



GUJARAT STATE PETRONET LIMITED

7th ANNUAL REPORT 2004-2005

Board of Directors

Shri Balwant Singh, IAS, Chairman
 Shri H. K. Dash, IAS
 Shri P. K. Pujari, IAS
 Shri Jayant Panimal, IAS
 Shri Darius Pandole
 Shri D. J. Pandian, IAS, *Managing Director*

Shri Atanu Chakraborty, IAS (up to 11/5/2005)
 Shri C. K. Koshy, IAS (up to 28/2/2005)

Company Secretary

Shri Sandeep Dave

Bankers

Allahabad Bank
 Bank of Baroda
 Bank of India
 Corporation Bank
 Dena Bank
 HDFC Bank Ltd.
 IDBI Bank Ltd.
 Karur Vysya Bank
 Oriental Bank of Commerce
 South Indian Bank Ltd.
 State Bank of India
 State Bank of Bikaner & Jaipur
 State Bank of Travancore
 UCO Bank
 Union Bank of India
 Vijaya Bank
 Central Bank of India
 UTI Bank Ltd.

Statutory Auditors

T. N. Shah & Co., Chartered Accountants
 Gandhinagar.

Internal Auditors

Ernst & Young
 Delhi

Corporate & Registered Office

GSPC Bhavan, B/h Udyog Bhavan,
 Sector-11, Gandhinagar – 382 011.

Directors Report

The Members
Gujarat State Petronet Limited

The Directors are pleased to present their report on performance of GSPL together with the Audited Statement of Accounts for the financial year ended 31st March 2005.

Financial Highlights

(Rs. In crore)

Particulars	2003-04	2004-05
Total Income (A)	142.09	205.50
Manpower Expenses	2.44	2.59
Gas Transportation Charges	47.83	45.37
Connectivity Charges	-	11.34
Admin, O&M & other Expenses	9.78	14.87
Total Operating Expenses	60.06	74.17
Gross Margin	82.03	131.33
Interest (after capitalization)	25.48	36.34
Depreciation	39.79	65.64
Prior Period Expenses	0.99	0.04
Profit Before Tax	17.75	29.38

Total Income and PBT have shown significant growth recording increase of 44% and 65% respectively as compared to previous year.

Further, Net Worth of the Company has increased from Rs.258 crore to Rs.403 crore as compared to previous year. Gross Block of Assets has increased from Rs. 475.11 crores to Rs. 872.73 crores and consequently there has been an increase in depreciation from Rs. 39.79 crs. to Rs. 65.64 crs.

CAPITAL

During the financial year the Authorised Share Capital of the Company was increased by Rs. 139 Crore from Rs. 211 Crore to Rs. 350 crore and Paid up Share capital increased by Rs.139.80 crore making total paid up capital of Rs.349.95 crore.

DIVIDEND

The Board of Directors of the Company are pleased to recommend a token dividend @2.50% for the Financial Year 2004-05 as a goodwill gesture towards the shareholders.

GAS GRID PROJECT

The Government of Gujarat has always played a proactive role in the development of energy value chain. Gujarat is the first state to plan and execute a state wide Gas Grid and that too on internationally accepted common carrier principle.

The Company plans to create a Pipeline Network of approx. 2200 Kms across the State of Gujarat. Out of this approximately 433 Kms. of pipeline has been currently operationalized and gas is flowing from Hazira / Dahej to various industries in Surat, Bharuch, Baroda,

Anand, Ahmedabad and Gandhinagar Districts.



The pipeline grid has been designed as per international benchmarks to cater to peak loads without any modifications.

The Company has constructed Mora Gas Terminal, which has facilities to handle multi-source and multi customer integration at different pressures.

The Company has signed GTAs for transporting around 13.67 MMSCMD of gas to major customers. More GTAs are likely to be signed during the financial year 2005-06.

Projects commissioned:

The Company has commissioned Mora-Sajod Pipeline (MSPL) Project. This crucial Pipeline Section has provided seamless connectivity between Hazira and Kalol. Commissioning of MSPL has also made it possible to reverse flow the gas from LNG Terminal at Dahej to Hazira market. MSPL will enable the Company to carry more gas and at the same time reduce dependence on Hazira-Ankleshwar pipeline of GGCL

The Company has successfully commissioned Kalol Santej pipeline project. The Company has started transporting gas to Arvind Mills at Santej.

The Company has also mechanically completed Ambapur Gandhinagar pipeline project which provides connectivity to Gandhinagar city.

Out of the 2200 kms of Gas Grid planned across the State of Gujarat, 448 kms of Gas Transportation pipeline has been constructed and 433 km is under operation. Details are as follows :

Sr. no	Pipeline Section	App rox. Kms	Date of commissi oning
1.	Hazira-Mora	14	23/11/00
2.	Amboli-Dahej	45	03/11/01
3.	Mora-Utran	25	20/06/02
4.	Bhadbhut-Paguthan	26	21/08/02
5.	Cairn-Mora	6	02/11/02
6.	GNFC Spur Line	5	27/11/02
7.	Videocon Spur Line	1	27/12/02
8.	Mora Kribhco Spur Line	3	18/01/03
9.	Paguthan Baroda	83.5	20/06/03
10.	GACL-Petronet	8.5	18/04/04
11.	Baroda Ahmedabad Kalol	143	18/05/04
12.	Mora Sajod	58	26/12/04
13.	Kalol Santej	14.5	28/12/04
14.	Ambapur - Gandhinagar	15.5	To be commissi oned shortly.
Total		448	

Projects on Hand

Your Directors are pleased to inform that the Company has taken initiative for developing pipeline infrastructure in the State of Gujarat and has aggressively

started work for developing following pipeline sections on priority basis.

- **Mora-Vapi Pipeline Project** (127 Km x 30 inch) – EPC Contract for Mora-Vapi Pipeline Project awarded to M/s. L&T. M/s. L&T has already started work for developing Mora-Vapi Pipeline Project. The project is scheduled to be commissioned by April, 2006.
- **Anand-Rajkot Pipeline Project** (24" x 225 kms + 18" x 68 kms spurline) – EPC Contracts for Anand-Rajkot Pipeline Project awarded to M/s. L&T (Section -A) & M/s. Essar – STG Consortium (Section-B). The project is scheduled to be commissioned by July, 2006.
- **Anklav-Dhuvaran Pipeline Project** (18" x 30 kms) – EPC Contract for Anklav-Dhuvaran Pipeline Project awarded to M/s. Essar. The project is scheduled to be commissioned by January, 2006.
- **Kalol-Himmatnagar Pipeline Project** (12" x 63 kms.) – EPC Contract awarded to M/s. Jay Somnath. The project is scheduled to be commissioned by March, 2006.
- **Kalol-Mehsana Pipeline Project** (18" x 47 kms.) – EPC Contract is likely to be awarded shortly.
- Further, the Company is planning to develop several spur lines to connect Industrial clusters and medium size customers along the pipeline network.

Project funding

The Company would need approx. Rs.1450 crore for funding the expansion

projects. The Company is planning to raise funds from the market including an IPO.

Operation & Maintenance activities

The Company has transported 3017.548 MMSCM (Previous year: 2391.52 MMSCM) of gas during the Financial Year under review.

To safeguard Pipeline assets and optimize efficiency of the pipeline system, the Company is giving utmost importance to efficient operations and preventive maintenance. The Company has complied with O & M manuals and safety guidelines to ensure Zero Accident, Zero Shutdown and efficient customer service.

The Company is in advanced stage of implementation of ISO: 9000 Quality Management System for operation & maintenance activities.

HEALTH, SAFETY AND ENVIRONMENT

To fulfill the commitment towards health, safety and environment to enrich quality of community life, which is one of the mission of GSPL, we have formulated HSE policy. The environment and safety features have been integrated into design, construction & commissioning to have utmost safety for the facilities, local community and the environment.

Disaster Management plan is reviewed and updated as per new pipeline network. We are proud to announce this year as an "Accident Free Year"

The Company attaches great importance to Health, Safety and Environmental aspects. The Company is expanding and managing its business operations in Safe and Environmentally sustainable manner.

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HSE Policy has been communicated to all employees and they are actively involved in implementation of HSE manual.

Qualified personnel from reputed institutions have been appointed exclusively in Health, Safety & Environment department.

The Company is ensuring effectiveness of HSE Management systems through regular audit and review.

Your Directors are committed to make GSPL a responsible corporate citizen by following Quality Systems and implementing HSE policy.

FIXED DEPOSITS

The Company had an aggregate amount of Rs. 53.33 lac as Fixed Deposits from public as on 31st March, 2005, of the said deposits, there are 142 depositors aggregating to Rs.22.96 lac who have not claimed their deposits on maturity. The Company has sent reminders to such depositors to complete formalities for repayment of deposits. Subsequently, 48 depositors aggregating to Rs. 8,84,000 have been repaid. Further, the Company has discontinued renewal/acceptance of deposits from September, 2002.

DIRECTORS

During the year Shri C. K. Koshy, IAS (Retd.) has ceased to be the Chairman of the Company. Further Shri Atanu Chakraborty, IAS has resigned from the Board of Director of the Company. Your Directors wish to place on record appreciation of the services rendered by Shri C. K. Koshy, IAS (Retd.) and Shri Atanu Chakraborty, IAS.

Shri Jayant Parimal, IAS, CEO, GIDB was appointed as Additional Director of the Company. Shri Jayant Parimal, IAS shall hold office up to the date of next Annual General Meeting. It is proposed to appoint Shri Jayant Parimal, IAS as regular Director at the ensuing Annual General Meeting.

Pursuant to the provisions of section 256 of the Companies Act, 1956 Shri Darius Pandole shall retire by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

STATUTORY & CAG AUDIT

Your Company being a Government Company, the Statutory Auditors are appointed by the Comptroller & Auditor General of India (C&AG). Accordingly, C&AG has appointed M/s T. N. Shah & Co, Chartered Accountants, Gandhinagar as Statutory Auditors of the Company for the Financial Year 2004-2005.

AUDIT COMMITTEE

Audit Committee of Directors of the Company consisting of following Directors at its meeting held on 14th July, 2005 has approved the Annual Accounts for the financial year ended on 31st March, 2005 and recommended the same for approval of the Board.

1. Shri H K Dash, IAS
2. Shri P K Pujari, IAS
3. Shri Darius Pandole

DIRECTORS' RESPONSIBILITY STATEMENT

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

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- (i) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- (ii) accounting policies are selected and applied consistently and judgments and estimates 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 profit of the company for that period
- (iii) 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 is taken
- (iv) the annual accounts are prepared on a going concern basis

PARTICULARS OF EMPLOYEES

During the period under review, none of the employees were drawing remuneration, which require disclosure under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Conservation of Energy

In the period under review, there is no consumption of energy requiring disclosure.

Technology Absorption

The Company has not imported any technology. However, the Company has

engaged consultants/advisors of international repute to make available latest technology for Project implementation.

Foreign Exchange Earnings & Outgo

Foreign Exchange earnings - Rs.NIL

Foreign Exchange Outgo - Rs.81.97 lacs

ACKNOWLEDGEMENTS

The Directors convey their sincere appreciation of the valuable services rendered by employees at all levels, without whose valuable contributions the excellent performance of GSPL would not have been possible.

The Directors are extremely grateful for all the support given by the Government of Gujarat at all levels. Their guidance, encouragement and moral support enabled GSPL to expand the Pipeline Grid network in a professional manner. We take this opportunity to convey our sincere appreciation for the support given by the Energy & Petrochemicals Dept., Finance Dept. and regional Government offices.

The Directors take this opportunity to convey appreciation for confidence, support and co-operation of the valued customers and look forward to this mutually supportive relationship in future.

The Directors place on record their thanks to the Shareholder, Bondholders, Fixed Deposit holders, EPC Contractors and technical Consultants for their valuable support to the Company.

For and on behalf of Board of Directors

Balwant Singh, IAS
Chairman

Date: 2nd August, 2005

Place: Gandhinagar

T. N. SHAH & CO.

CHARTERED ACCOUNTANTS

N. B. SHAH B. Com. F.C.A.

PHONE :- (079) 23222152

T. N. SHAH B. Com. F.C.A.(DISA)

FAX :- (079) 23241432

C. & A.G. Reg. No. WR/0534

Firm Reg No. 109802/w

Head Office:- 503, Abhishek Complex, Opp. Hotel Haveli, Sector-1, Gandhinagar-382 011.

AUDITORS' REPORT

To

The Members of Gujarat State Petronet Limited
Gandhinagar

We have audited the attached Balance Sheet of Gujarat State Petronet Limited as at 31st March, 2005 and also the Profit & Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by 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 Companies (Auditors' Report) Order, 2003 issued by the Company Law Board in terms of section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 & 5 of the said order, to the extent applicable to the Company.

Further to our comments in the Annexure referred to in paragraph above:

- a. We have obtained all information and explanations which, to the best of our knowledge and belief were necessary for the purpose of our audit;
- b. In our opinion proper books of accounts, as required by law have been kept by the Company so far as it appears from our examination of the books;
- c. The balance Sheet and profit & Loss Account dealt with by the report are in agreement with the Books of Accounts.



- d. In our opinion, the Balance Sheet and profit & Loss Account comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable.
- e. On the basis of the written representations received from the directors of the company, we report that none of the directors are disqualified as at March 31, 2005 from being appointed as a director in terms of Section 274 (1)(g) of the Companies Act, 1956.
- f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the accounting policies and the notes forming part of accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view,
- I] In case of Balance sheet, of the state of affairs of the Company as at 31st March, 2005 and
- II] In case of profit & Loss Account, of the Profit for the year ended on that date.

For T. N. Shah & Company
Chartered Accountants

T. N. Shah

T. N. Shah
Partner

Report Junction.com

Place: Gandhinagar

Date : 9.8.05



GUJARAT STATE PETRONET LIMITED

ANNEXURE REFERRED TO PARAGRAPH 3 OF THE AUDITOR'S REPORT

- 1.a. The Company has maintained proper record showing full particulars, including quantitative details and situation of fixed assets on the basis of information available.
- b. We are informed that during the year fixed assets were physically verified by the management and no material discrepancies were noticed between the books records and physical existence of assets.
- c. No substantial part of fixed assets have been disposed off during the year.
2. There was no stock of finished goods and raw materials, hence the points relating to physical verification, procedure of physical verification discrepancies noticed on such verification and valuation thereof do not arise. Further, we are informed that the stock of stores, materials procured for project, spare parts etc. were physically verified by the management and that no major discrepancies were noticed.
3. The company has neither granted nor taken any loans from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act 1956.
4. In our opinion the Company has an adequate Internal Control System commensurate with the size of the Company and nature of its business with regard to purchases of equipment, plant & machinery, and other assets. In our opinion and according to the information & explanations given to us, there is no continuing failure to correct major weakness in internal control.
5. According to the information & explanations given to us, there are no transactions that need to be entered into register in pursuance of section 301 of the Companies Act 1956.
6. The company has accepted deposits from public and the directives issued by Reserve Bank of India and provision of section 58A and 58AA of the act and rules framed there under have been complied with.
7. The company has appointed an Internal Auditor. On the basis of the reports made by the internal auditors to management the internal audit system, in our opinion, is commensurate with the size and nature of the business of the company.
8. As informed to us the maintenance of cost records has not been prescribed by the Central Government to the company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956.
9. According to the information and explanation given to us, there are no undisputed dues payable in respect of Provident Fund, Investor Education & Protection Fund, Employees State Insurance, Excise Duty, Cess which are

