



ANNUAL REPORT **2011-2012**



Petronet LNG Limited

www.petronetlng.com

PETRONET LNG LIMITED
Board of Directors

Shri G. C. Chaturvedi	Chairman
Dr. A. K. Balyan	Managing Director & CEO
Shri C. S. Mani	Director (Technical)
Shri R. K. Garg	Director (Finance)
Shri B. C. Tripathi	Director
Shri R. K. Singh	Director
Shri Sudhir Vasudeva	Director
Shri A. M. K. Sinha	Director
Mr. Dominique PELLOUX-PRAYER	Director
Shri Tapan Ray	Director
Shri B. C. Bora	Director
Shri Ashok Sinha	Director

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Company Secretary

Shri K. C. Sharma

Statutory Auditors

M/s V. Sankar Aiyar & Company

Cost Auditors

M/s Sanjay Gupta & Associates

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

Bankers and Financial Institutions

Allahabad Bank
Asian Development Bank
Axis Bank
Bank of Baroda
Bajaj Allianz Life Insurance Company Ltd.
BNP Paribas
Canara Bank
Citi Bank
Credit Agricole
Development Bank of Singapore
HDFC Bank
ICICI Bank Limited
Indian Overseas Bank
International Finance Corporation (Washington)
Jammu & Kashmir Bank
Oriental Bank of Commerce
Proparco
Society Generale
State Bank of Hyderabad
State Bank of India
State Bank of Patiala
State Bank of Travancore
Syndicate Bank
The Hongkong & Shanghai Banking Corporation Ltd.

Registered Office

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

Dahej LNG Terminal

GIDC Industrial Estate, Plot No.7/A, Dahej,
Talukavagra, Distt. Bharuch-Gujarat - 392130
Tel. : 02641- 257004 to 257007 & 253182
Fax : 02641- 253179 & 300310

Kochi LNG Project Site

Survey No. 347,
Puthuvypu (Puthuypeen SEZ)
P.O. 682508, Kochi
Tel. : 0484-2502259
Fax : 0484-2502264

PETRONET LNG LIMITED

Registered Office: World Trade Centre, First Floor, Babar Road,
Barakhamba Lane, New Delhi -110 001

NOTICE OF 14TH ANNUAL GENERAL MEETING – 2012

NOTICE is hereby given that the 14th (Fourteenth) Annual General Meeting of the Members of Petronet LNG Limited (PLL) will be held on Wednesday, the 4th day of July, 2012 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, 2012, Statement of Profit and Loss for the year ended 31st March, 2012, together with Report of Directors and Statutory Auditors thereon.
2. To declare a dividend for the financial year ended 31st March, 2012.
3. To appoint Directors in place of those retiring by rotation.
4. 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 T. R. Chadha & Co., Chartered Accountants (Regn. No. 006711N), New Delhi, be and are hereby appointed as Statutory Auditors of the Company to hold office from the conclusion of the Fourteenth Annual General Meeting till the conclusion of the next Annual General Meeting at a remuneration of Rs. 8 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)

5. **“RESOLVED THAT** pursuant to Article 111 of Articles of Association of the Company and the provisions of Section 198, 269, 309 and the provisions of

Schedule XIII and all other applicable provisions of the Companies Act, 1956 and subject to approval of the Central Government, if required and such alterations / modifications, if any, that may be affected by the above mentioned body in that behalf, approval of the Members be and is hereby accorded to the appointment of Shri R. K. Garg as Director (Finance) for a period of five years w.e.f. 20th July, 2011 on the terms and conditions as stated in Explanatory Statement, with liberty to the Board of Directors to alter and vary the terms and conditions of appointment and/or remuneration, subject to the same not exceeding the limits specified under Schedule XIII of the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof.”

6. **“RESOLVED THAT** Shri Sudhir Vasudeva, Nominee Director of Oil and Natural Gas Corporation Ltd. (ONGC), who has been appointed as an Additional Director of the Company by Board of Directors under Section 260 of the Companies Act, 1956 and who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director under Section 257 of the Companies Act, 1956, be and is hereby appointed as Director of the Company liable to retire by rotation.”
7. **“RESOLVED THAT** pursuant to a notice received in writing from Shri B. S. Iyer, a Member of the Company, signifying his candidature for the office of Director under Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company, liable to retire by rotation”.

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

8. **“RESOLVED THAT** in accordance with the provisions in the Memorandum and Articles of Association of the Company and the applicable provisions of the Companies Act, 1956 (hereinafter referred to as the “Act”) and subject to compliance, if required, with the provisions of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, (hereinafter referred to as the

PETRONET LNG LIMITED

“SEBI ESOP Guidelines”) including any statutory modification(s) or re-enactment of the Act or SEBI ESOP Guidelines, for the time being in force, and all other regulations / guidelines prescribed by any other relevant Authority, from time to time to the extent applicable, and subject to such other approvals, permissions or sanctions as may be necessary including conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions which may be agreed to by the Board of Directors of the Company (hereinafter referred to as ‘the Board’ which term shall be deemed to include any Committee(s) which the Board may constitute to exercise its powers, including the powers conferred by this resolution), consent of the Members be and is hereby accorded to the Board for the introduction and implementation of the Employee Stock Option Plan 2011 (hereinafter referred to as “ESOP - 2011” or “Prerna”) to create, offer and grant such number of Stock Options to the permanent employees, existing and future, including any Director of the Company, whether Whole-time or otherwise, from time to time, as may be decided solely by the Board exercisable into not more than 75 lakhs Equity Shares in the Company in aggregate fully paid-up of face value of Rs. 10 each, which shall be acquired from the secondary market through an ESOP Trust set-up by the Company, at such price or prices, in one or more tranches and on such terms and conditions, as may be determined by the Board in accordance with the provisions of the ESOP - 2011 and the applicable laws and regulations.

RESOLVED FURTHER THAT pursuant to the provisions of Act, consent of the Members be and is hereby accorded to sanction an interest free loan up to Rupees One Hundred Twenty Crores to the ESOP Trust, in one or more tranches to facilitate purchase and acquisition of Equity Shares in the Company for the purpose of effective implementation and administration of the ESOP - 2011, being repayable to and recoverable by the Company from time to time during the term of the ESOP – 2011.

RESOLVED FURTHER THAT the Board be and is hereby authorized at any time to modify, change, vary, alter, amend, suspend or terminate the

ESOP – 2011 subject to the compliance with the applicable laws and regulations and to do all such acts, deeds, matters and things as may in its absolute discretion deem fit, for such purpose and also to settle any issues, questions, difficulties or doubts that may arise in this regard without being required to seek any further consent or approval of the Members and further to execute all such documents, writings and to give such directions and or instructions as may be necessary or expedient to give effect to such modification, change, variation, alteration, amendment, suspension or termination of the ESOP -2011 and do all other things incidental and ancillary thereof.

RESOLVED FURTHER THAT the Company shall conform to the accounting policies prescribed from time to time under the SEBI ESOP Guidelines and any other applicable laws and regulations to the extent relevant and applicable to the ESOP – 2011.

RESOLVED FURTHER THAT the Board, be and is hereby authorized to do all such acts, deeds, and things, as may, in its absolute discretion, deem necessary including authorizing or directing ESOP Trust to appoint Merchant Bankers, Brokers, Solicitors, Registrars, Advertisement Agency, Compliance Officer, Investors Service Centre and other Advisors, Consultants or Representatives, being incidental to the implementation and administration of the ESOP – 2011 as also to prefer applications to the appropriate Authorities, Parties and the Institutions for their requisite approvals as also to initiate all necessary actions for the preparation and issue of public announcement and filing of public announcement, if required, with the SEBI/Stock Exchange(s), and all other documents required to be filed in the above connection and to settle all such questions or difficulties whatsoever which may arise and take all such steps and decisions in this regard.”

By Order of the Board
For Petronet LNG Limited



(K. C. Sharma)
Company Secretary

Place : New Delhi
Date : 22nd May, 2012

NOTES:

1. The Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of the Item No. 4, 5, 6, 7 and 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. In terms of Article 108 of Articles of Association of the Company, read with Section 256 of the Companies Act, 1956, Shri B. C. Tripathi, Mr. Dominique PELLOUX - PRAYER and Shri Tapan Ray are liable to retire by rotation at the ensuing Annual General Meeting of the Company and being eligible, offers themselves for re-appointment. In terms of provisions of Clause 49 of the Listing Agreement, the brief resume of Shri B. C. Tripathi, Mr. Dominique PELLOUX - PRAYER and Shri Tapan Ray forms part of the Notice.
5. All documents referred to the accompanying Notice and the Explanatory Statement(s) are open for inspection at the Registered Office of the Company during office hours on all working days except Saturday and Sunday between 11.00 a.m. to 1.00 p.m. up to the date of the Annual General Meeting.
6. Members / Proxies should bring the Attendance Slip duly filled for attending the Meeting.
7. Members are requested to bring their copies of the Annual Report to the Meeting.
8. Members holding Shares in physical mode are requested to notify the **change in their Address / Bank Account/update e-mail ID** 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.
9. Members holding shares in De-mat mode are requested to notify the **change in their Address / Bank Account/update e-mail ID** to their respective Depository Participant(s) (DP).
10. Members must quote their Folio Number / De-mat Account No. in all correspondence with the Company / R&T Agent.
11. No gift will be distributed at the Annual General Meeting.
12. The Register of Members and Share Transfer Books of the Company will remain closed from 25th June, 2012 to 4th July, 2012 (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 9th July, 2012 to the Members or their Mandates whose name appear on the Company's Register of Members on 24th June, 2012 in respect of physical Shares and in respect of Dematerialized Shares, the dividend will be payable to the beneficial owner of the shares whose name appear in the statement of beneficial ownership furnished by NSDL and CDSL at close of business hours on 22nd June, 2012.
13. 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.
14. Entry to the Auditorium will be strictly against entry slip available at the counters at the venue and against exchange of Attendance Slip.
15. Any briefcase / bags / eatables will not be allowed to be taken inside the Auditorium.
16. Annual Listing Fee for the year 2012-13 has been paid to all Stock Exchanges wherein Shares of the Company are listed.
17. 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.
18. Pursuant to the provisions of Section 205C (2) (b) of the Companies Act, 1956, the Company had transferred to the **Investor Education and Protection Fund (IEPF)** established by the Central Government during the year 2011, the unpaid or unclaimed application moneys received for allotment of shares at the time of IPO of the Company and due for refund for the last seven years completed on 22nd March, 2011.

PETRONET LNG LIMITED
EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956
ITEM NO: 4

M/s V. Sankar Aiyar & Co., Chartered Accountants (Regn. No.109208W), were appointed as the Statutory Auditors of the Company in the Thirteenth Annual General Meeting held on 30th June, 2011 in terms of Section 224A of the Companies Act, 1956. The Auditors shall hold office till the conclusion of the ensuing Annual General Meeting.

M/s V. Sankar Aiyar & Co., Chartered Accountants, are the Statutory Auditors of the Company since its inception. M/s V. Sankar Aiyar & Co. has informed vide letter dated 24th April, 2012 that they would not like to be considered for re-appointment as Auditors of the Company at the ensuing Annual General Meeting. Based on the recommendation of the Audit Committee, your Directors considered the appointment of M/s T. R. Chadha & Co., Chartered Accountants, as the Statutory Auditors of the Company.

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, Directors of your Company recommend the appointment of M/s T. R. Chadha & Co., Chartered Accountants, by passing a Special Resolution, as the new Statutory Auditors of the Company who will hold office from the conclusion of the ensuing Annual General Meeting till the conclusion of the next Annual General Meeting at a remuneration of Rs. 8 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: 5

Shri R. K. Garg was appointed as Director (Finance) by the Board in its Meeting held on 20th July, 2011 for a period of five years on the following terms and conditions-

Salary

Basic pay has been fixed at Rs. 1, 14,450/- p.m. with an annual increment of 5% on basic pay.

Perquisites

a. **Housing:** Rent free furnished accommodation along with the benefits of gas, fuel, water, electricity

(Rs. 2000/- per month), telephone internet and fax as also upkeep and maintenance of Company's furnished accommodation.

or

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

- b. **Medical Reimbursement:** Reimbursement of medical expenses for self and family including dependent parents at actual.
- c. **Leave Travel Allowance:** Leave Travel Allowance will be paid by the Company for self and family once in a year subject to a ceiling of one and half month's basic salary.
- d. **Club Fees:** Reimbursement of club fees, subject to maximum of two clubs.
- e. **Personal Accident Insurance Policy:** The Company subject to a maximum premium of Rs. 4000 /- p.a., will provide Personal Accident Insurance Cover as applicable.
- f. **Furniture at residence** upto Rs. 3 lacs subject to recovery of Rs. 100/- p.m and payment of 10% on maintenance allowance on self certification basis with option to repurchase at book value after 7 years or on retirement whichever is earlier.

Other benefits

- a. Contribution to Provident Fund, Superannuation Fund/Annuity Fund in accordance with the rules of the Company.
- b. Gratuity at a rate not exceeding one half month's basic salary for each completed year of service.
- c. Car with services of a driver to be maintained by the Company for official use. The permissible limit for personal use would be 1000 KMs per month with an annual ceiling of 12000 KMs against a monthly deduction of Rs. 600/- p.m.
- d. Telephone/Fax/Internet facility at actual.
- e. Leave/Leave Salary as per the rules of the Company.
- f. The performance incentive would be decided by the Remuneration Committee to be constituted by the Board on a year to year basis based on the performance of the Company.
- g. Commission on profit, if any, decided by the Board on yearly basis, subject to and within the ceiling as may be approved by the Shareholders.
- h. Any and all allowances, perquisites and benefits under the appropriate schemes and rules applicable

generally to the officers of the Company provided however that the total remuneration shall be within the ceiling prescribed under Schedule XIII of the Companies Act, 1956.

- i. The appointment will be subject to termination by three-month notice in writing on either side.

Tenure of appointment is for a period of 5 years from the date of taking over the charge of Director (Finance).

The appointment and other services terms will be subject to the relevant provision of the Companies Act, 1956 and as amended from time to time.

No Sitting Fees will be paid for attending the meetings of the Board or any Committee thereof.

As per the requirement of the Companies Act, 1956, the appointment of Director (Finance) is required to be approved by the Shareholders in the General Meeting. Your Directors recommend the resolution for approval of the Shareholders including the terms & conditions as set out above.

Shri R. K. Garg is interested in the resolution to the extent of his appointment as Director (Finance). No other Director of the Company is in any way concerned or interested in the proposed resolution.

ITEM NO: 6

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 Sudhir Vasudeva was appointed as Additional Director w.e.f. 21st November, 2011 on the Board of the Company. Pursuant to the provisions of Section 260 of the Companies Act, 1956, he holds office as Director up to the date of ensuing Annual General Meeting. The Company has received a notice under Section 257 of the Companies Act, 1956, from a Shareholder proposing the name of Shri Sudhir Vasudeva as Director of the Company. A brief resume of Shri Sudhir Vasudeva as required in terms of Clause 49 of the Listing Agreement is enclosed with the notice. Your Directors recommend the resolution for approval of the Shareholders.

Shri Sudhir Vasudeva is interested in the resolution to the extent of his appointment as Director. No other Director of the Company is in any way concerned or interested in the proposed resolution.

ITEM NO: 7

The Company has received a notice dated 21st May, 2012 from Shri B. S. Iyer, a Member of the Company, signifying his candidature for the office of Director under Section 257 of the Companies Act, 1956. A brief resume of Shri B. S. Iyer as required in terms of Clause 49 of the Listing Agreement is enclosed with the notice.

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

ITEM NO: 8

Equity based compensation is considered to be an integral part of employee compensation across sectors which enables alignment of personal goals of the employees with organizational objectives by participating in ownership of the Company through stock option scheme. Your Company intends to use this Plan to attract and retain the talents in the organization. The Company views employee stock options as instruments that would enable the employees to share the value they create for the Company in the years to come.

Your Company appreciates the critical role its people play in the organizational growth. It strongly feels that the value created by its people should be shared with them. To promote the culture of employee ownership in the Company, approval of the Shareholders is being sought for the issue of stock options to the employees of the Company through the ESOP Trust.

The main features of the ESOP - 2011 are as under:

Total number of shares

No fresh Equity Shares of the Company shall be issued by the Company for the implementation of the ESOP – 2011. Equity Shares in the Company shall be acquired through the ESOP Trust by means of purchase from the secondary market. Such Equity Shares shall be transferred to the eligible employees of the Company in accordance with the provisions of the ESOP – 2011 and applicable laws and regulations.

The total number of Equity Shares that can be transferred to the participating employees over the term of the ESOP- 2011 shall not exceed 75 lakhs Equity Shares in the Company fully paid-up of face value of Rs. 10 each where one Stock Option shall be exercisable into one Equity Share in the Company

Eligible employees

The permanent employees including the Directors of the Company whether Whole-time or otherwise on the basis of their length of continuous employment with the Company, designation and/ or such other criteria shall be eligible to participate in the ESOP – 2011 from time to time as may be decided by a Committee of Directors comprising of majority of Independent Directors (“Remuneration / HR Sub Committee”).

Purpose of ESOP – 2011

ESOP – 2011 aims at rewarding and motivating the employees of the Company for their past association and performance as well as to motivate them to contribute to the corporate growth and profitability in

PETRONET LNG LIMITED

future. To achieve the aforesaid objectives, the Company contemplates for grant of 'Loyalty Options' and 'Performance Options' respectively to reward:

- a) Loyalty of the employees who have served the Company for a continuous period of such years as shall be decided in this behalf.
- b) Certain class or classes of employees as decided in this behalf with an intention to retain, reward, and motivate to achieve individual and corporate performance.

Transferability of employee stock options

The stock options granted to an employee will not be transferable to any person and shall not be pledged, hypothecated, mortgaged or otherwise alienated in any manner. However, in the event of the death of an employee stock option holder while in employment, the right to exercise all the options granted to him till such date shall be transferred to his legal heirs or nominees.

Requirements of vesting and period of vesting

The stock options granted shall vest so long as the employee continues to be in the employment of the Company. In addition to this condition, the Remuneration / HR Sub Committee may lay down certain performance conditions on the achievement of which the granted options would vest, the detailed terms and conditions relating to such performance-based vesting, and the proportion in which the options granted would vest subject to the minimum vesting period of one year and maximum vesting period of five years.

Exercise price or pricing formula

The exercise price per option shall be the Market Price of an Equity Share in the Company as on date of grant.

Exercise period and the process of exercise

The exercise period would commence from the date of vesting and will expire on completion of 5 years from the date of vesting of options. The shares arising out of exercise of vested options would not be subject to any lock-in period after such exercise.

The options will be exercisable by the employees by a written application to the ESOP Trust to exercise the options in such manner, and on execution of such documents, as may be prescribed in this behalf from time to time.

The options will lapse if not exercised within the specified exercise period.

Prachase of shares by the Trust

The ESOP Trust shall purchase the Company's shares from the secondary market (on behalf of the beneficiary

employees) based on the prevailing market price on the designated dates. The Trust shall endeavor to procure the necessary quantum of shares at the same market price but would be guided by market conditions as on the date of such purchase. The Company would provide interest free loan of Rs. 120 crores to ESOP Trust in one or more tranches to facilitate purchase and acquisition of equity shares from the secondary market which would be repayable to the Company by ESOP Trust during the term of ESOP-2011.

Appraisal process for determining the eligibility of the employees to ESOP

The options shall be granted to the employees as per performance appraisal system of the Company.

Maximum number of options to be issued per employee and in aggregate

The number of options that may be granted to any specific employee under the Scheme shall not exceed 0.10% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant of options. In aggregate, the options to be granted would not be more than 75 lakhs, each option convertible into one fully paid-up equity share having a face value of Rs. 10/-.

Disclosure and accounting policies

The Company shall comply with the disclosure and the accounting policies prescribed as per SEBI Guidelines.

Method of option valuation

To calculate the employee compensation cost, the Company shall use the Intrinsic Value Method for valuation of the options granted. The difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options and the impact of this difference on profits and on EPS of the Company shall also be disclosed in the Directors' report.

Consent of the Members is being sought pursuant to the provisions of the Companies Act, 1956 and SEBI ESOP Guidelines applicable, if any.

None of the Directors of the Company are in any way concerned or interested in the resolution except to the extent of the securities that may be offered to them under the Plan.

By Order of the Board
For Petronet LNG Limited



(K. C. Sharma)
Company Secretary

Place : New Delhi
Date : 22nd May, 2012

ATTENTION MEMBERS
“GREEN INITIATIVE IN CORPORATE GOVERNANCE”

The Government of India, Ministry of Corporate Affairs (“**Ministry**”) has initiated a “Green Initiative in Corporate Governance” by allowing paperless compliances by Companies through electronic mode. In terms of the Circular No.17/2011 dated 21st April, 2011 and Circular No. 18/2011 dated 29th April, 2011 issued by the Ministry, Companies can now send notices / documents (including but not limited to notice calling Annual General Meeting, Audited Financial Statements, Directors’ Report, Auditors’ Report etc.) through electronic mode to its Members, whose e-mail addresses are registered with the Company or with the concerned Depository Participant which shall be deemed to be in compliance of the provisions of the Section 53 of the Companies Act, 1956, read with applicable provisions of the Information Technology Act, 2000. You would agree, it is a welcome move for the society at large as this will reduce paper consumption to a great extent and allow public at large to contribute towards a greener environment. This step will also help in speedy communication of the documents and also evade loss in postal transit. We are sure that you would appreciate the “Green Initiative” taken by the Ministry and hereby solicit your patronage and support in helping the Company to implement the e-governance initiatives of the Ministry. Considering the below mentioned advantages of registration for e-communication, this is also a golden opportunity for every Member of **Petronet LNG Limited (the Company)** to contribute towards Corporate Social Responsibility initiative provided you all register your e-mail id with the concerned Depository Participant to receive above-mentioned notices / documents through electronic mode and you are not required to re-register unless there is a change in your e-mail address.

ADVANTAGES OF REGISTERING FOR E-COMMUNICATION

- > Contribute towards Corporate Social Responsibility
- > Save costs on paper and on postage
- > Receive communication promptly
- > Reduce paper consumption and save trees
- > Eliminate wastage of paper
- > Avoid loss of document in postal transit

We find that either your e-mail id is not registered with the Depository Participant or you are holding shares in Physical form. We intend to send, through electronic mode, notices/ documents etc. of the Company, henceforth, all you have to do is to register your e-mail id with the concerned Depository Participant or update the same with the Company’s Registrar and Transfer Agent i.e. **Karvy Computershare Private Limited (Transfer Agent), Plot No. 17 to 24, Vittal Rao Nagar, Madhapur, Hyderabad – 500081.**

PETRONET LNG LIMITED
**BRIEF BIOGRAPHY OF DIRECTORS PROPOSED TO BE APPOINTED/
REAPPOINTED AS REQUIRED IN TERMS OF LISTING AGREEMENT**
Shri B. C. Tripathi

Shri B.C. Tripathi is the Chairman & Managing Director of GAIL (India) Ltd. and a nominee Director of GAIL (India) Ltd. on the Board of Petronet LNG Ltd. He is a Mechanical Engineer, Graduate from NIT Allahabad, formerly known as Moti Lal Nehru Regional Engineering College, Allahabad. He started his career in ONGC and subsequently joined GAIL in 1984. Shri Tripathi is one of the founder employees of GAIL and has worked under different capacities in different departments in GAIL. He was involved in the construction and commissioning of the HBJ pipeline Project, which received Silver Medal for Excellence in Project Management in the Mega Project Category from International Project Management Association, Germany.

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

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

Shri B. C. Tripathi is the Chairman of Shareholders' Issues and Grievances Redressal Committee of Mahanagar Gas Ltd.

Mr. Dominique PELLOUX-PRAYER

Mr. Dominique PELLOUX-PRAYER is the nominee Director of GDF International on the Board of Petronet LNG Ltd. He is Graduate Engineer from the Ecole Centrale de Paris, joined Gaz de France in 1980. He worked as Deputy Vice-President for LNG within Gaz de France from 2004 to 2008, and was appointed as of October 2008 as Vice-President of GDF SUEZ, heading the Facilities Asset Management Department of the LNG Division, in charge of the interests of the Group in liquefaction plants and supply-driven receiving terminals.

Mr. Dominique holds Directorship in the following other Company.

Name of the Company	Position Held
GNL Saint-Laurent (Canada)	Director

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

Shri Tapan Ray

Shri Tapan Ray is the Managing Director of Gujarat State Petroleum Corporation Ltd (GSPCL). He is the nominee Director of Gujarat Maritime Board / the Govt. of Gujarat on the Board of Petronet LNG Ltd. Before joining GSPCL, he was Principal Secretary (Economic Affairs), Finance Department. He is an IAS Officer, Gujarat (1982 Batch) and having rich administrative and corporate experience. He also holds degree in Engineering from IIT Delhi, a post graduate degree in Public Policy from Princeton University, USA, a Masters in Public Administration from Syracuse University, USA and a degree in law with various diplomas.

Shri Tapan Ray holds Directorship/Chairmanship in the following other Companies:

Name of the Companies	Position Held
Sabarmati Gas Ltd.	Chairman
Gujarat State Petroleum Corporation Ltd.	Managing Director
Gujarat State Petronet Ltd.	Managing Director
GSPC Pipavav Power Company Ltd.	Director
Gujarat Info Petro Ltd.	Director
GSPC Gas Company Ltd.	Director
Gujarat State Energy Generation Ltd.	Director
ONGC Petro Additions Ltd.	Director
GSPC LNG Ltd.	Director
GSPC (JPDA) Ltd.	Director
GSPL India Gasnet Ltd.	Director
GSPL India Transco Ltd.	Director
GSPC Marginal Fields Ltd.	Director
GSPC Distribution Networks Ltd.	Director

Shri Tapan Ray is Member/Chairman of Committees of Board of the following other Companies:

Name of the Companies	Name of the Committee(s)	Chairman/Member
GSPC Gas Company Ltd.	Audit Committee	Member
Gujarat State Petronet Ltd.	Investors' Grievance Committee	Member
Gujarat State Energy Generation Ltd.	Audit Committee	Member

Shri R. K. Garg

Shri R. K. Garg has taken over the charge of Director (Finance) of Petronet LNG Limited on 20th July, 2011. He possesses rich experience of over three decades in the areas of Finance, Commercial, Legal, Compliance etc. He is a Post Graduate in Commerce and Member of the Institute of Chartered Accountants of India and Institute of Company Secretaries of India.

He joined the Company in its initial formative years in 2001 as Vice President (Finance) & Company Secretary and has been a part of the key senior management team involved in all its strategic decisions for sourcing of LNG, sales agreements, construction and financing of LNG terminals.

Shri Garg started his career with SAIL in the year 1979 as Junior Finance Officer and after working for over two decades in various disciplines in Finance and Corporate Planning, became the Company Secretary of SAIL. He moved from SAIL to Petronet LNG Limited.

Shri R. K. Garg holds Directorship/Chairmanship in the following other Companies:

Name of the Companies	Position Held
Adani Petronet (Dahej) Port Pvt. Ltd.	Director
India LNG Transport Co. (No. 3) Ltd., Malta	Director

Shri R. K. Garg is not a Member/Chairman of Committees of Board of Directors of any other Company.

Shri Sudhir Vasudeva

Shri Sudhir Vasudeva is the Chairman & Managing Director of ONGC Ltd. and the nominee Director of ONGC on the Board of Petronet LNG Ltd. He is a Gold Medalist

Chemical Engineer from National Institute of Technology, Raipur, joined ONGC in 1976. He climbed the corporate ladder steadily and joined ONGC Board as Director (Offshore) in February, 2009. With over three and half decades of experience in the entire gamut of upstream oil and gas business on the larger canvas of ONGC, Shri Vasudeva took over as the Chairman & Managing Director of ONGC on October 3, 2011.

Shri Sudhir Vasudeva holds Directorship/Chairmanship in the following other Companies:

Name of the Companies	Position Held
Oil & Natural Gas Corporation Ltd.	Chairman and Managing Director
Mangalore Refinery & Petrochemicals Ltd.	Chairman
ONGC Videsh Ltd.	Chairman
Mangalore SEZ Ltd.	Chairman
ONGC Manglore Petrochemicals Ltd.	Chairman
ONGC Tripura Power Company Ltd.	Chairman
ONGC Petro Additions Ltd.	Chairman
Pawan Hans Helicopters Ltd.	Director

Shri Sudhir Vasudeva is not a Member/Chairman of any Committees of Board of Directors of any other Company.

Shri B. S. Iyer

As informed by Shri B. S. Iyer, he is a fellow Member of the Institute of Company Secretaries of India and also post graduate in Law. He had served in Legal and Secretarial departments of Hindustan Diamond Company Ltd., Astra Zeneca Ltd. He joined Motor Industries Company Ltd. (Now Bosch Ltd.), in June, 1992 and the position last held was Vice President (Legal Counsel and Company Secretary) and retired in 2009.

Presently, Shri B. S. Iyer holds Directorship in the following Companies:

Name of the Companies	Position Held
Human International India Pvt. Ltd.	Alternate Director
3M India Ltd.	Director
ZF Steering Gear (India) Ltd.	Director

PETRONET LNG LIMITED
Directors' Report
Dear Shareholders,

On behalf of the Board of Directors, it is my privilege and honour to place before you the fourteenth Annual Report and the Audited Accounts of your Company for the year ended 31st March, 2012.

I am pleased to inform you that your Company has played an instrumental role in promoting economic growth by inducing growth of the natural gas sector in the Country. This was achieved by mitigating the deficit and shortfall in domestic gas availability. It is a matter of immense pride that despite the supply-constrained natural gas market in India, your Company owns and operates the Country's first and largest LNG terminal at Dahej, Gujarat. Your Company's vision to do better has led to meeting the primary objective of catalyzing the growth of Indian gas sector through enhancing the gas supply and, thereby, satisfying the needs of existing consumers as well as developing new consumers. On one hand, your Company is continuously making sincere efforts to further leverage the potential of imported LNG in the Indian market and on the other hand, your Company is striving to be the nation's key energy provider. You shall be pleased to know that your Company continues to maintain a steady growth in its financial and operating performance during the year 2011-12.

PHYSICAL PERFORMANCE

During the year under review, the operations of Dahej terminal have surpassed its name plate capacity i.e. 10 MMTPA. During the financial year 2011-12, Dahej terminal handled 172 cargoes as opposed to 136 cargoes



Employee working at Dahej LNG Terminal

in the previous year. The terminal supplied 548 TBTU's regasified LNG in 2011-12 as against 440 TBTU's in previous



Employee working at Dahej LNG Terminal

year 2010-11. As many as 1165 road tankers were loaded and dispatched during the year under review as against 689 tankers in the previous year.

FINANCIAL PERFORMANCE

You shall be happy to note that during the period 2011-12, your Company has clocked a substantial growth, both in turnover and profits. The turnover during the year under review was at Rs. 22,695.86 Crores as against Rs. 13,197.29 Crores in 2010-11. Gross margin stood at Rs. 2,194.00 Crores as against Rs. 1,464.46 Crores in the previous year. Net profit during the year was Rs. 1,057.54 Crores as against Rs. 619.61 Crores in the previous year. Your Company's constant endeavour to achieve higher capacity utilization, maximizing sales and better operational efficiencies has led to increased profitability. A summary of the comparative financial performance in the fiscal 2011-12 and 2010-11 is presented below:

Particulars	(Rs. in Crores)	
	2011-12	2010-11
Turnover	22,695.86	13,197.29
Other Income	84.88	68.37
Total Revenue	22,780.74	13,265.66
Cost of Import of LNG	20,586.74	11,801.20
Gross Margin	2,194.00	1,464.46
Salary and Other	279.88	179.96
Operating Expenses		
Finance Charges	177.39	193.41
Depreciation	184.19	184.68
Profit before Taxation	1,552.54	906.41
Provision for Tax / Deferred Tax	495.00	286.80
Profit after Taxation	1,057.54	619.61
Earnings per Share (Rs. / Share)	14.10	8.26

DIVIDEND

Keeping in view the consistent performance and secured financial position of the Company, the Directors are pleased to recommend a dividend of 25% on the paid-up share capital of the Company for the year ending 31st March, 2012.

LNG SOURCING

With a firm objective to quench India's growing gas demand, stemming primarily from high-priority sectors such as power and fertilizer, and armed with expanded, state-of-the-art facilities at the Dahej LNG Terminal, your Company has been engaged in sourcing additional volumes of LNG on long-term, medium-term and spot basis for the downstream customers. Your Company continued to maintain excellent cordial relations with most of the global LNG suppliers for import of LNG supplies. Your Company intends to further diversify sources of LNG to ensure security of supplies. For the available capacity at Dahej LNG Terminal as well as for the expected capacity at the Greenfield Kochi Terminal, your Company is in constant touch with various LNG suppliers to source LNG volumes beyond the present 7.5 MMTPA imported from Qatar and 1.44 MMTPA from Australia. To meet the ever-growing additional requirement of natural gas in the Country, your Company has also executed short-term deals with various global LNG suppliers for approximately 0.60 MMTPA besides ongoing agreements for approximately 1.00 MMTPA. Constant efforts are being made to supply RLNG to bridge the demand created due to shortage in domestic supplies and increasing demand from power, fertilizer industries, city gas, refinery, petrochemical etc.

EXPANSION OF DAHEJ TERMINAL FROM 10 MMTPA TO 15 MMTPA

Keeping in view the gas demand scenario in the Country and after extensive discussions with GAIL, GSPC and others for capacity allocation on "Use or Pay" basis, the Board of Directors of your Company has accorded its approval to expand the capacity of Dahej terminal, from present 10 MMTPA to 15 MMTPA handling capacity, at an estimated project cost of USD 590 million. The expansion would involve construction of two additional storage tanks and additional Re-gas facilities of 5 MMTPA.



Employee in control room at Dahej LNG Terminal

The activities regarding acquisition of land are also in progress. Gujarat Maritime Board (GMB) has also accorded its 'In-Principle' approval for the allocation of additional area towards west of Petronet's plot for reclamation of additional land. The proposal for diversion of approximately 28 hectares of land for Dahej Phase III expansion is under active consideration of the forest department.

Requisite action for various pre-project activities including awarding FEED Contract and obtaining statutory approvals has already been initiated. The project is likely to be mechanically completed by the 4th quarter of 2015.

Second LNG Jetty at Dahej

The capacity utilization of Dahej Terminal is increasing substantially and the operational practices are at par with the highest international standards. The Company has commenced construction of second LNG Berth



Construction of Second LNG Jetty at Dahej

(Jetty) in Dahej to mitigate associated risks of port operations and also to enhance the capacity of terminal from its existing capacity of 10 MMTPA. The two EPC contracts for the construction of Jetty were awarded in January 2012, and the Jetty is likely to be commissioned by December 2013. Presently, the EPC contractors are mobilized at site, and the construction activity of marine works has commenced.

Shipping Arrangement

Presently, three LNG tankers- 'Disha', 'Raahi' and 'Aseem' are regularly bringing LNG cargos from RasGas, Qatar to Dahej as per schedule. These three ships are transporting the contracted quantity of 7.5 MMTPA of LNG.

The Shipping Corporation of India (SCI) is equity partner in the ship-owning companies. Disha and Raahi have been manned, managed / maintained and operated by SCI since December 2008. SCI is also manning Aseem



PETRONET LNG LIMITED



LNG Tanker - ASEEM

since its delivery. K-Line is providing excellent technical management for first five years and is also training SCI for management, maintenance and operation of Aseem.

Direct Marketing of LNG

For consumers who are not connected with the gas pipeline, your Company has initiated steps to market the LNG directly to consumers across the Country, through overland transportation using LNG trucks/hubs. This direct marketing model is prevalent in several parts of the world and is an effective and affordable way of reaching out to far-flung consumers in urgent need of fuel supply. The concept makes use of the already existing road network as against setting up of complex pipeline network.

In synchronization with our firm belief to produce an eco-friendly fuel, the Company has launched its product under the generic brand name **Taral**. Your Company



Launching of the generic brand name **Taral**

would bring LNG to customers as **Taral**, the new-age fuel, through LNG satellite hub stations that will serve the industries which are not connected through

pipelines, automotives - initially buses / trucks on highways, housing complexes, kitchens, etc.

LNG TERMINAL AT KOCHI

The construction of the Green Field LNG Receiving, Storage and Re-gasification facility at Kochi is nearly complete. The LNG storage tanks awarded to IHI, Japan have been hydro-tested and purged with Nitrogen. The storage tanks' mechanical completion has been achieved and are ready for cool down.



Construction of upcoming LNG Terminal at Kochi

The Marine facility, being built by Afcons Infrastructure Ltd., India, is almost complete except for dredging activity, which is likely to be completed before the monsoon commences in 2012.

Re-gasification facility work, awarded to CTCL, Taiwan, is also nearly complete. Pre-operative testing and pre-commissioning activities are in progress. The Kochi terminal shall be ready for commercial operation in the 4th Quarter of 2012.

FUTURE PLANS

With the vision to excel and considering the substantial demand of natural gas in the Country, your Company



Signing of binding term sheet with Gangavaram Port Ltd.

has made concrete plans to construct one more LNG terminal on the eastern coast of India at Gangavaram Port in Andhra Pradesh. The Company has already assessed the market demand in the region and has already conducted a Detailed Feasibility Report for building a LNG Terminal at Gangavaram. In this regard, your Company has signed a binding term sheet with Gangavaram Port Ltd. for setting up LNG Terminal, having a capacity of 5 MMTPA. The terminal is likely to be completed by the year 2016.

SOLID CARGO PORT AT DAHEJ

A Solid Cargo Port is being implemented through a Joint Venture Company, namely, Adani Petronet (Dahej) Port Private Ltd., in which your Company holds 26% of the equity. The port has commenced operations for the two berths during 2011-12. The Solid Cargo Port is equipped with latest facilities to import/export about 15 MMTPA of capacity for bulk products like coal, steel, fertilizer etc.

DEPOSITS

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

EMPLOYEE PARTICULARS

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 particulars of employees are set out in the annexure to the Directors' Report.

CORPORATE GOVERNANCE

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION

All possible measures have been undertaken successfully by your Company to achieve the desired objective of energy conservation and technology absorption. Your Company's engineers have been deeply involved with the Consultants and the Contractors in all phases of designing of Dahej and Kochi projects,

in order to ensure optimum conservation of energy and absorption of technology.

INDUSTRIAL RELATIONS

Your Company continued to enjoy cordial and smooth relations amongst all its employees. No man days were lost due to strikes, lock out etc. at Dahej LNG Terminal.



Inauguration of 15th Foundation Day of Petronet LNG Limited by Hon'ble Minister of Petroleum & Natural Gas, Shri Jaipal Reddy, Hon'ble Minister for Industry and Energy, State of Qatar, Dr. Mohammed Al Sada, Shri G. C. Chaturvedi, Secretary, Ministry of Petroleum & Natural Gas, Govt. of India, Dr. A. K. Balyan, Managing Director & CEO, Petronet LNG Limited.

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 them consistently and made judgment and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss account of the Company for that period;
- c) That your Company had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities; and
- d) That the accounts of your Company have been prepared on a going-concern basis.

PETRONET LNG LIMITED**CHANGE IN THE BOARD OF DIRECTORS**

During the year under review, following are the changes among the Directors.

Directors Resigned	
Name	Date of Resignation
Shri D. P. Roy, Independent Director	30 th June, 2011
Shri P. K. Chadha, Independent Director	30 th June, 2011
Shri D. K. Sarraf, Nominee Director of ONGC	16 th September, 2011

The Board placed on record its appreciation for the contributions made by all the above Directors.

Directors Appointed	
Name	Date of Appointment
Shri Ashok Sinha, Independent Director	28 th June, 2011
Shri B. C. Bora, Independent Director	28 th June, 2011
Shri R. K. Garg, Director (Finance)	20 th July, 2011
Shri Sudhir Vasudeva, Nominee Director of ONGC	21 st November, 2011

FOREIGN EXCHANGE EARNING AND OUTGO

Your Company has incurred expenditure in foreign exchange to the extent of Rs. 20,569.62 Crores during the year under review. Foreign exchange earnings during the year were Rs. 0.84 Crores.

COST AUDITORS

The Ministry of Corporate Affairs (MCA) on 2nd May 2011 has issued the Audit Order for various industries (including the Petroleum Industry) stating that all Companies wherein the aggregate net worth, as on the last date of the immediately preceding financial year, exceeds five crores of rupees or the aggregate value of turnover made by the Company, from sale or supply of all products or activities, during the immediately preceding financial year exceeds 20 crores of rupees or where in the Company's equity or debt securities are listed shall get its cost accounting record audited by the Cost Auditors.

As the Company meets all the aforesaid conditions, your Board of Directors has appointed M/s Sanjay Gupta & Associates as the Cost Auditors of the Company for the Financial Year 2011-12.

AUDITORS

M/s V. Sankar Aiyar & Co., Chartered Accountants, were appointed as the Statutory Auditors of the Company in the Thirteenth Annual General Meeting held on 30th June, 2011, in terms of Section 224A of the Companies Act, 1956. The Auditors shall hold office till the conclusion of the ensuing Annual General Meeting.

M/s V. Sankar Aiyar & Co., Chartered Accountants, are the Statutory Auditors of the Company since its inception. M/s V. Sankar Aiyar & Co. has informed vide letter dated 24th April, 2012 that they would not like to be considered for re-appointment as Auditors of the Company at the ensuing Annual General Meeting.

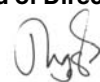
In view of the above, the Board of Directors of your Company has recommended the appointment of M/s T. R. Chadha & Co., Chartered Accountants, with the approval of the Members in the ensuing Annual General Meeting (AGM) as the new Statutory Auditors of the Company who will hold office till the conclusion of the next Annual General Meeting.

ACKNOWLEDGEMENTS

The Board of Directors sincerely thank and wish to place on record its appreciation of the Ministry of Petroleum and Natural Gas, Government of India, Government of Gujarat and Kerala, Promoters of the Company, GDF Suez, RasGas, Exxon Mobil and other LNG suppliers, Off-takers & Consumers of re-gasified LNG and the employees of the Company at all levels, for their whole-hearted co-operation and unstinted support. The Directors also place on record their sincere thanks to the retiring auditors M/s V. Sankar Aiyar & Co. for the services rendered by them during their long association with the Company. The Directors want to express their deep-felt thanks and best wishes to all the shareholders for the continued support and trust they have reposed in the Management. The Directors look forward to a bright future and further growth with confidence.

For and on behalf of the Board of Directors

Place: New Delhi
Date : 22nd May, 2012


(G. C. Chaturvedi)
Chairman

Annexure to Directors' Report

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

Name of the employee (S/Shri)	Remuneration received in Rs.	Nature of employment whether permanent or contractual	Other terms & conditions	Nature of duties of the employee	Qualification & Experience of the employee	Date of commencement of employment	Age of the employee	No. of equity shares held in the Company	The last employment held by such employee before joining the Company
Dr. A. K. Balyan	6,741,125	Contractual	Appointed for a period of five years w.e.f. 16th July, 2010.	MD & CEO	Ph. D. (Germany), M. Tech., IIT, Delhi Exp. – 40 years	16th July, 2010	60	400	ONGC Ltd.
Shri C. S. Mani	6,261,788	Contractual	Re-appointed w.e.f 1st August 2011 for a period of five years or up to the age of 65 years whichever ever is earlier.	Director (Technical)	B. Tech. (Chemical), IIT, Chennai and Master in Engineering (Chemical) Exp. – 40 years	1st August, 2006	64	Nil	Gujarat Alkalis & Chemicals Ltd.

PETRONET LNG LIMITED

Management Discussion and Analysis

GLOBAL LNG MARKET

Natural gas is increasingly becoming a major component of the fuel mix to meet global energy requirement. Natural Gas in the form of LNG has proved its efficiency and facilitates energy users to reduce share of coal & oil in their energy portfolio. Swift growth of LNG demand has been witnessed, during the past few years on the back of factors such as environmental concerns, high energy efficiency, rising energy appetite, supply security and government support. The world is witnessing a significant level of development in global LNG trade. LNG trade is also developing & strengthening the bilateral relationship among importing & exporting Countries, however, the negotiation over LNG prices has become a substantial issue for trading partners.

Global LNG industry witnessed a number of significant shifts in 2011 that will shape the industry for many years to come. On the supply side of the business, the main focus of attention passed from Qatar to Australia after grant of FIDs to four Australian liquefaction projects. In Australia, the focus will now turn to project delivery and cost control, with momentum behind new LNG supply projects shifting to North America.

Global LNG production increased by approx. 10% in 2011. The increased supply was largely as a result of increased production from Qatar after the commissioning of its mega-trains in 2010. Production surprised to the upside in Malaysia and Russia liquefaction plants operating in excess of nameplate capacity for most of the year. Nigeria after resolving gas supply issues, operated close to its capacity almost through 2011. However, LNG production dropped in several Countries with North African exporters particularly affected.

The Asia Pacific market reached new heights in 2011, with LNG imports growing strongly. The key event responsible for this growth was the earthquake, tsunami and subsequent nuclear disaster at Fukushima which had a dramatic impact on Japan's energy sector. LNG has played pivotal role to help make up for lost nuclear power generation, importing 78.5 million tonnes of LNG in 2011 – a 12% Year-On-Year (YOY) increase. This additional demand has been met through a combination of short-term contracts and extra spot volumes.

Despite Japan's extraordinary demand for LNG, other markets in Asia also saw impressive growth. South Korea had unseasonably cold winter earlier in the year; combined with robust economic growth and strong industrial demand, the market received 13% YOY more volumes in 2011. Taiwanese demand grew by 7% YOY as a result of economic recovery coupled with increased demand from the power sector. In China there was a 31% YOY increase in LNG imports to 12.2 million tonnes.

2011 was a story of two halves in Europe, where imports reached record levels in the first half, but dropped off in the second half of the year. Qatargas Train - 3 & 4 commissioned at the start of the year, and this ramp-up in

global capacity enabled Pacific Basin demand to be met while still delivering record volumes into Europe. Despite the surge in LNG demand in Japan following the earthquake, deliveries into Europe remained at record levels throughout the first half of the year. In 2011, with the imports of nearly 19 MMTPA, UK overtook Spain as the largest importer of LNG in the Atlantic Basin, and the 3rd largest worldwide Majority of LNG was imported from Qatar.

In North America, imports into the US fell nearly 20% as record low Henry Hub prices led LNG players sending cargoes elsewhere. The low gas prices further encouraged re-exports, with 19 cargoes being dispatched from US terminals in 2011 to locations in Europe, South America and Asia – compared to 12 in 2010. Canada saw a strong seasonal swing in the first three months of 2011, reflecting the vagaries of the local market as deliveries under the contract between Repsol and Qatargas ramped up.

LNG SCENARIO IN INDIA

Indian Economy

The financial crisis of 2009 had devastating consequences on the world economy and the after effects of it are still being felt around the globe with the world economies trying to limp back to recovery. International conditions continued to worsen throughout 2011 due to the negative developments in the Eurozone, which outweighed the small improvements in the US economy. There was also economic devastation in Japan due to the March 2011 earthquake followed by Tsunami and the nuclear catastrophe which has dramatically affected the nuclear power generation in Japan with almost the entire capacity being brought offline.

Overall global economic and financial condition is likely to remain under pressure for the better part of this year. Even though India's economic growth for 2010-11 had been healthy, at about 8.4%, in 2011-12 the country has not experienced very robust economic performance. There has been an undeniable slowdown in economic activities and the GDP growth rate is likely to be around 7%, much slower than before and will take time to recover from this, with the growth rate predicted to climb to 7.6% in 2012-13. In spite of this, compared to other major world economies, India has been performing well and having healthy growth to support industrial development. Even though it does not seem that India will revert back to the 8-9% GDP growth rates of the last few years, there is sufficient economic activity going on to guarantee strong demand for energy and also natural gas.

Future of Natural Gas in India

Although gas is still only about 11% of the primary energy production and consumption in the country, its share is projected to increase significantly reaching 20% by 2025. Rapid economic growth & environmental concerns lead to the rise and diversification in energy use. There are plans in the pipeline to develop non- conventional energy

like renewable. But in spite of the growth and diversification energy consumption in India, per capita energy consumption is still very low at 524 kgoe and is around 30% of the world average. A significant part of the Indian population does not have access to any form of modern commercial energy and 80% of the rural population use non-commercial energy like biomass. However, one important factor to note is that India's energy efficiency (energy use compared to GDP) has improved faster than the world average. Current GDP growth of 7% to 8% will translate into overall energy demand growth at Compounded Annual Growth Rate (CAGR) of 7.50%.

Demand and Supply Gap

India is one of the largest gas consumer in the world with 67 BCM (around 185 MMSCMD) of gas consumption. India is also 6th largest LNG importer in the world with 16 BCM (45 MMSCMD) of R-LNG being imported. But due to a severe shortage of domestic gas supplies which amount to approximately 140 MMSCMD in 2011-12 and estimated demand of 243 MMSCMD, the deficit of approximately 103 MMSCMD still exists, which is also projected to double in the next five years. This shows there is still huge untapped demand for gas and import of LNG will play a larger & vital role in meeting the growing gas demand-supply gap.

KG Basin Production Deficit – Opportunity for LNG

On domestic supply front, the scenario is not looking very bright in the short term. Due to the failure of meeting production targets of gas from the Reliance's KG Basin, there has been significant short fall of supply. In March 2010 the KG Basin D-6 Block had touched a peak production of 61.5 MMSCMD. But since then due to a host of technical problems, gas output has been steadily declining. Currently the production is at about 30 MMSCMD and is projected to go down further to 27 MMSCMD in 2012-13 and then to 22 MMSCMD in 2013-14. KG Basin Production was scheduled to reach 80 MMSCMD by April 2012 after all the 31 wells were drilled and commissioned for gas production. This sharp decline in output of gas from the KG Basin has also led to a well publicized dispute between RIL and the Government over the cost recovery of the investment made by RIL. The Government is attempting to reduce the amount RIL can recover based on the under utilization of the assets on account of reduced gas production.

Given India's growing energy requirements & unlikelihood of matching increase in the domestic supplies, the import dependence is going to accentuate sharply in the coming years.

Gas Pricing

The Government has also been reforming the gas pricing regime and is bringing gas prices which are controlled by it like Administered Price Mechanism (APM) gas, more in line with market prices. This started in 2010 when in a series of landmark policy changes occurred

in the pricing of energy products. Prices for petroleum products apart from diesel, kerosene and LPG, were deregulated. The APM gas price was revised from \$1.80/mmbtu to \$4.20/mmbtu. Additionally the Government announced that subsidies to end users in the main gas consuming sectors would be borne by the Government itself and not by the State owned Companies.

There seems to be a general consensus in the gas industry as well as within the Government, to certain extent that gas prices need to be further liberalized and should reflect the market realities that are prevalent. A huge supply deficit cannot be sustained with low prices of gas. Either supply has to increase dramatically or prices will have to rise in order to balance out the gas market in India.

LNG will continue to play a important role in India's energy mix and will reduce the significant deficit between demand and supply in the gas industry for the foreseeable future.

OPPORTUNITIES

Petronet LNG Limited being the first Company to import LNG, PLL 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 terminal 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.

PLL is emerging as a key 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, in the State of Gujarat. It is now exploring multiple options to further leverage the potential of imported LNG in the Indian gas market.

The gas market in India is rapidly evolving with strong economic growth fueling energy demand across sectors. De-regulation and entry of several private & foreign players are some of the factors shaping the sectoral landscape. Further, the supply deficit situation is resulting in higher price benchmarks for supply of gas to the domestic market. The Company, in addition to long term import is importing Spot / Short Term LNG Cargos which are being sourced from different suppliers' worldwide.

To meet the demand-supply gap of Natural Gas in the Country, the Company had doubled the Capacity of its first LNG re-gasification plant at Dahej from 5 MMTPA to 10 MMTPA which is further expanded to 15 MMTPA. The Company is nearing completion of another 5 MMTPA Greenfield LNG import and re-gasification plant in Kochi in the State of Kerala. This will enable the Company to expand its reach and supply of Natural Gas in the South Indian Market. In addition, Company has decided to construct another LNG Terminal in the East Coast of India at Gangavaram, near Vishakhapatnam in the State of Andhra Pradesh.



PETRONET LNG LIMITED

THREAT FROM COMPETITION

All the major players in the Indian Hydrocarbon business have plans of entering into the natural gas business. Gas discoveries in K G Basin & Mahanadi Basin may 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 will extend their presence in the Indian Market. As a result, the competition is expected across the gas value chain. Your Company is fully prepared to face the competition from Indian as well as overseas players in the Market.

In India, gas competes primarily with, Coal in Power sector and with liquid fuels (in Industrial & Fertilizer sector). As a result, gas demand is fairly price sensitive for Power sector with low elasticity for Fertilizer due to the existing Fertilizer policy. City Gas Distribution segment where the competition is mainly with high priced petroleum fuels (HSD, Petrol, LPG, etc.) faces challenges in term of infrastructure and conversion costs.

In the high economic growth scenario, to sustain 7-8% economic growth over the next 20 years, gas based power is expected to remain a focus area and high levels of capacity additions and PLFs are expected even at the high gas prices.

SEGMENT WISE OR PRODUCT WISE PERFORMANCE

Presently the Company primarily deals only in one segment i.e. Import and Re-gasification of Liquefied Natural Gas (LNG). During the year 2011-12, 548 TBTU's of Re-gasified LNG was delivered to the off takers and customers as against 440 TBTU's in the previous year.

RISK AND CONCERNS

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

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

RISK OF 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 domestic Natural Gas. LNG offers several advantages over the above-mentioned fuels. LNG sourced by your Company under long term contract is currently priced competitively against these alternate fuels. However, a reduction in prices of the alternate fuels and increase in long term prices of LNG could lead to increase pricing pressure on LNG 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. Your Company has sourced LNG under long term contract from Ras Gas of Qatar and sells regasified LNG mainly to three intermediate offtakers, namely GAIL (India) Ltd., Bharat Petroleum Corporation Ltd., and Indian Oil Corporation Ltd. with whom your Company has long term gas sale and purchase agreement. Even though this assures market for the entire production, there are certain risks involved in limited customers. In addition to the existing contract with Ras Gas, your Company has also executed another long term contract with the Australian entity of Exxon Mobil for supply of around 1.44 MMTPA of LNG from its Gorgon project to partly meet the requirement of new LNG Terminal coming up at Kochi. Your Company has also tied up import of LNG of around 1.50 MMTPA on short term basis from various suppliers to meet the gas requirements of various refiners & industrial consumers.

INTERNAL CONTROL SYSTEM 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 the Board's 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, 2012 was Rs.22,780.74 Crores including other income as against Rs. 13,265.24 Crores in 2010-11. The net profit during the financial year ended 31st March, 2012 was Rs.1057.54 as against 619.61 Crores in 2010-11.

HUMAN RESOURCES

During the year, the Company maintained harmonious and cordial industrial relations. No man-days were lost due to strike, lock out etc. at Dahej terminal. As on 31st March, 2012, there were 313 employees including three whole time Directors and 1 employee on deputation from other company.

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. The 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, 2012 was twelve Directors as detailed herein below:

S. No.	Name	Designation	Category (Whole-time / Non - executive / Independent)
1	Shri G. C. Chaturvedi	Chairman, Secretary, Govt. of India, (MOP&NG)	Independent
2	Dr. A. K. Balyan	Managing Director & CEO	Whole-time
3	Shri C. S. Mani	Director (Technical)	Whole-time
4	Shri R. K. Garg	Director (Finance)	Whole-time
5	Shri B. C. Tripathi	Director, Nominee of GAIL	Non-executive
6	Shri R. K. Singh	Director, Nominee of BPCL	Non-executive
7	Shri Sudhir Vasudeva	Director, Nominee of ONGC	Non-executive
8	Shri A. M. K. Sinha	Director, Nominee of IOCL	Non-executive
9	Mr. Dominique PELLOUX-PRAYER	Director, Nominee of GDF International	Non-executive
10	Shri Tapan Ray	Director, Nominee of GMB/GOG	Independent
11	Shri B. C. Bora	Director	Independent
12	Shri Ashok Sinha	Director	Independent

PETRONET LNG LIMITED**Board Meetings**

During the year, six Board Meetings were held on 4th April, 26th April, 20th July, 18th October, 12th December, 2011 and 27th January, 2012. 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 2011-12	Number of Board Meetings attended during the year 2011-12	Attendance at last Annual General Meeting held on 30 th June, 2011
Executive Directors				
Dr. A. K. Balyan	Managing Director & CEO	6	6	Yes
Shri A. Sengupta (upto 26 th April, 2011)	Director (Finance & Commercial)	6	2	NA
Shri R. K. Garg (w.e.f. 20 th July, 2011)	Director (Finance)		3	NA
Shri C. S. Mani	Director (Technical)	6	6	Yes
Non-executive Directors				
Shri B. C. Tripathi	Nominee Director of GAIL	6	5	No
Shri R. K. Singh	Nominee Director of BPCL	6	4	No
Shri D. K. Sarraf (upto 16 th September, 2011)	Nominee Director of ONGC	6	3	No
Shri Sudhir Vasudeva (w.e.f. 21 st November, 2011)			1	NA
Shri S. V. Narasimhan (upto 30 th April, 2011)	Nominee Director of IOCL	6	2	NA
Shri A. M. K. Sinha (w.e.f. 27 th May, 2011)			3	Yes
Mr. Dominique PELLOUX-PRAYER (One Board Meeting and AGM attended by Mr. Eric Ebelin as an Alternate Director)	Nominee Director of GDF International	6	6	Yes
Non-executive Independent Directors				
Shri S. Sundareshan (upto 5 th May, 2011)	Chairman	6	2	NA
Shri G. C. Chaturvedi (w.e.f. 23 rd May, 2011)			4	Yes
Shri D. P. Roy (upto 30 th June, 2011)	Independent Director	6	2	Yes
Shri P. K. Chadha (upto 30 th June, 2011)	Independent Director	6	2	Yes
Shri Apurva Chandra (upto 9 th August, 2011)	Independent Director	6	2	Yes
Shri Tapan Ray	Independent Director	6	3	No
Shri B. C. Bora (w.e.f. 28 th June, 2011)	Independent Director	6	4	Yes
Shri Ashok Sinha (w.e.f. 28 th June, 2011)	Independent Director	6	4	No

Detail of Directorship / Membership / Chairmanship on the Board / Committees of the other Companies as on 31st March, 2012

Name	No. of other Companies in which Directorship / Chairmanship is held		No. of Membership / Chairmanship held in Committees of Board of other Companies	
	Directorship	Chairmanship	Membership	Chairmanship
Shri G. C. Chaturvedi	Nil	1	Nil	Nil
Dr. A. K. Balyan	1	Nil	Nil	Nil
Shri C. S. Mani	Nil	Nil	Nil	Nil
Shri R. K. Garg	2	Nil	Nil	Nil
Shri B. C. Tripathi	Nil	4	Nil	1
Shri R. K. Singh	1	5	Nil	1
Shri Sudhir Vasudeva	1	7	Nil	Nil
Shri A. M. K. Sinha	1	Nil	Nil	Nil
Mr. Dominique PELLOUX-PRAYER	1	Nil	Nil	Nil
Shri Tapan Ray	13	1	3	Nil
Shri B. C. Bora	2	Nil	1	2
Shri Ashok Sinha	Nil	Nil	Nil	Nil

Note: -

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

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

Remuneration paid to Whole-time Directors and Non-executive Directors during the year ended 31st March, 2012

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

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

(In Rupees)							
S.No.	Name	Designation	Salaries & Allowances	Contribution to PF & Gratuity Fund	Other Benefits & Perks	Commission payable on Profit for the year 2011-12	Total
1	Shri P. Dasgupta	Managing Director & CEO (upto 30 th June, 2010)	2,36,423	-	-	-	2,36,423
2	Dr. A. K. Balyan	Managing Director & CEO	40,38,881	2,37,816	4,64,428	20,00,000	67,41,125
3	Shri A. Sengupta	Director (Finance & Commercial) (upto 26 th April, 2011)	10,94,591	7,28,507	17,26,333	1,42,077	36,91,508
4	Shri C. S. Mani	Director (Technical)	36,55,665	1,98,072	4,08,051	20,00,000	62,61,788
5	Shri R. K. Garg	Director (Finance) (w.e.f. 20 th July, 2011)	17,91,246	1,15,188	2,74,221	13,98,907	35,79,562

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The details of the sitting fees paid to Non-executive Directors or their nominated Organization / Company during the year ended 31st March, 2012 is as detailed below:

S. No.	Name	Sitting Fees paid during 2011-12 (Rs.)
1	Shri D. P. Roy (upto 30 th June, 2011)	100,000
2	Shri P. K. Chadha (upto 30 th June, 2011)	100,000
3	Mr. Dominique PELLOUX - PRAYER	100,000
4	Government of India	160,000
5	Bharat Petroleum Corporation Ltd.	100,000
6	Oil & Natural Gas Corporation Ltd.	140,000
7	Indian Oil Corporation Ltd.	180,000
8	GAIL (India) Ltd.	100,000
9	Gujarat Maritime Board	60,000
10	Shri B. C. Bora (w.e.f. 28 th June, 2011)	140,000
11	Shri Ashok Sinha (w.e.f. 28 th June, 2011)	180,000
12	Mr. Eric Ebelin*	40,000

*Alternate Director to Mr. Dominique PELLOUX - PRAYER

In addition to the above, Commission on Profits is also payable to the following Independent Directors:

S. No.	Name	Commission payable on Profit for the year 2011-12 (Rs.)
1	Shri D. P. Roy (upto 30 th June, 2011)	1,86,475
2	Shri P. K. Chadha (upto 30 th June, 2011)	1,86,475
3	Shri B. C. Bora (w.e.f. 28 th June, 2011)	5,69,672
4	Shri Ashok Sinha (w.e.f. 28 th June, 2011)	5,69,672

Terms of appointment of Whole-time Directors

The Company has the following Whole - time Directors as on 31st March, 2012:

1. Dr. A. K. Balyan, Managing Director & CEO
2. Shri C. S. Mani, Director (Technical)
3. Shri R. K. Garg, Director (Finance)

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

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

Audit Committee

The Audit Committee comprises of the following Directors as on 31st March, 2012:

- 1 Shri Ashok Sinha, Chairman
- 2 Shri B. C. Bora, Member
- 3 Shri A. M. K. Sinha, Member

All the Members of Audit Committee are Non-executive Directors and two out of three Members are Independent Directors namely Shri Ashok Sinha and Shri B. C. Bora. The quorum of the Audit Committee is two Members.

The then Chairman of the Audit Committee i.e. Mr. D. P. Roy also attended the last Annual General Meeting held on 30th June, 2011 of the Company.

The Company Secretary is the Secretary of the Audit Committee.

Detail of Meetings of Audit Committee held during the year

Member(s)	No. of Meetings Held	No. of Meeting Attended
Shri D. P. Roy (upto 30 th June, 2011)	5	2
Shri P. K. Chadha (upto 30 th June, 2011)	5	2
Shri S. V. Narasimhan (upto 30 th April, 2011)	5	2
Shri D. K. Sarraf (Appointed w.e.f. 30 th June 2011 to 16 th September, 2011)	5	1
Shri Ashok Sinha (Appointed w.e.f. 30 th June, 2011)	5	3
Shri B. C. Bora (Appointed w.e.f. 30 th June, 2011)	5	3
Shri A. M. K. Sinha (Appointed w.e.f. 18 th October, 2011)	5	1

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 Government Body or to the investors or the public; the company's system of internal controls regarding finance, accounting and legal compliances that Management and the Board have established.

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

- Oversight the Company's financial reporting process and disclosure of its financial information to ensure that the financial statement is correct sufficient and credible.
- Recommending the appointment and removal of statutory and internal auditors (wherever required), fixation of audit fee and also approval for payment for any other services.
- Reviewing with management the quarterly/ half yearly and the annual financial statements before submission to the Board, focusing primarily on:
 - Any changes in accounting policies and practices.
 - Major accounting entries based on exercise of judgment by Management.
 - The going concern assumption.
 - Compliance with accounting standards.
 - Compliance with Stock Exchange(s) and 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.



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- To look into the reasons for substantial defaults in the payment to the lenders, shareholders (in case of non payment of declared dividends) and other creditors.

Shareholders' / Investors' Grievance Committee

As on 31st March, 2012, the Shareholders'/Investors' Grievance Committee comprises of the following Directors:

- Shri Ashok Sinha, Chairman
- Shri A. M. K. Sinha, Member
- Shri R. K. Garg, Member
- Shri C. S. Mani, Member

Company Secretary is the Compliance Officer of the Company.

Detail of Meeting of Shareholders' / Investors' Grievance Committee

Date of Meeting	Members	Meeting attended
24.01.2012	Shri Ashok Sinha	Yes
	Shri A. M. K. Sinha	Yes
	Shri C. S. Mani	Yes
	Shri R. K. Garg	Yes

Details of Complaints received and redressed during the year ended 31st March, 2012

6 complaints were pending as on 1st April, 2011. 1102 complaints were received and 1106 complaints were resolved during the year. Only 2 complaints were pending as on 31st March, 2012.

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;

- Dr. A. K. Balyan, Managing Director & CEO
- Shri C. S. Mani, Director (Technical)
- Shri R. K. Garg, Director (Finance)

Dr. A. K. Balyan, 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 as on 31st March, 2012:

- Shri Ashok Sinha, Chairman
- Shri B. C. Bora, Member
- Shri Sudhir Vasudeva, Member

One Meeting of the Remuneration Committee was held on 26th April, 2011.

Risk Assessment & Minimisation Procedure

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

Legal Compliance Reporting

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

Annual General Meetings (AGMs)

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

Year	2008-09	2009-10	2010-11
Date & Time	25 th June, 2009 at 10:00 AM.	24 th June, 2010 at 10:00 AM.	30 th June, 2011 at 10:00 AM.
Venue	Air Force Auditorium, Subroto Park, Dhaula Kuan, New Delhi -110010	Air Force Auditorium, Subroto Park, Dhaula Kuan, New Delhi-110010	Air Force Auditorium, Subroto Park, Dhaula Kuan, New Delhi-110010
Details of Special Resolutions	1. Appointment of Statutory Auditors	1. Appointment of Statutory Auditors 2. Amendment of Articles of Association	1. Appointment of Statutory Auditors 2. Approval for payment of Commission on profit to Directors
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 website having updated details about the Company, its project status, Shareholding Pattern on quarterly basis, etc. The Financial Results are being posted on the Company's web site. i.e. www.petronetlng.com. The Company also have exclusive e-mail ID i.e. investors@petronetlng.com for investors to contact the Company in case of any information and grievances. The Financial Results were also published in National Daily Newspapers in terms of Listing Agreement.

General Shareholders Information

Annual General Meeting (AGM)

Day & Date	Wednesday, 4 th July, 2012
Time	10:00 AM
Venue	Air Force Auditorium, Suboroto Park, Dhaula Kuan, New Delhi-110010
Date of Book Closure	25th June, 2012 to 4th July, 2012 (Both days inclusive)

Dividend Payment Date

The dividend, if approved by the Members of the Company will be paid on or after 9th July, 2012.

Financial Calendar

Petronet LNG Ltd. follows the financial year from April to March. The Un-audited Financial Results for the first three quarters and the Audited Financial Results for the year ended 31st March, 2012 were taken on record and approved by the Board in its meeting(s) held on the following dates:

Quarter Ended	Date of Board Meeting(s)
April - June, 2011	20 th July, 2011
July - September, 2011	18 th October, 2011
October - December, 2011	27 th January, 2012
Year Ended	
31 st March, 2012	24 th April, 2012

PETRONET LNG LIMITED**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, 2011	140.80	120.40	141.50	120.20
May, 2011	139.50	125.60	139.70	125.45
June, 2011	146.10	134.75	146.30	134.30
July, 2011	180.95	135.25	181.90	135.00
August, 2011	185.85	160.00	185.80	160.00
September, 2011	183.35	151.00	183.25	151.90
October, 2011	168.70	150.75	168.60	150.55
November, 2011	174.25	152.50	174.50	153.00
December, 2011	168.90	152.20	168.95	152.00
January, 2012	169.50	150.50	169.80	150.10
February, 2012	179.75	158.15	179.80	157.70
March, 2012	171.00	159.30	170.00	159.20

Distribution Schedule as on 31st March, 2012

Category (Amount)	No. of Cases	% of Cases	Total Shares	Amount in Rs.	% of Amount
Upto – 5000	3,30,840	89.57	5,18,78,546	51,87,85,460	6.92
5001 – 10000	25,235	6.83	1,98,68,303	19,86,83,030	2.65
10001 – 20000	8,347	2.26	1,22,64,876	12,26,48,760	1.63
20001 – 30000	1,915	0.52	49,21,905	4,92,19,050	0.66
30001 – 40000	797	0.22	28,53,170	2,85,31,700	0.38
40001 – 50000	600	0.16	28,38,020	2,83,80,200	0.38
50001 – 100000	823	0.22	60,09,314	6,00,93,140	0.80
100001 & Above	811	0.22	64,93,65,910	649,36,59,100	86.58
TOTAL	3,69,368	100.00	75,00,00,044	750,00,00,440	100.00

Shareholding Pattern of the Company as on 31st March, 2012

	Category	No. of Shares Held	% of Shareholding
A	Promoters' holding		
1	Promoters		
	• Indian Promoters	37,50,00,000	50.00
	• Foreign Promoters	Nil	Nil
	Sub- Total (A)	37,50,00,000	50.00
B	Non - Promoters' holding		
1	Institutional Investors		
a	Mutual Funds and UTI	5,31,17,278	7.08
b	Banks, Financial Institutions	28,436	0.01
c	Insurance Companies / Central / State Govt. Institutions / Non-government Institutions / Venture Capital Funds	2,00,000	0.03
d	FII's (Including ADB holding)	10,70,90,496	14.28
	Sub-Total (B1)	16,04,36,210	21.40
2	Others		
a	Private Corporate Bodies	2,71,75,512	3.62
b	Indian Public including HUF and Foreign Nationals	10,65,26,641	14.20
c	NRI's / OCB's (Including GDFI)	7,85,95,854	10.48
d	Any other (Clearing Members & Trusts)	22,65,827	0.30
	Sub-Total (B2)	21,45,63,834	28.60
	GRAND TOTAL (A+B1+B2)	75,00,00,044	100.00

List of Shareholders Holding More than 1% of Equity Capital as on 31st March, 2012

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

PETRONET LNG LIMITED**Detail of Unclaimed Shares as on 31st March, 2012 issued pursuant to Initial Public Offer (IPO)**

S. No.	Particulars	Cases	No. of shares
1	Aggregate Number of shareholders and the outstanding shares in the suspense account (i.e. KCL ESCROW ACCOUNT PETRONET LNG IPO-OFFER) lying at the beginning of the year i.e. 1st April, 2011.	658	1,35,500
2	Number of shareholders who approached for transfer of shares from suspense account during the year.	9	2,800
3	Number of shareholders to whom shares were transferred from suspense account during the year.	9	2,800
4	Aggregate number of shareholders and outstanding shares in the suspense account at the end of year i.e. 31st March, 2012.	649	1,32,700

Code of Conduct for Board Members & Senior Management Personnel

The Board of Directors of the Company approved Code of Conduct for Board Members & Senior Management Personnel and the same was made effective from 1st April, 2006. Copy of the same has also been hosted/ placed at the website of the Company. All the Board Members and Senior Management Personnel have affirmed compliances with the said Code for the year ended 31st March, 2012.

CEO/CFO Certification

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

Related Party Transactions

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

Reconciliation of Share Capital Audit

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

Status of Corporate Governance Voluntary Guidelines 2009

The voluntary guidelines issued by Ministry of Corporate Affairs in December, 2009 pertaining to Corporate Governance are complied with to the extent found feasible.

Major Plant / Unit Location(s)

Dahej Plant Location	Kochi LNG Project Site
LNG Terminal, Dahej GIDC Industrial Estate, Plot No 7/A, Dahej Talukavagra Distt. Bharuch, Gujarat - 392130 Tel : 02641 - 257004-257007 & 253182 Fax : 02641 - 253179 & 300310	Survey No. 347, Puthuvypu (Puthuypeeem SEZ) P.O. 682508, Kochi Tel : 0484 - 2502259 Fax : 0484 - 2502264

Address for Correspondence

Registered & Corporate Office	Registrar & Share Transfer Agent
Petronet LNG Limited World Trade Centre, First Floor, Babar Road, Barakhamba Lane, New Delhi - 110 001 Tel: 011 - 23411411 & 23472525 Fax: 011 - 23472550 Email: investors@petronetlng.com	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

Sustainability Report

Sustainability is central to the Company's operations and its business strategy. The Company made a humble beginning in 2004 by setting India's first LNG receiving and regasification Terminal at Dahej. The Company's presence can be seen across the country in the LNG business over the years. The Company has sustained its leadership position in the LNG business. This has been achieved through high focus on all the aspects of sustainability - economic, environmental and social. We are committed to build a sustainable enterprise for the benefit of its present and future generation of stakeholders.

Economic Sustainability

The Company believes in financial prudence and refrains from investments for quick gains. Investments for business expansion projects are met from internal accruals and limited borrowings. The Company has a healthy Balance Sheet and adequate reserves to meet its requirements towards equity capital for future expansion.

The Company has institutionalised a robust system of internal controls to ensure that all assets are safeguarded and protected against loss from unauthorised use and that all transactions are authorised, recorded and reported correctly.

Environmental Sustainability

In a short span of eight years, the Company has distinctly established its foothold as one of the major importers of LNG in the world. LNG is considered as the most environment-friendly and efficient fuel. The Company has been a pioneer in India's LNG space and has played a remarkable role in changing the Indian energy scenario. The Company today not only accounts for more than 25% of the total natural gas supply in the Country, it also plays a major role in creating and developing a market for LNG in the Country.

Natural Gas is considered to be a green and environment friendly fuel. Gas supplied by the Company has helped to reduce the usage of alternative fuels like oil and naphtha, thus, reducing the carbon footprint.

Planted mangrove which have enormous ecological and economic value to prevent soil erosion, enrich coastal water and contribute significantly to global carbon cycle.

- In 100 hectares land in Village Nada near Jambusar.
- Plan to cover 500 hectares by 2015.
- Greening Initiative – Plantation in village school and in & around Dahej Terminal.



Greening Initiative – Mangrove plantation in & around Dahej Terminal.

PETRONET LNG LIMITED

Social Sustainability

The Company as a responsible Corporate Citizen, undertakes Socio-Economic Development Programs to supplement the efforts of the Government to meet priority needs of the community with the aim to help them become self-reliant.

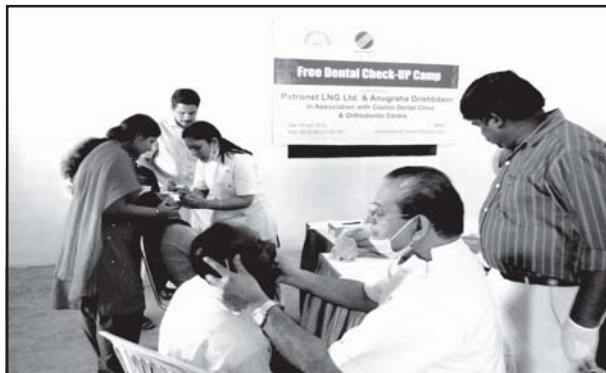
These programs are generally around LNG Terminals at Kochi & Dahej, with focus areas being Education, Healthcare, Civil infrastructure, Sports & Culture and Entrepreneurship in the community. Some of the major activities undertaken during the year were:

- Complete renovation of buildings of Government UPS School, Puthuvypeen, Kochi.



Health Camp at Government UPS School, Kochi

- Held numerous medical, dental check-up, cataract operation and eye screening camps at Dahej, Kochi and around Delhi.



Free Dental Check-Up Camp

- Operation of Primary Health Centre at the PLL adopted Luwara village at Dahej.



Primary Health Centre at Luwara village, Dahej

- Contribution to the Mataria Talav Drinking water project of the State Government at Bharuch.
- Support to the construction of infrastructure facilities at the rehabilitation area at Puthuvypeen.
- Sponsored school bus for the Blind School, Kochi and uniforms to all children of Delhi Blind School.



School Bus for The Blind School at Kochi

The Company is committed to ensure welfare and growth of all the people associated with it. It is also committed to empower its employees and developed their knowledge and skills sets on continuous basis. The Company would promote inclusive growth and equal opportunity by remaining a caste, gender and religion neutral organisation.

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

To the Shareholders of Petronet LNG Limited

1. We have examined the compliance of conditions of Corporate Governance by Petronet LNG Limited ("the Company") for the year ended March 31st 2012 as stipulated in clause 49 of the Listing Agreements of the said Company with Stock Exchanges in India.
2. The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was limited to the review of procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
3. In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.
4. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**Place : New Delhi
Date : 22nd May, 2012**

**For V. Sankar Aiyar & Co.
Chartered Accountants
ICAI Firm Regn. no. 109208 W**

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

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

1. We have audited the attached Balance Sheet of PETRONET LNG LIMITED as at 31st March, 2012 and also the statement of Profit and Loss and Cash Flow Statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We report that
 - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purpose 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 those books;
 - (c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of Account;
 - (d) In our opinion, the Balance Sheet, Statement of Profit and Loss 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, none of the directors are prima facie, disqualified as on 31.03.2012 from being appointed as directors of the Company under section 274 (1) (g) of the Companies Act, 1956.
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the significant accounting policies and 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, 2012;
 - ii. in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
 - iii. in the case of cash flow statement, of the cash flows for the year ended on that date.
4. As required by the Companies (Auditors Report) Order, 2003 (as amended) issued by the Department of Company Affairs, Govt. of India in terms of Section 227 (4A) of the Companies Act, 1956, and on the basis of such checks of the books and records of the Company 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 regular intervals. In our opinion, the frequency of verification is reasonable.
 - b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - c) In our opinion, the Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
 - iii. a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Therefore, the provisions of clause 4(iii) (a) to (d) of the Companies (Auditors Report) Order are not applicable.
 - e) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Therefore, the provisions of clause 4(iii) (e) to (g) of the Companies (Auditors Report) Order are not applicable.
 - iv. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory, fixed assets and for

the sale of goods and services. During the course of our audit, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in internal control system of the Company.

- v According to the information given to us, there are no contracts or arrangements during the year that need to be entered into a register in pursuance of section 301 of the Companies Act, 1956.
- vi The Company has not accepted deposits from the public within the provisions of sections 58A and 58AA or any other relevant provisions and the Rules framed there under.
- 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 information and explanations given to us and records of the Company examined by us, in our opinion, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection 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 2012, 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 Employees State Insurance, Cess and Excise Duty for the year under audit.
b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of service-tax as at March 31, 2012 which have not been deposited on account of a dispute is as follows :-

Nature of dues	Year	Amount (Rs. In lacs)	Forum where pending
Service Tax	2003-04 to 2007-08	65	Central Excise and Service Tax Appellate Tribunal, Delhi
Service Tax	2006-07 to 2010-11	377	Appeal to be filled with Central Excise and Service Tax Appellate Tribunal, Delhi

- x The Company has no accumulated losses as at 31st March 2012 and has not incurred cash losses during the financial year covered by our audit or in the immediately preceding financial year.
- xi On the basis of the verification of records and information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions or banks. There are no debentures outstanding in the books of accounts at any time during the year.
- xii The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii The Company is not a chit fund/ nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditors Report) Order are not applicable.
- xiv The Company is not dealing or trading in shares, securities, debentures and other investments. Therefore, the provision 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 except that an amount of Rs. 3,54,17 lacs pending utilization is temporarily held in short term deposits.
- xvii According to information and explanations given to us, the cash flow statement examined by us and on overall examination of the balance sheet of the Company, we report that funds raised on short term basis have not been used for long term investments.
- xviii During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Act.
- xix As the Company has no outstanding debentures during the year, questions of creating securities or charge does not arise.
- xx The Company has not raised any money through public issue of securities during the year and therefore, 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
ICAI Firm Regn. No. 109208 W
sd/-
(Ajay Gupta)
Partner
Membership No. 90104

Place : New Delhi
Dated : 24th April, 2012

PETRONET LNG LIMITED**Balance Sheet as at 31st March, 2012**

		Rupees in lacs	
	Note No.	As at 31.03.2012	As at 31.03.2011
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share capital	2	75,000	75,000
Reserves and surplus	3	<u>276,978</u>	<u>193,016</u>
		<u>351,978</u>	<u>268,016</u>
Non Current Liabilities			
Long term borrowings	4	293,416	280,847
Deferred tax liabilities (net)	5	36,300	34,800
Long term provisions	6	456	397
		<u>330,172</u>	<u>316,044</u>
Current Liabilities			
Short term borrowings	7	9,981	18,064
Trade payables	29	126,855	56,717
Other current liabilities	8	79,720	69,295
Short term provisions	9	22,398	17,980
		<u>238,954</u>	<u>162,056</u>
Total		<u>921,104</u>	<u>746,116</u>
ASSETS			
Non Current Assets			
Fixed Assets			
-Tangible assets	10	252,143	270,242
-Intangible assets	10	3	2
-Capital work in progress	11	329,003	201,220
Non current investments	12	13,988	12,322
Long term loans and advances	13	15,352	21,145
		<u>610,489</u>	<u>504,931</u>
Current Assets			
Current investments	14	-	104,167
Inventories	15	71,235	24,798
Trade receivables	16	128,589	84,717
Cash and cash equivalents	17	98,391	15,749
Short term loans and advances	18	11,537	10,507
Other current assets	19	863	1,247
		<u>310,615</u>	<u>241,185</u>
		<u>921,104</u>	<u>746,116</u>
Significant Accounting Policies	1		
Other Notes on Accounts	26 to 41		

As per our report of even date

For V. Sankar Aiyar & Co.
Chartered Accountants
ICAI Firm Regn. No. 109208 W

Sd/-
Ajay Gupta
Partner
Membership No. 90104

Place : New Delhi
Dated : 24th April, 2012

For and on behalf of Petronet LNG Limited

Sd/-
Dr. A. K. Balyan
Managing Director & CEO

Sd/-
R. K. Garg
Director-Finance

Sd/-
K. C. Sharma
Company Secretary

Statement of Profit and Loss for the year ended 31st March, 2012

		Rupees in lacs	
	Note No.	Year ended 31.03.2012	Year ended 31.03.2011
INCOME			
Revenue from operations	20	2,269,586	1,319,729
Other income	21	8,488	6,837
		<u>2,278,074</u>	<u>1,326,566</u>
EXPENSES			
Cost of materials consumed		2,058,674	1,180,120
Employee benefit expenses	22	2,976	3,056
Finance costs	23	17,739	19,341
Depreciation and amortisation expense	10	18,419	18,468
Other expenses	24	25,012	14,939
		<u>2,122,820</u>	<u>1,235,924</u>
Profit for the year before taxation		155,254	90,642
Less : Tax expense			
- Current tax	36	48,000	26,500
- Deferred tax liability	5	1,500	2,180
Profit for the year after taxation		<u>105,754</u>	<u>61,962</u>
Basic/Diluted Earnings per share in Rs. (face value of Rs. 10/- each)	25	14.10	8.26
Significant Accounting Policies	1		
Other Notes on Accounts	26 to 41		

As per our report of even date

For V. Sankar Aiyar & Co.
Chartered Accountants
ICAI Firm Regn. No. 109208 W

Sd/-
Ajay Gupta
Partner
Membership No. 90104

Place : New Delhi
Dated : 24th April, 2012

For and on behalf of Petronet LNG Limited

Sd/-
Dr. A. K. Balyan
Managing Director & CEO

Sd/-
R. K. Garg
Director-Finance

Sd/-
K. C. Sharma
Company Secretary

PETRONET LNG LIMITED

Cash Flow Statement for the year ended 31st March, 2012

	Rupees in lacs	
	Year ended 31.03.2012	Year ended 31.03.2011
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax expenses	155,254	90,642
Adjustment For : -		
Depreciation	18,419	18,468
Loss on Sale of Fixed Assets	14	8
Dividend income on investments	(4,533)	(2,469)
Profit on sale of current investment	(292)	-
Interest Expense	14,304	18,070
Amortization of Forward Premium	1,912	42
Interest Income	(2,994)	(1,386)
Operating Profit Before Working Capital Changes	182,084	123,375
Movements in working capital : -		
(Decrease) / Increase in Trade Payables	70,138	15,585
(Increase) / Decrease in Trade Receivables	(43,872)	(34,369)
(Increase) / Decrease in Other Current Assets	672	(779)
(Increase) / Decrease in Long Term Loans and Advances	(255)	(55)
(Increase) / Decrease in Short Term Loans and Advances	(640)	(2,007)
(Increase) / Decrease in Inventories	(46,437)	(2,572)
Increase / (Decrease) in Long Term Provisions	59	134
Increase / (Decrease) in Short Term Provisions	59	548
Increase / (Decrease) in Other Current Liabilities	10,427	6,348
Cash Generated From Operations	172,235	106,208
Less : Income Tax Paid (net of refunds)	(48,387)	(21,794)
Net Cash From Operating Activities	123,848	84,414
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets, including intangible assets, CWIP and capital advances	(109,800)	(74,856)
Proceeds from sale of Fixed Assets	7	3
Net proceeds/(purchase) of Mutual Fund units	105,474	(62,064)
Purchase of Non current investments	(1,667)	(562)
Interest received	2,746	1,226
Dividend received on investments	5,280	4,642
Net Cash Used in Investing Activities	2,040	(131,611)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Long Term Borrowings	83,580	122,778
Repayment of Long Term Borrowings	(69,476)	(29,197)
Proceeds from Short Term Borrowings	54,478	27,293
Repayment of short Term Borrowings (including forward premium)	(64,474)	(49,275)
Interest Paid	(29,921)	(27,398)
Dividend Paid	(17,433)	(15,305)
Net Cash Used in Financing Activities	(43,246)	28,896
Net Increase / (Decrease) in Cash and Cash Equivalents	82,642	(18,301)
Cash and Cash Equivalents at the beginning of the year	15,749	34,050
Cash and Cash Equivalents at the end of the year	98,391	15,749
	82,642	(18,301)

Notes : The above Cash Flow Statement has been prepared under the indirect method as set out in Accounting Standard - 3 on Cash Flow Statements.

As per our report of even date

For V. Sankar Aiyar & Co.
Chartered Accountants
ICAI Firm Regn. No. 109208 W

Sd/-
Ajay Gupta
Partner
Membership No. 90104

Place : New Delhi
Dated : 24th April, 2012

For and on behalf of Petronet LNG Limited

Sd/-
Dr. A. K. Balyan
Managing Director & CEO

Sd/-
R. K. Garg
Director-Finance

Sd/-
K. C. Sharma
Company Secretary

Significant Accounting Policies and Notes on Accounts for the year ended 31st March, 2012

Company Overview

Petronet LNG Limited referred to as “PLL” or “the Company” was formed by Bharat Petroleum Corporation Limited (BPCL), GAIL (India) Limited (GAIL), Indian Oil Corporation Limited (IOC) and Oil and Natural Gas Corporation Limited (ONGC) primarily to develop, design, construct, own and operate a Liquefied Natural Gas (LNG) import and regasification terminals in India. PLL was incorporated on April 2, 1998 under the Companies Act, 1956 and received certificate of commencement of business on June 1, 1998. The Company is involved in the business of import and regasification of LNG and supply to BPCL, GAIL, IOCL and others. Presently the Company owns and operates LNG Regasification Terminal with the name plate capacity of 10 MMTPA at Dahej, in the State of Gujarat. The Company is also setting up another Greenfield LNG Regasification Terminal with the name plate capacity of 5 MMTPA at Kochi, in the State of Kerala.

1. Significant Accounting Policies

1.01 Basis of preparation of financial statements

The financial statements are prepared under historical cost convention, on a going concern basis and in accordance with the applicable accounting standards prescribed in the Companies (Accounting Standards) Rules, 2006 issued by the Central Government, in consultation with the National Advisory Committee on Accounting Standards and relevant provisions of the Companies Act, 1956. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

1.02 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 materialize.

1.03 Fixed Assets, Intangible Assets and Capital Work-in-progress

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

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

1.04 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. 5,000 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.

1.05 Investments

Trade investments are the investments made to enhance the Company's business interests. Investments are either classified as current or long term based on Management's intention at the time of purchase. Current

PETRONET LNG LIMITED

investments are carried at the lower of cost and fair value of each investment individually. Overseas investments are recorded at the exchange rate prevailing on the date of investment. Long term investments are carried at cost after deducting provision, where the decline in value is considered as other than temporary in nature.

1.06 Inventories

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

1.07 Sale/Revenue Recognition

Revenue is primarily derived from Sale of RLNG and are net of sales tax. Revenue from sales is recognised at the point of dispatch when risk and reward of ownership stand transferred to the customers.

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

Interest income is recognised on time proportion basis.

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

1.08 Foreign Currency Transactions

- a) Foreign currency transactions are recorded at the exchange rate prevailing on the date of the transaction.
- b) Monetary items denominated in foreign currencies (such as cash, receivables, payables etc.) outstanding at the year end, are translated at exchange rates applicable on year end 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 and carried at cost.
- d) Any gains or losses arising due to exchange differences arising on translation or settlement are accounted for in the Statement of Profit and Loss.
- e) In 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.

1.09 Employee Benefits

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

1.10 Borrowing Costs

Borrowing cost (net of any income on the temporary investments of those borrowings) attributable to acquisition, construction or production of qualifying assets are capitalised as part of the cost till the assets are ready for use. Other borrowing costs are recognized as expense in the period in which these are incurred.

1.11 Taxes on Income

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

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

1.12 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.

1.13 Impairment of Assets

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

Notes on Accounts for the year ended 31st March, 2012

	Rupees in lacs	
	As at 31.03.2012	As at 31.03.2011
2 Share Capital		
Authorised		
1,200,000,000 (previous year 1,200,000,000) equity shares of Rs. 10 each	<u>120,000</u>	<u>120,000</u>
Issued, subscribed and fully paid		
750,000,044 (previous year 750,000,044) equity shares of Rs. 10 each	<u>75,000</u>	<u>75,000</u>
	<u>75,000</u>	<u>75,000</u>
<p>The Company has only one class of shares referred to as equity shares having a par value of Rs. 10. Each holder of equity shares is entitled to one vote per share.</p> <p>The Company declares and pays dividend in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.</p> <p>During the year ended March 31, 2012, the amount of dividend per share recognized as distribution to equity shareholders is Rs. 2.50/- (previous year Rs. 2.00/-). The total dividend appropriation for the year ended March 31, 2012 amounted to Rs. 18,750 lacs (previous year Rs. 17,433 lacs) including corporate dividend tax of Rs. 3,042 lacs (previous year Rs. 2,433 lacs)</p>		
Reconciliation of the number of shares	No. of Shares	No. of Shares
Outstanding at the beginning of the year	750,000,044	750,000,044
Outstanding at the end of the year	750,000,044	750,000,044
Shares held by each shareholder holding more than 5% shares		
Promoters' Holding	No. of Shares	No. of Shares
Bharat Petroleum Corporation Ltd.	12.50% 93,750,000	12.50% 93,750,000
GAIL (India) Ltd.	12.50% 93,750,000	12.50% 93,750,000
Indian Oil Corporation Ltd.	12.50% 93,750,000	12.50% 93,750,000
Oil & Natural Gas Corporation Ltd.	12.50% 93,750,000	12.50% 93,750,000
Non-promoters' Holding		
GDF International	10.00% 75,000,000	10,00% 75,000,000
Asian Development Bank	5.20% 39,000,000	5.20% 39,000,000
3 Reserves and Surplus		
General Reserve		
Balance as per last Balance sheet	25,000	14,000
Add : Transfer from Surplus	<u>11,000</u>	<u>11,000</u>
	36,000	25,000
Securities Premium Account	15,546	15,546
Surplus		
Opening balance	152,470	118,941
Add : Profit for the year after taxation as per statement of Profit and Loss	<u>105,754</u>	<u>61,962</u>
	258,224	180,903
Less : Appropriations		
Transfer to General Reserve	11,000	11,000
Dividend/Proposed Dividend	18,750	15,000
Dividend tax	3,042	2,433
	<u>225,432</u>	<u>152,470</u>
	<u>276,978</u>	<u>193,016</u>

PETRONET LNG LIMITED

	Rupees in lacs	
	As at 31.03.2012	As at 31.03.2011
4 Long-Term Borrowings		
Term loans – Secured		
- from banks	115,714	147,502
- from other parties	201,925	156,033
	<u>317,639</u>	<u>303,535</u>
Less : Shown in current maturities of long-term debt (Refer Note 8)	24,223	22,688
	<u>293,416</u>	<u>280,847</u>

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 except on trade receivables on which second charge is created on pari passu basis.
- Term of repayment and interest are as follows : -

Loan from	ROI*	No. of Instalments left	Year of Maturity	Amount outstanding	Amount outstanding
Indian Banks	11.00%	20	2017	55,712	117,500
Indian Banks	11.00%	26	2020	60,002	30,002
IFC (Washington)	11.37%	17	2022	23,000	23,000
IFC (Washington)	8.52%	13	2019	69,270	69,270
Asian Development Bank	7.46%	12	2018	51,975	59,063
Proparco, France	8.70%	13	2019	53,580	-
Bajaj Allianz Life Insurance Company Ltd.	9.00%	20	2017	4,100	4,700
				<u>317,639</u>	<u>303,535</u>
Less: Shown in current maturities of Long Term debt				24,223	22,688
Balance shown as above :				<u>293,416</u>	<u>280,847</u>

*Applicable Rate of Interest as on 31.03.2012

- In respect of external commercial borrowings of USD 150 Million from International Finance Corporation Washington D.C., USA and USD 100 million from Proparco, France, outstanding as on 31st March, 2012, the Company has entered into derivative contracts to hedge the loan including interest. This has the effect of freezing the rupee equivalent of this liability as reflected under the Borrowings. Thus there is no impact of in the Profit & Loss, arising out of exchange fluctuations for the duration of the loan. Consequently, there is no restatement of the loan taken in foreign currency. The interest payable in Indian Rupees on the derivative contracts is accounted for in the Statement of Profit & Loss.

5 Deferred Tax Liabilities (Net)**Deferred Tax Liability**

Difference between carrying amount of fixed assets in the financial statement and the income tax computation	36,460	34,940
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Deferred Tax Asset

Leave Encashment / Gratuity	160	140
Net Deferred Tax liability	<u>36,300</u>	<u>34,800</u>

6 Long-term Provisions

Provisions for employee benefits		
- Gratuity (See Note 33)	192	162
- Leave encashment (See Note 33)	264	235
	<u>456</u>	<u>397</u>

PETRONET LNG LIMITED

	Rupees in lacs	
	As at 31.03.2012	As at 31.03.2011
7 Short-Term Borrowings		
(Unsecured – payable on demand)		
- from bank	9,981	18,064
	<u>9,981</u>	<u>18,064</u>
8 Other Current Liabilities		
Current maturities of long-term debt		
- from banks	8,151	15,000
- from other parties	16,072	7,688
Interest accrued but not due on borrowings	152	24
Advance from customers	-	13
Unpaid dividend	426	347
Other payables for :		
- Statutory dues	28,997	18,734
- Security deposits/ Retention money	1,567	1,315
- Book overdraft	-	48
- Capital goods	24,127	25,793
- Others	228	333
	<u>79,720</u>	<u>69,295</u>
9 Short-term provisions		
Provision for employee benefits.		
- Gratuity (See Note 33)	13	10
- Leave encashment (See Note33)	20	15
- Incentives	573	522
Proposed dividend	18,750	15,000
Tax on proposed dividend	3,042	2,433
	<u>22,398</u>	<u>17,980</u>

10 Fixed Assets

(Refer Note no. 1.03 and 1.04)

DESCRIPTION	(Rupees in lacs)										
	GROSS BLOCK			DEPRECIATION / AMORTISATION						NET BLOCK	
	As on 01.04.2011	Additions	Deductions	As on 31.03.2012	Upto 31.03.2011	For the year	Written back	Upto 31.03.2012	As on 31.03.2012	As on 31.03.2011	
Tangible Assets:											
Leasehold Land	776	-	-	776	304	26	-	330	446	472	
Buildings	13,951	23	-	13,974	1,916	396	-	2,312	11,662	12,035	
Plant & Equipments	338,606	117	-	338,723	81,611	17,877	-	99,488	239,235	256,995	
Office Equipments	1,070	49	9	1,110	739	65	3	801	309	331	
Furniture & Fixtures	375	54	9	420	116	28	3	141	279	259	
Speed Boat	68	-	-	68	10	5	1	14	54	58	
Vehicles	152	96	21	227	60	20	11	69	158	92	
	354,998	339	39	355,298	84,756	18,417	18	103,155	252,143	270,242	
Intangible Assets:											
Licenses/Softwares	376	3	-	379	374	2	-	376	3	2	
	376	3	-	379	374	2	-	376	3	2	
TOTAL	355,374	342	39	355,677	85,130	18,419	18	103,531	252,146	270,244	
Previous Year	354,951	438	15	355,374	66,665	18,468	3	85,130	270,244	288,286	

Note:

Plant & Equipments includes Jetty & Trestle (gross block of Rs. 45,438 lacs). As per agreement, the ownership would be transferred to the Gujarat Maritime Board in the year 2035.



PETRONET LNG LIMITED

	Rupees in lacs	
	As at 31.03.2012	As at 31.03.2011
11 Capital work in Progress		
Kochi Project:		
- Engineering / project construction	292,854	187,689
- Interest and finance Charges (See Note 30)	26,493	11,982
- Buildings	1,179	738
Additional Jetty at Dahej :		
- Engineering / project construction	7,664	-
Others	813	811
	<u>329,003</u>	<u>201,220</u>
12 Non Current Investments		
(At cost)		
Trade investments		
Investments in Equity Instruments -		
9,00,00,000 Equity Shares (previous year 7,33,35,000) of Rs. 10 each Fully paid up in Adani Petronet (Dahej) Port Pvt. Ltd., - a Joint Venture*	9,000	7,334
300 Ordinary Shares (previous year 300) of US\$ 1 each, fully paid up in India LNG Transport Company (No. 3) Limited, Malla ** (Rs. 13,476)	0	0
Other Investments		
Investments in Government or Trust securities -		
- Central Govt. Securities (Face value Rs. 5000 Lacs)	4,988	4,988
	<u>13,988</u>	<u>12,322</u>
* Under lock in for a period of 5 years from the date of commercial operation (i.e. 01.09.2010) of the investee company as per the Dahej LNG Port Terminal Concession Agreement dated 20 th December 2005 with Gujarat Maritime Board.		
** Pledged with Sumitomo Mitsui Banking Corporation.		
13 Long-term loans and advances		
(Unsecured - Considered Good unless otherwise stated)		
Capital advances	13,019	19,067
Security deposits;		
- Government authorities	943	926
- Others	21	21
Other loans and advances –		
- Shareholders' loan to India LNG Transport Company (No. 3) Limited, Malta	1,323	1,083
- Employees	46	48
	<u>15,352</u>	<u>21,145</u>
14 Current Investments		
Non Trade		
Investments in Mutual Funds :		
- Units of mutual funds (at lower of cost or fair value)	-	104,167
	<u>-</u>	<u>104,167</u>

PETRONET LNG LIMITED

	Rupees in lacs	
	As at 31.03.2012	As at 31.03.2011
15 Inventories		
(Refer Note 1.06 on valuation)		
Raw materials	54,955	13,835
Raw materials in transit	13,733	8,943
Stores and spares	2,463	2,001
Stores and spares in transit	84	19
	<u>71,235</u>	<u>24,798</u>

16 Trade Receivables		
(Unsecured – Considered good)		
Outstanding for a period exceeding six months from the due date	-	-
Others	128,589	84,717
	<u>128,589</u>	<u>84,717</u>

17 Cash and cash equivalents		
Balances with banks		
- In current accounts	247	89
- In term deposits	95,267	12,862
- In unpaid dividend accounts	426	347
Fixed Deposit with a Financial institution	2,450	2,450
Cash on hand	1	1
	<u>98,391</u>	<u>15,749</u>

The deposits maintained by the Company with the bank and a financial institution comprise of time deposits, which can be withdrawn by the Company at any time without prior notice or penalty on the principal.

18 Short-term loans and advances		
(Unsecured – Considered good)		
Advances recoverable in cash or kind	1,983	415
Advances to related party (See Note 34)	5	3
Prepaid Expenses	1,274	1,001
Tax payment (net of provisions of Rs. 88,680 lacs, previous year – Rs. 47,515 lacs)	2,206	1,816
Taxes and Duties recoverable {See Note 27 (e)}	6,069	7,272
	<u>11,537</u>	<u>10,507</u>

19 Other current assets		
(Unsecured – Considered good)		
Unamortised premium on forward contracts	107	779
Interest accrued		
- on Bank Deposits	144	35
- on Others	612	433
	<u>863</u>	<u>1,247</u>

	Rupees in lacs	
	Year ended 31.03.2012	Year ended 31.03.2011
20 Revenue from Operations		
(Refer Note 1.07 on revenue recognition)		
Sales	2,245,065	1,310,575
Regasification Services	24,521	9,154
	<u>2,269,586</u>	<u>1,319,729</u>

PETRONET LNG LIMITED

	Rupees in lacs	
	Year ended 31.03.2012	Year ended 31.03.2011
21 Other Income		
Interest Income		
- on bank deposits	2,269	812
- on investments	304	304
- on shareholders' loan to India LNG Transport Company (No. 3) Limited, Malta	79	63
- on fixed deposit with Financial Institutions	199	198
- on income tax refunds	186	1,167
- on others	143	9
Dividend Income (on current investment – non trade)	4,533	2,469
Profit on sale of current investments	292	-
Excess provision written back	200	54
Foreign exchange fluctuations (net)	-	1,445
Miscellaneous income	283	316
	<u>8,488</u>	<u>6,837</u>
22 Employee benefit expenses		
(Refer Note 1.09 on employee benefits)		
Salaries and wages*	2,616	2,635
Contribution to provident and other funds	299	346
Staff welfare expenses	61	75
	<u>2,976</u>	<u>3,056</u>
*Includes Commission to the Whole-time directors Rs. 55 lacs (previous year Rs. 44 lacs)		
23 Finance costs		
Interest on long term loans	13,748	18,010
Interest on short term loans	556	60
LC charges and other borrowing cost	1,523	1,229
Amortisation of forward premium	1,912	42
	<u>17,739</u>	<u>19,341</u>
24 Other Expenses		
Consumption of stores and spare parts	642	830
Power & Fuel	11,242	6,509
Repairs & Maintenance		
Machinery	384	365
Building	234	209
Others	107	89
Rent	582	584
Rates & taxes	1,048	728
Insurance	1,419	1,407
Travelling & Conveyance	828	681
Legal, Professional & Consultancy Charges	1,010	709
Directors' Sitting fees	14	16
Directors' Commission (other than whole time directors)	15	10
Charity & Donation	21	26
Loss on sale/write off of Fixed Assets (net)	14	8
Wealth Tax	1	1
Interest – Others (Statutory Payments)	25	4
Road development expenses	110	453
Foreign Exchange fluctuations (net)	3,796	-
Other Expenses	3,520	2,310
	<u>25,012</u>	<u>14,939</u>
25 Earning Per Share		
Net Profit / (Loss) after current and deferred tax	105,754	61,962
Weighted average number of equity shares of Rs 10/- each	750,000,044	750,000,044
EPS (Rs.) – Basic and Diluted	14.10	8.26

Other Notes on Accounts

26 Estimated amount of Contracts remaining to be executed on Capital Account (net of advances) and not provided for – Rs. 12,88,97 lacs (Previous year – Rs. 22,09,96 lacs).

27 Contingent Liabilities

- a. Letter of Credit/ Bank Guarantees Rs. 28,82,53 lacs. (Previous year – Rs. 20,91,80 lacs)
- b. The Collector of Electricity Duty, Gandhinagar (Gujarat) had issued notices classifying the business activities 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 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 two writ petitions, which are pending before the Hon’ble High Court of Gujarat. Meanwhile Company continues to make payment of Electricity Duty @ 15% on the basis of the stay order granted by the High Court.

The total contingent liability till 31st March, 2012 calculated on the differential payable (25% for “HTP-II A” as classified by GEB and what is actually paid by Company on “HTP-I” rate is 15%) is Rs. 14,34 lacs (Previous year – Rs. 13,87 lacs).

- c. The Company had filed a writ petition before the Gujarat High Court challenging the legality and correctness of the notice dated 1st April, 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 the value mentioned in the delivery order of the goods imported through ports in Gujarat. The Hon’ble High Court of Gujarat has upheld the plea of the Company and quashed the notice issued by the Stamp Authorities. The Stamp Authorities have filed a Special Leave Petition (SLP) in the Hon’ble Supreme Court of India, which has been admitted for hearing. The contingent liability from the effective date of amendment i.e. 1st April, 2006 till 31st March, 2012 on the CIF value is estimated at Rs. 57,01 lacs. (Previous year – Rs. 37,09 lacs).
- d. The Company has received refund of custom duty of Rs. 3,46 lacs from the customs authorities by an Order dated 31st May, 2010 of the CESTAT. The customs authorities have filed an appeal against the Order of the CESTAT with the Hon’ble High Court of Gujarat which is pending.
- e. Taxes and duties recoverable (Note 18.) includes service tax of Rs. 40,05 lacs on vessel hire charges (Including interest of Rs. 2,97 lacs) paid under protest for the period from 16th May, 2008 to 30th September, 2009 under section 65 (105) (zzzzj) of the Finance Act, 1994 (as amended) – “Supply of Tangible Goods for Use”. Based on the opinion of the tax consultants, the Company is of the view that the demand is not tenable and the Company has filed a refund claim for the same with the Service tax Department. The Commissioner of the Service Tax, vide Order dated 6th March, 2012 has confirmed the demand. The Company is in process of filing an appeal before CESTAT, Delhi. Further, in the event of non refund of claim, the Company has counter claim of the amount from the Off takers with interest. Thus, no provision is considered necessary by the management.
- f. During the year, the Company has received a demand order dated 29th November, 2011 for Rs. 65 lacs (including penalty of Rs. 33 lacs) towards service tax liability from the Commissioner (Adjudication) Service Tax, Delhi for the years 2003-04 to 2007-08. The Company has filed an appeal before the CESTAT on 7th March, 2012 on the grounds that legal services were not taxable prior to 1st September, 2009 and payment to International Finance Corporation, USA and others are not subject to service tax levy.
- g. During the year, the Company has received a demand order dated 6th March, 2012 for Rs. 3,77 lacs towards service tax liability, on commercial/commitment / administration charges paid on ECB’s availed, from the Director General of Central Excise Intelligence, Delhi for the years 2006-07 to 2010-11. The Company is in process of filing an appeal before CESTAT, Delhi.

The future cash flow of items (b), (c), (d), (f) and (g) are determinable only on receipt of the decision / judgment from the respective authorities.

28 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.

29 The Company has not received any information from suppliers or service providers, whether they are covered under the “Micro, Small and Medium Enterprises (Development) Act, 2006”. Disclosure relating to amount unpaid at the year - end together with interest payable, if any, as required under the said Act are not ascertainable.

30 In terms of para 10 of Accounting Standard 16 “Borrowing Costs”. Rs. 17,98 lacs (previous year – Rs. 21,73 lacs) has been reduced from the Interest and Finance Charges (Note 11 – Capital Work in Progress) being income on temporary investment of surplus funds out of borrowings related to Capital Expenditures.

31 Segment Reporting (AS - 17)

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

PETRONET LNG LIMITED
32 Disclosure in respect of Joint Venture (AS – 27)

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

Name	: Adani Petronet (Dahej) Port Pvt. Ltd.	
Description of Interest	: Jointly Controlled Company	
Description of Job	: To develop and operate Solid Cargo Port along with LNG Terminal at Dahej	
Country of Incorporation	: India	
Financial Interest	2011-12 (Unaudited)	2010-11 (Audited)
Proportion of Ownership Interest	26%	26%
Company's share of Assets	Rs. 2,73,06 lacs	Rs. 2,31,53 lacs
Liabilities	Rs. 1,92,64 lacs	Rs. 1,49,28 lacs
Income	Rs. 23,82 lacs	Rs. 6,55 lacs
Expense	Rs. 32,06 lacs	Rs. 7,24 lacs

33 Employee Benefits (AS-15 revised)

Following information are based on report of Actuary :

Defined benefit plans

The principal assumptions used in actuarial valuation are as below	2011-12	2010-11
- Discount rate	8.50%	8.00%
- Expected rate of future salary increase	6.00%	5.50%
- Mortality	LIC (1994-96)	LIC(1994-96)

Rupees in lacs

Particulars	2011-12		2010-11	
	Gratuity Unfunded	Leave Encashment Unfunded	Gratuity Unfunded	Leave Encashment Unfunded
Change in present value of obligations				
- Present value of obligations at beginning of the year	1,72	2,50	1,03	1,60
- Interest cost	15	21	8	13
- Current service cost	33	49	31	48
- Benefits paid	(15)	(41)	(9)	(35)
- Actuarial (gain) / loss on obligations	-	5	39	64
- Present value of obligations at end of the year	2,05	2,84	1,72	2,50
Changes in fair value of plan assets	Not Applicable		Not applicable	
Liability recognized in the Balance Sheet				
- Present value of obligations at the end of the year	2,05	2,84	1,72	2,50
- Fair value of plan assets as at the end of the year	-	-	-	-
- Unfunded status	2,05	2,84	1,72	2,50
- Unrecognised Actuarial (Gain) / Loss	-	-	-	-
- Net (Assets) / Liability recognized in Balance Sheet	2,05	2,84	1,72	2,50
Expenses recognized in the Statement of Profit and loss				
- Current service cost	33	49	31	48
- Past service cost	-	-	-	-
- Interest cost	15	21	8	13
- Expected return on plan assets	-	-	-	-
- Net Actuarial (Gain) / Loss recognized during the year	-	5	39	64
- Amount capitalized	(12)	(17)	(4)	(6)
- Total Expense recognized in Statement of Profit and Loss	36	58	74	1,19
Defined Contribution Plan				
Amount recognized as an expense in respect of defined Contribution plans are as under				
Contribution to Govt. Provident Fund		1,23		1,27
Contribution to Superannuation Fund		1,39		1,44

34 Related Party Transactions (AS – 18)

a) Related parties and their relationships

i. **Promoters**

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

ii. **Joint Venture**

Adani Petronet (Dahej) Port Pvt. Ltd

iii. **Key Managerial Personnel (KMP)**

P. Dasgupta (Managing Director & CEO) (Till 30th June, 2010)
A. K. Balyan (Managing Director & CEO) (Since 16th July, 2010)
Amitava Sengupta (Director – Finance & Commercial) (Till 26th April, 2011)
C. S. Mani (Director – Technical)
R. K. Garg (Director – Finance) (Since 20th July, 2011)

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

Rupees in lacs				
S. No.	Nature of transaction	Name of the Party (Relationship)	2011-12	2010-11
1	Sale of RLNG	IOCL (Promoter)	72,56,14	37,24,74
		BPCL (Promoter)	28,25,85	12,89,03
		GAIL (Promoter)	96,93,10	72,53,54
		TOTAL	1,97,75,09	1,22,67,31
2	Regasification services	GAIL (Promoter)	1,55,87	36,50
3	Payment of Rent and related services	IOCL (Promoter)	4,06	4,61
4	Remuneration to staff on deputation	BPCL (Promoter)	5	6
5	Remuneration paid to Key Managerial Personnel	Dr. A. K Balyan	67	37
		P. Dasgupta	2	52
		Amitava Sengupta	37	60
		C. S. Mani	63	57
		R. K. Garg	36	-
	TOTAL	2,05	2,06	
6	Payment for subscription of shares	Adani Petronet (Dahej) Port Pvt. Ltd.	16,67	5,62
7	Amount Receivable at the year end	IOCL (Promoter)	4,29,99	2,19,45
		BPCL (Promoter)	1,58,91	73,56
		GAIL (Promoter)	5,48,99	4,35,99
		ONGC (Promoter)	3	-
	TOTAL	11,37,92	7,29,00	
8	Amount Payable at the year end	IOCL (Promoter)	10	83
		BPCL (Promoter)	7	-
		ONGC (Promoter)	-	1,88
		TOTAL	17	2,71

35 There is no impairment loss of any asset that has occurred in terms of AS – 28.

PETRONET LNG LIMITED

36 The Company has claimed deduction under section 801A of the Income Tax Act, 1961 in respect of Power Generation and Port Undertaking in its Tax Returns. However, provision for income tax has been made without considering the aforesaid deductions.

37 Foreign currency exposure of the Company

Particulars	Currency	2011-12	2010-11
Unhedged foreign currency exposure (In Lacs)			
- Import of raw material	USD	23,51	11,63
- Payable to EPC Contractor	USD	1,82	71
	EURO	5	7
	JPY	50,54	1,14,75
- Others – Payable	USD	-	5
	JPY	59	-
	GBP	1	-
- Shareholder's Loan (Receivable)	USD	26	25

38 Capital Work in Progress at Kochi Project includes following expenses

Particulars	Rupees in lacs	
	2011-12	2010-11
Salaries and Wages	5,47	2,79
Contribution to Provident and Other Funds	76	38
Staff Welfare Expenses	13	6
Power & Fuel	13	10
Repairs & Maintenance – Others	2	2
Rent	6,78	5,68
Rates & Taxes	1,88	1,37
Insurance	5,90	4,30
Travelling & Conveyance	3,10	1,75
Legal, Professional and Consultancy Charges	27,80	24,13

39 Remuneration of Auditors (inclusive of service tax)

Particulars	Rupees in lacs	
	2011-12	2010-11
Audit Fee	9	8
Limited review fees	5	4
Tax audit fee	2	2
Fees for certification	28	13
Others	1	2
Reimbursement of expenses	2	2
Total	47	31

40 Additional Information pursuant to the provisions of Part II to Schedule VI of the Companies Act, 1956 to the extent applicable

	Particulars	Rupees in lacs	
		2011-12	2010-11
a)	Opening Stock of LNG	1,38,35	1,37,76
	Purchases of LNG	2,09,97,94	1,18,01,79
	Sales of RLNG	2,24,50,65	1,31,05,75
	Internal Consumption	2,25,02	1,48,80
	Closing Stock of LNG	5,49,55	1,38,35
b)	Raw Material (LNG) Consumed	2,05,86,74	1,18,01,20

PETRONET LNG LIMITED

Rupees in lacs

	Particulars	2011-12	2010-11
c)	Value of Imports on CIF basis		
	Raw Material (LNG)	1,99,29,37	1,11,93,86
	Components and spare parts	3,57	2,02
	Capital Goods	6,04,95	2,50,54
d)	Expenditure in Foreign Currency		
	Foreign Travel	1,15	86
	Professional / Consultant / Technical Fees	1,48	46
	Others (including insurance and financing charges)	29,10	13,10
e)	Earnings in Foreign Currency		
	Interest Income	84	63
f)	Dividend remitted in foreign currency to Non Residents		
	Number of Shareholders	1	1
	Number of Shares held	75,00,00,00	75,00,00,00
	Net amount of dividends remitted in foreign currency		
	- Final dividend for the year 2010-11 (Rs. In lacs)	15,00	-
	- Final dividend for the year 2009-10 (Rs. In lacs)	-	13,12
	In respect of other non resident shareholders, the remittance is made to the mandatee bank in India in rupees.		

g) **Value of imported and indigenous Raw Material and Spare parts consumed**

Rupees in lacs

Particulars	2011-12		2010-11	
	%	Amount	%	Amount
Raw Material				
Imported	100%	2,05,86,74	100%	1,18,01,20
Others	Nil	Nil	Nil	Nil
Spare Parts				
Imported	35.74%	2,21	14.71%	1,20
Others	64.26%	3,97	85.29%	6,97

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

Annexure to our report of even date

For V. Sankar Aiyar & Co.
Chartered Accountants
ICAI Firm Regn. No. 109208 W

Sd/-
Ajay Gupta
Partner
Membership No. 90104

Place : New Delhi
Dated : 24th April, 2012

For and on behalf of Petronet LNG Limited

Sd/-
Dr. A. K. Balyan
Managing Director & CEO

Sd/-
R. K. Garg
Director-Finance

Sd/-
K. C. Sharma
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 14th (FOURTEENTH) ANNUAL GENERAL MEETING of the Company to be held on Wednesday, the 4th day of July, 2012 at 10:00 A.M. at Air Force Auditorium, Subroto Park, Dhaula Kuan, New Delhi-110 010 and at any adjournment (s) thereof.

Signed this _____ day of _____ 2012

Affix Revenue Stamp of Fifteen Paise
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*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*	
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Folio No.	
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Client Id*	
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NAME AND ADDRESS OF THE SHAREHOLDER

Number of Share(s) held:

I certify that I/we are member/proxy for the member of the Company. I/we hereby record my/our presence at the 14th (FOURTEENTH) ANNUAL GENERAL MEETING of the Company to be held on Wednesday, the 4th day of July, 2012 at 10:00 A.M. at Air Force Auditorium, Subroto Park, Dhaula Kuan, New Delhi-110 010.

Signature of the Shareholder(s) or Proxy

*Applicable for investor holding shares in electronic form.



Petronet LNG Limited

Corporate Office: World Trade Centre, 1st Floor, Babar Road, Barakhamba Lane,
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