



Petronet LNG Limited

Annual Report 2007-2008

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R.K. GADGE
Company Secretary
Petronet LNG Limited
Mumbai
Sankar Road, Eastern Suburbs, India
New Delhi


**PETRONET
LNG
LIMITED**
PETRONET LNG LIMITED
Board of Directors :

| | |
|-----------------------|---------------------------------|
| Shri M. S. Srinivasan | Chairman |
| Shri P. Dasgupta | Managing Director & CEO |
| Shri A. Sengupta | Director (Finance & Commercial) |
| Shri C. S. Mani | Director (Technical) |
| Shri Ashok Sinha | Director |
| Dr. U. D. Choubey | Director |
| Shri N. K. Mitra | Director |
| Shri S.V. Narasimhan | Director |
| Mr. Jacques Gautier | Director |
| Shri Arun Duggal | Director |
| Shri D. J. Pandian | Director |
| Shri D. P. Roy | Director |
| Shri P. K. Chadha | Director |
| Shri J. L. Zutshi | Director |

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Sr. Vice President – Finance & Company Secretary

Shri R. K. Garg

Bankers & Financial Institutions

Allahabad Bank
 Asian Development Bank
 Bank of America
 Canara Bank
 Federal Bank
 ICICI Bank Limited
 IDFC Ltd
 Indian Overseas Bank
 International Finance Corporation (Washington)
 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
 The Hongkong & Shanghai Banking Corporation Ltd.

Statutory Auditors:

M/s V. Sankar Aiyar & Company

Registered Office:

World Trade Centre, 1st Floor, Babar Road,
 Barakhamba Lane, NEW DELHI 110 001
 Tel. : 011-23411411, 011-23413616
 Fax : 011-23414271
 Website: www.petronetlng.com

Registrar & Share Transfer Agent:

M/s Karvy Computershare Pvt. Ltd
 Plot No. 17 to 24, Vittal Rao Nagar,
 Madhapur, HYDERABAD-500081

Tel. : 040-23312454 / 23320751 / 52
 Fax : 040-23311968 / 23323049

Dahej LNG Terminal:

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

Tel. : 02641- 257004 to 257007 & 253182
 Fax : 02641- 253184

Cochin:

7-D, Peevees, Triton Apartment,
 Shanmugham Road, Marine Drive,
 Ernakulam - KERALA

Tel. : 0484-2360754
 Fax: 0484-2360754



PETRONET LNG LIMITED

NOTICE OF 10TH ANNUAL GENERAL MEETING – 2008

NOTICE is hereby given that the 10th (Tenth) Annual General Meeting of the Members of Petronet LNG Limited (PLL) will be held on Wednesday, the 4th day of June, 2008 at 10:00 A.M. at Air Force Auditorium, Subroto Park, Dhaula Kuan, New Delhi-110 010 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as on 31st March, 2008, Profit & Loss Accounts for the year ended 31st March, 2008, together with Report of Directors and Statutory Auditors thereon.
2. To declare a dividend for the financial year ended 31st March, 2008.
3. To appoint a Director in place of Shri N. K. Mitra, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Ashok Sinha, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri Jacques Gautier, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint a Director in place of Shri Arun Duggal, who retires by rotation and being eligible, offers himself for re-appointment.
7. 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 Tenth Annual General Meeting till the conclusion of the next Annual General Meeting at a remuneration of Rs. 5.50 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 Resolution(s)

8. **"RESOLVED THAT** Shri S. V. Narasimhan, Nominee of Indian Oil Corporation Ltd. (IOCL), who has been 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)

Sr. V.P.- Finance & Company Secretary

Place : New Delhi

Date : 26th April, 2008

NOTES:

- 1 The Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956 in respect of the Item No. 7 & 8 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.
- 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 the Annual General Meeting.
- 5 Members / Proxies should bring the Attendance Slip duly filled 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 M/s Karvy Computershare Private Limited, Plot No. 17 to 24, Vittal Rao Nagar, Madhapur, Hyderabad - 500081, the Registrar & Share Transfer Agent (R & T Agent) of the Company.


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LIMITED**
PETRONET LNG LIMITED

- 8 Members holding shares in De-mat mode are requested to notify the change in their address / bank account to their respective Depository Participant(s) (DPs).
- 9 Members must quote their Folio Number / De-mat Account No. in all correspondence with the Company/ R&T Agent.
- 10 No gift will be distributed at the Annual General Meeting.
- 11 The Register of Members and Share Transfer Books of the Company will remain closed from 26th May, 2008 to 4th June, 2008 (both days inclusive). The dividend on equity shares, as recommended by the Board of Directors, subject to the approval of Members in the Annual General Meeting, will be paid on and after 8th June, 2008 to the Members or their Mandates whose name appear on the Company's Register of Members on 4th June, 2008 in respect of physical Shares. In respect of Dematerialized Shares, the dividend will be payable to the beneficial owner of the shares whose name appear in the statement of beneficial ownership furnished by NSDL and CDSL at close of business hours on 25th May, 2008.
- 12 In order to avail the facility of Electronic Clearing System (ECS) for receiving direct credit of dividend to his / their respective account with Bank(s), the Members holding equity shares in Physical Mode are requested to provide their Bank Account No., Name and Address of the Bank / Branch to M/s Karvy Computershare Pvt. Limited, Plot No. 17 to 24, Vittal Rao Nagar, Madhapur, Hyderabad - 500081, the Registrar & Share Transfer Agent (R & T Agent) of the Company.
- 13 Entry to the Auditorium will be strictly against entry slip available at the counters at the venue and against exchange of Attendance Slip.
- 14 Any briefcase / bags / eatables will not be allowed to be taken inside the Auditorium.
- 15 Annual Listing Fee for the year 2008-09 has been paid to all Stock Exchanges wherein Shares of the Company are Listed.
- 16 Corporate Members intending to send their authorized representatives to attend the Meeting are requested to send a certified copy of Board Resolution authorizing their representative to attend and vote on their behalf in the Meeting.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.
ITEM NO: 7

M/s. V. Sankar Aiyar & Company, Chartered Accountants,

were appointed as the Statutory Auditors of the Company in the Ninth Annual General Meeting held on 14th June, 2007 in terms of Section 224A of the Companies Act, 1956, the Auditors shall hold office till the conclusion of the ensuing Annual General Meeting. Further, in terms of the provisions of Section 224A of the Companies Act, 1956, the appointment / re-appointment 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 the Central or the 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 a remuneration of Rs. 5.50 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: 8

Pursuant to the Article 113 A of the Articles of Association of the Company and in terms of section 260. of the Companies Act, 1956, Shri S. V. Narasimhan was appointed as Additional Director w.e.f. 16th April, 2008 on the Board of the Company as nominee of Indian Oil Corporation Ltd. (IOCL), 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 S. V. Narasimhan as Director of the Company. A brief resume of Shri S. V. Narasimhan 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 S. V. Narasimhan 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)

Sr. V.P. – Finance & Company Secretary

Place : New Delhi

Date : 26th April, 2008

**PETRONET LNG LIMITED****BRIEF BIOGRAPHY OF DIRECTORS PROPOSED TO BE APPOINTED/RE-APPOINTED AS REQUIRED IN TERMS OF THE LISTING AGREEMENT****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 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 Ltd. | Director |
| ONGC Videsh Ltd. | Director |
| Pawan Hans Helicopters Ltd. | Director |
| Manglore Refinery & Petrochemicals Ltd. | Director |
| ONGC Petro-additions Ltd. | Director |

Shri N. K. Mitra holds Membership/Chairmanship in the Committees of the following other Companies in terms of Clause 49 of the Listing Agreement:

| Name of the Company | Name of the Committee(s) | Position held |
|---------------------|--------------------------|---------------|
| ONGC Videsh Ltd | Audit Committee | Member |

Shri Ashok Sinha

Presently, Shri Ashok Sinha is the Chairman & Managing Director of Bharat Petroleum Corporation Limited (BPCL). Earlier to his appointment as CMD, he was Director (Finance) of BPCL. Shri Sinha is a Graduate in Electric Engineering from IIT Kanpur and an MBA from the Indian Institute of Management, Bangalore with Specialization in Finance.

During his association with BPCL, he has handled key responsibilities in the areas of Corporate Affairs, Planning, Information Technology and Retail Marketing and has vast experience in Oil business. He has been conferred with India CFO Award - 2001 for information and

Knowledge Management by the Economic Intelligence Unit (EUI) India and American Express. He has also received award from TMG (Technology Media Group) for Customer Management. Shri Ashok Sinha is the nominee of BPCL on the Board of Petronet LNG Limited.

Shri Ashok Sinha holds Directorship/Chairmanship in the following other Companies:

| Name of the Companies | Position held |
|--------------------------------------|------------------------------|
| Bharat Petroleum Corporation Limited | Chairman & Managing Director |
| Numaligarh Refinery Limited | Chairman |
| Bharat Oman Refineries Limited | Chairman |
| Bharat Petroresources Limited | Director |

Shri Ashok Sinha does not hold Membership/Chairmanship in the Committees of other Companies in terms of Clause 49 of the Listing Agreement.

Mr. Jacques Gautier

Mr. Jacques Gautier is the head of Engineering Department, Gaz de France. He Graduated as Mechanical Engineer from Ecole Centrale des Arts et Manufacturers de Paris in 1975 and joined Electricite de France and was involved for 12 years in engineering and supervision of construction of various Nuclear Power Plants. Since 1989, when he joined Gaz de France, he has gained wide experience in the Natural Gas industry on operational aspects in the Transmission Division as well as International NG Project studies and development in the International Development Division. Mr. Jacques Gautier is the nominee of GDFI on the Board of Petronet LNG Limited.

Mr. Jacques Gautier holds Directorship / Chairmanship in the following other Companies:

| Name of the Companies | Position held |
|------------------------------|---------------|
| Gazmetro (Canada) | Director |
| GNL Saint – Laurent (Canada) | Director |
| Intragaz (Canada) | Director |
| Meg (Canada) | Director |
| Bucksport (USA) | Director |

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Mr. Jacques Gautier does not hold Membership/Chairmanship in the Committees of other Companies in terms of Clause 49 of the Listing Agreement.

Shri Arun Duggal

Shri Arun Duggal is an experienced International Banker advising Corporations on Financial Strategy, M&A and Capital Raising areas. He has been an International Advisor to a number of Corporations, major Financial Institutions and Private Equity Firms.

He is a Mechanical Engineer from the prestigious Indian Institute of Technology, Delhi. Mr. Duggal holds an MBA from the Indian Institute of Management, Ahmedabad. He teaches Banking & Finance at the Indian Institute of Management, Ahmedabad as a visiting Professor.

Shri Duggal had a 26 years career with Bank of America, mostly in the U.S., Hong Kong and Japan. His last assignment was as Chief Executive of Bank of America in India from 1998 to 2001. He spent ten years (1981- 1990) with the New York Corporate Office of Bank of America handling multinational relationships. From 1991-94 as Chief Executive of BAA Asia Limited, Hong Kong, he looked after investment Banking activities for the Bank in Asia. In 1995, he moved to Tokyo as the Regional Executive, managing Bank of America's business in Japan, Australia and Korea. From 2001 to 2003 he was Chief Financial Officer of HCL Technologies, India. Shri Arun Duggal is the nominee of ADB on the Board of Petronet LNG Limited.

Shri Duggal holds Directorship in the following other Public Limited Companies:

| Name of the Company | Position held |
|---------------------------------|---------------|
| Shriram Transport Finance Ltd. | Chairman |
| Shriram Properties Ltd. | Chairman |
| Shriram City Union Finance Ltd. | Chairman |
| Shriram EPC Ltd. | Chairman |
| Zuari Industries Ltd. | Director |
| Patni Computers Systems Ltd. | Director |
| Manipal Acunova Ltd. | Director |
| Info Edge (India) Ltd. | Director |
| Jubilant Energy Ltd., Canada | Director |
| Dish TV India Ltd. | Director |
| Mundra Port & SEZ Ltd. | Director |

Shri Arun Duggal holds Membership/Chairmanship in the Committees of the following Companies in terms of Clause 49 of the Listing Agreement:

| Name of the Company | Name of the Committee(s) | Position held |
|------------------------------|--------------------------|---------------|
| Patni Computers Systems Ltd. | Audit Committee | Chairman |
| Info Edge (India) Ltd. | Audit Committee | Chairman |
| Zuari Industries Ltd. | Audit Committee | Member |
| Dish TV India Ltd. | Remuneration Committee | Member |

Shri S. V. Narasimhan

Shri S. V. Narasimhan is Director (Finance) of Indian Oil Corporation Ltd. He is a Chartered Accountant and also an MBA from Faculty of Management Studies (FMS), Delhi. Prior to becoming Director in Indian Oil, he was the Managing Director of Chennai Petroleum Corporation Ltd.

Shri Narasimhan has over three decades of experience in the Oil Industry and has served as Member of several specialist committees of the Government of India that drafted oil sector policies. Shri Narasimhan is also credited with assisting the oil cost review committee set up by the Government to formulate the basis for pricing of petroleum products. Shri Narasimhan is the nominee of IOCL on the Board of Petronet LNG Limited.

Shri S.V. Narasimhan holds Directorship in the following other Public Limited Companies:

| Name of Company | Position held |
|-----------------------------|---------------|
| Lanka-IOC Ltd. | Chairman |
| Indian Oil Corporation Ltd. | Director |

Shri S.V. Narsimhan holds Membership/Chairmanship in the following Companies in terms of Clause 49 of the Listing Agreement

| Name of the Company | Name of the Committee(s) | Position Held |
|-----------------------------|---|---------------|
| Indian Oil Corporation Ltd. | Remuneration Committee | Member |
| Indian Oil Corporation Ltd. | Shareholders/ Investors Grievance Committee | Member |



PETRONET LNG LIMITED

DIRECTORS' REPORT

Dear Shareholders,

The Directors have the pleasure of presenting the Tenth Annual Report and the Audited Accounts of your Company for the year ended 31st March, 2008.

Within a short time of coming into existence Petronet LNG has emerged as a critical player in the nation's pursuit for energy. Your company is at the forefront of India's all-out national drive to ensure the country's energy security in the years to come. In the supply constrained Natural Gas market in India, your Company is the operator and owner of the country's first and largest LNG terminal at Dahej. The Dahej terminal is operating at its optimum capacity and meeting nearly 25% of Country's total gas supplies. During the year, your company has excelled both in physical and financial performances. It has maintained an upward trend in all performance parameters. Petronet LNG bought 323.76 TBTU of LNG and sold 321.95 TBTU of R-LNG – a 12 per cent increase over the previous year.

PHYSICAL PERFORMANCE: 2007-2008 2006-2007

| | | |
|----------------------|--------|--------|
| LNG Purchased (TBTU) | 323.76 | 292.80 |
| RLNG Sold (TBTU) | 321.95 | 287.08 |

FINANCIAL PERFORMANCE

In 2007-08, your Company made substantial gains in turnover and operating margins. The increase happened despite the nameplate capacity remaining unchanged. De-bottlenecking and efficient utilization of critical equipment contributed to the improved performance. This coupled with sourcing of spot / short term cargoes at competitive prices helped increase in net profit to Rs. 474.65 Crores in 2007-08 against Rs. 313.25 Crores in 2006-07. Turnover during the year under review was Rs. 6555.31 Crores against Rs. 5508.95 Crores in 2006-07. Gross margin stood at Rs. 1042.47 Crores against Rs 799.07 Crores in the previous year. Earning per share increased by 51 per cent – from Rs. 4.18 per share to Rs. 6.33 a share. A summary of the comparative financial performance in fiscal 2007-08 and 2006-07 is given below:

| Particulars | Rs. In Crores | |
|--------------|---------------|---------|
| | 2007-08 | 2006-07 |
| Turnover | 6555.31 | 5508.95 |
| Other Income | 53.58 | 36.59 |

| | | |
|-----------------------------------|----------------|----------------|
| Total Revenue | 6608.89 | 5545.54 |
| Cost of import of LNG | 5566.42 | 4746.47 |
| Gross Margin | 1042.47 | 799.07 |
| Salary & Other Operating Expenses | 122.77 | 114.43 |
| Interest | 102.35 | 107.04 |
| Depreciation/write off | 102.18 | 102.03 |
| Profit before Tax | 715.17 | 475.57 |
| Provision for Tax | 240.52 | 162.32 |
| Profit after Tax | 474.65 | 313.25 |
| Earning per share (Rs./Share) | 6.33 | 4.18 |

DIVIDEND

Keeping in view the sound financial position of the Company, the Directors are happy to recommend a dividend of 15% on the paid-up share capital of the Company for the year ending 31st March, 2008.

OPERATIONS AT DAHEJ

Dahej terminal is operating at its optimum capacity. During 2007-08, 101 LNG cargoes were unloaded and 321.95 mmbtu of regasified LNG was supplied to the Offtakers. The LNG terminal achieved 4.65 million accident-free manhours of operation at the end of the financial year 2007-08 since commencement of operations.

Expansion of Dahej Terminal

To meet the increasing demand of the power and fertilizer sectors, expansion of the Dahej Terminal from 5 MMTPA to 10 MMTPA, which had commenced in the year 2006 is now nearing completion and would be ready for commercial use in the next financial year.

Your company has entered into a Memorandum of Understanding with Gujarat Maritime Board to develop a standby LNG berth at Dahej. From risk mitigation point of view, another LNG jetty has been approved by your Board of Directors. In addition to the risk mitigation, the standby LNG jetty would enhance the capacity of LNG terminal to 12.5 MMTPA.

Pilot Project for Supply of LNG in Cryogenic Vehicles

An achievement of your company has been the successful development of the pilot project for loading of LNG on cryogenic road tankers. The LNG for such pilot project has been allocated from IOC's share under the GSPA. This project achieved mechanical completion on 8th August 2007 after obtaining due approval of Chief Controller of Explosives (CCOE). Since the operation of the project, 390 cryogenic road tankers (equivalent to



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5490.88 MT) up to 31st March, 2008 have been loaded with LNG and supplied to two customers in the state of Gujarat and Maharashtra. Many other customers have also evinced interest in getting LNG from cryogenic road tankers. The truck loading facility in India would facilitate supplying gas to captive power generation units and city gas distribution.

SOLID CARGO PORT AT DAHEJ

A Solid Cargo Port through a Joint Venture Company namely Adani Petronet (Dahej) Port Private Ltd. is being implemented. The Project is being implemented in two phases. The Phase I is likely to be completed by November 2009 and the Phase II by September 2010. The Solid Cargo Port would have facilities to import/export bulk products like Coal, Steel and Fertilizer.

LNG TERMINAL AT KOCHI

Your Company is also setting up another LNG Receiving and Re-gasification Terminal of 5.0 MMTPA at Kochi. The terminal consists mainly of two LNG Storage Tanks, vaporization system, utilities and off site facilities as well as marine facilities such as jetty, bund, dredging. The vaporization system of the terminal will be commissioned in two phases of 2.5 MMTPA each. Cochin Port Trust has allocated 33.1 hectares land for the LNG terminal at Puthuvypeen Island in outer Cochin Harbor, which is in the Puthuvypeen SEZ. The construction of boundary wall around the proposed terminal is nearing completion. Site grading activity has commenced from 6th February, 2008.

The terminal consists mainly of two LNG Storage Tanks each of 155,000 cu. m. net capacity - IHI Corporation of Japan has already been awarded the EPC contract for the same. The selection of EPC contractor for re-gasification Terminal and Jetty & Marine works is in progress and is likely to be completed by September, 2008.

TRANSPORTATION OF LNG FOR PROJECTS DAHEJ EXPANSION AND KOCHI

To meet the transportation requirements of the expanded capacity of Dahej LNG terminal, the Company has executed Time Charter Agreement with India LNG Transport Company (No 3) led by Mitsui OSK Lines, Japan on 21st February, 2006, and Samsung Shipyard, South Korea has been awarded the construction of the third tanker, which is scheduled to be delivered on 16th September, 2009. Petronet LNG has selected internationally renowned LNG expert-Hamburg based "Marine Services" as Shipping Consultant for supervising the construction of the third tanker. The same Company was engaged for the supervision of construction of its

first two vessels "DISHA" and "RAAH".

For meeting the transportation requirements of proposed re-gasification and storage LNG terminal at Kochi, the Company has pre-qualified six Ship Owners and Ship Operators for two vessels of 175000 cubic meter capacities. Four of the pre-qualified Ship Owners and Ship Operators have confirmed participation in the bidding process. The Company will be inviting commercial bids from the short-listed bidders soon. The delivery of the vessels would be synchronized with the supply of LNG for Kochi terminal from the long-term LNG supplier.

LNG SOURCING

Your Company has now established business relationships with most of the potential LNG suppliers for import of spot as well as long term LNG supplies. During the year, your Company made a breakthrough by executing a term contract for purchase of LNG for meeting the gas requirement of Dabhol LNG terminal of Ratnagiri Gas & Power Pvt. Ltd. (RGPPL). This enabled RGPPL to commence power generation of their stranded power plant.

Petronet LNG Ltd intends to broad base its source of natural gas. The Company is in talks with various LNG suppliers around the globe to meet the LNG requirement for the expanded capacity of Dahej as well as for Kochi project.

FINANCING

During the year, your Company executed term loan Agreements with Asian Development Bank (ADB) and International Finance Corporation (IFC) for USD equivalent of Rs. 675 Crores and USD 300 Million respectively. While the ADB loan is for financing Dahej Expansion Project, IFC loan will be used for part financing the Kochi LNG Terminal.

INFORMATION TECHNOLOGY

The Company has built a state-of-art Data Centre at its corporate office to augment its existing IT Infrastructure. A number of Servers including Lotus Mail, File, Print, Web, Proxy, Antivirus and centralised Data Storage management have been deployed. The ERP Disaster Recovery (DR) centre at Vadodara has been relocated to newly built Data Centre thus making the DR and Business Continuity Plan (BCP) process more robust. To ensure a future-proof solution, products that support current mature technologies as well as emerging next-gen technologies, have been successfully deployed.

DEPOSITS

During the year, your Company did not accept any deposits

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from the public under Section 58A of the Companies Act, 1956.

EMPLOYEE PARTICULARS

As required, pursuant to provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (particulars of employees) Rules, 1975, the names and other particular of employees(s) are set out in the annexure to Directors' Report.

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.

INDUSTRIAL RELATIONS

Your Company continued to enjoy cordial relations amongst all its employees. In the pursuit of creating its own Management cadre, your Company recruited executives at various levels including at various senior management positions during the year. 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 involved with the Consultants and the Contractors in all phases of design of Dahej Expansion & Kochi project in order to ensure optimum 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

- a) That your Company had followed the applicable accounting standards along with proper explanations relating to material departures in the preparation of the annual accounts;
- b) That your Company had selected such accounting policies and applied those 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;

- c) 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
- d) That the accounts of your Company have been prepared on a going-concern basis.

BOARD OF DIRECTORS

Shri S. V. Narasimhan has been appointed as Nominee Director of Indian Oil Corporation Ltd. (IOCL) in place of Shri B. M. Bansal w.e.f. 16th April, 2008. Beside it, there is no change in the composition of the Board of Directors of the Company.

FOREIGN EXCHANGE EARNING AND OUTGO

Your Company has incurred expenditure in foreign exchange to the extent of Rs. 5420 Crores for purchase of LNG, spare parts & capital goods and Rs. 53 Crores for other expenditures during the year under review. Foreign exchange earning on account of interest was Rs.0.42 Crores during the year.

AUDITORS

M/s. V. Sankar Aiyar & 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 2008-09, will have to be by a Special Resolution as required under Section 224A of the Companies Act, 1956.

ACKNOWLEDGEMENTS

The Board of Directors thank, and wish to place on record its appreciation of the Ministry of Petroleum and Natural Gas, Governments of Gujarat and Kerala, Promoters & Shareholders of the Company, Rasgas, Exxon Mobil and other LNG suppliers, Offtakers & Consumers of re-gasified LNG and the employees of the Company at all levels, for their continued co-operation and unstinted support. The Directors also express their sincere thanks to all the shareholders for the continued support and trust they have shown in the Management. The Directors look forward to a bright future with confidence.

On behalf of the Board of Directors

(M. S. Srinivasan)
Chairman

Place : New Delhi

Date : 26th April, 2008

Annexure to Directors' Report

PARTICULARS OF EMPLOYEES PURSUANT TO SECTION 217(2A) OF THE COMPANIES ACT, 1956

| Name of The Employee | Remuneration Received in Rs. | | Nature of employment whether Permanent or Contractual | Other terms & Conditions | Nature of Duties of the employee | Qualification & Experience of the employee | Date of commencement of employment | Age of the employee | The last employment held by such employee before joining the Company |
|----------------------|------------------------------|-----------|---|--------------------------------------|----------------------------------|--|------------------------------------|---------------------|--|
| | 2007-08* | 2006-07 | | | | | | | |
| Shri P. Dasgupta | 67,31,512 | 26,94,484 | Contractual | Appointment for a period of 5 years. | Managing Director & CEO | Chartered Accountant Experience-35 years | 02.01.2003 | 61 yrs. | Chief Financial Officer, Essar Telecom - Essar Teleholdings Ltd. |
| Shri A. Sengupta | 54,41,404 | 15,92,011 | Contractual | Appointment for a period of 5 years. | Director (Finance & Commercial) | Chartered Accountant Experience-30 years | 03.06.2002 | 55 yrs. | GM-(Fin. & Admn. & PIng.), Indo Mobil Ltd. |
| Shri C. S. Mani | 44,80,341 | 7,91,384 | Contractual | Appointment for a period of 5 years. | Director (Technical) | B. Tech. (Chem.) M. E. (Chem.) Experience-36 years | 01.08.2006 | 60yrs. | ED-(PIng. & Projects), Gujarat Alkalies & Chemicals Ltd. |

Notes :

Shri P. Dasgupta holds 235000 equity shares equivalent to 0.031% of equity shares of the Company.

Shri A. Sengupta holds 8750 equity shares equivalent to 0.001% of equity shares of the Company.

Shri C. S. Mani holds 650 equity shares of the Company.

*Remuneration includes Commission on profit for the year 2006-07 and 2007-08.