

December 2006
27th ANNUAL REPORT

100,00,00,000
cubic metres

An important milestone



GUJARAT GAS COMPANY LIMITED

1



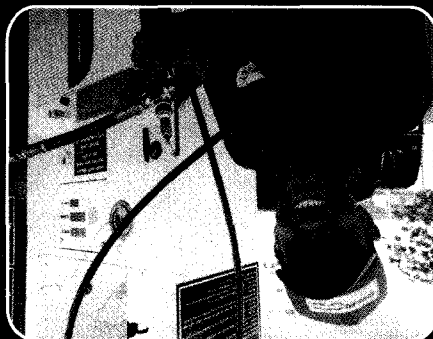
smiles

An equally satisfying milestone.

During the year under review, we crossed a number of major milestones in our continuing journey of growth.

We sold 1 billion cubic metres of gas in the year ended 2006 to the industrial, commercial, domestic and CNG customers in South Gujarat. It is for the first time in India that any city gas distribution company has sold such a large volume of gas in a single year.

An equally important milestone was that our daily gas sales volume increased to almost 4 million cubic meters in the first week of January 2007. Considering that in November 2002, we were distributing around 1 million cubic meters of gas per day, our daily gas sales volume has quadrupled over a period of approximately four years.

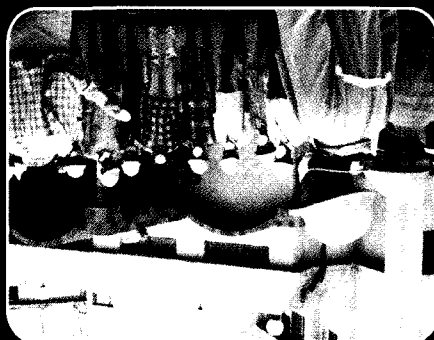


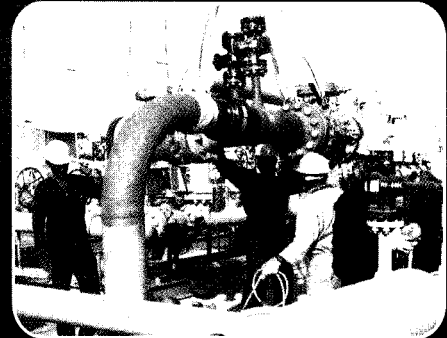
But to us, besides all the above, there is an achievement which is equally significant. The smiles on the faces of millions - people who belong to the nearly 2,00,000 families that we serve, use our CNG and are a part of the industries that we service.

We also invested in acquiring the business of leasing of Co-generation equipment. During the year, we have already commissioned 7 power plants with capacity totalling 14.69 MW. Cogen business has given a strategic thrust in attracting new customers into our area of operation on the platform of not only assured gas supply but also good quality consistent power supply.

infrastructure has laid a strong foundation for growing the business. day during 2006 - the highest ever in a single year. This, along with the investment in availability of gas for the future. We signed up 2.35 million standard cubic meters of gas per After all, our investment in pipeline infrastructure had to be backed up with increased. It was equally important to further increase the availability of gas for growing the business.

have also ensured significant enhancement in the reliability of the network. These investments have not only ensured that we could increase the volume of gas sold but was equivalent to more than 80% of the investment during the first fifteen years of operation. last two years. The total capital invested in 2005 (Rs. 160 crores) and 2006 (Rs. 135 crores) The growth in volume was supported by our significant investments in infrastructure during the





With a great achievement comes a greater commitment.

The commitment was clearly visible during the floods in 2006. The unprecedented floods affected almost the entire city of Surat - one of our main operation areas. Our main office, gas receiving station and control room, were submerged in up to 12 feet of water. Electricity supply, telecommunication and other utilities were severely affected. Our own employees and their families were also affected.

However, with the support of some of the gas suppliers, Government agencies and with the commitment of our employees, we continued gas supply to all our customers without any disruption. Our investments in network upgradation, contingency planning and our strategy of multiple sourcing ensured supply security to the customers. The continuous supply of gas proved to be a lifeline to thousands of household customers who could at least boil water and prepare food.

Although, the disaster was a humbling experience, we consider ourselves privileged to have played our part in providing a lifeline to a city in distress.

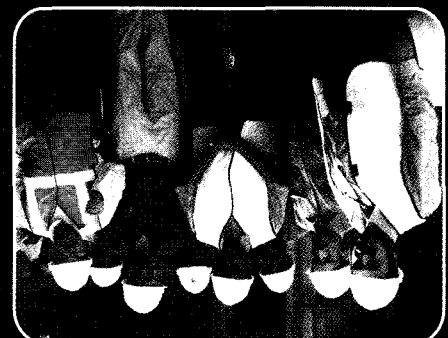
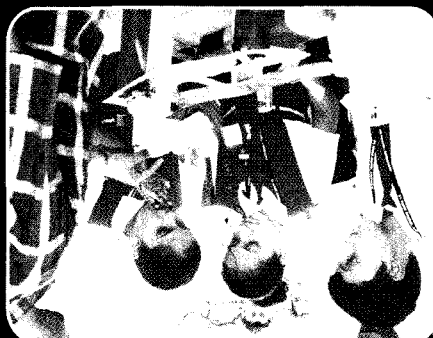
All these measures ensuring a billion cubic meter of sales and millions of smiles during the

- Children are critical to bring home safety in day-to-day activities. More than 10,000 children were given training safety training to inculcate safe behaviours.
- An Environment van has reached more than 185,000 children to enhance the awareness of environment protection through a variety of pedagogy i.e theoretical exposure, practical exercises and video show along with interesting quiz.
- A Science is fun week to spread the interest in science among children was celebrated at Ahmedabad and Surat. More than 30,000 children attended the program intended to raise the interest in basic science amongst our children.
- A CNG Mechanic Training program undertaken with BG provides a specialised training for mechanics - the only one of its kind in Gujarat providing a formal training on CNG kit fitting, maintenance and repair.

This commitment to being a good corporate citizen reflects in our activities with the local citizens- infrastructure.

The integrity of our assets is key to ensuring safe and continuous supply of gas. We continuously undertake audits of our asset integrity systems to ensure a strong and robust

Our commitment extends to being a good corporate citizen. Our Health, Safety, Security and Environment (HSSE) policy and systems are designed to adopt the highest standards. Major operations of Gujarat Gas continue to remain certified as ISO 9001, ISO 14001 and OHSAS 18001. Our safety and environmental performance has also been acknowledged by award of Greentech Silver Awards.





GUJARAT GAS COMPANY LIMITED

BOARD OF DIRECTORS

HASMUKH SHAH, *Chairman*

WILLIAM ADAMSON

ANTONY SEIGEL (upto 14 December 2006)

KAPIL GARG (from 15 December 2006)

PROF. PRADIP KHANDWALLA

JAL PATEL

AJIT KAPADIA

D. RAJAGOPALAN, IAS (upto 15 March 2007)

HASMUKH ADHIA, IAS (upto 30 June 2006)

B. S. SHANTHARAJU, *Managing Director*

RAJIV SHAH, *Company Secretary*

GROUP HEADS

AKHIL MEHROTRA, *Director - Power*

JOE MCGOWAN, *Director - Technical*

PRIYARANJAN SEKHON, *Legal Counsel*

SADHAN BANERJEE, *Director - Management Services*

SHALEEN SHARMA, *Director - Commercial*

SUGATA SIRCAR, *Director - Finance (from 1 April 2007)*

DILIP JOSHI, *General Manager - Internal Audit*

H. K. UPADHYAY, *General Manager - External Affairs*

L. BALASUNDARAM,
General Manager - Human Resources

BANKERS

HDFC Bank Limited

ICICI Bank Limited

Standard Chartered Bank

State Bank of India

AUDITORS

PRICE WATERHOUSE

Chartered Accountants

Building 8, Tower B

8th Floor, DLF Cyber City

Gurgaon-122 022

CORPORATE & REGISTERED OFFICE

2, Shantisadan Society

Near Parimal Garden

Ellis Bridge

Ahmedabad 380 006, India

OFFICES

SURAT

Plot No.87-88

Mayavanshi Mohallo

Adajan Gam, Surat

ANKLESHWAR

Surati Bhagol, Umarwada Road

Near Piraman Naka, Ankleshwar

BHARUCH

Anand Mangal Society

Son Talavdi, Bharuch

VAPI

Chandralok Complex

Nr. Cinepark Multiplex

Selvas Vapi Main Road

Chanod, Vapi

27th Annual General Meeting

Date: 30 April 2007

Day: Monday

Time: 10.00 a.m.

Venue: H. T. Parekh Convention Centre

Ahmedabad Management Association

ATIRA, Dr. Vikram Sarabhai Marg

Vastrapur, Ahmedabad – 380 015

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NOTICE

NOTICE is hereby given that the Twenty Seventh Annual General Meeting of the Members of Gujarat Gas Company Limited will be held on Monday, 30 April 2007 at 10.00 a.m. at H. T. Parekh Convention Centre, Ahmedabad Management Association, ATIRA, Dr. Vikram Sarabhai Marg, Vastrapur, Ahmedabad - 380 015 to transact the following business:

ORDINARY BUSINESS

1. To consider and adopt the Directors' Report, the audited Profit and Loss Account and Cashflow statement for the year ended on 31 December 2006, the Balance Sheet as at that date and the Auditors' Report thereon.
2. To declare the dividend on preference shares.
3. To declare the dividend on equity shares.
4. To appoint a director in place of Mr. Jal Patel, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a director in place of Mr. Ajit Kapadia, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint auditors to hold office from the conclusion of this meeting until the conclusion of the next annual general meeting and to fix their remuneration.

SPECIAL BUSINESS

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

"RESOLVED THAT Mr. Kapil Garg who was appointed as an additional director of the company under Section 260 of the Companies Act, 1956 read with Article 79 of the Articles of Association of the company and who holds office till conclusion of this annual general meeting and in respect of whom the company has received a notice from a member proposing his candidature for the office of director, be and is hereby appointed as a director of the company."

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

"RESOLVED THAT pursuant to the provisions of Section 94 (1)(d) and other applicable provisions, if any of the Companies Act, 1956 and pursuant to Article 3(i) of the Articles of Association of the company and such other approvals and consents as may be required from the stock exchanges, the depositories and other statutory authorities, the consent of the company be and is hereby accorded to sub-divide 1,28,25,000 equity shares of Rs. 10 each comprising the fully paid up equity share capital of the company into 6,41,25,000 equity shares of Rs. 2 each fully paid."

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to take such actions as

may be necessary and incidental and to agree to such terms and conditions, if any as may be prescribed by the stock exchanges, the depositories and other statutory authorities and delegate all or any of the powers hereby vested in the Board for the purposes of implementing sub-division of the equity share capital referred above."

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

"RESOLVED THAT pursuant to the provisions of Section 94 and other applicable provisions, if any of the Companies Act, 1956, Clause V of the Memorandum of Association of the company be hereafter replaced by the following Clause V:

V. The authorised share capital of the company shall be Rs. 45,00,00,000 (Rupees Forty Five Crore) divided into 14,00,00,000 (Fourteen Crore) equity shares of Rs. 2 each and 1,70,00,000 (One Crore Seventy Lac) preference shares of Rs. 10 each with power to the company to increase or reduce from time to time its capital and to issue any shares in the equity or preference capital and to attach to any class of such shares any preferences, rights, privileges or priorities in payment of dividends or distribution of assets or other matters or to subject the same to any restrictions, limitations or conditions and to vary the regulations of the company as may be necessary to give effect to the same."

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

"RESOLVED THAT pursuant to the provisions of Section 31 and other applicable provisions, if any of the Companies Act, 1956, the existing Article 3 (i) of the Articles of Association of the company be hereafter replaced by the following Article 3 (i):

i) The Authorised Share Capital of the company is Rs. 45,00,00,000 (Rupees Forty Five Crore) divided into 14,00,00,000 (Fourteen Crore) equity shares of Rs. 2 each and 1,70,00,000 (One Crore Seventy Lac) preference shares of Rs. 10 each with power to increase and/or reduce capital of the company for the time being and to sub-divide the capital into several classes and to attach thereto respectively such preferential, deferred, guaranteed, qualified or special rights, privileges and conditions as may be determined by or in accordance with the Articles of Association of the company and to vary, modify, amalgamate or abrogate any such rights, privileges or conditions in such manner as may for the time being be provided by the Articles of Association of the company.

The Company may, from time to time by passing such resolution as stipulated under the law, increase the Authorised Share Capital by such



sum to be divided into shares of such amount as may be specified in the resolution subject to the provisions of Section 94 of the Companies Act, 1956."

By Order of the Board
Rajiv Shah
Company Secretary

Date: 21 March 2007

Place: Ahmedabad

Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF ON A POLL AND THAT A PROXY NEED NOT BE A MEMBER.
2. The relevant Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 is annexed hereto and forms part of this Notice.
3. Members/proxies should bring the attendance slip duly filled in for attending the meeting.
4. Members desirous of getting any information about the accounts and operations of the company are requested to address their queries to the Company Secretary at the registered office so as to reach him at least seven days before the date of the meeting to enable the management to keep the required information readily available at the meeting.
5. Mr. D. Rajagopalan, IAS has submitted his resignation from the Board of Directors of the Company effective from 16 March 2007. Hence, a resolution regarding his appointment as a Director is not proposed for approval of the shareholders.

ANNEXURE TO NOTICE

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

ITEM NO. 4

Mr. Jal Patel, Director retires by rotation and being eligible offers himself for re-appointment.

Brief resume and nature of expertise

Mr. Jal Patel is an Associate Member of the Institute of Chartered Accountants of India and an Associate Member of the Institute of Company Secretaries of India. He possesses professional experience of more than 44 years.

Since 1962, he was associated with the German FAG group of Bearing companies and has handled various managerial functions. In 1977, he took over as the Managing Director. Subsequently, he was promoted as the Vice Chairman and Managing Director before retiring in 2000. His areas of expertise include Finance, Accounts and Administration.

He is also actively involved with various social and welfare associations and federations as well as various trusts.

Mr. Jal Patel does not hold any shares or beneficial interest in any shares of your company. He is on the Board of your company from March 2001. He is also the Chairman of the Audit Committee and a member of the Shareholders' Grievances Committee of your Company from April 2001.

Apart from Gujarat Gas Company Limited, Mr. Patel holds directorship and membership of the following companies / committees.

Directorship

Sr. No.	Name of the Company	Designation
1	ABC Bearings Limited	Director
2	Coronet Products Private Limited	Director
3	Lanxess ABS Limited	Director
4	Mipco Seamless Rings (Gujarat) Limited	Director
5	Shri Dinesh Mills Limited	Director

Membership of Committees

Sr. No.	Name of the Company	Committee	Designation
1	ABC Bearings Limited	Audit Committee	Chairman
2	Lanxess ABS Limited	Audit Committee	Member
3	Mipco Seamless Rings (Gujarat) Limited	Audit Committee	Member
4	Shri Dinesh Mills Limited	Shareholders' Grievances Committee	Member

Your directors recommend re-appointment of Mr. Jal Patel as a director.

No director other than Mr. Jal Patel is in any way interested or concerned in the said resolution.

ITEM NO. 5

Mr. Ajit Kapadia, Director retires by rotation and being eligible offers himself for re-appointment.

Brief resume and nature of expertise

Mr. Ajit Kapadia, after completing B.Sc. (Hons.) from Bombay University in 1960, proceeded to the U.S.A. and joined the University of Louisville, KY and completed M. Che. (Chemical Engineering) in 1963. Immediately, he joined Girdler Corporation in Louisville as a Process Engineer. During the four year tenure at Girdler, Mr. Kapadia was involved in design of fertilizer plants (Ammonia, Urea, etc.) and Methanol. In 1966, as a part of the Girdler technical team, Mr. Kapadia spent nine months assisting Fertilizer Corporation of India in commissioning their first methanol plant. In 1966, he joined Fluor Corporation in Houston, Texas. At Fluor, Mr. Kapadia got the first exposure to hydrocarbon processing and especially natural gas processing. Having been offered the position of Supervising Engineer with Engineers India Limited (EIL) to participate

