


**PETRONET LNG LIMITED**
**Board of Directors :**

Shri M. S. Srinivasan	Chairman
Shri P. Dasgupta	Managing Director & CEO
Shri A. Sengupta	Director (Finance & Commercial)
Shri C. S. Mani	Director (Technical)
Shri Ashok Sinha	Director
Dr. U. D. Choubey	Director
Shri N. K. Mitra	Director
Shri S.V. Narasimhan	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 & Financial Institutions**

Allahabad Bank  
 Asian Development Bank  
 Bank of America  
 Canara Bank  
 Federal Bank  
 ICICI Bank Limited  
 IDFC Ltd  
 Indian Overseas Bank  
 International Finance Corporation (Washington)  
 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 Hongkong & Shanghai Banking Corporation Ltd.

**Statutory Auditors:**

M/s V. Sankar Aiyar &amp; 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

**Dahej 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 10TH ANNUAL GENERAL MEETING – 2008**

NOTICE is hereby given that the 10th (Tenth) Annual General Meeting of the Members of Petronet LNG Limited (PLL) will be held on Wednesday, the 4th day of June, 2008 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, 2008, Profit & Loss Accounts for the year ended 31st March, 2008, together with Report of Directors and Statutory Auditors thereon.
2. To declare a dividend for the financial year ended 31st March, 2008.
3. To appoint a Director in place of Shri N. K. Mitra, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Ashok Sinha, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri Jacques Gautier, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint a Director in place of Shri Arun Duggal, who retires by rotation and being eligible, offers himself for re-appointment.
7. 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 Tenth Annual General Meeting till the conclusion of the next Annual General Meeting at a remuneration of Rs. 5.50 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)**

8. **“RESOLVED THAT** Shri S. V. Narasimhan, Nominee of Indian Oil Corporation Ltd. (IOCL), who has been 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.”

By Order of the Board  
For Petronet LNG Limited



(R. K. Garg)

Sr. V.P.- Finance & Company Secretary

**Place :** New Delhi

**Date :** 26th April, 2008

**NOTES:**

- 1 The Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956 in respect of the Item No. 7 & 8 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 the Annual General Meeting.
- 5 Members / Proxies should bring the Attendance Slip duly filled for attending the Meeting.
- 6 Members are requested to bring their copies of the Annual Report to the Meeting.
- 7 Members holding Shares in physical mode are requested to notify the change in their Address / Bank Account to M/s Karvy Computershare Private Limited, Plot No. 17 to 24, Vittal Rao Nagar, Madhapur, Hyderabad - 500081, the Registrar & Share Transfer Agent (R & T Agent) of the Company.



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- 8 Members holding shares in De-mat mode are requested to notify the change in their address / bank account to their respective Depository Participant(s) (DPs).
- 9 Members must quote their Folio Number / De-mat Account No. in all correspondence with the Company/ R&T Agent.
- 10 No gift will be distributed at the Annual General Meeting.
- 11 The Register of Members and Share Transfer Books of the Company will remain closed from 26th May, 2008 to 4th June, 2008 (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 8th June, 2008 to the Members or their Mandates whose name appear on the Company's Register of Members on 4th June, 2008 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 25th May, 2008.
- 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 Any briefcase / bags / eatables will not be allowed to be taken inside the Auditorium.
- 15 Annual Listing Fee for the year 2008-09 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: 7**

M/s. V. Sankar Aiyar & Company, Chartered Accountants,

were appointed as the Statutory Auditors of the Company in the Ninth Annual General Meeting held on 14th June, 2007 in terms of Section 224A of the Companies Act, 1956, the Auditors shall hold office till the conclusion of the ensuing Annual General Meeting. Further, in terms of the provisions of Section 224A of the Companies Act, 1956, the appointment / re-appointment of Auditors will be made in the Annual General Meeting by passing a Special Resolution, if 25% or more of the paid up share capital of the Company is being held by Public Financial Institution(s) or a Government Company or Companies or the Central or the State Government.

As more than 25% of the paid up share capital of the Company is being held by the Government Companies, therefore, the Directors of the Company recommend the appointment of M/s V. Sankar Aiyar & Company, Chartered Accountants, as Auditors of the Company by passing a Special Resolution at a remuneration of Rs. 5.50 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: 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 S. V. Narasimhan was appointed as Additional Director w.e.f. 16th April, 2008 on the Board of the Company as nominee of Indian Oil Corporation Ltd. (IOCL), 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 Shri S. V. Narasimhan as Director of the Company. A brief resume of Shri S. V. Narasimhan as required in terms of Clause 49 of the Listing Agreement is enclosed with the notice. The Board recommends that he may be appointed as Director liable to retire by rotation.

Your Directors recommend the resolution for approval of the Shareholders.

Shri S. V. Narasimhan 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.

By order of the Board  
For Petronet LNG Limited

  
(R. K. Garg)

Sr. V.P. – Finance & Company Secretary

**Place :** New Delhi

**Date :** 26th April, 2008

**BRIEF BIOGRAPHY OF DIRECTORS PROPOSED TO BE APPOINTED/RE-APPOINTED AS REQUIRED IN TERMS OF THE LISTING AGREEMENT**

**Shri N. K. Mitra**

Shri N.K. Mitra is Director (Offshore) with Oil & Natural Gas Corporation Ltd (ONGC). He holds degree in B.Sc. (Hons.) and also in Petroleum Engineering from Indian School of Mines, Dhanbad. Shri Mitra joined ONGC in 1973 and since then he has held various senior positions like Chief Engineer (Production), General Manager (Production), Executive Director (Offshore). Shri Mitra is the nominee of ONGC on the Board of Petronet LNG Limited.

Shri Mitra holds Directorship in the following other Companies:

Name of the Companies	Position held
Oil & Natural Gas Corporation Ltd.	Director
ONGC Videsh Ltd.	Director
Pawan Hans Helicopters Ltd.	Director
Manglore Refinery & Petrochemicals Ltd.	Director
ONGC Petro-additions Ltd.	Director

Shri N. K. Mitra holds Membership/Chairmanship in the Committees of the following other Companies in terms of Clause 49 of the Listing Agreement:

Name of the Company	Name of the Committee(s)	Position held
ONGC Videsh Ltd	Audit Committee	Member

**Shri Ashok Sinha**

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

During his association with BPCL, he has handled key responsibilities in the areas of Corporate Affairs, Planning, Information Technology and Retail Marketing and has vast experience in Oil business. He has been conferred with India CFO Award - 2001 for information and

Knowledge Management by the Economic Intelligence Unit (EUI) India and American Express. He has also received award from TMG (Technology Media Group) for Customer Management. Shri Ashok Sinha is the nominee of BPCL on the Board of Petronet LNG Limited.

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

Name of the Companies	Position held
Bharat Petroleum Corporation Limited	Chairman & Managing Director
Numaligarh Refinery Limited	Chairman
Bharat Oman Refineries Limited	Chairman
Bharat Petroresources Limited	Director

Shri Ashok Sinha does not hold Membership/Chairmanship in the Committees of other Companies in terms of Clause 49 of the Listing Agreement.

**Mr. Jacques Gautier**

Mr. Jacques Gautier is the head of Engineering Department, Gaz de France. He Graduated as Mechanical Engineer from Ecole Centrale des Arts et Manufactures de Paris in 1975 and joined Electricite de France and was involved for 12 years in engineering and supervision of construction of various Nuclear Power Plants. Since 1989, when he joined Gaz de France, he has gained wide experience in the Natural Gas industry on operational aspects in the Transmission Division as well as International NG Project studies and development in the International Development Division. Mr. Jacques Gautier is the nominee of GDFI on the Board of Petronet LNG Limited.

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

Name of the Companies	Position held
Gazmetro (Canada)	Director
GNL Saint – Laurent (Canada)	Director
Intragaz ( Canada)	Director
Meg (Canada)	Director
Bucksport (USA)	Director



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Mr. Jacques Gautier does not hold Membership/ Chairmanship in the Committees of other Companies in terms of Clause 49 of the Listing Agreement.

### Shri Arun Duggal

Shri Arun Duggal is an experienced International Banker advising Corporations on Financial Strategy, M&A and Capital Raising areas. He has been an International Advisor to a number of Corporations, major Financial Institutions and Private Equity Firms.

He is a Mechanical Engineer from the prestigious Indian Institute of Technology, Delhi. Mr. Duggal holds an MBA from the Indian Institute of Management, Ahmedabad. He teaches Banking & Finance at the Indian Institute of Management, Ahmedabad as a visiting Professor.

Shri Duggal had a 26 years career with Bank of America, mostly in the U.S., Hong Kong and Japan. His last assignment was as Chief Executive of Bank of America in India from 1998 to 2001. He spent ten years (1981- 1990) with the New York Corporate Office of Bank of America handling multinational relationships. From 1991-94 as Chief Executive of BAA Asia Limited, Hong Kong, he looked after investment Banking activities for the Bank in Asia. In 1995, he moved to Tokyo as the Regional Executive, managing Bank of America's business in Japan, Australia and Korea. From 2001 to 2003 he was Chief Financial Officer of HCL Technologies, India. Shri Arun Duggal is the nominee of ADB on the Board of Petronet LNG Limited.

Shri Duggal holds Directorship in the following other Public Limited Companies:

Name of the Company	Position held
Shriram Transport Finance Ltd.	Chairman
Shriram Properties Ltd.	Chairman
Shriram City Union Finance Ltd.	Chairman
Shriram EPC Ltd.	Chairman
Zuari Industries Ltd.	Director
Patni Computers Systems Ltd.	Director
Manipal Acunova Ltd.	Director
Info Edge (India) Ltd.	Director
Jubilant Energy Ltd., Canada	Director
Dish TV India Ltd.	Director
Mundra Port & SEZ Ltd.	Director

Shri Arun Duggal holds Membership/Chairmanship in the Committees of the following Companies in terms of Clause 49 of the Listing Agreement:

Name of the Company	Name of the Committee(s)	Position held
Patni Computers Systems Ltd.	Audit Committee	Chairman
Info Edge (India) Ltd.	Audit Committee	Chairman
Zuari Industries Ltd.	Audit Committee	Member
Dish TV India Ltd.	Remuneration Committee	Member

### Shri S. V. Narasimhan

Shri S. V. Narasimhan is Director (Finance) of Indian Oil Corporation Ltd. He is a Chartered Accountant and also an MBA from Faculty of Management Studies (FMS), Delhi. Prior to becoming Director in Indian Oil, he was the Managing Director of Chennai Petroleum Corporation Ltd.

Shri Narasimhan has over three decades of experience in the Oil Industry and has served as Member of several specialist committees of the Government of India that drafted oil sector policies. Shri Narasimhan is also credited with assisting the oil cost review committee set up by the Government to formulate the basis for pricing of petroleum products. Shri Narasimhan is the nominee of IOCL on the Board of Petronet LNG Limited.

Shri S.V. Narasimhan holds Directorship in the following other Public Limited Companies:

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

Shri S.V. Narsimhan holds Membership/Chairmanship in the following Companies in terms of Clause 49 of the Listing Agreement

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



**PETRONET LNG LIMITED**

**DIRECTORS' REPORT**

Dear Shareholders,

The Directors have the pleasure of presenting the Tenth Annual Report and the Audited Accounts of your Company for the year ended 31<sup>st</sup> March, 2008.

Within a short time of coming into existence Petronet LNG has emerged as a critical player in the nation's pursuit for energy. Your company is at the forefront of India's all-out national drive to ensure the country's energy security in the years to come. In the supply constrained Natural Gas market in India, your Company is the operator and owner of the country's first and largest LNG terminal at Dahej. The Dahej terminal is operating at its optimum capacity and meeting nearly 25% of Country's total gas supplies. During the year, your company has excelled both in physical and financial performances. It has maintained an upward trend in all performance parameters. Petronet LNG bought 323.76 TBTU of LNG and sold 321.95 TBTU of R-LNG – a 12 per cent increase over the previous year.

**PHYSICAL PERFORMANCE: 2007-2008      2006-2007**

LNG Purchased (TBTU)	323.76	292.80
RLNG Sold (TBTU)	321.95	287.08

**FINANCIAL PERFORMANCE**

In 2007-08, your Company made substantial gains in turnover and operating margins. The increase happened despite the nameplate capacity remaining unchanged. De-bottlenecking and efficient utilization of critical equipment contributed to the improved performance. This coupled with sourcing of spot / short term cargoes at competitive prices helped increase in net profit to Rs. 474.65 Crores in 2007-08 against Rs. 313.25 Crores in 2006-07. Turnover during the year under review was Rs. 6555.31 Crores against Rs. 5508.95 Crores in 2006-07. Gross margin stood at Rs. 1042.47 Crores against Rs 799.07 Crores in the previous year. Earning per share increased by 51 per cent – from Rs. 4.18 per share to Rs. 6.33 a share. A summary of the comparative financial performance in fiscal 2007-08 and 2006-07 is given below:

Particulars	Rs. In Crores	
	2007-08	2006-07
Turnover	6555.31	5508.95
Other Income	53.58	36.59

<b>Total Revenue</b>	<b>6608.89</b>	<b>5545.54</b>
Cost of import of LNG	5566.42	4746.47
<b>Gross Margin</b>	<b>1042.47</b>	<b>799.07</b>
Salary & Other Operating Expenses	122.77	114.43
Interest	102.35	107.04
Depreciation/write off	102.18	102.03
<b>Profit before Tax</b>	<b>715.17</b>	<b>475.57</b>
Provision for Tax	240.52	162.32
<b>Profit after Tax</b>	<b>474.65</b>	<b>313.25</b>
Earning per share (Rs./Share)	6.33	4.18

**DIVIDEND**

Keeping in view the sound financial position of the Company, the Directors are happy to recommend a dividend of 15% on the paid-up share capital of the Company for the year ending 31<sup>st</sup> March, 2008.

**OPERATIONS AT DAHEJ**

Dahej terminal is operating at its optimum capacity. During 2007-08, 101 LNG cargoes were unloaded and 321.95 mmbtu of regasified LNG was supplied to the Offtakers. The LNG terminal achieved 4.65 million accident-free manhours of operation at the end of the financial year 2007-08 since commencement of operations.

**Expansion of Dahej Terminal**

To meet the increasing demand of the power and fertilizer sectors, expansion of the Dahej Terminal from 5 MMTPA to 10 MMTPA, which had commenced in the year 2006 is now nearing completion and would be ready for commercial use in the next financial year.

Your company has entered into a Memorandum of Understanding with Gujarat Maritime Board to develop a standby LNG berth at Dahej. From risk mitigation point of view, another LNG jetty has been approved by your Board of Directors. In addition to the risk mitigation, the standby LNG jetty would enhance the capacity of LNG terminal to 12.5 MMTPA.

**Pilot Project for Supply of LNG in Cryogenic Vehicles**

An achievement of your company has been the successful development of the pilot project for loading of LNG on cryogenic road tankers. The LNG for such pilot project has been allocated from IOC's share under the GSPA. This project achieved mechanical completion on 8th August 2007 after obtaining due approval of Chief Controller of Explosives (CCOE). Since the operation of the project, 390 cryogenic road tankers (equivalent to



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5490.88 MT) up to 31st March, 2008 have been loaded with LNG and supplied to two customers in the state of Gujarat and Maharashtra. Many other customers have also evinced interest in getting LNG from cryogenic road tankers. The truck loading facility in India would facilitate supplying gas to captive power generation units and city gas distribution.

### SOLID CARGO PORT AT DAHEJ

A Solid Cargo Port through a Joint Venture Company namely Adani Petronet (Dahej) Port Private Ltd. is being implemented. The Project is being implemented in two phases. The Phase I is likely to be completed by November 2009 and the Phase II by September 2010. The Solid Cargo Port would have facilities to import/export bulk products like Coal, Steel and Fertilizer.

### LNG TERMINAL AT KOCHI

Your Company is also setting up another LNG Receiving and Re-gasification Terminal of 5.0 MMTPA at Kochi. The terminal consists mainly of two LNG Storage Tanks, vaporization system, utilities and off site facilities as well as marine facilities such as jetty, bund, dredging. The vaporization system of the terminal will be commissioned in two phases of 2.5 MMTPA each. Cochin Port Trust has allocated 33.1 hectares land for the LNG terminal at Puthuvypeen Island in outer Cochin Harbor, which is in the Puthuvypeen SEZ. The construction of boundary wall around the proposed terminal is nearing completion. Site grading activity has commenced from 6<sup>th</sup> February, 2008.

The terminal consists mainly of two LNG Storage Tanks each of 155,000 cu. m. net capacity - IHI Corporation of Japan has already been awarded the EPC contract for the same. The selection of EPC contractor for re-gasification Terminal and Jetty & Marine works is in progress and is likely to be completed by September, 2008.

### TRANSPORTATION OF LNG FOR PROJECTS DAHEJ EXPANSION AND KOCHI

To meet the transportation requirements of the expanded capacity of Dahej LNG terminal, the 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. Petronet LNG has selected internationally renowned LNG expert-Hamburg based "Marine Services" as Shipping Consultant for supervising the construction of the third tanker. The same Company was engaged for the supervision of construction of its

first two vessels "DISHA" and "RAAHI".

For meeting the transportation requirements of proposed re-gasification and storage LNG terminal at Kochi, the Company has pre-qualified six Ship Owners and Ship Operators for two vessels of 175000 cubic meter capacities. Four of the pre-qualified Ship Owners and Ship Operators have confirmed participation in the bidding process. The Company will be inviting commercial bids from the short-listed bidders soon. The delivery of the vessels would be synchronized with the supply of LNG for Kochi terminal from the long-term LNG supplier.

### LNG SOURCING

Your Company has now established business relationships with most of the potential LNG suppliers for import of spot as well as long term LNG supplies. During the year, your Company made a breakthrough by executing a term contract for purchase of LNG for meeting the gas requirement of Dabhol LNG terminal of Ratnagiri Gas & Power Pvt. Ltd. (RGPPL). This enabled RGPPL to commence power generation of their stranded power plant.

Petronet LNG Ltd intends to broad base its source of natural gas. The Company is in talks with various LNG suppliers around the globe to meet the LNG requirement for the expanded capacity of Dahej as well as for Kochi project.

### FINANCING

During the year, your Company executed term loan Agreements with Asian Development Bank (ADB) and International Finance Corporation (IFC) for USD equivalent of Rs. 675 Crores and USD 300 Million respectively. While the ADB loan is for financing Dahej Expansion Project, IFC loan will be used for part financing the Kochi LNG Terminal.

### INFORMATION TECHNOLOGY

The Company has built a state-of-art Data Centre at its corporate office to augment its existing IT Infrastructure. A number of Servers including Lotus Mail, File, Print, Web, Proxy, Antivirus and centralised Data Storage management have been deployed. The ERP Distaster Recovery (DR) centre at Vadodara has been relocated to newly built Data Centre thus making the DR and Business Continuity Plan (BCP) process more robust. To ensure a future-proof solution, products that support current mature technologies as well as emerging next-gen technologies, have been successfully deployed.

### 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.

#### **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. No man days were lost due to strike, lock out etc.

#### **CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION**

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

#### **DIRECTORS' RESPONSIBILITY STATEMENT**

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

- 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 judgement 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**

Shri S. V. Narasimhan has been appointed as Nominee Director of Indian Oil Corporation Ltd. (IOCL) in place of Shri B. M. Bansal w.e.f. 16<sup>th</sup> April, 2008. Beside it, there is no change in the composition of the Board of Directors of the Company.

#### **FOREIGN EXCHANGE EARNING AND OUTGO**

Your Company has incurred expenditure in foreign exchange to the extent of Rs. 5420 Crores for purchase of LNG, spare parts & capital goods and Rs. 53 Crores for other expenditures during the year under review. Foreign exchange earning on account of interest was Rs.0.42 Crores during the year.

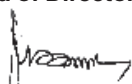
#### **AUDITORS**

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 2008-09, 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, Governments of Gujarat and Kerala, Promoters & Shareholders of the Company, Rasgas, Exxon Mobil and other LNG suppliers, Offtakers & Consumers of re-gasified LNG and the employees of the Company at all levels, for their continued co-operation and unstinted support. The Directors also express their sincere thanks to all the shareholders for the continued support and trust they have shown in the Management. The Directors look forward to a bright future with confidence.

**On behalf of the Board of Directors**



**(M. S. Srinivasan)**  
**Chairman**

**Place :** New Delhi  
**Date :** 26th April, 2008



**Annexure to Directors' Report**

**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
	2007-08*	2006-07							
Shri P. Dasgupta	67,31,512	26,94,484	Contractual	Appointment for a period of 5 years.	Managing Director & CEO	Chartered Accountant Experience-35 years	02.01.2003	61 yrs.	Chief Financial Officer, Essar Telecom - Essar Teleholdings Ltd.
Shri A. Sengupta	54,41,404	15,92,011	Contractual	Appointment for a period of 5 years.	Director (Finance & Commercial)	Chartered Accountant Experience-30 years	03.06.2002	55 yrs.	GM-(Fin. & Admn. & Ping.), Indo Mobil Ltd.
Shri C. S. Mani	44,80,341	7,91,384	Contractual	Appointment for a period of 5 years.	Director (Technical)	B. Tech. (Chem.) M. E. (Chem.) Experience-36 years	01.08.2006	60yrs.	ED-(Ping. & Projects), Gujarat Alkalies & Chemicals Ltd.

**Notes :**

Shri P. Dasgupta holds 235000 equity shares equivalent to 0.031% of equity shares of the Company.

Shri A. Sengupta holds 8750 equity shares equivalent to 0.001% of equity shares of the Company.

Shri C. S. Mani holds 650 equity shares of the Company.

\*Remuneration includes Commission on profit for the year 2006-07 and 2007-08.

**MANAGEMENT DISCUSSIONS AND ANALYSIS  
FORMING PART OF DIRECTORS' REPORT FOR THE  
YEAR ENDED 31<sup>ST</sup> MARCH, 2008**

**Global LNG Scenario**

The global demand for LNG will grow to around 330 mtpa by 2015. Demand is expected to outstrip supply, based on current projects under construction and those probable for start, according to industry analyst Wood Mackenzie. Russia has the world's largest gas reserves but has failed to develop those reserves sufficiently due to a lack of capital spending. The LNG market dynamics are expected to change fast and what would be witnessed is perhaps polarization by regional markets on commercial considerations. Many new LNG Liquefaction facilities are expected to be on-stream by 2015, taking the total capacity to 364 MMTPA from the existing 188 MMTPA. There are currently 30 LNG plants around the world. Due to the major pipeline supply initiatives taken by Russia to supply piped natural gas to all over Europe, China and Korea; and by Africa to Europe, it is expected that many LNG volumes contracted/ reserved for supplies to UK & Europe would be available for the Asia & Asia-Pacific. Moreover, it is expected that the LNG supplies to USA would also be constrained due to price indexation to Henry Hub. With the increase of LNG availability for Asian markets, the prices are also expected to soften in the medium-long term.

However, spot /short term LNG availability for 2008 is very tight due to sudden increase in demand from Japan. Japan has started buying additional cargoes from October 2007 due to shut down of TEPCO's 8212 MW nuclear power plant after the Nigata earthquake and this is expected to continue throughout 2008-09. Sourcing additional spot LNG in 2008 for the Indian Market would be limited as spot LNG prices have moved up considerably and is expected to remain at these levels.

In the last 10 years, the world's LNG trade has risen, on average, by 7.4 per cent annually to the level of 141 MMTPA in 2005. This could touch 247 MMTPA by 2010, representing around 10.1 per cent of the global gas consumption, up from 6.8 per cent recorded in 2005.

There are two main drivers for this: location of gas reserves and an increasing share of gas in the future energy mix. Gas reserves close to traditional markets are being depleted. Hence the successful exploitation of newer or more remote sources will require delivery by pipeline or LNG. The only alternative to pipeline transportation, LNG, is cost-competitive with pipelines over distances in excess of 3,000 miles (4,800 km). In recent times, it has been one of the key drivers of linking diverse markets and it accounts for about 25% of the global gas trade today. Your Company has successfully brought supplies from the distant markets for meeting demands in India.

**Indian Gas Scenario**

The demand for Natural Gas is increasing at a rate which can't be fulfilled by the domestic production, as there is a large gap between the demand and supply. In the year 2006-07, supply of Natural Gas was 86 MMSCMD against demand of 231 MMSCMD. Five years later in year 2012, the estimated demand to touch 313 MMSCMD and in 2025, 391 MMSCMD leaving even a larger gap between demand and supply.

Natural gas is becoming popular fuel for use in industrial, transport, power generation, fertilizer as well as in domestic sectors in India. This is because of two reasons; first, burning of gas does not produce harmful and toxic gases, and second, gas is cheaper than import of oil to generate the same amount of energy. Demand forecast of gas in India is expected to grow at around 8.5% (CAGR) - demand to cross 142 bcm by 2025 from current 35 bcm. Power sector would remain the largest gas consuming sector, however demand of this sector would be price sensitive, as gas would be competing with imported & indigenous coal. However, as the demand of fertilizer, industrial and City Gas sectors would be comparatively less price sensitive and there would be sufficient demand for regasified LNG from these sectors. In the long term the extent to which higher LNG capacities can be absorbed would depend on the size of domestic finds. As such timing, volume and pricing of imported gas would be critical for sourcing LNG for the Indian market. However, the demand of gas in the Country would remain buoyant and price affordability would keep on improving with the overall economic growth of the country.

**Opportunities**

Being the first Company to import LNG, the Company is instrumental in shaping the growth of the Indian Natural Gas Sector. The Company has set up industry benchmarks in LNG operational efficiency in operations of LNG terminals and market development. The Company's main thrust is on catalyzing the growth of Indian Gas Sector through enhancing the gas supply to satisfy the needs of existing consumers as well as to develop new consumers.

Petronet LNG Limited (PLL) is emerging player in India's supply constrained Natural Gas market. PLL is the operator and owner of India's first and largest LNG terminal at Dahej. It is now exploring multiple options to further leverage the potential of imported LNG in the Indian market.

The gas market in India is rapidly evolving with strong economic growth fueling energy demand across sectors. Significant gas finds off the east coast of India, de-regulation and entry of several private & foreign players are some of the factors shaping the sectoral landscape.



## PETRONET LNG LIMITED

Further, the supply deficit situation is resulting in higher price benchmarks for supply of gas to domestic market. Company, in addition to long term import has started import of Spot / Short Term Cargos which are being sourced from different suppliers' world wide.

To meet the demand supply gap of Natural Gas in the country, Company is doubling the Capacity of its first LNG re-gasification plant at Dahej from 5 MMTPA to 10 MMTPA. Expansion Program in this regard is already being implemented. The Company has started construction of another LNG receiving and Re-gasification Plant at Kochi in Kerala. This will enable the Company to continue to be as leader for LNG import and re-gasification plant in the country.

### Segmentwise or Productwise Performance

Presently the Company primarily deals only in one segment viz, Import and Re-gasification of Liquefied Natural Gas (LNG). During the year, 321.95 TBTU of Re-gasified LNG was delivered to the off takers.

### Threats from Competition

LNG competes with Naphtha, Coal, fuel Oil and similar Hydrocarbons. These alternate fuels are currently widely used by end user industries like Fertilizers and Power. In addition to the above-mentioned fuels, LNG also competes with the suppliers of Natural Gas. New Gas discoveries in K G Basin & Mahanadi Basin would increase availability of Gas in the Country which may put pressure on the price of Gas. The expected competition in the future scenario will not only be from Indian Players, but also from several multinational companies that may extend their presence in the Indian Market. LNG offers several advantages over the above-mentioned fuels. LNG is currently priced competitively against these alternate fuels. However, a reduction in prices of the alternate fuels could lead to increase pricing pressure on LNG supplier and may have an adverse impact on future growth of the Company.

Currently the Company does not produce or market any other products other than R-LNG. The sole activity is import and re-gasification of LNG. The company is also having single source of long term LNG supply i.e. Ras Gas and selling re-gasified LNG only to three Off takers. However, Company has initiated serious discussions with other LNG suppliers for import of LNG on long term basis to meet additional requirement 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 market for the entire production, however, there are certain risks involved in limited customers.

### Risks and Concerns

The Company considers good Corporate Governance a pre-requisite for meeting the needs and aspirations of its shareholders and other stakeholders in the Company. As part of the Company's efforts to strengthen Corporate Governance, the Board of Directors has formulated a Risk Management Policy, which put in place a risk management structure with clear definition of roles and responsibilities, as well as a risk portfolio involving a continuous process of risk identification, risk assessment, control assessment and risk monitoring, review 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 all staff to identify risks and associated opportunities and respond to them with appropriate actions.

### Internal Control Systems and their Adequacy

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

### Financial Performance with Respect to Operational Performance

The turnover during the financial year ended 31st March, 2008 was Rs. 6608.89 crores including other income as against Rs. 5545.54 Crores in 2006-07. The net profit has increased to Rs. 474.65 Crores in 2007-08 as against Rs. 313.25 Crores in 2006-07.

### Human Resources

During the year, the Company maintained harmonious and cordial industrial relations. No man-days were lost due to strike, lock out etc. As on 31st March, 2008, there were 244 employees including three Whole-time Directors and 2 employees on deputation from promoting/other Companies.

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

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

**REPORT ON CORPORATE GOVERNANCE FORMING PART OF DIRECTORS' REPORT**

**A Brief Statement on Company's Philosophy on Code of Corporate Governance**

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

**BOARD OF DIRECTORS**

The total strength of the Board as on 31st March, 2008 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 P. Dasgupta	Managing Director & CEO	Whole-time
3	Shri A. Sengupta	Director (Finance & Commercial)	Whole-time
4	Shri C. S. Mani	Director (Technical)	Whole-time
5	Shri Ashok Sinha	Director, Nominee of BPCL	Non-executive
6	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, six Board Meetings were held on 16<sup>th</sup> April, 14<sup>th</sup> June, 16<sup>th</sup> July, 18<sup>th</sup> October, 2007, 16<sup>th</sup> January and 7<sup>th</sup> March, 2008. The attendance of each Director in the Board Meetings and the last Annual General Meeting is detailed herein below:

Name of Directors	Designation	Number of Board Meetings held during the year 2007-08	Number of Meetings attended during the year 2007-08	Attendance at last Annual General Meeting hold on 14th June, 2007
<b>Executive Directors</b>				
Shri P. Dasgupta	Managing Director & CEO	6	6	Yes
Shri A. Sengupta	Director (Finance & Comm.)	6	6	Yes
Shri C.S.Mani	Director (Technical)	6	6	Yes
<b>Non-executive Directors</b>				
Shri Ashok Sinha	Nominee Director of BPCL	6	4	No
Dr. U. D. Choubey	Nominee Director of GAIL	6	3	No
Shri N. K. Mitra	Nominee Director of ONGC	6	4	Yes
Shri B. M. Bansal	Nominee Director of IOCL.	6	6	Yes
Mr. Jacques Gautier* (*Three Board Meeting attended by Mr. Eric Ebelin as Alternate Director for Mr. Jacques Gautier)	Nominee Director of GDF International	6	5	Yes
Shri D. J. Pandian	Nominee Director of GMB	6	1	No
<b>Non-executive Independent Directors</b>				
Shri M. S. Srinivasan	Chairman	6	6	Yes
Shri Arun Duggal	Nominee Director of ADB	6	5	Yes
Shri D. P. Roy	Independent Director	6	6	Yes
Shri P. K. Chadha	Independent Director	6	5	Yes
Shri J. L. Zutshi	Independent Director	6	6	Yes

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**Detail of Directorship on the Board of other Companies as on 31.03.2008**

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

**Detail of Membership / Chairmanship of Committees of the Board of other Companies as on 31.03.2008**

Name	No. of Membership / Chairmanship held in Committees of Board of other Companies	
	Membership	Chairmanship
Shri M. S. Srinivasan	Nil	Nil
Shri P. Dasgupta	Nil	Nil
Shri A. Sengupta	Nil	Nil
Shri C. S. Mani	Nil	Nil
Shri Ashok Sinha	Nil	Nil
Dr. U. D. Choubey	1	Nil
Shri N. K. Mitra	1	Nil
Shri B. M. Bansal	Nil	Nil
Mr. Jacques Gautier	Nil	Nil
Shri D. J. Pandian	2	Nil
Shri Arun Duggal	2	2
Shri D. P. Roy	3	Nil
Shri P. K.Chadha	1	Nil
Shri J. L. Zutshi	Nil	Nil

**Note: -**

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

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

**Remuneration paid to Whole-time Directors and Non-executive Directors during the year ended 31st March, 2008**

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

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	Commission on Profit for the year 2006-07	Commission on Profit for the year 2007-08*	Total	
								(a)	(b)
1	Shri P. Dasgupta	Managing Director & CEO	36,20,424	1,92,024	1,71,493	10,44,000	17,03,571	67,31,512	26,94,484
2	Shri A. Sengupta	Director (Finance & Commercial)	25,52,589	1,36,396	78,848	9,70,000	17,03,571	54,41,404	15,92,011
3	Shri C. S. Mani	Director (Technical)	18,84,244	1,36,396	61,130	6,95,000	17,03,571	44,80,341	7,91,384
4	Shri Sham Sunder	Director (Technical)	N.A.	N.A.	N.A.	3,49,000	N.A.	3,49,000	22,01,141

\*Payable in 2008-09



The Non-Executive Directors (NEDs) are paid remuneration by way of Commission and Sitting Fees. In terms of Shareholders approval obtained at the AGM held on 14th June, 2007, the Commission is to be paid not exceeding 1% per annum of the Profits of the Company computed in accordance with Section 309 of the Companies Act, 1956. The details of remuneration paid/payable to the Non-Executive Directors are stated herein below:

S. No.	Name	Commission paid/ payable on Profits for the year ended 31 <sup>st</sup> March 2007 (Rs.)	Commission payable on Profits for the year ended 31 <sup>st</sup> March 2008 (Rs.)	Sitting Fees paid during 2007-08 (Rs.)
1	Shri M. S. Srinivasan	10,44,000	17,03,571	60,000
2	Shri Ashok Sinha	10,44,000	17,03,571	60,000
3	Dr. U. D. Choubey	3,58,000	17,03,571	Nil
4	Shri N. K. Mitra	10,44,000	17,03,571	Nil
5	Shri B. M. Bansal	10,44,000	17,03,571	1,20,000
6	Mr. Jacques Gautier / Mr. Eric Ebelin*	10,44,000	17,03,571	1,10,000
7	Shri D. J. Pandian*	5,15,000	17,03,571	Nil
8	Shri Arun Duggal	10,44,000	17,03,571	1,10,000
9	Shri D. P. Roy	10,44,000	17,03,571	1,10,000
10	Shri P.K.Chadha	10,44,000	17,03,571	1,00,000
11	Shri J. L. Zutshi	10,44,000	17,03,571	90,000
12	Shri B. S. Negi	6,12,000	N.A.	N.A.
13	Shri Harbans Lal	8,75,000	N.A.	N.A.

\* As per the advice of Mr. Jacques Gautier and Shri D. J. Pandian, Commission on profits was paid to GDF and Gujarat Maritime Board respectively.

#### Terms of appointment of Whole-time Directors

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

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

The initial tenure of Whole - time 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

The Audit Committee comprises the following Directors as on 31<sup>st</sup> March, 2008:

- 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

Members S/Sh	No. of Meetings Held	No. of Meetings attended
Arun Duggal	4	4
Ashok Sinha	4	3
D.P.Roy	4	4
P.K.Chadha	4	3

#### Brief Terms of Reference of Audit Committee

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

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

- Oversight the Company's financial reporting process 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.



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- 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 judgement by Management.
  - The going concern assumption.
  - Compliance with accounting standards.
  - Compliance with Stock Exchange(s) and Legal requirements Concerning financial statements.
  - Any related party transactions i.e. transactions of the Company of material nature, with Promoters or the Management, or relatives etc. that may have potential conflict with the interest of the Company at large.
- Reviewing with the management, statutory and internal auditors, the adequacy and compliance of internal control systems.
- Reviewing the adequacy of internal audit function, reporting structure coverage and frequency of internal audit.
- Discussion with internal auditors any significant findings and follow up there on.
- Reviewing the findings of any internal investigations by the internal auditors into matters where they are suspected about any fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- Discussion with statutory auditors about the scope of audit as well as have post-audit discussion to ascertain any area of concern.
- Reviewing the company's financial and risk management policies.
- To look into the reasons for substantial defaults in the payment to the lenders, shareholders (in case of non payment of declared dividends) and other creditors.

### Shareholders/Investors Grievance Committee

As on 31<sup>st</sup> March, 2008 the Shareholders/Investors Grievance Committee comprises of the following Directors:

- 1 Shri Arun Duggal, Chairman
- 2 Shri B. M. Bansal, Member
- 3 Shri A. Sengupta, Member
- 4 Shri C. S. Mani, Member

Company Secretary is the Compliance Officer of the Company.

### Details of Complaints received and redressed during the year ended 31<sup>st</sup> March, 2008

During the year ended 31<sup>st</sup> March, 2008, 2162 complaints were received and all have settled. As on 31<sup>st</sup> March, 2008, no complaint(s) is pending.

### Detail of Meetings of Shareholders/Investors Grievance Committee

Date of Meeting	Members	Meeting attended
11.01.2008	Shri Arun Duggal	Yes
	Shri B. M. Bansal	Yes
	Shri A. Sengupta	Yes
	Shri C. S. Mani	Yes

### Share Transfer Committee

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

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

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

### Remuneration Committee

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

- 1 Shri 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 13<sup>th</sup> April, 2007 which was attended by Shri J. L. Zutshi, Shri Arun Duggal and Shri D. P. Roy.

### Risk Assessment & Minimisation Procedure

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

### Legal Compliance Reporting

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

### Annual General Meetings (AGMs)

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

Year	2004-05	2005-06	2006-07
Date & Time	26 <sup>th</sup> July, 2005 at 10.00 A.M.	14 <sup>th</sup> June, 2006 at 10:00 AM	14 <sup>th</sup> June, 2007 at 10:00 AM
Venue	Siri Fort Auditorium Complex, August Kranti Marg, New Delhi-110 049	Air Force Auditorium, Subroto Park, Dhaula Kuan, New Delhi-110 010	Air Force Auditorium, Subroto Park, Dhaula Kuan, New Delhi-110 010
Details of Special Resolutions	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.	1). Appointment of Statutory Auditors. 2). Amendment in Articles of Association of the Company. 3). Approval for payment of commission on profit to Director.
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 website i.e. [www.petronetlng.com](http://www.petronetlng.com). The Company also have exclusive e-mail ID i.e. [investors@petronetlng.com](mailto: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 the Listing Agreement and also hosted at SEBI EDIFAR website.

### General Shareholders Information

#### Annual General Meeting (AGM)

Day & Date	Wednesday, 4th June, 2008
Time	10.00 a.m.
Venue	Air Force Auditorium, Subroto Park, Dhaula Kuan, New Delhi-110010
Date of Book Closure	26th May, 2008 to 4th June, 2008 (both days inclusive)

#### Dividend Payment Date

The dividend, if approved by the Members of the Company will be payable on or after 8th June, 2008.

#### Financial Calender

The Company 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, 2008 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, 2007	16 <sup>th</sup> July, 2007
July – September, 2007	18 <sup>th</sup> October, 2007
October – December, 2007	16 <sup>th</sup> January, 2008
<b>Year Ended</b>	
31 <sup>st</sup> March, 2008	16 <sup>th</sup> April, 2008

#### Listing on Stock Exchange(s)

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

#### Market Price Data: High and Low during each Month in last Financial Year

Month	BSE (in Rs.)		NSE (in Rs.)	
	High	Low	High	Low
April, 2007	48.60	41.15	49.40	41.00
May, 2007	55.00	44.75	54.25	44.30
June, 2007	58.95	51.35	59.00	52.00
July, 2007	68.15	55.55	68.20	55.50
August, 2007	66.70	57.30	66.70	57.25
September, 2007	92.45	61.60	92.80	61.10
October, 2007	90.50	63.55	90.50	61.55
November, 2007	117.50	82.25	117.40	82.90
December, 2007	116.20	100.00	116.20	99.95
January, 2008	121.90	56.00	122.00	55.30
February, 2008	83.40	64.50	83.25	66.55
March, 2008	73.40	61.10	75.00	60.75

**PETRONET LNG LIMITED****Distribution Schedule as on 31.03.2008**

<b>CATEGORY (Amount)</b>	<b>NO. of Cases</b>	<b>% of Cases</b>	<b>Total Shares</b>	<b>Amount (in Rs.)</b>	<b>% of Amount</b>
Upto – 5000	4,56,856	87.53	7,85,57,863	78,55,78,630	10.47
5001 – 10000	41,523	7.96	3,32,40,600	33,24,06,000	4.43
10001 – 20000	14,236	2.73	2,12,38,645	21,23,86,450	2.83
20001 – 30000	3,519	0.67	90,42,650	9,04,26,500	1.21
30001 – 40000	1,468	0.28	52,94,732	5,29,47,320	0.71
40001 – 50000	1,270	0.24	60,41,940	6,04,19,400	0.80
50001 – 100000	1,658	0.32	1,22,79,452	12,27,94,520	1.64
100001 & Above	1,405	0.27	58,43,04,162	5,84,30,41,620	77.91
<b>TOTAL</b>	<b>5,21,935</b>	<b>100.00</b>	<b>75,00,00,044</b>	<b>7,50,00,00,440</b>	<b>100.00</b>

**Shareholding Pattern of the Company as on 31.03.2008**

	<b>Category</b>	<b>No. of Shares Held</b>	<b>% of Shareholding</b>
<b>A</b>	<b>Promoters' holding</b>		
	<b>1 Promoters</b>		
	- Indian Promoters	37,50,00,000	50.00
	- Foreign Promoters	Nil	Nil
	<b>Sub- Total</b>	<b>37,50,00,000</b>	<b>50.00</b>
<b>B</b>	<b>Non- Promoters holding</b>		
	<b>2 Institutional Investors</b>		
	a Mutual Funds and UTI	78,16,657	1.04
	b Banks, Financial Institutions	17,22,970	0.23
	c Insurance Companies/ Central/State Govt. Institutions/Non-government Institutions/Venture Capital Funds	23,00,000	0.31
	d FII's (Including ADB holding)	7,19,30,448	9.59
	<b>Sub-Total</b>	<b>8,37,70,075</b>	<b>11.17</b>
	<b>3 Others</b>		
	a Private Corporate Bodies	2,92,05,353	3.89
	b Indian Public	17,95,86,324	23.95
	c NRI's / OCB's (Including GDFI)	8,09,02,173	10.79
	d Any other (Clearing Members & Trusts)	15,36,119	0.20
	<b>Sub-Total</b>	<b>29,12,29,969</b>	<b>38.83</b>
	<b>GRAND TOTAL</b>	<b>75,00,00,044</b>	<b>100.00</b>

**List of Shareholders Holding More than 1% of Equity Capital as on 31.03.2008**

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

**Code of Conduct for Board Members & Senior Management Personnel**

The Board of Directors of the Company approved Code of Conduct for the Board Members and the 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. All the Board Members and the Senior Management Personnel have affirmed compliances with the said Code for the year ended 31<sup>st</sup> March, 2008.

**CEO/CFO Certification**

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

**Related Party Transactions**

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

**Secretarial Audit**

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

**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 Appartment,  
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**

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**AUDITORS' REPORT 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<sup>st</sup>, March 2008, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India.
2. The Compliance of conditions of Corporate Governance is the responsibility of the 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<sup>st</sup> March, 2008, 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

Place : New Delhi  
Date : 16th April, 2008

Sd/-  
(Ajay Gupta)  
Partner  
M.No. 90104

**AUDITORS' REPORT TO THE SHAREHOLDERS OF PETRONET LNG LIMITED.**

1. We have audited the attached Balance Sheet of PETRONET LNG LIMITED as at 31st March, 2008 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 for our opinion.
3. **We report that**
  - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary 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 31.03.2008.
  - (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, 2008;
    - 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, the frequency of which, in our opinion, is reasonable. No material discrepancies were noticed on such verification.
    - c) Since there is no substantial disposal of fixed assets during the year; the preparation of financial statements on a going concern basis is not affected on this account..
  - ii
    - a) The stock of raw materials and stores have been physically verified by the management 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 required to be 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 required to be 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 the size and nature of its business.
- viii We have broadly reviewed the books of accounts maintained by the Company, pursuant to rules made by the Central Government for the maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 and are of the opinion that prima facie, the prescribed accounts and records have been maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate and complete.
- ix
  - a) According to the records of the Company, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Income-tax, Sales-tax, Wealth Tax, Service Tax, Custom Duty, and any other statutory dues with the appropriate authorities. There were no arrears of undisputed statutory dues as at 31st March, 2008, 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, 2008 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 is not a chit fund / nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditors Report) Order are not applicable.
- xiv The Company is not dealing or trading in shares, securities, debentures and other investments. Therefore, the provisions of clause 4(xiv) of the Companies (Auditors Report) Order are not applicable.
- xv According to information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- xvi According to the records of the Company, term loans taken during the year have been applied for the purpose for which they were obtained.
- xvii According to information and explanations given to us, no short term funds have been raised during the year under audit. Therefore, the provisions of clause 4(xvii) of the Companies (Auditors Report) Order are not applicable.
- 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 Since there were no public issue of securities during the year, verification of the end use of money does not arise.
- xxi Based on the audit procedure performed and the representation obtained from the management, we report that no case of fraud on or by the Company has been noticed or reported during the year under audit.

For V. Sankar Aiyar & Co.  
Chartered Accountants

Sd/-  
(Ajay Gupta)  
Partner

**Place :** New Delhi  
**Date :** 16th April, 2008

Membership no. 90104

**Balance Sheet as at 31st March 2008**

		(Rupees in lacs)	
		<u>As at 31.03.2008</u>	<u>As at 31.03.2007</u>
<b><u>SOURCES OF FUNDS</u></b>			
	Schedule		
<b>Shareholders' Funds</b>			
a) Share Capital	1	75,000.00	75,000.00
b) Reserves and Surplus	2	<u>86,854.89</u>	<u>52,551.68</u>
		161,854.89	127,551.68
<b>Loan Funds</b>			
Secured Loans	3	157,762.30	138,319.66
<b>Deferred Tax Liability (net)</b>		26,920.00	24,720.00
<b>TOTAL</b>		<u><b>346,537.19</b></u>	<u><b>290,591.34</b></u>
<b><u>APPLICATION OF FUNDS</u></b>			
<b>Fixed Assets</b>			
a) Gross Block	4	197,179.66	194,553.46
b) Less Depreciation		<u>40,382.64</u>	<u>30,166.12</u>
c) Net Block		156,797.02	164,387.34
d) Capital work in progress	5	<u>106,135.66</u>	<u>48,338.86</u>
		262,932.68	212,726.20
<b>Investments</b>			
	6	54,731.74	27,801.13
<b>Current Assets, Loans and Advances</b>			
a) Inventories	7	9,094.91	20,993.22
b) Sundry Debtors	8	33,298.98	33,129.48
c) Cash & Bank Balances	9	35,856.43	34,046.85
d) Other Current Assets	10	414.81	149.16
e) Loans & Advances	11	<u>36,091.32</u>	<u>20,512.75</u>
		114,756.45	108,831.46
<b>Less : Current Liabilities and Provisions</b>			
a) Current Liabilities	12	42,874.50	39,811.36
b) Provisions		<u>43,009.18</u>	<u>18,956.09</u>
		<u>85,883.68</u>	<u>58,767.45</u>
<b>Net Current Assets</b>		28,872.77	50,064.01
<b>TOTAL</b>		<u><b>346,537.19</b></u>	<u><b>290,591.34</b></u>
<b>Significant Accounting Policies</b>		17	
<b>Notes on Accounts</b>		18	

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

Annexure to our report of even date  
For V. Sankar Aiyar & Co.  
Chartered Accountants

For and on behalf of Petronet LNG Limited

Sd/-  
Ajay Gupta  
Partner  
Membership No 90104

Sd/-  
P. Dasgupta  
Managing Director & CEO

Sd/-  
A. Sengupta  
Director - Finance & Commercial

Place : New Delhi  
Date : 16th April, 2008

Sd/-  
R. K. Garg  
Company Secretary


**PETRONET LNG LIMITED**
**Profit and Loss Account for the year ended 31st March 2008**
**(Rupees in lacs)**

<b>INCOME</b>	<b>Schedule</b>	<b>For the year ended 31.03.2008</b>	<b>For the year ended 31.03.2007</b>
Sales		655,531.39	550,060.46
Services		-	834.97
Other Income	13	<u>5,357.88</u>	<u>3,659.23</u>
		<b><u>660,889.27</u></b>	<b><u>554,554.66</u></b>
 <b>EXPENDITURE</b>			
Raw Material Consumed		556,641.55	474,647.01
Personnel Expenses	14	2,095.29	1,205.12
Operating and Other Expenses	15	10,181.45	10,237.63
Finance Charges	16	10,235.64	10,703.96
Depreciation	4	10,218.00	10,203.07
		<u>589,371.93</u>	<u>506,996.79</u>
<b>Profit / (Loss) before tax</b>		<b>71,517.34</b>	<b>47,557.87</b>
Less: Tax Expense			
Current Tax/MAT		21,800.00	5,330.00
Deferred Tax Liability/(Assets)		2,200.00	16,170.00
Fringe Benefit Tax		52.00	62.50
Add: MAT Credit Available For Set Off		-	5,330.00
<b>Profit/(Loss) after tax</b>		<u>47,465.34</u>	<u>31,325.37</u>
Add: Profit/(Loss) brought forward from last year		<u>36,222.05</u>	<u>16,648.10</u>
		<b>83,687.39</b>	<b>47,973.47</b>
Less: Appropriations			
Transfer to General Reserve		2,416.87	783.13
Dividend /Proposed Dividend		11,250.16	9,375.00
Income Tax on Dividend/Proposed Dividend		1,911.97	1,593.29
<b>Profit/(Loss) carried to Balance Sheet</b>		<u>68,108.39</u>	<u>36,222.05</u>
Basic/Diluted Earnings per share		<b>6.33</b>	<b>4.18</b>
<b>Significant Accounting Policies</b>	17		
<b>Notes on Accounts</b>	18		

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

Annexure to our report of even date  
For V. Sankar Aiyar & Co.  
Chartered Accountants

For and on behalf of Petronet LNG Limited

Sd/-  
Ajay Gupta  
Partner  
Membership No 90104

Sd/-  
P. Dasgupta  
Managing Director & CEO

Sd/-  
A. Sengupta  
Director - Finance & Commercial

Place : New Delhi  
Date : 16th April, 2008

Sd/-  
R. K. Garg  
Company Secretary



**PETRONET LNG LIMITED**

(Rupees in lacs)

**Cash Flow Statement**

	<u>As at 31.03.2008</u>	<u>As at 31.03.2007</u>
<b>Cash Flow arising from Operating Activities</b>		
Net Profit before Taxes	71,517.34	47,557.87
Adjustment for :		
Depreciation	10,218.00	10,203.06
Interest on term loan	9,424.62	9,966.47
Income on Investment (profit)	868.35	(1,515.67)
Interest Income	2,280.95	1,745.58
Dividend income on current investment	1,862.94	-
Loss on Sale of Fixed Assets	5.67	8.06
<b>Operating Profit before Working Capital Changes</b>	<b>96,177.87</b>	<b>67,965.37</b>
<b>Adjustment for Working Capital changes</b>		
Inventories	11,898.31	(10,603.54)
Trade & Other receivables	(169.49)	(20,354.23)
Other Current assets	(265.65)	(88.04)
Loans & Advances	1,296.82	(1,273.15)
Current liabilities and provisions	3,129.07	25,231.81
<b>Net Cash from Working Capital changes</b>	<b>15,889.06</b>	<b>(7,087.14)</b>
<b>Cash flow from Operating Activities</b>	<b>112,066.93</b>	<b>60,878.23</b>
Income Tax (Paid)/Refund	(16,933.89)	(5,251.17)
Dividend Paid	(9,375.16)	-
Dividend Distribution tax paid	(1,593.31)	-
<b>Net Cash flow from Operating Activities</b>	<b>84,164.57</b>	<b>55,627.06</b>
<b>Cash Flow on Investing Activities</b>		
Purchase of fixed assets	(2,633.35)	(363.25)
Sale/Adjustment of Fixed Assets	-	3.97
Purchase of investment-other than Mutual Funds	(2,118.50)	(1.13)
Purchase of Investment-Mutual Fund	(677,265.00)	(245,653.00)
Sale/Adjustment of Investments (Mutual Funds)	651,584.53	235,058.58
Interest Income	(2,280.95)	(1,745.58)
Dividend income on current investment	(1,862.94)	-
Adjustment to capital work in progress	(57,796.80)	(36,304.13)
<b>Net Cash from Investing Activities</b>	<b>(92,373.01)</b>	<b>(49,004.54)</b>
<b>Net cash flow on financing activities</b>		
Secured Term loans	19,442.64	12,330.49
Interest on term loan	(9,424.62)	(9,966.47)
<b>Net cash flow from financing activities</b>	<b>10,018.02</b>	<b>2,364.02</b>
<b>Net decrease in cash or cash equivalents</b>	<b>1,809.58</b>	<b>8,986.55</b>
<b>Opening Cash and cash equivalents</b>	<b>34,046.85</b>	<b>25,060.30</b>
<b>Closing Cash and cash equivalents</b>	<b>35,856.43</b>	<b>34,046.85</b>

Annexure to our report of even date  
For V. Sankar Aiyar & Co.  
Chartered Accountants

Sd/-  
Ajay Gupta  
Partner  
Membership No 90104

Place : New Delhi  
Date : 16th April, 2008

For and on behalf of Petronet LNG Limited

Sd/-  
P. Dasgupta  
Managing Director & CEO

Sd/-  
R. K. Garg  
Company Secretary

Sd/-  
A. Sengupta  
Director - Finance & Commercial


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

	(Rupees in lacs)	
	As at 31.03.2008	As at 31.03.2007
<b>Schedule 1 : Share Capital</b>		
<b>Authorised</b>		
1,200,000,000 Equity shares of Rs. 10/- each	120,000.00	120,000.00
<b>Issued and Subscribed</b>		
750,000,044 (Previous year 750,000,044 ) Equity Shares of Rs. 10 /- each, fully paid up	75,000.00	75,000.00
	<b>75,000.00</b>	<b>75,000.00</b>
<b>Schedule 2 : Reserves and Surplus</b>		
<b>General Reserve</b>		
Balance as per last balance sheet	783.13	-
Add: transfer from Profit & Loss Account	2,416.87	783.13
	3,200.00	783.13
Securities Premium Account	15,546.50	15,546.50
Profit & Loss Account	68,108.39	36,222.05
	<b>86,854.89</b>	<b>52,551.68</b>
<b>Schedule 3 : Secured Loans (see notes below)</b>		
<b>Term Loans from :</b>		
Banks	139,056.80	118,360.16
Others	18,705.50	19,959.50
	<b>157,762.30</b>	<b>138,319.66</b>

Note :

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

**Schedule 4 : Fixed Assets**

DESCRIPTION	(Rupees in lacs)									
	GROSS BLOCK				DEPRECIATION / AMORTISATION				NET BLOCK	
	As on 01.04.2007	Additions	Deductions	As on 31.03.2008	Upto 01.04.2007	For the year	written back	Upto 31.03.2008	As on 31.03.2008	As on 31.03.2007
<b>Tangible Assets:</b>										
Leasehold Land	775.64	-	-	775.64	200.84	25.83	-	226.67	548.97	574.80
Buildings	8,465.67	590.25	-	9,055.92	696.37	237.01	-	933.38	8,122.54	7,769.30
Plant & Machinery	183,922.65	1,775.74	-	185,698.39	28,647.73	9,762.70	-	38,410.43	147,287.96	155,274.92
Equipment & Appliances	737.52	212.61	3.97	946.16	283.22	98.49	0.97	380.74	565.42	454.30
Furniture & Fixtures	182.64	23.25	3.18	202.71	43.10	14.65	0.51	57.24	145.47	139.54
Vehicles	129.05	5.64	-	134.69	21.08	12.79	-	33.87	100.82	107.97
<b>Intangible Assets</b>										
Licenses/Softwares	340.29	25.86	-	366.15	273.78	66.53	-	340.31	25.84	66.51
<b>TOTAL</b>	<b>194,553.46</b>	<b>2,633.35</b>	<b>7.15</b>	<b>197,179.66</b>	<b>30,166.12</b>	<b>10,218.00</b>	<b>1.48</b>	<b>40,382.64</b>	<b>156,797.02</b>	<b>164,387.34</b>
Previous year	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

	(Rupees in lacs)	
	As at 31.03.2008	As at 31.03.2007

**SCHEDULE 5 : Capital work in progress**

Dahej Expansion:

- Mobilisation Advance	1,954.79	7,632.25
- Engineering / project construction	96,430.94	37,652.69
- Interest and Finance Charges	3,153.41	616.31
Buildings	22.47	232.65
Surveys, Studies and other services - Cochin	3,599.05	1,968.81
Solid Cargo Port	-	68.33
Advances for Capital Expenditure (Unsecured, considered good)	975.00	167.82
	<b>106,135.66</b>	<b>48,338.86</b>

PETRONET LNG LIMITED

	(Rupees in lacs)	
	<u>As at 31.03.2008</u>	<u>As at 31.03.2007</u>
<b>SCHEDULE 6 : Investments</b>		
<i>Non Trade - Unquoted</i>		
- Long Term		
2,11,95,000 Equity Shares (previous year 10,000) of Rs. 10 each fully paid up in Adani Petronet (Dahej)Port Pvt. Ltd*	2,119.50	1.00
300 Ordinary Shares (previous year 300) of US\$ 1 each fully paid up in India LNG Transport Company (No. 3) Limited, Malta**	0.13	0.13
**pledged with Sumitomo Mitsui Banking Corporation		
- Current investments		
Mutual Funds	52,612.11	27,800.00
(Net assets value as on 31.3.2008 is Rs. 52612 lacs) (previous year Rs. 27834.46 lacs)		
	<b>54,731.74</b>	<b>27,801.13</b>

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

**Note:**

Investments purchased and sold during the year

Mutual fund	Option	Ason 01.04.2007	Purchase during the year	Sold during the year	As on 31.3.2008	No. of units as on 31.3.2008
LIC Mutual Fund	Debt (Liquid-Dividend)	-	95,250.00	73,185.01	32,612.11	297,011,052.55
LIC Mutual Fund	Debt (Liquid-Growth)	12,800.00	1,31,987.00	145,164.61	-	-
DSP Merrill Lynch	Debt (Liquid-Dividend)	-	21,700.00	21,800.39	-	-
Kotak Mutual Fund	Debt (Liquid-Dividend)	-	43,000.00	23,133.30	20,000.00	163,557,707.25
Kotak Mutual Fund	Debt (Liquid-Growth)	-	7,900.00	7,930.62	-	-
Lotus Mutual Fund	Debt (Liquid-Growth)	-	7,250.00	7,315.06	-	-
ICICI Prudential Mutual Fund	Debt (Liquid-Dividend)	-	53,399.00	53,657.78	-	-
ICICI Prudential Mutual Fund	Debt (Liquid-Growth)	-	10,400.00	10,447.68	-	-
ING Vyasa Mutual Fund	Debt (Liquid-Dividend)	-	12,500.00	12,550.08	-	-
ING Vyasa Mutual Fund	Debt (Liquid-Growth)	-	6,989.00	7,058.98	-	-
Birla Mutual Fund	Debt (Liquid-Dividend)	-	7,429.00	7,452.80	-	-
Birla Mutual Fund	Debt (Liquid-Growth)	15,000.00	2,720.00	17,793.88	-	-
Tata Mutual Fund	Debt (Liquid-Dividend)	-	4,200.00	4,220.29	-	-
Tata Mutual Fund	Debt (Liquid-Growth)	-	9,500.00	9,523.83	-	-
JM Mutual Fund	Debt (Liquid-Dividend)	-	7,500.00	7,541.53	-	-
JM Mutual Fund	Debt (Liquid-Growth)	-	2,350.00	2,363.02	-	-
Principal Mutual Fund	Debt (Liquid-Dividend)	-	11,000.00	11,079.46	-	-
Principal Mutual Fund	Debt (Liquid-Growth)	-	7,500.00	7,535.38	-	-
Franklin Templeton Mutual Fund	Debt (Liquid-Dividend)	-	17,471.00	17,548.95	-	-
Franklin Templeton Mutual Fund	Debt (Liquid-Growth)	-	6,600.00	6,622.97	-	-
Reliance Mutual Fund	Debt (Liquid-Dividend)	-	19,630.00	19,753.90	-	-
Reliance Mutual Fund	Debt (Liquid-Growth)	-	5,000.00	5,022.31	-	-
HDFC Mutual Fund	Debt (Liquid-Dividend)	-	5,400.00	5,433.77	-	-
HDFC Mutual Fund	Debt (Liquid-Growth)	-	7,990.00	8,023.27	-	-
Standard Chartered Mutual Fund	Debt (Liquid-Dividend)	-	24,700.00	24,743.26	-	-
Standard Chartered Mutual Fund	Debt (Liquid-Growth)	-	7,000.00	7,036.75	-	-
UTI Mutual Fund	Debt (Liquid-Dividend)	-	118,000.00	118,535.06	-	-
UTI Mutual Fund	Debt (Liquid-Growth)	-	16,000.00	16,015.99	-	-
HSBC Mutual Fund	Debt (Liquid-Dividend)	-	6,900.00	6,932.15	-	-
					<b>52,612.11</b>	


**PETRONET LNG LIMITED**

		(Rupees in lacs)	
		<u>As at 31.03.2008</u>	<u>As at 31.03.2007</u>
<b>SCHEDULE 7 : Inventories</b>			
Raw Material		4,167.89	16,109.21
Raw Material in Transit		3,255.64	3,495.83
Stores and spares		1,671.38	1,388.18
		<u>9,094.91</u>	<u>20,993.22</u>
<b>SCHEDULE 8 : Sundry Debtors (Unsecured considered good)</b>			
Outstanding for a period exceeding six months		-	-
Other Debts		33,298.98	33,129.48
		<u>33,298.98</u>	<u>33,129.48</u>
<b>SCHEDULE 9 : Cash and Bank balances</b>			
Cash in Hand		0.84	0.27
Balance with Scheduled Banks:			
In Current Account		119.45	78.64
In Short Term Deposit	35,935.13		
Less: Cheques issued but not presented in Cluster Term Deposit A/cs	<u>198.99</u>	35,736.14	33,967.94
		<u>35,856.43</u>	<u>34,046.85</u>
<b>SCHEDULE 10 : Other Current Assets (Unsecured - Considered Good )</b>			
Interest accrued on Bank Deposits		414.81	149.16
		<u>414.81</u>	<u>149.16</u>
<b>SCHEDULE 11 : Loans and Advances (Unsecured-Considered Good unless otherwise stated)</b>			
Loans			
- employees		152.03	118.39
- others		818.03	1,192.17
Advances recoverable in cash or in kind or for value to be received		1,891.26	2,278.39
Advance payment of tax/TDS/MAT Credit		32,608.05	15,732.26
Claims recoverable ( considered doubtful )		-	79.89
Less : Provision		-	(79.89)
Deposits with :			
Government Authorities		392.34	510.98
Others		229.61	680.56
		<u>36,091.32</u>	<u>20,512.75</u>
<b>SCHEDULE 12 : Current Liabilities and Provisions</b>			
<b>a. Current Liabilities</b>			
Sundry Creditors			
Due to Micro, Small and Medium Enterprises		-	
Others	<u>33,878.69</u>	33,878.69	31,252.28
Security Deposits		15.63	10.10
Due to Promoter Companies		169.68	176.89
Other Liabilities		8,810.50	8,372.09
Sub total	<b>a</b>	<u>42,874.50</u>	<u>39,811.36</u>
<b>b. Provisions:</b>			
Taxation including FBT		29,689.78	7,896.28
Leave encashment and gratuity		157.46	91.53
Proposed Dividend		11,250.00	9,375.00
Tax on Proposed Dividend		1,911.94	1,593.28
Sub total	<b>b</b>	<u>43,009.18</u>	<u>18,956.09</u>
<b>Total</b>	<b>a+b</b>	<u>85,883.68</u>	<u>58,767.45</u>

	(Rupees in lacs)	
	<u>For the year ended</u> <u>31.03.2008</u>	<u>For the year ended</u> <u>31.03.2007</u>
<b>SCHEDULE 13 : Other Income</b>		
Interest received:		
- on bank deposits	2,280.95	1,745.58
(Tax deducted at source Rs 544.85 lacs (previous year Rs. 378.27lacs))		
- others	68.70	-
Surplus on disposal of current investments	868.35	1,515.67
Dividend income on current investments	1,862.94	-
Provision written back	91.84	265.48
Miscellaneous Income	185.10	132.50
	<u>5,357.88</u>	<u>3,659.23</u>
<b>SCHEDULE 14 : Personnel Expenses</b>		
Salaries and Wages*	1,873.15	1,054.76
Contribution to Provident and Other Funds	191.27	124.09
Staff Welfare Expenses	30.87	26.27
	<u>2,095.29</u>	<u>1,205.12</u>
* includes commission to directors Rs. 78.20 lacs		
<b>SCHEDULE 15 : Operating and Other Expenses</b>		
Consumption of stores and spare parts	454.09	365.22
Power & Fuel	4,440.06	4,290.39
Repair & Maintenance		
Machinery	125.44	190.87
Building	130.56	248.10
Others	75.91	528.63
Rent	393.33	422.78
Rates & taxes	166.24	341.67
Insurance	1,215.05	1,339.14
Travelling & Conveyance	615.67	565.39
Legal, Professional & Consultancy Charges	725.02	647.32
Technical Assistance Services	151.65	83.04
Directors' Sitting fees	7.60	5.90
Directors' Commission (other than Whole-time Directors)	308.44	-
Charity & Donation	21.70	6.28
Loss on sale/write off of Fixed Assets (net)	5.67	8.06
Foreign Exchange loss (net)	122.70	29.09
Wealth Tax	1.50	1.40
Interest - Others (Statutory Payments)	1.98	1.48
Claim recoverable written off	79.89	-
Less : met out of provision made	(79.89)	-
Other Expenses	<u>1,218.84</u>	<u>1,162.87</u>
	<u>10,181.45</u>	<u>10,237.63</u>
<b>SCHEDULE 16: Finance Charges</b>		
Interest on Term Loans	9,424.62	9,966.47
Bank Charges	811.02	737.49
	<u>10,235.64</u>	<u>10,703.96</u>

**PETRONET LNG LIMITED**


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**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 prescribed in the Companies (Accounting Standards) Rules, 2006 issued by the Central Government, in consultation with the National Advisory Committee on Accounting Standards and relevant provisions of the Companies Act, 1956

**2. Use of Estimates**

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

**3. Fixed Assets**

(a) Fixed Assets are stated at cost less accumulated depreciation. 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.

(c) Capital Commitments

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

**4. Depreciation / Amortisation**
Tangible Assets -

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

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

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

Intangible Assets -

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

**5. Investments**

(a) Long term investments are carried at cost after deducting provision, 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 lower of cost or net realizable value. Cost is determined on weighted average cost.

**7. Sale / Revenue Recognition**

(a) Sales are net of sales tax. Revenue from sales is recognised at the point of dispatch to the customers when risk and reward stands 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 recognized, when the right to receive the dividend is established.

**8. Foreign Currency Transactions**

- (a) Foreign currency transactions are recorded at the exchange rate prevailing on the date of transaction.
- (b) Monetary items denominated in foreign currencies (such as cash, receivables, payables etc.) outstanding at the year end, are translated at exchange rates applicable 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.
- (e) In the case of forward exchange contracts the premium or discount arising at the inception of such contracts, is amortised as income or expense over the life of the contract as well as exchange difference on such contracts, i.e. difference between the exchange rate at the reporting / settlement date and the exchange rate on the date of inception / the last reporting date, is recognized as income / expense for the period.

**9. Employee Benefits**

- (a) Provision for gratuity and leave encashment is made on the basis of actuarial valuation at the end of the year in conformity with the Accounting Standard – 15. Actuarial gain or loss are recognized in the profit and loss account.
- (b) Contribution to Provident Fund and Superannuation is accounted for on accrual basis.

**10. Borrowing Costs**

Borrowing cost attributable to acquisition, construction or production of qualifying assets are capitalised as part of the cost 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. Provisions, Contingent Liabilities and Contingent Assets**

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

**13. Impairment of Assets**

Impairment loss, if any, are recognized in accordance with the Accounting Standard-28.

## PETRONET LNG LIMITED

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### 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. 135139.71 lacs (Previous year Rs. 73831.10 lacs).

#### **2. Contingent Liabilities**

- a. Letters of Credit / Bank Guarantees Rs. 124,928.39 lacs (Previous year Rs. 96663.51 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 31.03.2008 is estimated at Rs. 1184.26 lacs (Previous year Rs. 994.68 lacs).
  - c. The Company has filed a writ petition before the Gujarat High Court challenging the legality and correctness of the notice dated April 1, 2006 from the Collector of Stamps, Bharuch stating that pursuant to the amendment to Section 24 of the Bombay Stamp Act 1958, the Company is required to pay stamp duty @ Re.1 per Rs.1000 or part thereof 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, 2008 on the total CIF value is estimated at Rs 967.16 lacs. (Previous year Rs. 455.60 lacs).
3. 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.
  4. Disclosure of Sundry Creditors under Current Liabilities is based on the information available with the Company regarding the status of suppliers as defined under the "Micro, Small and Medium Enterprises Development Act, 2006". Amount overdue at the year end on account of principal amount together with interest is Rs. Nil. This has been relied upon by the auditors.

#### **5. Segment Reporting**

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

#### **6. 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)  
Sham Sunder (Director – Technical) till July 31, 2006  
C. S. Mani (Director – Technical)

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

	Rupees in lacs	
	2007-08	2006-07
<b>Promoters</b>		
Sale of LNG	655531.39	550060.46
Services	-	834.97
Office Rent ( including electricity and maintenance )	243.73	251.61
Remuneration to Staff on deputation	77.10	48.55
Amount Receivable at year end	33313.23	33129.14
Amount payable at year end	183.93	183.93
<b>Key Management Personnel</b>		
Remuneration	166.53	72.79

**7. Earning per share (EPS) as per Accounting Standard – 20**

	Rupees in lacs	
	2007-08	2006-07
Net Profit / (Loss) after current and deferred tax	47465.34	31325.37
Weighted average number of equity shares of Rs10/- each	75,00,00,044	75,00,00,044
EPS (Rs.) - Basic and Diluted	6.33	4.18

**8. Disclosure as per AS 15 revised**

The principal assumptions used in actuarial valuation are as below

- Discount rate		8.00%
- Expected rate of return on assets		0.00%
- Expected rate of future salary increase		5.50%

	Gratuity Funded	Leave Encashment Unfunded
Change in present value of obligations		
- Present value of obligations as at 01.04.2007	36.26	55.28
- Interest cost	2.90	4.42
- Current service cost	16.93	33.30
- Benefits paid	-	-5.82
- Actuarial loss on Obligations	8.10	6.09
- Present value of obligations as at 31.03.2008	<u>64.19</u>	<u>93.27</u>
Changes in fair value of plan assets	Not Applicable	Not Applicable
Liability recognized in the Balance Sheet		
- Present value of obligations as at 31.03.2008	64.19	93.27
- Fair value of plan assets as at the end of the year	-	-
- Unfunded status	64.19	93.27
- Unrecognised Actuarial (Gain) / Loss	-	-
- Net (Assets) / Liability recognized in Balance Sheet	<u>64.19</u>	<u>93.27</u>


**PETRONET LNG LIMITED**

Expenses recognized in Profit and Loss Account		
- Current service cost	16.93	33.30
- Past service cost	-	-
- Interest cost	2.90	4.42
- Expected return on plan assets	-	-
- Net Actuarial (Gain) / Loss recognized during the year	8.10	6.09
- Total Expense recognized in Profit and Loss Account	27.93	43.81

**9. Disclosure in respect of Joint Venture**

The Company has one Joint Venture. In terms of the provisions contained in the Dahej LNG Port Terminal Concession Agreement, the Company has to develop a Solid Cargo Port along with LNG Terminal. A joint venture company "Adani Petronet (Dahej) Port Pvt Ltd (APPPL) has been formed for development of Solid Cargo Port. The Company has acquired 50% Equity in APPPL. Development of the port is under construction. The disclosure as per AS-27 are as follows -

Name	:	Adani Petronet (Dahej) Port Pvt Ltd
Description of Interest	:	Jointly Controlled Company
Description of Job	:	To develop a Solid Cargo Port along with LNG Terminal at Dahej
Proportion of Ownership Interest	:	50%
Country of Incorporation	:	India

Financial interest (on the basis of un-audited balance sheet as at 31.03.2008)

Company's share of	:	
Assets	:	Rs. 4863.48 lacs
Liabilities	:	Rs. 17.50 lacs
Income	:	Not Applicable
Expense	:	Not Applicable

**10. Deferred Tax Assets & Liabilities**

The major component of deferred tax assets and deferred tax liabilities arising out of timing differences are as under:

Rupees in lacs				
	As on 31.3.2008	Current year	As on 31.3.2007	
<u>Deferred Tax Liabilities</u>				
i	Difference between carrying amount of fixed assets in the financial statements and the income tax computation	26979	1025	25954
<b>TOTAL (A)</b>		<b>26979</b>	<b>1025</b>	<b>25954</b>
<u>Deferred Tax Assets</u>				
i	Depreciation loss carried forward for set off in future years	Nil	(1192)	1192
ii	Other items	59	17	42
<b>TOTAL (B)</b>		<b>59</b>	<b>(1175)</b>	<b>1234</b>
<b>Net Deferred Tax Assets/ (liability) (B-A)</b>		<b>(26920)</b>	<b>(2200)</b>	<b>(24720)</b>

**11. Remuneration to Whole-time Directors**

	Rupees in lacs	
	2007-08	2006-07
Salaries and Allowances	80.57	57.82
Contribution to Provident fund and Gratuity	4.65	6.04
Other benefits and perquisites	3.11	8.93
	88.33	72.79
Commission for the year 2006-07	27.09	-
Commission for the year 2007-08	51.11	-
<b>Total</b>	<b>166.53</b>	<b>72.79</b>

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

**12. Computation of Commission payable to Directors**

	Rupees in lacs	
	2007-08	2006-07
Profit before Taxation	71517.34	47557.87
Add : Directors' Fee	7.60	5.90
Remuneration to Whole-time Directors	88.33	72.79
Directors' Commission (for the year 2006-07)	148.42	-
Directors' Commission (for the year 2007-08)	238.50	-
Less : Profit on sale of Investments	(868.35)	(1515.67)
Net Profit for calculating Directors' Commission	71131.84	46120.89
Commission @ 1% on above (As per Shareholders resolution dated 14th June, 2007)	711.32	461.20
Commission payable	238.50	148.42

Note : During the year, Commission is provided, both for the year 2006-07 and 2007-08

**13. Foreign currency exposure of the Company**

	2007-08	2006-07
Foreign currency swap outstanding		
Against import of raw material	Nil	USD 78.80 Million
Unhedged foreign currency exposure		
Against import of raw material	USD 67.92 Million	USD 32.45 Million
Against payment of EPC Contractor	USD 3.17 Million	USD 2.09 Million


**PETRONET LNG LIMITED**
**14 Remuneration to Auditors**

	Rupees in lacs	
	2007-08	2006-07
Audit Fees	4.21	2.81
Limited review fees	1.69	1.35
Tax audit fees	1.12	0.84
For certification work	2.61	1.27
Reimbursement of expenses	0.24	0.32
<b>Total</b>	<b>9.87</b>	<b>6.59</b>

Note : Fees is inclusive of service tax.

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

	Rupees in lacs	
	2007-08	2006-07
a) Licensed Capacity	Not Applicable	Not Applicable
Installed Capacity (Certified by the management and not verified by the auditors, being a technical matter)	5.00 MMTPA	5.00 MMTPA
Actual Production*	6.30 MMTPA	5.60 MMPTA

\*The Company achieved higher production through de-bottlenecking and efficient utilization of certain critical equipments.

	2007-08		2006-07	
	Quantity in TBTU's	Amount (Rs. in Lacs)	Quantity in TBTU's	Amount (Rs. in Lacs)
b) Opening Stock of LNG	6.66	16109.21	4.27	5612.34
Purchases of LNG	323.76	544700.23	292.80	485143.88
Sales of RLNG	321.95	655531.39	287.08	550060.46
Internal Consumption	4.96	6207.41	3.33	5236.14
Closing Stock of LNG	3.51	4167.89	6.66	16109.21
c) Raw Material Consumed	326.91	556641.55	290.41	474647.01

	Rupees in lacs	
	2007-08	2006-07
d) <u>Value of Imports on CIF basis</u>		
Raw Material (LNG)	511701.65	455597.88
Components and spare parts	528.94	191.82
Capital Goods	29763.76	9235.16
e) <u>Expenditure in Foreign Currency (on cash basis)</u>		
Foreign Travel	108.05	58.00
Professional / Consultant / Technical Fees	4322.65	8583.61
Others (including insurance and financing charges)	828.86	495.73



	<b>Rupees in lacs</b>	
	<b>2007-08</b>	<b>2006-07</b>
f) <u>Earnings in Foreign Currency</u>		
Interest Income	42.07	58.33
g) <u>Dividend remitted to Non Residents</u>		
The Company does not make any direct remittance of dividend in foreign currency. The Company has remitted dividend to the mandatee bank and amount of dividend in foreign currency cannot be ascertained		
Number of Shareholders	1	-
Number of Shares held	7,50,00,000	-
Net amount of dividends remitted in foreign currency		
- Final dividend for the year 2006-07	937.50	-

h) Value of Imported and indigenou Raw Material and Spare parts consumed

	<b>Rupees in lacs</b>			
	<b>2007-08</b>		<b>2006-07</b>	
	%	Amount	%	Amount
<u>Raw Material</u>				
Imported	100	556641.55	100	474647.01
Others	Nil	Nil	Nil	Nil
<u>Spare Parts</u>				
Imported	24.36	110.61	30.76	112.35
Others	75.64	343.48	69.24	252.87

16 The Company has option to claim deduction under section 80IA of the Income Tax Act, 1961 in respect of Power Generation and Port Undertaking and also under section 80IB in respect of its Regasification Undertaking. However, provision for income tax has been made without considering the aforesaid deductions. The Company will review the option at the time of filing of its income tax return.

17 Previous year figures have been regrouped/rearranged wherever necessary, to correspond to current year figures.

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

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

**For and on behalf of Petronet LNG Limited**

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

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

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

**Place : New Delhi  
Date : 16<sup>th</sup> April 2008**

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


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

<b>I. Registration Details</b>			
Registration No.	55-93073	State Code	55
Balance Sheet Date	31.03.2008		
<b>II. Capital Raised during the year (Rs in Thousands)</b>			
Public Issue	NIL	Right Issue	NIL
Bonus Issue	NIL	Private Placement	NIL
<b>III. Position of Mobilisation and Deployment of Funds (Rs in Thousands)</b>			
Total Liabilities	34,653,719	Total Assets	34,653,719
<b>Sources of Funds</b>			
Paid-up Capital	7,500,000	Reserves & Surplus	8,685,489
Secured Loans	15,776,230	Unsecured Loans	NIL
<b>Application of Funds</b>			
Net Fixed Assets	26,293,268	Investments	5,473,174
Net Current Assets	2,887,277	Misc. Expenditure	NIL
Accumulated Losses	-		
<b>IV. Performance of the Company (Rs in Thousands)</b>			
Turnover	66,088,927	Total Expenditure	58,937,193
+ - Profit/Loss Before Tax	7,151,734	+ - Profit/Loss After Tax	4,746,534
(Please tick appropriate box + for Profit, - Loss)			
Earnings per Share in Rs.	6.33	Dividend Rate %	15.00
<b>V. Generic Names of Three Principal products/Services of Company (as per monetary terms)</b>			
		Principal Product Liquefied Natural Gas	
Item Code No. (ITC Code)			
Product Description			

For and on behalf of Petronet LNG Limited

Sd/-  
P. Dasgupta  
Managing Director & CEO

Sd/-  
A. Sengupta  
Director-Finance & Commercial

Place : New Delhi  
Date : 16th April, 2008

Sd/-  
R. K. Garg  
Company Secretary

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

Proxy Form

DP. Id*	
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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 10th ANNUAL GENERAL MEETING of the  
Company to be held on Wednesday, the 4th day of June, 2008 at 10:00 A.M. at Air Force Auditorium, Subroto Park,  
Dhaura Kuan, New Delhi-110 010 and at any adjournment (s) thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2008

Affix Revenue Stamp of Fifteen Paise
--

\*Applicable for investor holding shares in electronic form

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

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

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

**Attendance Slip**

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

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

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

Client Id*	
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NAME AND ADDRESS OF THE SHAREHOLDER

Number of Share(s) held:

I certify that I/we are member/proxy for the member of the Company. I/we hereby record my/our presence at the 9th ANNUAL GENERAL MEETING of the Company to be held on Wednesday, the 4th day of June, 2008 at 10:00 A.M. at Air Force Auditorium, Subroto Park, Dhaura 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