



GAIL (India) Limited

2006-2007

Annual Report

Blueprint
for A
Greener
Tomorrow






There is a popular saying that -
**"We have not inherited the earth
from our parents, but we have
borrowed it from our children."**

As we expand our gas pipeline networks, reaching the green fuel to newer ports of call, we are proud to contribute in our small way towards the preservation of the environment by making the gas available to increasing parts of the country, helping curb hazardous emissions and providing clean fuel for city transportation.

At GAIL, we are committed towards development for a greener earth and a better tomorrow. This year's Annual Report reflects this spirit through the optimistic eyes and uninhibited imagination of the children - our future generation.



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Vision & Mission

Vision

Be the Leading Company in Natural Gas and Beyond, with Global Focus, Committed to Customer Care, Value Creation for all Stakeholders and Environmental Responsibility.

Mission

To accelerate and optimise the effective and economic use of Natural Gas and its fractions to the benefit of National economy.





Statutory Auditors

M/s Mehra Goel & Co. Chartered Accountants
New Delhi

Branch Auditors

M/s SCJ Associates Chartered Accountants
Agra

M/s Chhajer & Co. Chartered Accountants
Bhopal

Cost Auditors

M/s R.J. Goel & Co. Cost Accountants
New Delhi

M/s Ramnath Iyer & Co. Cost Accountants
New Delhi

M/s K.G. Goyal & Co. Cost Accountants
Jaipur

M/s Shome & Banerjee Cost Accountants
New Delhi

M/s K. Narsimhma Murthy Cost Accountants
Hyderabad

M/s Bandyopadhyay & Bhowmick & Co. Cost Accountants
Kolkata

M/s R.M. Bansal & Co. Cost Accountants
Kanpur

Company Secretary

Shri N.K. Nagpal

Stock Exchanges

Bombay Stock Exchange Limited Floor 1, PJ Towers
Dalal Street, Mumbai - 400 001

National Stock Exchange of India Limited 'Exchange Plaza',
Bandra Kurla Complex,
Bandra (E), Mumbai - 400 051

London Stock Exchange (GDRs) 10, Paternoster Square
London - EC4M 7LS (U.K.)

Registrar and Share Transfer Agent

MCS Limited Sri Venkatesh Bhawan, W - 40,
Okhla Industrial Area Phase - II,
New Delhi - 110020

Bankers

State Bank of India Corporate Accounts Group
Branch Jawahar Vyapar Bhavan
11th & 12th Floors, Tolstoy Marg,
New Delhi - 110001

ICICI Bank Ltd. 9A, Phelps Building
Connaught Place
New Delhi - 110001

HDFC Bank Ltd. 1st Floor, Kailash Building
26, Kasturba Gandhi Marg
New Delhi - 110001

Registered Office

16, Bhikaiji Cama Place
R. K. Puram
New Delhi - 110066

Subsidiary Companies

GAIL Global (Singapore) Pte. Limited 10 Collyer # 19-08
Ocean Building
Singapore - 049315

Brahmaputra Cracker and Polymer Limited Hotel Brahmaputra Ashok
M.G. Road, Guwahati
Assam-781001

Board of Directors

Blueprint
for A
Greener
Tomorrow



Dr. U. D. Choubey
Chairman & Managing Director





Sh. Mohan R. Hingnikar
Director (HR)



Sh. R. K. Goel
Director (Finance)



Sh. Santosh Kumar
Director (Projects)



Sh. A. K. Purwaha
Director (Business Development)



Sh. B. C. Tripathi
Director (Marketing)



Sh. S. Sundareshan
Director



Sh. D. N. Narasimha Raju
Director



Dr. A. K. Kundra
Director



Sh. B. C. Bora
Director



Dr. Amit Mitra
Director

HIGHLIGHTS 2006-07

GAIL's strategy has been focused towards leveraging its core competency of gas transmission. At the same time, it has always been looking out for avenues of diversified growth. The year 2006-07 was no exception:

Leveraging core competency

- Completed around 600 km of pipeline construction during the year.
- GAIL received MoPNG's approval to construct around 5,000 Km pipelines in the next 5 years with an investment of over Rs. 18,000 Crores with a capacity of 280 MMSCMD of natural gas.

Diversified growth

E&P

- GAIL, in consortium with several national and international companies was awarded 15 blocks under NELP VI bidding round. It now has a substantial E&P portfolio of 29 blocks which includes 3 overseas blocks.
- The Company was also awarded Block no. 56 in Oman.
- Test production of oil from Cambay basin block CB-ONN-2000/1, having equal participation by GAIL and GSPC commenced during the year.
- In CBM-III bidding round, GAIL along with Arrow Energy, Australia as operator and Energy Infrastructure Group (EIG), Sweden and Tata Power Company as other partners was awarded 3 high ranking CBM blocks with participating interests ranging from 35% to 45%.

Petrochemicals

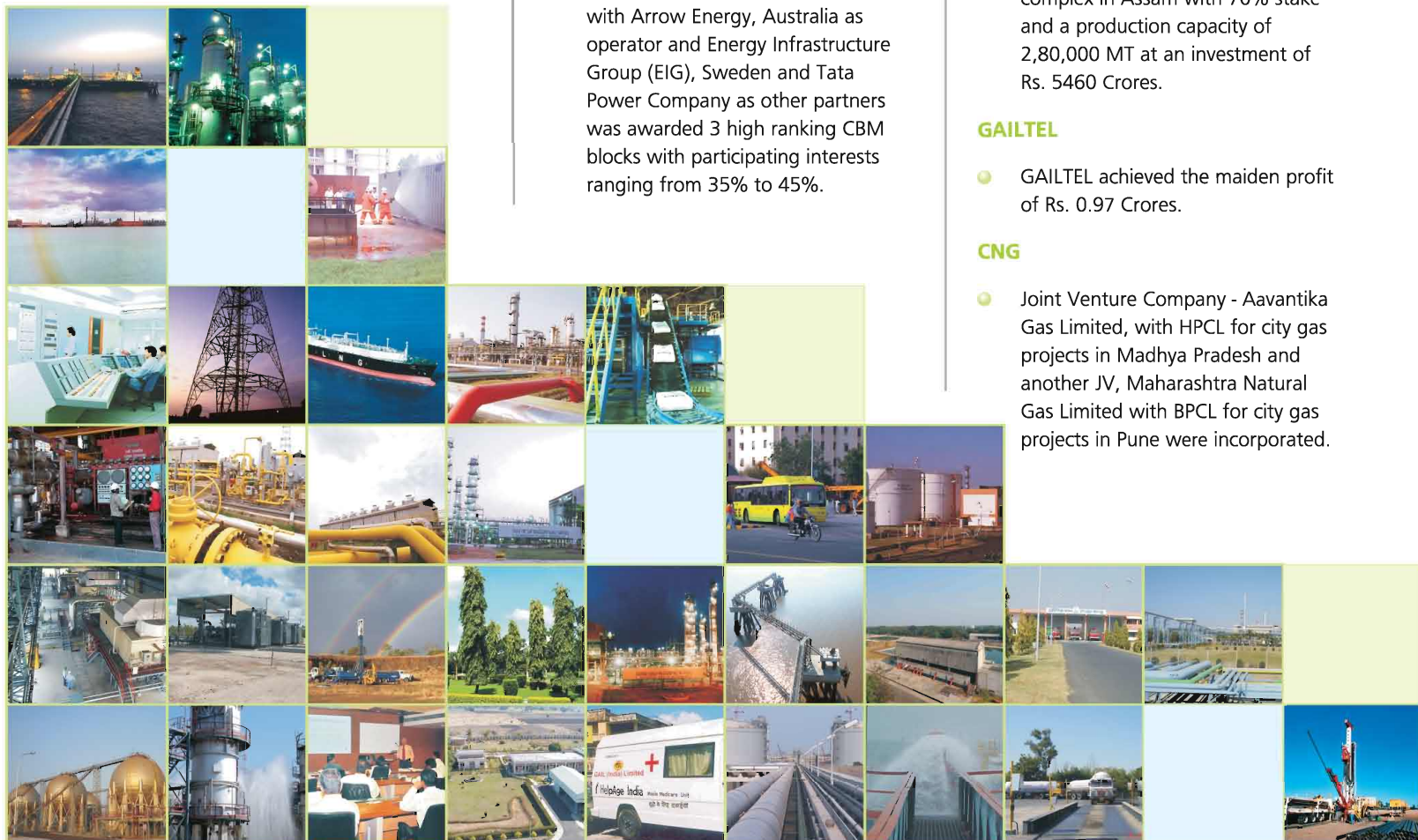
- Expanding petrochemical capacity at Pata plant from 3,10,000 TPA to 4,10,000 TPA.
- Foraying into the Polypropylene apart from boosting HDPE & LLDPE volumes by way of a petrochemical complex in Assam with 70% stake and a production capacity of 2,80,000 MT at an investment of Rs. 5460 Crores.

GAILTEL

- GAILTEL achieved the maiden profit of Rs. 0.97 Crores.

CNG

- Joint Venture Company - Aavantika Gas Limited, with HPCL for city gas projects in Madhya Pradesh and another JV, Maharashtra Natural Gas Limited with BPCL for city gas projects in Pune were incorporated.



Directors' Report



DIRECTORS' REPORT

To

The GAIL Shareholders,

On behalf of the Board of Directors of your Company, it gives me immense pleasure to present the 23rd Annual Report of your "Navratna" Company along with Audited Financial Statements for the Financial Year 2006-07.

Your Company experienced another successful year of operations recording growth despite floods disrupting gas supply. The Directors are glad to share with you the growth story and impressive future plans.

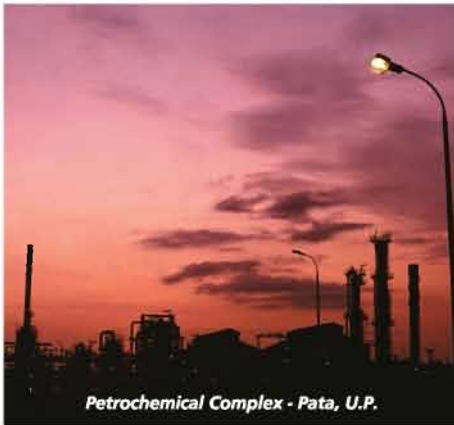
PERFORMANCE AT A GLANCE

Particulars	2006-07	2005-06
Gas Transmission (MMSCMD)	77.29	78.87
LPG Production (TMTs)	1,026	1,042
Pentane/Propane/SBP Solvents / Naptha Production (TMTs)	317	283
Polymer Production (TMTs)	354	311
LPG Transmission (TMTs)	2,491	2,228



FINANCIAL PERFORMANCE

Particulars	(Rs. in Crores)	
	2006-07	2005-06
Turnover (Net of ED)	16,047	14,459
Other Income	545	456
Cost of Sales (excluding Interest and Depreciation and including extraordinary items)	13,050	10,961
Gross Margin	3,542	3,954
Interest	107	117
Depreciation	575	560
Profit Before Tax	2,860	3,277
Provision for Tax (after provision written back of earlier years, Rs. 339.92 Crores)	473	967
Profit After Tax	2,387	2,310
Appropriations		
Interim Dividend	676	676
Proposed Final Dividend	169	169
Corporate Dividend Tax	124	119
Transfer to Bond Redemption Reserve	32	32
Transfer to General Reserve	239	231
Balance carried forward to Balance Sheet	1,147	1,083



Petrochemical Complex - Pata, U.P.

DIVIDEND

The Board of Directors of the Company had earlier approved payment of an interim dividend @ Rs. 5.50 and special interim dividend @ Rs. 2.50 per equity share of Rs. 10 each for the year 2006-07 amounting to Rs. 465.11 Crores and Rs. 211.41 Crores respectively, which has since been paid to the members of the Company.

The Directors are now pleased to recommend subject to the approval of the members, payment of final dividend @ Rs. 2 per equity share of Rs. 10 each amounting to Rs. 169.13 Crores for the year 2006-07. With this, the total dividend payment for the fiscal 2006-07 will be at 100% of the paid up equity capital.

CORPORATE STRATEGY

The Board of Directors of your Company identified following growth drivers as reported last year:

- Protection and strengthening of the gas transmission and marketing business.
- Increased gas sourcing from domestic fields and import of gas through cross-border pipelines and LNG to secure gas supplies for transmission and trading businesses.
- In the E&P front, your Company has stake in 29 E&P Blocks & 3 CBM Blocks and intends to participate aggressively in the upcoming E&P opportunities. To strengthen its presence in the

operation of the blocks, it also has plans to participate as a operator 'JV' partner to some of the probable resources in case found feasible after due diligence.

- Pursue margin enhancing businesses namely, petrochemicals and city gas distribution projects.

Your Company continues to focus on these drivers for increase in its top and bottom line. Securing gas supply from the major producers for transmission/marketing of gas, participating stake in E&P blocks and issuing expression of interest for laying pipeline infrastructure in the country are steps towards that direction. Your Company also plans to exploit the natural resource to its optimum level by adding value at various levels of the gas value chain.

The natural gas demand in India is at an inflection point, and several forces are at work that could dramatically increase the natural gas demand in order to meet growing energy demand of the economy. The present sources of natural gas are projected to deplete in the coming years and therefore, there is a need to look at new sources that are rapidly coming up. Your Company is aggressively pursuing gas sourcing options both from the new domestic sources as well as through international sources by way of pipelines

and LNG route. Collectively, such a rapid rise in expected demand and re-alignment of sources of gas supply will interact to determine the robust future gas industry structure.

Your Company has adopted a focused approach to "protect & grow" its core businesses. Your Company is proactively positioning itself to build around 5,000 Km pipelines in the next 5 years. The major pipelines planned are Jagdishpur-Haldia Pipeline, Dabhol-Bangalore Pipeline, Dadri-Nangal Pipeline, Kochi-Mangalore-Bangalore Pipeline, augmentation of HVJ & GREP Pipeline and Chainsa-Gurgaon-Hissar Pipeline. Expressions of interest have been issued for new pipelines worth over Rs. 18,000 Crores. During the year, your Company signed a Gas Supply Agreement with ONGC and also secured additional gas through spot R-LNG to meet the demand of the consumers. Your Company is determined to improve the operational efficiency of the pipeline transmission network.

On E&P front, your Company is in the process of developing the operatorship skills for domestic on-land fields & shallow



Signing of GAIL - RIL Co-operation Agreement : Shri R.K. Goel, Director (Finance), GAIL (extreme left), Dr. U.D. Choubey, CMD, GAIL (centre) and Shri P.M.S. Prasad, President & CEO - Petroleum, Reliance Industries Ltd. (right)

offshore fields and is aiming to secure additional E&P blocks with balanced portfolio between exploratory & developmental projects.

In the Petrochemical business, your Company is currently expanding its Petrochemical capacity at Pata plant from 3,10,000 TPA to 4,10,000 TPA. Government approval for setting up a Petrochemical complex in Assam with a production capacity of 2,80,000 MT per annum has been received in which your Company will have 70% equity participation. The project execution activities have already started and are scheduled to be completed by 2012.

In addition, your Company is continuing to expand marketing in wholesale gas distribution and enhancing the roll-out of its retail marketing presence by creating state-wise new Joint Ventures for City Gas supply.

BUSINESS PERFORMANCE

Your Company has once again been rated "Excellent" by MoPNG for the year 2006-07. The segment wise business performance of the Company is as under:

Gas Transmission

During the year 2006-07, your Company transmitted 77.29 MMSCMD of Gas as compared to previous year volume of 78.87 MMSCMD. Your Company enjoys dominant market share of 78% in the Gas Transmission segment. The lower Gas Transmission was mainly due to flood at Hazira (Gujarat) which adversely affected the HVJ system for about a month.

Petrochemicals

In the Petrochemicals business sector, your Company has registered remarkable growth. During the year under review, the production of polymers (HDPE/LLDPE) was 354 TMTs as against the production of 311 TMTs in the previous year representing an increase of 14%.

During the year under review, your Company has promoted a subsidiary named "Brahmaputra Cracker and Polymer Limited (BCPL)", for producing 2,80,000 MT per annum of petrochemical products (HDPE/LLDPE/PP) at Lepetkata, Assam.



Your Company has 70% equity stake in the Company. With this project, your Company would be foraying into the Polypropylene product portfolio besides boosting the HDPE and LLDPE product volumes.

A new HDPE unit of 1,00,000 TPA is under commissioning at Pata which will enhance the polymer capacity of your Company to 4,10,000 TPA from financial year 2007-08.

Liquid Hydrocarbons

The total Liquid Hydrocarbon Production during 2006-07 is 1,343 TMTs as compared to 1,325 TMTs in 2005-06. The total product mix includes 1,026 TMTs of LPG, 179 TMTs of Propane, 73 TMTs of Pentane, 40 TMTs of Special Boiling Point Solvent(SBPS), 25 TMTs of Naphtha for the year 2006-07.

LPG Transmission & Marketing

In the LPG transmission business, your Company transported 2.49 MMT LPG in current fiscal year as compared to 2.23 MMT in 2005-06 representing an increase of 12%.

LNG

Your Company continues to have strong focus on securing gas supplies from international markets. LNG and trans-national pipelines are the two prevalent modes of cross border gas trade and your Company has been making efforts in both directions.

During the year, your Company sourced its first spot cargo of LNG from Algeria and later sourced additional spot LNG through PLL, Dahej and Shell, Hazira. The entire quantity of spot LNG, was sold to consumers as well as consumed internally. For long term sourcing of LNG, your Company has been in active discussions with suppliers from Algeria, Australia and Malaysia. Other sources in Qatar and Nigeria are also being pursued.

On the trans-national pipeline front, your Company has been pursuing three options viz. Iran-Pakistan-India (IPI) Pipeline, Turkmenistan-Afghanistan-Pakistan-India (TAPI) Pipeline and Myanmar-India (MI) Pipeline. For the IPI Pipeline, Pakistan has already agreed to the price of gas



at Iran-Pakistan Border subject to final approval from their Government. Government of India is likely to take a decision on the same shortly. Efforts are on to officially induct India as a partner in the TAPI Pipeline Project. Your Company has completed the detailed feasibility study of the pipeline from Myanmar-India Border to Gaya through north-eastern states. However, final decision on export of gas in A1 & A3 Blocks of Myanmar would be taken by the Myanmar Government.

● Exploration and Production (E&P)

In line with your Company's strategy, E&P activities have gathered further momentum during the year. Full fledged development and commercial production in the Cambay Block in Gujarat where your Company holds 50% participating interest, is all set to commence with the Government approval which is expected shortly. The gas discovery in blocks A-1 and A-3 in Myanmar is maturing to development stage and various studies prior to finalization of the plan and its implementation are underway.

Currently, your Company is involved in exploration activities over an acreage of 1,92,884 Sq. Km, and plans to invest approximately Rs. 1,200 Crores in E&P activities over the next three years.

Your Directors are glad to share with you the success of your Company in the recently concluded NELP-VI bidding rounds. Your Company, in consortium with several national and international companies has been awarded 15 blocks under NELP VI where a total of 55 blocks were under offer and 68 companies have participated including 36 foreign companies.

In two blocks, one in Mahanadi Offshore and the other in Cauvery Offshore, drilling of wells has revealed significant gas potential where further work is being carried out to assess the commercial viability.

With these blocks added to its portfolio, your Company now has a substantial E&P portfolio of 29 blocks including 3 overseas blocks.

● Coal Bed Methane (CBM)

India, with its vast coal resources, has a substantial CBM resource base of 35 to 105 TCF. Three rounds on CBM have been offered by Government of India till date. Total 26 blocks have been awarded under CBM-I, II & III bidding round and also on Nomination and FIPB route.

In CBM-III bidding round, your Company participated in 7 blocks partnering with a major CBM company

of Australia, viz., Arrow Energy as Operator and Energy Infrastructure Group (EIG), Sweden and Tata Power Company as other partners. Your Company's forays in CBM area now begin with the award of 3 high ranking CBM blocks, one in Jharkhand and two in Chattisgarh. Your Company's participating interests in the blocks ranges from 35% to 45%.

● GAILTEL

GAILTEL, the telecom arm of your Company, offers commercial telecom services to all the leading Telecom operators in the country, apart from catering to captive communication needs. GAILTEL currently operates 13,000 Km, state of the art fiber optic network. During the year under review, GAILTEL achieved the maiden profit of Rs. 0.97 Crores.





**Signing of Joint Venture Agreement : (L to R)
Shri Santosh Kumar, Director (Projects), Shri R.K. Goel, Director (Finance),
Dr. U.D. Choubey, C&MD, GAIL (India) Limited and Representatives of China Gas Holdings Ltd.**

BUSINESS INITIATIVES

With changes taking place in the gas market, GAIL is continuously evolving strategies to prepare itself for the regulated scenario.

Your Company has transformed into an integrated energy company through integration of Gas Value Chain. The focal point of your Company's growth plan is to prepare itself for the era of clean fuel industrialisation. In the process, your Company is all set to create a green quadrilateral of clean energy corridors in India, connecting major consumption centres with major gas fields, LNG terminals and other cross border gas sourcing points. This will create an optimal infrastructure network and balanced development of the Gas market.

Carrying forward the success stories of Delhi and Mumbai, retail gas initiatives are being taken in other cities of the country and in other parts of the world in collaboration with other major players. Building up on the PNG and CNG success stories, your Company is trying to pave the way for a clean and green future.

Global Initiatives

Your Company is continuing its efforts to build strategic alliances with international companies to gain entry in the international market.

Your Company entered into Memorandum of Understanding (MoU) with Arrow Energy of Australia and Energy Infrastructure Group (EIG) of Sweden for cooperation in pursuing Coal Bed Methane (CBM) opportunities in India, Australia and third countries. In line with the MoU, the consortium of GAIL, Arrow & EIG participated in India's CBM Bidding Round III and won three blocks.

All the four companies in which your Company made investment, viz, Fayum Gas Company (FGC), Shell CNG Egypt (SCNGE), National Gas Company (Natgas) in Egypt and China Gas Holdings Limited (China Gas) in China, are performing well.

Besides, your Company's plans to form a Joint Venture Company with China Gas for pursuing CNG, City Gas, CBM and related gas sector opportunities in China. A Joint Venture Agreement to

this effect has been signed with China Gas.

Your Company is in discussion with Myanmar Government as well as consortium partners regarding options for bringing gas from A-1 and A-3 block in Myanmar. Your Company is one of the consortium partners in both the blocks. Similarly, discussions are continuing with Iran and Pakistan Government and significant progress has already been made for also bringing gas from Iran to India through pipeline under the trilateral framework.

Your Company is also pursuing other business opportunities in the gas sector of Australia, Algeria, Libya, Egypt, Saudi Arabia, China, Singapore and Oman.



Gas Terminal - Vijapur, M.P.

PIPELINE PROJECTS

Projects Commissioned

During the year under review, the following projects were commissioned:

Thulendi-Phulpur Pipeline Project :

Your Company has laid 139 Km Pipeline from Thulendi (HVJ Tapoff) to IFFCO, Phulpur. The objective of the Project is to supply R-LNG to IFFCO, Phulpur and industrial consumers in Rai Bareli. Designed capacity of this pipeline is 2.8 MMSCMD. Pipeline was commissioned in May, 2006.

Kelaras-Malanpur Pipeline Project :

Your Company has laid 85 Km feeder Pipeline to Malanpur, 10 Km of pipeline for Malanpur Customers through local pipeline network. The objective of the project is to supply R-LNG to customers in Malanpur industrial area near Gwalior. Designed capacity of this pipeline is 2.0 MMSCMD. Pipeline was commissioned in July, 2006.

Vijapur-Kota Pipeline Project :

Your Company has laid 192 Km Vijapur to Kota Pipeline for transportation of R-LNG in that region. The objective of the project is to supply R-LNG to CFCL-II, SFCL & Chambal Power and other customers in that region. Designed capacity of this pipeline is 3.47 MMSCMD. Pipeline was commissioned in January, 2007.

Ibrahimpur-Dholpur Pipeline Project :

Your Company has laid 30 Km pipeline to RRVUNL Power plant at Dholpur. The objective of the project is to supply R-LNG to RRVUNL power plant at Dholpur. Designed capacity of this pipeline is 1.5 MMSCMD. Pipeline was commissioned in February, 2007.

Jagoti-Pithampur Pipeline Project :

Project was approved for laying of 98 Km pipeline from Jagoti to Pithampur via Ujjain with spur line 21 Km to Dewas. In addition to that, local pipeline network of 16.5 Km and 44.6 Km is being considered for supplying R-LNG to Dewas and Pithampur. Designed capacity of pipeline is 3 MMSCMD. This pipeline will cater to the demand of gas supply to the consumers in Dewas and Pithampur industrial areas and city gas at Indore. The pipeline is mechanically complete and already commissioned in Financial Year 2006-07.

Dahej-Uran Pipeline Project :

Laying of 475 Km Pipeline of capacity 12 MMSCMD from Dahej to Uran for supplying gas to Power Plants, Fertilizer Plants and Industrial Consumers in Gujarat & Maharashtra. Connectivity to Dabhol has been successfully completed.

Dabhol-Panvel Pipeline Project :

Project was approved for laying of 187 Km pipeline from Dabhol to Panvel (Phase I) and Branch lines 64.5 Km from Kharegaon to Pune and 48.2 Km from Ambewadi to Usar (Phase II). Designed capacity of this line is 12.5 MMSCMD.



Pipeline laying - Dahej-Uran Pipeline Project

SUBSIDIARIES & JOINT VENTURES

SUBSIDIARIES

- **GAIL Global (Singapore) Pte. Limited**

Your Company has a wholly owned subsidiary namely, GAIL Global (Singapore) Pte. Ltd. A profit of Rs. 2.02 Crores has been made by this subsidiary company during the year under review. Your Company is looking for further business opportunities through this subsidiary company.

- **Brahmaputra Cracker and Polymer Limited**

Your Company has promoted a subsidiary named "Brahmaputra Cracker and Polymer Limited (BCPL)", for producing 2,80,000 MT per year of petrochemical products (HDPE/LLDPE/PP) at Lepetkata, Assam. Your Company will have a 70% equity share with Oil India Limited (OIL), Numaligarh Refinery Limited (NRL) and Govt. of Assam, each having 10% equity share. The authorized capital of the company is Rs. 1,200 Crores. The estimated cost of the project is Rs. 5,461 Crores.

JOINT VENTURES

Your Company has formed the following Joint Venture companies.

- **Petronet LNG Limited (PLL):**



PLL was formed for setting up of LNG import and regasification facilities. PLL has a long term LNG supply contract with Ras Gas, Qatar for import of 7.5 MMTA. PLL Dahej terminal is being expanded to 12.5 MMTA capacity. Your Company holds 12.50% stake in the Company at an investment of Rs. 98.75 Crores.

- **Indraprastha Gas Limited (IGL):**



IGL is supplying piped gas to 71,000 domestic, 306 commercial consumers and CNG to over 1,28,000 vehicles through 146 CNG Stations including 2 Stations in NOIDA. It is worth mentioning here that IGL is catering to the world's largest CNG bus fleet in Delhi (More than 10,000 buses). Your Company holds 22.5% stake in the Company at an investment of Rs. 31.50 Crores.

- **Mahanagar Gas Limited (MGL):**



Currently MGL has set up 123 CNG stations catering to over 1,80,000 vehicles spread over Mumbai, Thane city and Mira-Bhayandar areas besides supplying PNG to over 2,75,000 domestic, 750 commercial and 40 industrial consumers. Your

Company holds a 49.75% stake in the Company at an investment of Rs. 44.45 Crores.

- **Bhayanagar Gas Limited (BGL):**



BGL is currently operating 3 Auto LPG stations in Hyderabad and 1 Auto LPG stations in Tirupathi. It is currently operating 5 CNG stations in the city. BGL has also commissioned the supply of CNG in the city of Hyderabad by setting up one Daughter Booster Station in the month of August, 2006 by transporting CNG in cascades from Vijayawada. Your Company holds 22.5% stake in the Company.

- **Tripura Natural Gas Company Limited (TNGCL):**



TNGCL is presently supplying gas to domestic, commercial & industrial consumers in Agartala city. The company has commissioned the first CNG station of North East in Agartala city in November, 2006. Your Company holds 29% stake in the Company.

- **Central U.P. Gas Limited (CUGL):**



CUGL is currently operating 4 CNG stations and building network for supply of PNG to domestic, commercial and industrial sectors in the city of Kanpur. Your Company has a 22.5% stake in the Company.



• **Green Gas Limited (GGL):**



GGL is currently operating 4 CNG stations in Lucknow and 1 CNG station in Agra. GGL will also take up project implementation in other cities of Western UP on the basis of gas availability and project viability. Your Company has 22.5% stake in the Company.

• **Maharashtra Natural Gas Limited (MNGL) :**



MNGL is a Joint Venture of GAIL and Bharat Petroleum Corporation Limited and was incorporated in January, 2006 for implementation of City Gas Projects in Pune city. MNGL will develop necessary infrastructure for supply of CNG and PNG in the city. Your Company has a 22.5% stake in the Company.

• **Aavantika Gas Limited (AGL):**



AGL is a Joint Venture of GAIL and Hindustan Petroleum Corporation Limited and was incorporated in June, 2006 for implementation of City Gas Projects in Madhya Pradesh. AGL has started project implementation activities in the city of Indore and the cities of Gwalior and Ujjain are in the pipeline. Your Company has a 22.5% stake in the Company.

• **Ratnagiri Gas and Power Private Limited (RGPPL)**

RGPPL is a Joint Venture Company between GAIL, NTPC, IFI's and MSEB. Your Company has a 28.33% stake in the Company. The Net Capacity of the Ratnagiri Gas & Power Station is 2,150 MW. Your Company has made an investment of Rs. 500 Crores.

NEW TECHNOLOGY INITIATIVES

Some of the new technology initiatives adopted by your Company are as follows:

- In line with the President of India's suggestion to industries to work on alternative fuel Hydrogen, your Company has taken the initiative on Hydrogen-CNG project in collaboration with ARAI (Automotive Research Association of India), MGL (Mahanagar Gas Limited), MNGL (Maharashtra Natural Gas Limited) and Brehon Energy, USA.
- Your Company has successfully demonstrated the technology for converting Natural Gas Liquid (NGL) to value added products like LPG rich gas, gasoline and diesel blending stock. The technology, branded as NTGG technology, was jointly developed by your Company and Indian Institute of Petroleum (IIP), Dehradun.
- Your Company has taken up a project in collaboration with IIP, Dehradun for converting plastic waste of PE & PP available in the form of carry bags,

container waste and automobile parts and low polymer wax in your Company's Petrochemical complex, Pata into value added hydrocarbons.

- Your Company, in collaboration with IIT, Kanpur has developed a novel process to separate the gas mixtures into their pure components using four beds of adsorption columns. Major benefit of the developed process is that it is highly energy efficient.
- Your Company has also jointly developed with IIT Kanpur, a coke inhibitor for reducing coke formation in pyrolysis furnaces.

IT INITIATIVES

For bringing efficiency and automation by integrating all business processes, SAP-ERP systems were made fully operational across work centers of your Company. Various other customer and supplier friendly e-initiatives were taken like Customer Relationship Management (CRM) and Supplier Relationship Management (SRM) for extending transparency to your Company's esteemed customers/suppliers.

SRM solution is being practiced for online e-Tendering introducing faster and transparent tendering process. In addition to the same, online catalog procurement, online vendor registration etc. are the other e-initiatives taken by your Company.

New initiatives like Document Management System, workflow based e-note sheet systems etc. are being introduced in the direction of paperless environment and faster & easier retrieval of information.



MoU between GAIL and IOCL for City Gas Projects in West Bengal.
 (L to R) Dr. U.D. Choubey, CMD, GAIL, Shri A.K. Purwaha, Director (Business Development), GAIL, Shri B.M. Bansal, Director (Projects & Business Development), IOCL and Shri Sarthak Behuria, Chairman, IOCL

HEALTH, SAFETY & ENVIRONMENT

Your Company is a responsible Corporate Citizen and Health, Safety and Environment (HSE) excellence has been extensively promoted as a corporate culture within the organization. The Safety & Health of employees are embedded in the core organizational values of the Company. The HSE policy, inter alia, aims to ensure safety of public, employees, plant & equipment, ensure compliance with all statutory rules and regulations, imparting training to its employees, carrying out safety audits of facilities, and promoting eco-friendly activities.

● Safety Performance

On the road to HSE excellence, your Company has adopted a top-down approach and has embraced the principles and codes of best HSE practices in its HSE Management System. Your Company continues to demonstrate excellent safety performance. Safety Indices across all work centers are meticulously monitored with the aim of continuous improvement.

● Safety Training

Your Company continues to give utmost importance to train the employees on HSE aspects. Apart from employees, spouses, children, contract workers, tanker drivers etc. are also imparted safety training.



Water Curtain Development during Fire & Safety drill - Pata, U.P.

● External Safety Audits (ESA)

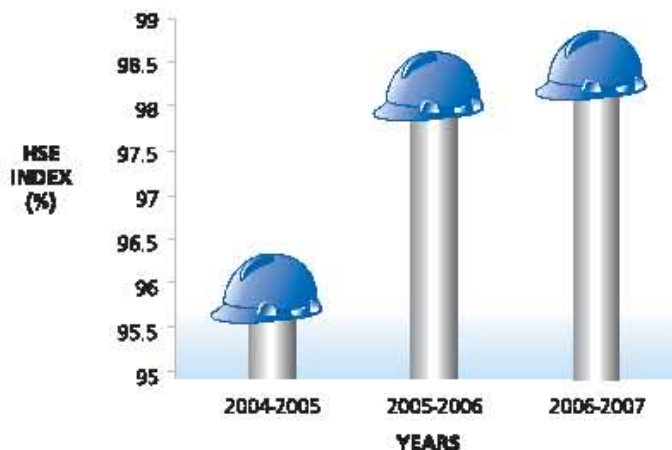
Your Company's safety practices and systems are audited for continual improvement by national and international agencies. During the year 2006-07, Oil Industries Safety Directorate (OISD) audited Pata Petrochemical Complex for the first time which was also the maiden audit of OISD of any petrochemical complex. Major work centers have been certified for Integrated Management Systems (IMS). IMS outlines the standards needed to align with, or conform to, internationally accredited certifications such as ISO 9001 (quality assurance), ISO 14001 (environment) and OHSAS 18001 (health and safety).

● Environmental Performance

Your Company's sustainability initiatives are focused on resource conservation, and are aimed at preserving and protecting the natural resources for future generations. Your Company continues to recognize the importance of all the National & International regulations and ensures 100% compliances at all times. Your Company's environmental performance is well within the emission limits in statutory guidelines.

● Greenbelt Development

Your Company constantly endeavours to minimize the direct and indirect environmental impact of its business operations and strives to enrich the environment wherever possible. Many tree planting and horticulture related improvement programmes have been implemented to enhance the pollution free environment in and around your Company complexes. This green cover, together with large water bodies in the complex, has created an ideal habitat for birds.

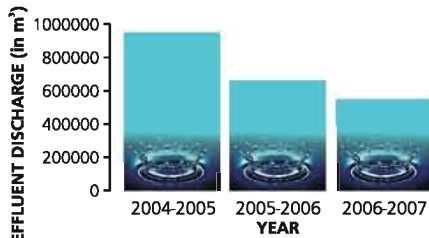


Saving Precious Water

Your Company's water conservation efforts are directed at prevention of water wastage. This is in full evidence at our establishments where wasteful water use is eliminated at the design stage itself for ensuring productive & efficient utilization of water in the process plants. Treated wastewater is used for horticulture and firewater use. A scientific approach to effluent handling also brings down the quantum of water consumption.

Rain Water Harvesting

"Rain water Harvesting" was undertaken at most of the work centers, to recharge the groundwater strata effectively.



Effluent discharge from Pata Petrochemical complex

Occupational Health

Your Company continued its commitment to improve the well-being of its employees. During the year 2006-07, all employees at the work centers were medically examined. Besides, contract workers, CISF personnel, villagers from nearby areas were also covered under the programme.

CORPORATE SOCIAL RESPONSIBILITY

Your Company has set high standards of discharging corporate social responsibilities. The Company has earmarked 1% of profit after tax of the previous financial year on CSR programmes and has been serving the cause of community development. The following initiatives have been undertaken to extend a helping hand to the society:

- Contributed for Mobile Health Van and free distribution of medicine to the villages in remote areas in Vijapur (M.P.), Pata (U.P.), Usar (Maharashtra), Chandigarh & Hyderabad. This has immensely helped the villagers who used to undertake arduous journeys for medical treatment in hospitals / health centers.



CSR Programmes - Educational Camp at Bhopal Zonal Office, M.P.

- Contributed for development of Medical Appliances Bank in association with Life Line Foundation, Vadodara.
- Provided vocational training on Fishery, Poultry, Dairy & Mushroom Farming, Tailoring, Candle Making, Carpet Weaving etc. to economically deprived community and women enabling self-income generation.
- Provided Talking Computer, Computerised Mini Braille Press, Computerised Braille Transcription to visually challenged children.
- Financial assistance to hearing impaired children of Jyoti Badhir Vidyalaya, Kanpur for providing a 32 seater bus for transportation of children, Group Hearing Aids for children in classrooms and Loop Induction Units for children of primary sections at Lucknow.

- Contributed for upgradation of schools and hospitals in villages inhabited by families of war martyrs.
- Contributed for custom built vehicle for delivery of mid day meals to children of different Govt. schools.
- Sponsored awareness generation and education on environment and energy issues through inter-school competition, orientation training programme, film screening and annual awards etc.

Your Company's CSR efforts were well recognized by Oil Industry Development Board and as a continued support it had approved Rs. 19 Lacs towards drinking water project of IPS, Nasirabad for additional 72 tanks. Womenfolk have been highly benefited as distance for fetching water has drastically reduced in drought affected areas of Rajasthan.



Mobile Health Care Van for free distribution of medicines in Usar, Maharashtra



Shri Mohan R. Hingnikar, Director (HR), GAIL (2nd from right) receiving the "Quality Excellence Award" from Dr. A.P.J. Abdul Kalam, the then President of India

AWARDS & ACCOLADES

During the year under review, continuing the trend, your Company was the proud recipient of several awards. Some of the significant awards conferred upon your Company are as under:

Quality Management Initiatives Awarded by the President of India

Your Company, in recognition of its high standards of quality control initiatives, has been conferred with the coveted **"Quality Excellence Award 2007"** by the Quality Council of India. Dr. A.P.J. Abdul Kalam, H.E. the President of India presented the Award to your Company. Your Company has been chosen as a proud recipient of award in the "Business Result" category for its overall impressive financial and market performance, dynamic system, social responsibility results and excellent execution of quality management targets.

Your Company is the only company in the oil and gas sector where all the zonal, plant and finance heads have become six sigma black belts and their actions and initiatives have resulted into savings.

Energy Management Services

Your Company has received the award on **"Best overall Performance amongst Upstream Sector Oil Companies"** for gas conservation activities.

HSE

During the year 2006-07, your Company has been awarded following coveted awards for its excellent performance in HSE :

- British Safety Council, U.K. conferred **"International Safety Award"** to GAIL Pata (7th year consecutively), Vizag Secunderabad LPG Pipeline and KG basin (AP region) Natural Gas Pipelines.
- HVJ pipeline of GAIL adjudged as best performer in Group V (Cross Country Pipelines) by Oil Industries Safety Directorate (OISD) for the 10th consecutive year.
- GAIL Vijaipur achieved the **"Safety Innovation Award"** by Institution of Engineers, Delhi.
- GAIL Pata achieved **"Golden Peacock Award"** for Environment Management for 2006.
- GAIL Pata bagged the coveted **"Greentech Safety Platinum Award"** for year 2006 in the category of Industrial Safety.
- GPU Gandhar, VSPL LPG Pipeline bagged **"Greentech Safety Gold Award"** in Petroleum Gas Sector for year 2006.
- GAIL Khera received **"Greentech Environment Excellence Silver Award 2006"**.
- Greentech Environmental Excellence Gold Award** - GAIL Hazira bags Environmental

Excellence Gold Award for the second consecutive year-2006.

- Greentech Environment Excellent Award 2006** - GAIL, Vijaipur has once again won Environment Excellence Award.

CSR

The dedication, commitment and initiatives shown by your employees to implement CSR activities have been applauded and your company has received **"Social Responsibility"** award from Hon'ble Governor of Rajasthan.

Others

- National Energy Conservation Award** - Bureau of Energy Efficiency under Ministry of Power was awarded to GAIL Pata.
- International Project Management Association (IPMA)** - DVPL Project has been adjudged as Winner of **"SILVER MEDAL"** in Mega Projects category. The award was presented in IPMA World Congress Meet-2006 at Shanghai, China.
- ICWAI National Award** for excellence in Cost Management 2006 was awarded to LPG plant Vagodia. This is the third time in a row that GAIL has secured the award for excellence in Cost Management.
- PCRA Award for Excellence** - Best overall performance in the upstream sector.



Shri B. C. Tripathi, Director (Marketing) (2nd from left) receiving the Silver Medal in the Mega Projects Category by International Projects Management Association (IPMA) for Dahej-Vijaipur Pipeline Project

HUMAN RESOURCES

HR Initiatives

At your Company, human resource is considered to be an asset that requires proper nurturing to give the desired results on continuous basis. Keeping this objective in the forefront, a number of initiatives have been taken by the Human Resource Development department of your Company.

With the introduction of SAP-HR, managing the HR processes such as - database with professional and personal information of employees, processing of pay roll & loans and advances, time management, training and event management etc. has become easy.

Employees having service of 20 years and more with your Company were awarded Long Service Awards. Performance of employees has been linked with the rewards in the form of Performance Related Incentive Scheme for Employees (PRISE) payments. Information with regard to mobility constraint, if any, of the employees was collated for fine tuning at the Annual Placement Exercise (APE).

During the year 2006-07, Internal MoUs were signed with HR in-charges of 26 work centers to create target oriented functioning so as to have a healthy working environment and to sustain high levels of satisfaction amongst various stakeholders of the company.

Training Initiatives

The training programmes have been aligned on the following broad four categories:

- Strategy, Leadership & Business Development
- Management, Functional & Process Development
- Technical, IT, Safety Development programmes
- Behavioural Development programmes

For the first time, during the year 2006-07, option was taken from the executives for any training (of their choice) in the PADR and such training and development programmes will be designed accordingly.

Both training institutes-GTI (Noida) and GTI (Jaipur) have been certified for ISO 9001 Quality Management System for their quality practices related to training activities.

Representation of Women Employees and SC/ST/OBC

As on 31st March, 2007, there were 169 women employees (4.87%), (97 executives and 72 non-executives) in the Company.

The total manpower of the Company as on 31st March, 2007 stood at 3474, out of which 16.74% belong to SC, 6.91% belong to ST, 15.96% to OBC, 7.46 % to Minorities and 2.19% to physically challenged. Your Company is continuing with its efforts to further

reduce the shortfall of ST/OBC representation.

Vigilance

During the year, your Company conducted a number of seminars and awareness programmes for the benefit of employees.

Implementation of Official Language

Your Company has been making vigorous efforts for the propagation and successful implementation of the Official Language (OL) Policy of the Union. The Official Language Implementation Committees at Corporate, Regional, and Unit level held their quarterly meetings to monitor and review the progress made in achieving the targets fixed in the Annual Programme.

In order to promote the usage of Hindi in day to day work and to create a conducive atmosphere in your Company, for the first time two workshops for senior level executives (GMs and DGMs) were organized which attracted very encouraging participation.

In an endeavour to create awareness among employees about OL Policy of the Union, two sessions on Official Language have been included in each in-house training programme conducted by GTI, Noida.

With a view to create greater awareness and consciousness among employees, Hindi Diwas was observed on 14th September, 2006 and Hindi Fortnight was organized from 14th to 28th September, 2006. Various innovative and interesting competitions, cultural activities, seminars, Hindi skits and exhibition on Hindi activities were organized across the company and the employees participated with great enthusiasm.



Training session in progress at GAIL Training Institute, Jaipur

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION

Details of conservation of energy, technology absorption in accordance with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are annexed.

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

The particulars of employees u/s 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 is annexed to this report.

MANAGEMENT DISCUSSION AND ANALYSIS

The detailed Management Discussion and Analysis of the financial condition and results of operations separately form part of this report.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, Corporate Governance Report and Auditor's Certificate regarding compliance of conditions of Corporate Governance forms part of this Annual Report.

FIXED DEPOSITS

Your Company has not accepted any Fixed Deposits and, as such, no amount of principal or interest was outstanding as of the balance sheet date.

FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year, foreign exchange earnings were Rs. 28.25 Crores which was mainly on account of export of polymers.

Expenditure in foreign currency was Rs. 758.33 Crores which was mainly on purchase of gas from JVCs.



Gas Turbine at GAIL, Vijalpur, M.P.

EXPENDITURE ON ENTERTAINMENT, FOREIGN TOURS AND PUBLICITY

During the year, your Company has incurred expenditure of Rs. 2.33 Crores on foreign tours, foreign training, seminars & conferences, Rs. 1.51 Crores on entertainment and Rs. 14.66 Crores on advertising & publicity.

DIRECTORS

Articles of Association of the Company provide that at least two-thirds of our Directors shall be subject to retirement by rotation. One third of these retiring Directors must retire from office at each Annual General Meeting of the shareholders. A retiring Director is eligible for re-election.

As per the provisions of the Articles of Association of the Company, Shri M.R. Hingnikar, Director (HR) and Dr. A.K. Kundra, retire by rotation and being eligible offer themselves for re-appointment at this Annual General Meeting.

During the year under review, Shri Santosh Kumar, Director (Projects) and Shri A.K. Purwaha, Director (Business Development) were appointed as Whole-time Director(s) on the Board of Directors of your Company w.e.f. 1st November, 2006 and Shri B.C. Tripathi, Director (Marketing) was appointed as Whole-time Director on the Board w.e.f. 6th July, 2007.

Shri D.N. Narasimha Raju, Joint Secretary, MoP&NG, part-time Director (Government Nominee) was nominated by the Government and he joined the Board on 30th November, 2006. Shri S. Sundareshan, Additional Secretary, MoP&NG, part-time Director (Government Nominee) was nominated by the Government and he joined the Board on 4th May, 2007

The term of Shri Proshanto Banerjee, Chairman & Managing Director expired on 26th August, 2006. The additional charge of CMD was given to Shri S.P. Rao, Director (Projects) till 31st October, 2006. On his superannuation, Shri Mohan R. Hingnikar, Director (HR) took over the additional charge of CMD w.e.f. 1st November, 2006 and continued till 31st January, 2007. Dr. U.D. Choubey was appointed as Chairman and Managing Director w.e.f. 1st February, 2007.

During the year under review, Shri B.S. Negi, Director (Business Development), Shri Ajay Tyagi and Shri Anil Razdan, part-time Directors (Government Nominees) ceased to be Director(s) of the Company w.e.f., 31st October, 2006, 30th November, 2006 and 31st January, 2007 respectively.

CODE OF CONDUCT

It is hereby confirmed that Board members and senior management personnel have affirmed compliance with the code of conduct during the financial year ending 31st March, 2007.

DIRECTORS' RESPONSIBILITY STATEMENT PURSUANT TO SECTION 217 (2AA) OF THE COMPANIES ACT, 1956

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956 in relation to Directors' Responsibility Statement, it is confirmed that:

- i) in the preparation of the annual accounts for the financial year ended 31st March, 2007, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii) the Directors have selected such accounting policies and applied them consistently and made judgments 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 of the Company for the year under review;
- iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) the Directors have prepared the annual accounts for the financial year ended 31st March, 2007 on a going concern basis.

AUDITORS

The Office of Comptroller & Auditor General of India vide its letter no.

CA.V/COY/CENTRAL GOVT, GAIL (3)/40 dated 26th June, 2006 has appointed M/s Mehra Goel & Co., Chartered Accountants, New Delhi as Statutory Auditors of the Company, M/s. SCJ Associates, Chartered Accountants, Agra as Branch Auditors for U.P. Petrochemicals Complex at Pata and M/s. Chhajer & Co., Chartered Accountants, Bhopal as Branch Auditors for LPG Plant at Vijapur for the year 2006-07.

Pursuant to the direction from the Ministry of Company Affairs vide its letter no. 52/52/CAB-2007 dated 24th January, 2007 for appointment of Cost Auditors, your Company has appointed M/s R.J.Goel & Co., Delhi for Vijapur-LPG, M/s Ramnath Iyer & Co., New Delhi for Pata-LPG, M/s K.G.Goyal & Co., Jaipur for Vaghodia-LPG, M/s Shome & Banerjee, New Delhi for Gandhar-LPG, M/s K.Narsimhma Murthy, Hyderabad for Usar-LPG, M/s Bandyopadhyay & Bhowmick & Co., Kolkata for Lakwa-LPG and M/s R.M.Bansal & Co., Kanpur for CNG Station, Baroda as Cost auditor for the year ended 31st March, 2007.

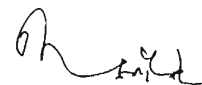
ACKNOWLEDGEMENT

The Board of Directors acknowledge their gratitude for the valuable guidance and support received from Government of India in particular the Ministry of Petroleum and Natural Gas (MoPNG) and various State Governments.

The Board acknowledges their deep and sincere thanks for the co-operation and assistance received from Shareholders, Bankers, Financial Institutions, Customers and Suppliers.

The Board would like to place on record its appreciation to the hard work, commitment and unstinting efforts put in by your Company's employees at all levels.

For and on behalf of the Board



Dr. U.D. Choubey
Chairman & Managing Director

Place: New Delhi
Dated: 13.07.2007



Gas Turbine at GAIL, Vijapur, M.P.

ANNEXURE TO THE DIRECTORS' REPORT ON CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO AS PER SECTION 217 (1) (e) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988

A. CONSERVATION OF ENERGY:-

(a) Energy conservation measures taken:

- 1. Modification in lighting systems** by installing energy efficient lighting devices and controls at Hazira, Gandhar, Vijaipur, Usar, Jhabua & various stations of JLPL have resulted in over 8 Lacs KWH energy savings with a corresponding cost saving of around Rs. 40 Lacs in FY 2006-07.
- 2. Use of Non conventional source of Energy** has been promoted across the organization. In this effort, solar based lighting equipments & water heaters have been installed at Gandhar & Loni and flow computers at Vadodara at an estimated investment of Rs. 2.7 Lacs, resulting into energy savings.
- 3. Variable Frequency Drive (VFD) system** implemented at GPU, Usar for cooling water pump & hot oil circulation pumps has resulted in recurring annual energy savings of 209302 KWH. The total cost saving achieved in year 2006-07 is Rs. 9 lacs at an investment of Rs. 7.15 Lacs.
- 4. Installation of additional P.F. improvement equipments and maintaining P.F. in the range of 0.95 to 1.0 at Mansarampura and Abu Road in JLPL** have resulted into prevention of losses of electrical energy. Yearly savings of Rs. 20.6 Lacs have been achieved.
- 5. Improvement in MFO Recovery** is achieved at Vaghodia NTGG plant through improvement in process and maintenance systems which resulted in continuous operation of NTGG plant. The average MFO recovery (MT of MFO per MT of NGL processed) has improved by 2.32% over the FY 2005-06.
- 6. Improvement in LPG Recovery** is achieved by utilising redundant LEF column condenser in series with existing LPG condenser at LPG plant Vaghodia. This modification helped in recovering 3.35% more LPG from feed gas as compared to the FY 2005-06. The average LPG recovery increased to 80.20 MT of LPG per MMSCM of gas processed in the FY 2006-07 after the modification against 77.60 MT in the FY 2005-06. Cost involved in the implementation of this scheme was to the tune of Rs. 13 Lacs and it attracted savings to the tune of Rs. 4.95 Crores in the FY 2006-07.
- 7. Energy efficient motors** installation at Vijaipur and revised operation philosophy of gas after Cooler Fan at Hazira has resulted in annual energy savings.
- 8. Energy Audit** has been carried out by M/s PCRA at Pata in FY 2006-07.
- 9. Switching over from fuel gas to nitrogen for flare end purging** implemented at Pata in August, 2006 has resulted into fuel gas savings of 9.4 MMSCM/ year and monetary benefit of Rs. 14.72 Crores/ year.
- 10. Reinforcement of metallic expansion bellows** of HRSG 1 & 2 with fabric expansion bellow was carried out to arrest leakages in August, 2006. This resulted in reduction of fuel gas consumption by 2.4 MMSCM/ year corresponding to benefit of Rs. 4.8 Crores / year.
- 11. Resizing of SR-8 (CPU) condensate inlet RO** in GCU implemented in August 2006 resulted into stoppage of one 60 KW pump. This will reduce electrical energy consumption.
- 12. Removal of strainer in C3R compressor suction** as per advice of OEM in GCU has brought down steam consumption by 5 MT/hr. The annual benefit is Rs. 2.77 Crores/ year.
- 13. Reduction in nitrogen consumption in downstream units** through quality circle initiatives and optimization was achieved resulting into money saving of Rs. 1.27 Crores / year.

- 14. Reduction in DM Water consumption** was achieved by 400 MT/month by optimization of make up water in LLDPE equivalent to savings of Rs. 30 Lacs / year.
- 15. Reduction in Power Generation** from STG-2 which consumes almost 3 times energy for Power generation as compared to energy consumption by STG-1. Company has saved Rs. 16 Crores by implementing the scheme.
- (b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy:**
- 1. Variable Speed Drive (VSD)** for process and Lube Oil cooler of DVPL compressors have been taken up for implementation at an estimated cost of Rs. 17 Lacs, which will result into cost reduction.
 - 2. Non conventional source of Energy** based solar lighting equipments & water heaters are under implementation at Vijaipur, Khera, Hazira and various stations of JLPL & HVJ.
- 3. Energy efficient UPS system** in place of old thyristor based UPS is under implementation at Vijaipur at an estimated investment of Rs. 71 Lacs with corresponding expected saving of Rs. 28 Lacs per annum.
 - (c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:**
 - 1. Lighting systems** modification by installing energy efficient lighting devices and controls at various stations of JLPL, HVJ is being taken up in phased manner.
 - 2. Advanced Process Control (APC)** : This project is under implementation for upstream units with an investment of Rs. 7.5 Crores. After implementation of the project, it is expected to reduce the specific energy consumption to the tune of 3% in these units.
 - 3. Ethylene boil off gas diversion to HDPE units** : The project will reduce ethylene recycling cost in GCU. The project comprising of compressor and associated pipings has been approved with an estimated investment of Rs. 9.85 Crores. This will benefit into reduction in specific energy consumption and increasing plant throughput by 1.5 MT/hr resulting in additional ethylene production. The estimated benefit will be Rs. 10 Crores/year in addition to Clean Development Mechanism (CDM).
 - 4. Diversion of sphere ethylene vapours to HDPE units** : The ethylene vapours from sphere presently being recycled back to GCU will be routed to HDPE units directly. This will save ethylene recycling cost on account of reduction in specific energy consumption and increase ethylene production by 1.2 MT/hr. The expected benefit would be to the tune of Rs. 8.0 Crores in addition to CDM.



Night shot of Pata Petrochemical Complex showing the cold section column of Gas Cracker

5. Replacement of PRDS with extraction type turbine and utilization of vent MP steam to augment the power requirement at Pata :

Installation of extraction type turbine in parallel to PRDS and condensing turbine to utilize vent MP steam in GCU with an estimated investment of Rs. 10 Crores would result in expected benefit of approximately Rs. 16 Crores/year in addition to CDM.

6. CDM Projects identification :

M/s Ernest & Young have identified some of the above projects having CDM potential. Action taken for appointing a consultant for preparation of PDD documents for registering of projects which have CDM potential.

(d) Total energy consumption and energy consumption per unit of production:

As per **Form A** annexed.

B. TECHNOLOGY ABSORPTION :-

(e) Efforts made in technology absorption

As per **Form B** annexed.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:-

(f) Activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services; and export plans:

Since commencement of polymer production in 1999, GAIL has been consistently exporting the polymer grades HDPE & LLDPE to export markets depending upon the International demand supply scenario. During the year 2006-07, although the domestic demand had been ample and the inventory was running low, we exported 4,604 MTs of polymers worth Rs. 21.95 Crores. We exported the polymers to

the countries viz., China, UAE & Vietnam. During the year 2007-08, with the addition of the new expansion plant at UPPC, Pata, GAIL is planning to export polymers to various countries.

(g) Total foreign exchange used and earned:

During the year, foreign exchange earnings were Rs. 28.25 Crores which was mainly on account of export of polymers.

Expenditure in foreign currency was Rs. 758.33 Crores which was mainly on purchase of gas from JVCs.



Gas Processing Unit at GAIL, Pata, U.P.



FORM A

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

A. POWER & FUEL CONSUMPTION

1. ELECTRICITY

	2006-07	2005-06
a. Purchased		
Unit (KWH)	176210023	139063760
Total Amount (Rs. in Lacs)	7620.61	6289.78
Rate/Unit (Rs./KWH)	4.32	4.52
b. Own Generation		
(i) Through Diesel Generator		
Unit (KWH)	500667.8	510946.7
Units per litre of Diesel Oil (KWH/Litres)	2.71	2.54
Cost/Unit (Rs./KWH)	12.88	13.72
(ii) Through Steam Turbine/Generator		
Units (KWH)	259915974	282657071
Units per litre of fuel oil/gas	2325.73	2663.77
Cost/Unit	3.81	2.25

2. COAL

Quantity (tonnes)	Nil	Nil
Total cost		
Average rate		

3. FURNACE OIL

Quantity (K. ltrs.)	Nil	Nil
Total amount		
Average rate		

4. OTHERS/INTERNAL GENERATION

Natural Gas Consumption (SCM / Year)	2682061	Nil
Total Amount (Rs.in Lacs)	293.65	
Cost of natural gas / SCM (Rs. / SCM)	10.95	

B. CONSUMPTION PER UNIT OF PRODUCTION

ETHYLENE

	2006-07	2005-06
Production (MT)	367150	325807
Electricity (KWh/MT)	59.23	52.46
Furnace Oil	Nil	Nil
Coal	Nil	Nil
Others - Fuel Gas (MT/MT)	0.30	0.28
- Steam (MT/MT)	1.11	1.23

HDPE

Production (MT)	129549	111305
Electricity (KWh/MT)	313.52	317.94
Furnace Oil	Nil	Nil
Coal	Nil	Nil
Others - Steam (MT/MT)	0.67	0.77

LLDPE

Production (MT)	224372	200164
Electricity (KWh/MT)	246.20	265.61
Furnace Oil	Nil	Nil
Coal	Nil	Nil
Others - Fuel Gas (MT/MT)	0.043	0.043
- Steam (MT/MT)	0.44	0.42

FORM B

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION

RESEARCH & DEVELOPMENT (R&D)

1. Specific areas in which R&D carried out by the Company

- Leak detection software development for Natural Gas pipelines.
- Technology development for Adsorptive separation of Light hydrocarbons Gas mixtures.
- Development of Catalyst and Process for the conversion of Waste Plastics, LPW to Value added Liquid Fuels.
- Pilot scale testing of Coke inhibitors for Gas Cracker Furnaces.
- Exploration & Production of gas from Hydrates in Goa offshore under National Gas Hydrate Program (NGHP).

2. Benefits derived as a result of the above R&D

- The indigenous leak detection software implemented in LANCO- TATIPAKA Pipeline. Implementation in other pipelines planned. Typical cost savings per P/L is Rs. 30-50 Lacs.
- Energy savings to the tune of 40% is expected in a novel process of Adsorption separation compared to conventional distillation separations such as Methane- Ethane.
- The technology of Development of Catalyst will convert waste plastics to value added hydrocarbon fuels and will also solve waste plastics disposal problem.
- Pilot cracker study will inhibit coke formation leading to less downtime on account of decoking of furnaces, less maintenance and higher output.
- Based on the Geo-Scientific investigations, Natural Gas Hydrate is the future energy source in the form of Methane if it can be economically produced.

3. Future plan of action

- Pilot / Demo scale studies on Adsorption technology for Light hydrocarbon gas mixture separation.
- H-CNG blend will be used as a automobile fuel to reduce NOX emission thus give a more environment friendly fuel.

4. Expenditure on R&D :

(a) Capital	:	Rs. 25 Lacs
(b) Recurring	:	Rs. 5 Lacs
(c) Total	:	Rs. 30 Lacs
(d) Total R&D expenditure as a percentage of total turnover	:	0.002%

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts, in brief, made towards technology absorption, adaptation and innovation

Pre-feasibility study and pilot plant for underground coal gasification at Barmer, Rajasthan is planned.

2. Benefits derived as a result of the above efforts, e.g., product improvement, cost reduction, product development, import substitution, etc.

Potential of 25 Sq Km lignite field at Barmer, Rajasthan can be explored to generate an estimated power of 1000 MW for 110 years.

3. In case of imported technology (imported during the last five years reckoned from the beginning of the financial year), following information may be furnished:

- | | | |
|---|---|---|
| a. Technology imported | : | <ul style="list-style-type: none"> (i) HDPE technology, from Mitsui Chemical Inc., Japan For GAIL Petrochemical Complex expansion, 100 KTA capacity. (ii) Ethylene cracker technology, from SWEC, USA for GAIL Petrochemical Complex expansion for addition of 100 KTA ethylene capacity. |
| b. Year of import | : | <ul style="list-style-type: none"> (i) 2005 (ii) 2005 |
| c. Has technology been fully absorbed? | : | <ul style="list-style-type: none"> (i) Plant under construction and Pre-commissioning activities. (ii) Yes. |
| d. If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action | : | NA |



GIGALINK - The state-of-the-art control room of GAILTEL at GAIL Infohub, NOIDA, U.P.

Statement showing the particulars of employees who are in receipt of remuneration of not less than Rs. 24,00,000/- p.a. during the financial year 2006-07 or not less than Rs. 2,00,000 per month during part of the financial year 2006-07

S. No.	Name of the Employee (S/Shri)	Designation	Age	Last employment	Date of Joining	Qualification	Experience	Remuneration Gross (in Rs.)
1	A K Nandi Roy	Zonal General Manager	61	HFC	10.04.1991	BE	39	2,210,978
2	Anil Kumar De	Executive Director	61	SAIL (ALLOY STEEL)	04.05.1985	AMIE	40	2,138,050
3	Vinay Kumar	General Manager	61	HFC	24.10.1989	BE	37	2,126,747
4	Suresh Chand Jain	Additional General Manager	60	BHEL	15.10.1985	BE	39	2,105,662
5	B S Negi	Director (BD)	61	NATIONAL FERTILIZERS	01.11.1985	BE	38	2,102,281
6	Proshanto Banerjee	Chairman & Managing Director	60	IOC	27.08.2001	BE, MMS	37	2,048,752
7	S P Rao	Director (Projects)	61	HINDUSTAN PETROLEUM	04.03.1985	BE	37	1,792,581
8	Asit Kumar Mandal	Deputy General Manager	60	ONGCL	25.11.1985	AMIE	39	1,766,581
9	Rajan Mahajan	Deputy General Manager	49	INSTRUMENTATION	11.09.1990	BCOM, CA, MBA	26	1,654,322
10	Anadi Dixit	Chief Manager	41	N.A.	19.06.1989	BTECH	11	1,588,205
11	Vinod Kumar Kohli	Chief Manager	61	NTC LTD.	31.03.1989	BCOM, MBA	37	1,572,898
12	Deepak Garnaik	Chief Manager	48	BRPL	28.09.1998	BSC, LL.B.	26	1,485,738
13	S Ravishankar	Chief Manager	44	I.P.C.L.	11.05.1998	CFA, BSC	20	1,414,456
14	Buta Ram Dhiman	Manager	61	ONGC, BARODA	18.10.1984	Diploma	43	1,386,785
15	Abhik Kumar Sen	Chief Manager	43	ONGC	26.12.1996	BE, MSC	20	1,372,133
16	Badri Prasad Sharma	Deputy Manager	61	KHETRI COPPER	03.09.1986	BCOM	44	1,362,610
17	Emani Venkata Sarveshwara Rao	General Manager	49	C&AG	01.03.1985	CA, BCOM	24	1,315,359
18	Anil Kumar Fotedar	Executive Director	54	KRIBHCO	04.04.1985	BSC	33	1,287,361
19	Dilip C Harshe	Senior Manager	61	NDT & CORROSION	02.06.1986	Diploma	37	1,229,061
20	M Satish Kumar	Senior Manager	40	COASTAL STEEL	04.05.1991	BE	18	1,211,223
21	Sanjay Kumar Papneja	Manager	38	ONGC	26.12.1997	BE	17	1,200,635
22	Boddapati Narayana Rao	Senior Manager	46	RPNL	15.09.1993	BE	23	1,198,270
23	Riyaz Ahmad Bacha	Manager	39	WIDECOM GROUP	01.11.1996	MBA, BSC	17	1,180,599
24	Biranchi Narayan Mallik	Manager	44	ORISSA SMALL INDUSTRIES	26.06.1996	ICWA, BCOM, C.S.(INTER)	24	1,092,529
25	Rajeev Khanna	Executive Director	57	PLANNING COMMISSION	01.09.1995	BE, MBA	33	1,066,922
26	Sarat Kumar Sahoo	Senior Manager	48	HCL	24.08.1992	MD, MBA, MBBS	22	1,035,757
27	Godavarthy Sreedhar	Senior Manager	39	BALAJI AMINES LTD	07.03.1998	MSC	17	1,033,521
28	Anurag Singh	Deputy General Manager	50	INDO GULF	11.06.1990	BE	28	1,013,563
29	Sunil Kumar Mathur	Deputy Manager	41	N.A.	24.12.1990	Diploma	15	986,961
30	Neeraj Pasricha	Manager	38	NATIONAL AIRPORT	29.09.1994	BCOM, ICWA	18	942,426
31	Prabhat Singh	General Manager	51	NATIONAL THERMAL	04.10.1985	BE	27	892,176
32	Dipayan Mitra	Sr Executive Assistant	39	N.A.	19.06.1991	BE	15	842,773
33	Johnson Baby	Manager	37	OSWAL CHEMICAL	03.07.1996	BTECH	15	832,102
34	Hiren Vasantlal Chadderwala	Deputy Manager	33	MODERN PETRO	04.09.1998	BE	12	826,702
35	K A Nair	Manager	61	INDIAN AIR FORCE	19.06.1986	Diploma	43	777,006
36	Nitin Gupta	Deputy Manager	29	N.A.	10.07.2000	BCOM, CA	6	741,639
37	Rajib Mukhapadhyay	Deputy Manager	35	GKW LTD	10.09.1998	BCOM (H), ICWA, M.COM, MBA	15	694,080
38	Evl Narayan Murthy	Manager	41	IPCL	11.05.1998	BE	14	653,627
39	Om Prakash Sharma	Head Security Guard	61	ARMY CORPS	13.04.1989	10th	43	645,096
40	S A Mirza	Manager	41	TISCO	21.11.1997	BE	18	616,187
41	Virendra Singh	Junior Engineer	61	CORPS OF SIGNAL	27.06.1990	HSC (10+2)	42	564,890
42	Ram Shreshtha Sharma	Executive Director	62	ENGINEERING PRO	31.12.1984	BSC (ENGG)	43	559,005
43	Sandeep Kumar	Deputy Manager	32	EXICOM (I) PVT.	17.05.1999	BCOM, ICWA, MBA	9	518,996
44	Prodyut Kumar Mondal	Senior Manager	42	BEC FERTILIZER	14.09.1992	BE	19	483,696
45	RA Shukla	Senior Driver	61	ONGC	30.09.1985	5th	40	466,663
46	Ajay Kumar Gothwal	Deputy Manager	34	IPCL	29.06.2000	BSC, BE	10	395,703
47	Nagendra Kishore Verma	Deputy Manager	37	EIL	03.09.1997	BE	14	365,409
48	S Rajiv	Manager	32	N.A.	03.07.1996	BE	10	340,041
49	Kashmir Singh	Deputy General Manager	60	CISF	05.05.1993	B.Ed, BA	36	286,863

Notes:

- Persons named above are/ were employees of the Company and were in service for part of the year. None of the employees was in receipt of remuneration exceeding Rs. 24.00 Lacs for financial year 2006-07.
- Remuneration includes salary, allowances, leave encashment, leave travel concession, payment for subsidized leased accommodation, reimbursement of medical expenses to employees and employer's contribution to Provident Fund and other funds. However, it does not include the monetary value of the medical treatment provided in the Company's dispensaries/ hospitals at Project sites, since it cannot be quantified employees-wise. In addition, the employees are entitled to gratuity/ group insurance in accordance with Company's Rules.
- None of the employees listed above is related to any Director of the company.
- Remuneration mentioned above is inclusive of retirement /separation benefits paid during the year and is not indicative of any regular remuneration structure of Directors/ employees of the Company.

Management Discussion & Analysis



MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE & DEVELOPMENTS

Demand for Natural Gas has been increasing world over due to increase in energy requirements and being environment friendly. Natural Gas, accounting for 24% of the total global primary energy supply, is the third largest contributor to the global energy basket. With a CAGR of about 3% over the last 5 years, it is growing at the fastest rate among all the fossil fuels. The global gas markets are integrating rapidly and the new market structures are evolving. More importantly, the Asian gas markets are leading the growth in global gas sector, with special investment focus on countries like India and China. With China's energy demand growing by 15% and India's by 7.8%, these two Asian giants are projected to be the leading gas consumers by the year 2020.

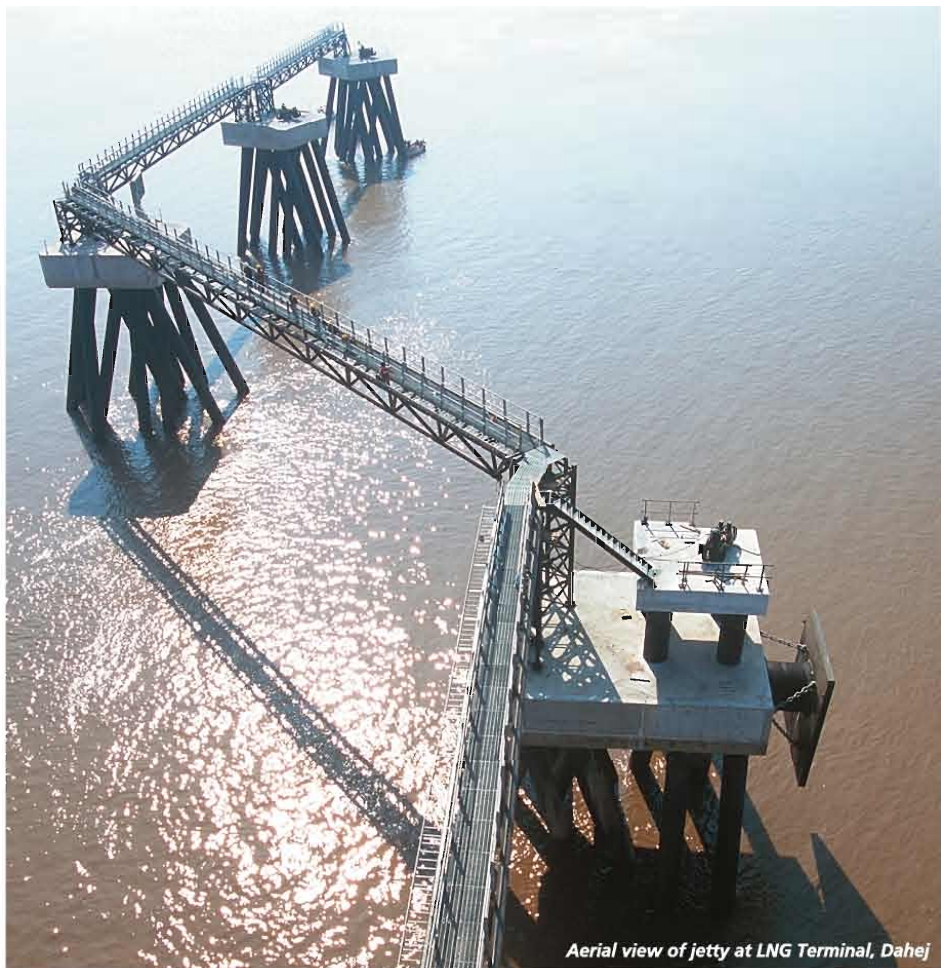
LNG has been one of the key drivers of the global gas market integration. With an almost 75% increase in liquefaction capacities from 87 MMTPA to more than 150 MMTPA over the past 10 years, share of LNG in global gas trade has grown from 14% to 26%. By meeting the buyers' expectations through price and contractual flexibilities, price review option and destination flexibility, LNG trading has emerged as a truly global and mature business.

At the same time, Trans-national gas pipelines have continued to be a dominant gas supply option, especially between contiguous nations, and have emerged as a dominant integrating factor. The Iran-Pakistan-India Pipeline and the Turkmenistan-Afghanistan-Pakistan-India Pipeline are receiving the highest attention from the concerned Governments.

Indian Gas Sector - An overview

India is fast emerging as the focal point for the future development of the Asian Natural Gas Market. The rapid growth of the Indian Economy has greatly contributed to the development of the Indian Energy Sector as a whole and provided major triggers for the growth of the gas sector as well. Petroleum and Natural Gas Regulatory Board Act, 2006 has been passed by the Parliament and the Regulatory Framework is in final stages of being set up. The new gas policy has also

been issued by the Government of India. New discoveries under NELP have been made by RIL and GSPC in KG Basin, and by ONGC in Mahanadi and KG basin which will increase the availability of Natural Gas in the domestic market. Further, availability of Natural Gas has increased on account of import of spot cargos of LNG by GAIL, PLL and Shell, Hazira.



Aerial view of jetty at LNG Terminal, Dahej

Gas Demand Outlook

On the background of fast GDP growth, and the economic reforms process in India, the Indian Natural Gas Sector is showing signs of accelerated growth driven by a number of demand pull factors. The current consumption of about 100 MMSCMD of gas in India is primarily shared by the Power and Fertilizer Sector to the tune of 42% and 31% respectively. This is followed by Petrochemicals - 4%, City Gas (CNG/Piped Natural Gas) - 4%, LPG/Other Liquid Hydrocarbons - 4% and Sponge Iron/Steel Sectors - 4%.

The overall new gas based power capacity addition identified for future during the next 10 years by the power sector is of the order of 33,655 MW. The magnitude of gas requirement for all these plants would be of the order of 100-120 MMSCMD. In the Fertilizer Sector, due to cost effectiveness of gas vs. other feedstock, they are likely to switch over to natural gas, which is expected to give a push to gas demand in this sector. City Gas Sector is another sector which is going to be a potential growth sector. The emphasis on clean environment and the Government's keenness to introduce gas distribution infrastructure policy, this sector would get the necessary thrust in the coming years.

The consolidated gas demand by 2011-12 is estimated to be 283 MMSCMD.

Gas Supply Outlook

On the gas supply side, the domestic supplies would be primarily driven by the expected supply from the KG basin by RIL in 2008-09. The supplies projected by ONGC in the next 5 years are expected to fall. The supplies from Private players/JVs are expected to increase primarily due to gas supply by RIL from 2008-09 onwards and by GSPC looking at the overall demand projections and the expected domestic supplies, there would be a supply shortfall. There is already an import of LNG to the tune of 18 MMSCMD by PLL at Dahej. This is being supported by the commencement of LNG supply from the Hazira Terminal of Shell, which is, however, yet to stabilize. To augment the shortfall, India is already pursuing imports both through the LNG route and the Trans-national pipeline route.

OPPORTUNITIES, THREATS, RISKS & CONCERNS

The subcontinent is poised for huge growth in gas trade. There being a huge gap between supply and demand of Natural Gas, several players are desirous of entering the gas sector, which will boost the economy at large. The key to success is sound planning of the gas infrastructure, supply reliability and reasonable price in long term. In the new gas economy, your Company envisages to be a major player, particularly in transmission segment. Your Company's Inter-State Gas Grid is a step towards this goal.

The demand for gas and matching supplies along the gas grid are important to achieve the capacity utilisation in terms of gas transmission volumes to generate cash flows. The demand in turn is driven by the gas pricing vis-a-vis the price of the alternate fuel.



Gas Sourcing Initiatives - LNG Imports

Gas Sourcing

Since there is a huge gap between demand and supply, gas sourcing to meet unsatisfied demand plays a vital role. This would be achieved by potential gas supply from reserves being developed by RIL, GSPC and ONGC through drilling in the KG basin. Gas found in other fields from the recent NELP awards and CBM blocks would further augment production.

LNG imports are already being made by PLL for 5 MMTPA. Further, the increase in PLL's capacity by 5 MMTPA by way of expansion of Dahej terminal, commissioning of Dabhol terminal and supply from Shell's LNG terminal at Hazira and setting up of Kochi terminal will boost the LNG supplies.

Enhanced Visibility on Gas Sourcing and Volume Growth

The Ministry of Petroleum and Natural Gas decision to grant permission to your Company for expanding Inter-State gas grid puts to rest concerns of domestic and global competitors thwarting the company's growth plans in potential competitive bidding for cross country pipelines under the proposed regulator. With increase in availability of natural gas, coupled with robust financial strength, your Company sees opportunity in the transmission business. The Government has already announced infrastructure status to gas pipelines.

It is pertinent to mention here that the recent MoU with RIL would bolster gas supplies to your Company as the MoU provides for the joint development of gas transportation and utilisation of your Company's pipelines for transporting a part of RIL's KG Basin gas that RIL plans to produce from its KG D-6 block by December, 2008. The requisite agreements have also been signed with RIL. In addition, the Company has also signed an agreement with RIL for sourcing of Natural Gas which would be marketed by your Company to downstream customers.

Further, the MoU & related agreements opens up downstream growth prospects in City Gas distribution along the gas grid network of RIL and your Company as well provides for cooperation in the joint development of upstream E&P and CBM projects, thereby enhancing long-term growth prospects and ensuring gas supply to your Company.

Inter-State Gas Grid

Your Company plans to complete eight new gas pipelines spread over 5,000 Kms at an estimated capex of Rs. 18,000 Crores by financial year 2012-13. This would increase the transmission capacity to 280 MMSCMD and almost double its gas pipelines networks to over 10,000 Kms excluding LPG pipelines. It includes:

1. Laying five new Natural Gas pipelines over 3,366 Kms at a cost of Rs. 10,500 Crores. These five pipelines are a part of your Company's original gas grid proposal and have recently been approved by the MoPNG.
2. Three pipelines within the existing Right of Use (RoU) namely Dahej-Vijaipur pipeline, Vijaipur-Dadri pipeline and Vijaipur-Auraiya-Jagdishpur pipeline. These projects envisage augmentation of capacity in the existing HVJ, DVPL network. These three pipelines would stretch over 1,686 Kms costing Rs. 7,500 Crores.

Gas Policy

Petroleum and Natural Gas Regulatory Board Act, 2006 has been enacted by Parliament and Gas Pipeline Policy has been announced by the Govt of India for business of Natural Gas transmission, refining, processing, storage, transportation, distribution and marketing. Regulator will oversee and promote the development of Natural Gas Sector and will also envisage an arm's length relationship between transmission entity and marketing/exploration activity. The regulator is expected to review and lay down guidelines for the following:

- Awarding pipeline projects under common/contract carrier principle, based on competitive bidding, subject to common carriers offering 33% excess capacity for third-party use. This includes laying down tariffs for common carriers.
- Deciding on award of new City Gas pipeline & distribution networks and City Gas expansion plans; tariffs as well as period of exclusivity based on demand, population and other factors, which determine the viability of City Gas projects. The policy has suggested 3-5 years marketing exclusivity.

Price of Gas and Petrochemicals

Government of India is a major shareholder of the Company. The major decisions like fixation of price of Natural Gas and fixation of tariff for major pipelines are taken by the Government of India. Furthermore, the petrochemical and LPG prices are influenced by global demand supply position and vary from time to time. Your Company sources most of the gas it sells, from ONGC, under an agreement between the two companies.

Petrochemical Complex

The ethylene production capacity of Pata has increased from 3,10,000 TPA to 4,10,000 TPA by addition of new cracker furnace and polymer capacity is being increased by setting up a new downstream unit.

OVERVIEW OF THE PERFORMANCE

Physical Performance

	2006-07	2005-06
Total Gas Throughput (MMSCMD)	77.29	78.87
Total-Liquid Hydrocarbon Sales (TMT)	1,351	1,321
Total Polymers Sales (TMT)	347	312
Total LPG Transported (TMT)	2,491	2,228

During the year, gas sales were constant due to hampering of operations by floods at Hazira which was partly offset by import of spot LNG. Natural Gas business generated 72% revenue for the Company.

LPG sales during the year were marginally down at 1,037 TMT mainly due to low availability of Natural Gas because of floods at Hazira.

Other liquid hydrocarbon sales were 314 TMT as compared to 282 TMT last year showing a growth of 11%.

Polymer sales increased from 312 TMT during the year 2005-06 to 347 TMT during the current financial year achieving a growth rate of 11% despite low availability of feed stock.

LPG transmission increased to 2,491 TMT from 2,229 TMT showing a 12% increase over last year.



Gas Terminal, Dibiyapur, Auraiya, U.P.

Financial Performance Income

Your Company registered a turnover (net of Excise Duty) of Rs. 16,047 Crores in the financial year 2006-07, a 11% increase, as against Net Sales of Rs. 14,459 Crores in the previous year. The increase in turnover was achieved despite the fact that gas supply was affected for one month in the second quarter in the current financial year and higher burden of LPG subsidy. The other income was Rs. 545 Crores as against Rs. 456 Crores in the last year. The total income was Rs. 16,667 Crores as against Rs. 14,940 Crores during last year registering a growth of 12%.

Cost of Sales

The cost of sales excluding depreciation, interest and including extra ordinary items was Rs. 13,050 Crores as against Rs. 10,961 Crores during the previous year showing an increase of 19%. The increase was mainly on account of increase in Natural Gas prices. There has been reduction in interest expenditure due to pre-payment of Bank of India loan of Rs. 500 Crores during the current year.



Dr. U.D. Choubey, CMD, GAIL (India) Limited (extreme right) with Hon'ble Union Minister of Petroleum & Natural Gas, Shri Murli Deora (centre) and Minister of State for P&NG, Shri Dinsha Patel (left) at the Inauguration of GAIL stall during Petrotech 2007

Profitability

The Net Profit of the company during the current financial year 2006-07 is Rs. 2,387 Crores against Rs. 2,310 Crores during the previous year. The increase in Net Profit was due to higher production of polymer products, other liquid hydrocarbon products, higher LPG Transmission, better product prices of LPG & polymer and adjustment of extra tax provisions despite the increased share of LPG subsidy of Rs. 1,488 Crores in the current financial year, reduction in tariff of KG Basin pipelines and floods in Hazira. The LPG subsidy during the period increased by 40% to Rs. 1,488 Crores compared to Rs. 1,064 Crores in the corresponding previous period.

Shareholders' Fund

The reserves and surplus were at Rs. 10,547 Crores at the end of the current financial year as compared to Rs. 9,128 Crores at the end of the last financial year. As on 31st March, 2007, networth of the company stood at Rs. 11,262 Crores as compared to Rs. 9,875 Crores as on 31st March, 2006.

Debt-Equity

Debt Equity ratio stands at a very comfortable position of 0.12 : 1. EPS has gone up to Rs. 28.22 from Rs. 27.32 per share for the period ended on 31st March, 2007.

Funds Flow

The source of funds comprising equity, loan and deferred tax liability stood at Rs. 14,049 Crores as compared to Rs. 13,190 Crores in the previous year. There has been no change in the equity during the year. However, there has been increase in reserves and surplus from Rs. 9,128 Crores to Rs. 10,547 Crores. There has been reduction in loans to the extent of Rs. 579 Crores. There has been addition of Rs. 463 Crores in gross block during the year. The Capital Work-In-Progress stood at Rs. 1,937 Crores as against Rs. 616 Crores in the previous year.

MATERIAL DEVELOPMENT IN HR AND INDUSTRIAL RELATIONS

Your Company's continuous efforts for enhancing capability of the employees at all levels have always yielded results. Your Company believes that faith in learning is the only source of sustainable competitive advantage. As such your Company has been quite proactive in the area of Human Resource Development.

The total employee strength of your company stood at 3,474 as on 31st March, 2007.

Industrial Relations scenario in general during the year continued to remain harmonious and cordial. There was no unrest during the year and no man hours lost.

There has been continuous thrust on enhancing the employee motivation and development through various mechanisms. GAIL continues to focus on various employee oriented initiatives with a view to harness potential of employees for their self development and organizational growth as well.

INTERNAL CONTROL SYSTEMS & THEIR ADEQUACY

Your Company has developed internal control systems commensurate to its size and business. A Company-wide internal control assessment framework was developed during the current year with the help of M/S Grant Thornton, consultants of international repute. The Company also has an in-house Internal Audit Department which carries out audit of financial, technical and other business activities of the Company besides reviewing the adequacy of internal control systems. Your Company has also implemented ERP system across the Company to ensure transparency, accuracy and better control. Your Company has also introduced the system of e-procurement at major units during the current year for speedy procurement and efficient and transparent operations.

CONCLUSION

Your Company has been building robust & transparent systems for achieving better efficiency. The initiatives taken by your Company focuses on competitiveness to meet the new challenges. There have been a number of e-initiatives for increasing business process efficiency and development of manpower. Your Company has continued to focus on international markets to expand the business. Indian Natural Gas market is maturing and is growing rapidly bringing new opportunities in the competitive environment. Your Company continues to strive to remain the market leader in its core area to derive growth in the Indian Gas Sector.

CAUTIONARY STATEMENT

Statements in the Directors' Report and Management Discussion and Analysis, describing the Company's Objectives, projections and estimates, expectations, predictions etc. may be "forward looking statements" within the meaning of the applicable laws and regulations. Actual results, performances or achievements may vary materially from those expressed or implied, depending on economic conditions, Government policies and other incidental factors.



REPORT ON CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company strongly believes that sound principles of Corporate Governance are important key to success, as these enhance the ability to secure the confidence of its stakeholders. At the highest level, the Company continuously endeavours to improve on an ongoing basis and adopts innovative approaches for open, transparent and merit based management, ensuring fairness in all transactions within and outside the Company with investors, customers, employees, partners, competitors and the society at large.

Your Company believes that as a good corporate citizen, the Company is committed to sound corporate practices based on transparency, fairness, professionalism and accountability in building trust and confidence of its various stakeholders for paving the way for its long term success. Corporate Governance in the Company has been further strengthened by formulating and adopting the Code of Conduct for Directors and Senior Management Personnel, Code of Conduct for prevention of insider trading, Policy on risk assessment and minimising procedures etc.

2. BOARD OF DIRECTORS

GAIL Board has set strategic goals in line with the Company's Vision *(Be the Leading Company in Natural Gas and Beyond, with Global Focus, Committed to Customer Care, Value Creation for all Stakeholders and Environmental*

Responsibility) and Mission *(To accelerate and optimize the effective and economic use of Natural Gas and its fractions to the benefit of the national economy)*. The Board defines the Company's policy and oversees its implementation in attaining these goals.

i. Composition of the Board

GAIL (India) Limited, being a Government Company, appointment/nomination of all the Directors is being done by the President of India, through the Ministry of Petroleum & Natural Gas

(MoP&NG). The Articles of Association of the Company stipulates that the number of Directors shall not be less than three and not more than twenty.

As on 31st March, 2007, there were nine Directors on the Board comprising of five Whole-time Directors including the Chairman & Managing Director and four Part-time Directors including one official of the Government of India and three independent Directors. The composition and attendance record of the Company's Board of Directors was as follows:

Name and Designation of the Director	Attendance out of 11 (eleven) Board Meetings held during the year	Whether attended last Annual General Meeting (held on 14.08.2006)	Details of Directorships held in other Public Limited Companies	Memberships held in Committees as specified Under Clause 49 of the Listing Agreement
I. Whole-time Directors				
Dr. U.D. Choubey Chairman and Managing Director (w.e.f. 01.02.2007)*	10	Yes	5	1
Sh. M.R. Hingnikar, Director (HR)	10	Yes	4	1
Sh. R.K. Goel, Director (Finance)	9	Yes	3	Nil
Sh. Santosh Kumar, Director (Projects) (w.e.f. 01.11.2006)	4	N.A.	3	1
Sh. A.K. Purwaha, Director (Business Development) (w.e.f. 01.11.2006)	4	N.A.	2	Nil
II. Part-time Directors (Government Nominee)				
Sh. D.N. Narasimha Raju (w.e.f.30.11.2006)	2	N.A.	Nil	Nil
III. Part-time Non-official Directors (Independent)				
Dr. Amit Mitra	5	No	Nil	1
Dr. A.K. Kundra	11	Yes	1	1
Sh. B.C.Bora	8	No	Nil	2

* Dr. U.D. Choubey was holding the charge of the Director (Marketing) from 06.05.2004 till 31.01.2007.

Note : None of the Directors on the Board is a Member of more than 10 committees or Chairman of more than 5 committees across all the Companies in which he is a Director.

ii. Details of Board Meetings

During the financial year 2006-07, 11 (eleven) meetings of the Board were held, the details of which are as below:

S.No.	Meeting No.	Date of Board Meeting
1.	237 th	28.04.2006
2.	238 th	23.05.2006
3.	239 th	30.06.2006
4.	240 th	17.07.2006
5.	241 st	18.07.2006
6.	242 nd	19.09.2006
7.	243 rd	30.10.2006
8.	244 th	13.11.2006
9.	245 th	20.12.2006
10.	246 th	31.01.2007
11.	247 th	06.03.2007

3. AUDIT COMMITTEE

i. Brief description of terms of reference

The terms of reference of Audit Committee include overseeing the Company's financial reporting process and the disclosure of its financial information; reviewing with the Management, the quarterly and annual financial statements before submission to the Board for approval; reviewing, with the Management, the performance of statutory and internal auditors and adequacy of internal control systems and all other matters specified under Clause 49 of the Listing Agreement with Stock Exchanges.

ii. Composition

During the year 2006-07, Audit Committee of the Company comprised of three Non-Executive Directors, all of whom are Independent Directors viz. Dr. A.K. Kundra as the Chairman, Dr. Amit Mitra and Sh. B.C. Bora, as the Members.

Besides the above, the following are the permanent invites to the meetings of Audit Committee:

1. Director (Finance)
2. Statutory Auditors of the Company
3. Head of Internal Audit

The Company Secretary acts as the Secretary to the Committee.

iii. Meetings and Attendance

During the financial year 2006-07, 10 (Ten) meetings of Audit Committee were held, the details of which are as below :

S. No.	Meeting No.	Date of Meeting
1.	49 th	28.04.2006
2.	50 th	23.06.2006
3.	51 st	17.07.2006
4.	52 nd	04.08.2006
5.	53 rd	16.09.2006
6.	54 th	16.10.2006
7.	55 th	26.10.2006
8.	56 th	06.11.2006
9.	57 th	31.01.2007
10.	58 th	06.03.2007

Out of the above meetings, Dr. A.K. Kundra, Dr. Amit Mitra and Shri B.C. Bora attended 10, 2 and 8 meetings respectively.



Signing of Joint Venture Agreement with HPCL for City Gas Distribution

4. REMUNERATION COMMITTEE

GAIL being a Government Company, the remuneration of its Whole-time Directors is determined by the President of India, through Ministry of Petroleum & Natural Gas. The Part-time Directors (Government Nominee) do not receive any remuneration from the Company. Further, the Part-time Non-official Directors (Independent) were paid a sitting fee of Rs. 10,000/- for attending each meeting of the Board of Directors and Committee(s) thereof, along with expenses incidental thereto.

The details of remuneration paid to Whole-time Directors of the Company for the financial year 2006-07, is as below :



Control Room in a LPG plant

(Rs. in Lacs)

S. No.	Names of the Director	Salary & Allowances	Contribution to PF, Gratuity and Other Funds	Other benefits and perquisites	Performance Linked Incentives	Total
1.	Sh. Proshanto Banerjee, Chairman & Managing Director (up to 26.08.2006)	2.80	3.98	12.75	0.96	20.49
2.	Sh. S.P. Rao, Director (Projects) (up to 31.10.2006)	3.79	4.98	8.25	0.90	17.92
3.	Sh. B.S. Negi, Director (Business Development) (up to 31.10.2006)	3.98	5.19	10.89	0.96	21.02
4.	Sh. M.R. Hingnikar, Director (HR)	6.86	1.18	1.37	1.93	11.34
5.	Dr. U.D. Choubey, Chairman and Managing Director (w.e.f. 01.02.2007)	6.86	1.10	2.87	1.80	12.63
6.	Sh. R.K. Goel, Director (Finance)	6.73	1.74	4.91	1.71	15.09
7.	Sh. Santosh Kumar Director (Projects) (w.e.f. 01.11.2006)	3.52	0.59	1.30	1.82	7.23
8.	Sh. A.K. Purwaha Director (Business Development) (w.e.f. 01.11.2006)	3.54	0.57	0.30	1.90	6.31

The payment made to Whole-time Directors of the Company includes performance linked incentives, as per the policy of the Company, which is applicable to all the employees of the Company. The service contract is for five years (or till superannuation, whichever is earlier) and is renewable for further similar periods. The notice period is for three months or salary in lieu thereof is required for severance of service. The Company has not introduced any stock-option scheme.

The details of sitting fees paid to the Part-time Non-official Directors (Independent), for attending the meetings of the Board of Directors and Committee(s) thereof, are given below:

S. No.	Name of the Director	Amount (Rs. in Lacs)
1.	Dr. Amit Mitra	0.80
2.	Dr. A. K. Kundra	2.90
3.	Sh. B.C. Bora	2.60

5. SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE

During the year 2006-07, Shareholders/ Investors Grievance Committee of the Company comprised of Shri B.C. Bora, Part-time Non-official Director (Independent) as the *Chairman*, Shri S.P. Rao, Director (Projects) (upto 31.10.2006), Shri Santosh Kumar, Director (Projects) (w.e.f 01.11.2006) and Shri M.R. Hingnikar, Director (HR) as the *Members*.

During the financial year 2006-07, a Meeting of Shareholders / Investors Grievance Committee was held on 28.04.2006.

Shri N.K. Nagpal, Company Secretary, acts as the Compliance Officer of the Company.

The status of the complaints received and redressed during the respective quarters are being placed at the meetings of the Audit Committee and the Board. During the year 2006-07, 194 complaints were received from the shareholders / investors, through SEBI / Stock Exchanges, which pertained to matters like non-receipt of dividend, non-allotment of shares through Offer for Sale by Government of India, etc. All the 194 complaints were resolved to the satisfaction of shareholders, therefore, as on 31.03.2007, no investor complaint was pending.

The Company has taken various steps to ensure that the shareholder-related matters/issues are given due priority and are resolved within a reasonable period of time except the grievance relating to offer for sale of equity shares by Government of India and/or constrained by incomplete documentation and/or legal impediments against the Company.

The Company has designated an exclusive e-mail investorqueries@gail.co.in to facilitate investors to register their complaints.

6. Other Committees

S. No.	Name of the Committee	Role and Responsibilities	Members
1	Share Transfer Committee	To approve transfer/ transmission of shares, issuance of duplicate share certificates etc.	CMD and all the Functional Directors. CMD is the Chairman of the Committee
2	Empowered C&P Committee	To approve Procurement cases.	CMD and all the Functional Directors. CMD is the Chairman of the Committee.
3	Business Development & Marketing Committee	Proposals of business development and marketing groups that fall within powers of Board like strategic planning, strategic alliance, joint ventures and acquisition/ merger Globalization through business participation in a foreign country, Opening of offices abroad, Consideration of new areas of business, Issue related to Policy/rules/regulations relating to marketing of natural gas, LPG, polymers, GAILTEL and other products and services.	<i>Chairman :</i> 1. Shri B.C. Bora (Independent Director) <i>Member(s):</i> 1. Director (Finance) 2. Director (Marketing) 3. Director (Business Development)
4	Project Appraisal Committee	Projects costing above Rs. 50 Crores. Projects costing Rs. 100 Crores or more would require appraisal.	<i>Chairman:</i> 1. CMD <i>Member(s):</i> 1. Director (Finance) 2. Shri. D.N. Narasimha Raju (Part time Director - Government Nominee) 3. Dr. A.K. Kundra (Independent Director) 4. Shri. B.C. Bora (Independent Director) 5. Concerned Functional Director
5	H.R. Committee	Issues pertaining to rules and regulations relating to recruitment and conditions of service of the employees of the company, social welfare schemes, incentives schemes and changes therein and amendment in CDA Rules.	<i>Chairman :</i> 1. CMD <i>Member(s):</i> 1. All the Functional Directors 2. Dr. Amit Mitra (Independent Director) 3. Shri. A.K. Kundra (Independent Director)
6	Compensation Committee	Formulation of ESOP scheme.	<i>Chairman:</i> 1. Director (Finance) <i>Member(s):</i> 1. Director (HR) 2. Dr. A.K. Kundra (Independent Director) 3. Shri. B.C. Bora (Independent Director)
7	Redressal of Vendors Grievance Committee	To Develop a mechanism for Redressal of Vendor Grievances. All proposals to be put to the Board for consideration shall be routed through the Redressal of Vendor Grievances Committee.	<i>Chairman:</i> 1. Shri. B.C. Bora (Independent Director) <i>Member(s):</i> 1. Director (Finance) 2. Director (Projects) 3. Shri. D.N. Narasimha Raju (Part-time Director - Government Nominee)

7. GENERAL BODY MEETINGS

Location and time, where last three AGMs were held

The location, time and details of special resolutions passed during last three AGMs are as follows:

For the Year	2003-04	2004-05	2005-06
AGM	20 th	21 st	22 nd
Date & Time	30.09.2004 10:30 a.m.	28.09.2005 10:30 a.m.	14.08.2006 10:30 a.m.
Venue	Siri Fort Cultural Complex, Khel Gaon Marg, Siri Fort Road, New Delhi	Siri Fort Cultural Complex, Khel Gaon Marg, Siri Fort Road, New Delhi	Air Force Auditorium, Subroto Park, New Delhi
Special Resolution passed	Change in place of keeping, and inspection of, Registers and Returns (u/s 163 of the Companies Act, 1956).	None	Voluntary Delisting of the Equity Shares of the Company from the Delhi Stock Exchange Association Limited.
Details	To authorise the Registrar & Transfer Agent, i.e., MCS Limited, to keep the Register of Members, Index of Members and Returns at their new address.	—	To authorise the Board of the Directors of the Company, to seek voluntary delisting of its equity shares from the Delhi Stock Exchange Association Limited.

During the last year, no item warranted the postal ballot as stipulated under the Companies Act, 1956. No resolution is proposed to be conducted through postal ballot in the forthcoming AGM.



Dr. U.D. Choubey, CMD, GAIL (extreme left) signing the Production Sharing Contracts under NELP - VI

8. DISCLOSURES

- i. During the year, there have been no materially significant related party transactions that may have potential conflict with the interest of the Company at large. The details of "Related Party Disclosures" are being disclosed in Notes no. 11 of schedule 14 to the accounts in the Annual Report.
- ii. The CEO/CFO of the Company has certified the specified matters to the Board, as required under Clause 49 V of the Listing Agreement.
- iii. Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct of the Company for the financial year ending on 31st March, 2007.
- iv. None of the non-executive Directors have any pecuniary relationship or transactions with the Company during the financial year ending 31st March, 2007.
- v. The Company has complied with the requirements of the SEBI, Stock Exchanges or regulatory authorities on capital market related activities as applicable from time to time. During the last three years, there has been no non-compliance to the provisions/requirements of SEBI, Stock Exchanges or regulatory authorities related to capital market.
- vi. The Company has put in place a suitable machinery to act on complaints from "Whistle Blowers", in terms of Ministry of Personnel, Public Grievances and Pensions Resolution no. 371/12/2002-AVD-III dated 21st April, 2004.

- vii. The Company has complied with the mandatory requirements of Clause 49 of the Listing Agreement, save and except composition of the Board of Directors. The Government of India is in the process of selecting Independent Directors through a process of Search Committee and will take some time before the Government nominates more number of Independent Directors on the Board of GAIL. The Company has so far adopted the applicable non-mandatory requirements of new clause 49 of the Listing Agreement with Stock Exchanges except w.r.t. training of Board members.

9. MEANS OF COMMUNICATION

In order to attain maximum shareholder-reach, the financial results of the Company during the year 2006-07 were published in leading newspapers (English & Hindi), viz. Business Standard, Hindustan Times, The Indian Express, The Times of India, Navbharat Times, Hindustan etc.

The "Limited Review" reports of the financial results for the respective quarter(s) were obtained from the statutory auditors of the Company and also filed with the Stock Exchange(s).

The Company also displays its financial results on its website, i.e., www.gailonline.com.

Besides the above, press releases of the Company and presentations made to analysts are also displayed on the Company's website.

10. GENERAL SHAREHOLDER INFORMATION

i. Forthcoming AGM : Date, time and venue

The 23rd Annual General Meeting of the Company is scheduled for Monday, the 3rd day of September, 2007 at 10:30 a.m. at Air Force Auditorium, Subroto Park, New Delhi-110010.

ii. Financial year

The Company's financial year is from 1st April to 31st March.

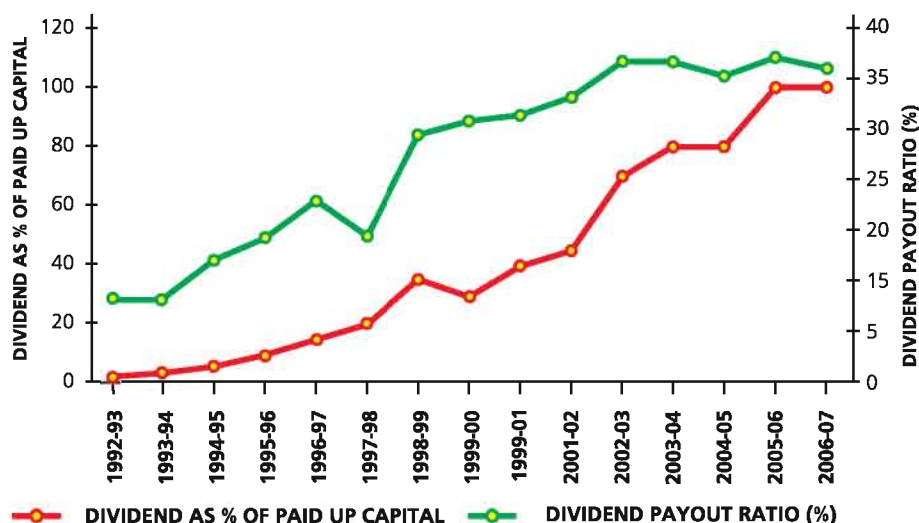
iii. Date of Book closure and Dividend payment date

During the financial year 2006-07, the Board of Directors approved the payment of dividend, for which the respective Record Date / Book Closure and dividend payment dates, the details of which are as follows :

S. No.	Dividend Declared	Dividend (%)	Record Date / Book Closure	Dividend Payment Date
1.	Interim Dividend	55	28.12.2006	29.12.2006
2.	Special Interim Dividend	25	12.03.2007	13.03.2007
3.	Final Dividend (Proposed)	20	20.08.2007 to 03.09.2007	To be declared at the 23 rd AGM

With this, the Company has paid a total dividend of 100 % on the paid up equity share capital, for the year ended 31st March, 2007.

Dividend Data: Dividend as % of Paid up capital and dividend Payout ratio



iv. Transfer of unpaid/unclaimed amounts to Investor Education and Protection Fund

Pursuant to Section 205C of the Companies Act, 1956, dividend amount(s) remaining unclaimed and unpaid for a period of seven years, from the date they became due for payment, is required to be transferred to the Investor Education and Protection Fund (IEPF) established by the Central Government.

The Company has credited a total of Rs. 993,457 out of which Rs. 15,855, Rs. 22,543, Rs. 597,303 and Rs. 357,756 pertains to financial year(s) 1996-97, 1997-98, 1998-99 and 1999-2000 respectively to IEPF. For the respective financial year, the due date of transfer of unpaid / unclaimed dividend to IEPF are as under:

S. No.	FY	Type of Dividend	Dividend (%)	Last date for claiming Unpaid Dividend Amount*	Due date for transfer to IEPF
1	2000-01	FINAL	40	27.09.2008	27.10.2008
2	2001-02	FINAL	45	23.09.2009	23.10.2009
3	2002-03	INTERIM	30	27.01.2010	27.02.2010
		FINAL	40	29.09.2010	29.10.2010
4	2003-04	INTERIM	40	07.01.2011	07.02.2011
		FINAL	40	29.09.2011	29.10.2011
5	2004-05	INTERIM	40	19.12.2011	19.01.2012
		FINAL	40	27.09.2012	27.10.2012
7	2005-06	INTERIM	60	16.01.2013	16.02.2013
		SPL INTERIM	20	14.02.2013	14.03.2013
		FINAL	20	13.08.2013	13.09.2013
8	2006-07	INTERIM	55	27.12.2013	27.01.2014
		SPL INTERIM	25	11.03.2014	11.04.2014
		FINAL (Proposed)	20	02.09.2014	02.10.2014

*After the said date, no claim shall lie against the Fund/Company, in respect of the said unclaimed/unpaid amount of dividend.



CSR Initiatives : Village children going to a school funded by GAIL in Dibiypur, U.P.

v. Listing on Stock Exchanges

The Company's listing details are as follow:

Stock Exchange	Security Code	Type of Security
Bombay Stock Exchange Limited (BSE)	532155	Equity Shares
National Stock Exchange of India Limited (NSE)	GAILEQ	Equity Shares
London Stock Exchange (LSE)	GAID LI GAILY US	GDRs

Consequent upon the approval by the shareholders in their Annual General Meeting held on 14.08.2006, the Company got its shares de-listed from Delhi Stock Exchange Association Limited w.e.f. 24th March, 2007.

Further, Non-Convertible Redeemable Bonds-Series-I (6.10%) & Series-II (5.85%) of the Company are listed at the Wholesale Debt Market (WDM) segment of NSE. The State Bank of India, Parliament Street, New Delhi-110001 is the Debenture Trustee for the aforesaid Bond Series.

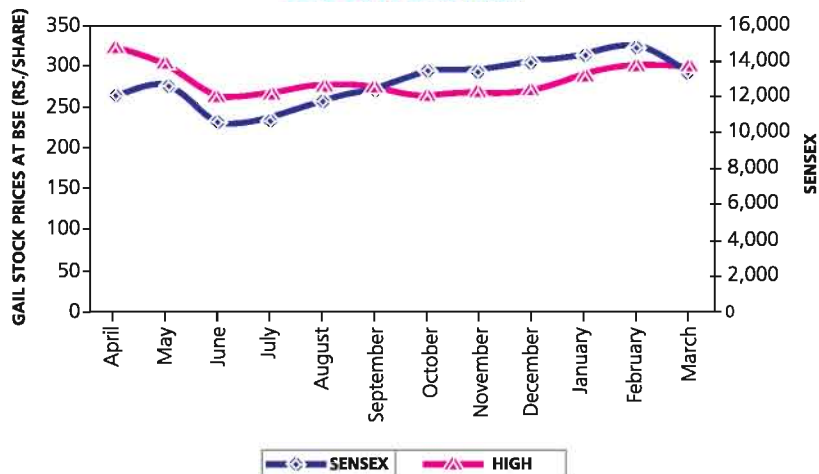
The Annual listing fees for the listed equity shares and Bonds of the Company, pertaining to the year 2006-07 has been paid to the concerned Stock Exchanges on demand. The Company has also made the payment of the Annual Custody Fees to National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL), for the financial year 2007-08, based on the folio/ISIN positions as on 31.03.2007.

vi. Market Price Data

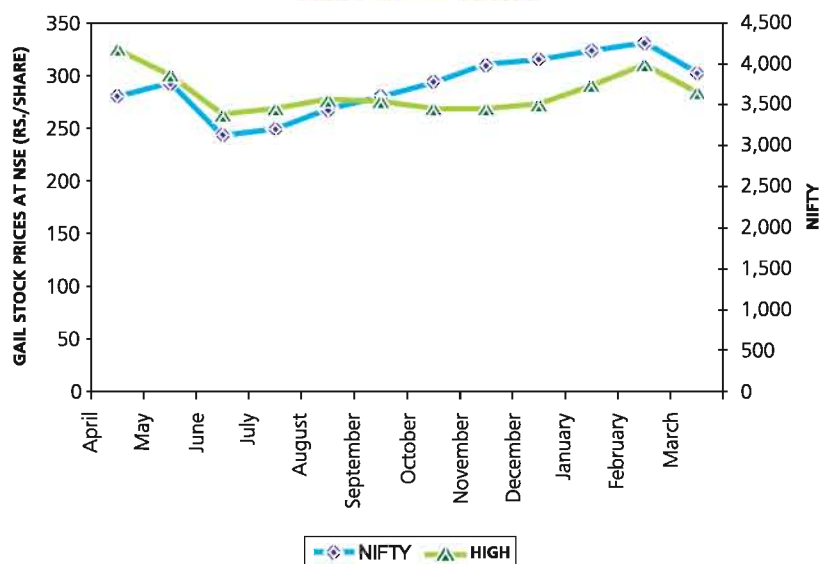
Market Price Data: High, Low during each month in the financial year 2006-07

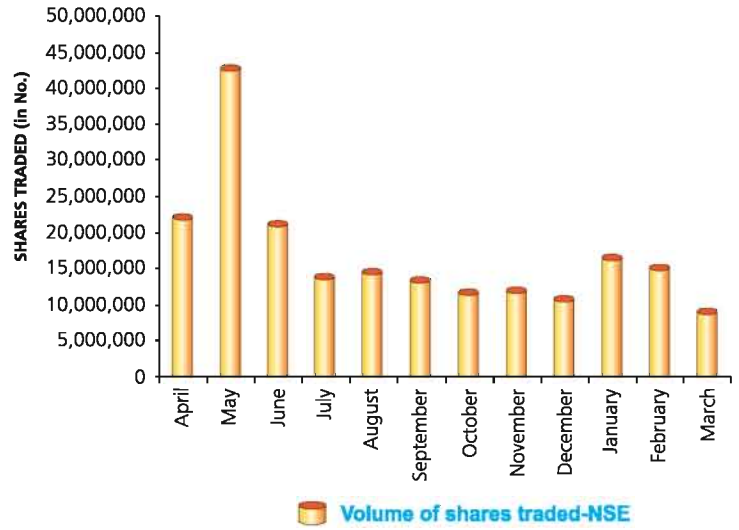
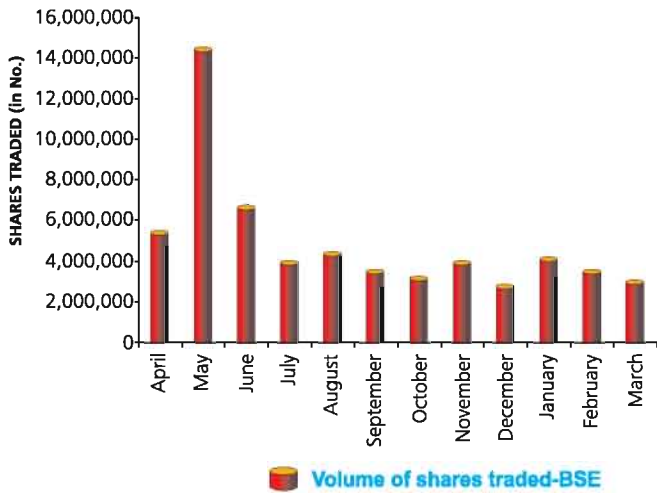
MONTHS	BSE			NSE			MARKET CAPITALISATION (RS. IN CRORES)		MARKET INDEX	
	HIGH (in Rs.)	LOW (in Rs.)	VOLUME (No. of Shares)	HIGH (in Rs.)	LOW (in Rs.)	VOLUME (No. of Shares)	BSE	NSE	SENSEX	NIFTY
April	325.00	284.00	5,379,837	324.95	283.10	22,120,380	24,464.70	24,452.02	12,102.00	3,598.95
May	300.80	210.00	14,482,140	300.95	205.10	42,970,450	19,965.83	19,978.52	12,671.11	3,774.15
June	264.45	213.00	6,611,959	264.50	205.30	21,343,096	21,547.20	21,737.47	10,626.84	3,134.15
July	268.10	226.50	3,924,952	269.50	226.30	13,842,141	20,456.31	20,447.86	10,940.45	3,208.85
August	278.50	232.10	4,355,532	278.40	232.10	14,489,682	22,075.74	21,991.17	11,794.43	3,452.30
September	275.00	249.10	3,456,977	276.00	248.30	13,354,656	22,244.87	22,253.32	12,485.17	3,603.70
October	266.45	251.00	3,123,377	270.00	250.25	11,814,270	21,652.91	21,657.14	13,075.85	3,782.85
November	269.50	247.80	3,940,957	269.65	245.50	11,909,485	22,591.58	22,587.35	13,799.08	3,976.80
December	272.00	243.00	2,777,075	274.00	242.10	10,811,138	22,118.02	22,113.79	14,035.30	4,046.85
January	291.75	258.50	4,067,233	291.90	259.00	16,630,976	23,788.18	23,783.95	14,325.92	4,167.15
February	302.95	264.15	3,456,770	311.00	265.30	15,151,527	23,931.94	23,923.48	14,723.88	4,245.30
March	300.00	254.00	2,995,975	284.90	251.05	9,082,811	22,371.67	22,371.67	13,386.95	3,901.75

SENSEX Vs GAIL HIGH



NIFTY Vs GAIL HIGH





vii. Registrar and Transfer Agent (R&TA)

MCS Ltd.
Unit : GAIL (India) Limited
Sri Venkatesh Bhawan
W-40, Okhla Industrial Area
Phase-II
NEW DELHI - 110020
Phone: 91-11-41406149/50/51/52
Fax: 91-11-41709881
Website: www.mcsdel.com
E-mail: admin@mcsdel.com

viii. Share Transfer System

The shares of the Company are being compulsorily traded in dematerialised form w.e.f. 15.02.1999. Shares in physical form, received for transfer, are transferred within a period of 30 days from the date of lodgment of valid share transfer deed along with share certificate. These requests are processed through the Company's R&TA.

The Company has a Share Transfer Committee comprising of all the Whole-time Directors, including Chairman and Managing Director, which considers the requests for transfer/transmission of shares, issue of duplicate share certificates, re-materialization, etc.

During the year, half-yearly certificate(s), confirming due compliance of the share transfer formalities by the Company [clause 47(c) of the Listing Agreement]; and Secretarial Audit Report(s) [under SEBI (Depositories and Participants) Regulations, 1996] for reconciliation of total admitted capital with both the depositories, were obtained from a practicing Company Secretary and the same were also submitted with the Stock Exchanges within the stipulated time.

The Company has also opted for voluntary Secretarial Audit from the practicing Company Secretary.

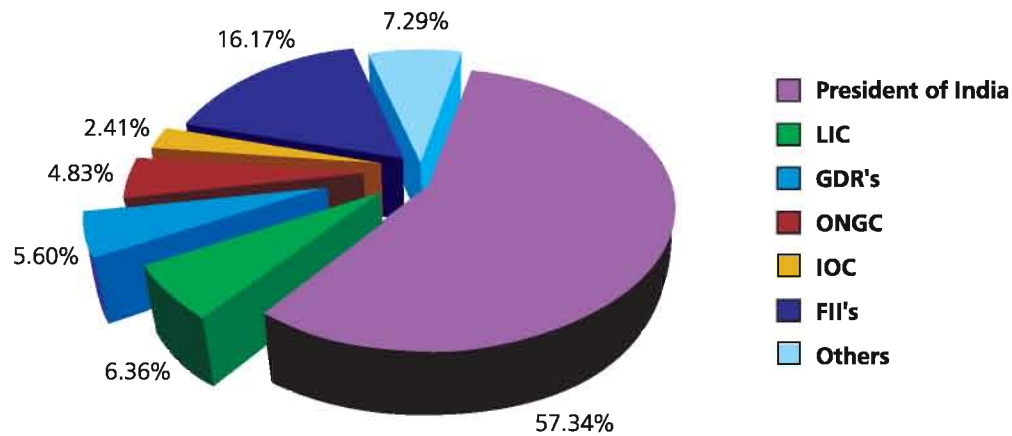
ix. Distribution of shareholding

The distribution of shareholding of the company as on 31.03.2007 is detailed below:

No. of equity shares held	No. of Shareholders	% to Total	No. of Shares	% to Total
1	3412	2.02	3412	0.00
2-10	8439	5.00	60866	0.01
11-50	80362	47.66	2504240	0.30
51-100	34292	20.34	2903353	0.34
101-200	27744	16.45	4179557	0.49
201-750	10934	6.48	4172767	0.49
751-5000	2975	1.76	4669918	0.55
5001-10000	151	0.09	1100708	0.13
10001-15000	43	0.03	529170	0.06
15001 and above	265	0.16	825517609	97.62
TOTAL	168617	100.00	845651600	100.00



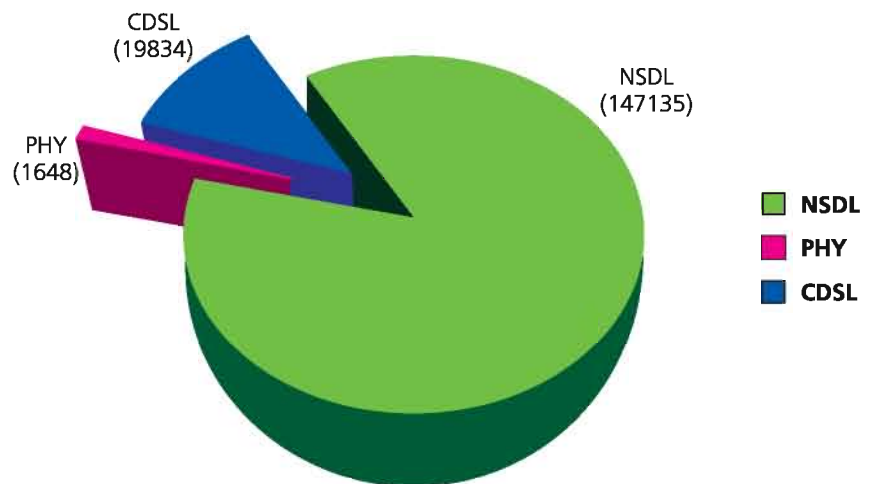
x. Shareholding Profile as on 31.03.2007



SHAREHOLDING IN DEMAT/PHYSICAL MODE

xi. Dematerialisation of shares and liquidity

As on 31st March, 2007, the Company has 168617 no. of Shareholders, out of which 1648 shareholders were holding equity shares in physical mode, 166969 shareholders were holding equity shares in demat mode. The demat ISIN of the Company's equity shares is INE129A01019.

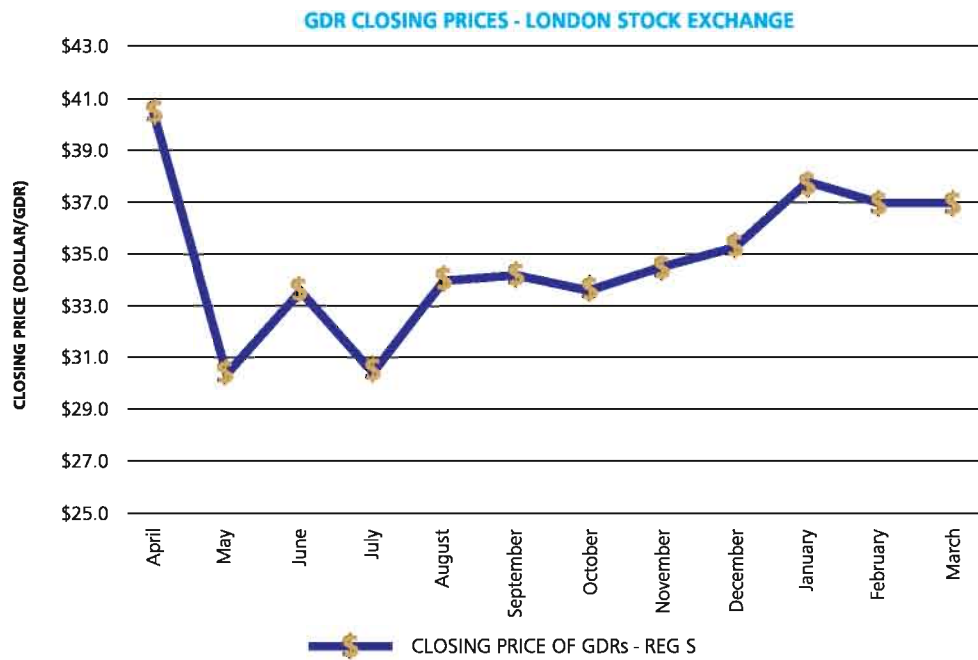


xii. Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity

The Government of India had disinvested 135 million equity shares out of its holding in the international market through GDR mechanism in 1999-2000. A total no. of 22.5 million GDRs were issued, one GDR representing six underlying equity shares.

As on 31st March, 2007, a total no. of 78,96,727 GDRs were outstanding. The conversion of GDRs into equity shares has no impact on total equity capital.

The performance of GDRs indicating the closing shares listed at London Stock Exchange is given as under:



xiii. Major Plant Locations

The following are the major plant locations of the Company:-

U.P. Petrochemical Complex PATA P.O. Pata-206 241 Distt. Auraiya (U.P)	LPG Recovery Plant Usar P.O. Malyan-402 203 Tal. Alibagh Distt. Raigad (Maharashtra)
LPG Recovery Plant Vijaipur GAIL Complex Vijaipur-473 112 Distt. Guna (M.P)	LPG Recovery Plant, Vaghodia GIDC Industrial Estate Vaghodia-391 760 Distt. Baroda (Gujarat)
LPG Recovery Plant Lakwa Sivasagar-785 688 Assam	LPG Recovery Project Gandhar Village Rozantankaria Tal. AMOD Distt. Bharuch-392 140 Gujarat

xiv. Address for correspondence

GAIL (India) Limited
16, Bhikaiji Cama Place
R.K. Puram
NEW DELHI - 110 066

Phone: 91-11-26172580
91-11-26182955

Fax No.: 91-11-26185941

Website: www.gailonline.com

E-mail id: investorqueries@gail.co.in



*Packaging of G-Lex - HDPE polymer brand of GAIL at Petrochemical Complex, Pata, U.P.
Inset - Polymer Warehouse*

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

TO THE MEMBERS OF GAIL (India) Limited

We have examined the compliance of conditions of Corporate Governance by GAIL (India) Ltd. for the year ended 31st March, 2007 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedure and examination 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 financial statements of the Company.

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.

We state that no investor grievance(s) is pending for a period exceeding one month against the Company as per the records maintained by the Company.

We further state that such compliance is neither an assurance as to the future viability of the Company nor efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Mehra Goel & Co.
Chartered Accountants
Sd/-
R.K. Mehra
Partner
Membership No. 6102

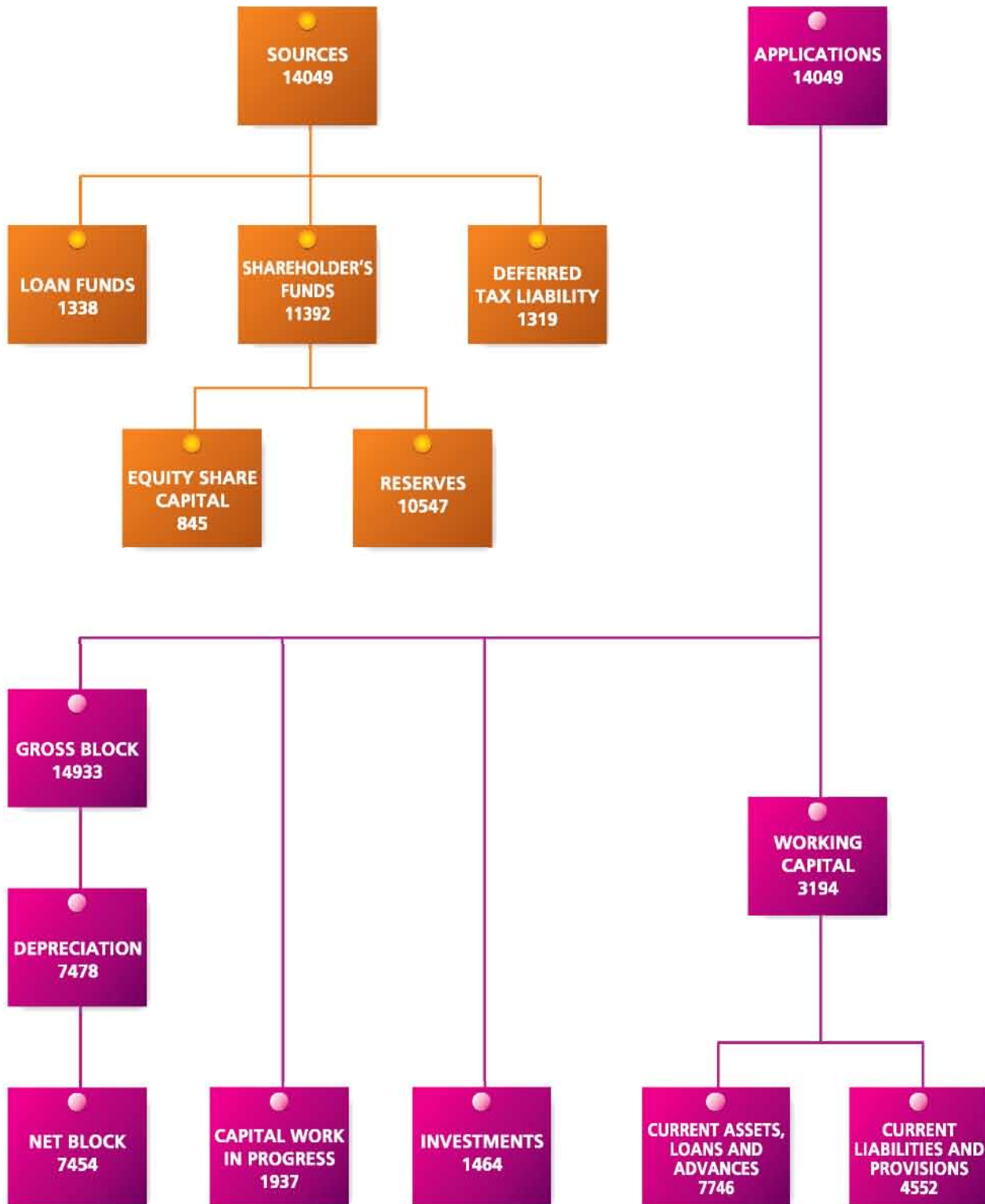
Place: New Delhi
Dated: 24.05.2007

Five Year Profile



SOURCES AND APPLICATION OF FUNDS AS AT 31st MARCH, 2007

(Rs. in Crores)





FIVE YEAR PROFILE

(A) FINANCIAL

(Rs. in Crores)

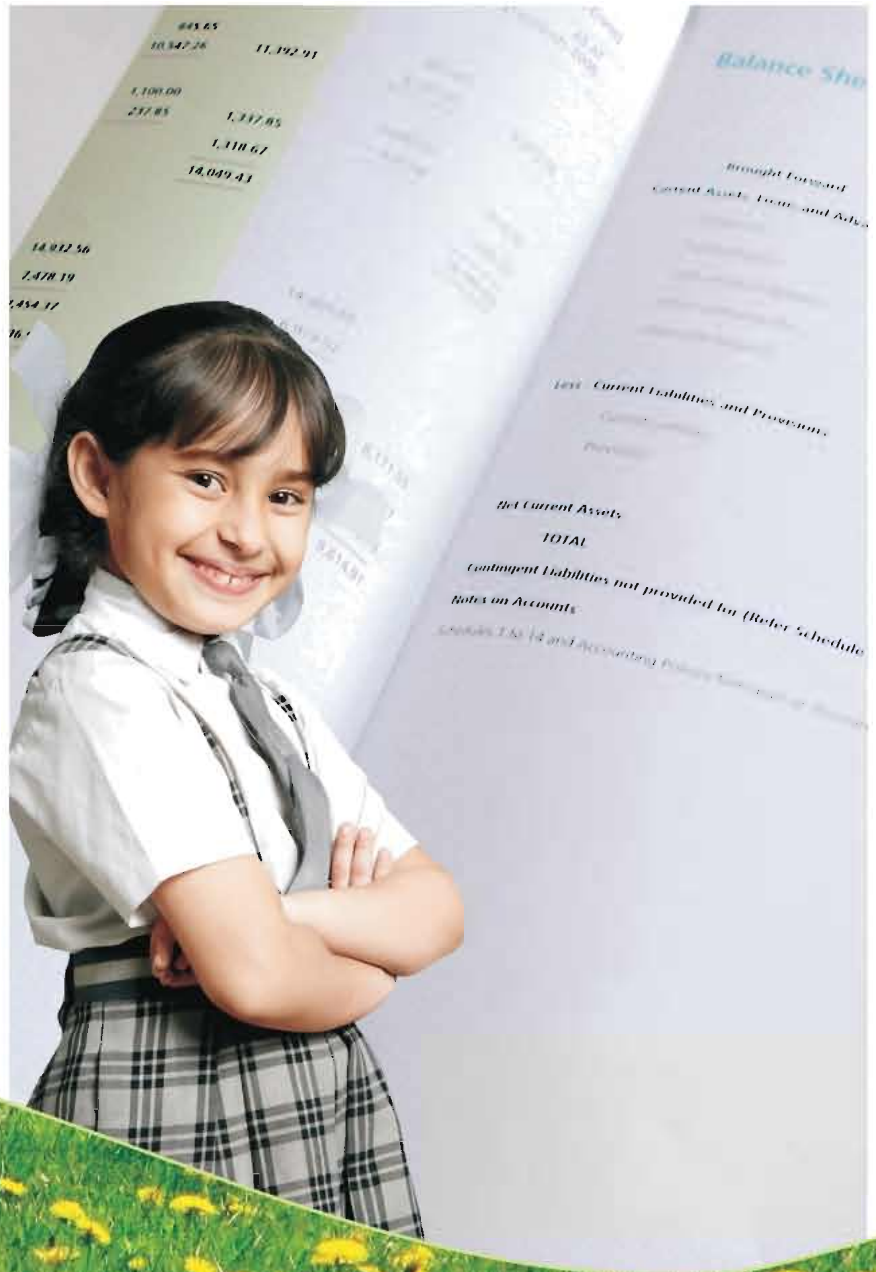
	2002-03	2003-04	2004-05	2005-06	2006-07
PAID UP CAPITAL	845.65	845.65	845.65	845.65	845.65
RESERVES & SURPLUS	5493.48	6599.50	7780.46	9127.64	10547.26
SECURED LOANS	163.95	1655.52	1600.00	1600.00	1100.00
UNSECURED LOANS	1883.17	477.96	397.40	316.56	237.85
DEFERRED TAX LIABILITY (NET)	1119.75	1227.58	1255.23	1299.70	1318.67
	9506.00	10806.21	11878.74	13189.55	14049.43
REPRESENTED BY :					
GROSS BLOCK	11048.71	13584.73	14222.35	14469.48	14932.56
LESS : DEPRECIATION	4786.61	5441.85	6376.47	6913.52	7478.19
NET FIXED ASSETS	6262.1	8142.88	7845.88	7555.96	7454.37
CAPITAL WORK-IN-PROGRESS	688.14	814.47	309.08	615.59	1936.94
INVESTMENTS / ADVANCES FOR INVESTMENT (PENDING ALLOTMENT)	687.94	771.99	783.95	1443.35	1463.84
NET CURRENT ASSETS	1867.71	1076.87	2939.83	3574.65	3194.28
MISCELLANEOUS EXPENDITURE	0.11	-	-	-	-
	9506.00	10806.21	11878.74	13189.55	14049.43
GROSS SALES	10641.99	11295.67	12927.07	14875.49	16545.85
GROSS MARGIN	3348.31	3614.10	3950.37	3954.38	3542.05
DEPRECIATION	643.54	661.60	944.89	560.46	575.19
PRELIMINARY/DEFERRED REVENUE					
EXPENSES WRITTEN-OFF	0.11	0.11	-	-	-
INTEREST	186.37	137.97	134.09	117.30	107.08
PROFIT/(LOSS) BEFORE TAX	2518.29	2814.42	2871.39	3276.62	2859.78
PROFIT/(LOSS) AFTER TAX	1639.11	1869.34	1953.91	2310.07	2386.67
DIVIDEND INCL. INTERIM DIVIDEND	591.96	676.52	676.52	845.65	845.65
CORPORATE DIVIDEND TAX	43.34	86.68	92.51	118.60	123.62
INTERNAL GENERATION	2282.76	2531.05	2898.80	2870.53	2961.86
NET WORTH	6336.57	7410.70	8559.65	9874.81	11262.42
CAPITAL EMPLOYED	8129.81	9219.75	10785.71	11130.61	10648.65

(B) GAS THROUGHPUT/PRODUCTION

	2002-03	2003-04	2004-05	2005-06	2006-07
NATURAL GAS (MMSCMD)	63.40	62.84	71.56	78.87	77.29
LPG (MT)	1114423	1088686	1094835	1042219	1026413
SBP SOLVENT (MT)	34508	65298	58876	56218	40182
PENTANE (MT)	33466	51872	57525	53346	72826
PROPANE (MT)	120188	157303	181863	173920	178736
ETHYLENE (MT)	311995	275610	319290	325808	367150
HDPE/LLDPE (MT)	291829	263720	298787	311469	353921
(C) FINANCIAL RATIOS					
NET WORTH PER RUPEE OF PAID UP CAPITAL (Rs.)	7.49	8.76	10.12	11.68	13.32
BORROWINGS TO NET WORTH (Rs.)	0.32	0.29	0.23	0.19	0.12
PROFIT BEFORE TAX TO CAPITAL EMPLOYED (%)	30.98	30.53	26.62	29.44	26.86
PROFIT BEFORE TAX TO NET WORTH (%)	39.74	37.98	33.55	33.18	25.39
PROFIT BEFORE TAX TO GROSS SALES (%)	23.66	24.92	22.21	22.03	17.28
PROFIT BEFORE TAX TO GROSS FIXED ASSETS (%)	22.79	20.72	20.19	22.65	19.15
GROSS SALES TO CAPITAL EMPLOYED (%)	130.90	122.52	119.85	133.64	155.38
EARNING PER SHARE (Rs.)	19.38	22.11	23.11	27.32	28.22
DIVIDEND PER SHARE (Rs.)	7.00	8.00	8.00	10.00	10.00
DIVIDEND PAYOUT RATIO (INCLUDING DIVIDEND TAX)	38.76	40.83	39.36	41.74	40.61

FIVE YEAR PROFILE

Annual Accounts



Auditors' Report to the Shareholders of GAIL (India) Limited

We have audited the attached Balance Sheet of GAIL (India) Limited as at 31st March, 2007, the Profit and Loss Account and Cash Flow Statement of the company for the year ended on that date annexed thereto in which are incorporated the accounts of two units audited by branch auditors. 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.

We have conducted our audit in accordance with auditing standards generally accepted in India. These 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the statement on the Companies (Auditor's Report) order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that :

- a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- b. The allocation of work amongst the auditors has been followed as per the directions contained in letter addressed to GAIL (India) Ltd. by the office of the Comptroller & Auditor General of India, New Delhi.
- c. 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. The Branch Auditor's Report have been forwarded to us and have been appropriately dealt with;
- d. The Balance Sheet and Profit & Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
- e. In our opinion, the Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
- f. Disclosure in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956 is not required as

per notification no. GSR 829(E) dated October 21, 2003 issued by the Department of Company Affairs.

- g. In our opinion and to the best of our information and according to the explanations given to us, the said financial statements read 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:
 - a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2007;
 - b) in the case of the Profit & Loss Account, of the profit for the year ended on that date ; and
 - c) in the case of the Cash Flow Statement, of the cash flow of the company for the year ended on that date.

For M/s Mehra Goel & Co.
Chartered Accountants

R.K. Mehra
Partner
Membership No. 6102

Place : New Delhi
Date : May 08, 2007

Annexure to the Auditor's Report

The Annexure referred to in the auditor's report to the shareholders of GAIL (India) Limited for the year ended March 31, 2007. We report that :

- (i) (a) The company has generally maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) According to the information and explanation given to us, there is a regular programme of verification of fixed assets which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. Fixed assets have been physically verified by the management during the year and no material discrepancies were noticed on such verification.

In our opinion, there was no substantial disposal of fixed assets during the year.

- (ii) According to the information and explanations given to us, the inventory of stores and spares were physically verified by the Management, except those lying with Engineers India Ltd. and other contractors at the end of the year. We have been explained that the stock of gas at the end of the year has been taken with reference to reading of Turbine Flow Meter/Gas Chromatograph installed at Terminals, Stock of LPG/Pentane/SBP Solvent are determined with reference to Tank Level Gauge measurement which are converted into tonnage by measurement of density and applying correction factor for temperature. LPG vapour volume is converted to tonnage by standard formulae.

In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and nature of its business.

According to the information and explanations given to us, no material discrepancies have been noticed on physical verification of stock of stores and spares as compared to the books and records.

- (iii) The Company has neither granted nor taken any loans secured or unsecured, to or from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit no major weakness has been noticed in the internal controls.
- (V) On the basis of our examination of the books of accounts, and as per information and explanation given to us, the company has not made any transactions in respect of any party during the financial year that needs to be entered in the register pursuant to the section 301 of the Companies Act, 1956.
- (vi) The company has not accepted any deposits from the public during the year covered under of section 58A and 58AA or any other relevant provision of the

Companies Act, 1956.

- (vii) In our opinion, the company's internal audit system is commensurate with its size and nature of its activities. However, it requires further strengthening due to increase in the activities of the company in recent past.
- (viii) We have broadly reviewed the books of Accounts maintained by the Company pursuant to the order made by the Central Government for the maintenance of Cost records under Section 209(1)(d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been maintained. We have not, however, made a detailed examination of these records.
- (ix) (a) According to the records of the company, the company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Sales tax, Wealth tax, Service tax, Custom duty, Excise duty, cess and any other statutory dues with the appropriate authorities. According to the information and explanation given to us, no undisputed amounts payable in respect of Sales tax, Service tax, Custom duty, Excise duty and other statutory dues were outstanding at the year end for a period of more than six months from the date they become payable. However, Rs. 7.74 Crores being the amount of Tax deducted at source in Financial Year 2005-06 have been credited back to the Creditor. (Refer note no. : 28).

- (b) As certified by the Management on which we have relied upon, the dues of Excise Duty, Custom Duty, Entry Tax, Sales Tax and other Taxes which have not been deposited on account of disputes and the forum where the dispute is pending, are given below:

(Rs. in Crores)

S. No	Issue	Subject matter of Dispute	Period to which it relates	Amount	Status-Forum
1.	Entry Tax	a. Entry tax on market value of natural gas instead of its purchase price (including interest)	1999-2006	162.50	Allahabad High Court
		b. Rajasthan Entry Tax Demand	2002-03	2.89	Dy. Commissioner, Kota
2.	Sales Tax	a. Non acceptance of declaration form for concessional sales tax	1994-95 & 1999-2000	3.98	Dy. Commissioner (A), Surat
		b. CST on transmission Charges	1997-98 to 2001-02	7.77	Tamil Nadu Sales Tax Appellate Tribunal
		c. Surcharge on turnover tax-Rajasthan	2003-04 & 2004-05	0.25	Asst. Commissioner, Kota
		d. Trade tax demand	2004-05 & 2006-07	0.74	Dy. Commissioner, Auraiya
		e. Sales tax demand	2003-04	1.22	Additional Commissioner, Vadodara
3.	Custom	Demand of duty on Gas purchased from Panna Mukta	1997-2002	581.22	Commissioner, Ahmedabad
4.	Excise	a. Duty demand on lean gas	Sept.'98 to Feb.'99 Oct.'01 to Aug.'04	60.76	Commissioner Raigad
		b. Duty demand on lean gas (including interest and penalty)	March'99 to Nov.2000	346.67	Supreme Court
		c. Modvat on capital goods disallowed	1999	4.67	Asst. Commissioner, Agra
		d. LPG evaluation dispute	May'01 to Nov.'03	43.28	Commissioner Kanpur, CESTAT, Mumbai, Ahmedabad
		e. Dispute on Pentane classification	March'2000 to Feb.'02, 2005-06	17.88	CESTAT, Ahmedabad, New Delhi
		f. Classification dispute of MFO as Motor Spirit	July'04 to Aug.'05	8.85	Commissioner, Vadodara
5.	Other taxes	Notified area tax on revised value (including interest)	1985-86 to 2006-07	2.09	Ahmedabad High Court



- (x) The company has no accumulated losses at the end of the financial year and it has not incurred any cash losses in the current and immediately preceding financial year.
- (xi) Based on our audit procedure and on the information and explanations given by the management, we are of the opinion that the company has not defaulted in repayment of dues to a financial institution, bank and debenture holders.
- (xii) In our opinion, the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities other than to its employees. In our opinion, the company has maintained adequate documents and records in respect of such loans.
- (xiii) The company is not a chit fund, nidhi, mutual benefit fund or a society. Accordingly, clause 4(xiii) of the order not applicable.
- (xiv) According to the information and explanation given to us, the company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, clause 4 (xiv) of the order is not applicable.
- (xv) According to the information and explanation given to us, the company has not given any guarantee for loans taken by others from banks and financial institutions during the year.
- (xvi) According to the information & explanation given to us, the company has not raised any term loans during the year.
- (xvii) According to the information and explanation given to us, the company has not raised any short term loan during the year.
- (xviii) The company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) The company has not issued any debentures during the year.
- (xx) During the year, no money has been raised by public issues.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

For M/s Mehra Goel & Co.
Chartered Accountants

R.K. Mehra
Partner
Membership No. 6102

Place : New Delhi
Date : May 08, 2007

Balance Sheet as at 31st March, 2007

(Rs. in Crores)

	SCHEDULE NO.	AS AT 31st March, 2007		AS AT 31st March, 2006	
SOURCES OF FUNDS					
Shareholder's Funds					
Capital	1	845.65		845.65	
Reserves and Surplus	2	10,547.26	11,392.91	9,127.65	9,973.30
Loan Funds					
	3				
Secured Loans		1,100.00		1,600.00	
Unsecured Loans		237.85	1,337.85	316.56	1,916.56
Deferred Tax Liability (Net)					
			1,318.67		1,299.70
			14,049.43		13,189.56
APPLICATION OF FUNDS					
Fixed Assets					
	4				
Gross Block		14,932.56		14,469.48	
Less : Depreciation		7,478.19		6,913.52	
Net Block		7,454.37		7,555.96	
Capital Work in Progress	5	1,936.94	9,391.31	615.59	8,171.55
Investments					
	6		1,441.05		927.57
Advances for Investments (Pending Allotment)					
	6A		22.79		515.79
Carried Forward			10,855.15		9,614.91



Balance Sheet as at 31st March, 2007

(Rs. in Crores)

	SCHEDULE NO.	AS AT 31st March, 2007	AS AT 31st March, 2006
Brought Forward		10,855.15	9,614.91
Current Assets, Loans and Advances	7		
Inventories		552.36	483.19
Sundry Debtors		790.71	753.47
Cash and Bank Balances		2,660.41	4,495.94
Other Current Assets		31.67	39.65
Loans and Advances		3,710.36	6,516.39
		7,745.51	12,288.64
Less : Current Liabilities and Provisions	8		
Current Liabilities		2,585.59	3,164.62
Provisions		1,965.64	5,549.37
		4,551.23	8,713.99
Net Current Assets		3,194.28	3,574.65
TOTAL		14,049.43	13,189.56
Contingent Liabilities not provided for (Refer Schedule 14)			
Notes on Accounts	14		
Schedules 1 to 14 and Accounting Policies form part of Accounts			

N.K. Nagpal
Secretary

R.K. Goel
Director (Finance)

M.R. Hingnikar
Director (HR)

Dr. U.D. Choubey
Chairman & Managing Director

As per our separate Report of even date
For M/s Mehra Goel & Co.
Chartered Accountants

Place : New Delhi
Dated : May 08, 2007

R.K. Mehra
(Partner)
Membership No. 6102

Profit & Loss Account for the Year ended 31st March, 2007

(Rs. in Crores)

	SCHEDULE NO.	AS AT 31st March, 2007		AS AT 31st March, 2006	
INCOME					
Sales		15,946.58		14,413.11	
Less : Excise Duty		498.67		416.08	
		15,447.91		13,997.03	
LPG Transmission / RLNG Shippers Charges		574.08		444.13	
Income from Telecom		25.19		18.25	
		16,047.18		14,459.41	
Add : <u>Accretion to Stock</u>					
Closing Stock		204.78		129.52	
Less : Opening Stock		129.52	75.26	104.59	24.93
			16,122.44		14,484.34
Other Income	9		544.95		455.54
TOTAL			16,667.39		14,939.88
EXPENDITURE					
Purchase of Gas for trading			8,537.07		7,795.21
Gas Pool			891.93		459.05
Manufacturing, Transmission, Administration, Selling & Distribution and other Expenses	10		3,704.91		2,658.70
Depreciation	4		575.38		559.49
			4,280.29		3,218.19
Less : Expenditure during construction period transferred to Capital Work-in-Progress	11		1.09	4,279.20	1.66
TOTAL			13,708.20		11,470.79
Profit before Interest and Finance Charges			2,959.19		3,469.09
Interest and Finance Charges	12		107.17		117.39
Less : Interest and Finance Charges transferred to Capital Work-in-Progress	11		0.09	107.08	0.09
Profit for the year	Carried Forward		2,852.11		3,351.79



(Rs. in Crores)

	SCHEDULE NO.	AS AT 31st March, 2007	AS AT 31st March, 2006
Brought Forward		2,852.11	3,351.79
Less : Prior Period Adjustments (Net)	13	(7.67)	75.17
Profit before Tax		2,859.78	3,276.62
Provision for Taxation - Current		788.30	916.61
- Deferred		18.97	44.47
- FBT		5.76	5.47
Excess Provision of Income Tax of earlier years written back		(339.92)	-
Profit after Tax		2,386.67	2,310.07
Amount available for appropriation		2,386.67	2,310.07
APPROPRIATIONS			
Interim Dividend		676.52	676.52
Proposed Final Dividend		169.13	169.13
Corporate Dividend Tax		123.62	118.60
Bond Redemption Reserve		32.13	32.13
General Reserve		238.67	231.01
Balance Carried to Balance Sheet		1,146.60	1,082.68
TOTAL		2,386.67	2,310.07
Details of Earning Per Share			
A. Profit after tax		2,386.67	2,310.07
B. Weighted Average No. of Equity Shares		845,651,600.00	845,651,600.00
C. Nominal Value Per Equity Share (Rs.)		10.00	10.00
D. Basic and Diluted Earning Per Share (Rs.)		28.22	27.32

Notes on Accounts

14

Schedules 1 to 14 and Accounting policies form part of Accounts

N.K. Nagpal
SecretaryR.K. Goel
Director (Finance)M.R. Hingnikar
Director (HR)Dr. U.D. Choubey
Chairman & Managing DirectorAs per our separate Report of even date
For M/s Mehra Goel & Co.
Chartered AccountantsPlace : New Delhi
Dated : May 08, 2007R.K. Mehra
(Partner)
Membership No. 6102

Schedule 1 - Share Capital

	AS AT 31st March, 2007	AS AT 31st March, 2006
(Rs. in Crores)		
AUTHORISED		
100,00,00,000 (Previous Year : 100,00,00,000) Equity Shares of Rs. 10/- each	<u>1,000.00</u>	<u>1,000.00</u>
ISSUED, SUBSCRIBED AND PAID UP		
84,56,51,600 (Previous Year : 84,56,51,600) Equity Shares of Rs.10/- each fully paid up	<u>845.65</u>	<u>845.65</u>
TOTAL	<u>845.65</u>	<u>845.65</u>

Schedule 2 - Reserves and Surplus

Capital Reserve

(Grant Received from Danish Govt. for construction of Gas Technology Institute at Noida)

As per Last Account	2.10	2.21
Less : Transferred to Profit & Loss Account	<u>0.12</u>	<u>0.11</u>
	1.98	2.10

Share Premium Account

	<u>0.27</u>	<u>0.27</u>
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Investment Allowance (Utilised) Reserve

As per Last Account	251.31	266.61
Less : Transferred to General Reserve	<u>36.21</u>	<u>15.30</u>
	215.10	251.31

Bonds Redemption Reserve

As per Last Account	96.38	64.25
Add : Transferred from Profit & Loss Account	<u>32.13</u>	<u>32.13</u>
	128.51	96.38

Foreign Currency Translation Reserve

	-	(2.33)
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General Reserve

As per Last Account	1,409.49	1,163.18
Add : Transferred from Investment Allowance (Utilised) Reserve	36.21	15.30
Add : Transferred from Profit & Loss Account	<u>238.67</u>	<u>231.01</u>
	1,684.37	1409.49

Profit and Loss Account

As per Last Account	7,370.43	6,287.75
Add : Transferred from Profit & Loss Account	<u>1,146.60</u>	<u>1,082.68</u>
	8,517.03	7370.43
TOTAL	<u>10,547.26</u>	<u>9,127.65</u>



Schedule 3 - Loan Funds

(Rs. in Crores)

	AS AT 31st March, 2007		AS AT 31st March, 2006	
SECURED LOANS				
Loan from Bank of India	-		500.00	
(Was secured by hypothecation by way of first charge on pari passu basis of movable plant & machinery, machinery spares, equipment, tools & accessories & other moveables, both present & future, whether installed or not & lying loose or in stores of Dahej Vijaipur Pipeline project)				
Bonds Series - I	500.00		500.00	
(6.10% Secured Non-convertible redeemable Bonds -Series - I are redeemable in 5 equal installment commencing from the end of the 8th year upto the end of the 12th year from the deemed date of allotment August 22, 2003.) (Bonds are secured on pari passu basis, by charge on freehold non agricultural land at village Tandalja, Vadodra together with the entire building constructed thereon both present & future and whole of plant and machinery, spares, tools and accessories and other movables of the company pertaining to its projects at LPG Vaghodia Plant, Hazira Plant, Grep Vaghodia Plant, Gandhar Plant and Vadodra plant both present and future and whether installed or not and lying or in store)				
Bonds Series - II	600.00		600.00	
(5.85% Secured Non-convertible redeemable Bonds -Series - II are redeemable in 5 equal installment commencing from the end of the 6th year upto the end of the 10th year from the deemed date of allotment March 25, 2004.) (Bonds are secured on pari passu basis, by charge on freehold non agricultural land at village Tandalja, Vadodra together with the entire building constructed thereon both present & future and whole of plant and machinery, spares, tools and accessories and other movables of the company pertaining to its projects at LPG Vaghodia Plant, Hazira Plant, Grep Vaghodia Plant, Gandhar Plant, DUPL projects and Vadodra plant both present and future and whether installed or not and lying or in store)				
		1,100.00		1,600.00
UNSECURED LOANS				
Other Loans and Advances				
From Banks :				
- State Bank of India, London	6.22		19.18	
(including Rs. 6.22 (Previous Year : Rs. 12.79) due for payment within one year)				
From others				
- Oil Industry Development Board	231.63	237.85	297.38	316.56
(including Rs. 65.75 (Previous Year : Rs. 65.75) due for payment within one year)				
TOTAL		1,337.85		1,916.56

Schedule 4 - Fixed Assets (Tangible / Intangible Assets)

(Rs. in Crores)

DESCRIPTION	GROSS BLOCK (AT COST)				DEPRECIATION			NET BLOCK		
	As at 1.4.2006	Additions/ Adjust- ments during the year	Sales/ Adjust- ments during the year	As at 31.3.2007	Upto 31.3.2006	For the Year	Adjust- ments during the year	As at 31.3.2007	As at 31.3.2007	As at 31.3.2006
Tangible Assets (A)										
Land : Freehold	59.32	2.58	0.11	61.79	-	-	-	-	61.79	59.32
Leasehold	71.96	2.56	-	74.52	6.14	0.64	(0.18)	6.60	67.92	65.82
Building: Office/Others	373.44	7.40	-	380.84	81.09	10.05	(0.25)	90.89	289.95	292.35
Residential	257.40	4.08	1.73	259.75	42.26	4.98	(0.47)	46.77	212.98	215.14
Bunk Houses	1.62	0.08	-	1.70	1.62	-	-	1.62	0.08	-
Plant and Machinery	13,278.39	423.75	11.59	13,690.55	6,622.80	522.38	(6.99)	7,138.19	6,552.36	6,655.59
Railway Lines & Sidings	5.47	-	-	5.47	3.97	0.26	-	4.23	1.24	1.50
Electrical Equipments	125.61	4.89	0.55	129.95	43.16	6.73	0.05	49.94	80.01	82.45
Furniture, Fixtures and other Equipments	236.85	22.66	3.42	256.09	102.82	21.99	(2.82)	121.99	134.10	134.03
Transport Equipments	2.22	0.44	0.09	2.57	1.51	0.16	(0.05)	1.62	0.95	0.71
TOTAL (A)	14,412.28	468.44	17.49	14,863.23	6,905.37	567.19	(10.71)	7,461.85	7,401.38	7,506.91
Intangible Assets (B)										
Right of Use	18.39	7.00	-	25.39	-	-	-	-	25.39	18.39
Softwares/Licences	38.81	5.13	-	43.94	8.15	8.19	-	16.34	27.60	30.66
Total (B)	57.20	12.13	-	69.33	8.15	8.19	-	16.34	52.99	49.05
TOTAL (A+B)	14,469.48	480.57	17.49	14,932.56	6,913.52	575.38	(10.71)	7,478.19	7,454.37	7,555.96
Previous Year	14,222.35	263.15	16.02	14,469.48	6,376.47	559.49	(22.44)	6,913.52	7,555.96	7,845.88



Schedule 5 - Capital Work-in-Progress

(Rs. in Crores)

	AS AT 31st March, 2007		AS AT 31st March, 2006	
A. Plant & Machinery				
Linepipe Construction and related facilities including Cathodic Protection and Dispatch Terminals		1,069.79		136.89
Compressor Stations		0.07		2.03
Telecom/Telesupervisory System		0.02		0.63
LPG Pipeline Project		1.54		1.52
LPG Projects		0.77		0.30
Petrochemicals		149.64		53.05
Telecom Projects		-		5.05
Others		32.88		28.78
Exploratory Well in Progress		314.31		130.26
B. Buildings	2.92		12.66	
Less : Provision for abandonment of Work in Progress	2.82	0.10	2.82	9.84
C. Linepipes, Capital Items in Stock/Transit (including materials with Contractors : Rs.Nil (Previous Year : Rs.0.01))	365.24		243.62	
Less : Provision for losses/obsolescence	0.06	365.18	0.07	243.55
D. Advance for Capital Expenditure				
(Unsecured - Considered Good)	2.64		3.69	
(Unsecured - Considered Doubtful)	1.39		1.39	
	4.03		5.08	
Less : Provision for Doubtful Advances	1.39	2.64	1.39	3.69
TOTAL		1,936.94		615.59

Schedule 6 - Investments

(Rs. in Crores)

	AS AT 31st March, 2007	AS AT 31st March, 2006
LONG-TERM INVESTMENTS		
1. Trade Investments		
Quoted * -		
a) In Joint Venture Companies:		
3,15,00,000 (Previous Year : 3,15,00,000) Equity Shares of Rs. 10/- each fully paid up in Indraprastha Gas Ltd.	31.50	31.50
9,37,50,000 (Previous Year : 9,37,50,000) Equity Shares of Rs.10/- each fully paid up in Petronet LNG Ltd. (includes 1,00,00,000 equity shares allotted at a premium of Rs. 5/- per share	98.75	98.75
b) In Associate Company		
21,00,00,000 (Previous Year : 21,00,00,000) Equity Shares of HK\$ 0.01/- each fully paid up in China Gas Holding Ltd. China, acquired at a premium of HK\$ 1.148 / share	136.32	136.32
c) In Government of India Bonds		
6.96 % Oil Companies GOI Special Bonds 2009 (Alloted in lieu of claims pending with Oil Co-ordination Committee)	6.00	6.00
7 % Oil Companies GOI Special Bonds 2012 (Alloted in lieu of claims pending with Oil Co-ordination Committee)	9.59	9.59
d) Others		
570,600 (Previous Year : 570,600) Equity Shares of Rs.10/-each fully Paid up in Gujarat Industries Power Co. Ltd.(includes 1,90,200 Equity Shares acquired during the year 1996-97 at a premium of Rs15/- per share)	0.86	0.86
5,14,00,267 (Previous Year : 3,42,66,845) Equity Shares of Rs. 10/- each fully paid up in ONGC Ltd. (Acquired 3,42,66,845 shares during 1999-2000 at a price of Rs.162.34 per Share and 1,71,33,422 bonus shares received during the year	556.29	556.29
3,62,100 (Previous Year : 3,62,100) units of 6.75% Tax Free US 64 Bonds of Rs.100/- each guaranteed by GOI, having maturity date on 01.06.2008.	3.62	3.62
* Aggregating market value of the above mentioned quoted securities Rs. 5,458.80 (Previous Year : Rs. 5,672.21)(includes cost where market price not available)		
Unquoted - At cost		
a) In Subsidiary Company		
21,00,000 (Previous Year : 21,00,000) Equity Shares of USD 1 each fully paid up in GAIL Global (Singapore) Pte. Ltd. incorporated in Singapore (100% subsidiary company)	9.64	9.64
b) In Joint Venture Companies		
4,44,49,960 (Previous Year : 4,44,49,960) Equity shares of Rs. 10/- each fully paid up in Mahanagar Gas Ltd.	44.45	44.45
12,497 (Previous Year : 12,497) Equity shares of Rs. 10/- each fully paid up in Bhagyanagar Gas Ltd.	0.01	0.01
Carried Forward	897.03	897.03



(Rs. in Crores)

	AS AT 31st March, 2007	AS AT 31st March, 2006
Brought Forward	897.03	897.03
1,35,00,000 (Previous Year : 25,000) Equity shares of Rs. 10/- each fully paid up in Central UP Gas Ltd.	13.50	0.03
12,500 (Previous Year : 12,500) Equity shares of Rs. 10/- each fully paid up in Green Gas Ltd.	0.01	0.01
25,000 (Previous Year : 25,000) Equity shares of Rs. 10/- each fully paid up in Maharashtra Natural Gas Ltd.	0.03	0.03
50,00,00,000 (Previous Year : Nil) Equity shares of Rs. 10/- each fully paid up in Ratnagiri Gas Power Project Ltd.	500.00	-
12,500 (Previous Year : Nil) Equity shares of Rs. 10/- each fully paid up in Aavantika Gas Ltd.	0.01	-
c) In Associate Companies		
2,07,60,000 (Previous Year : 2,07,60,000) Equity Shares of Rs.10/- each fully paid up in Gujarat State Electricity Generation Ltd.	20.76	20.76
19,000 (Previous Year : 19,000) Equity shares of LE 100/- each fully paid up in Fayum Gas Company registered in Egypt.	8.10	8.10
2,20,000 (Previous Year : 2,20,000) Equity Shares of LE 10/- each fully paid up in Shell Compressed Natural Gas Company, Egypt registered in Egypt.	1.61	1.61
2. Non Trade Investments - Others		
Unquoted - At cost		
i) 30 Shares (Previous Year : 30) of Rs.50 each fully paid up in Darpan Co-operative Housing Society Ltd., Vadodara	-	-
ii) 50 Shares (Previous Year : 50) of Rs.50 each fully paid up in Ashoka Apartments Co-operative Housing Society Ltd., Vadodara	-	-
iii) 400 Shares (Previous Year : 400) of Rs.10 each fully paid up in Sanand Members Association, Ahmedabad.	-	-
iv) 35 Shares (Previous Year : 35) of Rs.50/- each fully paid up in Green Fields (B) Cooperative Housing Society Ltd., Mumbai	-	-
v) Nil Shares (Previous Year : 30) of Rs.50/- each fully paid up in Panchvati Apartments Co-operative Housing Society Ltd., Surat	-	-
TOTAL	1,441.05	927.57
 Schedule 6A - Advances for Investments (Pending Allotment)		
Joint Venture Companies		
i) Ratnagiri Gas & Power Pvt. Ltd.	-	500.00
ii) Bhagyanagar Gas Ltd.	9.98	9.98
iii) Tripura Natural Gas Ltd.	0.83	0.83
iv) Central UP Gas Ltd.	-	4.98
v) Green Gas Ltd.	7.00	-
vi) Maharashtra Natural Gas Ltd.	4.98	-
TOTAL	22.79	515.79

Schedule 7 - Current Assets, Loans and Advances

(Rs. in Crores)

	AS AT 31st March, 2007		AS AT 31st March, 2006	
A. CURRENT ASSETS				
INVENTORIES				
(As Certified by the Management)				
Stores and Spares *	316.59		313.92	
Less : Provision for Losses/Obsolescence	4.42		2.02	
	312.17		311.90	
Construction Surplus - Capital / Stores	66.61		82.57	
Less : Provision for Losses/Obsolescence	31.20		40.80	
	35.41		41.77	
Stock of Gas**/Polymers/LPG and Other Products	204.78	552.36	129.52	483.19
* includes Rs. 22.89 (Previous Year : Rs. 35.71) in transit.				
**after adjustment of calorific value				
SUNDRY DEBTORS				
Debts outstanding for a period exceeding six months				
- Unsecured, Considered Good	118.60		98.06	
- Unsecured, Considered Doubtful	103.62	222.22	120.29	218.35
Other Debts				
- Unsecured, Considered Good		672.11		655.41
		894.33		873.76
Less : Provision for Doubtful debts		103.62	120.29	753.47
		790.71		
CASH AND BANK BALANCES				
Cash in hand	0.14		0.16	
Cheques/Stamps in hand	0.14		0.04	
	0.28		0.20	
BANK BALANCES (SCHEDULED BANKS)				
On Current Account (includes Corporate Liquid Term Deposit Rs. 78.60 (Previous Year : Rs. 58.73))	122.72		134.01	
On Current Account -Gas Pool Money Rs. 6592/- (Previous Year : Rs.7182/-)	-		-	
On Current Account -JV Consortium Rs. 24963/- (Previous Year : Rs. 24963/-)	-		-	
On Short Term Deposit	2,133.55		3,667.52	
On Short Term Deposit -Gas Pool Money (includes interest accrued but not due Rs. Nil (Previous Year : Rs. 1.32))	-		308.11	
On Short Term Deposit -JV Consortium (includes interest accrued but not due Rs.5.13 (Previous Year : Rs. 4.17))	403.86	2,660.13	386.10	4,495.74
(Refer Note No. 5 of Notes to Accounts)		2,660.41		4,495.94
OTHER CURRENT ASSETS				
Interest accrued but not due on Deposits /Bonds		31.67		39.65
Carried Forward		4,035.15		5,772.25



(Rs. in Crores)

	AS AT 31st March, 2007		AS AT 31st March, 2006	
Brought Forward		4,035.15		5,772.25
B. LOANS AND ADVANCES				
Loans/Advances to Subsidiaries		73.53		77.18
GAIL Global (Singapore) Pte. Ltd. (100% subsidiary company incorporated in Singapore) (Includes interest accrued Rs. 3.97 (Previous Year : Rs. 3.45))				
Loans to Employees				
- Secured, Considered Good	152.75		141.89	
- Unsecured, Considered Good (including dues from Directors Rs. 0.27 (Previous Year : Rs.0.12) (Maximum amount due at any time during the year : Rs. 0.37) (Previous Year : Rs. 0.21)	21.73		19.37	
Others (Unsecured, Considered Good)	0.19	174.67	4.60	165.86
Advances recoverable in cash or in kind or for value to be received				
- Unsecured, Considered Good (includes Rs. 1105.34 (Previous Year :1105.34) paid / adjusted against Income tax demand under protest.)	1,573.74		1,262.25	
- Unsecured, Considered Doubtful	0.48		0.42	
	1,574.22		1,262.67	
Less : Provision for Doubtful Advances	0.48	1,573.74	0.42	1,262.25
Advance tax / TDS		1,824.95		4,961.76
Claims Recoverable				
- Unsecured, Considered Good	19.41		13.41	
- Unsecured, Considered Doubtful	0.12		0.12	
	19.53		13.53	
Less : Provision for doubtful claims	0.12	19.41	0.12	13.41
Deposits with Customs, Port Trust and Others				
- Unsecured, Considered Good	44.06		35.93	
- Unsecured, Considered Doubtful	0.31		0.31	
	44.37		36.24	
Less : Provision for doubtful claims	0.31	44.06	0.31	35.93
TOTAL		7,745.51		12,288.64

Schedule 8 - Current Liabilities and Provisions

(Rs. in Crores)

	AS AT 31st March, 2007		AS AT 31st March, 2006	
A. CURRENT LIABILITIES				
Sundry Creditors (includes Rs. 403.86 (Previous Year : Rs. 386.10 payable to JV consortium))	1,448.36		1,520.24	
Deposits/Retention Money from Contractors and others	308.14		123.91	
Other Liabilities	726.25		762.93	
Gas Pool Money	71.49		726.67	
Unclaimed Dividend	2.83		1.96	
(Amount due for credit to Investor Education Fund is Rs. Nil (Previous Year : Nil))				
Interest accrued but not due (includes on loan Rs. 19.14 (Previous Year : Rs.19.14))	28.52	2,585.59	28.91	3,164.62
B. PROVISIONS				
Provision for taxation / FBT	1,716.12		5,316.15	
Provision for Proposed Dividend	169.13		169.13	
Provision for Corporate Dividend Tax	28.74		23.72	
Provision for Leave Encashment and Post Retirement Medical Benefits	51.65		40.37	
		1,965.64		5,549.37
TOTAL		4,551.23		8,713.99

Schedule 9 - Other Income

Dividend from long term (trade) investment		190.80		174.44
Interest on :				
- Bonds (Long term trade investment)		1.94		0.89
- Deposits with Banks		247.64		221.00
- Others		20.26		15.83
		269.84		237.72
(Tax deducted at source :Rs.60.11 (Previous Year : Rs. 45.97))				
Add : Transferred to Expenditure during construction period (Schedule 11)		(0.03)	269.81	(0.03) 237.69
Export Incentives		(0.03)		3.34
Miscellaneous Income including liabilities written back (Tax deducted at source : Rs.0.53 (Previous Year : Rs. 0.02))		84.37		40.07
TOTAL		544.95		455.54



Schedule 10 - Manufacturing, Transmission, Administration, Selling & Distribution and other Expenses

(Rs. in Crores)

	AS AT 31st March, 2007	AS AT 31st March, 2006
Raw Material consumed	1,785.12	1,228.48
Employees Remuneration and Benefits*		
Salaries, Wages and Allowances	203.03	151.05
Contribution to Provident and Other Funds	21.43	18.75
Welfare Expenses	68.41	52.03
	292.87	221.83
Power, Fuel and Water Charges		
Power and Water Charges	93.55	76.95
Gas used as Fuel	669.33	426.82
	762.88	503.77
Stores and Spares consumed	157.31	160.61
Rent	22.93	17.57
Rates and Taxes (includes UP entry tax on gas)	47.10	33.87
Licence Fees - Telecom	1.81	1.15
Bandwidth Consumption	0.25	0.19
Repairs and Maintenance		
Plant and Machinery	55.55	106.37
Buildings	20.79	19.38
Others	19.63	11.00
	95.97	136.75
Insurance	28.67	27.44
Communication Expenses	8.31	7.94
Printing and Stationery	2.76	3.33
Travelling Expenses	32.16	31.90
Books and Periodicals	0.81	0.52
Advertisement and Publicity	14.66	29.74
Carried Forward	3,253.61	2,405.09

(Rs. in Crores)

	AS AT 31st March, 2007	AS AT 31st March, 2006
Brought Forward	3,253.61	2,405.09
Payment to Auditors		
Audit Fees	0.17	0.17
Tax Audit Fees	0.04	0.04
Management Services	0.04	0.04
Out of Pocket Expenses	0.11	0.08
Entertainment Expenses	1.51	1.18
Recruitment and Training Expenses	6.94	9.46
Vehicle Hire and Running Expenses	14.54	13.22
Survey Expenses	35.24	65.20
Consultancy Charges	23.34	19.22
Data Processing Expenses	3.05	1.20
Donation	0.01	0.85
Research and Development Expenses	0.05	0.27
Loss on sale/written off of assets (net)	(0.58)	3.93
Bad Debts/Claims/Advances/Stores written off	1.62	0.37
Dry Well Expenses written off	241.88	30.46
Provision for Doubtful Debts, Advances, Claims, Deposits and obsolescence of Stores and Capital Items	(21.90)	1.84
Excise Duty on Stock (net)	10.59	0.04
Expenses on Enabling Facilities	1.63	2.48
Selling & Distribution Expenses	8.42	5.63
Discount on Sales	11.61	8.67
Commission on Sales	11.56	11.36
Security Expenses	32.25	27.64
Other Expenses	69.18	50.26
TOTAL	3,704.91	2,658.70

*** Includes :**

1) Rs.11.28 (Previous Year : Rs. 7.97) on account of retirement benefits viz. Leave encashment and Medical.



Schedule 11 - Expenditure during Construction Period

(Rs. in Crores)

	AS AT 31st March, 2007		AS AT 31st March, 2006	
Employees Remuneration and Benefits				
Salaries, Wages and Allowances	0.41		0.40	
Contribution to Provident and Other Funds	0.03		0.04	
Welfare Expenses	0.11	0.55	0.08	0.52
Stores and Spares consumed		-		0.08
Rent		-		0.01
Repairs and Maintenance - Others		0.01		0.01
Communication Expenses		-		0.01
Entertainment Expenses		0.01		-
Travelling Expenses		0.10		0.09
Recruitment and Training Expenses		0.01		0.01
Vehicle Hire and Running Expenses		0.04		-
Interest and Finance Charges		0.09		0.09
Polymer consumption		0.30		0.88
Other Expenses		0.07		0.05
		1.18		1.75
Less : - Interest Income		0.03		0.03
Net Expenditure		1.15		1.72
Less : Transferred to Capital Work-in-progress				
a) Mfg., Transmission, Admn., Selling & Distribution and Other Expenses	1.09		1.66	
b) Interest & finance Charges	0.09		0.09	
c) Other Income	(0.03)	1.15	(0.03)	1.72
Balance Carried over to Balance Sheet		NIL		NIL

Schedule 12 - Interest and Finance Charges

Interest on Term Loans

Foreign Currency Loans	0.26		0.45	
Other Loans	39.49	39.75	50.07	50.52
Bonds		65.60		65.60
Others		1.41		0.87
Commitment and other Finance Charges		0.41		0.40
TOTAL		107.17		117.39

Schedule 13 - Prior Period Adjustments

(Rs. in Crores)

	AS AT 31st March, 2007	AS AT 31st March, 2006
Purchase of Gas	(10.67)	65.45
Salaries, Wages and Allowances	-	(0.04)
Welfare Expenses	(0.04)	-
Travelling Expenses	0.02	-
Advertisement and Publicity	(3.71)	
Power, Fuel and Water Charges	(0.06)	0.35
Stores and Spares consumed	(0.26)	(0.82)
Rent	0.08	2.00
Rates and Taxes	-	0.09
Depreciation(Net)	(0.19)	0.97
Repairs and Maintenance	(0.54)	2.07
Insurances	-	(0.02)
Recruitment and Training Expenses	0.03	0.05
Vehicle hire and Running Expenses	0.01	(0.02)
Interest	(0.06)	0.04
Consultancy Charges	0.25	(0.24)
Profit and Loss on sale of Assets	-	1.03
Other Expenses	0.89	0.11
TOTAL	(14.25)	71.02
Less :		
- Sales	(6.57)	(4.04)
- Interest Income	1.12	(0.15)
- Miscellaneous Income	(1.13)	0.04
TOTAL (NET)	(7.67)	(4.15)



Cash Flow Statement for the Financial Year ended 31st March, 2007

(Rs. in Crores)

	2006-2007	2005-2006
A. CASH FLOW FROM OPERATING ACTIVITIES		
1 NET PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS	2859.78	3276.62
2 ADD :		
DEPRECIATION	575.19	560.46
CAPITAL RESERVE	(0.12)	(0.11)
EXCHANGE RATE VARIATION	(0.02)	
INTEREST EXPENDITURE	107.08	117.30
DIVIDEND INCOME ON INVESTMENTS	(190.80)	(174.44)
INTEREST INCOME	(249.55)	(221.86)
PROVISION/WRITE OFF OF ASSET/CWIP	241.87	30.46
FOREIGN TRANSLATION RESERVE WRITE BACK	2.33	0.00
PROVISION OF EXCISE DUTY ON CLOSING STOCK	10.59	0.00
PROFIT/LOSS ON SALE OF ASSETS (NET)	0.58	2.15
	497.15	313.96
3 OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES (1+2)	3356.93	3590.58
4 CHANGES IN WORKING CAPITAL (EXCLUDING CASH & BANK BALANCES)		
TRADE AND OTHER RECEIVABLES	(368.02)	137.41
INVENTORIES	(79.76)	(1.75)
TRADE AND OTHER PAYABLES	(567.36)	458.73
	(1015.14)	594.39
5 CASH GENERATED FROM OPERATIONS (3+4)	2341.79	4184.97
6 DIRECT TAXES PAID	(857.36)	(861.64)
NET CASH FROM OPERATING ACTIVITIES (5+6)	1484.43	3323.33
BALANCE CARRIED FORWARD	1484.43	3323.33

Cash Flow Statement for the Financial Year ended 31st March, 2007

(Rs. in Crores)

	2006-2007	2005-2006
BALANCE BROUGHT FORWARD	1484.43	3323.33
B. CASH FLOW FROM INVESTING ACTIVITIES		
PURCHASE OF FIXED ASSETS	(2044.93)	(611.54)
SALE OF FIXED ASSETS	8.23	1.17
REDEMPTION OF BONDS/DEBENTURES	0.00	0.15
INVESTMENT IN OTHER COMPANIES	(20.48)	(646.34)
INTEREST RECEIVED	197.56	163.22
DIVIDEND RECEIVED	190.80	174.44
NET CASH FROM INVESTING ACTIVITIES	(1668.82)	(918.90)
C. CASH FLOW FROM FINANCING ACTIVITIES		
PROCEEDS FROM LONG TERM BORROWINGS	0.00	0.00
REPAYMENT OF LONG TERM BORROWINGS	(579.35)	(78.66)
INTEREST PAID	(107.56)	(119.57)
DIVIDEND & DIVIDEND TAX PAID	(964.25)	(1157.10)
NET CASH FROM FINANCING ACTIVITIES	(1651.16)	(1355.33)
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	(1835.55)	1049.10
CASH AND CASH EQUIVALENTS AS AT 01.04.2006 (OPENING BALANCE)	4495.94	3446.84
CASH AND CASH EQUIVALENTS AS AT 31.03.2007 (CLOSING BALANCE)	2660.39	4495.94
NOTES :		
1 Cash & Cash Equivalents include :		
Cash & Bank Balances		
As per Balance Sheet	2660.41	4495.94
Unrealised (Gain)/Loss on Foreign Exchange	-0.02	0
Total Cash & Cash Equivalents	2660.39	4495.94

N.K. Nagpal
Secretary

R.K. Goel
Director (Finance)

M.R. Hingnikar
Director (HR)

Dr. U.D. Choubey
Chairman & Managing Director

As per our separate Report of even date
For M/s Mehra Goel & Co.
Chartered Accountants

Place : New Delhi
Dated : May 08, 2007

R.K. Mehra
(Partner)
Membership No. 6102

ACCOUNTING POLICIES

A. BALANCE SHEET

1. Fixed Assets

Fixed Assets are valued at historical cost on consistent basis. In the case of commissioned assets where final payment to the contractors is pending, capitalization is made on provisional basis, including provisional liability pending approval of Competent Authority, subject to necessary adjustment in cost and depreciation in the year of settlement.

2. Intangible Assets

Intangible assets like software, licenses and right-of-use of land including sharing of ROU with other entities which are expected to provide future enduring economic benefits are capitalized as Intangible Assets.

3. Capital Work-in-Progress

- a. Crop compensation is accounted for under Capital Work-in-Progress on the basis of actual payments/estimated liability, as and when work commences where ROU is acquired.
- b. The Capital Work-in-Progress includes advance for capital goods/material in Transit/value of materials/equipment etc. received at site for use in the projects

4. Borrowing Cost

Borrowing cost of the funds specifically borrowed for the purpose of obtaining qualifying assets and eligible for capitalization along with the cost of the assets, is capitalized up to the date when the asset is ready for use after netting off any income earned on temporary investment of such funds.

5. Expenses Incurred During Construction Period

All revenue expenditure incurred during the year, which is exclusively attributable to acquisition/construction of fixed assets, is capitalized at the time of commissioning of such assets.

6. Depreciation/Amortisation

- I. Depreciation on Fixed Assets other than those mentioned below is provided in accordance with the rates as specified in Schedule XIV of the Companies Act, 1956, on Straight Line Method (SLM) on pro-rata basis (monthly pro-rata for bought out assets).
 - a. Assets costing upto Rs. 5,000/- are depreciated fully in the year of capitalisation.
 - b. Bunk Houses are amortised on assumption of five years life.
 - c. Oil and Gas Pipelines including other related facilities are depreciated @ 3.17% per annum on SLM basis based on useful life of 30 years.
 - d. Computers at the residence of the employees are depreciated @ 23.75% per annum on SLM basis. Furniture, Electric Equipments and Mobiles provided for the use of employees are depreciated @ 15% per annum on SLM basis.
 - e. Cost of the leasehold land not exceeding 99 years is amortised over the lease period.
 - f. Depreciation due to price adjustment on account of foreign exchange rate variations or otherwise in the original cost of fixed assets is charged prospectively.
 - g. Capital expenditure on the assets (enabling facilities), the ownership of which is not with the Company, is charged off to Revenue.
 - h. Software/Licences are amortised in 5 years on Straight Line Method.
 - i. No depreciation is being charged on ROU being perpetual in nature.
 - j. After impairment of assets, if any, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

- II. Capital assets installed at the consumers premises on the land whose ownership is not with the company, has been depreciated on SLM basis in accordance with the rates as specified in Schedule XIV of the Company's Act, 1956.

7. Foreign Currency Translation

- a. Transactions in foreign currency are accounted at the exchange rate prevailing on the transaction date.
- b. Monetary items (such as cash, receivables, loans, payables, etc.) denominated in foreign currencies, outstanding at the year end, are translated at exchange rates (BC Selling rate for Payables and TT buying rate for Receivables) prevailing at year end.
- c. Non monetary items (such as Investments, Fixed Assets, etc.) denominated in foreign currencies are accounted at the exchange rate prevailing on the date of transaction (s).
- d. Any gains or loss arising on account of exchange difference either on settlement or on translation is accounted for in the Profit & Loss account except in cases where they relate to acquisition of fixed assets in which case they are adjusted to the carrying cost of such assets.
- e. Exchange difference arising on borrowings in foreign currency for acquisition of fixed assets from within India on or after 01.04.2004 are adjusted to the Profit & Loss Account.

8. Investments

- a) Long term investments are valued at cost and diminution in value is not provided for unless it is considered other than temporary in nature.
- b) Current investments are carried at the lower of cost or net realizable value.

9. Inventories

- a. Raw materials are valued at cost or net realisable value, whichever is lower.
- b. Finished products are valued at cost or net realisable value, whichever is lower.
- c. Stock in process is valued at cost or net realisable value, whichever is lower. It is valued at cost where the finished products in which these are to be incorporated are expected to be sold at or above cost.
- d. Stores and spares and other material for use in production of inventories are valued at weighted average cost or net realisable value, whichever is lower. It is valued at weighted average cost where the finished products in which they will be incorporated are expected to be sold at/or above cost.
- e. Surplus/Obsolete Stores and Spares are valued at cost or net realisable value, whichever is lower.
- f. Surplus/Obsolete Capital Stores, other than held for use in construction of a capital asset, are valued at lower of cost or net realisable value.

10. Machinery spares, which can be used only in connection with an item of fixed asset and their use is expected to be irregular, are capitalised with the cost of that fixed asset and are depreciated fully over the remaining useful life of that asset.

11. Grants

In case of depreciable assets, the cost of the assets is shown at gross value and grant thereon is taken to Capital Reserve which is recognised as income in the Profit and Loss Account over the useful life period of the asset.

- c. Contribution to Provident Fund as per the rules of the Company is accounted for on accrual basis.

16. Taxes on Income

Current tax represents the amount of tax payable in respect of taxable income for the period. Deferred tax liability represents the tax in respect of difference between taxable and accounting income which originate in one period and are capable of reversible in one or more subsequent periods.

17. R & D Expenditure

All expenditure, other than on capital account, on research and development are charged to Profit and Loss Account.

18. Yearly reconciliation of Natural Gas is made within a limit of $\pm 1\%$. In case of variation beyond $\pm 1\%$ value of excess quantity is kept in a separate Account "Tolerance Fluctuation Adjustment Account" for adjustments in future.

19. Exploration and Development Costs :

Successful Efforts Method is being followed for accounting of Oil & Gas exploration and production activities which includes -

B. PROFIT & LOSS ACCOUNT

12. Sale proceeds are accounted for based on the consumer price inclusive of Statutory Levies and charges upto the place where ownership of goods is transferred.
13. The interest allocable to operations in respect of assets commissioned during the year is worked out by adopting the average of debt equity ratios at the beginning and closing of that year and applying the average ratio of debt thus worked out to the capitalised cost.
14. Pre-project expenditure relating to Projects which are considered unviable /closed is charged off to Revenue in the year of declaration/closure.

15. Retirement Benefits

- a. Liability towards Gratuity is paid to a fund maintained by the company which is administered through a separate trust set up by the company. Difference between the fund balance with the trust and the accrued liability as at the end of the year as per actuarial valuation is charged to Profit and Loss Account.
 - b. Liability towards leave encashment and post retirement medical benefits to employees as at the end of the year is assessed on the basis of actuarial valuation and provided for.
- a. Survey Costs are expensed in the year in which these are incurred.
 - b. Cost of exploratory wells is carried as "Exploratory wells in progress". Such exploratory wells in progress are capitalized in the year in which the producing property is created or is expensed in the year when determined to be dry/abandoned.
 - c. All wells appearing as "Exploratory wells in progress" which are more than two years old from the date of completion of drilling are charged to Profits and Loss Account except those wells which have proved reserves and the development of the fields in which



the wells are located has been planned. Such wells, if any are written back on commencement of commercial production.

20. Contingent Liabilities and Capital Commitments

- a. Contingent Liabilities are disclosed in each case above Rs. 5 Lacs.
- b. Estimated amount of contracts remaining to be executed on capital accounts are disclosed in each case above Rs. 5 Lacs.

21. Impairment

The Carrying amounts of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on Internal/External factors, an Impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount.

GENERAL

22. Prepaid expenses and prior period expenses/income upto Rs.1,00,000/- in each case are charged to relevant heads of account of the current year.
23. Liquidated Damages, if any, are accounted for as and when recovery is effected and the matter is considered settled by the Management. Liquidated damages, if settled, after capitalization of assets are charged to revenue, if below Rs. 50 Lacs in each case otherwise adjusted in the cost of relevant assets.
24. Insurance claims are accounted for on the basis of claims admitted by the insurers.
25. a. Custom Duty and other claims (including interest on delayed payments) are accounted for on acceptance in principle.
- b. Liability in respect of MGO of Natural Gas is not provided for where the same is secured by MGO recoverable from customers. Payments/receipts during the year on account of MGO are adjusted on receipt basis.
- c. Minimum charges relating to transportation of LPG are accounted for on receipt basis.

N.K. Nagpal
Secretary

R.K. Goel
Director (Finance)

M.R. Hingnikar
Director (HR)

Dr. U.D. Choubey
Chairman & Managing Director

As per our separate Report of even date
For M/s Mehra Goel & Co.
Chartered Accountants

Place : New Delhi
Dated : May 08, 2007

R.K. Mehra
(Partner)
Membership No. 6102

Schedule 14 - Notes on Accounts

1. Estimated amount of contracts remaining to be executed on Capital Account and not provided for :
 - i) Share in Capital Commitment of Joint Ventures based on their unaudited statement of accounts: Rs. 278.74 Crores (PY : Rs.187.55 Crores).
 - ii) Company's own unexecuted capital commitment: Rs. 740.70 Crores (PY: Rs. 873.53 Crores).
2. Contingent Liabilities :-
 - i. Claims against the Company not acknowledged as debts: Rs. 3783.19 Crores (PY: Rs. 9933.68 Crores), which mainly include:
 - (a) Claims of ONGCL for Rs. 416.71 Crores (PY : Rs. 401.48 Crores) on account of interest for delayed payment and MGO, etc. Out of these MGO claims of Rs. 69.37 Crores (PY : Rs. 53.78 Crores) are recoverable on back-to-back basis.
 - ii. Letters of Credit : Rs. 69.10 Crores (PY: Rs. 27.58 Crores).
 - iii. Share in Contingent Liabilities of Joint Ventures based on their unaudited statement of accounts: Rs. 140.40 Crores (PY : Rs. 90.35 Crores).
3. (a) Income tax assessments upto assessment year 2004-05 have been completed and a demand of Rs. 1105.34 Crores relating to the Assessment Years 1996-97 to 2004-05 (PY : Rs. 1289.74 Crores) is raised by disallowing deductions claimed by the company. The company has already made the payment of Rs. 1105.34 Crores (PY: Rs. 1105.34 Crores) under protest. Based upon the decision of the appellate authorities and the interpretation of the Income Tax Act, the company has been legally advised that the demand is likely to be deleted or it may be substantially reduced. The company has filed appeals against demand for the assessment years 1996-97 to 2002-03 with ITAT and for assessment year 2003-04 & 2004-05 with CIT (A).
 - b) The excess provisions of Income Tax related to earlier years amounting to Rs. 339.92 Crores has been credited to Profit and Loss Account.
4. (a) Freehold land acquired for city gas Lucknow and Kanpur, Jhansi Maintenance Base and Sectionalising Valves in Jamnagar – Loni Pipeline Rs. 2.14 Crores (PY: Rs. 0.55 Crores) and Leasehold Land acquired for Lakwa, Mumbai & Rajamundry projects Rs. 11.13 Crores (PY : Rs. 8.63 Crores) are valued/capitalized on provisional basis.
 - (b) Title deeds for freehold land, valuing Rs. 1.63 Crores (PY: Rs. 0.57 Crores) and leasehold land valuing Rs. 27.17 Crores (PY: Rs. 27.34 Crores) are pending execution.
 - (c) Title deeds in respect of ten residential flats at Asiad Village, New Delhi, valuing Rs. 1.17 Crores (PY: Rs. 1.17 Crores) are still in the name of ONGCL. Concerned authorities are being pursued for getting the same transferred in the name of the Company.
 - (d) The cost of Right of Use (ROU) amounting to Rs. 25.39 Crores as on 31.03.2007 (PY : Rs. 18.39 Crores) has been capitalised as intangible asset. The Company has perpetual Right of Use but has no ownership of land.
5. The 10% retention from PMT JV consortium amounting to Rs. 403.86 Crores (PY : Rs. 386.10 Crores) includes interest (net of TDS) amounting to Rs. 65.14 Crores (PY : Rs. 47.38 Crores) on Short term deposits for the year. The TDS amounting to Rs. 14.81 Crores (PY : Rs. 9.56 Crores) has been deducted by the bankers on the interest earned on Short term deposits. This interest income and TDS does not belong to the company hence not accounted for.
6. 'Advance recoverable in cash or in kind or value to be received' includes an amount of Rs. 3.11 Crores (PY : Rs. 3.11 Crores) recoverable on account of Disinvestment by Government of India of its equity in the company by way of GDR/offer for sale.
7. Cost of Fixed Assets (including Capital Work-in-Progress) has been decreased by an amount of Rs. 0.49 Crores (PY: Rs. 1.50 Crores) due to exchange rate variation. An amount of Rs. 4.01 Crores (PY : Rs. 0.07 Crores credited) including prior period amount of Rs. 2.33 Crores (Dr.) (PY : Nil) has been debited to Profit & Loss Account due to exchange rate variation.
8. MoP&NG had issued scheme of sharing the under recoveries of Oil marketing Companies on account of non-revision in selling price of PDS Kerosene and domestic LPG. During the year, the Company has given discounts to Oil marketing Companies amounting to Rs. 1488.00 Crores (PY : Rs. 1063.60 Crores) out of which Rs. 502 Crores pertains to the quarter Jan-Mar'2007 which is on provisional basis in the absence of intimation of subsidy from PPAC. Corresponding adjustment on account of CST amounting to Rs. 27.01 Crores (PY : Rs. 21.32 Crores) has been made.
9. a) The Company is raising provisional invoices for sale of R-LNG as the supplier M/s Petronet LNG Ltd (PLL) is also raising provisional invoices on the Company since customs duty on import of LNG by PLL has been assessed on provisional basis.
 - b) With effect from April 1, 2002, Liquefied Petroleum Gas prices has been deregulated and is now based

on the import parity prices fixed by the Oil Companies. However, the pricing mechanism is provisional and is pending finalisation. Additional asset/liability or impact on profits, if any, arising due to such change, will be recognized on finalization of pricing mechanism.

10. In compliance of Accounting Standard 17 on “Segment Reporting” issued by Institute of Chartered Accountants of India, the required information is given as per Annexure – A to this schedule. The Company has adopted following Business segments as its reportable segment.

- (i) Transmission services
 - a) Natural Gas
 - b) LPG
- ii) Natural Gas Trading
- iii) Petrochemicals
- iv) LPG and other Liquid Hydrocarbons
- v) GAILTEL
- vi) Unallocated

There are no geographical segments.

11. In compliance of Accounting Standard 18 on “Related party Disclosures” issued by Institute of Chartered Accountants of India, the names of related parties, nature of relationship and detail of transactions entered therewith are given in Annexure–B.
12. In compliance of Accounting Standard 22 on “Accounting for taxes on Income” issued by Institute of Chartered Accountants of India, the Company has provided accumulated net deferred tax liability in respect of timing difference as on 31st March, 2007 amounting to Rs. 1318.67 Crores (PY : Rs. 1299.70 Crores). Net Deferred tax expense for the year of Rs. 18.97 Crores (PY : Rs. 44.47 Crores) has been charged to Profit & Loss Account. The item- wise details of deferred tax liability are as under:

(Rs. in Crores)

	As on 31st March, 2007	As on 31st March, 2006
Deferred Tax Liability:		
a) Depreciation	1344.86	1330.24
b) Others	42.42	43.85
Less: Deferred Tax Assets:		
i) Provision for Gratuity and Retirement Benefits	17.56	15.53
ii) Provision for Doubtful Debts/ Claims/Advances	49.09	56.63
iii) Other	1.96	2.23
Deferred Tax Liability (net)	1318.67	1299.70

13. In Compliance of Accounting Standard 27 on “Financial Reporting of Interests in Joint Ventures” issued by Institute of Chartered Accountants of India, brief description of Joint Ventures of the Company are:

a. Mahanagar Gas Limited : A Joint Venture with British Gas Plc. and Government of Maharashtra to supply gas to domestic, commercial and small industrial consumers and CNG for transport sector in Mumbai. The Company has invested Rs. 44.45 Crores for acquiring 4,44,49,960 equity shares of Rs. 10 each of the Company, presently being 49.75% of the paid up capital.

b. Indraprastha Gas Limited : A Joint Venture with BPCL and Government of National Capital Territory (NCT) of Delhi to supply gas to domestic, commercial units and CNG for transport sector in Delhi. The Company has invested Rs. 31.50 Crores for acquiring 315,00, 000 equity shares of Rs. 10 each of the Company, presently being 22.50% of the paid up capital.

c. Petronet LNG Limited : A Joint Venture with BPCL, IOCL and ONGCL for setting up LNG imports facilities. The Company has invested Rs. 98.75 Crores for acquiring 9,37,50,000 equity shares of Rs. 10 each of the Company, presently being 12.50% of the paid up capital.

d. Bhagyanagar Gas Limited : A Joint Venture Company with HPCL for distribution and marketing of CNG, Auto LPG, Natural Gas and other gaseous fuels in Andhra Pradesh with the equity participation of 22.50% of the paid up capital. The Company has been allotted 12,497 equity shares of Rs. 10 each of the Company. The Company has further paid Rs. 9.98 Crores as advance pending allotment of equity shares.

e. Tripura Natural Gas Company Limited : A Joint Venture Company with Assam Gas Company Limited and Tripura Industrial Development Corporation for transportation and distribution of Natural Gas through pipelines in Tripura with the equity participation of 29% of the paid up capital. The Company has paid Rs. 0.83 Crores as advance pending allotment of equity shares.

f. Central UP Gas Limited : A Joint Venture Company with BPCL to supply gas to domestic, commercial and small industrial consumers and CNG for transport sector in Kanpur, Uttar Pradesh with the equity participation of 22.50% of the paid up capital. The Company has an investment of Rs. 13.50 Crores and has been allotted 135,00,000 equity shares of Rs. 10 each of the Company.

g. Green Gas Limited : A Joint Venture Company with IOCL to supply gas to domestic, commercial and small industrial consumers and CNG for transport sector in Agra & Lucknow, Uttar Pradesh with the equity participation of 22.50% of the

paid up capital. The Company has an investment of Rs. 0.01 Crores and has been allotted 12,500 equity shares of Rs. 10 each of the Company. The Company has paid Rs. 7 Crores as advance pending allotment of equity shares.

h. Maharashtra Natural Gas Limited : A Joint Venture Company with BPCL to supply gas to domestic, commercial and small industrial consumers and CNG for transport sector in Pune, Maharashtra with the equity participation of 22.50% of the paid up capital. The Company has an investment of Rs. 0.03 Crores and has been allotted 25,000 equity shares of Rs. 10 each of the Company. The Company has paid Rs. 4.98 Crores as advance pending allotment of equity shares.

i. Ratnagiri Gas and Power Private Limited : A Joint Venture Company promoted by GAIL, NTPC and other Financial Institutions for the revival of the Dabhol Project with the equity participation of 28.33% of the paid up capital. The Company has an investment of Rs. 500.00 Crores and has been allotted 50,00,00,000 equity shares of Rs. 10 each of the Company.

j. Aavantika Gas Ltd. : A Joint Venture Company promoted by GAIL and HPCL to supply gas to domestic, commercial and small industrial consumers and CNG for transport sector in MP with the equity participation of 22.5% of the paid up capital. The Company has an investment of Rs. 0.01 Crores and has been allotted 12500 equity shares of Rs. 10 each of the Company.

k. Brahmaputra Cracker & Polymer Ltd. (BCPL) : A Joint Venture Company promoted by GAIL, Numaligarh Refineries Ltd., Oil India Ltd. & Govt. of Assam with GAIL's equity participation of 70 % of the paid up capital for setting up a Petrochemical Plant at Lepetkata in Assam. Company has not yet allotted any shares.

The Company's share in the assets and liabilities as at 31st March, 2007 and in the Income and Expenditure for the year in respect of above Joint Ventures, based on unaudited statements of accounts as furnished by them, is as follows:

	(Rs. in Crores)	
	2006-07	2005-06
A. Assets		
Long Term Assets	764.51	616.75
Current Assets	251.21	130.65
B. Current Liabilities & Provisions	230.71	119.69
C. Income	1116.51	835.58
D. Expenditure	908.78	660.94
E. Contingent Liability (*)	140.40	90.35

(*) To the extent of information available with the company

14. The Company has participated in joint bidding under the Government of India New Exploration Licensing Policy and has 26 Blocks (PY : 12 Blocks) for which the Company has entered into Production Sharing Contract with Government of India along with other partners for Exploration & Production of Oil and Gas. As per the Production Sharing Contract, the Company has a minimum work programme commitment of Rs. 530.04 Crores (PY: Rs. 551.61 Crores). The Company is acting as non-operator except in Block RJ-ONN-2004/1 where it is a joint operator and would have to share in Expense/Income/Assets/Liabilities based upon its percentage in production sharing contract. The participating interest in the following twenty six NELP Blocks as on 31st March, 2007 is as under:

Joint Venture under NELP Blocks	Participating Interest
1) NEC-OSN-97/1	50%
2) MN-OSN-97/3	15%
3) MN-ONN-2000/1	20%
4) MN-OSN-2000/2	20%
5) CB-ONN-2000/1	50%
6) AA-ONN-2002/1	80%
7) CY-ONN-2002/1	50%
8) AA-ONN-2003/1	35%
9) CB-ONN-2003/2	20%
10) AN-DWN-2003/2	15%
11) Block 56, Oman	25%
12) RJ-ONN-2004/1	20%
13) KG-ONN-2004/2	40%
14) MB-OSN-2004/1	20%
15) MB-OSN-2004/2	20%
16) CY-DWN-2004/1	10%
17) CY-DWN-2004/2	10%
18) CY-DWN-2004/3	10%
19) CY-DWN-2004/4	10%
20) CY-PR-DWN-2004/1	10%
21) CY-PR-DWN-2004/2	10%
22) KG-DWN-2004/1	10%
23) KG-DWN-2004/2	10%
24) KG-DWN-2004/3	10%
25) KG-DWN-2004/5	10%
26) KG-DWN-2004/6	10%

Further GAIL has been awarded 3 Coal Bed Methane (CBM) Blocks under CBM-III program as under where it is acting as non-operator :

1) RM-CBM-2005/III	35%
2) TR-CBM-2005/III	35%
3) MR-CBM-2005/III	40%

In addition to above, the Company has farmed-in as non – operator with minimum work program commitment of Rs. 4.39 Crores (Previous Year: Rs. 41.80 Crores) in the following blocks:

Blocks	Participating Interest
1) A-1, Myanmar	10%
2) CY-OS/2	25%
3) A-3, Myanmar	10%

The Company's share in the assets and liabilities as at 31st March, 2007 and in the Income and the expenditure for the year in respect of joint operations project blocks has been incorporated in the Company's financial statements based upon unaudited statement of accounts submitted by the operators are as follows:

	(Rs. in Crores)	
	2006-07	2005-06
Income	-	-
Expenses	290.34	101.28
Fixed Assets	1.79	1.42
Other Assets	347.34	139.95
Current Liabilities	132.30	76.67

15. In compliance with amended Clause 32 of the Listing Agreement with Stock Exchanges, the required information are given in Annexure – C.

16. The Company has changed the accounting policy for :

- Machinery spares, which can be used only in connection with an item of fixed asset and their use is expected to be irregular and capitalised with the cost of that fixed asset are depreciated fully over the remaining useful life of that asset instead of 95 %. As a result of above change, there is an increase in depreciation charged to P&L Account by Rs. 208.54 Lacs and consequent decrease in net fixed assets.
- Pre-project expenditure relating to Projects which are considered unviable/closed is charged off to Revenue in the year of declaration/closure in place of charging off in 5 years. As a result there is increase in charge to the P&L Account by Rs. 5.28 Lacs with consequent decrease in CWIP.

17. Due to flood at Hazira in August' 2006, there was damage to stores and spares and assets of the company. Provision for Rs. 2.09 Crores towards stores & spares has been made and fixed assets of Rs. 49 Lacs has been written off. The company has filed insurance claim of Rs. 34.37 Crores on reinstatement value basis and an interim amount of Rs. 5 Crores admitted by the Insurance Company is booked as Other Income during the year.

18. The debtors for more than six months includes an amount of Rs. 51.08 Crores (PY : Rs. 51.08 Crores) outstanding from Assam

State Electricity Board for the period 1991-92 to November 2002 for which Bonds to be issued by Assam State Government under the securitization scheme formed by MoP&NG has not materialized as the Ministry of Finance, GOI has suggested for "One Time" payment by Assam Government. The financing for the One time payment is under finalization of Assam Government and the company is confident on the realization of the amount

- To the extent information available with the company, Rs. 0.34 Crores (PY : Rs. 0.15 Crores) were due to Small Scale Industry (SSI). The names of SSI to whom any amount for more than 30 days is outstanding as on 31.03.2007 are as follows : M/s. New Fire Engineers Pvt. Ltd., Spanways Corporation, ANFILCO Ltd. and M/s Omega sales.
- Following Government of India's approval, the shareholders of the Company in the Annual General Meeting held on 15th September, 1997 approved the transfer of all the assets including Plant and Machinery, accessories and other related assets which are part of Lakwa Project to Assam Gas Cracker Complex at a price to be determined by an independent Agency and on terms and stipulations as the Board may in its discretion deem fit. The Cabinet committee on Economic Affairs (CCEA) has approved the setting up of Assam Gas based cracker project at Lepatkata by formation of a JVC in which GAIL will have equity participation of 70%. A company by the name of Brahmaputra Cracker and Polymer Limited has been incorporated during 2006-07. The gross block of fixed asstes and Capital Work-in-Progress value of Lakwa unit is Rs. 248.45 Crores as on 31st March, 2007 (PY:Rs. 245.97 Crores).
- Deposits made with the concerned authorities for railway crossings, forest crossings, removal and laying of electric/telephone poles and lines are accounted for under Capital Work-in-Progress on the basis of work done/confirmation from the concerned department.
- Balances grouped under Material with Contractors, Sundry Debtors, Loans and Advances, Deposits and Sundry Creditors, etc. are subject to confirmation.
- The Company has incurred an expenditure of Rs. 0.35 Crores (PY : Rs. 0.75 Crores) on account of proposed city gas projects to be set up under JV which is accounted under Capital Work-in-Progress. This amount would be recoverable from the proposed Joint Ventures to be formed for city gas distribution projects in India.
- The value of pipelines and related facilities taken over in Southern and North-Eastern region in February 1992 and Western Region in May 1992 is provisional, based on intimation from ONGCL. Adjustments, if any, for taxes, duties, ROU and other claims would be made as and when ascertained. Depreciation on the assets taken over from ONGCL has been provided for as per the accounting policy of the Company on the

transfer value of such assets.

25. The Profit & Loss Account includes: -

(a) Expenditure on Public Relations amounting to Rs. 14.66 Crores (PY : Rs. 29.74 Crores). The ratio of annual expenditure on Public Relations and Publicity to the annual turnover is 0.001:1 (PY: 0.002:1).

(b) Research and Development Expenses Rs. 0.05 Crores (PY : Rs. 0.27 Crores).

(c) Entertainment Expenses Rs. 1.51 Crores (PY : Rs. 1.18 Crores).

26. The company had been showing consumption of the value of gas (including transmission charges) for production of polymers, LPG & Liquid hydrocarbon products etc. under Income head of Profit & Loss Account as "Internal consumption" with corresponding debit to Raw Material consumption and "Power, Fuel & Water charges" in Expenditure Head as part of "Manufacturing, Transmission, Administration & Selling expenses". As per the advice received by the company, the

company has discontinued the practice of showing "Internal Consumption" under Income head in consonance with spirit of AS 9 on Revenue Recognition issued by ICAI with suitable changes in depiction under relevant Expenditure heads. This has no impact on the profit for the year of the company.

27. Liability in respect of MGO of Natural Gas upto 06/07/2006 was not provided where the same was secured by MGO recoverable from customers. From 07/07/2006, MGO recoverable from customers is accounted on cash basis irrespective of the liability payable, if any, to ONGC for MGO as per Gas Supply Agreement with ONGCL.

28. Tax at source amounting to Rs. 7.74 Crores accounted during financial year 2005-06, on interest received from customer and payable to ONGC, was not deductible as the interest did not pertain to GAIL. Hence has been credited to ONGC during the year.

29. Previous Year's (PY) figures have been regrouped and recast to the extent practicable, wherever necessary. Figures in brackets indicate deductions.



30. INFORMATION REQUIRED AS PER SCHEDULE VI OF THE COMPANIES ACT, 1956

I. Quantitative Information

(Value Rs. in Crores)

	OPENING STOCK		PURCHASES		SALES		INTERNAL CONSUMPTION (ii)		CLOSING STOCK	
	QTY.	VALUE	QTY.	VALUE	QTY.	VALUE	QTY.	VALUE	QTY.	VALUE
Natural Gas including RLNG (MMSCM)										
Year Ended 31.03.2007	120.52	59.56	24949.07	11883.45	22707.86	11277.33	2052.78	2701.87	146.88	101.03
Year Ended 31.03.2006	115.21	57.31	24848.84	9909.56	22718.55	10295.13	1966.99	1881.25	120.52	59.56
LPG (MT)										
Year Ended 31.03.2007	16926.07	17.63	-	-	1037063.51	1093.48	-	-	5983.96	5.43
Year Ended 31.03.2006	14007.67	8.65	-	-	1038970.05	1341.94	-	-	16926.07	17.63
Pentane (MT)										
Year Ended 31.03.2007	587.86	1.23	-	-	71542.29	238.25	-	-	1910.70	5.02
Year Ended 31.03.2006	676.26	0.88	-	-	53457.28	139.84	-	-	587.86	1.23
Propane (MT)										
Year Ended 31.03.2007	3790.80	5.10	-	-	179147.75	521.89	-	-	3346.36	5.72
Year Ended 31.03.2006	2572.05	2.64	-	-	172524.73	519.99	-	-	3790.80	5.10
SBP Solvent(MT)										
Year Ended 31.03.2007	380.26	0.87	-	-	39772.71	160.75	-	-	831.90	1.46
Year Ended 31.03.2006	493.20	0.86	-	-	56338.64	178.88	-	-	380.26	0.87
Naptha (MT)										
Year Ended 31.03.2007	60.16	0.20	-	-	23801.47	79.00	-	-	1543.89	3.36
Year Ended 31.03.2006	0.00	0.00	-	-	0.00	0.00	-	-	60.16	0.20
Polymers (MT)										
Year Ended 31.03.2007	7841.26	25.24	-	-	346519.83	2451.91	83.33	0.30	15159.37	59.61
Year Ended 31.03.2006	8747.93	22.73	-	-	311092.57	1842.35	1283.5	0.88	7841.26	25.24
C2/C3 (MT) *										
Year Ended 31.03.2007	2735.56	2.88	-	-	-	-	-	-	620.56	0.88
Year Ended 31.03.2006	3811.69	2.44	-	-	-	-	-	-	2735.56	2.88
Ethylene (MT) *										
Year Ended 31.03.2007	1016.00	1.69	-	-	-	-	-	-	3749.80	8.25
Year Ended 31.03.2006	991.01	1.09	-	-	-	-	-	-	1016.00	1.69
Butene-1 (MT) *										
Year Ended 31.03.2007	308.15	0.92	-	-	164.74	1.14	-	-	484.35	1.68
Year Ended 31.03.2006	307.86	0.70	-	-	156.77	0.97	-	-	308.15	0.92
Other Products (MT)										
Year Ended 31.03.2007	8996.07	14.20	-	-	40264.08	122.83	9887.70	13.35	8753.13	12.34
Year Ended 31.03.2006	6463.11	7.29	-	-	35371.83	94.01	8187.08	9.75	8996.07	14.20

Note: (i) Difference in reconciliation of opening stock, purchases, sales and closing stock on account of measurement tolerance.

(ii) Natural Gas used for Fuel & Raw Material.

(*) Ethylene, Butene 1 and C2/C3 are consumed internally for manufacture of final products at Pata.

(Rs. in Crores)

	2006-2007	2005-2006
II. CIF Value of Imports		
i) Capital Goods	109.90	38.25
ii) Spare Parts & Components	71.93	64.00
III. a) Expenditure in Foreign Currency		
i) Interest/Commitment Charges	0.26	0.45
ii) Technical/Consultancy/License Fee/Engineering	15.15	11.50
iii) Others	742.92	791.67
b) Earnings in Foreign Currency		
i) Sales	21.96	18.58
ii) Others (Including Tender fee)	6.29	4.07
IV. Remuneration paid/ payable to Whole-time Directors including Chairman & Managing Director :		
Salaries & Allowances	0.50	0.49
Contribution to Provident, Gratuity and Other Funds	0.19	0.13
Other Benefits and Perquisites	0.41	0.16
	1.10	0.78

In addition to above remuneration, Whole-time Directors are allowed the use of Staff cars including for private journeys upto a ceiling of 1000 Kms. per month on payment in accordance with the Bureau of Enterprises Circular.

V. Licensed Capacity, Installed Capacity and Actual Production *

	CURRENT YEAR 2006-07				PREVIOUS YEAR 2005-06			
	Licensed Capacity	Installed Capacity	Gas Through-put	Production	Licensed Capacity	Installed Capacity	Gas Through-put	Production
I) Natural Gas including RLNG (MMSCMD)								
a) HVJ,GREP & DVPL	53.40	53.40	46.60	-	53.40	53.40	47.15	-
b) Others			21.24	-			20.48	-
c) RLNG Shipper			9.45	-			11.24	-
ii) LPG (MT)	1168844	1168844	-	1026413.22	1168844	1168844	-	1042218.83
iii) Propane (MT)	201085	201085	-	178736.34	201085	201085	-	173920.38
iv) Ethylene (MT) **	400000	400000	-	367150.08	400000	400000	-	325807.97
v) HDPE/LLDPE (MT)	310000	310000	-	353921.28	310000	310000	-	311469.41
vi) Pentane				72826.50				53346.32
vii) SBP Solvent/ Naptha				40181.88				56157.71
viii) Naptha				25287.48				60.17
ix) C2/C3 **		400000		494705.99		400000		437330.25
x) Butene-1 ***	10000	10000		8814.52	10000	10000		7333.55

Notes : * (As certified by the company and relied upon by auditors)
 ** Internally consumed
 *** Internally consumed Current year 8473.621 (PY : 7175.471)



VI. Value of Raw Materials, Stores/Spares and Components consumed during the year.

	CURRENT YEAR 2006-07			PREVIOUS YEAR 2005-06		
	Qty.	Rs. in Crores	%	Qty.	Rs. in Crores	%
i) Raw Material Consumed :						
a) Gas (MMSCM)						
- Indigeneous	1176.00	1785.12	100.00	1127.51	1228.48	100.00
- Imported	-	-	-	-	-	-
Sub total		1785.12			1228.48	
ii) Stores, Spares Components Consumed						
- Indigeneous	-	88.09	55.94	-	76.33	47.53
- Imported	-	69.22	44.06	-	84.28	52.47
Sub total		157.31	100.00		160.61	100.00
Total		1942.43			1389.09	

N.K. Nagpal
Secretary

R.K. Goel
Director (Finance)

M.R. Hingnikar
Director (HR)

Dr. U.D. Choubey
Chairman & Managing Director

As per our separate Report of even date
For M/s Mehra Goel & Co.
Chartered Accountants

Place : New Delhi
Dated : May 08, 2007

R.K. Mehra
(Partner)
Membership No. 6102

Information About Business Segments For Financial Year 2006-07

(Annexure - A)

(Rs. in Crores)

Sl. Segments No.	Transmission Services**		Natural Gas Trading **	Petro Chemicals	LPG & Liquid Hydro-carbons	GAILTEL	Un-allocated*	Total	Elimination	Consolidated Total
	NATURAL GAS	LPG								
1 REVENUE										
External Sales	1973.31	343.96	9560.10	2556.51	2121.85	25.36	509.71	17090.80	-	17,090.80
Intersegment sales	241.13	-	2,460.74	13.65	-	-	-	2,715.52	2,715.52	-
Total revenue	2214.44	343.96	12020.84	2570.16	2121.85	25.36	509.71	19806.32	2715.52	17,090.80
2 RESULTS										
Segment Result (Profit before Interest & Tax)	1511.16	189.85	190.25	951.48	100.29	0.92	-	2943.95	-	2943.95
Unallocated Expenses							437.73	437.73	-	437.73
Operating Profit	1511.16	189.85	190.25	951.48	100.29	0.92	(437.73)	2506.22	-	2506.22
Interest Expenses	-	-	-	-	-	-	107.08	107.08	-	107.08
Interest/ Dividend Income	-	-	-	-	-	-	460.63	460.63	-	460.63
Provision for Taxation	-	-	-	-	-	-	813.03	813.03	-	813.03
Excess Provision of Income Tax of earlier years written back	-	-	-	-	-	-	339.93	339.93	-	339.93
Profit/(Loss) from Ordinary Activities	1511.16	189.85	190.25	951.48	100.29	0.92	(557.28)	2386.67	-	2386.67
Extraordinary Items		-	-	-	-	-	-	-	-	-
Net Profit/(Loss)	1511.16	189.85	190.25	951.48	100.29	0.92	(557.28)	2386.67	-	2386.67
3 OTHER INFORMATION										
Segment Assets	4844.36	1088.31	-	2055.66	1250.52	68.49	-	9307.34	-	9307.34
Unallocated Assets	-	-	-	-	-	-	5892.54	5892.54	-	5892.54
Total Assets	4844.36	1088.31	-	2055.66	1250.52	68.49	5892.54	15199.88	-	15199.88
Segment Liabilities	1143.23	37.36	-	142.82	353.52	21.04	-	1697.97	-	1697.97
Unallocated Liabilities	-	-	-	-	-	-	2853.26	2853.26	-	2853.26
Total Liabilities	1143.23	37.36	-	142.82	353.52	21.04	2853.26	4551.23	-	4551.23
Cost to acquire fixed assets	433.90	3.76	-	9.91	7.53	19.96	5.51	480.57	-	480.57
Depreciation*	258.91	69.14	-	141.90	88.06	8.64	8.73	575.38	-	575.38
Non Cash expenses other than Depreciation*	(5.02)	0.07	(18.67)	1.30	0.48	0.88	241.98	221.02	-	221.02

Sales includes Excise Duty

* Excluding Prior period adjustments

** Assets & Liability of Gas Trading Business included in Gas Transmission Business

*** Unallocated includes Corporate Office, Zonal Office, GTI, E&P, Power etc.



Information About Business Segments For Financial Year 2005-06

(Annexure - A)

(Rs. in Crores)

Sl. Segments No.	Transmission Services**		Natural Gas Trading **	Petro Chemicals	LPG & Liquid Hydro- carbons	GAILTEL	Un- allocated*	Consoli- dated Total	Elimination	Consolidat- ed Total
	NATURAL GAS	LPG								
1 REVENUE										
External Sales	2063.11	308.18	8400.67	1930.83	2201.74	18.32	408.18	15331.03	-	15,331.03
Intersegment sales	268.88	-	898.98	10.50	-	0.34	-	1,178.70	1,178.70	-
Total revenue	2331.99	308.18	9299.65	1941.33	2201.74	18.66	408.18	14152.33	1178.70	15,331.03
2 RESULTS										
Segment Result (Profit before Interest & Tax)	1721.41	157.66	59.07	711.05	603.12	(1.82)	-	3250.49	-	3250.49
Unallocated Expenses							268.73	268.73	-	268.73
Operating Profit	1721.41	157.66	59.07	711.05	603.12	(1.82)	(268.73)	2981.76	-	2981.76
Interest Expenses	-	-	-	-	-	-	117.30	117.30	-	117.30
Interest/ Dividend Income	-	-	-	-	-	-	412.16	412.16	-	412.16
Provision for Taxation	-	-	-	-	-	-	966.55	966.55	-	966.55
Profit/(Loss) from Ordinary Activities	1721.41	157.66	59.07	711.05	603.12	(1.82)	(940.42)	2310.07	-	2310.07
Extraordinary Items								-	-	-
Net Profit/(Loss)	1721.41	157.66	59.07	711.05	603.12	(1.82)	(940.42)	2310.07	-	2310.07
3 OTHER INFORMATION										
Segment Assets	4372.63	1144.77	-	2435.64	1026.94	50.21	-	9030.19	-	9030.19
Unallocated Assets	-	-	-	-	-	-	5852.65	5852.65	-	5852.65
Total Assets	4372.63	1144.77	-	2435.64	1026.94	50.21	5852.65	14882.84	-	14882.84
Segment Liabilities	1615.84	36.92	-	460.34	89.59	19.43	-	2222.12	-	2222.12
Unallocated Liabilities							1530.11	1530.11	-	1530.11
Total Liabilities	1615.84	36.92	-	460.34	89.59	19.43	1530.11	3752.23	-	3752.23
Cost to acquire fixed assets	167.22	4.58	-	67.43	13.31	0.94	9.67	263.15	-	263.15
Depreciation*	247.28	68.97	-	137.65	89.11	8.11	8.37	559.49	-	559.49
Non Cash expenses other than Depreciation*	4.89	(0.31)	-	5.37	(4.24)	-	30.89	36.60	-	36.60

Sales includes Excise Duty

* Excluding Prior period adjustments

** Assets & Liability of Gas Trading Business included in Gas Transmission Business

*** Unallocated includes Corporate Office, Zonal Office, GTI, E&P, Power etc.

Related Party Disclosures

I) Relationship

A) Joint Venture Companies:

- 1) Mahanagar Gas Limited
- 2) Indraprastha Gas Limited
- 3) Petronet LNG Limited
- 4) Bhagyanagar Gas Limited
- 5) Tripura Natural Gas Corporation Limited
- 6) Central UP Gas Limited
- 7) Green Gas Limited
- 8) Maharashtra Natural Gas Limited
- 9) Ratnagiri Gas and Power Pvt. Ltd.
- 10) Aavantika Gas Ltd.
- 11) Brahmaputra Cracker & Polymer Ltd.
- 12) Shell Compressed Natural Gas
- 13) Gujarat State Electricity Generation Ltd.
- 14) National Gas Company "Natgas"
- 15) Fayum Gas Company
- 16) China Gas Holding Ltd.
- 17) GAIL Global (Singapore) Pte. Ltd.

B) Whole-time Directors:

- 1) Shri Proshanto Banerjee, Chairman and Managing Director (upto 26.08.2006)
- 2) Dr. U.D. Choubey, Chairman and Managing Director (w.e.f. 01.02.2007)
- 2a) Dr. U.D. Choubey
- 3) Shri R.K. Goel
- 4) Shri S.P. Rao (up to 31.10.2006)
- 5) Shri B.S. Negi (up to 31.10.2006)
- 6) Shri M.R. Hingnikar
- 7) Shri Santosh Kumar (w.e.f. 01.11.2006)
- 8) Shri A.K. Purwaha (w.e.f. 01.11.2006)

C) Unincorporated Joint Venture for Exploration & Production Activities:

- | | |
|----------------------|---|
| 1) NEC - OSN - 97/1 | (Non-operator with participating interest: 50%) |
| 2) CB - ONN - 2000/1 | (Non-operator with participating interest: 50%) |
| 3) A-1, Myanmar | (Non-operator with participating interest: 10%) |
| 4) CY-OS/2 | (Non-operator with participating interest: 25%) |
| 5) AA-ONN-2002/1 | (Non-operator with participating interest: 80%) |
| 6) CY-ONN-2002/1 | (Non-operator with participating interest: 50%) |
| 7) AA-ONN-2003/2 | (Non-operator with participating interest: 35%) |
| 8) CB-ONN-2003/2 | (Non-operator with participating interest: 20%) |
| 9) AN-DWN-2003/2 | (Non-operator with participating interest: 15%) |
| 10) A-3, Myanmar | (Non-operator with participating interest: 10%) |
| 11) Block 56, Oman | (Non-operator with participating interest: 25%) |
| 12) RJ-ONN-2004/1 | (Non-operator with participating interest: 20%) |
| 13) KG-ONN-2004/2 | (Non-operator with participating interest: 40%) |
| 14) MB-OSN-2004/1 | (Non-operator with participating interest: 20%) |
| 15) MB-OSN-2004/2 | (Non-operator with participating interest: 20%) |
| 16) RM-CBM-2005/III | (Non-operator with participating interest: 35%) |
| 17) TR-CBM-2005/III | (Non-operator with participating interest: 35%) |
| 18) MR-CBM-2005/III | (Non-operator with participating interest: 40%) |



II) The following transactions were carried out with the related parties in the ordinary course of business:

(Rs. in Crores)

A) Details relating to parties referred to in item no. I (A) above:

	2006-07	2005-06
1) Sales	479.97	335.34
2) Amount receivable as at Balance Sheet Date for (1) above	27.22	15.71
3) Purchases	3458.76	2361.35
4) Amount payable as at Balance Sheet Date for (3) above	162.83	75.20
5) Reimbursement for other expenditure received/receivable	0.12	0.13
6) Amount receivable as at Balance Sheet Date for (5) above	0.08	0.09

B) Details relating to parties referred to in item no. I (B) above:

	2006-07	2005-06
1) Remuneration *	1.10	0.78
2) Interest bearing outstanding loans receivable	0.27	0.12
3) Interest accrued on loans given	0.10	0.08

*Remuneration includes Basic, Allowances, reimbursements, contribution to PF and perquisites.

In addition, Whole time Directors are allowed the use of Staff cars including for private journeys upto a ceiling of 1000 Kms. per month on payment in accordance with the Bureau of Enterprises Circular.

C) Details relating to parties referred to in item no. I (C) above:

	2006-07	2005-06
1) Minimum work program commitment	299.48	536.78
2) Survey and other expenses	31.04	67.24
3) Other assets	327.21	141.14
4) Amount outstanding on Balance Sheet Date	126.11	59.97
5) Amount written off - Dry well expenditure	233.21	16.26

Disclosure as required by Clause 32 of the Listing Agreement

(Annexure - C)

(Rs. in Crores)

	Current Year		Previous Period	
	Amount as on 31.03.2007	Maximum amount outstanding during the year ended 31.03.2007	Amount as on 31.03.2006	Maximum amount outstanding during the year ended 31.03.2006
1 Loans and advances in the nature of loans:				
a To subsidiary Company: GAIL Global (Singapore) Pte. Ltd.	73.53	77.18	77.18	77.18
b To Companies in which Directors are interested	Nil	Nil	Nil	Nil
c Where there is no repayment schedule or repayment beyond seven years or no interest or interest below Section 372 A of Companies Act	Repayment of Loan would be five years from the date of drawl i.e 24/9/2004. Rate of interest on loan is 6 months LIBOR + 100 basis points		Repayment of Loan would be five years from the date of drawl i.e 24/9/2004. Rate of interest on loan is 6 months LIBOR + 100 basis points	
2 Investment by the Subsidiary Company in the shares of GAIL (India) Limited and its subsidiaries	Nil	Nil	Nil	Nil



Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No.	<input type="text" value="0"/> <input type="text" value="1"/> <input type="text" value="8"/> <input type="text" value="9"/> <input type="text" value="7"/> <input type="text" value="6"/>	State Code	<input type="text" value="5"/> <input type="text" value="5"/>
Balance Sheet Date	<input type="text" value="3"/> <input type="text" value="1"/> Date	<input type="text" value="0"/> <input type="text" value="3"/> Month	<input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="7"/> Year

II. Capital raised during the year (Rs. in Lacs)

Public Issue	<input type="text" value="NIL"/>	Right Issue	<input type="text" value="NIL"/>
Bonus Issue	<input type="text" value="NIL"/>	Private Placement	<input type="text" value="NIL"/>

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

Total Liabilities	<input type="text" value="1"/> <input type="text" value="4"/> <input type="text" value="0"/> <input type="text" value="4"/> <input type="text" value="9"/> <input type="text" value="4"/> <input type="text" value="3"/>	Total Assets	<input type="text" value="1"/> <input type="text" value="4"/> <input type="text" value="0"/> <input type="text" value="4"/> <input type="text" value="9"/> <input type="text" value="4"/> <input type="text" value="3"/>
--------------------------	--	---------------------	--

Sources of Funds :

Paid up Capital	<input type="text" value="-"/> <input type="text" value="-"/> <input type="text" value="-"/> <input type="text" value="8"/> <input type="text" value="4"/> <input type="text" value="5"/> <input type="text" value="6"/> <input type="text" value="5"/>	Reserves and Surplus	<input type="text" value="-"/> <input type="text" value="-"/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="5"/> <input type="text" value="4"/> <input type="text" value="7"/> <input type="text" value="2"/> <input type="text" value="6"/>
Secured Loans	<input type="text" value="-"/> <input type="text" value="-"/> <input type="text" value="1"/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="0"/>	Unsecured Loans	<input type="text" value="-"/> <input type="text" value="-"/> <input type="text" value="2"/> <input type="text" value="3"/> <input type="text" value="7"/> <input type="text" value="8"/> <input type="text" value="5"/>
Deferred Tax Liability	<input type="text" value="-"/> <input type="text" value="-"/> <input type="text" value="1"/> <input type="text" value="3"/> <input type="text" value="1"/> <input type="text" value="8"/> <input type="text" value="6"/> <input type="text" value="7"/>		

Application of Funds

Net Fixed Assets	<input type="text" value="-"/> <input type="text" value="-"/> <input type="text" value="7"/> <input type="text" value="4"/> <input type="text" value="5"/> <input type="text" value="4"/> <input type="text" value="3"/> <input type="text" value="7"/>	Investments / Advances for Investments	<input type="text" value="1"/> <input type="text" value="4"/> <input type="text" value="6"/> <input type="text" value="3"/> <input type="text" value="8"/> <input type="text" value="4"/>
Net Current Assets	<input type="text" value="-"/> <input type="text" value="-"/> <input type="text" value="3"/> <input type="text" value="1"/> <input type="text" value="9"/> <input type="text" value="4"/> <input type="text" value="2"/> <input type="text" value="8"/>	Misc. Expenditure	<input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>
Accumulated losses	<input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>		

IV. Performance of the Company (Rs. in Lacs)

Total Revenue (Net of ED)

- - 1 6 6 6 7 3 9

Total Expenditure

1 3 8 0 7 6 1

Profit/Loss before Tax

(+) (-)

(+) - - - 2 8 5 9 7 8

Profit/Loss after Tax

(+) (-)

(+) - - - 2 3 8 6 6 7

Earning per share in Rs.

Rs. P.
2 8 2 2

Dividend (%)

1 0 0

V. Generic Names of the Principal Products/Services of Company (as per monetary terms)

Item Code No. :

2 7 1 1 2 1 0 0

(ITC Code)

Product Description

N A T U R A L G A S

Item Code No. :

2 7 1 1 1 9 0 0

(ITC Code)

Product Description

L P G

Item Code No. :

3 9 0 1 2 0

(ITC Code)

Product Description

P O L Y E T H E L E N E

Item Code No. :

2 7 1 1 2 0 0

(ITC Code)

Product Description

P R O P A N E

N.K. Nagpal
Secretary

R.K. Goel
Director (Finance)

M.R. Hingnikar
Director (HR)

Dr. U.D. Choubey
Chairman & Managing Director

Place : New Delhi
Dated : May 08, 2007



Statement pursuant to Section 212(1)(e) of the Companies Act, 1956 relating to Company's interest in the Subsidiary Company

Name of the Subsidiary Company	GAIL Global (Singapore) Pte. Ltd.
1 The financial year of the Subsidiary Company ended on	31.03.2007
2 Date from which it became Subsidiary Company	14.09.2004
3a) Number of Shares held by GAIL (India) Limited alongwith its nominees in the subsidiary at the end of financial year of the Subsidiary Company	2,100,000 equity shares of USD 1 per share
3b) Extent of Shareholding	100%
4 The net aggregate amount of Subsidiary Company profit so far it concerns the members of Holding Company:	
a) Not dealt within the Holding Company Accounts:	
i) for the financial year ended 31.03.2007 (Rs. in Crores)	1.53
ii) for previous financial years of the Subsidiary Company since it became the holding Company Subsidiary	2.16
b) Dealt within the Holding Company Accounts:	
i) for the financial year ended 31.03.2007	Nil
ii) for previous financial years of the Subsidiary Company since it became the holding Company Subsidiary	Nil

N.K. Nagpal
Secretary

R.K. Goel
Director (Finance)

M.R. Hingnikar
Director (HR)

Dr. U.D. Choubey
Chairman & Managing Director

Place : New Delhi
Dated: May 08, 2007

Schedule of Fixed Assets (Township)

(Rs. in Lacs)

DESCRIPTION	GROSS BLOCK (AT COST)				Up to 31.03.2006	DEPRECIATION			NET BLOCK	
	As at 01.04.2006	Additions/ Adjustments during the Year	Sales / Adjustments during the Year	As at 31.03.2007		For The Year	Adjustments during the Year	As at 31.03.2007	As at 31.03.2007	As at 31.03.2006
LAND : FREEHOLD	2,863.01	0.00	-	2,863.01	107.53	0.00	0.00	107.53	2,755.48	2,755.48
LAND : LEASEHOLD	388.81	0.00	-	388.81	41.56	15.50	0.00	57.06	331.75	347.25
BUILDING, ROADS ETC.	24,564.28	162.11	173.56	24,552.82	4096.59	476.60	(43.06)	4530.13	20,022.69	20,467.69
DRAINAGE, SEWAGE & WATER SUPPLY SYS. ETC.	1,184.51	17.99	0.61	1,201.89	546.11	53.62	0.00	599.73	602.16	638.40
FURNITURE, FIXTURES & OTHER EQP.	1,360.77	96.52	33.83	1,423.46	678.35	73.23	26.83	778.41	645.05	682.42
TRANSPORT EQUIPMENTS	1.14	-	0.00	1.14	0.66	0.08	(0.04)	0.70	0.44	0.48
TOTAL	30,362.51	276.61	208.00	30,431.12	5,470.80	619.04	(16.28)	6,073.56	24,357.57	24,891.72



Income and Expenditure Account

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007 ON PROVISIONS OF TOWNSHIP, EDUCATION, MEDICAL AND OTHER FACILITIES.

(Rs. in Lacs)

SL. NO.	PARTICULARS	YEAR ENDED 31 ST MARCH, 2007	YEAR ENDED 31 ST MARCH, 2006
INCOME			
1	RECOVERY OF HOUSE RENT	83.07	69.10
2	RECOVERY OF UTILITIES	103.75	73.06
3	OTHER RECOVERIES	5.23	7.21
4	EXCESS OF EXPENDITURE OVER INCOME	2,665.24	2,446.28
	TOTAL	2,857.29	2,595.66
EXPENDITURE			
1	SALARIES, WAGES & PF CONTRIBUTION	363.56	316.30
2	CONSUMABLES, STORES & MEDICINES	31.78	59.74
3	SUBSIDIES FOR SOCIAL & CULTURAL ACTIVITIES	188.01	225.55
4	REPAIRS & MAINTENANCE	440.05	404.08
5	DEPRECIATION	602.76	634.52
6	UTILITIES : POWER, GAS & WATER	378.48	351.68
7	LAND RENT	26.38	9.15
8	WELFARE - SCHOOL	117.18	126.56
9	BUS HIRE CHARGES	177.77	145.94
10	CLUB & RECREATION	4.57	6.43
11	MISC EXPENSES - TAXES, LICENSE FEES, INS ETC.	384.42	188.44
12	HORTICULTURE EXPENSES	142.35	127.26
	TOTAL	2,857.29	2,595.66

COMMENTS OF C&AG

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF THE GAIL (INDIA) LIMITED FOR THE YEAR ENDED 31ST MARCH, 2007

The preparation of financial statements of GAIL (India) Limited for the year ended 31st March, 2007 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the Management of the Company. The statutory auditors appointed by the Comptroller and Auditor General of India under Section 619 (2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on the independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Reports dated : 08.05.2007.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 619 (3) (b) of the Companies Act, 1956 of the financial statements of the GAIL (India) Limited for the year ended 31.03.2007. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to the inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. On the basis of my audit, nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditors Report under Section 619 (4) of the Companies Act, 1956.

For and on the behalf of the
Comptroller and Auditor General of India

Place: New Delhi

Date: July 4, 2007



(Saroj Punhani)
Principal Director of Commercial Audit &
Ex-officio Member, Audit Board -II
New Delhi.

*GAIL Global
(Singapore)
Pte. Ltd.*



DIRECTORS' REPORT

Annual Report for the year ended 31st March, 2007

We, the undersigned directors, on behalf of all the directors of the Company, submit the annual report to the members together with audited financial statements of the Company for the year ended 31st March, 2007.

Directorate

The directors in office at the date of this report are as follows:

Kirpa Ram Vij

Raj Kumar Goel
(Appointed on 14th May, 2007)

Ashok Kumar Purwaha
(Appointed on 14th May, 2007)

Achintya Kishore Ray
(Appointed on 23rd June, 2006 and resigned on 15th May, 2007)

Rajeev Khanna
(Resigned on 26th April, 2006)

Upendra Dutta Choubey
(Resigned on 15th May, 2007)

Arrangements for Directors to Acquire Shares or Debentures

At no time during the financial year was the Company a party to any arrangements to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' Interests in Shares or Debentures

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Cap. 50, particulars of interests of directors who held office at the end of the financial year in shares or debentures in the Company and in related corporations are as follows:-

Holdings in the name of the director or nominee

	At beginning of the year	At end of the year
	Ordinary Shares	
Holding Company		
GAIL (India) Limited		
Rajeev Khanna	270	-

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares or debentures of the Company or of related corporations either at the beginning of the financial year or at the end of the financial year.



Directors' Contractual Benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

Share Options

During the financial year, there were:-

- (i) no options granted by the Company to any person to take up unissued shares in the Company.
- (ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company.

As at the end of the financial year, there were no unissued shares of the Company under option.

Auditors

The auditors, Nexia Tan & Sitoh, have indicated their willingness to accept re-appointment.

On behalf of the Directors

Raj Kumar Goel
Director

Ashok Kumar Purwaha
Director

Place : Singapore
Dated : June 13, 2007

We, Raj Kumar Goel and Ashok Kumar Purwaha, being directors of GAIL Global (Singapore) Pte. Ltd., do hereby state that in our opinion:

- (a) the financial statements set out on pages 6 to 24 are drawn up so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2007 and of the results of the business, changes in equity and cash flows of the Company for the year ended on that date; and
- (b) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors have on the date of this statement, authorised these financial statements for issue.

On behalf of the Directors

Raj Kumar Goel
Director

Ashok Kumar Purwaha
Director

Place : Singapore
Dated : June 13, 2007



Independent Auditors' Report to the Members of GAIL Global (Singapore) Pte. Ltd.

We have audited the accompanying financial statements of the Company, which comprise the Balance Sheet as at 31st March 2007, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provision of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit includes performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair

presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion,

- a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, Cap. 50 ("the Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2007 and the results, changes in equity and cash flows of the Company for the year then ended on that date; and
- b) the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Certified Public Accountants
Place : Singapore
Dated : June 13, 2007

Balance Sheet as at 31st March, 2007

	Notes	2007		2006	
		US\$	Rs. (Crores)	US\$	Rs. (Crores)
Current Assets					
Cash and cash equivalents	3	86,763	0.38	91,864	0.41
Trade and other receivables	4	1,412,364	6.20	1,316,250	5.92
		<u>1,499,127</u>	<u>6.58</u>	<u>1,408,114</u>	<u>6.33</u>
Non-Current Assets					
Available-for-sale Financial Assets	5	19,963,425	87.56	19,457,804	87.46
Total Assets		<u>21,462,552</u>	<u>94.14</u>	<u>20,865,918</u>	<u>93.79</u>
Current Liabilities					
Accrued operating expenses		14,619	0.06	15,403	0.07
Amounts due to holding company (non-trade)	6	999,209	4.32	775,754	3.49
Current tax payable		-	-	40	-
		<u>1,013,828</u>	<u>4.38</u>	<u>791,197</u>	<u>3.56</u>
Non-Current Liabilities					
Loan from holding company (secured)	7	16,113,089	69.56	16,588,275	77.18
Total Liabilities		<u>17,126,917</u>	<u>73.94</u>	<u>17,379,472</u>	<u>80.74</u>
Net Assets		<u>4,335,635</u>	<u>20.20</u>	<u>3,486,446</u>	<u>13.05</u>
Representing:					
Share capital	8	2,100,000	9.64	2,100,000	9.64
Unappropriated profits		1,338,176	5.94	994,608	4.41
Fair value reserve	9	897,459	3.94	391,838	1.76
Foreign Currency Transaction Reserve		-	0.68	-	(2.76)
		<u>4,335,635</u>	<u>20.20</u>	<u>3,486,446</u>	<u>13.05</u>

The notes set out on pages 115 to 124 form part of these accounts



Profit and Loss Account for the year ended 31st March, 2007

	Notes	2007		2006	
		US\$	Rs. (Crores)	US\$	Rs. (Crores)
Revenue	10	1,412,159	6.27	1,316,250	5.84
Other income	11	-	-	848	-
Administrative expenses		(27,558)	(0.12)	(29,080)	(0.12)
Other operating expenses		(15,862)	(0.07)	(6,061)	(0.03)
Finance costs	12	(1,025,110)	(4.55)	(795,260)	(3.53)
Profit before taxation		343,629	1.53	486,697	2.16
Taxation	13	(61)	-	(36)	-
Profit after taxation	14	343,568	1.53	486,661	2.16

The notes set out on pages 115 to 124 form part of these accounts

Statement of Changes in Equity for year ended 31st March, 2007

	Share Capital		Unappropriated Profits		Fair Value	Reserve	Total	
	US\$	Rs. Crores	US\$	Rs. Crores	US\$	Rs. Crores	US\$	Rs. Crores
As at 1 st April, 2005	2,100,000	9.64	507,947	2.26	-	-	2,607,947	11.90
Profit for the year	-	-	486,661	2.16	-	-	486,661	2.16
As at 31 st March, 2006, as previously reported	2,100,000	9.64	994,608	4.42	-	-	3,094,608	14.06
Changes in accounting policy								
- Effect of adoption of FRS 39	-	-	-	-	391,838	1.76	391,838	1.76
As at 31 st March, 2006, restated	2,100,000	9.64	994,608	4.42	391,838	1.76	3,486,446	15.82
Profit for the year	-	-	343,568	1.53	-	-	343,568	1.53
Fair Value gains	-	-	-	-	505,621	2.18	505,621	2.18
As at 31 st March, 2007	2,100,000	9.64	1,338,176	5.95	897,459	3.94	4,335,635	19.53

The notes set out on pages 115 to 124 form part of these accounts

Cash Flow Statement for the year ended 31st March, 2007

	Note	2007		2006	
		US\$	Rs. (Crores)	US\$	Rs. (Crores)
Cash Flow From Operating Activities					
Profit before taxation		343,629	1.53	486,697	2.16
Adjustment for:					
Call deposit interest income		-	-	(848)	-
Loan interest expense to a holding company		1,025,110	4.55	795,260	3.53
Operating Profits Before Working Capital Changes (Increase)/Decrease In:		1,368,739	6.08	1,281,109	5.69
Trade and other receivables		(96,114)	(0.28)	(278,188)	(1.22)
Increase/(Decrease) In					
Accrued operating expenses		(784)	-	(39,543)	(0.19)
Amount due to holding company (non-trade)		223,455	0.82	340,814	1.61
Exchange Fluctuation		-	3.44	-	(0.07)
Cash Generated From Operations		1,495,296	10.06	1,304,192	5.82
Income tax paid		(102)	-	(533)	-
Net Cash Generated From Operating Activities		1,495,194	10.06	1,303,659	5.82
Cash Flows From Investing Activities					
Call deposit interest income		-	-	848	-
Net Cash inflows from investing activities		-	-	848	-
Cash Flows From Financing Activities					
Repayment of loan to holding company		(575,186)	(5.99)	(711,725)	(3.16)
Loan from a holding company (secured)		100,000	0.45	100,000	0.44
Loan interest expense to a holding company		(1,025,110)	(4.55)	(795,260)	(3.53)
Net Cash Outflows From Financing Activities		(1,500,296)	(12.17)	(1,406,985)	(6.25)
Net Decrease In Cash And Cash Equivalents		(5,101)	(0.03)	(102,478)	(0.43)
Cash and cash equivalents at beginning of the year		91,864	0.41	194,342	0.84
Cash And Cash Equivalents At End Of The Year	3	86,763	0.38	91,684	0.41

The notes set out on pages 115 to 124 form part of these accounts



Notes on the accounts for the year ended 31st March, 2007

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

The financial statements of the Company for the year ended 31st March, 2007 were authorised for issue in accordance with resolution of the directors on 13th June, 2007.

1. Corporate Information

GAIL Global (Singapore) Pte. Ltd. is a Company incorporated in Singapore with its registered office at 5 Shenton Way, #23-03 UIC Building, Singapore 068808. The address of the Company's place of business is 10 Collyer Quay #19-08 Ocean Building Singapore 049315. The Company registration number is 200411690H.

The principal activities of the Company, which is incorporated in the Republic of Singapore, have been those relating to the business of investment holding company.

The immediate and ultimate holding company is GAIL (India) Limited, a listed company incorporated in India, New Delhi.

2. Summary of Significant Accounting Policies

(a) Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"), including related interpretation promulgated by the Council on Corporate Disclosure and Governance. The financial statements are presented in United States Dollar and prepared under the historical cost convention except for certain financial assets and financial liabilities.

The preparation of financial statements in conformity with FRS requires the use of estimates and assumptions that affect the

reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

During the year, the Company adopted the new or revised FRS and Interpretations to FRS (INT FRS) that are mandatory for application from that date. Changes to the Company's accounting policies have been made as required, in accordance with the relevant transitional provisions in the respective FRS and INT FRS.

FRS 19 (Amendment)
Employee Benefits

FRS 21 (Amendment)
The Effects of Changes
in Foreign Exchange
Rates

FRS 32 (Amendment)
Financial Instruments:
Disclosure and
Presentation

FRS 39 (Amendment)
Financial Instruments:
Recognition and
Measurement

INT FRS 104
Determining whether an

Arrangement contains a
Lease

There is no material effect on the financial statements on the adoption of the above FRS.

Critical Accounting Estimates and Judgements

The critical judgements made in the process of applying the entity's accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key assumptions concerning the future, and other key resources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment of Available-for-sale Investments

– The company follows the guidance of FRS 39 in determining whether available-for sale investments are considered impaired. The company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, the financial health of and the near-term business outlook of the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Income Taxes – Significant judgement is required in determining the deductibility of certain expenses during the estimation of the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

(b) Financial Assets

(a) Classifications

The company classifies its financial assets in the following categories: loans and receivables and held-to-maturity. The classification depends on the

purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except those maturing later than 12 months after the balance sheet date which are classified within "trade and other receivables" and "cash and cash equivalents" on the balance sheet.

(ii) Financial assets, available-for-sale

Financial assets, available-for-sale are non-derivative that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the assets within 12 months after the balance sheet date.

(b) Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Company commits to purchase or sell the assets. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

On sale of a financial asset, the difference between the net sale proceeds and its carrying amount is taken to the income statement. Any amount in the fair value reserve relating to that asset is also taken to the income statement.

(c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs.

(d) Subsequent measurement

Loans and receivables are carried at amortised cost using the effective interest method, less allowances for impairment.

Financial assets, available-for-sale are subsequently carried at fair value. Changes in the fair value of monetary assets denominated in a foreign currency and classified as available-for-sale are analysed into translation differences resulting from changes in amortised cost of the asset and other changes. The translation differences are recognised in the income statement, and other changes are recognised in the fair value reserve within the equity. Changes in fair values of other monetary and non-monetary assets that are classified as available-for-sale are recognised in the fair value reserve within the equity.

(e) Impairment

(i) Loans and receivables

An allowance for impairment of loans and receivables, including trade and other receivables, is recognised when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the allowance is the difference between the asset's carrying

amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the allowance for impairment is recognised in the income statement within "Administrative expenses".

(ii) Financial assets, available-for-sale

In the case of an equity security classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the security is impaired. When there is objective evidence that an available-for-sale financial asset is impaired, the cumulative loss that has been recognised directly in the fair value reserve is removed from the fair value reserve within the equity and recognised in the income statement. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement. Impairment losses on debt instruments classified as available-for-sale financial assets are reversed through the income statement. However, impairment losses recognised in the income statement on equity instruments classified as available-for-sale financial assets are not reversed through the income statement.

(c) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade receivables is established when there is objective evidence that the Company will not

be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the allowance is recognised in the income statement.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash balances which are subject to an insignificant risk of changes in value.

(e) Trade and other payables

Trade and other payables are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

(f) Provisions

Provisions required for asset dismantlement, removal or restoration, warranty, restructuring and legal claims are recognised when the Company has a legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in the income statement as interest expense.

(g) Impairment of non-financial assets

The Company assessed at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing

for an asset is required, the Company makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the assets does not generate cash inflows that are largely independent of those from other assets of groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the income statement as 'other operating expenses' or treated as a revaluation decrease for assets carried at revalued amount to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for that same asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses recognised for an asset may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the assets in prior years. Reversal of an impairment loss is recognised in the income statement unless the asset is carried at revalued amount, in which case

the reversal in excess of impairment loss previously recognised through the income statement is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(h) Income Taxes

Current taxation

Current income tax liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the balance sheet date.

Deferred taxation

Deferred income tax assets/liabilities are recognised for all deductible taxable temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax assets/liabilities arise from initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting nor taxable profit or loss. The carrying amount of deferred income tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available against which the temporary differences can be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at:

- (i) the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date; and
- (ii) the tax consequence that would follow from the manner in which the Company expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(i) Income recognition

Provided it is probable that the economic benefits will flow to the Company and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

(i) Dividend income

Dividend income from quoted investments is recognised when dividend has been declared and right to receive dividend has been established.

(ii) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(j) Finance Costs

Interest expenses and similar charges are expensed in the income statement in the period in which they are incurred except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily take a substantial period of time to be prepared for its intended use or sale. Interests, expenses and similar charges are recognised in the income statement using the effective interest rate method.

(k) Foreign Currencies Translations

(i) Functional and presentation currency

Items included in the financial statements of each entity in the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in United States Dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Transactions in currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of

such transactions and from the transaction of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in the income statement.

(l) Employee Benefits

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into separate entities such as Central Provident Fund, and will have no legal or constructive obligation to pay further contributions if any of the funds does not hold sufficient assets to pay all employee benefits relating to employee service in the current and preceding financial years. The Company's contribution to defined contribution plans are recognised in the financial year to which they relate.

Employee leave entitlement

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of service rendered by employees up to the balance sheet date.

(m) Fair value estimation

The carrying amounts of current assets and liabilities, carried at amortised cost, are assumed to approximate their fair values.

3. Cash and cash equivalents

	2007		2006	
	US\$	Rs. (Crores)	US\$	Rs. (Crores)
Cash at bank	86,763	0.38	91,864	0.41
Cash and cash equivalents are denominated in the following currencies:				
Singapore Dollar	10,381	-	10,845	-
United States Dollar	75,645	-	78,723	-
Egyptian Pounds	737	-	2,296	-
	86,763	-	91,864	-

4. Trade and other receivable

Trade receivables	1,412,159	6.27	1,316,250	5.84
	1,412,159	6.27	1,316,250	5.84
Prepayments	205	-	-	-
	1,412,364	6.27	1,316,250	5.84
Trade and other receivables are denominated in the following currencies:				
Egyptian Pounds	1,412,159		1,316,250	-
United States Dollar	205		-	-
	1,412,364		1,316,250	-

5. Available-for-sale Financial Assets

Balance at beginning				
- At fair value/at cost, as previously reported	19,457,804	87.46	19,065,966	85.70
- Changes in accounting policy	-	-	-	-
- Effect of adoption of FRS 39	-	-	281,714	1.26
As restated	19,457,804	87.46	19,347,680	86.96
Fair value gains transferred to equity	505,621	2.18	110,124	0.50
Balance at end	19,963,425	89.64	19,457,804	87.46

Quoted shares as at 31st March, 2006 have been reclassified into "available-for-sale financial assets" so as to conform to the presentation adopted in 2005. Available-for-sale financial assets are measured in accordance with accounting policy as set out in Note 2 (b) with effect from 1st January, 2005.

Opening balance as at 1st April, 2006 has been restated due to the adoption of FRS 39 in 2005. The adoption resulted in an adjustment of \$391,838 debit to available-for-sale financial assets opening balance on 1st April, 2006. The corresponding amounts are credited to fair value reserve (Note 9) as shown above as fair value gains.

Available-for-sale financial assets include the following:

Quoted equity shares – Egypt **19,963,425** 19,457,804

6. Amounts Due To A Holding Company (Non-Trade)

These amounts are unsecured, interest-free and repayable within the next 12 months from balance sheet date.

7. Loan From Holding Company (Secured)

	2007		2006	
	US\$	Rs. (Crores)	US\$	Rs. (Crores)
Long term loan	16,113,089	69.56	16,588,275	77.18

The interest bearing bank loan bears interest of 6-months LIBOR as per Telerate page plus one hundred basis points (bps). During the year, the interest is charged at 6.23% (2006: 4.71%). The repayment period is 5 years.

These loans are secured by 15% paid up capital in National Gas Company S.A.E Egypt (Natgas) with investment cost of \$19,963,425 as at 31st March, 2007 (Note 3).

The fair values of long term loan, denominated in United States Dollars are as follows:

	Fair Values		Fair Values	
	2007		2006	
	US\$	Rs. (Crores)	US\$	Rs. (Crores)
As previously reported	-	-	17,200,000	-
Restated	15,520,839	69.56	16,425,881	77.18

The fair values are determined from the discounted cash flow analysis, using a discounted rate based upon the 6-months LIBOR as per Telerate page plus one hundred basis points (bps) as at the balance sheet date.

8. Share Capital

	2007		2006	
	US\$	Rs. (Crores)	US\$	Rs. (Crores)
Issued and fully paid:				
At beginning and end of year				
2,100,000 ordinary shares	2,100,000	9.64	2,100,000	9.64

Under the Singapore Companies (Amendment) Act, 2005 that came into effect on 30th January, 2006, the concept of "par value" and "authorised capital" was abolished and on that date, the shares of the Company ceased to have a par value.

9. Fair Value Reserve

	2007		2006	
	US\$	Rs. (Crores)	US\$	Rs. (Crores)
Balance at beginning:				
- As previously reported	391,838	1.76	-	-
- Changes in accounting policy				
• Effect of adoption of FRS 39 adjusted prospectively	-	-	281,714	1.26
As restated	391,838	1.76	281,714	1.26
Fair value gains on available-for-sale financial assets	505,621	2.18	110,714	0.50
Balance at end	897,459	3.94	391,838	1.76

Adopting FRS 39, the company has subsequently measured the available-for-sale financial assets at fair value and recognized the changes in the fair value reserve, which resulted in an adjustment of \$391,838 credit to fair value reserve opening balance on 1st April, 2006.

10. Revenue

Revenue represents dividends received from investment made in National Gas Company.

11. Other Income

	2007		2006	
	US\$	Rs. (Crores)	US\$	Rs. (Crores)
Call deposit interest income	-	-	848	-

12. Finance Costs

	2007		2006	
	US\$	Rs. (Crores)	US\$	Rs. (Crores)
Loan interest expense to holding company	1,025,110	4.55	795,260	3.53

13. Profit Before Taxation

	2007		2006	
	US\$	Rs. (Crores)	US\$	Rs. (Crores)
The profit before taxation is determined:				
After charging:				
Non-Audit fees paid to auditors	989	-	926	-
Foreign exchange loss	15,862	0.07	6,061	0.03
After crediting:				
Call deposit interest income	-	-	848	-

14. Taxation

	2007		2006	
	US\$	Rs. (Crores)	US\$	Rs. (Crores)
Current taxation				
- Current	-	-	40	-
- Prior year under/(over) provision	61	-	(4)	-
	61	-	36	-

The tax expense on profit differ from the amount that would arise using the Singapore standard rate of income tax due to the following:-

	2007		2006	
	US\$	Rs. (Crores)	US\$	Rs. (Crores)
Profit before tax	343,629	1.53	486,697	2.16
Tax calculated at a tax rate of 18% (2006: 20%)	61,853	0.27	97,339	0.43
Income not subject to income tax	(61,853)	(0.27)	(97,179)	(0.43)
Tax exemption	-	-	(120)	-
Under / (Over) provision for prior year tax 61 (4)	61	-	36	-

15. Related Party Transactions

For the purpose of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence.

There were the following significant related party transactions that took place during the financial period at terms and rates agreed between the parties:

With Related Party

	2007		2006	
	US\$	Rs. (Crores)	US\$	Rs. (Crores)
Loan	100,000	0.45	100,000	0.44
Loan interest expense	1,025,110	4.55	795,260	3.53

GAIL (India) Limited and GAIL Global are related to the company because of the common directors.

The loan from a holding company amounting to US\$17,200,000 as set out in note 6, is secured and repayable in full on 24th September, 2009. Interest is payable based upon the 6-months LIBOR as per Telerate page plus one hundred basis points (bps).

There were no remuneration to by management incurred during the year.

16. Financial Instruments

The Company's activities expose it to a variety of financial risk: price risk (including currency risk and fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

(a) Currency Risk

The Company operates in Singapore and is subjected to various currency exposures, primarily with respect to the Egyptian Pound and Singapore Dollar. Currency risk arises from future commercial transactions, recognised assets and liabilities.

Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The Company manages the foreign exchange exposure arising from future commercial transactions and recognised assets and liabilities by a policy of matching, as far as possible, receipts and payments in each individual currency.

(b) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the Company has no significant interest-bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

The Company's interest risks mainly arise from non-current borrowing. Borrowing at variable rates exposes the Company to cashflow interest-rate risk. The exposure of non-current borrowing to interest rate risks at the balance sheet date is analysed as follows:

	2007			2006		
	Effective Interest rate (%)	Within 5 years US\$	Rs. (Crores)	Effective Interest rate %	Within 5 years US\$	Rs. (Crores)
Loan from holding company	6.2	616,113,089	69.56	4.71	16,588,275	77.18

(c) Credit risk

The company's sole receivable is dividend income from its investment in quoted shares classified as available-for-sale financial assets. The invested company is listed on the Cairo & Alexandria Stock Exchanges and has a proven track record, there is no requirement for collateral. There are no significant concentrations of credit risk within the company.

The carrying amount of cash and cash equivalents, trade receivables and other receivables represent the Company's maximum exposure to credit risk in relation to financial assets. No other financial assets carry a significant exposure to credit risk.

(d) Liquidity risk

The Company monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Company's operations and mitigate the effects of fluctuations in cash flows.

17. New Accounting Standards and FRS Interpretations

Certain new standards, amendments and interpretations to existing standards have been published and they are mandatory for accounting period beginning on or after 1st January, 2007 or later periods which the Company has not early adopted.

- FRS 40 *Investment Property*
- FRS 107 *Financial Instruments: Disclosures, and a Complementary Amendment to FRS*

Presentation of Financial Statements – Capital Disclosures

Detailed Income Statement

	2007		2006	
	US\$	Rs. (Crores)	US\$	Rs. (Crores)
Income	1,412,159	6.27	1,316,250	5.84
Other Income				
Call deposit interest income	-	-	848	-
	1,412,159	6.27	1,317,098	5.84
Less: Administrative Expenses				
Accounting fee	989	-	926	-
Auditors' remuneration	1,318	0.01	2,659	0.01
Secretarial fee	3,698	0.01	3,379	0.01
Nominee fee expense	1,014	-	1,585	-
Safe custody charges	18,395	0.08	19,554	0.09
Membership fee	68	-	344	-
Late interest payment	-	-	491	-
Bank charges	2,076	0.01	142	-
	27,558	0.12	29,080	0.11
Less: Other operating expenses				
Foreign exchange loss	15,862	0.07	6,061	0.03
	15,862	0.07	6,061	0.03
Less: Finance costs				
Loan interest expense to a holding company	1,025,110	4.55	795,260	3.54
	1,025,110	4.55	795,260	3.54
Total Expenses	1,068,530	4.74	830,401	3.68
Profit before taxation	343,629	1.53	486,697	2.16

Consolidated Financial Statements



Auditor's Report to the Board of Directors of GAIL (India) Limited on Consolidated Financial Statements of GAIL (India) Limited, its Subsidiary, Joint Ventures and Associates.

We have examined the attached Consolidated Balance Sheet of GAIL (India) LTD. ("the Company"), its subsidiary, joint ventures and associates as at 31st March, 2007 and the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on the date annexed thereto. These financial statements are the responsibility of the management of the company. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. 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 statements. We believe that our audit provides a reasonable basis for our opinion.
2. We did not audit the financial statements of subsidiary namely GAIL Global (Singapore) Pte. Ltd., whose financial statements reflect total assets of Rs.85.82 Crores as at March 31, 2007 and total revenue of Rs. 6.27 Crores and net cash out flows of Rs. 0.03 Crores for the year ended on that date. Our opinion, in so far as it relates to the amount included in respect of the subsidiary, is based on the unaudited Financial Statements.
3. We did not audit the financial statements of associates namely Fayum Gas, Shell Compressed Natural Gas

Egypt, Gujarat State Electricity Generation, Natural Gas Company "Natgas" and China Gas Holding Limited. These financial statements have been audited by other auditors, except for Gujarat State Electricity Generation whose financial statements are unaudited. In the case of audited financial statements, the reports or certificate have been furnished to us. Our opinion, in so far as it relates to the amount included in respect of these associates, is based solely on the report of the other auditors and unaudited financial statements, as the case may be.

4. In respect of Fayum Gas, Shell Compressed Gas, Natgas, the Accounts drawn up as at December 31, 2006 and in respect of China Gas Holding Limited, the Accounts drawn upto September 30, 2006, have been used in the consolidation. As per information and explanation given to us, no significant transactions or other events occurred between the reporting date of aforesaid entities and 31st March, 2007, which require adjustment.
5. We did not audit the financial statements of Joint Ventures, whose financial statement reflect total assets of Rs.15219.28 Crores, total liabilities of Rs.15219.28 Crores as at March 31, 2007 and total revenue of Rs.6759.71 Crores, total expenditure of Rs.5872.96 Crores for the year ended on that date. Our opinion, in so far as it relates to the amount included in respect of these joint ventures, is based on the unaudited Financial Statements.
6. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21, viz, "Consolidated Financial Statements" Accounting Standard (AS) 23, viz "Accounting for Investments in Associates in

Consolidated Financial Statements" and Accounting Standard (AS) 27, viz "Financial Reporting of Interests in Joint Ventures", issued by the Institute of Chartered Accountants of India.

7. We further report that subject to Note No.19 to 25 and 30 of Notes to Accounts to Consolidated Financial Statements of the company and on the basis of the information and explanations given to us and on the consideration of separate audit reports on individual audited financial statements of the Company, its subsidiary, joint ventures and associate companies.

Subject to what is stated in Para 2, 3, 4, 5 and 7 above, we report that in our opinion, the said consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Company as at 31st March 2007;
- (b) in the case of Consolidated Profit and Loss Account, of the consolidated results of operations of the Company for the year on that date; and
- (c) in the case of Consolidated Cash Flow Statement, of the consolidated cash flows of the Company for the year ended on that date.

For M/s Mehra Goel & Co.
Chartered Accountants

R.K. Mehra
(Partner)
Membership No. 6102

Place : New Delhi
Date : May 08, 2007



Consolidated Balance Sheet as at 31st March, 2007

(Rs. in Crores)

	SCHEDULE NO.	AS AT 31st March, 2007		AS AT 31st March, 2006	
SOURCES OF FUNDS					
Shareholder's Funds					
Capital	1	845.65		845.65	
Reserves and Surplus	2	10,977.35	11,823.00	9,419.97	10,265.62
Loan Funds					
Secured Loans	3	3,419.13		1,772.83	
Unsecured Loans		244.76	3,663.89	323.05	2,095.88
Deferred Tax Liability (Net)			1,380.02		1,341.49
TOTAL			16,866.91		13,702.99
APPLICATION OF FUNDS					
Fixed Assets					
Gross Block	4	15,697.06		15,087.02	
Less : Depreciation		7,650.36		7,040.86	
Net Block		8,046.70		8,046.16	
Capital Work in Progress	5	4,683.72		697.31	
			12,730.42		8,743.47
Investments	6		965.56		901.56
Advances for Investments (Pending Allotment)	6A		0.83		500.83
			13,696.81		10,145.86
Current Assets, Loans and Advances					
Inventories	7	624.75		504.10	
Sundry Debtors		827.54		783.20	
Cash and Bank Balances		2,738.30		4,539.88	
Other Current Assets		32.28		39.73	
Loans and Advances		3,805.57		7,017.64	
		8,028.44		12,884.55	
Less : Current Liabilities and Provisions	8				
Current Liabilities		2,792.62		3,224.86	
Provisions		2,066.68		6,103.19	
		4,859.30		9,328.05	
Net Current Assets			3,169.14		3,556.50
Miscellaneous Expenditure					
(To the extent not written off or adjusted)					
Preliminary Expenditure			0.96		0.63
TOTAL			16,866.91		13,702.99
Contingent Liabilities not provided for (Refer Schedule 14)					

N.K. Nagpal
Secretary

R.K. Goel
Director (Finance)

M.R. Hingnikar
Director (HR)

Dr. U.D. Choubey
Chairman & Managing Director

As per our separate Report of even date
For M/s Mehra Goel & Co.
Chartered Accountants

Place : New Delhi
Dated : May 08, 2007

R.K. Mehra
(Partner)
Membership No. 6102

Consolidated Profit & Loss Account for the Year ended 31st March, 2007

(Rs. in Crores)

	SCHEDULE NO.	AS AT 31st March, 2007		AS AT 31st March, 2006	
INCOME					
Sales		16,493.92		14,875.77	
Less : Excise Duty		550.88	15,943.04	459.39	14,416.38
LPG Transmission Charges/RLNG Shipper Charges			574.08		444.13
Income from Telecom			25.19		18.25
Increase (Decrease) in Inventories					
Closing Stock		204.09		128.76	
Less : Opening Stock		129.62	74.47	104.66	24.10
Other Income	9		559.10		463.02
TOTAL			17,175.88		15,365.88
EXPENDITURE					
Purchases			8,698.41		7,512.27
Gas Pool			891.93		459.05
Manufacturing, Transmission, Administration Selling & Distribution and other Expenses	10	3,808.39		3,132.93	
Depreciation	4	621.60		601.88	
		4,429.99		3,734.81	
Less : Incidental Expenditure during construction transferred to Capital Work-in-Progress	11	(27.17)	4,402.82	(1.67)	3,733.14
Preliminary Expenditure written off			0.02		3.04
TOTAL			13,993.18		11,707.50
Profit before Interest and Finance Charges			3,182.70		3,658.38
Interest and Finance Charges	12	156.45		134.14	
Less Interest and Finance Charges transferred to Capital Work-in-Progress		(34.74)	121.71	(0.09)	134.05
Profit for the year	Carried Forward		3,060.99		3,524.33



(Rs. in Crores)

	SCHEDULE NO.	AS AT 31st March, 2007	AS AT 31st March, 2006
Brought Forward		3,060.99	3,524.33
Less : Prior Period Adjustments (Net)	13	(7.89)	75.17
Profit for the year before Tax		3,068.88	3,449.16
Provision for Taxation - Current		839.11	964.85
- Deferred		38.53	54.80
- FBT		5.81	5.77
Excess Provision of tax written back		339.92	-
Profit after Tax		2,525.35	2,423.74
Add: Share of Profit/(Loss) in Associates for the year		19.97	15.31
Group Profit after Tax		2,545.32	2,439.05
Amount available for appropriation		2,545.32	2,439.05
APPROPRIATIONS			
Interim Dividend		676.52	676.52
Proposed Dividend		169.14	169.13
Corporate Dividend Tax		128.62	120.50
Bond Redemption Reserve		32.13	32.13
General Reserve		246.40	237.82
Balance Carried to Balance Sheet		1,292.51	1,202.95
TOTAL		2,545.32	2,439.05
Details of Earning Per Share			
A. Group Profit after tax		2,545.32	2,439.05
B. Weighted Average No. of Equity Shares		845,651,600	845,651,600
C. Nominal Value per Equity Share (Rs.)		10.00	10.00
D. Basic and Diluted Earning per Share (Rs.)		30.10	28.84

Notes on Accounts 14

Schedules 1 to 14 and Accounting policies form part of Accounts

N.K. Nagpal
SecretaryR.K. Goel
Director (Finance)M.R. Hingnikar
Director (HR)Dr. U.D. Choubey
Chairman & Managing DirectorAs per our separate Report of even date
For M/s Mehra Goel & Co.
Chartered AccountantsPlace : New Delhi
Dated : May 08, 2007R.K. Mehra
(Partner)
Membership No. 6102

Schedule 1 - Share Capital

(Rs. in Crores)

	AS AT 31st March, 2007	AS AT 31st March, 2006
AUTHORISED		
100,00,00,000 Equity Shares of Rs. 10/- each	1,000.00	1,000.00
ISSUED, SUBSCRIBED AND PAID-UP		
84,56,51,600 Equity Shares of Rs.10/- each fully paid up	845.65	845.65
	845.65	845.65

Schedule 2 - Reserves and Surplus

Capital Reserve

(Grant received from Danish Govt. for construction of Gas Technology Institute at Noida)

As per Last Account	2.10	2.21
Less : Transferred to Profit & Loss Account	(0.12)	(0.11)
	1.98	2.10
Share Premium Account	14.70	14.69

Investment Allowance (Utilised) Reserve

As per Last Account	251.31	266.61
Less : Transferred to General Reserve	(36.21)	(15.30)
	215.10	251.31

Bonds Redemption Reserves

As per Last Account	96.38	64.25
Add : Transferred from Profit & Loss Account	32.13	32.13
	128.51	96.38

General Reserve

As per Last Account	1,434.31	1,173.73
Add : Transferred from Profit & Loss Account	246.40	237.82
Add : Transferred from Investment Allowance (Utilised) Reserve	36.21	15.30
Add: Adjustment due Joint Venture Regrouping & Dividend Received	(15.12)	7.46
	1,701.80	1,434.31
Foreign Currency Translation Reserve	0.68	(5.09)

Profit and Loss Account

As per Last Account	7,626.27	6,448.88
Add: Profit During the Year	1,292.51	1,202.95
Add: Adjustment due Joint Venture / Associate Regrouping	(4.20)	(25.56)
	8,914.58	7,626.27
TOTAL	10,977.35	9,419.97



Schedule 3- Loan Funds

(Rs. in Crores)

	AS AT 31st March, 2007	AS AT 31st March, 2006
SECURED LOANS		
Loan from Bank of India	-	500.00
(Was secured by hypothecation by way of first charge on pari passu basis of movable plant & machinery, machinery spares, equipment, tools & accessories & other moveables, both present & future, whether installed or not & lying loose or in stores of Dahej Vijaipur Pipeline Project) including Rs Nil due for payment within one year)		
Bonds Series - I	500.00	500.00
(6.10% Secured Non-convertible redeemable Bonds -Series - I are redeemable in 5 equal installments commencing from the end of the 8th year upto the end of the 12th year from the deemed date of allotment August 22, 2003.) (Bonds are secured on pari passu basis, by charge on freehold non agricultural land at village Tandalja, Vadodra together with the entire building constructed thereon both present & future and whole of plant and machinery , spares, tools and accessories and other movables of the company pertaining to its projects at LPG Vaghodia Plant, Hazira Plant, Grep Vaghodia Plant, Gandhar Plant and Vadodra plant both present and future and whether installed or not and lying or in store)		
Bonds Series - II	600.00	600.00
(5.85% Secured Non-convertible redeemable Bonds -Series - II are redeemable in 5 equal installments commencing from the end of the 6th year upto the end of the 10th year from the deemed date of allotment March 25, 2004).(Bonds are secured on pari passu basis, by charge on freehold non agricultural land at village Tandalja, Vadodra together with the entire building constructed thereon both present & future and whole of plant and machinery , spares, tools and accessories and other movables of the company pertaining to its projects at LPG Vaghodia Plant, Hazira Plant, Grep Vaghodia Plant, Gandhar Plant, DUPL projects and Vadodra plant both present and future and whether installed or not and lying or in store)		
Term Loan		
External Commercial Borrowing	7.46	9.95
From Financial Institution	102.72	5.39
From Banks	1,319.33	131.36
From Others	889.62	26.13
UNSECURED LOANS		
From Banks :		
- State Bank of India, London	6.22	19.18
(including Rs. 6.22 (Previous Year Rs. 12.79 Crores) due for payment within one year)		
- Other Banks	0.22	-
(repayable within one year)		
From others		
- Oil Industry Development Board	231.63	297.38
(including Rs. 65.75 (Previous Year Rs. 65.75 Crores) due for payment within one year)		
- Sales Tax Deferred	5.47	5.52
Deposit From Customers	1.22	0.97
(Deposits from commercial customers of natural gas refundable on termination of the gas sales agreements)		
	244.76	323.05
Total	3,663.89	2,095.88

Schedule 4 - Fixed Assets (Tangible / Intangible Assets)

(Rs. in Crores)

DESCRIPTION	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As at 1.4.2006	Additions/ Adjust- ments during the year	Sales/ Adjust- ments during the year	As at 31.3.2007	As at 01.04.2006	For the Year	Adjust- ments during the year	As at 31.3.2007	As on 31.3.2007	As on 31.3.2006
Tangible Assets										
Freehold	60.05	2.68	0.11	62.62	-	-	-	-	62.62	60.05
Leasehold	77.36	3.03	-	80.39	7.07	0.77	0.18	7.66	72.73	70.29
Building : Office/Others	403.61	12.03	-	415.64	84.12	11.06	0.25	94.93	320.71	319.49
Residential	257.40	4.08	1.73	259.75	42.26	4.98	0.47	46.77	212.98	215.14
Roads and Fences	0.77	0.02	-	0.79	0.09	0.02	-	0.11	0.68	0.68
Electrical Installations	0.50	0.44	-	0.94	0.08	0.04	-	0.12	0.82	0.42
Bunk Houses	1.62	0.08	-	1.70	1.62	-	-	1.62	0.08	-
Plant and Machinery	13,849.11	486.92	11.76	14,324.27	6,742.08	566.17	8.43	7,299.82	7,024.45	7,107.03
Railway Lines & Sidings	5.47	-	-	5.47	3.97	0.26	-	4.23	1.24	1.50
Communication Systems	0.33	0.05	-	0.38	0.09	0.03	-	0.12	0.26	0.24
Electrical Equipments	129.75	5.48	3.46	131.77	45.46	6.96	(0.05)	52.47	79.30	84.29
Furniture, Fixtures and other Equipments	239.15	23.90	3.42	259.63	103.56	22.21	2.77	123.00	136.63	135.59
Office Equipments	1.48	0.57	(2.91)	4.96	0.29	0.47	(0.01)	0.77	4.19	1.19
Vehicles	0.46	(0.15)	0.07	0.24	0.25	0.01	0.01	0.25	(0.01)	0.21
Transport Equipments	2.22	0.44	0.09	2.57	1.54	0.16	0.05	1.65	0.92	0.68
Intangible Assets										
Right of Use	18.50	82.07	-	100.57	-	-	-	-	100.57	18.50
Softwares / Licences	39.24	6.13	-	45.37	8.38	8.46	-	16.84	28.53	30.86
Total	15,087.02	627.77	17.73	15,697.06	7,040.86	621.60	12.10	7,650.36	8,046.70	8,046.16
Share in Joint Venture Assets included above	616.75	147.20	(0.55)	764.50	127.32	46.22	1.37	172.17	592.33	490.20
Previous Year	14,786.22	317.41	16.61	15,087.02	6,461.83	601.88	22.85	7,040.86	8,046.16	8,324.39
Share in Joint Venture Assets included above	563.80	53.05	0.10	616.75	85.36	42.39	0.43	127.32	489.43	478.44



Schedule 5 - Capital Work-in-Progress

(Rs. in Crores)

	AS AT 31st March, 2007	AS AT 31st March, 2006
Linepipe Construction and related facilities including Cathodic Protection	1,069.79	136.89
Compressor Stations	0.07	2.03
Telecom/Telesupervisory System	0.02	0.63
LPG Pipeline Project	1.54	1.52
LPG Projects	0.77	0.30
Petrochemicals	149.64	53.05
Telecom Projects	-	5.05
Others	40.45	89.14
Survey, Studies and other service-Cochin	2.46	1.25
Solid Cargo Port	0.09	0.09
Engineering/project construction	2,690.45	13.49
Building	1.19	0.31
Exploratory Well in Progress	314.31	130.26
Construction of CNG Station	19.30	1.74
Add: Incidental Expenditure During Construction	-	0.37
Preoperative expenditure, pending allocation in respect of Jointly controlled Entity	0.21	0.20
Buildings	2.92	12.66
Less : Provision for abandonment of Work in Progress	(2.82)	(2.82)
Linepipes, Capital Items in Stock/Transit (including materials with Contractors : Rs. Nil (Previous Year Rs. 0.01 Crores)	390.54	247.50
Less : Provision for losses/obsolescence	(0.06)	(0.07)
Advance for Capital Expenditure (Unsecured - Considered Good)	2.85	3.72
(Unsecured - Considered Doubtful)	1.39	1.39
	4.24	5.11
Less : Provision for Doubtful Advances	(1.39)	(1.39)
Total	4,683.72	697.31

Schedule 6 - Investments

(Rs. in Crores)

	AS AT 31st March, 2007	AS AT 31st March, 2006
LONG-TERM INVESTMENTS		
1. Trade Investments		
Quoted * -		
a) In Associate Company		
21,00,00,000 (Previous Year : 21,00,00,000) Equity Shares of HK\$ 0.01/- each fully paid up in China Gas Holding Ltd., registered in China, acquired at a premium of HK\$ 1.148/-	51.84	51.84
Add: Goodwill	84.48	84.48
Add: Share of Profit in Associate	17.80	5.76
Less: Dividend Received	(1.20)	-
	152.92	142.08
b) In Govt of India Bond		
6.96 % Oil Companies GOI Special Bonds 2009 (Alloted in lieu of claims pending with Oil Co-ordination Committee)	6.00	6.00
7 % Oil Companies GOI Special Bonds 2012 (Alloted in lieu of claims pending with Oil Co-ordination Committee)	9.59	9.59
c) Other		
570,600 (Previous Year : 570,600) Equity Shares of Rs.10/-each fully Paid-up in Gujarat Industries Power Co. Ltd.(includes 1,90,200 Equity Shares acquired during the year 1996-97 at a premium of Rs.15/- per share)	0.86	0.86
5,14,00,267 (Previous Year : 3,42,66,845) Equity Shares of Rs.10/- each fully paid up in ONGC Ltd. (Acquired during 1999-2000 at a price of Rs.162.34 per Share and 1,71,33,422 bonus shares received during the year	556.29	556.29
3,62,100 (Previous Year 3,62,100) units of 6.75% Tax Free US64 Bonds of Rs. 100/- each guaranted by GOI, having maturity date on 01.06.2008.	3.62	3.62
* Aggregate market value of the above mentioned quoted securities is Rs. 5,449.21 (previous year Rs 5,662.50) (includes cost where market price not available)		
Mutual Fund Scheme		
Birla Quarterly FMP	27.23	13.43
Carried Forward	756.51	731.87



	AS AT 31st March, 2007	AS AT 31st March, 2006
Brought Forward	756.51	731.87
Unquoted - At Cost		
a) In Joint Venture Company		
25,000 (Previous Year : 25,000) Equity shares of Rs. 10/- each fully paid up in Maharashtra Natural Gas Ltd.	-	0.03
b) In Associate Companies		
2,07,60,000 (Previous Year : 2,07,60,000) Equity Shares of Rs.10/- each fully paid-up in Gujarat State Electricity Generation Ltd.	20.76	20.76
Add: Share of Profit	15.93	13.58
19,000 (Previous Year : 19,000) Equity shares of LE 100/- each fully paid up in Fayum Gas Company registered in Egypt.	4.59	4.59
Add: Goodwill	3.50	3.50
Add: Share of Profit	2.26	1.50
Less: Dividend received	(3.00)	-
2,20,000 (Previous Year : 2,20,000) Equity Shares of LE 10/- each fully paid up in Shell Compressed Natural Gas Company, Egypt registered in Egypt.	0.33	0.33
Add: Goodwill	1.28	1.28
Add: Share of Profit	(0.31)	0.01
	1.30	1.62
3,000,000 (Previous Year 3,000,000) Equity shares of LE 5/- per share in Natgas Equity share has acquired at a premium LE 34.5 per Equity Share	21.21	21.21
Add: Goodwill	62.41	62.24
Add: Share of Profit	16.63	11.49
	100.25	94.94
2. Non Trade Investments - Others		
Unquoted - At cost		
(a) i) 30 Shares (Previous year 30) of Rs.50/- each fully paid up in Darpan Co-operative Housing Society Ltd., Vadodara	-	-
ii) 50 Shares (Previous year 50) of Rs.50/- each fully paid up in Ashoka Apartments Co-operative Housing Society Ltd., Vadodara	-	-
iii) NIL Shares (Previous year 30) of Rs.50/- each fully paid up in Panchvati Apartments Co-operative Housing Society Ltd., Surat	-	-
iv) 400 Shares (Previous year 400) of Rs.10/- each fully paid up in Sanand Members Association, Ahmedabad.	-	-
v) 35 Shares (Previous year 35) of Rs.50/- each fully paid up in Green Fields(B) Cooperative Housing Society Ltd, Mumbai	-	-
3. INVESTMENTS (Current Investments - Non-Trade)		
Investments in Mutual Fund Scheme	63.46	29.17
Total	965.56	901.56

Schedule 6A - Advances for Investments (Pending Allotment)

	AS AT 31st March, 2007	(Rs. in Crores) AS AT 31st March, 2006
Joint Venture Companies		
i) Ratnagiri Gas & Power Pvt. Ltd.	-	500.00
ii) Tripura Natural Gas Ltd.	0.83	0.83
TOTAL	0.83	500.83



Schedule 7 - Current Assets, Loans and Advances

(Rs. in Crores)

	AS AT 31st March, 2007		AS AT 31st March, 2006	
A. CURRENT ASSETS				
INVENTORIES				
(As Certified by the Management)				
Raw Material (LNG)	20.14		7.02	
Raw Material in Transit	4.37		4.52	
CNG and Natural Gas in Pipeline	0.07		0.06	
Stores and Spares including Construction Surplus*	395.34		406.62	
Less : Provision for Losses/Obsolescence	35.69		42.82	
	<u>359.72</u>		<u>363.86</u>	
Stock of Gas**/Polymers/LPG and Other Products	240.52		128.70	
* includes Rs. 22.89 (previous year Rs. 35.71) in transit		624.75		504.10
** after adjustment of calorific value.				
SUNDRY DEBTORS				
Debts outstanding for a period exceeding six months				
- Unsecured, Considered Good	120.43		99.35	
- Secured, Considered Good	41.75		0.01	
- Unsecured, Considered Doubtful	103.63	265.81	136.34	235.70
Other Debts				
- Secured, Considered Good	1.34		22.68	
- Unsecured, Considered Good	664.02	665.36	645.13	667.81
Less : Provision for Doubtful debts		(103.63)		(120.31)
		<u>827.54</u>		<u>783.20</u>
CASH AND BANK BALANCES				
Cash in hand	1.87		0.54	
Cheques/Stamps in hand	0.16	2.03	0.04	0.58
BANK BALANCES WITH SCHEDULED BANKS				
On Current Account (includes Corporate Liquid Term Deposit Rs. 78.60 Crores (Previous Year Rs. 58.73 Crores))	127.33		138.81	
On Current Account - Gas Pool Money	-		-	
On Current Account - JV Consortium	-		-	
On Fixed Deposit Account	15.65		1.49	
On Short Term Deposit	2,189.05		3,704.38	
On Short Term Deposit -Gas Pool Money (includes interest accrued but not due Rs. Nil (Previous Year Rs. 1.32 Crores))	-		308.11	
On Short Term Deposit -JV Consortium (includes interest accrued but not due Rs. 5.13 Crores (Previous Year Rs 4.17 Crores)) (refer note 4 of notes to accounts)	403.86	2,735.89	386.10	4,538.89
BANK BALANCES WITH OTHER BANKS				
On current accounts		0.38		0.41
		<u>2,738.30</u>		<u>4,539.88</u>
OTHER CURRENT ASSETS				
Interest accrued but not due on Deposits / Bonds	31.87		39.65	
Interest accrued on Fixed Deposits	0.41	32.28	0.08	39.73
Carried Forward		<u>4,222.87</u>		<u>5,866.91</u>

(Rs. in Crores)

	AS AT 31st March, 2007		AS AT 31st March, 2006	
Brought Forward		4,222.87		5,866.91
B. LOANS AND ADVANCES				
Loans to Employees				
- Secured, Considered Good	152.75		141.89	
- Unsecured, Considered Good (including dues from Directors Rs. 0.27 Crores (Previous Year : Rs. 0.12 Crores)) (Maximum amount due at any time during the year : Rs. 0.37 Crores) (Previous Year : Rs. 0.21 Crores)	21.76		19.37	
Others (Unsecured, Considered Good)	1.65	176.16	1.67	162.93
Advances recoverable in cash or in kind or for value to be received				
- Unsecured, Considered Good (includes Rs.1105.34 Crores (PY: Rs. 1105.34 Crores) paid / adjusted against Income tax demand under protest)	1,606.09		1,277.69	
Others	8.11		6.02	
- Unsecured, Considered Doubtful	0.48		0.42	
	1,614.68		1,284.13	
Less : Provision for Doubtful Advances	(0.48)	1,614.20	(0.42)	1,283.71
Advance Tax / TDS		1,932.58		5,515.92
Claims Recoverable				
- Unsecured, Considered Good	28.96		13.41	
- Unsecured, Considered Doubtful	0.22		0.22	
	29.18		13.63	
Less : Provision for doubtful claims	(0.22)	28.96	(0.22)	13.41
Deposits with Customs, Port Trust and Others				
- Unsecured, Considered Good	46.43		36.66	
- Unsecured, Considered Doubtful	0.31		0.31	
	46.74		36.97	
Less : Provision for doubtful deposits	(0.31)	46.43	(0.31)	36.66
Trade and security Deposits				
- Unsecured, Considered Good		7.24		5.01
TOTAL		8,028.44		12,884.55



Schedule 8 - Current Liabilities and Provisions

(Rs. in Crores)

	AS AT 31st March, 2007		AS AT 31st March, 2006	
A. CURRENT LIABILITIES				
Sundry Creditors (includes Rs. 403.86 Crores (Previous Year : Rs. 386.10 Crores) payable to JV consortium)	1,596.84		1,562.14	
Deposits/Retention Money from Contractors and Others	310.07		123.94	
Other Liabilities	766.73		764.72	
Due to Promoter Companies	0.22		0.34	
Other Liabilities - Gas Pool Money	71.49		726.67	
Unclaimed Dividend (Amount due for credit to Investor Education Fund is Rs. Nil (Previous Year : Nil))	2.86		1.96	
Interest accrued but not due (includes on loan Rs. 19.14 Crores (Previous Year : Rs. 19.14 Crores))	31.04		29.06	
Trade and Security Deposits	13.37		16.03	
		2,792.62		3,224.86
B. PROVISIONS				
Provision for taxation/FBT	1,811.64		5,353.84	
Add: Adjustment of Refunds	-		513.90	
		1,811.64		5,867.74
Provision for Proposed Dividend	169.13		169.13	
Provision for Corporate Dividend Tax	33.75		25.59	
Provision for Gratuity	0.10		0.07	
Provision for Wealth Tax	-		0.01	
Provision for Leave Encashment and Post Retirement Medical Benefits	52.06	2,066.68	40.65	6,103.19
TOTAL		4,859.30		9,328.05

Schedule 9 - Other Income

Dividend		198.56		180.34
Interest on :				
- Bonds/Debentures	3.32		0.89	
- Deposits with Banks	251.64		223.55	
- Others	15.80	270.76	12.38	236.82
(Tax deducted at source : Rs. 60.11 Crores (Previous Year: Rs. 45.97 Crores) Surplus on Disposal of Investments		1.90		0.60
Export Incentives		(0.03)		3.34
Miscellaneous Income Including Liabilities/Provisions no longer required written back Less : Transferred to Incidental Expenditure during construction (Schedule 11)		88.45		41.92
		(0.54)		-
TOTAL		559.10		463.02

Schedule 10 - Manufacturing, Transmission, Administration, Selling & Distribution and other Expenses

(Rs. in Crores)

	AS AT 31st March, 2007	AS AT 31st March, 2006
Raw Material consumed	1,785.12	1,635.17
Employees Remuneration and Benefits *		
Salaries, Wages and Allowances	215.99	158.71
Contribution to Provident and Other Funds	21.95	19.34
Welfare Expenses	69.21	52.61
Secondment charges	-	0.62
	307.15	231.28
Power, Fuel and Water Charges	119.20	522.44
Gas Fuel Charges	669.33	-
Stores and Spares consumed	165.47	167.60
Rent	26.34	20.57
Rates and Taxes	47.79	34.83
Licence Fees - Telecom	1.81	1.15
Bandwidth Consumption	0.25	0.19
Repairs and Maintenance		
Plant and Machinery	64.21	111.86
Buildings	22.12	20.11
Others	21.57	12.14
	107.90	144.11
Insurance	43.08	29.90
Communication Expenses	8.54	7.95
Printing and Stationery	2.80	3.33
Travelling Expenses	35.47	34.37
Books and Periodicals	0.82	0.52
Advertisement and Publicity	15.58	30.62
Carried Forward	3,336.65	2,864.03



(Rs. in Crores)

	AS AT 31st March, 2007	AS AT 31st March, 2006
Brought Forward	3,336.65	2,864.03
Payment to Auditors		
Audit Fees	0.18	0.18
Management Services	0.04	0.04
Out of Pocket Expenses	0.11	0.08
Entertainment Expenses	1.78	1.18
Recruitment and Training Expenses	6.97	9.46
Vehicle Hire and Running Expenses	15.67	14.24
Equipment Hire Charges	0.84	0.67
CNG Transportation	0.98	0.79
CNG Dispensing Charges	1.36	1.14
Operating Expenses at CNG Stations	2.79	2.44
Lease Charges	1.74	2.05
Survey Expenses	35.24	65.20
Consultancy Charges	25.35	19.37
Legal and Professional Charges	2.52	2.09
Data Processing Expenses	3.08	1.20
Donation	0.02	0.85
Research and Development Expenses	0.05	0.27
Directors Fees	0.01	0.01
Loss on sale / written off of assets(net)	(0.49)	3.99
Bad Debts/Claims/Advances/Inventories written off	1.62	0.37
Dry Well Expenses written off	241.88	30.46
Provision for Doubtful Debts, Advances, Claims, and Deposits	(21.90)	1.86
Excise Duty on Stock (Net)	10.59	0.04
Expenses on Enabling Facilities	1.63	2.48
Selling & Distribution Expenses	9.23	6.15
Discount on Sales	11.61	8.67
Commission on Sales	11.56	11.36
Dealers' Commission	1.27	0.78
Security Expenses	34.04	28.27
Other Miscellaneous Expenses	74.78	55.36
Exchange Fluctuation	0.06	
Less: Transfer to Capital Work-in-Progress		
Employees Remuneration and Benefits	2.13	1.84
Operating and Other Expenses	0.74	0.31
TOTAL	3,808.39	3,132.93

* Rs. 11.28 Crores (Previous Year : Rs. 7.97 Crores) on account of retirement benefits viz. Leave encashment and Medical.

Schedule 11 - Incidental Expenditure during Construction

(Rs. in Crores)

	AS AT 31st March, 2007		AS AT 31st March, 2006	
Employees Remuneration and Benefits				
Salaries, Wages and Allowances	2.53		0.50	
Contribution to Provident and Other Funds	0.18		0.04	
Welfare Expenses	0.40	3.11	0.08	0.62
Power, Fuel and Water Charges		4.26		0.09
Stores & Spares Consumed		0.41		
Rent		0.10		0.02
Repairs and Maintenance				
Plant and Machinery	2.82		-	
Buildings	0.54		-	
Others	0.34	3.70	0.01	0.01
Insurance		11.42		-
Communication Expenses		0.19		0.01
Travelling Expenses		0.55		-
Recruitment and Training Expenses		0.02		-
Interest and Finance Charges		34.74		-
Vehicle Hire and Running Expenses		0.05		-
Consultancy Charges		0.54		-
Polymer Consumption		0.30		-
Other Expenses		2.59		1.38
Depreciation		0.14		-
		62.12		2.13
Less :				
- Interest Income	0.53		0.03	
- Misc. Income	0.01	0.54	-	0.03
Net Expenditure		61.58		2.10
Less : Transferred to Capital Work-in-Progress	0.21		0.37	
-Mfg., Transmission, Admn., Selling & Distribution and Other Expenses	27.17		1.67	
Interest & finance Charges	34.74		0.09	
Other Income	(0.54)	61.58	(0.03)	2.10
Balance Carried over to Balance Sheet		-		-



Schedule 12 - Interest and Finance Charges

(Rs. in Crores)

	AS AT 31st March, 2007		AS AT 31st March, 2006	
Interest				
Foreign Currency Loans	0.26		0.45	
On term loans	47.96		14.82	
Other Loans	39.56	87.78	51.43	66.70
Bonds		65.60		
Others		1.44		66.12
Bank Charges		1.22		0.92
Commitment and other Finance Charges		0.41		0.40
TOTAL		156.45		134.14

Schedule 13 - Prior Period Adjustments

Purchase of Gas		(10.67)		65.45
Salaries, Wages and Allowances		(0.04)		(0.04)
Power, Fuel and Water Charges		(0.06)		0.35
Stores and Spares consumed		(0.26)		(0.82)
Rent		0.08		2.09
Depreciation (Net)		(0.19)		0.97
Repairs and Maintenance		(0.54)		2.07
Consultancy Charges		0.25		(0.24)
Other Expenses		(2.82)		1.19
TOTAL		(14.25)		71.02
Less :				
- Sales		(6.57)		(4.04)
- Interest Income		1.12		(0.15)
- Miscellaneous Income		(0.91)	(6.36)	0.04
TOTAL (NET)		(7.89)		75.17

Schedule 14: Consolidated Notes on Accounts for the Year Ended 31.03.2007

SIGNIFICANT ACCOUNTING POLICIES

I. BASIS OF PREPARATION

The Consolidated Financial Statements (CFS) relate to GAIL (India) Limited (hereinafter referred as the "Company") and its subsidiary, Joint Ventures and Associates. The accounts are prepared on historical cost basis and in accordance with the applicable accounting standards and other applicable relevant statutes.

II. PRINCIPLES OF CONSOLIDATION

The Consolidated Financial Statements have been prepared in accordance with the applicable Accounting Standards on the following basis:-

- i. The Financial Statements of the Company and its subsidiary companies are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after fully eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses in accordance with Accounting Standard (AS) 21- "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.
- ii. The Financial Statements of Joint Venture Company have been combined by applying proportionate consolidation method on a line-by-line basis on items of assets, liabilities, income and expenses after eliminating proportionate share of unrealized profits or losses in accordance with Accounting Standard (AS) 27 on "Financial Reporting of Interests in Joint Ventures" issued by the Institute of Chartered Accountants of India.
- iii. The consolidated Financial Statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are

presented to the extent possible, in the same manner as the Company's separate Financial Statements except as otherwise disclosed in the Notes to Accounts.

- iv. The excess of the cost to the Company of its investment in Subsidiaries and Joint Ventures over its proportionate share in the equity of the investee company as at the date of acquisition of stake is recognized in the financial statements as Goodwill. In case the cost of investment in a subsidiary or Joint Venture is less than the proportionate share in the equity of the investee as on the date of the investment, the difference is treated as Capital reserve.
 - v. Investments in Associates have been accounted for using the equity method in accordance with Accounting Standard AS-23- "Accounting for investment in Associates in Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India. The excess/deficit of cost of investment over the proportionate share in equity of the Associate as at the date of the acquisition of stake has been identified as Goodwill/Capital reserve and included in the carrying value of the investment in Associate and disclosed separately. The carrying amount of the investment is adjusted thereafter for the post acquisition change in the share of net assets of the Associate.
 - vi. The accounts of all Group Companies are drawn upto the same reporting date as the parent entity (i.e. Financial Year ended March 31, 2007) except for overseas Associates. In respect of Fayum Gas, Shell Compressed Gas and Natgas, the accounts drawn as at December 31, 2006 have been used, and in respect of China Gas Holding Limited, the accounts drawn up to September 30, 2006 have been used. No adjustments have been done for the period subsequent to that date, since there are no significant transactions.
 - vii. In China Gas Holding, GAIL's Share has been reduced from 7.50% on 31.03.2006 to 7.18% on 30.09.2006 and as on 31.03.2007 it is 6.78%. The reduction of GAIL's Share is due to dilution in share capital by further issue of Share Capital by China Gas Holding.
 - viii. The financial statements of the Subsidiary-GAIL Global (Singapore) Pte. Limited are prepared in accordance with Singapore Financial Reporting Standards assuming the company is a going concern and converted in Indian Rupees as per Accounting Standard (AS 11) .
 - ix. The financial statements of Fayum Gas, Shell Compressed Gas and Natgas have been prepared in accordance with the Egyptian Accounting Standards and relevant Egyptian Laws and regulations and according to the historical cost basis assuming the company is a going concern and converted in Indian Rupees as per Accounting Standard (AS 11). While the financial statements of China Gas Holding Limited has been prepared in accordance with the Hongkong Accounting Standards and relevant Hongkong Laws and regulations and according to the historical cost basis assuming the company is a going concern and converted in Indian Rupees as per Accounting Standard (AS 11).
- iii. Investment other than in Subsidiaries and Associates have been accounted for as per Accounting Standard (AS) 13 on "Accounting for Investments" issued by the Institute of Chartered Accountants of India.



IV. OTHER SIGNIFICANT ACCOUNTING POLICIES:

These are set out under “ Significant Accounting Policies” as given in the respective Financial Statements of the Company and its Subsidiary.

NOTES TO THE ACCOUNTS

1. The Consolidated Financial Statements represent consolidation of accounts of the Company (GAIL India Limited), its subsidiaries, joint venture companies and associates as detailed below:

Name of Company	Country of Incorporation	Relation	Proportion of Ownership Interest
GAIL Global (Singapore) Pte. Ltd.	Singapore	Subsidiary	100%
Mahanagar Gas Limited	India	Joint Venture	49.75%
Indraprastha Gas Limited	India	Joint Venture	22.50%
Petronet LNG Limited	India	Joint Venture	12.50%
Bhagyanagar Gas Limited	India	Joint Venture	22.50%
Central UP Gas Limited	India	Joint Venture	22.50%
Green Gas Limited	India	Joint Venture	22.50%
Maharashtra Natural Gas Limited	India	Joint Venture	22.50%
Aavantika Gas Limited	India	Joint Venture	22.50%
Ratnagiri Gas & Power (Private) Ltd	India	Joint Venture	28.33%
Fayum Gas	Egypt	Associate	19.00%
Shell Compressed Natural Gas Egypt	Egypt	Associate	22.00%
Gujarat State Electricity Generation(GSEG)	India	Associate	12.85%
Natural Gas Company “Natgas ”	Egypt	Associate	15.00%
China Gas Holding Limited	Bermuda	Associate	6.78%

2. In view of different sets of environment in which the subsidiaries/Joint Ventures are operating, the accounting policies followed by the subsidiaries/ Joint Ventures are different from the accounting policies of the Company in respect of the following. Such different accounting policies have been adopted in respect of the following:

(Rs. in Crores)

Particulars	Name of Joint Venture	Accounting Policies		Proportion of GAIL's Share (Gross Amount)
		GAIL (India) Ltd.	Joint Venture	
Inventories				
Valuation of Stores and spares	Mahanagar Gas Limited/Petronet LNG	Valued at weighted average cost or net realizable value, whichever is lower.	Valued at weighted average cost.	7.27
Valuation of Raw materials	Petronet LNG Limited	Raw materials are valued at cost or net realisable value, whichever is lower.	Valuation of Raw Materials is done at weighted average cost.	20.14
Valuation of Stores and Spares	Indraprastha Gas	Valued at weighted average cost or net realizable value, whichever is lower.	Valued at lower of cost on First In First Out (FIFO) basis or Net Realizable Value.	4.68
Depreciation Rates				
Software / Licences	Petronet LNG	Software / Licences are amortized in 5 years on straight line method.	Software/Licenses are amortised in 3 years on Straight Line Method.	0.43 (Gross Block)
Capital Work in Progress	Bhagyanagar Gas Limited	Indirect expenditure incurred during construction period has been charged off to revenue.	Indirect expenditure incurred during construction period has been shown under pre-operative expenditure pending allocation which will be apportioned to Fixed Assets as and when they are completed.	0.14
Retirement Benefits				
Liability towards Gratuity	Mahanagar Gas Limited	Liability towards Gratuity is paid to a fund maintained by the company which is administered through a separate trust set up by the company. Difference between the fund balance with the trust and the accrued liability as at the end of the year as per actuarial valuation is charged to Profit and Loss Account.	Gratuity liability is covered under LIC Group Gratuity Scheme.	0.12
Investment	Mahanagar Gas Limited	Quoted investments are valued at cost or market value, whichever is lower.	Investments are carried at lower of weighted average cost or market value.	27.23

The effect of above differential accounting policies could not be quantified on Profit & Loss Account.

3. Estimated amount of Contracts remaining to be executed on Capital Account and not provided for is amounting to Rs. 919.44 Crores (Previous Year : Rs. 1057.30 Crores) which includes an amount of Rs. 278.74 Crores (Previous Year : Rs. 183.77 Crores) related to joint ventures.
4. Contingent Liabilities :-
- I. Claims against the Company not acknowledged as debts: Rs. 3783.19 Crores (PY: Rs. 9933.68 Crores), which mainly include:
- (a) Claims of ONGCL for Rs. 416.71 Crores (PY : Rs. 401.48 Crores) on account of interest for delayed payment and MGO, etc. Out of these MGO claims of Rs. 69.37 Crores (PY: Rs. 53.78 Crores) are recoverable on back-to-back basis.
- II. Letters of Credit : Rs. 69.10 Crores (PY: Rs. 27.58 Crores).
- III. An amount of Rs. 140.44 Crores (Previous Year :Rs. 90.35 Crores) relate to joint ventures and an amount of Rs. Nil (Previous Year : Rs. Nil) relate to associates.
- 5 (a) Income tax assessments upto AY 2004-05 have been completed and a demand of Rs. 1105.34 Crores relating to the Assessment Years 1996-97 to 2004-05 (PY : Rs. 1289.74 Crores) is raised by disallowing deductions claimed by the company . The company has already made the payment of Rs. 1105.34 Crores (PY : Rs. 1105.34 Crores) under protest. Based upon the decision of the appellate authorities and the interpretation of the Income Tax Act, the company has been legally advised that the demand is likely to be deleted or it may be substantially reduced. The company has filed appeals against demand for the AY's 1996-97 to 2002-03 with ITAT and for AY 2003-04 & 2004-05 with CIT (A).
- (b)The excess provisions of Income Tax related to earlier years amounting to Rs. 339.92 Crores has been credited to Profit and Loss Account.
- 6 (a) Freehold land acquired for city gas Lucknow and Kanpur, Jhansi Maintenance Base and Sectionalising Valves in Jamnagar – Loni Pipeline Rs. 2.14 Crores (PY: Rs. 0.55 Crores) and Leasehold Land acquired for Lakwa, Mumbai & Rajamundry projects Rs.11.13 Crores (PY:Rs. 8.63 Crores) are valued / capitalized on provisional basis.
- (b) Title deeds for freehold land, valuing Rs. 1.63 Crores (PY: Rs. 0.57 Crores) and leasehold land valuing Rs. 27.17 Crores (PY: Rs.27.34 Crores) are pending execution.
- (c) Title Deeds in respect of ten residential flats at Asiad Village, New Delhi, valuing Rs. 1.17 Crores (PY: Rs. 1.17 Crores) are still in the name of ONGCL. Concerned authorities are being pursued for getting the same transferred in the name of the Company.
- (d) The cost of right of use (ROU) amounting to Rs. 25.39 Crores as on 31.03.2007 (PY : Rs. 18.39 Crores) has been capitalised as intangible asset. The Company has perpetual Right of Use but has no ownership of land.
7. The 10% retention from PMT JV consortium amounting to Rs. 403.86 Crores (PY : Rs. 386.10 Crores) includes interest (net of TDS) amounting to Rs. 65.14 Crores (PY: Rs. 47.38 Crores) on Short term deposits for the year. The TDS amounting to Rs.14.81 Crores (PY: Rs. 9.56 Crores) has been deducted by the bankers on the interest earned on Short term deposits. This interest income and TDS does not belong to the company hence not accounted for.
8. 'Advance recoverable in Cash or in kind or value to be received' includes an amount of Rs.3.11 Crores (PY : Rs. 3.11 Crores) recoverable on account of Disinvestment by Government of India of its equity in the company by way of GDR/offer for sale .
9. MoP&NG had issued scheme of sharing the under recoveries of Oil marketing Companies on account of non-revision in selling price of PDS Kerosene and domestic LPG. During the year, the Company has given discounts to Oil marketing Companies amounting to Rs.1488.00 Crores (PY: Rs.1063.60 Crores) out of which Rs. 502 Crores pertains to the quarter Jan- Mar'2007 which is on provisional basis in the absence of intimation of subsidy from PPAC. Corresponding adjustment on account of CST amounting to Rs. 27.01 Crores (PY : Rs. 21.32 Crores) has been made.
- 10 a) The Company is raising provisional invoices for sale of R-LNG as the supplier PLL is also raising provisional invoices on the Company since customs duty on import of LNG by PLL has been assessed on provisional basis.
- b) With effect from April 1, 2002, Liquefied Petroleum Gas prices has been deregulated and is now based on the import parity prices fixed by the Oil Companies. However, the pricing mechanism is provisional and is pending finalisation. Additional asset/liability or impact on profits, if any, arising due to such change, will be recognized on finalization of pricing mechanism.
11. The company has changed the accounting policy for :
- a. Machinery spares, which can be used only in connection with an item of fixed asset and their use is expected to be irregular and capitalised with the cost of that fixed asset are depreciated fully over the remaining useful life of that asset instead of 95 %. As a

result of the above change, there is an increase in depreciation charged to P&L Account by Rs. 208.54 Lacs and consequent decrease in net fixed assets.

- b. Pre-project expenditure relating to Projects which are considered unviable/closed is charged off to Revenue in the year of declaration/closure in place of charging off in 5 years. As a result, there is increase in charge to the P&L Account by Rs. 5.28 Lacs with consequent decrease in CWIP.

12. Due to flood at Hazira in August'2006, there was damage to Stores and Spares and Assets of the company. Provision for Rs. 2.09 Crores towards Stores & Spares has been made and fixed assets of Rs. 49 Lacs have been written off. The company has filed insurance claim of Rs.34.37 Crores on reinstatement value basis and an interim amount of Rs.5 Crores admitted by the Insurance Company is booked as Other Income during the year.

13. The debtors for more than six months includes an amount of Rs. 51.08 Crores (PY : Rs. 51.08 Crores) outstanding from Assam State Electricity Board for the period 1991-92 to November 2002 for which Bonds to be issued by Assam State Government under the securitization scheme formed by MoP&NG has not materialized as the Ministry of Finance, GOI has suggested for "One Time" payment by Assam Government. The financing for the One time payment is under finalization of Assam Government and the company is confident on the realization of the amount.

14. Following Government of India's approval, the shareholders of the Company in the Annual General Meeting held on 15th September, 1997 approved the transfer of all the assets including Plant and Machinery, accessories and other related assets which are part of Lakwa Project to Assam Gas Cracker Complex at a price to be determined by an independent Agency and on terms and stipulations

as the Board may in its discretion deem fit. The Cabinet Committee on Economic affairs (CCEA) has approved the setting up of Assam Gas based cracker project at Lepetkata by formation of a JVC in which GAIL will have equity participation of 70%. A company by the name of Brahmaputra Cracker and Polymer Limited has been incorporated during 2006-07 . The gross block of fixed asstes and Capital Work-in-Progress value of Lakwa unit is Rs. 248.45 Crores as on 31st March 2007 (PY: Rs. 245.97 Crores).

15. The value of pipelines and related facilities taken over in Southern and North-Eastern region in February 1992 and Western Region in May 1992 is provisional, based on intimation from ONGCL. Adjustments, if any, for taxes, duties, ROU and other claims would be made as and when ascertained. Depreciation on the assets taken over from ONGCL has been provided for as per the accounting policy of the Company on the transfer value of such assets.

16. The Company had been showing consumption of the value of gas (including transmission charges) for production of polymers, LPG& Liquid hydrocarbon products etc. under Income head of Profit & Loss Account as "Internal consumption" with corresponding debit to Raw Material consumption and "Power, Fuel & Water charges" in Expenditure Head as part of "Manufacturing , Transmission, Administration, Selling expenses". As per the advice received by the company, the company has discontinued the practice of showing "Internal Consumption" under Income head in consonance with spirit of AS 9 on Revenue Recognition issued by ICAI with suitable changes in depiction under relevant Expenditure heads . This has no impact on the profit for the year of the company.

17. Tax at source amounting to Rs. 7.74 Crores accounted during financial year 2005-06, on interest received from

customer and payable to ONGC, was not deductible as the interest did not pertain to GAIL. Hence has been credited to ONGC during the year.

18. In respect of Subsidiary and Joint Ventures, the following additional notes to accounts are disclosed.

I. Petronet LNG LTD.

- i) In terms of the provisions contained in the LNG Port Terminal Concession Agreement, the Company has to develop a solid Cargo Port along with LNG Terminal. A joint venture company "Adani Petronet (Dahej) Port Pvt. Ltd. (APPPL) has been formed for development of Solid Cargo Port. The Company has acquired 50% Equity in APPPL. Expenses to the extent of Rs. 2.38 Crores have been incurred on this account which includes a deposit of Rs. 1.70 Crores with the Gujarat Industrial Development Corporation classified under "Loan & Advances".
- ii) The Company raised Rs. 391.47 Crores through public issue of shares in the 2003-04 and the entire amount had been utilized till 31.03.2007 (Previous Year Rs. 236.47 Crores) for project payments and balance amount remaining was Rs. Nil (Previous Year Rs. 155.00 Crores deposited in debt based mutual funds).
- iii) 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.
- iv) As regards expenditure in Cochin, the project construction has not commenced.

II. Indraprastha Gas Limited

- i) Compressed Natural Gas has been added as an excisable commodity under the Central Excise Tariff Act from March 1, 2001. Due to the unique nature of its business, it is not possible for the Company to comply with certain provisions/procedures as



required under the Act. The Company has filed applications with the Deputy Commissioner (Tech), Commissioner – Central Excise, Chief Commissioner – Central Excise for modification/simplification of the provisions/procedures.

- ii) The Company has constructed CNG Stations on land obtained from various Government Authorities under leases for periods ranging from one to five years. However, assets constructed / installed on such land are being depreciated at rates specified in Schedule XIV to the Companies Act, 1956, as the management does not foresee non-renewal of the above lease arrangements by the Authorities.
- iii) The Company has taken certain equipments, vehicles and premises for office use under operating agreements. The total lease rentals recognized as expense during the year under the above lease agreements amounts to Rs. 13.52 Crores (Previous year Rs. 12.24 Crores). Lease obligations under non-cancelable periods are as follows :
- | | |
|--|--------------|
| i) Amounts payable in next 1 year | Rs. 3.84 Cr. |
| ii) Amounts payable in next 2 years to 5 years | Rs. 2.43 Cr. |
| iii) Amounts payable in over 5 years | Nil |

III. Mahanagar Gas Ltd.

Rupee Term Loans of Rs. 6.71 Crores (Previous year Rs. 10.55 Crores) from a financial institution and External Commercial Borrowings (ECB) of Rs. 15.00 Crores (previous year Rs. 20 Crores) are secured by hypothecation of all moveable property except underground pipelines, both present and future and certain immovable property both present and future respectively, on pari passu basis. ECB is hedged against currency and rate fluctuation.

IV. Central UP Gas Limited

Title deeds of lands for CNG stations at

Fazalgaon, amounting to Rs. 0.48 Crores (previous year Fazalgaon, Juhi and Makadikheda amounting to Rs. 3.0 Crores) have not been executed till date. State Government Authorities are being pursued to get the title deeds registered in favour of the Company.

V) Maharashtra Natural Gas Limited

The accounts have been prepared for the period 14 months 19 days i.e. from the date of incorporation 13.01.2006 to 31.03.2007. These being the first accounting period, previous year's figures are not applicable.

19. Unaudited financial statements of joint venture – Petronet LNG Ltd., Indraprastha Gas Limited, Mahanagar Gas Limited, Bhagyanagar Gas Limited, Central UP Gas Limited, Green Gas Limited, Aavantika Gas Limited, Ratnagiri Gas Power Limited, Maharashtra Natural Gas Limited have been included in consolidation in absence of the audited financial statements. The figures included in the consolidated financial statements relating to these unaudited joint venture company are as under:
- Total assets are Rs. 2683.55 Crores (Previous Year : Rs. 747.40 Crores) and total liabilities of Rs. 2683.55 Crores (Previous Year : Rs. 747.40 Crores) and
 - Total revenues of Rs. 561.49 Crores (Previous Year : Rs. 858.58 Crores) and total expenditure of Rs. 402.84 Crores (Previous Year : Rs. 660.94 Crores)
20. Due to short participation by the other joint venture partners, there is difference between the % of ownership as per Joint Venture Agreement and actual % of Share capital currently held by the Company i.e. GAIL (India) LIMITED.

The management is of the opinion that it is a temporary phase and other joint venture partner will contribute the balance contribution in the share capital of joint venture as per the joint venture agreement. Hence, GAIL (India) LIMITED ownership in the joint ventures are considered only to the extent of % ownership mentioned in Joint Venture agreement.

Excess contribution in the Equity Share Capital of the various Joint Ventures as on date, over and above the contractual % amounting to Rs.14.57 Crores (previous year Rs. NIL) is included in the 'Advance Recoverable in cash or in kind or for value to be received'.

21. In the previous year, the Joint Venture/Associates were incorporated in the consolidated financial statement based on the unaudited financial statement, wherever audited financial statements were not available at the time of consolidation. Adjustment due to Joint Venture regrouping and adjustment due to Joint Venture/Associates regrouping statements of such Joint Venture/Associates on the profit/loss is Rs. (15.12) Crores, of the previous year.
22. Unaudited financial statements of an associate – Gujarat State Electricity Generation (GSEG), have been included in consolidation in absence of the audited financial statements.
23. JV Company (IGL) has entered into agreements for taking on lease and license basis certain residential / office premises, certain equipments, vehicles and premises for office use under operating lease agreements. All the agreements contain a provision for its renewal. Lease payments recognized in the Profit and Loss Account for the year is Rs. 13.52 Crores (Previous Year :Rs. 12.24 Crores) Lease obligations under non-cancelable periods are as follows:

Future lease rental obligation under these leases:

- | | |
|---|-----------------|
| i) Not later than one year | Rs. 3.84 Crores |
| ii) Later than one year and not later than five years | Rs. 2.43 Crores |

24. The consolidated Financial Statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate Financial Statements. However, there are some differences in certain accounting policies followed by the company, subsidiary, joint ventures and associates but the impact of the same is not material.
25. In case of joint venture company, Tripura Natural Gas Company Ltd. (TNGCL) and Brahmaputra Cracker & Polymer Ltd.(BCPL) the shares have not been allotted till March 31, 2007. Hence, GAIL (India) Ltd. does not obtain any shareholding right with respect to the advance given against share capital. Such right would accrue only on allotment of shares, hence, TNGCL & BCPL accounts have not been considered in the Consolidated of Financial Statement.
26. In compliance of Accounting Standard 17 on "Segment Reporting" issued by Institute of Chartered Accountants of India, the required information is given as per Annexure – A to this schedule. Business Segments: The business segments have been identified as
- (i) Transmission services
 - a) Natural Gas
 - b) LPG
 - ii) Natural Gas Trading
 - iii) Petrochemicals
 - iv) LPG and other Liquid Hydrocarbons
 - v) GAILTEL
 - vi) City Gas Distribution
 - vii) Unallocated
27. In compliance of Accounting Standard 18 on "Related party Disclosures" issued by Institute of Chartered Accountants of India, the name of related parties, nature of relationship and details of transaction entered therewith are given in Annexure – B.
28. In compliance of Accounting Standard 22 on "Accounting for taxes on Income" issued by Institute of Chartered Accountants of India, the Company has provided Accumulated net deferred tax liability in respect of timing difference as on 31st March, 2007. The item-wise details of deferred tax liability as on 31.03.2007 are as under:

(Rs in Crores)

Deferred Tax Liability

	2006-07	2005-06
a) Depreciation	1418.03	1408.89
b) Differences between carrying assets in the financial statements & Income tax	32.44	20.44
Less :- Deferred Tax Assets		
a) Provision for Gratuity & Retirement Benefits	17.65	15.59
b) Provision for Doubtful Debts / Claims / Advances	49.09	57.12
c) Preliminary Expenses & others	3.71	15.13
Deferred Tax Liability (net)	1380.02 *	1341.49

* It includes an amount of Rs. 0.01 Crores (Previous Year :Rs. NIL) (Deferred Tax Assets) which has been netted of with Deferred Tax Liability.



29. In Compliance of Accounting Standard 27 on "Financial Reporting of Interests in Joint Ventures" issued by the Institute of Chartered Accountants of India, the required information is as under :

Jointly controlled operations:

The Company has participated in joint bidding under the Government of India New Exploration Licensing Policy and has 26 Blocks (PY12 Blocks) for which the Company has entered into Production Sharing Contract with Government of India along with other partners for Exploration & Production of Oil and Gas. As per the Production Sharing Contract, the Company has a minimum work program commitment of Rs. 530.04 Crores (PY: Rs. 551.61 Crores). The Company is acting as non-operator except in Block RJ-ONN-2004/1 where it is a joint operator and would have to share in Expense/Income/Assets/Liabilities based upon its percentage in production sharing contract. The participating interest in the following twenty six NELP - Blocks as on 31st March, 2007 is as under:

	Joint Venture under NELP Blocks	Participating Interest
1)	NEC-OSN-97/1	50%
2)	MN-OSN-97/3	15%
3)	MN-ONN-2000/1	20%
4)	MN-OSN-2000/2	20%
5)	CB-ONN-2000/1	50%
6)	AA-ONN-2002/1	80%
7)	CY-ONN-2002/1	50%
8)	AA-ONN-2003/1	35%
9)	CB-ONN-2003/2	20%
10)	AN-DWN-2003/2	15%
11)	Block 56, Oman	25%
12)	RJ-ONN-2004/1	20%
13)	KG-ONN-2004/2	40%
14)	MB-OSN-2004/1	20%
15)	MB-OSN-2004/2	20%
16)	CY-DWN-2004/1	10%
17)	CY-DWN-2004/2	10%
18)	CY-DWN-2004/3	10%
19)	CY-DWN-2004/4	10%
20)	CY-PR-DWN-2004/1	10%
21)	CY-PR-DWN-2004/2	10%
22)	KG-DWN-2004/1	10%
23)	KG-DWN-2004/2	10%
24)	KG-DWN-2004/3	10%
25)	KG-DWN-2004/5	10%
26)	KG-DWN-2004/6	10%

Further, GAIL has been awarded 3 Coal Bed Methane (CBM) Blocks under CBM-III program as under where it is acting as non-operator :

Blocks	Participating Interest
1) RM-CBM-2005/III	35%
2) TR-CBM-2005/III	35%
3) MR-CBM-2005/III	40%

In addition to above , the Company has farmed-in as non – operator with minimum work program commitment of Rs. 4.39 Crores (Previous Year: 41.80 Crores) in the following blocks:

Blocks	Participating Interest
1) A-1, Myanmar	10%
2) CY-OS/2	25%
3) A-3, Myanmar	10%

The Company's share in the assets and liabilities as at 31st March, 2007 and in the Income and the Expenditure for the year in respect of joint operations project blocks has been incorporated in the Company's financial statements based upon unaudited statement of accounts submitted by the operators are as follows:

	(Rs. in Crores)	
	2006-07	2005-06
Income	-	-
Expenses	290.34	101.28
Fixed Assets	1.79	1.42
Other Assets	347.34	139.95
Current Liabilities	132.30	76.67

Jointly controlled entity:

GAIL (India) Limited share in assets, liabilities, income, expenses, contingent liabilities and capital commitments of Jointly Controlled Entities as per Annexure - C

30. Unaudited financial statements of a Subsidiary Company – GAIL Global (Singapore) Pte. Ltd. have been included in the consolidation in the absence of the audited financial statements. The figures included in the consolidated financial statements relating to the un-audited accounts of subsidiary company are as under:

- i) Total assets are Rs. 85.82 Crores (PY: Rs. 92.03 Crores) and total liabilities of Rs. 85.82 Crores (PY: Rs. 92.03 Crores) and
- ii) Total revenues of Rs. 6.27 Crores (PY: Rs. 5.84 Crores) and total expenditure of Rs. 4.74 Crores (PY: Rs. 3.68 Crores)

N.K. Nagpal
Secretary

R.K. Goel
Director (Finance)

M.R. Hingnikar
Director (HR)

Dr. U.D. Choubey
Chairman & Managing Director

As per our separate Report of even date
For M/s Mehra Goel & Co.
Chartered Accountants

Place : New Delhi
Dated : May 08, 2007

R.K. Mehra
(Partner)
Membership No. 6102



Information About Business Segments For Financial Year 2006-07

(Annexure - A)

(Rs. in Crores)

Sl. Segments No.	Transmission Services**		Natural Gas Trading Note -1	Petro Chemicals	LPG & Liquid Hydrocarbons	GAILTEL	City Distribution Note -2	Un-Allocated Note -3	Total	Elimination	Consolidated Total
	NATURAL GAS	LPG									
1 REVENUE											
External Sales *	1,973.31	343.96	9,820.95	2,556.51	2,121.85	25.36	298.91	511.44	17,652.29		17,652.29
Intersegment sales	241.13	-	2,460.74	13.65	-	-	-	-	2,715.52	2,715.52	-
Total revenue	2,214.44	343.96	12,281.69	2,570.16	2,121.85	25.36	298.91	511.44	20,367.81	2,715.52	17,652.29
2 RESULTS											
Segment Result(Profit before Interest &Tax)	1,511.16	189.85	249.71	951.48	100.29	0.92	148.14	-	3,151.55		3,151.55
Unallocated expenses	-	-	-	-	-	-	-	410.31	410.31		410.31
Operating Profit	1,511.16	189.85	249.71	951.48	100.29	0.92	148.14	(410.31)	2,741.24		2,741.24
Interest Expenses	-	-	-	-	-	-	-	121.71	121.71		121.71
Interest/ Dividend Income	-	-	-	-	-	-	-	469.31	469.31		469.31
Provision for Taxation	-	-	20.29	-	-	-	50.13	813.03	883.45		883.45
Profit/(Loss) from Ordinary Activities	1,511.16	189.85	229.42	951.48	100.29	0.92	98.01	(875.74)	2,205.39		2,205.39
Extraordinary items	-	-	-	-	-	-	-	339.93	339.93		339.93
Net Profit/(Loss)	1,511.16	189.85	229.42	951.48	100.29	0.92	98.01	(535.81)	2,545.32		2,545.32
3. OTHER INFORMATION											
Segment Assets	4,844.36	1,088.31	320.45	2,055.66	1,250.52	68.49	613.82	(59.01)	10,182.60		10,182.60
Unallocated Assets	-	-	-	-	-	-	-	5,892.54	5,892.54		5,892.54
Total Assets	4,844.36	1,088.31	320.45	2,055.66	1,250.52	68.49	613.82	5,833.53	16,075.14		16,075.14
Segment Liabilities	1,143.23	37.36	41.40	142.82	353.52	21.04	266.26	0.41	2,006.04		2,006.04
Unallocated Liabilities	-	-	-	-	-	-	-	2,853.26	2,853.26		2,853.26
Total Liabilities	1,143.23	37.36	41.40	142.82	353.52	21.04	266.26	2,853.67	4,859.30		4,859.30
Cost to acquire fixed assets	433.90	3.76	0.46	9.91	7.53	19.96	146.75	5.51	627.78		627.78
Depreciation*	258.91	69.14	12.75	141.90	88.06	8.64	33.47	8.73	621.60		621.60
Non Cash expenses other than Depreciation*	(5.02)	0.07	(18.66)	1.30	0.48	0.88	0.08	241.98	221.11		221.11

* Sales Includes Excise Duty

** Assets & Liability of Gas Trading Business included in Gas Transmission Business

*** Unallocated includes Corporate Office, Zonal Office, GTI, E&P, Power etc.

Notes

- 1 Includes JV Petronet LNG Limited
- 2 Includes JVs IGL, BGL, MGL, CUGL, GGL, MNGL, Aavantika & RGPPL
- 3 Includes Subsidiary GAIL Global (Singapore) Pte. Ltd. and Associate Company's share

Information About Business Segments For Financial Year 2005-06

(Rs. in Crores)

Sl. Segments No.	Transmission Services		Natural Gas Trading Note -1	Petro chemicals	LPG & Liquid Hydrocarbons	GAILTEL	City Distribution Note -2	Unallocated Note -3	Consolidated Total
	NATURAL GAS	LPG							
1 REVENUE									
External Sales	2063.11	308.18	8587.58	1930.83	2201.74	18.32	277.39	414.02	15801.17
Intersegment sales	-	-	-	-	-	-	-	-	-
Total revenue	2063.11	308.18	8587.58	1930.83	2201.74	18.32	277.39	414.02	15801.17
2 RESULTS									
Segment Result (Profit before Interest & Tax)	1721.41	157.66	109.90	711.05	603.12	(1.82)	127.77	-	3429.09
Unallocated expenses	-	-	-	-	-	-	-	263.04	263.04
Operating Profit	1721.41	157.66	109.90	711.05	603.12	(1.82)	127.77	(263.04)	3166.05
Interest Expenses	-	-	-	-	-	-	-	134.05	134.05
Interest/ Dividend Income	-	-	-	-	-	-	-	417.16	417.16
Provision for Taxation	-	-	-	-	-	-	-	1025.42	1025.42
Profit/(Loss) from Ordinary Activities	1721.41	157.66	109.90	711.05	603.12	(1.82)	127.77	(1005.35)	2423.74
Extraordinary items	-	-	-	-	-	-	-	-	-
Net Profit/(Loss)	1721.41	157.66	109.90	711.05	603.12	(1.82)	127.77	(1005.35)	2423.74
3 OTHER INFORMATION									
Segment Assets	4372.63	1144.77	272.33	2435.64	1026.94	50.21	327.48	-	9630.00
Unallocated Assets	-	-	-	-	-	-	-	5784.79	5784.79
Total Assets	4372.63	1144.77	272.33	2435.64	1026.94	50.21	327.48	5784.79	15414.79
Segment Liabilities	1615.84	36.92	12.16	460.34	89.59	19.43	44.75	-	2279.03
Unallocated Liabilities	-	-	-	-	-	-	-	1533.10	1533.10
Total Liabilities	1615.84	36.92	12.16	460.34	89.59	19.43	44.75	1533.10	3812.13
Cost to acquire fixed assets	167.22	4.58	4.16	67.43	13.31	0.94	50.10	9.67	317.41
Depreciation	247.28	68.97	12.62	137.65	89.11	8.11	29.77	8.37	601.88
Non Cash expenses other than Depreciation	4.89	(0.31)	0.01	5.37	(4.24)	-	0.07	30.89	36.68

Notes

- 1 Includes JV Petronet LNG Limited
- 2 Includes JVs IGL, BGL, MGL, CUGL, GGL
- 3 Includes Subsidiary GAIL Global (Singapore) Pte. Ltd. and Associate Company share



Related Party Disclosures

(Annexure - B)

I) Relationship

A) Joint Venture Companies / Associates / Subsidiary:

- 1) Mahanagar Gas Limited
- 2) Indraprastha Gas Limited
- 3) Petronet LNG Limited
- 4) Bhagyanagar Gas Limited
- 5) Tripura Natural Gas Corporation Limited
- 6) Central UP Gas Limited
- 7) Green Gas Limited
- 8) Maharashtra Natural Gas Ltd.
- 9) Ratnagiri Gas Power Pvt. Ltd.
- 10) Aavantika Gas Limited
- 11) Brahmaputra Gas Cracker Limited
- 12) Shell Compressed Natural Gas
- 13) Gujarat State Electricity Generation Ltd.
- 14) National Gas Company "Natgas"
- 15) Fayum Gas Company
- 16) China Gas Holdings Limited
- 17) GAIL Global (Singapore) Pte. Ltd.

B) Whole-time Directors:

- 1) Shri Proshanto Banerjee, Chairman and Managing Director (upto 26.08.2006)
- 2) Dr. U. D. Choubey, Chairman and Managing Director (w.e.f.01.02.2007)
- 2a) Dr. U. D. Choubey
- 3) Shri R. K. Goel
- 4) Shri S. P. Rao (up to 31.10.2006)
- 5) Shri B. S. Negi (up to 31.10.2006)
- 6) Shri M. R. Hingnikar
- 7) Shri Santosh Kumar (w.e.f. 01.11.2006)
- 8) Shri A. K. Purwaha (w.e.f. 01.11.2006)
- 9) Shri Om Narayan
- 10) Shri P. K. Gupta
- 11) Shri S. P. Selvan
- 12) Shri T. K. Mujumdar
- 13) Shri J. K. Singh Teotia
- 14) Shri S. C. Hatwal
- 15) Shri T. Premkumar
- 16) Shri B. P. Singh
- 17) Shri B. K. Singh

C) Unincorporated Joint Venture for Exploration & Production Activities:

Non-operator with participating interest:-

1)	NEC-OSN-97/1	50%
2)	MN-OSN-97/3	15%
3)	MN-ONN-2000/1	20%
4)	MN-OSN-2000/2	20%
5)	CB-ONN-2000/1	50%
6)	AA-ONN-2002/1	80%
7)	CY-ONN-2002/1	50%
8)	AA-ONN-2003/1	35%
9)	CB-ONN-2003/2	20%
10)	AN-DWN-2003/2	15%
11)	Block 56, Oman	25%
12)	RJ-ONN-2004/1	20%
13)	KG-ONN-2004/2	40%
14)	MB-OSN-2004/1	20%
15)	MB-OSN-2004/2	20%
16)	CY-DWN-2004/1	10%
17)	CY-DWN-2004/2	10%
18)	CY-DWN-2004/3	10%
19)	CY-DWN-2004/4	10%
20)	CY-PR-DWN-2004/1	10%
21)	CY-PR-DWN-2004/2	10%
22)	KG-DWN-2004/1	10%
23)	KG-DWN-2004/2	10%
24)	KG-DWN-2004/3	10%
25)	KG-DWN-2004/5	10%
26)	KG-DWN-2004/6	10%

II) The following transactions were carried out with the related parties in the ordinary course of business:

(Rs. in Crores)

A) Details relating to parties referred to in item no. I (A) above:

	2006-07	2005-06
1) Sales	479.97	335.34
2) Amount receivable as at Balance Sheet Date for (1) above	27.22	15.71
3) Purchases	3458.76	2361.35
4) Amount payable as at Balance Sheet Date for (3) above	162.83	75.20
5) Reimbursement for other expenditure received/receivable	0.12	0.13
6) Amount receivable as at Balance Sheet Date for (5) above	0.08	0.09



B) Details relating to parties referred to in item no. I (B) above:

	2006-07	2005-06
1) Remuneration *	2.54	1.36
2) Interest bearing outstanding loans receivable	0.84	0.42
3) Interest accrued on loans given	0.38	0.21

* Remuneration includes Basic, Allowances, reimbursements, contribution to PF and perquisites.

In addition, Whole-time Directors are allowed the use of Staff cars including for private journeys upto a ceiling of 1000 Kms. per month on payment in accordance with the Bureau of Enterprises Circular.

C) Details relating to parties referred to in item no. I (C) above:

	2006-07	2005-06
1) Minimum work program commitment	299.48	536.78
2) Survey and other expenses	31.04	67.24
3) Other assets	327.21	141.14
4) Amount outstanding on Balance Sheet Date	126.11	59.97
5) Amount written off- Dry well expenditure	233.21	16.26

Share of GAIL in assets, liabilities, income, expenses contingent liabilities and capital commitments of jointly controlled Entities

S. No.	Description	Mahanagar Gas Limited		Indraprastha Gas Limited		Petronet LNG Limited		Bhagyanagar Gas Limited	
		2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06
1	Loan Funds								
	i. Secured Loans	11.02	15.34	-	-	172.90	157.49	-	-
	ii. Unsecured Loans	5.47	5.52	1.22	0.97	-	-	-	-
2	Reserves and Surplus	211.66	150.78	84.78	62.62	77.41	40.24	0.06	-
3	Current Liabilities	37.31	40.17	17.58	13.30	49.77	18.26	2.93	2.50
4	Provisions	37.46	13.77	50.96	(0.66)	11.98	(0.11)	0.01	-
5	Fixed Assets								
	i. Gross Block	293.27	246.13	138.04	125.04	243.22	242.78	3.57	2.60
	ii. Depreciation	77.49	59.44	56.22	42.82	37.72	24.98	0.24	0.10
	Net Block	215.78	186.69	81.82	82.22	205.50	217.80	3.33	2.50
	iii. CWIP	36.91	55.62	7.57	6.82	60.43	15.05	0.98	0.60
6	Investments	27.23	13.43	28.71	9.56	34.75	19.61	-	-
7	Current Assets								
	i. Inventories	5.56	4.55	4.68	4.19	26.25	12.99	-	-
	ii. Sundry Debtors	21.17	23.91	4.67	4.66	41.41	15.97	0.03	-
	iii. Cash and Bank balances	8.66	6.13	9.10	2.48	42.56	31.33	0.79	1.50
	iv. Loans and Advances	55.53	5.58	55.97	5.72	25.62	4.38	0.11	0.10
	v. Other current assets	-	-	0.26	-	0.19	0.08	-	-
8	Income								
	i. Sales (Less ED)	270.19	230.22	138.17	117.20	687.58	479.65	4.59	2.80
	ii. Other Income	3.74	2.20	2.33	1.03	5.62	2.43	0.07	-
9	Expenses								
	i. Purchases	110.99	74.43	60.25	50.73	593.31	406.69	3.84	2.40
	ii. Manufacturing, Transmission, Administration, Selling & Distribution and other Expenses	60.20	53.84	33.81	31.04	27.05	24.56	0.77	0.40
	iii. Interest and Finance Charges	1.07	2.19	0.18	0.61	13.38	13.95	-	-
10	Contingent Liabilities	16.63	2.17	0.64	0.50	122.64	87.19	0.02	-
11	Capital Commitments	39.94	31.12	12.56	11.52	92.29	137.07	1.35	1.10



Annexure - C

(Rs. in Crores)

Green Gas Limited		Central UP Gas Ltd.		MNGL		Aavantika		RGPPL	
2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06
-	-	-	-	-	-	-	-	2,135.21	-
-	-	-	-	-	-	0.02	-	0.20	-
(0.22)	-	(0.08)	-	-	-	-	-	-	-
7.50	1.80	0.65	1.00	0.14	-	0.29	-	121.13	-
-	-	-	-	0.03	-	-	-	0.60	-
4.46	0.10	5.68	0.80	0.10	-	-	-	76.17	-
0.21	-	0.16	-	-	-	-	-	0.20	-
4.25	0.10	5.52	0.80	0.10	-	-	-	75.97	-
5.51	1.70	1.75	1.90	0.25	-	0.17	-	2,633.69	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	36.70	-
0.18	-	0.05	-	-	-	-	-	-	-
0.40	0.80	5.86	1.30	1.86	-	0.45	-	7.83	-
0.20	0.30	0.29	0.10	0.05	-	-	-	2.26	-
0.01	-	-	-	-	-	0.01	-	0.14	-
2.15	-	1.40	-	-	-	-	-	-	-
0.10	-	0.17	-	-	-	-	-	0.39	-
1.25	-	0.65	-	-	-	-	-	-	-
1.06	-	0.87	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	34.65	-
0.04	0.20	0.47	0.20	-	-	-	-	-	-
7.17	3.00	2.58	4.00	1.29	-	0.23	-	121.33	-

Consolidated Cash Flow Statement for the Financial year ended 31st March, 2007

	2006-07	2005-06
		(Rs. in Crores)
CASH FLOW FROM OPERATING ACTIVITIES		
1 NET PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS	3088.85	3464.47
2 ADD :		
DEPRECIATION	621.41	602.85
DEFERRED REVENUE EXPENSES W/OFF	0.02	3.04
ADDITION TO PRELEMINARY EXP	(0.33)	-
CAPITAL RESERVE	(0.12)	(0.11)
EXCHANGE RATE VARIATION	(0.02)	(0.60)
INTEREST EXPENDITURE	121.71	134.05
DIVIDEND INCOME ON INVESTMENTS	(198.56)	(180.34)
INTEREST INCOME	(254.96)	(236.82)
PROVISION / WRITE OFF CWIP	241.87	-
PREVIOUS YEAR FCTR REVERSED	2.33	-
PROVISION OF ED ON CLS STOCK	10.59	-
PROFIT/LOSS ON SALE OF ASSETS/INVESTMENTS (NET)	(2.39)	2.15
	541.55	324.22
3 OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES (1+2)	3630.40	3788.69
4 CHANGES IN WORKING CAPITAL (EXCLUDING CASH & BANK BALANCES)		
TRADE AND OTHER RECEIVABLES	(415.61)	188.05
INVENTORIES	(131.24)	(2.60)
TRADE AND OTHER PAYABLES	(422.79)	438.40
	(969.64)	623.85
5 CASH GENERATED FROM OPERATIONS (3+4)	2660.76	4412.54
6 DIRECT TAXES PAID	(917.76)	(1016.07)
NET CASH FROM OPERATING ACTIVITIES (5+6)	1743.00	3396.47
BALANCE CARRIED FORWARD	1743.00	3396.47



Consolidated Cash Flow Statement for the Financial year ended 31st March, 2007

(Rs. in Crores)

	2006-07	2005-06
BALANCE BROUGHT FORWARD	1743.00	3396.47
CASH FLOW FROM INVESTING ACTIVITIES		
PURCHASE OF FIXED ASSETS	(4822.60)	(672.81)
SALE OF FIXED ASSETS	8.23	1.17
REDEMPTION OF BONDS/DEBENTURES	-	3.41
INVESTMENT IN OTHER COMPANIES	441.34	(682.62)
INTEREST RECEIVED	202.41	224.12
DIVIDEND RECEIVED	198.56	180.34
NET CASH FROM INVESTING ACTIVITIES	(3972.06)	(946.39)
CASH FLOW FROM FINANCING ACTIVITIES		
PROCEEDS FROM APPLICATION OF NEW SHARES	-	-
PROCEEDS FROM LONG TERM BORROWINGS	2067.37	-
REPAYMENT OF LONG TERM BORROWINGS	(500.00)	(105.74)
INTEREST PAID	(154.47)	(136.17)
DIVIDEND & DIVIDEND TAX PAID	(966.12)	(1159.57)
NET CASH FROM FINANCING ACTIVITIES	446.78	(1401.48)
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	(1782.28)	1048.60
OPENING ADJUSTMENT FOR JV/ASSOCIATE	(19.32)	
NET INCREASE IN CASH AND CASH EQUIVALENTS	(1801.60)	
CASH AND CASH EQUIVALENTS AS AT 01.04.2006 (OPENING BALANCE)	4539.88	3491.28
CASH AND CASH EQUIVALENTS AS AT 31.03.2007 (CLOSING BALANCE)	2738.28	4539.88
NOTES :		
1 Cash & Cash Equivalents include :		
Cash & Bank Balances		
As per Balance Sheet	2738.30	4539.88
Unrealised (Gain)/ Loss on Foreign Exchange	(-0.02)	-
Total Cash & Cash Equivalents	2738.28	4539.88

N.K. Nagpal
Secretary

R.K. Goel
Director (Finance)

M.R. Hignikar
Director (HR)

Dr. U.D. Choubey
Chairman & Managing
Director

As per our separate Report of even date
For M/s Mehra Goel & Co.
Chartered Accountants

Place : New Delhi
Date : May 08, 2007

R. K. Mehra
(Partner)
Membership No. 6102

GLOSSARY

Gas Industry specific terminologies

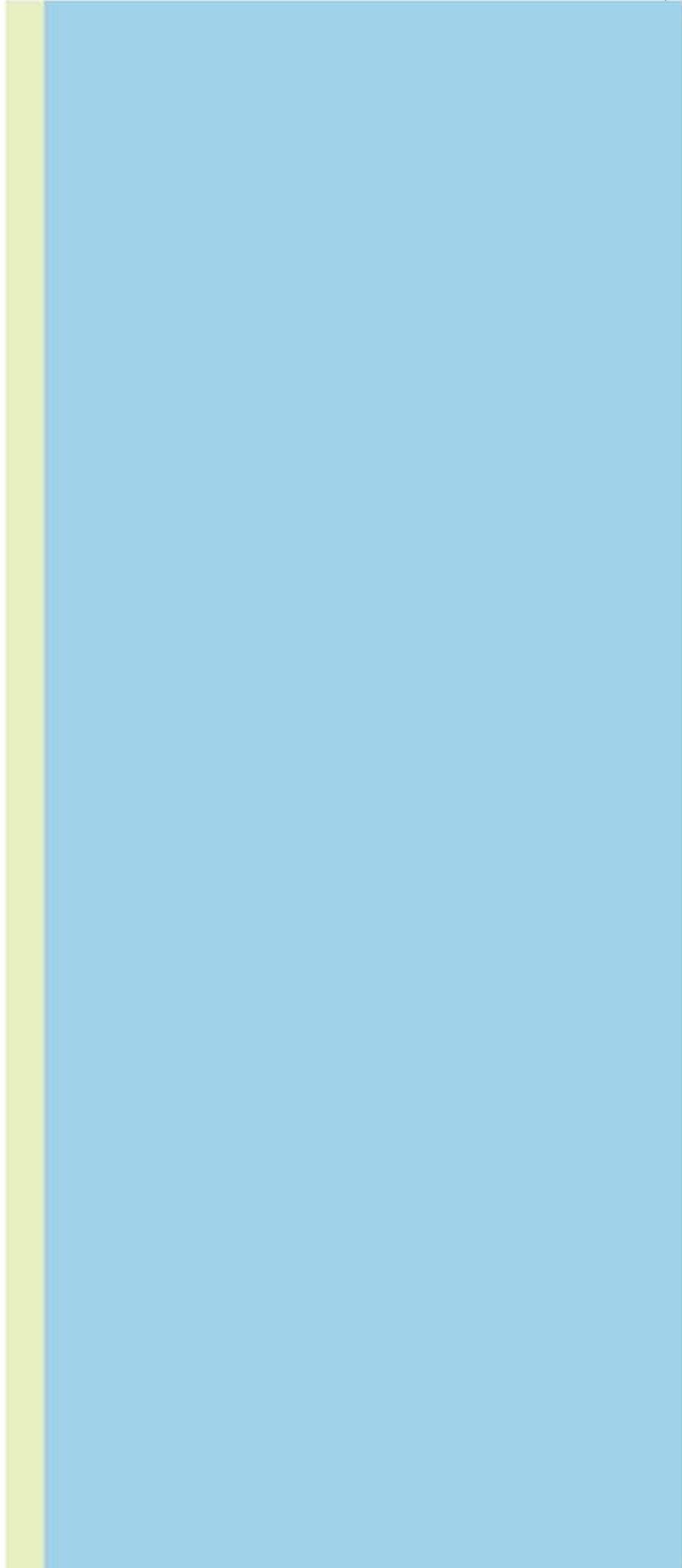
CBM	Coal Bed Methane		
CNG	Compressed Natural Gas		
DGH	Director General Hydro-carbon		
DVPL	Dahej-Vijaipur Pipeline		
E&P	Exploration and Production		
ESA	External Safety Audits		
GPU	Gas Processing Unit		
GTI	GAIL Training Institute		
HDPE	High Density Polyethelyene		
HSE	Health Safety and Environment		
HVJ	Hazira Vijaipur Jagdishpur	NELP	New Exploration & Licensing Policy
JLPL	Jamnagar-Loni Pipeline	O&M	Operation and Maintenance
LLDPE	Linear Low Density Polyethelyene	OLHC	Other Liquid Hydro-Carbon
LNG	Liquified Natural Gas	PNG	Piped Natural Gas
LPG	Liquified Petroleum Gas	SBPS	Special Boiling Point Solvent
MMSCMD	Metric Million Standard Cubic Meters Per Day	TPA	Tonnes Per Annum
MMT	Metric Million Tonne	VSPL	Vizag-Secundarabad Pipeline
MMTPA	Metric Million Tonne Per Annum		
MOP&NG	Ministry of Petroleum and Natural Gas		
MOU	Memorandum of Understanding		
MTs	Metric Tonnes		
MW	Mega-Watt		

General Abbreviations

BIS	Business Information System
CSR	Corporate Social Responsibility
ERP	Enterprise Resource Planning
JVCs	Joint Venture Companies
PSU	Public Sector Unit
QC	Quality Circle
SCADA	Supervisory Control and Data Acquisition
TQM	Total Quality Management

Financial terms

BSE	Bombay Stock Exchange
CAGR	Compounded Annual Growth Rate
CAPEX	Capital Expenditure
EBIDTA	Earnings Before Interest Depreciation Tax and Amortization
ED	Excise Duty
EPS	Earnings Per Share
GDP	Gross Domestic Product
NSE	National Stock Exchange
PAT	Profit After Tax
PBIDTA	Profit Before Interest Depreciation Tax and Amortization
PBIT	Profit Before Interest and Tax
PBT	Profit Before Tax
ROCE	Return on Capital-Employed
ROIC	Return on Invested-Capital
RONW	Return on Net-Worth





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