

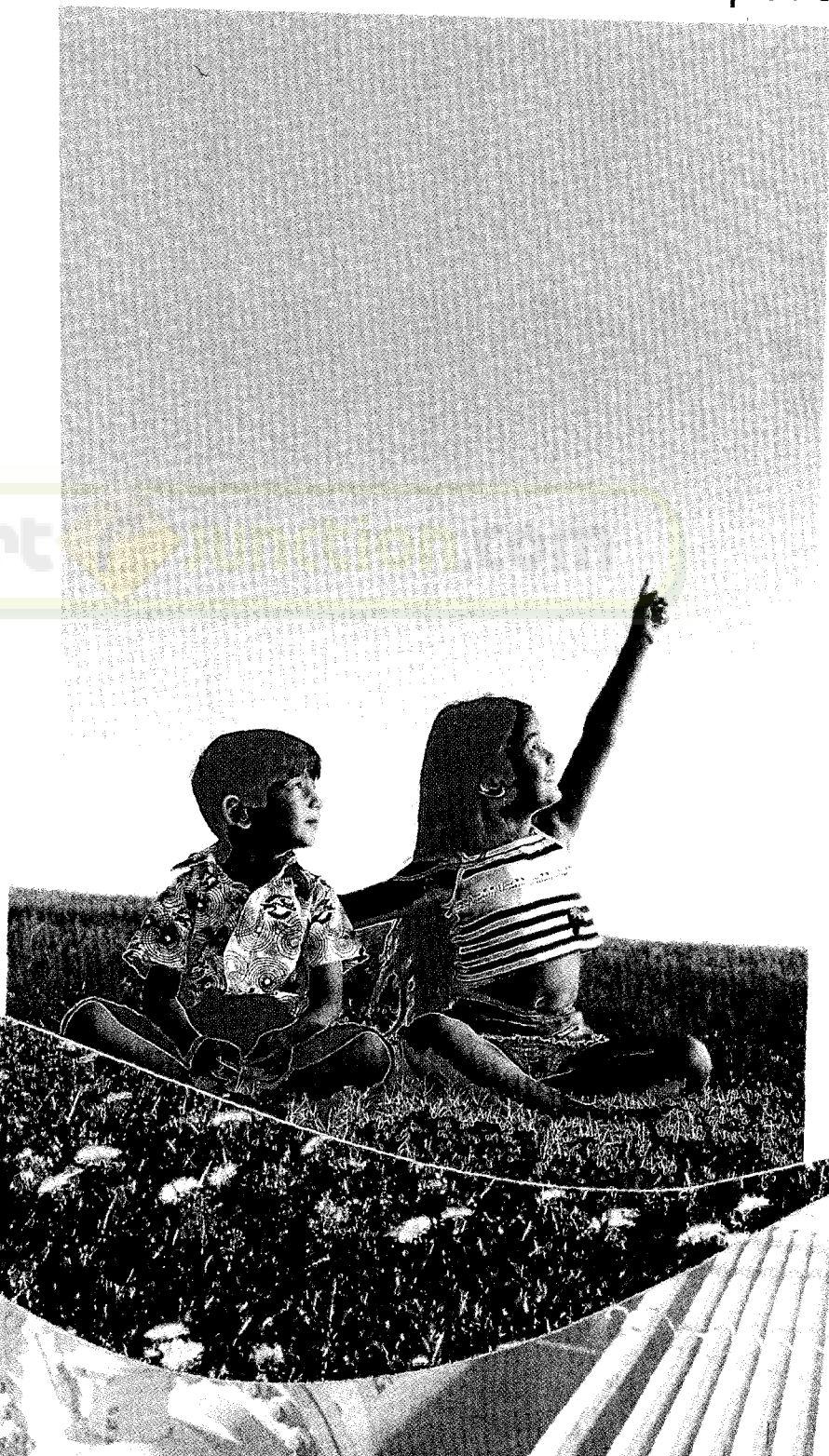


GAIL (India) Limited

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."**

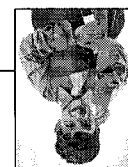
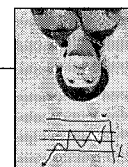
As we expand our gas pipeline networks, reaching the green fuel to newer ports of call, we are proud to contribute in our small way towards the preservation of the environment by making the gas available to increasing parts of the country, helping curb hazardous emissions and providing clean fuel for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



CONTENTS

123	Consolidated Financial Statements
105	Annual Accounts of Subsidiary GAIL Global (Singapore) Pte. Limited
104	Comments of C&AG
103	Income and Expenditure - Township etc.
102	Schedule of Fixed Assets - Township
99	Balance Sheet Abstract and Company's General Business Profile
83	Accounting Policies
81	Cash Flow Statement
64	Financial Statements
60	Auditors' Report to the Shareholders
59	Annual Accounts
55	Five Year Profile
41	Report on Corporate Governance
35	Management Discussion & Analysis
13	Directors' Report
12	Highlights 2006-07
10	Board of Directors
3	Notice of AGM



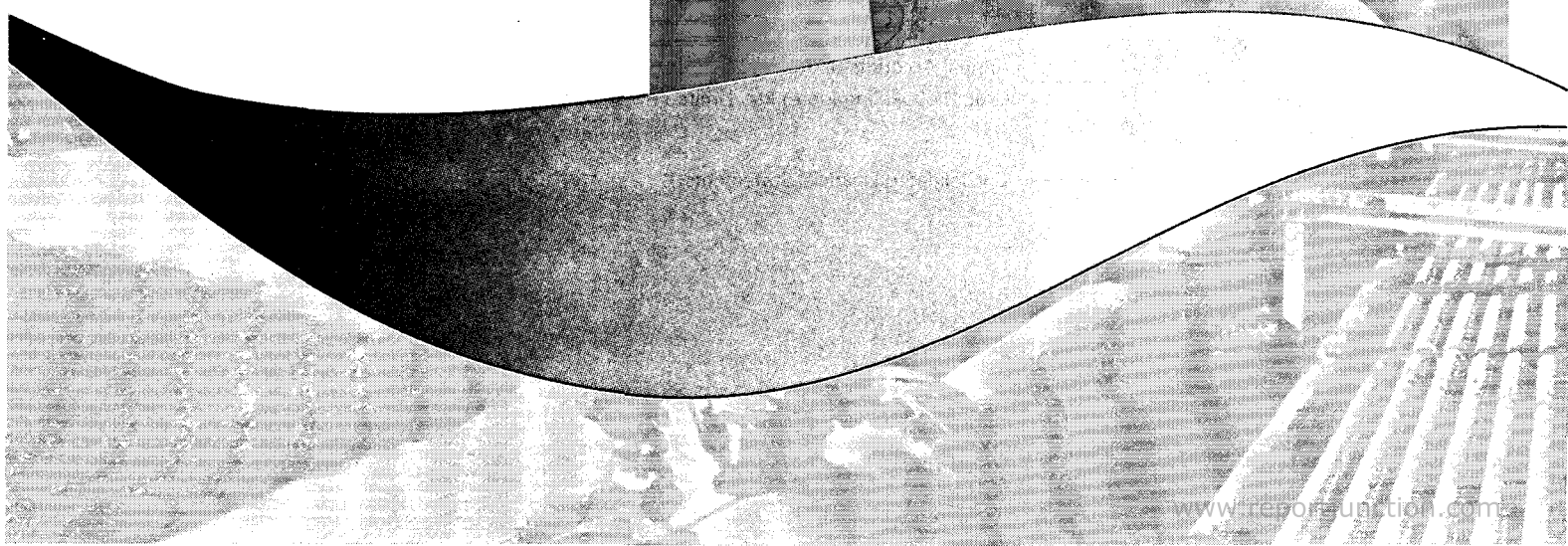
Vision & Mission

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.





NOTICE

NOTICE is hereby given that the **Twenty-third Annual General Meeting** of the Members of **GAIL (INDIA) LIMITED** will be held on **Monday, the 3rd day of September, 2007 at 10.30 a.m.** at Air Force Auditorium, Subroto Park, New Delhi-110010, to transact the following business:-

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2007, Profit & Loss Account for the year ended 31st March, 2007, Board's Report, Auditors' Report and the comments thereupon of Comptroller & Auditor General of India.
2. To declare dividend on Equity Share Capital for the financial year ended on 31st March, 2007. The Board has recommended a total dividend of 100% on the paid-up Equity Share Capital of the Company for the year ended 31st March, 2007, which includes Interim Dividend of 55%, already paid in December, 2006 and Special Interim Dividend of 25%, already paid in March, 2007.
3. To appoint a Director in place of Shri M.R. Hingnikar, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Dr. A.K. Kundra, who retires by rotation, and being eligible, offers himself for re-appointment.
5. To authorise Board of Directors of the Company to fix remuneration of the Statutory Auditors of the Company in terms of the provisions of Section 224(8)(aa) of the Companies Act, 1956 and to pass the following resolution, with or without modification(s), as Ordinary Resolution :

"RESOLVED THAT the Board of Directors of the Company be and is hereby authorized to decide and fix the remuneration of the Statutory / Branch Auditors of the Company for the Financial Year 2007-2008, as may be deemed fit by the Board."

SPECIAL BUSINESS

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

6. **"RESOLVED THAT** in accordance with the provision of Section 257 and other applicable provision, if any, of the Companies Act, 1956, Shri A.K. Purwaha, who was appointed as an Additional Director, by the President of India vide letter No. 31012/6/2005-CA dated 03.08.2006 be and is hereby appointed as a Director (Business Development) of the Company, liable to retire by rotation, on such terms and conditions, remuneration and tenure as may be determined by the President of India from time to time."

7. **"RESOLVED THAT** in accordance with the provision of Section 257 and other applicable provision, if any, of the Companies Act, 1956, Shri Santosh Kumar, who was appointed as an Additional Director, by the President of India vide letter No. 31012/7/2005-CA dated 25.09.2006 be and is hereby appointed as a Director (Projects) of the Company, liable to retire by rotation, on such terms and conditions, remuneration and tenure as may be determined by the President of India from time to time."
8. **"RESOLVED THAT** in accordance with the provision of Section 257 and other applicable provision, if any, of the Companies Act, 1956, Shri D.N. Narasimha Raju, who was appointed as an Additional Director, by the President of India vide letter No. 31019/1/2006-CA dated 30.11.2006 be and is hereby appointed as a Director of the Company, liable to retire by rotation."
9. **"RESOLVED THAT** in accordance with the provision of Section 257 and other applicable provision, if any, of the Companies Act, 1956, Shri S. Sundareshan, who was appointed as a Director, in the casual vacancy, by the President of India vide letter No. 31019/1/2006-CA dated 04.05.2007, be and is hereby appointed as a Director of the Company, liable to retire by rotation."
10. **"RESOLVED THAT** in accordance with the provision of Section 257 and other applicable provision, if any, of the Companies Act, 1956, Shri B.C. Tripathi, who was appointed as an Additional Director, by the President of India vide letter No. 31019/2/2007-CA dated 05.07.2007 be and is hereby appointed as a Director (Marketing) of the Company, liable to retire by rotation, on such terms and conditions, remuneration and tenure as may be determined by the President of India from time to time."

By Order of the Board
Sd/-
(N.K. Nagpal)
Company Secretary

Place: New Delhi
Date: 13.07.2007

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXY FORM DULY COMPLETED SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE SCHEDULED TIME OF THE MEETING (ANNEXED WITH THE NOTICE).

2. The Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of the Special Business is annexed herewith.

3. A brief resume of the Directors proposed for appointment / re-appointment as mandated in Clause 49 of the Listing Agreement is annexed with the Notice.

4. The documents referred to in the accompanying Notice and Explanatory Statement thereto, are open for inspection by Members, at the Registered Office of the Company during office hours, i.e., between 11:00 a.m. and 1:00 p.m., on all working days, except Saturday, Sunday and holiday(s), upto the date of the Annual General Meeting.

5. The Register of Members and Share Transfer Book will remain closed from **Monday, the 20th August, 2007 to Monday, the 3rd September, 2007 (both days inclusive)** for the purpose of payment of final dividend, if any, to be declared at this meeting.

6. The dividend, if any, in respect of Equity Shares held in electronic mode will be paid on the basis of beneficial ownership, details of which are furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL), for the said purpose.

7. For effecting change of Address/Bank details/Electronic Clearing Service (ECS) Mandate, if any, Members are requested to notify the same to the following:-

(i) if shares are held in **physical mode**, to the Company and/or Registrar and Share Transfer Agent (R&T Agent) of the Company, i.e., MCS Limited, Sri Venkatesh Bhawan, W-40, Okhla Industrial Area, Phase - II, New Delhi - 110 020.

(ii) if shares are held in **electronic mode**, to their Depository Participant (DP). The Company/R&T Agent will not entertain requests for noting change of Address/Bank details/ECS Mandate, if any.

8. Members holding shares in **electronic mode** may kindly note that their Bank Account details and 9-digit MICR Code of their Bankers, as noted in the records of their DP, shall be used for the purpose of overprinting on Dividend Warrants, or remittance of dividend through Electronic Clearing Service (ECS), wherever applicable. It is, therefore, necessary that the Members should ensure that their correct bank details and/or 9-digit MICR Code number are noted in the records of the DP.

Reserve Bank of India (RBI) is providing ECS facility for payment of dividend in selected cities. Members holding shares in physical mode and who are desirous of availing this facility may give the details of their bank account, i.e., 9-digit MICR Code, along with photocopy of a cheque or a blank cancelled cheque relating to the designated bank account, to the Company/R&T Agent.

As per the ECS Mandate noted in the records of your DP, the amount of dividend will be credited directly to bank account through RBI's Electronic Clearing Service (ECS). The credit of dividend amount can also be confirmed from your pass book/bank statement. Kindly ensure that the ECS mandate is correctly recorded with your DP so that no ECS rejection takes place.

9. 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. After the said date, no claim shall lie against the Company/Fund, in respect of the said amount.

Due date(s) of transfer of unpaid/unclaimed dividend to IEPF for the respective financial year(s) are given in Corporate Governance Report section of the Annual Report.

Members who have not encashed their Dividend Warrant may approach the Company/R&T Agent for issuance of demand draft(s) upon completion of necessary formalities in the said behalf in lieu of such warrant.

10. Members are requested to :-

(i) bring their copy of Annual Report and Attendance Slip at the venue of the meeting.

(ii) quote their Folio/DP & Client ID No. in all correspondence with the Company/R&T Agent.

(iii) note that briefcase, bag, eatables etc. **will not be allowed** to be taken inside the venue of the meeting for security purposes and shareholders will be required to take care of their belongings.

(iv) note that **no gifts** will be distributed at the Annual General Meeting.

(v) note that **shareholders present in person or through registered proxy** shall only be entertained.

(vi) the attendance slip/proxy form should be **signed** as per the specimen signature registered with the R&T Agent/DP. Please **carry photo ID** card for identification/verification purposes.



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

ITEM NO. 6

Shri A.K. Purwaha was nominated as Director (Business Development) on whole-time basis by the President of India vide letter No. 31012/6/2005-CA dated 03.08.2006, for a period of 5(five) years or until further orders, whichever event occurs earlier. Further, he was inducted as an Additional Director w.e.f. 01.11.2006 till the conclusion of this Annual General Meeting. The Board recommends that he may be appointed as a Whole-time Director, liable to retire by rotation.

The Company has received a Notice along with requisite fee from a member under section 257 of the Companies Act, 1956, proposing the candidature of Shri A.K. Purwaha as a Director (Business Development) of the Company.

Your Directors recommend the resolution for approval of the shareholders.

Shri A.K. Purwaha is interested in this resolution to the extent of his appointment as a Director. No other Director of the Company is concerned / interested in the proposed resolution.

ITEM NO. 7

Shri Santosh Kumar was nominated as Director (Projects) on whole-time basis by the President of India vide letter No. 31012/7/2005-CA dated 25.09.2006 till the date of his superannuation or until further orders, whichever event occurs earlier. Further, he was inducted as an Additional Director w.e.f. 01.11.2006 till the conclusion of this Annual General Meeting. The Board recommends that he may be appointed as a Whole-time Director, liable to retire by rotation.

The Company has received a Notice along with requisite fee from a member under section 257 of the Companies Act, 1956, proposing the candidature of Shri Santosh Kumar as a Director (Projects) of the Company.

Your Directors recommend the resolution for approval of the shareholders.

Shri Santosh Kumar is interested in this resolution to the extent of his appointment as a Director. No other Director of the Company is concerned / interested in the proposed resolution.

ITEM NO. 8

Shri D.N. Narasimha Raju, Joint Secretary, Ministry of Petroleum & Natural Gas, was nominated by the President of India vide letter No. 31019/1/2006-CA dated 30.11.2006, as a Director on the Board of Directors of the Company w.e.f. 30.11.2006. He was inducted as an Additional Director, till the conclusion of this Annual General Meeting. The Board recommends that he may be appointed as a Director, liable to retire by rotation.

The Company has received a Notice along with requisite fee from a member under section 257 of the Companies Act, 1956, proposing the candidature of Shri D.N. Narasimha Raju as a Director of the Company.

Your Directors recommend the resolution for approval of the shareholders.

Shri D.N. Narasimha Raju is interested in this resolution to the extent of his appointment as a Director. No other Director of the Company is concerned / interested in the proposed resolution.

ITEM NO. 9

Shri S. Sundareshan, Additional Secretary (P&NG), Ministry of Petroleum & Natural Gas, was nominated by the President of India vide letter No. 31019/1/2006-CA dated 04.05.2007, as a Director in the casual vacancy on the Board of Directors of the Company w.e.f. 04.05.2007, till the conclusion of this Annual General Meeting. The Board recommends that he may be appointed as a Director, liable to retire by rotation.

The Company has received a Notice along with requisite fee from a member under section 257 of the Companies Act, 1956, proposing the candidature of Shri S. Sundareshan as a Director of the Company.

Your Directors recommend the resolution for approval of the shareholders.

Shri S. Sundareshan is interested in this resolution to the extent of his appointment as a Director. No other Director of the Company is concerned / interested in the proposed resolution.

ITEM NO. 10

Shri B.C. Tripathi was nominated as Director (Marketing) on whole-time basis by the President of India vide letter No. 31019/2/2007-CA dated 05.07.2007, for a period of 5(five) years or until further orders, whichever event occurs the earlier. Further, he was inducted as an Additional Director w.e.f. 06.07.2007 till the conclusion of this Annual General Meeting. The Board recommends that he may be appointed as a Whole-time Director, liable to retire by rotation.

The Company has received a Notice along with requisite fee from a member under section 257 of the Companies Act, 1956, proposing the candidature of Shri B.C. Tripathi as a Director (Marketing) of the Company.

Your Directors recommend the resolution for approval of the shareholders.

Shri B.C. Tripathi is interested in this resolution to the extent of his appointment as a Director. No other Director of the Company is concerned / interested in the proposed resolution.

**By Order of the Board
Sd/-
(N.K. Nagpal)
Company Secretary**

**Place: New Delhi
Date: 13.07.2007**

**PURSUANT TO THE PROVISIONS OF
CLAUSE 49 OF THE LISTING
AGREEMENT, A BRIEF RESUME OF
THE DIRECTORS, PROPOSED FOR
APPOINTMENT/RE-APPOINTMENT IS
GIVEN BELOW:-**

ITEM NO. 3

Shri M.R. Hingnikar, Director (HR), joined the Company in 1993 as the Senior Manager in Technology & Projects. He has more than 29 years of experience in the petroleum and petrochemical field (in areas from natural gas handling to crude oil refining to petrochemicals). He holds a B.Tech degree in Chemical Engineering from L.I.T. Nagpur, an M. Tech in Chemical Engineering from IIT, Mumbai and an MBA from the University of Hull, U.K.

Shri M.R. Hingnikar holds Directorship in Aavantika Gas Limited, Brahmaputra Cracker & Polymer Limited, Bhagyanagar Gas Limited, Maharashtra Natural Gas Limited and Shell CNG, Egypt.

ITEM NO. 4

Dr. A.K. Kundra retired from the Indian Administrative Service as Secretary to the Government of India, Ministry of Mines, on April 30th, 2003. Dr. Kundra holds a Masters Degree in Economics from Punjab University. He obtained a Ph.D. from the School of International Studies at Jawaharlal Nehru University. He joined the IAS in 1966 and was allocated to Punjab Cadre. During his service career spanning over 36 years, he has held various assignments with the Government of India and the State of Punjab. For over 19 years, Dr. Kundra has held jobs which have given him professional knowledge and experience in the fields of industry, corporate management, commerce, international trade and finance.

Dr. A.K. Kundra holds Directorship in Punjab Alkalies & Chemicals Limited.

Dr. A.K. Kundra does not hold any equity shares in the Company.

ITEM NO. 6

Shri A.K. Purwaha, Director (Business Development) is an Electrical Engineer from Delhi University. He has over 29 years of extensive experience in the Oil & Gas Sector. He started his career with ONGC in the Drilling Business Group, at the time of the

inception of Bombay High and also worked in Mumbai High. He joined GAIL in 1985 and has gained experience in Cross-country Pipeline for gas distribution, Operation and Maintenance of Gas Pipeline systems and Project Management for gas based LPG recovery plants. Prior to taking over as Director (Business Development), Shri Purwaha served as Managing Director of Mahanagar Gas Limited (MGL) from September 2001 to September 2006.

Shri A.K. Purwaha holds Directorship in Brahmaputra Cracker & Polymer Limited, Ratnagiri Gas and Power Private Limited, GAIL Global (Singapore) Pte. Limited and Natgas, Egypt.

ITEM NO. 7

Shri Santosh Kumar, Director (Projects) is an Electrical Engineer from Motilal Nehru Engineering College, Allahabad. He was earlier Executive Director (Projects) at GAIL. He has over 33 years of extensive experience in fertilizer, telecommunications and oil & gas sector. He started his career as a faculty member in his alma mater and later on branched into the fertilizer sector, effectively combining theoretical and practical aspects of the industry. He has rich experience in working at HFCL, Namrup in Assam, Indian Telephone Industries, UP before joining GAIL in 1985.

Shri Santosh Kumar holds Directorship in Green Gas Limited, Central UP Gas Limited, Gujarat State Energy Generation Limited and Fayum Gas, Egypt.

ITEM NO. 8

Shri D.N. Narasimha Raju, Joint Secretary, Ministry of Petroleum & Natural Gas, Government of India, is an IAS Officer from Karnataka Cadre (1984). He holds a degree in Agriculture Economics and a post graduate degree in Horticulture and Business Laws.

During his IAS career spanning over two decades, he has served in various departments falling under various sectors, which include Deputy Commissioner in Bangalore City Corporation, Secretary (Reforms and PMU) in Finance Department, Deputy Secretary/ Director (on deputation) in Department of Economic Affairs, Ministry of Finance.

Shri D.N. Narasimha Raju does not hold Directorship in any other Company.

Shri D.N. Narasimha Raju does not hold any equity shares in the Company.

ITEM NO. 9

Shri S. Sundareshan, Additional Secretary, Ministry of Petroleum & Natural Gas, Government of India, is an IAS Officer from Kerala Cadre (1976). He is an MBA from University of Leeds, United Kingdom and M.A. from University of Mumbai.

During his IAS career spanning over three decades, he has served in various departments falling under various sectors, which primarily include Chairman, Forward Markets Commission, Government of India, Joint Secretary, Department of Economic Affairs, Ministry of Finance, Government of India, Secretary to the Government of Kerala in the Department of Expenditure and Managing Director, Kerala State Milk Marketing Federation and Kerala Live Stock Development Board.

Shri S. Sundareshan holds Directorship in Oil and Natural Gas Corporation Limited, Indian Oil Corporation Limited and Indian Strategic Petroleum Reserves Limited.

Shri S. Sundareshan does not hold any equity shares in the Company.

ITEM NO. 10

Shri B.C. Tripathi, Director (Marketing) is a Mechanical Engineer from Moti Lal Nehru Regional Engineering College, Allahabad. He was earlier Executive Director (Projects) at GAIL. He joined GAIL during its inception in 1984 and has over 25 years experience in the Gas Sector. Prior to joining GAIL he had also worked in ONGC. He was one of the initial team members involved in the construction and commissioning of the HVJ pipeline system. Subsequently, he worked in the Operations & Maintenance of the pipeline network including at Compressor Station in UP region. During his tenure in Operations, he has been actively involved in customer relations and servicing of major consumers in the gas sector.

Shri B.C. Tripathi does not hold Directorship in any other Company.



ATTENDANCE SLIP

GAIL (INDIA) LIMITED

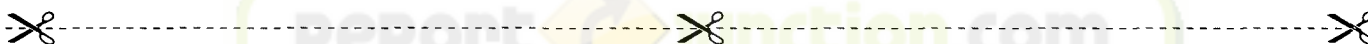
Registered Office: 16, Bhikaiji Cama Place, R.K. Puram, New Delhi - 110066

Folio/DP & Client ID No. :
 No. of Shares held :
 Name :
 Address :
 Signature of Shareholder/Proxy :

I hereby record my presence at the **Twenty-third Annual General Meeting** of the Company to be held on **Monday, the 3rd day of September, 2007 at 10.30 a.m.** at Air Force Auditorium, Subroto Park, New Delhi- 110010.

NOTE:

1. The attendance slip should be signed as per the specimen signature registered with the R&T Agent/Depository Participant (DP) and hand over this at the entrance. **Please carry Photo-ID card for identification/verification purposes.**
2. That shareholder(s) present in person or through registered proxy shall only be entertained.
3. That briefcase, bag, eatables etc. will not be allowed to be taken inside the venue of the meeting for security purposes and shareholder(s) will be required to take care of their belonging(s).
4. That **no gifts** will be distributed at the Annual General Meeting.



PROXY FORM

GAIL (INDIA) LIMITED

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

I/We of being a member of GAIL (India) Limited hereby appoint of or failing him of or failing him of as my/our proxy, in my/our absence to attend and vote for me/us and on my/our behalf at the **Twenty-third Annual General Meeting** of the Company to be held on **Monday, the 3rd day of September, 2007 at 10.30 a.m.** at Air Force Auditorium, Subroto Park, New Delhi- 110010.

Folio/DP & Client ID No. :
 No. of Shares held :
 Name :
 Address :

Signed this day of, 2007

Affix
Revenue
Stamp

Signature

NOTE:

1. The Proxy in order to be effective must be deposited at the Registered Office of the Company duly stamped, completed and signed, not less than 48 hours before the time for holding of the meeting.
2. The Proxy Form should be signed across the stamp as per specimen signature registered with the R&T Agent/Depository Participant (DP).

