

ANNUAL REPORT 2004-2005



PETRONET
LNG TANK
LIMITED

Petronet LNG Limited

Board of Directors

Sh. S.C.Tripathi	Chairman
Sh. Suresh Chand Mathur	CEO & Managing Director
Sh. Sham Sunder	Director (Technical)
Sh. Prosad Dasgupta	Director (Finance)
Sh. Ashok Sinha	Director
Sh. B.S. Negi	Director
Sh. N.K. Nayyar	Director
Sh. N.K. Mitra	Director
Sh. Jacques Gautier	Director
Sh. Arun Duggal	Director
Sh. D.P. Roy	Director
Sh. Harbans Lal	Director
Sh. P.K. Chadha	Director
Sh. J.L. Zutshi	Director

Company Secretary & V.P. (Finance)

R.K. Garg

Statutory Auditors:

M/s V. Sankar Aiyar & Company

Registered Office:

World Trade Centre, 1st Floor, Babar Road,
Barakhamba Lane, New Delhi 110 001

Tel.: 91-11-23411411, 91-11-23413616

Fax: 91-11-23414271

Website: www.petronetlng.com

Bankers:

Allahabad Bank
Canara Bank
Federal Bank
ICICI Bank Limited
IDFC Ltd
Indian Overseas Bank
Jammu & Kashmir Bank
Oriental Bank of Commerce
Punjab National Bank
State Bank of Indore
State Bank of Patiala
State Bank of Hyderabad
State Bank of India
Syndicate Bank

LNG Terminal:

GIDC Industrial Estate, Plot No. 7/A, Dahej, Talukavagra,
Distt. Bharuch (GUJARAT)

Tel.: 02641-253182/257004

Fax: 02641-253180

Registrar & Share Transfer Agent:

M/s KARVY Computershare Pvt. Ltd.
KARVY House,
46, Avenue 4, Street No. 1,
Banjara Hills,
Hyderabad
Tel.: 040-23312454/23320751/52
Fax: 040-23311968/23323049

CONTENTS

Notice of AGM	1
Directors' Report	6
Management Discussion and Analysis Report	9
Corporate Governance Report	11
Balance Sheet	22
Profit & Loss Account	23
Schedules	24
Cash Flow Statement	33
Auditor's Report	34



PETRONET LNG LIMITED

NOTICE

NOTICE is hereby given that the Seventh Annual General Meeting of the Members of Petronet LNG Limited (PLL) will be held on Tuesday, the 26th day of July, 2005 at 10:00 A.M. at Siri Fort Auditorium Complex, August Kranti Marg, New Delhi-110049 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as on 31st March 2005, Profit & Loss Accounts for the period ended 31st March, 2005 together with Reports of Directors' and Statutory Auditors thereon.
2. To appoint a Director in place of Shri N.K. Nayyar, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Shri B.S. Negi, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Statutory Auditors, fix their remuneration and in connection therewith, to pass with or without modification(s) the following resolution as **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Section 224A and other applicable provisions, if any, of the Companies Act, 1956, M/s V. Sankar Aiyar & Company, Chartered Accountants, New Delhi, the retiring Auditors of the Company, be and are hereby re-appointed as Statutory Auditors of the Company to hold office from the conclusion of the Seventh Annual General Meeting till the conclusion of the next Annual General Meeting at a remuneration of Rs. 2.50 lacs plus out of pocket expenses and applicable service tax."

SPECIAL BUSINESS:

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

5. **"RESOLVED THAT** pursuant to Article 109 of the Articles of Association of the Company and the provisions of Section 269, 309 and the provisions of Schedule XIII and all other applicable Provisions of the Companies Act, 1956, if any, approval of the Members be and is hereby accorded for extending the term of appointment of Shri Suresh Chand Mathur, CEO & Managing Director of the Company from 1st April, 2005 to 31st July, 2005 on the existing terms and conditions as approved by the Members in the third Annual General Meeting held on 21st September, 2001."

6. **"RESOLVED THAT** pursuant to Article 111 of the Articles of Association of the Company and the provisions of Section 269, 309 and the provisions of Schedule XIII and all other applicable provisions of the Companies Act, 1956, if any, approval of the Members be and is hereby accorded for extending the term of appointment of Shri Sham Sunder, Director (Technical) of the Company from 1st April, 2005 to 31st March, 2006 on the existing terms and conditions as approved by the Members in the third Annual General Meeting held on 21st September, 2001."
7. **"RESOLVED THAT** Shri Prem Kumar Chadha who was appointed as an Additional Director of the Company by the Board of Directors under Section 260 of the Companies Act, 1956 and who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director under Section 257 of the Companies Act, 1956 be and is hereby appointed as Director of the Company liable to retire by rotation."
8. **"RESOLVED THAT** Shri N.K.Mitra who was appointed as an Additional Director of the Company by the Board of Directors under Section 260 of the Companies Act, 1956 and who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director under Section 257 of the Companies Act, 1956 be and is hereby appointed as Director of the Company liable to retire by rotation."
9. **"RESOLVED THAT** Shri J.L. Zutshi who was appointed as an Additional Director of the Company by the Board of Directors under Section 260 of the Companies Act, 1956 and who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director under Section 257 of the Companies Act, 1956 be and is hereby appointed as Director of the Company liable to retire by rotation."

By Order of the Board
For Petronet LNG Limited

(R.K. Garg)
Company Secretary &
V. P. (Finance)

Place: New Delhi
Date: 14th June, 2005



PETRONET LNG LIMITED

NOTES:

1. The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of the Special Business and also for Item No 4 set out above is annexed hereto.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND THE MEETING AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. A PROXY SHALL NOT HAVE ANY RIGHT TO SPEAK AT THE MEETING AND SHALL NOT VOTE EXCEPT ON A POLL.**
3. The instrument appointing the proxy must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Annual General Meeting (Proxy Form is enclosed with the Annual Report).
4. All documents referred to the accompanying notice and the Explanatory Statement are open for inspection at the Registered Office of the Company during office hours on all working days except Saturday and Sunday between 11.00 a.m. to 1.00 p.m. up to the date of Annual General Meeting.
5. Members/Proxies should bring the Attendance Slip duly filled in for attending the Meeting.
6. Members are requested to bring their copies of the Annual Report to the Meeting.
7. Members holding Shares in physical mode are requested to notify the change in their address/bank account to the Company/ M/s Karvy Computershare Private Limited, KARVY Plaza, 46 Avenue 4, Street No 2, Banjara Hills, Hyderabad, the Registrar & Share Transfer Agent (R & T Agent) of the Company.

Members must quote their Folio No. in all correspondence with the Company/ R&T Agent. Members holding shares in De-mat/ Electronic Form are requested to get the change in address/bank details in the records of their Depository Participant(s).
8. No gifts will be distributed at the Annual General Meeting
9. The Share Transfer Books of the Company will remain closed from 1st July, 2005 to 26th July, 2005 (both days inclusive) for the purpose of Annual General Meeting.
10. Entry to the Auditorium will be strictly against entry

slip available at the counters at the venue and against exchange of Attendance Slip.

11. No Brief case/Bags/Eatables will be allowed to be taken inside the Auditorium.

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

ITEM NO: 4

M/s V. Sankar Aiyar & Company, Chartered Accountants, were appointed as the Statutory Auditors of the Company in the Sixth Annual General Meeting held on 2nd September, 2004 in terms of Section 224 of the Companies Act, 1956, the Auditors shall hold office till the conclusion of the ensuing Annual General Meeting. Further, in terms of provisions of Section 224A of the Companies Act, 1956, the appointment/reappointment of Auditors will be made in the Annual General Meeting by passing a Special Resolution, if 25% or more of the paid up share capital of the Company is being held by Public Financial Institution(s) or a Government Company or Companies or Central or State Government.

As more than 25% of the paid up share capital of the Company is being held by the Government Companies, therefore, the Directors of the Company recommend the appointment of M/s V. Sankar Aiyar & Company, Chartered Accountants as Auditors of the Company by passing a Special Resolution at remuneration of Rs. 2.50 lacs plus out of pocket expenses and applicable service tax.

No Director of the Company is in any way concerned or interested in the proposed resolution.

ITEM NO: 5

Shri Suresh Chand Mathur was appointed as CEO & Managing Director by the Board in its first Meeting held on 7th April, 1998 for a period of five years. The age of retirement for Whole-time Directors was fixed by the Board up to 65 years in its meeting held on 18th March, 2003. However, the re-appointment of Shri Suresh Chand Mathur as CEO & Managing Director was made by the Shareholders of the Company up to 31st March, 2005 in their meeting held on 12th June, 2003.

The Board in its Meeting held on 15th March, 2005 further extended the tenure of Shri Suresh Chand Mathur, CEO & Managing Director up to 31st July, 2005 on the existing terms & conditions i.e. in the pay scale of Rs. 80,000-5000-1,00,000 per month (present basic



PETRONET LNG LIMITED

pay Rs. 1,00,000/- per month) and other perquisites and benefits as per rule of the Company as approved by the Shareholders in the third Annual General Meeting held on 21st September, 2003.

As per the requirement of the Companies Act, 1956 the appointment of Managing Director is required to be approved by the Shareholders in the General Meeting.

Your Directors recommend the resolution for approval of the Shareholders.

Shri Suresh Chand Mathur is interested in the resolution to the extent of extension of his term as CEO & Managing Director. No other Director of the Company is in any way concerned or interested in the proposed resolution.

ITEM NO: 6

Shri Sham Sunder was appointed as Director (Technical) by the Board in its first Meeting held on 7th April, 1998 for a period of five years. The age of retirement for Whole-time Directors was fixed by the Board up to 65 years in its Meeting held on 18th March, 2003. However, the re-appointment of Shri Sham Sunder, Director (Technical) was made by the Shareholders of the Company up to 31st March, 2005 in their meeting held on 12th June, 2003.

The Board in its Meeting held on 27th January, 2005 further extended the tenure of Shri Sham Sunder, Director (Technical) up to 31st March, 2006 on the existing terms and conditions i.e. in the pay scale of Rs. 70,000-4000-90,000 per month (present basic pay is Rs. 86,000/- per month) and other perquisites and benefits as per rule of the Company as approved by the Shareholders in the third Annual General Meeting held on 21st September, 2003.

As per the requirement of the Companies Act, 1956 the appointment of Whole-time Director is required to be approved by the Shareholders in the General Meeting.

Your Directors recommend the resolution for approval of the Shareholders.

Shri Sham Sunder is interested in the resolution to the extent of extension of his term as Director (Technical). No other Director of the Company is in any way concerned or interested in the proposed resolution.

ITEM NO: 7

Pursuant to Article 113 A of Articles of Association of the Company and in terms of Section 260 of the Companies Act, 1956, Shri Prem Kumar Chadha was

appointed as Additional Director w.e.f. 27.1.2005 on the Board of the Company.

Pursuant to provisions of Section 260 of the Companies Act, 1956, he holds office as Director up to the date of ensuing Annual General Meeting. The Company has received a notice under Section 257 of the Companies Act, 1956 from a Shareholder proposing the name of Shri Prem Kumar Chadha as Director of the Company. A brief resume of Shri Prem Kumar Chadha as required in terms of Clause 49 of the Listing Agreement is enclosed with the notice. The Board recommends that he may be appointed as Director liable to retire by rotation.

Your Directors recommend the resolution for approval of the Shareholders.

Shri Prem Kumar Chadha is interested in the resolution to the extent of his appointment as Director. No other Director of the Company is in any way concerned or interested in the proposed resolution.

ITEM NO: 8

Pursuant to Article 113 A of Articles of Association of the Company and in terms of section 260 of the Companies Act, 1956, Shri N.K. Mitra was appointed as Additional Director w.e.f. 5.5.2005 on the Board of the Company as Nominee of ONGC, one of the Promoters of the Company. Pursuant to provisions of Section 260 of the Companies Act, 1956, he holds office as Director up to the date of ensuing Annual General Meeting. The Company has received a notice under Section 257 of the Companies Act, 1956 from a Shareholder proposing the name of Shri N.K. Mitra as Director of the Company. A brief resume of Shri Mitra as required in terms of Clause 49 of the Listing Agreement is enclosed with the notice. The Board recommends that he may be appointed as Director liable to retire by rotation.

Your Directors recommend the resolution for approval of the Shareholders.

Shri N.K. Mitra is interested in the resolution to the extent of his appointment as Director. No other Director of the Company is in any way concerned or interested in the proposed resolution.

ITEM NO: 9

Pursuant to Article 113 A of Articles of Association of the Company and in terms of Section 260 of the Companies Act, 1956 Shri J.L. Zutshi was appointed as Additional Director w.e.f. 24.5.2005 on the Board of the Company. Pursuant to provisions of Section 260 of the Companies Act, 1956, he holds office as Director



PETRONET LNG LIMITED

up to the date of ensuing Annual General Meeting. The Company has received a notice under Section 257 of the Companies Act, 1956 from a Shareholder proposing the name of Shri J.L. Zutshi as Director of the Company.

A brief resume of Shri Zutshi as required in terms of Clause 49 of the Listing Agreement is enclosed with the notice. The Board recommends that he may be appointed as Director liable to retire by rotation.

Your Directors recommend the resolution for approval of the Shareholders.

Shri J.L. Zutshi is interested in the resolution to the extent of his appointment as Director. No other Director of the Company is in any way concerned or interested in the proposed resolution.

By Order of the Board
For Petronet LNG Limited

(R.K. Garg)
Company Secretary &
V. P. (Finance)

Place : New Delhi
Date : 14th June, 2005

BRIEF BIOGRAPHY OF DIRECTORS PROPOSED TO BE APPOINTED/REAPPOINTED AS REQUIRED IN TERMS OF LISTING AGREEMENT

1. Shri N.K. Nayyar

Shri N.K. Nayyar is Director (Planning & Business Development), Indian Oil Corporation Ltd (IOCL) and responsible for diversification of IOCL in to Gas Sector, integration along hydrocarbon chain through Petrochemical, Exploration and Production. Shri Nayyar besides being a Chartered Accountant is also an alumnus of Indian Institute of Management, Ahmedabad and has completed Advanced Financial Management Programme in Oil & Gas from University of Texas, Dallas.

Shri Nayyar was actively involved in IOCL successful acquisition of IBP Co Ltd, Chennai Petroleum Corporation Ltd and Bongaigaon Refineries & Petrochemicals Ltd. He is the nominee of the IOCL on the Board of Petronet LNG Limited.

Shri Nayyar holds Directorship in the following other Companies:

Name of The Company	Position Held
Indian Oil Corporation of India Ltd	Director
ONGC	Director
IBP Co. Ltd	Director
Indian Oil Panipat Power Consortium Ltd	Chairman
Lanka IOC Pvt Ltd	Chairman

2. Shri B.S. Negi

Shri B.S. Negi is Director (Planning) of GAIL (India) Ltd, responsible for formulating and implementing strategies for GAIL in planning and marketing activities related to Natural Gas Pipeline, LPG, Polymers etc. He is with GAIL for more than 19 years and has to his credit the construction and the commencing of the Worlds largest LPG Pipeline i.e. Jamnagar to Loni pipeline of GAIL.

Shri Negi graduated in Mechanical Engineering from university of Allahabad. He also completed post graduation in Project Management from Punjab University Patiala and Master of Engineering (Turbo Machinery) from South Gujarat University, Surat. He has 34 years of rich professional experience in the field of Oil Refinery, Fertiliser Plants, Gas Transmission, Gas Processing and LPG Transmission. He is the nominee of GAIL on the Board of Petronet LNG Limited.

Shri Negi holds Directorship in the following other Companies:

Name of the Company	Position Held
GAIL (India) Limited	Director
Shell CNG Egypt	Director
Fayum Gas Co. Ltd	Director

3. Shri Suresh Chand Mathur

Shri Suresh Chand Mathur is a Chartered Accountant by qualification. He is CEO & Managing Director of the Company since April, 1998. He has varied experience of over 30 years in the Oil Industry. During his tenure with the Indian Oil Corporation Ltd, he has held important assignments in the field of finance, strategic planning, import of crude oil, marketing and operation and acquisition of the projects,

Prior to taking over the charge of Petronet, he was the Director (Finance) of Indian Oil Corporation Ltd. Shri Mathur had been consultants to ITC Geneva and World Bank and has authored



PETRONET LNG LIMITED

a Book on "Handbook of Import of Crude Oil and Petroleum Products for Developing Countries".

Shri Suresh Chand Mathur is not Director of any other Company.

4. Shri Sham Sunder

Shri Sham Sunder is Director (Technical) of the Company since April, 1998. He is B.E in Chemical Engineering from Punjab University, Chandigarh and also holds MS (Chemical Engineering) from OKLAHOMA State University, Still Water, USA. He is responsible for execution of projects and other related technical matters of the Company.

Shri Sham Sunder is not Director of any other Company.

5. Shri Prem Kumar Chadha

Shri Prem Kumar Chadha is graduate in Mechanical Engineering. He joined Hindustan Lever Ltd. as a Management Trainee in 1962 and worked in various capacities in manufacturing and general management functions. In 1980, he was appointed to the Board of Hindustan Lever Ltd.

In 1985, he was transferred to Unilever's subsidiary in Japan where he worked as Technical Director, Nippon Lever before moving to Europe in 1991. He functioned as the Head of Technology for Unilever worldwide from 1991 to 1996 based in the Netherlands. He retired in 1998 as Senior Vice President, Manufacturing and Supply Chain, Unilever NV, Rotterdam after 36 years service with the Unilever group.

Shri Chadha is presently serving as a Non-executive Director on the Boards of few Companies in India. He is also a Management Consultant to some Companies in India and Indonesia.

Shri Prem Kumar Chadha holds Directorship in the following other Companies:

Name of the Companies	Position Held
Sona Koyo Steering System Ltd	Director
Sona Okegawa Precision Forging Ltd	Director
SOWIL Ltd	Director

6. Shri N.K. Mitra

Shri N.K. Mitra is Director (Offshore) with Oil & Natural Gas Corporation Ltd (ONGC). He holds degree in B.Sc. (Hons.) and also degree in Petroleum Engineering from Indian School of Mines, Dhanbad. Shri Mitra Joined ONGC in 1973 and since then he has held various senior positions like Chief Engineer (Production), General Manager (Production), Executive Director (Offshore).

Shri Mitra is the nominee of ONGC on the Board of Petronet LNG Limited.

Shri Mitra holds Directorship in the following other Companies:

Name of the Companies	Position Held
Oil & Natural Gas Corporation Limited	Director
ONGC Videsh Ltd	Director
Mangalore Refineries & Petrochemicals Ltd.	Director
Pawan Hans Ltd	Director

7. Shri J.L. Zutshi

Shri J.L. Zutshi, Ex-chairman of Indian Oil Corporation Ltd is Bachelor of Engineering (BE) (from Houston). He has over 36 years rich experience in the down stream Oil and Gas Industry. Besides, he is expert in Strategic Human Resources Management and also has extensive experience in Marketing operations and Logistics. During his carrier with Indian Oil Corporation Ltd he had held very senior positions like Executive Director (Marketing Operations), Executive Director (Personnel), Director (Personnel) etc.

Shri J.L. Zutshi holds Chairmanship in Lubrizol India (Pvt) Limited.



PETRONET LNG LIMITED

DIRECTORS' REPORT

To The Members,

The Directors have pleasure in presenting the Seventh Annual Report and the Audited Accounts of your Company for the year ended 31st March, 2005.

The year 2004-05 was marked by several achievements and accomplishments by your Company. The detailed performance during the year is provided herein below:

LNG TERMINAL AT DAHEJ

Your Company commenced commercial operations from India's first LNG Receiving and Regasification Terminal at Dahej from 9th April 2004. The Company implemented the Dahej LNG project within budget and schedule.

a) Operations of Dahej Terminal

LNG cargoes are being regularly received at Dahej, forty two LNG cargoes were unloaded in the year 2004-05 and 3236 MMSCM regasified LNG has been supplied to the Off-takers viz GAIL (India) Limited (GAIL), Indian Oil Corporation Ltd (IOCL) and Bharat Petroleum Corporation Ltd (BPCL).

The Dahej LNG terminal has received ISO 9001 certification in its very first year of operation. The terminal has also received Occupational Health & Safety Management System (OHSAS) 18001 certification and ISO 14001 for Environment Management System from DNV after successful completion of the certification audit on 29th December, 2004.

The terminal achieved 1.54 million accident free man-hours of operation in the financial year 2004-05.

b) EPC Contract

The LNG terminal at Dahej has been executed through a lump sum turnkey EPC Contract by a Consortium of companies led by M/s Ishikawajima Harima-Heavy Industries Co. Limited (IHI), Japan. The performance test of the facilities at Dahej LNG Terminal was carried out from 8th June to 13th June 2004. The entire plant was run at 100% design capacity to demonstrate the achievement of performance guarantees for various equipment and systems.

Based on the recommendation of several consultants, the Company has decided not to construct breakwater at Dahej and instead construct an additional LNG storage tank, which shall provide necessary flexibilities in operations during monsoon. In addition, the Company has implemented additional counter measures e.g Four-60 Ton shore to ship mooring lines.

c) Pilot Project for Supply of LNG in Cryogenic Vehicles

A Memorandum of Understanding has been entered with

IBP Co. Ltd. to take up feasibility of LNG supply to consumers in cryogenic vehicles, the LNG for such pilot project being allocated from IOC's share of RLNG.

d) Shipping Arrangement

Your Company had executed two Shipping Time Charter Agreements with "India LNG Transport Company (No1) Ltd" and "India LNG Transport Company (No 2) Ltd. owned by the consortium led by Mitsui OSK Lines, Japan. M/s Daewoo Ship Building and Marine Engineering Company, Korea completed the construction of second vessel named "RAAHI", which was delivered on 16th December 2004.

"RAAHI" made its maiden voyage to Lake Charles, USA after loading LNG at RasLaffan, Qatar. LNG Shipment to Dahej on "RAAHI" commenced from 18th March and is now regularly bringing LNG to Dahej. First ship "DISHA" is continuing to bring LNG to Dahej from RasLaffan regularly.

e) Port Operator

M/s Sealion Sparkle Port and Terminal Services (Dahej) Limited, a JV Company of PSA Marine Pte Ltd., Singapore and Ocean Sparkle Ltd., India is providing Port Operation Services at Dahej. The Port Operator is providing tugs, marine crafts and crew at our port, and is responsible for safe berthing of LNG tankers at the jetty and other related marine services.

EXPANSION OF DAHEJ LNG TERMINAL

Your Company has embarked upon the expansion of Dahej LNG terminal to 10.0 MMTPA capacity. This shall involve construction of additional LNG storage tank, pumps, vaporizers, send out and metering systems etc. The process of selection of lump-sum turnkey contractor for Dahej expansion project has been initiated. A common Request for Qualification (RFQ) for Dahej expansion project and setting-up of LNG terminal at Kochi, Kerala has been sought from interested parties, based on which, four parties have been short-listed who may be participating in Bidding for EPC work.

Engineers India Limited has been entrusted with the job of preparation of bid package for Dahej Expansion project. Bid package shall be reviewed by M/s Foster Wheeler Energy Limited, U.K. The Request for Proposals (RFP) shall be invited from the bidders pre-qualified at the RFQ stage.

Approval of Gujarat Pollution Control Board (GPCB) for the expanded capacity at Dahej LNG terminal has been obtained. Updated Marine and Terrestrial Risk Analysis has been carried out and submitted to Department of Forests and Environment, Government of Gujarat, for obtaining environment clearance.

LNG TERMINAL AT KOCHI

Your Company has also commenced activities for setting up



PETRONET LNG LIMITED

LNG Receiving and Regasification Terminal at Kochi of 2.5 MMTPA nominal capacity, with provision for expansion to 5 MMTPA. The terminal mainly consists of two Storage Tanks each of 155,000 cubic meters capacity, vaporization system and utilities and off site facilities. LNG port facilities include construction of jetty, breakwater, dredging etc.

Cochin Port Trust (CPT) at Puthuvyppean Island in outer Cochin Harbour had allocated land for the LNG terminal. The physical marking of the boundary points has been carried out by CPT, and allotment letter has been issued.

The capacity of LNG tanks proposed for Kochi LNG terminal has been upgraded to 155,000 cubic meters so that additional LNG storage capacity is not needed when PLL expands Kochi terminal to 5 MMTPA. M/s Fluor, an International Engineering Consultants who had prepared the original DFR, has further updated the DFR including cost estimates.

The environment clearance for Kochi terminal was obtained earlier for 110,000 cubic meters LNG tank capacity. Ministry of Environment and Forest (MOE&F) have advised that PLL should carry out fresh risk analysis etc. for proposed storage tanks. Action has accordingly been taken.

TRANSPORTATION OF LNG FOR PROJECTS DAHEJ EXPANSION AND KOCHI

For meeting the transportation requirement of proposed expanded capacity of Dahej LNG terminal and regasification and storage LNG terminal at Kochi, your company has initiated the process for selecting the Ship Owner / Operator. A global press notice for pre-qualification of Ship Owners / Operators for transportation of LNG under Time Charter Agreement (TCA) for Dahej expansion and Kochi was issued in November, 2004. Six parties have been pre-qualified for further submission of their proposal for Time Charter hire.

SOLID CARGO PORT AT DAHEJ

Your Company has decided to set up the Solid Cargo Port at Dahej through a Special Purpose Vehicle (SPV) as mandatory required under the Concession Agreement with Gujarat Maritime Board. The Joint Venture Agreement shall be entered into with the selected Joint Venture partner after execution of the Concession Agreement with Gujarat Maritime Board.

FINANCIAL PERFORMANCE

As mentioned earlier, the Company Commenced commercial operations w.e.f April 9, 2004 and has sold 125.03 Trillion British Thermal Units (TBTU) of Re-gasified LNG (RLNG) till March 31, 2005, representing sales revenue of Rs.1945 Crores.

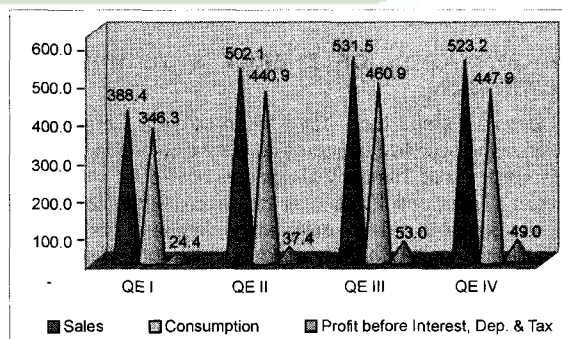
The quarter wise financial performance of the Company are as under:

	Apr 9, 2004 to Jun 30, 2004	Jul 1 2004 to Sep 30, 2004	Oct 1, 2004 to Dec 31, 2004	Jan 1, 2005 to Mar 31, 2005	Apr 9, 2004 to Mar 31, 2005
Quantity (TBTUs)	25.33	31.52	33.92	34.26	125.03
Rs. in Crores					
Sales	388.4	502.1	531.5	523.2	1,945.2
Other Income	2.8	1.9	5.0	3.6	13.3
Raw Material Consumed	346.3	440.9	460.9	447.9	1,696.0
Staff & Other Expenses	20.5	25.7	22.6	29.9	98.7
Profit before Interest, Dep. & Tax	24.4	37.4	53.0	49.0	163.8
Finance Charges	21.8	28.5	28.6	30.5	109.4
Profit before Dep. & tax	2.6	8.9	24.4	18.5	54.4
Depreciation	22.1	24.9	24.9	24.9	96.8
Tax (Deferred tax Assets)	-	-	-	(14.0)	(14.0)
Net Profit/ (Loss)	(19.5)	(16.0)	(0.5)	7.6	(28.4)

During the year Company capitalized fixed assets at its Dahej LNG terminal amounting to approx. Rs. 1900 Crores. During 2004-05, Company paid custom duty amounting to Rs. 82.64 Crores. The Company achieved financial closure of Dahej Project on June 30, 2004, under Project Finance Scheme, consequent to which the short term promoters' guaranteed loans were repaid and guarantees vacated. The Company did not raise any fresh loans during the year.

The Quarterly performance of the Company can be summed up as under:

Rs in crores



INFORMATION TECHNOLOGY

The Company has implemented SAP R3, an ERP solution covering the entire operations of the organization commencing from loading of LNG to evacuation into pipeline. With implementation of SAP R3, front-end & IS of critical data key data like weather conditions, tidal movement, send outs etc. are available real-time on line to the relevant Management. The Company has automated its entire business processes in line with the Best Industry Practices.

Your Company had also been nominated by Economic Times for "Emerging Company of the Year Award 2004".

DIVIDEND

The Directors do not recommend any dividend for the year ending 31st March 2005.



**PETRONET
LNG
LIMITED**

PETRONET LNG LIMITED

DEPOSITS

During the year, your Company did not accept any deposits from the public under section 58A of the Companies Act, 1956.

EMPLOYEE PARTICULARS

None of the employees of your Company is drawing remuneration exceeding limits laid down under the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (particulars of employees) Rules, 1975.

CORPORATE GOVERNANCE

As required under Clause 49 of the Listing Agreement with the Stock Exchanges, the Report on Corporate Governance together with Auditors' Certificate regarding Compliance of the SEBI Code of Corporate Governance is annexed herewith.

MANAGEMENT DISCUSSION AND ANALYSIS

The Annual Report also contains a separate section on the Management Discussion and Analysis which is a part of the Directors' Report.

HUMAN RELATIONS

Your Company continued to enjoy cordial relations amongst all its employees. In its pursuit of creating its own Management cadre, your company recruited executives and staff at various levels, including senior management positions during the year.

INDUSTRIAL RELATIONS

During the year, your Company maintained harmonious and cordial industrial relations. No man-days were lost due to strike, lock out etc.

CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION

All possible steps have been taken by your Company to achieve the objective of energy conservation and technology absorption. Your Company's engineers have been completely involved with Consultants in all the phases of the operations of the terminal in order to ensure high degree of optimization and conservation of energy and absorption of technology.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- that your Company had followed the applicable accounting standards along with proper explanations relating to material departures in the preparation of the annual accounts;
- that your Company had selected such accounting policies and applied them consistently and made judgement 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 or loss account of the Company for that period;
- that your Company had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of your Company and for

preventing and detecting fraud and other irregularities; and

- that the accounts of your Company have been prepared on a going-concern basis.

BOARD OF DIRECTORS

Shri Arvind Varma, an Independent Director, resigned from the office of Director on 4th December, 2004. Shri Prem Kumar Chadha, an Independent Director and Shri Harbans Lal, Nominee Director of Lenders were appointed on 27th January, 2005. Shri Ravindra Gupta, who was also appointed as an Independent Director on 27th January, 2005 resigned on 17th March, 2005 and in his place, the Board has appointed Shri J. L. Zutshi as an Independent Director w.e.f. 24th May, 2005. Shri Y.B. Sinha, nominee Director of ONGC ceased to be Director w.e.f. 4th May, 2005 and Shri N.K. Mitra has been appointed in place of Shri Y.B. Sinha w.e.f. 5th May, 2005 as nominee Director of ONGC.

The Board placed on record its appreciation of the enormous contribution made by all the retiring Directors during their tenure as Directors of the Company.

FOREIGN EXCHANGE EARNING AND OUTGO

Your Company incurred Rs. 1598.43 crores towards Import of LNG and its Transportation during the year under review in foreign exchange. Foreign exchange earnings on account of Vessel hire charges were Rs. 13.44 crore.

AUDITORS

M/s V. Sankar Aiyar & Company, Auditors of the Company, will retire at the ensuing Annual General Meeting of your Company and being eligible, offer themselves for re-appointment. The re-appointment, if made, for the Financial year 2005-2006, will have to be by a Special Resolution as required under section 224A of the Companies Act, 1956.

ACKNOWLEDGEMENTS

The Board of Directors thanks and wish to place on record its appreciation to the Ministry of Petroleum and Natural Gas, Ministry of Surface Transport, Ministry of Power, Ministry of Chemicals and Fertilisers, Ministry of Forest and Environment, Government of India, Governments of Gujarat and Kerala, Promoters of the Company, Gaz De France, a Strategic Partner, Indian and Overseas Financial Institutions, Banks, Asian Development Bank, Domestic and International Legal Consultants, EPC Contractors and the Employees of the Company at all levels for the continued Co-operation and unstinted support extended to the Company.

The Directors also express their sincere thanks to all the Shareholders for the continued support and trust they have reposed in the Management.

The Directors look forward to a bright future with confidence.

On behalf of the Board of Directors

(S. C. Tripathi)
Chairman

Place : New Delhi
Dated : 14th June, 2005