

ANNUAL REPORT 2004-2005



on a clean 'n' green journey



INDRAPRASTHA GAS LIMITED

(A Joint Venture of GAIL (India) Ltd., BPCL & Govt. of NCT of Delhi)

Towards A Cleaner 'N' Greener Tomorrow

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BOARD OF DIRECTORS



Shri Ashok Sinha
Chairman
(w.e.f. 01/03/05)



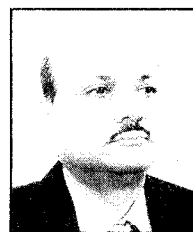
Shri S. Behuria
Chairman
(from 14/01/05 to 28/02/05)



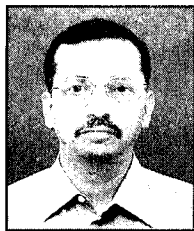
Shri Proshanto Banerjee
Chairman (upto 13/01/05)
Director (upto 21/03/05)



Shri A.K. De
Managing Director



Shri R.M. Gupta
Director (Commercial)



Shri R. Suresh
Director
(w.e.f. 24/03/05)



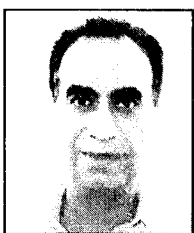
Shri S.S. Dalal
Director



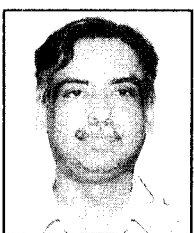
Shri S.S. Rao
Director



Shri S. Radhakrishnan
Director
(upto 13/01/05)



Shri V. S. Madan
Director
(w.e.f. 20/07/05)



Shri S. N. Sahai
Director
(from 19/03/05 to 20/07/05)



Shri Rajeev Talwar
Director
(upto 19/03/05))

Shri S.K. Jain
Company Secretary

Bankers

ICICI Bank Limited

Corporate & Institutional Banking Division,
9A, Phelps Building, Connaught Place,
New Delhi-110 001

IDBI Bank Limited

1/6, Sirifort Institutional Area,
Khel Gaon Marg, New Delhi-110 049

The Hongkong and Shanghai Banking Corporation Limited

Birla House, 25, Barakhamba Road,
New Delhi-110 001

Canara Bank

Jeevan Bharti Building, Tower-II,
Parliament Street, New Delhi-110 001

State Bank of India

Corporate Accounts Group Branch,
11th Floor, Jawahar Vyapar Bhawan,
1, Tolstoy Marg, New Delhi-110 001

Bank of Baroda

Ansai Chambers No. 1,
Bhikaji Cama Place,
New Delhi-110 066

Auditors

M/s BSR & Co.,
(formerly Bharat S. Raut & Co.)
Chartered Accountants
Gurgaon

Registered Office

14th & 15th Floor,
Dr. Gopal Das Bhawan,
28, Barakhamba Road,
New Delhi-110 001

DIRECTORS' REPORT

To.

THE MEMBERS

Your Directors have pleasure in presenting the Sixth Annual Report alongwith Audited Accounts of the Company for the year ended March 31, 2005.

PHYSICAL PERFORMANCE

During the year, your Company recorded sales as under:

(Figures in SCM)

Product	For the year	
	2004-2005	2003-2004
Compressed		
Natural Gas (CNG)	390,064,435	365,982,361
Piped Natural Gas (PNG)	15,200,664	10,878,550
Total	405,265,099	376,860,911

FINANCIAL RESULTS

(Rs. in Million)

ITEMS	For the Year	
	2004-2005	2003-2004
Net Sales & Other Income	4579.14	4280.80
Cost of Gas Purchased	1893.67	1776.72
Profit before Depreciation & Tax	1891.64	1706.36
Depreciation	480.33	420.37
Profit before Tax	1411.31	1285.99
Provision for Tax	484.46	464.05
Profit after Tax	926.85	821.94
Profit brought forward from previous year	1076.54	532.61
Profit available for appropriations	2003.39	1354.55
Appropriations: -		
Proposed Dividend	280.00	210.00
Corporate Dividend Tax	39.81	26.91
Transferred to General Reserve	69.51	41.10
Profit carried forward	1614.07	1076.54
	2003.39	1354.55



Patparganj Mega CNG Station



Hon'ble Minister of Petroleum & Natural Gas Shri Mani Shankar Aiyar inaugurating IGL's stall at PETROTECH

FINANCIAL REVIEW

During the year, the Company showed an improved performance both in terms of turnover and profitability. Gross turnover increased by 7.4% from Rs. 4918.08 million in year 2003-04 to Rs 5282.28 million in year 2004-05. Profit after Tax also went up by 12.8% from Rs. 821.94 million in 2003-04 to Rs. 926.85 million in 2004-05.

DIVIDEND

Your Directors are pleased to recommend dividend at an enhanced rate of 20% (Rs. 2 per share) as against 15% (Rs. 1.50 per share) in the last year. The proposed dividend including corporate dividend tax would absorb Rs. 319.8 million.

PERFORMANCE HIGHLIGHTS

CNG BUSINESS:

Your Company further augmented its CNG distribution infrastructure during the year. The total number of CNG stations increased from 120 in March 2004 to 134 in March 2005, which included 59 mother stations, 33 online stations, 38 daughter booster stations (including 2 in Noida) and 4 daughter stations. The compression capacity went up from 16.13 Lakh Kg/day in March 2004 to 16.88 Lakh Kg/day in March 2005. An additional 10 kms (approx) of 4" Dia. steel pipeline was laid and commissioned to convert 9 CNG stations online.

The Company has entered into a formal agreement with Delhi Transport Corporation (DTC), its largest customer for supply of CNG. In continuation of its commitment to give priority to public transport sector, CNG facility was installed at three more DTC depots, making overall 22 depots to have such facility.

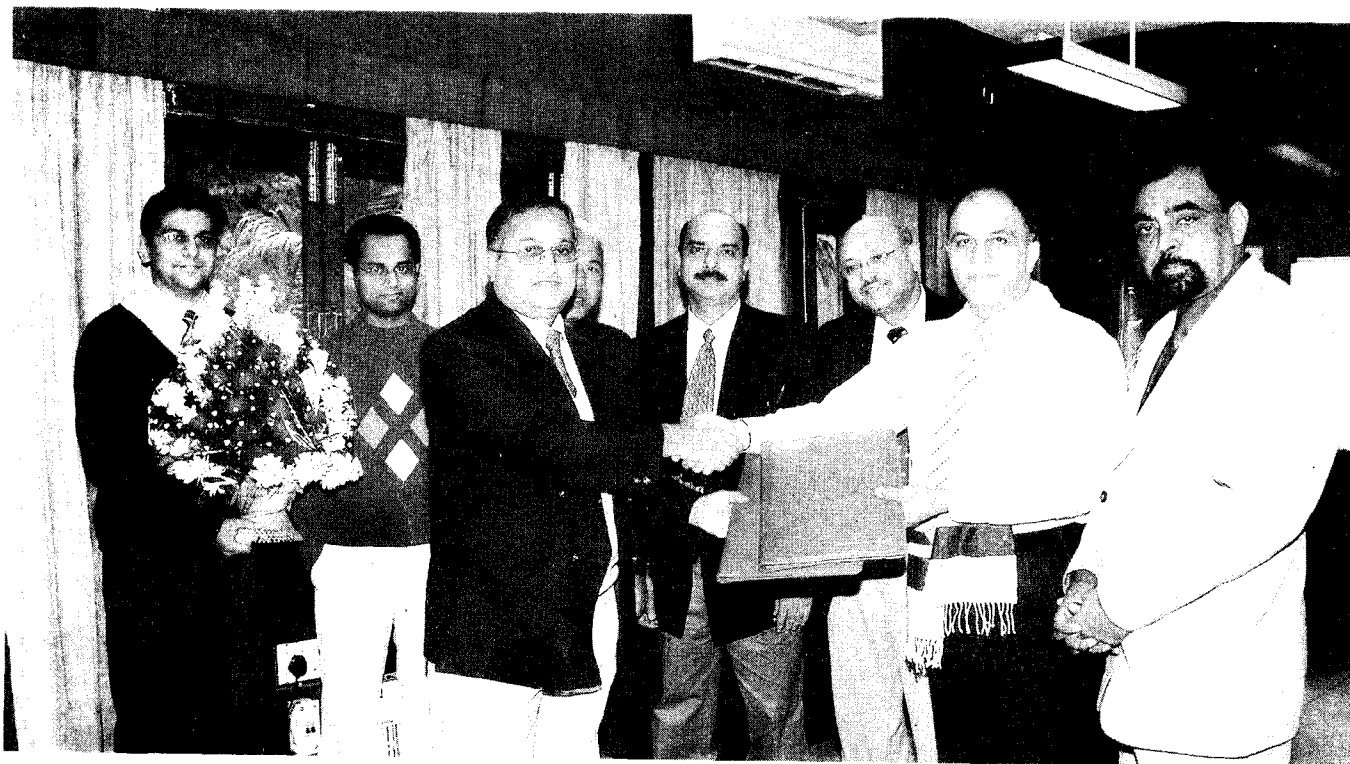
The population of vehicles in Delhi, running on CNG, has gone up to more than 94,000 as on March 31, 2005, which includes about 10,480 buses.

PNG BUSINESS:

The Company has extended the piped natural gas distribution infrastructure to the new areas in Delhi, which include Patparganj, Mayur Vihar Phase-I, Andrews Ganj Extension, Som Vihar, Mayfair Garden and Rohini (Sectors 9, 13 & 14).

During 2005-06, the Company plans to extend its PNG distribution network to Kidwai Nagar, Andrews Ganj, Laxmi Bai Nagar, Netaji Nagar, R.K.Puram (Sectors 8, 12 & 13), Chanakya Puri, Asiad Village, HUDCO, Kali Bari/BKS Marg, Lodhi Colony, Vasundhara Enclave, Mayur Vihar Phase-II, Rohini (Sector 15), Vikas Puri, Paschim Vihar and Pitam Pura.

The Company continued its drive to get prestigious customers for PNG supply with the addition of Akshardham Temple,



Signing of agreement with DTC for supply of CNG

Gurudwara Banglasahib, Holy Family Hospital, Escorts Hospital, Hotel Claridges, Hotel Samrat, Haldiram, Scope Complex, Ambassador's Sky Chef, Taj Air Caterers and American Embassy School.

As on March 31, 2005, the Company has provided PNG connections to 25,103 domestic, 140 small commercial and 34 large commercial customers.

FUTURE OUTLOOK

NCT OF DELHI

Your Company has drawn out plans to consolidate its presence in the city of Delhi by investing Rs. 947 million during the financial year 2005-06 for CNG expansion.

Your Company has also planned a capital expenditure of Rs. 442 million for PNG expansion in Delhi during the financial year 2005-06 to provide additional PNG connections to over 30,000 domestic households, 75 small commercial and 16 large commercial customers.

EXPANSION IN NATIONAL CAPITAL REGION (NCR)

The Company commissioned two CNG facilities in Noida (U.P.) in December, 2004, its first step outside the NCT of Delhi. With this the Company has embarked upon expansion of its gas distribution network in the NCR cities. The Company

has secured gas allocation of 0.7 MMSCMD from Ministry of Petroleum & Natural Gas for expanding its gas distribution network in Noida including Greater Noida, Gurgaon and Faridabad. In the first phase the Company plans to create its gas network in these cities with an investment of Rs. 166.38 crores spread over a period of three years. Your Company is actively pursuing with the local administration of these cities / State Governments of UP and Haryana for the necessary statutory permissions to set its plan rolling. As soon as the decks are cleared, your Company is geared up to repeat the success story of NCT of Delhi in these NCR cities also.

DIRECTORS RESPONSIBILITY STATEMENT

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

- ♦ In the preparation of Annual Accounts for the financial year ended March 31, 2005 the applicable accounting standards have been followed.
- ♦ They 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.

- They 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.
- They have prepared the Annual Accounts for the Financial Year ended 31st March, 2005 on a going concern basis.

BOARD OF DIRECTORS

Shri A.K. De, nominee of GAIL was re-appointed as Managing Director to hold office for a period up to July 1, 2006.

Shri Ashok Sinha, nominee of Bharat Petroleum Corporation Limited (BPCL), was appointed as Additional Director and Chairman of the Board of the Company w.e.f. March 1, 2005.

Shri S. Behuria, nominee of BPCL was appointed as Additional Director & Chairman of the Board w.e.f. January 14, 2005. He resigned from the office of Director & Chairman w.e.f. February 28, 2005.

Shri Proshanto Banerjee resigned from the office of Director w.e.f. March 21, 2005. Shri Banerjee was Chairman of the Company upto January 13, 2005.

Shri R. Suresh, nominee of GAIL was appointed as an

Additional Director w.e.f. March 24, 2005.

Shri S.N.Sahai, nominee of Government of NCT of Delhi was appointed as an Additional Director in place of Shri Rajeev Talwar w.e.f. March 19, 2005.

Shri V.S. Madan, nominee of Government of NCT of Delhi was appointed as an Additional Director in place of Shri S.N. Sahai w.e.f. July 20, 2005.

Shri S. Radhakrishnan, nominee of BPCL resigned from the Directorship w.e.f. January 14, 2005.

Shri S. S. Dalal retires by rotation at the ensuing Annual General Meeting, and being eligible, offers himself for re-appointment.

The Board takes this opportunity to place on record its appreciation for the contribution of Shri S. Radhakrishnan, Shri S. Behuria, Shri Proshanto Banerjee, Shri Rajeev Talwar and Shri S.N. Sahai during their tenure as Board members.

AUDITORS

M/s BSR & Co., Auditors of the Company retires at the ensuing Annual General Meeting and, being eligible offers themselves for re- appointment.



Shri. R. M. Gupta, Director (Commercial) inaugurating PNG facility at Mayur Vihar, Phase-I



Shri Vinod Malhotra, Principal Secretary (Environment) UP State Government inaugurating CNG facility at NOIDA.

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

The information in accordance with the provisions of Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed hereto.

CORPORATE GOVERNANCE

As per the requirement of clause 49 of the Listing Agreement with the Stock Exchanges a detailed Report on Corporate Governance is annexed as part of the Annual Report.

HUMAN RESOURCES

During the year your Company enjoyed cordial human relations amongst all its employees. The Company engaged a reputed HR Consultant to carry out a comprehensive human resource study and suggest an appropriate organisation structure, performance management system, promotion policy and compensation structure for its employees. The Consultant has submitted its initial report which is under review of the Management.

There was no employee in the Company drawing remuneration more than the limits prescribed under section

217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

IT INITIATIVES

The Company is in the process of implementing SAP solution for automating and formalizing its business process & functioning. The Company also aims to collate valuable customer information database by introducing Customer Relationship Management (CRM). In order to optimize cost the Company plans to have Supply Chain Management after implementing SAP, which would track the product movement and costs associated thereto.

The Company is also in the process of implementing Geographic Information System (GIS) to electronically map its pipeline network. This would facilitate the network documentation processes, optimize network design, improve customer service, ensure efficiencies into the workflow process and address many other vital business needs.

FIRE & SAFETY

Your Company took certain new initiatives for safety during the year. The Company developed its first Fire Training Demo site at Rohini Fire Station. It has developed Dry Chemical Powder based fire-fighting system for buses being refilled at

the CNG Mother Stations.

During the financial year 2005-06 the Company plans to carry out Hazard & Operability (HAZOP) Study & Risk Assessment and develop a Disaster Management Plan. The Company also aims at forming a Safety Management System.

SOCIAL RESPONSIBILITY

Your Company is contributing to the cause of reducing the vehicular pollution by providing eco-friendly fuel to the public transport system of the National Capital Territory of Delhi. The results are visible in the form of reduced level of air pollution in the NCT of Delhi. The Company has already set the ball rolling to repeat the same success story in adjoining cities of Noida including Greater Noida, Gurgaon and Faridabad.

Your Company is also working towards redefining customer standards by providing the uninterrupted, economic and environment friendly fuel to its customers.

ACKNOWLEDGEMENTS

Your Directors express their gratitude to GAIL, BPCL, Government of NCT of Delhi and Ministry of Petroleum & Natural Gas for their support throughout the year. Your Directors also thank the State Government of Uttar Pradesh

for their co-operation in creating 2 CNG stations in the city of Noida.

The Directors place on record their deep appreciation towards IGL's valued customers for their continued cooperation, patronage and confidence and look forward to the continuance of this relationship in future.

The Directors also acknowledge the support of all the local Statutory Authorities like L&DO, DDA, MCD, NDMC etc., Bankers, Media, Station Operators & their employees, contractors, vendors and suppliers.

The Directors also sincerely acknowledge the significant contributions made by all IGL employees for their dedicated services to the Company.

For and on behalf of Board of Directors

sd/-

R. M. Gupta

Director (Commercial)

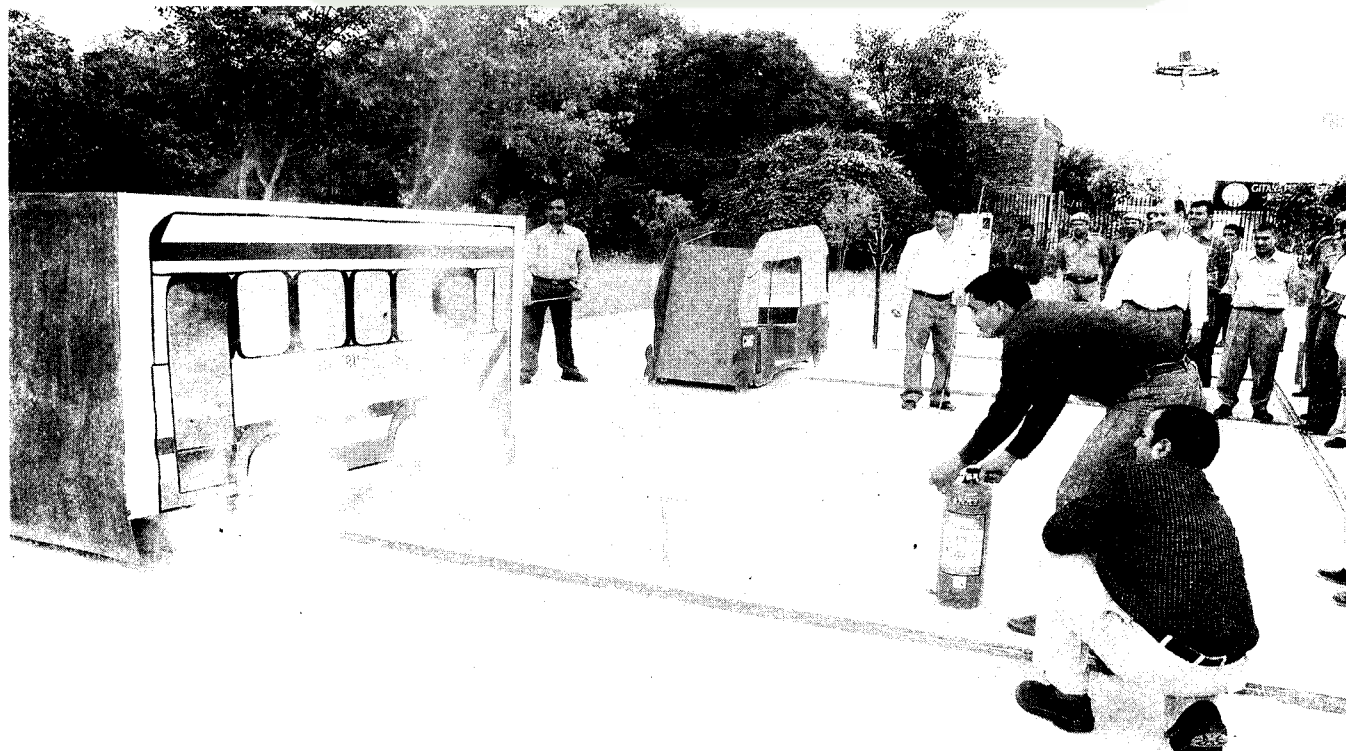
sd/-

A.K. De

Managing Director

Date: July 21, 2005

Place: New Delhi



First fire training demo site at Rohini fire station



Shri A.K. De, Managing Director handing over a cheque for Tsunami Relief Fund to His Excellency Hon'ble Sh. B.L. Joshi, Lt. Governor of Delhi

ANNEXURE TO DIRECTORS' REPORT

A. CONSERVATION OF ENERGY

Some of the energy conservation schemes being implemented by the Company are as follows:

1. Modified the starters of 06 Nos. of the Gas Engines of Galileo-make compressor packages. These starters that earlier operated on natural gas have now been modified to operate on compressed air. This has saved substantial amount of Natural Gas used for starting of these compressor packages.
2. To reduce gas venting during starting and stopping of the compressors, PLC logic modifications of 36 Nos. of Dresser-Rand packages have been carried out. By carrying out the modifications in the control logic, wastage of natural gas due to popping of safety relief valves has been eliminated.

Disclosure of Particulars with respect to conservation of energy is given in Form A annexed

B. TECHNOLOGY ABSORPTION

Efforts made in technology absorption are given in Form B annexed.

C. FOREIGN EXCHANGE EARNING AND OUTGO

During the year under review, the foreign exchange earning and outgo are detailed below:

(Rs. in Million)

Foreign Exchange Earned	0.42
Foreign Exchange Used	38.85