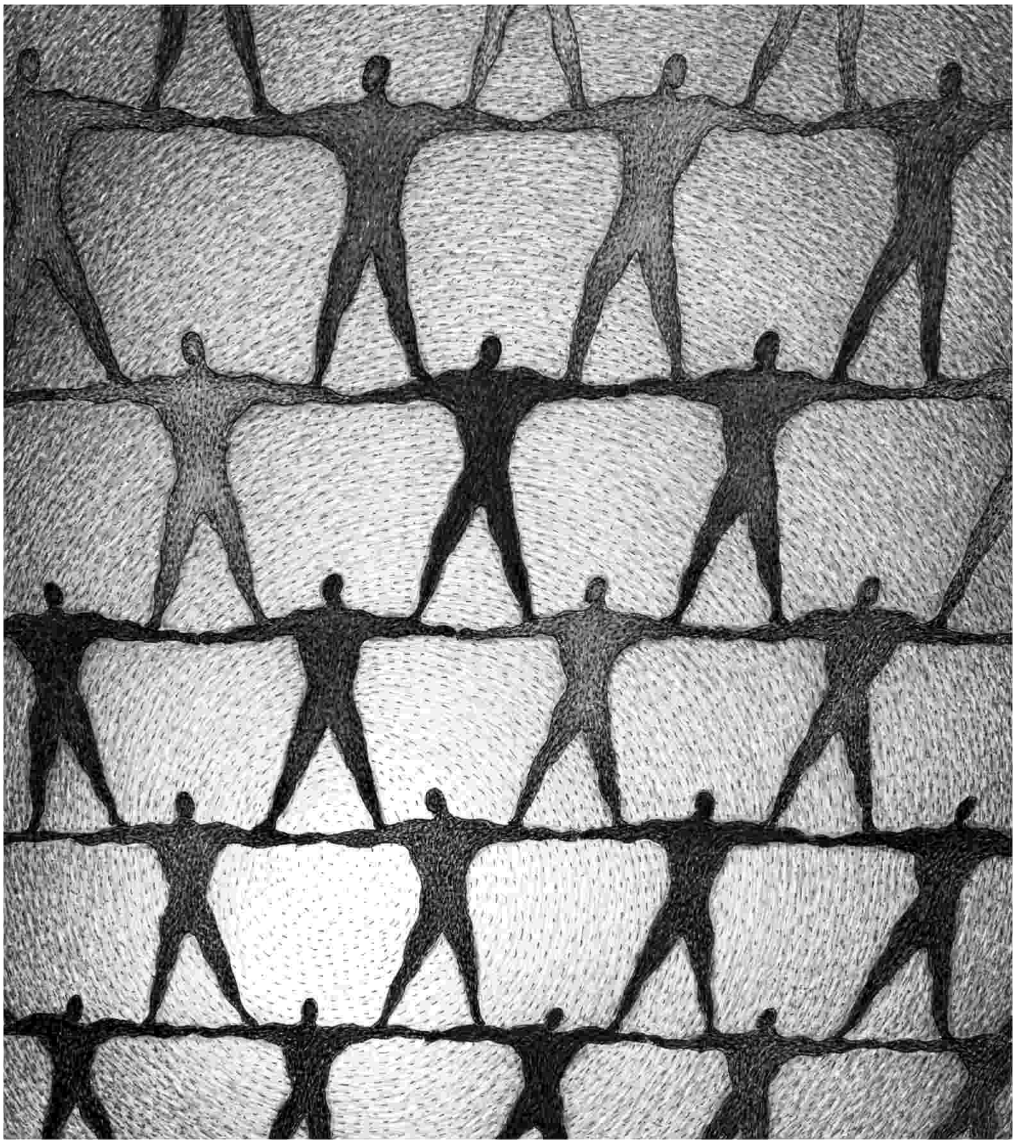
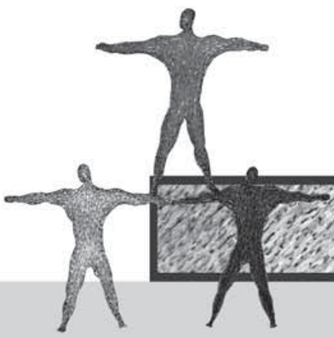


WE STAND FOR RELIABILITY

21st
ANNUAL REPORT
2004-2005

GAIL (India) Limited
Gas & Beyond

ERP implementation at GAIL will enable new levels of business process and technology integration, while ensuring faster and efficient service to both the employee and in turn, to the valued customer.



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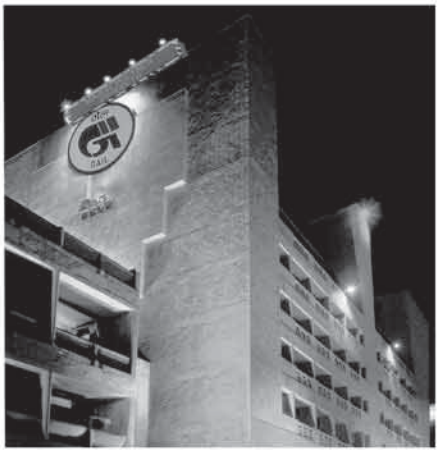
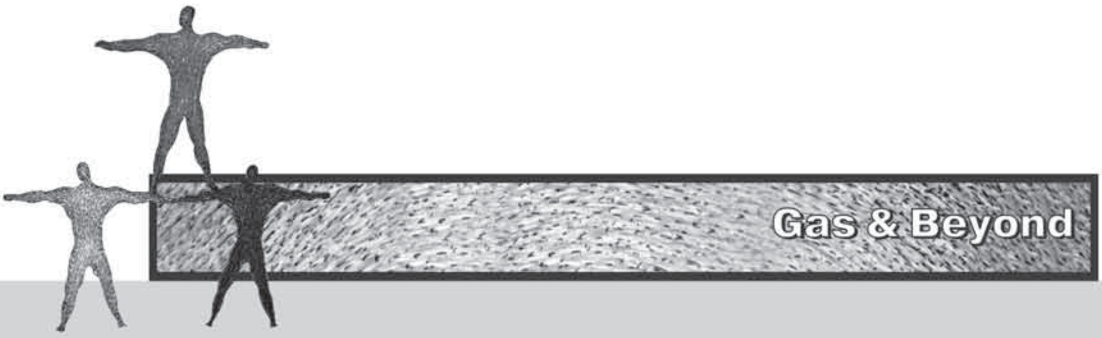


VISION

"Be the Leading Company in Natural Gas and Beyond, with Global Focus, Committed to Customer Care, Value Creation for All Stakeholders and Environment Responsibility."



MISSION

"To accelerate and optimise the effective and economic use of Natural Gas and its fractions to the benefit of national economy."

Board of Directors

Shri Proshanto Banerjee
Chairman & Managing Director

Shri J.K. Jain
Director (Finance)

Shri S.P. Rao
Director (Projects)

Shri B.S. Negi
Director
(Business Development)

Shri M.R. Hingnikar
Director (HR)

Dr. U.D. Choubey
Director (Marketing)

Shri M.S. Srinivasan, IAS
Director
(From 28.01.2005)

Shri P.K. Sinha, IAS
Director
(From 20.12.2004)

Shri Ajay Tyagi, IAS
Director
(From 20.04.2005)

Dr. Amit Mitra
Director

Dr. A. K. Kundra
Director

Shri B.C. Bora
Director

Statutory Auditors

M/s. S. Mann & Co. — Chartered Accountants, New Delhi

Branch Auditors

M/s. Nripendra & Co. — Chartered Accountants, Kanpur

M/s. Chhajer & Co. — Chartered Accountants, Bhopal

Company Secretary

Shri N. K. Nagpal

Stock Exchanges where Shares/ GDRs of the Company are listed

The Delhi Stock Exchange Association Limited	DSE House, 3/1, Asaf Ali Road New Delhi - 110 002
The Stock Exchange, Mumbai	Phiroze Jeejeebhoy Towers Dalal Street, Mumbai - 400 001
National Stock Exchange of India Limited	'Exchange Plaza' Bandra Kurla Complex Bandra (E), Mumbai - 400 051
London Stock Exchange (GDRs)	10, Paternoster Square London - EC4M 7LS (U.K.)

Registrars and Share Transfer Agent

MCS Limited	Sri Venkatesh Bhawan, W - 40, Okhla Industrial Area Phase-II, New Delhi - 110 020

Bankers

State Bank of India	Corporate Accounts Group Branch Jawahar Vyapar Bhavan, 11th & 12th Floors, Tolstoy Marg, New Delhi - 110 001
Bank of India	Overseas Branch Vijaya Building, Barakhamba Road, New Delhi - 110 001
Bank of Baroda	Bhikaiji Cama Place, R. K. Puram, New Delhi - 110 066
Indian Overseas Bank	Prakash Deep Building, Tolstoy Marg, New Delhi - 110 001
ICICI Bank Ltd.	9A, Phelps Building, Connaught Place, New Delhi - 110 001
HDFC Bank Ltd.	G-3/4, Surya Kiran Building 19, Kasturba Gandhi Marg, New Delhi - 110 001

Registered Office

16, Bhikaiji Cama Place, R. K. Puram, New Delhi - 110 066

Directors' Report

To,

The Members

The Directors have pleasure in presenting the 21st Annual Report of your "Navratna" Company together with Audited Accounts for the year ended 31st March, 2005.

Your Company has completed yet another successful year and we are happy to present the performance of GAIL in the past year, which brought an overall growth in financial and physical performances.

PHYSICAL PERFORMANCE

The physical performance of GAIL showed growth in all its businesses as compared with last year. The sale of Gas has increased by 8.7% over the previous year to 22.835 BCM from 21.013 BCM. Similarly, our Liquid Hydrocarbon Production, which comprises of products like Pentane, Propane and SBP Solvents, increased by the same margin of 8.7% to 298264 MT as compared to the last year's production of 274473 MT. Although our LPG production registered a marginal 1% increase over the previous year to 1094835 MT, Polymer production registered an impressive 13.3% growth from 263720 MT to 298787 MT and our LPG Transmission business has sold 16% more capacity over the previous year.

	2004-05	2003-04
Sale of Gas (BCM)	22.835	21.013
LPG Production (MTs)	10,94,835	10,88,686
Pentane/Propane/SBP Solvents Production (MTs)	2,98,264	2,74,473
Polymer Production (MTs)	2,98,787	2,63,720
LPG Transmission (MTs)	21,37,504	18,40,538

BCM : Billion Cubic Meters; MT: Metric Tonnes

FINANCIAL PERFORMANCE

During the year under review, the Turnover of your Company, which includes revenue generated from sale of products and services, has increased to Rs.12,412 Crores from Rs.10,826 Crores (Net of ED and excluding internal consumption) thereby registering a growth of 14.6% over the previous year.

HIGHLIGHTS 2004-05

Numbers speak
- Turnover up by 14.6%
- 4.6% increase in PAT despite 166% increase in subsidy burden
- Net Worth up by 15.5%
- Book Value/share up by 15% to Rs. 101.22
- Reserves up by 17.8% to Rs. 7780.46 Crores

Truly Gas & beyond
- Gas discovery in Mynamar
- Oil discovery in Cambay block

GAIL Global
- 100 % subsidiary in Singapore
- 15 % equity stake in Natgas, Egypt
- 8.5 % particpating interest in China Gas Holding Company

Anything for a blue sky
- City gas distribution implemented in 5 cities
- JV's in place for 4 more cities

Energizing Maharashtra
- GAIL to source LNG for Ratnagiri Gas and Power Pvt Ltd

Spreading Wings
- Ethylene production capacity at Pata increased from 2,60,000 TPA to 3,10,000 TPA
- GAILTEL completes Meerut-Hapur and Greater Noida fiber loop
- South – Gujarat & Narimanam – Kuthalam Pipeline Project completed
- GAIL permitted to market LPG w.e.f. April '06

Kudos to HR & Project teams
- 'Best Employers in India 2004' by Hewitt Associates-CNBC
- NPMP award for excellence in Project Management

Healthy, Wealthy & Wise
- Rated Best PSU by Department of Public Enterprises (DPE)
- 12th amongst 30 Indian companies in the list of Forbes 2000 - the world's wealthiest companies '05

Techno-savvy GAIL
- Final stage of implementation of Enterprise Resource Planning
- Successfully commissioned the Gas Management System

(Rs. in Crores)

Particulars	2004-05	2003-04
Turnover (Net of ED and Internal consumption)	12,412	10,826
Other Income	349	244
Cost of Sales (Excluding Interest & Depreciation)	8,811	7,456
Gross Margin (EBIDTA)	3,950	3,614
Interest	134	138
Depreciation/Write Off	945	662
Profit Before Tax	2,871	2,814
Provision for Tax (including Deferred Tax)	917	945
Profit After Tax	1,954	1,869

However, the Profit After Tax is Rs.1,954 Crores as against Rs.1,869 Crores of previous year, a growth of 4.6%. This growth in the profitability of your Company has been achieved in spite of a significant increase in the subsidy burden of 166% from Rs. 428 Crores in 2003-04 to Rs. 1,137 Crores in 2004-05, which GAIL shared towards under recoveries on Domestic LPG and PDS Kerosene as per Government of India directives.

Furthermore, the book value of your Company has increased from Rs. 88 per share to Rs. 101 per share and the EPS of your Company is Rs. 23.11 in FY-05 as compared to Rs. 22.11 in the previous year. The Return on Invested Capital (ROIC), a parameter on which GAIL was rated as the No. 1 Company among global gas utility companies as per Platts in FY-03, has increased from 19.17% in FY-04 to 19.75% in FY-05 and is higher than the cost of capital, thereby reflecting the value creating capabilities of the Company.

Consolidation of Accounts

During the year, your Company has incorporated a 100% subsidiary, GAIL Global (Singapore) Pte. Ltd. Therefore, due to regulatory requirement of Listing Agreement with Stock Exchanges, Company has to consolidate the accounts incorporating the accounts of Subsidiary, Joint Venture and Associate companies. Hence, your Company has prepared the consolidated accounts during the year.

Total Income is Rs. 14,207 Crores and Net Profit is Rs. 2,039 Crores. Total Gross Assets is Rs. 14,786 Crores and Total Reserves and Surplus is Rs. 7,964 Crores.

Returns

On the overall valuations of your Company, the Net Worth has gone up by 15.5% to Rs. 8,560 Crores in FY -05, generating a Return on Net Worth (RONW) of 22.83% and the Return on Capital Employed (ROCE) of 27.87%, both of which indicate healthy returns in the business.

The Company has total reserves worth Rs. 7,780 Crores as on FY-05, which is an addition of Rs. 1,180 Crores, from the previous year. While the gross block on assets has gone up by Rs. 637 Crores to Rs.14,222 Crores in FY-05, while the net block has come down by Rs. 297 Crores due to higher depreciation.

Dividend

In addition to an Interim Dividend @ Rs. 4 per share for the year 2004-05, the Directors now feel privileged to recommend for approval of the members, payment of final dividend @ Rs. 4 per share at a dividend payout ratio of 39%. The total payout to shareholders in 2004-05 is Rs. 676 Crores.

With this, the total dividend payment for the year 2004-05 stands at 80% of the paid up equity capital, i.e. Rs. 8 per share, maintaining the rate during the previous year.

Policy and Regulatory Framework

Policy documents relevant to India's natural gas sector namely Natural Gas Pipeline Policy and Petroleum and Natural Gas Regulatory Board Bill, both of which aim to streamline the growth of the gas economy in India, are yet to be released by Government of India. Both the documents are reported to be under finalization and expected to be cleared for implementation soon. Needless to mention that the new policies will have significant impact on business of your Company in terms of growing competition, emergence of new markets and more importantly, to follow different business practices. Your Company has already taken several pro-active actions towards compliance of the possible measures envisaged in the policies. The business development activities, discussed below would reflect the Company's preparedness and growth focused areas.

CORPORATE STRATEGY

The strategic direction of your Company focuses on integration across the gas value chain, which includes, exploration and production and gas sourcing in the upstream segment, gas trading, gas transmission pipelines, gas processing and petrochemicals in the mid stream segment and retail gas distribution in the downstream segment.

Your Company intends to lay significant thrust in natural gas pipeline expansion, exploration and production, gas sourcing and gas marketing. City gas business is also an important area of interest. Besides globalization in various business verticals would also increase leverage and minimize risks associated with value chain integration. Your Company also considers petrochemicals business as a growth driver and plans to leverage unconventional technologies to achieve competitiveness.

BUSINESS DEVELOPMENT INITIATIVES

Natural Gas

Indian gas market has already entered the growth phase, primarily driven by commencement of LNG imports in the western part of the country. The scenario looks brighter with the new and encouraging gas finds in eastern offshore. As a market leader in gas business, your Company has taken several initiatives to steer through the competitive situation in future to retain its leadership position in the business.

Exploration and Production (E&P)

E&P is a key growth driver for your Company. At present, your Company has 11 blocks through unincorporated Joint Ventures, in partnerships with various exploration operators with a total acreage of over 67,000 km^2. Your Company has seven blocks in the east coast of India, three blocks in the west coast of India and one in Myanmar. These blocks have been acquired through bidding and through the farm-in route.

The E&P initiative of the Company has already had initial success in form of gas discovery in Myanmar A-1 block and Oil in Cambay block. Exploration work programme in E&P blocks during 2004-05 consisted of 2D seismic data reprocessing of 340 lkm, acquisition of 2,355 km^2 3D seismic data, drilling of two onland wells and 4 offshore wells and geological and geophysical interpretation of the available data.

Exploration, development and operations of all the blocks would entail significant capital expenditure in the future. Furthermore, your Company also plans to globalize its E&P ventures by participating in opportunities in foreign countries and growth in the E&P business would be pursued both organically and inorganically.

Globalisation

The inorganic growth model of your Company has resulted in a number of acquisition activities. During the year under review, your Company, through its subsidiary GAIL Global (Singapore) Pte. Limited, acquired 15% equity stake in National Gas Company (Natgas), one of the largest local distribution companies in Egypt. Going forward, your Company's foot prints made its way to China by way of acquisition of about 8.5% participating interest in China Gas Holding Company, a fast growing retail gas company in China having exclusive concessions in more than 40 cities for Piped Natural Gas supply to residential, industrial and commercial sectors. Your Company has agreed to form separate Joint Ventures for undertaking CNG projects in certain cities/towns in China. Your Company visualizes this as a significant opportunity to build its CNG related expertise. The globalization of business has become a distinct business strategy for your Company.

Signing of Agreement between GAIL and China Gas Holding Company

Retail Gas Business (City Gas and CNG)

The success stories of two Joint Venture companies of GAIL, viz., Mahanagar Gas Limited (MGL) and Indraprastha Gas Limited (IGL) in Mumbai and Delhi respectively, for city gas distribution in domestic and automotive sectors are well known to all of you. GAIL, therefore, is forming more Joint Ventures with Oil Marketing Companies (OMCs) for supply of natural gas to domestic and commercial consumers and CNG to the transport sector in various cities like Kanpur, Lucknow, Bareilly, Agra, Pune, Gwalior, Indore etc.

Retail Gas business has unique complexities, different from those of bulk natural gas business. With the retail gas segment expected to grow at a very high pace in the near future, several retail Gas

Joint Venture Agreement between GAIL and IOCL

Companies, which will be promoted by GAIL, will be faced with the challenge of creating and operating the city gas business. To address these needs, GAIL has promoted joint venture companies and other retail gas companies in India and abroad. Your Company has taken the initiative for developing a retail gas software solution with Infosys Technologies Ltd., Bangalore.

Power

In addition, the Government of India is now in the process of revival of Dabhol Power Company. You will be pleased to note that GAIL has been selected as a partner with National Thermal Power Corporation Limited (NTPC) and Indian Financial Institutions to form a project Special Purpose Vehicle (SPV) with equity participation. The SPV has been registered as Ratnagiri Gas and Power Private Limited. The primary responsibility of GAIL will be to source LNG and to undertake the operation of the regasification terminal. Your Company visualizes this initiative as an attractive opportunity with considerable growth potential in both natural gas trading and transportation in coming years.

Petrochemicals

In the Petrochemicals business sector, your Company has performed remarkably well during the year under review by increasing sales volume by 20% over last year. De-bottlenecking of the downstream plants has resulted in the production capacity increase of 19% from 2,60,000 TPA to 3,10,000 TPA. Your Company now is also looking to the opportunities for further expansion in the Petrochemical sector through organic and inorganic routes. While the ethylene production capacity at Pata Plant is further being increased to a level of 4,40,000 TPA, possibilities of setting up petrochemical plants in Kochi (Kerala), Assam and Iran are also being explored.

LNG

LNG is a reality in India today. Your Company considers LNG as an important gas sourcing option and is actively pursuing opportunities abroad for source tie-ups to cater to the demand of the growing Indian markets.

GAILTEL

GAILTEL provides national communication backbone using OFC based telecom system installed along GAIL's pipeline infrastructure and establishes redundant OFC based DWDM communication network. Adding to previous 8,500 Km of fiber connecting 83 cities, GAILTEL had completed the Meerut-Hapur loop in order to bring highly populated critical Delhi-Meerut route in redundancy. Further in order to increase the catchment area and improve service availability, Greater Noida fiber loop had been completed.

GAILTEL provides both internal telecommunication services and commercial bandwidth services to customers. This year, GAILTEL has played major role in linking different GAIL offices for ERP purpose.

LPG Marketing

Your Company had taken up the matter with MoP&NG regarding grant of permission to market LPG being produced by GAIL. MoP&NG in February 2005, has permitted GAIL to market LPG w.e.f. April, 2006. Action has been initiated for development of required infrastructure and distribution network to market LPG to all categories of customers such as domestic, commercial – packed and in bulk to industrial customers.

SUBSIDIARY COMPANY

During the year under review, your Company formed a wholly owned overseas subsidiary company namely, GAIL Global (Singapore) Pte. Limited with the objective of actively sourcing overseas business. This company, in future, is likely to function as a vehicle for all globalization initiatives. A profit of Rs. 2.27 Crores has been made by this company.

PERFORMANCE OF JOINT VENTURES

Mahanagar Gas Limited (MGL)

The Company, a Joint Venture with British Gas and the Government of Maharashtra, was incorporated in May, 1995, to supply gas to domestic, commercial and small industrial consumers and CNG to the transport sector in Mumbai. Currently, MGL is supplying piped gas to about 2,30,000 domestic consumers, 658 commercial consumers, 45 industrial consumers and CNG to over 1.5 lakhs vehicles in Mumbai and Thane through 108 CNG outlets spread over the city.

Indraprastha Gas Limited (IGL)

IGL, a Joint Venture with BPCL and Government of Delhi, was formed in December, 1998 to supply gas to domestic and commercial consumers and CNG to the transport sector in NCT of Delhi. IGL supplies piped gas to more than 25,000 domestic consumers, 177 commercial consumers and CNG to over 93,000 vehicles including DTC Buses through 134 CNG outlets spread over the city. IGL is listed at the National Stock Exchange of India Limited and The Stock Exchange, Mumbai and the Company's closing share price was Rs. 97.20 as on 31st March, 2005.

Petronet LNG Limited (PLL)

The Company, a Joint Venture of IOCL, ONGC, BPCL and GAIL, was formed for setting up of LNG import and regasification facilities. PLL has a long term LNG supply contract with Ras Gas, Qatar for import of 7.5 MMTPA. The Dahej terminal started operations in March, 2004. Your Company, as the principal marketer has transported the entire quantity of R-LNG imported at Dahej terminal. PLL is listed at the National Stock Exchange of India Limited and The Stock Exchange, Mumbai and the Company's closing share price was Rs. 42.30 as on 31st March, 2005.

Bhagyanagar Gas Limited (BGL)

The Company, a Joint Venture with HPCL was incorporated in August, 2003 for distribution and marketing of Auto LPG and CNG for vehicles, and natural gas for domestic, commercial and small industrial consumers in cities of Andhra Pradesh. BGL commissioned its first Auto-LPG station at Tirupathi in June, 2004 followed by two more stations. BGL has also put up a CNG Mother Station at Vijaywada.

BGL's first Auto LPG station at Tirupathi

Central UP Gas Limited (CUGL)

CUGL is a Joint Venture with BPCL incorporated in February, 2005 for city gas distribution in Kanpur city. Your Company has completed the project of Lucknow-Kanpur Feeder pipeline, which will be the source of supply of gas to CUGL.

Tripura Natural Gas Company Limited (TNGCL)

TNGCL is a Joint Venture Company of Tripura Industrial Development Corporation (TIDC), Assam Gas Company Limited (AGCL) and GAIL for distribution of Piped Natural Gas in the state of Tripura. Your Company has a participating equity of 29%.

PROJECTS

Projects – Commissioned

Two pipeline projects have been commissioned during the year. The South – Gujarat Pipeline Project, commissioned in May, 2004 for supplying re-gasified LNG to the consumers in South – Gujarat and the Lucknow & Kanpur Feeder Pipeline, commissioned in March, 2005 will carry gas to the cities of Lucknow and Kanpur for city gas distribution.

The Narimanam – Kuthalam Pipeline Project was completed in June, 2005 for the supply of the gas from Cauvery basin to the consumers in Kuthalam region in Tamilnadu. In addition to above, there were number of spur pipelines completed during the year in KG/Cauvery regions, Gujarat region and NCR.

Shri Mani Shankar Aiyar, Hon'ble Minister of Petroleum & Natural Gas during the inauguration of Narimanam-Kuthalam pipeline project

Projects Under Execution

Your Company is currently engaged in the execution of several projects, which aim to expand the natural gas pipeline infrastructure and capacity expansion of the Petrochemical plant at Pata. Some of the major projects include the Dahej – Uran Pipeline Project, connecting Gujarat and Maharashtra, the Thulendi – Phulpur Pipeline Project, the Vijaipur – Kota Pipeline Project, connecting MP and Rajasthan, the Jagoti – Dewas – Pithampur Pipeline Project would cater to the gas demand of Indore, Dewas, Ujjain and Pithampur, the Kelaras - Malanpur Pipeline Project and the Petrochemical Expansion Project at Pata to bring up the plant to a polymer capacity of 4,40,000 TPA.

Besides, for supply of gas to IPPs (Independent Power Producers) in KG region, your Company has taken up laying of Pipelines for supply of gas in Krishna Godavari basin in Andhra Pradesh to the power plants.

Presidential Directive

Ministry of Petroleum & Natural Gas vide its letter no. L-11011/2/03-GP (Part-III) dated 28th October, 2004 issued Presidential Directive in terms of Article 127 of Articles of Association to cancel the tender for Dahej-Uran Pipeline (DUPL) Project and issue a fresh tender incorporating specifications under internationally accepted codes such as API-5L and not to put restrictions in the tender on any specific type of line pipe. In the meanwhile, GAIL may also firm up source of supply and consumer tie up for DUPL Project. Accordingly, the tender was re-floated and no impact on the financial position of the Company can be ascertained.

QUALITY MANAGEMENT

To build GAIL as an organization which stands for Quality and to infuse a "Total Quality" culture in the organization, Quality Circle movement has been launched in GAIL. In order to facilitate the implementation of Quality Circles (QCs) at all work centres of GAIL, M/s. FAAAI (Federation of AOTS Alumni Association of India), who propagate Japanese Quality concepts in India has been appointed as the consultant.

158 QCs have been registered, spread over 15 work centres of GAIL across the country. The Quality Circle movement brought out outstanding achievements by the employees at grass root level. The management accorded high priority to the Quality Circle movement and included it as a part of MOU targets.

During the financial year 2004-05, out of a MOU target of 64 improvement projects, QCs alone have contributed to 42 improvement projects till now. These have resulted in tangible savings to the tune of Rs. 2 Crores apart from innumerable intangible benefits.

Your Company has assigned highest priority on Quality Management through TQM approach, such as-Six Sigma, Quality Circle, Standardization and Benchmarking.

TECHNOLOGY ABSORPTION

Your Company believes that a strong focus in technology absorption would provide the competitive edge and hence fuel for a sustained growth engine. With a strategic intent towards diversification across the energy value chain, GAIL has been not only exploring but also supporting technology developments in the areas of gas pipeline transportation, gas based petrochemical technologies, underground coal gasification, above ground coal gasification, stranded gas transportation technologies such as scaled down liquefaction plants, LNG by trucks, CNG by trucks and bulk gas transportation technologies such as CNG by ships. Besides, GAIL is also promoting several research projects in the areas of hydrogen fuel cells, fuels from waste plastics etc.

On the business process side, your Company is also aiming to convert bulk of its paper based transactions in its business processes to electronic mode of operations. The SAP implementation across the Company is in the final stage and your Company plans to digitize and transact paper based documents in electronic form in compliance with the Information Technology Act of India.

AWARDS & ACCOLADES

During the year under review, your Company was conferred upon the following honours:

The Glow of a Navratna

- Rated **Best PSU by Department of Public Enterprises (DPE)** for top score of 1.00 in MOU for the year 2003-04. A score of 1.00 is the highest possible score and indicates excellent rating in all parameters of evaluation.

Others

- **Golden Peacock Award** for Corporate Governance (2003-04).

- In a survey conducted by M/s. Hewitt Associates-CNBC, featured amongst the prestigious **'Best Employers in India 2004'.**

Shri Proshanto Banerjee, CMD, GAIL, receiving the Best Employers Award

- **National Merit Award (Public Sector) for Excellence in Cost Management** from the Institute of Cost and Works Accountants of India.

- HT Power Jobs Award for **"Organization with Innovative HR Practices".**

- **Best Overall Performance in Upstream Sector** by PCRA for energy efficiency/saving measures.

- NPMP Award for Excellence in Project Management (2003-04).

Shri Proshanto Banerjee, CMD and Shri S.P. Rao, Director (Projects) receiving the NPMP Award

Global Recognition

- 12th amongst 30 Indian companies appearing in the list of Forbes 2000 - the world's wealthiest companies (2005). The global rank is 1250.

INFORMATION TECHNOLOGY INITIATIVES

Your Company is deeply committed to "squeeze technology to its limit". During the year under review, various IT initiatives have been taken up to ensure faster and efficient on-line services such as e-banking, e-tendering, e-investments, e-performance management system, etc. by way of establishing connectivity amongst all stake holders.

A centralized state of the art data centre has been set up for all IT services including ERP to extend company wide 24 X 7 support for various online business processes. In order to further strengthen the system, measures for data security and network protection, gateway of your Company's IT network have been taken, using multiple firewalls and centralized anti-virus solution. Video-Conferencing facility is in place across all offices to facilitate interactive sessions between work centres as also for cost-efficient conferencing with foreign vendors and suppliers to discuss key commercial issues.

Implementation of ERP

Your Company is at the final stage of implementation of Enterprise Resource Planning (ERP) in all business segments of the Company at all work centres.

Implementation of Gas Management System

Your Company has successfully commissioned the Gas Management System, which enables your Company to facilitate

Natural Gas business operations more efficiently and speedily by integrating all sources of gas to the offtakers/customers under differential gas pricing regime.

MANAGEMENT DISCUSSION AND ANALYSIS

The detailed Management Discussion and Analysis of the financial condition and results of operations separately form part of this report.

IMPLEMENTATION OF OFFICIAL LANGUAGE

Your Company makes vigorous efforts for propagation and implementation of the Official Language Policy of the Union of India.

With a view to promote use of Hindi for official purposes, Hindi workshops were organized at all the Company's work centres. Microsoft Office XP bilingual software was provided to all the Company's offices and comprehensive training programmes were conducted for the users, to impart working knowledge to them in the bilingual software.

Going forward, to enlist greater participation of the employees in accepting and implementing the Official Language in letter and in spirit, incentive schemes were made more attractive.

During the year under review, in addition to Hindi Diwas program and Annual Rajbhasha Conference, new and interesting competitions, cultural activities, seminars, Kavi Sammelan, Hindi skits and exhibition on Hindi activities were organized at different projects/regional offices which found wide participation.

HRD INITIATIVES

During the year under review, the Company's Industrial Relations climate in general remained harmonious. No 'man days' or 'man hours' were lost on account of any industrial conflict.

Your Company continues to strive for excellence in the field of Employee Welfare. Going forward, following initiatives in relation to Human Resources Development were taken:

- Introduction of an Electronic Performance Management System (e-PMS) which facilitates online generation and flow of self appraisal forms

- Electronic capturing of the Key Performance Areas (KPAs) and Key Performance Indicators (KPIs) for the executives

Training Initiatives

The Company's Training Policy target of providing minimum one training to each employee, every year was fully complied. Against MOU target of 3500 under excellent category, 4640 personnel were trained by GAIL Training Institute (GTI). It includes foreign trainings/programmes to 45 senior executives in premier business schools such as Kellogg, Harvard, Stanford Business Schools, etc. and 33 technical executives at Advantica, UK for Energy Management Services and at Tokyo Gas for LNG Operation & Maintenance. During the year under review, number of training days increased by almost 200% compared to last year.

In order to provide more comprehensive view on trainings, Steering Committee has been reconstituted with inclusion of all Executive Directors. Course types have been chosen to make training calendar aligned with GAIL's Corporate Strategy.

The training programs have been divided in four broad categories:

A. Strategy, Leadership and Business Knowledge Programs

B. Management, Functional and Process Programs

C. Operational, Technical, IT & Safety Programs

D. Behavioural Development Programs

While top management programs have been focused on type A, middle management mostly remained on type B. Lower management training programs focused on skill and specialization programs as mentioned in type C. Type D programs have been specially designed for all GAIL employees.

Your Company is conscious of the need to prepare the young executives to face the challenges of the future. Under a comprehensive and tailored program titled 'Young GAIL Unlimited' which has been designed in partnership with the Indian Institute of Management (IIM), Kolkata, the young GAIL executives in the age group of 22-35 years, are given an opportunity for 'boundary-less thinking' and exposure to latest business practices.

In order to increase the skill levels of all non-executives, a dedicated training institute, named 'Technical Training Centre', has been set up at Jaipur with modern infrastructure and facilities.

REPRESENTATION OF SC/ST/OBC AND MINORITIES

The manpower of the Company as on 31st March, 2005 stood at 3349, of which, 15.7% belong to SC, 6.1% to ST, 14.9% to OBC, 7.64% to Minorities and 1.3 % to Physically Handicapped. Your Company is continuing with its efforts to further reduce the shortfall of SC/ST/OBC representation.

The representation of women employees is 4.6%.

MATERIAL DEVELOPMENTS IN HUMAN RESOURCES & INDUSTRIAL RELATIONS FRONT

The industrial scenario during the year 2004-05 remained harmonious and cordial. There was no strike or lock out during the year and as such no man-days were lost. As on 31st March, 2005 there were 3,349 employees on the rolls of the Company.

ENVIRONMENT, HEALTH AND SAFETY FOR CORPORATE SUSTAINABILITY

Your Company's commitment and responsibility towards the environment stems from its Vision, which enjoins upon your Company to sustain business growth with deep commitment to the environment.

Corporate HSE Policy

As reported earlier, your Company has a well established Environment, Health and Safety (EHS) Policy. The safety and health of its employees are embedded in the core organizational values of the Company. The policy, inter alia, aims to ensure safety of public, employees, plant and equipment, ensure compliance with all statutory rules and regulations, impart training to its employees, carry out safety audits of its facilities, conduct regular medical check up of its employees and promote eco-friendly activities.

New Certifications

As reported earlier, LPG Plants, petrochemical plant and major pipeline systems have been certified for Environment Management System (ISO 14001).

During the year 2004-05, major installations of GAIL have also been certified for the Occupational Health and Safety Management System (OHSAS 18001). The OHSAS system aims to eliminate or minimize risk to employees and other interested parties who may be exposed to OH&S risks associated with its activities.

Ensuring Compliance

Your Company continues to recognize the importance of all the national and international regulations and ensures 100% compliance at all times. GAIL fulfils the required statutory requirements of Central and State Pollution Control Boards. Major environmental parameters as required are being regularly monitored and reported to the concerned/regulatory bodies, viz., Central Pollution Control Board, State Pollution Control Board, Ministry of Environment and Forests. GAIL's environmental performance is well within the emission limits in statutory guidelines for all operations.

Environmental Initiatives

Greenbelt Development

Your Company constantly endeavours to minimize the direct and indirect environmental impact of its business operations and strives to enrich the environment wherever possible.

The green cover of all the GAIL facilities is about 600 Hectares out of a total area of about 1,592 Hectares. During the year 2004-05, more than 25,000 trees have been planted. This green cover together with large water bodies in the complex has created an ideological habitat for birds and animals.

Water and Waste Water Management

To conserve natural resources, your Company continues to make efforts in maximizing recycle of treated wastewater and through rain water harvesting. Treated wastewater is used for horticulture and firewater use and the scheme has been successfully implemented in Petrochemical plant at Pata and LPG Plant at Gandhar resulting in 'zero discharge' and is under implementation at other locations.

Further, rainwater harvesting measures have been implemented at Pata, Gandhar and Mansarampura, Jaipur. At IPS Mansarampura, Jaipur rainwater harvesting is implemented to prevent the depletion of ground water and increase the ground water level to a great extent as the average rainfall in Jaipur district is less than national level.

Solid Waste Management

All units of GAIL are continually and diligently striving to minimize and recycle all solid wastes to reduce and eliminate any residual impact on the environment.

Air Pollution Management

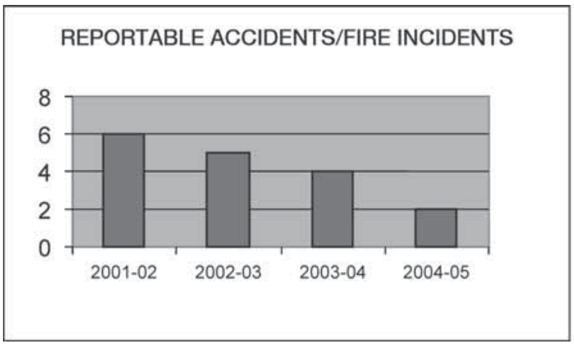
Flare Gas recovery project is conceptualized for recovery of flare gas above design flow to use as fuel gas in the complex and the same is being implemented at GAIL, Pata to reduce Flare losses, thermal pollution and conserve natural resources.

With a view to ensure that the operation of third parties (contractors, suppliers etc.) is not affecting the environment, PUC certification has been made mandatory for loading of tankers in Lakwa Plant.

Health & Safety

Safety Performance

GAIL continues to strive for 'zero accidents' in all its units. During the year 2004-05, the HSE Index has improved from 95.4% to 96.31% leading to a declining trend in incidents and resulting in enhanced productivity. The reporting of 'near-miss' incidents has also improved in the last year which indicates a strong safety culture throughout all levels of the organization.



Declining trend of incidents in GAIL

Safety Training

During the year 2004-05, 100% of the employees were exposed to safety training in the form of regular HSE briefings, 2 SMS workshops for personnel from all sites. Besides, de-stressing workshop for senior executives and lectures by renowned external faculty were carried out.

External Safety Audits

During the year 2004-05, your Company's safety practices and systems were audited by globally renowned auditors, British Safety Council-UK, Germanischer Lloyd-Germany, Tebodin-Netherlands and DNV-Norway.

Occupational Health Examination

GAIL continued its commitment to improve the well being of its employees. During the year 2004-05, all employees of the Company were medically examined. Besides, contract workers, CISF personnel, villagers from nearby areas were also covered in the program.

Environmental Awards

Greentech Environment Excellence Award for 2003-04 (declared in 2004-05) was given to LPG Plants at Gandhar & Vaghodia, Pata and Jamnagar-Loni LPG Pipeline by Greentech Foundation, New Delhi. This foundation is supported by Ministry of Environment and Forests, Government of India and Centre for International Transfer of Environmental Technologies, Germany. The award is in recognition of the care for environment adopted by the Company.

LPG Plant at Usar has received the 'Indira Gandhi Memorial National Award' under the category 'Excellent Pollution Control Implementation Gold Award'.

Safety Awards

Five star Health & Safety Management System Audit was conducted by British Safety Council, U.K. LPG Recovery Plants at Vijaipur & Gandhar and Jamnagar-Loni LPG Pipeline were awarded with Five Star rating. LPG Recovery Plant, Gandhar has received the prestigious Sword of Honour from British Safety Council for its outstanding performance on HSE fields.

LPG Plant at Lakwa and Pata Plant have received the 'Prashansha Patra' Award from National Safety Council of India.

LPG Plant at Usar received 1st Oil Industry Safety Awards in the category 'Other Processing Plants' and HVJ Pipeline received 1st Prize under the category 'Cross country pipeline' for the year 2004-05.

LPG Plant Auraiya has received the 1st prize for the year 2003-04 under the category 'Other Processing Plants'. Special Award 'Without Loss of Life' was received from OISD for 2002-03.

Greentech Gold Awards for Environment Safety received from Greentech Foundation to our Process Plants at Vijaipur, Gandhar, Usar, Pata, Lakwa and JLPL & VSPL pipelines and Hazira Compressor station.

ENERGY MANAGEMENT SERVICES – FOR CUSTOMER CARE

Energy Management Services (EMS) group, formed in the year 2002, with an objective to promote measures for accelerating conservation of Natural Gas, to create awareness amongst the industries/users about the importance, benefits and methods of enhancing energy efficiency, to promote technical services to achieve economy and efficiency of gas use by existing and potential customers.

21 energy efficiency enhancement studies have been undertaken in the past year for improving the efficiency of plants and processes. Many of the suggestions have been implemented by the customers yielding energy saving and in turn monetary benefits to the user industries and revenue to GAIL for its services.

National Gas Conservation Programme

In continuation to the conservation programme that was started in the year 2003, EMS group organized the National Gas Conservation Programme on 14th December, 2004. The programme aimed at encouraging different industries to undertake energy savings measures.

Shri Proshanto Banerjee, CMD, GAIL, speaking during the launch of National Gas Conversation Programme

The awards for Excellence in Energy Conservation were given to different energy efficient industries from different sectors like fertilizer, power, petrochemicals, sponge-iron, glass, fractionation units and gas compressor stations. Tata Chemicals Ltd., Babrala; NTPC, Faridabad; IPCL, Gandhar; Vikram Ispat, Raigarh;

Videocon Narmada Glass, Bharuch; GAIL Plants at Vijaipur & Gandhar; Compressor Station at GAIL, Vijaipur were the winners in their respective sectors.

Technology Meets

GAIL organized 17 technology meets at Chittorgarh, Hyderabad, Mumbai and other locations for customers. The meets mainly focused upon issues pertaining to methods for efficient utilization of natural gas, the technological changes and also the industry-wide best practices for improving product quality and reducing natural gas wastages.

Climate Change Initiatives

GAIL is exploring options that lead to reduction of green-house gases as a part of Clean Development Mechanism (CDM) project under Kyoto Protocol. This would help your Company to earn Carbon credits apart from reduction of carbondioxide. A project for supply of CO_2 from the Petrochemical plant to fertilizer and other prospective industries is under active consideration.

Hriday

CORPORATE SOCIAL RESPONSIBILITY

Helping people help themselves!

Your Company is committed to the belief that it exists not just to run businesses and generate profits, but also to fulfill its duties as a responsible corporate citizen. At GAIL, we define Corporate Social Responsibility as *"continuing commitment for operating the core business in a socially responsible way, complemented by investment in communities to produce an overall positive impact on society"*. As a caring citizen, we paint various vibrant hues on the canvas of life, each colour in the palette coming alive with the bold brush strokes of hope, harmony and happiness. In order to translate this value into action we have made a conscious decision to spend one percent of our Profit After Tax (PAT) of the previous financial year on CSR programmes.

The focus areas of your Company's CSR activities are: **Environment Protection & Horticulture, Infrastructure, Drinking Water/Sanitation, Healthcare/Medical facilities, Community Development and Literacy enhancement/ Empowerment programmes.**

A snapshot of your Company's attempt to extend a helping hand to the society, is as follows –

Air Pollution Related Disease Diagnostic Centre

A project has been undertaken to set up **Air Pollution Related Disease Diagnostic Centres** (APRDC) in **22 cities** of the country having alarming levels of air pollution and wherein your Company has plans to set up CNG/PNG installation. These centers are being equipped with modern diagnostic amenities related to respiratory and cardio-vascular diseases. More importantly, these APRDC's

Ms. Alka Kumar, DGM, CSR, handing over a cheque of Rs. 20 lakhs for APRDC, Rajahmundry

would develop the baseline data on occurrence and prevalence of air pollution related diseases, before and after installation of CNG/ PNG facilities in the identified cities. During the year under review, out of the total 22 diagnostic centers projected to come up, 18 diagnostic centers have already been set up.

Mobile Health Clinics

To provide health care facilities to villagers, ambulances were provided to operate Mobile Health Clinics in the rural areas around the cities of Agra, Jaipur, Kolkata and Vijaipur. In a novel partnership with an NGO namely GIDF, an extensive medical community outreach program was undertaken at Vijaipur.

Mother and Child Care Hospital

A 30-bed **Mother and Child Care Hospital** was set up for the tribal population in Jhabua, Madhya Pradesh.

Adoption of Senior Citizens

In association with Help Age India, about 100 destitute **senior citizens were adopted.** Out of these, 72 persons were afflicted with Leprosy.

Merit Scholarships

Merit scholarships were awarded to more than 2,500 school children drawn from over 40 schools. These children represent the socio-economically under privileged category of the society.

Computer literacy for school children

In order to promote computer literacy amongst the school children, PCs loaded with compatible software packages were provided to the village schools in Samakhiali, Hyderabad & Pondicherry, school for deaf children in Vishakhapatnam, Udavam Karangal School in Chennai and the Blind Welfare schools in Delhi and Gurgaon.

Children getting computer education

Women Empowerment

With the objective to **empower women** to attain financial independence, initiatives were taken to promote literacy, spread legal awareness, impart adult education and vocational training in tailoring, food preservation, beautician courses etc. The women folk in the surrounding areas of Jaipur, Lakwa, Usar and Gurgaon were beneficiaries of these initiatives.

Special education programme and vocational training for women

Girls Hostel

A girls' hostel '*Matri Karuna Girls Chhatralaya*' was constructed for the girl students and destitute women in Ratlam, Madhya Pradesh. Another girls' hostel was constructed at Leva Patel Seva Samaj in Jamnagar, Gujarat.

Aanganwadi

'Aaganwadi' buildings were constructed in Vijaipur.

Village Adoption

Village adoption programs were carried out as an on-going activity in and around Vijapur, Hazira and Gurgaon.

Plastic Waste Bins

Plastic waste bins were installed at prominent public places in the state of Uttaranchal to promote cleanliness in the hill state.

Rainwater Harvesting

In a measure to facilitate rain/storm water harvesting and help the farmers to access better irrigation facilities, check dams were constructed in villages around Khera, Vijaipur and Vaghodia.

Tsunami Relief

A sum of Rs. 4 Crores was spent for the tsunami affected persons in Tamil Nadu and Pondicherry.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION

Details of conservation of energy, technology absorption in accordance with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are annexed.

FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year, Foreign Exchange Earnings were Rs. 79 Crores which was mainly on account of export of Polymers.

Expenditure in Foreign Currency was Rs. 859 Crores which was mainly on project related imports.

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

The particulars of employees u/s 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 is 'nil'.

EXPENDITURE ON ENTERTAINMENT, FOREIGN TOURS AND PUBLICITY

During the year the Company has incurred expenditure of Rs. 462 lakhs on foreign tours, foreign training, seminars & conferences, Rs. 22 lakhs on entertainment and Rs. 2,362 lakhs on advertising & publicity.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, Corporate Governance Report and Auditor's Certificate regarding compliance of conditions of Corporate Governance forms part of the Annual Report.

DIRECTORS

During the year under review, Shri M.S. Srinivasan, Special Secretary, MoP&NG, Shri P.K. Sinha, Joint Secretary & Financial Advisor, MoP&NG and Shri Ajay Tyagi, Joint Secretary, MoP&NG were appointed as Directors on the Board of Directors of your Company w.e.f. 28.01.2005, 20.12.2004 and 20.04.2005 respectively.

Shri M.S. Srinivasan, an alumni of the Indian Institute of Technology (IIT), Madras and Harvard University, USA is a member of the Indian Administrative Service (IAS). In a career spanning over 32 years, he has rich and varied experience of holding important positions in the State and Central Governments.

Shri P.K. Sinha, a graduate in Economics and M. Phil in Social Sciences, is a member of the Indian Administrative Service (IAS). In his service career of over 27 years, he has served with distinction both in the Central and State Governments.

Shri Ajay Tyagi, a Post Graduate in Computer Science and holding Masters in Public Administration from Harvard University, is a member of the Indian Administrative Service (IAS). During his career spanning over two decades, he has handled major assignments both in the State and Central Governments.

During the year under review, Dr. R.K. Pachauri and Shri A.K. Srivastava ceased to be Directors of the Company w.e.f. 26.10.2004 and 07.03.2005 respectively.

BOARD MEETINGS AND GENERAL MEETING

During the year under review, 15 meetings of the Board of Directors of the Company were held. The 20th Annual General Meeting of the Members of the Company was held on 30th September, 2004.

DIRECTORS' RESPONSIBILITY STATEMENT IN TERMS OF SECTION 217(2AA) OF THE COMPANIES ACT, 1956

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed that :

1. in the preparation of the annual accounts for the financial year ended 31st March, 2005, the applicable accounting standards had been followed along with proper explanation relating to material departures;

2. the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year under review;

3. the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

4. the Directors had prepared the annual accounts for the financial year ended 31st March, 2005 on a going concern basis.

AUDITORS

Office of The Comptroller & Auditor General of India vide its letter no. CA.V/COY/CENTRAL GOVT.,GAIL (3)/370 dated 6th September, 2004, has appointed M/s S. Mann & Co., Chartered Accountants, New Delhi as Statutory Auditors of the Company, M/s. Nripendra & Co., Chartered Accountants, Kanpur as Branch Auditors for U.P. Petrochemical Complex at Pata and M/s. Chhajer & Co., Chartered Accountants, Bhopal as Branch Auditors for LPG Plant at Vijaipur for the year 2004-05.

ACKNOWLEDGEMENT

The Board of Directors wish to place on record their sincere appreciation for the valuable services and dedicated efforts of the employees of the Company, who have ensured the accomplishment of excellent result and achievement of the Company. The Board also wishes to thank the Government of India, especially the Ministry of Petroleum and Natural Gas and various State Governments for their valuable guidance and support.

The Board of Directors wishes to place on record its highest appreciation of the significant contributions made by Dr. R.K. Pachauri and Shri A.K. Srivastava during their tenure as Director on the Board of Directors of the Company.

For and on behalf of the Board

Proshanto Banerjee

Chairman & Managing Director

Place: New Delhi

Dated: 14th August, 2005

Annexure to the Directors' Report on Conservation of Energy, Technology Absorption and Foreign Exchange Earnings & Outgo as per Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988

A. CONSERVATION OF ENERGY:-

(a) Energy conservation measures taken:

1. **Energy Audit** has been carried out at Pata by M/s. PCRA, New Delhi and at JLPL, Nasirabad by M/s. ERDA and certain recommendations have already been implemented which has started yielding savings amounting to Rs. 62 lakhs p.a. at Pata and Rs. 6.43 lakhs p.a. at JLPL, Nasirabad.

2. **Benchmarking exercise** for various process units of the Company have been carried out and being closely monitored to control and reduce specific energy consumptions.

3. **Variable Frequency Drive (VFD) system** implemented for jockey pump at Gandhar LPG Plant has resulted in energy savings monthly/yearly @ 10800 KWH/129600 KWH and cost savings monthly/yearly @ Rs. 0.58 lakhs/ Rs. 7 lakhs. The total savings during 2004-05 achieved- Rs. 5.25 lakhs.

4. **Modification done in lighting systems** by installation of energy efficient lighting devices at many of the work centers of HVJ,JLPL and Gandhar have resulted in energy savings monthly/yearly @ 46297 KWH/555564 KWH and cost savings monthly/yearly @ Rs. 2.3 lakhs/ Rs. 27.5 lakhs.

5. **Installation of P.F. improvement equipments and maintaining P.F. in the range between 0.95 to 0.99** at various locations of JLPL and HVJ- Jhabua and Gandhar have resulted into prevention of losses of electrical energy. A substantial monthly/yearly savings of Rs. 4.6 lakhs/Rs. 55.5 lakhs have also been made towards rebate from Electricity Board.

6. **The awareness campaign to save energy and effort for optimal utilization of running of static and rotating equipments** at various work centers of HVJ, JLPL, Pata, Gandhar etc. have resulted into substantial energy savings monthly/yearly @ 646808 KWH/7761696 KWH and cost savings monthly/yearly @ Rs. 34.4 lakhs/ Rs. 412.7 lakhs.

(b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy:

1. During 2005-06, Energy Audit has been planned to be carried out at HVJ-Dibyapur and JLPL Mansarampura at an estimated cost of Rs. 4.5 lakhs and Rs. 0.75 lakhs respectively and introduction of EMS at Gandhar has been planned at an estimated cost of Rs. 8.7 lakhs.

2. **Variable Speed Drive (VSD) system** at various locations of Pata, Gandhar, Usar and HVJ-Jhabua have been taken up for implementation during 2005-06 at an estimated cost of Rs. 1.41 Crores. With the implementation of the projects as above, the monthly/yearly reduction in consumption of energy as estimated would be 89406 KWH/1072872 KWH and cost reduction would be Rs. 3.9 lakhs/Rs. 46.6 lakhs.

3. **Lighting system modifications** by installation of energy efficient lighting devices are being taken up at many of the work centers of JLPL and HVJ-Jhabua during 2005-06 at an investment of Rs. 1 lakh which would result in energy savings of monthly/yearly @ 2500 KWH/ 30000 KWH and cost savings monthly/yearly @ Rs. 0.1 lakh/Rs. 1.2 lakhs.

4. **Installation of P.F. improvement equipments** for the Electrical systems at various locations of JLPL has been planned at an investment of Rs. 11.6 lacs which would result in cost savings of monthly/yearly @ Rs. 1.64 lakhs/Rs. 19.71 lakhs.

5. **Solar power system** has been planned for implementation at Gandhar at an approximate cost of Rs. 9.3 lakhs which would result in energy savings of monthly/yearly @ 3780 KWH/45360 KWH and cost savings monthly/yearly @ Rs. 0.202 lakhs/Rs. 2.43 lakhs.

Besides above, various energy saving measures have been planned and are being implemented to enhance operational efficiency and thereby save cost as detailed below:

(i) **Flare Gas Recovery Project:** This project at Pata envisages recovering the flare gases going through the flare system for ultimate use as fuel gas in the utility boilers. The project consisting of gas compression system and associated piping etc. will be implemented through an EPCM consultant, M/s. Lurgi India. The estimated expenditure of the project is Rs. 10.72 Crores. Implementation of the project would result into fuel savings to the tune of Rs. 6.5 Crores per year.

(ii) **Installation of additional STG:** Installation of a 9 MW extraction type STG unit has been approved for Pata. The investment would be Rs. 18 Crores. The setting up of extraction type STG would enable efficient use of the VHP steam to produce HP steam and also in power generation which will reduce dependence on State Grid and make savings of around Rs. 7 Crores p.a.

(iii) **Advance Process Control (APC):** This project is under implementation for upstream units (GPU/ LPG/ GCU units) of Petrochemical project. After implementation of the project, it is expected to reduce the specific energy consumption to the tune of 3% in these units.

(c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:

Energy conservation measures taken so far have resulted in an improvement in energy efficiency as detailed at (a) and (b) above.

(d) Total energy consumption and energy consumption per unit of production:

Necessary information in Form – A annexed.

B. <u>TECHNOLOGY ABSORPTION</u>:-

(e) Efforts made in technology absorption

Necessary information in Form – B annexed.

C. <u>FOREIGN EXCHANGE EARNINGS AND OUTGO</u>:-

(f) Activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services; and export plans:

During the year, the Company's exports, including deemed exports, increased to Rs. 89.89 Crores from Rs. 22.81 Crores in the previous year, recording an annual growth of 294%. The total exports and deemed exports during 2004-05 had been 18752 MTs and 2920 MTs respectively. This significant increase in exports has established the world class quality of polymers being produced by the Company.

(g) Total foreign exchange used and earned:

During the year, Foreign Exchange earnings were Rs. 79 Crores which was mainly on account of export of Polymers.

Expenditure in Foreign Currency was Rs. 859 Crores which was mainly on project related imports.

Form - A

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

		2004-2005	2003-2004
A.	**POWER & FUEL CONSUMPTION**	**2004-2005**	2003-2004
1.	**Electricity**		
	a. Purchased (from State Grid)		
	Unit (KWH)	**134081400**	131206836
	Total Amount (Rs. in lakhs)	**6476.58**	6321.11
	Rate/Unit (Rs./KWH)	**4.83**	4.82
	b. Own Generation		
	(i) Through Diesel Generator		
	Unit (KWH)	**664809.6**	567643
	Units per litre of Diesel Oil (KWH/Litres)	**2.75**	2.70
	Cost/Unit (Rs./KWH)	**9.6**	8.55
	(ii) Through Steam Turbine/Generator (GTG/GEG/STG)		
	Units (KWH)	**292848219**	279434522
	Units per 1000 SCM of gas	**2490.78**	3157.52
	Cost/Unit (Rs./KWH)	**1.74**	1.79
2.	**Coal**	**NIL**	NIL
3.	**Furnace Oil**	**NIL**	NIL
4.	**Others/Internal Generation**	**NIL**	NIL
B.	**CONSUMPTION PER UNIT OF PRODUCTION**		
	ETHYLENE		
	Production (MT)	**319290**	275610
	Electricity (KWH/MT)	**57.13**	66.27
	Furnace Oil	**NIL**	NIL
	Coal	**NIL**	NIL
	Others - Fuel Gas (MT/MT)	**0.25**	0.26
	- Steam (MT/MT)	**1.19**	1.37
	HDPE		
	Production (MT)	**109158**	96670
	Electricity (KWH/MT)	**290.04**	327.48
	Furnace Oil	**NIL**	NIL
	Coal	**NIL**	NIL
	Others - Steam (MT/MT)	**0.83**	0.92
	LLDPE		
	Production (MT)	**189586**	167050
	Electricity (KWH/MT)	**267.13**	295.14
	Furnace Oil	**NIL**	NIL
	Coal	**NIL**	NIL
	Others - Fuel Gas (MT/MT)	**0.05**	0.07
	- Steam (MT/MT)	**0.59**	0.66

Form - B

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION

RESEARCH & DEVELOPMENT (R&D)

1. **Specific areas in which R&D carried out by the Company**
   - Development of technology for separation of Paraffins and Olefins by adsorption with IIT, Kanpur.
   - Study of effect of aging, erosion and abrasion on internal coatings used in Natural Gas pipelines with IFP, France.
   - Development of leak detection methods for Natural Gas pipelines with IIT, Chennai.
   - CNG marine transportation technology validation and feasibility study.
   - Participation in TSA Agreement of CHT with UOP.
   - Up-Scaling of Field Applied Coating Technology.
   - Development of online property prediction software package for LLDPE plant GAIL, Pata with IIT-Kharagpur.
   - Development of technology for inhibition of coke formation in gas cracker furnaces with IIT, Kanpur.
   - Development of Process Engineered Fuels from plastic waste with SRI.
2. **Benefits derived as a result of the above R&D**
   - The technology can reduce energy costs for separation of light hydrocarbon gas mixture in comparison to the conventional distillation process. Project under progress.
   - Internally coated pipes have smoother surfaces. This results in lesser operation costs and increased throughput. Project under progress.
   - The indigenous leak detection software has been tested in LANCO pipeline. Improvement is in progress.
   - The technology can be low cost alternative to transport of LNG, Pipelines.
   - UOP is major technology supplier to Petroleum refineries. Consultancy will help improvement of processes.
   - Low cost coatings technology for application in field for weld joints, fittings etc.
   - The Property prediction software package would help in decrease off-grade production in LLDPE plant. Rigorous testing of software under progress.
   - The run lengths of gas cracker furnaces can be improved three - fold resulting in higher production. Experiments are in progress at GAIL, Pata.
   - Solid fuels from plastic waste in combination with paper waste, leaf waste, coal etc. have been produced and tested in two industries. Validation is in progress.
3. **Future plan of action**
   - To transfer technology for Underground Coal Gasification.
   - Setting up Pilot/Demo unit for conversion of Methanol to Propylene.
   - To work on conversion of Methane to Olefins Technologies.
   - To work on small scale LNG.
   - To work on Coal gasification.
   - To work on CNG Transportation by Road/Barge.
   - To work on LNG Transportation by Road/Barge.
   - Participation in Hydrogen Corpus Fund for development of Hydrogen based technologies.
   - To transfer technology for pilot scale manufacture of bio-degradable plastics.
   - To transfer technology for manufacture of long lasting insecticide net.
   - To work on development of storage and transportation of Natural Gas in its Hydrate form.
   - To work on generation of Methane from MSW as a new source of gas.

4. **Expenditure on R&D:**

(a) Capital	: NIL
(b) Recurring	: Rs. 1.11 Crores
(c) Total	: Rs. 1.11 Crores
(d) Total R&D expenditure as a percentage of total turnover	: 0.009%

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. **Efforts, in brief, made towards technology absorption, adaptation and innovation**

   - NTGG Process technology: A demonstration plant was set up in Vaghodia. The plant is continuously operating in batch mode from October'04.
   - Flaker for Low Polymer wax: The unit has been set up in GAIL, Pata and is in continuous operation from April'04.

2. **Benefits derived as a result of the above efforts, e.g., product improvement, cost reduction, product development, import substitution, etc.**

   - NGL otherwise spiked converted to value added products LPG, MFO.
   - LPW flakes are sold at higher price than lumps.

3. **In case of imported technology (imported during the last five years reckoned from the beginning of the financial year), following information may be furnished:**

(a) Technology imported	: NIL
(b) Year of import	: Not applicable
(c) Has technology been fully absorbed?	: Not applicable
(d) If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action	: Not applicable

Report on Corporate Governance

I. CORPORATE GOVERNANCE AT GAIL

Corporate Governance has become formally applicable in India, from the year 1999-2000. The foundation of good Corporate Governance is based upon the principles of transparency, fairness, disclosure and accountability.

Your company believes that effective Corporate Governance is characterized by the practice of each of the above. The Board pursues its Corporate Governance objective by demonstrating sincerity in dealing with management, fairness in dealing with employees, meeting the compliance requirements of the Government and practice of ethical corporate citizenship in the society.

Keeping the tradition of believing in the highest standard of Corporate Governance, your company has received the "Golden Peacock Award" for excellence in Corporate Governance for the Year 2003-04.

II. BOARD OF DIRECTORS

Composition of Directors

GAIL (India) Limited being a Government Company, all the Directors of the Company are appointed/nominated by the Government. As per Articles of Association, the number of Directors shall not be less than three and more than twenty. As on 31st March, 2005, there were eleven Directors on Board comprising of six Whole Time Directors including Chairman & Managing Director and five Non-official Part-time Directors including two officials of Government of India.

During the year 2004-05, none of the Non-official Part-time Directors of GAIL had any pecuniary or material relationship or transaction with the Company.

None of the Directors were members in more than ten Board Committees or Chairman of more than five Committees (as specified in Clause 49 of the Listing Agreement) across all the companies in which they were Directors.

Board Meetings

During the financial year 2004-05, the Board met fifteen times on the following dates:-

Sl. No.	Date of Board Meeting
1	30.04.2004
2	31.05.2004
3	30.06.2004
4	30.07.2004
5	02.09.2004
6	04.09.2004
7	07.09.2004
8	27.10.2004
9	05.11.2004
10	20.12.2004
11	10.01.2005
12	17.01.2005
13	28.01.2005
14	11.02.2005
15	19.02.2005

Proper notices were given in respect of these meetings and the proceedings were properly recorded and signed including circular resolutions passed, in the Minutes Book maintained for the purpose.

The particulars of Directors including their attendance at Board Meeting(s) and Annual General Meeting during the Financial Year 2004-05 is detailed below:

Names of Director(s)	Date of Appointment/ (Cessation)	No. of Board Meetings attended	AGM held on 30.09.04 attended (Yes/No)	Directorship(s) in other companies	Membership(s) of Committees of Boards of other companies	Chairmanship(s) of Committees of Boards of other companies
WHOLE-TIME FUNCTIONAL DIRECTORS:						
Shri Proshanto Banerjee, *Chairman & Managing Director*	27.08.2001	15	Yes	2	—	—
Shri J.K. Jain, *Director (Finance)*	22.01.1996	13	Yes	1	1	—
Shri S.P. Rao, *Director (Projects)*	22.10.1999	15	Yes	1	—	—
Shri B.S. Negi, *Director (BD)*	01.01.2003	15	Yes	3	2	—
Shri M.R. Hingnikar, *Director (HR)*	28.07.2003	14	Yes	1	1	—
Dr. U.D. Choubey, *Director (Marketing)*	06.05.2004	14	Yes	1	—	—
NON OFFICIAL PART–TIME DIRECTORS (EX- OFFICIO) :						
Shri M.S. Srinivasan	28.01.2005	1	NA	3	—	2
Shri Badal K. Das	(30.06.2004)	1	NA	3	—	—
Shri A.K. Srivastava	(07.03.2005)	10	Yes	3	—	—
Shri P.K. Sinha	20.12.2004	6	NA	3	3	—
NON OFFICIAL PART–TIME DIRECTORS (INDEPENDENT DIRECTORS) :						
Dr. Amit Mitra	29.04.1999	8	No	3	1	—
Dr. R.K. Pachauri	(26.10.2004)	NIL	No	1	1	—
Dr. A. K. Kundra	18.08.2003	14	Yes	1	—	—
Shri B.C. Bora	18.08.2003	13	No	—	—	—

III. AUDIT COMMITTEE

Brief terms of reference of Audit Committee

The terms of reference of Audit Committee include, inter-alia, the following:

a) Oversight of the Company's financial reporting process and disclosure of its financial information to ensure that the financial statement is correct.

b) Reviewing with the management, the annual financial statements before submission to the Board.

c) Reviewing with the management, the external and internal auditor, the adequacy of internal control systems.

d) Reviewing the adequacy of internal audit functions.

e) Discussion with internal auditors and any significant findings and follow up thereon.

f) Reviewing the findings of any internal investigations by the internal auditors into the matter where there is suspected fraud or irregularity or a failure of internal control system of material nature and reporting the same to the Board.

g) Reviewing the Company's financial and risk management policies.

h) Recommending the fixation of audit fee and approval for payment for any other services.

Composition & Qualifications

The Audit Committee of the Company is constituted in accordance with the provisions of the Listing Agreement and the Companies Act, 1956. It comprises of four non-official part-time Directors, viz., Dr. A.K. Kundra (Chairman), Shri. P.K. Sinha (Member), Dr. Amit Mitra (Member) and Shri. B.C. Bora (Member).The quorum of the Audit Committee is two members or one-third of the strength of the committee, whichever is higher. The Chairman has adequate financial and accounting knowledge.

Director (Finance), Head of Internal Audit Department and the Statutory Auditors are permanent invitees to the meeting(s) of the Committee. The Company Secretary acts as Secretary to the Audit Committee.

Audit Committee Meetings and attendance thereat

During the financial year 2004-05, ten Audit Committee Meetings were held and attendance thereat of the members was as follows:

Date of Meeting	Dr. A.K Kundra	Shri A.K. Srivastava (w.e.f. 27.10.2004 & upto 20.12.2004)	Shri P.K. Sinha (w.e.f. 20.12.2004)	Shri B.K Das (upto 30.06.2004)	Dr. Amit Mitra	Shri B.C. Bora
15.04.2004	Yes	-	-	Yes	No	No
30.04.2004	Yes	-	-	No	Yes	Yes
25.06.2004	Yes	-	-	Yes	No	Yes
16.07.2004	Yes	-	-	-	No	Yes
29.07.2004	Yes	-	-	-	No	Yes
29.09.2004	Yes	-	-	-	Yes	Yes
27.10.2004	Yes	Yes	-	-	No	No
08.12.2004	Yes	No	-	-	No	Yes
28.01.2005	Yes	-	Yes	-	Yes	Yes
14.03.2005	Yes	-	No	-	Yes	Yes
No. of meetings attended	10	1	1	2	4	8

IV. REMUNERATION TO DIRECTORS

GAIL(India) Limited, being a Government Company, the remuneration of its Whole-time Directors is fixed by the Government of India through Ministry of Petroleum & Natural Gas. The non-official part time Directors (Ex-officio) do not receive any remuneration from the Company. The non-official part-time Directors (Independent) are not entitled to any remuneration except sitting fee of Rs.10,000/- for attending each meeting of the Board of Directors and Committee(s) thereof and expenses incidental thereto.

Details of remuneration paid to Whole Time Directors for the financial year 2004- 05:

(Rs. in Lakhs)

Names of Director(s)	Salary & Allowances	Contribution to Provident, Gratuity & other Funds	Other benefits and perquisites	Total
Shri Proshanto Banerjee *Chairman & Managing Director*	7.82	4.91	1.15	13.89
Shri J.K. Jain *Director (Finance)*	7.14	1.61	0.66	9.41
Shri S.P. Rao *Director (Projects)*	7.28	1.96	0.77	10.01
Shri B.S. Negi *Director (Business Development)*	9.04	2.09	2.27	13.40
Shri M.R. Hingnikar *Director (HR)*	7.32	3.60	1.49	12.41
Dr. U.D. Choubey *Director (Marketing)*	7.39	1.87	4.13	13.39

The service contract is for five years which is renewable for further similar periods. The notice period is for three months. The Company has not introduced any stock options scheme.

Details of sitting fees paid to the Non-Official Part-Time (Independent) Directors for attending the meetings of the Board/Committees:

Names of Director(s)	Amount (in Rs.)
Dr. Amit Mitra	1, 30,000
Dr. R. K. Pachauri (upto 26.10.2004)	-
Dr. A. K. Kundra	2, 70,000
Shri B.C. Bora	2,90,000

V. SHAREHOLDERS'/ INVESTORS' GRIEVANCE COMMITTEE

The Shareholders'/Investors' Grievance Committee comprises of Shri B.C. Bora, Chairman (w.e.f. 27.10.2004), Shri S.P. Rao, Director (Projects) and Shri M.R. Hingnikar, Director (HR). The Commitee, at its meeting held on 28.01.2005, reviewed the services to the shareholders/investors including response to their complaints/communications. The Company Secretary acts as the Compliance Officer of the Company.

During the year under review, 2081 complaints were received from the shareholders through SEBI/Stock Exchanges pertaining to non-receipt of dividend, Annual Report, non-allotment of shares, non-receipt of refund order, etc., out of which 1963 complaints have been resolved. The Company has been taking all steps to ensure that shareholders related activities are given due priority and the matters/issues raised are resolved at the earliest. All the valid share-transfer requests received during the year were duly processed and approved within stipulated period of 30 days. There were no pending cases of transfer of shares in physical form as on 31st March, 2005.

VI. GENERAL BODY MEETINGS

Annual General Meeting:

The location and time of last three Annual General Meeting(s) are as follows:

For the Year	2001-02	2002-03	2003-04
AGM	18th	19th	20th
Date & Time	24.9.2002 10:30 a.m.	30.09.2003 4:00 p.m.	30.09.2004 10:30 a.m.
Venue	FICCI Golden Jubilee Auditorium Tansen Marg New Delhi	FICCI Golden Jubilee Auditorium Tansen Marg New Delhi	Siri Fort Cultural Complex, Khel Gaon Marg Siri Fort Road New Delhi

During the year, no item warranted the postal ballot and one item was passed through special resolution in the Annual General Meeting.

VII. DISCLOSURES

Disclosure on materially significant related party transactions

During the year, there have been no significant/material related party transactions with the Promoters, Directors or the Management, their subsidiaries or relatives, etc., that may have potential conflict with the interest of the Company at large. The details of 'Related Party Disclosures' are being disclosed in Note No.10 of Schedule 14 to the Accounts in the Annual Report.

Details of non-compliance relating to Capital Market

The Company has complied with the requirements of the SEBI, Stock Exchanges and the regulatory authorities on capital market related activities as applicable from time to time. During the last three years, there has been no non-compliance of the provisions/requirements of SEBI, Stock Exchanges or any regulatory authority related to capital market. The Company has also opted for voluntary Secretarial Audit from a practising Company Secretary.

VIII. MEANS OF COMMUNICATION

To provide large publicity and to reach the shareholders, analysts, investing public, etc., the quarterly and half-yearly financial results were published in leading newspapers having wide circulation, viz., The Economics Times, The Hindustan Times (English & Hindi). The "Limited Review" reports of the financial results for the quarters ended on 30th June 2004; 30th September 2004 and 31st December 2004 were obtained from the Statutory Auditors of the Company and filed with the Stock Exchanges.

The Company's financial results are displayed on the Company's website at www.gailonline.com and the same is also hosted on the EDIFAR (SEBI website).The press releases and analyst presentations are also displayed on the Company's website.

A detailed Management Discussion and Analysis Report is enclosed with the Directors' Report.

IX. GENERAL SHAREHOLDERS INFORMATION

Forthcoming AGM – Date, Time and Venue

The 21st Annual General Meeting is scheduled for Wednesday, the 28th September, 2005 at 10:30 a.m., at Siri Fort Cultural Complex, Khel Gaon Marg, Siri Fort Road, New Delhi - 110 016.

Financial Calendar

The Company's financial year is April 1st, 2004 to March 31st, 2005.

Dividend Payment Date

An *Interim Dividend* @ 40% for the financial year 2004-05 was approved by the Board and the same has been paid. The Board has recommended the payment of Final Dividend @ 40% for the financial year 2004-05 for the consideration of the shareholders at the ensuing Annual General Meeting. If approved by the shareholders, the same will be transferred within five days from the date of declaration, as per the provisions of the Companies Act 1956, and shall be paid within 30 days from the date of approval i.e. 28th September, 2005.

Date of Book Closure

The Company had fixed the Record Date of 28.12.2004 for the purpose of determining the eligibility of the members/ beneficial owners of the Company for payment of *Interim Dividend* @ 40% for the financial year 2004-05 (already paid).

The Register of Members shall remain closed from 16th September, 2005 to 28th September, 2005 (both days inclusive), for the purpose of determining the eligibility of the members/beneficial owners of the Company for payment of Final Dividend @ 40% on equity shares for the year ended 31st March, 2005, if approved by the shareholders.

Payment of Dividend through Electronic Clearing Service (ECS)

The company is providing Electronic Clearing Service (ECS) facility for payment of dividend in select cities and for this purpose the 9-digit MICR Code of the Banker as noted in the records of the Depository shall be used for the purpose of remittance of dividend through ECS. It is therefore necessary that the shareholders should have correct bank details, 9-digit MICR Code noted in the records of their Depository.

Members holding shares in electronic form are requested to get the change in address/bank details/ECS Mandate incorporated in the records of their Depository Participant (DP). The R&TA/Company will not entertain any request for change in address/bank details/ECS Mandate.

Transfer of Unclaimed Dividend Amount to Investor Education and Protection Fund (IEPF)

Members are requested to apply for renewal/issue of demand drafts for the Dividend for the financial year 1997-98 before 27th September, 2005, after which any unpaid dividend amount for the year 1997-98 will be transferred by the Company to Investor Education and Protection Fund (IEPF) and no claim shall lie against the Company or IEPF after the said transfer.

Particulars of Directors appointed/re-appointed

The Notice(s) of the Annual General Meeting(s) held on 30th September, 2004 for the year 2003-04 and scheduled to be held on 28th September, 2005 for the year 2004-05 complies with this requirement.

Listing Details & Security Codes

Stock Exchanges	Security Code
The Stock Exchange, Mumbai Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400001	**532155**
The National Stock Exchange of India Limited* Exchange Plaza, Bandra-Kurla Complex, Bandra (East), Mumbai- 400051	**GAILEQ**
The Delhi Stock Exchange Association Limited DSE House, 3/1 Asaf Ali Road New Delhi-110002	-
London Stock Exchange** 10, Paternoster Square, London EC4M 7LS (U.K.)	• **GAID LI** • **GAILY US**

* The Bonds are listed at the WDM segment
** Global Depositary Receipts (GDRs)

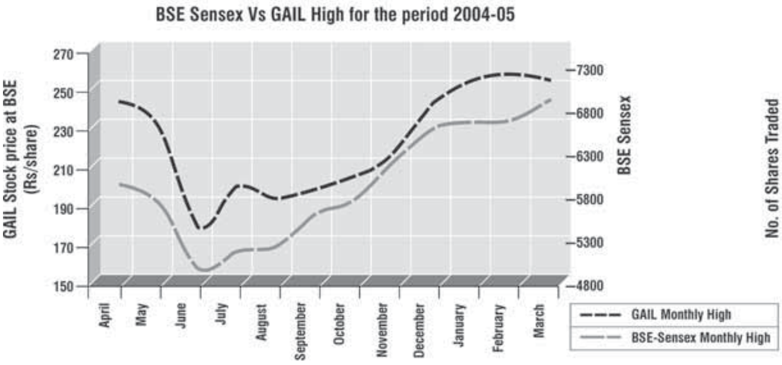
Listing Fees

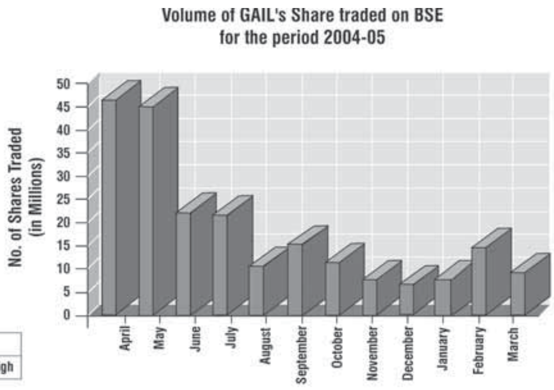
The annual listing fees for the year 2004-05, in relation to the listed Equity Shares/Bonds of the Company has been paid to the concerned Stock Exchanges on demand. The Company has also made the payment of Annual Custody Fee for the financial year 2005-06 to the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) based on the folio/ISIN positions as on 31.03.2005.

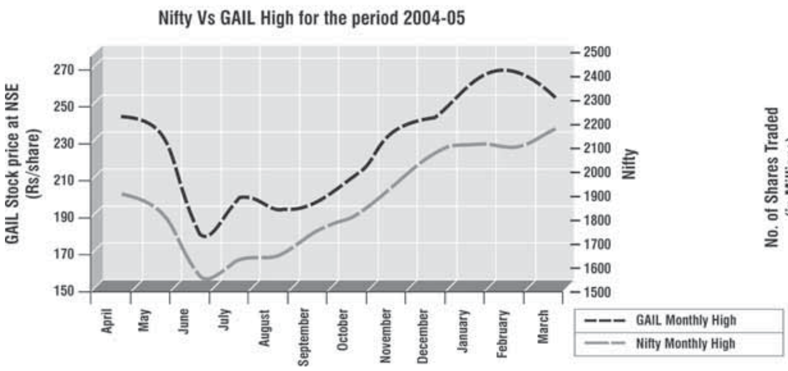
MARKET PRICE DATA: HIGH, LOW AND VOLUME DURING EACH MONTH IN LAST FINANCIAL YEAR

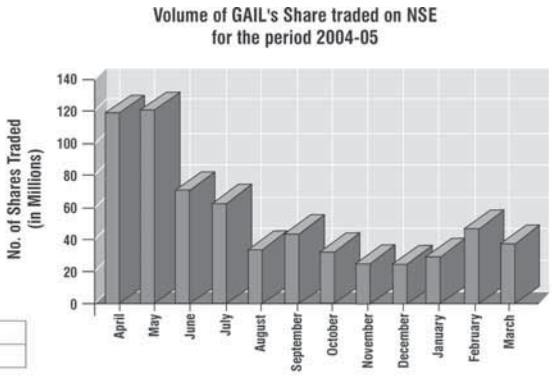
MONTH(S)	BSE			NSE			MARKET INDEX	
2004-05	High (in Rs.)	Low (in Rs.)	Volume	High (in Rs.)	Low (in Rs.)	Volume	BSE Sensex	Nifty
APRIL	245.75	213.65	4,62,79,599	245.60	213.55	11,82,39,834	5979	1912.35
MAY	232.40	105.55	4,47,65,136	236.00	101.25	12,03,92,524	5773	1837.95
JUNE	181.25	155.00	2,23,20,323	181.35	153.00	7,10,75,905	5013	1566.50
JULY	201.25	165.10	2,15,10,659	201.30	164.80	6,29,40,491	5201	1638.70
AUGUST	195.50	170.30	1,06,05,718	195.10	170.15	3,40,49,580	5269	1658.90
SEPTEMBER	199.85	177.50	1,52,63,320	199.90	177.60	4,36,03,031	5639	1760.80
OCTOBER	206.80	189.05	1,13,26,209	215.00	189.00	3,24,60,654	5804	1829.45
NOVEMBER	218.80	195.90	76,33,368	239.00	198.00	2,55,65,734	6248	1963.80
DECEMBER	244.00	216.50	65,67,786	245.80	216.55	2,49,90,798	6617	2088.45
JANUARY	256.50	202.35	76,18,850	265.80	202.20	2,99,77,201	6696	2120.15
FEBRUARY	259.00	230.05	1,47,30,488	270.00	225.60	4,67,35,343	6721	2110.15
MARCH	256.00	203.10	92,04,196	256.00	200.00	3,79,39,131	6955	2183.45

PERFORMANCE OF GAIL SHARE PRICE IN COMPARISON TO BROAD BASED INDICES-BSE SENSEX AND NIFTY









REGISTRARS AND SHARE TRANSFER AGENT:

MCS Limited
Sri Venkatesh Bhawan
W-40, Okhla Industrial Area, Phase-II,
New Delhi-110020
Tel No- 91-11-26384909-11
Fax No-91-11-26384907

SHARE TRANSFER SYSTEM :

The shares of the Company are being compulsorily traded in dematerialized form w.e.f. 15.02.1999. Shares received in physical form are transferred within a period of 30 days from the date of lodgment of valid share transfer deed along with share certificate. These requests are processed through the Registrar & Transfer Agent, i.e., MCS Limited, a SEBI approved Registrar & Transfer Agent, which has been appointed to effect the transfer of shares and other related jobs. A Share Transfer Committee comprising of all the Whole-Time Directors including Chairman & Managing Director, considers the requests for transfer/transmission of shares, issue of duplicate share certificates, re-materialization, etc.

During the year, nine meetings of the Share Transfer Committee were held. The details of transfers are reported to the Board of Directors at its ensuing meeting.

During the year, a certificate on half-yearly basis confirming due compliance of the share transfer formalities by the Company (under Clause 47(c) of the Listing Agreement); and a Secretarial Audit Report [under SEBI (Depositories and Participants) Regulations, 1996] for reconciliation of total admitted capital with both the depositories and the total issued and listed capital were obtained from a Practicing Company Secretary and have also been submitted to Stock Exchanges within stipulated time.

SHAREHOLDING PATTERN AS ON 31.03.2005

Sl. No.	Category	No. of Shares held	% of holding
A	**Promoter's holding :**		
1	Promoters		
	- Indian Promoter	48,49,36,417	57.345
	- Foreign Promoter	-	-
2	Persons acting in concert	700	-
	Sub-Total	**48,49,37,117**	**57.345**
B	**Non Promoters' holding :**		
3	Institutional Investors		
(a)	Mutual Funds and UTI	89,82,866	1.062
(b)	Banks, Financial Institutions, Insurance Companies (Central/State Government Institutions/Non-Government Institutions)	4,92,35,327	5.822
(c)	Foreign Institutional Investors (FIIs)	12,50,67,908	14.790
	Sub-Total	**18,32,86,101**	**21.674**
4	**Others**		
(a)	Private Corporate Bodies	77,00,786	0.911
(b)	Indian Public	3,15,96,855	3.736
(c)	NRIs/OCBs	6,80,821	0.081
(d)	Any Other - Government Company (ONGC & IOC)	8,16,79,098	9.658
	- GDRs	5,57,70,822	6.595
	Sub-Total	**17,74,28,382**	**20.981**
	GRAND TOTAL	**84,56,51,600**	**100.00**

DISTRIBUTION OF SHAREHOLDING

The distribution of shareholding of the company as on 31.03.2005 is detailed below:

No. of Share-holders	% to Total	Shareholding of nominal value of Rs. 10/-	No. of Shares	Amount (in Rs.)	% to Total
2,48,352	96.68	Upto 5000	2,09,96,040	20,99,60,400	2.48
4,820	1.88	5001 to 10000	37,33,461	3,73,34,610	0.44
2,035	0.79	10001 to 20000	29,97,744	2,99,77,440	0.35
572	0.22	20001 to 30000	14,69,658	1,46,96,580	0.17
256	0.10	30001 to 40000	9,24,933	92,49,330	0.11
196	0.08	40001 to 50000	9,24,035	92,40,350	0.11
273	0.11	50001 to 100000	20,09,027	2,00,90,270	0.24
381	0.15	100001 and above	81,25,96,702	8,12,59,67,020	96.09
2,56,885	**100.00**	**TOTAL**	**84,56,51,600**	**8,45,65,16,000**	**100.00**

DEMATERIALIZATION OF SHARES & LIQUIDITY

Shares of the Company are compulsorily traded in dematerialized form w.e.f. 15.2.99. As on 31st March, 2005, out of the shares held by the shareholders (other than the Government), 99.33 % are held in dematerialized form.

OUTSTANDING GDRs/ADRs/ WARRANTS OR ANY CONVERTIBLE INSTRUMENTS, CONVERSION DATES AND LIKELY IMPACT ON EQUITY

The Government of India disinvested 135 million Equity Shares out of its holding in the international market through GDR mechanism in 1999-2000. A total number of 22.5 million GDRs were issued, one GDR comprising six Equity Shares. As on 31.03.2005, total number 92,95,137 GDRs were outstanding. The conversion of GDRs into Equity Shares has no impact on total equity capital.

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

The Auditors' Certificate regarding compliance of conditions of Corporate Governance, as stipulated in Clause 49 of the Listing Agreement is annexed herewith.

MAJOR PLANT LOCATIONS

U P Petrochemical Complex, Pata
P.O. Pata-206241
Distt. Auraiya (U.P)

LPG Recovery Plant, Usar
P.O. Malyan-402203
Tal. Alibagh
Distt. Raigad (Maharashtra)

LPG Recovery Plant, Vijaipur
GAIL Complex
Vijaipur-473112
Distt. Guna (M.P.)

LPG Recovery Plant, Vaghodia
GIDC Industrial Estate
Vaghodia-391760
Distt. Baroda (Gujarat)

LPG Recovery Plant, Lakwa,
Sivasagar-785688 (Assam)

LPG Recovery Project, Gandhar
Vill. Rozantankaria,Tal. Amod
Distt. Bharuch- 392140 (Gujarat)

OUR ADDRESS FOR CORRESPONDENCE

GAIL (India) Limited
16, Bhikaiji Cama Place, R.K. Puram
New Delhi - 110066
Tel. No. 91- 11-26172580; 26182955
Fax No. 91- 11-26185941

Auditor's Certificate on Corporate Governance

To

The Shareholders of GAIL (India) Limited

We have read the report of the Board of Directors on Corporate Governance and have examined the relevant records relating to the compliance of the conditions of Corporate Governance by GAIL (India) Limited for the year ended March 31, 2005 as stipulated in clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The compliance of the conditions of the Corporate Governance is the responsibility of the management. Our examination was limited to the procedure and implementation thereof adopted by the Company for ensuring compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion of the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, the Company has complied with the conditions of Corporate Governance as stipulated in clause 49 of the above mentioned Listing Agreement.

We state that no investor grievance(s) is/are pending for a period exceeding for one month except the grievance relating to offer for sale of equity shares upto 10% and/or constrained by incomplete documentation and/or legal impediments against the Company as per the certificate of the Registrar & Transfer Agent of the Company.

We further state that such compliance is neither an assurance as to the future viability of the Company nor efficiency or the effectiveness with which the management has conducted the affairs of the Company.

For S Mann & Co.
Chartered Accountants

Subhash Mann
Partner
Membership No. 80500

New Delhi.
June 21, 2005

Management Discussion and Analysis

INDUSTRIES STRUCTURE & DEVELOPMENTS

The Oil and Natural Gas industry had traditionally been regulated by the Government of India (GoI). The Ministry of Petroleum and Natural Gas (MoP&NG) oversees the entire chain of activities from exploration and production of crude oil and Natural Gas, refining, distribution and marketing of petroleum products and export and import of crude oil and petroleum products.

The natural gas sector, which is already open for participation in the areas of E&P, LNG imports, Transmission Pipelines, Distribution Pipelines, Marketing and Processing, is further moving to a completely market driven one, as prices and allocation of domestic gas by the state enterprises is also progressively de-controlled. The pace of the dynamical transition is driven by various factors, including steep growth in the domestic natural gas demand and increase in industrial and economic growth of India. The potential of a growing gas economy has attracted foreign players that has not only resulted in more competition but also aligned the industry to collaborate with one another.

At the national perspective, major thrust has been given towards Energy Security of the nation by the Government of India. Oil diplomacy, trans-country gas pipelines, import of gas in the form of LNG and setting up strategic petroleum reserves are some of the steps the Government has taken to ensure energy security of the country.

The share of natural gas in total energy consumption has been low primarily due to limited availability of domestic gas. The situation is likely to change because of large discoveries of gas under the New Exploration and Licensing Policy (NELP) in the eastern coast, upcoming trans-country pipelines like Iran-India, Myanmar- India pipelines and thrust being laid on LNG sourcing from Middle East, South East Asia and Australia.

PERSPECTIVE OF THE INDIAN GAS SECTOR

Demand and Supply

The Indian gas market has entered in a new era with Natural Gas gradually becoming the most important component of Primary Energy Mix in the country. The total demand of Natural Gas in the country is expected to grow at a CAGR of 16% to over 300 MMSCMD by 2010-11 as against the current demand of about 150 MMSCMD. Currently natural gas contributes to the extent of 8% to the primary energy basket and the share is expected to increase to 14% by 2011-12.

The long lasting supply constrained market is now looking towards the prospects of commencement of commercial production from the new discoveries of domestic gas under the New Exploration and Licensing Policy (NELP). Availability of gas from the East Coast, including the KG basin in near future is expected to provide great opportunities for growth of gas based industries. Successful shipment of gas through pipelines from the Eastern offshore to various gas markets of the country will be a big boost to the Indian energy sector.

LNG

Availability of substantial volume of RLNG (Regasified Liquefied Natural Gas) in the Indian Market during 2004-05 has resulted in an additional volume of more than 10% of Natural Gas. The capacity of the LNG import and regasification terminal at Dahej is being fully utilized for regasification of 5 million tonnes per annum (mmtpa) from the beginning of the FY-06. Your Company has made all necessary arrangements for transmission of total volume of RLNG available from the Dahej terminal to various customers located in the states of Gujarat, MP, Rajasthan, Delhi, Haryana and UP. The second import terminal at Hazira has also come under operation during this FY-06. Acceptance of the price of LNG is an important development in the Indian gas sector.

Going forward, LNG regasification capacities of 25 mmtpa are being planned in the near term, which signals a trend of increasing demand for LNG in the country. Besides, the firm quantities of LNG contracted is far less than the capacities envisaged for creation. Your Company, therefore, strongly believes that sourcing of additional volume of LNG from international sources will be a key driver for growth in the near term. LNG is expected to become a major gas sourcing alternative and this will entail Indian companies participating in all parts of the LNG value chain i.e. LNG liquefaction, LNG transportation and LNG regasification.

Natural Gas from other Sources

Having realized the importance of Natural Gas in country's energy scenario, Government of India is actively pursuing the various other possibilities of sourcing Natural Gas through cross-border pipelines from countries like Iran, Kazakhstan, Myanmar etc. Developmental projects to obtain gas from non-conventional sources as Coal Bed Methane (CBM) and underground Coal Gasification are also being pursued seriously. Your Company has also put strong focus in the area of technology scanning and absorption through partnerships with technology providers for implementation of Coal Gasification projects in India.

Transportation Technologies

Besides exploring non-conventional sources of energy, your Company is also actively focusing on innovative gas transportation technologies to have in its kitty a basket of transportation options for transporting gas from areas that do not allow economical transportation through the conventional route of pipelines. Some of the areas that we are looking at are CNG by ships for bulk transportation and modular LNG and CNG transportation technologies by trucks from stranded sources to gas consumers.

Natural Gas Markets

The macro-economic policies of Government of India, no doubt, would drive the growth of Natural Gas in coming years particularly against the demand from power sector as well as from other industrial sectors. Larger appetite of gas will be there from existing industries, which would be willing to shift from liquid fuel sources for the reason of higher and volatile price and from solid fuels on the ground of environmental cost.

Natural gas is also expected to command a significant share in the retail market such as Compressed Natural Gas (CNG) in the automotive sector and Piped Natural Gas (PNG) in domestic households in view of advantages over competing fuels. Consequently, CNG and PNG distribution infrastructure would be created more cities will be keen to use (CNG) as auto fuel and Piped Natural Gas (PNG) in domestic sector to control level of pollution.

Reaching out through the Gas Grid

While the efforts are taken to source more natural gas to add in the energy basket, simultaneous efforts are being made to create additional pipeline infrastructure capacities to deliver gas to consumers. Your Company, being the market leader in gas transmission business, has already conceptualized the blue print of a National Gas Grid to provide connectivity to various gas sources and geographically dispersed markets. The Grid has been conceptualized to enable gas shippers to pump gas at any point in the main Grid and take delivery from any point in the Grid, thereby providing an optimal and economical solution for cross country transportation in India. In this regard, your Company has made progress by covering ROU acquisition, preparing feasibility reports, establishing Gas Management Systems for various segments of gas grid and identifying the potential markets in different states.

OPPORTUNITIES, THREATS, RISKS & CONCERNS

Natural gas will play an increasingly important role in the growing Indian Energy market. Supply constraints and increasing prices of conventional fuels will encourage a shift to natural gas. Growing environmental concern will further enhance the natural gas proposition. Power sector is expected to be the key growth driver for natural gas demand. The demand will also be sensitive to the changes in price of gas and the relative price of gas and competing fuels.

Demand for LNG

Availability of LNG in the country has commenced during the last financial year at Dahej and Hazira LNG regasification terminals. Dabhol LNG facilities, which will now be operated by the newly formed company Ratnagiri Gas and Power Private Limited, are likely to become operational during the FY-07. The feasibility of transnational pipelines from the west as well as the east is providing additional opportunity for gas sector in India. In order to evacuate additional availability of gas, development of pipeline infrastructure is likely to be a major thrust area in the near future. Your Company has plans to lay inter-state pipeline infrastructure to connect various sources of gas to the markets.

Government Policy

Keeping in view the long term demand and supply requirements, the Government of India has been working on two important policy documents namely, Gas Pipeline Policy and Petroleum and Natural Gas Regulatory Board Bill. These policy documents are under finalization and would profoundly influence the business strategy of your Company in coming years. The Petroleum Regulatory Bill seeks to regulate the business of natural gas transmission, refining, processing, storage, transportation, distribution and marketing. The policy for development of natural gas pipelines network seeks to appoint a regulator to oversee and promote development of natural gas sector and also envisages an arms length relationship between transmission entity and marketing/exploration activity.

Price of Gas and Petrochemicals

The Government of India is the major shareholder and holds 57.35% of share capital of the Company. The major decisions like fixation of price of natural gas and fixation of tariff for HVJ pipeline are taken by Government of India. The Government of India has recently announced upward revision of natural gas prices in its revised Gas Pricing Order, impacting the cost of production of liquid hydrocarbon like LPG, petrochemical and transmission business. Furthermore, the petrochemical and LPG prices are influenced by global demand supply positions and vary with time.

Domestic Gas Sourcing

Your Company sources most of the gas it sells from Oil and Natural Gas Corporation Limited (ONGC) under a Memorandum of Understanding between the two companies. The Gas Sale Agreement between ONGC and GAIL is under finalization.

Sharing of Under-Recoveries on LPG and Kerosene

The mechanism for sharing LPG under recovery of the Oil Marketing Companies in the year 2004-05 affected Profit Before Tax to the extent of Rs.1,137 Crores in 2004-05 as compared to

Rs. 428 Crores in the previous year. In this mechanism, your Company has been sharing under recoveries on account of domestic LPG and PDS Kerosene, whereas your Company neither produces nor sells Kerosene. Your Company has taken up the matter with the Ministry of Petroleum and Natural Gas for reviewing the mechanism for sharing under recoveries on these products.

Contingent Liabilities

The contingent liabilities mainly arise from revenue authorities. These claims have been disputed and legal proceedings are pending at different levels of adjudication. However, in May 2005, the Sales Tax Tribunal has upheld your Company's position on a claim by the Sales Tax authorities, resulting in a reduction of contingent liability of Rs. 4,962 Crores, which is 51% of the contingent liability as on 31st March, 2005.

Transmission Tariffs

The Government of India has recently announced a revised Gas Pricing Order and accordingly, the transmission tariffs for the HVJ and DVPL pipeline systems is due for review. The Government has referred the review of HVJ and DVPL transmission tariffs to the Tariff commission.

Risk Minimization

Your Company has taken several initiatives to minimize the risks, which include:

R-LNG – Your Company is securing availability of natural gas through import. A Gas Sale Purchase Agreement has been signed for import of LNG from Iran to the extent of 5 MMTPA. The supply from Dahej terminal has increased to 5 MMTPA from 2.5 MMTPA and the capacity of the terminal would be further doubled to 10 MMTPA. In order to minimize the risk of supply of rich gas for its LPG and petrochemical plants, GAIL would source rich LNG for regasification at Dahej. GAIL is also participating in the efforts for growth in LNG imports through Dabhol, Kochi and Ennore terminals.

Exploration & Production – Your Company has been participating in exploration blocks in consortium with other E&P Companies for securing gas supply. During the exploration activities, two hydrocarbon discoveries have been made, one gas discovery in block A1 in Myanmar and another oil discovery in Cambay basin.

City Gas Distribution – Your Company has formed Joint Ventures with other oil marketing companies for city gas distribution. Central UP Gas Limited (CUGL) has been formed for city gas distribution in Kanpur alongwith BPCL. A Joint Venture company with IOCL is being formed for city gas distribution in Lucknow and Agra. The Company has plan to go ahead with the City Gas Distribution System in 10 other cities. Beyond the Indian sub-continent, GAIL is planning to set up Joint Venture partnerships with Chinese companies for CNG and city gas distribution projects in mainland China.

Gas Pipeline System – In order to provide natural gas to all parts of the country, infrastructure needs to be created for linking sources of supply and demand centres. Your Company has taken several steps in this direction and has conceptualized a plan, which will require significant investment. The various pipeline projects which are under various stages of execution are Dahej – Uran Pipeline, Thulendi – Phulpur Pipeline, Vijaypur – Kota Pipeline, Jagoti – Dewas – Pithampur Pipeline, Kelaras - Malanpur Pipeline. Prioritized initiative for other interstate pipelines are Jagdishpur-Haldia Pipeline, Vijaipur – Auraiya – Jagdishpur Pipeline (augmentation), Dadri – Nangal Pipeline, DVPL augmentation, Vijaipur – Dadri pipeline (augmentation), Kochi – Mangalore pipeline, Dabhol – Bangalore – Chennai Pipeline, Kakinada – Panvel Pipeline.

GAIL gas pipeline system

Petrochemical Complex – The ethylene production capacity of UP Petrochemical Complex at Pata is being increased from 3,10,000 TPA to 4,40,000 TPA by increasing the number of cracker furnace. This will help in achieving economies of scale. GAIL has also taken initiative for establishing Petrochemical plants at Assam

Petrochemical plant at Pata

and Kerala. Initiatives have also been taken to bring Ethylene – Propylene (C2-C3) from Vijaipur. Furthermore, GAIL is also exploring setting up a gas based Petrochemical complex in Iran.

COMMENTARY ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

Operational Performance

During the year under review, gas sales were up 9% to 22.835 BCM as against 21.013 BCM in the last financial year. The natural gas business generated 71% revenue for the Company.

LPG production during the year was 10.95 lakh MTs compared to 10.89 lakh MTs in last year, a marginal increase of 1% YoY. The capacity utilization of the LPG plants stands at 94%, primarily caused due to non-availability of feedstock gas of adequate quantity and richness at the Usar Plant as also non availability of adequate feed gas at Lakwa Plant.

Other liquid hydrocarbon production, comprising Propane, Pentane, SBP Solvent and other products was 2.98 lakh MTs as against 2.74 lakh MTs in last year, an increase of 9% YoY.

Polymer production, which includes LLDPE and HDPE, during the year under review was 2.99 lakh MTs as against 2.64 lakh MTs last year, an increase of 13% YoY. The increase is primarily attributed to the increase in polymer production capacity due to de-bottlenecking of the plant from 2.6 lakh MT to 3.1 lakh MT.

LPG transmission was 21.38 lakh MTs compared to 18.41 lakh MTs in last year, an increase of 16% over the previous year. This is due to the increased capacity utilization of the Jamnager-Loni LPG pipeline and due to the commissioning of the Vizag-Secunderabad LPG pipeline.

Overall Financials

Income

The turnover (net of ED and internal consumption) was Rs. 12,412 Crores as compared to Rs. 10,826 Crores in the previous year. The other income was Rs. 349 Crores as against Rs. 244 Cores in the last year thereby increasing the total income by 15% to Rs. 12,761 Crores.

The total income of your Company has been growing at a CAGR of 11% in the last 5 years.

Cost of Sales

The cost of sales, including depreciation and interest, increased by 20% YoY, contributed mainly by a sharp increase of 43% in depreciation and a 19% increase in material consumed. Historically the cost of sales has been growing at a CAGR of 8% in the last 5 years, both of which are lower than the corresponding growth rates of income.

The increase in depreciation is primarily due to capitalization of Vizag - Secunderabad LPG pipeline, which accounted for 67% of the total capitalized assets and the full year depreciation on the Dahej-Vijaipur Pipeline which accounted for the 19% increase in material consumed, which contributes, 77% of the total cost of sales, is due to increase in feedstock consumption and also due to higher purchase cost towards RLNG.

Profitability and Returns

Since income has been growing at a rate, higher than that of cost of sales, the profits generated from your Company's business have been growing at a faster CAGR of 18% in the last 5 years than the income.

Consequently, the Return on Invested Capital (ROIC) from GAIL's business has been sustained at 19.63% in 2000-01 to 19.75% in 2004-05.

The Earnings Before Interest Depreciation and Taxes (EBIDTA) has increased by 9% to Rs. 3,950 Crores in 2004-05 and a Profit After Tax (PAT) of Rs. 1,954 Crores. 24% of the EBIDTA has contributed towards depreciation this year as against 18% last year, while the contribution of EBIDTA towards financial charges has been 3% in 2004-05 as compared to 4% in the last year. Contribution towards taxation has reduced from 26% of EBIDTA in 2003-04 to 23% in 2004-05.

Shareholders' Fund

The reserves and surplus of your Company stand at Rs. 7,780 Crores. There are two distinct growth phases in the last ten years. In the first phase, i.e., 1995-96 to 2000-01, the business has added to the reserves at an average rate of Rs. 636 Crores per annum, while in the second phase, i.e., 2001-02 to 2004-05, the rate of inflow to the reserves pool has been at an average rate of Rs. 786 Crores, an increase of 24% over the first phase. This has translated in a 5 year CAGR of 15%.

Moreover, while the reserves have grown consistently, the dividend payout to the shareholders has also increased consistently. Your Company has reduced the retention ratio from 84% in 1995-96 to 61% in 2004-05 through an increase in dividend payment from 10% in 1995-96 to 80% in 2004-05. The retained money pumped back to the reserves is invested in the business, which has been generating returns of over 20% in the last five years.

Impact of Subsidy Sharing on Overall Financials

Your Company has shared under recoveries on sensitive petroleum products of Rs. 428 Crores in 2003-04 and Rs. 1,137 Crores in 2004-05. GAIL shared the subsidy burden on domestic LPG and PDS Kerosene as per the directives of the Government of India.

The sharing of subsidy has directly reduced the operating income and the ensuing profitability. Without the subsidy impact, your Company would have recorded higher returns and income.

Debt and Equity

Your Company as on 31.03.2005 has net borrowings of Rs. 1,997 Crores which is 0.23 times the total equity (Net worth) of the Company of Rs. 8,560 Crores. Consequently, your Company has a high ability to raise debt to fund for its future capital expenditure plans.

Sources of Funds vs. Application of Funds

The source of funds comprising Equity, Loan funds and Deferred Tax Liability is Rs. 11,878 Crores as compared to Rs. 10,806 Crores in the previous year. The Equity Share capital has not undergone any change in the last seven years and stands at Rs. 845.65 Crores, contributing 7% of the total source pool. On the other hand, the reserves and surplus account for 65% of the pool.

As on 31.03.2005, the net value of Fixed Assets, created with a total gross block of Rs. 14,222 Crores, stands at Rs. 7,846 Crores and accounts for 2/3rd of the total funds. Besides 25% of the funds is available towards liquid assets, which is available to meet future capital expenditure requirements. The balance funds have been parked in Investments and Capital Work-in-Progress.

Stock Market Performance

Your Company's stock has performed exceedingly well in the last two years. The market capitalization of GAIL stands at Rs. 17,945 Crores as on 31st March, 2005 at a Price to Earnings ratio of 9.18.

The average daily turnover at the National Stock Exchange (NSE) in the last two years, i.e., 2003-05 has increased by 5096% to Rs. 62.14 Crores per day from Rs. 1.19 Crores in the previous two years, i.e., 2001-03. Correspondingly, the average daily traded quantity at NSE has increased by 1866% from 1,58,326 shares per day to 31,12,954 shares per day.

Shareholder Value Creation

Your Company believes in business as a force for good. Over the years, your Company has consistently created value for the shareholders. Our belief is that shareholder value from business is created when the returns generated from the business, i.e., net operating profit after taxes is higher that the cost of capital. Furthermore, our focus on value creation aims to generate a higher rate of increase of Profit After Tax (PAT) than the rate of investment in fixed asset creation. In the year 2004-05, the net operating Profit After Tax (excluding other income, net of tax) is higher than the cost of capital by Rs. 651 Crores.

The average incremental PAT generated from the business in the last five years has been Rs. 218 Crores against an average rate of fixed asset creation (gross block) of Rs. 1,140 Crores in the same period, indicating a 19% returns.

INTERNAL CONTROL SYSTEMS & THEIR ADEQUACY

The Company has developed internal control systems commensurate to its size and business. The Company also has an in-house Internal Audit Department, which ensures adequacy of internal control systems and reports to the Audit Committee, which further reviews the adequacy of internal control systems.

CONCLUSION

In light of the developments that have happened in the past year your Company has shown that not only it has been creating value for its shareholders but also creating value for other stakeholders as well. The initiatives taken by your Company focuses on competitiveness both internally and externally.

Internal capability building to outperform competitors in the near and long terms is being gradually enhanced through several initiatives such as the e-initiatives for increasing the business process efficiency and training for increasing employee competencies. On the external front your Company is now poised to strengthen its base in the international markets via its global businesses in the coming years.

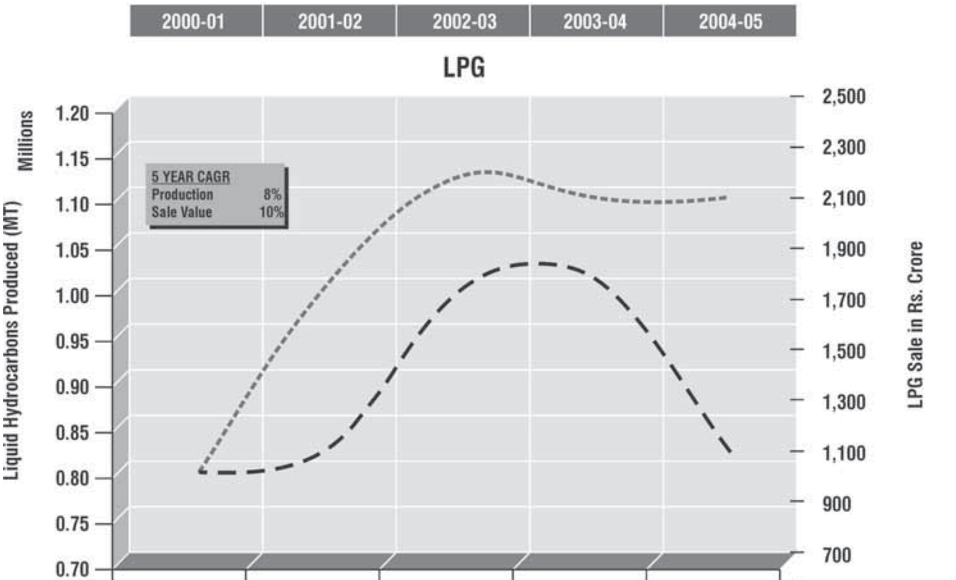
The challenges in the Oil & Gas industry are many. Increase in crude oil prices threaten competitiveness and pose marketing challenges. Besides, the Indian Natural Gas market is maturing and is expected to grow rapidly, bringing newer opportunities. New regulations would govern the new paradigm of the domestic gas industry. Being the market leader, your Company is better prepared financially and intellectually to drive on the growing Indian gas economy.

CAUTIONARY STATEMENT

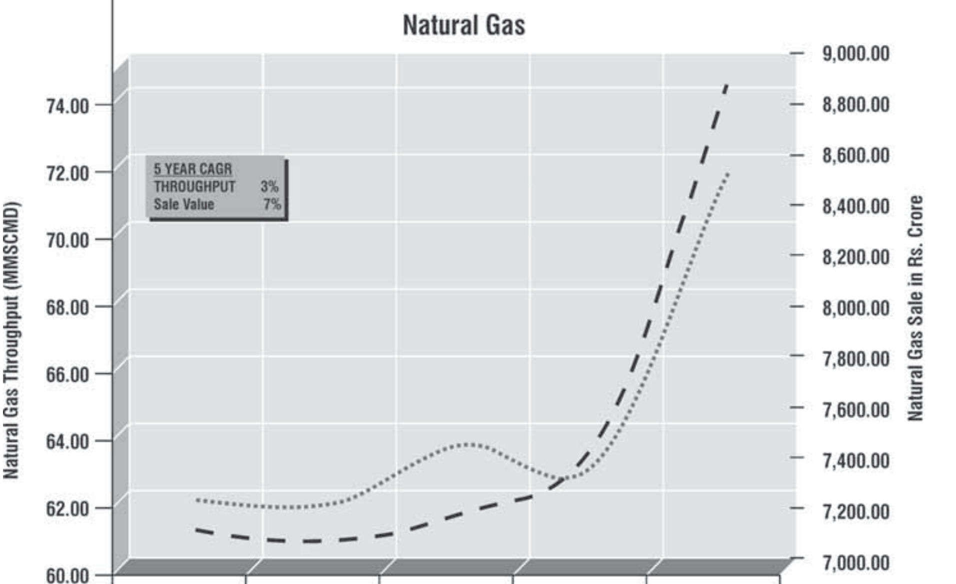
Statements in the Directors' Report and Management Discussion & Analysis, describing the Company's objectives, projections, estimates, expectations, predictions etc. may be 'forward looking statements' within the meaning of applicable laws and regulations. Actual results, performances or achievements may vary materially from those expressed or implied, depending upon economic conditions, Government policies and other incidental factors.

Five Year Trends

Operational Performance

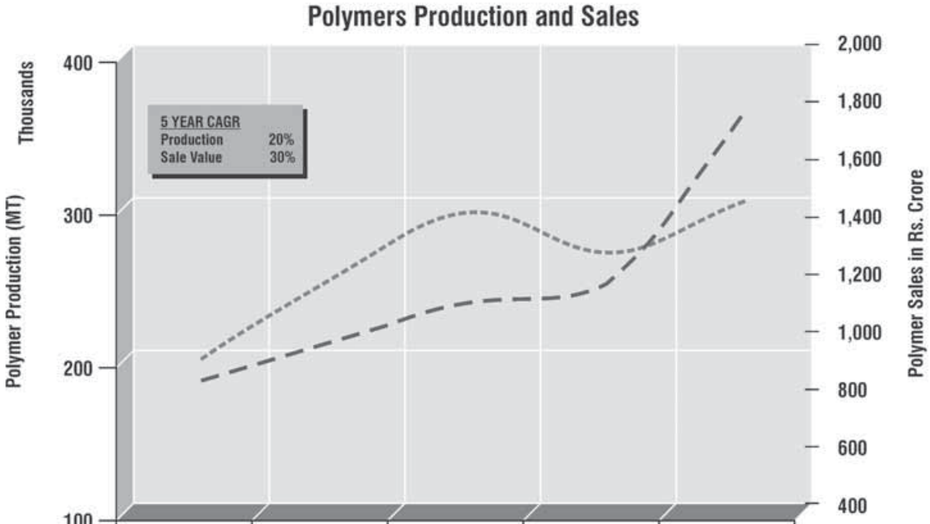


	2000-01	2001-02	2002-03	2003-04	2004-05
LPG (MT)	784,591.00	998.236.00	1,114,423.00	1,088,686.00	1,094,835.00
LPG Sale	1,005.21	1,108.64	1,747.73	1,774.49	1,093.55



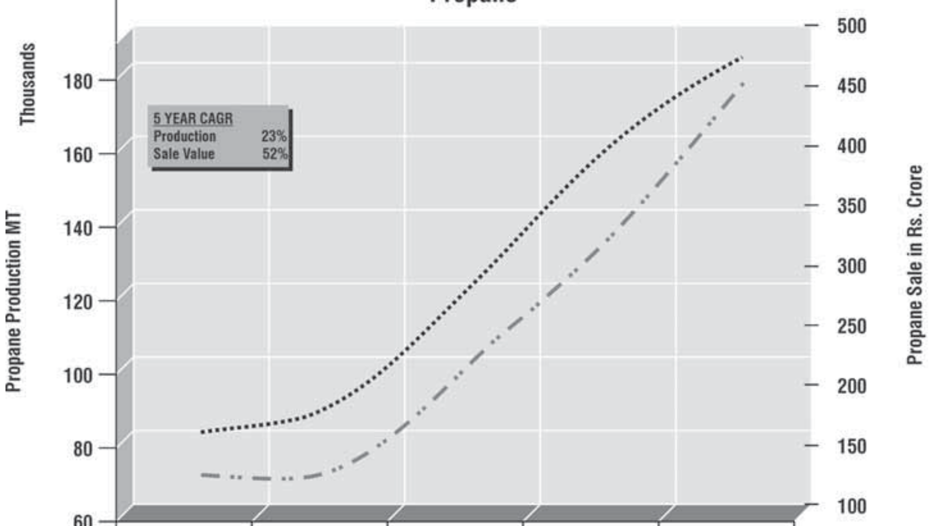
	2000-01	2001-02	2002-03	2003-04	2004-05
Natural Gas throughput	61.75	61.60	63.40	62.84	71.56
Natural Gas Sale	7,114.05	7,066.32	7,181.35	7.450.63	8,878.80

Polymers Production and Sales



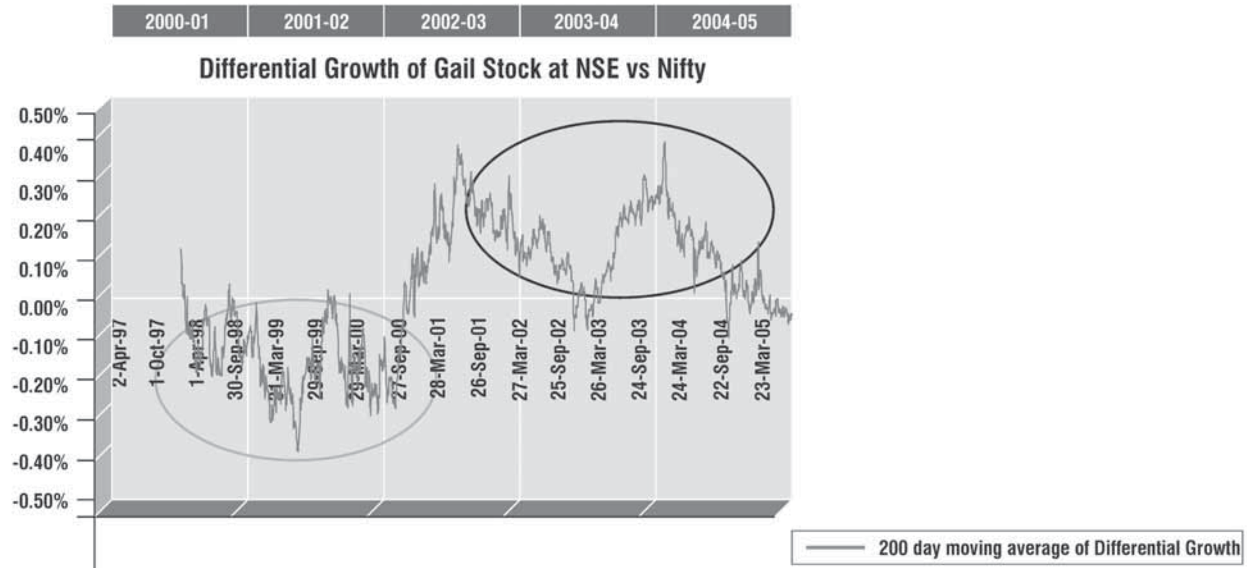
	2000-01	2001-02	2002-03	2003-04	2004-05
Polymer (MT)	194,586.00	250,287.00	291,828.00	263,719.60	298,787.00
Polymer Sales	826.53	966.70	1,107.50	1,179.36	1,774.17

Propane

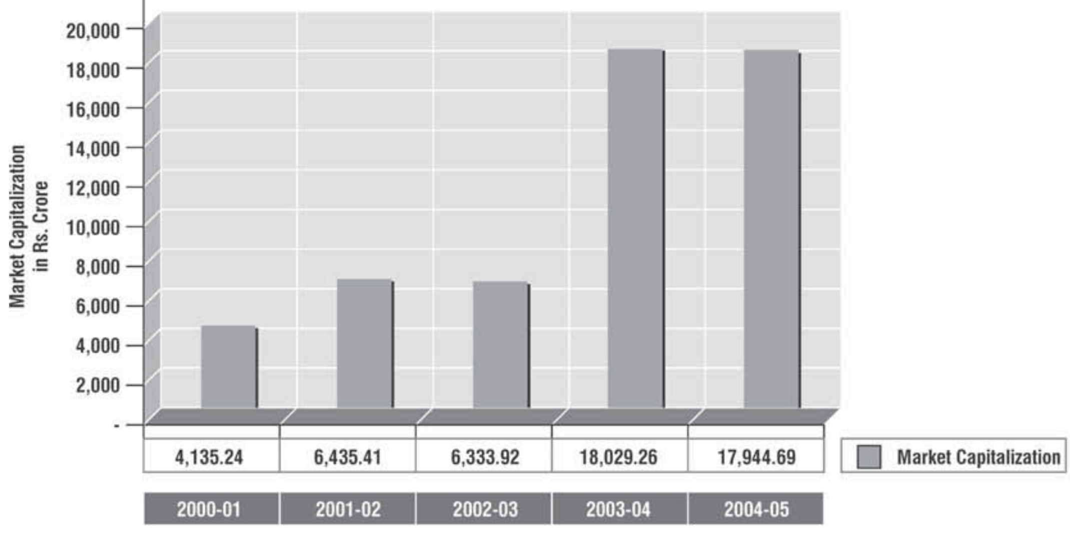


	2000-01	2001-02	2002-03	2003-04	2004-05
Propane (MT)	79,415.00	87,434.00	120,187.00	157,303.26	181,863.00
Propane Sales	125.33	130.96	221.87	321.84	453.86

Market Performance



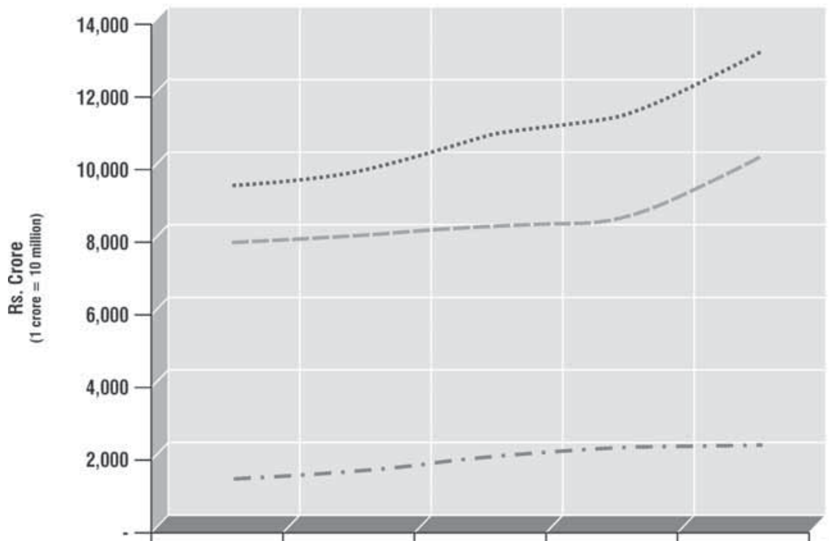
Market Strength as at end of financial Year



Financial Performance

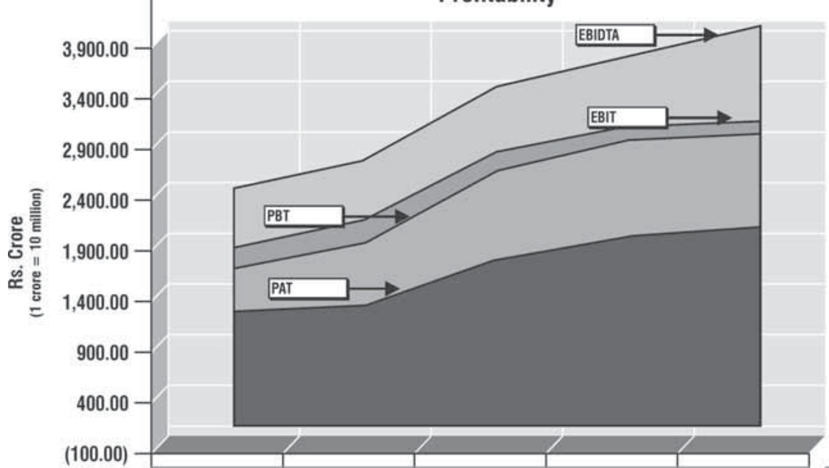
2000-01	2001-02	2002-03	2003-04	2004-05

Overall Financials



2000-01	2001-02	2002-03	2003-04	2004-05	
9,106.28	9,513.14	10,536.29	11,070.52	12,761.25	Total income (net of ED and Internal consumption)
7,553.95	7,711.13	8,017.89	8,255.99	9,889.86	Cost of Sales
1,126.17	1,185.84	1,639.11	1,869.34	1,953.91	Profit after Tax

Profitability

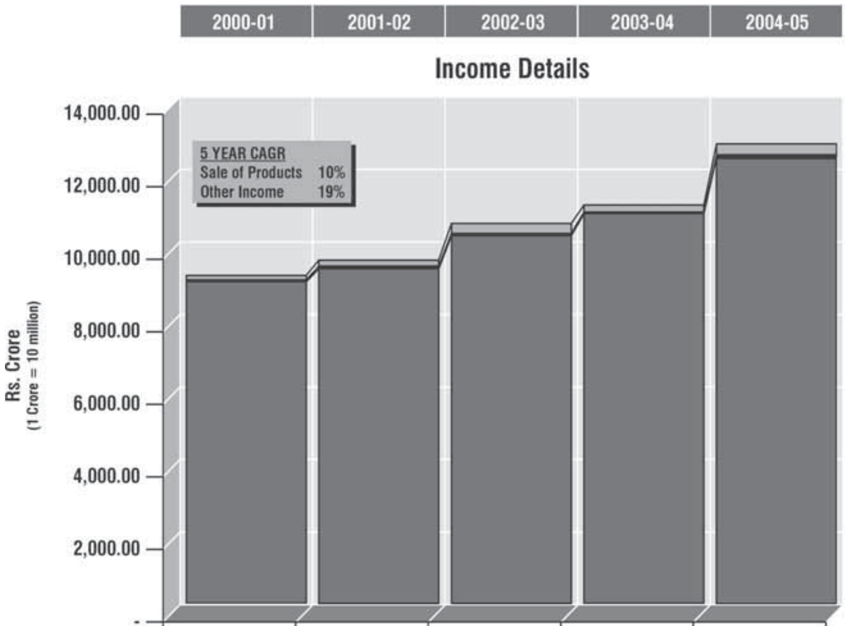


2000-01	2001-02	2002-03	2003-04	2004-05	
600.63	593.27	643.65	661.71	944.89	Depreciation + Amortization
197.14	226.88	186.37	137.97	134.09	Interest
426.04	616.06	879.18	945.08	917.48	Taxes
1,126.17	1,185.84	1,639.11	1,869.34	1,953.91	PAT

Financial year

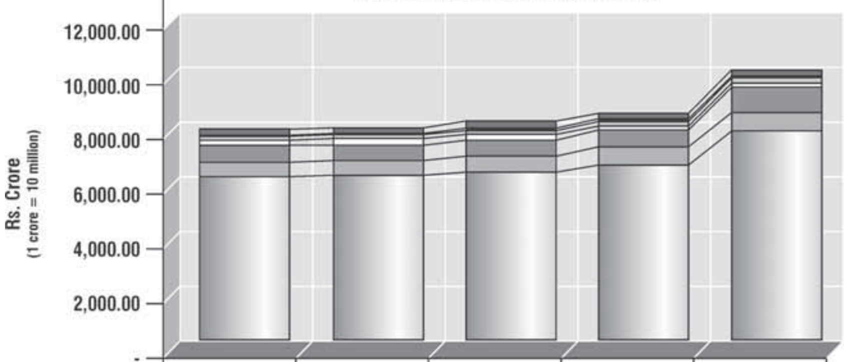
2000-01	2001-02	2002-03	2003-04	2004-05

Income Details



2000-01	2001-02	2002-03	2003-04	2004-05	
141.99	209.59	318.76	244.03	349.05	Other Income
8,964.29	9,303.56	10,217.53	10,826.49	12,412.20	Sale of Products & Services (net of ED)

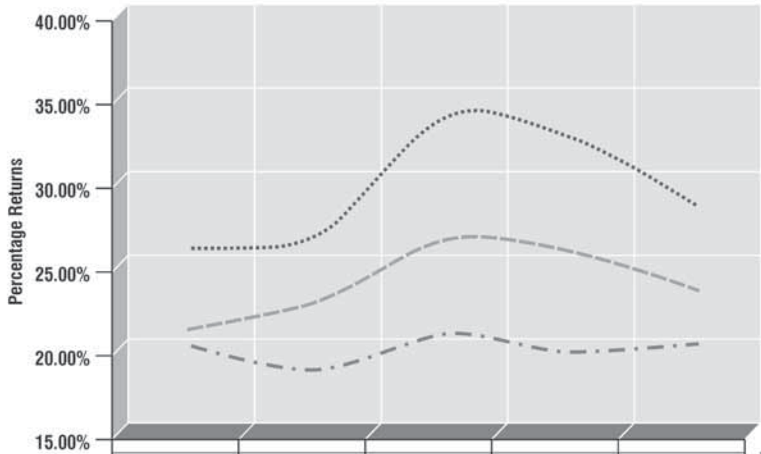
Expenditure Detail Variations



2000-01	2001-02	2002-03	2003-04	2004-05	
206.87	183.59	349.95	222.94	288.09	Administrative Cost
29.32	42.34	47.46	51.44	53.95	Selling
146.01	148.26	158.47	174.18	205.78	Personnel
197.14	226.88	186.37	137.97	134.09	Interest
600.52	593.16	643.54	661.60	944.89	Depreciation
508.95	522.50	570.78	655.70	662.17	Manufacturing
5,933.15	5,994.14	6,081.04	6,365.88	7,600.06	Material Consumed

2000-01	2001-02	2002-03	2003-04	2004-05

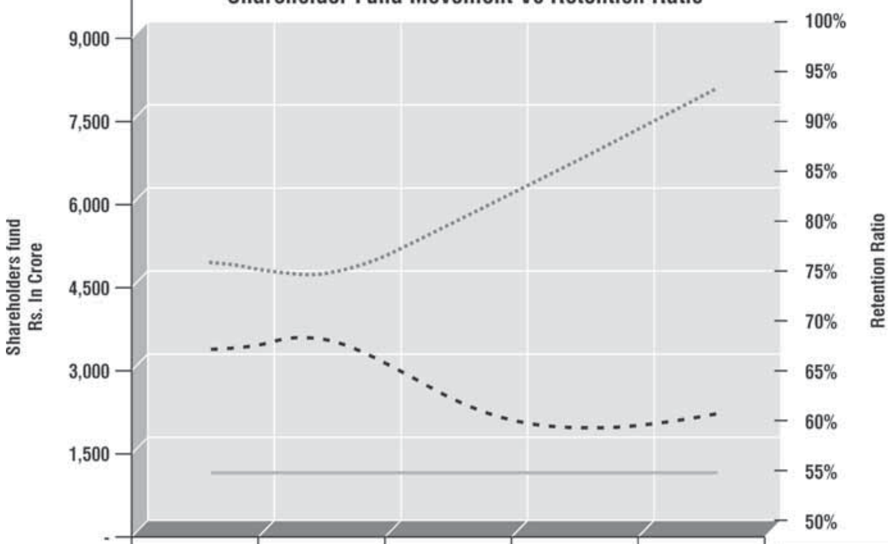
Trends of Returns from GAIL's Business



2000-01	2001-02	2002-03	2003-04	2004-05	
25.36%	26.22%	33.27%	32.02%	27.87%	ROCE
19.63%	18.08%	20.26%	19.17%	19.75%	ROIC
20.59%	22.24%	25.87%	25.22%	22.83%	RONW

Shareholder Value Creation

Shareholder Fund Movement Vs Retention Ratio



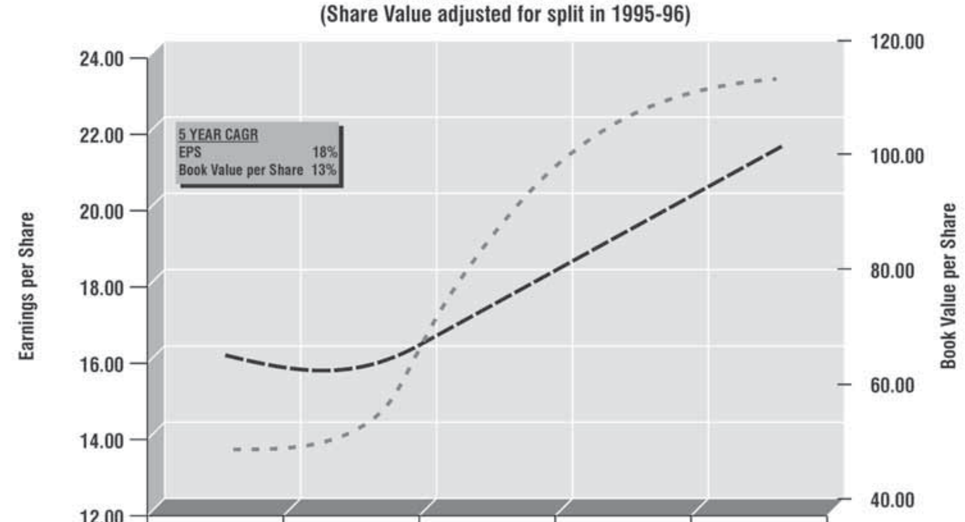
2000-01	2001-02	2002-03	2003-04	2004-05	
845.65	845.65	845.65	845.65	845.65	Equity
4,634.40	4,489.79	5,493.48	6,599.50	7,780.46	Reserves and Surplus
67%	68%	61%	59%	61%	Retention Ratio

Financial year

2000-01	2001-02	2002-03	2003-04	2004-05

Book Value Vs EPS Trends

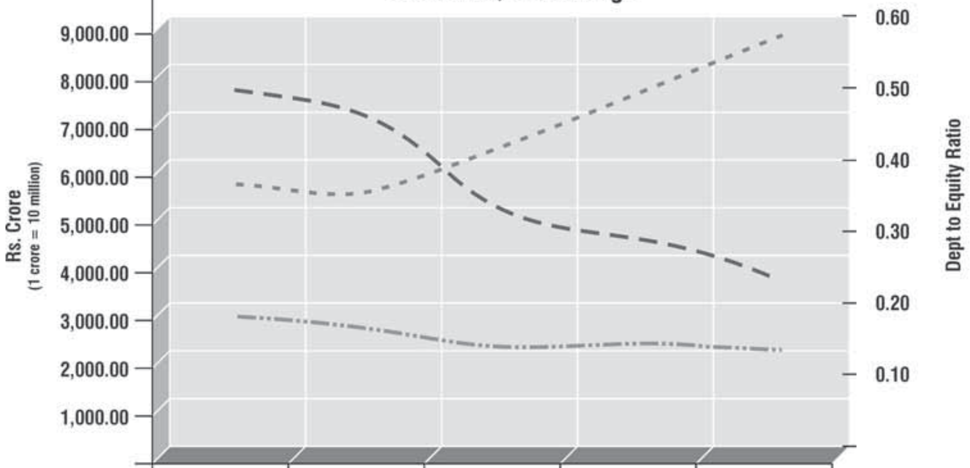
(Share Value adjusted for split in 1995-96)



	2000-01	2001-02	2002-03	2003-04	2004-05
Earnings per share	13.32	14.02	19.38	22.11	23.11
Book value per share	64.67	63.06	74.93	87.63	101.22

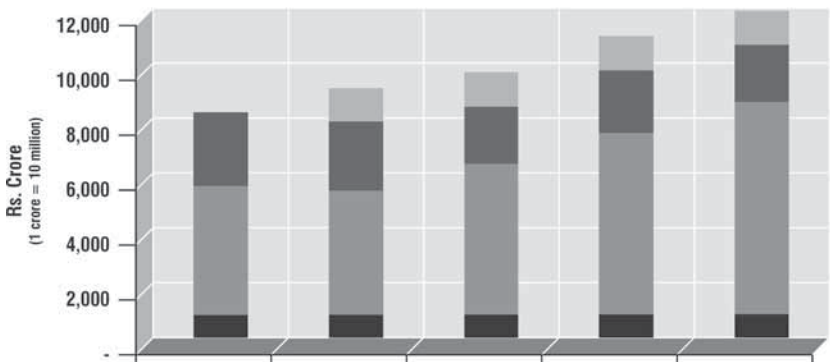
Financial year

Net Worth / Borrowings



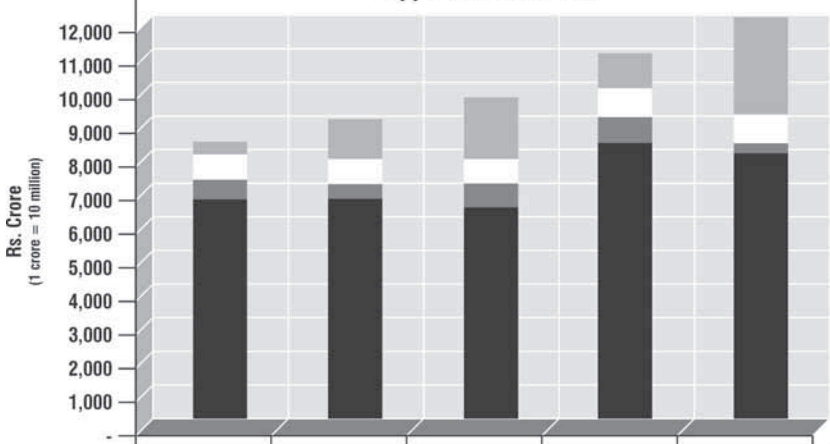
	2000-01	2001-02	2002-03	2003-04	2004-05
Net Worth	5,468.62	5,332.65	6,336.57	7,410.70	8,559.65
Borrowings	2,710.89	2,424.81	2,047.12	2,133.48	1,997.40
Debt Equity Ratio	0.50	0.45	0.32	0.29	0.23

Sources of Funds



	2000-01	2001-02	2002-03	2003-04	2004-05
Deferred Tax Liablity	-	1,090.73	1,119.75	1,227.58	1,255.23
Loan Funds	2,710.89	2,424.81	2,047.12	2,133.48	1,997.40
Reserves and Surplus	4,634.40	4,489.79	5,493.48	6,599.50	7,780.46
Equity Share Capital	845.65	845.65	845.65	845.65	845.65

Application of Funds

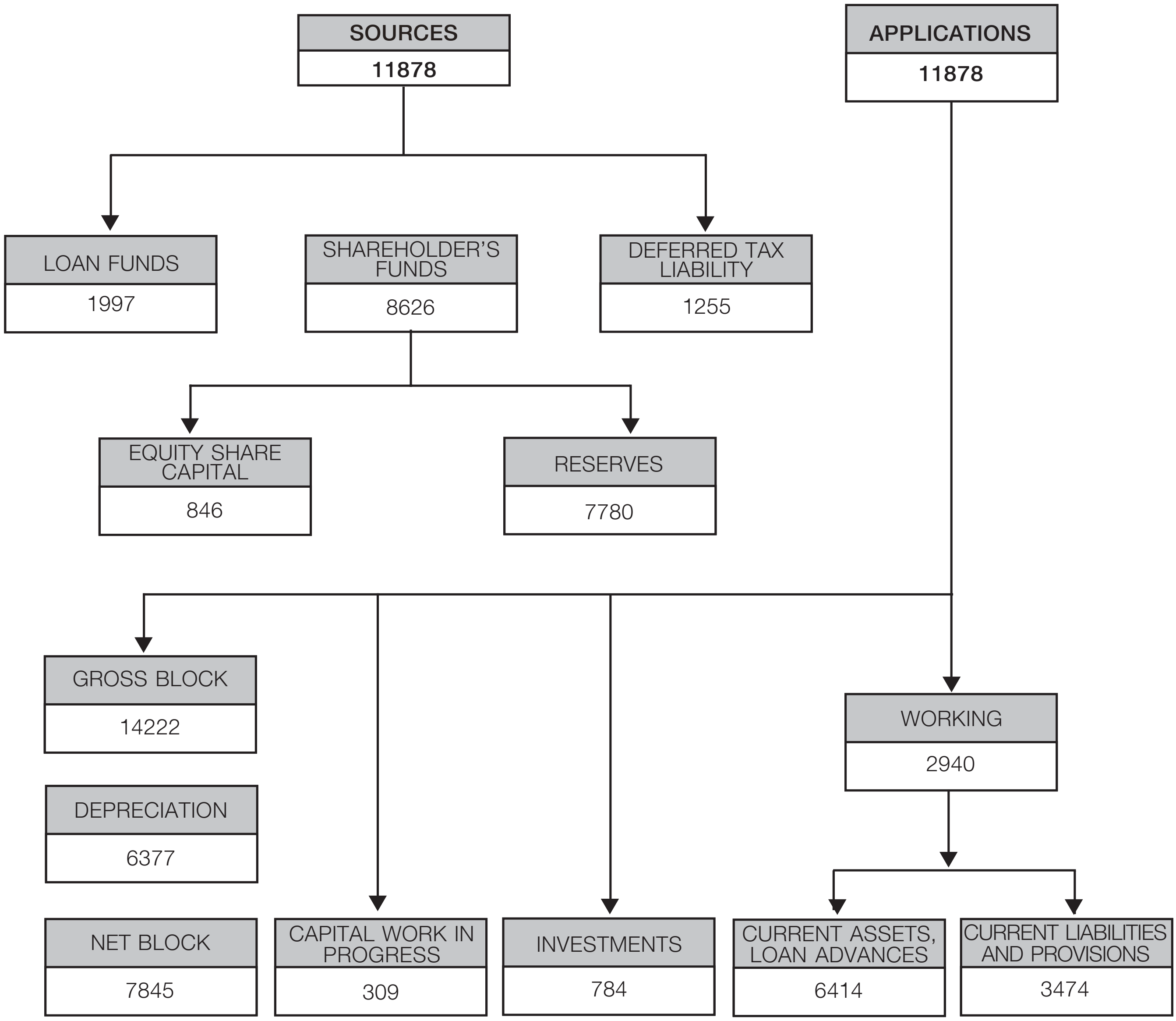


	2000-01	2001-02	2002-03	2003-04	2004-05
Working Capital	427.88	1,201.97	1,867.71	1,076.87	2,939.83
Investments	661.45	688.21	687.94	771.99	783.95
Capital WIP	632.23	425.70	688.14	814.47	309.08
Fixed Assets (Net Block)	6,469.04	6,534.88	6,262.10	8,142.88	7,845.88

Five Year Profile

Sources and Application of Funds
as at 31ST March 2005

(Rs. in Crores)



Five Year Profile

(A) FINANCIAL

(Rs. in Crores)

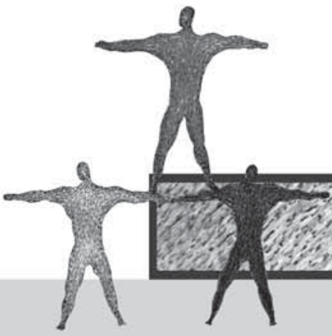
	2000 - 2001	2001-02	2002-03	2003-04	2004-05
PAID-UP CAPITAL	845.65	845.65	845.65	845.65	**845.65**
RESERVES & SURPLUS	4,634.40	4,489.79	5,493.48	6,599.50	**7,780.46**
SECURED LOANS	661.17	397.63	163.95	1,655.52	**1,600.00**
UNSECURED LOANS	2,049.72	2,027.18	1,883.17	477.96	**397.40**
DEFERRED TAX LIABILITY (NET)	-	1,090.74	1,119.75	1,227.58	**1,255.23**
	8,190.94	**8,850.99**	**9,506.00**	**10,806.21**	**11,878.74**
REPRESENTED BY :					
GROSS BLOCK	10,037.91	10,701.94	11,048.71	13,584.73	**14,222.35**
LESS : DEPRECIATION	3,568.87	4,167.06	4,786.61	5,441.85	**6,376.47**
NET FIXED ASSETS	6,469.04	6,534.88	6,262.10	8,142.88	**7,845.88**
CAPITAL WORK-IN-PROGRESS	632.23	425.70	688.14	814.47	**309.08**
INVESTMENTS	661.45	688.21	687.94	771.99	**783.95**
NET CURRENT ASSETS	427.88	1,201.98	1,867.71	1,076.87	**2,939.83**
MISCELLANEOUS EXPENDITURE	0.34	0.22	0.11	-	-
	8,190.94	**8,850.99**	**9,506.00**	**10,806.21**	**11,878.74**
GROSS SALES	9,197.44	9,567.50	10,641.99	11,295.67	**12,927.07**
GROSS MARGIN	2,349.98	2,622.05	3,348.31	3,614.10	**3,950.37**
DEPRECIATION	600.52	593.16	643.54	661.60	**944.89**
PRELIMINARY/DEFERRED REVENUE EXPENSES WRITTEN-OFF	0.11	0.11	0.11	0.11	-
INTEREST	197.14	226.88	186.37	137.97	**134.09**
PROFIT/(LOSS) BEFORE TAX	1,552.21	1,801.90	2,518.29	2,814.42	**2,871.39**
PROFIT/(LOSS) AFTER TAX	1,126.17	1,185.84	1,639.11	1,869.34	**1,953.91**
DIVIDEND INCL. INTERIM DIVIDEND	338.26	380.54	591.96	676.52	**676.52**
CORPORATE DIVIDEND TAX	34.50	-	43.34	86.68	**92.51**
INTERNAL GENERATION	1,726.80	1,779.11	2,282.76	2,531.05	**2,898.80**
NET WORTH	5,468.61	5,332.65	6,336.57	7,410.70	**8,559.65**
CAPITAL EMPLOYED	6,896.92	7,736.86	8,129.81	9,219.75	**10,785.71**

(B) GAS THROUGHPUT/PRODUCTION

	2000 - 2001	2001-02	2002-03	2003-04	2004-05
NATURAL GAS (MMSCMD)	61.75	61.60	63.40	62.84	**71.56**
LPG (M / T)	7,84,591.28	9,98,235.65	11,14,423.41	10,88,686.04	**10,94,835.00**
SBP SOLVENT (M / T)	31,269.83	23,453.94	34,507.83	65,298.28	**58,875.59**
PENTANE (M / T)	10,494.90	24,253.44	33,466.30	51,872.15	**57,524.74**
PROPANE (M / T)	79,415.82	87,434.69	1,20,187.81	1,57,303.26	**1,81,863.47**
ETHYLENE (M / T)	2,13,716.00	2,72,048.30	3,11,995.00	2,75,610.00	**3,19,289.86**
HDPE/LLDPE (M/T)	1,94,587.16	2,50,287.94	2,91,828.51	2,63,719.91	**2,98,787.35**

(C) FINANCIAL RATIOS

	2000 - 2001	2001 - 2002	2002-03	2003-04	2004-05
NET WORTH PER RUPEE OF PAID-UP CAPITAL (RS.)	6.47	6.31	7.49	8.76	**10.12**
BORROWINGS TO NET WORTH (RS.)	0.50	0.45	0.32	0.29	**0.23**
PROFIT BEFORE TAX TO CAPITAL EMPLOYED (%)	22.51	23.29	30.98	30.53	**26.62**
PROFIT BEFORE TAX TO NET WORTH (%)	28.38	33.79	39.74	37.98	**33.55**
PROFIT BEFORE TAX TO GROSS SALES (%)	16.88	18.83	23.66	24.92	**24.92**
PROFIT BEFORE TAX TO GROSS FIXED ASSETS (%)	15.46	16.84	22.79	20.72	**20.19**
GROSS SALES TO CAPITAL EMPLOYED (%)	133.36	123.66	130.90	122.52	**122.52**
EARNING PER SHARE (RS.)	13.32	14.02	19.38	22.11	**23.11**
DIVIDEND PER SHARE (RS.)	4.00	4.50	7.00	8.00	**8.00**
DIVIDEND PAYOUT RATIO (%)	33.10	32.09	38.76	40.83	**39.36**



Annual Accounts 2004-2005

Balance Sheet as at 31st March, 2005

(Rs. in Crores)

	SCHEDULE NO.		AS AT 31ST MARCH, 2005		AS AT 31ST MARCH, 2004
SOURCES OF FUNDS					
Shareholder's Funds					
Capital	1	**845.65**		845.65	
Reserves and Surplus	2	**7,780.46**	**8,626.11**	6,599.50	7,445.15
Loan Funds	3				
Secured Loans		**1,600.00**		1,655.52	
Unsecured Loans		**397.40**	**1,997.40**	477.96	2,133.48
Deferred Tax Liability (Net)			**1,255.23**		1,227.58
			11,878.74		10,806.21
APPLICATIONS OF FUNDS					
Fixed Assets	**4**				
Gross Block		**14,222.35**		13,584.73	
Less : Depreciation		**6,376.47**		5,441.85	
Net Block		**7,845.88**		8,142.88	
Capital Work in Progress	5	**309.08**	**8,154.96**	814.47	8,957.35
Investments	6		**783.95**		771.99
Carried Forward			**8,938.91**		9,729.34

Balance Sheet as at 31st March, 2005

(Rs. in Crores)

	SCHEDULE NO.	AS AT 31ST MARCH, 2005		AS AT 31ST MARCH, 2004	
Brought Forward			**8,938.91**		9,729.34
Current Assets, Loans and Advances	7				
Inventories		**481.44**		474.91	
Sundry Debtors		**822.86**		720.69	
Cash and Bank Balances		**3,446.84**		1,567.95	
Other Current Assets		**26.98**		3.28	
Loans and Advances		**1,635.86**		1,340.25	
		6,413.98		4,107.08	
Less : Current Liabilities and Provisions	8				
Current Liabilities		**2,716.13**		2,296.25	
Provisions		**758.02**		733.96	
		3,474.15		3,030.21	
Net Current Assets			**2,939.83**		1,076.87
TOTAL			**11,878.74**		10,806.21

Contingent Liabilities not provided for (Refer Schedule 14)

Notes on Accounts 14

Schedules 1 to 14 and Accounting Policies form part of Accounts

N. K. Nagpal, Secretary

J. K. Jain, Director(Finance)

B. S. Negi, Director(BD)

Proshanto Banerjee, Chairman & Managing Director

As per our separate Report of even date
For M/S S. MANN & COMPANY
Chartered Accountants

Subhash Mann
(Partner)
Membership No. 80500

Place : New Delhi
Dated: June 21, 2005

Profit & Loss Account for the Year Ended 31st March, 2005

(Rs. in Crores)

	SCHEDULE NO.	YEAR ENDED 31ST MARCH, 2005			YEAR ENDED 31ST MARCH, 2004		
INCOME							
Sales		12,552.16			11,011.01		
Less : Excise Duty		514.87			469.18		
			12,037.29			10,541.83	
LPG Transmission /							
RLNG Shippers Charges			356.49			264.38	
Income from Telecom			18.42			20.24	
			12,412.20`			10,826.45	
Add : Accretion to Stock							
Closing Stock		104.59			131.45		
Less : Opening Stock		131.45	(26.86)		92.84	38.61	
				12,385.34			10,865.06
Internal consumption				1,179.18			1,118.73
Other Income	9			349.05			244.03
TOTAL				13,913.57			12,227.82
EXPENDITURE							
Purchases				7,853.23			6,703.58
Manufacturing, Transmission, Administration							
Selling & Distribution and							
Other Expenses	10		2,108.26			1,926.45	
Depreciation	4		946.65			663.97	
			3,054.91			2,590.42	
Less : Incidental Expenditure							
during construction							
transferred to Capital							
Work-in-Progress	11		0.93	3,053.98		16.09	2,574.33
Deferred Revenue Expenditure written off				-			0.11
TOTAL				10,907.21			9,278.02
Profit before Interest and Finance Charges				3,006.36			2,949.80
Interest and Finance Charges	12		134.09			157.32	
Less : Interest and Finance							
Charges transferred							
to Capital Work-in-Progress	11		-	134.09		19.35	137.97
Profit for the year	**Carried Forward**			2,872.27			2,811.83

(Rs. in Crores)

	SCHEDULE NO.		YEAR ENDED 31ST MARCH, 2005		YEAR ENDED 31ST MARCH, 2004
Brought Forward			**2,872.27**		2,811.83
Less : Prior Period Adjustments (Net)	13		**0.88**		(2.59)
Profit before Tax			**2,871.39**		2,814.42
Provision for Taxation - Current		**889.83**		837.25	
- Deferred		**27.65**	**917.48**	107.83	945.08
Profit after Tax			**1,953.91**		1,869.34
Amount available for appropriation			**1,953.91**		1,869.34
APPROPRIATIONS					
Interim Dividend			**338.26**		338.26
Proposed Final Dividend			**338.26**		338.26
Corporate Dividend Tax			**92.51**		86.68
Bond Redemption Reserve			**32.13**		32.12
General Reserve			**195.39**		186.93
Balance Carried to Balance Sheet			**957.36**		887.09
TOTAL			**1,953.91**		1,869.34
Details of Earning Per Share					
A. Profit after tax			**1,953.91**		1,869.34
B. Weighted Average No. of Equity Shares			**845,651,600**		845,651,600
C. Nominal Value per Equity Share (Rs.)			**10/-**		10/-
D. Basic and Diluted Earning Per Share (Rs.)			**23.11**		22.11
Notes on Accounts	14				

Schedules 1 to 14 and Accounting Policies form part of Accounts

N.K.Nagpal	J.K.Jain	B. S. Negi	Proshanto Banerjee	As per our separate Report of even date
Secretary	Director (Finance)	Director (BD)	Chairman & Managing Director	For M/S S. MANN & COMPANY
				Chartered Accountants

Place : New Delhi
Dated : June 21, 2005

Subhash Mann
(Partner)
Membership No. 80500

Schedule 1 - Share Capital

(Rs. in Crores)

	AS AT 31ST MARCH, 2005	AS AT 31ST MARCH, 2004
AUTHORISED		
100,00,00,000 Equity Shares of Rs. 10/- each	**1,000.00**	1,000.00
ISSUED, SUBSCRIBED AND PAID-UP		
84,56,51,600 (Previous Year : 84,56,51,600) Equity Shares of Rs.10/- each fully paid up	**845.65**	845.65
TOTAL	**845.65**	845.65

Schedule 2 - Reserves and Surplus

(Rs. in Crores)

	AS AT 31ST MARCH, 2005		AS AT 31ST MARCH, 2004	
Capital Reserve				
(Grant Received from Danish Govt. for construction of Gas Technology Institute at Noida)				
As per Last Account	2.33		2.45	
Less : Transferred to Profit & Loss Account	0.12	2.21	0.12	2.33
Share Premium Account		0.26		0.26
Investment Allowance (Utilised) Reserve		266.61		266.61
Bonds Redemption Reserves				
As per Last Account	32.12		-	
Add : Transferred from Profit & Loss Account	32.13		32.12	
		64.25		32.12
Foreign Currency Translation Reserves		(3.80)		-
General Reserve				
As per Last Account	967.79		780.86	
Add : Transferred from Profit & Loss Account	195.39		186.93	
		1163.18		967.79
Profit and Loss Account				
As per Last Account	5,330.39		4,443.30	
Add : Transferred from Profit & Loss Account	957.36		887.09	
		6287.75		5330.39
TOTAL		7,780.46		6,599.50

Schedule 3 - Loan Funds

(Rs. in Crores)

	AS AT 31ST MARCH, 2005	AS AT 31ST MARCH, 2004
SECURED LOANS		
Loan from ICICI Bank Ltd.	-	43.33
(Secured by a pari passu charge with ADB Loan drawn for LPG Pipeline project by way of hypothecation of movables including movable Machinery, Machinery spares, tools & accessories present & future of Jamnagar - Kandla - Loni LPG P/L project (including Rs.:NIL (Previous Year : Rs. 40.00) due for payment within one year)		
Loan from Bank of India,Tokyo	-	12.19
(Secured by hypothecation of Steam Turbine Cracked Gas, Ethylene and Propylene compressors procured from M/s EBARA, Tokyo and installed at Pata. (including Rs.NIL (Previous Year : Rs.12.19) due for payment within one year)		
Loan from Bank of India	**500.00**	500.00
(Secured by hypothecation by way of first charge on pari passu basis of movable plant & machinery, machinery spares, equipment, tools & accessories & other moveables, both present & future, whether installed or not & lying loose or in stores of Dahej Vijaipur Pipeline project) including Rs.NIL (Previous Year : Rs.NIL) due for payment within one year)		
Bonds Series - I	**500.00**	500.00
(6.10% Secured Non-convertible redeemable Bonds -Series - I are redeemable in 5 equal installment commencing from the end of the 8th year upto the end of the 12th year from the deemed date of allotment August 22, 2003. Bonds are secured by charge on immovable residential building and movable plant & machinery situated at Hazira, Vaghodia, Gandhar and Vadodara in Gujarat.)		
Carried Forward	**1000.00**	1055.52

(Rs. in Crores)

	AS AT 31ST MARCH, 2005	AS AT 31ST MARCH, 2004
Brought Forward	**1000.00**	1055.52
Bonds Series - II	**600.00**	600.00
(5.85% Secured Non-convertible redeemable Bonds -Series - II are redeemable in 5 equal installment commencing from the end of the 6th year upto the end of the 10th year from the deemed date of allotment March 25, 2004. Bonds are secured by charge on immovable residential building & movable plant & machinery situated at Hazira,Vaghodia,Gandhar, Vadodara & DVPL Project in Gujarat.)		
UNSECURED LOANS		
Other Loans and Advances		
From Banks :		
- State Bank of India, London	**34.28**	49.09
(including Rs. 13.71 (Previous Year : Rs. 14.13) due for payment within one year)		
From others		
- Oil Industry Development Board		
(including Rs. 65.75 (Previous Year : Rs. 65.75) due for payment within one year)	**363.12**	428.87
TOTAL	**1,997.40**	2,133.48

Schedule 4 - Fixed Assets (Tangible/Intangible Assets)

DESCRIPTION	GROSS BLOCK (AT COST)			
	As at 1.4.2004	**Additions/ Adjustments during the year**	**Sales/ Adjustments during the year**	**As at 31.03.2005**
Tangible Assets (A)				
Land: Freehold	59.13	0.20	-	**59.33**
Leasehold	69.63	1.88	-	**71.51**
Building:				
Office/Others	363.99	4.82	-	**368.81**
Residential	253.12	0.30	-	**253.42**
Bunk Houses	1.62	-	-	**1.62**
Plant and Machinery	12,489.07	575.45	0.08	**13,064.44**
Railway Lines & Sidings	5.47	-	-	**5.47**
Electrical Equipments	120.39	3.81	0.19	**124.01**
Furniture, Fixtures and Other Equipments	201.88	34.26	8.43	**227.71**
Transport Equipments	2.41	0.14	0.33	**2.22**
TOTAL (A)	13,566.71	620.86	9.03	**14,178.54**
Intangible Assets (B)				
Right of Use	17.42	(0.04)	-	**17.38**
Softwares/Licences	0.60	25.83	-	**26.43**
TOTAL (B)	18.02	25.79	-	**43.81**
TOTAL (A+B)	**13,584.73**	**646.65**	**9.03**	**14,222.35**
Previous Year	11.048.71	2,543.80	7.78	**13,584.73**

(Rs. in Crores)

DEPRECIATION				NET BLOCK	
Upto 31.03.2004	For the Year	Adjustments during the year	As at 31.03.2005	As at 31.03.2005	As at 31.03.2004
-	-	-	**-**	**59.33**	59.13
4.60	0.61	(0.03)	**5.18**	**66.33**	65.03
61.51	9.77	-	**71.28**	**297.53**	302.48
32.40	4.91	-	**37.31**	**216.11**	220.72
1.58	0.04	-	**1.62**	**-**	0.04
5,227.50	904.86	(4.16)	**6,128.20**	**6,936.24**	7,261.57
3.44	0.27	-	**3.71**	**1.76**	2.03
29.00	5.89	(0.05)	**34.84**	**89.17**	91.39
80.32	18.42	(7.61)	**91.13**	**136.58**	121.56
1.41	0.15	(0.18)	**1.38**	**0.84**	1.00
5,441.76	944.92	(12.03)	**6,374.65**	**7,803.89**	8,124.95
-	-	-	**-**	**17.38**	17.42
0.09	1.73	-	**1.82**	**24.61**	0.51
0.09	1.73	-	**1.82**	**41.99**	17.93
5,441.85	**946.65**	**(12.03)**	**6,376.47**	**7,845.88**	8,142.88
4,786.61	663.97	(8.73)	**5,441.85**	**8,142.88**	6,262.10

Schedule 5 - Capital Work-in-Progress

(Rs. in Crores)

	AS AT 31ST MARCH, 2005		AS AT 31ST MARCH, 2004	
Linepipe Construction and related facilities including Cathodic Protection		**81.08**		57.98
Compressor Stations		-		156.82
Telecom/Telesupervisory System		**5.71**		33.02
LPG Pipeline Project		**2.02**		362.72
LPG Projects		**0.89**		1.17
Petrochemicals		**46.55**		56.23
Telecom Projects		**1.07**		13.36
Others		**29.30**		32.59
Exploratory Well in Progress		**42.99**		19.51
Buildings	**7.83**		4.16	
Less : Provision for abandonment of Work in Progress	**2.64**	**5.19**	1.77	2.39
Linepipes, Capital Items in Stock/Transit				
(including materials with Contractors: Rs. 0.27 (Previous Year: Rs. 0.44)	**93.13**		76.00	
Less : Provision for losses/obsolescence	**1.24**	**91.89**	1.47	74.53
Advance for Capital Expenditure				
(Unsecured - Considered Good)	**2.39**		4.15	
(Unsecured - Considered Doubtful)	**1.39**		1.39	
	3.78		5.54	
Less : Provision for Doubtful Advances	**1.39**	**2.39**	1.39	4.15
TOTAL		**309.08**		814.47

Schedule 6 - Investments

(Rs. in Crores)

		AS AT 31ST MARCH, 2005		AS AT 31ST MARCH, 2004
LONG-TERM INVESTMENTS				
A. Trade Investments				
Quoted * -				
570,600 (Previous Year : 570,600) Equity Shares of Rs.10/-each fully Paid-up in Gujarat Industries Power Co. Ltd.(includes 1,90,200 Equity Shares acquired during the year 1996-97 at a premium of Rs.15/- per share)		**0.86**		0.86
3,42,66,845 (Previous Year : 3,42,66,845) Equity Shares of Rs.10/- each fully paid up in ONGC Ltd. (Acquired during 1999-2000 at a price of Rs.162.34 per Share)		**556.29**		556.29
6.96 % Oil Companies GOI Special Bonds 2009 (Alloted in lieu of claims pending with Oil Co-ordination Committee)		**6.00**		6.00
3,15,00,000 (Previous Year : 3,15,00,000) Equity Shares of Rs. 10/- each fully paid-up in Indraprastha Gas Ltd. (a Joint Venture Company)		**31.50**		31.50
9,37,50,000 (Previous Year : 9,37,50,000) Equity Shares of Rs.10/- each fully paid up in Petronet LNG Ltd. (a Joint Venture Company) (includes 1,00,00,000 equity shares alloted at a premium of Rs. 5/- per share		**98.75**		98.75
* Aggregating market value of the above mentioned quoted securities Rs. 3736.27 (Previous Year : Rs. 3151.24)				
Unquoted - At cost				
4,44,49,960 (Previous Year : 4,44,49,960) Equity shares of Rs. 10/- each fully paid up in Mahanagar Gas Ltd. (a Joint Venture Company)		**44.45**		44.45
12,497 (Previous Year : 12,497) Equity shares of Rs. 10/- each fully paid up in Bhagyanagar Gas Ltd. (a Joint Venture Company)	**0.01**		0.01	
Advance against allotment of Equity Shares of Bhagyanagar Gas Ltd.	**4.98**	**4.99**	4.98	4.99
Advance against allotment of Equity shares of Tripura Natural Gas Ltd. (a Joint Venture Company)		**0.83**		-
Carried Forward		**743.67**		742.84

(Rs. in Crores)

	AS AT 31ST MARCH, 2005	AS AT 31ST MARCH, 2004
Brought Forward	**743.67**	742.84
Advance against allotment of Equity shares of Central UP Gas Ltd. (a Joint Venture Company)	**0.03**	-
2,07,60,000 (Previous Year : 2,07,60,000) Equity Shares of Rs.10/- each fully paid-up in Gujrat State Electricity Generation Ltd.	**20.76**	20.76
19,000 (Previous Year : 15,200) Equity shares of LE 100/- each fully paid up in Fayum Gas Company registered in Egypt. (During the year 2004-05, Fayum Gas Company has restructured the equity capital)	**8.09**	8.09
2,20,000 (Previous Year : NIL) Equity Shares of LE 10/- each fully paid up in Shell Compressed Natural Gas Company, Egypt registered in Egypt.	**1.61**	-
21,00,000 (Previous Year : NIL) Equity Shares of USD 1 each fully paid up in GAIL Global Singapore (Pte.) Ltd., incorporated in Singapore (100% subsidiary company)	**9.64**	-
3 (Previous Year : 3) 12% 2006, GEB Bonds of Rs. 10,00,000/- each. (Transferred by GIPCO in lieu of redemption of 1/3rd 18% redeemable Non - Convertible Debenture. 50% is paid during the FY 2004-05.)	**0.15**	0.30
B. Non Trade Investments - Others		
Unquoted - At cost		
(a) i). 30 Shares of Rs.50 each fully paid up in Darpan Co-operative Housing Society Ltd., Vadodara	-	-
ii). 50 Shares of Rs.50 each fully paid up in Ashoka Apartments Co-operative Housing Society Ltd., Vadodara	-	-
iii). 30 Shares of Rs.50 each fully paid up in Panchvati Apartments Co-operative Housing Society Ltd., Surat	-	-
iv). 400 Shares of Rs.10 each fully paid up in Sanand Members Association,Ahmedabad.	-	-
v). 35 Shares of Rs.50/-each fully paid up in Green Fields(B) Cooperative Housing Society Ltd, Mumbai	-	-
TOTAL	**783.95**	771.99

Schedule 7 - Current Assets, Loans and Advances

(Rs. in Crores)

			AS AT 31ST MARCH, 2005			AS AT 31ST MARCH, 2004
A. CURRENT ASSETS						
INVENTORIES						
(As Certified by the Management)						
Stores and Spares incl. Construction Surplus*	416.30			377.93		
Less : Provision for Losses/Obsolescence	39.45			34.47		
		376.85			343.46	
Stock of Gas**/Polymers/LPG and Other Products		104.59	481.44		131.45	474.91
SUNDRY DEBTORS						
Debts outstanding for a period exceeding six months						
- Unsecured, Considered Good	221.69			101.15		
- Unsecured, Considered Doubtful	120.25	341.94		124.44	225.59	
Other Debts						
- Unsecured, Considered Good	601.17			619.54		
- Unsecured, Considered Doubtful	-	601.17		0.81	620.35	
		943.11			845.94	
Less : Provision for Doubtful debts		120.25	822.86		125.25	720.69
CASH AND BANK BALANCES						
Cash in hand	0.09			0.11		
Cheques/Stamps in hand	0.02			8.92		
Remittance in transit	11.49	11.60		0.42	9.45	
BANK BALANCES(SCHEDULED BANKS)						
On Current Account (includes Corporate Liquid Term Deposit Rs. 17.79 (Previous Year : Rs. 180.91))	82.50			364.25		
On Current Account -Gas Pool Money	0.01			-		
On Current Account -JV Consortium	0.01			-		
On Short Term Deposit	2,426.21			534.09		
On Short Term Deposit -Gas Pool Money (includes interest accrued but not due Rs.1.77(Previous Year : Rs. 1.23)	566.89			377.71		
On Short Term Deposit -JV Consortium (includes interest accrued but not due Rs. 3.52 (Previous Year : Rs. 3.56)	359.62	3,435.24	3,446.84	282.45	1,558.50	1,567.95
OTHER CURRENT ASSETS						
Interest accrued but not due on Deposits			26.98			3.28
Carried Forward			4,778.12			2,766.83

(Rs. in Crores)

			AS AT 31ST MARCH, 2005			AS AT 31ST MARCH, 2004
Brought Forward			**4,778.12**			2,766.83
B. LOANS AND ADVANCES						
Loans/Advances to Subsidiaries		**76.94**			-	
GAIL Global Singapore (Pte.) Ltd., (100% subsidiary company incorporated in Singapore)						
Loans to Employees						
- Secured, Considered Good	**136.83**			101.15		
- Unsecured, Considered Good	**16.18**			23.73		
(including dues from Directors Rs.0.14 (Previous Year : Rs.0.07) (Maximum amount due at any time during the year : Rs. 0.20) (Previous Year : Rs. 0.11)						
Others	**4.29**	**157.30**		4.18	129.06	
(Unsecured, Considered Good)						
Advances recoverable in cash or in kind or for value to be received						
- Unsecured, Considered Good	**1,334.03**			1,167.55		
(includes Rs. 1024.52 (Previous Year : 915.13) paid/adjusted against Income tax demand under protest. (includes Rs. 3.11 (Previous Year :Rs.3.36) on account of disinvestment of Govt. Equity by way of GDR/Domestic Tranche/ offer for sale)						
- Unsecured, Considered Doubtful	**1.08**			1.15		
	1,335.11			1,168.70		
Less : Provision for Doubtful Advances	**1.08**	**1,334.03**		1.15	1,167.55	
Claims Recoverable						
- Unsecured, Considered Good	**36.92**			8.92		
- Unsecured, Considered Doubtful	**0.42**			0.12		
	37.34			9.04		
Less : Provision for doubtful claims	**0.42**	**36.92**		0.12	8.92	
Deposits with Customs, Port Trust and Others						
- Unsecured, Considered Good	**30.67**			34.72		
- Unsecured, Considered Doubtful	**0.31**			0.31		
	30.98			35.03		
Less : Provision for doubtful claims	**0.31**	**30.67**	**1,635.86**	0.31	34.72	1,340.25
TOTAL			**6,413.98**			4,107.08

*** includes Rs. 60.78 (Previous Year : Rs. 20.51) in transit.**

****after adjustment of calorific value**

Schedule 8 - Current Liabilities and Provisions

(Rs. in Crores)

				AS AT 31ST MARCH, 2005				AS AT 31ST MARCH, 2004
A. CURRENT LIABILITIES								
Sundry Creditors (Includes due to Small Scale Undertakings : Rs. Nil (Previous Year : Rs. Nil))			**1,360.26**				1,268.76	
Deposits/Retention Money from Contractors and others			**136.40**				184.36	
Other Liabilities			**463.83**				276.11	
Other Liabilities - Gas Pool Money			**723.18**				534.51	
— Unclaimed Dividend			**1.28**				0.86	
(Amount due for credit to Investor Education Fund is Rs. Nil (Previous Year : Nil))								
Interest accrued but not due on loans			**31.18**	**2,716.13**			31.65	2,296.25
B. PROVISIONS								
Provision for taxation		**4,394.08**				3,504.26		
Less: Advance Tax	**4,487.32**				3,585.02			
Less: Adjustment of Refunds	**433.16**	**4,054.16**	**339.92**		390.41	3,194.61	309.65	
Provision for Proposed Dividend			**338.26**				338.26	
Provision for Corporate Dividend Tax			**47.44**				43.34	
Provision for Gratuity			-				22.39	
Provision for Leave Encashment and Post Retirement Medical Benefits			**32.40**	**758.02**			20.32	733.96
TOTAL				**3,474.15**				3,030.21

Schedule 9 - Other Income

(Rs. in Crores)

	YEAR ENDED 31ST MARCH, 2005		YEAR ENDED 31ST MARCH, 2004	
Dividend		**119.34**		104.32
Interest on :				
- Bonds/Debentures	**0.45**		0.50	
- Deposits with Banks	**100.50**		56.66	
- Others	**45.05**		9.53	
	146.00		66.69	
(Tax deducted at source: Rs. 16.16 (Previous Year: Rs.10.93)				
Less : Transferred to Incidental Expenditure during construction (Schedule 11)	-	**146.00**	2.39	64.30
Export Incentives		**3.92**		8.02
Miscellaneous Income	**79.79**		67.64	
(Tax deducted at source : Rs. 0.01 (Previous Year : Rs. 0.10)				
Less : Transferred to Incidental Expenditure during construction (Schedule 11)	-	**79.79**	0.25	67.39
TOTAL		**349.05**		244.03

Schedule 10 - Manufacturing, Transmission, Administration, Selling & Distribution and other Expenses

(Rs. in Crores)

	YEAR ENDED 31ST MARCH, 2005		YEAR ENDED 31ST MARCH, 2004	
Raw Material consumed		899.15		819.60
Employees Remuneration and Benefits*				
Salaries, Wages and Allowances	140.85		130.08	
Contribution to Provident and Other Funds	20.64		16.33	
Welfare Expenses	44.29	205.78	27.77	174.18
Power, Fuel and Water Charges		399.25		381.90
Stores and Spares consumed		145.31		174.96
Rent		14.10		13.12
Rates and Taxes		3.28		5.17
Licence Fees - Telecom		1.56		3.04
Bandwidth Consumption		1.03		2.76
Repairs and Maintenance				
Plant and Machinery	117.61		98.84	
Buildings	12.10		11.43	
Others	12.17	141.88	12.15	122.42
Insurance		22.59		21.32
Communication Expenses		8.06		7.39
Printing and Stationery		3.64		2.84
Travelling Expenses		29.16		30.87
Books and Periodicals		0.60		0.72
Advertisement and Publicity		23.62		26.65
Carried Forward		1,899.01		1,786.94

(Rs. in Crores)

		YEAR ENDED 31ST MARCH, 2005		YEAR ENDED 31ST MARCH, 2004
Brought Forward		**1,899.01**		1,786.94
Payment to Auditors				
Audit Fees	**0.16**		0.08	
Management Services	**0.04**		0.08	
Out of Pocket Expenses	**0.04**	**0.24**	0.07	0.23
Entertainment Expenses		**0.22**		0.18
Recruitment and Training Expenses		**10.28**		8.24
Vehicle Hire and Running Expenses		**14.49**		13.00
Survey Expenses		**26.88**		14.06
Consultancy Charges		**15.53**		12.54
Data Processing Expenses		**2.86**		1.17
Donation		**5.25**		0.57
Research and Development Expenses		**0.40**		0.34
Loss on sale / written off of assets(net)		**2.10**		1.62
Bad Debts/Claims/Advances/Stores written off		**1.26**		1.02
Dry Well Expenses written off		**11.98**		-
Provision for Doubtful Debts, Advances, Claims, Deposits and obsolescence of Stores and Capital Items		**3.00**		2.40
Excise Duty on Stock (net)		**(10.21)**		2.65
Expenses on Enabling Facilities		**3.04**		4.81
Selling & Distribution Expenses		**9.28**		7.13
Discount on Sales		**9.46**		7.59
Commission on Sales		**11.59**		10.07
Security Expenses		**25.14**		22.61
Other Expenses		**66.46**		29.28
TOTAL		**2,108.26**		1,926.45

*Includes :

1) Rs. 12.08 (Previous Year : Rs. 5.32) on account of retirement benefits viz. Leave encashment and Medical.

Schedule 11 - Incidental Expenditure During Construction

(Rs. in Crores)

	YEAR ENDED 31ST MARCH, 2005		YEAR ENDED 31ST MARCH, 2004	
Employees Remuneration and Benefits				
Salaries, Wages and Allowances	**0.49**		4.11	
Contribution to Provident and Other Funds	-		0.28	
Welfare Expenses	**0.08**	**0.57**	0.53	4.92
Power, Fuel and Water Charges		**0.02**		1.34
Stores and Spares consumed		-		0.58
Rent		**0.04**		0.80
Rates and Taxes		-		0.18
Repairs and Maintenance				
Plant and Machinery	**0.02**		0.20	
Buildings	-		0.18	
Others	-	**0.02**	0.29	0.67
Insurance		**0.02**		0.28
Communication Expenses		**0.04**		0.20
Printing and Stationery		-		0.08
Travelling Expenses		-		1.38
Advertisement and Publicity		-		0.08
Recruitment and Training Expenses		-		0.01
Vehicle Hire and Running Expenses		**0.02**		0.96
Interest and Finance Charges		-		19.35
Survey Expenses		-		0.12
Consultancy Charges		-		0.03
Other Expenses		**0.09**		1.54
Depreciation		**0.11**		2.92
		0.93		35.44
Less :				
- Interest Income	-		2.39	
- Misc. Income	-	-	0.25	2.64
Net Expenditure		**0.93**		32.80
Less :Transferred to Capital Work-in-progress				
a) Mfg., Transmission, Admn., Selling & Distribution and Other Expenses	**0.93**		16.09	
b) Interest & finance Charges	-		19.35	
c) Other Income	-	**0.93**	(2.64)	32.80
Balance Carried over to Balance Sheet		**NIL**		NIL

Schedule 12 - Interest and Finance Charges

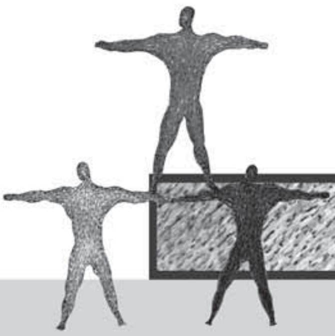
(Rs. in Crores)

	YEAR ENDED 31ST MARCH, 2005		YEAR ENDED 31ST MARCH, 2004	
Interest on Term Loans				
Foreign Currency Loans	**0.73**		61.30	
Other Loans	**133.14**	**133.87**	80.28	141.58
Commitment and other Finance Charges		**0.22**		15.74
TOTAL		**134.09**		157.32

Schedule 13 - Prior Period Adjustments

(Rs. in Crores)

	YEAR ENDED 31ST MARCH, 2005		YEAR ENDED 31ST MARCH, 2004	
Purchase of Gas		**-**		(24.77)
Salaries, Wages and Allowances		**(0.12)**		0.14
Power, Fuel and Water Charges		**0.66**		(0.96)
Stores and Spares consumed		**0.03**		(1.98)
Rent		**(0.69)**		2.22
Depreciation(Net)		**(1.65)**		0.55
Repairs and Maintenance		**0.21**		1.15
Vehicle hire and Running Expenses		**-**		0.04
Interest		**-**		0.17
Consultancy Charges		**0.71**		-
Data Processing		**-**		(0.03)
Other Expenses		**0.92**		0.68
TOTAL		**0.07**		(22.79)
Less :				
- Sales	**(0.03)**		(20.11)	
- Interest Income	**(0.14)**		(0.06)	
- Miscellaneous Income	**(0.64)**	**(0.81)**	(0.03)	(20.20)
TOTAL (NET)		**0.88**		(2.59)



Notes on Accounts

Schedule 14 - Notes on Accounts

1. Estimated amount of Contracts remaining to be executed on Capital Account and not provided for :
   - i) For Joint Ventures: Nil (Previous Year: Nil).
   - ii) Share in Capital Commitment of Joint Ventures based on their audited/unaudited statement of accounts: Rs. 92.08 Crores (Previous Year: Rs. 106.93 Crores).
   - iii) Company's own unexecuted capital commitment: Rs. 265.60 Crores (Previous Year: Rs. 167.54 Crores).
2. Contingent Liabilities :
   - I. Claims against the Company not acknowledged as debts: Rs. 9225.29 Crores (Previous Year: Rs. 8058.93 Crores), which mainly include:
     - (a) Claims of ONGCL for Rs. 248.46 Crores (Previous Year: Rs. 375.84 Crores) on account of interest for delayed payment and MGO etc. Out of these MGO claims of Rs. 49.23 Crores (Previous Year: Rs. 56.08 Crores) are recoverable on back-to-back basis.
     - (b) Income Tax demand of Rs.1,026.81 Crores (Previous year: Rs. 915.58 Crores relating to the assessment years 1996-97 to 2001-02) relating to assessment years 1996-97 to 2002-03. The Income tax assessment of the company has been completed up to the assessment year 2002-03. Against the total demand, the company has paid/adjusted Rs. 1024.52 crores (Previous Year: Rs. 915.13 Crores) under protest. Based upon the decision of the appellate authorities and the interpretation of the provisions of the Income Tax Act, the company has been legally advised that the demand is likely to be either deleted or it may be substantially reduced. The company has filed an appeal against the demand for the assessment years 1996-97 to 1999-2000 with ITAT. Against the demands for assessment year 2000-01 to 2002-03 appeals of the Company are pending before Commissioner of Income Tax (Appeals).
     - (c) Sales Tax demand of Rs. 3,449.18 Crores (Previous Year: Rs. 2,349.60 Crores) and interest thereon Rs. 1,513.04 Crores (Previous Year: Rs. 995.24 Crores) for Hazira unit in Gujarat State: Sales Tax Authorities, Ahmedabad have treated the transfer of Natural Gas by the company from the state of Gujarat to other states during the period April, 1994 to March, 2001 as inter-state sales under Section 3(a) of the Central Sales Tax Act. The company has been paying sales tax under section 12 of the Gujarat Sales Tax Act against Form 17 since inception (1987) and accordingly the sales tax assessments have been completed. Based on the interpretation of the provisions of the Sales Tax Act and legal advice from the experts, the company had filed writ petition and special leave petition in the Supreme Court of India. In February, 2005 the case was transferred by Hon'ble Supreme Court to Gujarat Sales Tax Tribunal for decision. The Tribunal has given its judgment on 16.05.2005 accepting the contention of the company for interstate transportation of Natural Gas as branch transfer and not the interstate sale and set aside the demand under section 41-B of the Gujarat Sales Tax Act. The Hon'ble Tribunal has given further instruction to the Assessing Authority to assess Company and decide tax liability in accordance with the law for the period 1998-99 to 2000-01 considering interstate transfer of natural gas as branch transfer.
     - (d) Commissioner of Customs, Ahmedabad has issued show cause notices where in a sum of Rs 581.22 Crores (Previous year: Rs. 581.22 Crores) for the period 22.06.97 to 10.02.2002 has been demanded, by treating GAIL as importer under Section 2(26) of the Customs Act, 1962 on account of purchase of gas from Tapti and Panna-Mukta fields from Joint Venture of British Gas Exploration and Production (I) Limited, RIL and ONGCL (JVCs). The Company is of the view that as it is purchasing gas from JVCs at Hazira at the downstream flange of ONGCL's gas processing facilities along with other natural gas coming from South Basin, it is not liable to Customs Duty. The replies to Show cause notice have already been sent to the Commissioner of Customs in consultation with the Consultants on 14.06.2002. No further response has been received.
     - (e) Customs duty demand of Rs. 305.53 Crores (Previous year: Rs 305.53 Crores): Custom Authorities, Mumbai have raised differential duty demand against Project Imports for Pata Plant on account of non-submission of reconciliation statement as required under Project Import Regulations, 1986. An appeal was filed before CESTAT on the ground that demand is premature as the last consignment is yet to be received and as per the Project Import Regulations, the reconciliation statement has to be submitted within three months from the date of clearance of last consignment of goods. CESTAT has remanded the matter to DC (Customs) for readjudication.

(f) Excise duty demand of Rs. 123.63 Crores (Previous year: Rs. 1491.54 Crores): Excise Authorities have raised demands at Vijaipur, Usar and Vaghodia by treating lean gas as gaseous hydrocarbon and denying exemption available to lean gas, which has all along been treated as an exempted product. The Company has obtained favourable orders against past demands. However, one case is pending at CESTAT.

II. Bonds executed, Letters of Credit and Guarantees/Counter Guarantees: Rs. 13.40 Crores (Previous Year: Rs. 109.46 Crores).

III. The Company along with three other promoters has issued Corporate Guarantees in favour of banks and financial institutions for short term loan taken by Petronet LNG Limited from such banks and financial institutions. The Company share in the Guarantee is Rs. 350 Crores (Previous year: Rs. 350 Crores), being one fourth share of total guarantees of Rs. 1,400 Crores (Previous year: Rs. 1,400 Crores) issued as on 31.03.2005. The short term loan outstanding in the books of Petronet LNG Limited as on 31st March, 2005 is Rs. 1,259.89 Crores (Previous year: Rs. 1,024.04 Crores).

IV. Share in Contingent Liabilities of Joint Ventures based on their audited / unaudited statement of accounts: Rs. 83.03 Crores (Previous Year: Rs. 57.19 Crores).

3. (a) Freehold land acquired for Jhansi Maintenance Base and Sectionalising Valves in Jamnagar – Loni Pipeline Rs. 0.93 Crores (Previous Year: Rs. 1.05 Crores) and Leasehold Land acquired for Lakwa project Rs. 7.82 Crores (Previous Year: Rs. 7.84 Crores) are valued / capitalized on provisional basis.

(b) Title deeds for freehold land, valuing Rs. 1.52 Crores (Previous Year: Rs. 2.16 Crores) and leasehold land valuing Rs. 26.76 Crores (Previous year: Rs. 26.63 Crores) are pending execution.

(c) Title Deeds in respect of ten residential flats at Asiad Village, New Delhi, valuing Rs. 1.17 Crores (Previous Year: Rs. 1.17 Crores) are still in the name of ONGCL. Concerned authorities are being pursued for getting the same transferred in the name of the Company.

(d) The cost of right of use (ROU) amounting to Rs. 17.38 Crores as on 31.03.2005 (Previous year Rs. 17.42 Crores) has been capitilised as intangible asset. The Company has perpetual Right of Use but has no ownership of land.

4. (a) Liability under Gas Pool Account includes gas pool money for January-March 2005 quarter amounting to Rs. 61.64 Crores (Previous Year: Rs. 62.16 Crores) which shall become due for deposit in succeeding quarter.

(b) Deposit in Gas Pool Money Account is exclusive of claim amounting to Rs. 94.63 Crores (Previous Year: Rs. 94.63 Crores) for compensation for higher cost of gas purchased from JV Companies from Ravva and Tapti fields from April,1997 to September, 1997. MOP&NG vide its letter No L-12015/1/94-GP (VIII) dated 04.07.1997 stated that GAIL will not be put to any loss on account of compensation towards higher price of JV gas. Accordingly, Gas Pool money was transferred to separate bank account after retaining Rs. 94.63 crores which is being communicated to MOP&NG regularly. Accordingly, no interest liability has been provided.

(c) Purchase of gas includes Rs 250 Crores (Previous year: Rs. 250 Crores) on account of Gas Pool Account.

(d) Liabilities on account of Gas Pool Money amounting to Rs. 723.18 Crores (Previous year: Rs. 534.51 Crores) and 10% retention from JV consortium amounting to Rs. 359.63 Crores (Previous year: Rs. 282.45 Crores) includes interest (net of TDS) amounting to Rs. 32.30 Crores (Previous year: Rs. 25.15 Crores) on Short term deposits for the year. This interest income does not belong to the company hence not accounted as income.

5. Cost of Fixed Assets (including capital work in progress) has been decreased by an amount of Rs. 0.74 Crores (Previous Year: Rs. 38.97 Crores) due to exchange rate variation. An amount of Rs. 0.07 Crores (Previous Year: Rs. 0.87 Crores) has been credited to Profit & Loss account due to exchange rate variation.

6. MOP&NG had issued scheme for mechanism of sharing the under recoveries of Oil marketing Companies on account of non-revision in selling price of PDS Kerosene and domestic LPG. During the year, the Company has given discounts to Oil marketing Companies amounting to Rs. 1,137 Crores (Previous Year: Rs. 428 Crores) on dispatches to them for sharing subsidies.

7. (a) Prices of Natural gas for the period April 1, 2000 to March 31, 2005 is under review by MOP&NG. Pending finalisation of such prices, payments/accruals of purchase of gas are being made based on the rate specified in the MOP&NG letter dated September 18, 1997. Additional liability or its effect on profits if any, arising out of the aforesaid revision will be recognized when the prices are finalized. However, the management does not expect the price increase to be retrospective.

(b) The Company is raising provisional invoices for sale of R-LNG as the supplier PLL is also raising provisional invoices on the Company since customs duty on import of LNG by PLL has been assessed on provisional basis.

8. With effect from April 1, 2002, Liquefied Petroleum Gas prices has been deregulated and is now based on the import parity prices fixed by the Oil Companies. However, the pricing mechanism is provisional and is pending finalisation. Additional asset/liability or impact on profits, if any, arising due to such change, will be recognized on finalization of pricing mechanism.

9. In compliance of Accounting Standard 17 on “Segment Reporting” issued by Institute of Chartered Accountants of India, the required information is given as per Annexure – A to this schedule. The Company has adopted Business segments as its reportable segment. Upto previous year, the business segments has been identified as Gas Processing & Sales, LPG Transmission and Telecom.

During the year, the business segments have been reclassified as

i) Transmission Services

(a) Natural Gas

(b) LPG

ii) Natural Gas Trading

iii) Petrochemicals

iv) LPG and other Liquid Hydrocarbons

v) GAILTEL

vi) Unallocated

Assets of GAILTEL segment has been rationalized during the financial year 2004-05. This has resulted in decrease of depreciation by Rs. 20.83 Crores under GAILTEL segment. There are no geographical segments.

10. In compliance of Accounting Standard 18 on “Related party Disclosures” issued by Institute of Chartered Accountants of India, the name of related parties, nature of relationship and details of transaction entered therewith are given in Annexure – B.

11. In compliance of Accounting Standard 22 on “Accounting for taxes on Income” issued by Institute of Chartered Accountants of India, the Company has provided accumulated net deferred tax liability in respect of timing difference as on 31st March, 2005 amounting to Rs. 1,255.23 Crores (Previous year: Rs. 1,227.58 Crores). Net Deferred tax expense for the year of Rs. 27.65 crores (Previous year: Rs. 107.83 Crores) has been charged to Profit & Loss Account. The item-wise details of deferred tax liability are as under:

(Rs. in Crores)

	As on 31st March, 2005	As on 31st March, 2004
Deferred tax liability:		
a) Depreciation	**1,375.16**	1,298.16
Less: Deferred Tax Assets:		
a) Provision for Gratuity and Retirement Benefits	**15.93**	13.93
b) Provision for Doubtful Debts/Claims/Advances	**60.65**	56.65
c) Others	**43.35**	-
Deferred tax Liability (net)	**1,255.23**	1,227.58

12. In Compliance of Accounting Standard 27 on “Financial Reporting of Interests in Joint Ventures” issued by Institute of Chartered Accountants of India, brief description of Joint Ventures of the Company are:

(a). **Mahanagar Gas Limited:** A Joint venture with British Gas Plc. to supply gas to domestic, commercial and small industrial consumers and CNG for transport sector in Mumbai. The Company has invested Rs. 44.45 Crores for acquiring 444,49,960 equity shares of Rs. 10 each of the Company, presently being 49.75% of the paid up capital.

(b). **Indraprastha Gas Limited:** A Joint venture with BPCL and Government of National Capital territory (NCT) of Delhi to supply gas to domestic, commercial units and CNG for transport sector in Delhi. The Company has invested Rs. 31.50 Crores for acquiring 315,00, 000 equity shares of Rs. 10 each of the Company, presently being 22.50% of the paid up capital.

(c). **Petronet LNG Limited:** A Joint venture with BPCL, IOCL and ONGCL for setting up LNG imports facilties. The Company has invested Rs. 98.75 Crores for acquiring 937,50,000 equity shares of Rs. 10 each of the Company, presently being 12.50% of the paid up capital. The sale of 5 million tonnes per annum of LNG which would be imported by PLL over a period of 25 years under Sale and Purchase agreement with RasGas, has been fully tied up through Gas Sales and Purchase Agreement with three off takers GAIL (India) Limited, IOCL and BPCL.

(d). **Bhagyanagar Gas Limited:** A Joint Venture Company with HPCL for distribution and marketing of CNG, Auto LPG, Natural Gas and other gaseous fuels in Andhra Pradesh. The Company has been allotted 12,497 equity shares of Rs. 10 each each of the Company, presently being 22.50% of the paid up capital. The Company has further paid Rs. 4.98 Crores as advance against allotment of equity shares.

(e). **Tripura Natural Gas Company Limited:** A Joint Venture Company with Assam Gas Company Limited and Tripura Industrial Development Corporation for transportation and distribution of natural gas through pipelines in Tripura. The Company has paid Rs. 0.83 Crores as advance against allotment of equity shares.

(f). **Central UP Gas Limited:** A Joint Venture Company with BPCL for City gas distribution in Kanpur, Uttar Pradesh. The Company has paid Rs. 0.03 Crores as an advance against allotment of equity shares.

The Company share of assets and liabilities as at 31st March, 2005 and the Income and expenditure for the year in respect of above Joint ventures based on audited / unaudited statements of accounts as furnished by them is as follows:

(Rs. in Crores)

		2004–05	2003-04
A.	Assets		
	Long Term Assets	**563.80**	276.28
	Current Assets	**179.81**	153.48
B.	Current Liabilities & Provisions	**173.15**	122.05
C.	Income	**539.09**	242.98
D.	Expenditure	**425.65**	149.14
E.	Contingent Liability	**83.03**	57.19

13. The Company has participated in joint bidding under the Government of India New Exploration Licensing Policy and had been allotted 10 Blocks for which the Company has entered into Production Sharing Contract with Government of India along with other partners for Exploration & Production of Oil and Gas. As per the Production Sharing Contract, the Company has a minimum work program commitment of Rs. 137.18 Crores (Previous Year: Rs. 138.63 Crores). The Company is acting as non-operator and would have to share in Expense/Income/Assets/Liabilities based upon its percentage in production sharing contract. During the year, participating interest of 15% in Block KK-DWN-2000/2 has been relinquished to Government of India. The participating interest in the following nine NELP - Blocks as on 31st March, 2005 is as under:

	Joint Venture under NELP Blocks	Participating Interest
1)	MN-OSN-97/3	15%
2)	NEC-OSN-97/1	50%
3)	MN-OSN-2000/2	20%
4)	GS-DWN-2000/2	15%
5)	MB-DWN-2000/2	15%
6)	CB-ONN-2000/1	40%
7)	MN-ONN-2000/1	20%
8)	CY-ONN-2002/1	50%
9)	AA-ONN-2002/1	80%

In addition, the Company has farm-in as non – operator with minimum work program commitment of Rs. 11.24 Crores (Previous Year: 11.30 Crores) in the following blocks:

	Blocks	Participating Interest
1)	A-1, Myanmar	10%
2)	CY-OS/2	25%

The Company's share of assets and liabilities as at 31st March 2005 and the Income and the expenditure for the year in respect of joint operations project blocks has been incorporated in the Company financial statements based upon unaudited statement of accounts submitted by the operators as follows:

(Rs. in Crore)

	2004-05	2003-04
Income	-	-
Expenses	**37.79**	14.29
Fixed Assets	**1.05**	0.36
Other Assets	**45.25**	21.14
Current Liabilities	**33.53**	16.51

14. In compliance with amended Clause 32 of the Listing Agreement with Stock Exchanges, the required information are given in Annexure – C.
15. Due to change in Accounting policy:
    (a) During the year, the company has changed its accounting policy of disclosure of Right of Use (ROU) under tangible assets to intangible assets in compliance to Accounting Standard 26 on Intangible Assets. Due to this, intangible assets have increased by Rs. 17.38 Crores with consequent decrease in tangible assets. This change has no impact on Profit & Loss Account for the year.
    (b) During the year, the company has changed its accounting policy of charging off wells in progress the status of which remains undecided for more than five years to Profit and Loss account to charging off wells in progress the status of which remains undecided for more than two years to Profit and Loss Account. This change has no impact on Profit & Loss Account for the year.
    (c) During the year, the company has changed its accounting policy for provision for gratuity on the basis of actuarial valuation at the end of financial year to providing liability towards Gratuity by payment to a fund maintained by the company and administered through a separate trust set up by the company. Difference between the fund balance with the trust and the accrued liability as at the end of the year as per actuarial valuation is charged to Profit and Loss Account. This change has no impact on Profit & Loss Account for the year.

16. An amount of Rs. 4.95 Crores (Previous Year: Rs. 9.22 Crores) has been claimed on account of the adjustment for CENVAT in respect of GAILTEL, Pata, LPG Plants at Usar, Vijaipur, Vaghodia, Gandhar and Lakwa. Such claims are adjustable out of excise duty/service tax payable on goods and services.

17. No amount (Previous Year: Nil) is outstanding for more than 30 days in respect of SSI units as on 31.03.2005.

18. (a) The price of Gas purchased from Joint Venture Consortium (JVC) (Indian and Foreign Partners) from Ravva / Ravva Satellite, Tapti and Panna–Mukta fields are denominated in USD per MMBTU. The liability in USD has been converted at Bills Buying rate, TT selling rate and TT buying rate, prevailing as on 31.03.2005 or on the date of payment, as the case may be.

    (b) Imports have been accounted for at the exchange rate prevalent as on the date of retirement of documents being the date of transaction.

19. Following Government of India's approval, the shareholders of the Company in the Annual General Meeting held on 15th September, 1997 approved the transfer of all the assets including Plant and Machinery, accessories and other related assets which are part of Lakwa Project valued at Rs. 246.91 Crores as on 31.03.2005 (Previous Year: Rs. 246.92 Crores) to Assam Gas Cracker Complex at a price to be determined by an independent Agency and on terms and stipulations as the Board may in its discretion deem fit. However, Assam Gas Cracker Complex has not come up as per plan and LPG Lakwa Project has not been transferred to it. Therefore, a fresh proposal has been put up to Govt of India to establish Assam Gas Cracker project by GAIL and LPG Lakwa Project will be part of that Assam Gas Cracker project.

20. Pending issue of suitable notification by the Government of India specifying the period and applicable rate at which cess on turnover is payable under section 441A of Companies Act, 1956 the Company has not provided for the same.

21. Deposits made with the concerned authorities for railway crossings, forest crossings, removal and laying of electric/ telephone poles and lines have been accounted for under Capital Work-in-Progress on the basis of work done/ confirmation from the concerned department.

22. Balances grouped under Material with Contractors, Sundry Debtors, Loans and Advances, Deposits and Sundry Creditors, etc. are subject to confirmation.

23. (a) The Company has incurred an expenditure of Rs.7.26 crores on account of City gas projects which is accounted under capital Work in progress. This amount would be recoverable from the proposed Joint ventures to be formed for city gas distribution projects in India.

    (b) The value of pipelines and related facilities taken over in Southern and North-eastern region in February 1992 and Western Region in May 1992 is provisional, based on intimation from ONGCL. Adjustments, if any, for taxes, duties, ROU and other claims would be made as and when ascertained. Depreciation on the assets taken over from ONGCL has been provided for as per the accounting policy of the Company on the transfer value of such assets. Pending installation of custody transfer meters, the purchase of Gas is accounted for on the basis of metering done at the consumer's end.

24. The Profit & Loss Account includes:-

    (a) Expenditure on Public Relations amounting to Rs. 23.62 Crores (Previous Year: Rs. 26.65 Crores). The ratio of annual expenditure on Public Relations and Publicity to the annual turnover is 0.002:1 (Previous Year: 0.002:1).

    (b) Research and Development Expenses Rs. 0.40 Crores (Previous Year: Rs. 0.34 Crores).

    (c) Entertainment Expenses Rs. 0.22 Crores (Previous Year: Rs. 0.18 Crores).

25. Previous year's comparative figures have been regrouped and recast to the extent practicable, wherever necessary. Figures in brackets indicate deductions.

26. Information required as per Schedule VI of the companies Act, 1956

I. Quantitative Information

(Rs. in Crores)

	OPENING STOCK		PURCHASES@		SALES@		INTERNAL CONSUMPTION		CLOSING STOCK	
	QTY	VALUE	QTY	VALUE	QTY	VALUE	QTY	VALUE	QTY	VALUE
Natural Gas including RLNG (MMSCM) *										
Year Ended 31.03.2005	**91.58**	**47.30**	**25,895.79**	**7,828.35**	**22,835.45**	**8,878.80**	**2,021.99**	**1,167.87**	**115.21**	**57.31**
Year Ended 31.03.2004	67.54	17.88	23,030.49	6,626.40	21,012.55	7,450.63	1,988.67	1,118.25	91.58	47.30
LPG (M/T)										
Year Ended 31.03.2005	**8,167.58**	**7.04**	**-**	**-**	**10,89,066.16**	**1,093.55**	**-**	**-**	**14,007.67**	**8.65**
Year Ended 31.03.2004	8,086.31	6.92	-	-	10,88,675.54	1,774.49	-	-	8,167.58	7.04
Pentane (M/T)										
Year Ended 31.03.2005	**317.60**	**0.44**	**-**	**-**	**57,177.88**	**129.50**	**-**	**-**	**676.26**	**0.88**
Year Ended 31.03.2004	502.82	0.40	-	-	52,038.03	87.01	-	-	317.60	0.44
Propane (M/T)										
Year Ended 31.03.2005	**855.49**	**0.83**	**-**	**-**	**1,80,159.12**	**453.86**	**-**	**-**	**2,572.05**	**2.64**
Year Ended 31.03.2004	4,582.25	4.49	-	-	1,60,909.62	321.84	-	-	855.49	0.83
SBP Solvent (M/T)										
Year Ended 31.03.2005	**453.41**	**0.70**	**-**	**-**	**58,854.09**	**158.95**	**-**	**-**	**493.20**	**0.86**
Year Ended 31.03.2004	552.88	0.68	-	-	65,478.12	126.34	-	-	453.41	0.70
Polymers (M/T)										
Year Ended 31.03.2005	**24,671.32**	**65.05**	**4,362.90**	**24.88**	**3,18,613.91**	**1,774.17**	**459.73**	**0.31**	**8,747.93**	**22.73**
Year Ended 31.03.2004	20,028.76	48.06	14,475.48	77.18	2,65,475.85	1,179.36	8,067.97	0.44	24,671.32	65.05
C2/C3 (M/T)										
Year Ended 31.03.2005	**1,648.00**	**1.09**	**-**	**-**	**-**	**-**	**-**	**-**	**3,811.69**	**2.44**
Year Ended 31.03.2004	3,955.00	2.55	-	-	-	-	-	-	1,648.00	1.09
Ethylene (M/T)										
Year Ended 31.03.2005	**1,910.00**	**2.35**	**-**	**-**	**-**	**-**	**-**	**-**	**991.01**	**1.09**
Year Ended 31.03.2004	7,483.00	7.94	-	-	-	-	-	-	1,910.00	2.35
Butene-1 (M/T)										
Year Ended 31.03.2005	**133.00**	**0.37**	**-**	**-**	**205.87**	**1.19**	**-**	**-**	**307.86**	**0.70**
Year Ended 31.03.2004	475.00	0.92	-	-	1,346.14	6.40	-	-	133.00	0.37
Other Products (M/T)										
Year Ended 31.03.2005	**5,618.19**	**6.28**	**-**	**-**	**28,444.45**	**62.14**	**7,379.00**	**10.66**	**6,463.11**	**7.29**
Year Ended 31.03.2004	2,581.03	3.00	-	-	20,168.58	64.94	-	-	5,618.19	6.28

Note: (i) Difference in reconciliation of opening stock,purchases,sales and closing stock of Gas Quantity is on account of measurement tolerance.

(ii) Rs. 54.38 Crores(Previous Year: 52.40 Crores) has been deducted at Source u/s 194C of the Income Tax Act from the Gas sales invoices raised during the year.

(iii) Internal consumption of Polymes included 294.40 MT for manufacture of Other Products.

(iv) @Excluding Prior Period adjustments.

* Includes gas after processing.

(Rs. in Crores)

		2004-05	2003-04
II.	**CIF Value of Imports**		
	I) Capital Goods	**38.18**	86.63
	ii) Spare Parts & Components	**58.63**	121.16
	iii) Raw materials (Polymers)	**1.16**	-
III.	**a) Expenditure in Foreign Currency**		
	I) Interest/Commitment Charges	**0.81**	60.94
	ii) Technical/Consultancy/License Fee/Engineering	**21.41**	15.62
	iii) Others	**836.79**	1641.53
	b) Earnings in Foreign Currency		
	I) Sales	**76.95**	19.03
	ii) Others (Including Tender fee)	**1.92**	2.68
IV.	**Remuneration paid/payable to whole time Directors including Chairman & Managing Director:**		
	Salaries & Allowances	**0.49**	0.54
	Contribution to Provident, Gratuity and Other Funds	**0.16**	0.15
	Other Benefits and Perquisites	**0.08**	0.03
		0.73	0.72

In addition to above remuneration, Whole time Directors are allowed the use of Staff cars including for private journeys upto a ceiling of 1000 Kms. per month on payment in accordance with the Bureau of Public Enterprises Circular.

V. Licensed Capacity, Installed Capacity and Actual Production

		CURRENT YEAR 2004-05				PREVIOUS YEAR 2003-04			
		Licensed Capacity	**Installed Capacity**	**Gas Throughput**	**Production**	Licensed Capacity	Installed Capacity	Gas Throughput	Production
I)	Natural Gas including RLNG (MMSCMD)								
	a) HVJ	**33.40**	**33.40**	**31.75**	**-**	33.40	33.40	32.23	-
	b) Others	**-**	**-**	**36.35**	**-**	-	-	30.61	-
	c) RLNG Shipper	**-**	**-**	**3.46**	**-**	-	-	-	-
ii)	LPG (M /T)	**11,68,844**	**11,68,844**	**-**	**10,94,835.00**	11,68,844	11,68,844	-	10,88,686.04
iii)	Propane (M/T)	**2,01,085**	**2,01,085**	**-**	**1,81,863.47**	2,01,085	2,01,085	-	1,57,303.26
iv)	Ethylene (M/T)	**3,00,000**	**3,00,000**	**-**	**3,19,289.86**	3,00,000	3,00,000	-	2,75,610.00
v)	HDPE/LLDPE (M/T)	**3,10,000**	**3,10,000**	**-**	**2,98,787.35**	2,60,000	2,60,000	-	2,63,719.91

Notes:
1. Production of Pentane 57,524.74 MTs (Previous year : 51,872.15 MTs). SBP Solvent 58,875.59 MTs (Previous Year: 65,298.28 MTs).
2. Licensed and Installed Capacity of C2/C3 4,00,000 MTs(Previous Year: 4,00,000 MTs) and actual Production 4,26,994.01 MTs (Previous Year: 3,66,418.50 MTs).
3. Licensed and Installed Capacity of Butene-1 10,000 MTs (Previous Year : 10,000 MTs) and actual Production 7,989.27 MTs (Previous Year: 7,036.42 MTs).

VI. Value of Raw Materials, Stores/Spares and Components consumed during the year.

	CURRENT YEAR 2004-05			PREVIOUS YEAR 2003-04		
	Qty.	Rs. in crores	%	Qty.	Rs in crores	%
i) Raw Material Consumed:						
a) Gas (MMSCM)						
- Indigeneous	1150.72	888.49	100.00	1091.45	819.60	100.00
- Imported	-	-	-	-	-	-
b) Propylene (MT)						
- Indigeneous	147.60	0.43	100.00	-	-	-
- Imported	-	-	-	-	-	-
c) C4 Mix (MT)						
- Indigeneous	5170.77	10.23	100.00	-	-	-
- Imported	-	-	-	-	-	-
Sub total	**6469.09**	**899.15**		**1091.45**	**819.60**	
ii) Stores, Spares Components Consumed						
- Indigeneous	-	71.05	48.90	-	75.83	43.34
- Imported	-	74.26	51.10	-	99.13	56.66
Sub total		**145.31**	**100.00**	**-**	**174.96**	**100.00**
Total		**1044.46**			**994.56**	

N. K. Nagpal
Secretary

J.K.Jain
Director (Finance)

B.S. Negi
Director (BD)

Proshanto Banerjee
Chairman & Managing Director

As per our separate
Report of even date
For S MANN & COMPANY

Place: New Delhi
Dated: June 21, 2005

Subhash Mann
(Partner)
Membership No. 80500

Information About Business Segments for Financial Year 2004-05

(Annexure - A)

(Rs. in Crores)

Sl. No.	Segments	Transmission Services		Natural Gas Trading	Petro Chemicals	LPG & Liquid Hydrocarbons	Gailtel	Unallocated	Consolidated Total
		Natural Gas	LPG						
1.	**Revenue**								
	External Sales	1923.80	301.84	7130.16	1842.05	1837.48	18.42	222.37	13276.12
	Intersegment sales	-	-	-	-	-	-	-	-
	Total revenue	**1923.80**	**301.84**	**7130.16**	**1842.05**	**1837.48**	**18.42**	**222.37**	**13276.12**
2.	**Results**								
	Segment Result (Profit before Interest &Tax)	1193.54	89.54	210.80	804.24	609.00	(1.07)		2906.05
	Unallocated expenses	-	-	-	-	-	-	165.91	165.91
	Operating Profit	1193.54	89.54	210.80	804.24	609.00	(1.07)	(165.91)	2740.14
	Interest Expenses	-	-	-	-	-	-	134.09	134.09
	Interest/ Dividend Income	-	-	-	-	-	-	265.34	265.34
	Provision for Taxation	-	-	-	-	-	-	917.48	917.48
	Profit/(Loss) from Ordinary Activities	1193.54	89.54	210.80	804.24	609.00	(1.07)	(952.14)	1953.91
	Extraordinary items	-	-	-	-	-	-	-	-
	Net Profit/(Loss)	**1193.54**	**89.54**	**210.80**	**804.24**	**609.00**	**(1.07)**	**(952.14)**	**1953.91**
3	**Other Information**								
	Segment Assets	4626.47	1209.44	57.31	2120.58	1466.32	57.98	-	9538.10
	Unallocated Assets	-	-	-	-	-	-	4721.76	4721.76
	Total Assets	**4626.47**	**1209.44**	**57.31**	**2120.58**	**1466.32**	**57.98**	**4721.76**	**14259.86**
	Segment Liabilities	1891.95	38.73	16.49	96.36	123.98	26.48	-	2193.99
	Unallocated Liabilities	-	-	-	-	-	-	1280.16	1280.16
	Total Liabilities	**1891.95**	**38.73**	**16.49**	**96.36**	**123.98**	**26.48**	**1280.16**	**3474.15**
	Cost to acquire fixed assets**	303.00	436.52	-	57.59	0.50	(197.33)	46.37	646.65
	Depreciation*	560.44	140.41	-	136.80	95.08	7.67	6.25	946.65
	Non Cash expenses other than Depreciation*	4.76	(0.20)	-	0.06	1.74	-	11.98	18.34

* Excluding Prior period adjustments
** Assets of GAILTEL has been rationalised during the year

Information About Business Segments for Financial Year 2003-04

(Annexure - A Contd.)

(Rs. in Crores)

Sl. No.	Segments	Transmission Services		Natural Gas Trading	Petro Chemicals	LPG & Liquid Hydrocarbons	Gailtel	Unallocated	Consolidated Total
		Natural Gas	LPG						
1.	**Revenue**								
	External Sales	1726.17	266.65	5783.66	1265.31	2313.65	20.47	163.75	11539.66
	Intersegment sales	-	-	-	-	-	-	-	-
	Total revenue	**1726.17**	**266.65**	**5783.66**	**1265.31**	**2313.65**	**20.47**	**163.75**	**11539.66**
2.	**Results**								
	Segment Result (Profit before Interest &Tax)	1339.39	119.76	43.72	362.29	1048.58	(8.79)	-	2904.95
	Unallocated expenses	-	-	-	-	-	-	123.57	123.57
	Operating Profit	1339.39	119.76	43.72	362.29	1048.58	(8.79)	(123.57)	2781.38
	Interest Expenses	-	-	-	-	-	-	137.97	137.97
	Interest/Dividend Income	-	-	-	-	-	-	171.01	171.01
	Provision for Taxation	-	-	-	-	-		945.08	945.08
	Profit/(Loss) from Ordinary Activities	1339.39	119.76	43.72	362.29	1048.58	(8.79)	(1035.61)	1869.34
	Extraordinary items	-	-	-	-	-	-	-	-
	Net Profit/(Loss)	**1339.39**	**119.76**	**43.72**	**362.29**	**1048.58**	**(8.79)**	**(1035.61)**	**1869.34**
3.	**Other Informations**								
	Segment Assets	4877.57	898.25	47.30	2216.47	1458.32	256.76	-	9754.67
	Unallocated Assets	-	-	-	-	-	-	2495.29	2495.29
	Total Assets	**4877.57**	**898.25**	**47.30**	**2216.47**	**1458.32**	**256.76**	**2495.29**	**12249.96**
	Segment Liabilities	1403.07	41.97	16.49	74.76	58.80	32.25	-	1627.34
	Unallocated Liabilities	-	-	-	-	-	-	1402.87	1402.87
	Total Liabilities	**1403.07**	**41.97**	**16.49**	**74.76**	**58.80**	**32.25**	**1402.87**	**3030.21**
	Cost to acquire fixed assets	2269.63	96.90	-	6.95	13.32	150.63	6.37	2543.80
	Depreciation*	320.56	97.74	-	156.51	72.04	10.61	3.60	661.06
	Non Cash expenses other than Depreciation*	3.46	-	-	(0.76)	2.34	-	-	5.04

* Excluding Prior period adjustments

Related Party Disclosures

(Annexure - B)

I) Relationship

A) Joint Venture Companies:

1) Mahanagar Gas Limited
2) Indraprastha Gas Limited
3) Petronet LNG Limited
4) Bhagyanagar Gas Limited
5) Tripura Natural Gas Corporation Limited
6) Central UP Gas Limited

B) Whole time Directors:

1) Shri Proshanto Banerjee, Chairman and Managing Director
2) Shri J. K. Jain
3) Shri S. P. Rao
4) Shri B.S. Negi
5) Shri M. R. Hingnikar
6) Dr U. D. Choubey

C) Unincorporated Joint venture for Exploration & Production Activities:

1)	NEC - OSN - 97/1	(Non-operator with participating interest: 50%)
2)	CB - ONN - 2000/1	(Non-operator with participating interest: 40%)
3)	A-1, Myanmar	(Non-operator with participating interest: 10%)
4)	CY-OS/2	(Non-operator with participating interest: 25%)
5)	AA-ONN-2002/1	(Non-operator with participating interest: 80%)
6)	CY-ONN-2002/1	(Non-operator with participating interest: 50%)

II) The following transactions were carried out with the related parties in the ordinary course of business:

(Rs. in Crores)

A) Details relating to parties referred to in item no. I (A) above:

		2004-05	2003-04
1)	Sales	**293.14**	270.95
2)	Amount receivable as at Balance Sheet Date for (1) above	**14.60**	16.63
3)	Purchases	**1187.71**	23.15
4)	Amount payable as at Balance Sheet Date for (3) above	**66.65**	15.32
5)	Reimbursement for other expenditure received/receivable	**1.23**	3.52
6)	Amount receivable as at Balance Sheet Date for (5) above	**1.17**	3.71

B) Details relating to parties referred to in item no. I (B) above:

		2004-05	2003-04
1)	Remuneration*	**0.73**	0.72
2)	Interest bearing outstanding loans receivable	**0.14**	0.06
3)	Interest accrued on loans given	**0.09**	0.07

*Remuneration includes Basic,Allowances,reimbursements,contribution to PF and perquisites. In addition, Whole time Directors are allowed the use of Staff cars including for private journeys upto a ceiling of 1000 Kms. per month on payment in accordance with the Bureau of Enterprises Circular.

C) Details relating to parties referred to in item no. I (C) above:

		2004-05	2003-04
1)	Minimum work program commitment	**94.39**	94.90
2)	Survey and other expenses	**22.07**	7.55
3)	Other assets	**46.13**	21.38
4)	Amount outstanding on Balance Sheet date	**17.32**	9.38
5)	Amount written Off- Dry well expenditure	**2.22**	-

Disclosure as Required by Clause 32 of the Listing Agreement

(Annexure - C)

(Rs. in crores)

	Amount as on 31.03.2005	Maximum amount outstanding during the year ended 31.03.2005
1 Loans and advances in the nature of loans:		
a To subsidiary Company: GAIL Global Singapore (Pte) Limited	76.94	76.94
b To Companies in which Directors are interested	Nil	Nil
c Where there is no repayment schedule or repayment beyond seven years or no interest or interest below Section 372 A of Companies Act	Repayment of Loan would be five years from the date of drawl i.e 24/9/2004. Rate of interest on loan is 6 months LIBOR + 100 basis points	
2 Investment by the Subsidiary Company in the shares of GAIL (India) Limited and its subsidiaries	Nil	Nil

Statement Pursuant to Section 212(1)(e) of the Companies Act,1956 Relating to Company's Interest in the Subsidiary Company

	Name of the Subsidiary Company	GAIL Global (Singapore) Pte Limited
1	The financial year of the subsidiary Company ended on	31.03.2005
2	Date from which it became subsidiary Company	14.09.2004
3	a) Number of Shares held by GAIL (India) Limited alongwith its nominees in the subsidiary at the end of financial year of the subsidiary company	2,100,000 equity shares of USD 1 per share
	b) Extent of Shareholding	100%
4	The net aggregate amount of Subsidiary Company profit so far it concerns the members of Holding Company:	
	a) Not dealt within the Holding Company Accounts:	
	i) for the financial year ended 31.03.2005 (Rs. in Crores)	2.26
	ii) for previous financial years of the subsidiary company since it became the holding company subsidiary	Not Applicable
	b) Dealt within the Holding Company Accounts:	
	i) for the financial year ended 31.03.2005	Nil
	ii) for previous financial years of the subsidiary company since it became the holding company subsidiary	Nil

N. K. Nagpal	J.K.Jain	B.S.Negi	Proshanto Banerjee
Secretary	Director (Finance)	Director (BD)	Chairman & Managing Director

Place : New Delhi
Dated : June 21, 2005

Accounting Policies

A. BALANCE SHEET

1. Fixed Assets

Fixed Assets are valued at historical cost on consistent basis. In the case of commissioned assets where final payment to the Contractors is pending, capitalization is made on provisional basis, including provisional liability pending approval of Competent Authority, subject to necessary adjustment in cost and depreciation in the year of settlement.

2. Intangible Assets

Intangible assets like software, licenses and right-of-use of land including sharing of ROU with other entities which are expected to provide future enduring economic benefits are capitalized as Intangible Assets.

3. Capital Work in Progress

(a). Crop compensation is accounted for under Capital Work-in-Progress on the basis of actual payments/estimated liability, as and when work commences where ROU is acquired.

(b). The Capital Work-in-Progress includes value of materials/equipments, etc. received at site for use in the Projects.

4. Borrowing Cost

Borrowing cost of the funds specifically borrowed for the purpose of obtaining qualifying assets and eligible for capitalization along with the cost of the assets, is capitalized upto the date when the asset is ready for use after netting off any income earned on temporary investment of such funds.

5. Expenses Incurred During Construction Period

All revenue expenditure incurred during the year, which is exclusively attributable to acquisition / construction of fixed assets, is capitalized at the time of commissioning of such assets.

6. Depreciation/Amortisation

I. Depreciation on Fixed Assets other than those mentioned below is provided in accordance with the rates as specified in Schedule XIV of the Companies Act, 1956, on straight line method on pro-rata basis (monthly pro-rata for bought out assets).

(a). Assets costing upto Rs.5,000/- are depreciated fully in the year of capitalisation.

(b). Bunk Houses are amortised on assumption of five years life.

(c). Computers at the residence of the employees are depreciated at the rate of 23.75 percent.

(d). Cost of the leasehold land not exceeding 99 years is amortised over the lease period.

(e). Depreciation due to price adjustment on account of foreign exchange rate variations or otherwise in the original cost of fixed assets is charged prospectively.

(f). Capital expenditure on the assets (enabling facilities), the ownership of which is not with the Company, is charged off to Revenue.

(g). Software / Licences are amortised in 5 years on straight line method.

(h). No depreciation is being charged on ROU being perpetual in nature.

i). After impairment of assets, if any, depreciation is provided on the revised carrying amount of the assets over its remaining useful life

II. Capital assets installed at the consumers premises on the land whose ownership is not with the company, has been depreciated on SLM basis in accordance with the rates as specified in Schedule XIV of the Company's Act, 1956.

7. Foreign Currency Translation

(a). Loans/other liabilities involving foreign currency are translated at the rate of exchange (BC Selling) prevailing at the year end . All exchange difference in respect of foreign currency transaction are dealt with in the Profit and Loss Account except those relating to acquisition of fixed assets, which are adjusted in the cost of the assets.

(b). Deposits in Foreign Currency are valued at the rate of exchange *(TT Buying)* prevailing at the year end.

8. Investments

(a). Quoted investments are valued at cost or market value, whichever is lower.

(b). Unquoted investments are valued at cost.

(c). Long term investments are valued at cost. Provision is made to recognise a decline, other than temporary, in the value of investments.

9. Inventories

(a). Raw materials are valued at cost or net realisable value, whichever is lower.

(b). Finished products are valued at cost or net realisable value, whichever is lower.

(c). Stock in process is valued at cost or net realisable value, whichever is lower. It is valued at cost where the finished products in which these are to be incorporated are expected to be sold at or above cost.

(d). Stores and spares and other material for use in production of inventories are valued at weighted average cost or net realisable value, whichever is lower. It is valued at weighted average cost where the finished products in which they will be incorporated are expected to be sold at/or above cost.

(e). Surplus / Obsolete Stores and Spares are valued at cost or net realisable value, which ever is lower.

(f). Surplus / Obsolete Capital Stores, other than held for use in construction of a capital assets, are valued at lower of cost or net realisable value.

10. Machinery spares, which can be used only in connection with an item of fixed asset and their use is expected to be irregular, are capitalised with the cost of that fixed asset and are depreciated during the remaining useful life of that asset.

11. Grants

In case of depreciable assets, the cost of the assets is shown at gross value and grant thereon is taken to Capital Reserve which is recognised as income in the Profit and Loss Account over the useful life period of the asset.

B. PROFIT & LOSS ACCOUNT

12. Sale proceeds are accounted for based on the consumer price inclusive of Statutory Levies and charges upto the place where ownership of goods is transferred.

13. The interest allocable to operations in respect of assets commissioned during the year is worked out by adopting the average of debt equity ratios at the beginning and closing of that year and applying the average ratio of debt thus worked out to the capitalised cost.

14. Pre-project expenditure relating to Projects which are considered unviable / closed, is charged off to Revenue over a period of five years.

15. Retirement Benefits

(a). Liability towards Gratuity is paid to a fund maintained by the company which is administered through a separate trust set up by the company. Difference between the fund balance with the trust and the accrued liability as at the end of the year as per actuarial valuation is charged to Profit and Loss Account.

(b). Liability towards leave encashment and post retirement medical benefits to employees as at the end of the year is assessed on the basis of actuarial valuation and provided for.

(c). Contribution to Provident Fund as per the rules of the Company is accounted for on accrual basis.

16. Taxes on Income

Current tax represents the amount of tax payable in respect of taxable income for the period. Deferred tax liability represents the tax being difference between taxable and accounting income which originate in one period and are capable of reversal in one or more subsequent periods.

17. **R&D Expenditure**

All expenditure, other than on capital account, on research and development are charged to Profit and Loss Account.

18. Yearly reconciliation of Natural Gas is made within a limit of $\pm$1%. In case of variation beyond $\pm$1% value of excess quantity is kept in a separate Account "Tolerance Fluctuation Adjustment Account" for adjustments in future.

19. **Exploration and Development Costs :-**

Successful Efforts Method is being followed for accounting of Oil & Gas exploration and production activities which includes -

(a). Survey Costs are expensed in the year in which these are incurred.

(b). Cost of exploratory wells is carried as 'Exploratory wells in progresses. Such exploratory wells in progress are capitalized in the year in which the producing property is created or is expensed in the year when determined to be dry / abandoned.

(c). All wells appearing as "exploratory wells in progress" which are more than two years old from the date of completion of drilling are charged to Profits and Loss Account except those wells which have proved reserves and the development of the fields in which the wells are located has been planned. Such wells, if any are written back on commencement of commercial production.

20. **Contingent Liabilities and Capital Commitments**

(a). Contingent Liabilities are disclosed in each case above Rs. 5 lakhs.

(b). Estimated amount of contracts remaining to be executed on capital accounts are disclosed in each case above Rs. 5 lakhs.

21. **Impairment**

The carrying amounts of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on Internal / External factors, an Impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount.

GENERAL

22. Prepaid expenses and prior period expenses/income upto Rs.1,00,000/- in each case are charged to relevant heads of account of the current year.

23. Liquidated Damages, if any, are accounted for as and when recovery is effected and the matter is considered settled by the Management. Liquidated damages, if settled, after capitalization of assets are charged to revenue, if below Rs.50 lakhs in each case otherwise adjusted in the cost of relevant assets.

24. Insurance claims are accounted for on the basis of claims admitted by the insurers.

25. (a). Custom Duty and other claims (including interest on delayed payments) are accounted for on acceptance in principle.

(b). Liability in respect of MGO of Natural gas is not provided for where the same is secured by MGO recoverable from customers. Payments/receipts during the year on account of MGO are adjusted on receipt basis.

(c). Minimum charges relating to transportation of LPG are accounted for on receipt basis.

As per our separate report of even date

N. K. Nagpal	J. K. Jain	B. S. Negi	Proshanto Banerjee	For M/s S. MANN & COMPANY
Secretary	Director (Finance)	Director (BD)	Chairman & Managing Director	*Chartered Accountants*
				Director

Subhash Mann
(Partner)
Membership No. 80500

Place : New Delhi
Dated : 21.06.2005

Cash Flow Statement for the Financial Year Ended 31ST March, 2005

(Rs. in Crores)

		2004-05		2003-04
A. CASH FLOW FROM OPERATING ACTIVITIES				
1 NET PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS		**2,871.39**		**2,814.42**
2 ADD :				
DEPRECIATION	**944.89**		661.60	
DEFERRED REVENUE EXPENDITURE	-		0.11	
CAPITAL RESERVE	**(0.12)**		(0.12)	
EXCHANGE RATE VARIATION	**(0.07)**		(0.87)	
INTEREST EXPENDITURE	**134.09**		137.97	
DIVIDEND INCOME ON INVESTMENTS	**(119.34)**		(104.32)	
INTEREST INCOME	**(146.00)**		(64.30)	
PROFIT/LOSS ON SALE OF ASSETS (NET)	**0.52**		1.61	
		813.97		631.68
3 OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES (1+2)		3,685.36		3446.10
4 CHANGES IN WORKING CAPITAL (EXCLUDING CASH & BANK BALANCES)				
TRADE AND OTHER RECEIVABLES	**(397.78)**		(196.96)	
INVENTORIES	**(6.53)**		(56.32)	
TRADE AND OTHER PAYABLES	**409.24**		311.26	
		4.93		57.98
5 CASH GENERATED FROM OPERATIONS (3+4)		3,690.29		3,504.08
6 DIRECT TAXES PAID		(859.56)		(896.21)
NET CASH FROM OPERATING ACTIVITIES (5+6)		**2,830.73**		2,607.87
BALANCE CARRIED FORWARD		2,830.73		2,607.87

Cash Flow Statement for the Financial Year Ended 31ST March, 2005

(Rs. in Crores)

			2004-05		2003-04
	BALANCE BROUGHT FORWARD		2,830.73		2,607.87
B.	**CASH FLOW FROM INVESTING ACTIVITIES**				
	PURCHASE OF FIXED ASSETS	(147.15)		(2,692.35)	
	SALE OF FIXED ASSETS	0.63		0.59	
	REDEMPTION OF BONDS/DEBENTURES	0.15		0.28	
	INVESTMENT IN OTHER COMPANIES	(12.11)		(84.33)	
	INTEREST RECEIVED	122.30		78.23	
	DIVIDEND RECEIVED	119.34		104.32	
	NET CASH FROM INVESTING ACTIVITIES		**83.16**		(2,593.26)
C	**CASH FLOW FROM FINANCING ACTIVITIES**				
	PROCEEDS FROM LONG TERM BORROWINGS	-		1,600.00	
	REPAYMENT OF LONG TERM BORROWINGS	(135.51)		(1,475.24)	
	INTEREST PAID	(134.56)		(154.49)	
	DIVIDEND PAID	(764.93)		(763.20)	
	NET CASH FROM FINANCING ACTIVITIES		**(1,035.00)**		(792.93)
	NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)		**1,878.89**		**(778.32)**
			1567.95		**2,346.27**
	CASH AND CASH EQUIVALENTS AS AT 01.04.2004 (OPENING BALANCE)				
	CASH AND CASH EQUIVALENTS AS AT 31.03.2005 (CLOSING BALANCE)		**3,446.84**		**1,567.95**

N.K.Nagpal
Secretary

J.K. Jain
Director (Finance)

Proshanto Banerjee
Chairman & Managing Director

As per our separate Report of even date
For S MANN & COMPANY
Chartered Accountants

Place : New Delhi
Dated : June 21, 2005

Subhash Mann
(Partner)
Membership No. 80500

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No.	0 1 8 9 7 6	State Code	5 5
Balance Sheet Date	3 1 (Date)	0 3 (Month)	2 0 0 5 (Year)

II. Capital raised during the year (Rs. in Lakhs)

Public Issue	**Right Issue**
NIL	NIL
Bonus Issue	**Private Placement**
NIL	NIL

III. Position of Mobilisation and Deployment of Funds: (Rs. in Lakhs)

Total Liabilities	**Total Assets**
1 1 8 7 8 7 4	- - 1 1 8 7 8 7 4

Sources of Funds :

Paid up Capital	**Reserves and Surplus**
- - - - 8 4 5 6 5	- - - 7 7 8 0 4 6
Secured Loans	**Unsecured Loans**
- - - 1 6 0 0 0 0	- - - - - 3 9 7 4 0
Deferred Tax Liability	
- - - 1 2 5 5 2 3	

Application of Funds :

Net Fixed Assets	**Investments**
- - - 8 1 5 4 9 6	- - - - - 7 8 3 9 5
Net Current Assets	**Misc. Expenditure**
- - - 2 9 3 9 8 3	N I L
Accumulated losses	
N I L	

IV. Performance of the Company (Rs. in Lakhs)

Turnover (Net of ED)	Total Expenditure
- - 1 2 7 3 4 3 9	- - - 9 8 6 3 0 0

Profit/Loss before Tax (+) (-)	Profit/Loss after Tax (+) (-)
(+) - - - 2 8 7 1 3 9	(+) - - - 1 9 5 3 9 1

Earning per share in Rs.	Dividend
Rs. 2 3 P. 1 1	8 0 %

V. Generic Names of the Principal Products/Services of Company (as per monetary terms)

Item Code No. (ITC Code)	2 7 1 1 2 1 0 0
Product Description	N A T U R A L G A S
Item Code No. (ITC Code)	2 7 1 1 1 9 0 0
Product Description	L P G
Item Code No.: (ITC Code)	3 9 0 1 2 0
Product Description	P O L Y E T H E L E N E
Item Code No.: (ITC Code)	2 7 1 1 2 0 0
Product Description	P R O P A N E

N.K. Nagpal
Secretary

J.K.Jain
Director (Finance)

B.S.Negi
Director (BD)

Proshanto Banerjee
Chairman & Managing Director

As per our separate Report of even date
For S MANN & COMPANY
Chartered Accountants

Place: New Delhi
Dated : June 21, 2005

(Subhash Mann)
Partner
Membership No. 80500

Auditors' Report to the Shareholders

We have audited the attached Balance Sheet of GAIL (India) Limited as at 31st March, 2005, the Profit and Loss Account and Cash Flow Statement of the company for the year ended on that date annexed thereto in which are incorporated the accounts of two units audited by branch auditors. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the statement on the Companies (Auditor's Report) order,2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that :

a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

b. The allocation of work amongst the auditors has been followed as per the directions contained in letter addressed to GAIL (India) Ltd. by the office of the Comptroller & Auditor General of India, New Delhi.

c. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books. The Branch Auditor's Report have been forwarded to us and have been appropriately dealt with;

d. The Balance Sheet and Profit & Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;

e. In our opinion, the Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;

f. On the basis of written declaration received from the Directors, as on 31st March, 2005, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2005 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

g. In our opinion and to the best of our information and according to the explanations given to us, the said financial statements read together with the significant accounting policies and notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

   i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2005,

   ii) in the case of the Profit & Loss Account, of the profit for the year ended on that date and

   iii) in the case of the Cash Flow Statement, of the cash flow of the company for the year ended on that date.

For S. Mann & Co.
Chartered Accountants

Subhash Mann
Partner
Membership No. 80500

Place : New Delhi
Dated : June 21, 2005

Annexure to the Auditor's Report

The Annexure referred to in the auditor's report to the shareholders of GAIL (India) Limited for the year ended March 31, 2005. We report that :

(I) (a) The company has generally maintained proper records showing full particulars including quantitative details and situation of fixed assets.

(b) According to the information and explanation given to us, there is a regular programme of verification of fixed assets which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. Fixed assets have been physically verified by the management during the year and no material discrepancies were noticed on such verification.

In our opinion, there was no substantial disposal of fixed assets during the year.

(II) According to the information and explanations given to us, the inventory of stores and spares were physically verified by the Management, except those lying with Engineers India Ltd. and other contractors at the end of the year. We have been explained that the stock of gas at the end of the year has been taken with reference to reading of Turbine Flow Meter/Gas Chromatograph installed at Terminals, Stock of LPG/Pentane/SBP Solvent are determined with reference to Tank Level Gauge measurement which are converted into tonnage by measurement of density and applying correction factor for temperature. LPG vapour volume is converted to tonnage by standard formulae.

In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and nature of its business.

According to the information and explanations given to us, no material discrepancies have been noticed on physical verification of stock of stores and spares as compared to the books and records.

(III) The Company has neither granted nor taken any loans secured or unsecured, to or from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.

(IV) In our opinion, and according to information and explanations given to us, there are adequate interal control procedure commensurate with the size of the company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods. During the course of our audit no major weakness has been noticed in the internal controls.

(V) On the basis of our examination of the books of accounts, the company has not made any transacions in respect of any party during the financial year that needs to be entered in the register pursuant to the section 301 of the companies Act, 1956.

The company has not accepted any deposits from the public during the year and consequently, the directive issued by the Reserve Bank of India and the provisions of section 58A and 58AA of the Companies Act, 1956, and the rules framed there under are not applicable.

VI) In our opinion, the company's internal audit system is commensurate with its size and nature of its activities. However, it requires further strengthening due to increase in the activities of the company in recent past.

(VII) As certified by the management and independent Cost Accountants, in our opinion, the company is maintaining the prescribed cost accounts and records pursuant to the rules made by the Central Government for the maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956.

(VIII) According to the records of the company, the company is generally regular in depositing undisputed statutory dues including Provident fund, Investor Education and Protection Fund, Income tax, Sales tax, Wealth tax, Custom duty, Excise duty, cess and any other statutory dues with the appropriate authorities. According to the information and explanation given to us, no undisputed amounts payable in respect of Income tax, Sales tax, Custom duty, Excise duty and other statutory dues were outstanding at the year end for a period of more than six months from the date they become payable.

As per the information given to us, the dues of Excise Duty, Custom Duty, Entry Tax, Sales Tax and Other Taxes which have not been deposited on account of disputes and the forum where the dispute is pending , are given below, requisite disclosure is being made under the head Contingent Liability:-

(Rs. in Crores)

Sl. No.	Issue	Subject matter of dispute	Amt.	Status - Forum
1.	Entry Tax	Entry Tax on market value of natural gas instead of its purchase price	82.77	Allahabad High Court
		Entry tax – Pata	0.08	Jt. Commissioner (A)
2.	Sales Tax	1. Non acceptance of declaration form for concessional sales tax	2.83	Dy. Commissioner (Appeals), Surat
		2. CST on transmission charges	7.06	Tribunal, Chennai
		3. Demand against adjustment of past period tax	0.74	Dy. Commissioner (Appeals), Gwalior
		4. Demand against revised assessment order	0.13	CTO, Rajahmundry
		5. Sales Tax Demand	4966.22	Refer Note on 2 (c) of Schedule 14.
3.	Customs	1. Project import – Pata	305.52	Dy. Commissioner of Customs, Mumbai
		2. Demand of duty on Panna-Mukta Gas	581.22	Commissioner of Customs, Ahmedabad
4.	Excise	1. Duty on Lean Gas	123.63	CESTAT
		2. Duty on Lean Gas – 57CC	333.77	Supreme Court
		3. Disputed Modvat of Pata	4.67	Dy.Commissioner, Agra
		4. Duty on Lean Gas – 57CC	55.44	Commissioner of Central Excise, Raigad
		5. Pentane reclassification	2.43	Asstt. Comm. Gwalior
		6. Pentane reclassification	1.63	Commissioner, Kanpur
		7. Modvat on Comp - Pata	10.83	Commissioner (A)
5.	Other taxes	Notified area tax on revised value	1.59	Ahmedabad High Court

(IX) The company has no accumulated losses at the end of the financial year and it has not incurred any cash losses in the current and immediately preceding financial year.

(X) Based on our audit procedure and on the information and explanations given by the management, we are of the opinion that the company has not defaulted in repayment of dues to a financial Institution, bank and debenture holders.

(XI) In our opinion, the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities other than to its employees. In our opinion, the company has maintained adequate documents and records in respect of such loans.

(XII) The company is not a chit fund, nidhi, mutual benefit fund or a society. Accordingly, clause 4(xiii) of the order not applicable.

(XIII) According to the information and explanation given to us, the company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, clause 4 (xiv) of the order is not applicable.

(XIV) The company along with other promoters has issued corporate guarantee in favour of banks and financial institution for short term loan taken by Petronet LNG Limited from such banks and financial institutions, the terms and conditions whereof are not prejudicial to the interest of the company.

(XV) According to the information & explanation gives to us, the term loans have been applied for the purpose for which these were obtained.

(XVI) We have been informed by the management that the funds raised on short term basis have not been used for long term investment and vice-versa.

(XVII) The company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.

(XVIII) The company has not issued any debentures during the year.

(XIX) During the year no money has been raised by public issues.

(XX) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

For S. Mann & Co.
Chartered Accountants

Place : New Delhi
Dated : June 21, 2005

Subhash Mann
Partner
Membership No. 80500

Schedule of Fixed Assets (Township)

(Rs. in Lakhs)

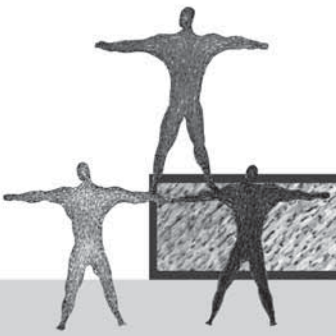
DESCRIPTION	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As at 01.04.2004	Additions/ Adjustments during the Year	Sales/ Adjustments during the Year	**As at 31.03.2005**	Up to 31.03.2004	For the Year	Adjustments during the Year	**As at 31.03.2005**	**As at 31.03.2005**	As at 31.03.2004
LAND: FREEHOLD	2,960.20	(1.60)	(108.59)	**2,850.01**	84.88	10.55	(4.59)	**90.84**	**2,759.17**	2,875.32
LAND: LEASEHOLD	345.84	1.60	-	**347.44**	25.02	3.77	0.00	**28.79**	**318.65**	320.82
BUILDING, ROADS ETC.	24,714.07	(52.32)	(169.63)	**24,492.12**	3,189.78	475.92	(10.70)	**3,655.00**	**20,837.12**	21,524.29
DRAINAGE, SEWAGE & WATER SUPPLY SYS. ETC.	1,108.85	60.61	-	**1,169.46**	426.99	61.91	2.42	**491.32**	**678.14**	681.86
FURNITURE, FIXTURES & OTHER EQP.	1,304.13	121.69	(80.67)	**1,345.15**	545.77	95.73	(80.84)	**560.66**	**784.49**	758.36
TRANSPORT EQUIPMENTS	3.64	-	(3.06)	**0.58**	1.55	0.08	(1.49)	**0.14**	**0.44**	2.09
TOTAL	30,436.73	129.98	(361.95)	**30,204.76**	4,273.99	647.96	(95.20)	**4,826.75**	**25,378.01**	26,162.74

Income and Expenditure Account

Income and Expenditure Account for the year ended 31st March, 2005 on Provisions of Township, Education, Medical and Other Facilities

(Rs. in Lakhs)

S. No.	Particulars	Year Ended 31st March, 2005	Year Ended 31st March, 2004
	Income		
1	Recovery of House Rent	54.68	49.55
2	Recovery of Utilities	34.09	59.34
3	Other Recoveries	8.77	6.72
4	Excess of Expenditure over Income	2,548.62	2,326.87
	TOTAL	**2,646.16**	**2,442.47**
	Expenditure		
1	Salaries, Wages & PF Contribution	328.23	257.73
2	Consumables, Stores & Medicines	32.66	34.21
3	Subsidies for Social & Cultural Activities	157.25	98.81
4	Repairs & Maintenance	505.92	469.49
5	Depreciation	655.60	626.42
6	Utilities: Power, Gas & Water	360.08	429.99
7	Land Rent	9.14	9.05
8	Welfare - School	99.09	116.17
9	Bus Hire Charges	204.95	153.07
10	Club & Recreation	7.05	2.86
11	Misc Expenses - Taxes, License Fees, Ins etc.	146.10	127.31
12	Hortculture Expenses	140.11	117.35
	TOTAL	**2,646.16**	**2,442.47**



Comments of C&AG u/s 619(4) of the Companies Act, 1956.

Review of Accounts by C&AG

Addendum to the Directors Report

Management Replies to the Comments of the Comptroller and Auditor General of India under Section 619(4) of the Companies Act, 1956 on the Accounts of GAIL (India) Limited for the year ended March 31, 2005.

PARA NO.	COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA	MANAGEMENT REPLIES
	<u>BALANCE SHEET</u>	
1.	**Current Assets, Loans and Advances- (Schedule 7)**	
	a) <u>Sundry Debtors Rs. 822.86 Crores</u>	
	The above includes Rs. 21.32 Crores recoverable from various customers towards the difference between the higher rate of Regassified Liquefied Natural Gas charged to them and the agreed rates (Administered Price Mechanism rates). In the absence of any revision to this effect in the Gas Supply Agreements with the customers, the recognition of revenue was not in accordance with para 9.2 of AS-9. This has resulted in overstatement of Debtors and sales as well as the profits to the extent of Rs. 21.32 Crores.	APM rates are applicable only for the quantity agreed to be supplied under APM. In case, gas is drawn more than the APM quantity, RLNG rates are charged based on the agreement/ subsequent letters issued to the customers and the revenue has been recognized as per the provisions of AS– 9.
	b) Advances recoverable in cash or in kind or for value to be received Rs. 1,334.03 Crores	
	The above includes Rs. 3.01 Crores spent on GDR issue in 1999 which is doubtful of recovery. Non provision of the same has resulted in overstatement of advances recoverable in cash or in kind by Rs. 3.01 Crores and profit to the same extent.	This is a legitimate claim and has already been recommended by MOP&NG to Ministry of Disinvestment for reimbursement to GAIL. As the amount is recoverable from Government, it was not considered necessary by the management to make a provision thereof. However, Company is pursuing the issue with Ministry of Disinvestment for early recovery.
2.	**Current Liabilities and Provisions (Schedule – 8)**	
	Current Liabilities – Rs. 2,716.13 Crores	
	Other Liabilities – Rs. 463.83 Crores	
	The above does not include an amount of Rs. 4.73 Crores approximately on account of concession in custom duty/CVD payable on the construction surplus proposed for sale. This has resulted in understatement of liability on account of custom duty & CVD and overstatement of profit to the extent of Rs. 4.73 Crores approximately.	Wherever reconciliation has been made, differential amount of custom duty amounting to Rs. 2.45 Crores has already been paid. Differential amount of Custom duty, if any, will be paid after completion of reconciliation for balance material. Therefore, liability has not been considered to be provided for during the year.

3. **Notes on accounts – (Schedule 14)**

Note No. 6 to the Accounts about disclosure of Rs. 1,137 Crores discount passed on to the Oil Marketing Companies is deficient to the extent that it does not disclose that amount of discount is inclusive of Rs. 20.18 Crores on reversed Central Sales Tax.

Provisional LPG prices are inclusive of CST and the discount has been given as per the advice of Petroleum Planning and Analysis Cell (PPAC)/MOP&NG and has been correctly accounted for based on the accepted accounting principles.

Requisite disclosure has also been made in the Notes to Accounts vide Note No. 6 of the Schedule 14 forming part of the Annual Accounts for the year 2004-05.

For and on behalf of the Board of Directors

(A. K. Singh)
Principal Director of Commercial Audit
& Ex.-Officio Member Audit Board – II

Place: New Delhi
Dated: August 16, 2005

(Proshanto Banerjee)
Chairman & Managing Director

Place: New Delhi
Dated: August 19, 2005

Review of the Accounts of GAIL (India) Limited, New Delhi, For the Year Ended March 31st, 2005 by the Comptroller & Auditor General of India

(This Review of Accounts has been prepared without taking into account comments under Section 619(4) of the Companies Act, 1956 and qualifications contained in the Statutory Auditors' Report)

1. FINANCIAL POSITION

The table below summarises the financial position of the Company under broad headings for the last three years :

(Rs.in Crores)

	2002-2003	2003-2004	2004-2005
Liabilities			
a) Paid-up Capital			
i) Government	569.50	484.94	**484.94**
ii) Others	276.15	360.71	**360.71**
b) Reserves and Surplus			
i) Free Reserves & Surplus	5,490.77	6,596.91	**7,777.99**
ii) Share Premium Account	0.26	0.26	**0.26**
iii) Capital Reserve	2.45	2.33	**2.21**
c) Borrowings			
i) From Government of India	-	-	**-**
ii) From Financial Institutions	-	-	**-**
iii) Foreign Currency Loans	1,420.83	61.28	**34.28**
iv) Others	626.29	2,072.20	**1,963.12**
d) (i) Current Liabilities & Provisions	2,758.35	3,007.82	**3,474.15**
(ii) Provision for Gratuity	17.60	22.39	**-**
e) Deferred Tax Liability	1,119.75	1,227.58	**1,255.23**
TOTAL	12,281.95	13,836.42	**15,352.89**
Assets			
f) Gross Block	11,048.71	13,584.73	**14,222.35**
g) Less: Depreciation	4,786.61	5,441.85	**6,376.47**
h) Net Block	6,262.10	8,142.88	**7,845.88**
i) Capital Work-In-Progress	688.14	814.47	**309.08**
j) Investments	687.94	771.99	**783.95**
k) Current Assets,Loans and Advances	4,643.66	4,107.08	**6,413.98**
l) Miscellaneous Expenditure not written off	0.11	-	**-**
TOTAL	12,281.95	13,836.42	**15,352.89**
m) Working Capital (k-d(i))	1,885.31	1,099.26	**2,939.83**
n) Capital Employed (h+m)	8,147.41	9,242.14	**10,785.71**
o) Net Worth (a+b(i)+b(ii)-l)	6,336.57	7,442.82	**8,623.90**
p) Net Worth Per Rupee of Paid-up Capital (in Rs.)	7.49	8.80	**10.20**

The Working Capital has been increased from Rs. 1,099.26 Crores in 2003-04 to Rs. 2,939.83 Crores in 2004-05 mainly due to increase in Short term deposit from Rs. 534.09 Crores in 2003-04 to Rs. 2,426.21 Crores in 2004-05. The increase in short term deposits was due to non utilisation of internally generated funds on new schemes.

The Capital Employed has increased from Rs. 9,242.14 Crores in 2003-04 to Rs. 10,785.71 Crores in 2004-05 due to increase in Net Current Assets.

Net Worth increased from Rs. 7,442.82 Crores in 2003-04 to Rs. 8,623.90 Crores in 2004-05 mainly because of increase in Reserves and Surplus due to higher profitability.

2. WORKING RESULTS

(Rs.in Crores)

		2002-2003	2003-2004	2004-2005
(i)	Sales (incl. LPG Transmission charges)	1,0641.99	11,295.67	**12,927.07**
(ii)	Less:Excise Duty	424.46	471.83	**514.87**
(iii)	Net Sales	1,0217.53	10,823.84	**12,412.20**
(iv)	Other/Miscellaneous Income	318.76	244.03	**349.05**
(v)	Profit/(Loss) before Tax and Prior Period Adjustments	2,510.03	2,811.83	**2,872.27**
(vi)	Prior Period Adjustments	8.26	2.59	**(0.88)**
(vii)	Profit/(Loss) before Tax	2,518.29	2,814.42	**2,871.39**
(viii)	Tax Provisions	879.18	945.08	**917.48**
(ix)	Profit after Tax	1,639.11	1,869.34	**1,953.91**
(x)	Proposed/Interim Dividend	591.96	676.52	**676.52**

The sales of the Company has increased from Rs. 11,295.67 Crores in 2003-04 to Rs. 12,927.07 Crores in 2004-05, which is increased by 14.44% which was mainly due to commissioning of Regassified Liquid Natural Gas Pipline. However, Profit After Tax has increased from Rs. 1,869.34 Crores in 2003-04 to Rs. 1,953.91 Crores in 2004-05 i.e. increased by 4.52%.

Other Income has increased from Rs. 244.03 Crores in 2003-04 to Rs. 349.05 Crores in 2004-05 due to increase in interest income from short term deposit with banks and other miscellaneous income.

3. RATIO ANALYSIS

Some important financial ratios on the financial health and working of the Company at the end of last three years are as follows:

(In Percentages)

	2002-2003	2003-2004	**2004-2005**
A. Liquidity Ratio	168.35	136.55	**184.62**
Current Ratio (Current Assets to Current Liabilities & Provisions but excluding Provision for Gratuity) (k / (d(i))			
B. Debt Equity Ratio	32.31	28.66	**23.16**
Long term debt to Net Worth (c (i to iv but excluding short term loans) / o)			
C. Profitability Ratios			
a) Profit before Tax to			
i) Capital Employed	30.91	30.45	**26.62**
ii) Net worth	39.74	37.81	**33.30**
iii) Sales	23.66	24.92	**22.21**
b) Profit after Tax to Equity	193.83	221.05	**231.05**
c) Earning per Share (in Rs.)	19.38	22.11	**23.11**

The percentage of Liquidity Ratio increased from 136.55 in 2003-04 to 184.62 in 2004-05 due to increase in Working Capital.

The percentage of Debt Equity Ratio is showing decreasing trend. It has declined from 28.66 in 2003-04 to 23.16 in 2004-05 because of repayment of borrowed funds.

The percentage of Profit after Tax to Equity has increased from 221.05 in 2003-04 to 231.05 in 2004-05 due to increased turnover.

4. SOURCES AND USES OF FUNDS

Funds amounting to Rs.2921.29 Crores were generated from internal and external sources and utilised during the year 2004-05 as follows:

(Rs. in Crores)

		2004-05
Sources of Funds		
Funds from operations		
Profit after Tax	1,953.91	
Add: Loss on Sale of Fixed Assets (net)	0.52	
	1,954.43	
Add: Depreciation/write off	942.49	
Add: Deferred Tax liability provided for	27.65	
	2,924.57	
Less: Capital Reserve transferred to P&L Account	0.12	
Less: Foreign Currency Translation Reserve	3.80	
		2,920.65
Sale of Fixed Assets		0.64
TOTAL		2,921.29
Utilisation of Funds		
Increase in Fixed Assets	646.65	
Less: Decrease in Capital Work-In-Progress	505.39	141.26
Decrease in Borrowed funds		136.08
Increase in Investments		11.96
Increase in Working Capital		1,867.06
Dividend Paid incl. Dividend Tax		764.93
TOTAL		2,921.29

5. INVENTORY LEVELS

The inventory levels at the end of the last three years are given below:

(Rs. in Crores)

	2002-2003	2003-2004	2004-2005
Stores and Spares	325.75	343.46	376.85
Stock of Gas/LPG/Polymers & other Products	92.84	131.45	104.59

The Stock of Stores & Spares was equivelent to 31.13 months consumption for production requirements in 2004-05 as compared to 23.91 months consumption in 2003-04 and 27.54 months consumption in 2002-03.

The Stock represented 0.10 months sales during 2004-05 as compared to 0.14 months sales in 2003-04 and 0.10 months sales in 2002-03.

6. SUNDRY DEBTORS

(i) The percentage of Sundry Debtors to Sales during the last three years is given below:

(Rs. in Crores)

As on 31st March	Considered Good	Considered Doubtful	Total Debtors	Sales	Percentage of Sundry Debtors to Sales
2003	709.51	120.47	829.98	10,641.99	7.80
2004	720.69	125.25	845.94	11,295.67	7.49
2005	822.86	120.25	943.11	12,927.07	7.30

The Sundry Debtors represents 0.88 months sales in 2004-05 as compared to 0.90 months sales in 2003-04 and 0.94 months sales in 2002-03.

(ii) Period - wise Sundry Debtors as on 31.3.2005 are given below:

(Rs. in Crores)

	Govt. Depts.	Govt. Companies	Private Parties	Total
Debts Outstanding				
(I) Upto one year	60.28	434.97	254.97	750.22
(ii) More than 1 year but less than 2 years	0.49	13.07	0.77	14.33
(iii) 2 Years or more but less than 3 years	13.95	9.34	1.10	24.39
(iv) 3 years or more	34.63	0.47	119.07	154.17
Total Debts	109.35	457.85	375.91	943.11

a). The dues from Government, Government Companies and Private parties constitute 11.59%, 48.55% and 39.86% of the total Sundry Debtors respectively.

b). The dues outstanding for more than 3 years constitute 16.35% of the total Sundry Debtors.

(A. K. SINGH)
Principal Director of Commercial Audit
& Ex-Officio Member, Audit Board-II

Place : New Delhi
Dated : 16.08.2005

GAIL Global (Singapore) Pte. Ltd.

Directors' Report for the period ended 31st March 2005

We, the undersigned directors, on behalf of all the directors of the Company, submit the annual report to the members together with audited accounts of the Company for the period ended 31st March 2005.

Directorate

The directors in office at the date of this report are as follows:

Upendra Dutta Choubey	(Appointed on 14 September 2004)
Kirpa Ram Vij	(Appointed on 14 September 2004)
Rajeev Khanna	(Appointed on 14 September 2004)

Arrangements for Directors to Acquire Shares or Debentures

At no time during the financial period was the Company a party to any arrangements to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' Interests in Shares or Debentures

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Cap. 50, particulars of interests of directors who held office at the end of the financial period in shares or debentures in the Company and in related corporations are as follows:-

	Holdings in the name of the director or nominee		Other holdings in which the director is deemed to have an interest	
	At date of incorporation	At end of the period	At date of incorporation	At end of the period
	Ordinary Shares of Rs. 10 each fully paid			
Holding Company GAIL (India) Limited				
Upendra Dutta Choubey	200	-	-	-
Rajeev Khanna	270	270	500	-

Except as disclosed in this report, no director who held office at the end of the financial period had interests in shares or debentures of the Company or of related corporations either at the beginning of the financial period or at the end of the financial period.

Directors' Contractual Benefits

Since the date of incorporation, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

Share Options

During the financial period, there were:-

(i) no options granted by the Company to any person to take up unissued shares in the Company.
(ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company.
As at the end of the financial period, there were no unissued shares of the Company under option.

Auditors

The auditors, Nexia Tan & Sitoh, have indicated their willingness to accept re-appointment.

For and on behalf of the Board

(Dr.) U.D. Choubey
Director

Place : New Delhi
Dated : June 10, 2005

Rajeev Khanna
Director

We, **(Dr.) U.D. Choubey and Rajeev Khanna,** being directors of **GAIL Global (Singapore) Pte. Ltd.,** do hereby state that in our opinion:

(a) the accounts set out on pages 5 to 16 are drawn up so as to give a true and fair view of the state of affairs of the Company as at 31st March 2005 and of the results of the business changes in equity and cash flows of the Company for the period ended on that date;

(b) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Signed on behalf of the Board of Directors

(Dr.) U.D. Choubey
Director

Place : New Delhi
Dated : June 10, 2005

Rajeev Khanna
Director

Nexia Tan & Sitoh

Certified Public Accountants

INTERNATIONAL

Report of the Auditors to the Members of GAIL Global (Singapore) Pte. Ltd.

We have audited the accompanying financial statements of GAIL Global (Singapore) Pte. Ltd. as set out on pages 5 to 16 for the financial period ended 31st March 2005. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, Cap 50 ("the Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company as at 31st March 2005 and the results, changes in equity and cash flows of the Company for the period then ended on that date; and

b) the accounting and other records (excluding registers) required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Certified Public Accountants

Place : Singapore
Dated : June 10, 2005

5 Shenton Way UIC Building #23-03 Singapore 068808
Telephone: (65) 6534 5700 Fax: (65) 6534 5766 Email: tansitoh@tansitoh.com.sg Website: www.tansitoh.com.sg

China Office: Unit 1209 Central Plaza 227 Huang Pi North Road Shanghai 200 003 China
Telephone: (8621) 63758226 Telefax: (8621) 63758326 Website: www.tansitoh.com.cn

Balance Sheet as at 31st March 2005

	Notes	2005 US$
Other Investments	3	19,065,966
Current Assets		
Trade receivable	4	1,038,062
Cash at bank		194,342
		1,232,404
Current Liabilities		
Accrued operating expenses		54,946
Amounts due to holding company (non-trade)	5	434,940
Provision for taxation		537
		490,423
Net Current Asset		741,981
Non-Current Liabilities		
Loan from holding company (non-trade)	6	17,200,000
		2,607,947
Representing:		
Share capital	7	2,100,000
Unappropriated profit		507,947
		2,607,947

The notes set out on pages 9 to 16 form part of these accounts.

Profit and Loss Account for the Period Ended 31st March 2005

	Notes	For the period from 14th September 2004 (date of incorporation) to 31st March, 2005 US$
Revenue	8	1,038,062
Other income	9	8,892
Administrative expenses		(249,127)
Profit from operations	10	797,827
Finance costs	11	(289,343)
Profit from ordinary activities before taxation		508,484
Taxation	12	537
Profit from ordinary activities after taxation		507,947

The notes set out on pages 9 to 16 form part of these accounts.

Statement of Changes in Equity for the Period Ended 31st March 2005

	Share Capital US$	Unappropriated Profit US$	Total US$
As at 14th September 2004	2,100,000	-	2,100,000
Profit for the period	-	507,947	507,947
As at 31st March 2005	2,100,000	507,947	2,607,947

The notes set out on pages 9 to 16 form part of these accounts.

Notes on the Accounts for the Period Ended 31st March 2005

	Note	For the period from 14th September 2004 (date of incorporation) to 31st March, 2005 US$
<u>**Cash Flow From Operating Activities**</u>		
Profit before tax		508,484
Adjustment for non cash items:		
Call deposit interest income		(8,892)
Loan interest expense to a holding company		289,343
Operating profits before working capital changes		788,935
(Increase)/Decrease In:		
Other receivable		(1,038,062)
Increase/(Decrease) In		
Accrued operating expenses		54,946
Amount due to holding company (non-trade)		434,940
Net Cash Inflows From Operating Activities		240,759
<u>**Cash Flows From Investing Activities**</u>		
Purchase of investment		(19,065,966)
Call deposit interest income		8,892
Net Cash (Outflows) From Investing Activities		(19,057,074)
<u>**Cash Flows From Financing Activities**</u>		
Proceeds from applications of new shares		2,100,000
Loan from a holding company (secured)		17,200,000
Loan interest expense to a holding company		(289,343)
Net Cash Inflows From Financing Activities		19,010,657
Net increase in cash and cash equivalents		194,342
Cash and cash equivalents at beginning of the period		-
Cash and cash equivalents at end of the period	13	194,342

The notes set out on pages 9 to 16 form part of these accounts.

Notes on the Accounts for the Period Ended 31st March 2005

These notes form an integral part of and should be read in conjunction with the accompanying accounts.

1 **Corporate Information**

The financial statements of the Company for the period ended 31st March 2005 were authorised for issue in accordance with resolution of the directors on 10 June 2005.

Gail Global (Singapore) Pte Ltd. is a Company incorporated in Singapore with its place of business at 10 Collyer Quay #19-08 Ocean Building Singapore 049315.

The principal activities of the Company, which is incorporated in the Republic of Singapore, have been those relating to the business of investment holding companies.

The holding company is GAIL (India) Limited, a listed company incorporated in India, New Delhi.

2 **Summary of Significant Accounting Policies**

(a) Basis of preparation

The financial statements are prepared in accordance with the historical cost convention.

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (“FRS”).

The preparation of financial statements is in conformity with FRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management’s best knowledge of current events and actions, actual results may ultimately differ from these estimates.

(b) Investments

Other investments comprise long-term equity and non-equity securities. They are stated at cost less allowance for diminution in value based on a review at the balance sheet date. An allowance for diminution in made where, in the opinion of Directors, there is a decline other than temporary in the value of such investments; such reduction being determined and made for each investment individually. Where there has been a decline other than temporary in the value of an investment, such a decline is recognized as expense in the period in which the decline is identified.

(c) Trade and Other Receivables

Trade and other receivables are stated at their cost less allowance for doubtful receivables. Bad debts are written off when identified.

(d) Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and bank deposits. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts which are repayable on demand and which form an integral part of the Company’s cash management.

(e) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

(f) Preliminary Expenses

Preliminary expenses are written off in the period they are incurred.

(g) Deferred Taxation

Deferred tax is provided in full, using liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(h) Income Recognition

Provided it is probable that the economic benefits will flow to the Company and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the profit and loss account as follows:

(i) Dividend Income

Dividend income from quoted investments is recognised when dividend has been declared and right to receive dividend has been established.

(ii) Interest income

Interest income is recognised on an accrual basis.

(i) Related Parties

Related parties are entities with common director, indirect shareholders and/or directors. Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

(j) Foreign Currencies Translations

(i) Measurement currency

Items included in the financial statements of each entity in the Company are measured using currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity. The financial statements of the Company are presented in United States Dollars, which is the measurement currency of the Company.

(ii) Foreign currency transaction

Monetary assets and liabilities in foreign currencies are translated into United States dollars at rates of exchange approximating to those ruling at the balance sheet date. Translations in foreign currencies are transacted at rates ruling on transaction dates. Transaction differences are included in the profit and loss statement.

(k) Impairment

The carrying amounts of the Company's assets, other than inventories, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated. For intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cashgenerating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account.

(i) Calculation of recoverable amount

The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belong.

(ii) An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal of an impairment loss in respect of land and buildings or investment property carried at revalued amount is recognised in the same way as a revaluation increase. All other reversals of impairment are recognised in the profit and loss account.

(l) Employee Benefits

Defined contribution plans

Contributions to post employment benefits under defined contribution plans are recognised as an expense in the profit and loss account as incurred.

3. Other Investments

	2005 US$
Quoted equity:	
Quoted shares at cost	19,065,966
Less: Allowance for diminution in value	-
	19,065,966
Fair values	19,347,680

The market value of quoted equity is determined by reference to stock exchange quoted bid prices.

The exposure of other investments to interest rate risks is disclosed in note 15(c).

4. Trade Receivable

	2005 US$
Dividend receivable	1,038,062
	1,038,062

The carrying amount of trade receivable approximates its fair value.

5. **Amounts Due To A Holding Company (Non-Trade)**

These amounts are unsecured, interest-free and have no fixed term of repayments.

6. **Loan From Holding Company (Secured)**

	2005 US$
Long term loan	17,200,000

The interest bearing bank loan bears interest of 6-months LIBOR as per Telerate page plus one hundred basis points (bps). During the period, the interest is charged at 1.68%. The repayment period is 5 years.

These loan are secured by 15% paid up capital in National Gas Company S.A.E Egypt (Natgas) with investment cost of $19,065,966 as at 31st March 2005 (Note 3).

	Carrying amounts 2005 US$	Fair values 2005 US$
Long term loan	17,200,000	15,825,267

The fair values are determined from the discounted cash flow analysis, using a discounted rate based upon the 6-months LIBOR as per Telerate page plus one hundred basis points (bps) as at the balance sheet date. The loan amount is denominated in United States Dollar.

7. **Share Capital**

	2005 US$
Authorised:	
At beginning and end of period 20,000,000 ordinary shares	20,000,000
Issued and paid-up capital:	
At beginning and end of period - 2,100,000 ordinary shares of $1 each	2,100,000

The Company was incorporated with an authorised share capital of $20,000,000 divided into 20,000,000 ordinary shares of US$1 each. 2,100,000 ordinary shares of $1 each fully paid were issued at par for cash as initial working capital.

8. **Revenue**

	2005 US$
Dividend income	1,038,062

9. **Other Income**

	2005 US$
Call deposit interest income	8,892

10. Profit From Operations

The profit from operations is determined:

	Note	2005 US$
After charging:		
Non-Audit fees paid to auditors		908
Preliminary expenses	2(f)	2,245
After crediting:		
Call deposit interest income		8,892

11. Finance Costs

	2005 US$
Loan interest expense to holding company	289,343

12. Taxation

Income tax expenses	2005 US$
Current taxation	
- current	537
	537

The tax (income) / expense on profit differ from the amount that would arise using the Singapore standard rate of income tax due to the following:-

	2005 US$
Profit before tax	508,484
Tax calculated at a tax rate of 20%	101,697
Income not subject to income tax	(100,017)
Tax exemption	(1,143)
	537

13. Cash and cash equivalents

	2005 US$
Cash at bank and in hand	194,342

The carrying amounts of cash and cash equivalents approximate their fair value.

The effective interest rates per annum relating to cash and cash equivalents at the balance sheet date for the Company are 0.69%. Interest rates re-price within a period of twelve months.

The exposure of cash and cash equivalents to interest rate risks is disclosed in note 15(c).

14. Related Party Transactions

(i) Some of the directors have interest in the related parties. Parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

(ii) In addition to the related party information disclosed elsewhere in the accounts, there were the following significant related party transactions took place during the year on terms agreed between the parties:

	2005 US$
Holding Company	
GAIL (India) Limited	
Loan (note a)	17,200,000
Loan interest expense (note a)	289,343
Reimbursement of legal expense	183,772

Note:

(a) The loan from a holding company amounting to US$17,200,000 as set out in note 6, is secured and repayable in full on 24 September 2009. Interest is payable based upon the 6-months LIBOR as per Telerate page plus one hundred basis points (bps).

15. Financial Instruments and Risk Management

(a) Financial risk management objectives and policies

The Company's overall treasury and funding policies focus on minimising foreign currency and interest rate exposures in a cost-efficient manner and maximising the yields on surplus cash based on a prudent assessment of the risks of investments. Treasury matters are governed by policies approved by the Board of Directors and are implemented by the management on a day to day basis.

(b) Credit risk

Management has a credit policy in place and the exposure to credit risk on receivables is monitored on an ongoing basis. Credit evaluation is performed on all customers requiring credit over a certain amount and credit terms.

At balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

(c) Interest rate risk

The Company's exposure to market risk for changes in interest rates relate primarily to debt obligations.

The Company's debt obligations are denominated mainly in United States dollars at interest rate of 6-months LIBOR as per Telerate page plus one hundred basis points (bps). Periodic reviews are carried out by the management on the proportion of market rates taking into account the cash flows and the nature of debt obligations of the Company and the market outlook.

(d) Foreign currency risk

The Company incurs foreign currency risk on its investments and expenses that are denominated in a currency other than United States dollars. The currency giving rise to this risk is primarily Egyptian pounds and Singapore dollars.

(e) Liquidity risk

The Company monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Company's operations and to mitigate the effects of fluctuations in the cash flows.

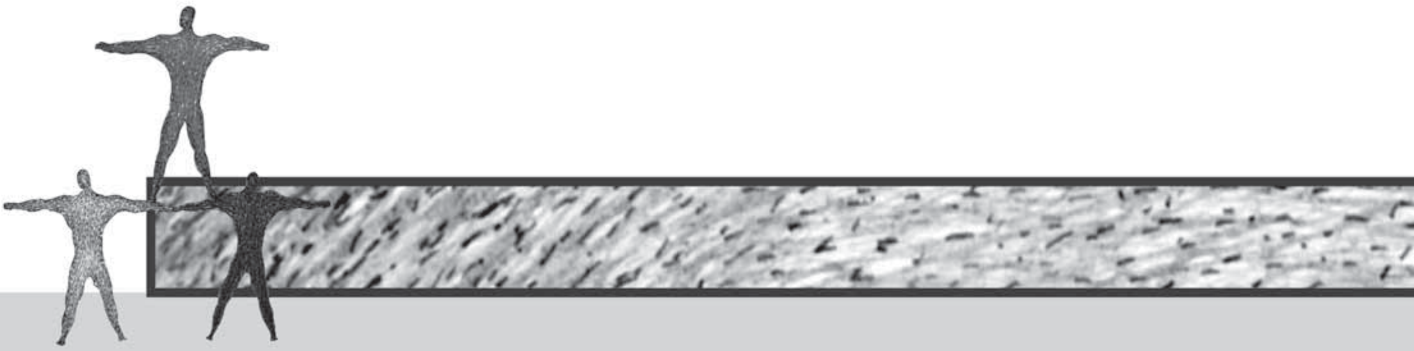
(f) Effective interest rates and repricing analysis

In respect of interest-bearing financial assets and liabilities, the following table indicates their effective interest rates at balance sheet date and the years in which they are repriced.

	Effective Interest Rate %	Total $	Within 1 year $	1 to 5 years $
Financial Assets				
2004				
Cash and cash equivalents	0.69	194,342	194,342	-
Financial Liabilities				
2004				
Loan from a holding company (secured)	1.68	17,200,000	-	17,200,000

(g) Fair value of financial assets and liabilities

The fair value of financial assets and financial liabilities of the Company at the balance sheet date comprise mainly monetary assets and liabilities and the directors are of the opinion that reported in the balance sheet approximates their carrying amount except as disclosed elsewhere.



Consolidated Financial Statements

Auditor's Report to the Board of Directors of GAIL (India) Limited on Consolidated Financial Statements of GAIL (India) Limited, its Subsidiary, Joint Ventures and Associates

We have examined the attached Consolidated Balance Sheet of GAIL (India) Ltd. ("the Company"), its subsidiary, joint ventures and associates as at 31st March 2005 and the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on the date annexed thereto. These financial statements are the responsibility of the management of the company. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclousures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.
2. We did not audit the financial statements of subsidiary namely Gail Global (Singapore) Pte. Ltd., whose financial statements reflect total assets of Rs. 88.85 Crores as at March 31, 2005 and total revenue of Rs. 4.66 Crores and net cash flows of Rs.0.86 crores for the year ended on that date. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amount included in respect of the subsidiary, is based solely on the report of the other auditors.
3. We did not audit the financial statements of associates namely Fayum Gas, Shell Compressed Natural Gas Egypt, Gujrat State Electricity Generation and National Gas Company "NATGAS". These financial statements have been audited by other auditors whose reports or certificates have been furnished to us, and our opinion, in so far as it relates to the amount included in respect of these associates, is based solely on the report of the other auditors.
4. We did not audit the financial statements of joint ventures, whose financial statement reflect total assets of Rs.3662.73 crores and total liabilities of Rs.1,523.81 Crores as at March 31, 2005 and total revenue of Rs. 2,801.44 Crores, total expenditure of Rs. 2,527.73 Crores for the year ended on that date. These financial statements have been audited by other auditors or are certified by management whose reports or certificates have been furnished to us, and our opinion, in so far as it relates to the amount included in respect of these joint ventures, is based solely on the report of the other auditors or certificates of management as the case may be.
5. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21, viz, "Consolidated Financial Statements" Accounting Standard (AS) 23, viz "Accounting for Investments in Associates in Consolidated Financial Statements" and Accounting Standard (AS) 27, viz "Financial Reporting of Interests in Joint Ventures", issued by The Institute of Chartered Accountants of India.
6. We further report that subject to Note No. 15, 16, 18, 19, 20 & 25 of Notes to Accounts to Consolidated Financial Statements of the company and on the basis of the information and explanations given to us and on the consideration of seperate audit reports on individual audited financial statements of the Company, its subsidiary, joint ventures and associate companies, we are of the opinion that the said consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
   (a) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Company as at 31st March 2005.
   (b) in the case of Consolidated Profit and Loss Account, of the consolidated results of operations of the Company for the year on that date and
   (c) in the case of Consolidated Cash Flow Statement, of the consolidated cash flows of the Company for the year ended on that date.

For S. Mann & Co.
Charted Accountants

Subhash Mann
Partner
Membership No. 80500

Place : New Delhi
Dated : June 21, 2005

GAIL (India) Limited - New Delhi
Consolidated Balance Sheet as on 31st March 2005

(Rs. in Crores)

	Schedule No.		As at 31st March 2005
SOURCES OF FUNDS			
Shareholder's Funds			
Capital	1	845.65	
Reserves and Surplus	2	7,964.42	8,810.07
Loan Funds	3		
Secured Loans		1,787.91	
Unsecured Loans		415.89	2,203.80
Deferred Tax Liability (Net)			1,285.45
			12,299.32
APPLICATIONS OF FUNDS			
Fixed Assets	4		
Gross Block		14,786.22	
Less : Depreciation		6,461.83	
Net Block		8,324.39	
Capital Work in Progress	5	371.86	
			8,696.25
Investments	6		709.97
Current Assets, Loans and Advances	7		
Inventories		501.50	
Sundry Debtors		848.71	
Cash and Bank Balances		3,491.28	
Other Current Assets		27.03	
Loans and Advances		1,637.47	
		6,505.99	
Less: Current Liabilities and Provisions	8		
Current Liabilities		2,797.20	
Provisions		819.36	
		3,616.56	
Net Current Assets			2,889.43
Miscellaneous Expenditure			
(To the extent not written off or adjusted)			
Deferred Revenue Expenditure			
Preliminary Expenditure			3.67
TOTAL			12,299.32

Contingent Liabilities not provided for (Refer Schedule 14)

N.K.Nagpal	J.K.Jain	B S. Negi	Proshanto Banerjee	As per our separate report of even date
Secretary	Director (Finance)	Director (BD)	Chairman & Managing Director	For M/s S. MANN & COMPANY
				Chartered Accountants

Subhash Mann
(Partner)
Membership NO. 80500

Place : New Delhi
Dated : June 21, 2005

GAIL (India) Limited - New Delhi
Consolidated Profit & Loss Account for the Year Ended 31st March, 2005

(Rs. in Crores)

	Schedule No.		Year Ended 31st March 2005
INCOME			
Sales		12,880.19	
Less: Excise Duty		552.10	12,328.09
LPG Transmission Charges/RLNG Shipper Charges			356.49
Income from Telecom			18.42
Increase (decrease) in Inventories			
Closing Stock		101.11	
Less: Opening Stock		131.50	(30.39)
Internal consumption			1,179.18
Other Income	9		355.52
TOTAL			14,207.31
EXPENDITURE			
Purchases			7,712.89
Manufacturing, Transmission,Administration Selling & Distribution and other Expenses	10	2,379.73	
Depreciation	4	982.52	
		3,362.25	
Less: Incidental Expenditure during construction transferred to Capital Work-in-Progress	11	0.93	3,361.32
Deferred Revenue Expenditure written off			0.38
TOTAL			11,074.59
Profit before Interest and Finance Charges			3,132.72
Interest and Finance Charges	12		150.92
Profit for the year before Tax			2,981.80
Provision for Taxation - Current		927.54	
- Deferred		30.91	958.45
Net profit before prior period items			2,023.35
Less: Prior Period Adjustments (Net)	13		0.88
Net profit			2,022.47
Carried Forward			2,022.47

	Schedule No.	Year Ended 31st March 2005
Brought Forward		**2022.47**
ADD:		
Share of Profit/(Loss) in Associates for the year		**16.41**
Group Profit after Tax		**2,038.88**
Profit brought forward from previous year		**5,407.55**
Amount available for appropriation		**7,446.43**
APPROPRIATIONS		
Interim Dividend		**338.26**
Proposed Dividend		**338.26**
Corporate Dividend Tax		**91.74**
Bond Redemption Reserve		**32.13**
General Reserve		**197.78**
Balance Carried to Balance Sheet		**6,448.26**
TOTAL		**7,446.43**
Details of Earning Per Share		
A. Group Profit after tax		**2,038.88**
B. Weighted Average No. of Equity Shares		**84,56,51,600**
C. Nominal Value per Equity Share (Rs.)		**10/-**
D. Basic and Diluted Earning Per Share (Rs.)		**24.11**
Notes on Accounts	14	

Schedules 1 to 14 and Accounting policies form part of Accounts

N. K. Nagpal
Secretary

J. K. Jain
Director (Finance)

B. S. Negi
Director (BD)

Proshanto Banerjee
Chairman & Managing Director

As per our separate report of even date
For M/s S. MANN & COMPANY
Chartered Accountants

Subhash Mann
(Partner)
Membership NO. 80500

Place : New Delhi
Dated : June 21, 2005

Schedule 1 - Share Capital

(Rs. in Crores)

	As at 31st March 2005
AUTHORISED	
100,00,00,000 Equity Shares of Rs.10/- each	1,000.00
ISSUED, SUBSCRIBED AND PAID-UP	
84,56,51,600 Equity Shares of Rs.10/- each fully paid up	845.65
TOTAL	845.65

Schedule 2 - Reserves and Surplus

(Rs. in Crores)

		As at 31st March 2005
Capital Reserve (Grant received from Danish Govt. for construction of Gas Technology Institute at Noida)		
As per Last Account	2.33	
Less : Transferred to Profit & Loss Account	0.12	2.21
Share Premium Account		14.69
Investment Allowance (Utilised) Reserve		266.61
Bonds Redemption Reserves		64.25
General Reserve		
As per Last Account	975.95	
Add: Transferred from Profit & Loss Account	197.78	
		1,173.73
Foreign Currency Translation Reserve		(5.95)
Profit and Loss Account		
Profit & Loss Account	6,448.26	
Add: Adjustment based on accounts of associate	0.62	6,448.88
TOTAL		7,964.42

Schedule 3 - Loan Funds

(Rs. in Crores)

		As at 31st March 2005
SECURED LOANS		
Loan from Bank of India (Secured by hypothecation by way of first charge on pari passu basis of movable plant & machinery, machinery spares, equipment, tools & accessories & other moveables, both present & future, whether installed or not & lying loose or in stores of Dahej Vijaipur Pipeline project) including Rs.NIL due for payment within one year)		500.00
Loan from HSBC		10.80
Bonds Series - I (6.10% Secured Non-convertible redeemable Bonds - Series - I are redeemable in 5 equal installment commencing from the end of the 8th year upto the end of the 12th year from the deemed date of allotment August 22, 2003. Bonds are secured by charge on immovable residential building and movable plant & machinery situated at Hazira Vaghodia, Gandhar and Vadodara in Gujarat.)		500.00
Bonds Series - II (5.85% Secured Non-convertible redeemable Bonds -Series - II are redeemable in 5 equal installment commencing from the end of the 6th year upto the end of the 10th year from the deemed date of allotment March 25, 2004. Bonds are secured by charge on immoveable residential building and movable plant & machinery situated at Hazira Vaghodia,Gandhar, Vadodara & DVPL Project in Gujarat.)		600.00
Term Loan External Commercial Borrowing (Repayable within one year Rs. 2.49)		12.44
From Financial Institution (Repayable within one year Rs. 0.02)		7.18
From Banks		131.36
From Others		26.13
UNSECURED LOANS		
From Banks:		
- State Bank of India, London (including Rs.13.71 due for payment within one year)	34.28	
- Other Banks (repayable within one year)	7.46	
- Buyers' Credit	4.77	
	46.51	
From others:		
- Oil Industry Development Board (including Rs. 65.75 due for payment within one year)	363.12	
- Sales Tax Deferred	5.47	
Deposit From Customers	0.79	
(Deposits from commercial customers of natural gas refundable on termination of the gas sales agreements)		415.89
TOTAL		2,203.80

Schedule 4 - Fixed Assets

DESCRIPTION	GROSS BLOCK (AT COST)			
	As at 1.4.2004	Additions/ Adjustments during the year	Sales/ Adjustments during the year	As at 31.03.2005
Tangible Assets				
Freehold	59.13	0.21	-	**59.34**
Leasehold	74.89	1.93	-	**76.82**
Building:				
Office/Others	381.76	16.22	0.04	**397.94**
Residential	253.12	0.30	-	**253.42**
Roads and Fences	0.63	0.08	-	**0.71**
Electrical Installations	0.46	-	-	**0.46**
Bunk Houses	1.62	-	-	**1.62**
Plant and Machinery	12,720.90	863.31	0.33	**13,583.88**
Railway Lines & Sidings	5.47	-	-	**5.47**
Communication Systems	0.29	-	-	**0.29**
Electrical Equipments	123.54	4.78	0.19	**128.13**
Furniture, Fixtures and	0.02	-	-	**0.02**
Other Equipments	203.71	34.55	8.43	**229.83**
Office Equipments	0.95	0.44	-	**1.39**
Vehicles	0.38	0.08	0.02	**0.44**
Transport Equipments	2.41	0.14	0.33	**2.22**
Intangible Assets				
Right of Use	17.42	(0.04)	-	**17.38**
Softwares / Licences	0.60	26.26	-	**26.86**
Total	**13,847.30**	**948.26**	**9.34**	**14,786.22**
Share in Joint Venture Assets included above	262.57	301.60	0.31	**563.86**

(Rs. in Crores)

DEPRECIATION				NET BLOCK	
As at 01.04.2004	For the Year	Adjustments during the year	As at 31.03.2005	As at 31.03.2005	As at 31.03.2004
-	-	-	**-**	**59.34**	59.13
5.23	0.76	0.04	**5.95**	**70.87**	69.66
62.71	10.66	-	**73.37**	**324.57**	319.05
32.40	4.91	-	**37.31**	**216.11**	220.72
0.05	0.02	-	**0.07**	**0.64**	0.58
0.04	0.02	-	**0.06**	**0.40**	0.42
1.58	0.04	-	**1.62**	**-**	0.04
5,272.98	938.81	4.16	**6,207.63**	**7,376.25**	7,447.92
3.44	0.27	-	**3.71**	**1.76**	2.03
0.06	0.01	-	**0.07**	**0.22**	0.23
30.21	6.43	0.05	**36.59**	**91.54**	93.33
-	-	-	**-**	**0.02**	0.02
80.80	18.53	7.61	**91.72**	**138.11**	122.91
0.15	0.07	-	**0.22**	**1.17**	0.80
0.21	0.04	0.01	**0.24**	**0.20**	0.17
1.41	0.15	0.18	**1.38**	**0.84**	1.00
-	-	-	**-**	**17.38**	17.42
0.09	1.80	-	**1.89**	**24.97**	0.51
5,491.36	**982.52**	**12.05**	**6,461.83**	**8,324.39**	8,355.94
49.51	35.86	0.01	**85.36**	**478.50**	213.06

Schedule 5 - Capital Work-in-Progress

(Rs. in Crores)

		As at 31st March 2005
Linepipe Construction and related facilities including Cathodic Protection		81.05
Despatch/Receiving Terminals		0.03
Telecom/Telesupervisory System		5.71
LPG Pipeline Project		2.02
LPG Projects		0.89
Petrochemicals		46.55
Telecom Projects		1.07
Others		63.77
Survey,Studies and other service-Cochin		0.94
Solid Cargo Port		0.09
Engineering/project construction		8.85
Building		0.04
Exploratory Well in Progress		42.99
Construction of CNG Station at Vijayawada		0.39
Preoperative expenditure, pending allocation in respect of Jointly controlled Entity		0.59
Buildings	7.83	
Less : Provision for abandonment of Work in Progress	2.64	5.19
Linepipes, Capital Items in Stock/Transit	110.54	
(including materials with Contractors : Rs. 0.27)		
Less : Provision for losses/obsolescence	1.24	109.30
Advance for Capital Expenditure		
(Unsecured - Considered Good)	2.39	
(Unsecured - Considered Doubtful)	1.39	
	3.78	
Less : Provision for Doubtful Advances	1.39	2.39
TOTAL		371.86

Schedule 6 - Investments

(Rs. in Crores)

		As at 31st March 2005
LONG-TERM INVESTMENTS		
A. Trade Investments		
Quoted* -		
570,600 Equity Shares of Rs.10/-each fully Paid-up in Gujarat Industries Power Co. Ltd.(includes 1,90,200 Equity Shares acquired during the year 1996-97 at a a premium of Rs.15/- per share)		0.86
3,42,66,845 Equity Shares of Rs.10/- each fully paid up in ONGC Limited (Acquired during 1999-2000 at a price of Rs.162.34 per Share)		556.29
6.96 % Oil Companies GOI Special Bonds 2009 (Alloted in lieu of claims pending with Oil Co-ordination Committee)		6.00
Mutual Fund Scheme		
Birla Quarterly FMP		1.00
Reliance Quarterly FMP		1.00
Unquoted-At cost		
Investment in Associates		
19,000 Equity shares of LE 100/- each fully paid in Fayum Gas Company registered in Egypt.	4.59	
(During the year 2004-05, Fayum Gas Company has restructured the equity capital)		
Add: Goodwill	3.50	
Add: Share of Profit in Associate	0.69	
Less: Dividend received	3.09	5.69
2,20,000 Equity shares of LE 10/- each fully paid up in Shell Compressed Natural Gas Company,registered in Egypt	0.33	
Add: Goodwill	1.28	
Add: Share of Profit in Associate	0.03	1.64
2,07,60,000 Equity Shares of Rs.10/- each fully paid-up in Gujrat State Electricity Generation Ltd.	20.76	
Add: Share of Profit in Associate	10.68	31.44
3,000,000 Equity shares of LE 5/- per share in Natgas	21.21	
Equity share has acquired at a premium LE 34.5 per Equity Share		
Add: Goodwill	62.24	
Add: Share of Profit in Associate	5.63	
		89.08
Carried Forward		693.00

(Rs. in Crores)

			As at 31st March 2005
	Brought Forward		**693.00**
	Advance against allotment of Equity Shares of Tripura Natural Gas Limited (a Joint Venture Company)		**0.83**
	3 Nos. 12% 2006, GEB Bonds of Rs.10 Lakhs each (Transferred by GIPCO in lieu of redemption of 1/3rd 18% redeemable Non-Convertible Debenture, 50% is paid during the FY 2004-05)		**0.15**
	Advance against allotment of Equity Shares of Central UP Gas Limited (a Joint Venture Company)		**0.03**
B.	**Non Trade Investments - Others**		
	Unquoted - At cost		
(a)	i). 30 Shares of Rs. 50 each fully paid up in Darpan Co-operative Housing Society Ltd., Vadodara	-	
	ii). 50 Shares of Rs. 50 each fully paid up in Ashoka Apartments Co-operative Housing Society Ltd., Vadodara	-	
	iii). 30 Shares of Rs. 50 each fully paid up in Panchvati Apartments Co-operative Housing Society Ltd., Surat	-	
	iv). 400 Shares of Rs. 10 each fully paid up in Sanand Members Association,Ahmedabad.	-	
	v). 35 Shares of Rs. 50/-each fully paid up in Green Fields(B) Cooperative Housing Society Ltd, Mumbai	-	-
C.	**INVESTMENTS (Current Investments-Non-Trade)**		
	Investments in Mutual Fund Scheme		**13.72**
	91 days Treasury bills		**2.24**
	TOTAL		**709.97**

Schedule 7 - Current Assets, Loans and Advances

(Rs. in Crores)

			As at 31st March 2005
A. CURRENT ASSETS			
INVENTORIES			
(As Certified by the Management)			
Raw Material (LNG)		11.06	
Raw Material in Transit		4.42	
CNG and Natural Gas in Pipeline	0.05		
Stores and Spares including Construction Surplus*	424.35		
Less : Provision for Losses/Obsolescence	39.45		
		384.95	
Stock of Traded items		0.01	
Stock of Gas**/Polymers/LPG and Other Products		101.06	
			501.50
SUNDRY DEBTORS			
Debts outstanding for a period exceeding six months			
- Unsecured, Considered Good	223.34		
- Unsecured, Considered Doubtful	135.23	358.57	
Other Debts			
- Secured, Considered Good	19.48		
- Unsecured, Considered Good	590.97		
- Unsecured, Considered Doubtful	-	610.45	
		969.02	
Less: Provision for Doubtful debts		120.31	848.71
CASH AND BANK BALANCES			
Cash in hand	0.37		
Cheques/Stamps in hand	0.02		
Remittance in transit	11.49	11.88	
BANK BALANCES WITH SCHEDULED BANKS			
On Current Account (includes Corporate Liquid Term Deposit Rs.17.79)	87.38		
On Current Account -Gas Pool Money	0.01		
On Current Account -JV Consortium	0.01		
On Fixed Deposit Account	1.15		
On Short Term Deposit	2,463.49		
On Short Term Deposit -Gas Pool Money (includes interest accrued but not due Rs. 1.77)	566.89		
On Short Term Deposit -JV Consortium (includes interest accrued but not due Rs. 3.52)	359.62	3,478.55	
BANK BALANCES WITH OTHER BANKS			
On current accounts		0.85	
			3,491.28
OTHER CURRENT ASSETS			
Interest accrued but not due on Deposits			26.98
Interest accrued on Fixed Deposits			0.05
Carried Forward			4,868.52

(Rs. in Crores)

			As at 31st March 2005
Brought Forward			4,868.52
B. LOANS AND ADVANCES			
Loans to Employees			
- Secured, Considered Good	136.83		
- Unsecured, Considered Good	16.18		
Others	2.41	155.42	
(Unsecured, Considered Good)			
Advances recoverable in cash or in kind or for value to be received			
- Unsecured, Considered Good	1,401.79		
(includes Rs. 1024.52 paid/adjusted against Income tax demand under protest).			
(includes Rs. 3.11 on account of disinvestment of Govt. Equity by way of GDR/Domestic Tranche/ Offer for sale)			
(Includes advance against allotment of Equity Shares of Joint venture Bhagyanagar Gas Ltd. of Rs. 2.74)			
Others	5.39		
- Unsecured, Considered Doubtful	1.08		
	1,408.26		
Less: Provision for Doubtful Advances	1.08	1,407.18	
Claims Recoverable			
- Unsecured, Considered Good	36.92		
- Unsecured, Considered Doubtful	0.52		
	37.44		
Less : Provision for doubtful claims	0.52	36.92	
Deposits with Customs, Port Trust and Others			
- Unsecured, Considered Good	33.89		
- Unsecured, Considered Doubtful	0.31		
	34.20		
Less: Provision for doubtful deposits	0.31	33.89	1,633.41
Trade and security Deposits			
- Unsecured, Considered Good			4.06
TOTAL			6,505.99

*includes Rs. 60.78 in transit.
**after adjustment of calorific value

Schedule 8 - Current Liabilities and Provisions

(Rs. in Crores)

			As at 31st March 2005
A. CURRENT LIABILITIES			
Sundry Creditors		1,430.09	
Deposits/Retention Money from Contractors and Others		136.40	
Other Liabilities		464.88	
Due to Promoter Companies		0.25	
Other Liabilities - Gas Pool Money		723.18	
Unclaimed Dividend		1.28	
Interest accrued but not due on loans		31.18	
Trade and Security Deposits		9.94	2,797.20
B. PROVISIONS			
Provision for taxation	4,475.04		
Less: Advance Tax	4,509.68		
Add: Adjustment of Refunds	433.15		
		398.51	
Provision for Proposed Dividend		338.26	
Provision for Corporate Dividend Tax		49.88	
Provision for Gratuity		0.19	
Provision for Wealth Tax		0.01	
Provision for Leave Encashment and Post Retirement Medical Benefits		32.51	819.36
TOTAL			3,616.56

Schedule 9 - Other Income

(Rs. in Crores)

		Year Ended 31st March 2005
Dividend		122.15
Interest on:		
- Bonds/Debentures	0.45	
- Deposits with Banks	102.23	
- Others	43.80	
		146.48
Surplus on Disposal of Investments		0.33
Export Incentives		3.92
Liabilities/Provisions no longer required written back		1.12
Miscellaneous Income	81.52	
Less: Transferred to Incidental Expenditure during construction (Schedule 11)	-	81.52
TOTAL		355.52

Schedule 10 - Manufacturing, Transmission, Administration, Selling & Distribution and other Expenses

(Rs. in Crores)

		Year Ended 31st March 2005
Raw Material consumed		1,111.16
Employees Remuneration and Benefits		
Salaries, Wages and Allowances	147.66	
Contribution to Provident and Other Funds	21.10	
Welfare Expenses	44.84	
Secondment charges	0.67	
		214.27
Power, Fuel and Water Charges		414.81
Stores and Spares consumed		149.57
Rent		16.20
Rates and Taxes		4.00
Licence Fees - Telecom		1.56
Bandwidth Consumption		1.03
Repairs and Maintenance		
Plant and Machinery	124.56	
Buildings	12.46	
Others	12.81	149.83
Insurance		25.08
Communication Expenses		8.06
Printing and Stationery		3.64
Travelling Expenses		31.32
Books and Periodicals		0.60
Advertisement and Publicity		24.42
Payment to Auditors		
Audit Fees	0.17	
Management Services	0.04	
Out of Pocket Expenses	0.04	0.25
Entertainment Expenses		0.22
Recruitment and Training Expenses		10.28
Vehicle Hire and Running Expenses		15.42
Equipment Hire charges		1.09
CNG Transportation		0.89
CNG Dispensing Charges		1.00
Operating Expenses at CNG Stations		2.08
Lease Charges		2.37
Survey Expenses		26.88
Consultancy Charges		15.53
Legal and Professional charges		3.25
Data Processing Expenses		2.86
Donation		5.25
Research and Development Expenses		0.40
Loss on sale / written off of assets(net)		2.13
Bad Debts/Claims/Advances/Inventories written off		1.26
Carried Forward		**2246.71**

(Rs. in Crores)

	Year Ended 31st March 2005
Brought Forward	2,246.71
Dry Well Expenses written off	11.98
Provision for Doubtful Debts, Advances, Claims and Deposits	3.15
Excise Duty on Stock (Net)	(10.21)
Expenses on Enabling Facilities	3.04
Selling & Distribution Expenses	9.59
Discount on Sales	9.46
Commission on Sales	11.59
Dealers' Commission	0.58
Security Expenses	25.60
Expenses during construction period written off	0.14
Vessel hire charges	1.44
Other Miscellaneous Expenses	70.88
Less: Transfer to Capital Work in Progress	
Employees Remuneration and Benefits	2.29
Operating and Other Expenses	1.93
TOTAL	2,379.73

Schedule 11 - Incidental Expenditure During Construction

(Rs. in Crores)

		Year Ended 31st March 2005
Employees Remuneration and Benefits		
Salaries, Wages and Allowances	0.49	
Contribution to Provident and Other Funds	-	
Welfare Expenses	0.08	0.57
Power, Fuel and Water Charges		0.02
Rent		0.04
Repairs and Maintenance		
Plant and Machinery	0.02	
Buildings	-	
Others	-	0.02
Insurance		0.02
Communication Expenses		0.04
Vehicle Hire and Running Expenses		0.02
Consultancy Charges		0.09
Other Expenses		0.11
		0.93
Less :Transferred to Capital Work-in-progress		
Mfg., Transmission, Admn., Selling & Distribution and Other Expenses		0.93
Balance Carried over to Balance Sheet		-

Schedule 12 - Interest and Finance Charges

(Rs. in Crores)

		Year Ended 31st March 2005
Interest		
Foreign Currency Loans	0.73	
On term loans	15.13	
Other Loans	134.21	150.07
Other Interest		0.13
Bank Charges		0.50
Commitment and other Finance Charges		0.22
TOTAL		150.92

Schedule 13 - Prior Period Adjustments

(Rs. in Crores)

		Year Ended 31st March 2005
Salaries, Wages and Allowances		(0.12)
Power, Fuel and Water Charges		0.66
Stores and Spares consumed		0.03
Rent		(0.69)
Depreciation(Net)		(1.65)
Repairs and Maintenance		0.21
Consultancy Charges		0.71
Other Expenses		0.92
TOTAL		0.07
Less :		
- Sales	(0.03)	
- Interest Income	(0.14)	
- Miscellaneous Income	(0.64)	(0.81)
TOTAL (NET)		0.88

Schedule 14 - Consolidated Notes on Accounts for the Year Ended 31.03.2005

SIGNIFICANT ACCOUNTING POLICIES

I. BASIS OF PREPARATION

The Consolidated Financial Statements (CFS) relate to GAIL (India) Limited (hereinafter referred as the "Company") and its subsidiary, Joint Ventures and Associates. The accounts are prepared on historical cost basis and in accordance with the applicable accounting standards and other applicable relevant statues.

II. PRINCIPLES OF CONSOLIDATION

The consolidated Financial Statements have been prepared in accordance with the applicable Accounting standards on the following basis:

i. The Financial Statements of the Company and its subsidiary companies are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after fully eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses in accordance with Accounting Standard (AS) 21-"Consolidated Financial Statements" issued by The Institute of Chartered Accountants of India.

ii. The financial statements of Joint Venture Company have been combined by applying proportionate consolidation method on a line by line basis on items of assets, liabilities, income and expenses after eliminating proportionate share of unrealized profits or losses in accordance with Accounting Standard (AS) 27 on "Financial Reporting of Interests in Joint Ventures" issued by the Institute of Chartered Accountants of India.

iii. The consolidated Financial Statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate Financial Statements except as otherwise disclosed in the Notes to Accounts.

iv. The excess of the cost to the Company of its investment in Subsidiaries and Joint Ventures over its proportionate share in the equity of the investee company as at the date of acquisition of stake is recognized in the financial statements as Goodwill. In case the cost of investment in a subsidiary or Joint Venture is less than the proportionate share in the equity of the investee as on the date of the investment, the difference is treated as Capital reserve.

v. Investments in Associates have been accounted for using the equity method in accordance with Accounting Standard AS-23-"Accounting for investment in Associates in Consolidated Financial Statements" issued by The Institute of Chartered Accountants of India. The excess/deficit of cost of investment over the proportionate share in equity of the Associate as at the date of the acquisition of stake has been identified as Goodwill/ Capital reserve and included in the carrying value of the investment in Associate and disclosed separately. The carrying amount of the investment is adjusted thereafter for the post acquisition change in the share of net assets of the Associate. The Company's share as on 1st April 2004 has been adjusted with the opening balance of Profit and Loss Account.

vi. The accounts of all Group Companies are drawn upto the same reporting date as the parent entity (i.e. Financial Year ended March 31, 2005) except for three overseas Associates, in which case the accounts drawn up as at December 31, 2004 have been used. No adjustments have been done for the period subsequent to that date, since there are no significant transactions.

vii. The financial statements of the Subsidiary-GAIL Global (Singapore) Pte. Limited are prepared in accordance with Singapore Financial Reporting Standards.

viii. The financial statements of Fayum Gas, Shell Compressed Gas and NatGas have been prepared in accordance with the Egyptian Accounting Standards and relevant Egyptian Laws and regulations and according to the historical cost basis assuming the company is a going concern

III. Investment other than in Subsidiaries and Associates have been accounted for as per Accounting Standard (AS) 13 on "Accounting for Investments" issued by The Institute of Chartered Accountants of India.

IV. OTHER SIGNIFICANT ACCOUNTING POLICIES:

These are set out under " Significant Accounting Policies" as given in the respective Financial Statements of the Company and its Subsidiary.

NOTES TO THE ACCOUNTS

1. The Consolidated Financial Statements represent consolidation of accounts of the Company (GAIL India Limited), its subsidiaries, Joint Venture companies and associates as detailed below:

Name of Company	Country of Incorporation	Relation	Proportion of ownership interest
GAIL Global (Singapore) Pte. Ltd.	Singapore	Subsidiary	100%
Mahanagar Gas Limited	India	Joint Venture	49.75%
Indraprastha Gas Limited	India	Joint Venture	22.50%
Petronet LNG Limited	India	Joint Venture	12.50%
Bhagyanagar Gas Limited	India	Joint Venture	22.50%
Fayum Gas	Egypt	Associate	19%
Shell Compressed Natural Gas Egypt	Egypt	Associate	22%
Gujarat State Electricity Generation (GSEG)	India	Associate	12%
Natural Gas Company "Nat Gas"	Egypt	Associate	15%

2. In view of different sets of environment in which the subsidiaries/Joint Ventures are operating, the accounting policies followed by the subsidiaries/Joint Ventures are different from the accounting policies of the Company in respect of the following. Such different accounting policies have been adopted in respect of the following:

(Rs. in Crores)

Particulars	Name of Joint Venture	Accounting Policies		Proportion of GAIL's share (Gross Amount)
		GAIL (India) Ltd.	Joint Venture	
Inventories				
Valuation of Stores and spares	Mahanagar Gas Limited/Petronet LNG Limited	Valued at cost or NRV, whichever is lower	Valued at weighted average cost.	4.03
Valuation of Raw materials	Petronet LNG Limited	Raw materials are valued at cost or net realisable value, whichever is lower.	Valuation of Raw Materials is done at weighted average cost..	15.48
Valuation of Stores and Spares	Indraprastha Gas Limited	Valued at weighted average cost or net realizable value, whichever is lower	Valued at lower of cost on First In First Out(FIFO) basis or Net Realizable Value.	4.01
Depreciation rates				
Software/ Licences	Mahanagar Gas Limited	Software/Licences are amortized in 5 years on straight line method	Software/Licences are amortized in 6 years on straight line method	1.05 (Gross Block)
Software/ Licences	Petronet LNG Limited	Software/Licences are amortized in 5 years on straight line method	Software/Licenses are amortised in 3 years on Straight Line Method.	1.69 (Gross Block)

Capital Work in Progress	Bhagyanagar Gas Limited	Indirect expenditure incurred during construction period has been charged off to revenue.	Indirect expenditure incurred during construction period has been shown under pre-operative expenditure pending allocation which will be apportioned to Fixed Assets as and when they are completed.	0.59
Retirement Benefits				
Liability towards Gratuity	Mahanagar Gas Limited	Liability towards Gratuity is paid to a fund maintained by the company which is administered through a separate trust set up by the company. Difference between the fund balance with the trust and the accrued liability as at the end of the year as per actuarial valuation is charged to Profit and Loss Account	Gratuity liability is covered under LIC Group Gratuity Scheme.	12.35
Prepaid Expenses	Mahanagar Gas Limited/ Indraprastha Gas Limited	Prepaid expenses and prior period expenses/ income upto Rs.1,00,000/- in each case are charged to relevant heads of account of the current year.	All prepaid expenses and prior period expenses/ income in each case are charged to relevant heads of account of the current year.	0.27
Tolerance Fluctuation	Mahanagar Gas Limited/Petronet LNG Limited	Yearly reconciliation of Natural Gas is made within a limit of $\pm$1%. In case of variation beyond $\pm$1% value of excess quantity is kept in a separate Account "Tolerance Fluctuation Adjustment Account" for adjustments in future.	Technical variation in Gas quantity loss or gain is taken to respective years revenue account.	0.55
Investment	Mahanagar Gas Limited	Quoted investments are valued at cost or market value, whichever is lower	Investments are carried at lower of weighted average cost or market value.	1.99
Preliminery Expenses	Mahanagar Gas Limited	Preliminary expenditure and deferred revenue expenditure is charged to revenue.	Preliminary expenditure and deferred revenue expenditure is amortized over a period of ten years.	0.23

3. Estimated amount of Contracts remaining to be executed on Capital Account and not provided for is amounting to Rs. 357.68 Crores which includes an amount of Rs. 92.08 Crores related to Joint Ventures.

4. Contingent Liabilities:

   i). Claims against the Company not acknowledged as debts: Rs. 9,225.29 Crores which mainly include:

(a) Claims of ONGCL for Rs. 248.46 Crores on account of interest for delayed payment and MGO etc. Out of these MGO claims of Rs. 49.23 Crores are recoverable on back-to-back basis.

(b) Income Tax demand of Rs. 1026.81 Crores relating to assessment years from 1996-97 to 2002-03. The Income tax assessment of the company has been completed up to the assessment year 2002-03. Against the total demand, the company has paid/adjusted Rs. 1024.52 Crores under protest. Based upon the decision of the appellate authorities and the interpretation of the provisions of the Income Tax Act, the company has been legally advised that the demand is likely to be either deleted or it may be substantially reduced. The company has filed an appeal against the demand for the assessment years from 1996-97 to 1999-2000 with ITAT. Against the demand for the assessment year 2000-01, 2001-02 and 2002-03 appeals of the Company are pending before Commissioner of Income Tax (Appeals).

(c) Sales Tax demand of Rs. 3449.18 Crores (Previous Year: Rs. 2349.60 Crores) and interest thereon Rs. 1513.04 Crores (Previous Year: Rs. 995.24 Crores) for Hazira unit in Gujarat State: Sales Tax Authorities, Ahmedabad have treated the transfer of Natural Gas by the company from the state of Gujarat to other states during the period April, 1994 to March, 2001 as inter-state sales under Section 3(a) of the Central Sales Tax Act. The company has been paying sales tax under section 12 of the Gujarat Sales Tax Act against Form 17 since inception (1987) and accordingly the sales tax assessments have been completed. Based on the interpretation of the provisions of the Sales Tax Act and legal advice from the experts, the company had filed writ petition and special leave petition in the Supreme Court of India. In February, 2005 the case was transferred by Hon'ble Supreme Court to Gujarat Sales Tax Tribunal for decision. The Tribunal has given its judgment on 16.05.2005 accepting the contention of the company for interstate transportation of Natural Gas as branch transfer and not the interstate sale and set aside the demand under section 41-B of the Gujarat Sales Tax Act. The Hon'ble Tribunal has given further instruction to the Assessing Authority to assess Company and decide tax liability in accordance with the law for the period 1998-99 to 2000-2001 considering interstate transfer of natural gas as branch transfer.

(d) Commissioner of Customs, Ahmedabad has issued show cause notices where in a sum of Rs. 581.22 Crores for the period 22.06.97 to 10.02.2002 has been demanded, by treating GAIL as importer under Section 2(26) of the Customs Act, 1962 on account of purchase of gas from Tapti and Panna-Mukta fields from Joint Venture of British Gas Exploration and Production (I) Limited (formerly Enron Oil & Gas India Limited), RIL and ONGCL (JVCs). The Company is of the view that as it is purchasing gas from JVCs at Hazira at the downstream flange of ONGCL's gas processing facilities along with other natural gas coming from South Basin, it is not liable to Customs Duty. The replies to Show cause notice have already been sent to the Commissioner of Customs in consultation with the Consultants on 14.06.2002. No further response has been received.

(e) Customs duty demand of Rs. 305.53 Crores : Custom Authorities, Mumbai have raised differential duty demand against Project Imports for Pata Plant on account of non-submission of reconciliation statement as required under Project Import Regulations, 1986. An appeal was filed before CESTAT on the ground that demand is premature as the last consignment is yet to be received and as per the Project Import Regulations, the reconciliation statement has to be submitted within three months from the date of clearance of last consignment of goods. CESTAT has remanded the matter to DC (Customs) for readjudication.

(f) Excise duty demand of Rs. 123.63 Crores : Excise Authorities have raised demands at Vijaipur by treating lean gas as gaseous hydrocarbon and denying exemption available to lean gas, which has all along treated as an exempted product. The Company has obtained favourable orders against past demands. However, one case is pending at CESTAT.

ii). Bonds executed, Letters of Credit and Guarantees/Counter Guarantees: Rs. 13.40 Crores.

iii). The Company along with three other promoters has issued Corporate Guarantees in favour of banks and financial institutions for short term loan taken by Petronet LNG Limited from such banks and financial institutions. The Company share in the Guarantee is Rs. 350 Crores, being one fourth share of total guarantees of Rs. 1400 Crores issued as on 31.03.2005.

iv). An amount of Rs. 83.03 Crores related to joint ventures and an amount of Rs. 2.44 Crores related to associates.

5. (a) Liability under Gas Pool Account includes gas pool money for January-March 2005 quarter amounting to Rs. 61.64 Crores which shall become due for deposit in succeeding quarter.

(b). Deposit in Gas Pool Money Account is exclusive of claim amounting to Rs. 94.63 Crores for compensation for higher cost of gas purchased from JV Companies from Ravva and Tapti fields from April,1997 to September, 1997. MOP&NG vide its letter no. L-12015/1/94-GP (VIII) dated 04.07.1997 stated that GAIL will not be put to any loss on account of compensation towards higher price of JV gas. Accordingly, Gas Pool money was transferred to separate bank account after retaining Rs. 94.63 Crores which is being communicated to MOP&NG regularly. Accordingly, no interest liability has been provided.

(c). Purchase of gas includes Rs. 250 Crores on account of Gas Pool Account.

(d) Liabilities on account of Gas Pool Money amounting to Rs. 723.18 Crores and 10% retention from JV consortium amounting to Rs. 359.63 Crores includes interest (net of TDS) amounting to Rs. 32.30 Crores on Short term deposits for the year. This interest income does not belong to the company hence not accounted as income.

6. MOP&NG had issued scheme for mechanism of sharing the under recoveries of Oil marketing Companies on account of non-revision in selling price of PDS Kerosene and domestic LPG. The Company has given discounts to Oil marketing Companies amounting to Rs. 1,137 Crores on dispatches to them for sharing subsidies.

7 a) Prices of Natural gas for the period April 1, 2000 to March 31, 2005 is under review by MOP&NG. Pending finalisation of such prices, payments/accruals of purchase of gas are being made based on the rate specified in the MOP&NG letter dated September 18, 1997. Additional liability or its effect on profits if any, arising out of the aforesaid revision will be recognized when the prices are finalized. However, the management does not expect the price increase to be retrospective.

b) The Company is raising provisional invoices for sale of R-LNG since custom duty on import of LNG has been assessed on provisional basis.

c). With effect from April 1, 2002, Liquefied Petroleum Gas price has been deregulated and is now based on the import parity price fixed by the Oil Companies. However, the pricing mechanism is provisional and is pending finalisation. Additional asset/liability or impact on profits, if any, arising due to such change, will be recognized on finalization of pricing mechanism.

8. Due to change in Accounting policy:

a) During the year, the company has changed its accounting policy of disclosure of Right of Use (ROU) under tangible assets to intangible assets in compliance to Accounting Standard 26 on Intangible Assets. Due to this, intangible assets have increased by Rs. 17.38 Crores with consequent decrease in tangible assets. This change has no impact on Profit & Loss Account for the year.

b) During the year, the company has changed its accounting policy of charging off wells in progress the status of which remains undecided for more than five years to Profit and Loss account to charging off wells in progress the status of which remains undecided for more than two years to Profit and Loss Account. This change has no impact on Profit & Loss Account for the year.

c) During the year, the company has changed its accounting policy for provision for gratuity on the basis of actuarial valuation at the end of financial year to providing liability towards Gratuity by payment to a fund maintained by the company and administered through a separate trust set up by the company. Difference between the fund balance with the trust and the accrued liability as at the end of the year as per actuarial valuation is charged to Profit and Loss Account. This change has no impact on Profit & Loss Account for the year.

9. a) The price of Gas purchased from Joint Venture Consortium (JVC) (Indian and Foreign Partners) from Ravva / Ravva Satellite, Tapti and Panna–Mukta fields are denominated in USD per MMBTU. The liability in USD has been converted at Bills Buying rate, TT selling rate and TT buying rate, prevailing as on 31.03.2005 or on the date of payment, as the case may be.

b) Imports have been accounted for at the exchange rate prevalent as on the date of retirement of documents being the date of transaction.

10. Following Government of India's approval, the shareholders of the Company in the Annual General Meeting held on

15th September, 1997 approved the transfer of all the assets including Plant and Machinery, accessories and other related assets which are part of Lakwa Project valued at Rs. 246.91 Crores as on 31.03.2005 to Assam Gas Cracker Complex at a price to be determined by an independent Agency and on terms and stipulations as the Board may in its discretion deem fit. However, Assam Gas Cracker Complex has not come up as per plan and LPG Lakwa Project has not been transferred to it. Therefore, a fresh proposal has been put up to Govt of India to establish Assam Gas Cracker project by GAIL and LPG Lakwa Project will be part of that Assam Gas Cracker project.

11. Pending issue of suitable notification by the Government of India specifying the period and applicable rate at which cess on turnover is payable under section 441A of Companies Act, 1956 the Company has not provided for the same.

12. Balances grouped under Material with Contractors, Sundry Debtors, Loans and Advances, Deposits and Sundry Creditors, etc. are subject to confirmation.

13 The value of pipelines and related facilities taken over in Southern and North-eastern region in February 1992 and Western Region in May 1992 is provisional, based on intimation from ONGCL. Adjustments, if any, for taxes, duties, ROU and other claims would be made as and when ascertained. Depreciation on the assets taken over from ONGCL has been provided for as per the accounting policy of the Company on the transfer value of such assets. Pending installation of custody transfer meters, the purchase of Gas is accounted for on the basis of metering done at the consumer's end.

14. In respect of Subsidiary and Joint Ventures, the following additional notes to accounts are disclosed.

I. Petronet LNG LTD.

i). The company is in the process of finalizing the LNG Port Terminal Concession Agreement with Gujarat Maritime Board (GMB) and the Government of Gujarat. In accordance with the terms of the proposed lease agreement, lease rental payable from 30th August 2001 to 31st March 2005 has been provided on estimated basis pending receipt of demand from GMB. Provision for stamp duty on the transaction has not been made in the accounts, as it is not ascertainable.

ii). In respect of LNG Vessels arrived at Petronet LNG port, Dahej, the Company has paid port dues and waterfront royalty to Gujarat Maritime Board as per the existing schedule of port charges applicable to all vessels calling on the port. The rates are, however, subject to finalization in accordance with the terms and conditions provided in the proposed concession agreement to be executed by the company with Gujarat Maritime Board.

iii). In terms of the provisions contained in the letter of intent issued by Gujarat Maritime Board while allotting the plot for LNG Regasification Plant, the Company has to develop a Solid Cargo Port along with LNG Terminal. The Board has approved the maximum equity investment of Rs. 23.93 Crores (towards 26% equity) in the Joint Venture Company to be formed for implementation of the Solid Cargo Project. Expenses to the extent of Rs. 2.38 Crores have been incurred on this account which includes a deposit of Rs. 1.70 Crores with Gujarat Industrial Development Corporation classified under "Loans & Advances".

II. Bhagyanagar Gas Limited

i). During the year, the Company commenced commercial operations relating to Auto LPG business. As regards CNG business, it has commenced construction activities for setting up of CNG stations and related infrastructure at Vijayawada which are at different stages of progress.

ii). The entire manpower of the company comprises of deputationists from GAIL and HPCL on full time basis.

III. INDRAPRASTHA GAS LIMITED

i) Compresses Natural Gas has been added as an excisable commodity under the central Excise Tariff Act from March 1, 2001. due to unique nature of its business, it is not possible for the Company to comply with certain provisions/procedures as required under the Act. The Company has filed applications with the Deputy Commissioner (Tech), commissioner – Central Excise, Chief Commissioner – Central Excise for modification/ simplification of the provisions/procedures.

IV. Mahanagar Gas Ltd.

i) Company has taken on lease few equipments / machines for some CNG Retail Outlets. Lease charges are dependent on sale of CNG at these outlets and hence there are no minimum lease payments. The term of the contract is three years, renewable for a further period of three years at the discretion of the company. The company can exercise purchase option at the end of the contract. The contract does not impose any restrictions concerning dividend, additional debt and further leasing.

15. Unaudited financial statements of a joint venture - Mahanagar Gas Limited have been included in consolidation in absence of the audited financial statements. The figures included in the consolidated financial statements relating to the unaudited joint venture company (Mahanagar Gas Limited) are as under:

    i) Total assets are Rs. 633.65 Crores and total liabilities of Rs. 633.65 Crores and

    ii) Total revenues of Rs. 383.92 Crores and total expenditure of Rs. 209.20 Crores

16. Unaudited financial statements of an associate-GSEG have been included in consolidation in absence of the audited financial statements.

17. JV Company has entered into agreements for taking on lease and license basis certain residential/office premises, certain equipments, vehicles and premises for office use under operating lease agreements. All the agreements contain a provision for its renewal. Lease payments recognized in the profit and loss account for the year is Rs.14.52 Crores Lease obligations under non-cancelable periods are as follows:

    Future lease rental obligation under these leases:

i)	Not later than one year	Rs. 7.09 Crores
ii)	Later than one year and not later than five years	Rs. 3.19 Crores
iii)	Later than five years	Rs. 1.25 Crores

18. In the consolidated financial statement as on March 31, 2005, the financial statements of Al Nubaria National Gas Co, a subsidiary of NatGas and Al Watania Electric Technology, an associate of NatGas have not been consolidated due to non availability of financial statement of these companies.

19. The consolidated Financial Statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate Financial Statements. However, there are some differences in certain accounting policies followed by the company, subsidiary, joint ventures and associates but the impact of the same is not material.

20. In case of two joint venture companies, Tripura Natural Gas Company Ltd. (TNGCL) and Central UP Gas Ltd. (CUPGL), the shares have not been allotted till March 31, 2005. Hence, GAIL (India) Ltd. does not obtain any shareholding right with respect to the advance given against share capital. Such right would accrue only on allotment of shares, hence, TNGCL & CUPGL have not been considered in the Consolidated of Financial Statement.

21. In compliance of Accounting Standard 17 on "Segment Reporting" issued by Institute of Chartered Accountants of India, the required information is given as per Annexure – A to this schedule.

    Business Segments:

    The business segments have been identified as

    i) Transmission services

       a) Natural Gas

       b) LPG

    ii) Natural Gas Trading

    iii) Petrochemicals

    iv) LPG and other Liquid Hydrocarbons

    v) GAILTEL

    vi) City Gas Distribution

    vii) Unallocated

22. In compliance of Accounting Standard 18 on " Related party Disclosures" issued by Institute of Chartered Accountants of India, the name of related parties, nature of relationship and details of transaction entered therewith are given in Annexure–B.

23. In compliance of Accounting Standard 22 on "Accounting for taxes on Income" issued by Institute of Chartered Accountants of India, the Company has provided Accumulated net deferred tax liability in respect of timing difference as on 31st March, 2005. The item- wise details of deferred tax liability as on 31.03.2005 are as under:

(Rs. in Crores)

Deferred Tax Liability	
a). Depreciation	1,407.65
b). Differences between carrying assets in the financial statements & Income tax	26.80
Less: Deferred Tax Assets	
a). Provision for Gratuity & Retirement Benefits	15.96
b). Provision for Doubtful Debts/Claims/Advances	61.14
c). Preliminary Expenses & others	71.90
Deferred Tax Liability (net)	**1,285.45***

*It includes an amount of Rs. 1.77 Crores (Deferred Tax Assets) which has been netted of with Deferred Tax Liability.

24. In Compliance of Accounting Standard 27 on "Financial Reporting of Interests in Joint Ventures" issued by Institute of Chartered Accountants of India, the required information is as under:

Jointly controlled Operations :

The Company has participated in joint bidding under the Government of India New Exploration Licensing Policy and had been allotted 10 Blocks for which the Company has entered into Production Sharing Contract with Government of India along with other partners for Exploration & Production of Oil and Gas. As per the Production Sharing Contract, the Company has a minimum work program commitment of Rs. 137.18 Crores. The Company is acting as non-operator and would have to share in expense/Income/Assets/Liabilities based upon its percentage in production sharing contract. During the year, participating interest of 15% in Block KK-DWN-2000/2 has been relinquished to Government of India. The participating interest in the following nine NELP - Blocks as on 31st March, 2005 is as under.

S.No.	Joint Venture under NELP Blocks	Participating Interest
1)	MN-OSN-97/3	15%
2)	NEC-OSN-97/1	50%
3)	MN-OSN-2000/2	20%
4)	GS-DWN-2000/2	15%
5)	MB-DWN-2000/2	15%
6)	CB-ONN-2000/1	40%
7)	MN-ONN-2000/1	20%
8)	CY-ONN-2002/1	50%
9)	AA-ONN-2002/1	80%

In addition, the Company has two farm-in as non – operator with minimum work program commitment of Rs.11.24 crores in the following blocks:

S.No.	Blocks	Participating Interest
1)	A-1,Myanmar	10%
2)	CY-OS/2	25%

The Company's share of assets and liabilities as at 31st March 2005 and the Income and the expenditure for the year in respect of joint operations project blocks has been incorporated in the Company financial statements based upon unaudited statement of accounts submitted by the operators as follows:

(Rs. in Crores)

	2004-05
Income	-
Expenses	37.79
Fixed Assets	1.05
Other Assets	45.25
Current Liabilities	33.53

Jointly controlled Entity :

GAIL (India) Limited share in assets, liabilities, income, expenses contingent liabilities and capital commitments of jointly controlled Entities is as below.

(Rs. in Crores)

S.No.	Description	Mahanagar Gas Limited	Indraprastha Gas Limited	Petronet LNG Limited	Bhagyanagar Gas Limited
1	**Loan Funds**				
i).	Secured Loans	19.62	10.80	157.49	-
ii).	Unsecured Loans	17.70	-	-	-
2	**Reserves and Surplus**	102.65	38.81	19.43	0.05
3	**Current Liabilities**	32.88	10.91	44.66	0.69
4	**Provisions**	72.09	7.28	0.15	0.01
5	**Fixed Assets**				
i).	Gross Block	217.25	107.43	238.60	0.53
ii).	Depreciation	42.88	30.11	12.37	0.01
	Net Block	174.37	77.32	226.23	0.52
iii).	CWIP	27.36	6.98	10.05	0.98
6	**Investments**	1.99	13.72	2.24	-
7	**Current Assets**				
i).	Inventories	3.71	4.06	15.83	-
ii).	Sundry Debtors	21.04	2.66	6.63	-
iii).	Cash and Bank balances	3.33	1.52	37.25	1.49
iv).	Loans and Advances	5.91	4.41	3.58	0.02
v).	Other current assets	59.98	-	-	-
8	**Income**				
i).	Sales	188.27	101.26	94.70	0.16
ii).	Other Income	2.73	1.75	1.66	0.09
9	**Expenses**				
i).	Purchase	7.87	0.12	-	0.14
ii).	Manufacturing, Transmission, Administration, Selling & Distribution and other Expenses.	29.79	17.08	224.35	0.03
iii).	Interest and Finance Charges	2.36	0.78	13.67	-
10	**Contingent Liabilities**	10.16	-	72.87	-
11	**Capital Commitments**	52.58	12.76	24.78	1.96

25. Un-audited financial statements of a Subsidiary Company – GAIL Global (Singapore) Pte. Ltd. have been included in the consolidation in the absence of the audited financial statements. The figures included in the consolidated financial statements relating to the un-audited accounts of subsidiary company are as under:

    i). Total assets are Rs. 88.85 Crores and total liabilities of Rs. 88.85 Crores and

    ii). Total revenues of Rs. 4.66 Crores and total expenditure of Rs. 2.39 Crores.

26. Being the first year of presentation of Consolidated Financial Statement, the comparative figures of previous year have not been given being transition period as per provisions of AS-21.

N.K.Nagpal	J.K.Jain	B S. Negi	Proshanto Banerjee	As per our separate report of even date
Secretary	Director (Finance)	Director (BD)	Chairman & Managing Director	For M/s S. MANN & COMPANY
				Chartered Accountants

Subhash Mann
(Partner)
Membership No. 80500

Place : New Delhi
Dated : June 21, 2005

GAIL (India) Limited Consolidated Financial Statements
Information About Business Segments for the Financial Year 2004-05

(ANNEXURE - A)
(Rs. in Crores)

Sl. No.	Segments	Transmission Services		Natural Gas Trading (Note 1)	Petro-chemicals	LPG & Liquid Hydro-carbons	GAIL Tel	City Gas Distribution (Note 2)	Un-allocated (Note 3)	Con-solidated Total
		Natural Gas	LPG							
1.	**Revenue**									
	External Sales	1,923.80	301.84	7,226.52	1,842.05	1,837.48	18.42	233.48	227.03	13,610.62
	Intersegment sales	-	-	-	-	-	-	-	-	-
	Total revenue	**1,923.80**	**301.84**	**7,226.52**	**1,842.05**	**1837.48**	**18.42**	**233.48**	**227.03**	**13,610.62**
2.	**Results**									
	Segment Result (Profit before Interest &Tax)	1,193.54	89.54	219.17	804.24	609.00	(1.07)	94.73	-	3,009.15
	Unallocated expenses	-	-	-	-	-	-	-	145.94	145.94
	Operating Profit	1,193.54	89.54	219.17	804.24	609.00	(1.07)	94.73	(145.94)	2,863.21
	Interest Expenses	-	-	-	-	-	-	-	150.92	150.92
	Interest/Dividend Income	-	-	-	-	-	-	-	268.63	268.63
	Provision for Taxation	-	-	-	-	-	-	-	958.45	958.45
	Profit/(Loss) from Ordinary Activities	1,193.54	89.54	219.17	804.24	609.00	(1.07)	94.73	(986.68)	2,022.47
	Extraordinary items	-	-	-	-	-	-	-	-	-
	Net Profit/(Loss)	**1,193.54**	**89.54**	**219.17**	**804.24**	**609.00**	**(1.07)**	**94.73**	**(986.68)**	**2,022.47**
3.	**Other Information**									
	Segment Assets	4,528.40	1209.44	364.01	2,120.58	1,466.32	57.98	356.49	-	10,103.22
	Unallocated Assets	-	-	-	-	-	-	-	4,727.16	4,727.16
	Total Assets	**4,528.40**	**1,209.44**	**364.01**	**2,120.58**	**1,466.32**	**57.98**	**356.49**	**4,727.16**	**14,830.38**
	Segment Liabilities	1,887.47	38.73	61.30	96.36	123.98	26.48	117.61	-	2,351.93
	Unallocated Liabilities	-	-	-	-	-	-	-	1,264.63	1,264.63
	Total Liabilities	**1,887.47**	**38.73**	**61.30**	**96.36**	**123.98**	**26.48**	**117.61**	**1,264.63**	**3,616.56**
	Cost to acquire fixed assets	303.00	436.52	237.09	57.59	0.50	(197.33)	64.52	46.37	948.26
	Depreciation	560.44	140.41	12.10	136.80	95.08	7.67	23.77	6.25	982.52
	Non Cash expenses other than Depreciation	4.76	(0.20)	0.13	0.06	1.74	0.00	0.05	11.98	18.52

Notes:
1. Includes JV Petronet LNG Limited
2. Includes JVs IGL, BGL and MGL
3. Includes Subsidairy GAIL Global (Singapore) Pte. Ltd. and Associate Company share

Related Party Disclosures

(ANNEXURE-B)

I) Relationship

A) Joint Venture Companies / Associates / Subsidiary:

1) Mahanagar Gas Limited
2) Indraprastha Gas Limited
3) Petronet LNG Limited
4) Bhagyanagar Gas Limited
5) Tripura Natural Gas Corporation Limited
6) Central UP Gas Limited
7) GAIL Global (Singapore) Pte. Ltd.
8) Fayum Gas Company
9) Shell Compressed Natural Gas
10) Gujarat State Electricity Generation Ltd.
11) National Gas Company "Nat Gas"

B) Whole time Directors:

1) Shri Proshanto Banerjee, Chairman and Managing Director
2) Shri J.K. Jain
3) Shri S.P. Rao
4) Shri B.S. Negi
5) Shri M.R. Hingnikar
6) Dr U.D. Choubey
7) Shri A.K. De
8) Shri Rajeev Khanna
9) Shri C.N. Trivedi
10) Shri A.K. Purwaha

C) Unincorporated Joint venture for Exploration & Production Activities:

1) NEC - OSN - 97/1 (Non-operator with participating interest: 50%)
2) CB - ONN - 2000/1 (Non-operator with participating interest: 40%)
3) A-1, Myanmar (Non-operator with participating interest: 10%)
4) CY-OS/2 (Non-operator with participating interest: 25%)
5) AA-ONN-2002/1 (Non-operator with participating interest: 80%)
6) CY-ONN-2002/1 (Non-operator with participating interest: 50%)

II) The following transactions were carried out with the related parties in the ordinary course of business:

A) Details relating to parties referred to in item no. I (A) above:

(Rs. in Crores)

		2004-05
1)	Sales	**293.14**
2)	Amount receivable as at Balance Sheet Date for (1) above	**14.60**
3)	Purchases	**1187.71**
4)	Amount payable as at Balance Sheet Date for (3) above	**66.65**
5)	Reimbursement for other expenditure received/receivable	**1.23**
6)	Amount receivable as at Balance Sheet Date for (5) above	**1.17**

B) **Details relating to parties referred to in item no. I (B) above:**

(Rs. in Crores)

		2004-05
1)	Remuneration*	**1.36**
2)	Interest bearing outstanding loans receivable	**0.33**
3)	Interest accrued on loans given	**0.16**

*Remuneration includes Basic, Allowances, reimbursements,contribution to PF and perquisites.
In addition, Whole time Directors are allowed the use of Staff cars including for private journeys upto a ceiling of 1000 Kms. per month on payment in accordance with the Bureau of Enterprises Circular.

C) **Details relating to parties referred to in item no. I (C) above:**

(Rs. in Crores)

		2004-05
1)	Minimum work program commitment	**94.39**
2)	Survey and other expenses	**22.07**
3)	Other assets	**46.13**
4)	Amount outstanding on Balance Sheet date	**17.32**
5)	Amount written Off-Dry well expenditure	**2.22**

GAIL (India) Limited
Consolidated Cash Flow Statement for the Financial Year Ended 31st March, 2005

Amount (Rs. in Crores)

S.No.	Particulars		2004-05
A.	**CASH FLOW FROM OPERATING ACTIVITIES**		
1.	Net Profit Before Tax		2,980.92
2.	Adjustments for:		
	Depreciation and Amortisation	980.77	
	Deferred Revenue Expenditure Written Off	0.27	
	Capital Reseve	(0.12)	
	Preliminary Expenditure	0.10	
	Inventory Written Off	0.02	
	Exchange Rate Variation	(0.07)	
	Liabilities/Provisions no longer requied written back	(1.12)	
	Interest Expenditure	151.79	
	Dividend Income On Investments	(120.32)	
	Interest Income	(148.10)	
	Profit/Loss On Sale Of Fixed Assets	0.53	
			863.75
3.	Operating Profit Before Working Capital Changes (1+2)		3,844.67
4.	Changes In Working Capital (Excluding Cash & Bank Balances)		
	Trade And Other Receivables	(506.60)	
	Inventories	(5.27)	
	Trade And Other Payables	448.62	
			(63.25)
5.	Cash Generated From Operations (3+4)		3,781.42
6.	Direct Taxes (Paid)/Refunded		(896.57)
	Net Cash Flow From/(used in) Operating Activities (5+6)		2,884.85
	Balance Carried Forward		**2,884.85**

GAIL (India) Limited
Consolidated Cash Flow Statement for the Financial Year Ended 31st March, 2005

Amount (Rs. in Crores)

S.No.	Particulars		2004-05
	Balance Brought Forward		**2884.85**
B.	**Cash Flow From Investing Activities**		
	Purchase of Fixed Assets	(453.63)	
	Proceeds from Sale of Fixed Assets	0.64	
	Redemtion of Bonds/Debentures	0.15	
	Investment Made (Net)	(94.25)	
	Adjustment to Capital Work in Progress	175.86	
	Adjustment to Precperative Expenditure	32.39	
	Movement in Loans Given	0.01	
	Interest Received	124.62	
	Dividend Received	120.32	
	Net Cash From/(used in) Investing Activities		**(93.89)**
C.	**Cash Flow From Financing Activities**		
	Proceeds From application of new shares	9.34	
	Proceeds From Long Term Borrowings	216.80	
	Repayment of Long Term Borrowings	(224.75)	
	Interest Paid	(152.26)	
	Dividend Paid	(782.79)	
	Net Cash From/(used in) Financing Activities		**(933.66)**
	Net Increase In Cash And Cash Equivalents (A+B+C)		**1,857.30**
	Cash And Cash Equivalents As at 01.04.2004 (Opening Balance)		1,633.98
	Cash And Cash Equivalents As at 31.03.2005 (Closing Balance)		3,491.28

N.K.Nagpal, Secretary
J.K.Jain, Director (Finance)
B S. Negi, Director (BD)
Proshanto Banerjee, Chairman & Managing Director

As per our separate report of even date
For M/s S. MANN & COMPANY
Chartered Accountants

Subhash Mann
(Partner)
Membership No. 80500

Place : New Delhi
Dated : June 21, 2005

GAIL (India) Limited

Gas & Beyond

LNG

CNG

PNG

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GAILTEL

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