."
12. **"RESOLVED THAT** in partial modification of resolution no.11 passed by the Members in 8th Annual General Meeting of Members of the Company held on 14th June, 2006 and pursuant to the provisions of Section 198, 269, 309 & 310 and other applicable provisions, if any, of the Companies Act 1956, read together with Schedule XIII of the Companies Act, 1956, consent of the Members be and is hereby accorded to increase the remuneration (Cost to the Company) of Shri A. Sengupta, Director (Finance & Commercial) by 25% with effect from 1st April, 2007 and his salary is fixed at Rs. 94,720/- per month with an annual increment of Rs. 4,000/-.
- "RESOLVED FURTHER THAT** perquisites and other benefits to Shri A. Sengupta, as approved by the Shareholders in the 8th Annual General Meeting held on 14th June 2006, shall be payable in consonance with the revised salary, wherever applicable."
13. **"RESOLVED THAT** in partial modification of resolution set out at item no. 7 of the notice of this Annual General Meeting and pursuant to the provisions of Section 198, 269, 309 & 310 and other applicable provisions, if any, of the Companies Act 1956, read together with Schedule XIII of the Companies Act, 1956, consent of the Members be and is hereby accorded to increase the remuneration (Cost to the Company) of Shri C. S. Mani, Director (Technical) by 25% with effect from 1st April, 2007 and his salary is fixed at Rs. 94,720/- per month with an annual increment of Rs. 4,000/-.
- "RESOLVED FURTHER THAT** perquisites and other benefits to Shri C. S. Mani as set out at Item no. 7 of this Annual General Meeting, shall be payable in consonance with the revised salary, wherever applicable."
- To consider and if thought fit, to pass with or without modification(s) the following resolution(s) as Special Resolution(s):**
14. **"RESOLVED THAT** approval of the Members be and is hereby accorded for amending the Articles 2 (b) of Articles of Association by replacing the existing definition of Search Committee with the following:
- The Search Committee shall mean Committee constituted by the Board for selection of Managing Director and other Whole Time Directors on the Board of the Company and shall comprise Members nominated by the Board for this purpose.
- RESOLVED FURTHER THAT** the Board be and is hereby authorized to do all such acts, deeds and things and to take all necessary steps for giving affect to the said resolution as it may deem fit. "
15. **"RESOLVED THAT** pursuant to the provisions of Section 309, Schedule XIII and all other applicable provisions, if any, of the Companies Act 1956, consent of the Members be and is hereby accorded for the payment and distribution of a sum not exceeding 1% per annum of the net profits of the Company calculated in accordance with the provisions of Sections 198, 349 & 350 of the Companies Act, 1956, by way of commission to and amongst all the Directors of the Company in such amount or proportions and in such manner and in all such respects as may be determined by the Board of Directors from time to time and such payments shall be made for a period of five years commencing from 2006-07.
- RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorized to take such steps as may be desirable or expedient to give effect to this resolution."

By Order of the Board
For Petronet LNG Limited


(R. K. Garg)

Sr. VP- Finance & Company Secretary

Place : New Delhi

Date : 7th May, 2007

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NOTES:

- 1 The Explanatory Statement pursuant to section 173 of the Companies Act, 1956 in respect of the special business and also for Item No. 6 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 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 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 Registrar of Members and Share Transfer Books of the Company will remain closed from 1st June, 2007 to 14th June, 2007 (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 18th June, 2007 to the Members or their Mandates whose name appear on the Company's Registrar of Members on 14th June, 2007 in respect of physical Shares. 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 31st May, 2007.
- 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 and against exchange of Attendance Slip.
- 14 No briefcase / bags / eatables will be allowed to be taken inside the Auditorium.
- 15 Annual Listing Fee for the year 2007-08 has been paid to all Stock Exchanges wherein Shares of the Company are Listed.
- 16 Corporate Members intending to send their authorized representatives to attend the Meeting are requested to send a certified copy of Board Resolution authorizing 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: 6

M/s. V. Sankar Aiyar & Company, Chartered Accountants, were appointed as the Statutory Auditors of the Company in the Eighth Annual General Meeting held on 14th June, 2006 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 remuneration of Rs. 3.75 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: 7

Shri C. S. Mani was appointed as Director (Technical) by the Board in its Meeting held on 27th April, 2006 for a period of five years w.e.f. 1st August, 2006 and he joined Company on 1st August, 2006.

As per the requirement of the Companies Act, 1956, the appointment of Whole-time Director is required to be approved by the Shareholders in the General Meeting. A brief resume of Shri C. S. Mani as required in terms of Clause 49 of Listing Agreement is enclosed with the notice.

Your Directors recommend the resolution at Item No. 7 for approval of the Shareholders includes the terms & conditions.

Shri C. S. Mani is interested in the resolution to the extent of his appointment as Director (Technical). No other Director of the Company is in any way concerned or interested in the proposed resolution.

ITEM NO: 8

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 D. J. Pandian was appointed as an Additional Director w.e.f. 3rd October, 2006 on the Board of the Company as Nominee of



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Gujarat Maritime Board (GMB) in terms of the Concession Agreement with GMB. Pursuant to the 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 D. J. Pandian as Director of the Company. A brief resume of Shri D. J. Pandian 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 at Item No. 8 for approval of the Shareholders.

Shri D. J. Pandian 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: 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, Dr. U. D. Choubey was appointed as Additional Director w.e.f. 27th November, 2006 on the Board of the Company as nominee of GAIL (India) Ltd., one of the Promoters 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 Dr. U. D. Choubey as Director of the Company. A brief resume of Dr. U. D. Choubey 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 at Item No. 9 for approval of the Shareholders.

Dr. U. D. Choubey 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

The Board has approved the expansion of Dahej LNG Terminal from its present capacity of 5 MMTPA to 10 MMTPA. The Board has also approved setting up another LNG Terminal at Kochi. To meet the financing requirement of Dahej Expansion and setting up LNG Terminal at Kochi, the Company needs to borrow money from banks/financial Institutions in the years to come.

The Members of the Company in the Extra -ordinary General Meeting held on 18th March, 2004 accorded their approval to the Board of the Company to borrow up to Rs. 5000 crores to meet the project and other expenses.

Since Company would need additional borrowing, it is proposed that the borrowing limits be increased from the present limit of Rs.5,000 crores to Rs. 10,000 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 at Item No. 10 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. 11

Shri P. Dasgupta was appointed as Managing Director & CEO of the Company by the Members of the Company in the 8th Annual General Meeting (AGM) of the Company held on 14th June, 2006

for a period of five years w.e.f. 1st September, 2005. The remuneration payable to Managing Director & CEO was also approved by the members in the 8th Annual General Meeting.

The existing compensation structure of the employees (including Whole-time Directors) of the Company was fixed by the Board in September, 2001. Since the Company was facing difficulties not only in retaining the right people but also attracting new talent, Board increased Salary Package for employees w.e.f. 1st April, 2007 ranging 20% to 32% based on recommendation of M/s Price Waterhouse Coopers, who has been assigned the job for benchmarking of Compensation Package.

Pursuant to the increase in Salary Package of the employees, Remuneration Committee of the Board also recommended the increase in the Compensation Package (Cost to the Company) for Managing Director & CEO and other Whole-time Directors by 25% w.e.f. 1st April, 2007. Any increase in the remuneration needs approval of Shareholders, hence the proposed resolution is for approval of Shareholders.

The proposed increase in remuneration of Shri P. Dasgupta is well within the limits of Schedule XIII & other applicable provisions of the Companies Act, 1956.

Your Directors recommend the resolution at Item no. 11 for approval of the Shareholders as Ordinary Resolution as per requirement of Companies Act, 1956.

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

ITEM NO. 12

Shri A. Sengupta was appointed as Director (Finance & Commercial) for a period of five years w.e.f. 27th April, 2006 by the Members in the 8th AGM held on 14th June, 2006. The remuneration payable to Shri A. Sengupta, Director (Finance & Commercial) was also approved by the members in the 8th Annual General Meeting.

The existing compensation structure of the employees (including Whole-time Directors) of the Company was fixed by the Board in September, 2001. Since the Company was facing difficulties not only in retaining the right people but also attracting new talent, Board increased Salary Package for employees w.e.f. 1st April, 2007 ranging 20% to 32% based on recommendation of M/s Price Waterhouse Coopers, who has been assigned the job for benchmarking of Compensation Package.

Since Board of Directors had approved increase the Salary Package of the employees, Remuneration Committee of the Board also recommended the increase the Compensation Package (Cost to the Company) for Managing Director & CEO and other Whole-time Directors by 25% w.e.f. 1st April, 2007. Any increase in the remuneration needs approval of Shareholders, hence the proposed resolution is for approval of Shareholders.

The proposed increase in remuneration of Shri A. Sengupta is well within the limits of Schedule XIII & other applicable provisions of the Companies Act, 1956.

Your Directors recommend the resolution at Item No. 12 for approval of the Shareholders as Ordinary Resolution as per requirement of Companies Act, 1956.

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

ITEM NO. 13

Shri C. S. Mani was appointed as Director (Technical) for a period of five years w.e.f. 1st August, 2006. The remuneration

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payable to Shri C. S. Mani, Director (Technical) was based on the Compensation Package applicable to Whole-time Directors as set out at Item No. 7 of this Annual General Meeting.

The existing compensation structure of the employees (including Whole-time Directors) of the Company was fixed by the Board in September, 2001. Since the Company was facing difficulties not only in retaining the right people but also attracting new talent, Board increased Salary Package for employees w.e.f. 1st April, 2007 ranging 20% to 32% based on recommendation of M/s Price Waterhouse Coopers, who has been assigned the job for benchmarking of Compensation Package.

Since Board of Directors had approved increase the Salary Package of the employees, Remuneration Committee of the Board also recommended the increase the Compensation Package (cost to the Company) for MD&CEO and other Whole-time Directors by 25% w.e.f. 1st April, 2007. Any increase in the remuneration needs approval of Shareholders, hence the proposed resolution is for approval of Shareholders.

The proposed increase in remuneration of Shri C. S. Mani is well within the limits of Schedule XIII & other applicable provisions of the Companies Act, 1956.

Your Directors recommend the resolution at Item No. 13 for approval of the Shareholders as Ordinary Resolution as per requirement of Companies Act, 1956.

No other Director of the Company except Shri C. S. Mani is in any way concerned or interested in the proposed resolution(s).

ITEM NO: 14

Presently, as per provisions of the Articles of Association, Managing Director and Whole-time Directors of the Company are required to be selected by the Search Committee consisting of Chairman of all the four Promoter Companies viz. Bharat Petroleum Corporation Limited, GAIL (India) Ltd., Oil and Natural Gas Corporation Ltd. and Indian Oil Corporation Ltd. and such other person as nominated by them. Keeping in view that 50% of the present paid up share capital of the company is now held by private Shareholders including FII(s) and the public, it is proposed that the Articles 2 (b) of the Articles Association of the Company be amended by replacing the existing definition of the Search Committee as stated in the resolution set out at Item No. 14 of the notice.

Your Directors recommend the resolution at Item No. 14 for approval of the Shareholders as Special Resolution.

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

ITEM NO.15

In view of greater involvement and responsibility of the Directors in managing the affairs of the Company, it is proposed that they may be paid commission on the profit upto 1% of Net Profit. The Company may by Special Resolution passed by the Members in the General Meeting, authorize the payment of commission for a period of five years to the extent of 1% of net profit calculated as per provision of section 198, 349 & 350 of the Companies Act, 1956. The remuneration of Managing Director & CEO and other Whole-time Directors would remain within the ceilings as specified in Section 309(3) of the Companies Act, 1956, including commission on profit.

Your Directors recommend the resolution at item no. 15 for approval of the Shareholders as Special Resolution as per requirement of Companies Act, 1956.

All Directors of the Company are concerned or interested in the proposed resolution to the extent, the commission payable to them.

By order of the Board
For Petronet LNG Limited


(R. K. Garg)

Sr. VP – Finance & Company Secretary

Place : New Delhi
Date : 7th May, 2007

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

Shri D.P. Roy

Shri D. P. Roy is Ex- chairman of SBI Capital Markets Ltd. He holds degree in Master of Science (Chemistry) from Jadavpur University Calcutta. He is also Certified Associate of the Indian Institute of Bankers (CAIIB) and Member of the Indian Council of Arbitrators. He has rich and wide experience in Banking Sector. He joined State Bank of India as Probationary Officer in 1963 and served there in various senior executive and managerial posts like Deputy Managing Director and Group Executive (International Banking), President and CEO, New York and Country Manager USA, Deputy Managing Director and Group Executive (Associates and Subsidiaries) etc.

Shri D.P. Roy holds Directorship in the following other Companies:

Name of the Companies	Position held
Escorts Investment Trust Ltd.	Director
ICRA Management Consulting Services Ltd.	Director
PEGASUS Assets Reconstruction Pvt. Ltd.	Director

Shri D. P. Roy is also Member/Chairman of Committees of Board of the following other companies:

Name of the Companies	Name of the Committee	Chairman/Member
ICRA Management Consulting Services Ltd.	1. Audit Committee	Member
	2.Remuneration Committee	Member
PEGASUS Assets Reconstruction Pvt. Ltd.	1.Executive Committee	Member
	2.Remuneration Committee	Member

Shri P. K. Chadha

Shri P. K. Chadha is graduate in Mechanical Engineering. He joined Hindustan Lever Ltd. as a Management Trainee in 1962 and worked in various capacities in manufacturing and general management functions. In 1980, he was appointed to the Board of Hindustan Lever Ltd.

In 1985, he was transferred to Unilever's subsidiary in Japan where he worked as Technical Director, Nippon Lever before moving to Europe in 1991. He worked as the Head of Technology for Unilever worldwide from 1991 to 1996 based in the Netherlands. He retired in 1998 as Senior Vice President, Manufacturing and Supply Chain, Unilever NV, Rotterdam after 36 years service with the Unilever group.



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Shri Chadha is presently serving as a Non – executive Director on the Boards of few Companies in India. He is also a Management Consultant to some Companies in India and abroad.

Shri P. K. Chadha holds Directorship in the following other Companies:

Name of the Companies	Position Held
Sona Koyo Steering System Ltd	Director
SOWIL Ltd	Director
Conzerv System Pvt. Ltd.	Director

Shri P. K. Chadha is also Member/Chairman of Committees of Board of the following other companies:

Name of the Companies	Name of the Committee	Chairman/Member
Sona Koyo Steering System Ltd	1. Audit Committee 2. Remuneration Committee	Member Member

Shri J. L. Zutshi

Shri J. L. Zutshi, Ex-chairman of Indian Oil Corporation Ltd is Bachelor of Engineering (BE) from Houston. He has over 36 years rich experience in the down stream Oil and Gas Industry. Besides, he is expert in Strategic Human Resources Management and also has extensive experience in Marketing Operation and Logistics. During his carrier with Indian Oil Corporation Ltd he had held very senior positions like Executive Director (Marketing Operations), Executive Director (Personnel), Director (Personnel) etc.

Shri J. L. Zutshi holds Directorship in the following other Company:

Name of the Companies	Position Held
Surindra Electricals	Director

Shri J. L. Zutshi is not a Member/Chairman of Committees of Board of any other Company.

Shri C. S. Mani

Shri C. S. Mani, hold B. Tech (Chemical) degree from Indian Institute of Technology ,Chennai and Master in Engineering (Chemical) from Cornell University, USA.

Shri Mani has around 35 years experience in the industry, primarily in Chemical & Petrochemical industries. During his span of service with various Companies, he has worked on most aspects of projects including conducting viability studies, selection of technology and sourcing of know-how.

Shri Mani has worked with industrial houses of repute such as Tata Chemicals Ltd for two decades and rose to a position as one of the key senior executive of the Company. He also served as General Manager, Haldia Petrochemical for a year before moving to Gujarat Alkalis and Chemicals Ltd as Chief Executive Director for Planning and Projects.

Shri Mani is not a Director and also not a Member/Chairman of Committees of Board of any other Company.

Shri D. J. Pandian

Shri D. J. Pandian holds degree in Master of Business Administration from Madras University. He is an IAS officer and has Administrative and Corporate Experience spanning 25 years. Prior to joining the Gujarat State Petroleum Corporation Ltd (GSPC), Shri Pandian was working on deputation with the World Bank in Washington D. C. He was Director External Commercial Borrowings, Ministry of Finance, Government of India from 1995

till 1997. In addition, Mr. Pandian had also various appointments in the Government of Gujarat. He previously headed Gujarat Lease Finance Limited from 1993 until 1994.

Since 2001, Mr. Pandian is working as Managing Director of GSPC and looking after the entire GSPC. Mr. Pandian has vast experience of Oil and Gas Sector.

Shri D. J. Pandian holds Directorship in the following other Companies:

Name of the Companies	Position Held
Gujarat State Petroleum Corporation Ltd.	Managing Director
Gujarat State Petronet Ltd.	Director
GSPC Pipavav Power Company Ltd.	Director
Sabarmati Gas Ltd.	Chairman
Gujarat Science At Action Ltd.	Director
Guj Info Petro Ltd.	Director
GSPC Gas Company Ltd.	Director
Gujarat State Energy Generation Ltd.	Director
ONGC Petro Additions Ltd.	Director
GSPC LNG Ltd.	Director
GSPC (JPDA) Ltd.	Director

Shri D. J. Pandian is also Member/Chairman of Committees of Board of the following other Companies:

Name of the Companies	Name of the Committee	Chairman/Member
Gujarat State Petronet Ltd.	Shareholders Grievance Committee	Member
Gujarat State Energy Generation Ltd.	Audit Committee	Member

Dr. U.D. Choubey

Dr. U. D. Choubey is presently the Chairman & Managing Director (CMD) of GAIL India Ltd. Dr. Choubey holds Master Degree in Chemistry, MBA from Indian Institute of Business Management and LL.B from Delhi University besides Doctorate in Hydrocarbon from Indian School of Mines, Dhanbad.

Dr. Choubey joined GAIL in its formative period and has been associated with the Market Department since then. Through out his professional carrier, he has played a leading role in the development of gas related policies and strategies.

Dr. U.D. Choubey holds Directorship in the following other Companies.

Name of the Companies	Position Held
GAIL India) Ltd	Chairman & Managing Director
Tripura Natural gas Co. Ltd.	Chairman
Brahmaputra Cracker & Polymer Ltd.	Chairman
Indraprastha Gas Ltd.	Chairman
Shell CNG Egypt, SAE	Director
Mahanagar Gas Ltd.	Director

Dr. U.D. Choubey is also Member of Shareholders Grievance Committee of Mahanagar Gas Ltd.

PETRONET LNG LIMITED

DIRECTORS' REPORT

Dear Shareholders,

The Directors have the pleasure of presenting the Ninth Annual Report and the Audited Accounts of your Company for the year that ended 31st March, 2007.

The year was marked by several accomplishments - both in terms of physical and financial performance. Your Company has maintained an upward trend in all performance parameters.

PHYSICAL PERFORMANCE:

	2006-2007	2005-2006
LNG Purchased (TBTU)	292.80	247.76
RLNG Sold (TBTU)	287.08	246.81

FINANCIAL PERFORMANCE

In 2006-07, your Company made substantial gains in turnover and operating margins, largely due to increase in production over the name plate capacity through de-bottlenecking, efficient utilization of critical equipment and also sourcing of spot cargoes at competitive prices. The turnover during the year under review was Rs. 5508.95 Crore against Rs. 3837.17 Crore in 2005-2006. Gross margin stood at Rs. 799.07 Crore against Rs. 583.69 Crore in the previous year. Net profit after tax was Rs. 313.25 Crore in 2006-07 against Rs. 194.93 Crore in 2005-06. A summary of the comparative financial performance in fiscal 2006-07 and 2005-06 is given below:

Particulars	Rs. In Crores	Rs. In Crores
	2006-07	2005-06
Turnover	5508.95	3837.17
Other Income	36.59	19.44
Total revenue	5545.54	3856.61
Cost of import of LNG	4746.47	3253.48
Gross Margin	799.07	583.69
Salary & Other Operating Expenses	114.43	95.53
Interest	107.04	111.61
Depreciation/write off	102.03	100.96
Profit before Tax	475.57	295.03
Provision for Tax	162.32	100.10
Profit after Tax	313.25	194.93
Earning per share (Rs. / Share)	4.18	2.60

DIVIDEND

Keeping in view the sound financial position of the Company, the Directors are happy to recommend a dividend of 12.5% on the paid-up share capital of the Company for the year ending 31st March 2007.

OPERATIONS AT DAHEJ

Since its commissioning on 9th April, 2004, the Dahej Terminal is operating at its optimum capacity and is currently meeting 25% of India's total gas supplies. LNG cargoes are regularly being received at Dahej. During the financial year 2006-07, 92 LNG cargoes were unloaded and 7427 MMSCM regasified LNG was supplied to the Off-takers. Among the highlights of this year's performance is the 12 additional spot cargoes, which were processed on a sustainable basis. This has been possible by utilizing design margins through meticulous planning and ensuring availability of equipment. The LNG terminal achieved 3.62 million accident free man-hours of operation at the end of the financial year 2006-07 since commencement operations.

Pilot Project for Supply of LNG in Cryogenic Vehicles

A Memorandum of Understanding has been entered upon with IBP Co. Ltd. a subsidiary of Indian Oil Corporation Ltd., to undertake a feasibility study to supply LNG to consumers in cryogenic vehicles. The facilities for loading of LNG in road tankers is being installed at Dahej and mechanical completion is planned for end of June 2007.

SHIPPING ARRANGEMENT

Both the ships "DISHA" and "RAAHI" are regularly bringing LNG to Dahej from Ras-Laffan as per schedule. Dry-docking of vessel RAAHI was carried out during this financial year, and to maintain uninterrupted supplies to the consumers during this period an additional ship was taken on hire. DISHA was dry docked during the end of March/early April 2006.

PORT OPERATOR

M/s Sealion Sparkle Port and Terminal Services (Dahej) Limited India is providing Port Operations Services at Dahej and is responsible for safe berthing of LNG tankers at the jetty and other related marine services. During the year they have also handled the additional cargo operations efficiently.

EXPANSION OF DAHEJ LNG TERMINAL

Your Company has started the expansion of Dahej LNG terminal to 10.0 MMTPA capacity. This involves construction of two additional LNG storage tanks, pumps, and vaporization system; send out, metering systems etc.

The Consortium of M/s Ishikawajima-Harima Heavy Industries Co.



PETRONET LNG LIMITED

Ltd (Leader), Toyo Engineering Corporation, Toyo Engineering India Ltd, Itochu Corporation and Mitsui & Co Ltd was awarded the contract for the project. Completion of regasification facilities is scheduled for end of June 2008, while the LNG tanks are planned for completion in December 2008. Therefore, the Company will progressively increase terminal capacity beyond 5.00 MMTPA from July, 2008.

LNG TERMINAL AT KOCHI

Your Company is also setting up LNG Receiving and Re-gasification Terminal of 5.0 MMTPA at Kochi. The terminal consists mainly of two LNG Storage Tanks each of 155,000 cu. m. net capacity, vaporization system, utilities and off site facilities as well as marine facilities such as jetty, bund, dredging etc. The vaporization system of the terminal will be commissioned in two phases of 2.5 MMTPA each.

Cochin Port Trust has allocated 32 hectares land for the LNG terminal at Puthuvypeen Island in outer Cochin Harbor. Your Company has also executed the Co-developer agreement for Puthuvypeen SEZ in December 2006, approval of which has been received from the Ministry of Commerce.

Four bidding consortia were pre-qualified for the issue of bidding documents for selection of lump sum EPC contractor. Techno-commercial bids have been received from three pre-qualified consortia and evaluation of the bids is under progress. The construction of boundary wall around the proposed terminal site has commenced. The process of selection of Project Management Consultant (PMC) for Kochi LNG Terminal has also been initiated.

TRANSPORTATION OF LNG

To meet the transportation requirements of the (proposed) expanded capacity of Dahej LNG terminal, your company has executed Time Charter Agreement with India LNG Transport Company (No 3) led by Mitsui OSK Lines, Japan on 21st February 2006, and Samsung Shipyard, South Korea has been awarded the construction of the third tanker, which is scheduled to be delivered on 16th September 2009. Your company has selected internationally renowned LNG expert- Hamburg based "Marine Services" as Shipping Consultant for supervising the construction of the third tanker on behalf of Petronet LNG Ltd. The same Company was engaged for the supervision of construction of our first two vessels "DISHA" and "RAAHI".

For meeting the transportation requirements of proposed re-gasification and storage LNG terminal at Kochi, your company has pre-qualified six Ship Owners and Ship Operators for two vessels of 175000 m³ capacity. Four of the pre-qualified Ship Owners and Ship Operators have confirmed participation in the bidding process. The Company has invited commercial bids from the short-listed bidders. The delivery of the vessels would be

synchronized with the supply of LNG for Kochi terminal from Gorgon.

LNG SOURCING

During the year your Company made a major breakthrough in the Indian energy market by importing spot cargoes on a consistent basis at competitive prices. This enabled power companies, especially NTPC, to increase its power generation to mitigate the short fall in the Country. Your Company has now established business relationships with most of the potential LNG suppliers for the region. Negotiations are also being carried out with a few of them for long term LNG sourcing.

SOLID CARGO PORT AT DAHEJ

As per the terms of the Concession Agreement, a sub-concession agreement has been signed on 3rd January, 2007 with Gujarat Maritime Board for setting up a Solid Cargo Port at Dahej. A joint venture company namely Adani Petronet (Dahej) Port Private Ltd., has been incorporated for implementing the Solid Cargo Port Project. The completion period of the Project is thirty-six months from the date of execution of the Sub-Concession Agreement.

2nd LNG BERTH & ADDITIONAL STORAGE TANKS AT DAHEJ

Your company has entered into a Memorandum of Understanding with Gujarat Maritime Board to develop a second LNG jetty / berth at Dahej. Pre-feasibility study is in progress by M/s HR Wallingford of UK, consequent to which the Concession Agreement with GMB will be pursued.

Memorandum of Understanding has also been entered with Gujarat State Petronet Limited (GSPL) for construction of two additional LNG storage tanks at Dahej. The proposed implementation of the LNG storage tanks are planned through a special purpose vehicle in a joint venture with GSPL.

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(s) are set out in the annexure to 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.

PETRONET LNG LIMITED

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. In the pursuit of creating its own Management cadre your company recruited executives at various levels including at various senior management positions during the year. During the year, your Company maintained harmonious and cordial industrial relations. 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 basic engineering 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

- a) That your Company had followed the applicable accounting standards along with proper explanations relating to material departures in the preparation of the annual accounts;
- b) 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;
- c) 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
- d) That the accounts of your Company have been prepared on a going-concern basis.

BOARD OF DIRECTORS

During the year, Shri Sham Sunder Director (Technical), superannuated on 31st July, 2006 and Shri C.S. Mani was appointed as Director (Technical) w. e. f. 1st August, 2006 in his place.

Shri Hasmukh Adhia, Nominee Director of Gujarat Maritime Board (GMB) resigned from the Board on 28th June, 2006 and Shri D. J. Pandian was appointed as Nominee Director of Gujarat Maritime Board (GMB) w. e. f. 3rd October, 2006 in his place.

Shri B. S. Negi, Nominee Director of GAIL (India) Ltd. resigned on attaining superannuation on 31st October, 2006 and Dr. U. D. Choubey, was appointed as Nominee Director of GAIL (India) Ltd. in his place w.e.f. 27th November, 2006.

Shri Harbans Lal, Nominee Director of Lenders resigned from the Board w. e. f. 31st January, 2007.

The Board placed on record its appreciation of the enormous contribution made by all the retiring Directors during their tenure as Directors of the Company.

FOREIGN EXCHANGE EARNING AND OUTGO

Your Company has incurred expenditure in foreign exchange to the extent of Rs. 4741.62 Crore during the year under review. Foreign exchange earning on account of interest was Rs. 0.58 Crore during the year.

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 2007-08, will have to be by a Special Resolution as required under section 224A of the Companies Act, 1956.

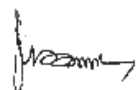
ACKNOWLEDGEMENTS

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 & Shareholders of the Company, Rasgas, Exxon Mobil and other LNG suppliers, Offtakers & Consumers of regasified 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



(M. S. Srinivasan)
Chairman

Place : New Delhi

Date : 7th May, 2007

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

Name of The Employee	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	The last employment held by such employee before joining the Company
Shri. P. Dasgupta*	26,94,484	Contractual	Appointment for a period of 5 years.	Managing Director & CEO	Chartered Accountant Experience-34 years	02.01.2003	60	Chief Financial Officer, Essar Telecom - Essar Teleholdings Ltd.

* Shri. P. Dasgupta holds 135000 equity shares equivalent to 0.018 % of Equity Shares Capital of the Company.

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

Name of The Employee	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	The last employment held by such employee before joining the Company
Shri. Sham Sunder* (up to 31.07.2006 & superannuated as Director (Technical))	22,01,141**	Contractual	Appointment for a period of 5 years.	Director (Technical)	B. Tech (Chemical) and M.E. (Chemical) Experience-40 years	07.04.1998	65	GAIL (India) Ltd.

* Shri Sham Sunder holds 49800 equity shares equivalent to 0.0066 % of Equity Shares Capital of the Company.

** The Remuneration of Shri Sham Sunder also includes retirements benefits like Gratuity, Leave Encashment etc.

PETRONET LNG LIMITED

MANAGEMENT DISCUSSIONS AND ANALYSIS FORMING PART OF DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2007

OVERVIEW OF LNG INDUSTRY

The LNG supply scenario the world over has seen a dramatic change the last two years with emergence of India, China and USA as new growing LNG markets. The emergence of these huge markets has given a confidence to develop and monetize large stranded gas reserves worldwide. As a result many new LNG projects have been planned. In addition the already existing facilities went in for expansion. The newly added capacity will make the LNG trade grow approximately three fold in the next 10 years. At the end of 2006, the global LNG capacity was 170 MMTPA. Under construction is another 120 MMTPA facility and 200 MMTPA capacity addition is at different stages of planning. The new planned and under execution capacity will take the LNG trade to 20% of global gas consumption from its current level of 7%.

Petronet LNG Limited (PLL) started imports of LNG in January 2004 when it received its first cargo at Dahej LNG terminal. Since then PLL has been receiving LNG cargoes at the terminal regularly. The company is now an established player in the global LNG market and controls a quarter of the Indian market.

In its 2nd year of operation in 2005-06, PLL achieved 100% capacity utilisation at Dahej LNG terminal. During 2006-07 Dahej terminal operated at 118% capacity utilisation, where 12 additional spot cargoes were regasified over and above the contracted LNG supplies from RasGas. The LNG demand scenario in India is changing fast with the increased requirement of natural gas by a large number of industries; as the Government is now encouraging major users like power and fertiliser to use spot LNG instead of costly naphtha as a fuel and feed stock.

PLL is aiming to enhance the share of LNG in natural gas by making LNG a viable and affordable fuel. In accordance with this aim PLL has planned to create 12.5 MMTPA of regasification capacity by 2010 as this period will also see many liquefaction terminals commissioned worldwide.

India holds large deficits of natural gas to meet the existing and comparatively new demand for natural gas. Four LNG terminals at various coastal locations including an expansion of existing Dahej terminal will be operational by the year 2010-11 to meet the regional demand for natural gas in the country. LNG is expected to occupy 30% share of gas supplies in India very soon. Much of the growth of LNG in India is likely to fuel electricity generation, but infrastructure projects are also underway for natural gas to displace polluting home heating, cooking, and transport fuels in major urban areas. India being an agriculture based country needs natural gas for power generation, urea production and other industrial usages. Currently large quantities of liquid fuel are being used by these various sectors of the economy to meet their needs.

Two core sectors, power and fertilizer, dominate the Indian gas sector demand. These two core sectors together generate 72% of total gas demand in the country. The other sectors like steel, chemicals and petrochemicals, glass and ceramics contribute to about 10% of the demand. Sectors where demand is growing fast however are, domestic, refineries, city gas etc. Government has formulated policies to aggressively pursue the use of CNG in transport sector in more than 55 cities in the country to reduce

the vehicular emissions, and pollution.

Opportunities

Supply side of Natural Gas and LNG

The gas market in India is rapidly evolving with strong economic growth fueling energy demand across various sectors. Significant gas finds off the east coast of India, will enhance the supply of natural gas to meet this growing demand. Based on the estimates worked out in the 11th plan, it is expected that domestic production may grow to 192 MMSCMD considering the discovery of reserves made in recent past. The 11th plan also envisages supply of 83 MMSCMD of LNG from 4 LNG terminals. The details of projected gas supply from various sources are given below: -

Supply Source	Gas Supply mmscmd 2011-12	Notes
National Oil Companies	41	Supplies from Existing fields
Private / Joint Venture	57	Supply projections include 40-mmscmd gas production from RIL KG Basin fields from 2008-09 onwards. Balance from JV and other private fields
Additional Gas Anticipated	94	Gas production projections of 11th plan assume an additional 20, 30 and 40 mmscmd of gas from Reliance KG Basin in 2009-10, 2010-11 and 2011-12, respectively and 54 mmscmd from GSPC fields in each of the above years
Projected Domestic Supply	192	
LNG Imports	83	<ul style="list-style-type: none"> · LNG supply projections assume a build-up of Dabhol capacity to 5 MMTPA by 2009-10, · Kochi capacity to 5 MMTPA by 2010-12, · Operational Hazira capacity as 2.5 MMTPA · Dahej capacity at 12.5 MMTPA by 2010.

Opportunities: Demand Side of Natural Gas and LNG

Natural gas demand is expected to grow by about 7% during the next 5 to 10 years. The demand of 281 MMSCMD has been projected for the year 2011-12. The majority of this demand is predicted from the power and fertilizer sectors. The steps taken by refineries, City gas distribution and CNG sectors will also add to substantial demand during the 11th plan period. Table below gives the demand estimates for natural gas demand in the country.

Sector	Gas Demand mmscmd (bcm)	Remarks
Power	125	Demand estimation by Working Group (GOI) to meet the targets & plants working at 90% PLF
Fertilizer	79	Increase in demand in closing years of 11th Plan is their conversion to gas from naphtha
Sponge Iron	8	New demand from industries, Refineries and Sponge Iron Plants
Refineries, Petrochemicals	33	
Industrial	20	
City Gas Distribution	16	Demand estimates by Working Group considering proposed number of cities to be covered
Total Demand	281	Demand for Natural Gas by 2012

Opportunities to Develop LNG Capacity Addition

PLL during its last 3 years of operation has emerged as the country's dominant gas supplier and accounts for 25% of the total gas supplies in the country. PLL recognizes the growing importance of natural gas as an environment friendly and affordable fuel to industry as well as to domestic and transport sectors in India. The share of LNG in the demand estimate is projected at 83 MMSCMD that forms about 30% of total supplies by 2012, and PLL has accordingly taken steps to create 12.5 MMTPA capacity by the year 2010-11 with expansion of Dahej and construction of Kochi LNG terminals.

Threats :Areas of concerns

Domestic supplies in the future (2009 onwards) are expected to increase, but would still fall far below the demand projections of 11th plan period. New Gas discoveries in K G Basin & Mahanadi Basin would increase availability of Gas in the country. The major areas of concerns would be pricing of LNG beyond 2009 vis a vis the gas supplied by the domestic producers. However, it is yet to be seen at what price band domestic suppliers agree to sell the gas in the market. Accordingly, PLL has to devise a price strategy and also the market segmentation where the consumers easily accept comparatively high price LNG.

The market segmentation for replacing liquid fuels by R-LNG will remain an attractive option for PLL as liquid fuel is expected to be costlier compared to the LNG imported by PLL from Rasgas. Besides, it is expected that with growing demand domestic producers like Reliance will use gas first for the existing captive requirements, proposed new projects and then will supply surplus volumes to other consumers. As LNG supply from Dahej terminal of PLL is largely catering to Western, Central and Northern region markets, PLL will remain competitive in these regions either to meet the shortages of gas supplies in the existing plants or to replace the liquid fuels.

Risk Perceptions

The Company considers good Corporate Governance as a pre-requisite for meeting the needs and aspirations of its shareholders and other stake shareholders. As part of the Company's efforts to strengthen Corporate Governance, its Board of Directors have

formulated the Risk Management Policy, which will 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, assessment, control, monitoring, review and 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 encourages its entire staff to identify risk and associated opportunities and respond to them with appropriate actions.

Risk of Competition

LNG competes with Naphtha, fuel Oil and liquid Hydrocarbons. These alternative fuels are currently widely used by end user industries like Fertilizers, Power and other industries. At the fixed price formula with Rasgas, LNG from Dahej project currently competes with gas produced by the domestic private producers. The gas pricing required since the new discoveries of gas reserves have been made, is yet to be defined adequately and PLL will have to be prepared accordingly to meet future competition beyond 2009.

Currently the company does not produce gas or market R-LNG, or any other product in its area of business. The sole activity is import and re-gasification of LNG. The company also has one single source of long term LNG supply -. Ras Gas and selling re-gasified LNG only to three Off-takers. However, the company has initiated serious discussions with other LNG suppliers for import of LNG on a long-term basis to meet additional requirements of LNG for Dahej Terminal as well as for the new Kochi Terminal.

The company has entered into long term Gas Sales Purchase Agreement (GSPA) with GAIL, IOC and BPCL for supply of re-gasified LNG for a period of 25 years. While this assures production for the entire market, there are certain risks involved in limited customers.

Internal Control Systems and their Adequacy

The Company has developed adequate internal control system commensurate with 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, which further review the adequacy of internal control system.

Financial Performance

The turnover during the financial year ended 31st March, 2007 was Rs. 5508.95 crores excluding other income. The net profit after tax during the year ended was Rs. 313.25 crores.

Human Resources

During the year, the Company maintained harmonious and cordial industrial relations. No operating days were lost due to strike, lock out etc. As on 31st March 2007, there were 240 employees including three full time Directors and 6 employees on deputation from promoting /other companies.

Disclosure by Senior Management Personnel

None of the Senior Management personnel have Financial and Commercial transactions with the Company, where they have personal interest that would/could emerge as potential conflict with the interest of the Company at large.

PETRONET LNG LIMITED
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, 2007 was fourteen Directors as detailed herein below:

S. No	Name	Designation	Category (Whole-time/Non-executive/ Independent)
1	Shri M. S. Srinivasan	Chairman, Secretary, Govt. of India, (MOP &NG)	Independent
2	Shri Prosad Dasgupta	Managing Director & CEO	Whole-time
3	Shri Amitava 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	Dr. U. D. Choubey	Director, Nominee of GAIL	Non-executive
7	Shri N. K. Mitra	Director, Nominee of ONGC	Non-executive
8	Shri B. M. Bansal	Director, Nominee of IOCL	Non-executive
9	Mr. Jacques Gautier	Director, Nominee of GDF International	Non-executive
10	Shri D. J. Pandian	Director, Nominee of GMB	Non-executive
11	Shri Arun Duggal	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, four Board Meetings were held on 27th April, 28th July, 17th October, 2006 and 24th January, 2007. The attendance of each Director in the Board Meetings and the last Annual General Meeting is detailed herein below:

Name of Directors				
Executive Directors	Designation	Number of Board Meetings held during the year 2006-07	Number of Board Meetings attended during the year 2006-07	Attendance at last Annual General Meeting held on 14th June, 2006
Shri Prosad Dasgupta	Managing Director & CEO	4	4	Yes
Shri Sham Sunder (up to 31.07.2006)	Director (Technical)	4	1	Yes
Shri Amitava Sengupta (w.e.f 27.4.2006)	Director (Finance & Commercial)	4	3	Yes
Shri C.S.Mani (w.e.f. 1.8.2006)	Director (Technical)	4	2	NA
Non-executive Directors				
Shri Ashok Sinha	Nominee Director of BPCL	4	2	No
Shri N. K. Mitra	Nominee Director of ONGC	4	3	Yes
Shri B. S. Negi (up to 31.10.2006)	Nominee Director of GAIL	4	2	No
Dr. U. D. Choubey (w.e.f. 27.11.2006)	Nominee Director of GAIL	4	1	NA
Shri B. M. Bansal	Nominee Director of IOCL.	4	4	Yes
Mr. Jacques Gautier* (* Three Board Meeting attended by Mr. Eric Ebelin as Alternate Director for Jacques Mr. Gautier)	Nominee Director of GDF International	4	4	Yes
Shri Hasmukh Adhia (up to 28.06.2006)	Nominee Director of GMB	4	NIL	NA
Shri D. J. Pandian (w. e. f. 03.10.2006)	Nominee Director of GMB	4	1	NA
Non-executive Independent Directors				
Shri M. S. Srinivasan	Chairman	4	4	No
Shri Arun Duggal	Nominee Director of ADB	4	3	Yes
Shri D. P. Roy	Independent Director	4	4	Yes
Shri Harbans Lal (up to 31.01.2007)	Nominee Director of Lenders	4	4	No
Shri P.K. Chadha	Independent Director	4	4	Yes
Shri J. L. Zutshi	Independent Director	4	4	Yes

PETRONET LNG LIMITED
Detail of Directorship on the Board of other Companies as on 31.03.2007

	Name	No. of other Companies in which Directorship/ Chairmanship is held	
		Directorship	Chairmanship
1	Shri M. S. Srinivasan	Nil	Nil
2	Shri Prosad Dasgupta	1	Nil
3	Shri Amitava Sengupta	2	Nil
4	Shri C. S. Mani	Nil	Nil
5	Shri Ashok Sinha	2	3
6	Dr. U. D. Choubey	3	4
7	Shri N. K. Mitra	5	Nil
8	Shri B. M. Bansal	2	Nil
9	Mr. Jacques Gautier	Nil	Nil
10	Shri D. J. Pandian	11	Nil
11	Shri Arun Duggal	12	2
12	Shri D. P. Roy	3	Nil
13	Shri P.K.Chadha	3	Nil
14	Shri J. L. Zutshi	2	Nil

Detail of Membership / Chairmanship of Committees of the Board of other Companies as on 31.03.2007

	Name	No. of Membership / Chairmanship held in Committees of Board of other Companies	
		Membership	Chairmanship
1	Shri M. S. Srinivasan	Nil	Nil
2	Shri Prosad Dasgupta	Nil	Nil
3	Shri Amitava Sengupta	Nil	Nil
4	Shri C. S. Mani	Nil	Nil
5	Shri Ashok Sinha	3	Nil
6	Dr. U. D. Choubey	1	Nil
7	Shri N. K. Mitra	Nil	Nil
8	Shri B. M. Bansal	Nil	Nil
9	Mr. Jacques Gautier	Nil	Nil
10	Shri D. J. Pandian	2	Nil
11	Shri Arun Duggal	1	2
12	Shri D. P. Roy	3	Nil
13	Shri P. K.Chadha	2	Nil
14	Shri J. L. Zutshi	Nil	Nil

Note: -

As per Clause 49 detail of the following three committees are required to be disclosed:

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

Remuneration paid to Whole-time Directors and Sitting Fee to the Non -executive Directors

Remuneration to Whole-time Directors are being paid as per terms of their appointment. The details of remuneration paid to the Whole-time Directors during the year are stated herein below:

(In Rupees)

S.N.	Name	Designation	Salaries & Allowances	Contribution to PF & Gratuity Fund	Other Benefits & Perks	Total
1	Shri Prosad Dasgupta	Managing Director & CEO	24,60,498	1,41,000	92,986	26,94,484
2	Shri Sham Sunder (up to 31.07.2006)	Director (Technical)	12,90,679	3,02,335	6,08,127	22,01,141
3	Shri Amitava Sengupta (w. e.f. 27.04.2006)	Director (Finance & Commercial)	14,46,366	93,240	52,405	15,92,011
4	Shri C. S. Mani (w.e.f. 01.08.2006)	Director (Technical)	5,84,623	67,471	1,39,290	7,91,384

An amount of Rs. 5,50,000/- was paid as Sitting Fee to the Non-executive Independent Directors during the year.



PETRONET LNG LIMITED

Terms of appointment of Whole-time Directors

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

1. Shri Prosad Dasgupta, Managing Director & CEO
2. Shri Amitava Sengupta, Director (Finance & Commercial)
3. Shri Chandra Sekhar Mani, Director (Technical)

The initial tenure of Whole - time Directors are 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

In terms of provisions of Listing Agreement, the Audit Committee was reconstituted by the Board in March, 2005 by inducting more Independent Directors. The Audit Committee has been re-constituted from time to time. However, the present Audit Committee comprises the following Directors as on 31st March, 2007:

- 1 Shri Arun Duggal, Chairman
- 2 Shri Ashok Sinha, Member
- 3 Shri D.P.Roy, Member
- 4 Shri P.K.Chadha, Member

All the Members of Audit Committee are Non-executive Directors and three out of four Members are Independent Directors namely Shri Arun Duggal, Shri D. P. Roy, and Shri P. K. Chadha. The quorum of the Audit Committee is two 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

Date of Meeting	Members S/Sh	Meeting attended
20.04.2006	Arun Duggal	Yes
	Ashok Sinha	No
	D.P.Roy	Yes
	Jacques Gautier*	Yes
	Harbans Lal	Yes
27.04.2006	P.K.Chadha	Yes
	Arun Duggal	Yes
	Ashok Sinha	No
	D.P.Roy	Yes
	Jacques Gautier*	Yes
	Harbans Lal	Yes
	P.K.Chadha	Yes

26.07.2006	Arun Duggal	Yes
	Ashok Sinha	No
	D.P.Roy	Yes
	Harbans Lal	Yes
	P.K.Chadha	Yes
17.10.2006	Arun Duggal	Yes
	Ashok Sinha	Yes
	D.P.Roy	Yes
	Harbans Lal	Yes
	P.K.Chadha	Yes
24.1.2007	Arun Duggal	Yes
	Ashok Sinha	Yes
	D.P.Roy	Yes
	Harbans Lal	Yes
	P.K.Chadha	Yes

* Mr. Eric Ebelin, an Alternate Director, had attended the Audit Committee Meetings in place of Mr. Jacques Gautier, Nominee Director of GDF International.

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 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

PETRONET LNG LIMITED

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 there is suspected 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

Shareholders/Investors Grievance Committee was reconstituted in January, 2006 by co-opting Independent Director in terms of the provisions of Listing Agreement.

As on 31st March, 2007 the Committee comprising of the following Directors:

- 1 Shri Arun Duggal, Chairman
- 2 Shri Prosad Dasgupta, Member
- 3 Shri B. M. Bansal, Member

Company Secretary is the Compliance Officer of the Company.

Details of Complaints received and redressed during the year ended 31st March, 2007

During the year ended 31st March, 2007, 284 complaints were received and all have settled. As on 31st March, 2007 no complaint(s) is pending.

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

Date of Meeting	Members	Meeting attended
14.03.2007	ShriArun Duggal	Yes
	Shri P. Dasgupta	Yes
	Shri B. M. Bansal	No

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. Presently, it comprises of the following all Whole-time Directors:

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

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

Detail of Meetings of Share Transfer Committee held during the year

During the year Thirteen Meetings of Share Transfer Committee were held on 10th April, 5th May, 22nd May, 12th June, 26th July, 4th September, 9th October, 6th November, 30th November, 12th December, 2006 and 11th January, 7th February, 2nd March, 2007. The attendance of Members in the Share Transfer Committee meetings are as detailed herein below:-

Name of the Members	No of meetings attended by Member(s)
Shri Prosad Dasgupta, Chairman	13
Shri Sham Sunder, Member (up to 31 st July, 2006)	5
Shri Amitava Sengupta, Member (w.e.f. 27 th April, 2006)	12
Shri C. S. Mani, Member (w.e.f. 1 st August, 2006)	8

Note: Shri Amitava Sengupta was appointed as Director (Finance & Commercial) w.e.f. 27th April, 2006. Shri Sham Sunder superannuated from the services of Director (Technical) on 31st July, 2006 and Shri C. S. Mani appointed as Director (Technical) w.e.f. 1st August, 2006.

Remuneration Committee

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



PETRONET LNG LIMITED

- 1 Shri Ashok Sinha
- 2 Shri Arun Duggal
- 3 Shri D. P. Roy
- 4 Shri J. L. Zutshi

One meeting of the Remuneration Committee was held on 26th July, 2006 and was attended by Shri Arun Duggal, Chairman and Shri D. P. Roy, Member.

Annual General Meetings (AGMs)

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

Year	2003- 04	2004-05	2005-06
Date & Time	2 nd September 2004 at 10.00 A.M.	26 th July, 2005 at 10:00 AM	14 th June, 2006 at 10:00 AM
Venue	NDMC, Indoor Stadium, Talkatora Garden, New Delhi 110 001	Siri Fort Auditorium Complex, August Kranti Marg, New Delhi-110 049	Air Force Auditorium, Subroto Park, Dhaula Kuan, New Delhi-110 010
Details of Special Resolutions	Appointment of Statutory Auditors and Amendment in Articles of Association of the Company.	Appointment of Statutory Auditors.	1). Appointment of Statutory Auditors. 2). Approval for issuance of Debenture(s)/ Bond(s)/GDR(s) 3). Approval to amend various Contracts mentioned in the Prospectus at the time of IPO
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, 14th June 2007
Time	10.00 a.m.
Venue	Air Force Auditorium, Subrota Park, Dhaula Kuan, New Delhi-110010
Date of Book Closure	1st June 2007 to 14 June 2007 (both days inclusive)

Dividend, Payment Date

The dividend, if approved by the Members of the Company will be payable on or after 18th June, 2007

Financial Calendar

Petronet LNG 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, 2007 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, 2006	28 th July, 2006
July - September, 2006	17 th October, 2006
October-December, 2006	24 th January, 2007
Year Ended	
31 st March, 2007	16 th April, 2007

Listing on Stock Exchange(s)

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

CEO/CFO Certification

The Managing Director & CEO and Director (Finance & Commercial) have certified to the Board, inter alia the accuracy of financial statement & and adequacy of internal controls for the financial reporting purpose as required under clause 49 (V) of the Listing Agreement for the year ended 31st March, 2007.

PETRONET LNG LIMITED
Market Price Data: High and Low during each Month in last Financial Year

Month	BSE (in Rs.)		NSE (in Rs.)		Month	BSE (in Rs.)		NSE (in Rs.)	
	High	Low	High	Low		High	Low	High	Low
April, 2006	62.95	51.00	62.35	51.10	October, 2006	65.00	47.70	64.70	47.65
May, 2006	68.00	44.50	64.10	45.00	November, 2006	56.95	49.60	60.30	49.75
June, 2006	49.75	35.50	49.30	35.25	December, 2006	53.00	46.50	52.90	45.10
July, 2006	48.45	41.60	48.50	41.70	January, 2007	57.90	48.25	59.00	48.00
August, 2006	51.70	45.00	51.90	44.65	February, 2007	52.70	43.50	52.60	43.10
September, 2006	52.10	46.30	52.15	45.10	March, 2007	46.50	41.50	46.50	41.50

Distribution Schedule as on 31.03.2007

CATEGORY	NO. of Cases	% of Cases	Total Shares	Amount	% of Amount
1 – 5000	364376	85.54	68575863	685758630	9.14
5001 – 10000	39403	9.25	31388566	313885660	4.19
10001 – 20000	13686	3.21	20262565	202625650	2.70
20001 – 30000	3215	0.75	8224952	82249520	1.10
30001 – 40000	1468	0.35	5292976	52929760	0.70
40001 – 50000	1147	0.27	5452777	54527770	0.73
50001 – 100000	1495	0.35	11157760	111577600	1.49
100001 & Above	1205	0.28	599644585	5996445850	79.95
TOTAL	425995	100.00	750000044	7500000440	100.00

Shareholding Pattern of the Company as on 31.03.2007

	Category	No. of Shares Held	% of Shareholding
A	Promoter's holding		
	1 Promoters		
	- Indian Promoters	375000000	50.00
	- Foreign Promoters	Nil	Nil
	2 Persons acting in concert	Nil	Nil
	Sub- Total	375000000	50.00
B	Non- Promoters holding		
	3 Institutional Investors		
	a Mutual Funds and UTI	1610060	0.21
	b Banks, Financial Institutions,	2238942	0.30
	c Insurance Companies/ Central/State Govt. Institutions/Non-government Institutions/Venture Capital Funds	Nil	Nil
	d FII's (Including ADB holding)	107655927	14.35
	Sub-Total	111504929	14.86


PETRONET LNG LIMITED

4	Others		
a	Private Corporate Bodies	18636744	2.49
b	Indian Public	164342549	21.92
c	NRI's / OCB's (Including GDFI)	79953868	10.66
d	Any other (Clearing Members & Trusts)	561954	0.07
	Sub-Total	263495115	35.14
	GRAND TOTAL	750000044	100.00

List of Shareholders Holding More than 1% of Equity Capital as on 31.03.2007

Name	No. of Shares Held	% of Shareholding
Promoter's Holding		
Bharat Petroleum Corporation Ltd.	93750000	12.50
Gail (India) Ltd.	93750000	12.50
Indian Oil Corporation Ltd.	93750000	12.50
Oil & Natural Gas Corporation Ltd.	93750000	12.50
Non-promoters Holding		
GDF International	75000000	10.00
Asian Development Bank	39000000	5.20
College Retirement Equities Fund	16209498	2.16
T Rowe Price International INC A/c T Rowe New Asia Fund	8523457	1.14
T Rowe Price International INC A/c T Rowe Price INTL	7639902	1.02

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.

Major Plant / Unit Location(s):
Plant Location

LNG Terminal, Dahej
 GIDC Industrial Estate,
 Plot No 7/A, Dahej Talukavagra
 Distt. Bharuch
 GUJARAT
 Tel : 02641-253182/257004-257007
 Fax: 02641-253180

Cochin Office :

7-D, Peevees, Triton Apartment,
 Shanmugham Road, Marine Drive,
 Ernakulam, KERALA
 Tel: 0484-2360754

Address for Correspondence:
Registered & Corporate Office

Petronet LNG Limited
 World Trade Centre, First Floor,
 Babar Road, Barakhmaba Lane,
 NEW DELHI – 110 001
 Tel: 011- 23413616, 23411411
 Fax: 011- 23414271

Email: 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 CORPORATE GOVERNANCE

To the Shareholders of PETRONET LNG LIMITED

1. We have examined the compliance of conditions of corporate governance by Petronet LNG Limited for the year ended on 31 March 2007, as stipulated in Clause 49 of the listing agreement of the Company with stock exchanges.
2. The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to review of procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the 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 state that in respect of investor grievances, the Registrar and Share Transfer Agents of the Company has maintained the relevant records and certified that as on 31 March 2007 there were no investor grievances pending against the Company for a period exceeding one month.
5. 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



(R. Raghuraman)
Partner
M.No. 81350

Place : New Delhi
Date : 7th May, 2007

Balance Sheet as at 31st March 2007

		(Rupees in lacs)	
	Schedule	As at 31.03.2007	As at 31.03.2006
SOURCES OF FUNDS			
Shareholders' Funds			
a) Share Capital	1	75,000.00	75,000.00
b) Reserves and Surplus	2	<u>52,551.68</u>	<u>32,194.60</u>
		127,551.68	107,194.60
Loan Funds			
a) Secured Loans	3	138,319.66	125,989.17
Deferred Tax Liability (net) (Refer Note 11 on Schedule 18)		24,720.00	8,550.00
TOTAL		<u><u>290,591.34</u></u>	<u><u>241,733.77</u></u>
APPLICATION OF FUNDS			
Fixed Assets			
a) Gross Block	4	194,553.46	194,209.52
b) Less Depreciation		<u>30,166.12</u>	<u>19,970.33</u>
c) Net Block		164,387.34	174,239.19
d) Capital work in progress	5	<u>48,338.86</u>	<u>12,034.73</u>
		212,726.20	186,273.92
Investments	6	27,801.13	15,689.91
Current Assets, Loans and Advances			
a) Inventories	7	20,993.22	10,389.68
b) Sundry Debtors	8	33,129.49	12,775.26
c) Cash & Bank Balances	9	34,046.85	25,060.30
d) Other Current Assets	10	149.16	61.12
e) Loans & Advances	11	<u>20,512.75</u>	<u>8,730.93</u>
		<u>108,831.47</u>	<u>57,017.29</u>
Less : Current Liabilities and Provisions	12		
a) Current Liabilities		39,811.36	14,605.78
b) Provisions		<u>18,956.09</u>	<u>2,641.57</u>
		<u>58,767.45</u>	<u>17,247.35</u>
Net Current Assets		50,064.01	39,769.94
TOTAL		<u><u>290,591.34</u></u>	<u><u>241,733.77</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

For and on behalf of Petronet LNG Limited

Sd/-
R. Raghuraman
Partner
Membership No 81350

Sd/-
P. Dasgupta
Managing Director & CEO

Sd/-
A. Sengupta
Director - Finance & Commercial

Place : New Delhi
Date : 16th April, 2007

Sd/-
R. K. Garg
Company Secretary

PETRONET LNG LIMITED**Profit and Loss Account for the year ended 31st March 2007**

(Rupees in lacs)

INCOME	Schedule	For the year ended 31.03.2007	For the year ended 31.03.2006
Sales		550,060.46	383,717.34
Services		834.97	
Other Income	13	3,659.23	1,944.31
		<u>554,554.66</u>	<u>385,661.65</u>
 EXPENDITURE			
Raw Material Consumed		450,905.93	309,257.24
Custom Duty on above		23,741.08	16,091.20
Personnel Expenses	14	1,205.12	1,100.42
Operating and Other Expenses	15	10,237.63	8,452.46
Finance Charges	16	10,703.96	11,161.07
Depreciation	4	10,203.07	10,095.60
		<u>506,996.79</u>	<u>356,157.99</u>
Profit / (Loss) before tax		47,557.87	29,503.66
Less: Tax Expense			
Current Tax (MAT)		5,330.00	2,500.00
Deferred Tax Liability/(Assets)		16,170.00	9,950.00
Fringe Benefit Tax		62.50	61.00
Add: MAT Credit Available For Set Off		5,330.00	2,500.00
Profit/(Loss) after tax		<u>31,325.37</u>	<u>19,492.66</u>
Add: Profit/(Loss) brought forward from last year		16,648.10	(2,844.56)
		47,973.47	16,648.10
Less: Appropriations			
Transfer to General Reserve		783.13	-
Proposed Dividend		9,375.00	-
Income Tax on Proposed Dividend		1,593.28	-
Profit/(Loss) carried to Balance Sheet		36,222.05	16,648.10
 Basic/Diluted Earnings per share		 4.18	 2.60

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/-
R. Raghuraman
Partner
Membership No 81350

Sd/-
P. Dasgupta
Managing Director & CEO

Sd/-
A. Sengupta
Director - Finance & Commercial

Place : New Delhi
Date : 16th April, 2007

Sd/-
R. K. Garg
Company Secretary



PETRONET LNG LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

(Rupees in lacs)

	As at 31.03.2007	As at 31.03.2006
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	783.13	-
Securities Premium Account	15,546.50	15,546.50
Profit & Loss Account	36,222.05	16,648.10
	52,551.68	32,194.60
Schedule 3 : Secured Loans (see notes below)		
Term Loans from :		
Banks	118,360.16	105,089.17
Others	19,959.50	20,900.00
	138,319.66	125,989.17

Note :

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

Schedule 4 : Fixed Assets

(Rupees in lacs)

DESCRIPTION	Gross Block			DEPRECIATION / AMORTISATION			NET BLOCK			
	As on 01.04.2006	Additions	Deductions	As on 31.03.2007	Upto 01.04.2006	For the year	written back	Upto 31.03.2007	As on 31.03.2007	As on 31.03.2006
Tangible Assets:										
Leasehold Land	775.64	-	-	775.64	175.01	25.83	-	200.84	574.80	600.63
Buildings	8,308.10	157.57	-	8,465.67	461.37	235.00	-	696.37	7,769.30	7,846.73
Plant & Machinery	183,824.48	98.17	-	183,922.65	18,939.69	9,708.04	-	28,647.73	155,274.92	164,884.79
Equipment & Appliances	705.15	32.45	0.08	737.52	186.79	96.43	-	283.22	454.30	518.36
Furniture & Fixtures	151.13	31.51	-	182.64	30.13	12.97	-	43.10	139.54	121.00
Vehicles	104.73	43.55	19.23	129.05	16.99	11.37	7.28	21.08	107.97	87.74
Intangible Assets										
Licenses/Softwares	340.29	-	-	340.29	160.35	113.43	-	273.78	66.51	179.94
TOTAL	194,209.52	363.25	19.31	194,553.46	19,970.33	10,203.07	7.28	30,166.12	164,387.34	174,239.19

Previous Year	190,882.67	3,359.20	32.35	194,209.52	9,895.54	10,095.60	20.81	19,970.33	174,239.19	180,987.13
---------------	------------	----------	-------	------------	----------	-----------	-------	-----------	------------	------------

(Rupees in lacs)

	As at 31.03.2007	As at 31.03.2006
SCHEDULE 5 : Capital work in progress		
Dahej Expansion:		
- Mobilisation Advance	7,632.25	10,705.80
- Engineering / project construction	37,652.69	-
- Interest and Finance Charges	616.31	-
Buildings	232.65	161.03
Surveys, Studies and other services - Cochin	1,968.81	998.14
Solid Cargo Port	68.33	68.33
Advances for Capital Expenditure	167.82	19.51
Others	-	81.92
	48,338.86	12,034.73

PETRONET LNG LIMITED

(Rupees in lacs)

SCHEDULE 6 : Investments**As at 31.03.2007****As at 31.03.2006**

Non Trade - Unquoted

- Long Term

10000 Equity Shares (previous year Nil) of Rs. 10 each fully paid up in Adani Petronet (Dahej)Port Pvt. Ltd

1.00

-

300 Ordinary Shares (previous year Nil) of US\$ 1 each fully paid up in India LNG Transport Company (No. 3) Limited, Malta**

0.13

-

***pledged with Sumitomo Mitsui Banking Corporation*

- Current investments

Mutual Funds*

27,800.00

15,689.91

*(Net assets value as on 31.3.2007 Rs. 27834.46 lacs (previous year Rs. 15784.88 lacs)***includes Rs. Nil (previous year Rs. 15500)**unutilised out of share issue proceeds)***27,801.13****15,689.91**

Note:

Investments purchased and sold during the year -

Mutual fund	Option	As on 1.4.2006	Purchase during the year	Sold during the year	As on 31.3.2007	No. of units as on 31.3.2007
Deutsche Mutual Fund	Debt (Liquid-Growth)	1,500.00	3,100.00	4,632.40	-	-
Principal Mutual Fund	Debt (Liquid-Growth)	2,615.00	6,150.00	8,850.61	-	-
Chola Mutual Fund	Debt (Liquid-Growth)	3,506.77	11,800.00	15,436.15	-	-
Kotak Mutual Fund	Debt (Liquid-Growth)	3,500.00	3,500.00	7,075.66	-	-
Birla Mutual Fund	Debt (Liquid-Growth)	2,500.00	22,000.00	9,566.15	15,000.00	125,781,975
ING Vysya Mutual Fund	Debt (Liquid-Growth)	2,068.14	7,500.00	9,674.52	-	-
ABN Amro Mutual Fund	Debt (Liquid-Growth)	-	3,850.00	3,879.00	-	-
DSP ML Mutual Fund	Debt (Liquid-Growth)	-	7,810.00	7,881.11	-	-
Grindlays Mutual Fund	Debt (Liquid-Growth)	-	12,150.00	12,230.01	-	-
HSBC Mutual Fund	Debt (Liquid-Growth)	-	6,300.00	6,354.45	-	-
JM Mutual Fund	Debt (Liquid-Growth)	-	15,500.00	15,527.02	-	-
LIC Mutual Fund	Debt (Liquid-Growth)	-	81,070.00	68,530.02	12,800.00	94,118,533
Lotus Mutual Fund	Debt (Liquid-Growth)	-	11,125.00	11,174.13	-	-
Pru ICICI Mutual Fund	Debt (Liquid-Growth)	-	15,848.00	16,026.66	-	-
Reliance Mutual Fund	Debt (Liquid-Growth)	-	3,650.00	3,719.26	-	-
Sundaram Mutual Fund	Debt (Liquid-Growth)	-	2,800.00	2,825.30	-	-
TATA Mutual Fund	Debt (Liquid-Growth)	-	5,150.00	5,202.01	-	-
Templeton Mutual Fund	Debt (Liquid-Growth)	-	8,850.00	8,939.43	-	-
UTI Mutual Fund	Debt (Liquid-Growth)	-	17,500.00	17,534.68	-	-
					27,800.00	

SCHEDULE 7 : Inventories (at cost)

Raw Material

16,109.21

5,612.34

Raw Material in Transit

3,495.83

3,617.90

Stores and spares

1,388.18

1,159.44

20,993.22**10,389.68**

PETRONET LNG LIMITED

(Rupees in lacs)

As at 31.03.2007 **As at 31.03.2006**

SCHEDULE 8 : Sundry Debtors

(Unsecured considered good)

Outstanding for a period exceeding six months

Other Debts

-	-
<u>33,129.49</u>	<u>12,775.26</u>
<u>33,129.49</u>	<u>12,775.26</u>

SCHEDULE 9 : Cash and Bank balances

Cash in Hand

Balance with Scheduled Banks:

In Current Account

In Short Term Deposit*

Less: Cheques issued but not presented in

Cluster Term Deposit A/cs

34,087.69

119.75

0.27	0.71
78.64	798.79
33,967.94	24,260.80
-	-

* includes Rs. Nil (previous year Rs. 17359 lacs)

unutilised out of share issue proceeds)

<u>34,046.85</u>	<u>25,060.30</u>
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SCHEDULE 10 : Other Current Assets

(Unsecured - Considered Good)

Interest accrued on Bank Deposits

149.16	61.12
<u>149.16</u>	<u>61.12</u>

SCHEDULE 11 : Loans and Advances

(Unsecured- Considered Good unless otherwise stated)

Loan to others

Advances recoverable in cash or in kind or for value to be received

Application Money pending allotment

Advance payment of tax/TDS/MAT Credit

Claims recoverable (considered doubtful)

Less : Provision

Deposits with :

Government Authorities

Others

79.89

(79.89)

1,192.17	-
2,396.78	2,133.14
-	572.92
15,732.26	5,223.99
-	-
510.98	374.29
680.56	426.59

<u>20,512.75</u>	<u>8,730.93</u>
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SCHEDULE 12 : Current Liabilities and Provisions

a. Current Liabilities

Sundry Creditors

SSI units

Others

Security Deposits

Due to Promoter Companies

Other Liabilities

-

31,252.28

31,252.28	13,684.88
10.10	10.74
176.89	267.60
8,372.09	642.56

Sub total

a

<u>39,811.36</u>	<u>14,605.78</u>
-------------------------	-------------------------

b. Provisions:

Taxation including FBT

Leave encashment and gratuity

Proposed Dividend

Income Tax on Proposed Dividend

7,896.28

91.53

9,375.00

1,593.28

2,576.27

65.30

-

-

Sub total

b

<u>18,956.09</u>	<u>2,641.57</u>
-------------------------	------------------------

Total a+b

<u>58,767.45</u>	<u>17,247.35</u>
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PETRONET LNG LIMITED

(Rupees in lacs)

	<u>For the year ended</u> <u>31.03.2007</u>	<u>For the year ended</u> <u>31.03.2006</u>
SCHEDULE 13 : Other Income		
Interest received on deposits (Tax deducted at source Rs 378.27 (previous year Rs. 297.08 lacs))	1,745.58	1,363.31
Surplus on disposal of investments	1,515.67	476.30
Provision written back	265.48	-
Miscellaneous Income	<u>132.50</u>	<u>104.70</u>
	<u>3,659.23</u>	<u>1,944.31</u>
SCHEDULE 14 : Personnel Expenses		
Salaries and Wages	1,054.76	955.39
Contribution to Provident and Other Funds	124.09	99.84
Staff Welfare Expenses	<u>26.27</u>	<u>45.19</u>
	<u>1,205.12</u>	<u>1,100.42</u>
SCHEDULE 15 : Operating and Other Expenses		
Consumption of stores and spare parts	365.22	202.37
Power & Fuel	4,290.39	3,808.41
Repair & Maintenance :		
Machinery	190.87	63.02
Building	248.10	94.40
Others	528.63	115.14
Rent	422.78	466.24
Rates & taxes	341.67	390.69
Insurance	1,339.14	1,268.07
Travelling & Conveyance	565.39	467.20
Legal, Professional & Consultancy Charges	647.32	436.59
Technical Assistance Services	83.04	88.34
Directors' Sitting fees	5.90	2.70
Charity & Donation	6.28	-
Loss on sale/write off of Fixed Assets (net)	8.06	6.76
Foreign Exchange loss (net)	29.09	206.14
Wealth Tax	1.40	-
Interest - Others (Statutory Payments)	1.48	-
Other Expenses	<u>1,162.87</u>	<u>836.39</u>
	<u>10,237.63</u>	<u>8,452.46</u>
SCHEDULE 16: Finance Charges		
Interest on Term Loans	9,966.47	10,607.25
Bank Charges	<u>737.49</u>	<u>553.82</u>
	<u>10,703.96</u>	<u>11,161.07</u>

Schedule 17**Significant Accounting Policies****1. Basis of Accounting**

The financial statements are prepared under historical cost convention on a going concern basis in accordance with the applicable accounting standards issued by the Institute of Chartered Accountants of India 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. 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 commissioning 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.

4. Depreciation / AmortisationTangible Assets -

(a) Cost of leasehold land for 99 years or less 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 in 3 years on Straight Line Method.

5. Investments

(a) Long term investments are carried on cost after deducting provision, in case where the fall in market value has been considered of permanent nature.

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

(c) Government securities are valued at lower of cost or redemption price.

6. Inventories

Raw Material and Stores and spares are valued at weighted average cost.

7. Sale / Revenue Recognition

(a) Sales are net of sales tax. Revenue from sales is recognised when risk and reward of ownership are 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,

PETRONET LNG LIMITED

are translated at exchange rates applicable as 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 at the time of translation or settlement are accounted for in the Profit and Loss Account.

9. Employee Benefits

Provision for gratuity and leave encashment is made on the basis of actuarial valuation at the end of the Year in conformity with the Accounting Standard – 15 (Revised) issued by the Institute of Chartered Accountants of India.

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 of that asset, till the asset is ready for use. Other borrowing costs are recognized as an 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 certainty that they will be realized and are reviewed for the appropriateness of their respective carrying values at each Balance Sheet date.

12. Miscellaneous Expenditure

Preliminary expenses and deferred revenue expenditures have been charged to revenue.

13. Contingent Liabilities

Contingent liabilities, which are considered significant and material by the company, are disclosed in the Notes to Accounts.

14. Capital Commitments

Estimated amount of contracts remaining to be executed exceeding Rupees one lakhs in each case are disclosed.

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. 73831.10 lacs (Previous year Rs. 109657.49 lacs).
2. **Contingent Liabilities**
 - a. Letters of Credit / Bank Guarantees Rs. 96663.51 lacs (Previous year Rs. 69749.90 lacs)
 - b. 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. The total contingent liability on these accounts till 31.3.2007 is estimated at Rs. 994.68 lacs (Previous year Rs. 540.00 lacs).
 - c. The Company has filed a writ petition with 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 at the rate of Rs.1 per Rs.1000 or part thereof on the value mentioned in the Delivery Order of the goods imported through ports in Gujarat. The Company has obtained stay against the said notice. The total contingent liability from the effective date of amendment i.e. April 1, 2006 till March 31, 2007 on the total CIF value is estimated at Rs.455.60 lacs.
3. In terms of the provisions contained in the 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 50% Equity in APPPL. Expenses to the extent of Rs. 238.00 lacs have been incurred on this account which includes a deposit of Rs. 170.00 lacs with the Gujarat Industrial Development Corporation classified under "Loans & Advances".
4. The Company raised Rs 39,147 lacs through public issue of shares in 2003-04 and the entire amount had been utilized till 31.3.2007 (previous year Rs. 23,647 lacs) for project payments and balance amount remaining was Rs Nil (previous year Rs. 15,500 lacs deposited in debt based mutual funds).
5. 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.
6. As regards expenditure in Cochin, the project construction has not commenced.
7. There are no outstanding dues against SSI units.

8. Segment Reporting

Since the Company primarily operates in one segment – Natural Gas Business. Segment reporting as required under Accounting Standard 17 issued by the Institute of Chartered Accountants of India is not applicable. There is no reportable Geographical Segment either.

9. Related Party Disclosures as per Accounting Standard – 18 are as follows

- 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) w.e.f. April 27, 2006
 - Sham Sunder (Director – Technical) till July 31, 2006
 - C S Mani (Director – Technical) w.e.f. August 1, 2006
- b) Transactions with above in the ordinary course of business

	Rupees in lacs	
	2006-07	2005-06
Promoters		
Sale of LNG	550060.46	383717.34
Services	834.97	-
Office Rent (including electricity and maintenance)	251.61	189.00
Remuneration to Staff on deputation	48.55	150.90
Amount Receivable at year end	33129.14	12774.56

PETRONET LNG LIMITED

	Amount payable at year end	183.93	268.79
	Key Management Personnel		
	Remuneration	72.79	83.17
10.	Earning per share (EPS) as per Accounting Standard – 20		
	Net Profit / (Loss) after current and deferred tax	31325.38	19492.66
	Weighted average number of equity shares of Rs10/- each	75,00,00,440	75,00,00,440
	EPS (Rs.) - Basic and Diluted	4.18	2.60
11.	Provision for Taxation		
	Deferred Tax Assets & Liabilities		
	The major component of deferred tax assets and deferred tax liabilities as at 31 st March, 2007 (31 st March 2006) arising out of timing differences are as under:		

		Rupees in lacs	
	<u>As on 31.3.2007</u>	<u>Current year</u>	<u>As on 31.3.2006</u>
	<u>Deferred Tax Liabilities</u>		
i	Difference between carrying amount of fixed assets in the financial statements and the income tax computation	25954	9602
	TOTAL (A)	25954	9602
	<u>Deferred Tax Assets</u>		
i	Depreciation loss carried forward for set off in future years	1192	(6573)
ii	Other items	42	5
	TOTAL (B)	1234	(6568)
	Net Deferred Tax Assets/ (liability) (B-A)	(24720)	(16170)

12. Remuneration to Whole Time Directors

	Rupees in lacs	
	2006-07	2005-06
Salaries and Allowances	57.82	73.67
Contribution to Provident and Gratuity	6.04	7.10
Other benefits and perquisites	8.93	2.40
Total	72.79	83.17

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.

13 Remuneration to Auditors

Audit Fees (inclusive of service tax)	2.81	2.80
For certification work (inclusive of service tax)	3.46	2.74
Reimbursement of expenses	0.32	0.31
Total	6.59	5.85

14 The foreign currency exposure of the Company

	As on 31.3.2007	As on 31.3.2006
i Foreign currency swap outstanding		
Against import of raw material	USD 78.80 Million	-
ii Unhedged foreign currency exposure -		
Against import of raw materials	USD 32.45 Million	USD 16.17 Million
Against payment of EPC Contractor	USD 2.09 Million	USD 10.97 Million

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

	Rupees in lacs	
	2006-07	2005-06
a) Licensed Capacity	Not Applicable	Not Applicable
Installed Capacity	5.00 MMTPA	5.00 MMTPA
(Certified by the management and not verified by the auditors being a technical matter)		
Actual Production	5.60 MMPTA*	4.90MMTPA

*During the year, the company achieved higher production through de-bottlenecking and efficient utilization of certain critical equipment.

PETRONET LNG LIMITED

	2006-07		2005-06	
	Quantity in TBTU's	Amount (Rs in Lacs)	Quantity in TBTU's	Amount (Rs in Lacs)
b) Opening Stock of LNG	4.27	5612.34	6.64	8847.72
Purchases of LNG	292.80	485143.88	247.76	323862.10
Sales of RLNG	287.08	550060.46	246.81	383717.34
Internal Consumption	3.33	5236.14	3.32	4364.33
Closing Stock of LNG	6.66	16109.21	4.27	5612.34
c) Raw Material Consumed	290.41	474647.01	250.13	327097.43
			2006-07	2005-06
d) <u>Value of Imports on CIF basis</u>				
Raw Material (LNG)			455597.88	303433.08
Components and spare parts			191.82	-
Capital Goods			9235.16	-
e) <u>Expenditure in Foreign Currency (on cash basis)</u>				
Foreign Travel Expenses			58.00	199.85
Professional / Consultant / Technical Fees			8583.61	285.52
Others			495.73	234.47
f) <u>Earnings in Foreign Currency</u>				
Interest received			58.33	-
Tender Fee received			-	39.96
g) <u>Value of Imported and indigenous Raw Material and Spare parts consumed</u>				
			Rupees in lacs	
	%	2006-07 Amount	%	2005-06 Amount
<u>Raw Material</u>				
Imported	100	474647.01	100.00	327097.44
Others	Nil	Nil	Nil	Nil
<u>Spare Parts</u>				
Imported	30.76	112.35	22.17	44.86
Others	69.24	252.87	77.83	157.51

16 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/-
R. Raghuraman
Partner
Membership No 81350

Sd/-
P. Dasgupta
Managing Director & CEO

Sd/-
A. Sengupta
Director - Finance & Commercial

Place : New Delhi
Date : 16th April, 2007

Sd/-
R. K. Garg
Company Secretary

PETRONET LNG LIMITED

	Rupees in lacs	
Cash Flow Statement	As at 31.03.2007	As at 31.03.2006
A Cash Flow arising Operating Activities		
Net Profit/(Loss) before Taxes	47,557.87	29,503.66
Adjustment for:		
Depreciation	10,203.07	10,095.60
Interest on term loan	9,966.47	10,607.25
Income on Investment	(3,261.25)	(1,839.61)
Loss on Sale of Fixed Assets	8.06	6.76
Operating Profit before Working Capital Changes	64,474.22	48,373.66
Adjustment for Working Capital changes		
Inventories	(10,603.53)	2,276.26
Trade & Other receivables	(20,354.23)	(810.33)
Other Current assets	(88.04)	(28.40)
Loans & Advances	(11,781.82)	(896.86)
Current liabilities and provisions	35,730.09	(21,109.37)
Net Cash from Working Capital changes	(7,097.53)	(20,568.70)
Cash flow from Operating Activities	57,376.69	27,804.96
Income Tax Paid	5,240.77	2,523.08
Net Cash flow from Operating Activities	52,135.92	25,281.88
B Cash Flow on Investing Activities		
Purchase of fixed assets	(363.25)	(3,359.20)
Sale/Adjustment of Fixed Assets	3.96	4.78
Investment	(12,111.22)	(13,900.84)
Income on Investment	3,261.25	1,839.61
Adjustment to capital work in progress	(36,304.13)	(3,996.24)
Net Cash from Investing Activities	(45,513.39)	(19,411.90)
C Net cash flow on financing activities		
Secured Term loans	12,330.49	-
Unsecured Term loans	-	-
Interest on term loan	(9,966.47)	(10,607.25)
Net cash flow from financing activities	2,364.02	(10,607.25)
Net decrease in cash or cash equivalents	8,986.55	(4,737.27)
Opening Cash and cash equivalents	25,060.30	29,797.57
Closing Cash and cash equivalents	34,046.85	25,060.30

Annexure to our report of even date

For V. Sankar Aiyar & Co.
Chartered Accountants

For and on behalf of Petronet LNG Limited

Sd/-
R. Raghuraman
Partner
Membership No 81350

Sd/-
P. Dasgupta
Managing Director & CEO

Sd/-
A. Sengupta
Director - Finance & Commercial

Place : New Delhi
Date : 16th April, 2007

Sd/-
R. K. Garg
Company Secretary



Part - IV

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details			
Registration No.	55-93073	State Code	55
Balance Sheet Date	31.03.2007		
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	29,059,134	Total Assets	29,059,134
Sources of Funds			
Paid-up Capital	7,500,000	Reserves & Surplus	5,255,168
Secured Loans	13,831,966	Unsecured Loans	NIL
Application of Funds			
Net Fixed Assets	21,272,620	Investments	2,780,113
Net Current Assets	5,006,401	Misc. Expenditure	NIL
Accumulated Losses	-		
IV. Performance of the Company (Rs in Thousands)			
Turnover	55,455,466	Total Expenditure	50,699,679
+ - Profit/Loss Before Tax	4,755,787	+ - Profit/Loss After Tax	3,132,537
(Please tick appropriate box + for Profit, - Loss)			
Earnings per Share in Rs.	4.18	Dividend Rate %	12.50%
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			

PETRONET LNG LIMITED

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, 2007 and also the Profit and Loss Account of the Company for the year ended on that date annexed thereto and Cash Flow Statement for the year ended on that date. 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 of 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 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 under section 274(1)(g) of the Companies Act, 1956 from being appointed as directors of the Company as on 31.03.2007.
 - (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, 2007;
 - 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 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. 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 at the year end.
 - 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 covered in the register maintained under section 301 of the Companies Act, 1956.
 - b) The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956



PETRONET LNG LIMITED

- 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 and for the sale of goods. To the best of our knowledge, no major weaknesses in internal control system were either reported or noticed by us during the course of our audit.
- 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 its size and nature of 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 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, 2007, 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, 2007 in respect of sales tax / income tax / custom duty / wealth tax / service tax.
- x The Company has no accumulated losses 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. The company has not issued any debentures 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 does not carry on the business of a chit fund.
- xiv The Company is not dealing or trading in shares, securities, debentures and other investments.
- 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, term loans taken during the year have been applied for the purpose for which they were obtained.
- xvii According to the records of the company, no short term loans have 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 does not arise..
- xx We have verified the end use of money raised by public issue and the same has been disclosed in Note no. 4 of the Notes on accounts forming part of the financial statements.
- 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/-
R. Raghuraman
Partner
Membership No 81350**

**Place : New Delhi
Date : 16th April, 2007**

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

Proxy Form

DP. Id*	
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Folio No.	
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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 9th ANNUAL GENERAL MEETING of the
 Company to be held on Thursday, the 14th day of June, 2007 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 _____ 2007

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 ATTENDENCE SLIP AND HAND IT OVER AT THE ENTERANCE OF THE MEETING HALL.

DP. Id*	
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Folio No.	
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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 9th ANNUAL GENERAL MEETING of the Company to be held on Thursday, the 14th day of June, 2007 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.

BOOK-POST

If undelivered please return to:
PETRONET LNG LTD.
World Trade Centre, 1st Floor,
Babar Road, Barakhamba Lane
New Delhi-110 001
Ph.:-011-23411411, 23413616