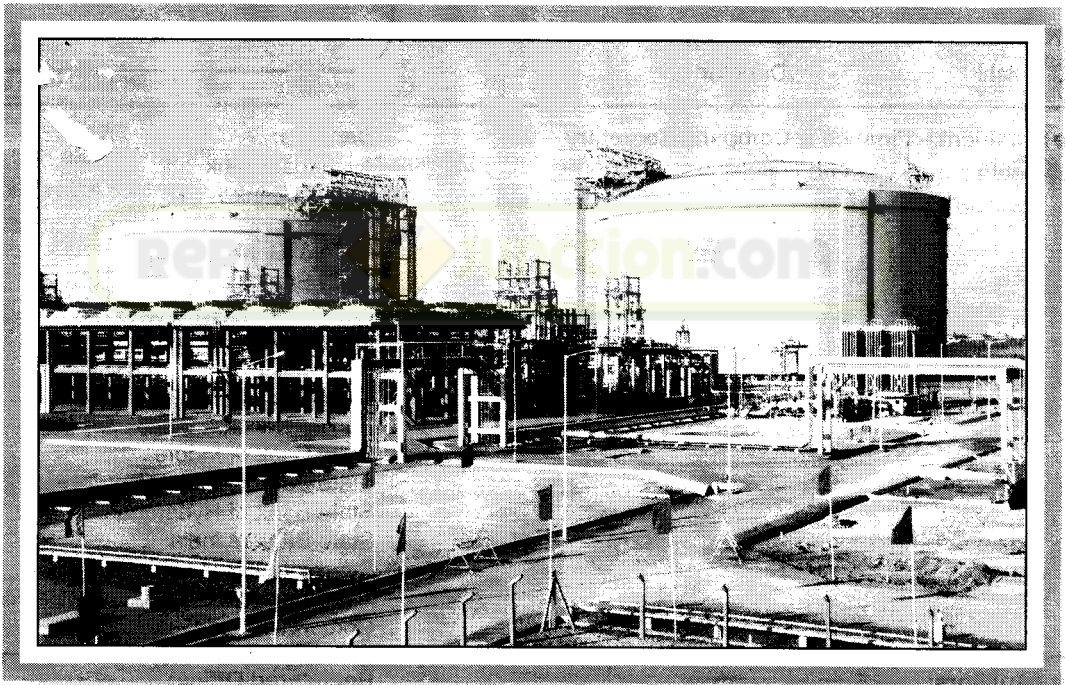




PETRONET LNG LIMITED



ANNUAL REPORT 2006-2007



PETRONET LNG LIMITED

Board of Directors :

| | |
|-----------------------|---------------------------------|
| Shri M. S. Srinivasan | Chairman |
| Shri Prosad Dasgupta | Managing Director & CEO |
| Shri Amitava Sengupta | Director (Finance & Commercial) |
| Shri C. S. Mani | Director (Technical) |
| Shri Ashok Sinha | Director |
| Dr. U. D. Choubey | Director |
| Shri B. M. Bansal | Director |
| Shri N. K. Mitra | 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:

Allahabad Bank
Canara Bank
Citi 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
The Hong Kong & 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

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 9TH ANNUAL GENERAL MEETING - 2007

NOTICE is hereby given that the 9th (Ninth) Annual General Meeting of the Members of Petronet LNG Limited (PLL) will be held on Thursday, the 14th day of June, 2007 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, 2007, Profit & Loss Accounts for the year 31st March, 2007, together with Report of Directors' and Statutory Auditors thereon.
2. To declare a dividend for the financial year ended 31st March, 2007.
3. To appoint a Director in place of Shri D. P. Roy, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri P. K. Chadha, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri J. L. Zutshi, who retires by rotation and being eligible, offers himself for re-appointment.
6. 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 Ninth Annual General Meeting till the conclusion of the next Annual General Meeting at a remuneration of Rs. 3.75 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)**:

7. **"RESOLVED THAT** pursuant to the Article 111 of Articles of Association of the Company and the provisions of Section 198, 269, 309, 310 and the provisions of Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 and subject to approval of the Central Government, if required and such alterations / modifications, if any, that may be affected by the above mentioned body in that behalf, approval of the Members be and is hereby accorded to the appointment of Shri C. S. Mani as Director (Technical) for a period of five years w.e.f. 1st August, 2006 on the following terms and conditions."

Salary:

Rs.70, 000 p.m. in the time scale of Rs. 70,000 – 4,000 – 90,000 with an annual increment of Rs. 4,000/-.

Perquisites:

- A. Housing: Rent free furnished accommodation along with benefits of gas, fuel, water, electricity (Rs. 2000/- per month),

telephone, internet and fax as also upkeep and maintenance of Company's furnished accommodation.

or

House Rent Allowance (HRA) limited to the 60% of basic salary or if he offers a house in his own name / spouse, the same may be taken on lease limited to 60% of the basic salary.

- B. Medical Reimbursement: Reimbursement of medical expenses for self and family including dependent parents at actual.
- C. Leave Travel Allowance: Leave Travel Allowance will be paid by the Company, for self and family once in a year subject to a ceiling of one and half months salary in a year.
- D. Club Fees: Reimbursement of club fees, subject to maximum of two clubs.
- E. Personal Accident Insurance Policy: The Company subject to a maximum premium of Rs. 4,000/- p.a. will provide Personal Accident Insurance Cover as applicable to him.
- F. Furniture at residence up to Rs. 2,25,000/- subject to recovery of Rs. 100/- p.m. and payment of 5% as maintenance allowance on self certification basis with option to repurchase at book value after 7 years or on retirement whichever is earlier.

Other Benefits:-

- G. Contribution to Provident Fund, Superannuation Fund / Annuity Fund in accordance with the rules of the Company.
- H. Gratuity at a rate not exceeding one half month's salary for each completed year of service.
- I. Car with services of a driver to be maintained by the Company for official use. The permissible limit for personal use would be 1000 Kms per month with an annual ceiling of 12000 km against a monthly deduction of Rs. 600 p.m.
- J. Telephone / Fax / Internet facility – at actual.
- K. Leave / Leave Salary as per the rules of the Company.
- L. The performance incentive would be decided by a Remuneration Committee to be constituted by the Board on a year-to-year basis based on the performance of the Company.
- M. Any and all allowances, perquisites and benefits under the appropriate schemes and rules applicable generally to the officers of the Company provided however that the total remuneration shall be within the ceiling prescribed under Schedule XIII of the Companies Act, 1956.
- N. The appointment will be subject to termination by three-month notice in writing on either side."
8. **"RESOLVED THAT** Shri D. J. Pandian, Nominee of Gujarat Maritime Board (GMB), 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. "



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9. **"RESOLVED THAT** Dr. U. D. Choubey, Nominee of GAIL (India) Ltd., 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."

10. **"RESOLVED THAT** pursuant to Section 293(1)(d) and all other applicable provisions, if any, of the Companies Act, 1956, the consent of the Members be and is hereby accorded to the Board of Directors to borrow such sums of money (including by way of debentures secured or unsecured, loans or otherwise), at any time or from time to time as may be required for the purpose of the business of the Company in excess of the aggregate of the paid up Share Capital of the Company and its free Reserves i.e. to say, Reserves not set apart for any specific purpose, subject to the condition that such borrowing together with the money which is already borrowed (apart from temporary loans obtained by the Company from its bankers/other entities in the ordinary course of business) shall not at any time exceed Rs. 10,000 crores."

"RESOLVED FURTHER THAT for the purpose of giving affect to this resolution, the Board be and is hereby authorized to finalize, settle and execute such documents/deeds/writings/papers/agreements as may be required and do all such acts, deeds, matters and things, as it may in its absolute discretion deemed necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in this regard to borrowing as aforesaid."

11. **"RESOLVED THAT** in partial modification of resolution no. 6 passed by the Members in 8th Annual General Meeting of Members of the Company held on 14th June, 2006 and pursuant to the provisions of Section 198, 269, 309 & 310 and other applicable provisions, if any, of the Companies Act 1956, read together with Schedule XIII of the Companies Act, 1956, consent of the Members be and is hereby accorded to increase the remuneration (Cost to the Company) of Shri P. Dasgupta, Managing Director & CEO by 25% with effect from 1st April, 2007 and his salary is fixed at Rs. 1,33,350/- per month with an annual increment of Rs. 5,000/-.

"RESOLVED FURTHER THAT perquisites and other benefits to Shri P. Dasgupta, as approved by the Shareholders in the 8th Annual General Meeting held on 14th June 2006, shall be payable in consonance with the revised salary, wherever applicable."

12. **"RESOLVED THAT** in partial modification of resolution no.11 passed by the Members in 8th Annual General Meeting of Members of the Company held on 14th June, 2006 and pursuant to the provisions of Section 198, 269, 309 & 310 and other applicable provisions, if any, of the Companies Act, 1956, consent of the Members be and is hereby accorded to increase the remuneration (Cost to the Company) of Shri A. Sengupta, Director (Finance & Commercial) by 25% with effect from 1st April, 2007 and his salary is fixed at Rs. 94,720/- per month with an annual increment of Rs. 4,000/-.

"RESOLVED FURTHER THAT perquisites and other benefits to Shri A. Sengupta, as approved by the Shareholders in the 8th Annual General Meeting held on 14th June 2006, shall be payable in consonance with the revised salary, wherever applicable."

13. **"RESOLVED THAT** in partial modification of resolution set out at item no. 7 of the notice of this Annual General Meeting and pursuant to the provisions of Section 198, 269, 309 & 310 and other applicable provisions, if any, of the Companies Act 1956, read together with Schedule XIII of the Companies Act, 1956, consent of the Members be and is hereby accorded to increase the remuneration (Cost to the Company) of Shri C. S. Mani, Director (Technical) by 25% with effect from 1st April, 2007 and his salary is fixed at Rs. 94,720/- per month with an annual increment of Rs. 4,000/-.

"RESOLVED FURTHER THAT perquisites and other benefits to Shri C. S. Mani as set out at Item no. 7 of this Annual General Meeting, shall be payable in consonance with the revised salary, wherever applicable."

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

14. **"RESOLVED THAT** approval of the Members be and is hereby accorded for amending the Articles 2 (b) of Articles of Association by replacing the existing definition of Search Committee with the following:

The Search Committee shall mean Committee constituted by the Board for selection of Managing Director and other Whole Time Directors on the Board of the Company and shall comprise Members nominated by the Board for this purpose.

RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds and things and to take all necessary steps for giving affect to the said resolution as it may deem fit. "

15. **"RESOLVED THAT** pursuant to the provisions of Section 309, Schedule XIII and all other applicable provisions, if any, of the Companies Act 1956, consent of the Members be and is hereby accorded for the payment and distribution of a sum not exceeding 1% per annum of the net profits of the Company calculated in accordance with the provisions of Sections 198, 349 & 350 of the Companies Act, 1956, by way of commission to and amongst all the Directors of the Company in such amount or proportions and in such manner and in all such respects as may be determined by the Board of Directors from time to time and such payments shall be made for a period of five years commencing from 2006-07.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to take such steps as may be desirable or expedient to give effect to this resolution."

By Order of the Board

For Petronet LNG Limited

(R. K. Garg)

Sr. VP- Finance & Company Secretary

Place : New Delhi

Date : 7th May, 2007



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. 6 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 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.
- 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 Registrar of Members and Share Transfer Books of the Company will remain closed from 1st June, 2007 to 14th June, 2007 (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 18th June, 2007 to the Members or their Mandates whose name appear on the Company's Registrar of Members on 14th June, 2007 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 31st May, 2007.
- 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 No briefcase / bags / eatables will be allowed to be taken inside the Auditorium.
- 15 Annual Listing Fee for the year 2007-08 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: 6

M/s. V. Sankar Aiyar & Company, Chartered Accountants, were appointed as the Statutory Auditors of the Company in the Eighth General Meeting held on 14th June, 2006 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 remuneration of Rs. 3.75 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: 7

Shri C. S. Mani was appointed as Director (Technical) by the Board in its Meeting held on 27th April, 2006 for a period of five years w.e.f. 1st August, 2006 and he joined Company on 1st August, 2006.

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. A brief resume of Shri C. S. Mani as required in terms of Clause 49 of Listing Agreement is enclosed with the notice.

Your Directors recommend the resolution at Item No. 7 for approval of the Shareholders includes the terms & conditions.

Shri C. S. Mani is interested in the resolution to the extent of his appointment as Director (Technical). No other 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 D. J. Pandian was appointed as an Additional Director w.e.f. 3rd October, 2006 on the Board of the Company as Nominee of



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Gujarat Maritime Board (GMB) in terms of the Concession Agreement with GMB. Pursuant to the 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 D. J. Pandian as Director of the Company. A brief resume of Shri D. J. Pandian 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 at Item No. 8 for approval of the Shareholders.

Shri D. J. Pandian 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 the Article 113 A of the Articles of Association of the Company and in terms of section 260 of the Companies Act, 1956, Dr. U. D. Choubey was appointed as Additional Director w.e.f. 27th November, 2006 on the Board of the Company as nominee of GAIL (India) Ltd., 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 Dr. U. D. Choubey as Director of the Company. A brief resume of Dr. U. D. Choubey 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 at Item No. 9 for approval of the Shareholders.

Dr. U. D. Choubey 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: 10

The Board has approved the expansion of Dahej LNG Terminal from its present capacity of 5 MMTPA to 10 MMTPA. The Board has also approved setting up another LNG Terminal at Kochi. To meet the financing requirement of Dahej Expansion and setting up LNG Terminal at Kochi, the Company needs to borrow money from banks/financial institutions in the years to come.

The Members of the Company in the Extra -ordinary General Meeting held on 18th March, 2004 accorded their approval to the Board of the Company to borrow up to Rs. 5000 crores to meet the project and other expenses.

Since Company would need additional borrowing, it is proposed that the borrowing limits be increased from the present limit of Rs.5,000 crores to Rs. 10,000 crores. In terms of the provisions of Section 293 (1) (d) of the Companies Act, 1956, approval of Shareholders is needed to enhance the borrowing limits by way of Ordinary Resolution.

Hence, your Directors recommend the resolution at Item No. 10 for approval of the Shareholders as an Ordinary Resolution.

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

ITEM NO. 11

Shri P. Dasgupta was appointed as Managing Director & CEO of the Company by the Members of the Company in the 8th Annual General Meeting (AGM) of the Company held on 14th June, 2006

for a period of five years w.e.f. 1st September, 2005. The remuneration payable to Managing Director & CEO was also approved by the members in the 8th Annual General Meeting.

The existing compensation structure of the employees (including Whole-time Directors) of the Company was fixed by the Board in September, 2001. Since the Company was facing difficulties not only in retaining the right people but also attracting new talent, Board increased Salary Package for employees w.e.f. 1st April, 2007 ranging 20% to 32% based on recommendation of M/s Price Waterhouse Coopers, who has been assigned the job for benchmarking of Compensation Package.

Pursuant to the increase in Salary Package of the employees, Remuneration Committee of the Board also recommended the increase in the Compensation Package (Cost to the Company) for Managing Director & CEO and other Whole-time Directors by 25% w.e.f. 1st April, 2007. Any increase in the remuneration needs approval of Shareholders, hence the proposed resolution is for approval of Shareholders.

The proposed increase in remuneration of Shri P. Dasgupta is well within the limits of Schedule XIII & other applicable provisions of the Companies Act, 1956.

Your Directors recommend the resolution at Item no. 11 for approval of the Shareholders as Ordinary Resolution as per requirement of Companies Act, 1956.

No other Director of the Company except Shri P. Dasgupta is in any way concerned or interested in the proposed resolution.

ITEM NO. 12

Shri A. Sengupta was appointed as Director (Finance & Commercial) for a period of five years w.e.f. 27th April, 2006 by the Members in the 8th AGM held on 14th June, 2006. The remuneration payable to Shri A. Sengupta, Director (Finance & Commercial) was also approved by the members in the 8th Annual General Meeting.

The existing compensation structure of the employees (including Whole-time Directors) of the Company was fixed by the Board in September, 2001. Since the Company was facing difficulties not only in retaining the right people but also attracting new talent, Board increased Salary Package for employees w.e.f. 1st April, 2007 ranging 20% to 32% based on recommendation of M/s Price Waterhouse Coopers, who has been assigned the job for benchmarking of Compensation Package.

Since Board of Directors had approved increase the Salary Package of the employees, Remuneration Committee of the Board also recommended the increase the Compensation Package (Cost to the Company) for Managing Director & CEO and other Whole-time Directors by 25% w.e.f. 1st April, 2007. Any increase in the remuneration needs approval of Shareholders, hence the proposed resolution is for approval of Shareholders.

The proposed increase in remuneration of Shri A. Sengupta is well within the limits of Schedule XIII & other applicable provisions of the Companies Act, 1956.

Your Directors recommend the resolution at Item No. 12 for approval of the Shareholders as Ordinary Resolution as per requirement of Companies Act, 1956.

No other Director of the Company except Shri A. Sengupta is in any way concerned or interested in the proposed resolution.

ITEM NO. 13

Shri C. S. Mani was appointed as Director (Technical) for a period of five years w.e.f. 1st August, 2006. The remuneration



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payable to Shri C. S. Mani, Director (Technical) was based on the Compensation Package applicable to Whole-time Directors as set out at Item No. 7 of this Annual General Meeting.

The existing compensation structure of the employees (including Whole-time Directors) of the Company was fixed by the Board in September, 2001. Since the Company was facing difficulties not only in retaining the right people but also attracting new talent, Board increased Salary Package for employees w.e.f. 1st April, 2007 ranging 20% to 32% based on recommendation of M/s Price Waterhouse Coopers, who has been assigned the job for benchmarking of Compensation Package.

Since Board of Directors had approved increase the Salary Package of the employees, Remuneration Committee of the Board also recommended the increase the Compensation Package (cost to the Company) for MD&CEO and other Whole-time Directors by 25% w.e.f. 1st April, 2007. Any increase in the remuneration needs approval of Shareholders, hence the proposed resolution is for approval of Shareholders.

The proposed increase in remuneration of Shri C. S. Mani is well within the limits of Schedule XIII & other applicable provisions of the Companies Act, 1956.

Your Directors recommend the resolution at Item No. 13 for approval of the Shareholders as Ordinary Resolution as per requirement of Companies Act, 1956.

No other Director of the Company except Shri C. S. Mani is in any way concerned or interested in the proposed resolution(s).

ITEM NO: 14

Presently, as per provisions of the Articles of Association, Managing Director and Whole -time Directors of the Company are required to be selected by the Search Committee consisting of Chairman of all the four Promoter Companies viz. Bharat Petroleum Corporation Limited, GAIL (India) Ltd., Oil and Natural Gas Corporation Ltd. and Indian Oil Corporation Ltd. and such other person as nominated by them. Keeping in view that 50% of the present paid up share capital of the company is now held by private Shareholders including FII(s) and the public, it is proposed that the Articles 2 (b) of the Articles Association of the Company be amended by replacing the existing definition of the Search Committee as stated in the resolution set out at Item No. 14 of the notice.

Your Directors recommend the resolution at Item No. 14 for approval of the Shareholders as Special Resolution.

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

ITEM NO.15

In view of greater involvement and responsibility of the Directors in managing the affairs of the Company, it is proposed that they may be paid commission on the profit upto 1% of Net Profit. The Company may by Special Resolution passed by the Members in the General Meeting, authorize the payment of commission for a period of five years to the extent of 1% of net profit calculated as per provision of section 198, 349 & 350 of the Companies Act, 1956. The remuneration of Managing Director & CEO and other Whole-time Directors would remain within the ceilings as specified in Section 309(3) of the Companies Act, 1956, including commission on profit.

Your Directors recommend the resolution at item no. 15 for approval of the Shareholders as Special Resolution as per requirement of Companies Act, 1956.

All Directors of the Company are concerned or interested in the proposed resolution to the extent, the commission payable to them.

By order of the Board
For Petronet LNG Limited

R. K. Garg
(R. K. Garg)

Sr. VP – Finance & Company Secretary

Place : New Delhi

Date : 7th May, 2007

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

Shri D.P. Roy

Shri D. P. Roy is Ex- chairman of SBI Capital Markets Ltd. He holds degree in Master of Science (Chemistry) from Jadavpur University Calcutta. He is also Certified Associate of the Indian Institute of Bankers (CAIB) and Member of the Indian Council of Arbitrators. He has rich and wide experience in Banking Sector. He joined State Bank of India as Probationary Officer in 1963 and served there in various senior executive and managerial posts like Deputy Managing Director and Group Executive (International Banking), President and CEO, New York and Country Manager USA, Deputy Managing Director and Group Executive (Associates and Subsidiaries) etc.

Shri D.P. Roy holds Directorship in the following other Companies:

| Name of the Companies | Position held |
|--|---------------|
| Escorts Investment Trust Ltd. | Director |
| ICRA Management Consulting Services Ltd. | Director |
| PEGASUS Assets Reconstruction Pvt. Ltd. | Director |

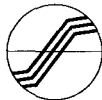
Shri D. P. Roy is also Member/Chairman of Committees of Board of the following other companies:

| Name of the Companies | Name of the Committee | Chairman/Member |
|--|--------------------------|-----------------|
| ICRA Management Consulting Services Ltd. | 1. Audit Committee | Member |
| | 2.Remuneration Committee | Member |
| PEGASUS Assets Reconstruction Pvt. Ltd. | 1.Executive Committee | Member |
| | 2.Remuneration Committee | Member |

Shri P. K. Chadha

Shri P. K. 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 worked 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.



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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 abroad.

Shri P. K. Chadha holds Directorship in the following other Companies:

| Name of the Companies | Position Held |
|-------------------------------|---------------|
| Sona Koyo Steering System Ltd | Director |
| SOWIL Ltd | Director |
| Conzerv System Pvt. Ltd. | Director |

Shri P. K. Chadha is also Member/Chairman of Committees of Board of the following other companies:

| Name of the Companies | Name of the Committee | Chairman/Member |
|-------------------------------|---|------------------|
| Sona Koyo Steering System Ltd | 1. Audit Committee 2. Remuneration Committee | Member Member |

Shri J. L. Zutshi

Shri J. L. Zutshi, Ex-chairman of Indian Oil Corporation Ltd is Bacheldr 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 Operation 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 Directorship in the following other Company:

| Name of the Companies | Position Held |
|-----------------------|---------------|
| Surindra Electricals | Director |

Shri J. L. Zutshi is not a Member/Chairman of Committees of Board of any other Company.

Shri C. S. Mani

Shri C. S. Mani, hold B. Tech (Chemical) degree from Indian Institute of Technology ,Chennai and Master in Engineering (Chemical) from Cornell University, USA.

Shri Mani has around 35 years experience in the industry, primarily in Chemical & Petrochemical industries. During his span of service with various Companies, he has worked on most aspects of projects including conducting viability studies, selection of technology and sourcing of know-how.

Shri Mani has worked with industrial houses of repute such as Tata Chemicals Ltd for two decades and rose to a position as one of the key senior executive of the Company. He also served as General Manager, Haldia Petrochemical for a year before moving to Gujarat Alkalis and Chemicals Ltd as Chief Executive Director for Planning and Projects.

Shri Mani is not a Director and also not a Member/Chairman of Committees of Board of any other Company.

Shri D. J. Pandian

Shri D. J. Pandian holds degree in Master of Business Administration from Madras University. He is an IAS officer and has Administrative and Corporate Experience spanning 25 years. Prior to joining the Gujarat State Petroleum Corporation Ltd (GSPC), Shri Pandian was working on deputation with the World Bank in Washington D. C. He was Director External Commercial Borrowings, Ministry of Finance, Government of India from 1995

till 1997. In addition, Mr. Pandian had also various appointments in the Government of Gujarat. He previously headed Gujarat Lease Finance Limited from 1993 until 1994.

Since 2001, Mr. Pandian is working as Managing Director of GSPC and looking after the entire GSPC. Mr. Pandian has vast experience of Oil and Gas Sector.

Shri D. J. Pandian holds Directorship in the following other Companies:

| Name of the Companies | Position Held |
|--|-------------------|
| Gujarat State Petroleum Corporation Ltd. | Managing Director |
| Gujarat State Petronet Ltd. | Director |
| GSPC Pipavav Power Company Ltd. | Director |
| Sabarmati Gas Ltd. | Chairman |
| Gujarat Science At Action Ltd. | Director |
| Guj Info Petro Ltd. | Director |
| GSPC Gas Company Ltd. | Director |
| Gujarat State Energy Generation Ltd. | Director |
| ONGC Petro Additions Ltd. | Director |
| GSPC LNG Ltd. | Director |
| GSPC (JPDA) Ltd. | Director |

Shri D. J. Pandian is also Member/Chairman of Committees of Board of the following other Companies:

| Name of the Companies | Name of the Committee | Chairman/Member |
|--------------------------------------|----------------------------------|-----------------|
| Gujarat State Petronet Ltd. | Shareholders Grievance Committee | Member |
| Gujarat State Energy Generation Ltd. | Audit Committee | Member |

Dr. U.D. Choubey

Dr. U. D. Choubey is presently the Chairman & Managing Director (CMD) of GAIL India Ltd. Dr. Choubey holds Master Degree in Chemistry, MBA from Indian Institute of Business Management and LL.B from Delhi University besides Doctorat  in Hydrocarbon from Indian School of Mines, Dhanbad.

Dr. Choubey joined GAIL in its formative period and has been associated with the Market Department since then. Through out his professional carrier, he has played a leading role in the development of gas related policies and strategies.

Dr. U.D. Choubey holds Directorship in the following other Companies.

| Name of the Companies | Position Held |
|------------------------------------|------------------------------|
| GAIL India) Ltd | Chairman & Managing Director |
| Tripura Natural gas Co. Ltd. | Chairman |
| Brahmaputra Cracker & Polymer Ltd. | Chairman |
| Indraprastha Gas Ltd. | Chairman |
| Shell CNG Egypt, SAE | Director |
| Mahanagar Gas Ltd. | Director |

Dr. U.D. Choubey is also Member of Shareholders Grievance Committee of Mahanagar Gas Ltd.



PETRONET LNG LIMITED

DIRECTORS' REPORT

Dear Shareholders,

The Directors have the pleasure of presenting the Ninth Annual Report and the Audited Accounts of your Company for the year that ended 31st March, 2007.

The year was marked by several accomplishments - both in terms of physical and financial performance. Your Company has maintained an upward trend in all performance parameters.

PHYSICAL PERFORMANCE:

| | 2006-2007 | 2005-2006 |
|----------------------|------------------|------------------|
| LNG Purchased (TBTU) | 292.80 | 247.76 |
| RLNG Sold (TBTU) | 287.08 | 246.81 |

FINANCIAL PERFORMANCE

In 2006-07, your Company made substantial gains in turnover and operating margins, largely due to increase in production over the name plate capacity through de-bottlenecking, efficient utilization of critical equipment and also sourcing of spot cargoes at competitive prices. The turnover during the year under review was Rs. 5508.95 Crore against Rs. 3837.17 Crore in 2005-2006. Gross margin stood at Rs. 799.07 Crore against Rs. 583.69 Crore in the previous year. Net profit after tax was Rs. 313.25 Crore in 2006-07 against Rs. 194.93 Crore in 2005-06. A summary of the comparative financial performance in fiscal 2006-07 and 2005-06 is given below:

| Particulars | Rs. In Crores | Rs. In Crores |
|-----------------------------------|----------------|----------------|
| | 2006-07 | 2005-06 |
| Turnover | 5508.95 | 3837.17 |
| Other Income | 36.59 | 19.44 |
| Total revenue | 5545.54 | 3856.61 |
| Cost of import of LNG | 4746.47 | 3253.48 |
| Gross Margin | 799.07 | 583.69 |
| Salary & Other Operating Expenses | 114.43 | 95.53 |
| Interest | 107.04 | 111.61 |
| Depreciation/write off | 102.03 | 100.96 |
| Profit before Tax | 475.57 | 295.03 |
| Provision for Tax | 162.32 | 100.10 |
| Profit after Tax | 313.25 | 194.93 |
| Earning per share (Rs. / Share) | 4.18 | 2.60 |

DIVIDEND

Keeping in view the sound financial position of the Company, the Directors are happy to recommend a dividend of 12.5% on the paid-up share capital of the Company for the year ending 31st March 2007.

OPERATIONS AT DAHEJ

Since its commissioning on 9th April, 2004, the Dahej Terminal is operating at its optimum capacity and is currently meeting 25% of India's total gas supplies. LNG cargoes are regularly being received at Dahej. During the financial year 2006-07, 92 LNG cargoes were unloaded and 7427 MMSCM regasified LNG was supplied to the Off-takers. Among the highlights of this year's performance is the 12 additional spot cargoes, which were processed on a sustainable basis. This has been possible by utilizing design margins through meticulous planning and ensuring availability of equipment. The LNG terminal achieved 3.62 million accident free man-hours of operation at the end of the financial year 2006-07 since commencement operations.

Pilot Project for Supply of LNG in Cryogenic Vehicles

A Memorandum of Understanding has been entered upon with IBP Co. Ltd. a subsidiary of Indian Oil Corporation Ltd., to undertake a feasibility study to supply LNG to consumers in cryogenic vehicles. The facilities for loading of LNG in road tankers is being installed at Dahej and mechanical completion is planned for end of June 2007.

SHIPPING ARRANGEMENT

Both the ships "DISHA" and "RAAHI" are regularly bringing LNG to Dahej from Ras-Laffan as per schedule. Dry-docking of vessel RAAHI was carried out during this financial year, and to maintain uninterrupted supplies to the consumers during this period an additional ship was taken on hire. DISHA was dry docked during the end of March/early April 2006.

PORT OPERATOR

M/s Sealion Sparkle Port and Terminal Services (Dahej) Limited India is providing Port Operations Services at Dahej and is responsible for safe berthing of LNG tankers at the jetty and other related marine services. During the year they have also handled the additional cargo operations efficiently.

EXPANSION OF DAHEJ LNG TERMINAL

Your Company has started the expansion of Dahej LNG terminal to 10.0 MMTPA capacity. This involves construction of two additional LNG storage tanks, pumps, and vaporization system; send out, metering systems etc.

The Consortium of M/s Ishikawajima-Harima Heavy Industries Co.



PETRONET LNG LIMITED

Ltd (Leader), Toyo Engineering Corporation, Toyo Engineering India Ltd, Itochu Corporation and Mitsui & Co Ltd was awarded the contract for the project. Completion of regasification facilities is scheduled for end of June 2008, while the LNG tanks are planned for completion in December 2008. Therefore, the Company will progressively increase terminal capacity beyond 5.00 MMTPA from July, 2008.

LNG TERMINAL AT KOCHI

Your Company is also setting up LNG Receiving and Regasification Terminal of 5.0 MMTPA at Kochi. The terminal consists mainly of two LNG Storage Tanks each of 155,000 cu. m. net capacity, vaporization system, utilities and off site facilities as well as marine facilities such as jetty, bund, dredging etc. The vaporization system of the terminal will be commissioned in two phases of 2.5 MMTPA each.

Cochin Port Trust has allocated 32 hectares land for the LNG terminal at Puthuvypen Island in outer Cochin Harbor. Your Company has also executed the Co-developer agreement for Puthuvypen SEZ in December 2006, approval of which has been received from the Ministry of Commerce.

Four bidding consortia were pre-qualified for the issue of bidding documents for selection of lump sum EPC contractor. Techno-commercial bids have been received from three pre-qualified consortia and evaluation of the bids is under progress. The construction of boundary wall around the proposed terminal site has commenced. The process of selection of Project Management Consultant (PMC) for Kochi LNG Terminal has also been initiated.

TRANSPORTATION OF LNG

To meet the transportation requirements of the (proposed) expanded capacity of Dahej LNG terminal, your 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. Your company has selected internationally renowned LNG expert- Hamburg based "Marine Services" as Shipping Consultant for supervising the construction of the third tanker on behalf of Petronet LNG Ltd. The same Company was engaged for the supervision of construction of our first two vessels "DISHA" and "RAAHI".

For meeting the transportation requirements of proposed regasification and storage LNG terminal at Kochi, your company has pre-qualified six Ship Owners and Ship Operators for two vessels of 175000 m³ capacity. Four of the pre-qualified Ship Owners and Ship Operators have confirmed participation in the bidding process. The Company has invited commercial bids from the short-listed bidders. The delivery of the vessels would be

synchronized with the supply of LNG for Kochi terminal from Gorgon.

LNG SOURCING

During the year your Company made a major breakthrough in the Indian energy market by importing spot cargoes on a consistent basis at competitive prices. This enabled power companies, especially NTPC, to increase its power generation to mitigate the short fall in the Country. Your Company has now established business relationships with most of the potential LNG suppliers for the region. Negotiations are also being carried out with a few of them for long term LNG sourcing.

SOLID CARGO PORT AT DAHEJ

As per the terms of the Concession Agreement, a sub-concession agreement has been signed on 3rd January, 2007 with Gujarat Maritime Board for setting up a Solid Cargo Port at Dahej. A joint venture company namely Adani Petronet (Dahej) Port Private Ltd., has been incorporated for implementing the Solid Cargo Port Project. The completion period of the Project is thirty-six months from the date of execution of the Sub-Concession Agreement.

2nd LNG BERTH & ADDITIONAL STORAGE TANKS AT DAHEJ

Your company has entered into a Memorandum of Understanding with Gujarat Maritime Board to develop a second LNG jetty / berth at Dahej. Pre-feasibility study is in progress by M/s HR Wallingford of UK, consequent to which the Concession Agreement with GMB will be pursued.

Memorandum of Understanding has also been entered with Gujarat State Petronet Limited (GSPL) for construction of two additional LNG storage tanks at Dahej. The proposed implementation of the LNG storage tanks are planned through a special purpose vehicle in a joint venture with GSPL.

DEPOSITS

During the year, your Company did not accept any deposits 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 setout 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.