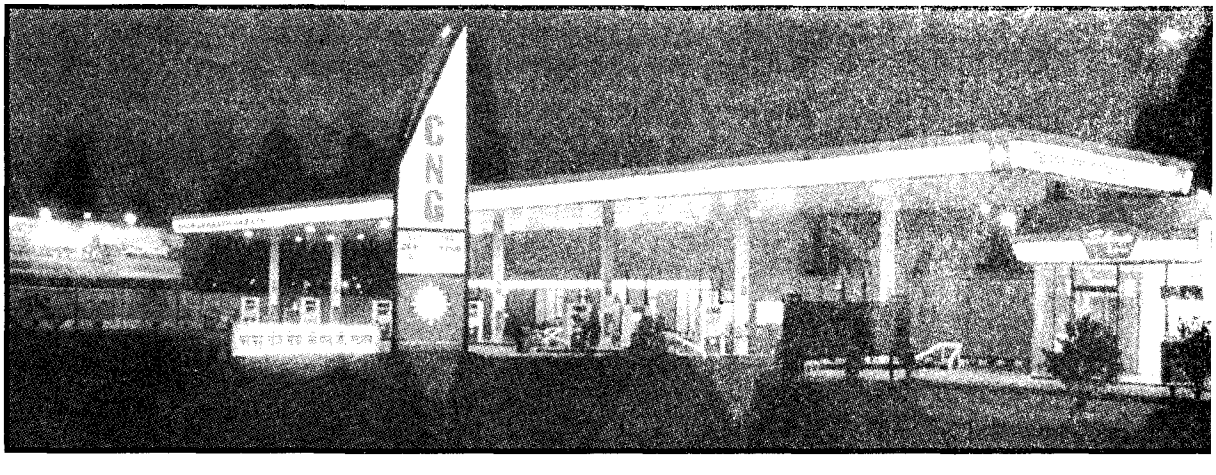
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ANNUAL
REPORT
2005-2006



igl INDRAPRASTHA GAS LIMITED

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BOARD OF DIRECTORS



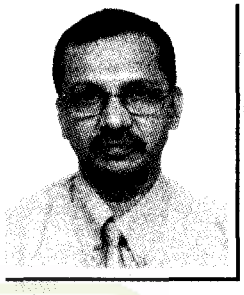
Shri Ashok Sinha
Chairman



Shri A.K. De
Managing Director



Shri R.M. Gupta
Director (Commercial)



Shri R. Suresh
Director



Shri S.S. Dalal
Director



Shri S.S. Rao
Director



Shri V.S. Madan
Director

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
Ansal Chambers No. 1
Bhikaiji Cama Place
New Delhi-110 066

Auditors

M/s BSR & Co.
Chartered Accountants
Gurgaon

Registered Office

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

Company Secretary

Shri S.K. Jain

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DIRECTORS' REPORT

To,

THE MEMBERS

Your Directors have pleasure in presenting the Seventh Annual Report alongwith Audited Accounts of the Company for the year ended March 31, 2006.

PHYSICAL PERFORMANCE

During the year, the Company recorded sales as under:

(Figures in SCM)

Product	For the year 2005-2006	2004-2005
Compressed Natural Gas (CNG)	419,103,533	390,064,435
Piped Natural Gas (PNG)	26,264,749	15,200,664
Total	**445,368,282**	**405,265,099**

FINANCIAL RESULTS

(Rs. in Million)

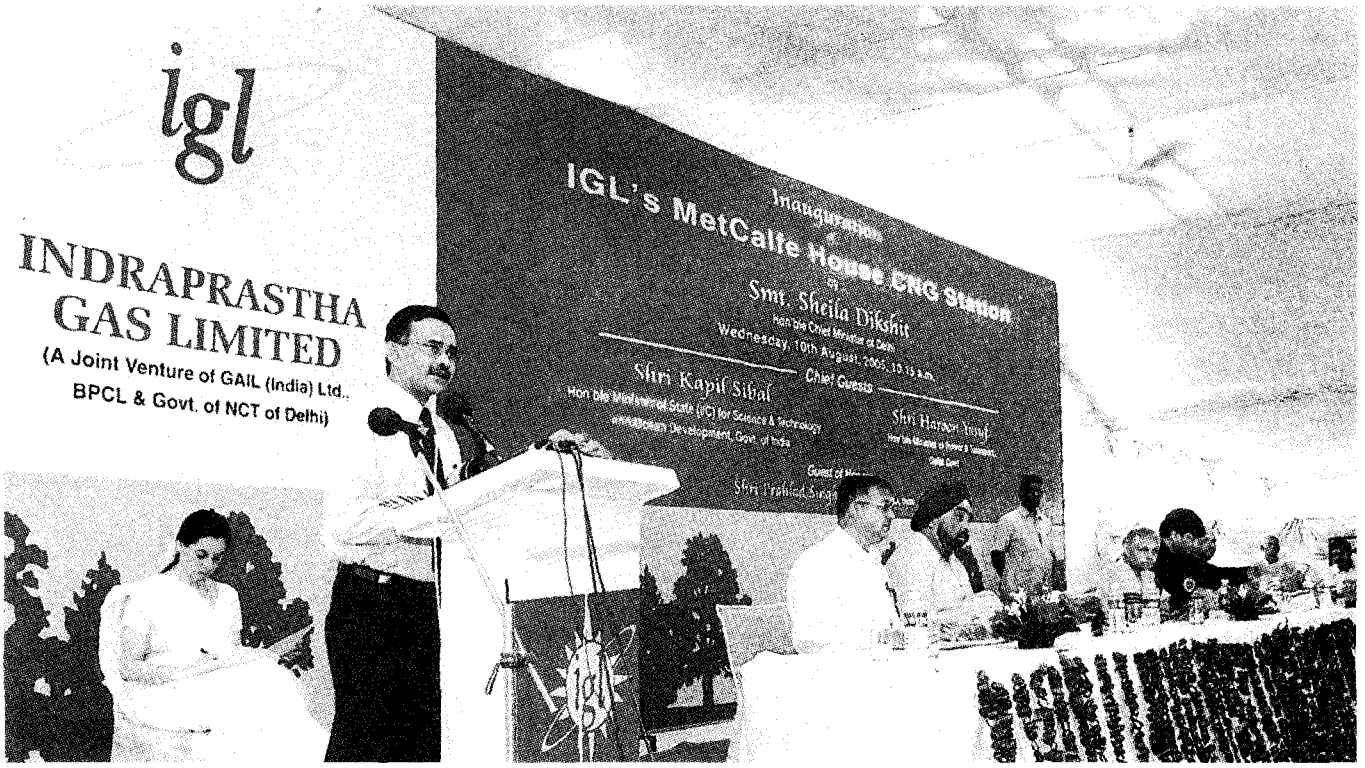
ITEMS	For the year 2005-2006	2004-2005
Net Sales & Other Income	5262.13	4579.14
Cost of Gas Purchased	2254.72	1893.67
Profit before Depreciation & Tax	2166.37	1891.64
Depreciation	565.24	480.33
Profit before tax	1601.13	1411.31
Provision for tax	539.76	484.46
Profit after tax	1061.37	926.85
Profit brought forward from previous year	1614.07	1076.54
Profit available for appropriations	**2675.44**	**2003.39**
Appropriations: -		
Proposed dividend	350.00	280.00
Corporate dividend tax	49.08	39.81
Transferred to general reserve	106.14	69.51
Profit carried forward	2170.22	1614.07
	2675.44	**2003.39**



A view of Metcalfe House CNG Station

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Shri Ashok Sinha, Chairman, addressing the gathering at inauguration of Metcalfe House CNG Station

FINANCIAL REVIEW

During the year, the Company showed an improved performance both in terms of turnover and profitability. Gross turnover increased by 15.4% from Rs.5282.28 million in year 2004-05 to Rs.6096.26 million in year 2005-06. Profit after Tax also went up by 14.5% from Rs.926.85 million in 2004-05 to Rs.1061.37 million in 2005-06.

DIVIDEND

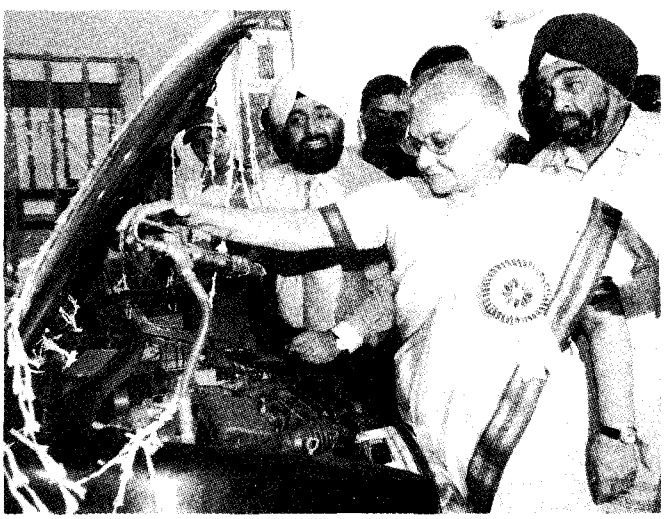
Your Directors are pleased to recommend a dividend at an enhanced rate of 25% (Rs.2.50 per share) as against 20% (Rs.2 per share) in the last year. The proposed dividend including corporate dividend tax would absorb Rs.399.08 million.

PERFORMANCE HIGHLIGHTS

CNG BUSINESS:

Your Company further augmented its CNG distribution infrastructure during the year. The total number of CNG stations increased from 134 in March 2005 to 146 in March 2006, which included 65 mother stations, 42 online stations, 35 daughter booster stations (including 2 in Noida) and 4 daughter stations. The compression capacity went up from 16.88 Lakh Kg/day in March 2005 to 19.08 Lakh Kg/day in March 2006.

As a part of CNG expansion programme, an additional 30 kms (approx) of steel pipeline was laid and commissioned mainly from Ghazipur to Loni Road in



Smt. Sheila Dikshit, Hon'ble Chief Minister of Delhi, fuelling a vehicle at Metcalfe House CNG Station

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East Delhi and Janakpuri to Dwarka in West Delhi. Besides addition of 12 new stations, 8 existing CNG stations were converted to on-line and 2 existing stations were remodeled with the objective of providing better fuelling facilities to the vehicles.

During the year 2005-06, the Company formalized its agreement with GAIL (India) Ltd. for supply of 2.0 MMSCMD of natural gas.

The population of vehicles running on CNG in Delhi as on March 31, 2006 was more than 1,06,000 which included about 11,000 buses and 20,000 private vehicles.

Your company has joined hands with Northern Railways and has commissioned supply of CNG for commercial operations of DEMUs on a mix of diesel and CNG. This operation is first of its kind in the country.

PNG BUSINESS:

The Company has extended the piped natural gas distribution infrastructure to the new areas in Delhi, which include Kidwai Nagar, Andrews Ganj, Laxmi Bai Nagar, Netaji Nagar, R.K. Puram (Sectors 8, 12 & 13), Chanakya Puri, HUDCO, Kali Bari/BKS Marg, Lodhi Colony, Vasundhara Enclave, Mayur Vihar Phase-II, Rohini (Sector 15) and Pitam Pura.

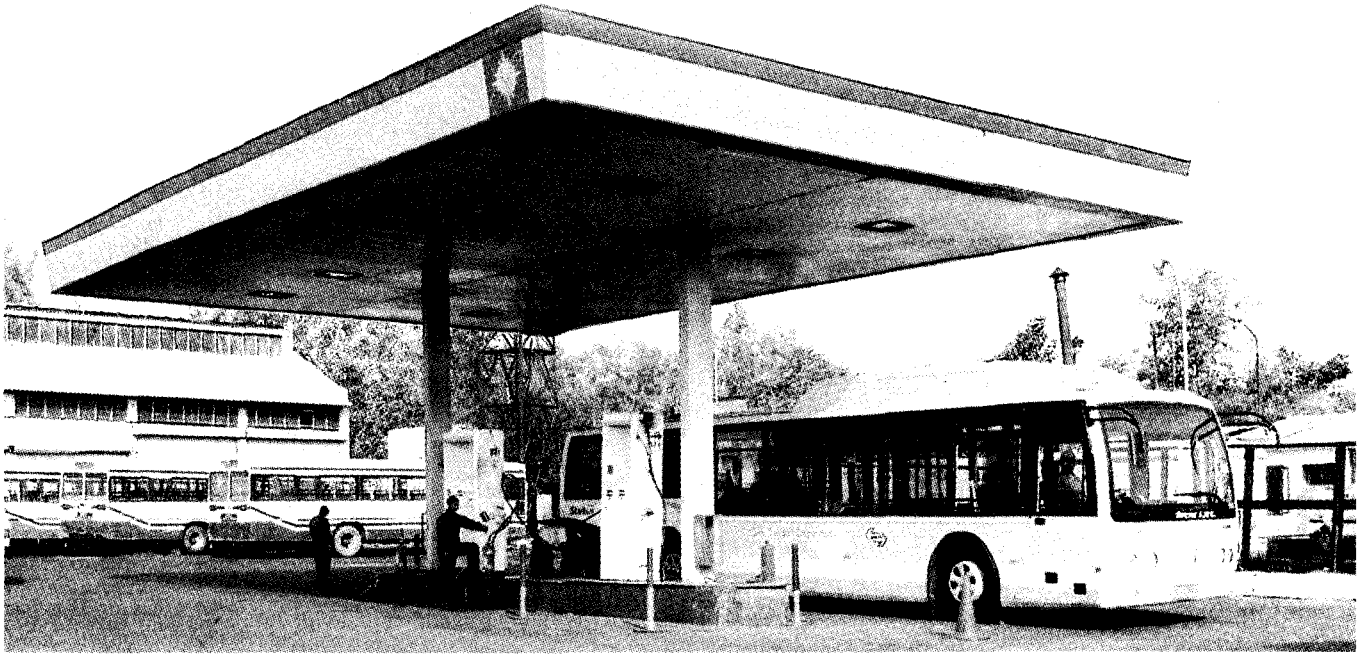
During 2006-07, the Company plans to extend its PNG distribution network to Paschim Vihar, Vikaspuri, Dwarka, Naseerpur, Munirka (DDA), Munirka Vihar, Munirka Enclave, Pitampura (DDA), Rohini (Sector18), Moti Bagh, Sadiq Nagar and R.K. Puram (Sector 9).

The Company continued its drive for PNG supply by adding a number of prestigious commercial customers, which include Pizza Hut, McDonalds, Dominos, UNICEF, Australian High Commission, Ram Manohar Lohia Hospital etc. As a tribute to the martyrs of the nation, the Company also commenced supply of PNG to Amar Jawan Jyoti at India Gate.

As on March 31, 2006, the Company has provided PNG connections to 46,727 domestic, 215 small commercial and 41 large commercial customers.

R-LNG BUSINESS:

There had been a long-standing demand of the industrial consumers in Delhi for supply of natural gas. The company has made a beginning in this direction by starting supply of Re-gasified Liquified Natural Gas (R-LNG) to industrial consumers.



A high capacity bus of DTC is being fuelled at IP Depot CNG Station

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IGL salutes India's unsung heroes by providing uninterrupted supply of Piped Natural Gas (PNG) to Amar Jawan Jyoti at India Gate

During the year 2005-06, your Company entered into an agreement with BPCL for supply of R-LNG on a long-term basis. Some of the prestigious consumers to whom the supply of R-LNG has commenced are Britannia Industries, Haldiram's, Pearl Drinks etc.

FUTURE OUTLOOK

NCT OF DELHI

Your Company has drawn out plans to consolidate its presence in the city of Delhi by investing Rs. 790 million during the financial year 2006-07 for CNG expansion.

CNG being an eco-friendly and economical fuel, a large number of private cars are converting to CNG mode in Delhi. In the coming years, your Company expects a large scale conversion of private cars into CNG mode which will give impetus to its CNG business.

Government of NCT of Delhi has recently issued a notification stating that except those LGVs (Light Goods Vehicles) running on national permit, only the LGVs running on clean fuel will be registered and permitted to ply in NCT of Delhi from July 1, 2006. This is likely to give a major boost to the CNG sales.

Your Company has also planned a capital expenditure of Rs. 427.6 million for PNG expansion in Delhi during the financial year 2006-07 to provide additional PNG connections to over 30,000 domestic households, 85 small commercial and 21 large commercial customers.

EXPANSION PROJECTS IN NATIONAL CAPITAL REGION (NCR)

Your Company has obtained NOC from UP Government for executing city gas distribution projects in the NCR towns of Greater Noida and Ghaziabad. The Company has already initiated various steps to implement the projects in these towns to meet the demands of domestic, commercial, industrial and transport sectors.

The Company has also received NOC from Haryana Government for implementing city gas distribution projects in the towns of Sonipat & Panipat. In order to assess the viability of the projects in these towns, the Company has awarded the job of Pre-Feasibility Study and on completion of the same further action would be taken.

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DIRECTORS RESPONSIBILITY STATEMENT

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

i) in the preparation of Annual Accounts for the financial year ended March 31, 2006, the applicable accounting standards have been followed;

ii) 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;

iii) 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; and

iv) they have prepared the Annual Accounts for the Financial Year ended March 31, 2006 on a going concern basis.

BOARD OF DIRECTORS

Shri A. K. De, nominee of GAIL has been re-appointed as Managing Director to hold office for a period upto September 28, 2006.

Shri Ashok Sinha & Shri S. S. Rao retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

AUDITORS

M/s BSR & Co., Auditors of the Company retire at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.



Shri R.M. Gupta, Director (Commercial), awarding the winners of Fire & Safety competition

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Shri A.K. De, Managing Director, receiving the 'Golden Peacock Award for Eco-Innovation 2006' from Shri Virbhadra Singh, Hon'ble Chief Minister of Himachal Pradesh

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 requirements of the 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. New organization structure, performance management system, promotion policy and compensation package are being implemented in the company based on the recommendations of a reputed HR consultant with a view to enhance organizational effectiveness. There has been continuous emphasis on employees training to enhance their competencies aimed at better organizational performance.

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 at an advanced stage of implementation of ERP system to automate and link all its business processes. The Company has completed the pilot phase of implementation of Geographic Information System (GIS).

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GIS will facilitate the network documentation process, help in the optimization of network design and ensure efficiencies in the work flow process.

Your Company has also planned to implement Supervisory Control and Data Acquisition (SCADA) System for effective monitoring of its operational activities from a centralized control room.

FIRE & SAFETY

Fire & Safety related issues are accorded topmost priority by your Company. Practical fire fighting training is imparted on a regular basis to the employees, DSMs, Station Operators, DTC Drivers and consumers of CNG and PNG at Rohini training centre having facilities for live CNG and PNG gas fire modules. Mock drills at CNG stations are also carried out to prepare for any eventualities. This enhances the safety skills & alertness of the operating personnel associated with the CNG / PNG segments of its business.

Random checks are made for compliance of safety standards, statutory provisions & also to detect unsafe conditions arising out of gas leakage from the CNG kits so as to ensure safety of the vehicles & the occupants.

External Safety Audit of CNG Stations, Small and Large commercial consumers are carried out by internationally accredited third party agencies and compliance is ensured.

Your Company has recently signed an MoU with GAIL for utilizing the services of their Emergency Response Vehicle (ERV) to attend emergencies arising out of gas leakages from the underground gas pipelines.

SOCIAL RESPONSIBILITY

Your company has been continuously working towards the environment clean-up through reduction in vehicular pollution by providing eco-friendly fuel to the public transport system as well as to the private vehicles in the National Capital Territory of Delhi. The effect can be felt in the form of reduced level of air pollution in the NCT of Delhi. The reduced level of air pollution has helped in making the air more clean and fresh.

The Company is also providing cheaper environment friendly fuel to household consumers in the form of Piped Natural Gas (PNG) through pipelines and has constantly aimed for achieving improved customer services by supplying uninterrupted, economic and environment friendly fuel to its valued customers.

Your Company has been awarded the prestigious **Golden Peacock Eco-Innovation Award** for the year 2006 by the Institute of Directors. This is in recognition of the innovative practices followed by the Company to provide eco-friendly and economic fuels to the transport, domestic, commercial and industrial sectors.

ACKNOWLEDGEMENTS

Your Directors express their gratitude to GAIL, BPCL, Government of NCT of Delhi and Ministry of Petroleum & Natural Gas for their continuous support throughout the year. Your Directors also thank the State Governments of UP and Haryana, Greater Noida Authorities and Ghaziabad Development Authorities for their cooperation in implementing city gas distribution projects in these States.

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

The Directors also acknowledge the support of all the Local bodies & Statutory Authorities like L&DO, DDA, MCD, NDMC etc., Bankers, Media, Station Operators & their employees, contractors, vendors and suppliers during the year for IGL to achieve its better performance.

The Directors also sincerely acknowledge the significant contributions made by all the employees of IGL 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

Place : New Delhi
Date : July 31, 2006

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