GAIL (India) Limited

Annual Report
2007-2008

Our relentless growth is fuelled by the efficient integration of all aspects of the Natural Gas value chain. Our future success is energised by our focus on clean fuel industrialisation by creating green energy corridors.

We are concerned that the choices we make today to ensure economic prosperity, should also help nourish an overall growth for tomorrow's generation.

At GAIL we look beyond. We are not only committed to energize every stream of business, but reach out with our humble initiatives to help life bloom around us.

Annual Report 2007-2008

CONTENTS

5	Notice of AGM
12	Board of Directors
14	Highlights 2007-08
15	Directors' Report
38	Management Discussion and Analysis
46	Report on Corporate Governance
59	Five Year Profile
63	Annual Accounts
64	Auditor's Report to the Shareholders
68	Financial Statement
86	Cash Flow Statement
88	Accounting Policies
107	Balance Sheet Abstract and Company's General Business Profile
110	Schedule of Fixed Assets – Township
111	Income and Expenditure – Township etc.
112	Comments of C&AG
113	Annual Accounts of Subsidiary GAIL Global (Singapore) Pte. Ltd.
129	Annual Accounts of Subsidiary Brahmaputra Cracker and Polymer Ltd.
142	Consolidated Financial Statements

Vision

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

Mission

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

NOTICE

NOTICE is hereby given that the **Twenty-fourth Annual General Meeting** of the Members of **GAIL (INDIA) LIMITED** will be held on **Thursday, the 4th day of September, 2008 at 10.30 a.m.** at Air Force Auditorium, Subroto Park, New Delhi - 110010, to transact the following business:-

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2008, Profit & Loss Account for the year ended 31st March, 2008, Board's Report, Auditors' Report and the comments thereupon of Comptroller & Auditor General of India.
2. To declare dividend on Equity Share Capital for the financial year ended on 31st March, 2008. The Board has recommended a total dividend of 100% on the paid-up Equity Share Capital of the Company for the year ended 31st March, 2008, which includes interim dividend of 40% already paid in December, 2007.
3. To appoint a Director in place of Shri R.K. Goel, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Dr. Amit Mitra, who retires by rotation, and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Dr. A. K. Kundra, who retires by rotation, and being eligible, offers himself for re-appointment.
6. To authorize Board of Directors of the Company to fix remuneration of the Statutory Auditors of the Company in terms of the provisions of Section 224(8)(aa) of the Companies Act, 1956 and to pass the following resolution, with or without modification(s), as Ordinary Resolution :

   "RESOLVED THAT the Board of Directors of the Company be and is hereby authorized to decide and fix the remuneration of the Statutory/Branch Auditors of the Company for the Financial Year 2008-2009, as may be deemed fit by the Board."

SPECIAL BUSINESS

7. To consider, and if thought fit, to pass with or without modification(s), the following resolutions as Ordinary Resolution:

   "RESOLVED THAT in accordance with the provision of Section 257 and other applicable provision, if any, of the Companies Act, 1956, Dr. U.K. Sen, who was appointed as an Additional Director w.e.f. 29.04.2008 be and is hereby appointed as a Director of the Company, liable to retire by Rotation."

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

   "RESOLVED THAT pursuant to the provisions of Sections 16, 31, 94 and other applicable provisions of the Companies Act, 1956, and other applicable laws, if any, the approval of members be and is hereby accorded to increase the Authorized Share Capital of the Company from Rs. 1,000 Crores (Rs. One Thousand Crores) to Rs. 2,000 Crores (Rs. Two Thousand Crores), ranking pari passu with the existing equity shares.

   FURTHER RESOLVED THAT the existing Clause V of the Memorandum of Association of the Company be amended by way of substitution of the Clause as under:

   'The authorized share capital of the Company is Rs. 2000,00,00,000 (Rs. Two Thousand Crores) divided into 200,00,00,000 (Two Hundred Crores) equity shares of Rs. 10/- (Rs. Ten) each, with the rights, privileges and conditions attaching thereto as are provided by the Articles of Association of the Company for the time being with power to increase and reduce the Capital of the Company and to divide and/or subdivide the shares in the Capital for the time being into several classes and to attach thereto respectively such preferential, deferred, guaranteed, qualified or special rights, privileges or conditions as may be determined by or in accordance with the Articles of Association of the Company and to vary, modify, amalgamate or abrogate any such rights, privileges or conditions in such manner as may, for the time being, be provided by the Articles of Association of the Company but subject always to the provisions of the Companies Act (I of 1956), including amendments thereto from time to time.'

   FURTHER RESOLVED THAT the existing Article 5 of the Articles of Association of the Company be amended by way of substitution of the Article as under:

   'The authorised share capital of the Company is Rs. 2000,00,00,000 (Rs. Two Thousand Crores) divided into 200,00,00,000 (Two Hundred Crores) equity shares of Rs. 10 /- (Rs. Ten) each.'

   FURTHER RESOLVED THAT CMD and/or Director and/or Company Secretary be and is/are hereby authorized to do all such acts, deeds, matters and things and execute all such deeds, documents and instruments as may be deemed necessary to effectuate the decision in the foregoing resolution."

9. To consider, and if thought fit, to pass with or without modification(s), the following resolutions as Ordinary Resolution(s):

   "RESOLVED THAT –

   (i) in accordance with the relevant provisions of the Memorandum and Articles of Association of the

Company and recommendation of the Board of Directors, and subject to the guidelines issued by the Securities and Exchange Board of India and such other consents or approvals as may be required in this regard or applicable, and subject to the conditions and modifications, if any, as may be prescribed and agreed to by the Board, consent of the members be and is hereby accorded to the Board of Directors of the Company (herein after referred to as the Board, which expression shall include a Committee of Directors duly authorized in this behalf), for capitalization of a sum of Rs. 422,82,58,000/- being part of the amount standing to the credit of the General Reserve in the books of the Company, be capitalized and distributed amongst the holders of the existing equity shares of the Company whose names stand on the Register of Members/ Beneficial Owners on Record date/Book Closure to be fixed separately in this behalf that they become entitled thereto as capital and not as income and that the same be not paid in cash but be applied on behalf of such shareholders as aforesaid in paying up in full at par 42,28,25,800 new equity shares of Rs. 10/- each to be allotted, distributed and credited as fully paid-up amongst the said shareholders in the proportion of 1 (One) new equity share for every 2 (Two) existing equity shares held by them.

(ii) the issue and allotment of new equity shares and payment in respect of fractional entitlement, if any, in terms hereof to the non-resident shareholders of the Company, shall be subject to the provisions of the Regulations made under the Foreign Exchange Management Act, 1999.

(iii) the 42,28,25,800 new equity shares of Rs. 10/- each to be allotted as Bonus Shares, shall be subject to the Memorandum and Articles of Association of the Company and shall rank, in all respects, pari passu with the existing equity shares of the Company and shall be entitled to participate in full in any dividend declared after the Bonus shares are allotted.

(iv) no letter of allotment shall be issued in respect of Bonus Shares and members holding in physical form will be delivered share certificates except that the Bonus shares will be credited to demat accounts of the allottees who are holding the existing equity shares in electronic form.

(v) the Board shall not issue any certificate or coupon in respect of fractional shares, but the total number of such new equity shares representing such fractions shall be allotted by the Board to a nominee(s) to be selected by the Board, who would hold them as trustee(s) for the equity shareholders who would have entitled to such fractions. Such nominee(s) will as soon as possible sell such equity shares at the prevailing market rate and the net sale proceeds of such shares, after adjusting the cost and expenses in respect thereof, be distributed among such members who are entitled to such fractions in proportion of their respective holding and allotment of fractions thereof.

(vi) the Board of Directors be and are hereby authorized to take all other steps as may be necessary to give effect to the aforesaid resolution(s) and determine all other terms and conditions of the issue of bonus shares as the Board may in its absolute discretion deem fit including settling any question, doubt or difficulty that may arise with regard to or in relation to the issue or allotment of the Bonus Shares."

By order of the Board
Sd/-
(N.K. Nagpal)
Company Secretary

Place : New Delhi
Date : 15th July, 2008

NOTES

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXY FORM DULY COMPLETED SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE SCHEDULED TIME OF THE MEETING (ANNEXED WITH THE NOTICE).**

2. The Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of the Special Business is annexed herewith.

3. A brief resume of the Directors proposed for appointment/re-appointment as mandated in Clause 49 of the Listing Agreement is annexed with the Notice.

4. The documents referred to in the accompanying Notice and Explanatory Statement thereto, are open for inspection by members, at the Registered Office of the Company during office hours, i.e., between 11:00 a.m. and 1:00 p.m., on all working days, except Saturday, Sunday and holiday(s), upto the date of the Annual General Meeting.

5. The Register of Members and Share Transfer Book will remain closed from **Saturday**, the **23rd August, 2008** to **Thursday**, the **4th September 2008 (both days inclusive)** for the purpose of payment of final dividend, if any, to be declared at this meeting.

6. Members holding shares in multiple folios in ***physical mode*** are requested to apply for consolidation to the Registrar & Transfer Agent (R&T Agent)/Company along with relevant Share Certificates.

7. The dividend, if any, in respect of Equity Shares held in ***electronic mode*** will be paid on the basis of beneficial ownership, details of which are furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL), for the said purpose.

8. For effecting change of Address/Bank details/Electronic Clearing Service (ECS) Mandate, if any, members are requested to notify the same to the following:-

   (i) if shares are held in ***physical mode***, to the Company/R&T Agent of the Company, i.e., MCS Limited, Sri Venkatesh Bhawan, W-40, Okhla Industrial Area, Phase–II, New Delhi –110020.

   (ii) if shares are held in ***electronic mode***, to their Depository Participant (DP). The Company/R&T Agent will not entertain requests for noting change of Address/Bank details/ECS Mandate, if any.

9. Members holding shares in ***electronic mode*** may kindly note that their Bank Account details and 9-digit MICR Code of their Bankers, as noted in the records of their DP, shall be used for the purpose of overprinting on Dividend Warrants, or remittance of dividend through Electronic Clearing Service (ECS), wherever applicable. It is, therefore, necessary that the members should ensure that their correct bank details and/or 9-digit MICR Code number are noted in the records of the DP.

   Reserve Bank of India (RBI) is providing ECS facility for payment of dividend in select cities. Members holding shares in physical mode and desirous of availing this facility may give the details of their bank account, i.e., 9-digit MICR Code, along with photocopy of a cheque or a blank cancelled cheque relating to the designated bank account, to the R&T Agent/Company.

NOTES:

As per the ECS Mandate noted in the records of DP, the amount of dividend will be credited directly to bank account through RBI's Electronic Clearing Service (ECS). The credit of dividend amount can also be confirmed from pass book/bank statement. ***Kindly ensure that the ECS mandate is correctly recorded with DP so that no ECS rejection takes place.***

10. Pursuant to Section 205C of the Companies Act, 1956, dividend amount(s) remaining unclaimed and unpaid for a period of seven years, from the date they became due for payment, is required to be transferred to the Investor Education and Protection Fund (IEPF) established by the Central Government.

    Accordingly, unclaimed/unpaid dividend for the financial year 2000-01 which is due for transfer to IEPF, should be claimed by the members before 27th September, 2008. After said date, no claim shall lie against the Fund/Company, in respect of the said amount. Due date(s) of transfer of unclaimed/unpaid dividend to IEPF for the respective financial year(s) are given in Corporate Governance Report section of the Annual Report.

    Members who have not encashed their Dividend Warrant may approach the R&T Agent /Company for issuance of demand draft(s) upon completion of necessary formalities in the said behalf in lieu of such warrant.

11. Members are requested to :-

    (i) bring their copy of Annual Report and Attendance Slip at the venue of the meeting.

    (ii) quote their Folio/DP & Client Id No. in all correspondence with the R&T Agent/Company.

    (iii) note that briefcase, mobile phone, bag, eatables and other belongings ***will not be allowed*** to be taken inside the venue of the meeting for security purposes and shareholders will be required to take care of their belongings.

    (iv) note that ***no gifts*** will be distributed at the Annual General Meeting.

    (v) note that ***shareholders present in person or through registered proxy*** shall only be entertained.

    (vi) the attendance slip/proxy form should be ***signed*** as per the specimen signature registered with the R&T Agent/DepositoryParticipant (DP).

    (vii) please ***carry photo ID card*** for identification/verification purposes.

    (viii) entry to the hall will be strictly on the basis of the admission card, which shall be provided at the counters at the venue in exchange for duly completed & signed attendance slip(s).

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

ITEM NO. 7

Dr. U.K. Sen was nominated by the President of India vide letter No. C-31024/27/2006-CA(Pt.) dated 29.04.2008, as a Director on the Board of Directors of the Company w.e.f. 29.04.2008. He was inducted as an Additional Director, till the conclusion of this Annual General Meeting. The Board recommends that he may be appointed as a Director, liable to retire by rotation.

The Company has received a Notice along with requisite fee from a member under section 257 of the Companies Act, 1956, proposing the candidature of Dr. U. K. Sen as Part-time Non-official Director (Independent) of the Company.

Your Directors recommend the resolution for approval of the shareholders.

Dr. U.K. Sen is interested in this resolution to the extent of his appointment as a Director. No other Director of the Company is concerned / interested in the proposed resolution.

ITEM NO. 8

The present authorised share capital of the Company is Rs. 1,000 Crores (Rupees One Thousand Crores) divided into 100 Crores (One Hundred Crores) equity shares of Rs. 10/- each. GAIL is currently implementing projects nearly to the tune of Rs. 20,000 Crores, which are likely to be executed in next 4-5 years. These projects will be funded partly through internal resources and partly through debt, which may also include the equity route. Considering the same, the Board has approved, subject to the members approval, an increase in the authorized share capital to Rs. 2,000 Crores (Rupees Two Thousand Crores) divided into 200 Crores (Two Hundred Crores) shares of Rs. 10/- each.

Pursuant to the provisions of Sections 16, 31, 94 and other applicable provisions of the Companies Act, 1956 an increase in authorized share capital needs consequent amendment to the Memorandum and Articles of Association of the Company. The approval of members is therefore sought to increase the Authorized Share Capital of the Company from Rs. 1,000 Crores (Rupees One Thousand Crores) to Rs. 2,000 Crores (Rupees Two Thousand Crores) and consequent amendment in the Memorandum and the Articles of Association of the Company.

Your Directors recommend the resolution for approval of the shareholders.

None of the Director of the Company is concerned / interested in the proposed resolution.

ITEM NO. 9

The present authorised share capital of the Company is Rs. 1,000 Crores out of which share capital of Rs. 845.65 Crores is paid-up. As on 31.03.2008 the reserves & surplus were Rs. 12,160 Crores. The proposal to increase the authorised share capital from the present level of Rs. 1,000 Crores to Rs. 2,000 Crores is appearing in item No. 8. To capitalize a portion of reserves your Board in its 263rd meeting held on 16th June 2008, recommended issue of Bonus

Shares in proportion of 1 (one) new equity share for every 2 (two) existing equity shares held by the members on Record Date/Book Closure to be fixed later on in this behalf, by capitalizing a sum of Rs. 422,82,58,000 Crores from General Reserves as per audited accounts of the Company for the financial year ended 31st March, 2008 and the same is proposed to be applied in full by issuing at par 42, 28,25,800 new equity shares of Rs. 10/- each.

Pursuant to the provisions of the Articles of Association of the Company and in terms of guidelines of Securities Exchange Board of India (SEBI), the capitalization of reserves and issue of Bonus Shares thereof require approval of the members in general meeting.

Further, it is necessary to authorize the Board of Directors of the Company to complete all the regulatory formalities prescribed by the SEBI, RBI, stock exchanges on which the Company's securities are listed and any other regulatory authority in connection with issue and allotment of the Bonus Shares.

Accordingly, the resolution seeks the approval of the members for capitalization of amount standing to the credit of general reserves and issue of Bonus Shares on the terms and conditions set out in the resolution.

Your Directors recommend the resolution for approval of the shareholders.

The Directors of the Company are concerned/interested in the proposed resolution to the extent of their shareholding in the Company.

PURSUANT TO THE PROVISIONS OF CLAUSE 49 OF THE LISTING AGREEMENT, A BRIEF RESUME OF THE DIRECTORS, PROPOSED FOR APPOINTMENT/RE-APPOINTMENT IS GIVEN BELOW :

ITEM NO. 3

Shri R.K. Goel took over as the Director (Finance) in November 2005. He joined the Company as Manager (Fin.) in July 1988. He is a Graduate of Commerce and a Fellow Member of the Indian Institute of Chartered Accountants of India. He brings with him experience of over 30 years in the area of Financial Management by serving major Oil and Gas companies of India. Before joining GAIL, he served for almost a decade in another Navratna Oil giant, Indian Oil Corporation Ltd.

Shri R.K. Goel holds Directorship in GAIL Global (Singapore) Pte. Limited, Ratnagiri Gas and Power Private Limited, Mahanagar Gas Limited, Brahmaputra Cracker & Polymer Limited and China Gas Holdings Limited.

Shri R.K. Goel does not hold any equity shares in the Company.

ITEM NO. 4

Dr. Amit Mitra holds a Masters degree in Economics from the Delhi School of Economics and a Ph.D. in Economics from Duke University in the United States.

Dr. Amit Mitra is an outstanding scholar and economist and has vast experience in teaching both in India and abroad. He initially served as a lecturer at IIT, Delhi and subsequently taught in the United States. He presently serves as the Secretary General of FICCI. Dr. Mitra has presented and published several papers on issues relating to economic policy and change.

Dr. Amit Mitra does not hold Directorship in any other Company.

Dr. Amit Mitra does not hold any equity shares in the Company.

ITEM NO. 5

Dr. A.K. Kundra retired from the Indian Administrative Service as Secretary to the Government of India, Ministry of Mines, on April 30, 2003. Dr. Kundra holds a Masters Degree in Economics from Punjab University. He obtained a Ph.D. from the School of International Studies at Jawaharlal Nehru University. He joined the IAS in 1966 and was allocated to Punjab Cadre. During his service career over 36 years he has held various assignments with the Government of India and the State of Punjab. For over 19 years, Dr. Kundra has held jobs which have given him professional knowledge and experience in the fields of industry, corporate management, commerce, international trade and finance.

Dr. A.K. Kundra holds Directorship in Punjab Alkalies & Chemicals Limited; Geojit Credits Private Limited and Central Mine Planning & Design Institute Limited.

Dr. A.K. Kundra does not hold any equity shares in the Company.

ITEM NO. 7

Dr. U.K. Sen retired as Special Secretary to the Government of India, Department of Revenue, Ministry of Finance. Dr. Sen is B.Sc. (Hons.) Physics from University of Calcutta, Post Graduate Diploma in Public Administration and Ph.D. from South Gujarat University.

Dr. Sen has been Member of Central Board of Excise and Customs (CBEC) and Institution Development Specialist of Asian Development Bank (ADB). He held the position of CMD in Fertilizer Corporation of India (FCI). He has wide experience as CEO of FCI.

As a visiting faculty, he delivered lectures on issues covering international trade facilitation, GATT & WTO issues, export import policy in IIM (Bangalore), International Management Institute, New Delhi and MDI, Gurgaon. Dr. Sen has various publications to his credit which include deregulation in a World of Trade Blocs; Disaster Management; Backwater Trading on post Doha initiatives; Ten Commandments to make SEZ work etc.

Dr. U.K. Sen holds Directorship in Rajasthan Electronics and Instruments Limited.

Dr. U.K. Sen does not hold any equity shares in the Company.

Dr. U.K. Sen does not have any relation with other Director(s) of the Company.

ATTENDANCE SLIP

GAIL (INDIA) LIMITED

Registered Office: 16, Bhikaiji Cama Place, R.K. Puram, New Delhi – 110066

Folio/DP & Client ID No. :

No. of Shares held :

Name :

Address :

Signature of Shareholder/Proxy :

I hereby record my presence at the **Twenty-fourth Annual General Meeting** of the Company to be held on **Thursday**, the **4th day** of **September, 2008** at **10.30 a.m.** at Air Force Auditorium, Subroto Park, New Delhi - 110010.

NOTE:

1. The attendance slip should be signed as per the specimen signature registered with the R&T Agent/Depository Participant (DP) and hand over this at the entrance. **Please carry photo-ID card for identification/verification purposes.**
2. That shareholder(s) present in person or through registered proxy shall only be entertained.
3. That briefcase, mobile phone, bag, eatables etc. will not be allowed to be taken inside the venue of the meeting for security purposes and shareholder(s) will be required to take care of their belonging(s).
4. That **no gifts** will be distributed at the Annual General Meeting.
5. Entry to the hall will be strictly on the basis of the admission card to be provided at the venue in exchange of completed & signed attendance slip(s).

PROXY FORM

GAIL (INDIA) LIMITED

Registered Office: 16, Bhikaiji Cama Place, R.K. Puram, New Delhi – 110066

I/We ……………………………………. of ………………………………….. being a member of GAIL (India) Limited hereby appoint …………………………… of ……………………… or failing him …………………… of ………………………… or failing him ………………..... of ………………………………… as my/our proxy, in my/our absence to attend and vote for me/us and on my/our behalf at the **Twenty-fourth Annual General Meeting** of the Company to be held on **Thursday,** the **4th day** of **September, 2008** at **10.30 a.m.** at Air Force Auditorium, Subroto Park, New Delhi - 110010.

Folio/DP & Client ID No. :

No. of Shares held :

Name :

Address :

Signed this …………… day of …………………..., 2008

Affix Revenue Stamp

Signature

NOTE:

1. The Proxy in order to be effective must be deposited at the Registered Office of the Company duly stamped, completed and signed, not less than 48 hours before the time for holding of the meeting.
2. The Proxy Form should be signed across the stamp as per specimen signature registered with the R&T Agent/Depository Participant (DP).

Statutory Auditors

M/s Mehra Goel & Co.	Chartered Accountants New Delhi

Branch Auditors

M/s SCJ Associates	Chartered Accountants Agra
M/s Rupa Sekar & Associates	Chartered Accountants Bhopal

Cost Auditors

M/s R.J. Goel & Co.	Cost Accountants New Delhi
M/s Ramanath Iyer & Co.	Cost Accountants New Delhi
M/s K.G. Goyal & Co.	Cost Accountants Jaipur
M/s Shome & Banerjee	Cost Accountants New Delhi
M/s K. Narsimhma Murthy	Cost Accountants Hyderabad
M/s Bandyopadhyaya & Bhaumik & Co.	Cost Accountants Kolkata
M/s R.M. Bansal & Co.	Cost Accountants Kanpur

Company Secretary

Shri N.K. Nagpal

Stock Exchanges

Bombay Stock Exchange Limited	Floor 1, PJ Tower Dalal Street Mumbai - 400001
National Stock Exchange of India Limited	'Exchange Plaza' Bandra Kurla Complex Bandra (E) Mumbai - 400051
London Stock Exchange (GDRs)	10, Paternoster Square London – EC4M 7LS (U.K.)

Registrar and Share Transfer Agent

MCS Limited	Sri Venkatesh Bhawan W-40, Okhla Industrial Area Phase - II New Delhi – 110020

Bankers

State Bank of India	Corporate Accounts Group Jawahar Vyapar Bhavan 11th & 12th Floors Tolstoy Marg New Delhi - 110001
ICICI Bank Ltd.	9A, Phelps Building Connaught Place New Delhi – 110001
HDFC Bank Ltd.	1st Floor, Kailash Building 26, Kasturba Gandhi Marg New Delhi - 110001

Registered Office

16, Bhikaiji Cama Place
R.K. Puram
New Delhi – 110066

Subsidiary Companies

GAIL Global (Singapore) Pte. Limited	5 Shenton Way, #23-03 UIC Building Singapore – 068808
Brahmaputra Cracker and Polymer Limited	Hotel Brahmaputra Ashok, M.G.Road Guwahati, Assam - 781001
GAIL Gas Limited	16, Bhikaiji Cama Place R.K. Puram New Delhi – 110066

Board of Directors

Sh. Mohan R. Hingnikar
Director (HR)

Sh. R. K. Goel
Director (Finance)

Dr. U. D. Choubey
Chairman & Managing Director

Sh. Santosh Kumar
Director (Projects)

Sh. A. K. Purwaha
Director (Business Development)

Sh. B. C. Tripathi
Director (Marketing)

Sh. S. Sundareshan
Director

Sh. D. N. Narasimha Raju
Director

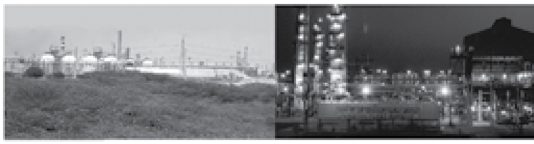
Dr. Amit Mitra
Director

Dr. A. K. Kundra
Director

Dr. U. K. Sen
Director

Highlights

2007-08



Gas transmission continues to be the core business of GAIL. The Company's strategy has been to look out for diversified growth by leveraging on its core competency of gas transmission. The major highlights of the year 2007-08 were:

Gas Marketing

- Government awarded Marketing rights of PMT Gas to GAIL as Government of India nominee.

Gas Transmission

- The 30" diameter, 576 km long Dahej– Panvel – Dabhol pipeline with a design capacity of 12 MMSCMD was commissioned.
- GAIL-RLTIL signed transmission agreement for transmission of gas from Krishna-Godavari (KG) Basin.

E & P

- Commercial production of oil from Cambay basin block CB-ONN-2000/1, having equal participation by GAIL and GSPC commenced.

Petrochemicals

- Expansion of Petrochemical Plant at Pata for increasing capacity from 310,000 TPA LLDPE/HDPE to 410,000 TPA completed.
- Brahmaputra Cracker and Polymer Limited (BCPL), subsidiary of GAIL with partners as Government of Assam, Oil India Limited and Numaligarh Refinery Limited for setting up 2,80,000 MT Gas Cracker Project at Lepetkata, District Dibrugarh, Assam at an investment of Rs. 5,460 Crores.
- MoU with Reliance Industries Limited was signed for joint cooperation in petrochemicals.
- MoU with HPCL, TOTAL, Mittal Energy and OIL for evaluating feasibility of a petrochemical plant.

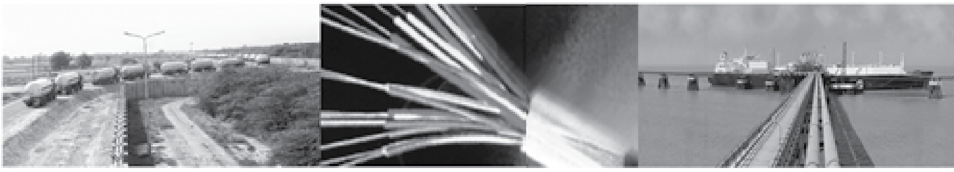
Overseas Presence

- GAIL formed a Joint Venture Company (JVC) with China Gas Global Energy Holdings Limited. GAIL and China Gas are equal partners in this JV which has been registered in Bermuda.

  This is the first Joint Venture Company of GAIL abroad. The JVC will pursue opportunities in CNG, City Gas, Pipeline, CBM, LNG and E&P projects.
- GAIL signed MoU with ITERA Oil and Gas Company of Russia.

City Gas

- GAIL and HPCL signed JV agreement for City Gas projects in Rajasthan.
- GAIL and Indian Oil inked MoU for JV in City Gas Distribution in West Bengal.
- GAIL set up a subsidiary (GAIL Gas Limited) for City Gas Distribution and City Corridor Business.



Directors' Report

Directors' Report

Dear Shareholders,

On behalf of the Board of Directors of your Company, I am delighted to present the 24th Annual Report of your "Navratna" Company along with Audited Financial Statements for the Financial Year 2007-08.

GROWTH

Your Company has completed nearly two-and-half decades of an eventful journey. Starting with a natural gas transmission Company, it is today an integrated energy Company along the natural gas value chain with global footprints. Having started as a gas transmission Company in the year 1984, it grew organically over the years by building a large network of natural gas trunk pipelines covering a length of around 7000 km and over 1900 km of LPG pipeline transmission network. Your Company is adding another 5000 km of new pipelines by the year 2011 at an estimated cost of Rs. 14,500 Crores which have been approved by the Board of the Company under Navratna powers. Today, your Company has interests in the business of Natural Gas, LPG, Liquid Hydrocarbons and Petrochemicals, Exploration & Production, City Gas Distribution and is steadily developing its overseas presence.

The major focus of your Company is to maintain its dominant position in the gas business, especially the transmission segment. The thrust is to continue the relationship with existing customers as well as add new customers. These new pipelines would include large trunk pipelines along with smaller pipelines which would provide connectivity among trunk lines so that prospective sources and consumers are connected.

It gives me immense pleasure that the Board of the Company has recommended the issuance of one bonus share for every two equity shares held, subject to the requisite approval(s).

During the year 2007-08, the important physical & financial highlights are as under:

PHYSICAL HIGHLIGHTS

Particulars	2007-08	2006-07
Gas Transmission (MMSCMD)	**82.10**	77.28
LPG Production (TMTs)	**1,043**	1,026
Pentane / Propane / SBP Solvents / Naptha Production (TMTs)	**305**	317
Polymer Production (TMTs)	**386**	354
LPG Transmission (TMTs)	**2,754**	2,491

FINANCIAL HIGHLIGHTS

(Rs. in Crores)

Particulars	2007-08	2006-07
Turnover (Net of ED)	**18,008**	16,047
Other Income	**556**	545
Cost of Sales (excluding Interest and Depreciation and including extraordinary items)	**14,058**	13,050
Gross Margin	**4,506**	3,542
Interest	**80**	107
Depreciation	**571**	575
Profit Before Tax	**3,855**	2,860
Provision for Tax (after provision written back of earlier years, Rs. 339.92 Crores)	**1,254**	473
Profit after Tax	**2,601**	2,387
Appropriations		
Interim Dividend	**338**	676
Proposed Final Dividend	**507**	169
Corporate Dividend Tax	**144**	124
Transfer to Bond Redemption Reserve	**32**	32
Transfer to General Reserve	**260**	239
Balance carried forward to Balance Sheet	**1,320**	1,147

DIVIDEND

The Board of Directors of the Company had earlier approved payment of an interim dividend @ 40% per equity share (Rs. 4 per equity share of Rs. 10 each) amounting to Rs. 338.26 Crores, which has since been paid to the members of the Company.

The Board has recommended payment of final dividend @ 60% per equity share (Rs. 6 per equity share of Rs. 10 each) for the year 2007-08. With this, the total dividend payment for the fiscal 2007-08 will be at 100% (Rs. 10 per equity share of Rs. 10 each) of the paid-up equity capital.

CORPORATE STRATEGY

Your Company had developed a long term strategic plan which has been reoriented during the year, keeping in view the unfolding demand and supply scenario, entry of new competitors, and changing dynamics in the market place. The goals set by your Company include doubling of top and bottom line in the near future.

The strategy developed to realize the set goals is as under:

1. Tying-up with producers and suppliers for marketing and transmission of natural gas on long term and sustainable basis. This is likely to be realized by securing more gas from new gas finds and pursuing early finalization of contracts with customers and suppliers.
2. Expanding of the pipeline infrastructure from 7000 km to

12000 km with the laying of new pipelines by 2011-12.

3. Pursuing of City Gas distribution opportunities in the country. This requires the introduction of Compressed Natural Gas for the automotive sector and Piped Natural Gas for commercial and domestic use in 230 cities in a phased manner.

Your Company also plans to strengthen E&P capability and resources by participating as a major partner / operator in domestic E&P/CBM bidding. This would help in developing E&P as a self-sustainable business for augmenting additional supplies of natural gas. These would include investment in both domestic on-land and off-shore fields, with a balanced portfolio of developmental and exploratory projects.

The natural gas demand in India is at an inflection point and several forces are at work that could dramatically increase the natural gas demand. The present sources of natural gas are projected to deplete in the coming years and therefore, there is a need to look at new sources that are coming up. Your Company is aggressively pursuing gas sourcing options both from the new domestic sources as well as through international sources by way of pipelines and LNG route. Collectively, such a rapid rise in expected demand and re-alignment of sources of gas supply will interact to determine the robust future gas industry structure.

In the area of Petrochemicals business, your Company is examining the possibility of expansion of Petrochemical Complex at Pata and exploring green field opportunities in this sector in India and abroad.

On the globalization front, your Company is tapping areas having synergy with existing businesses by entering into new and emerging gas rich countries with focus on sourcing of gas and participation in downstream activities.

BUSINESS SEGMENT PERFORMANCE

Your Company has been achieving an all round "Excellent" rating by Government of India since MoU signing. During the year under review, the segment wise business performance of the Company is as under:

Natural Gas

Your Company owns and operates a network of over 7000 km of natural gas high pressure trunk pipeline. It supplies over 80 million cubic meters of natural gas per day as fuel to power plants, feedstock for gas based fertilizer plants and to over 500 small, medium and large industrial units to meet their energy and process requirements. Your Company's share of gas transmission business is 79% and it holds 70% market share in gas marketing in India.

Natural Gas continues to constitute the core business of your Company. During the year 2007-08, Gas Sales have increased marginally to 69.10 MMSCMD from 67.83 MMSCMD in the previous financial year. The Gas Transmission during the year was 82.10 MMSCMD compared to 77.28 MMSCMD in the previous financial year.

Your Company continues to have focus on securing gas supplies from international markets. LNG and trans-national pipelines are the two prevalent modes of cross border gas trade and your Company has been making all efforts to bring natural gas in the country.

Petrochemicals

Your Company owns and operates a gas based integrated petrochemical plant at Pata, Uttar Pradesh with a capacity of producing 4,10,000 TPA of Polymers i.e. HDPE and LLDPE, which has been enhanced by 1,00,000 TPA from the earlier capacity of 3,10,000 TPA. Your Company is currently in the process of setting up a 2,80,000 TPA Assam Petrochemical Complex at an investment of Rs. 5,460 Crores. During 2007-08, the production of polymer was 3,86,000 MT and polymer sales was 3,91,000 MT.

LPG Transmission and Other Liquid Hydrocarbons

Your Company has 7 LPG plants in the country. In the year 2007-08, total Liquid Hydrocarbon production was over 1.348 million MT which mainly included 1.043 million MT of LPG, 0.156 million MT of Propane and 0.074 million MT of Pentane.

Your Company is the only Company in India which owns and operates pipelines for LPG transmission. It has a 1900 km LPG pipeline network, 1300 km of which connects the Western and Northern parts of India and 600 km of network is in the Southern part of the country. The LPG transmission system has a capacity to transport 3.8 MMTPA of LPG. LPG transmission throughput was 2.754 million MT in the year 2007-08.

Exploration and Production (E&P)

In line with your Company's strategy and towards integration along the energy chain, E&P activities have gathered momentum during the year. The gas discovery in blocks A-1 and A-3 in Myanmar is maturing to development stage and various studies preliminary to finalization of the development plan and its implementation are underway.

Presently, your Company is involved in oil and gas exploration activities over an acreage of 1.7 Lac sq. km. Your Company now holds a participating interest between 10 to 80 per cent in 27 oil and gas exploration blocks. Of these, 9 are on-land blocks and 18 are off-shore blocks.

In India, there are 24 blocks which are in Basins such as Mahanadi, Bengal, Gujarat-Saurashtra, Mumbai, Cambay, Assam-Arakan and Cauvery. Your Company has got stake in the A-1 and A-3 blocks in Myanmar and Block No. 56 in Oman.

A beginning has been made by your Company in earning revenue from E&P activities. One of the on-land block in Cambay basin started commercial production from February 2008 and Rs. 6.90 Crores has been generated as revenue during Feb-Mar'08.

Coal Bed Methane

Your Company has been participating interest in 3 Coal Bed Methane blocks with an area of 1561 sq. km, 2 of which are in Chattisgarh and 1 in Jharkhand. These blocks were awarded to GAIL consortium in CBM-III bidding round.

Telecommunications

Leveraging on its pipeline network, your Company has built up an OFC network for leasing of bandwidth as a carriers' carrier. Your Company's telecom business unit - `GAILTEL' has approximately 13,000 km network. During the year under review, GAILTEL achieved profit before tax of Rs. 3 Crores.

BUSINESS INITIATIVES

With changes taking place in the gas market, GAIL is continuously evolving strategies to prepare itself for the regulated scenario. With the enactment of Petroleum and Natural Gas Regulatory Board Act, 2006 by Parliament and announcement of Gas Pipeline Policy by Government of India for business of natural gas transmission, refining, processing, storage, transportation, distribution and marketing, the Regulator will oversee and promote the development of natural gas sector and also envisages an arms length relationship between transmission entity and marketing/ exploration activity.

Domestic Initiatives

In its efforts to reduce Green House Gas (GHG) emissions, your Company has signed an agreement with Apollo Tyres for sale of steam through waste heat recovery at its Vaghodia processing plant. This project will save substantial energy by utilizing the waste heat and will lead to emission control by avoiding CO_2 generation.

With a view to assist the National Capital in increasing power generation, your Company has signed Gas Sales Agreement with Pragati Power for gas supply to Bawana Power Plant. Your Company has also executed Gas Supply Agreements with major suppliers like ONGC, PMT etc for augmentation of gas supplies.

Your Company has entered into Gas Transmission Agreement (GTA) with Reliance Gas Transportation Infrastructure Limited (RGTIL) for Transmission of natural gas from the Krishna-Godavari (KG) basin. The Transmission Agreement provides for transportation of natural gas from the exploration block located in the Krishna-Godavari (KG) basin in the east coast of India through GAIL's network and for booking of capacity by GAIL in RGTIL's East-West pipeline.

In order to strengthen the business activities in the area of Petrochemicals, your Company has signed a Memorandum of Understanding (MoU) with Reliance Industries Limited (RIL) for exploring opportunities for setting up a mega petrochemical complex outside India in one of the gas rich countries. Further, a Petrochemical plant at Vizag is envisaged with HPCL, TOTAL, OIL and Mittal Energy.

Your Company has signed an MoU with ONGCL to work jointly for transportation, distribution and marketing of natural gas from its new gas finds in KG basin and Mahanadi basin.

Your Company has signed a Gas Cooperation Agreement with Government of Puducherry envisaging setting up of a coordination group to study the demand potential of the Union Territory of Puducherry for R-LNG / CNG / PNG.

Your Company has signed an agreement with the consortia of Reliance Industries, BG Group and ONGC, partners of PMT field for buying the entire quantity of 17.3 MMCSMD and the same has been effective from 01.04.2008.

Global Presence

Your Company is continuing its efforts to build strategic alliance with international companies to gain entry in the international market.

Apart from its equity participation in three retail gas companies in Egypt and China Gas Holdings Limited, participating interest in off-shore E&P blocks in Myanmar and one on-land E&P block in Oman, your Company is pursuing business opportunities in other regions of the world in its core area of operations. Your Company has set up a wholly- owned subsidiary company viz. GAIL Global (Singapore) Pte. Ltd. in Singapore to facilitate overseas investments.

Your Company has recently formed a Joint Venture with China Gas Holdings Limited for taking up the projects in various cities of China. Your Company and China Gas Holdings Limited are equal partners in the JV. This is the first Joint Venture Company of your Company abroad.

During the year under review, your Company has signed a Memorandum of Understanding (MoU) with ITERA Oil & Gas Company of Russia for cooperation in projects such as CNG, Gas based Petrochemicals and E&P.

PIPELINE PROJECTS

During the financial year 2007-08, your Company has completed a major pipeline project from Dahej to Dabhol via Panvel to supply gas to RGPPL which started supplying much needed power to the state of Maharashtra. Branch and spur lines to consumers like Deepak Fertilizer, MSEB Uran, BPCL and other consumers in the state of Maharashtra have also been completed.

The works for providing the connectivity to Pune city and the consumers of Thal / Usar region is under progress. Connectivity to REL's East-West Pipeline which will transport gas from Kakinada to Gujarat is being provided at Oduru in Andhra Pradesh, Mhaskal in Maharashtra and Ankot in Gujarat to enable the flow of gas to consumers in various regions enabling optimum utilization of networks on national basis. Your Company has received grant of authorization for laying new pipelines viz. Dadri-Bawana-Nangal pipeline; Chainsa - Jhajjar-Hissar pipeline; Dabhol-Bangalore pipeline; Jagdishpur-Haldia pipeline and Kochi-Kanjirkodd-Mangalore/Bangalore pipeline.

In addition to the above, your Company will also augment the GREP(Vijaipur-Dadri) Pipeline and Dahej-Vijaipur Pipeline (DVPL).

These projects are at various stages of implementation. The foremost among them is the pipeline from Vijaipur to Bawana which envisages supply of gas to Pragati Power at Bawana targeted to supply power to NCR before commencement of Commonwealth Games 2010.

These projects will also enable your Company to maintain its dominant position in the gas transmission and distribution business.

SUBSIDIARIES & JOINT VENTURES

Your Company has been the pioneer for City Gas Projects in India. With natural gas emerging as the fuel of choice in the country, your Company believes that the next decade will belong to the city gas. Your Company was the first Company to introduce City Gas Projects in India for supplies to households, commercial users and for the transport sector by forming Joint Venture Companies.

Subsidiaries

GAIL Gas Limited

Your Company has formed a wholly owned subsidiary named 'GAIL Gas Limited' for implementing City Gas Projects and CNG corridor in the country. The subsidiary company will act as a vehicle for bidding for laying of pipeline infrastructure in the country.

GAIL Global (Singapore) Pte. Limited

Your Company has a wholly owned subsidiary, namely, GAIL Global (Singapore) Pte. Ltd. to manage investments abroad. Your Company is looking for further business opportunities through this subsidiary company.

Brahmaputra Cracker and Polymer Limited

Your Company has 70% equity share with Oil India Limited (OIL), Numaligarh Refinery Limited (NRL), Govt. of Assam, each having 10% equity share. The authorized capital of the company is Rs. 1,200 Crores. A Feedstock Supply Agreement has been signed between Brahmaputra Cracker and Polymer Limited (BCPL), and all the three suppliers viz., Oil and Natural Gas Company Limited, Oil India Limited and Numaligarh Refinery Limited. Financial closure for the project is likely to be completed during the year 2008-09.

Joint Ventures

Aavantika Gas Limited (AGL):

AGL is a Joint Venture of your Company and Hindustan Petroleum Corporation Limited (HPCL) for implementation of City Gas Projects in the cities of Madhya Pradesh. AGL has started project implementation activities in the city of Indore. Your Company has 22.5% stake in the Company along with HPCL as equal partner.

Bhagyanagar Gas Limited (BGL):

BGL is currently operating three Auto LPG stations in Hyderabad and one Auto LPG station in Tirupathi. It is currently operating six CNG stations in Vijayawada and

three CNG stations in Hyderabad. Your Company has 22.5% stake in the company along with HPCL as equal partner.

Central U.P. Gas Limited (CUGL):

CUGL is currently operating five CNG stations in Kanpur, one CNG station in Bareily and one CNG station in Kanpur is under commissioning. CUGL is building MDPE network for supply of PNG to domestic, commercial and industrial sectors in the city of Kanpur. Your Company has 22.5% stake in the company along with BPCL as equal partner.

Green Gas Limited (GGL):

GGL is currently operating four CNG stations in Lucknow and three CNG stations in Agra. GGL will also take up project implementation in other cities of Western UP on the basis of gas availability and project viability. Your Company has 22.5% stake in the company along with IOC as equal partner.

Indraprastha Gas Limited (IGL):

IGL is supplying piped gas to around 1 Lac domestic, 276 commercial, 16 small industrial consumers and CNG to over 1.35 Lacs vehicles through 153 CNG stations. IGL is catering to world's largest CNG bus fleet of over 11,000 buses in Delhi. Your Company has 22.5% stake in the company along with BPCL as equal partner.

Mahanagar Gas Limited (MGL):

MGL has set up 128 CNG stations catering to over 1.85 Lacs vehicles spread over Mumbai, Thane, Mira-Bhayandar and Navi-Mumbai areas besides supplying PNG to over 3.40 Lacs domestic, 907 commercial and 36 small industrial consumers. Your Company has 49.75% stake in the company along with British Gas as equal partner.

Maharashtra Natural Gas Limited (MNGL):

MNGL is a Joint Venture of your Company and Bharat Petroleum Corporation Limited (BPCL) for implementation of City Gas Projects in Pune city. MNGL is developing necessary infrastructure for supply of CNG and PNG in the city. Your Company has 22.5% stake in the company along with BPCL as equal partner.

Petronet LNG Limited (PLL):

PLL 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. PLL Dahej terminal is being expanded to 10 MMTPA capacity. Your Company has 12.50% stake in the company along with BPCL, IOC and ONGC as equal partners.

Ratnagiri Gas and Power Private Limited (RGPPL):

RGPPL is a Joint Venture Company between your Company, NTPC, Financial Institutions and MSEB. Your Company has 28.33% stake in the company along with NTPC as equal partner. The capacity of the Ratnagiri Gas & Power Station is 2,150 MW. Your Company has made an investment of Rs. 500 Crores and has approved additional equity of Rs. 475 Crores to RGPPL, out of the Rs. 475 Crores, an amount of Rs. 92.90 Crores has been paid during the month of May, 2008.

Tripura Natural Gas Company Limited (TNGCL):

TNGCL is presently supplying gas to 6600 domestic, 104 commercial, 21 industrial consumers and has set up one CNG station in Agartala city. Your Company has 29% stake in the company.

Your Company has approved formation of JV for City Gas Projects in Vadodara with Vadodara Mahanagar Seva Sadan (VMSS) with 26 percent equity, while VMSS will have 24 per cent equity. The balance 50 per cent equity will be held by strategic investors and public. A JV agreement has also been signed with HPCL for city gas projects in Rajasthan.

INITIATIVES

Your Company is an IT savvy organization and has been continuously adopting state-of-the-art IT solutions keeping pace with fast changing industry. These solutions are not only helping in continuous improvement in efficiency and productivity but also ensuring 'right information to right person' by use of latest security solutions.

Continuing with IT initiatives, your Company has launched e-tendering portal in 2007 and a large number of domestic and international tenders are being processed through this transparent and secured system across all offices.

There have been a number of e-initiatives for increasing business process efficiency and development of manpower. Your Company has introduced several other web based online applications like Online Recruitment, e-Performance Management System (e-PMS), Grievance Redressal System, Online Vigilance Complaint Registration System, e-Budgeting System which has led to enhancing transparency, ready and structured availability of information, enhancing speed of operation and facilitating efficient decision making.

Another major initiative towards IT risk management was to set up the state-of-the-art 3-way Disaster Recovery (DR) Centre at Jaipur. This will ensure resumption of business operations in the eventuality of any disaster like Fire, Flood, Earthquake, Cyber Attack etc. in the primary data centre at Noida. The DR setup will ensure uninterrupted IT operation and business continuity of your Company.

Transparency

Your Company signed a Memorandum of Understanding (MoU) with Transparency International India (TII) on 'Integrity Pact Programme' as a measure focused at enhancing operational transparency in its contracts and procurements process. Integrity Pact is a tool devised by TII worldwide to fight corruption in public procurement and thus to assist in improving the credibility of public procedures and administration. Your Company is among the first few Indian corporates to introduce 'Integrity Pact' in procurement and contracts.

Quality Management

Under Quality Management Initiatives, customer satisfaction has been accorded highest priority. Corporate Quality Policy and objectives are aligned and integrated with Company's Vision and Corporate Plan. Some of major quality initiatives include ISO Certification of all units/plants of your Company to make working system specific; ISO 14000 (Environment) & OHSAS 18000 (Occupational Health & Safety Assessment Series) Certification for all operating units; Customer Value Management (CVM) for all the business areas & Six Sigma Implementation for Improvement & cost saving in all business areas.

HEALTH, SAFETY & ENVIRONMENT

Your Company is a responsible corporate citizen and Health, Safety and Environment (HSE) excellence has been extensively promoted as a corporate culture within the organization. Safety & Health of employees are embedded values in the organization. HSE policy, inter-alia, aims to ensure safety of public, employees, plant & equipment, ensure compliance with rules and regulations, imparting training to its employees, carrying out safety audits of its facilities, and promoting eco-friendly activities.

Major health and safety initiatives taken are mentioned below:

Safety Performance

On the road to HSE excellence, your Company has adopted a top-down approach and has embraced the principles and codes of best HSE practices in its HSE Management System. Your Company continues to demonstrate excellent safety performance. Safety Indices across all work centers are meticulously monitored with the aim of continuous improvement.

Safety Training

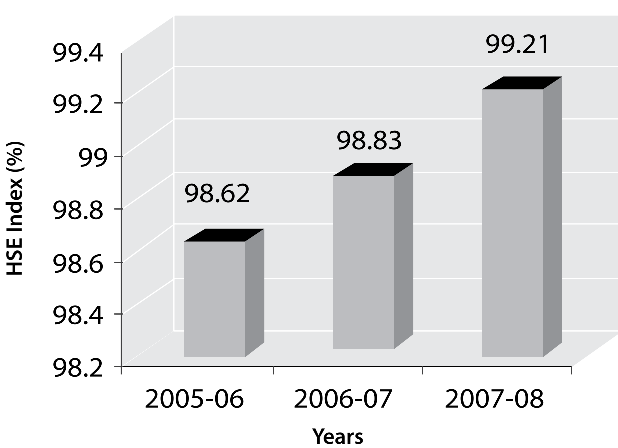
Your Company continues to give utmost importance to train the employees on HSE aspects. Apart from employees, spouses, children, contract workers, tanker drivers etc. are also imparted safety training.

External Safety Audits (ESA)

Your Company's safety practices and systems are audited for continual improvement by national, international agencies and inter unit safety audit teams. During the year 2007-08, ten safety audits were carried by external agencies. Major work centres have been certified for Integrated Management Systems (IMS). IMS outlines the standards needed to align with, or conform to, internationally accredited certifications such as ISO 9001 (quality assurance), ISO 14001 (environment) and OHSAS 18001 (health and safety). During the year 2007-08, inter unit safety audits have been carried out for five units of GAIL.

Occupational Health

Your Company continued its commitment to improve the well being of its employees. During the year 2007-08, all employees at the work centres were medically examined. Besides, contract workers, CISF personnel, villagers from nearby areas were also covered under the programme.



CORPORATE SOCIAL RESPONSIBILITY

Your Company has set high standards of discharging corporate social responsibilities. The Company has earmarked 1% of profit after tax of the previous financial year for CSR programmes. The funds are channelised towards economic, environmental and social upliftment of communities in and around the work centres in the major thrust area such as Community Development, Infrastructure, Drinking Water/Sanitation, Literacy Enhancement/Empowerment, Educational Aids, Healthcare/Medical. Major initiatives undertaken by your Company towards community development to extend a helping hand to the society are detailed below:

- During the year, your Company launched a major education initiative called 'e-Shiksha' for villages in and around its major plants at Pata in U.P. and Vijaipur in M.P. The e-Shiksha programme was part of the CSR activities and was aimed at imparting basic computer knowledge in local language to school students and to school dropouts in respective rural areas.

- Your Company has created a 'GAIL Charitable and Education Trust' with a fund of Rs. 20 Crores to extend financial support on merit-cum-means basis to school going children as well as professionals.

- Your Company has handed over a Field Research Vehicle to Centre for Wild Life Studies. Your Company has also undertaken a wild life conservation project titled 'Save Tiger Project' at Mysore under its Corporate Social Responsibility Programme.

- Various other initiatives undertaken by your Company in Bangalore include aid to Amara Jyothi Handicap Welfare Association, Sree Ramana Maharishi Academy for the Blind, National Association for the Blind and Sadhana, NGO for welfare of SC/ST/OBC rural women.

- Your Company also provided aid for educational infrastructural development activities at Hasserraghatta, Magdi and Jambusavari Dinne Panchayats of Bangalore Rural District, presentation of a food distribution vehicle under Akshya Patra Foundation Scheme, sponsoring of artificial limbs/wheel chairs and other infrastructure facilities including computer lab for the benefit of the physically challenged students.

- Your Company has provided drinking water facilities to the drought prone 300 rural villages in Rajasthan benefiting around 2 lac villagers.

HUMAN CAPITAL

Various initiatives and continuous up-gradation of existing systems for proper nurturing of human capital has been the motto of your Company.

Value additions were made in the Performance Management System with introduction of electronic appraisal system for non-executives. The e-PMS for executives was further strengthened and communication of their assessment ratings was done through Employee Self Service.

For the first time, an online executive feedback survey titled 'Right man at Right job' was held. The information collected with regard to nature of jobs performed by employees in a particular department, location, preference of location etc was mapped for rationalization of manpower.

As an improvement to recruitment practices, provision for online application by prospective candidates was introduced. As a result, the time involved in receiving and sorting of applications, conducting trade test & interviews has been considerably reduced.

Training Initiatives

Oil & Gas industry is rapidly transforming

all along the value chain. This evolution poses new challenges and throws up significant growth opportunities to your Company. Training and Development is a strategic focus and essential to embark upon various growth initiatives. GAIL Training Institutes (GTI) at Noida & Jaipur have been set up as Intellectual wing to equip human resources with necessary Knowledge, Skills and Attitude (KSA) to retain your Company's competitiveness in the emerging marketplace. Both these Institutes are certified for ISO 9001 Quality Management System. The Training programmes are identified by synchronizing organizational needs with individual needs through an e-Performance

Management System (e-PMS). It is one of the important parameters of assessment of MOU performance of your Company & track record of excellent performance has been maintained in FY 2007-2008. During the period under review, 12,707 training days were imparted.

GTI is also pursuing opportunities to offer training programmes to Indian & Overseas companies to convert itself into a Profit Centre. GTI is committed to deliver its best with a team of highly skilled faculty which possesses a blend of academic and practical experiences to achieve the stature at par with other international Training Institutes of repute.

Representation of Women Employees and SC/ST/OBC

As on 31st March, 2008 there were 171 women employees (4.82%), (105 executives and 66 non-executives) in the Company.

The total manpower of the Company as on 31st March, 2008 stood at 3,548, out of which 17.05% belong to SC, 6.99% belong to ST, 16.80% to OBC, 7.41% to Minorities and 2.25% to physically challenged.

Vigilance

The main thrust in your Company is given on Predictive & Preventive rather than punitive vigilance. During the year, apart from observing the Vigilance Awareness week, your Company conducted a number of seminars and awareness programmes for the benefit of employees as well as the vendors / customers. Your Company also signed an MOU with the Transparency International India (TII) for adopting the Integrity Pact, to be signed by all prospective bidders interested in having business with GAIL. The MOU / Integrity Pact are aimed at being transparent & fair in our day-to-day business activities and to achieve ***"EXCELLENCE WITH ETHICS"***.

Official Language

Your Company has been making vigorous efforts for the propagation and successful implementation of the Official Language (OL) Policy of the Union. The Official Language Implementation Committees at Corporate, Regional, and Unit level held their quarterly meetings to monitor and review the progress made in achieving the targets fixed in the annual programme.

In an endeavour to create awareness among employees about OL Policy of the Union, one session on Official Language has been included in each in-house training programme conducted by GTI, Noida and Jaipur. To enlist greater participation of the employees for accepting and implementing the message of Official Language in letter and spirit, the existing incentive schemes were made more attractive and some new incentive schemes were introduced. Latest bilingual software was provided to all the offices.

With a view to create greater awareness and consciousness among employees, Hindi Diwas was observed on 14th September 2007 and Hindi Fortnight was organized from 14th to 28th September 2007.

Various innovative and interesting competitions, cultural activities, seminars, Hindi skits and exhibition on Hindi activities were organized across the Company and the employees participated with great enthusiasm. A special issue of Hindi magazine is also being published on quarterly basis. In order to promote the usage of Hindi in day to day work and to create a conducive atmosphere in your Company, all the work centres organized several hindi workshops at their level.

AWARDS & RECOGNITIONS

During the year, under review, continuing the past trend, your Company was proud recipient of several awards. Some of the significant awards conferred upon your Company are as under:

Corporate Award

- Your Company was adjudged the **Oil and Gas Transportation Company** of the Year, for the year 2006-07. The award was presented by Shri Murli Deora, Hon'ble Union Minister of Petroleum and Natural Gas to Dr. U.D. Choubey, CMD of the Company.

- Your Company was selected as the top Indian company in the **Gas-Processing, Transmission and Marketing Sector** for the Dun & Bradstreet Corporate Awards 2007.

- The **Platts Top 250 Global Energy Rankings** are created in collaboration with the world's leading credit-rating and financial information Business Standards & Poor's.

Your Company has been adjudged as the **#1 "Gas Utility in Asia", 4th in Gas Utility worldwide, 28th overall in Asia region and 135th on overall global perfomance** in Platts Top 250 Global Energy Company for 2007.

- Infraline Energy Awards 2007 – Service to the Nation Award.

- Infraline Energy Awards 2007 – Excellence in Development of Natural Gas Sector Award.

HSE

During the year 2007-08, your Company has been awarded with coveted awards/ appreciation for its excellent performance in HSE. Some of the significant awards are as under:

- Golden Peacock Award for Occupational Health & Safety - 2007 for HVJ Compressor Station, Vijaipur.

- Golden Peacock Award for Environment Management won by GAIL Pata.

- International Safety Award from British Safety Council to Rajamundary, Gandhar and Pata.

- Safety innovation award to Agartala, Gandhar, Hazira, Vagodia & Vijaipur .

- Two top awards from OISD for GPU Vijaipur and HVJ P/L viz. OISD Safety Award for best overall safety performance, Gr-6 for other process plants and Gr-5 for Cross-Country pipelines.

- "Shrestha Suraksha Puruskar" from National Safety Council to HVJ compressor, Vijaipur.

- "Certificate of Appreciation" from Gujarat Safety Council to GAIL Vaghodia & Undera Gas terminal, Baroda.

- "Prasansha Patra" from National Safety Council to LPG recovery plant, Vaghodia.

- "Gujarat State Safety Award 2006" in Group C category II by Gujarat Safety Council to GAIL, Gandhar.

CSR

Conferred the "Silver Plate Award" instituted by Help Age India by Shri P. Chidambaram, Hon'ble Finance Minister for commendable contribution and displaying true leadership in contributing generously towards healthcare of the needy and neglected elders of the country.

Cost Management

- Your Company has once again received the national award for excellence in Cost Management 2007 from The Institute of Cost and Works Accountants of India (ICWAI). JLPL unit won the second award in Public Sector – Service category and Gandhar LPG unit won the 3rd award in Public Sector – Manufacturing category. This is the fourth time in a row your Company has secured the award for excellence in Cost Management.

Others

- Dr. U.D. Choubey, CMD was awarded the Amity Lifetime Achievement Award. The Lifetime Achievement Award has been given to Dr. Choubey in recognition of his outstanding contribution to the overall development of social and business economies.

- Dr. U.D. Choubey, CMD was honoured with Distinguished Fellowship Award of

Institute of Directors (IOD) which was presented by Shri N. Gopalaswami, Chief Election Commissioner.

- Shri M.R. Hingnikar, Director (HR) was honoured with Bharat Gaurav Award.

RIGHT TO INFORMATION

In order to promote transparency and accountability, an appropriate mechanism has been set up across the Company in line with the Right to Information Act, 2005. Your Company has nominated APIO's/PIO's/ CPIO at its units/offices across the country to provide information to citizens under the provisions of RTI Act.

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 at ***Annexure A***.

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 annexed to this report at ***Annexure B***.

MANAGEMENT DISCUSSION AND ANALYSIS

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

CORPORATE GOVERNANCE

Your Company believes Corporate Governance is at the root of Shareholder's Value creation. Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, Corporate Governance Report forms part of this Report.

The statutory auditors of the Company have examined and certified your Company's compliance with respect to conditions enumerated in clause 49 of the listing agreement and DPE guidelines on corporate governance. The certificate forms part of this Report.

FIXED DEPOSITS

Your Company has not accepted any Fixed Deposits and, as such no amount of principal or interest was outstanding as of the balance sheet date.

FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year, foreign exchange earnings were Rs. 6.87 Crores. Expenditure in foreign currency was Rs. 702.63 Crores.

During the year, your Company has incurred expenditure of Rs. 1.61 Crores on foreign tours, foreign training, seminars & conferences, Rs. 0.45 Crores on entertainment and Rs. 9.16 Crores on advertising & publicity.

DIRECTORS

Articles of Association of the Company provide that the term of at least two-thirds of the Directors shall be subject to retirement by rotation. One third of these retiring Directors must retire from office at each Annual General Meeting of the Shareholders. A retiring Director is eligible for re-election.

As per the provisions of the Articles of Association of the Company, Shri R.K. Goel, Director (Finance), Dr. Amit Mitra and Dr. A.K. Kundra, Director(s) retire by rotation and being eligible offer themselves for re-appointment at this Annual General Meeting.

During the year, Shri B.C. Bora, non-official part-time (Independent) Director ceased to be Director w.e.f. 25.02.2008. Dr. U.K. Sen was appointed as non-official part-time (Independent) Director w.e.f. 29.04.2008.

CODE OF CONDUCT

The Board members and senior management personnel, as defined in clause 49 of listing agreement have affirmed compliance with the code of conduct during the financial year ending 31st March, 2008.

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

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956

in relation to Directors' Responsibility Statement, it is confirmed that:

i) in the preparation of the annual accounts for the financial year ended 31st March, 2008, the applicable accounting standards have been followed along with proper explanation relating to material departures;

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

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

iv) The Directors have prepared the annual accounts for the financial year ended 31st March, 2008 on a going concern basis.

AUDITORS

The Office of Comptroller & Auditor General of India vide its letter no. CA V/COY/ CENTRAL GOVT, GAIL (3)/247 dated 6th August, 2007 has appointed M/s Mehra Goel & Co., Chartered Accountants, New Delhi as Statutory Auditors of the Company, M/s. SCJ Associates, Chartered Accountants, Agra as Branch Auditors for U.P. Petrochemicals Complex at Pata and M/s Rupa Sekar & Associates, Chartered Accountants, Bhopal as Branch Auditors for LPG Plant at Vijaipur for the year 2007-08.

Pursuant to the direction from the Ministry of Company Affairs vide its letter no. 52/52/CAB-2007 dated 24th January, 2007 for appointment of Cost Auditors, your Company has appointed M/s R.J. Goel & Co., Delhi for Vijaipur – LPG, M/s Ramnath Iyer & Co., New Delhi for Pata – LPG, M/s K.G. Goyal & Co., Jaipur for Vaghodia – LPG, M/s Shome & Banerjee, New Delhi for Gandhar – LPG, M/s K. Narsimhma Murthy, Hyderabad for Usar - LPG, M/s Bandyopadhyaya & Bhaumik & Co., Kolkata for Lakwa – LPG and M/s R. M. Bansal & Co., Kanpur for CNG Station, Baroda as Cost Auditor for the year ended 31st March, 2008.

ACKNOWLEDGMENT

The Board of Directors acknowledge their gratitude for the valuable guidance and support received from Government of India in particular, the Ministry of Petroleum and Natural Gas (MoPNG) and various State Governments.

The Board acknowledges their deep and sincere thanks for the co-operation and assistance received from Shareholders, Bankers, Financial Institutions, Customers and Suppliers.

The Board would like to place on record its appreciation to the hard work, commitment and unstinting efforts put in by your Company's employees at all levels.

For and on behalf of the Board

Dr. U.D. Choubey
Chairman & Managing Director

Place: New Delhi
Dated: 15th July, 2008

(Annexure - A)

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. Improvement of power factor from 98% to 99.9% has resulted in savings of Rs. 7.2 Lacs per annum at Abu Road pumping station of JLPL.
2. Replacement of CCVTs with non-conventional energy sources at Khera has resulted in savings of Rs. 12 Lacs per annum.
3. Reducing energy and environmental impact by effective monitoring of cooling tower operation has resulted in savings of Rs. 192 Lacs per annum at our petrochemical complex at Pata.
4. De-bottlenecking to increase the flow through chiller separator-1liquid line in LPG Ph-1 in Vijaipur has resulted in a saving of Rs. 577 Lacs per annum.
5. De-bottlenecking of Vijaipur LPG Ph-2 separator-1 liquid flow line has resulted in a saving of Rs. 350 Lacs per annum.
6. De-bottlenecking of Vijaipur LPG Ph-1, Propane Condenser (E-122) cooling flow limitation has resulted in a saving of Rs. 80 Lacs per annum.
7. Reduction in fuel gas in hot oil heater of LPG plant, Vaghodia has resulted in a saving of Rs. 12 Lacs per annum.
8. Reduction in fuel gas consumption in Gas Turbines at GAIL, Vijaipur has resulted in a saving of Rs. 76 Lacs per annum.
9. Change in operational philosophy depending on availability of gas appropriate combination of smaller & higher capacity compressors are taken in line to achieve energy efficiency. Running of more efficient machines at Jhabua resulted in saving of fuel gas consumption by 5.4 MMSCM with corresponding saving of around Rs. 3.85 Crores in year 2007-08.

10. Switching over of CCVT/TEG power to Grid Power CCVT and TEG installed at remote RR stations to supply reliable electrical power are very inefficient source of power having efficiency less than 5%. The action taken to replace the CCVT/ TEG power to grid power at some of RR station in JLPL, VSPL, HVJ & Vadodara resulted in saving of around Rs. 156 Lacs.
11. Modification done in lighting system by replacing conventional lighting system by energy efficient lighting like T-5 tube lights, CFL Sodium vapour / MH lamps, Electronic chokes, Photo sensors, etc. at Hazira, Jhabua, Khera, Vijaipur, Auraiya & various locations in JLPL. This resulted in saving of around 6,23,876 units with corresponding amount of around Rs. 30 Lacs in year 2007-08.
12. Replacement of energy efficient motors at Vijaipur 75 KW energy efficient motor has been installed to replace 90 KW motor for instrument air compressor. This has resulted in energy saving to the tune of 2,02,553 KWH with corresponding saving of around Rs. 14 Lacs in FY 2007-08.
13. Revising the operation philosophy & depressurization of Gas Turbine loop at Usar by envisaging the non-availability of gas for a period beyond 24 hours has resulted in saving of electrical energy by around 1,79,232 KWH with corresponding saving of around Rs. 7.7 Lacs.
14. Use of Energy Efficient Belts Replacement of existing belts with more efficient 'Cogged Belts' in Instrument Air Compressors at Vaghodia has resulted in saving of around 9,441KWH energy with corresponding saving of Rs. 0.5 Lacs.
15. Optimization of blade angle of LPG Condenser fan as suggested in the Energy Audit Report, air flow to the LPG condensers is equally distributed by adjusting the Blade angle of LPG condenser fans to equalize air flow through all the fans. This has resulted in energy saving to tune of 8,118 KWH with corresponding saving of around Rs. 0.41 Lacs in year 2007-08.
16. Installation of Energy Efficient UPS replacement of old UPS with energy efficient UPS at Vaghodia has resulted in saving of 3,600 KWH with corresponding saving of Rs. 0.18 Lacs in year 2007-08.
17. Specific energy consumption figures are benchmarked for energy intensive units (GCU, LLDPE & HDPE). Specific energy consumptions are monitored at regular intervals.
18. Increase in average run length of GCU furnaces resulted into

benefit of Rs. 30.51 Crores / year on account of fuel savings by 2.2 MMSCM/year and 4,500 MT/year increase in ethylene production.

19. Diversion of ethylene vapours from sphere to HDPE plant: The ethylene vapours from sphere were earlier recycled back to Gas Cracker. Diversion of these vapours to HDPE has benefited by Rs. 9.9 Crores/year. The savings resulted due to avoidance of recirculation energy and additional increase in ethylene production by 3,000 MT/year.
20. LP steam consumption was reduced in GPU by maximizing CO_2 loading in rich amine leading to monetary benefit of Rs. 1.68 Crores/year.
21. Interconnection between Drinking water and DM water feed pumps resulted into stopping of 39 KW pump and an equivalent benefit of Rs. 9.8 Lacs/year.
22. Interconnection between service water and miscellaneous water headers resulted into stopping of 15 KW pump and an equivalent benefit of Rs. 4.08 Lacs/year.
23. Astronomical timers were provided for lighting circuit. Energy savings of 84875 KWh and equivalent money savings of Rs. 2.68 Lacs/year was achieved.
24. Propylene transfer pump of 18 KW was stopped by modifying operating philosophy and equivalent money saving of Rs. 4.66 Lacs/ year was achieved.
25. Trip logic modifications in GPU, HRSGs and downstream units have resulted into savings of Rs. 4.7 Crores/year due to reduction in downtime, increased production and improved energy efficiencies.
26. Dryer gas flow was improved in HDPE by implementing modification resulting into throughput increase by 0.5 MT/hr and equivalent savings of Rs. 13.2 Crores/year.

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

1. Flare gas recovery project: This project will recover gases going into flare system for utilization in boilers. The project is under implementation. With an estimated investment of Rs. 4.22 Crores, the project would result into fuel savings of 1.2 MT/hr equivalent to around Rs. 7 Crores / year plus CDM benefit additionally.
2. Advanced Process Control (APC): This project is under implementation for Gas Cracker. With an investment of Rs. 7.5 Crores, it is expected to reduce the specific energy consumption to the tune of 3%.
3. Ethylene boil off gas diversion to HDPE units: The project comprising of compressor and associated pipings is under implementation. With an estimated investment of Rs. 9.85 Crores, the project will benefit by improving energy efficiency and increasing ethylene production by 1.5 MT/hr. The estimated benefit will be Rs. 10 Crores/year plus CDM benefit additionally.

4. Replacement of conventional tube lights with energy efficient tube lights is under implementation. This will result into electricity savings of 66,000 KWh/year.
5. VFD Motor is being installed in 1 no. of Cooling tower Fan at Gandhar. Estimated savings are approximately 6,120 KWH/month during winter months.
6. Energy audit is being conducted in various office buildings and terminals for energy conservation measures in Vadodara region through external agency.
7. Integrated Energy Audit at Vijaipur: To achieve energy efficiency of the integrated process systems at Vijaipur, Energy Audit is under progress with an approx. investment to the tune of Rs. 5.5 Lacs.
8. Upgradation of control system for EGT machines at Auraiya after commissioning of TPPL, the operating parameters of the Auraiya-Jagdishpur pipeline section has been changed. Due to limitation of turbine control system frequent tripping of machines is occurring for EGT machines used for boosting the pressure as it is deviating from the original designed parameters. Action is under process to replace the control system to minimize trippings and ultimately savings through reduced vented gas with an approx. investment of Rs. 562 Lacs.

9. Installation of solar water heater at Vijaipur. Solar water heater is being installed in the bachelor hostels to replace electric geysers.This will reduce electricity consumption to the tune of 20,250 Units/year with an estimated investment of Rs. 7.85 Lacs.
10. Modification of RG heater in GPU, Vijaipur. Improved burner system is under installation for the RG heater to replace earlier inefficient burners. This will result in saving of fuel gas consumption with approx. investment of Rs. 90 Lacs.
11. Replacement of UPS in GPU, Vijaipur. Thyristorised 2x50 KVA UPS is being replaced with energy efficient IGBT based UPS at GPU, Vijaipur. The estimated energy saving is 1,350,792 Units/year with an approx. investment of Rs. 38 Lacs.
12. Replacement of GLS lamps with CFL in Vijaipur Township Replacement of conventional GLS lighting with CFLs is under progress at Vijaipur Township with approx. investment of Rs. 14 Lacs. The estimated energy saving is to the tune of 1,80,876 Units/year.
13. VFD for DVPL gas after coolers at Vijaipur: To harness the benefit of climatic variations in cooling action is under progress for installation of VFD for DVPL gas after coolers. The estimated energy saving is to the tune of 71,808 Units/year with approx. investment of Rs. 17.43 Lacs.
14. For switching over from TEG power to Grid Power approval for Investment of Rs. 18 Lacs has been obtained for installation of the Chargers at another 6 Locations in VSPL.
15. A proposal for running of centralized AC Control Room through Vapour Absorption System using exhaust heat of GT is under study at USAR. Approximate investment for modification is to the tune of Rs. 30 Lacs with estimate saving of Rs. 14 Lacs per year compared to the present Vapour Compressor System.

(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:

As per Form A annexed.

B. TECHNOLOGY ABSORPTION:

(e) Efforts made in technology absorption

As per Form B annexed.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

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

Since commencement of production in 1999, GAIL has been consistently exporting the polymer grades HDPE & LLDPE to export markets depending upon the International demand supply scenario. During the year 2007-08, the domestic demand had been ample and the inventory was running low, hence there were no exports. However, since the availability will improve due to the commissioning of the new plant at UPPC, Pata in December, 2007, GAIL will be planning to export polymers during the year 2008-09.

(g) Total foreign exchange used and earned:

During the year, your Company has incurred expenditure of Rs. 1.61 Crores on foreign tours, foreign training, seminars & conferences, Rs. 0.45 Crores on entertainment and Rs. 9.16 Crores on advertising & publicity.

Form A

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

A. POWER & FUEL CONSUMPTION	2007-08	2006-07
1. ELECTRICITY		
a. Purchased		
Unit (KWH)	259242945	176210023
Total Amount (Rs. in Lacs)	10363.86	7620.61
Rate/Unit (Rs./KWH)	4.00	4.32
b. Own Generation		
(i) Through Diesel Generator		
Unit (KWH)	440481.98	500667.8
Units per litre of Diesel Oil (KWH/Litres)	2.67	2.71
Cost/Unit (Rs./KWH)	13.40	12.88
(ii) Through Steam Turbine/Generator		
Units (KWH)	198155526.00	259915974
Units per litre of fuel oil/gas	3013.23	2325.73
Cost/Unit	3.84	3.81
2. COAL	NIL	NIL
Quantity (tonnes)		
Total Cost		
Average Rate		
3. FURNACE OIL	NIL	NIL
Quantity (K. ltrs.)		
Total Amount		
Average Rate		
4. OTHERS/INTERNAL GENERATION		
Natural Gas Consumption (SCM / Year)	2161632.00	2682061
Total Amount (Rs. in Lacs)	233.66	293.65
Cost of Natural Gas / SCM (Rs. / SCM)	10.81	10.95

B. CONSUMPTION PER UNIT OF PRODUCTION	2007-08	2006-07
ETHYLENE		
Production (MT)	393389	367150
Electricity (KWh/MT)	51.37	59.23
Furnace Oil	Nil	Nil
Coal	Nil	Nil
Others - Fuel Gas (MT/MT)	0.29	0.30
- Steam (MT/MT)	0.94	1.11
HDPE		
Production (MT)	135530*	129549
Electricity (KWh/MT)	334.56**	313.52
Furnace Oil	Nil	Nil
Coal	Nil	Nil
Others - Steam (MT/MT)	0.84**	0.67
LLDPE		
Production (MT)	250051	224372
Electricity (KWh/MT)	238.00	246.20
Furnace Oil	Nil	Nil
Coal	Nil	Nil
Others - Fuel Gas (MT/MT)	0.035	0.043
- Steam (MT/MT)	0.58	0.44

* including 12936 MT production from new HDPE unit.

**Specific consumptions of Electricity and Steam have increased due to commissioning of new HDPE unit in Dec '07.

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
   - Leak detection software development for Natural Gas pipelines.
   - Technology development for Adsorptive separation of Light hydrocarbons Gas mixtures.
   - Development of Catalyst and Process for the conversion of Waste Plastics, LPW to Value Added Liquid Fuels.
   - Pilot scale testing of Coke inhibitors for Gas Cracker Furnaces.
   - Exploration & Production of gas from Hydrates in Goa offshore under National Gas Hydrate Program (NGHP).

2. Benefits derived as a result of the above R&D
   - The indigenous leak detection software implemented in LANCO- TATIPAKA Pipeline. Implementation in other pipelines planned. Typical cost savings per P/L is Rs. 30-50 Lacs.
   - Energy savings to the tune of 40% is expected in this novel process of Adsorption separation compared to conventional distillation separations such as Methane - Ethane.
   - This technology will convert waste plastics to Value Added hydrocarbon fuels and will also solve waste plastics disposal problem.
   - Coke inhibitor will inhibit coke formation leading to less downtime on account of decoking of furnaces, less maintenance and higher output.
   - Based on the Geo-Scientific investigations, Natural Gas Hydrate is the future energy source in the form of Methane if it can be economically produced.

3. Future plan of action
   - Bench scale studies on development of Catalyst and Process for conversion of waste plastic, LWP to Value Added Liquid Fuel.
   - Pilot / Demo scale studies on Adsorption technology for Light hydrocarbon gas mixture separation.
   - H-CNG blend will be used as a automobile fuel to reduce NOX emission thus give a more environment friendly fuel. MoU with MGL & Eden Innovation Limited, Ireland (A wholly owned subsidiary of Eden Energy Ltd., Australia) for H - CNG Demo Project.

4. Expenditure on R&D:

(a)	Capital	:	Rs. 12.91 Lacs
(b)	Recurring	:	Rs. 0.01 Lacs
(c)	Total	:	Rs. 12.92 Lacs
(d)	Total R&D expenditure as a percentage of total turnover	:	0.0007%

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

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

   Development of catalysts and process for conversion of waste plastics to value added Liquid Hydrocarbon fuel will provide value addition to the Low Polymer Waste of Pata Petrochemical plant as well as also provide economic solution to waste plastic disposal problem in general.

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

   Above technology holds potential for economic as well as environmental benefit.

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	:	(i)	HDPE technology, from Mitsui Chemical Inc., Japan for GAIL Petrochemical Complex expansion, 100 KTA capacity.
			(ii)	Ethylene cracker technology, from SWEC, USA for GAIL Petrochemical Complex expansion for addition of 100 KTA ethylene capacity.
b.	Year of import	:	(i)	2005
			(ii)	2005
c.	Has technology been fully absorbed?	:	(i)	Yes
			(ii)	Yes
d.	If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action	:		NA

(Annexure - B)

STATEMENT SHOWING THE PARTICULARS OF EMPLOYEES WHO ARE IN RECEIPT OF REMUNERATION OF NOT LESS THAN RS. 24,00,000/- PER ANNUM DURING THE FINANCIAL YEAR 2007-08 OR NOT LESS THAN RS. 2,00,000/- PER MONTH DURING PART OF THE FINANCIAL YEAR 2007-08

Sl. No.	Name of the Employee (S/Shri)	Designation	Age	Last Employment	Date of Joining	Qualification	Experience	Remuneration Gross (in Rs.)
1	SOUMEN ROY CHOWDHURY	Sr. Manager (PE)	44	M. N. DASTUR & CO.	04.10.1991	B.Tech (Civil)	21	2,853,684
2	BABLA KUMAR BHATTACHARYYA	Executive Director (CP)	60	OIL INDIA LTD.	06.06.1985	BE (Electrical)	39	2,771,618
3	ONKAR NATH DATTA	Sr. Manager (F&A)	60	MINISTRY OF DEFENCE	13.08.1985	BA; ICWA (Inter); M.Com	40	2,721,455
4	S K BISWAS	Zonal Dy. General Manager	60	HINDUSTAN FERTILISER	12.02.1992	BA; MA (Sociology)	33	2,693,280
5	ACHINTYA KISHORE RAY	Executive Director (CA & HSE)	60	INDIAN PETROCHEMICAL	28.07.1995	BE (Chemical); PGDBA	40	2,613,459
6	SAJIV KUMAR SHARMA	Chief Manager (PE)	51	KANORIA CHEMICAL	09.12.1996	Diploma (Mechanical); BE (Mechanical)	31	2,482,843
7	CHIVUKULA HARNATH	Chief Manager (Law)	51	THE VYSYA BANK	22.10.1998	B.Sc.; LLB; MA; PGDBA (Public Administration)	28	2,420,715
8	S GHOSH	Executive Director (Gas O&M)	60	HFCL	06.12.1985	BE (Chemical)	37	2,398,158
9	BINOY KUMAR SINGH	General Manager	60	FERTILIZER CORP	21.05.1990	BE (Mechanical)	37	2,388,562
10	KAMTA PRASAD ROY	Executive Director (BD)	60	FCI	17.06.1985	BE (Electrical); ME	38	2,245,835
11	TIRUMALASETTI SRINIVASA RAO	Sr. Manager	43	HINDALCO INDUST	27.11.1992	B.Tech (Electrical); MBA (Marketing); PGDBA	21	2,099,723
12	KRISHAN KUMAR S	Dy. Manager (PC-Maintenance)	37	SPIC ORGANICS	29.05.1998	BE (Mechanical)	16	2,095,932
13	GAUTAM BISWAS	Sr. Manager (E&P)	38	----	11.07.1994	B.Tech (Petroleum)	13	2,059,175
14	GOPINATH SWAMY	Zonal General Manager	58	EIL	11.06.1985	BE (Electrical)	33	1,744,714
15	VIKASH SINGH	Manager (GPU-Operations)	34	----	04.07.1995	BE (Chemical)	12	1,734,425
16	HEMANT KUMAR	Manager (CGM)	41	MAZAGON DOCK LTD	01.07.1998	B.Tech; PGDBA	17	1,666,395
17	SANJAY KUMAR	Chief Manager (HRD)	45	ONGC	23.09.1991	B.Sc.; MBA; Ph.D.	22	1,612,818
18	HRIDAYESH DUA	Dy. Manager (E&P)	37	IGFCC, JAGDISHPUR	28.06.1997	BE (Chemical); MBA	15	1,592,674
19	BALDEO PANDEY	Manager (F&S)	39	SBI	28.01.1998	BE (Fire); Diploma (Industrial Safety)	16	1,588,753
20	SIDDHARTH SAMAL	Manager (CC)	35	M/S LLYSA'S, BH	09.07.1997	BA (Hons); MA (Eco); PG Diploma (Public Relations)	15	1,514,041
21	MANOJ BISWAS	Manager (PC-Maintenance)	35	----	03.07.1996	BE (Electrical); PGDBA	11	1,503,485
22	AJAY KUMAR GUPTA	Manager (GPU-Operations)	36	ELQUE POLYSTER	03.06.1997	B.Tech (Chemical)	15	1,433,697
23	T SARAVANAN	Manager (PC-Operations)	32	----	09.07.1997	B.Tech (Chemical)	10	1,422,533
24	A K VIJAY KUMAR	OSD to CMD	53	----	22.05.2007	----	----	1,232,411
25	DEEPAK MATHUR	Chief Manager (Vigilance)	57	BALMER LOWRIE & CO. LTD.	01.12.2004	B.Sc	30	1,230,406
26	K SESHAGIRI	Manager (Laboratory)	44	GUJRAT ALKALIES	01.11.1993	M.Sc (Chemistry)	24	1,226,388
27	P K THAPLIYAL	Manager (Administration)	60	INDIAN AIR FORCE	05.12.1989	Diploma in Engg, (Electronics & Telecom); Diploma in Engg. (Industrial)	43	1,211,312
28	KISHORE CHANDRA DAS	Manager (IR)	47	NSIC	03.03.1997	PG Diploma (Computer Programming); BA (Hons); MA; MMS; ICWA (Inter); PG Diploma (P&M)	20	1,210,410
29	K K KELOTH BALAKRISHNAN	Manager (GAILTEL-O&M)	60	ECIL	13.02.1987	Diploma (Electronics & Telecom)	41	1,194,525
30	SADANAND JANPANDIT	Manager (PC-Operations)	38	IND ORGANIC CHEMICAL	05.07.1996	B.Tech (Chemical)	16	1,192,196
31	K SANTOSH KUMAR	Manager (PC-Operations)	32	----	08.07.1997	B.Tech (Chemical)	10	1,152,664
32	R SURESH	Executive Director (PC)	53	ONGC	12.06.1985	BE (Electrical); ME	31	1,145,065
33	V P MOHOD	Manager (PC-Operations)	42	MANGALORE REFINERY	08.01.1998	BE (Chemical)	16	1,142,573
34	TUSHAR KANTI GOON	Zonal General Manager	58	GARDEN REACH SH	19.07.1988	B.Sc (Hons); MA (Sociology); PG Diploma (PM & IR); LLB	36	1,139,323
35	SARATHY MANDAYAM KOPE	Sr. Manager (IA)	42	INDIAN OIL CORP	20.02.1992	B.Com; CA	19	1,125,540
36	JAIPAL REDDY KYATHAM	Dy. Manager (LPG Maintenance)	38	HFCL	26.06.1997	BE	15	1,118,230
37	S MATHAN	Manager (Gas Marketing)	41	THERMAX LTD	11.01.1993	BE (Mechanical); MBA	19	959,112
38	RAJEEV CHAK	Sr. Manager (PC-Maintenance)	39	BHEL	09.06.1992	BE (Mechanical)	17	957,127

Sl. No.	Name of the Employee (S/Shri)	Designation	Age	Last Employment	Date of Joining	Qualification	Experience	Remuneration Gross (in Rs.)
39	FAROOQUE AHMAD	Sr. Manager (TQM)	44	TATA CHEMICALS	24.06.1996	B.Sc (Engg) (Chemical)	21	820,700
40	MAHINDER SINGH	Dy. General Manager (RA)	60	RIVERS STATE UNIV.	23.11.1984	B.Com; LLB; LLM; Ph.D	36	815,282
41	EMANI VENKATA SARVESHWARA RAO	General Manager (Pricing)	50	C&AG OF INDIA	01.03.1985	B.Com; SAS; CA	25	801,279
42	KINGSUK SEN	Manager (E&P)	35	H.O.E.C.L.	29.07.1997	B.Tech (Petroleum)	13	751,385
43	ARVIND SINGH SONI	Manager (PE)	32	---	08.07.1997	BE (Mechanical)	9	676,405
44	AJAY BALKRISHNA UPADHYE	Manager (CSR)	43	VINATI ORGANICS	01.12.1997	B.Sc; B.SC (Tech) (Petroleum)	19	670,993
45	RAJEEV SHARMA	General Manager (MS)	53	SING MALASIA DE	12.10.1984	BE; B.Tech; B.Sc Engg (Civil)	33	645,239
46	K M MARTIN	Manager (EMS)	37	EIL	28.07.1997	BE (Mechanical)	16	546,949
47	R VENKATARAMAN	Manager (GPU-O&M)	34	---	03.07.1996	BE (Chemical)	11	536,599
48	RAJESH KUMAR MISHRA	Manager (EMS)	35	---	08.07.1997	B.Tech (Chemical)	10	518,456
49	RAM PRAKASH	Sr. Manager (PC-Operations)	39	IPCL, GANDHAR	09.12.1998	BE (Chemical)	17	507,856
50	RK SINGH CHAUHAN	Chemist	36	INDUSTRIAL TOXI	03.02.1997	B.Sc; M.Sc (Chemistry); Ph.D.	13	468,877
51	JOHNSON BABY	Manager (PC-Operations)	38	OSWAL CHEMICAL	03.07.1996	B.Tech (Chemical)	16	429,904
52	RAGAVAN	Sr. Engineer (O&M)	39	MADRAS REFINERY	18.03.1994	AMIE; Diploma (Mechanical)	17	426,279
53	VINAY N PARANJAPE	Dy. Manager (Law)	40	NSFDC, NEW DELHI	12.10.1998	B.Sc; M.Sc (Chemistry); LLB; LLM; Ph.D.	17	422,847
54	ASHUTOSH KUMAR	Dy. Manager (PC-O&M)	35	----	09.07.1997	B.Tech (Petroleum)	9	420,025
55	PRAMOD A SATHYASEELAN	Dy. Manager (GPU Maintenance)	30	----	27.03.2000	B.Tech (Electrical & Electronics)	7	407,320
56	RISHI SHARMA	Manager (PC-Operations)	40	CHAMBAL FERTILISER	04.05.1996	B.Tech (Chemical)	16	395,561
57	VINOD KUMAR KOHLI	Chief Manager (F&A)	60	NTC LTD.	31.03.1989	B.Com; MBA (Marketing); Diploma (Taxation)	38	358,731
58	KSSM SARMA	Dy. Manager (Pricing)	39	THE S.C. CO. LTD.	09.09.1998	B.Com; ICWA	19	337,587
59	RAJIB MUKHAPADHYAY	Dy. Manager (F&A)	36	GKW LTD.	10.09.1998	B.Com (Hons); ICWA; M.Com; MBA (Finance)	16	317,499
60	ANURAG SINGH	Dy. General Manager (CGM)	51	INDO GULF	11.06.1990	BE (Electrical)	29	243,577
61	DIPAKKUMAR JAYANTKUMAR PATHAK	Manager (Administration)	57	WESTERN RAILWAY	12.12.1984	BA; LLB	36	213,184

Notes:

1. Persons named above are/ were employees of the Company and were in service for part of the year. None of the employees was in receipt of remuneration exceeding Rs. 24 Lacs for financial year 2007-08.
2. Remuneration includes salary, allowances, leave encashment, leave travel concession, payment for subsidized leased accommodation, reimbursement of medical expenses to employees and employer's contribution to Provident Fund and other funds. However, it does not include the monetary value of the medical treatment provided in the Company's dispensaries/ hospitals at Project sites, since it cannot be quantified employees-wise. In addition, the employees are entitled to gratuity/ group insurance in accordance with Company's Rules.
3. None of the employees listed above is related to any Director of the Company.
4. Remuneration mentioned above is inclusive of retirement /separation benefits paid during the year and is not indicative of any regular remuneration structure of Directors/ employees of the Company.

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Management Discussion and Analysis

Management Discussion And Analysis

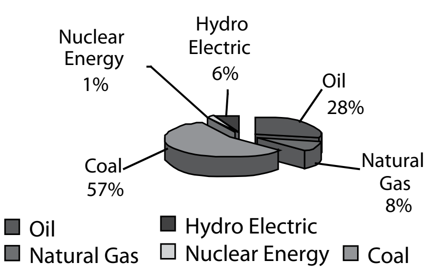
MACRO ECONOMIC DEVELOPMENTS

Indian Gas Sector – An Overview

Natural Gas comprises about 8% of the total energy basket of the country as compared to the world average of 24%. The structure of primary energy consumption in India shows that coal dominates as the major energy source. However, the scenario will change, largely because of the expected increase in the availability of natural gas in the country. Considering the global trend of shift in energy axis from oil to gas, the share of gas in consumption pattern, in the Indian context, is also likely to increase gradually in the years to come.

The natural gas sector in India is progressively becoming competitive in nature due to changes in policies and also on the regulatory front. Other causative factors are presence of multiple players in upstream, midstream and downstream segments of the industry and alignment of customers towards a market determined gas pricing regime.

Primary Energy Consumption – India



Source: BP Statistical Report 2007

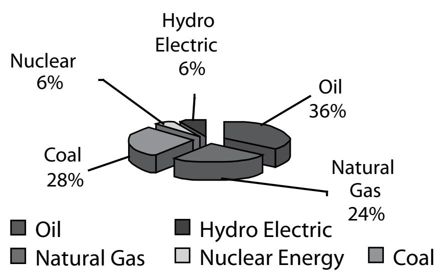
Gas Demand Outlook

Presently power sector consumes roughly around 36% of the total natural gas sales in the country followed by fertilizer sector which consumes around 29%.

Due to the changes in policies, fertilizer plants are expected to shift from other liquid fuels to natural gas. Also natural gas is expected to command a significant share in the retail market in the form of Compressed Natural Gas (CNG) in automotive sector and Piped Natural Gas (PNG) in domestic households.

The demand of natural gas in the country is expected to grow from 196 MMSCMD in 2008-09 to about 279 MMSCMD by 2011-12 as per report of working group on Petroleum and Natural Gas for XI plan.

Primary Energy Consumption - World



Source: BP Statistical Report 2007

Gas Demand Projections MMSCMD

	2008-09	2011-12
Power	91	126
Fertiliser	43	76
City Gas	13	16
Industrial	16	20
Petrochemicals	27	33
Sponge Iron	6	8
Total	**196**	**279**

Gas Supply Outlook

The average gas supply to various consumers in the country is around 103 MMSCMD from domestic production and LNG import. As per report of working group on Petroleum and Natural Gas for XI plan, the total gas supply is expected to increase to more than 191 MMSCMD by 2011-12. The break-up and future projections are as given under:

Gas Supply Projections MMSCMD

Sources	2008-09	2009-10	2010-11	2011-12
ONGC+OIL	59	56	55	51
Pvt./JVs (as per DGH)	61	60	58	57
Sub-Total	120	116	113	108
LNG	34	53	70	83
Total	154	169	183	191

OPPORTUNITIES, THREATS, RISKS, CONCERNS & MITIGATION

The subcontinent is poised for huge growth in gas trade. There being a huge gap between supply and demand of natural gas, several players have entered the gas sector, which will boost the economy at large. The key to success is sound planning of the gas infrastructure, supply reliability and reasonable price in the long term. In the new gas economy; your Company envisages to be a major player, particularly in gas transmission and trading segment. Your Company's inter-state gas grid is a step towards this goal.

The demand for gas and matching supplies along the gas grid are important to achieve the capacity utilization in terms of gas transmission volumes to generate cash flows. The demand in turn is driven by the gas pricing vis-a-vis the price of the alternate fuel. Sharp increase in crude oil prices has a ripple effect on the entire energy sector including the areas of operation of your Company.

Gas Sourcing

The huge gap between demand and supply is expected to be bridged by potential gas supply from reserves being developed by RIL, GSPC and ONGC through various NELP blocks. Gas finds in other fields from the recent NELP awards and CBM blocks would further augment production. Your Company is also a partner in 30 exploration blocks.

LNG imports are already being made at Dahej by PLL and at Hazira by Shell LNG Terminals. Further, increase in PLL's capacity by 5 MMTPA by way of expansion of Dahej terminal, commissioning of Dabhol terminal, supply from Shell's LNG terminal at Hazira and setting up of Kochi terminal will boost the LNG supplies. With increased capacity, LNG will be one of the major sources of natural gas in the time to come.

Gas Transmission

The MOP&NG's decision to grant permission to your Company for expanding inter state gas grid puts to rest concerns of domestic and global competitors thwarting the Company's growth plans in potential competitive bidding for cross country pipelines under the regulator. With increase in availability of natural gas, coupled with robust financial strength, your Company is going ahead with the expansion in the transmission business which will boost the profitability of the Company. Government has already announced infrastructure status to gas pipelines which will increase the investment in building up the pipeline infrastructure in the country.

The Government of India has nominated your Company for marketing & transportation of entire PMT gas supplies. The recent MoU with RIL would further bolster gas supplies to your Company as the MoU provides for coordinated development of gas transportation infrastructure and utilization of your Company's pipelines for transporting a part of RIL's KG Basin gas which RIL plans to produce from its KG D-6 block by early 2009. In addition, your Company has also signed an agreement with RIL for sourcing of natural gas which would be marketed by your Company to downstream customers.

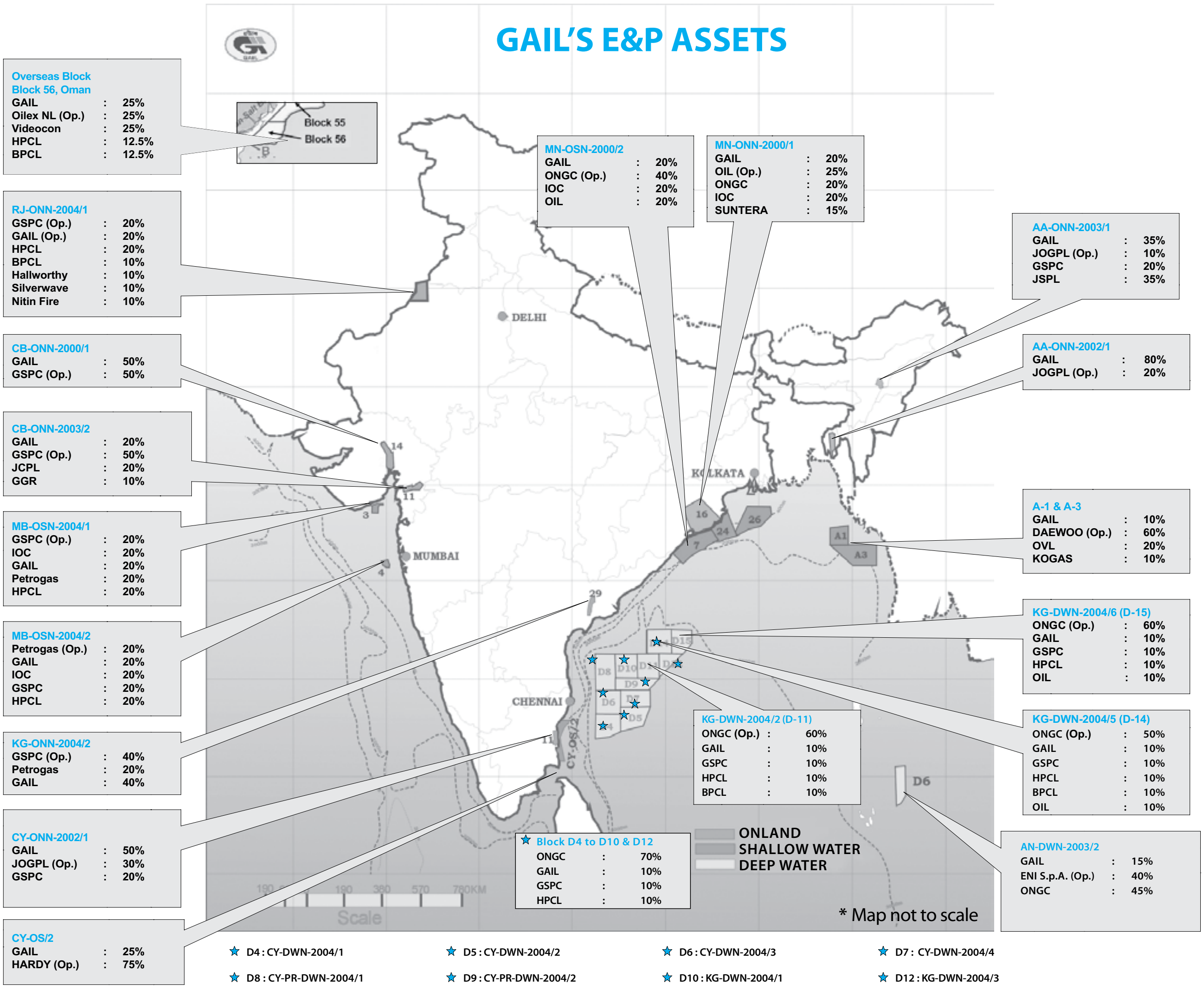
Inter-State Gas Grid

Your Company plans to complete seven new Gas pipelines spread over 6,200 Kms at an estimated capex of Rs. 28,000 Crores by financial year 2011-12. This would increase the transmission capacity to approximately 300 MMSCMD and almost double our gas pipelines networks to over 12,000 Kms of natural gas pipelines.

Dadri – Nangal Pipeline, augmentation of HVJ & GREP Pipeline and Chainsa-Gurgaon-Hissar Pipeline are already under execution. The other major pipelines planned are Jagdishpur-Haldia Pipeline, Dabhol – Bangalore Pipeline and Kochi-Kanjirkodd-Mangalore/Bangalore Pipeline. Your Company has received the authorization from MOP&NG for laying these pipelines.

E & P

Your Company currently holds participating stake in 27 E&P blocks and 3 CBM blocks with the focus on augmentation of Gas Supplies for the future pipelines. A beginning has been made by your Company in earning revenue from E&P activities. One of the onland blocks in Cambay basin has started commercial production from February 2008. Your Company has a stake of 50% in this block awarded under NELP-II.



Subsidy

As per Government of India's directive, your Company is sharing the subsidy burden on account of under-recoveries on domestic LPG and PDS Kerosene, which had an impact on the profitability of your Company in the last five years. GAIL has borne a subsidy of Rs. 5,431 Crores in last five years. During the year under review, Company has made a provision of Rs. 1,314 Crores on account of subsidy. Subsequent to the adoption of the audited accounts by the Board for the year 2007-08, MOP&NG has communicated the final subsidy of Rs. 1,401 Crores for the year 2007-08. The difference of the subsidy will be provided during the year 2008-09.

Gas Policy & Pricing

The Petroleum and Natural Gas Regulatory Board Act, 2006 has been enacted by Parliament and Gas Pipeline Policy has been announced by Government of India for business of natural gas transmission, refining, processing, storage, transportation, distribution and marketing. The Regulator will oversee and promote the development of natural gas sector and it also envisages an arms length relationship between transmission entity and marketing/exploration activity. The regulator is expected to review and lay down guidelines for the following:

- Awarding pipeline projects under common/contract carrier principle, based on competitive bidding, subject to common carriers offering 33% excess capacity for third-party use. This includes laying down tariffs for common carriers.
- Deciding on award of new city gas pipeline & distribution networks and city gas expansion plans; tariffs as well as period of exclusivity based on demand, population and other factors, which determine the viability of city gas projects. The policy has suggested 3-5 years marketing exclusivity.

Government of India is preparing the gas utilization policy which will govern the priority area for gas distribution. Fertilizer, petrochemicals and power sectors may be major beneficiaries under this policy. Presently, gas is being marketed under multiple pricing mechanism which is being governed as per various Production Sharing Contracts (PSC) and considering the priority areas for mass consumption.

APM gas is supplied to power & fertilizer sector at base price of Rs. 3,200/1,000 SCM. Price for City Gas & Small Consumers is around Rs. 3,840/1,000 SCM while same is supplied to non-APM consumers at US$ 4.75 /MMBTU. Price of gas supplied from Ravva Satellite is around US$ 4.3/ MMBTU and RLNG is supplied at ex-terminal pooled price of 5.03 $/MMBTU. Price of Spot RLNG is in the range of $ 10 to 17 $ /MMBTU.

Government of India is a major shareholder of the Company. Major decisions like fixation of price of natural gas and fixation of tariff for major pipelines, subsidy sharing are taken by the Government of India. Furthermore, the petrochemical and LPG prices are influenced by global demand supply position and vary from time to time.

Petrochemicals

The polymer production capacity of Pata has increased from 3,10,000 TPA to 4,10,000 TPA by addition of new cracker furnace and a new polymer unit. Petrochemical is one of the major thrust area of your Company and is contributing significantly in the profitability of the Company and will continue to contribute significantly in future also. Your Company is also considering setting up of petrochemical complexes in India and abroad by forging collaborations with other industry participants.

Physical Performance

	FY 2007-08	FY 2006-07
Total Gas Through-put (MMSCMD)	82.10	77.28
Total Liquid Hydro-carbon Sales (TMT)	1344	1351
Total Polymers Sales (TMT)	391	347
Total LPG Transported (TMT)	2754	2491
Crude Oil Sale (MT)	2684	-

During the year, gas transmission increased despite around 15 days shutdown of ONGC operations at Hazira in the months of January & March 2008. LPG sales during the year were marginally up to 1,039 TMT from 1,037 TMT. Other Liquid Hydrocarbon sales were 305 TMT as compared to 314 TMT. Polymer sales increased from 347 TMT during the year 2006-07 to 391 TMT during the current financial year achieving a growth rate of 13%. LPG transmission increased to 2,754 TMT from 2,491 TMT showing an 11% increase over last year.

FINANCIAL PERFORMANCE

Income

Your Company registered a turnover (net of Excise Duty) of Rs. 18,008 Crores in FY 2007-08, a 12% increase, as against Net Sales of Rs. 16,047 Crores in the previous year. The increase in turnover was achieved despite around 15 days shutdown of ONGC operations at Hazira in the months of January & March 2008 and 21 days shutdown at Pata plant. The other income was Rs. 556 Crores as against Rs. 545 Crores in the last year. The total income was Rs. 18,594 Crores against Rs. 16,667 Crores during last year, registering a growth of 12%.

Cost of Sales

The cost of sales including depreciation and interest was Rs. 14,739 Crores as against Rs. 13,808 Crores during the previous year showing an increase of 7%. The increase was mainly on account of increase in volume of spot natural gas purchase, increase in salary expenditure due to provision on account of wage revision, repair & maintenance on account of Pata shutdown etc. There has been reduction in interest expenditure due to pre-payment of Bank of India loan of Rs. 500 Crores during the second half of previous year.

Profitability

The Net Profit of the Company during the current financial year 2007-08 was Rs. 2,601 Crores against Rs. 2,387 Crores during the previous year. The increase in Net Profit was due to higher production of polymer products, higher LPG Transmission, better product prices of LPG & polymer and lower LPG subsidy. The LPG subsidy during the period decreased by Rs. 174 Crores to Rs. 1,314 Crores compared to Rs. 1,488 Crores in the corresponding previous period. The decrease is mainly due to lower provision of LPG subsidy as LPG Subsidy has been provided provisionally during the 4th quarter of 2007-08 in view of MOP&NG letter dated 20th March 2008.

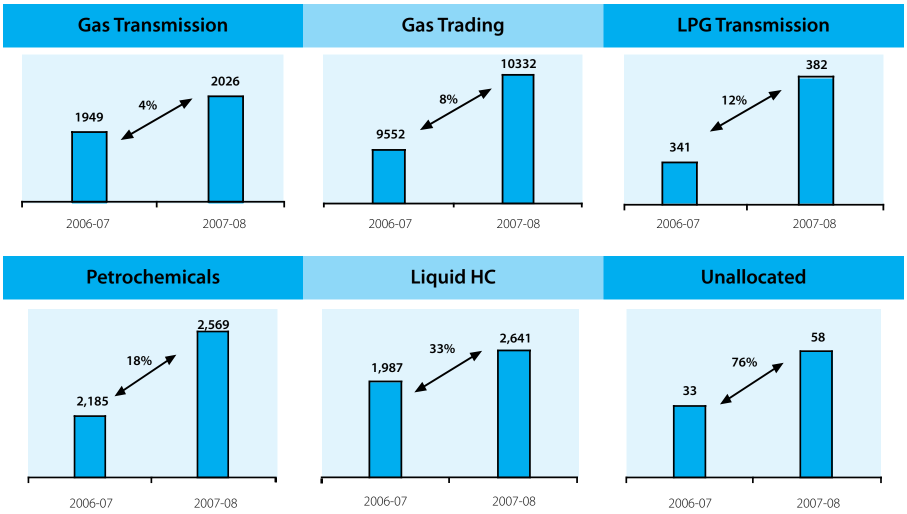
SEGMENT - WISE PERFORMANCE

Your Company has shown growth in its all Business segments during the year under review.

Shareholders' Fund

The reserves and surplus were at Rs. 12,159 Crores at the end of the current financial year as compared to Rs. 10,547 Crores at the end of the last financial year. As on 31st March 2008, net- worth of the Company stood at Rs. 12,842 Crores as compared to Rs. 11,262 Crores as on 31st March, 2007.

SEGMENT TURNOVER



Your Company has shown growth in PBT in all its Business segments (except un-allocated) during the year under review.

(Rs. in Crores)

Particulars	2007-08	2006-07	% Change over 2006-07
Transmission Services			
a) Natural Gas	1513	1448	4
b) LPG Transmission	207	164	26
Gas Trading	207	181	14
Petrochemicals	1255	951	32
LPG & OLHC	896	93	863
GAILTEL	3	0.97	227
Unallocated	(226)	22	
Profit Before Tax (PBT)	3855	2860	35

Ratio Analysis

PAT to Net worth & PAT to Sales for the Company during the year under review stands at 20% & 14% respectively. Return on Capital Employed (ROCE) is 30% for FY 2007-08. Debt–Equity ratio stands at very comfortable position of 0.10 : 1 as on 31st March, 2008. EPS has gone up to Rs. 30.76 during the year 2007-08 from Rs. 28.22 per share for the period ended on 31st March 2007. Market capitalization as on 31.03.2008 was Rs. 35,928 Crores as against Rs. 22,372 Crores as on 31.03.2007.

Funds Flow

The source of funds comprising equity, loan and deferred tax liability stood at Rs. 15,590 Crores as compared to Rs. 14,049 Crores in the previous year. There has been no change in the equity during the year. However, there has been an increase in reserves and surplus from Rs. 10,547 Crores to Rs. 12,159 Crores. There has been reduction in loans to the extent of Rs. 72 Crores while there has been addition of Rs. 2,025 Crores in gross block during the year. The capital work in progress stood at Rs. 817 Crores as against Rs. 1,937 Crores in the previous year.

MATERIAL DEVELOPMENT IN HR AND INDUSTRIAL RELATIONS

Your Company's continuous efforts for enhancing capability of the employees at all levels have always yielded results. Your Company believes that faith in learning is the only source of sustainable competitive advantage. Your Company has been quite proactive in the area of Human Resource Development.

The total employee strength of your Company stood at 3,548 as on 31st March, 2008.

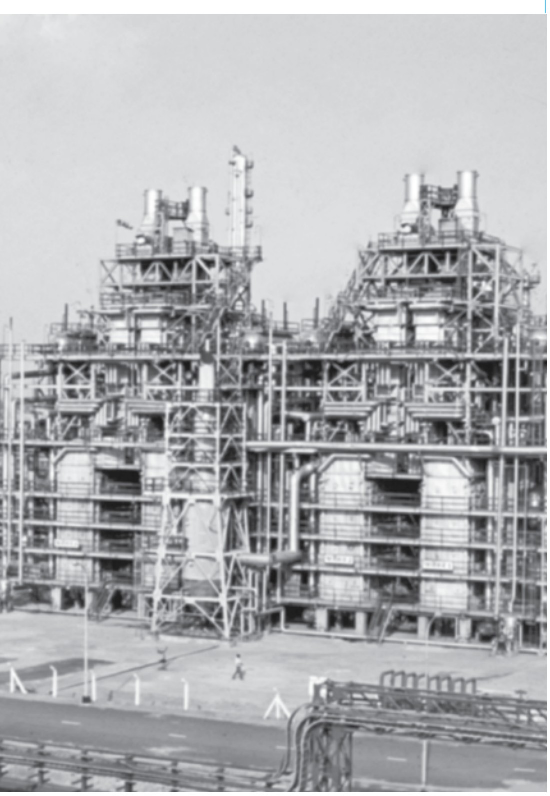
Industrial Relations scenario during the year continued to remain harmonious and cordial. There was no unrest during the year and no man hours were lost. There has been continuous thrust on enhancing the employee motivation and development through various mechanisms. Your Company continues to focus on various employee oriented initiatives with a view to harness potential of employees for their self development and organizational growth.

ENVIRONMENT PROTECTION AND CONSERVATION/RENEWAL ENERGY DEVELOPMENTS/FOREIGN EXCHANGE CONSERVATION

Your Company undertakes its activities keeping in view the impact on the environment. The important initiatives undertaken during the year to protect and sustain the environment were:

Environmental Performance

Your Company's sustainability initiatives are focused on resource conservation and are aimed at preserving and protecting the natural resources for future generations. Your Company continues to recognize the importance of all the National & International regulations and ensures 100% compliance at all times. Your Company's environmental performance is well within the emission limits in statutory guidelines.



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. Many tree planting and Horticulture related improvement programmes have been implemented to enhance the pollution free environment in and around your Company complexes. This green cover together with large water bodies in the complexes has created an ideal habitat for birds.

Saving Precious Water

Your Company's water conservation efforts are directed at prevention of water wastage. This is in full evidence at our establishments where wasteful water use is eliminated at the design stage itself for ensuring productive & efficient utilization of water in the process plants. Treated waste water is used for Horticulture and firewater use. A scientific approach to effluent handling also brings down the quantum of water consumption.

Rain Water Harvesting

Rainwater Harvesting was also undertaken at most of your Company's work centres, to recharge the ground water strata effectively

Conservation of resources forms part of activities at various levels. The concept is embedded right from design stage.

Your Company is working on the feasibility of utilizing the renewable energy sources for meeting its energy needs. A study has been initiated to look at the opportunities of setting up Wind energy projects in the three states of Maharashtra, Gujarat and Rajasthan, where your Company's pipeline network and associated facilities are located.

Your Company has been engaged in the activities that conserve foreign exchange for the country. LPG production, production of liquid hydrocarbons, transportation of LPG and natural gas through pipeline help conserve precious resources particularly when crude oil prices are at its peak.

CORPORATE SOCIAL RESPONSIBILITY

Your Company has been emphasizing the cause of community development and empowerment. Your Company has adopted a policy whereby one per cent of its profits is utilized for meeting its corporate social responsibilities. Details of activities undertaken during the year under review have already been covered in the Directors' Report.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Your Company has developed internal control systems commensurate to its size and business, an in–house Internal Audit Department which carries out audit of financial, technical and other business activities of the Company besides reviewing the adequacy of internal control systems. Also, a Company - wide Risk Management Framework is in place which was developed with the help of M/s Grant Thornton, consultants of international repute.


Night view of GAIL'S Petrochemical Complex at Pata, Distt. Auraiya, U.P.

CONCLUSION

Your Company has been building robust & transparent systems for attaining higher levels of efficiency. The initiatives taken by your Company focus on competitiveness to meet the new challenges posed by changing business environment and include a number of e-initiatives for increasing business process efficiency and development of manpower. Your Company has continued to focus on international markets to expand the business. The Indian natural gas market is maturing and is growing rapidly bringing new opportunities in the competitive environment. Your Company continues to strive to remain market leader in its core area to derive growth in the Indian gas sector.

CAUTIONARY STATEMENT

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

Report On Corporate Governance

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

Core values are the beliefs and principles that an organization holds treasured. The core values are actually the basic ideology of the organization. They are not consciously created but are part of the fabric of the organization. Your Company is driven by its core values viz., ethical practices, concern for people at work, delight of customers and wealth creation for shareholders. It relentlessly strives to use best-in-class technology, focus on all aspects of the natural gas value chain including petrochemicals, promote highest levels of safety in its operations, maintain better health of its employees, a clean environment for sustainable development and meet the objectives of shareholders by providing them superior returns and value through their investments in us. These values not only guide every day relationships with its clients, employees, shareholders and the communities that it serves, but also provide the foundation for your Company's approach to sound corporate governance. Corporate Governance in the Company has been strengthened by formulizing and adopting the Code of Conduct for Directors and Senior Management Personnel, Code of Conduct for prevention of insider trading, Policy on risk assessment and minimizing procedures etc.

2. BOARD OF DIRECTORS

GAIL Board has set strategic goals in line with the Company's Vision *(Be the Leading Company in Natural Gas and Beyond, with Global Focus, Committed to Customer Care, Value Creation for all Stakeholders and Environmental Responsibility)* and Mission *(To accelerate and optimize the effective and economic use of Natural Gas and its fractions to the benefit of the national economy)*. The Board defines the Company's policy and oversees its implementation in attaining these goals.

Composition of the Board

GAIL being a Government Company, appointment/nomination of all the Directors is being done by the President of India, through the Ministry of Petroleum & Natural Gas (MoP&NG). The Articles of Association of the Company stipulates that the number of Directors shall not be less than three and not more than twenty. As on 31st March, 2008, there were Ten Directors on the Board comprising of 6 (Six) whole-time Directors including the Chairman & Managing Director and 4 (Four) Part-time Directors including two official of the Government of India and two independent Directors. The composition and attendance record of the Company's Board of Directors was as follows:

Name and Designation of the Director	No. of Board Meetings attended	Attendance at last Annual General Meeting	Directorships held in other Public Limited Companies	Membership/ Chairmanship in Committees of the Board of the Other Companies
I. Whole-time Directors				
Dr. U.D. Choubey Chairman and Managing Director	12	Yes	5	1
Sh. M.R. Hingnikar Director (HR)	12	Yes	5	Nil
Sh. R.K. Goel Director (Finance)	13	Yes	5	1
Sh. Santosh Kumar Director (Projects)	13	Yes	3	Nil
Sh. A.K. Purwaha Director (Business Development)	12	Yes	4	Nil
Sh. B.C. Tripathi Director (Marketing) (w.e.f. 06.07.2007)	9	Yes	1	Nil
II. Part-time Directors (Government Nominee)				
Sh. S. Sundareshan (w.e.f. 04.05.2007)	10	No	3	Nil
Sh. D.N. Narasimha Raju	10	No	Nil	Nil
III. Part-time Non-official Directors (Independent)				
Dr. Amit Mitra	4	No	Nil	Nil
Dr. A.K. Kundra	13	Yes	3	1
Sh. B.C. Bora (Upto 25.02.2008)	Nil	No	-	-

Note:
1. During the year 2007-08, 13 (Thirteen) Board Meetings were held.
2. Annual General Meeting held on 03.09.2007.
3. None of the Directors on the Board is a Member of more than 10 Committees or Chairman of more than 5 Committees across all the Companies in which he is a Director. Membership/Chairmanship in Committee is reckoned pertaining to Audit Committee and Shareholders/Investors Grievance Committee and based on disclosures received by Director(s).

Details of Board Meetings

During the financial year 2007-08, 13 (Thirteen) meetings of the Board were held, the details of which are as below:

Sl. No.	Meeting No.	Date of Board Meeting
1.	248th	04.04.2007
2.	249th	26.04.2007
3.	250th	08.05.2007
4.	251st	18.05.2007
5.	252nd	27.07.2007
6.	253rd	21.08.2007
7.	254th	17.10.2007
8.	255th	13.11.2007
9.	256th	19.11.2007
10.	257th	17.12.2007
11.	258th	15.01.2008
12.	259th	31.01.2008
13.	260th	03.03.2008

3. AUDIT COMMITTEE

The terms of reference of Audit Committee include overseeing the Company's financial reporting process and the disclosure of its financial information; reviewing with the Management, the quarterly and annual financial statements before submission to the Board for approval; reviewing, with the Management, the performance of statutory and internal auditors and adequacy of internal control systems and all other matters specified under Clause 49 of the Listing Agreement with Stock Exchanges.

During the year 2007-08, Audit Committee of the Company comprised of three part-time non-official (Independent) Directors viz. Dr. A.K. Kundra as the Chairman, Dr. Amit Mitra and Sh. B.C. Bora (upto 25.02.2008). After the resignation of Sh. B.C. Bora, the Audit Committee comprised of two members, as against the required number of 3 (three) Directors. Dr. U.K. Sen part-time non-official (Independent) Director was inducted as the member of the Board and Audit Committee w.e.f. 29.04.2008.

Besides the above, Director (Finance), Statutory Auditors of the Company and Head of Internal Audit are the permanent invitees to the meetings of Audit Committee. The Company Secretary acts as the Secretary to the Committee. During the financial year 2007-08, 10 (Ten) meetings of Audit Committee were held.

During the year, one special Audit Committee meeting, as one member which was headed by Dr. A.K. Kundra, was held on 26.04.2007 to review the CAG observation. The details of Audit Committee meetings held during the year are as follows:

Sl. No.	Meeting No.	Date of Meeting
1.	59th (Special Meeting)	26.04.2007
2.	60th	08.05.2007
3.	61st	01.06.2007
4.	62nd	24.07.2007
5.	63rd	17.08.2007
6.	64th	09.10.2007
7.	65th	12.10.2007
8.	66th	03.12.2007
9.	67th	28.01.2008
10.	68th	31.01.2008
11.	69th	29.03.2008

Out of the above meetings, Dr. A.K. Kundra, Dr. Amit Mitra and Shri B.C. Bora attended 11 (Eleven), 10 (Ten) and Nil meetings respectively.

4. SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE

The Committee oversees redressal of Shareholders' and Investors' grievances and approves issue of duplicate share certificates, transfer of shares, non - receipt of dividend, Annual Report, non-allotment of shares through Offer for Sale by Government of India, etc.

During the year 2007-08, Shareholders / Investors Grievance Committee of the Company comprised of Shri B.C. Bora, Part-time Non-official Director (Independent) as the Chairman (upto 25.02.2008), Dr. A.K. Kundra Part-time Non-official Director (Independent) as Chairman (w.e.f. 26.02.2008), Shri Santosh Kumar, Director (Projects) and Shri M.R. Hingnikar, Director (HR) as the Members.

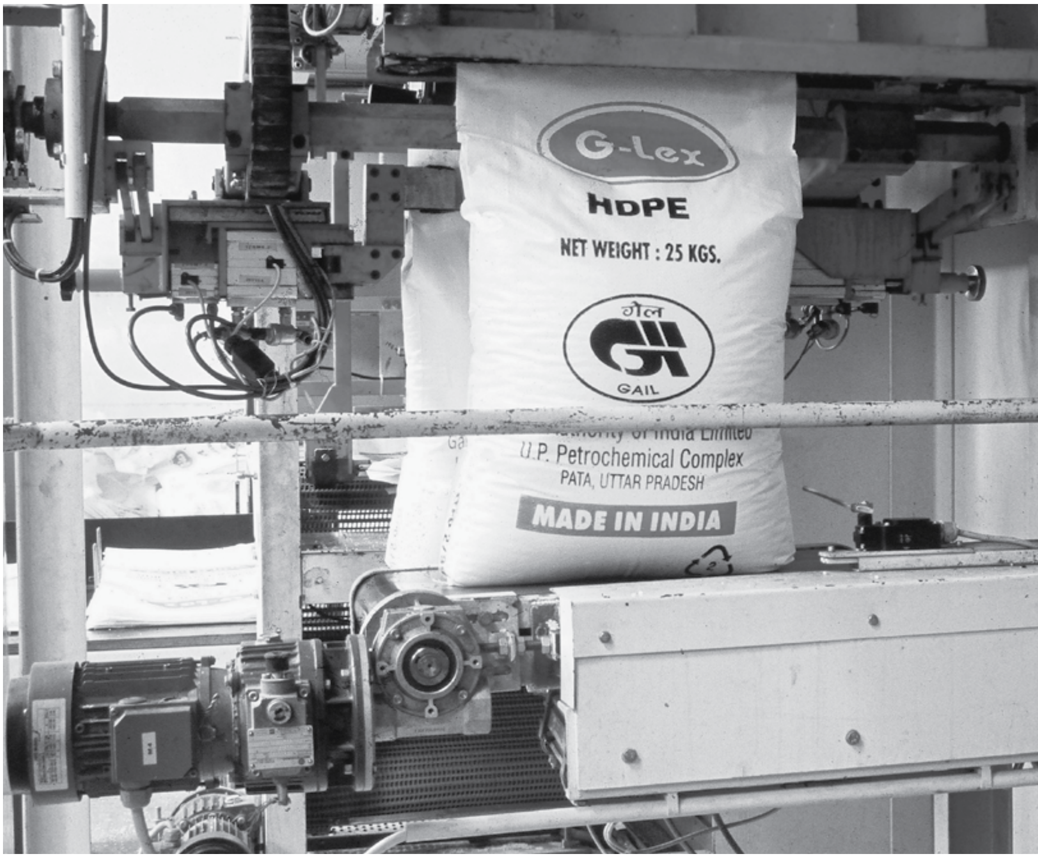
During the financial year 2007-08, 2 (Two) Meetings of Shareholders Investors Grievance Committee were held on 29.10.2007 and 13.02.2008. The Company Secretary acts as the Compliance Officer of the Company.

Based on the report received from Registrar & Transfer Agent of the Company viz. MCS Limited, the number of complaints received from shareholders comprises of correspondences received from statutory/regulatory bodies are only identified as complaints and the status of the complaints received and redressed during the respective quarters are being placed at the meetings of the Audit Committee and the Board.

During the year 2007-08, 114 complaints were received from the shareholders / investors, through SEBI / Stock Exchanges and other statutory bodies, which pertained to matters like non-receipt of dividend, non-allotment of shares through Offer for Sale by Government of India, etc. All the 114 complaints were resolved to the satisfaction of shareholders, therefore, as on 31.03.2008, no investor complaint was pending.

The Company has taken various steps to ensure that the shareholder related matters/issues are given due priority and are resolved within a reasonable period of time except the grievance relating to offer for sale of equity shares by Government of India and/or constrained by incomplete documentation and/or legal impediments against the Company.

The Company has dedicated e-mail id viz. **investorqueries@gail.co.in** to facilitate investors to register their complaints. Further, the Company website has dedicated section, 'Investor Zone' which contains investor related information and detailed guidelines to assist investors.



5. REMUNERATION COMMITTEE

GAIL being a Government Company, the remuneration of its Whole-time Directors is determined by the President of India, through Ministry of Petroleum & Natural Gas. The Part-time Director (Government Nominee) do not receive any remuneration from the Company. Further, the Part-time Non-official Directors (Independent) were paid a sitting fee of Rs. 10,000 for attending each meeting of the Board of Directors and Committee(s) thereof, along with expenses incidental thereto.

The details of remuneration paid to Whole-time Directors of the Company for the financial year 2007-08, is as below:

(Rs. in Lacs)

Sl. No.	Names of the Director	Salary & Allowances	Contribution to PF, Gratuity and Other Funds	Other Benefits and Perquisites	Performance Linked Incentives	Total
1.	Dr. U.D. Choubey Chairman & Managing Director	10.00	1.25	5.18	2.37	18.80
2.	Sh. M.R. Hingnikar Director (HR)	9.17	1.47	4.62	2.36	17.62
3.	Sh. R.K. Goel Director (Finance)	9.79	1.30	4.04	2.32	17.45
4.	Sh. A.K. Purwaha Director (Business Development)	9.07	1.41	7.15	2.31	19.94
5.	Sh. Santosh Kumar Director (Projects)	9.30	1.31	4.58	2.37	17.56
6.	Sh. B.C. Tripathi Director (Marketing) (w.e.f. 06.07.2007)	7.69	1.00	2.19	2.18	13.06

The payment made to Whole-time Directors of the Company includes performance linked incentives, as per the policy of the Company, which is applicable to all the employees of the Company and based on performance parameters viz. Corporate Performance, Unit Performance and Individual Performance.

The service contract of Whole-time Directors is for five years (or till superannuation, whichever is earlier) and is renewable for further similar periods. The notice period is for three months or salary in lieu thereof is required for severance of service. During the year under review, your Company has not introduced any stock-option scheme. The details of sitting fees paid to the Part-time Non-official Directors (Independent) for attending the meetings of the Board of Directors and Committee(s) thereof are given below:

Sl. No.	Name of the Independent Director(s)	Amount (Rs. in Lacs)
1.	Dr. Amit Mitra	1.40
2.	Dr. A.K. Kundra	3.40
3.	Sh. B.C. Bora	NIL

6. OTHER SUB-COMMITTEES

Apart from statutory sub-committees viz. Audit Committee and Shareholders / Investors Grievance Committee, the details of other sub-committees of the Board are as follows:

Sl. No.	Name of the Committee	Role and Responsibilities	Members
1.	Share Transfer Committee	To approve transfer/ transmission of shares, issuance of duplicate certificates etc.	CMD and all the Functional Directors CMD is the Chairman of the Committee
2.	Empowered C & P Committe	To approve Procurement cases.	CMD and all the Functional Directors CMD is the Chairman of the Committee
3.	Business Development & Marketing Committee	Proposal of business development and marketing groups that fall within powers of Board like strategic planning, strategic alliance, joint ventures and acquisition/ merger, Globalization through business participation in a foreign country, Opening of offices abroad, Consideration of New areas of business, issue related to policy/rules/ regulations relating to marketing of natural gas, LPG, polymers, GAILTEL and other products and services.	*Chairman:* Dr. A.K. Kundra (Independent Director) *Member(s):* 1. Director (Finance) 2. Director (Business Development) 3. Director (Marketing)
4.	Project Appraisal Committee	Projects costing above Rs. 50 Crores, Projects costing Rs. 100 Crores or more would require appraisal.	*Chairman:* CMD *Member(s):* 1. Director(Finance) 2. Shri D.N. Narasimha Raju (Government Director) 3. Dr. A.K. Kundra (Independent Director) 4. Concerned Functional Director
5.	H.R. Committee	Issues pertaining to rules and regulations relating to recruitment and conditions of service of the employees of the Company, social welfare schemes, incentives schemes and changes therein and amendment in CDA Rules.	*Chairman:* CMD *Member(s):* 1. All the Functional Directors 2. Dr. Amit Mitra (Independent Director) 3. Dr. A.K. Kundra (Independent Director)

Sl. No.	Name of the Committee	Role and Responsibilities	Members
6.	Compensation Committee	Formulation of ESOP Scheme	*Chairman:* Director (Finance) *Member(s):* 1. Director (HR) 2. Dr. A.K. Kundra (Independent Director)
7.	Redressal of Vendors Grievance Committee	To Develop a mechanism for Redressal of Vendor Grievances. All proposals to be put to the Board for consideration shall be routed through the Redressal of Vendor Grievances Committee.	*Chairman:* Dr. A.K. Kundra (Independent Director) *Member(s):* 1. Director (Finance) 2. Director (Projects) 3. Shri D.N. Narasimha Raju (Government Director)
8.	Corporate Social Resesponsibility	To approve the proposals of CSR.	*Chairman:* CMD *Memeber(s):* 1. Shri S. Sundareshan (Government Director) 2. Dr. A.K. Kundra (Independent Director)

The minutes of Sub-Committees of the Board are also placed before the Board from time to time.

7. GENERAL BODY MEETINGS

Location and time, where last three AGMs were held

The location, time and details of special resolutions passed during last three AGMs are as follows:

For the Year	2004-05	2005-06	2006-07
AGM	21st	22nd	23rd
Date & Time	28.09.2005 10 : 30 a.m.	14.08.2006 10 : 30 a.m.	03.09.2007 10 : 30 a.m.
Venue	Siri Fort Cultural Complex, Khel Gaon Marg, Siri Fort Road, New Delhi	Air Force Auditorium, Subroto Park, New Delhi	Air Force Auditorium, Subroto Park, New Delhi
Special Resolution passed	None	Voluntary Delisting of the Equity Shares of the Company from the Delhi Stock Exchange Association Limited.	None
Details	---	To authorize the Board of the Directors of the Company, to seek voluntary delisting of its equity shares from the Delhi Stock Exchange Association Limited.	---

During the last year, no item warranted the postal ballot as stipulated under the Companies Act, 1956.

The Company has passed a special resolution to amend existing clause no. 17 & 20 and to add new clause no. 23 & 24 in the Object Clause of the Memorandum of Association of your Company. Notice dated 26th May, 2008 was served to all shareholders for voting through postal ballot as per provisions of Section 192A of the Companies Act, 1956, read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001.

Shri Manoj Bangia, Practicing Company Secretary was appointed as scrutinizer to conduct Postal Ballot. Out of total 2,047 valid Ballot Papers received 2,041 (representing 100% of total votes cast) voted in favour of the resolution and the said special resolution was passed by the shareholders with requisite majority on 18th July, 2008.

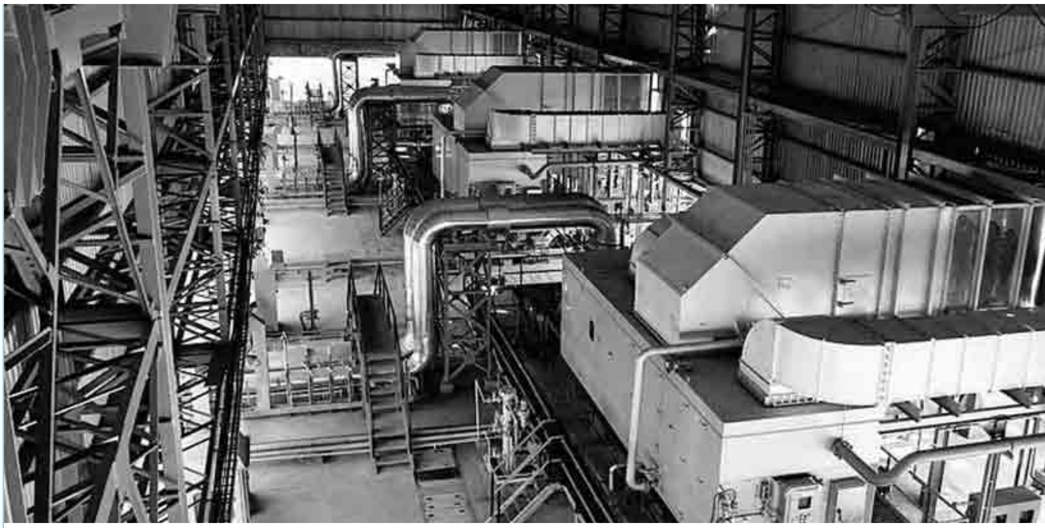
The important activities of postal ballot, inter-alia, includes appointment of scrutinizer to conduct the postal ballot; filing of calendar of events with Registrar of Companies; submission of results with Stock Exchange and publication thereof etc.

8. DISCLOSURES

i. Annual Financial statements 2007-08 are in conformity with applicable Accounting Standards. During the year, there have been no materially significant related party transactions that may have potential conflict with the interest of the Company at large. The details of "Related Party Disclosures" are being disclosed in Notes no. 13 of schedule 14 to the accounts in the Annual Report.

ii. The CEO/CFO of the Company has certified the specified matters to the Board, as required under Clause 49 V of the Listing Agreement.

iii. Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct of the Company for the financial year ending on 31st March, 2008.



iv. In pursuance of the Securities Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, the Board has laid down "Code of Conduct for Prevention of Insider Trading" with the objective of preventing purchase and/or sale of shares of the Company by an Insider on the basis of unpublished price sensitive information. Under this Code, Directors/Officers/ Designated Employees are prevented to deal in the Company's shares during the closure of Trading Window. To deal in Securities, beyond limits specified permission of Compliance Officer is required. All Directors/ Officers/Designated Employees are also required to disclose related information periodically as defined in the Code.

v. None of the non-executive Directors have any pecuniary relationship or transactions with the Company during the financial year ending 31st March, 2008.

vi. The Company has put in place a suitable machinery to act on complaints from "Whistle Blowers", in terms of Ministry of Personnel, Public Grievances and Pensions Resolution no. 371/12/2002-AVD-III dated 21st April, 2004.

vii. The Company has complied with the mandatory requirements of Clause 49 of the Listing Agreement, save and except composition of Board of Directors, as specified in clause 49(1A) (i) and (ii) of the Listing Agreement with respect to required number of non-executive and independent Directors on the Board. The Company has complied with the requirements of the SEBI, Stock Exchanges or regulatory authorities on capital market related activities, as applicable, from time to time. During the year, a show-cause notice was received from SEBI for non-compliance of clause 49 pertains to non-requisite number of Independent Directors. The Company has taken up the matter with Ministry of Petroleum & Natural Gas, Government of India, for appointment of requisite number of Independent Directors on the Board of the Company.

The Government of India is in the process of selecting Independent Directors through a process of Search Committee and will take some time before the Government nominates requisite number of Independent Directors on the Board of GAIL. The Company has so far adopted the applicable non-mandatory requirements of new clause 49 of the Listing Agreement with Stock Exchanges except w.r.t. training of Board members.

viii. DPE has formulated Guidelines on Corporate Governance for Central Public Sector Enterprises, 2007 which are voluntary in nature, issued for experimental basis for one year and there after, suitable improvements would be made by DPE and your Company, is generally complying with the same.

9. MEANS OF COMMUNICATION

Timely disclosure of consistent, relevant and reliable information on corporate financial performance is at the core of good governance. Towards this end, the major steps taken by your Company are:

- The quarterly results of the Company were announced within a month of completion of quarter and audited annual results along with results for the fourth quarter were announced within two months of the end of the financial year, in order to attain maximum shareholder reach, the financial results of the Company during the year 2007-08 were published in leading newspapers (English & Hindi), viz. Hindustan Times, Times of India, Jansatta, Pioneer, Jagran etc.
- Information relating to shareholding pattern, compliance with corporate governance norms etc. were posted on SEBI's Electronic Data Information Filing and Retrieval System (EDIFAR) website.
- "Limited Review" reports of the financial results for the respective quarter(s) were obtained from the statutory auditors of the Company and also filed with the respective Stock Exchange(s).
- Financial results are displayed on **www.gailonline.com**. Official news/press releases and presentations made to analysts are also posted on the Company's website.

10. GENERAL SHAREHOLDER INFORMATION

Forthcoming AGM : Date, Time and Venue

The 24th Annual General Meeting of the Company is scheduled for Thursday, the 4th day of September, 2008 at 10 : 30 a.m. at Air Force Auditorium, Subroto Park, New Delhi -110010.

Financial year

The Company's financial year is from 1st April to 31st March.

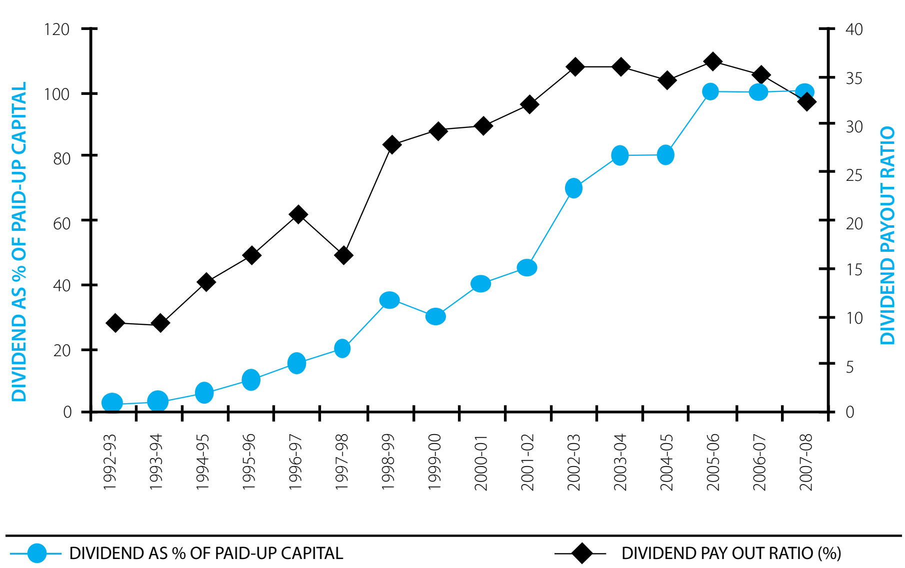
Date of Book closure and Dividend payment

During the financial year 2007-08, the Board of Directors approved the payment of dividend, for which the respective Record Date /Book Closure and dividend payment dates are as follows:

Sl. No.	Dividend Declared	Dividend (%)	Record Date / Book Closure	Dividend Payment Date
1.	Interim Dividend	40	22.12.2007	26.12.2007
2.	Final Dividend (Proposed)	60	23.08.2008 to 04.09.2008	10.09.2008

With this, the Company has paid a total dividend of 100% on the paid-up equity share capital, for the year ended 31st March, 2008.

Dividend Data: Dividend as % of paid-up capital and dividend pay out ratio



Transfer of unpaid/unclaimed amounts to Investor Education and Protection Fund

Pursuant to Section 205C of the Companies Act, 1956, dividend amount(s) remaining unclaimed and unpaid for a period of seven years, from the date they became due for payment, is required to be transferred to the Investor Education and Protection Fund (IEPF) established by the Central Government.

Accordingly, unclaimed/unpaid dividend for the financial year 2000-01 which is due for transfer to IEPF, should be claimed by the members before 27th September, 2008. After that date, no claim shall lie against the Fund/Company, in respect of the said amount. A separate communication has also been sent to all the concerned shareholders in this regard.

The dividend amount of the respective FY's remained unclaimed/unpaid for a period of seven years has been transferred to IEPF. However, for the respective financial year, the due date of transfer of unpaid/ unclaimed dividend to IEPF are as under:

Listing on Stock Exchanges

The Company's listing details are as follow:

Stock Exchange	Security Code	Type of Security
Bombay Stock Exchange Limited (BSE)	532155	Equity Shares
National Stock Exchange of India Limited (NSE)	GAILEQ	Equity Shares
London Stock Exchange	GAID LI GAILY US	GDRs

Further, the Non - Convertible Redeemable Bonds – Series – I (6.10%) & Series – II (5.85%) of the Company are listed at the Wholesale Debt Market (WDM) segment of NSE. The State Bank of India, Parliament Street, New Delhi – 110 001 is the Debenture Trustee for the aforesaid Bond Series.

The Annual listing fees for the listed equity shares and Bonds of the Company, pertaining to the year 2008-09 has been paid to the concerned Stock Exchanges on demand. The Company has also made the payment of the Annual Custody Fees to National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL), for the financial year 2008-09, based on the folio/ISIN positions as on 31.03.2008.

Sl. No.	FY	Type of Dividend	Dividend (%)	Last date for claiming Unpaid Dividend*	Due date for transfer to IEPF
1	2001-02	FINAL	45	23.09.2009	23.10.2009
2	2002-03	INTERIM	30	27.01.2010	27.02.2010
		FINAL	40	29.09.2010	29.10.2010
3	2003-04	INTERIM	40	07.01.2011	07.02.2011
		FINAL	40	29.09.2011	29.10.2011
4	2004-05	INTERIM	40	19.12.2011	19.01.2012
		FINAL	40	27.09.2012	27.10.2012
5	2005-06	INTERIM	60	16.01.2013	16.02.2013
		SPL INTERIM	20	14.02.2013	14.03.2013
		FINAL	20	13.08.2013	13.09.2013
6	2006-07	INTERIM	55	27.12.2013	27.01.2014
		SPL INTERIM	25	11.03.2014	11.04.2014
		FINAL	20	02.09.2014	02.10.2014
7	2007-08	INTERIM	40	16.12.2014	15.01.2015
		FINAL (PROPOSED)	60	03.09.2015	03.10.2015

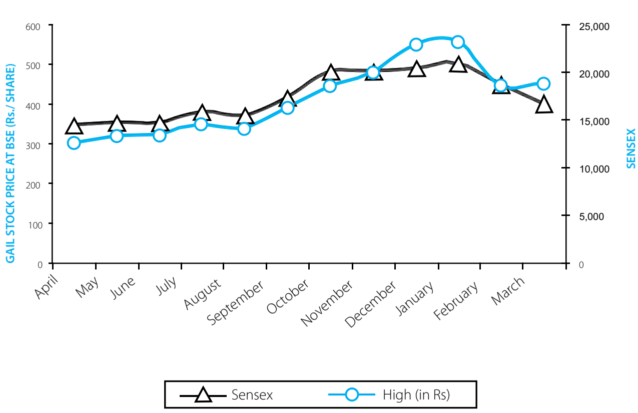
*After the said date, no claim shall lie against the Fund/Company, in respect of the said unclaimed/unpaid amount of dividend.

Market Price Data

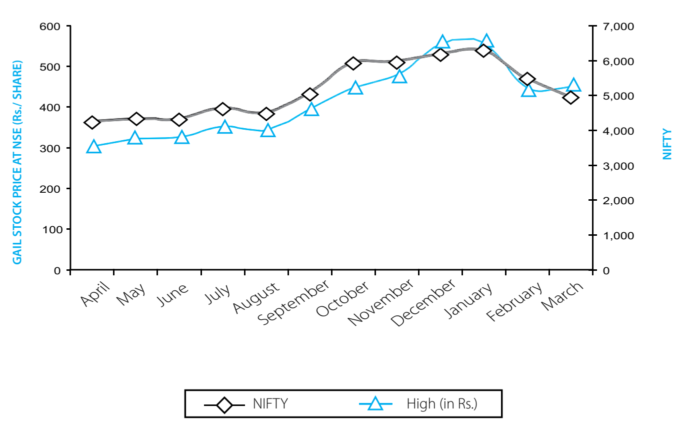
Market Price Data : High, Low during each month in the Financial year 2007-08

MONTHS	BSE			NSE			MARKET CAPITALISATION (Rs. IN CRORES)		MARKET INDEX	
	HIGH (in Rs.)	LOW (in Rs.)	VOLUME (No. of Shares)	HIGH (in Rs.)	LOW (in Rs.)	VOLUME (No. of Shares)	BSE	NSE	SENSEX	NIFTY
April	299.95	256.50	3,293,755	299.95	256.45	13,363,500	25,005.92	25,065.11	14,384	4,218
May	319.00	272.10	4,016,180	318.40	271.05	15,592,741	25,610.56	25,821.97	14,576	4,307
June	320.40	286.75	2,944,844	324.95	286.15	13,331,217	26,084.12	26,240.57	14,683	4,318
July	348.00	305.20	2,782,022	350.00	306.40	11,007,529	28,549.20	28,604.17	15,869	4,621
August	337.50	285.00	2,161,857	339.75	284.05	10,574,064	26,151.78	26,206.74	15,542	4,464
September	388.75	306.05	5,522,525	394.00	303.00	20,415,246	32,029.05	32,050.20	17,361	5,021
October	444.40	355.00	8,922,938	444.80	329.00	32,992,616	34,811.25	34,832.39	20,238	5,906
November	477.00	385.00	14,211,978	475.40	383.50	50,476,127	36,231.94	36,231.94	20,204	5,938
December	549.90	424.05	12,611,125	551.85	423.20	52,075,121	45,838.54	45,969.62	20,498	6,159
January	555.00	340.00	8,549,356	555.50	337.05	40,496,046	35,196.02	34,447.62	20,206	6,287
February	444.00	378.80	9,934,890	444.00	360.00	30,008,025	35,737.24	35,804.89	18,895	5,484
March	448.95	375.00	4,868,152	448.50	375.50	23,310,284	35,927.51	35,978.25	17,227	4,953

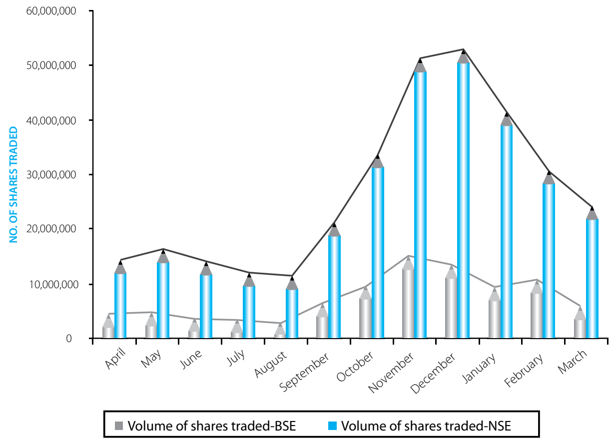
SENSEX Vs GAIL HIGH



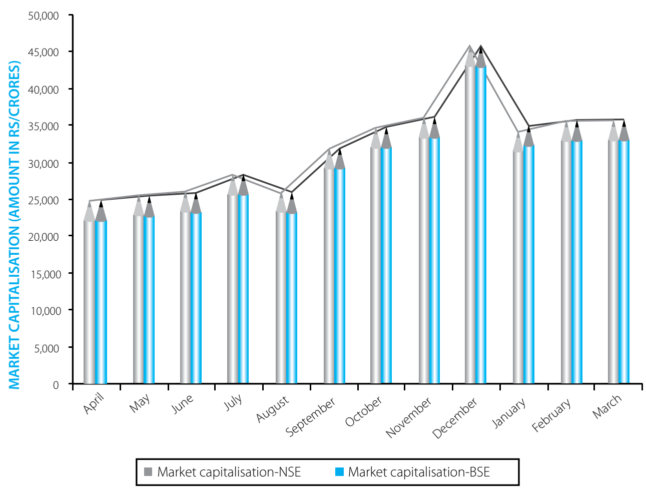
NIFTY Vs GAIL HIGH



VOLUME OF SHARES TRADED - BSE & NSE



MARKET CAPITALISATION - BSE & NSE



Registrar and Transfer Agent (R&TA)

MCS Ltd.
Unit: GAIL (India) Limited
Sri Venkatesh Bhawan
W-40, Okhla Industrial Area
Phase-II, NEW DELHI - 110020

Phone : 91-11-41406149/50/51/52
Fax : 91-11-41709881

Website : www.mcsdel.com
E-mail : admin@mcsdel.com

Share Transfer System

The shares of the Company are being compulsorily traded in dematerialized form w.e.f. 15.02.1999 and are available for trading under both the depository systems in India - NSDL and CDSL. MCS Ltd. is the depository interface of the Company. Shares in physical form, received for transfer, 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 Company's R&TA.

The Company has a Share Transfer Committee comprising of all the Whole-time Directors, including Chairman and Managing Director, which considers the requests for transfer/ transmission of shares, issue of duplicate share certificates, re-materialization, etc.

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

The Company has also opted for voluntary Secretarial Audit from the practicing Company Secretary.

Distribution of Shareholding

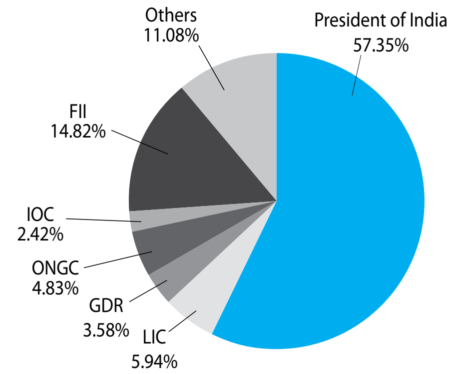
The distribution of shareholding of the Company as on 31.03.2008 is detailed below:

No. of Equity Shares held	No. of Shareholders	% to Total	No. of Shares	% to Total
1	4306	2.19	4306	0.00
2-10	21230	10.81	164195	0.02
11-50	92664	47.17	2897484	0.34
51-100	36425	18.54	3115388	0.37
101-200	26031	13.25	3958466	0.47
201-750	11684	5.95	4511498	0.53
751-5000	3382	1.72	5330210	0.63
5001-10000	205	0.10	1545101	0.18
10001-15000	70	0.04	865336	0.10
15001 and above	436	0.22	823259616	97.35
TOTAL	**196433**	**100**	**845651600**	**100.00**

Geographical Distribution of Shareholders as on 31st March, 2008

Sl. No.	City	No. of Shareholders	% to Total	No. of Shares	% to Total
1	DELHI	20539	10.46	529133550	62.57
2	CHANDIGARH	1130	0.58	119513	0.01
3	KANPUR	1501	0.76	119009	0.01
4	JAIPUR	2801	1.43	216972	0.03
5	AHMEDABAD	12417	6.32	1498197	0.18
6	MUMBAI	45417	23.12	300758007	35.57
7	NAGPUR	1035	0.53	75501	0.01
8	HYDERABAD	4450	2.27	480202	0.06
9	BANGALORE	8381	4.27	797292	0.09
10	CHENNAI	7031	3.58	2602176	0.31
11	THIRUVANANTHAPURAM	524	0.27	68337	0.01
12	KOLKATA	9565	4.87	2642959	0.31
13	BHUBHANESHWAR	367	0.19	28243	0.00
14	GUWAHTI	485	0.25	58016	0.01
15	PATNA	733	0.37	65837	0.01
16	OTHERS	80057	40.76	6987789	0.83
	TOTAL	**196433**	**100.00**	**845651600**	**100.00**

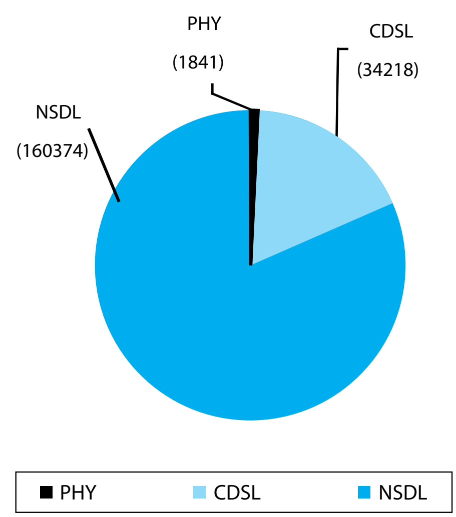
Shareholding Profile as on 31.03.2008



Dematerialization of Shares and Liquidity

As on 31st March 2008, the Company has 1,96,433 no. of shareholders, out of which 1,841 shareholders were holding equity shares in physical mode, 1,94,592 shareholders were holding equity shares in demat mode. The demat ISIN of the Company's equity shares is INE129A01019.

SHAREHOLDERS IN DEMAT/ PHYSICAL MODE



Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity

The Government of India had disinvested 135 million equity shares out of its holding in the international market through GDR mechanism in 1999-2000. A total no. of 22.5 million GDRs were issued, one GDR representing six underlying equity shares. As on 31st March 2008, a total number of 50,39,797 GDRs representing 3,02,38,746 number of equity shares were outstanding. The conversion of GDRs into equity shares has no impact on total equity capital.

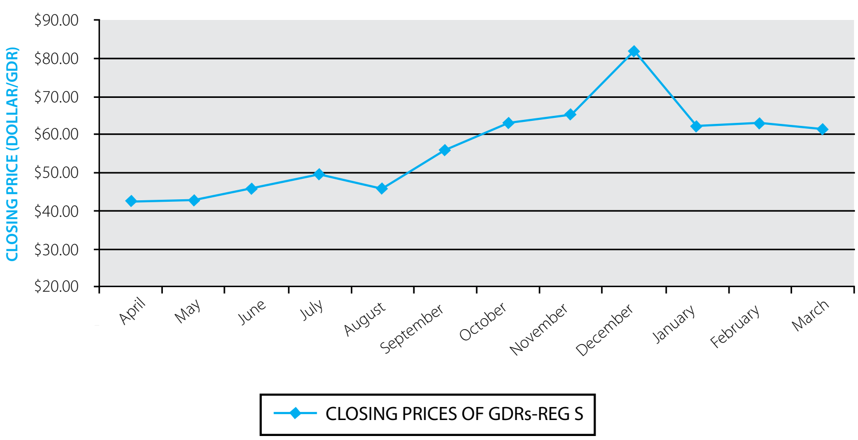
The performance of GDRs indicating the closing shares listed at London Stock Exchange is given as under:

• Major Plant Locations

The following are the major plant locations of the Company:-

U.P. Petrochemical Complex	**LPG Recovery Plant**
PATA P.O. Pata – 206241 Distt. Auraiya (U.P)	Usar P.O. Malyan – 402203 Tal. Alibagh Distt. Raigad (Maharashtra)
LPG Recovery Plant	**LPG Recovery Plant, Vaghodia**
Vijaipur GAIL Complex Vijaipur – 473112 Distt. Guna (M.P)	GIDC Industrial Estate Vaghodia – 391760 Distt. Baroda (Gujarat)
LPG Recovery Plant	**LPG Recovery Project**
Lakwa Sivasagar – 785688 Assam	Gandhar Village Rozantankaria Tal. AMOD, Distt. Bharuch – 392140, Gujarat

GDR CLOSING PRICES-LONDON STOCK EXCHANGE



Address for Correspondence

GAIL (India) Limited
16, Bhikaiji Cama Place
R.K. Puram
NEW DELHI - 110066

Phone : 91-11-26172580/26182955
Fax No. : 91-11-26185941
Website : www.gailonline.com
E-mail-id : investorqueries@gail.co.in

गेल
GAIL

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

TO THE MEMBERS OF GAIL (India) LIMITED

We have examined the compliance of conditions of Corporate Governance by GAIL (India) Ltd. for the year ended 31st March, 2008 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges and Guidelines on Corporate Governance for Central Public Sector Enterprises, 2007.

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

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement and Guidelines on Corporate Governance for Central Public Sector Enterprises.

We state that no investor grievance(s) is pending for a period exceeding one month against the Company as per the records maintained by the Company.

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

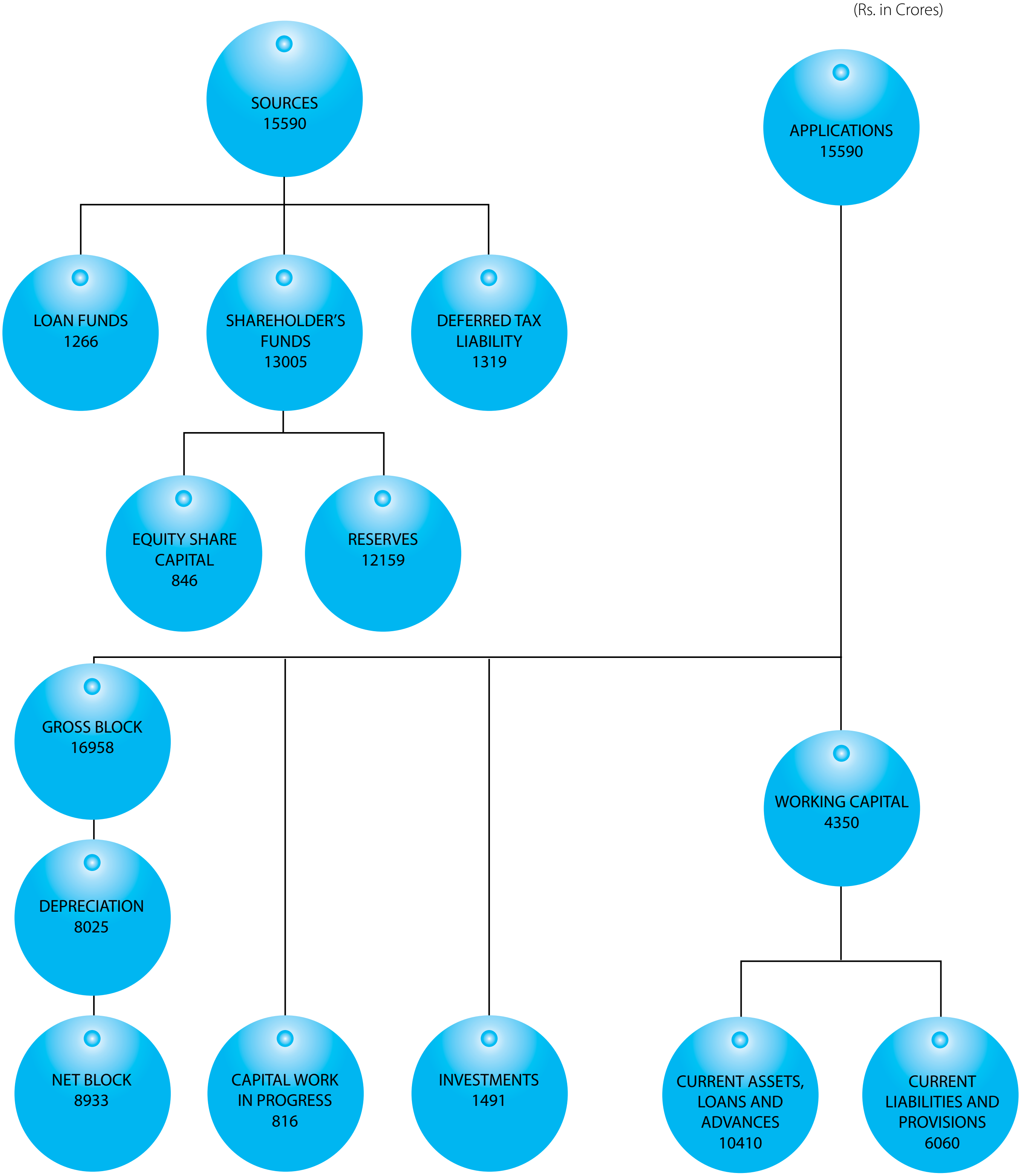
For M/s Mehra Goel & Co.
Chartered Accountants
Sd/-
R.K. Mehra
Partner
Membership No. 6102

Place : New Delhi
Dated : 16.06.2008

Five Year Profile

SOURCES AND APPLICATION OF FUNDS AS AT 31ST MARCH 2008

(Rs. in Crores)



FIVE YEAR PROFILE

(Rs. in Crores)

(A) FINANCIAL	2003-04	2004-05	2005-06	2006-07	2007-08
PAID-UP CAPITAL	845.65	845.65	845.65	845.65	**845.65**
RESERVES & SURPLUS	6,599.50	7,780.46	9,127.64	10,547.26	**12,159.23**
SECURED LOANS	1,655.52	1,600.00	1,600.00	1,100.00	**1,100.00**
UNSECURED LOANS	477.96	397.40	316.56	237.85	**165.87**
DEFERRED TAX LIABILITY (NET)	1,227.58	1,255.23	1,299.70	1,318.67	**1,319.69**
	10,806.21	**11,878.74**	**13,189.55**	**14,049.43**	**15,590.44**
REPRESENTED BY :					
GROSS BLOCK	13,584.73	14,222.35	14,469.48	14,932.56	**16,957.86**
LESS : DEPRECIATION	5,441.85	6,376.47	6,913.52	7,478.19	**8,024.57**
NET FIXED ASSETS	8,142.88	7,845.88	7,555.96	7,454.37	**8,933.29**
CAPITAL WORK-IN-PROGRESS	814.47	309.08	615.59	1,936.94	**816.66**
INVESTMENTS / ADVANCES FOR INVESTMENT (PENDING ALLOTMENT)	771.99	783.95	1,443.35	1,463.84	**1,490.88**
NET CURRENT ASSETS	1,076.87	2,939.83	3,574.65	3,194.28	**4,349.61**
	10,806.21	**11,878.74**	**13,189.55**	**14,049.43**	**15,590.44**
GROSS SALES	11,295.67	12,927.07	14,875.49	16,545.85	**18,580.21**
GROSS MARGIN	3,614.10	3,950.37	3,954.38	3,542.05	**4,508.47**
DEPRECIATION	661.60	944.89	560.46	575.19	**573.90**
PRELIMINARY/DEFERRED REVENUE EXPENSES WRITTEN-OFF	0.11	-	-	-	-
INTEREST	137.97	134.09	117.30	107.08	**79.57**
PROFIT/(LOSS) BEFORE TAX	2,814.42	2,871.39	3,276.62	2,859.78	**3,855.00**
PROFIT/(LOSS) AFTER TAX	1,869.34	1,953.91	2,310.07	2,386.67	**2,601.46**
DIVIDEND INCL. INTERIM DIVIDEND	676.52	676.52	845.65	845.65	**845.65**
CORPORATE DIVIDEND TAX	86.68	92.51	118.60	123.62	**143.72**
INTERNAL GENERATION	2,531.05	2,898.80	2,870.53	2,961.86	**3,175.36**
NET WORTH	7,410.70	8,559.65	9,874.81	11,262.42	**12,842.38**
CAPITAL EMPLOYED	9,219.75	10,785.71	11,130.61	10,648.65	**13,282.90**

(B) GAS THROUGHPUT/PRODUCTION	2003-04	2004-05	2005-06	2006-07	2007-08
NATURAL GAS (MMSCMD)	62.84	71.56	78.87	77.29	**82.10**
LPG (MT)	1088686	1094835	1042219	1026413	**1042597**
SBP SOLVENT/NAPTHA (MT)	65298	58876	56218	65469	**75126**
PENTANE (MT)	51872	57525	53346	72826	**73505**
PROPANE (MT)	157303	181863	173920	178736	**155873**
ETHYLENE (MT)	275610	319290	325808	367150	**393389**
HDPE/LLDPE (MT)	263720	298787	311469	353921	**385593**

(C) FINANCIAL RATIOS	2003-04	2004-05	2005-06	2006-07	2007-08
NET WORTH PER RUPEE OF PAID-UP CAPITAL (Rs.)	8.76	10.12	11.68	13.32	**15.19**
BORROWINGS TO NET WORTH (Rs.)	0.29	0.23	0.19	0.12	**0.10**
PROFIT BEFORE TAX TO CAPITAL EMPLOYED (%)	30.53	26.62	29.44	26.86	**29.02**
PROFIT BEFORE TAX TO NET WORTH (%)	37.98	33.55	33.18	25.39	**30.02**
PROFIT BEFORE TAX TO GROSS SALES (%)	24.92	22.21	22.03	17.28	**20.75**
PROFIT BEFORE TAX TO GROSS FIXED ASSETS (%)	20.72	20.19	22.65	19.15	**22.73**
GROSS SALES TO CAPITAL EMPLOYED (%)	122.52	119.85	133.64	155.38	**139.88**
EARNING PER SHARE (Rs.)	22.11	23.11	27.32	28.22	**30.76**
DIVIDEND PER SHARE (Rs.)	8.00	8.00	10.00	10.00	**10.00**
DIVIDEND PAYOUT RATIO (INCLUDING DIVIDEND TAX)	40.83	39.36	41.74	40.61	**38.03**

Annual Accounts

Auditor's Report to the Shareholders of GAIL (India) Limited

We have audited the attached Balance Sheet of GAIL (India) Limited as at 31st March, 2008, 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) Limited 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 examinations 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 & Loss Account and 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. Disclosure in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 is not required as per notification no. GSR 829(E) dated October 21, 2003 issued by the Department of Company Affairs;

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:

a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2008;

b) in the case of Profit & Loss account, of the profit for the year ended on that date; and

c) In the case of Cash Flow Statement, of the cash flow of the Company for the year ended on that date.

For M/s Mehra Goel & Co.
Chartered Accountants

R.K. Mehra
Partner
Membership No. 6102

Place : New Delhi
Date : May 13, 2008

The Annexure referred to in the auditor's report to the shareholders of GAIL (India) Limited for the year ended March 31, 2008. 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 vapor 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, internal control procedures needs to be further strengthened to 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 and services.

(v) On the basis of our examination of the books of accounts, and as per information and explanations given to us, the Company has not made any transactions 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.

(vi) The Company has not accepted any deposits from the public during the year covered under of section 58A and 58AA or any other relevant provision of the Companies Act, 1956.

(vii) In our opinion, the Company's internal audit system is commensurate with its size and nature of its activities.

(viii) We have broadly reviewed the books of accounts maintained by the Company pursuant to the order made by the Central Government for the maintenance of Cost Records under Section 209(1)(d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been maintained. We have not, however, made a detailed examination of these records.

(ix) (a) 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, Employees' State Insurance, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, cess and any other statutory dues with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of Sales tax, Service 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.

(b) As certified by the Management on which we have relied upon, 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:

(Rs. in Crores)

Sl. No.	Statute		Subject Matter of Dispute	Amount	Period of Dispute	Status -Forum
1	Entry Tax	(a)	Entry Tax on Market Value of Natural Gas instead of its Purchase Price (Including interest)	176.69	1999-2006	Allahabad High Court
		(b)	Rajasthan Entry Tax Demand	2.89	2002-03 onwards	Dy. Commissioner Kota
2	Sales Tax	(a)	Non-acceptance of declaration form for concessional sales tax	0.16	1995-96 & 1996-97	Dy. Comm. (Appeals)
		(b)	Surcharge on Turn over tax-Rajasthan	0.44	2002-03, 2003-04& 2004-05	Dy. Comm. (Appeals) Kota
		(c)	Trade tax demand	0.74	2004-05&2006-07	Dy. Commissioner Auraiya
		(d)	Sales tax demand	1.22	2003-04	Joint Commissioner Vadodara
3	Custom		Demand of duty of Gas Purchased from Panna Mukta fields	581.22	1997 to 2002	Commissioner of Customs, Ahmedabad
4	Excise	(a)	Duty Demand on lean Gas -57CC	51.85	Sept 98 to Feb 99, Oct 01 to Aug 04.	CESTAT, Ahmedabad, Commissioner Raigad
		(b)	Modvat on capital goods disallowd	4.67	1999	Asstt Commissioner, Agra
		(c)	LPG valuation Dispute	65.38	Jan 01 to Feb 05	Commissioner Kanpur, CESTAT Mumbai & CESTAT New Delhi
		(d)	Dispute on Pentane Classification	30.61	MARCH 200 to FEB 2002 & Aug 2005 to Sep 07	CESTAT Ahmedabad & CESTAT New Delhi
		(e)	Classification dispute of MFO as Motor Spirit	16.93	July 04 to Aug 05 & Sep 06 to Aug 07	Commissioner, Vadodara & CESTAT Ahmedabad
5	Service Tax	(a)	Credit of Canvat/Service tax	0.91	2005-06, 2006-07 & 2007-08	Additional Commissioner, Kanpur
		(b)	Demand of Service tax	4.83	2002-03 to 2003-04, June-05 & May 06-June 07	Commissioner – Kanpur, Addl Commissioner - Kanpur, Superintendent-Aagartala & Rajamudary
6	Income Tax		Liability of tax on disallowance of deductions claimed	2.21	AY-2002-03 & 2003-04	ITAT Delhi
7	Other taxes		Notified Area tax on revised value . (incl. interest)	2.43	1985-86 to 2007-08	Ahmedabad High Court

(x) 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.

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

(xii) 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.

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

(xiv) According to the information and explanations 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.

(xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by other banks and financial institutions during the year.

(xvi) According to the information and explanations given to us, Company has not raised any term loans during the year.

(xvii) According to the information and explanations given to us, Company has not raised any short term loan during the year.

(xviii) 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.

(xix) The Company has not issued any debentures during the year.

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

(xxi) During the year a fraud was committed by an employee of the Company. As per management's investigation the amount involved amounted to Rs. 0.48 crore.

For M/s Mehra Goel & Co.
Chartered Accountants

R.K. Mehra
Partner
Membership No. 6102

Place : New Delhi
Date : May 13, 2008

Balance Sheet as at 31st March, 2008

(Rs. in Crores)

	SCHEDULE NO.		AS AT 31st MARCH, 2008		AS AT 31st MARCH, 2007
SOURCES OF FUNDS					
Shareholder's Funds					
Capital	1	**845.65**		845.65	
Reserves and Surplus	2	**12,159.23**	**13,004.88**	10,547.26	11,392.91
Loan Funds	3				
Secured Loans		**1,100.00**		1,100.00	
Unsecured Loans		**165.87**	**1,265.87**	237.85	1,337.85
Deferred Tax Liability (Net)			**1,319.69**		1,318.67
			15,590.44		14,049.43
APPLICATION OF FUNDS					
Fixed Assets	4				
Gross Block		**16,957.86**		14,932.56	
Less : Depreciation		**8,024.57**		7,478.19	
Net Block		**8,933.29**		7,454.37	
Capital Work-in-Progress	5	**816.66**	**9,749.95**	1,936.94	9,391.31
Investments	6		**1,441.09**		1,441.05
Advances for Investments (Pending Allotment)	6A		**49.79**		22.79
Carried Forward			**11,240.83**		10,855.15

Balance Sheet as at 31st March, 2008

(Rs. in Crores)

	SCHEDULE NO.		AS AT 31st MARCH, 2008		AS AT 31st MARCH, 2007
Brought Forward			**11,240.83**		10,855.15
Current Assets, Loans and Advances	7				
Inventories		**569.81**		552.36	
Sundry Debtors		**1,073.54**		790.71	
Cash and Bank Balances		**4,472.99**		2,660.41	
Other Current Assets		**56.82**		31.67	
Loans and Advances		**4,236.86**		3,710.36	
		10,410.02		7,745.51	
Less : Current Liabilities and Provisions	8				
Current Liabilities		**3,361.02**		2,585.59	
Provisions		**2,699.39**		1,965.64	
		6,060.41		4,551.23	
Net Current Assets			**4,349.61**		3,194.28
TOTAL			**15,590.44**		14,049.43
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

R.K. Goel
Director (Finance)

M.R. Hingnikar
Director (HR)

Dr. U.D. Choubey
Chairman & Managing Director

As per our separate Report of even date
For M/s Mehra Goel & Co.
Chartered Accountants

R.K. Mehra
(Partner)
Membership No. 6102

Place : New Delhi
Dated : May 13, 2008

Profit & Loss Account for the Year ended 31st March, 2008

(Rs. in Crores)

	SCHEDULE NO.			YEAR ENDED 31st MARCH, 2008			YEAR ENDED 31st MARCH, 2007
INCOME							
Sales		**17,871.67**			15,946.58		
Less : Excise Duty		**572.01**			498.67		
			17,299.66			15,447.91	
LPG Transmission / RLNG Shippers Charges			**680.41**			574.08	
Income from Telecom			**28.13**			25.19	
			18,008.20			16,047.18	
Add : Accretion to Stock							
Closing Stock		**234.66**			204.78		
Less : Opening Stock		**204.78**	**29.88**		129.52	75.26	
				18,038.08			16,122.44
Other Income	9			**556.35**			544.95
TOTAL				**18,594.43**			16,667.39
EXPENDITURE							
Purchase of Gas for trading				**9,480.19**			8,537.07
Gas Pool				**720.47**			891.93
Manufacturing, Transmission, Administration, Selling & Distribution and other Expenses	10		**3,912.09**			3,704.91	
Depreciation	4		**571.02**			575.38	
			4,483.11			4,280.29	
Less : Expenditure during construction period transferred to Capital Work-in-Progress	11		**2.16**	**4,480.95**		1.09	4,279.20
TOTAL				**14,681.61**			13,708.20
Profit before Interest and Finance Charges				**3,912.82**			2,959.19
Interest and Finance Charges	12		**79.58**			107.17	
Less : Interest and Finance Charges transferred to Capital Work-in-Progress	11		**0.01**	**79.57**		0.09	107.08
Profit for the year **Carried Forward**				**3,833.25**			2,852.11

(Rs. in Crores)

	SCHEDULE NO.		YEAR ENDED 31st MARCH, 2008		YEAR ENDED 31st MARCH, 2007
Brought Forward			**3,833.25**		2,852.11
Less : Prior Period Adjustments (Net)	13		**(21.75)**		(7.67)
Profit before Tax			**3,855.00**		2,859.78
Provision for Taxation - Current		**1,244.98**		788.30	
- Deferred		**1.02**		18.97	
- FBT		**7.54**	**1,253.54**	5.76	813.03
Excess Provision of Income Tax of earlier years written back			–		(339.92)
Profit after Tax			**2,601.46**		2,386.67
Amount available for appropriation			**2,601.46**		2,386.67
APPROPRIATIONS					
Interim Dividend			**338.26**		676.52
Proposed Final Dividend			**507.39**		169.13
Corporate Dividend Tax			**143.72**		123.62
Bond Redemption Reserve			**32.13**		32.13
General Reserve			**260.15**		238.67
Balance Carried to Balance Sheet			**1,319.81**		1,146.60
TOTAL			**2,601.46**		2,386.67
Details of Earning Per Share					
A. Profit after tax			**2,601.46**		2,386.67
B. Weighted Average No. of Equity Shares			**845,651,600**		845,651,600
C. Nominal Value per Equity Share (Rs.)			**10.00**		10.00
D. Basic and Diluted Earning Per Share (Rs.)			**30.76**		28.22
Notes on Accounts	14				

Schedules 1 to 14 and Accounting policies form part of Accounts

N.K. Nagpal
Secretary

R.K. Goel
Director (Finance)

M.R. Hingnikar
Director (HR)

Dr. U.D. Choubey
Chairman & Managing Director

As per our separate Report of even date
For M/s Mehra Goel & Co.
Chartered Accountants

R.K. Mehra
(Partner)
Membership No. 6102

Place : New Delhi
Dated : May 13, 2008

Schedule 1 - Share Capital

(Rs. in Crores)

	AS AT 31st MARCH, 2008	AS AT 31st MARCH, 2007
AUTHORISED		
100,00,00,000 (Previous Year : 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, 2008		AS AT 31st MARCH, 2007
Capital Reserve (Grant Received from Danish Govt. for construction of Gas Technology Institute at Noida)				
As per Last Account	**1.98**		2.10	
Less : Transferred to Profit & Loss Account	**0.12**	**1.86**	0.12	1.98
Share Premium Account		**0.27**		0.27
Investment Allowance (Utilised) Reserve				
As per Last Account	**215.10**		251.31	
Less : Transferred to General Reserve	**68.62**	**146.48**	36.21	215.10
Bonds Redemption Reserve				
As per Last Account	**128.51**		96.38	
Add : Transferred from Profit & Loss Account	**32.13**	**160.64**	32.13	128.51
General Reserve				
As per Last Account	**1,684.37**		1,409.49	
Add : Transferred from Investment Allowance (Utilised) Reserve	**68.62**		36.21	
Add : Transferred from Profit & Loss Account	**260.15**	**2,013.13**	238.67	1,684.37
Profit and Loss Account				
As per Last Account	**8,517.03**		7,370.43	
Add : Transferred from Profit & Loss Account	**1,319.81**	**9,836.85**	1,146.60	8,517.03
TOTAL		**12,159.23**		10,547.26

Schedule 3 - Loan Funds

(Rs. in Crores)

	AS AT 31st MARCH, 2008		AS AT 31st MARCH, 2007	
SECURED LOANS				
Bonds Series - I (6.10% Secured Non-convertible redeemable Bonds -Series - I are redeemable in 5 equal instalment 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 on pari passu basis, by charge on freehold non agricultural land at village Tandalja, Vadodra together with the entire building constructed thereon both present & future and whole of plant and machinery, spares, tools and accessories and other movables of the Company pertaining to its projects at LPG Vaghodia Plant, Hazira Plant, Grep Vaghodia Plant, Gandhar Plant and Vadodra plant both present and future and whether installed or not and lying or in store)	**500.00**		500.00	
Bonds Series - II (5.85% Secured Non-convertible redeemable Bonds -Series - II are redeemable in 5 equal instalment 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 on pari passu basis, by charge on freehold non agricultural land at village Tandalja, Vadodra together with the entire building constructed thereon both present & future and whole of plant and machinery, spares, tools and accessories and other movables of the Company pertaining to its projects at LPG Vaghodia Plant, Hazira Plant, Grep Vaghodia Plant, Gandhar Plant, DUPL Projects and Vadodra Plant both present and future and whether installed or not and lying or in store)	**600.00**	**1,100.00**	600.00	1,100.00
UNSECURED LOANS				
Other Loans and Advances				
From Banks :				
- State Bank of India, London (including Rs.NIL (Previous Year : Rs. 6.22) due for payment within one year)	-		6.22	
From others				
- Oil Industry Development Board (including Rs. 65.75 (Previous Year : Rs. 65.75) due for payment within one year)	**165.87**	**165.87**	231.63	237.85
TOTAL		**1,265.87**		1,337.85

Schedule 4 - Fixed Assets (Tangible / Intangible Assets)

(Rs. in Crores)

DESCRIPTION	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As at 1.4.2007	Additions/ Adjust- ments during the year	Sales/ Adjust- ments during the year	As at 31.03.2008	Upto 31.0.2007	For the year	Adjust- ments during the year	As at 31.03.2008	As at 31.03.2008	As at 31.03.2007
Tangible Assets (A)										
Land: Freehold	61.79	1.96	-	**63.75**	-		-	**-**	**63.75**	61.79
Leasehold	74.52	0.96	-	**75.48**	6.60	0.69	-	**7.29**	**68.19**	67.92
Building : Office/Others	380.84	13.25	0.09	**394.00**	90.89	10.23	(0.02)	**101.10**	**292.90**	289.95
Residential	259.75	1.68	-	**261.43**	46.77	5.05	-	**51.82**	**209.61**	212.98
Bunk Houses	1.70	0.01	0.14	**1.57**	1.62	0.02	(0.14)	**1.50**	**0.07**	0.08
Plant and Machinery	13,690.55	1977.48	24.96	**15,643.07**	7,138.19	515.35	(13.52)	**7,640.02**	**8,003.05**	6,552.36
Railway Lines & Sidings	5.47	0.01	-	**5.48**	4.23	0.26	-	**4.49**	**0.99**	1.24
Electrical Equipments	129.95	13.81	4.34	**139.42**	49.94	7.38	(3.81)	**53.51**	**85.91**	80.01
Furniture, Fixtures and other Equipments	256.09	34.31	11.41	**278.99**	121.99	23.12	(7.26)	**137.85**	**141.14**	134.10
Transport Equipments	2.57	0.07	0.01	**2.63**	1.62	0.16	-	**1.78**	**0.85**	0.95
E&P Assets										
Producing Property **	-	-	-	-	-	-	-	-	-	-
Support Equipment & Facilities	-	1.65	-	**1.65**	-	0.01	0.18	**0.19**	**1.46**	-
T O T A L (A)	14,863.23	2,045.19	40.95	**16,867.47**	7,461.85	562.27	(24.57)	**7,999.55**	**8,867.92**	7,401.38
Intangible Assets (B)										
Right of Use *	25.39	21.25	-	**46.64**	-	-	-	**-**	**46.64**	25.39
Softwares / Licences	43.94	(0.18)	0.01	**43.75**	16.34	8.75	(0.07)	**25.02**	**18.73**	27.60
T O T A L (B)	69.33	21.07	0.01	**90.39**	16.34	8.75	(0.07)	**25.02**	**65.37**	52.99
TOTAL (A+B)	14,932.56	2,066.26	40.96	**16,957.86**	7,478.19	571.02	(24.64)	**8,024.57**	**8,933.29**	7,454.37
Previous Year	14,469.48	480.57	17.49	**14,932.56**	6,913.52	575.38	(10.71)	**7,478.19**	**7,454.37**	7,555.96

* Right of use for laying pipelines is a perpetual right of use of land but does not bestow upon the compnay, the ownership of land and hence, treated as intangible asset. However, no amortistion is provided on the same, being perpetual in nature

** Refer item no- 16 (v) of Notes to Accounts (Schedule-14)

Schedule 5 - Capital Work-in-Progress

(Rs. in Crores)

		AS AT 31st MARCH, 2008		AS AT 31st MARCH, 2007
A. Plant & Machinery				
Linepipe Construction and related facilities including Cathodic Protection and Dispatch Terminals		**299.37**		1,069.79
Compressor Stations		**6.38**		0.07
Telecom/Telesupervisory System		-		0.02
LPG Pipeline Project		**2.27**		1.54
LPG Projects		**2.73**		0.77
Petrochemicals		**5.26**		149.64
Others		**29.00**		32.88
Exploratory Well in Progress		**293.09**		314.31
B. Buildings	**1.10**		2.92	
Less : Provision for abandonment of Work in Progress	**0.53**	**0.57**	2.82	0.10
C. Linepipes, Capital Items in Stock/Transit	**176.16**		365.24	
Less : Provision for losses/obsolescence	**0.08**	**176.08**	0.06	365.18
D. Advance for Capital Expenditure				
(Unsecured - Considered Good)	**1.91**		2.64	
(Unsecured - Considered Doubtful)	**1.40**		1.39	
	3.31		4.03	
Less : Provision for Doubtful Advances	**1.40**	**1.91**	1.39	2.64
TOTAL		**816.66**		1,936.94

Schedule 6 - Investments

(Rs. in Crores)

	AS AT 31st MARCH, 2008	AS AT 31st MARCH, 2007
LONG-TERM INVESTMENTS		
1. Trade Investments		
Quoted * -		
a) In Joint Venture Companies:		
3,15,00,000 (Previous Year : 3,15,00,000) Equity Shares of Rs. 10/- each fully paid-up in Indraprastha Gas Ltd.	**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. (includes 1,00,00,000 equity shares alloted at a premium of Rs. 5/- per share).	**98.75**	98.75
b) In Associate Company		
21,00,00,000 (Previous Year : 21,00,00,000) Equity Shares of HK$ 0.01/- each fully paid up in China Gas Holding Ltd. China, acquired at a premium of HK$ 1.148 / share.	**136.32**	136.32
c) In Government of India Bonds		
6.96 % Oil Companies GOI Special Bonds 2009 (Alloted in lieu of claims pending with Oil Co-ordination Committee).	**6.00**	6.00
7 % Oil Companies GOI Special Bonds 2012 (Alloted in lieu of claims pending with Oil Co-ordination Committee).	**9.59**	9.59
d) Others		
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
5,14,00,267 (Previous Year : 5,14,00,267) Equity Shares of Rs. 10/- each fully paid up in ONGC Ltd. (Acquired 3,42,66,845 shares during 1999-2000 at a price of Rs.162.34 per Share and 1,71,33,422 bonus shares received during 2006-07.	**556.29**	556.29
3,62,100 (Previous Year: 3,62,100) units of 6.75% Tax Free US 64 Bonds of Rs.100/- each guaranteed by GOI, having maturity date on 01.06.2008.	**3.62**	3.62
* Aggregating market value of the above mentioned quoted securities Rs. 6,343.17 (Previous Year : Rs. 5,458.80)(includes cost where market price not available).		
Carried Forward	**842.93**	842.93

(Rs. in Crores)

		AS AT 31st MARCH, 2008	AS AT 31st MARCH, 2007
	Brought Forward	**842.93**	842.93
	Unquoted - At cost		
a)	**In Subsidiary Company**		
	21,00,000 (Previous Year : 21,00,000) Equity Shares of USD 1 each fully paid up in GAIL Global (Singapore) Pte. Ltd. incorporated in Singapore (100% subsidiary Company).	**9.64**	9.64
	35000 (Previous Year : NIL) Equity Shares of Rs. 10/- each fully paid up in Brahmaputra Cracker & Polymer Ltd.	**0.04**	-
b)	**In Joint Venture Companies**		
	4,44,49,960 (Previous Year : 4,44,49,960) Equity shares of Rs. 10/- each fully paid up in Mahanagar Gas Ltd.	**44.45**	44.45
	12,497 (Previous Year : 12,497) Equity shares of Rs. 10/- each fully paid up in Bhagyanagar Gas Ltd.	**0.01**	0.01
	1,35,00,000 (Previous Year : 1,35,00,000) Equity shares of Rs. 10/- each fully paid up in Central UP Gas Ltd.	**13.50**	13.50
	12,500 (Previous Year : 12,500) Equity shares of Rs. 10/- each fully paid up in Green Gas Ltd.	**0.01**	0.01
	25,000 (Previous Year : 25,000) Equity shares of Rs. 10/- each fully paid up in Maharashtra Natural Gas Ltd.	**0.03**	0.03
	50,00,00,000 (Previous Year : 50,00,00,000) Equity shares of Rs. 10/- each fully paid up in Ratnagiri Gas Power Project Ltd.	**500.00**	500.00
	12,500 (Previous Year :12,500) Equity shares of Rs. 10/- each fully paid up in Aavantika Gas Ltd.	**0.01**	0.01
c)	**In Associate Companies**		
	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 : 19,000) Equity shares of LE 100/- each fully paid up in Fayum Gas Company registered in Egypt.	**8.10**	8.10
	2,20,000 (Previous Year : 2,20,000) Equity Shares of LE 10/- each fully paid up in Shell Compressed Natural Gas Company, Egypt registered in Egypt.	**1.61**	1.61
	Carried Forward	**1,441.09**	1,441.05

(Rs. in Crores)

		AS AT 31st MARCH, 2008		AS AT 31st MARCH, 2007
Brought Forward		**1,441.09**		1,441.05
2. Non Trade Investments - Others				
Unquoted - At cost				
i) 30 Shares (Previous Year : 30) of Rs. 50 each fully paid up in Darpa Co-operative Housing Society Ltd., Vadodara	-		-	
ii) 50 Shares (Previous Year : 50) of Rs. 50 each fully paid up in Ashoka Apartments Co-operative Housing Society Ltd., Vadodara	-		-	
iii) 400 Shares (Previous Year : 400) of Rs. 10 each fully paid up in Sanand Members Association, Ahmedabad	-		-	
iv) 35 Shares (Previous Year : 35) of Rs. 50 each fully paid up in Green Field (B) Co-operative Housing Society Ltd., Mumbai	-		-	
TOTAL		**1,441.09**		1,441.05

Schedule 6A - Advances for Investments (Pending Allotment)

(Rs. in Crores)

	AS AT 31st MARCH, 2008	AS AT 31st MARCH, 2007
Joint Venture Companies		
i) Bhagyanagar Gas Ltd.	**9.98**	9.98
ii) Tripura Natural Gas Ltd.	**0.83**	0.83
iii) Green Gas Ltd.	**7.00**	7.00
iv) Maharashtra Natural Gas Ltd.	**18.48**	4.98
v) Aavantika Gas Ltd.	**13.50**	-
TOTAL	**49.79**	22.79

Schedule 7 - Current Assets, Loans and Advances

(Rs. in Crores)

			AS AT 31st MARCH, 2008			AS AT 31st MARCH, 2007
A. CURRENT ASSETS						
INVENTORIES						
(As taken, valued and certified by the Management)						
Stores and Spares *	**295.18**			316.59		
Less : Provision for Losses/Obsolescence	**4.60**	**290.58**		4.42	312.17	
Construction Surplus - Capital / Stores	**73.12**			66.61		
Less : Provision for Losses/Obsolescence	**28.55**	**44.57**		31.20	35.41	
Stock of Gas**/Polymers/LPG and Other Products		**234.66**	**569.81**		204.78	552.36
* includes Rs. 25.98 (Previous Year : Rs. 22.89) in transit.						
**after adjustment of calorific value						
SUNDRY DEBTORS						
Debts outstanding for a period exceeding six months						
- Unsecured, Considered Good	**75.97**			118.60		
- Unsecured, Considered Doubtful	**104.37**	**180.34**		103.62	222.22	
Other Debts						
- Unsecured, Considered Good		**997.57**			672.11	
		1,177.91			894.33	
Less : Provision for Doubtful debts		**104.37**	**1,073.54**		103.62	790.71
CASH AND BANK BALANCES						
Cash in hand	**0.14**			0.14		
Cheques/Stamps in hand	**0.02**	**0.16**		0.14	0.28	
BANK BALANCES (SCHEDULED BANKS)						
On Current Account (includes Corporate Liquid Term Deposit Rs. 44.40 (Previous Year : Rs. 78.60))	**139.70**			122.72		
On Current Account -Gas Pool Money (Rs. Nil (Previous Year : Rs. 6592/-)	-			-		
On Current Account -JV Consortium (Rs. 24963/- (Previous Year : Rs. 24963/-)	-			-		
On Short Term Deposit	**3,323.88**			2,133.55		
On Short Term Deposit -Gas Pool Money (includes interest accrued but not due Rs. 10.26 (Previous Year : Rs. Nil))	**582.53**			-		
On Short Term Deposit -JV Consortium (includes interest Accrued but not due Rs. 6.38 (Previous Year : Rs. 5.13) (Refer Note No. 5 of Notes to Accounts)	**426.72**	**4,472.83**	**4,472.99**	403.86	2,660.13	2,660.41
OTHER CURRENT ASSETS						
Interest accrued but not due on Deposits / Bonds			**56.82**			31.67
Carried Forward			**6,173.16**			4,035.15

(Rs. in Crores)

			AS AT 31st MARCH, 2008			AS AT 31st MARCH, 2007
Brought Forward			**6,173.16**			4,035.15
B. LOANS AND ADVANCES						
Loans/Advances to Subsidiaries		**66.03**			73.53	
(Unsecured, Considered Good)						
GAIL Global (Singapore) Pte. Ltd.,						
(100% subsidiary Company incorporated in Singapore)						
(Includes interest accrued Rs. 3.58 (Previous Year : Rs. 3.97)						
Loans to Employees						
- Secured, Considered Good	**157.56**			152.75		
- Unsecured, Considered Good	**21.75**			21.73		
(including dues from Directors Rs. 0.20 (Previous Year : Rs. 0.27)) (Maximum amount due at any time during the year Rs. 0.35) (Previous Year : Rs. 0.37))						
Others	**0.18**	**179.49**		0.19	174.67	
(Unsecured, Considered Good)						
Advances recoverable in cash or in kind or for value to be received						
- Unsecured, Considered Good	**1,948.35**			1,573.74		
(includes Rs. 1160.69 (Previous Year : Rs. 1105.34) paid / adjusted against Income tax demand under protest.)						
- Unsecured, Considered Doubtful	**1.26**			0.48		
	1,949.61			1,574.22		
Less : Provision for Doubtful Advances	**1.26**	**1,948.35**		0.48	1573.74	
Advance tax / TDS		**1,949.63**			1,824.95	
Claims Recoverable						
- Unsecured, Considered Good	**49.86**			19.41		
- Unsecured, Considered Doubtful	**0.27**			0.12		
	50.13			19.53		
Less : Provision for doubtful claims	**0.27**	**49.86**		0.12	19.41	
Deposits with Customs, Port Trust and Others						
- Unsecured, Considered Good	**43.50**			44.06		
- Unsecured, Considered Doubtful	**0.31**			0.31		
	43.81			44.37		
Less : Provision for doubtful claims	**0.31**	**43.50**	**4,236.86**	0.31	44.06	3,710.36
TOTAL			**10,410.02**			7,745.51

Schedule 8 - Current Liabilities and Provisions

(Rs. in Crores)

		AS AT 31st MARCH, 2008		AS AT 31st MARCH, 2007
A. CURRENT LIABILITIES				
Sundry Creditors	**1,797.75**		1,448.36	
(includes Rs. 426.72 (Previous Year : Rs. 403.86) payable to JV consortium)				
Deposits/Retention Money from Contractors and others	**185.38**		308.14	
Abandonment Cost (E&P)	**1.13**		-	
Other Liabilities	**637.50**		726.25	
Gas Pool Money	**710.60**		71.49	
Unclaimed Dividend	**2.23**		2.83	
(Amount due for credit to Investor Education and Protection Fund is Rs. Nil (Previous Year : Nil)				
Interest accrued but not due	**26.43**	**3361.02**	28.52	2,585.59
(includes on loan Rs. 19.31 (Previous Year : Rs. 19.14)				
B. PROVISIONS				
Provision for taxation / FBT	**2,018.64**		1,716.12	
Provision for Proposed Dividend	**507.39**		169.13	
Provision for Corporate Dividend Tax	**86.23**		28.74	
Provision for Leave Encashment and Post Retirement Benefits	**87.13**	**2,699.39**	51.65	1,965.64
TOTAL		**6,060.41**		4,551.23

Schedule 9 - Other Income

(Rs. in Crores)

		YEAR ENDED 31st MARCH, 2008		YEAR ENDED 31st MARCH, 2007
Dividend from long term (trade) investment		**201.16**		190.80
Interest on :				
- Bonds (Long term trade investment)	**1.33**		1.94	
- Deposits with Banks	**248.75**		247.64	
- Others	**18.52**		20.26	
	268.60		269.84	
(Tax deducted at source :Rs. 47.90 (Previous Year : Rs.60.11))				
Add : Transferred to Expenditure during construction period (Schedule 11)	**(0.03)**	**268.57**	(0.03)	269.81
Export Incentives		**0.60**		(0.03)
Miscellaneous Income including liabilities written back	**86.03**		84.37	
(Tax deducted at source : Rs. 0.50 (Previous Year : Rs. 0.53))				
Add : Transferred to Expenditure during construction period (Schedule 11)	**(0.01)**	**86.02**	-	84.37
TOTAL		**556.35**		544.95

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

(Rs. in Crores)

		YEAR ENDED 31st MARCH, 2008		YEAR ENDED 31st MARCH, 2007
Raw Material consumed		**1,714.84**		1,785.12
Employees Remuneration and Benefits*				
Salaries, Wages and Allowances	**377.49**		212.62	
Contribution to Provident and Other Funds	**17.47**		21.43	
Welfare Expenses	**75.05**	**470.01**	68.41	302.46
Power, Fuel and Water Charges				
Power and Water Charges	**126.78**		93.55	
Gas used as Fuel	**601.59**		669.33	
		728.37		762.88
Stores and Spares consumed		**206.02**		157.31
Rent		**12.59**		13.34
Rates and Taxes (includes U. P. entry tax on gas)		**45.22**		47.10
Licence Fees - Telecom		**2.21**		1.81
Bandwidth Consumption		**0.72**		0.25
Repairs and Maintenance				
Plant and Machinery	**85.41**		55.55	
Buildings	**16.17**		20.79	
Others	**22.23**	**123.81**	19.63	95.97
Insurance		**17.90**		28.67
Communication Expenses		**8.04**		8.31
Printing and Stationery		**2.63**		2.76
Travelling Expenses		**31.96**		32.16
Books and Periodicals		**1.15**		0.81
Advertisement and Publicity		**9.16**		14.66
Carried Forward		**3,374.63**		3,253.61

(Rs. in Crores)

		YEAR ENDED 31st MARCH, 2008		YEAR ENDED 31st MARCH, 2007
Brought Forward		**3,374.63**		3,253.61
Payment to Auditors				
Audit Fees	**0.22**		0.22	
Tax Audit fees	**0.04**		0.04	
Management Services	**0.03**		0.00	
Out of Pocket Expenses	**0.16**	**0.45**	0.10	0.36
Entertainment Expenses		**0.45**		0.18
Recruitment and Training Expenses		**6.74**		6.94
Vehicle Hire and Running Expenses		**14.68**		14.54
Survey Expenses		**87.65**		35.24
Consultancy Charges		**10.30**		23.34
Data Processing Expenses		**1.66**		3.05
Donation		**15.78**		0.01
Research and Development Expenses		**0.01**		0.05
Loss on sale / written off of assets (net)		**12.32**		(0.58)
Bad Debts/Claims/Advances/Stores written off		**0.08**		1.62
Dry Well Expenses written off		**284.59**		241.88
Provision for Doubtful Debts, Advances, Claims, Deposits and obsolescence of Stores and Capital Items		**(2.65)**		(21.90)
Excise Duty on Stock (net)		**(3.94)**		10.59
Expenses on Enabling Facilities		**1.37**		1.63
Selling & Distribution Expenses		**3.11**		8.42
Discount on Sales		**16.88**		11.61
Commission on Sales		**13.13**		11.56
Security Expenses		**38.04**		32.25
Oil & Gas Producing Expenses (Operators)		**0.75**		-
Royalty on Crude Oil		**0.89**		-
Other Expenses		**35.17**		70.51
TOTAL		**3,912.09**		3,704.91

*** Includes :**

1) Rs. 42.65 (Previous Year : Rs. 11.28) on account of retirement benefits viz. leave encashment, medical, long service award, terminal benefit and sick leave.

Schedule 11 - Expenditure during Construction Period

(Rs. in Crores)

	YEAR ENDED 31st MARCH, 2008		YEAR ENDED 31st MARCH, 2007	
Employees Remuneration and Benefits				
Salaries, Wages and Allowances	**0.70**		0.41	
Contribution to Provident and Other Funds	**0.06**		0.03	
Welfare Expenses	**0.12**	**0.88**	0.11	0.55
Power, Fuel and Water Charges		**1.15**		-
Repairs and Maintenance - Plant and Machinery		**0.01**		-
Repairs and Maintenance - Others		**0.02**		0.01
Printing and Stationery		**0.01**		-
Communication Expenses		**0.01**		-
Entertainment Expenses		**0.01**		0.01
Travelling Expenses		**0.06**		0.10
Recruitment and Training Expenses		-		0.01
Vehicle Hire and Running Expenses		**0.03**		0.04
Interest and Finance Charges		**0.01**		0.09
Polymer consumption		-		0.30
Other Expenses		**(0.02)**		0.07
		2.17		1.18
Less : - Interest Income	**0.03**		0.03	
- Misc. Income	**0.01**	**0.04**	-	0.03
Net Expenditure		**2.13**		1.15
Less :Transferred to Capital Work-in-progress				
a) Mfg., Transmission, Admn., Selling & Distribution and Other Expenses	**2.16**		1.09	
b) Interest & finance Charges	**0.01**		0.09	
c) Other Income	**(0.04)**	**2.13**	(0.03)	1.15
Balance Carried over to Balance Sheet		**NIL**		NIL

Schedule 12 - Interest and Finance Charges

(Rs. in Crores)

	YEAR ENDED 31st MARCH, 2008		YEAR ENDED 31st MARCH, 2007	
Interest on Term Loans				
Foreign Currency Loans	**0.05**		0.26	
Other Loans	**12.87**	**12.92**	39.49	39.75
Bonds		**65.78**		65.60
Others		**0.75**		1.41
Commitment and other Finance Charges		**0.13**		0.41
TOTAL		**79.58**		107.17

Schedule13 - Prior Period Adjustments

(Rs. in Crores)

		YEAR ENDED 31ST MARCH, 2008		YEAR ENDED 31ST MARCH, 2007
Purchase of Gas		**25.03**		(10.67)
Salaries, Wages and Allowances		**(0.66)**		-
Welfare Expenses		**0.07**		(0.04)
Travelling Expenses		**(0.17)**		0.02
Advertisement and Publicity		**(0.10)**		(3.71)
Power, Fuel and Water Charges		**(0.14)**		(0.06)
Stores and Spares consumed		**(0.47)**		(0.26)
Rent		**0.02**		0.08
Rates and Taxes		**0.01**		-
Depreciation(Net)		**2.88**		(0.19)
Repairs and Maintenance		**(0.04)**		(0.54)
Communication Expenses		**0.32**		-
Recruitment and Training Expenses		-		0.03
Vehicle hire and Running Expenses		**(0.01)**		0.01
Survey Expenses		**(2.95)**		-
Interest		-		(0.06)
Consultancy Charges		**0.13**		0.25
Other Expenses		**0.18**		0.89
TOTAL		**24.10**		(14.25)
Less :				
- Sales	**44.25**		(6.57)	
- Interest Income	-		1.12	
- Miscellaneous Income	**1.60**	**45.85**	(1.13)	(6.58)
TOTAL (NET)		**(21.75)**		(7.67)

Cash Flow Statement For The Financial Year Ended 31st March, 2008

(Rs. in Crores)

	2007-08		2006-07	
A. CASH FLOW FROM OPERATING ACTIVITIES				
1 NET PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS		**3855.00**		2859.78
2 ADD :				
DEPRECIATION	**573.90**		575.19	
CAPITAL RESERVE	**(0.12)**		(0.12)	
EXCHANGE RATE VARIATION	-		(0.02)	
INTEREST EXPENDITURE	**79.57**		107.08	
DIVIDEND INCOME ON INVESTMENTS	**(201.16)**		(190.80)	
INTEREST INCOME	**(268.57)**		(269.81)	
PROVISION FOR EMPLOYEES BENEFITS	**35.48**		11.28	
PROVISION FOR PAY REVISION	**105.00**		-	
PROVISION FOR DOUBTFUL DEBTS	**0.75**		(16.67)	
OTHER PROVISIONS	**0.93**		0.06	
PROVISION / WRITE OFF OF ASSET/CWIP	**284.59**		241.87	
FOREIGN TRANSLATION RESERVE WRITE BACK	-		2.33	
PROFIT/LOSS ON SALE OF ASSETS (NET)	**12.32**		(0.58)	
		622.69		459.81
3 OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES (1+2)		**4477.69**		3319.59
4 CHANGES IN WORKING CAPITAL (EXCLUDING CASH & BANK BALANCES)				
TRADE AND OTHER RECEIVABLES	**(693.83)**		(355.06)	
INVENTORIES	**(13.51)**		(79.76)	
TRADE AND OTHER PAYABLES	**668.58**		(568.05)	
		(38.76)		(1002.87)
5 CASH GENERATED FROM OPERATIONS (3+4)		**4438.93**		2316.72
6 DIRECT TAXES PAID		**(1026.78)**		(857.36)
NET CASH FROM OPERATING ACTIVITIES (5+6)		**3412.15**		1459.36
BALANCE CARRIED FORWARD		**3412.15**		1459.36

Cash Flow Statement For The Financial Year Ended 31st March, 2008

(Rs. in Crores)

	2007-08		2006-07	
BALANCE BROUGHT FORWARD		**3412.15**		1459.36
B. CASH FLOW FROM INVESTING ACTIVITIES				
PURCHASE OF FIXED ASSETS	**(1241.90)**		(2043.77)	
SALE OF FIXED ASSETS	**12.43**		8.23	
INVESTMENT IN OTHER COMPANIES	**(27.04)**		(20.48)	
LOANS & ADVANCES TO SUBSIDIARY	**7.50**		3.65	
INTEREST RECEIVED	**195.55**		217.82	
DIVIDEND RECEIVED	**201.16**		190.80	
NET CASH FROM INVESTING ACTIVITIES		**(852.30)**		(1643.75)
C. CASH FLOW FROM FINANCING ACTIVITIES				
PROCEEDS FROM LONG TERM BORROWINGS	-		-	
REPAYMENT OF LONG TERM BORROWINGS	**(71.98)**		(579.35)	
INTEREST PAID	**(81.67)**		(107.56)	
DIVIDEND & DIVIDND TAX PAID	**(593.62)**		(964.25)	
NET CASH FROM FINANCING ACTIVITIES		**(747.27)**		(1651.16)
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)		**1812.58**		(1835.55)
CASH AND CASH EQUIVALENTS (OPENING BALANCE)		**2660.41**		4495.94
CASH AND CASH EQUIVALENTS (CLOSING BALANCE)		**4472.99**		2660.39

NOTES :

1. Cash & Cash Equivalents include :
   Cash & Bank Balances

	2007-08	2006-07
As per Balance Sheet	**4472.99**	2660.41
Unrealised (Gain)/ loss on foreign Exchange	-	(0.02)
Total Cash & Cash Equivalents	**4472.99**	2660.39

N.K. Nagpal
Secretary

R.K. Goel
Director (Finance)

M.R. Hingnikar
Director (HR)

Dr. U.D. Choubey
Chairman & Managing Director

As per our separate Report of even date
For M/s Mehra Goel & Co.
Chartered Accountants

R.K. Mehra
(Partner)
Membership No. 6102

Place : New Delhi
Dated : May 13, 2008

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, capitalisation 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 advance for capital goods/ material in Transit/ value of materials / equipment 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 up to 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 (SLM) 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. Oil and Gas Pipelines including other related facilities are depreciated @ 3.17% per annum on SLM basis based on useful life of 30 years.

d. Computers at the residence of the employees are depreciated @ 23.75% per annum on SLM basis. Furniture, Electric Equipments and Mobiles provided for the use of employees are depreciated @ 15% per annum on SLM basis.

e. Cost of the leasehold land not exceeding 99 years is amortised over the lease period.

f. Depreciation due to price adjustment in the original cost of fixed assets is charged prospectively.

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

h. Software / Licences are amortised in 5 years on straight line method.

i. No depreciation is being charged on ROU being perpetual in nature.

j. 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) Transactions in foreign currency are accounted at the exchange rate prevailing on the transaction date.

b) Monetary items (such as Cash, Receivables, Loans, Payables, etc.) denominated in foreign currencies, outstanding at the year end, are translated at exchange rates (BC Selling Rate for Payables and TT Buying Rate for Receivables) prevailing at year end.

c) Non monetary items (such as Investments, Fixed Assets, etc), denominated in foreign currencies are accounted at the exchange rate prevailing on the date of transaction(s).

d) Any gains or loss arising on account of exchange difference either on settlement or on translation is accounted for in the Profit & Loss account.

8. Investments

Investments are classified into current and long term investments. Current investments are stated at lower of cost or market value. Long term investments are stated at cost and provision for diminution in value is made only if such decline is other than temporary in the opinion of management.

9. Inventories

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

b) 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.

c) 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.

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

e) Surplus / Obsolete Capital Stores, other than held for use in construction of a capital asset, 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 fully over 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. Income from Consultancy/Contract Services, if any, is recognized based on Proportionate Completion Method.

14. 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.

15. Pre-project expenditure relating to Projects which are considered unviable / closed is charged off to Revenue in the year of declaration/closure.

16. Employee Benefits

a. All short term employee benefits are recognized at there undiscounted amount in the accounting period in which they are incurred.

b. Employee Benefits under Defined Contribution Plan in respect of provident fund is recognized based on the undiscounted obligation of the Company towards contribution to the fund. The same is paid to the provident fund which is administered through a separate trust.

c. Employee Benefits under Defined Benefit Plans in respect of leave encashment, compen sated absence, post retirement medical scheme, long service award and other terminal benefits are recognized based on the present value of defined benefit obligation, which is computed on the basis of actuarial valuation using the Projected Unit Credit method. Actuarial liability in excess of respective plan assets is recognized during the year.

d. Provision for gratuity as per actuarial valuation is funded with a separate trust.

17. Taxes on Income

Provision for current tax is made as per the provisions of the Income Tax Act, 1961. Deferred Tax Liability / Asset resulting from 'timing difference' between book and taxable profit is accounted for considering the tax rate and laws that have been enacted or substantively enacted as on the Balance Sheet date. Deferred Tax Asset, if any, is recognized and carried forward only to the extent that there is virtual certainty that the asset will be realized in future.

18. R & D Expenditure

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

19. Exploration and Development Costs:-

i) The Company follows Successful Efforts Method for accounting of Oil & Gas explora tion 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 whichthe 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.

ii) Capitalisation of Producing Properties

a. Producing Properties are capitalised when the wells in the area / field are ready to commence commercial production having proved developed oil and gas reserves.

b. Cost of Producing Properties includes cost of successful exploratory wells, development wells, initial depreciation of support equipments & facilities and estimated future abandonment cost.

iii) Depletion of Producing Properties

Producing Properties are depleted using the "Unit of Production Method (UOP)". The depletion or unit of production charged for all the capitalized cost is calculated in the ratio of production during the year to the proved developed reserves at the year end.

iv) Production cost of Producing Properties

Company's share of production costs as indicated by Operator consists of pre well head and post well head expenses including depreciation and applicable operating costs of support equipment and facilities.

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. In case 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.

N.K. Nagpal
Secretary

R.K. Goel
Director (Finance)

M.R. Hingnikar
Director (HR)

Dr. U.D. Choubey
Chairman & Managing Director

As per our separate report of even date
For M/s Mehra Goel & Co.
Chartered Accountants

R.K. Mehra
(Partner)
Membership No. 6102

Place : New Delhi
Dated : May 13, 2008

Schedule 14 - Notes On Accounts

1. Estimated amount of Contracts remaining to be executed on Capital Account and not provided for :

i) Share in Capital Commitment of Joint Ventures based on their unaudited Statement of accounts: Rs. 308.43 Crores (Previous Year: Rs. 278.74 Crores).

ii) Company's own unexecuted capital commitment: Rs. 452.26 Crores (Previous Year: Rs. 740.70 Crores).

2. Contingent Liabilities :-

I. Claims against the Company not acknowledged as debts: Rs. 3822.84 Crores (Previous Year: Rs. 3816.91 Crores), which mainly include:-

(a) Claims of ONGCL for Rs. 390.85 Crores (Previous Year: Rs. 416.71 Crores) on account of interest for delayed payment and MGO, etc. Out of these MGO claims of Rs. 68.23 Crores (Previous Year: Rs. 69.37 Crores) are recoverable on back-to-back basis.

II. Bank Guarantee & Letters of Credit : Rs. 191.75 Crores (Previous Year: Rs. 35.38 Crores).

III. Share in Contingent Liabilities of Joint Ventures based on their unaudited statement of accounts: Rs. 229.51 Crores (Previous Year: Rs. 140.40 Crores).

3. (a) Income tax assessments up to the Assessment Year 2005-06 have been completed and a demand of Rs. 1162.90 Crores relating to the Assessment Years 1996-97 to 2005-06 (Previous Year: Rs. 1105.34 Crores) is raised by disallowing deductions claimed by the Company. The Company has already made the payment of Rs. 1160.69 Crores (Previous Year: Rs. 1105.34 Crores) under protest. Based upon the decision of the appellate authorities and the interpretation of the Income Tax Act, the Company has been legally advised that the demand is likely to be deleted or it may be substantially reduced. The Company has filed appeal against the demand for the Assessment Years 1996-97 to 2004-05 with Income Tax Appellate Tribunal (ITAT) and for Assessment Year 2005-06 with Commissioner of Income Tax (Appeal).

(b) Income Tax provision for current year includes short provision of Rs. 27.95 Crores relating to Financial Year 2005-06 and to that extent provision for deferred tax liability is reduced, thus there is no impact on current year profit.

(c) Sales Tax demand of Rs. 3449.18 Crores (Previous Year: Rs. Nil) and interest thereon Rs. 1513.04 Crores (Previous Year: Rs. Nil) 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 transfer 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 re-assess 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. The Sales Tax Authorities had filed rectification application under section 72 of the Gujarat Sales Tax Act, 1969 in Gujarat Sales Tax Tribunal against its judgment dated 16.05.2005. The Tribunal had dismissed the rectification application of the sales tax authorities vide its order dated 06.07.2006. The sales tax authorities have now filed petition in Hon'ble High Court Ahmedabad against the order of the tribunal and no hearing has yet taken place. In opinion of the management there is a remote possibility of crystallizing this liability.

4. (a) Freehold land acquired for city gas Lucknow and Kanpur, Jhansi Maintenance Base Sectionalising Valves in Jamnagar – Loni Pipeline and Mumbai valuing Rs. 1.78 Crores (Previous Year: Rs. 2.14 Crores) and Leasehold Land acquired for Lakwa, Mumbai & Rajamundary projects valuing Rs. Nil (Previous Year: Rs. 11.13 Crores) are valued/ capitalized on provisional basis.

(b) Title deeds for freehold land, valuing Rs. 2.16 Crores (Previous Year: Rs. 1.63 Crores) and leasehold land valuing Rs. 21.91 Crores (Previous Year : Rs. 27.17 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. 46.64 Crores as on 31.03.2008 (Previous Year: Rs. 25.39 Crores) has been capitalized as intangible asset. The Company has perpetual Right of Use but has no ownership of land.

5. (a) The 10% retention from PMT JV consortium amounting to Rs. 426.72 Crores (Previous Year: Rs. 403.86 Crores) includes interest (net of TDS) amounting to Rs. 88.00 Crores (Previous Year: Rs. 65.14 Crores) on Short term deposits for the year. The TDS amounting to Rs. 21.14 Crores (Previous Year: Rs. 14.81 Crores) has been deducted by the bankers on the interest earned on Short term deposits. This interest income and TDS does not belong to the Company hence not accounted for. In terms of letter No. O-19025/12/97-ONG.D.V (vol-III) dated 24th March 2008 from Ministry of Petroleum & Natural Gas, this amount will be refunded to PMT JV consortium in the next financial year.

b) Liability on account of Gas Pool Money amounting to Rs. 710.60 Crores (Previous Year: Rs. NIL) includes interest amounting to Rs. 19.55 Crores (Previous Year: NIL) on short term deposits. This interest does not belong to the Company hence not accounted as income.

6. 'Advance recoverable in Cash or in kind or value to be received' includes an amount of Rs. 3.11 Crores (Previous Year : Rs. 3.11 Crores) recoverable on account of Disinvestment by Government of India of its equity in the Company by way of GDR/offer for sale.

7. The Pay Revision of the employees of the Company is due w.e.f.1st January 2007. Pending finalization of pay revision by the Government of India, a provision of Rs. 130.71 Crores (including Rs. 25.71 Crores paid during the year and included in Advances Recoverable in cash or kind or for value to be received-Schedule-7) has been made during the year on estimated basis for the period from 1st Jan 2007 to 31st March 2008.

8. A net amount of Rs. 6.22 Crores (Previous Year: Rs. 4.01 Crores debited) has been credited to Profit & Loss account due to exchange rate variation.

9. The required disclosure under the Revised Accounting Standard 15 is given as below:

(i) DEFINED CONTRIBUTION PLAN

Company pays fixed contribution to Provident Fund at predetermined rates to a separate trust, which invests the funds in permitted securities. The contribution to the fund for the period is recognized as expense and is charged to the profit & loss accounts. The obligation of the Company is limited to such fixed contribution. However, the trust is required to pay a minimum rate of interest on contributions to the members as specified by GOI. The fair value of the assets of the Provident Fund including the returns on the assets thereof, as on the balance sheet date is greater than the obligations under the defined contribution plan.

An amount of Rs. 15.50 Crores expense recognized as for defined contribution plan (Contributory Provident Fund).

(ii) DEFINED BENEFIT PLAN

Brief description

(a) Earned Leave benefit (EL)

Accrual 30 days per year. Encashment while in service 75% of Earned Leave balance subject to maximum of 90 days per calendar year. Encashment on retirement or superannuation maximum 300 days.

(b) Half Pay Leave (HPL)

Accrual 20 days per year. Encashment while in service NIL. Full encashment on retirement.

(c) Gratuity

15 days salary for every completed year of service. Vesting period is 5 years and payment is restricted to Rs. 3,50,000/-.

(d) Post Retirement Medical Benefit (PRMS)

Upon payment of one time prescribed contribution by the superannuated employees/those who resigned from service can avail the facility subject to the completion of minimum of 10 years of service and 50 years of age.

(e) Terminal benefits

At the time of superannuation, employees are entitled to settle at a place of their choice and they are eligible for transfer of traveling allowance. Employees are gifted a gold coin weighing 25 grams.

(f) Long Service Award (LSA)

Employees are eligible for gold coin after every five years depending upon the completion of service, subject to minimum of 15 years of service.

The following table summarizes the components of net benefit expenses recognized in the profit and loss Account.

(Rs. in Crores)

A.	EXPENSES RECOGNIZED IN THE P&L A/C	GRATUITY	PRMS	EL	TERML BENF	SL	LONG AWARD
1.	CURRENT SERVICE COST	4.1	1.11	3.65	1.12	1.31	-
	INTEREST ON BENEFIT OBLIGATION	3.56	1.25	2.99	0.06	1.22	-
	EXPECTED RETURN ON PLAN ASSETS	(3.78)	-	-	-	-	-
	NET ACTUARIAL GAIN/(LOSS) RECOGNIZED IN THE YEAR	(1.86)	1.47	6.63	(0.85)	(0.18)	-
	EXPENSES RECOGNIZED IN P&L A/C FOR FY 07-08	2.02	3.83	13.27	0.33	2.35	2.4
	EXPENSES RECOGNIZED IN P&L FOR TRANSITIONAL PERIOD (REFER NOTE NO. 2 GIVEN BELOW)	-	-	1.35	0.8	15.11	3.21

B. THE AMOUNT RECOGNIZED IN THE BALANCE SHEET

PRESENT VALUE OF OBLIGATION AS AT 31.3.2008(I)	50.42	19.19	44.03	1.13	17.16	5.62
FAIR VALUE OF PLAN ASSETS AS AT 31.3.2008(II)	51.05	-	-	-	-	-
DIFFERENCE (II)-(I)	0.63	(19.19)	(44.03)	(1.13)	(17.16)	(5.62)
NET ASSET/(LIABILITY) RECOGNIZED IN THE B/S	0.63	(19.19)	(44.03)	(1.13)	(17.16)	(5.62)

C. CHANGES IN THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATIONS:

PRESENT VALUE OF OBLIGATIONS AS AT 1.4.2007	44.62	15.66	37.34	0.8	15.11	3.21
INTEREST COST	3.56	1.25	2.99	0.06	1.22	-
CURRENT SERVICE COST	4.09	1.11	3.65	1.12	1.31	-
BENEFIT PAID	-	(0.30)	(6.58)	-	(0.30)	-
NET ACTUARIAL GAIN/(LOSS) ON OBLIGATION	(1.86)	1.47	6.63	(0.85)	(0.18)	-
PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION AS AT 31.3.2008	50.41	19.19	44.03	1.13	17.15	-

D. CHANGES IN THE FAIR VALUE OF PLAN ASSETS

FAIR VALUE OF PLAN ASSETS AS AT 1.4.2007	47.27	-	-	-	-	-
EXPECTED RETURN ON PLAN ASSETS	3.7827	-	-	-	-	-
CONTRIBUTIONS BY EMPLOYER	-	-	-	-	-	-
BENEFIT PAID	-	-	-	-	-	-
ACTUARIAL GAIN/(LOSS)	-	-	-	-	-	-
FAIR VALUE OF PLAN ASSETS AS AT 31.3.2008	51.05	-	-	-	-	-

E. Principal actuarial assumption at the balance sheet date

Discount rate	8%	8%	8%	8%	8%	8%
Expected return on plan assets	8%	-	-	-	-	-
Annual increase in costs	-	5.50%	-	5.50%	-	5.50%
Annual increase in salary	5.50%	-	5.50%	-	5.50%	-
Mortality table referred	LIC (1994-96) DULY MODIFIED					

	AGE	WITHDRAWAL RATE %
Withdrawal Rate/Employee turnover rate	UPTO 30 YEARS	3%
	UPTO 44 YEARS	2%
	ABOVE 44 YEARS	1%

NOTE:

(i) The estimates of future salary increases considered in actuarial valuation, taken account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

(ii) Company has adopted revised AS 15 in the current financial year. An amount of Rs. 20.47 Crores pertaining to transitional liability has been charged in the current year profit & loss account.

10. MOP&NG had issued scheme 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.1314.00 Crores (Previous Year: Rs.1488.00 Crores) out of which Rs. 387.24 Crores pertains to the quarter Jan- Mar'2008 which is on provisional basis in terms of letter no-P-20012/28/97-PP Vol.II (Part-II) dated 20th March 2008 of Ministry of Petroleum & Natural Gas. Corresponding adjustment on account of CST amounting to Rs. 20.05 Crores (PY Rs. 27.01 Crores) has been made.

11.(a)The Company is raising provisional invoices for sale of R-LNG as the supplier M/s Petronet LNG Ltd (PLL) is also raising provisional invoices on the Company since customs duty on import of LNG by PLL has been assessed on provisional basis.

(b) With effect from April 1, 2002, Liquified 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 finalization. Additional asset/liability or impact on profits, if any, arising due to such change, will be recognized on finalization of pricing mechanism.

(c) Value of Annual Take or Pay Quantity (ATOPQ) of Gas is accounted for on receipt basis and shown as liability till make up Gas is delivered to customer, during the recovery period, in terms of the Gas Sales Agreement with the customers.

12. 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 following Business segments as its reportable segment.

i) Transmission services

a) Natural Gas

b) LPG

ii) Natural Gas Trading

iii) Petrochemicals

iv) LPG and other Liquid Hydrocarbons

v) GAILTEL

vi) Unallocated

There are no geographical segments.

13. In compliance of Accounting Standard 18 on " Related party Disclosures" issued by Institute of Chartered Accountants of India, the names of related parties, nature of relationship and detail of transactions entered therewith are given in Annexure – B.

14. 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, 2008 amounting to Rs. 1319.69 Crores (Previous Year: Rs. 1318.67 Crores). Net Deferred tax expense for the year of Rs. 1.02 Crores (Previous Year: Rs. 18.97 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, 2008	As on 31st March, 2007
Deferred tax liability:			
a)	Depreciation	**1421.96**	1344.86
b)	Others	**12.76**	42.42
	Less: Deferred Tax Assets:		
c)	Provision for Retirement Benefits other than Gratuity	**29.62**	17.56
d)	Provision for Doubtful Debts/Claims/Advances	**48.05**	49.09
e)	Others including liability for pay revision	**37.36**	1.96
f)	Deferred tax Liability (net)	**1319.69**	1318.67

15. 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:

(i) **Mahanagar Gas Limited**: A Joint Venture with British Gas Plc. and Government of Maharashtra 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 44449960 equity shares of Rs. 10 each of the Company, presently being 49.75% of the paid up capital.

(ii) 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 31500000 equity shares of Rs. 10 each of the Company, presently being 22.50% of the paid up capital.

(iii) Petronet LNG Limited: A Joint venture with BPCL, IOCL and ONGCL for setting up LNG imports facilities. The Company has invested Rs. 98.75 Crores for acquiring 93750000 equity shares of Rs. 10 each of the Company, presently being 12.50% of the paid up capital.

(iv) 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 with the equity participation of 22.50% of the paid up capital. The Company has an investment of Rs. 0.01 Crores and has been allotted 12,497 equity shares of Rs. 10 each of the Company. The Company has further paid Rs. 9.98 Crores as advance pending allotment of equity shares.

(v) 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 with the equity participation of 29% of the paid up capital. The Company has paid Rs. 0.83 Crores as advance pending allotment of equity shares.

(vi) Central UP Gas Limited: A Joint Venture Company with BPCL to supply gas to domestic, commercial and small industrial consumers and CNG for transport sector in Kanpur, Uttar Pradesh with the equity participation of 22.50% of the paid up capital. The Company has an investment of Rs. 13.50 Crores and has been allotted 135,00,000 equity shares of Rs. 10 each of the Company.

(vii) Green Gas Limited: A Joint Venture Company with IOCL to supply gas to domestic, commercial and small industrial consumers and CNG for transport sector in Agra & Lucknow, Uttar Pradesh with the equity participation of 22.50% of the paid up capital. The Company has an investment of Rs. 0.01 Crores and has been allotted 12,500 equity shares of Rs. 10 each of the Company. The Company has paid Rs. 7 Crores as advance pending allotment of equity shares.

(viii) Maharashtra Natural Gas Limited: A Joint Venture Company with BPCL to supply gas to domestic, commercial and small industrial consumers and CNG for transport sector in Pune, Maharashtra with the equity participation of 22.50% of the paid up capital. The Company has an investment of Rs. 0.03 Crores and has been allotted 25,000 equity shares of Rs. 10 each of the Company. The Company has paid Rs. 18.48 Crores as advance pending allotment of equity shares.

(ix) Ratnagiri Gas and Power Private Limited: A Joint Venture Company promoted by GAIL, NTPC and other Financial Institutions for the revival of the Dabhol Project with the equity participation of 28.33% of the paid up capital. The Company has an investment of Rs. 500.00 Crores and has been allotted 500000000 equity shares of Rs. 10 each of the Company.

(x) Aavantika Gas Ltd. A Joint Venture Company promoted by GAIL and HPCL to supply gas to domestic, commercial and small industrial consumers and CNG for transport sector in MP with the equity participation of 22.5% of the paid up capital. The Company has an investment of Rs. 0.01 Crores and has been allotted 12500 equity shares of Rs. 10 each of the Company. The Company has paid Rs. 13.50 Crores as advance pending allotment of equity shares.

The Company's share in the assets and liabilities as at 31st March, 2008 and in the Income and expenditure for the year in respect of above Joint ventures, based on unaudited statements of accounts as furnished by them, is as follows:

(Rs. in Crores)

		2007-08	2006-07
A.	Assets		
	Long Term Assets	**2071.54**	592.26
	Current Assets	**469.90**	358.85
B.	Current Liabilities & Provisions	**352.16**	238.34
C.	Income	**1619.90**	1116.51
D.	Expenditure	**1362.32**	908.68
E.	Contingent Liability (*)	**229.51**	140.40

(*) To the extent of information available with the Company

16. Jointly Controlled Assets

(i) The Company has participated in joint bidding under the Government of India New Exploration Licensing Policy and overseas exploration bidding and has 24 Blocks (PY 26 Blocks) for which the Company has entered into Production Sharing Contract with respective host Governments along with other partners for Exploration & Production of Oil and Gas. The Company is a non-operator, except in Block RJ-ONN-2004/1 where it is a joint operator, and would share in Expense/Income/Assets/Liabilities based upon its percentage in production sharing contract. The participating interest in the following twenty three NELP – Blocks in India and one overseas block in Oman as on 31st March, 2008 is as under:

Sl. No.	**Joint Venture under NELP Blocks**	**Participating Interest**
1	MN-ONN-2000/1	20%
2	MN-OSN-2000/2	20%
3	CB-ONN-2000/1	50%
4	AA-ONN-2002/1	80%
5	CY-ONN-2002/1	50%
6	AA-ONN-2003/1	35%
7	CB-ONN-2003/2	20%
8	AN-DWN-2003/2	15%
9	Block 56, Oman	25%
10	RJ-ONN-2004/1	20%
11	KG-ONN-2004/2	40%
12	MB-OSN-2004/1	20%
13	MB-OSN-2004/2	20%
14	CY-DWN-2004/1	10%
15	CY-DWN-2004/2	10%
16	CY-DWN-2004/3	10%
17	CY-DWN-2004/4	10%
18	CY-PR-DWN-2004/1	10%
19	CY-PR-DWN-2004/2	10%
20	KG-DWN-2004/1	10%
21	KG-DWN-2004/2	10%
22	KG-DWN-2004/3	10%
23	KG-DWN-2004/5	10%
24	KG-DWN-2004/6	10%

(ii) Further GAIL has been awarded 3 Coal Bed Methane (CBM) Blocks under CBM-III bidding round as under where it is a non-operator.

Sl. No.	**Joint Venture under NELP Blocks**	**Participating Interest**
1)	RM-CBM-2005/III	35%
2)	TR-CBM-2005/III	35%
3)	MR-CBM-2005/III	40%

(iii) In addition to above, the Company has farmed-in as non – operator in the following blocks:

Sl. No.	**Joint Venture under NELP Blocks**	**Participating Interest**
1)	A-1, Myanmar	10%
2)	CY-OS/2	25%
3)	A-3, Myanmar	10%

(iv) The Company's share in the assets and liabilities as at 31st March 2008 and in the Income and the expenditure for the year in respect of joint operations project blocks has been incorporated in the Company's financial statements based upon un-audited statement of accounts submitted by the operators are as follows:

(Rs. in Crores)

Particulars	**2007-08**	2006-07
Income	**17.62***	-
Expenses	**363.39**	290.34
Fixed Assets	**3.70**	1.79
Producing Property	-	-
Other Assets	**342.22**	347.34
Current Liabilities	**105.81**	132.30

*Including excess of test production revenue of Rs. 10.73 Crores

(v) During the year the Director General of Hydrocarbons approved the start of commercial production w.e.f. 1st February 2008 from Ingoli field in Block No.CB-ONN-2000/1 in Cambay Basin, Gujarat. The revenue from sale of crude oil during test production (prior to commercial production) amounting to Rs. 39.63 Crores (including Rs. 20 Crores charged in Previous year) has been adjusted against Capital-Work-In-Progress of the above mentioned field and excess of test production revenue (Rs. 10.73 Crores) over the cost of producing property (Rs. 28.90 Crores) has been credited to Profit & Loss Account. This producing property is capitalized at Rupee one.

(vi) Share of Minimum work programme committed under various production sharing contracts in respect of E & P Joint Ventures is Rs. 449.72 Crores (P.Y : Rs. 534.43 Crores)

Quantitative information:

Details of Company's Share on 31.03.2008 for Block no. CB-ONN-2000/1:

(Rs. in Crores)

Particulars	Opening Stock		Production		Sales		Closing Stock	
	Qty (MT)	Value	Qty (MT)	Value	Qty (MT)	Value	Qty (MT)	Value
Crude Oil								
Year ended 31/03/08	-	-	2757.97*	-	2684.41	6.90	73.56	0.05
Year ended 31/03/07	-	-	-	-	-	-	-	-

*The Production quantity includes 322.65 MT of quantity produced during the testing period.

Details of Company's share of Proved Oil Reserves as on 31.03.2008 for Block no. CB-ONN-2000/1:

Particulars	Opening	Addition	Deletion	Production	Closing
	Qty (MT)	Qty (MT)	Qty (MT)	Qty (MT)	Qty (MT)
Crude Oil	-	742,435.32*		2,435.32	740,000

*As intimated by Gujarat State Petroleum Corporation Ltd. (Operator).

17. In compliance with amended Clause 32 of the Listing Agreement with Stock Exchanges, the required information are given in Annexure – C.

18. **Change in Accounting Policy**

The Company has made the following changes in the Accounting Policy during the year:-

(a) Adjusting of any gain or loss arising on account of exchange difference either on settlement or on transaction to the Profit & Loss Account, pursuant to the adoption of accounting standards as prescribed by Companies (Accounting Standards) rules, 2006 issued by Ministry of Corporate Affairs vide notification no. GSR 739 (e) dated 7th December 2006 as required by AS – 11 on "The effect of changes in foreign exchanges rates". The net gain arising on account of foreign exchange difference amounting to Rs. 11.53 Crores has been recognized in the profit and loss account. Had there been no change, the same would have been adjusted against the carrying amount of fixed assets and corresponding adjustment in Depreciation would have been Rs. (0.46) Crores. Consequently, Profit Before Tax (PBT) is higher to this extent.

(b) Accounting of employees benefit in terms of adoption of Accounting Standard-15 (Revised) issued by the "The Institute of Chartered Accountants of India (ICAI)". An amount of Rs. 20.47 Crores pertaining to transitional liability has been charged in the current year profit & loss account. Consequently, Profit Before Tax (PBT) is lower and current liability is higher to this extent.

(c) Up to last year, yearly reconciliation of Natural Gas was made within a tolerance limit of +/ (-) 1%. In case of variation beyond +/ (-) 1% value of excess quantity was kept in a separate Account "Tolerance Fluctuation Adjustment Account" for adjustments in future. From the current Financial Year, Company has changed its policy and decided to charge such variation to the Profit & Loss Account. There is no such variation in the current Financial Year. However, Provision of Rs. 16.49 Crores created in the past years in the Tolerance Fluctuation Adjustment Account has been reversed in terms of the change in accounting policy. Consequently, Profit Before Tax (PBT) is higher and current liability is lower to this extent.

19. In some cases, the Company has received intimation from Micro and Small Enterprises under "The Micro, Small and Medium Enterprises Development Act, 2006". The Company has certified that as a practice, the payment to Suppliers is made within 7-10 days. No payments beyond appointed date were noticed. The amount remaining unpaid as at 31st March 2008 is Rs. 1627.02 Crores (Previous Year: Rs. 1410.90 Crores). No payments beyond the appointed date were noticed. No interest was paid or payable under the Act.

20. 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 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. The Cabinet committee on Economic affairs (CCEA) has approved the setting up of Assam Gas based cracker project at Lepetkata by formation of a JVC in which GAIL will have equity participation of 70%. A Company by the name of Brahmaputra Cracker and Polymer Limited has been incorporated during 2006-07.

The gross block of fixed assets and Capital work in progress value of Lakwa unit is Rs. 252.16 Crores as on 31st March, 2008 (PREVIOUS YEAR : Rs. 248.45 Crores).

21. Non-Refundable Deposits made with the concerned authorities for railway crossings, forest crossings, removal and laying of electric/telephone poles and lines are 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. Duty Entitlement Pass Book (DEPB)/Duty Entitlement Exemption Certificate (DEEC) income is accounted for on the basis of acceptance/certificate issued by Director General of Foreign Trade (DGFT).

24. The Company has incurred an expenditure of Rs. 0.32 Crores (Previous Year: 0.35 Crores) on account of proposed City gas projects to be set up under JV 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.

25. The Profit & Loss Account includes: -

(a) Expenditure on Public Relations amounting to Rs. 9.16 Crores (Previous Year: Rs. 14.66 Crores). The ratio of annual expenditure on Public Relations and Publicity to the annual turnover is 0.0005:1 (Previous Year: 0.001:1).

(b) Research and Development Expenses Rs. 0.01 Crores (Previous Year: Rs. 0.05 Crores).

(c) Entertainment Expenses Rs. 0.45 Crores (Previous Year: Rs. 0.18 Crores).

26. Previous Year's (PY) figures have been regrouped and recast to the extent practicable, wherever necessary. Figures in brackets indicate deductions.

27. INFORMATION REQUIRED AS PER SCHEDULE VI OF THE COMPANIES ACT,1956

I. Quantitative Information

(Rs. in Crores)

	OPENING STOCK		PURCHASES		SALES		INTERNAL CONSUMPTION(ii)		CLOSING STOCK	
	QTY	VALUE	QTY	VALUE	QTY	VALUE	QTY	VALUE	QTY	VALUE
Natural Gas including RLNG (MMSCM)										
Year Ended 31.03.2008	**146.88**	**101.03**	**25529.03**	**12517.09**	**23274.55**	**12060.52**	**2014.95**	**2537.88**	**162.13**	**146.34**
Year Ended 31.03.2007	120.52	59.56	24949.07	11883.45	22707.86	11277.33	2052.78	2701.87	146.88	101.03
LPG (MT)										
Year Ended 31.03.2008	**5983.96**	**5.43**	**-**	**-**	**1039485.42**	**1668.30**	**-**	**-**	**9003.48**	**11.10**
Year Ended 31.03.2007	16926.07	17.63	-	-	1037063.51	1093.48	-	-	5983.96	5.43
Pentane (MT)										
Year Ended 31.03.2008	**1910.70**	**5.02**	**-**	**-**	**73748.34**	**263.30**	**-**	**-**	**1695.63**	**5.64**
Year Ended 31.03.2007	587.86	1.23	-	-	71542.29	238.25	-	-	1910.70	5.02
Propane (MT)										
Year Ended 31.03.2008	**3346.36**	**5.72**	**-**	**-**	**155291.60**	**528.97**	**-**	**-**	**3882.36**	**6.64**
Year Ended 31.03.2007	3790.80	5.10	-	-	179147.75	521.89	-	-	3346.36	5.72
SBP Solvent (MT)										
Year Ended 31.03.2008	**831.90**	**1.46**	**-**	**-**	**32573.08**	**139.73**	**-**	**-**	**529.46**	**1.10**
Year Ended 31.03.2007	380.26	0.87	-	-	39772.71	160.75	-	-	831.90	1.46
Naptha (MT)										
Year Ended 31.03.2008	**1543.89**	**3.36**	**-**	**-**	**42821.44**	**153.66**	**-**	**-**	**1611.98**	**4.17**
Year Ended 31.03.2007	60.16	0.20	-	-	23801.47	79.00	-	-	1543.89	3.36
Polymers (MT)										
Year Ended 31.03.2008	**15159.37**	**59.61**	**-**	**-**	**390756.93**	**2888.20**	**-**	**-**	**9958.16**	**36.48**
Year Ended 31.03.2007	7841.26	25.24	-	-	346519.83	2451.91	83.33	0.30	15159.37	59.61
C2/C3 (MT)*										
Year Ended 31.03.2008	**620.56**	**0.88**	**-**	**-**	**-**	**-**	**-**	**-**	**2665.61**	**3.39**
Year Ended 31.03.2007	2735.56	2.88	-	-	-	-	-	-	620.56	0.88
Ethylene (MT)*										
Year Ended 31.03.2008	**3749.80**	**8.25**	**-**	**-**	**-**	**-**	**-**	**-**	**955.85**	**1.87**
Year Ended 31.03.2007	1016.00	1.69	-	-	-	-	-	-	3749.80	8.25
Butene-1 (MT)*										
Year Ended 31.03.2008	**484.35**	**1.68**	**-**	**-**	**109.77**	**0.94**	**-**	**-**	**895.59**	**2.79**
Year Ended 31.03.2007	308.15	0.92	-	-	164.74	1.14	-	-	484.35	1.68
CNG (000'KG)										
Year Ended 31.03.2008	**-**	**-**	**-**	**-**	**6626.86**	**14.11**	**-**	**-**	**-**	**-**
Year Ended 31.03.2007	-	-	-	-	4562.63	9.53	-	-	-	-
Other Products (MT)										
Year Ended 31.03.2008	**8753.13**	**12.34**	**-**	**-**	**42474.22**	**136.32**	**12105.58**	**18.54**	**7728.22**	**15.09**
Year Ended 31.03.2007	8996.07	14.20	-	-	40264.08	122.83	9887.7	13.35	8753.13	12.34

Note : (i) Difference in reconciliation of opening stock, purchase, sales and closing stock is on account of measurement tolerance.
(ii) Natural Gas used for Fuel & Raw Material.
(*) Ethylene, Butene and C2/C3 are consumed internally for manufacture of final products at PATA.

(Rs. in Crores)

		2007-08	2006-07
II.	**CIF Value of Imports**		
	i) Capital Goods	**31.15**	109.90
	ii) Spare Parts & Components	**78.41**	71.93
III.	**a) Expenditure in Foreign Currency**		
	i) Interest/Commitment Charges	**0.05**	0.26
	ii) Technical/Consultancy/License Fee/Engineering	**23.27**	15.15
	iii) Others	**679.31**	742.92
	b) Earnings in Foreign Currency		
	i) Sales	**0.00**	21.96
	ii) Others (Including Tender fee)	**6.87**	6.29
IV.	**Remuneration paid/payable to whole time Directors including Chairman & Managing Director**		
	Salaries & Allowances	**0.55**	0.50
	Contribution to Provident, Gratuity and Other Funds	**0.08**	0.19
	Other Benefits and Perquisites	**0.41**	0.41
		1.04	1.10

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 Enterprises Circular.

V. **Licensed Capacity, Installed Capacity and Actual Production***

	CURRENT YEAR 2007-08				PREVIOUS YEAR 2006-07			
	Licensed Capacity	**Installed Capacity**	**Gas Throughput**	**Production**	**Licensed Capacity**	**Installed Capacity**	**Gas Through-put**	**Production**
i) Natural Gas including RLNG (MMSCMD)								
a) HVJ, GREP & DVPL	57.30	57.30	46.34	-	57.30	57.30	45.26	-
b) Others	84.50	84.50	22.76	-	72.50	72.50	22.58	-
c) RLNG Shipper	-	-	13.00	-	-	-	9.45	-
ii) LPG (MT)	1168844	1110844	-	1042596.79	1168844	1110844	-	1026413.22
iii) Propane (MT)	201085	201085	-	155872.76	201085	201085	-	178736.34
iv) Ethylene (MT)	400000	400000	-	393389.42	400000	400000	-	367150.08
v) HDPE/LLDPE (MT)	410000	410000	-	385592.60	310000	310000	-	353921.28
vi) Pentane	82454	82454	-	73505.42	82454	82454	-	72826.50
vii) SBP Solvent/Naptha	110743	110743	-	75126.21	110743	110743	-	65469.36
viii) CNG (000'KG)	-	-	-	6626.86	-	-	-	4562.63
ix) C2/C3**	-	400000	-	544132.71	-	400000	-	494705.99
x) Buttane-1***	10000	10000	-	9462.68	10000	10000	-	8814.52

Notes :

* As certified by the Company and relied upon by auditors

** Internally consumed

*** Internally consumed

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

	CURRENT YEAR 2007-08			PREVIOUS YEAR 2006-07		
	Qty.	**Rs. in Crores**	**%**	Qty.	Rs. in Crores	%
i) Raw Materials Consumed :						
a) Gas (MMSCM)						
- Indigenous	**1167.25**	**1714.84**	**100.00**	1176.00	1785.12	100.00
- Imported	-	-	-	-	-	-
Sub total		**1714.84**			1785.12	
ii) Stores, Spares and Components Consumed						
- Indigenous	**-**	**90.04**	**43.70**	-	88.09	56.00
- Imported	**-**	**115.98**	**56.30**	-	69.22	44.00
Sub total		**206.02**	**100.00**		157.31	100.00
Total		**1920.86**			1942.43	

N.K. Nagpal
Secretary

R.K. Goel
Director (Finance)

M.R. Hingnikar
Director (HR)

Dr. U.D. Choubey
Chairman & Managing Director

As per our separate Report of even date
For M/s Mehra Goel & Co.
Chartered Accountants

Place : New Delhi
Dated : May 13,2008

R.K. Mehra
(Partner)
Membership No. 6102

Information about Business Segments For Financial Year 2007-08

(Annexure - A)

(Rs. in Crores)

Sl. No.	Segments	Transmission Services **		Natural Gas Trading **	Petro-chemicals	LPG & Liquid Hydro-carbons	GAILTEL	Unallocated *	Total	Elimination	Consoli-dated Total
		Natural Gas	LPG								
1	**REVENUE**										
	External Sales/Other Income	2,064.60	389.31	10,341.74	2,572.61	2,661.39	28.55	506.35	18,564.55	-	**18,564.55**
	Intersegment sales	221.89	-	2,315.99	18.54	-	-	-	2,556.42	2,556.42	-
	Total Revenue	**2,286.49**	**389.31**	**12,657.73**	**2,591.15**	**2,661.39**	**28.55**	**506.35**	**21,120.97**	**2,556.42**	**18,564.55**
2	**RESULTS**										
	Segment Result										
	(Profit before Interest & Tax)	1,553.48	231.84	204.40	1,254.23	900.43	3.11		4,147.49	-	4,147.49
	Unallocated expenses (Net)							682.65	682.65	-	682.65
	Operating Profit	1,553.48	231.84	204.40	1,254.23	900.43	3.11	(682.65)	3,464.84	-	3,464.84
	Interest Expenses							79.57	79.57	-	79.57
	Interest/ Dividend Income							469.73	469.73	-	469.73
	Provision for Taxation							1,253.54	1,253.54	-	1,253.54
	Excess Provision of Income										
	Tax of earlier										
	years written back	-	-	-	-	-	-		-	-	-
	Profit/(Loss) from Ordinary Activities	1,553.48	231.84	204.40	1,254.23	900.43	3.11	(1,546.03)	2,601.46	-	2,601.46
	Extra Ordinary Items	-	-	-	-	-	-		-	-	-
	Net Profit/(Loss)	**1,553.48**	**231.84**	**204.40**	**1,254.23**	**900.43**	**3.11**	**(1,546.03)**	**2,601.46**	**-**	**2,601.46**
3	**OTHER INFORMATION**										
	Segment Assets	6,812.93	1,033.99	-	2,180.76	1,257.67	56.57		11,341.92	-	11,341.92
	Unallocated Assets	-	-	-	-	-	-	8,001.39	8,001.39	-	8,001.39
	Total Assets	**6,812.93**	**1,033.99**	**-**	**2,180.76**	**1,257.67**	**56.57**	**8,001.39**	**19,343.31**	**-**	**19,343.31**
	Segment Liabilities	1,396.78	45.68	-	178.69	222.45	19.25		1,862.85	-	1,862.85
	Unallocated Liabilities							4,197.56	4,197.56	-	4,197.56
	Total Liabilities	**1,396.78**	**45.68**	**-**	**178.69**	**222.45**	**19.25**	**4,197.56**	**6,060.41**	**-**	**6,060.41**
	Cost to acquire fixed assets	1,709.89	17.28	-	312.75	14.96	0.80	10.58	2,066.26	-	2,066.26
	Depreciation*	250.91	66.87	-	146.04	88.61	9.72	8.87	571.02	-	571.02
	Non Cash expenses										
	other than Depreciation*	(1.77)	0.13	0.77	0.25	0.14	-	294.82	294.34	-	294.34

Sales net off Excise Duty

* Excluding Prior period adjustments

** Assets & Liability of Gas Trading Business included in Gas Transmission Business

*** Unallocated includes Corporate Office, Zonal Office, GTI, E&P, City Gas, Power etc.

Information about Business Segments For Financial Year 2006-07

(Annexure - A)

(Rs. in Crores)

Sl. No.	Segments	Transmission Services **		Natural Gas Trading **	Petro-chemicals	LPG & Liquid Hydro-carbons	GAILTEL	Unallocated *	Total	Elimination	Consoli-dated Total
		Natural Gas	LPG								
1	**REVENUE**										
	External Sales/Other Income	1,973.31	343.96	9,560.10	2,190.39	1,990.64	25.36	508.37	16,592.13	-	**16,592.13**
	Intersegment sales	241.13	-	2,460.74	13.65	-	-	-	2,715.52	2,715.52	-
	Total Revenue	**2,214.44**	**343.96**	**12,020.84**	**2,204.04**	**1,990.64**	**25.36**	**508.37**	**19,307.65**	**2,715.52**	**16,592.13**
2	**RESULTS**										
	Segment Result										
	(Profit before Interest & Tax)	1,511.16	189.85	190.25	951.48	100.29	0.92		2,943.95	-	**2,943.95**
	Unallocated expenses (Net)							437.73	437.73	-	437.73
	Operating Profit	1,511.16	189.85	190.25	951.48	100.29	0.92	(437.73)	2,506.22	-	2,506.22
	Interest Expenses							107.08	107.08	-	107.08
	Interest/ Dividend Income							460.63	460.63	-	460.63
	Provision for Taxation							813.03	813.03	-	813.03
	Excess Provision										
	of Income Tax of earlier										
	years written back	-	-	-	-	-	-	339.93	339.93	-	339.93
	Profit/(Loss)										
	from Ordinary Activities	1,511.16	189.85	190.25	951.48	100.29	0.92	(557.28)	2,386.67	-	2,386.67
	Extra Ordinary items								-	-	-
	Net Profit/(Loss)	**1,511.16**	**189.85**	**190.25**	**951.48**	**100.29**	**0.92**	**(557.28)**	**2,386.67**	**-**	**2,386.67**
3	**OTHER INFORMATION**										
	Segment Assets	4,844.36	1,088.31	-	2,055.66	1,250.52	68.49		9,307.34	-	9,307.34
	Unallocated Assets	-	-	-	-	-	-	5,892.54	5,892.54	-	5,892.54
	Total Assets	**4,844.36**	**1,088.31**	**-**	**2,055.66**	**1,250.52**	**68.49**	**5,892.54**	**15,199.88**	**-**	**15,199.88**
	Segment Liabilities	1,143.23	37.36	-	142.82	353.52	21.04		1,697.97	-	1,697.97
	Unallocated Liabilities							2,853.26	2,853.26	-	2,853.26
	Total Liabilities	**1,143.23**	**37.36**	**-**	**142.82**	**353.52**	**21.04**	**2,853.26**	**4,551.23**	**-**	**4,551.23**
	Cost to acquire fixed assets	433.90	3.76	-	9.91	7.53	19.96	5.51	480.57	-	480.57
	Depreciation*	258.91	69.14	-	141.90	88.06	8.64	8.73	575.38	-	575.38
	Non Cash expenses										
	other than Depreciation*	(5.02)	0.07	(18.67)	1.30	0.48	0.88	241.98	221.02	-	221.02

Sales net off Excise Duty

* Excluding Prior period adjustments

** Assets & Liability of Gas Trading Business included in Gas Transmission Business

*** Unallocated includes Corporate Office, Zonal Office, GTI, E&P, City Gas, Power etc.

(Annexure - B)

RELATED PARTY DISCLOSURES

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) Green Gas Limited
8) Maharashtra Natural Gas Limited
9) Ratnagiri Gas and Power Pvt. Ltd.
10) Aavantika Gas Ltd.
11) Brahmaputra Cracker & Polymer Ltd.
12) Shell Compressed Natural Gas
13) Gujarat State Electricity Generation Ltd.
14) National Gas Company "Natgas"
15) Fayum Gas Company
16) China Gas Holding Ltd.
17) GAIL Global (Singapore) Pte. Ltd.

B) Whole-time Directors:

1) Dr. U.D. Choubey, Chairman and Managing Director
2) Shri R.K. Goel
3) Shri M.R. Hingnikar
4) Shri Santosh Kumar
5) Shri A.K. Purwaha
6) Shri B.C. Tripathi (w.e.f. 06.07.2007)

C) Unincorporated Joint Venture for Exploration & Production Activities:

1)	NEC - OSN - 97/1	(Non-operator with participating interest: 50%, GAIL has relinquished from the Block on 11th September 2007)
2)	CB - ONN - 2000/1	(Non-operator with participating interest: 50%)
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%)
7)	AA-ONN-2003/2	(Non-operator with participating interest: 35%)
8)	CB-ONN-2003/2	(Non-operator with participating interest: 20%)
9)	AN-DWN-2003/2	(Non-operator with participating interest: 15%)
10)	A-3, Myanmar	(Non-operator with participating interest: 10%)
11)	Block 56, Oman	(Non-operator with participating interest: 25%)
12)	RJ-ONN-2004/1	(Joint operator along with GSPCL and having participating interest of 20%)
13)	KG-ONN-2004/2	(Non-operator with participating interest: 40%)
14)	MB-OSN-2004/1	(Non-operator with participating interest: 20%)
15)	MB-OSN-2004/2	(Non-operator with participating interest: 20%)
16)	RM-CBM-2005/III	(Non-operator with participating interest: 35%)
17)	TR-CBM-2005/III	(Non-operator with participating interest: 35%)
18)	MR-CBM-2005/III	(Non-operator with participating interest: 40%)

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)

		2007-08	2006-07
1)	Sales	**851.27**	479.97
2)	Interest Income	**3. 76**	3.17
3)	Amount receivable as at Balance Sheet Date for (1) above	**58.95**	27.22
4)	Purchases	**3982.96**	3458.76
5)	Amount payable as at Balance Sheet Date for (4) above	**180.00**	162.83
6)	Reimbursement for other expenditure received/receivable	**24.40**	0.12
7)	Amount receivable as at Balance Sheet Date for (6) above	**20.08**	0.08
8)	Loan amount (including accrued interest) receivable as at Balance Sheet date for (2) above	**66.03**	73.53

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

		2007-08	2006-07
1)	Remuneration *	**1.04**	1.10
2)	Interest bearing outstanding loans receivable	**0.20**	0.27
3)	Interest accrued on loans given	**0.17**	0.10

* 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)

		2007-08	2006-07
1)	Minimum work program commitment	**241.13**	299.48
2)	Survey and other expenses	**64.99**	31.04
3)	Other assets	**326.38**	327.21
4)	Amount outstanding on Balance Sheet date	**89.34**	126.11
5)	Amount written Off- Dry well expenditure	**271.73**	233.21
6)	Sale of Crude Oil	**17.62**	-

(Annexure - C)

Disclosure as required by Clause 32 of the Listing Agreement

(Rs. in Crores)

		Current Year		Previous Period	
		Amount as on 31.03.2008	**Maximum amount outstanding during the year ended 31.03.2008**	Amount as on 31.03.2007	Maximum amount outstanding during the year ended 31.03.2007
1.	Loans and advances in the nature of loans:				
a.	To subsidiary Company: GAIL (Global) Singapore Pte. Limited	**66.03**	**73.53**	73.53	77.18
b.	To Companies in which Directors are interested	**Nil**	**Nil**	Nil	Nil
c.	Where there in no repayment schedule or repayment beyond seven years or no interest or interest below Section 372A 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**		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**		Nil

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 8 (Year)

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

Public Issue	Right Issue
NIL	NIL

Bonus Issue	Private Placement
NIL	NIL

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

Total Liabilities	Total Assets
- 1 5 5 9 0 4 4	- 1 5 5 9 0 4 4

Sources of Funds:

Paid up Capital	Reserves and Surplus
- - - 8 4 5 6 5	- 1 2 1 5 9 2 3

Secured Loans	Unsecured Loans
- - 1 1 0 0 0 0	- - - 1 6 5 8 7

Deferred Tax Liability
- - 1 3 1 9 6 9

Application of Funds

Net Fixed Assets	Investments/Advances for Investments
- - 8 9 3 3 2 9	- - 1 4 9 0 8 8

Net Current Assets	Misc. Expenditure
- - 4 3 4 9 6 1	N I L

Accumulated Losses
N I L

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

Total Revenue (Net of ED)	Total Expenditure
- 1 8 5 9 4 4 3	- 1 4 7 3 9 4 3

Profit/Loss before Tax

(+) (-)

(+) | - - 3 8 5 5 0 0

Profit/Loss after Tax

+) (-)

(+) | - - 2 6 0 1 4 6

Earning per share in Rs.

Rs. 3 0 P. 7 6

Dividend (%)

1 0 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 Y 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

R.K. Goel
Director (Finance)

M.R. Hingnikar
Director (HR)

Dr. U.D. Choubey
Chairman & Managing Director

Place : New Delhi
Dated : May 13, 2008

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	Brahmaputra Cracker & Polymer Limited
1	The financial year of the subsidiary Company ended on	31.03.2008	31.03.2008
2	Date from which it became Subsidiary Company	14.09.2004	08.01.2007
3a)	Number of Shares held by GAIL (India) Limited along with 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	35040 equity of Rs. 10/- per share
3b)	Extent of Shareholding	100%	70%
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 31.03.2008 (Rs. in Crores)	1.35	Nil
	ii) for previous financial years of the Subsidiary Company since it became the Holding Company Subsidiary	1.53	Nil
b)	Dealt within the Holding Company Accounts: i) for the financial year ended 31.03.2008	Nil	Nil
	ii) for previous financial years of the Subsidiary Company since it became the Holding Company Subsidiary	Nil	Nil

N.K. Nagpal
Secretary

R.K. Goel
Director (Finance)

M.R. Hingnikar
Director (HR)

Dr. U.D. Choubey
Chairman & Managing Director

Place : New Delhi
Dated : May 13, 2008

Schedule of Fixed Assets (Township)

(Rs. in Lacs)

DESCRIPTION	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As at 01.04.2007	Additions / Adjustments during the Year	Sales / Adjustments during the Year	**As at 31.03.2008**	As at 01.04.2007	For the Year	Adjustments during the Year	**As at 31.03.2008**	**As at 31.03.2008**	As at 31.03.2007
Land : Freehold	2,863.01	-	-	**2,863.01**	107.53	-	-	**107.53**	**2,755.48**	2,755.48
Land : Leasehold	388.81	-	-	**388.81**	57.06	15.50	-	**72.56**	**316.25**	331.75
Building, Roads Etc.	24,552.82	89.32	1.54	**24,640.60**	4530.13	514.91	(1.09)	**5043.95**	**19,596.65**	20,022.69
Drainage, sewage & Water Supply Sys. etc.	1,201.89	45.55	-	**1,247.43**	599.73	54.35	2.15	**656.23**	**591.21**	602.16
Furniture, fixtures & Other Eqp.	1,472.36	158.87	48.76	**1,582.48**	808.71	112.54	(60.40)	**860.84**	**721.64**	663.66
Transport Equipments	1.14	22.89	0.58	**23.45**	0.70	0.72	(0.21)	**1.21**	**22.24**	0.44
Total	30,480.03	316.63	50.88	**30,745.79**	6,103.86	698.01	(59.55)	**6,742.32**	**24,003.47**	24,376.17

INCOME AND EXPENDITURE ACCOUNT

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2008 ON PROVISIONS OF TOWNSHIP, EDUCATION, MEDICAL AND OTHER FACILITIES.

(Rs. in Lacs)

S.NO.	PARTICULARS	YEAR ENDED 31st MARCH, 2008	YEAR ENDED 31st MARCH, 2007
	INCOME		
1	RECOVERY OF HOUSE RENT	77.37	83.07
2	RECOVERY OF UTILITIES	85.67	103.75
3	OTHER RECOVERIES	6.41	5.23
4	EXCESS OF EXPENDITURE OVER INCOME	2,721.31	2,668.95
	TOTAL	**2,890.76**	2,861.00
	EXPENDITURE		
1	SALARIES, WAGES & PF CONTRIBUTION	487.70	363.56
2	CONSUMABLES, STORES & MEDICINES	25.99	31.78
3	SUBSIDIES FOR SOCIAL & CULTURAL ACTIVITIES	170.06	188.01
4	REPAIRS & MAINTENANCE	510.11	440.05
5	DEPRECIATION	638.46	606.47
6	UTILITIES: POWER, GAS & WATER	370.72	378.48
7	LAND RENT	20.22	26.38
8	WELFARE - SCHOOL	248.56	117.18
9	BUS HIRE CHARGES	170.83	177.77
10	CLUB & RECREATION	5.77	4.57
11	MISC EXPENSES - TAXES, LICENSE FEES, INS ETC.	87.16	384.42
12	HORTICULTURE EXPENSES	155.18	142.35
	TOTAL	**2,890.76**	2,861.00

COMMENTS OF C&AG

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 31 MARCH 2008.

The preparation of financial statements of GAIL (India) Limited for the year ended 31 March 2008 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the Management of the Company. The Statutory Auditors appointed by the Comptroller and Auditor General of India under section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the Auditing and Assurance Standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 13-05-2008.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under section 619(3)(b) of the Companies Act, 1956 of the financial statements of GAIL (India) Limited for the year ended 31.03. 2008. This supplementary audit has been carried out independently without access to the working papers of the Statutory Auditors and is limited primarily to the enquires of the statutory auditors and company personnel and a selective examination of some of the accounting records. On the basis of my audit, nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditors' Report under section 619(4) of the Companies Act, 1956.

For and on behalf of the
Comptroller & Auditor General of India

(Saroj Punhani)
Principal Director of Commercial Audit
& Ex-officio Member, Audit Board-II
New Delhi

Place : New Delhi
Date : June 27, 2008

GAIL Global (Singapore) Pte. Ltd.

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GAIL

DIRECTORS' REPORT

The directors present their report to the shareholder together with the audited financial statements for the financial year ended 31 March 2008.

Directorate

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

Kirpa Ram Vij	
Raj Kumar Goel	(Appointed on 14 May 2007)
Ashok Kumar Purwaha	(Appointed on 14 May 2007)
Achintya Kishore Ray	(Resigned on 15 May 2007)
Upendra Dutta Choubey	(Resigned on 15 May 2007)

Arrangements for Directors to Acquire Shares or Debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are to enable the directors of the Company to acquire benefits by means of the acquisitions of shares in or debentures of the Company or any other body corporate.

Directors' Interests in Shares or Debentures

According to the register of directors' shareholdings, none of the directors holding office at the end of the period had any interest in the shares or debentures of the Company or its related corporations, except as follow:-

	Holdings in the name of the director or nominee	
	At the date of appointment	At end of the year
Holding Company		
No. of Ordinary shares, issued and fully paid		
Ashok Kumar Purwaha	410	410
A Subsidiary of Holding Company		
No. of Ordinary shares, issued and fully paid		
Raj Kumar Goel	10	10
Ashok Kumar Purwaha	10	10

Directors' Contractual Benefits

Since the end of the previous financial year, 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 year, 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 year, there were no unissued shares of the Company under option.

INDEPENDENT AUDITOR

Nexia Tan & Sitoh had notified the Company that their partnership had been corporatised and will be practicing as Nexia TS Public Accounting Corporation.

The independent auditor, Nexia TS Public Accounting Corporation (formally practicing as Nexia Tan & Sitoh), have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Raj Kumar Goel
Director

Ashok Kumar Purwaha
Director

Place: Singapore
Date: 16 April 2008

We, Raj Kumar Goel and Ashok Kumar Purwaha, being directors of GAIL Global (Singapore) Pte. Ltd., do hereby state that in our opinion:

(a) the financial statements set out on pages 6 to 20 are drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 March 2008 and of the results of the business, changes in equity and cash flows of the Company for the financial year then ended; and

(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.

The Board of Directors have on the date of this statement, authorised these financial statements for issue.

On behalf of the Board of Directors

Raj Kumar Goel
Director

Ashok Kumar Purwaha
Director

Place: Singapore
Date: 16 April 2008

Independent Auditor's Report to the Shareholder of GAIL Global (Singapore) Pte. Ltd.

We have audited the financial statements of GAIL Global (Singapore) Pte. Ltd., which comprise the balance sheet of the Company as at 31 March 2008, the income statement, statement of changes in equity and the cash flow statement for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act (Chapter. 50) (the "Act") and Singapore Financial Reporting Standards. This responsibility includes:

(a) devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair income statement and balance sheet and to maintain accountability of assets;

(b) selecting and applying appropriate accounting policies; and

(c) making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit includes performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Independent Auditor's Report to the Shareholder of GAIL Global (Singapore) Pte. Ltd.

In our opinion,

a) the financial statements of the Company are properly drawn up in accordance with the provisions of 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 31 March 2008 and the results, changes in equity and cash flows of the Company for the financial year ended; and

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

Nexia Tan & Sitoh
Certified Public Accountants

Place: Singapore
Date: 16 April 2008

Balance Sheet as at 31st March, 2008

	Notes	2008 US$	2008 Rs. (Crores)	2007 US$	2007 Rs.(Crores)
ASSETS					
Current Assets					
Cash at Bank	3	**109,705**	**0.44**	86,763	0.38
Other Receivables	4	**1,382,250**	**5.56**	1,412,159	6.20
Other Current Assets	5	**593**		205	
		1,492,548	**6.00**	1,499,127	6.58
Non-current Assets					
Financial Assets, available-for-sale	6	**16,994,305**	**75.63**	19,963,425	87.56
Total Assets		**18,486,853**	**81.63**	21,462,552	94.14
LIABILITIES					
Current Liabilities					
Other Payables	7	**996,285**	**3.95**	1,013,828	4.38
		996,285	**3.95**	1,013,828	4.38
Non-current Liabilities					
Borrowings	8	**15,803,264**	**68.73**	16,113,089	69.56
Total Liabilities		**16,799,549**	**72.68**	17,126,917	73.94
NET ASSETS		**1,687,304**	**8.95**	**4,335,635**	**20.20**
EQUITY					
Share Capital	9	**2,100,000**	**9.64**	2,100,000	9.64
Other Reserves	10	**(2,071,661)**	**(7.99)**	897,459	3.94
Retained Earnings		**1,658,965**	**7.30**	1,338,176	5.94
Total Equity		**1,687,304**	**8.95**	**4,335,635**	**20.20**

Income Statement for the financial year ended 31st March, 2008

	2008	2008	2008	2007	2007
	Note	US$	Rs. (Crores)	US$	Rs. (Crores)
Revenue	11	**1,382,250**	**5.81**	1,412,159	6.27
Expenses					
- Professional fees		**(8,768)**	**(0.03)**	(6,005)	(0.02)
Nominee fee expense		**(2,000)**	**(0.01)**	(1,014)	(0.01)
Safe custody charges		**(16,427)**	**(0.07)**	(18,395)	(0.08)
Bank Charges		**(2,176)**	**(0.01)**	(2,076)	(0.01)
- Currency translation loss		**(21,642)**	**(0.09)**	(15,862)	(0.07)
- Finance	12	**(1,010,448)**	**(4.25)**	(1,025,110)	(4.55)
- Other				(68)	
Total expenses		**(10,61,461)**	**(4.36)**	(10,68,530)	(4.55)
Profit before income tax		**320,789**	**1.35**	343,629	1.53
Income tax expense	13	-		(61)	
Net profit		**320,789**	**1.35**	343,568	1.53

Statement of changes in equity for the financial year ended 31st March, 2008

	Note	Share Capital US$	Share Capital Rs. (Crores)	Other Reserves US$	Other Reserves Rs. (Crores)	Retained Earnings US$	Retained Earnings Rs. (Crores)	Total Equity US$	Total Equity Rs. (Crores)
2008									
Beginning of financial year		2,100,000	9.64	897,459	3.94	1,338,176	5.95	4,335,635	19.53
Net Profit		-				320,789	1.35	320,789	1.35
Fair value reserve	10(b)(i)			(3,601,544)	(14.47)			(3,601,544)	(14.47)
Currency translation	10(b)(ii)								
differences		-		632,424	2.54	-		632,424	2.54
End of financial year		**2,100,000**	**9.64**	**(2,071,661)**	**(7.99)**	**1,658,965**	**7.30**	**1,687,304**	**8.95**
2007									
Beginning of financial year		2,100,000	9.64	391,838	1.76	994,608	4.42	3,486,446	15.82
Net Profit						343,568	1.53	343,568	1.53
Fair value reserve	10(b)(i)			614,877	2.65			614,877	2.65
Currency translation	10(b)(ii)								
differences				(109,256)	(0.47)			(109,256)	(0.47)
End of financial year		2,100,000	9.64	897,459	3.94	1,338,176	5.95	4,335,635	19.53

Cash Flow Statement for the financial year ended 31st March, 2008

	Note	2008 US$	2008 Rs. (Crores)	2007 US$	2007 Rs. (Crores)
Cash flows from operating activities					
Profit before Income tax		**320,789**	**1.35**	343,629	1.53
Adjustment for:					
- Interest expense	12	**1,010,448**	**4.25**	1,025,110	4.55
		1,331,237	**5.60**	1,368,739	6.08
Change in working capital					
- Trade receivables		**29,909**	**0.63**	(95, 909)	(0.28)
- Other payables		**(17,543)**	**(0.43)**	222,671	0.82
- Other current assets		**(388)**		(205)	
Cash generated from operations		**1,343,215**	**5.80**	1,495,296	6.62
Income tax paid		-		(102)	
Net cash provided by operating activities		**1,343,215**	**5.80**	1,495,194	6.62
Cash flows from financing activities					
Repayment of borrowings		**(309,825)**	**(1.24)**	(575,185)	(5.99)
Proceeds from borrowings		-		100,000	0.45
Interest paid	12	**(1,010,448)**	**(4.30)**	(1,025,110)	(4.55)
Net cash used in Financing Activities		**(1,320,273)**	**(5.54)**	(1,500,295)	(12.17)
Net Increase/(decrease) in cash at bank		**22,942**	**0.06**	(5,101)	(0.03)
Cash at bank at beginning of the financial year		**86,763**	**0.38**	91,864	0.41
Cash at bank at end of the financial year	3	**109,705**	**0.44**	86,763	0.38

Notes to the Financial Statements for the financial year ended 31st March, 2008

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

The financial statements of the Company for the financial year ended 31 March 2008 were authorised for issue in accordance with resolution of the directors on 16 April 2008.

1 Corporate Information

GAIL Global (Singapore) Pte. Ltd. is a Company incorporated and domiciled in Singapore with its registered office and principle place of business at 5 Shenton Way, #23-03 UIC Building, Singapore 068808.

The principal activities of the Company have been those relating to the business of investment holding company.

The immediate and ultimate holding company is GAIL (India) Limited, a Company listed on National Stock Exchange of India Limited and incorporated in New Delhi, India.

2 Summary of Significant Accounting Policies

(a) Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Company's accounting policies. It also requires the use of estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

Interpretations and amendments to be published standards effective in 2007

On 1 January 2007, the Company adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date.

There are no changes or revised FRS and INT FRS that are relevant to the Company in the current financial year.

Critical Accounting Estimates and Judgements

The critical judgements made in the process of applying the entity's accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key assumptions concerning the future, and other key resources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment of Available-for-sale Investments

The Company follows the guidance of FRS 39 in determining whether available for sale investments are considered impaired. The Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, the financial health of and the near-term business outlook of the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

(b) Financial assets

(a) Classification

The Company classifies its financial assets in the following categories: loans and receivables and available for sale. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "other receivables" and "cash and cash equivalents" on the balance sheet.

(ii) Financial assets, available-for-sale

Financial assets, available for sale are non derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless management intends to dispose of the assets within 12 months after the balance sheet date.

(b) Recognition and de-recognition

Regular way purchases and sales of financial assets are recognised on trade date - the date on which the Company commits to purchase or sell the asset.

Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in the income statement. Any amount in the fair value reserve relating to that asset is transferred to the income statement.

(c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs.

(d) Subsequent measurement

Financial assets, available for sale are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Dividend income on financial assets, available for sale are recognised separately in the income statement. Changes in fair values of available for-sale equity securities (i.e. non-monetary items) are recognised in the fair value reserve, together with the related currency translating differences.

(e) Impairment

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

(i) Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in the income statement.

The allowance for impairment loss account is reduced through the income statement in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

(ii) Financial assets, available-for-sale

Significant or prolonged declines in the fair value of the security below its cost and the disappearance of an active trading market for the security are objective evidence that the security is impaired.

The cumulative loss that was recognised in the fair value reserve is transferred to the income statement. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised in the income statement on debt securities. The impairment losses recognised in the income statement on equity securities are not reversed through the income statement.

(c) Trade and Other Payables

Trade and other payables are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

(d) Provisions

Provisions are recognized when the Company has a present obligation (legal or construction) where, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(e) Income Taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temp differences arising on investments in subsidiaries, associated companies and joint ventures, except where the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and

(ii) based on the tax consequence that will follow from the manner in which the Company expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in the income statement, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

(f) Revenue Recognition

Sales comprise the fair value of the consideration received or receivable. The Company recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that future economic benefits will flow to the entity and when the specific criteria for each of the Company's activities are met 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.

(g) Finance Expense

Interest expense and similar charges are expensed in the profit and loss statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to prepare for its intended use or sale.

(h) Foreign Currencies Translations

(i) Functional and presentation currency

Items included in the financial statements of each entity in the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in United States Dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Transactions in currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the transaction of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in the profit and loss account.

(i) Fair Value Estimation of Financial Assets and Liabilities

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

(j) Borrowings

Borrowings are presented as current liabilities unless the Company has an unconditional right to defer settlement for at least 12 months after the balance sheet date.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

	2008	**2008**	2007	2007
	US$	**Rs. (Crores)**	US$	Rs. (Crores)
3 Cash at Bank	**109,705**	**0.44**	86,763	0.38
Cash at bank are denominated in the following currencies:				
Singapore Dollar	**3,396**	-	10,381	-
United States Dollar	**105,549**	**0.44**	75,645	0.38
Egyptian Pounds	**760**	-	737	-
	109,705	**0.44**	86,763	0.38
4 Other Receivables				
Other receivables-related party	**1,382,250**	**5.56**	1,412,159	6.27
5 Other Current Assets				
Prepayment	**593**	-	-	205
6 Financial Assets, Available-for-Sale				
Beginning of financial year	**19,963,425**	**87.56**	19,457,804	85.38
Fair value reserves	**(36,01,544)**	**(14.47)**	614,877	2.65
Currency translation reserves	**632,424**	**2.54**	(109,256)	(0.47)
End of financial year	**16,994,305**	**75.63**	19,963,425	87.56
Financial Assets, available-for-sale include the following:				
Listed securities				
- Equity securities, Egypt	**16,994,305**	**75.63**	19,963,425	87.56
7 Other Payables				
Other payables pertain to accrue interest for borrowing from holding company				

	2008 US$	2008 Rs. (Crores)	2007 US$	2007 Rs. (Crores)
8 Borrowings				
Loan from holding company – non-current	15,803,264	68.73	16,113,089	69.56

(a) Security granted

The loan is secured by 15% paid up capital in National Gas Company S.A.E Egypt (Natgas) with investment cost of $16,994,305 as at 31 March 2008 (Note 6).

(b) Fair value of non-current borrowings

	2008 US$	2008 Rs. (Crores)	2007 US$	2007 Rs. (Crores)
Loan from holding company –non-current	**15,803,264**	68.73	16,113,089	69.56

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.

	2008 US$	2008 Rs. (Crores)	2007 US$	2007 Rs. (Crores)
9 Share Capital				
Issued and fully paid, ordinary shares				
At beginning and end of finanical year 2,100,000 ordinary shares	**2,100,000**	**9.64**	2,100,000	9.64
10 Other Reserves				
a. Composition	**(42,33,517)**	**(17.19)**	(631,973)	(2.72)
Fair value reserves	**2,1618,56**	**9.20**	1529,432	6.66
Currency translation reserves	**(2,071,661)**	**(7.99)**	89,7459	3.94
b. Movement				
(i) Fair value reserve				
Beginning of financial year	**(631,973)**	**(2.72)**	(1,246,850)	(5.37)
Financial assets , available for sale	**(3,601,544)**	**(14.47)**	614 ,877	2.65
End of financial year	**(4,233,517)**	**(17.19)**	(63,1973)	2.72
(ii) Currency translation different				
Beginning of financial year	**15,29,432**	**6.66**	1,638,688	7.13
Translation different	**632,424**	**2.54**	(109,256)	(0.47)
End of financial year	**2,161,856**	**9.20**	1,529,432	6.66

11 Revenue

Revenue represents dividends received from investment made in National Gas Company.

	2008 US$	2008 Rs. (Crores)	2007 US$	2007 Rs. (Crores)
12 Finance expenses				
Interest expense – loan from holding company	**1,010,448**	**4.25**	1,025,110	4.55
13 Income taxes				
(a) Income tax expense				
Tax expense attributable to profit is made up of				
- Prior year under/(over) provision	-	-	61	-
	-	-	61	-

	2008 US$	2008 Rs. (Crores)	2007 US$	2007 Rs. (Crores)

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

	2008 US$	2008 Rs. (Crores)	2007 US$	2007 Rs. (Crores)
Profit before income tax	**320,789**	**1.35**	343,629	1.53
Tax calculated ar a tax rate of 18% (2007:18%)	**57,742**	**0.24**	61,853	0.27
Effect of:				
- Under / (over) provision for prior year tax	-	-	61	-
- Income not subject to income tax	**(57,742)**	**(0.24)**	(61,853)	(0.27)
	-	**-**	61	-

14 Related Party Transactions

For the purpose of these financial statements, 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.

In addition to the information disclosed elsewhere in the financial statements the following transactions took place between the Company and related parties at terms agreed between the parties:

Interest expense for borrowing from holding company	**1,010,448**	**4.25**	1,025,110	4.55

There was no remuneration to directors incurred during the financial year.

15 Financial Risk Management

The Company's activities expose it to a variety of financial risk: price risk (including currency risk and fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

(a) Currency Risk

The Company operates in Singapore and is subjected to various currency exposures, primarily with respect to the Egyptian Pound. Currency risk arises from future commercial transactions, recognised assets and liabilities.

Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that us not the entity's functional currency. The Company manages the foreign exchange exposure arising from future commercial transactions and recognised assets and liabilities by a policy of matching, as far as possible, receipts and payments in each individual currency.

(b) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the Company has no significant interest-bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

The Company's interest risks mainly arise from non-current borrowing. Borrowing at variable rates exposes the Company to cashflow interest-rate risk.

The exposure of non-current borrowing to interest rate risks at the balance sheet date is analysed as follows:

	2008			2007		
	Effective Interest rate	**Within 5 years**		Effective Interest rate	Within 5 years	
	(%)	**US$**	Rs. (Crores)	(%)	US$	Rs. (Crores)
Loan from holding company	**5.48**	**15,803,264**	68.73	6.26	16,113,089	69.56

(c) Credit risk

The Company's sole receivable is dividend income from its investment in quoted shares classified as available-for-sale financial assets. The invested Company is listed on the Cairo & Alexandria Stock Exchanges and has a proven track record, there is no requirement for collateral. There are no significant concentrations of credit risk within the Company.

The carrying amount of cash and cash equivalents, trade receivables and other receivables represent the Company's maximum exposure to credit risk in relation to financial assets. No other financial assets carry a significant exposure to credit risk.

(d) 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 mitigate the effects of fluctuations in cash flows.

16 New or revised accounting Standards and FRS Interpretations

Certain new accounting standards, amendments and interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 1 January 2008. The Company does not expect that adoption of these accounting standards (or) interpretations will have a material impact on the Company's financial statements excepts for:

(a) FRS 107 Financial Instrument: Disclosure, and a complementary Amendment

FRS 107 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including minimum disclosures about credit risk, liquidity risk and market risk (including sensitivity analysis to market risk). It replaces the disclosures requirements in FRS 32. Financial Instruments: Disclosure and Presentation.

(b) FRS 1 Presentation of Financial Statements – Capital Disclosures

The amendment To FRS 1 introduces disclosures about the level of an entity's capital and how it manages capital.

The Company has assessed the impact of FRS 107 and the amendment to FRS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of FRS 1.

Detailed Income Statement for the Financial Year ended 31st March 2008

	2008 US$	2008 Rs. Crores	2007 US$	2008 Rs. Crores
Income	**1,382,250**	**5.81**	1,412,159	6.27
Less: Administrative Expenses				
Professional fees	**8768**	**0.03**	6005	0.02
Nominee fee expense	**2,000**	**0.01**	1,014	
Safe custody charges	**16,427**	**0.07**	18,395	0.08
Membership fee	-		68	
Late interest payment	-		-	
Bank charges	**2,176**	**0.01**	2,076	0.01
	29,371	**0.12**	27,558	0.12
Less: Other operating expenses				
Foreign exchange loss	**21,642**	**0.09**	15,862	0.07
	21,642	**0.09**	15,862	0.07
Less: Finance Costs				
Loan interest expense to a holding company	**1,010,448**	**4.25**	1,025,110	4.55
	1,010,448	**4.25**	1,025,110	4.55
Total Expenses	**1,061,461**	**4.46**	1,068,530	4.74
Profit before income tax	**320,789**	**1.35**	**343,629**	**1.53**


Brahmaputra Cracker and Polymer Ltd.

Auditor's Report to the Shareholders of Brahmaputra Cracker and Polymer Limited

We have audited the attached Balance Sheet of Brahmaputra Cracker and Polymer Limited, Guwahati as at 31st March, 2008, and Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statement 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 disclosers 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. 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.

c. The Balance Sheet and the Cash Flow Statement dealt with by this report are in agreement with books of account.

d. In our opinion, the Balance Sheet, 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.

e. On the basis of written representations received from the directors, as on 31st March, 2008 and taken on record by the board of directors, we report that none of the directors is disqualified as on 31st March, 2008 from being appointed as a director in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956.

f. 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.

(a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2008:

(b) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

FOR SANJOY K. DAS & CO.
Chartered Accountants

Place : Guwahati
Date : 17.06.2008

(Proprietor)
Membership No. 050691

Annexure to the Auditor's Report

(Referred to in paragraph 3 of our report of even date)

The Annexure referred to in the auditor's report to the shareholders of BCPL for the year ended March 31, 2008. 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 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.

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

II (a) 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.

(b) 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.

(c) 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 internal control procedures 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 and services. 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, and as per information and explanation given to us, the Company has not made any transactions in respect in any party during the financial year that needs to be entered in the register pursuant to the section 301 of the Companies Act, 1956.

VI The Company has not accepted any deposits from the public during the year covered under section 58A and 58AA or any other relevant provision of the Companies Act, 1956.

VII 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.

VIII We have broadly reviewed the books of accounts maintained by the Company pursuant to the order made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been maintained. We have not, however, made a detailed examination of the records.

IX (a) 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, Employees' State Insurance, Sales Tax, Wealth Tax, Service 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 respects of Sales Tax, Service 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.

(b) As certified by the Management on which we have relied upon, 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 :

X The Company has no accumulated losses at the end of the financial year and it has not incurred any such losses in the current and immediately preceding financial year.

XI 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.

XII 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.

XIII The Company is not a chit fund, nidhi, mutual benefit fund or society. Accordingly, the provisions of clause 4(xiii) of the Companies (Auditor's report) order, 2003 are not applicable to the Company.

XIV According to the information and explanation given to us, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's report) order, 2003 are not applicable to the Company.

XV According to the information and explanation given to us, the Company has not given any guarantee for loans taken by others from banks and financial institutions during the year.

XVI According to the information and explanation given to us, the Company has not raised any term loan during the year.

XVII According to the information and explanation given to us, the Company has not raised any short term loan during the year.

XVIII The Company has not made any preferential allotment of shares to parties or Companies covered in register maintained under section 301 of the Companies Act, 1956.

XIX The Company has not issued any debentures during the year.

XX During the year, no money has been raised by public issues.

XXI According to the information and explanation given to us, no fraud on or by the Company has been noticed or reported during the year.

FOR SANJOY K. DAS & CO.
Chartered Accountants

Place : Guwahati
Date : 17.06.2008

(Proprietor)
Membership No. 050691

BRAHMAPUTRA CRACKER AND POLYMER LTD.
Balance Sheet as at 31st MARCH, 2008

(Rounded in Rs.)

SOURCES OF FUNDS	SCH. NO.	AS AT 31st MARCH, 2008
SHAREHOLDERS' FUNDS:		
- Capital	A	5,00,700
- Advance against Share Capital	B	75,48,62,604
- Capital Reserve	C	30,00,00,000
TOTAL		105,53,63,304
APPLICATION OF FUNDS		
FIXED ASSETS:		
- Gross Block		71,45,81,992
- Less : Depreciation		2,47,470
- Net Block	D	71,43,34,522
- Capital Work in progress	E	26,11,95,231
- Incidental Expenditure During Construction	F	88,475,532
		106,40,05,285
CURRENT ASSETS, LOANS & ADVANCES:		
- Cash & Bank Balances	G	22,24,84,497
- Other Current Assets	H	5,42,065
- Loans & Advances	I	4,84,370
		22,35,10,932
Less : CURRENT LIABILITIES & PROVISIONS:		
- Liabilities	J	25,20,55,584
- Provisions	K	1,71,729
		25,22,27,313
NET CURRENT ASSETS		-28,716,381
MISC. EXPENDITURES (to the extent not written off or adjusted)	L	2,00,74,400
TOTAL		105,53,63,304

Notes on Accounts — M

Schedule 'A' to 'M' and Accounting Policies form Integral part of Accounts

A. RAI	J.K. SINGH TEOTIA	P.C. SHARMA	R.K. GOEL
CFO	COO	DIRECTOR	DIRECTOR

As per our Report of even date

SANJOY K. DAS & CO.
Chartered Accountants

Proprietor

Place : Guwahati
Date : 17.06.2008

SCHEDULE A

(Rounded in Rs.)

CAPITAL

AS AT 31ST MARCH 2008

AUTHORISED

12,00,00,00,00 Equity Shares of Rs. 10/- each.	12,00,00,00,000

ISSUED AND SUBSCRIBED

50070 Equity Shares of Rs. 10/- each from the subscribers to the Memorandum and Articles of Association	5,00,700
TOTAL	5,00,700

SCHEDULE B

ADVANCE AGAINST SHARE CAPITAL

From the Promoter Pending Allotment:

In the form of cash contribution	8,38,20,000
In the form of consideration other than cash	67,10,42,604
TOTAL	75,48,62,604

SCHEDULE C

CAPITAL RESERVE

Capital subsidy from Govt. of India	30,00,00,000
TOTAL	30,00,00,000

SCHEDULE D

FIXED ASSETS

(Rounded in Rs.)

Assets	Gross Block				Depreciation				Net Block	
	As on commencement	Addition	Adj. /Sales	As on 31.03.08	As on commencement	For the Year	Adj./Sales	As on 31.03.08	As on 31.03.08	As on commencement
Land	-	71,25,50,049	-	71,25,50,049	-	-	-	-	71,25,50,049	-
Furnitures, Fixtures & Other office Equipments	-	20,20,503	-	20,20,503	-	2,41,750	-	241,750	17,78,753	-
EDP, WP Machines	-	11,440	-	11,440	-	5,720	-	5,720	5,720	-
Total	-	71,45,81,992	-	71,45,81,992	-	2,47,470	-	2,47,470	71,43,34,522	-

SCHEDULE E

CAPITAL WORK-IN-PROGRESS

(Rounded in Rs.)

	As on commencement	Additions	Adjustments	Capitalised	As at 31st March 2008
CWIP - PMC fees for the Project related services	-	3,30,37,231	-	-	3,30,37,231
CWIP -Enabling Assets	-	22,81,58,000	-	-	22,81,58,000
TOTAL	-	26,11,95,231	-	-	26,11,95,231

SCHEDULE F

INCIDENTAL EXPENDITURE DURING CONSTRUCTION

			(Rounded in Rs.) FOR THE YEAR ENDED 31st MARCH 2008
A.	**EMPLOYEE COST**		
	- Salaries, wages, allowances and benefits		2,24,75,439
	TOTAL (A)		**2,24,75,439**
B.	**OTHER OPERATION AND ADMINISTRATION EXPENSES**		
	- Rent		17,27,953
	- Rates and taxes		7,47,939
	Repairs & Maintenance:		
	- Building	12,36,608	
	- Others	78,629	13,15,237
	Communication expenses		2,47,885
	Printing and Stationery		1,38,198
	Travel expenses		21,10,435
	Advertisement and publicity		8,28,439
	Remuneration to Auditors :		
	- Audit fee	56,180	
	- Tax audit fee	-	
	- Out of pocket expenses	-	56,180
	Recruitment and Training expenses		41,190
	Vehicle Hire and running expenses		13,59,107
	Survey and Investigation expenses		69,83,000
	Professional and Consultancy charges		3,50,74,628
	Inaugural expenses		1,59,92,252
	Miscellaneous expenses		18,90,121
	TOTAL (B)		**6,85,12,564**
C.	**DEPRECIATION**		2,47,470
D.	**INTEREST AND FINANCE CHARGES**		
	- Bank Charges		3,155
E.	**INCOME DURING CONSTRUCTION**		
	- Interest from Banks		27,63,096
	Net IEDC (A+B+C+D-E)		**8,84,75,532**

(Rounded in Rs.)

SCHEDULE G

CASH AND BANK BALANCES

	AS AT 31ST MARCH 2008
Balances with scheduled Banks	
--- Current Account	57,63,603
--- Term Deposit Account	21,67,20,894
TOTAL	**22,24,84,497**

SCHEDULE H

OTHER CURRENT ASSETS

Interest Accrued on Term Deposits	**5,42,065**
	5,42,065

SCHEDULE I

LOANS AND ADVANCES

ADVANCES RECOVERABLE IN CASH OR IN KIND OR FOR VALUE TO BE RECEIVED	
Deposit with State Govt. Authorities	4,84,370
TOTAL	**4,84,370**

SCHEDULE J

CURRENT LIABILITIES

		(Rounded in Rs.) **AS AT 31st MARCH, 2008**
Sundry Creditors		
For Capital Expenditure:		
- Other than Small scale Industrial Undertakings	24,78,67,357	
For Goods and Services		
- Other than Small scale Industrial Undertakings	1,40,277	24,80,07,634
Deposit, retention money from contractors and others		11,18,000
Other Liabilities		29,29,950
TOTAL		**25,20,55,584**

SCHEDULE K

PROVISIONS

Provision for taxation	12,40,000
Less : Advance Tax and tax at source	10,68,271
TOTAL	**1,71,729**

SCHEDULE L

MISCELLANEOUS EXPENDITURE

Preliminary expenditure to the extent not written off	2,00,74,400
TOTAL	**2,00,74,400**

Schedule M

NOTES TO ACCOUNTS AS AT 31.03.08

1. The Present period is the first accounting period, therefore the requirements of disclosure of the corresponding figures for the previous year do not become applicable.
2. The Company has not prepared the Profit and Loss Account since it is in the construction stage of Assam Gas Cracker Project and yet to be ready for commercial production. However the requisite details as required under Statute have been disclosed in the Statement of 'Incidental Expenditure during Construction' forming part of Financial Statements.
3. The Equity shares of Rs. 5,00,700 to the subscribers to the Memorandum and Articles of Association has be considered as deemed allotment.
4. The Capital Grant of Rs. 3,000 Lacs which is received from the Govt. of India by way of contribution towards the total capital outlay and no repayments are ordinarily expected are recognized in the financial statements as capital reserve.
5. The financial statements include amount valuing at Rs. 5700.08 Lacs towards freehold land provided by the Govt. of Assam to the project which is counted towards their subscription for the equity share capital or advance equity share capital.
6. An amount of Rs. 200.74 Lacs has been incurred towards incorporation expenses of the Company which is deferred revenue expenditure to be amortised equally over period of five years from the year the plant is ready for commercial production.
7. The Estimated amounts of contracts valuing Rs. 50.04 Lacs are remaining to be executed on Capital Accounts and not provided for.
8. The Freehold land valuing Rs. 7125.50 Lacs acquired for the project are capitalised on provisional basis based upon the awards under relevant Land Acquisition Act. The title deed to the land is yet to be registered in the name of the Company.
9. Govt. Land measuring approx 91 Acres - has been handed over to the Company by the Govt. of Assam. The value of this land is yet to be accounted for in the absence of any confirmation of the final valuation of such land from the Govt. of Assam. The consideration of the land will be counted towards the equity contribution of the Govt. of Assam.
10. The title to the freehold land valuing Rs. 7125.50 Lacs is yet to be registered in the name of the Company.
11. To the extent information available with the Company, Nil amount were due to Small Scale Industry (SSI).
12. Balances grouped under Loans and Advances, Deposits and Sundry Creditors are subject to confirmation.
13. There are nil cases of imports and foreign currency expenditure during the year and therefore the disclosure of the CIF Value of the imports and foreign currency expenditure does not become applicable.
14. The employees of the Company are on secondment terms and conditions expenditure from GAIL (India) Ltd. Expenses have been accounted under IEDC Head on the basis of the debit advises from GAIL (India) Ltd.
15. The income from deposits with Banks have been accounted net of the provision of Tax.
16. No deferred tax liability has been recognized since the project is in the construction stage.
17. The work for the Project Management Consultancy services for the project has been awarded to Engineers India Ltd. as per the agreed schedule of reimbursable cost and fees.
18. There are Nil cases of contingent liabilities as at 31.03.08.

A. RAI	J.K. SINGH TEOTIA	P.C. SHARMA	R.K. GOEL
CFO	COO	DIRECTOR	DIRECTOR

As per our separate Report of Even Date

SANJOY K. DAS & Co.
Chartered Accountants
(Proprietor)

Place : Guwahati
Date :17.06.08

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AS AT 31.03.08

BALANCE SHEET

1. FIXED ASSETS

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

Machinery spares, which can be used only in connection with an item of fixed asset and their use is expected to be irregular, will be capitalized with the cost of that fixed asset and will be depreciated fully over the remaining useful life of that asset.

2. INTANGIBLE ASSETS

Assets like software, licenses and right of use of land including crop compensation in course of acquiring such ROU which are expected to provide future enduring benefits will be capitalized as Intangible Assets.

3. CAPITAL WORK IN PROGRESS

The Capital Work-in-progress includes PMC Fees /advance for capital goods/materials in Transit /value of materials/equipment etc received at site for use in the projects.

4. BORROWING COSTS

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, will be capitalized upto the date when the asset is ready for use, after netting off any income earned on temporary invest ment of such funds.

5. EXPENSES INCURRED DURING CONSTRUCTION PERIOD

All revenue expenditure incurred during the construction period, which are, directly or indirectly attributable to acquisition/construction of fixed assets, will be capitalised at the time of commissioning of such assets.

6. DEPRECIATION & AMORTISATION

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 Written Down Value (WDV) 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 capitalization.

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

c) Cost of the leasehold land not exceeding 99 years amortised over the lease period.

d) Capital expenditure on the assets, the ownership of which are not with the Company, and referred to as enabling facilities are shown separately under the heading "Capital Expenditure-Enabling Facilities". These assets will be amortized over useful life of the assets from the date from which they are put into use.

e) Intangible assets will be amortized equally over period of five years from the date of recognition.

f) Depreciation due to price adjustments in the original cost of fixed assets will be charged prospectively.

7. CAPITAL GRANTS

Non refundable Government Grants in the nature of promoters' contribution are credited to capital reserve and are treated as part of shareholders' funds.

8. PRELIMINARY EXPENSES

The qualifying preliminary expenditure incurred in connection with the setting up of the business and the new industrial unit are amortized equally over period of five years after plant is ready for commercial production.

9. PROVISIONS, CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

a) Provisions are recognized when there is present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made.

b) Contingent liabilities are disclosed in each case above Rs. 5 Lacs.

c) Commitments made on capital account and not provided for, are recognized in each case exceeding Rs. 5 Lacs.

10. GENERAL

a) Prepaid expenses and prior period expenses/income upto Rs. 1 Lac in each case will be charged to relevant heads of account of the current year.

b) Liquidated damages, if any, will be accounted for as and when recovery is effected and the matter is consid ered settled by the Management. Liquidated damages, if settled after capitalisation of the assets are charged to revenue, if below Rs. 50 Lacs in each case otherwise adjusted in the cost of the relevant assets.

c) Insurance claims will be accounted for on the basis of claims admitted by the insurers.

d) Custom duty and other claims (including interest on delayed payments) will be accounted for on acceptance in principle.

A. RAI	J.K. SINGH TEOTIA	P.C. SHARMA	R.K. GOEL
CFO	COO	DIRECTOR	DIRECTOR

As per our separate Report of Even Date

SANJOY K. DAS & Co.
Chartered Accountants
(Proprietor)

Place : Guwahati
Date :17.06.08

CASH FLOW STATEMENT FOR THE FIRST ACCOUNTING PERIOD ENDED 31.03.2008

			(Rs. in Lacs)
A	**CASH FLOW FROM INVESTING ACTIVITIES**		
	PURCHASES OF FIXED ASSETS	(1,445.73)	
	CAPITAL WORK-IN-PROGRESS	(2,611.95)	(4,057.68)
	INCIDENTAL EXPENSES DURING CONSTRUCTION	(884.75)	
	LESS : DEPRECIATION	2.47	(882.28)
	MISC. EXPENDITURE	(200.74)	(200.74)
	CURRENT ASSETS LOANS AND ADVANCES	(10.27)	-
	CURRENT LIABILITIES & PROVISIONS	2,522.27	2,512.00
	NET CASH FROM INVESTING ACTIVITIES		**(2,628.70)**
B	**CASH FLOW FROM FINANCING ACTIVITIES**		
	PROCEEDS FROM ISSUE SHARE CAPITAL	5.00	
	PROCEEDS FROM ADVANCE AGAINST SHARE CAPITAL FROM NRL, OIL, GAIL (INDIA) LTD. & GOVT OF ASSAM	1,848.54	1,853.54
	PROCEEDS FROM CAPITAL SUBSIDY FROM GOVT. OF INDIA	3,000.00	3,000.00
	NET CASH FROM FINANCING ACTIVITIES		**4,853.54**
	NET INCREASE IN CASH & CASH EQUIVALENTS (A+B)		**2,224.84**
	OPENING CASH AND CASH EQUIVALENTS		-
	CLOSING CASH AND CASH EQUIVALENTS		**2,224.84**

A. RAI	J.K. SINGH TEOTIA	P.C. SHARMA	R.K. GOEL
CFO	COO	DIRECTOR	DIRECTOR

As per our separate Report of even date

SANJOY K. DAS & CO.
Chartered Accountants
(Proprietor)

Place : Guwahati
Date : 17.06.08

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE FOR THE FIRST ACCOUNTING PERIOD ENDED 31.03.2008

I Registration Details

Registration No.	08290	State Code	02
Balance Sheet			
Date	31.03.2008		

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

Public Issue	Nil	Right Issue	Nil
Bonus Issue	Nil	Private Placement	50

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

Total Liabilities	10553.63	Total Assets	10553.63
Sources of Funds :			
Paid - up capital	5.01	Reserve & Surplus	3000
Advance against share capital	7548.62		
Secured Loans	Nil	Unsecured Loan	Nil
Deferred Tax Liability	Nil		
Application of Funds :			
Net Fixed Assets	10640.05	Investment/Advance for investment	
Net Current Assets	-287.16	Misc. Expenditure	200.74
Accumulated Losses	Nil		

IV Performance of the Company (Rs. in lakhs)

Turnover	Nil	Total Expenditure	Nil
Profit/Loss before Tax	Nil	Profit/Loss after Tax	Nil
Earning Per share (In Rs.)	Nil	Dividend	Nil

V Generic names of the Principal Products/Services of Company (As per monetary terms)

Item Code No. (ITC Code)	Nil
Product Description	Business not yet started

A. RAI	J.K. SINGH TEOTIA	P.C. SHARMA	R.K. GOEL
CFO	COO	DIRECTOR	DIRECTOR

SANJOY K. DAS & CO.
Chartered Accountants
(Proprietor)

Place : Guwahati
Date : 17.06.08

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF BRAHMAPUTRA CRACKER & POLYMER LIMITED, GUWAHATI FOR THE YEAR ENDED 31 MARCH 2008.

The preparation of financial statements of Brahmaputra Cracker & Polymer Limited, Guwahati for the year ended 31 March 2008 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the Company. The Statutory Auditors appointed by the Comptroller and Auditor General of India under section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the Auditing and Assurance Standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 17-06-2008.

On behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under section 619(3)(b) of the Companies Act, 1956 of the financial statements of Brahmaputra Cracker & Polymer Limited, Guwahati for the year ended 31 March 2008. This supplementary audit has been carried out independently and is limited primarily to inquiries of the Statutory Auditors and Company personnel and a selective examination of some of the accounting records. On the basis of my audit, nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditors' Report under section 619(4) of the Companies Act, 1956.

For and on behalf of the

Comptroller & Auditor General of India

(A. Roychoudhury)
Principal Director of Commercial Audit
& Ex-officio Member, Audit Board-I, Kolkata

Place : Kolkata
Date : 30.06.2008

Consolidated Financial Statements

AUDITOR'S REPORT TO THE BOARD OF DIRECTORS OF GAIL (INDIA) LIMITED ON CONSOLIDATED FINANCIAL STATEMENTS OF GAIL (INDIA) LIMITED, ITS SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

We have examined that attached Consolidated Balance Sheet of GAIL (India) Ltd. ("the Company"), its subsidiaries, joint ventures and associates as at 31st March 2008 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 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 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 subsidiaries namely GAIL Global (Singapore) Pte. Ltd. and Brahmaputra Cracker & Polymers Ltd., whose financial statement reflect total assets of Rs. 218.37 Crores as at March 31, 2008 and total revenue of Rs. 5.81 Crores and net cash out flows of Rs. 0.10 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 respects of the subsidiaries, is based solely on the reports of the other auditors.

3. We did not audit the financial statements of associates namely Fayum Gas, Shell Compressed Natural Gas Egypt, Gujarat State Electricity Generation, Natural Gas Company "NATGAS" and China Gas Holding Limited. These financial statements have been audited by other auditors, except for Gujarat State Electricity Generation and China Gas Holding Ltd. whose financial statements are unaudited. In the case of audited financial statements, the reports of certificate have been furnished to us. Our opinion, in so far as it relates to the amount included in respect of these associates, is based solely on the reports of the other auditors and unaudited financial statements, as the case may be.

4. In respect of Fayum Gas, Shell Compressed Gas and NATGAS, the accounts drawn up as at December 31, 2007 and in respect of China Gas Holding Limited, the accounts drawn up to September, 2007, have been used in the consolidation. As per information and explanations given to us, no significant transactions or other events occurred between the reporting date of aforesaid entities and 31st March, 2008, which require adjustment.

5. We did not audit the financial statements of Joint Ventures, whose financial statement reflect total assets of Rs. 16586.53 Crores, total liabilities of Rs. 16586.53 Crores as at March 31, 2008 and total revenue of Rs. 9123.52 Crores, total expenditure of Rs. 7922.20 Crores for the year ended on that date. Our opinion, in do far as it relates to the amount included in respect of these joint ventures, is based on the unaudited Financial Statements.

6. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of the 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 to Interests in Joint Ventures", issued by the Institute of Chartered Accountants of India.

7. *Subject to our comments in Para 2, 3, 4, 5, 6, above and Note No. 2, 21 to 25 of Schedule 14-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 separate audit reports on individual reported financial statements of the Company, its subsidiary, joint ventures and associate companies, we report that in our opinion, 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 2008;

   (b) in the case of the 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 the Consolidated Cash Flow Statement, of the consolidated cash flows of the Company for the year ended on that date.

For M/s Mehra Goel & Co.
Chartered Accountants

Place : New Delhi
Date : May 13, 2008

R.K. Mehra
(Partner)
Membership No. 6102

Consolidated Balance Sheet as on 31st March, 2008

(Rs. in Crores)

	SCHEDULE No.	AS AT 31st March 2008		AS AT 31st March 2007	
SOURCES OF FUNDS					
Shareholder's Funds					
Capital	1	**845.65**		845.65	
Reserve and Surplus	2	**12,706.90**	**13,552.55**	10,977.35	11,823.00
		----------		----------	
Loan Funds	3				
Secured Loans		**3,613.69**		3,419.13	
Unsecured Loans		**173.03**	**3,786.72**	244.76	3,663.89
		----------	-	----------	
Minority Interest			**73.80**		
Deferred Tax Liability (Net)			**1,384.76**		1,380.02
			------------		------------
TOTAL			**18,797.83**		16,866.91
			------------		------------
APPLICATION OF FUNDS					
Fixed Assets	4				
Gross Block		**19,364.22**		15,697.06	
Less : Depreciation		**8,288.45**		7,650.36	
		-----------		-----------	
Net Block		**11,075.77**		8,046.70	
Capital Work in Progress	5	**2,285.89**		4,683.72	
		-----------	**13,361.66**	-----------	12,730.42
Investments	6		**1,022.51**		965.56
Advances for Investments (Pending Allotment)	6A		-		0.83
			--------------		--------------
Carried Forward			**14,384.17**		13,696.81

Consolidated Balance Sheet as on 31st March 2008

(Rs. in Crores)

	SCHEDULE No		AS AT 31st March 2008		AS AT 31st March 2007
Brought Forward			**14,384.17**		13,696.81
Current Assets, Loans and Advances	7				
Inventories		**630.20**		624.75	
Sundry Debtors		**1,155.22**		827.54	
Cash and Bank Balances		**4,632.06**		2,738.30	
Other Current Assets		**58.77**		32.28	
Loans and Advances		**4,335.00**		3,805.57	
		-------------		-------------	
		10,811.25		8,028.44	
Less : Current Liabilities and Provisions	8				
Current Liabilities		**3,551.46**		2,792.62	
Provisions		**2,846.13**		2,066.68	
		-------------		-------------	
		6,397.59		4,859.30	
Net Current Assets			**4,413.66**		3,169.14
Miscellaneous Expenditure					
(To the extent not written off or adjusted)					
Preliminary Expenditure			-		0.96
			------------		------------
TOTAL			**18,797.83**		16,866.91
			------------		------------

Contingent Liabilities not provided for (Refer Schedule 14)

N.K. Nagpal, Secretary

R.K. Goel, Director (Finance)

M.R. Hingnikar, Director (HR)

Dr. U.D. Choubey, Chairman & Managing Director

As per our separate Report of even date
For M/S Mehra Goel & Co.
Chartered Accountants

R.K. Mehra
(Partner)
Membership No. 6102

Place : New Delhi
Dated : May 13, 2008

Consolidated Profit & Loss Account for the Year ended 31st March, 2008

(Rs. in Crores)

	SCHEDULE No.		YEAR ENDED 31st March 2008		YEAR ENDED 31st March 2007
INCOME					
Sales		**18,761.08**		16,493.92	
Less : Excise Duty		**632.31**	**18,128.77**	550.88	15,943.04
LPG Transmission Charges/RLNG Shipper Charges			**680.41**		574.08
Income from Telecom			**28.13**		25.19
Increase (decrease) in Inventories					
Closing Stock		**234.18**		204.09	
Less : Opening Stock		**204.90**	**29.28**	129.62	74.47
Other Income	9		**574.05**		559.10
TOTAL			**19,440.64**		17,175.88
EXPENDITURE					
Purchases			**9,599.89**		8,698.41
Gas Pool			**720.47**		891.93
Manufacturing, Transmission, Administration Selling & Distribution and other Expenses	10	**4,253.88**		3,808.39	
Depreciation	4	**662.71**		621.60	
		4,916.59		4,429.99	
Less : Incidental Expenditure during construction transferred to Capital Work-in-Progress	11	**(28.69)**	**4,887.90**	(27.17)	4,402.82
Preliminary Expenditure written off			**2.48**		0.02
TOTAL			**15,210.74**		13,993.18
Profit before Interest and Finance Charges			**4,229.90**		3,182.70
Interest and Finance Charges	12	**149.53**		156.45	
Less Interest and Finance Charges transferred to Capital Work-in-Progress		**(0.20)**	**149.33**	(34.74)	121.71
Profit for the year **Carried Forward**			**4,080.57**		3,060.99

(Rs. in Crores)

	SCHEDULE No.		YEAR ENDED 31st March 2008		YEAR ENDED 31st March 2007
Brought Forward			**4,080.57**		3,060.99
Less : Prior Period Adjustments (Net)	13		**(21.75)**		(7.89)
Profit for the year before Tax			**4,102.32**		3,068.88
Provision for Taxation - Current		**1,328.69**		839.11	
- Deferred		**4.74**		38.53	
- FBT		**7.73**	**1,341.16**	5.81	883.45
Excess Provision of tax written back			-		339.92
Profit after Tax			**2,761.16**		2,525.35
Add: Share of Profit/(Loss) in Associates for the year			**21.74**		19.97
Group Profit after Tax			**2,782.90**		2,545.32
Amount available for appropriation			**2,782.90**		2,545.32
APPROPRIATIONS					
Interim Dividend			**338.26**		676.52
Proposed Dividend			**539.23**		169.14
Corporate Dividend Tax			**149.13**		128.62
Bond Redemption Reserve			**32.13**		32.13
General Reserve			**270.27**		246.40
Balance Carried to Balance Sheet			**1,453.88**		1,292.51
TOTAL			**2,782.90**		2,545.32
Details of Earning Per Share					
A. Group Profit after tax			**2,782.90**		2,545.32
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.)			**32.91**		30.10
Notes on Accounts	14				

Schedules 1 to 14 and Accounting Policies form part of Accounts

N.K. Nagpal	R.K. Goel	M.R. Hingnikar	Dr. U.D. Choubey
Secretary	Director (Finance)	Director (HR)	Chairman & Managing Director

As per our separate Report of even date
For M/s Mehra Goel & Co.
Chartered Accountants

R.K. Mehra
(Partner)
Membership No. 6102

Place : New Delhi
Dated : May 13, 2008

Schedule 1 - Share Capital

(Rs. in Crores)

	SCHEDULE No.	AS AT 31st March 2008	AS AT 31st March 2007
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 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)

	SCHEDULE No.		AS AT 31st March 2008		AS AT 31st March 2007
Capital Reserve					
(Grant received from Danish Govt. for construction of Gas Technology Institute at Noida)					
As per Last Account		**1.98**		2.10	
Add- During the year		**21.33**			
Less : Transferred to Profit & Loss Account		**(0.12)**	**23.19**	(0.12)	1.98
Share Premium Account			**14.70**		**14.70**
Investment Allowance (Utilised) Reserve					
As per Last Account		**215.10**		251.31	
Less : Transferred to General Reserve		**(68.62)**	**146.48**	(36.21)	215.10
Bonds Redemption Reserves					
As per Last Account		**128.51**		96.38	
Add : Transferred from Profit & Loss Account		**32.13**	**160.64**	32.13	128.51
General Reserve					
As per Last Account		**1701.80**		1,434.31	
Add : Transferred from Profit & Loss Account		**270.27**		246.40	
Add : Transferred from Investment Allowance (Utilised) Reserve		**68.62**		36.21	
Add: Adjustment due Joint Venture Regrouping		**(50.15)**		(15.12)	
(Refer Note No - 22 of Notes on accounts)			**1,990.54**		1,701.80
Foreign Currency Translation Reserve			**6.36**		0.68
Profit and Loss Account					
As per Last Account		**8,914.58**		7,626.27	
Add: Profit During the Year		**1,453.88**		1,292.51	
Less: Adjustment due Dividend Received from Associate		**(3.47)**		(4.20)	
			10,364.99		8,914.58
TOTAL			**12,706.90**		10,977.35

Schedule 3 - Loan Funds

	AS AT 31st March 2008	(Rs. in Crores) AS AT 31st March 2007
SECURED LOANS		
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 on pari pasu basis, by charge on freehold non agricultural land at village Tandalja, Vadodra together with the entire building constructed thereon both present & future and whole of plant and machinery, spares, tools and accessories and other movables of the company pertaining to its projects at LPG Vaghodia Plant, Hazira Plant, Grep Vaghodia Plant, Gandhar Plant and Vadodra plant both present and future and whether installed or not and lying or in store)		
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 on pari pasu basis, by charge on freehold non agricultural land at village Tandalja, Vadodra together with the entire building constructed thereon both present & future and whole of plant and machinery , spares, tools and accessories and other movables of the Company pertaining to its projects at LPG Vaghodia Plant, Hazira Plant, Grep Vaghodia Plant, Gandhar Plant, DUPL projects and Vadodra plant both present and future and whether installed or not and lying or in store)		
Term Loan		
External Commercial Borrowing	**4.98**	7.46
From Financial Institution	**1.43**	102.72
From Banks	**1,350.20**	1,319.33
From Others	**1,157.08**	889.62
	-----------	-----------
Carried Forward	**3,613.69**	3,419.13

	AS AT 31st March 2008			(Rs. in Crores) AS AT 31st March 2007
Brought Forward		**3,613.69**		3,419.13
UNSECURED LOANS				
From Banks :				
- State Bank of India, London	-		6.22	
(including Rs. Nil (Previous Year Rs. 6.22) due for payment within one year)				
- Other Banks	-		0.22	
(repayable within one year)				
	-			
From others				
- Oil Industry Development Board	**166.02**		231.63	
(including Rs. 65.75 (Previous Year Rs. 65.75) due for payment within one year)				
- Sales Tax Deferred	**5.47**		5.47	
Deposit From Customers	**1.54**		1.22	
(Deposits from commercial customers of natural gas refundable on termination of the gas sales agreements)	----------	**173.03**	----------	244.76
		--------------		--------------
TOTAL		**3,786.72**		3,663.89
		--------------		--------------

Schedule 4 - Fixed Assets

(Rs. in Crores)

DESCRIPTION	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As at 01.04.2007	Additions/ Adjustments during the year	Sales /Adjust-ments during the year	**As at 31.03.2008**	As at 01.04.2007	For the Year	Adjustments during the year	**As at 31.03.2008**	**As on 31.03.2008**	As on 31.03.2007
Tangible Assets										
Freehold	62.62	74.31	(0.13)	**137.06**	-	-	-	**-**	**137.06**	62.62
Leasehold	80.39	1.08	(3.08)	**84.55**	7.66	0.93	(0.14)	**8.73**	**75.82**	72.73
Building : Office/Others	415.64	16.40	(11.51)	**443.55**	94.93	12.03	(1.65)	**108.61**	**334.94**	320.71
Residential	259.75	1.68	-	**261.43**	46.77	5.05	-	**51.82**	**209.61**	212.98
Roads and Fences	0.79	0.03	(0.47)	**1.29**	0.11	0.03	(0.03)	**0.17**	**1.12**	0.68
Electrical Installations	0.94	-	-	**0.94**	0.12	0.04	(0.02)	**0.18**	**0.76**	0.82
Bunk Houses	1.70	0.01	0.14	**1.57**	1.62	0.02	0.14	**1.50**	**0.07**	0.08
Plant and Machinery	14,324.27	3,609.65	33.78	**17,900.14**	7,299.82	603.51	14.49	**7,888.84**	**10,011.30**	7,024.45
Railway Lines & Sidings	5.47	0.01	-	**5.48**	4.23	0.26	-	**4.49**	**0.99**	1.24
Communication Systems	0.38	0.98	(3.31)	**4.67**	0.12	0.38	(1.59)	**2.09**	**2.58**	0.26
Electrical Equipments	131.77	14.26	4.38	**141.65**	52.47	7.62	5.66	**54.43**	**87.22**	79.30
Furniture, Fixtures and		-				-				
other Equipments	259.63	34.81	11.76	**282.68**	123.00	23.41	7.36	**139.05**	**143.63**	136.63
Office Equipments	4.96	0.33	2.72	**2.57**	0.77	0.17	0.32	**0.62**	**1.95**	4.19
Vehicles	0.24	0.03	0.01	**0.26**	0.25	0.03	0.15	**0.13**	**0.13**	(0.01)
Transport Equipments	2.57	0.07	0.01	**2.63**	1.65	0.16	0.04	**1.77**	**0.86**	0.92
Intangible Assets		-	-			-	-			
Right of Use *	100.57	21.25	75.18	**46.64**	-	-	-	**-**	**46.64**	100.57
Softwares / Licences	45.37	(0.14)	(0.23)	**45.46**	16.84	9.06	0.07	**25.83**	**19.63**	28.53
E&P Assets										
Producing Property **	-	-	-	-	-	-	-	-	-	-
Support Equipment & Facility	-	1.65	-	**1.65**	-	0.01	(0.18)	**0.19**	**1.46**	-
Total	**15,697.06**	**3,776.41**	**109.25**	**19,364.22**	**7,650.36**	**662.71**	**24.62**	**8,288.45**	**11,075.77**	**8,046.70**
Share in Joint Venture										
Assets included above	764.50	1,710.15	138.95	**2,335.70**	172.17	91.69	(0.27)	**264.13**	**2,071.57**	593.10
Previous Year	**15,087.02**	**627.77**	**17.73**	**15,697.06**	**7,040.86**	**621.60**	**12.10**	**7,650.36**	**8,046.70**	**8,046.16**
Share in Joint Venture										
Assets included above	616.75	147.20	(0.55)	**764.50**	127.32	46.22	1.37	**172.17**	**592.33**	490.20

* Right of use for laying pipelines is a perpetual right of use of Land but does not bestow upon the Company, the ownership of Land and hence, treated as intangible assets. However, no amortisation is provided on the same, being perpetual in nature.

Schedule 5 - Capital Work-in-Progress

(Rs. in Crores)

		AS AT 31st March 2008		AS AT 31st March 2007
Linepipe Construction and related facilities including Cathodic Protection		**299.37**		1,069.79
Compressor Stations		**6.38**		0.07
Telecom/Tele-supervisory System		-		0.02
LPG Pipeline Project		**2.27**		1.54
LPG Projects		**2.73**		0.77
Petrochemicals		**5.26**		149.64
Others		**42.26**		40.45
Survey, Studies and other service-Cochin		**4.50**		2.46
Solid Cargo Port		-		0.09
Engineering/project construction		**1,382.47**		2,690.45
Building		**0.03**		1.19
Exploratory Well in Progress		**293.09**		314.31
Construction of CNG Station		**42.94**		19.30
Preoperative expenditure, pending allocation in respect of Jointly controlled Entity		-		0.21
Buildings	**1.10**		2.92	
Less : Provision for abandonment of Work in Progress	**(0.53)**	**0.57**	(2.82)	0.10
	-------------		-------------	
Linepipes, Capital Items in Stock/Transit	**200.97**		390.54	
Less : Provision for losses/obsolescence	**(0.08)**	**200.89**	(0.06)	390.48
	-------------		-------------	
Advance for Capital Expenditure				
(Unsecured - Considered Good)	**3.13**		2.85	
(Unsecured - Considered Doubtful)	**1.40**		1.39	
	-------------		-------------	
	4.53		4.24	
Less : Provision for Doubtful Advances	**(1.40)**	**3.13**	(1.39)	2.85
	-------------	---------------	-------------	---------------
TOTAL		**2,285.89**		4,683.72
		---------------		---------------

Schedule 6 - Investments

(Rs. in Crores)

		AS AT 31st March 2008		AS AT 31st March 2007
LONG-TERM INVESTMENTS				
1. Trade Investments				
Quoted * -				
a) In Associate Company				
21,00,00,000 (Previous Year : 21,00,00,000) Equity Shares of HK$ 0.01/- each fully paid up in China Gas Holding Ltd., registered in China, acquired at a premium of HK$ 1.148/-	**51.84**		51.84	
Add: Goodwill	**84.48**		84.48	
Add: Share of Profit in Associate	**27.84**		17.80	
Less: Dividend Received	**(2.49)**	**161.67**	(1.20)	152.92
	--------		--------	
3,000,000 (Previous Year 3,000,000) Equity shares of LE 5/- per share in NATGAS	**21.21**		21.21	
Equity share has acquired at a premium LE 34.5 per Equity Share				
Add: Goodwill	**62.41**		62.41	
Add: Share of Profit	**24.15**		16.63	
	-------	**107.77**	-------	100.25
b) In Govt of India Bond				
6.96 % Oil Companies GOI Special Bonds 2009 (Allotted in lieu of claims pending with Oil Coordination Committee)		**6.00**		6.00
7 % Oil Companies GOI Special Bonds 2012 (Allotted in lieu of claims pending with Oil Coordination Committee)		**9.59**		9.59
c) Other				
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
5,14,00,267 (Previous Year : 5,14,00,267) 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 and 1,71,33,422 bonus shares received during the year 2006-07)		**556.29**		556.29
3,62,1000 (Previous Year 3,62,100) units of 6.75% Tax Free US64 Bonds of Rs. 100/- each guaranteed by GOI, having maturity date on 01.06.2008.		**3.62**		3.62
* Aggregate market value of the above mentioned quoted securities is Rs. 5,169.26 Crores (previous year Rs. 5,449.21 Crores) (includes cost where market price not available)				
		----------------		------------------
Carried Forward		**845.80**		829.53
		----------------		------------------

				(Rs. in Crores)
		AS AT 31st March 2008		AS AT 31st March 2007
Brought Forward		**845.80**		829.53
Unquoted - At Cost				
In Associate Companies				
2,07,60,000 (Previous Year : 2,07,60,000) Equity Shares of Rs. 10/- each fully paid-up in Gujarat State Electricity Generation Ltd.	**20.76**		20.76	
Add: Share of Profit	**18.38**	**39.14**	15.93	36.69
	----------		----------	
19,000 (Previous Year : 19,000) Equity shares of LE 100/- each fully paid up in Fayum Gas Company registered in Egypt.	**4.59**		4.59	
Add: Goodwill	**3.50**		3.50	
Add: Share of Profit	**4.03**		2.26	
Less: Dividend received	**(5.18)**	**6.94**	(3.00)	7.35
	-------		-------	
2,20,000 (Previous Year : 2,20,000) Equity Shares of LE 10/- each fully paid up in Shell Compressed Natural Gas Company, Egypt registered in Egypt.	**0.33**		0.33	
Add: Goodwill	**1.28**		1.28	
Add: Share of Profit	**(0.35)**		(0.31)	
	-------	**1.26**	-------	1.30
2. Non Trade Investments - Others				
Unquoted - At cost				
(a) i) 30 Shares (Previous year 30) of Rs. 50 each fully paid up in Darpan Co-operative Housing Society Ltd., Vadodara		-	-	
ii) 50 Shares (Previous year 50) of Rs. 50 each fully paid up in Ashoka Apartments Co-operative Housing Society Ltd., Vadodara		-	-	
iii) NIL Shares (Previous year 30) of Rs. 50 each fully paid up in Panchvati Apartments Co-operative Housing Society Ltd., Surat		-	-	
iv) 400 Shares (Previous year 400) of Rs. 10 each fully paid up in Sanand Members Association, Ahmedabad.		-	-	
v) 35 Shares (Previous year 35) of Rs. 50 each fully paid up in Green Fields (B) Cooperative Housing Society Ltd, Mumbai		-	-	-
		------------		------------
3 : INVESTMENTS (Current Investments-Non-Trade)				
Quoted				
Mutual Fund Scheme		**129.37**		90.69
		------------		------------
TOTAL		**1,022.51**		965.56
		------------		------------

Schedule 6A - Advances for Investments (Pending Allotment)

(Rs. in Crores)

	AS AT 31st March 2008	AS AT 31st March 2007
Joint Venture Companies		
i). Tripura Natural Gas Ltd.	-	0.83
	------------	------------
TOTAL	-	0.83
	------------	------------

Schedule 7 - Current Assets, Loans and Advances

(Rs. in Crores)

		AS AT 31st March 2008			AS AT 31st March2007	
A. CURRENT ASSETS						
INVENTORIES						
(As Certified by the Management)						
Raw Material (LNG)		**5.21**			20.14	
Raw Material in Transit		**4.07**			4.37	
CNG and Natural Gas in Pipeline	**0.08**			0.07		
Stores and Spares including Construction Surplus*	**388.15**			395.34		
Less : Provision for Losses/Obsolescence	**33.32**			35.69		
	------------	**354.91**		----------	359.72	
Stock of Gas**/Polymers/LPG and Other Products		**266.01**			240.52	
* includes Rs 25.98 (previous year Rs. 22.89) in transit		---------	**630.20**		---------	624.75
** after adjustment of calorific value.						
SUNDRY DEBTORS						
Debts outstanding for a period exceeding six months						
- Unsecured, Considered Good	**77.21**			120.43		
- Secured, Considered Good	-			41.75		
- Unsecured, Considered Doubtful	**104.67**	**181.88**		103.63	265.81	
	-------------			----------		
Other Debts						
- Secured, Considered Good	**1.97**			1.34		
- Unsecured, Considered Good	**1,076.04**			664.02		
		1,078.01			665.36	
	-------------	----------		----------	----------	
		1,259.89			931.17	
Less : Provision for Doubtful debts		**(104.67)**	**1,155.22**		(103.63)	827.54
		----------			----------	
CASH AND BANK BALANCES						
Cash in hand	**0.50**			1.87		
Cheques/Stamps in hand	**0.39**	**0.89**		0.16	2.03	
	-------------			----------		
BANK BALANCES WITH SCHEDULED BANKS						
On Current Account (includes Corporate Liquid Term	**137.94**			127.33		
Deposit Rs. 44.40 (Previous Year: Rs. 78.60))	-					
On Current Account -Gas Pool Money	-			-		
On Current Account -JV Consortium	-			-		
On Fixed Deposit Account	**84.23**			15.65		
On Short Term Deposit	**3,398.22**			2,189.05		
On Short Term Deposit -Gas Pool Money	**582.53**			-		
(includes interest accrued but not						
due Rs. 10.26 (Previous Year Rs Nil)	-					
On Short Term Deposit -JV Consortium (includes interest accrued but not)	**426.72**	**4,629.64**		403.86	2,735.89	
due Rs. 6.38 (Previous Year Rs. 5.13) (refer note 4 of notes to accounts)	-------------			------------		
BANK BALANCES WITH OTHER BANKS						
On current accounts		**1.53**			0.38	
		----------			----------	
			4,632.06			2,738.30
OTHER CURRENT ASSETS						
Interest accrued but not due on Deposits / Bonds		**57.94**			31.87	
Interest accrued on Fixed Deposits		**0.83**	**58.77**		0.41	32.28
		----------	----------		----------	----------
Carried Forward			**6,476.25**			4,222.87
			----------			----------

(Rs. in Crores)

			AS AT 31st March 2008			AS AT 31st March 2007
Brought Forward			**6,476.25**			4,222.87
B. LOANS AND ADVANCES						
Loans to Employees						
- Secured, Considered Good	**157.56**			152.75		
- Unsecured, Considered Good	**21.97**			21.76		
(including dues from Directors Rs. 1.00 Cr (Previous Year : Rs. 1.22 Cr)) (Maximum amount due at any time during the year : Rs. 1.22) (Previous Year : Rs. 1.22)						
Others	**1.20**	**180.73**		1.65	176.16	
(Unsecured, Considered Good)						
Advances recoverable in cash or in kind or for value to be received						
- Unsecured, Considered Good	**1,975.41**			1,606.09		
(includes Rs. 1160.69 (Previous Year Rs. 1105.34) paid / adjusted against Income tax demand under protest)						
Others	**5.59**			8.11		
- Unsecured, Considered Doubtful	**1.26**			0.48		
	1,982.26			1,614.68		
Less : Provision for Doubtful Advances	**(1.26)**	**1,981.00**		(0.48)	1,614.20	
Advance Tax / TDS		**2,067.34**		-	1,932.58	
Claims Recoverable						
- Unsecured, Considered Good	**49.86**			28.96		
- Unsecured, Considered Doubtful	**0.37**			0.22		
	50.23			29.18		
Less : Provision for doubtful claims	**(0.37)**	**49.86**		(0.22)	28.96	
Deposits with Customs, Port Trust and Others						
- Unsecured, Considered Good	**45.12**			46.43		
- Unsecured, Considered Doubtful	**0.31**			0.31		
	45.43			46.74		
Less : Provision for doubtful deposits	**(0.31)**	**45.12**	**4,324.05**	(0.31)	46.43	3,798.33
Trade and Security Deposits						
- Unsecured, Considered Good			**10.95**			7.24
TOTAL			**10,811.25**			8,028.44

Schedule 8 - Current Liabilities and Provisions

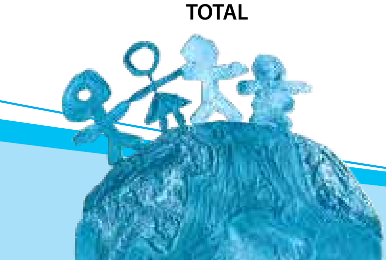
(Rs. in Crores)

	AS AT 31st March 2008		AS AT 31st March 2007	
A. CURRENT LIABILITIES				
Sundry Creditors	**1,926.62**		1,596.84	
(includes Rs. 426.74 (Previous Year : Rs. 403.86) payable to JV consortium)				
Deposits/Retention Money from Contractors and Others	**187.33**		310.07	
Abandonment Cost (E&P)	**1.13**		-	
Other Liabilities	**655.27**		766.73	
Due to Promoter Companies	**0.21**		0.22	
Other Liabilities - Gas Pool Money	**710.60**		71.49	
Unclaimed Dividend	**2.28**		2.86	
(Amount due for credit to Investor Education & Protection Fund is Rs. NIL (Previous Year : NIL)				
Interest accrued but not due	**40.16**		31.04	
(includes on loan Rs. 19.31 (Previous Year : Rs. 19.14)				
Trade and Security Deposits	**27.86**		13.37	
Intercompany - GAIL (India) Limited	-		-	
	----------	**3,551.46**	----------	2,792.62
B. PROVISIONS				
Provision for taxation/FBT	**2,127.35**		1,811.64	
Provision for Proposed Dividend	**539.23**		169.13	
Provision for Corporate Dividend Tax	**91.64**		33.75	
Provision for Gratuity	**0.14**		0.10	
Provision for Leave Encashment and Post Retirement Medical Benefits	**87.77**	**2,846.13**	52.06	2,066.68
	----------	------------	-------------	------------
TOTAL		**6,397.59**		4,859.30
		-----------		-----------

Schedule 9 - Other Income

(Rs. in Crores)

	YEAR ENDED 31st March 2008		YEAR ENDED 31st March 2007	
Dividend from long term (trade) investment		**211.19**		198.56
Interest on :				
- Bonds/Debentures (Long term trade investment)	**3.26**		3.32	
- Deposits with Banks	**256.41**		251.64	
- Others	**14.72**		15.80	
		274.39		270.76
(Tax deducted at source : Rs. 47.90 (Previous Year: Rs. 60.11)				
Surplus on Disposal of Investments		**1.09**		1.90
Export Incentives		**0.60**		(0.03)
Liabilities/Provisions no longer required written back (Miscellaneous Income)		**88.66**		88.45
(Tax deducted at source : Rs. 0.50 (Previous Year: Rs. 0.53)				
Less : Transferred to Incidental Expenditure during construction (Schedule 11)		**(1.88)**		(0.54)
		------------		------------
TOTAL		**574.05**		559.10
		------------		------------



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

(Rs. in Crores)

		YEAR ENDED 31st March 2008		YEAR ENDED 31st March 2007
Raw Material consumed		**1,714.84**		1,785.12
Employees Remuneration and Benefits				
Salaries, Wages and Allowances	**406.73**		226.13	
Contribution to Provident and Other Funds	**18.41**		21.95	
Welfare Expenses	**76.05**		69.21	
Secondment charges	**0.80**		-	
	------------	**501.99**	------------	317.29
Power, Fuel and Water Charges		**351.96**		119.20
Gas Fuel Charges		**601.59**		669.33
Stores and Spares consumed		**214.82**		165.47
Rent		**16.83**		16.20
Rates and Taxes (includes UP entry tax on gas)		**46.92**		47.79
Licence Fees - Telecom		**2.21**		1.81
Bandwidth Consumption		**0.72**		0.25
Repairs and Maintenance				
Plant and Machinery	**100.19**		64.21	
Buildings	**17.16**		22.12	
Others	**23.73**	**141.08**	21.57	107.90
	------------		------------	
Insurance		**30.40**		43.08
Communication Expenses		**8.14**		8.54
Printing and Stationery		**2.66**		2.80
Travelling Expenses		**35.47**		35.47
Books and Periodicals		**1.15**		0.82
Advertisement and Publicity		**9.82**		15.58
		--------------		--------------
Carried Forward		**3,680.60**		3,336.65

				(Rs. in Crores)
		YEAR ENDED 31st March 2008		YEAR ENDED 31st March 2007
Brought Forward		**3,680.60**		3,336.65
Payment to Auditors				
Audit Fees	**0.37**		0.18	
Management Services	**0.03**		0.04	
Out of Pocket Expenses	**0.16**	**0.56**	0.11	0.33
	----------		----------	
Entertainment Expenses		**0.52**		1.78
Recruitment and Training Expenses		**6.74**		6.97
Vehicle Hire and Running Expenses		**16.46**		15.67
Equipment Hire charges		**1.15**		0.84
CNG Transportation		**0.95**		0.98
CNG Dispensing Charges		**1.44**		1.36
Operating Expenses at CNG Stations		**3.71**		2.79
Lease Charges		**1.70**		1.74
Survey Expenses		**87.65**		35.24
Consultancy Charges		**14.78**		25.35
Legal and Professional charges		**4.06**		2.52
Data Processing Expenses		**1.67**		3.08
Donation		**15.81**		0.02
Research and Development Expenses		**0.01**		0.05
Directors fees		**0.50**		0.01
Loss on sale / written off of assets (net)		**12.66**		(0.49)
Loss on sale/Revaluation of Investments		**-**		-
Bad Debts/Claims/Advances/Inventories written off		**0.08**		1.62
Dry Well Expenses written off		**284.59**		241.88
Provision for Doubtful Debts, Advances, Claims, and Deposits		**(2.65)**		(21.90)
Excise Duty on Stock (Net)		**(3.94)**		10.59
Expenses on Enabling Facilities		**1.37**		1.63
Selling & Distribution Expenses		**4.56**		9.23
Discount on Sales		**16.88**		11.61
Commission on Sales		**13.19**		11.56
Dealers' Commission		**1.73**		1.27
Security Expenses		**40.06**		34.04
Oil & Gas Producing Expenses (Operators)		**0.75**		-
Royalty on Crude Oil		**0.89**	-	
Other Miscellaneous Expenses		**45.33**		74.78
Exchange Fluctuation		**0.07**		0.06
Less: Transfer to Capital Work in Progress				
Employees Remuneration and Benefits		-		2.13
Operating and Other Expenses		-		0.74
		----------------		-------------
TOTAL		**4,253.88**		3,808.39
		----------------		-------------

Schedule 11 - Incidental Expenditure during Construction

(Rs. in Crores)

	YEAR ENDED 31st March 2008		YEAR ENDED 31st March 2007	
Employees Remuneration and Benefits				
Salaries, Wages and Allowances	**4.81**		2.53	
Contribution to Provident and Other Funds	**0.14**		0.18	
Welfare Expenses	**0.34**	**5.29**	0.40	3.11
	---------		---------	
Power, Fuel and Water Charges		**1.16**		4.26
Stores & Spares Consumed		-		0.41
Rent		**0.30**		0.10
Repairs and Maintenance				
Plant and Machinery	**2.99**		2.82	
Buildings	**0.17**		0.54	
Others	**0.23**	**3.39**	0.34	3.70
	---------		---------	
Insurance		**5.15**		11.42
Communication Expenses		**0.05**		0.19
Travelling Expenses		**0.43**		0.55
Recruitment and Training Expenses		-		0.02
Interest and Finance Charges		**0.20**		34.74
Vehicle Hire and Running Expenses		**0.19**		0.05
Consultancy Charges		**4.25**		0.54
Polymer Consumption		-		0.30
Other Expenses		**8.45**		2.59
Depreciation		**0.03**		0.14
		---------		---------
		28.89		62.12
Less :				
- Interest Income	**1.85**		0.53	
- Misc. Income	**0.03**	**1.88**	0.01	0.54
	-----------	------------	------------	-------------
Net Expenditure		**27.01**		61.58
Less :Transferred to Capital Work-in-progress	-		0.21	
-Mfg., Transmission, Admn., Selling & Distribution and Other Expenses	**28.69**		27.17	
Interest & finance Charges	**0.20**		34.74	
Other Income	**(1.88)**	**27.01**	(0.54)	61.58
	------------	----------	---------	---------
Balance Carried over to Balance Sheet		**-**		**-**
		----------		----------

Schedule 12 - Interest and Finance Charges

(Rs. in Crores)

	YEAR ENDED 31st March 2008		YEAR ENDED 31st March 2007	
Interest				
Foreign Currency Loans	**0.05**		0.26	
On term loans	**68.52**		47.96	
Other Loans	**12.95**	**81.52**	39.56	87.78
Bonds		**65.78**		65.60
Others		**0.75**		1.44
Bank Charges		**1.35**		1.22
Commitment and other Finance Charges		**0.13**		0.41
TOTAL		**149.53**		156.45

Schedule 13 - Prior Period Adjustments

(Rs. in Crores)

	YEAR ENDED 31st March 2008		YEAR ENDED 31st March 2007	
Purchase of Gas		**25.03**		(10.67)
Raw Material		-		-
Salaries, Wages and Allowances		**(0.86)**		(0.04)
Power, Fuel and Water Charges		**(0.14)**		(0.06)
Stores and Spares consumed		**(0.47)**		(0.26)
Rent		**0.03**		0.08
Depreciation (Net)		**2.88**		(0.19)
Repairs and Maintenance		**(2.68)**		(0.54)
Consultancy Charges		**0.13**		0.25
Other Expenses		**0.18**		(2.82)
TOTAL		**24.10**		(14.25)
Less :				
- Sales	**44.25**		(6.57)	
- Interest Income	-		1.12	
- Miscellaneous Income	**1.60**	**45.85**	(0.91)	(6.36)
TOTAL (NET)		**(21.75)**		7.89)

SCHEDULE 14: CONSOLIDATED NOTES ON ACCOUNT FOR THE YEAR ENDED 31.03.2008

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 statutes.

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.

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, 2008) except for overseas Associates. In respect of Fayum Gas, Shell Compressed Gas and NatGas, the accounts drawn up as at December 31, 2007 have been used, and in respect of China Gas Holding Limited, the accounts drawn up to September 30, 2007 have been used. No adjustments have been done for the period subsequent to that date, since there are no significant transactions.

vii. In China Gas Holding GAIL's Share has been reduced from 6.78% on 31.03.2007 to 6.50% on 30.09.2007 and as on 31.03.2008 it is 6.30%. The reduction of GAIL's Share is due to dilution in share capital by further issue of Share Capital.

viii. In Shell Compressed Natural Gas GAIL's Share has been reduced from 22% on 31.03.2007 to 10.48% on 31.12.2007 and as on 31.03.2008 it is same. The reduction of GAIL's Share is due to dilution in share capital by further issue of Share Capital.

ix. The financial statements of the Subsidiary-GAIL (Global) Singapore Pte. Limited are prepared in accordance with Singapore Financial Reporting Standards assuming the Company is a going concern and converted in Indian Rupees as per Accounting Standard (AS 11) .

x. 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 and converted in Indian Rupees as per Accounting Standard (AS 11). While the financial statements of China Gas Holding Limited has been prepared in accordance with the Hongkong Accounting Standards and relevant Hongkong Laws and regulations and according to the historical cost basis assuming the Company is a going concern and converted in Indian Rupees as per Accounting Standard (AS 11).

III. Investment other than in Subsidiaries, Joint Ventures 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 as on 31.03.2008
GAIL Global (Singapore) Pte. Ltd.	Singapore	Subsidiary	100%
Brahmaputra Cracker & Polymers Ltd.	India	Subsidiary	70.00%
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%
Central UP Gas Limited	India	Joint Venture	22.50%
Green Gas Limited	India	Joint Venture	22.50%
Maharashtra Natural Gas Limited	India	Joint Venture	22.50%
Aavantika Gas Limited	India	Joint Venture	22.50%
Ratnagiri Gas & Power (Private) Ltd.	India	Joint Venture	28.33%
Tripura Natural Gas Co Ltd.	India	Joint Venture	29.00%
Fayum Gas	Egypt	Associate	19.00%
Shell Compressed Natural Gas Egypt	Egypt	Associate	10.48%
Gujarat State Electricity Generation (GSEG)	India	Associate	12.85%
Natural Gas Company "Nat Gas"	Egypt	Associate	15.00%
China Gas Holding Limited	Bermuda	Associate	6.30%

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 Share	
Inventories				
Valuation of Stores and Spares	Mahanagar Gas Limited/Petronet LNG	Valued at weighted average cost or net realizable value, whichever is lower	Valued at weighted average cost	8.03
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.	9.28
Valuation of Raw Materials	Indraprastha Gas	Valued at weighted average cost or net realisable value, whichever is lower	Valued at lower of cost on first first out (FIFO) basis or net realizable value	5.26
Depreciation rates				
Software/ Licences	Petronet LNG	Software/Licences are amortized in 5 years on straight line method	Software/ Licenses are amortised in 3 years on straight line method	0.08
All Assets	TNGCL	Assets are depreciated on SLM basis	All Assets are depreciated @ 15% on WDV basis	0.18
Employee Benefits	All Subsidiary & Joint Ventures	Implemented Revised AS-15	Implementation of AS-15 is un-ascertained	Not Quantifiable
Exchange Rate Fluctuation	All Subsidiary & Joint Ventures	Exchange Difference relating to acquisition of fixed assets is accounted in Profit & Loss accounts	un-ascertained	Not Quantifiable

The effect of above differential accounting policies could not be quantified on profit & loss account.

3. Estimated amount of Contracts remaining to be executed on Capital Account and not provided for is amounting to Rs. 760.69 Crores (Previous Year : Rs. 1019.44 Crores) which includes an amount of Rs. 308.43 Crores (Previous Year : Rs. 278.74 Crores) related to joint ventures.

4. Contingent Liabilities :-

I. Claims against the Company not acknowledged as debts: Rs. 3822.84 Crores (PY : Rs. 3816.91 Crores), which mainly include:
Claims of ONGCL for Rs. 390.85 Crores (PY : Rs. 416.71 Crores) on account of interest for delayed payment and MGO, etc. Out of these MGO claims of Rs. 68.23 Crores (PY : Rs. 69.37 Crores) are recoverable on back-to-back basis.

II. Bank Guarantee and Letters of Credit : Rs. 191.75 Crores (PY: Rs. 35.38 Crores).

III. An amount of Rs. 229.51 Crores (Previous Year : Rs. 140.40 Crores) relate to Joint Ventures.

5 (a) Income tax assessments up to the Assessment Year 2005-06 have been completed and a demand of Rs. 1162.90 Crores relating to the Assessment Years 1996-97 to 2005-06 (Previous Year: Rs. 1105.34 Crores) is raised by disallowing deductions claimed by the Company. The Company has already made the payment of Rs. 1160.69 Crores (Previous Year : Rs. 1105.34 Crores) under protest. Based upon the decision of the appellate authorities and the interpretation of the Income Tax Act, the company has been legally advised that the demand is likely to be deleted or it may be substantially reduced. The Company has filed appeal against the demand for the Assessment Years 1996-97 to 2004-05 with Income Tax Appellate Tribunal (ITAT) and for Assessment Year 2005-06 with Commissioner of Income Tax (Appeal).

(b) Income Tax provision for current year includes short provision of Rs. 27.95 Crores relating to Financial Year 2005-06 and to that extent provision for deferred tax liability is reduced, thus there is no impact on current year profit.

(c) Sales Tax demand of Rs. 3449.18 Crores (Previous Year: Rs. Nil) and interest thereon Rs. 1513.04 Crores (Previous Year : Rs. Nil) 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 transfer 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 re-assess 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. The Sales Tax Authorities had filed rectification application under Section 72 of the Gujarat Sales Tax Act, 1969 in Gujarat Sales Tax Tribunal against its judgment dated 16.05.2005. The Tribunal had dismissed the rectification application of the sales tax authorities vide its order dated 06.07.2006. The sales tax authorities have now filed petition in Hon'ble High Court of Ahmedabad against the order of the tribunal and no hearing has yet taken place. In opinion of the management there is a remote possibility of crystallizing this liability.

6 (a) Freehold land acquired for city gas Lucknow and Kanpur, Jhansi Maintenance Base and Sectionalising Valves in Jamnagar – Loni Pipeline Rs. 1.78 crores (Previous Year : Rs. 2.14 Crores) and Leasehold Land acquired for Lakwa, Mumbai & Rajamumdary projects Rs Nil (Previous Year : Rs. 11.13 Crores) are valued / capitalized on provisional basis.

(b) Title deeds for freehold land, valuing Rs. 2.16 Crores (Previous Year: Rs. 1.63 Crores) and leasehold land valuing Rs. 21.91 Crores (Previous Year : Rs. 27.17 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. 46.64 Crores as on 31.03.2008 (Previous Year : Rs. 25.39 Crores) has been capitalized as intangible asset. The Company has perpetual Right of Use but has no ownership of land.

7. (a) The 10% retention from PMT JV consortium amounting to Rs. 426.72 Crores (PY : Rs. 403.86 Crores) includes interest (net of TDS) amounting to Rs. 88.00 Crores (Previous Year : Rs. 65.14 Crores) on Short term deposits for the year. The TDS amounting to Rs. 21.14 Crores (Previous Year : Rs. 14.81 Crores) has been deducted by the bankers on the interest earned on Short term deposits. This interest income and TDS does not belong to the Company hence not accounted for. In terms of letter No. O-19025/12/97-ONG.D.V (vol-III) dated 24th March 2008 from Ministry of Petroleum & Natural Gas, this amount will be refunded to PMT JV consortium in the next financial year.

(b) Liability on account of Gas Pool Money amounting to Rs. 710.60 Crores (Previous Year : Rs. NIL) includes interest amounting to Rs. 19.55 Crores (Previous Year : NIL) on short term deposits. This interest does not belong to the Company hence not accounted as income.

8. Advance recoverable in Cash or in kind or value to be received' includes an amount of Rs. 3.11 Crores (PY Rs. 3.11 Crores) recoverable on account of Disinvestment by Government of India of its equity in the company by way of GDR/offer for sale.

9. The Pay Revision of the employees of the Company is due w.e.f. 1st January 2007. Pending finalization of pay revision by the Government of India, a provision of Rs. 130.71 Cores (including Rs. 25.71 Crores paid during the year and included in Advances Recoverable in cash or kind or for value to be received-Schedule-7) has been made during the year on estimated basis for the period from 1st Jan 2007 to 31st March 2008.

10. A net amount of Rs. 6.22 Crores (Previous Year : Rs. 4.01 Crores debited) has been credited to Profit & Loss account due to exchange rate variation.

11. The required disclosure under the Revised Accounting Standard 15 is given as below:

(i) DEFINED CONTRIBUTION PLAN

Company pays fixed contribution to Provident Fund at predetermined rates to a separate trust, which invests the funds in permitted securities. The contribution to the fund for the period is recognized as expense and is charged to the profit & loss accounts. The obligation of the Company is limited to such fixed contribution. However, the trust is required to pay a minimum rate of interest on contributions to the members as specified by GOI. The fair value of the assets of the Provident Fund including the returns on the assets thereof, as on the balance sheet date is greater than the obligations under the defined contribution plan.

An amount of Rs. 15.50 Crores expense recognized as for defined contribution plan (Contributory Provident Fund).

(ii) DEFINED BENEFIT PLAN

Brief description:

(a) Earned Leave Benefit (EL)

Accrual 30 days per year. Encashment while in service 75% of Earned Leave balance subject to maximum of 90 days per calendar year. Encashment on retirement or superannuation maximum 300 days.

(b) Half Pay Leave (HPL)

Accrual 20 days per year. Encashment while in service NIL. Full encashment on retirement.

(c) Gratuity

15 days salary for every completed year of service. Vesting period is 5 years and payment is restricted to Rs. 3,50,000.

(d) Post Retirement Medical Benefit (PRMS)

Upon payment of one time prescribed contribution by the superannuated employees/those who resigned from service can avail the facility subject to the completion of minimum of 10 years of service and 50 years of age.

(e) Terminal Benefits

At the time of superannuation, employees are entitled to settle at a place of their choice and they are eligible for transfer of traveling allowance. Employees are gifted a gold coin weighing 25 grams.

(f) Long Service Award (LSA)

Employees are eligible for gold coin after every five years depending upon the completion of service, subject to minimum of 15 years of service.

The following table summarizes the components of net benefit expenses recognized in the Profit and Loss Account.

(Rs. in Crores)

A. EXPENSES RECOGNISED IN THE P&L A/C	GRATUITY	PRMS	EL	TERML BENF	SL	LONG AWARD
1. CURRENT SERVICE COST	4.1	1.11	3.65	1.12	1.31	
INTEREST ON BENEFIT OBLIGATION	3.56	1.25	2.99	0.06	1.22	
EXPECTED RETURN ON PLAN ASSETS	-3.78	0	0	0	0	0
NET ACTUARIAL GAIN/(LOSS) RECOGNIZED IN THE YEAR	-1.86	1.47	6.63	-0.85	-0.18	
EXPENSES RECOGNIZED IN P&L A/C FOR FY 07-08	2.02	3.83	13.27	0.33	2.35	2.40
EXPENSES RECOGNIZED IN P&L FOR TRANSITIONAL PERIOD (REFER NOTE NO. 2 GIVEN BELOW)	0	0	1.35	0.8	15.11	3.21
B. THE AMOUNT RECOGNIZED IN THE BALANCE SHEET						
PRESENT VALUE OF OBLIGATION AS AT 31.3.2008(I)	50.42	19.19	44.03	1.13	17.16	5.62
FAIR VALUE OF PLAN ASSETS AS AT 31.3.2008(II)	51.05	0	0	0	0	0
DIFFERENCE (II)-(I)	0.63	-19.19	-44.03	-1.13	-17.16	-5.62
NET ASSET/(LIABILITY) RECOGNIZED IN THE B/S	0.63	-19.19	-44.03	-1.13	-17.16	-5.62
C. CHANGES IN THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATIONS:						
PRESENT VALUE OF OBLIGATIONS AS AT 1.4.2007	44.62	15.66	37.34	0.8	15.11	3.21
INTEREST COST	3.56	1.25	2.99	0.06	1.22	
CURRENT SERVICE COST	4.09	1.11	3.65	1.12	1.31	
BENEFIT PAID	0	-0.3	-6.58	0	-0.30	
NET ACTUARIAL GAIN/(LOSS) ON OBLIGATION	-1.86	1.47	6.63	-0.85	-0.18	
PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION AS AT 31.3.2008	50.41	19.19	44.03	1.13	17.15	
D. CHANGES IN THE FAIR VALUE OF PLAN ASSETS						
FAIR VALUE OF PLAN ASSETS AS AT 1.4.2007	47.27					
EXPECTED RETURN ON PLAN ASSETS	3.78					
CONTRIBUTIONS BY EMPLOYER	0					
BENEFIT PAID	0					
ACTUARIAL GAIN/(LOSS)	0					
FAIR VALUE OF PLAN ASSETS AS AT 31.3.2008	51.05					

Principle actuarial assumption at the balance sheet date

Discount rate	8%	8%	8%	8%	8%	8%
Expected return on plan assets	8%					
Annual increase in costs		5.50%		5.50%		5.50%
Annual increase in salary	5.50%		5.50%		5.50%	

Mortality table referred LIC (1994-96) DULY MODIFIED

	AGE	WITHDRAWAL RATE %
Withdrawal Rate/Employee turnover rate	UPTO 30 YEARS	3%
	UPTO 44 YEARS	2%
	ABOVE 44 YEARS	1%

NOTE:

(i) The estimates of future salary increases considered in actuarial valuation, taken account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

(ii) Company has adopted revised AS 15 in the current financial year. An amount of Rs. 20.47 Crores pertaining to transitional liability charged in the current year Profit & Loss Account.

12. MOP&NG had issued scheme 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. 1314.00 Crores (Previous Year: Rs. 1488.00 Crores) out of which Rs. 387.24 Crores pertains to the quarter Jan- Mar'2008 which is on provisional basis in view of letter no-P-20012/28/97-PP Vol.II (Part-II) dated 28th March 2008 from Ministry of Petroleum & Natural Gas. Corresponding adjustment on account of CST amounting to Rs. 20.05 Crores (Previous Year Rs. 27.01 Crores) has been made.

13. a) The Company is raising provisional invoices for sale of R-LNG as the supplier M/s Petronet LNG Ltd (PLL) is also raising provisional invoices on the Company since customs duty on import of LNG by PLL has been assessed on provisional basis.

b) 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 finalization. Additional asset/liability or impact on profits, if any, arising due to such change, will be recognized on finalization of pricing mechanism.

c) Value of Annual Take or Pay Quantity (ATOPQ) of Gas is accounted for on receipt basis and shown as liability till make up Gas is delivered to customer, during the recovery period, in terms of the Gas Sales Agreement with the customers.

14. Change in Accounting Policy.

The Company has made the following changes in the Accounting Policy during the year:

(a) Adjusting of any gain or loss arising on account of exchange difference either on settlement or on transaction to the Profit & Loss Account, pursuant to the adoption of accounting standards as prescribed by Companies (Accounting Standards) Rules, 2006 issued by Ministry of Corporate Affairs vide notification no. GSR 739 (e) dated 7th December 2006 as required by AS – 11 on "The effect of changes in foreign exchanges rates". The net gain arising on account of foreign exchange difference amounting to Rs. 11.53 Crores has been recognized in the profit and loss account. Had there been no change, the same would have been adjusted against the carrying amount of fixed assets and corresponding adjustment in Depreciation would have been Rs. (0.46) Crores. Consequently, Profit Before Tax (PBT) is higher to this extent.

(b) Accounting of employees benefit in terms of adoption of Accounting Standard-15(Revised) issued by the "The Institute of Chartered Accountants of India (ICAI)". An amount of Rs. 20.47 Crores pertaining to transitional liability has been charged in the current year profit & loss account. Consequently, Profit Before Tax (PBT) is lower and current liability is higher to this extent.

(c) Up to last year, yearly reconciliation of Natural Gas was made within a tolerance limit of +/ (-) 1%. In case of variation beyond +/ (-) 1% value of excess quantity was kept in a separate Account "Tolerance Fluctuation Adjustment Account" for adjustments in future. From the current Financial Year, Company has changed its policy and decided to charge such variation to the Profit & Loss Account. There is no such variation in the current Financial Year. However, Provision of Rs. 16.49 Crores created in the past years in the Tolerance Fluctuation Adjustment Account has been reversed in terms of the change in accounting policy. Consequently, Profit Before Tax (PBT) is higher and current liability is lower to this extent.

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

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

17. Duty Entitlement Pass Book (DEPB)/Duty Entitlement Exemption Certificate (DEEC) income is accounted for on the basis of acceptance/ certificate issued by Director General of Foreign Trade (DGFT).

18. The Company has incurred an expenditure of Rs. 0.32 Crores (Previous Year : 0.35 Crores) on account of proposed City gas projects to be set up under JV 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.

19. Previous Year's (PY) figures have been regrouped and recast to the extent practicable, wherever necessary. Figures in brackets indicate deductions.

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

I. Petronet LNG LTD.

a) Custom Duty on import of Project Material / equipment has been assessed provisionally (current and previous years) and additional liability, if any, on this account will be provided on final assessment.

b) The Company has option to claim deduction under Section 80IA of the Income Tax Act, 1961 in respect of Power Generation and Port

Undertaking and also under Section 80IB in respect of its Regasification Undertaking. However, provision for income tax has been made without considering the aforesaid deductions. The Company will review the option at the time of filing of its income tax return.

II. INDRAPRASTHA GAS LIMITED

a) Compressed 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.

b) The Company has installed CNG Stations on land obtained from various Government Authorities under leases for periods ranging from one to five years. However, assets constructed / installed on such land are being depreciated at rates specified in Schedule XIV to the Companies Act, 1956, as the management does not foresee non-renewal of the above lease arrangements by the Authorities.

c) Deposits from commercial customers of natural gas, refundable on termination/alteration of the gas sales agreements, are considered as long term funds.

d) The Company has taken certain equipments, vehicles and premises for office use under operating agreements. The total lease rentals recognized as expense during the year under the above lease agreements amounts to Rs. 12.62 Cr (Previous year Rs. 13.52 Cr). Lease obligations under non-cancelable periods are as follows :

	2007 - 08	2006 – 07
i) Amounts payable in next 1 year	**Rs. 2.42 Cr.**	3.84 Cr.
ii) Amounts payable in next 2 years to 5 years	**Rs. 1.71 Cr.**	2.43 Cr.
iii) Amounts payable in over 5 years	**NIL**	NIL

e) In respect of Assessment Year 2001-02 to Assessment Year 2005-06, the department disallowed certain claims made or set offs availed by the Company. This resulted into adjustments to past carried forward losses aggregating Rs. 29,448,913 and demands raised aggregating Rs. 56,968,002 against which Company has deposited Rs. 22,118,716 under protest. The Company has filed appeals against the above which are pending at various stages.

III. Mahanagar Gas Ltd.

a) Rupee Term Loans of Rs. 2.88 Cr. (Previous year Rs. 6.71 Cr.) from a financial institution and External Commercial Borrowings (ECB) of Rs. 10.00 Cr. (previous year Rs. 15 Cr.) are secured by hypothecation of all moveable property except underground pipelines, both present and future and certain immovable property both present and future respectively, on pari pasu basis. ECB is hedged against currency and rate fluctuation.

b) 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. Lease payments recognized in the profit and loss account for the year is Rs. 3.41 Cr. (Previous year Rs. 3.52 Cr.).

c) Company has entered into agreements for taking on leave and license basis certain residential/office premises. All the agreements contain a provision for its renewal. Lease payments recognized in the profit and loss account under Rent for the year is Rs. 1.79 Cr. (Previous year Rs. 0.94 Cr.).

d) The Foreign Investment Promotion Board (FIPB) through its approval had allowed the Company to continue with the arrangements of foreign equity participation upto 50% in the paid up capital of the Company until December 2006. This approval was subject to the condition that the Company would be required to bring an IPO to divest the shareholding of the promoters to 35% each as per the Joint Venture Agreement. One of the Shareholders of the Company has represented to the FIPB for waiver of the said condition and the proposal is under consideration by FIPB.

IV. Brahmaputra Cracker and Polymer Ltd.

a) The Company has not prepared the Profit and Loss Account since it is in the construction stage of Assam Gas Cracker Project and yet to be ready for commercial production. However the requisite details as required under Statute have been disclosed in the Statement of 'Incidental Expenditure during Construction' forming part of Financial Statements.

b) The Equity shares of Rs. 5,00,700 to the subscribers to the Memorandum and Articles of Association has been considered as deemed allotment.

c) The Capital Grant of Rs. 30.00 Crores which is received from the Govt. Of India by way of contribution towards the total capital outlay and no repayments are ordinarily expected are recognized in the financial statements as capital reserve.

d) The financial statements include amount valuing at Rs. 57.00 Crores towards freehold land provided by the Govt. of Assam to the project which is counted towards their subscription for the equity share capital or advance equity share capital.

V. Aavantika Gas Ltd.

The Company is in project implementation stage as on 31.03.2008 and no commercial operating activity undertaken till date, hence, no statement of profit and loss is prepared.

21. Unaudited financial statements of joint venture–Petronet LNG Ltd., Indraprastha Gas Limited, Mahanagar Gas Limited, Bhagyanagar Gas Limited, Central UP Gas Limited, Green Gas Limited, Aavantika Gas Limited, Ratnagiri Gas Power Limited, Maharashtra Natural Gas Limited, Tripura Natural Gas Ltd. have been included in consolidation in absence of the audited financial statements. The figures included in the consolidated financial statements relating to these unaudited joint venture company are as under:

    Total assets are Rs. 2541.44 (Previous Year : Rs. 951.11 Cr.) and
    Total Liabilities of Rs. 2541.44 (Previous Year : Rs. 951.11 Cr.) and
    Total Income of Rs. 1619.90 (Previous Year : Rs. 1116.51 Cr.) and
    Total Expenditure of Rs. 1362.32 (Previous Year : Rs. 908.68 Cr.)

22. Unaudited financial statements of an associate–Gujarat State Electricity Generation (GSEG) and China Gas Holding Limited, have been included in consolidation in absence of the audited financial statements. Total Share of Profit included in the Consolidated Financial Statements is Rs. 12.49 Crores.

23. Due to short participation by the other Joint Venture partners there is difference between the % of ownership as per Joint Venture Agreement and actual % of Share capital currently held by the Company i.e. GAIL (INDIA) LIMITED. The management is of the opinion that it is a temporary phase and other joint venture partner will contribute the balance contribution in the share capital of joint venture as per the joint venture agreement. Hence, GAIL (INDIA) LIMITED ownership in the joint ventures are considered only to the extent of % ownership mentioned in Joint Venture agreement.

    Excess contribution in the Equity Share Capital of the various Joint Ventures as on date, over and above the contractual % amounting to Rs. (20.20) Crores (previous year Rs. 14.57 Cr) is included in the 'Advance Recoverable in cash or in kind or for value to be received.

24. In the previous year the Joint Venture/Associates were incorporated in the consolidated financial statement based on the unaudited financial statement, wherever audited financial statements were not available at the time of consolidation. Adjustment due to Joint Venture regrouping and adjustment due to Joint Venture/Associates regrouping statements of such Joint Venture/Associates on the profit/(loss) is Rs. (50.15) Crores. (Previous Year Rs. (15.12) Crores.

25. 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 in the opinion of the management is not material.

26. 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

27. 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*.

28. 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, 2008. The item - wise details of deferred tax liability as on 31.03.2008 are as under:

(Rs. in Crores)

		2007-08	2006-07
	Deferred Tax Liability		
a)	Depreciation	**1453.88**	1418.03
b)	Others	**46.48**	32.44
	Less : Deferred Tax Assets		
a)	Provision for Gratuity & Retirement Benefits	**67.11**	17.65
b)	Provision for Doubtful Debts / Claims / Advances	**48.11**	49.09
c)	Preliminary Expenses & others	**2.02**	3.71
	Deferred Tax Liability (net)	**1384.76**	1380.02

29. 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 Assets

(i) The Company has participated in joint bidding under the Government of India New Exploration Licensing Policy and overseas exploration bidding has 24 Blocks (Previous Year 26

Blocks) as on 31.03.2008 for which the Company has entered into Production Sharing Contract with respective host Governments along with other partners for Exploration & Production of Oil and Gas. The Company is a non-operator, except in Block RJ-ONN-2004/1 where it is a joint operator, and would share in Expense/ Income/Assets/ Liabilities based upon its percentage in production sharing contract. The participating interest in the following twenty three NELP – Blocks in India and one overseas block in Oman as on 31st March, 2008 is as under:

Sl. No.	**Joint Venture under NELP Blocks**	**Participating Interest**
1)	MN-ONN-2000/1	20%
2)	MN-OSN-2000/2	20%
3)	CB-ONN-2000/1	50%
4)	AA-ONN-2002/1	80%
5)	CY-ONN-2002/1	50%
6)	AA-ONN-2003/1	35%
7)	CB-ONN-2003/2	20%
8)	AN-DWN-2003/2	15%
9)	Block 56, Oman	25%
10)	RJ-ONN-2004/1	20%
11)	KG-ONN-2004/2	40%
12)	MB-OSN-2004/1	20%
13)	MB-OSN-2004/2	20%
14)	CY-DWN-2004/1	10%
15)	CY-DWN-2004/2	10%
16)	CY-DWN-2004/3	10%
17)	CY-DWN-2004/4	10%
18)	CY-PR-DWN-2004/1	10%
19)	CY-PR-DWN-2004/2	10%
20)	KG-DWN-2004/1	10%
21)	KG-DWN-2004/2	10%
22)	KG-DWN-2004/3	10%
23)	KG-DWN-2004/5	10%
24)	KG-DWN-2004/6	10%

(ii) Further GAIL has been awarded 3 Coal Bed Methane (CBM) Blocks under CBM-III bidding round as under where it is a non-operator.

Sl. No.	**Joint Venture under NELP Blocks**	**Participating Interest**
1)	RM-CBM-2005/III	35%
2)	TR-CBM-2005/III	35%
3)	MR-CBM-2005/III	40%

(iii) In addition to above, the Company has farmed-in as non – operator in the following blocks:

Sl. No.	**Joint Venture under Farmed-in Blocks**	**Participating Interest**
1)	A-1, Myanmar	10%
2)	CY-OS/2	25%
3)	A-3, Myanmar	10%

(iv) The Company's share in the assets and liabilities as at 31st March 2008 and in the Income and the expenditure for the year in respect of joint operations project blocks has been incorporated in the Company's financial statements based upon un audited statement of accounts submitted by the operators are as follows:

(Rs. in Crores)

Particulars	**2007-08**	2006-07
Income	**17.62***	-
Expenses	**363.39**	290.34
Fixed Assets	**3.70**	1.79
Producing Property	-	-
Other Assets	**342.22**	347.34
Current Liabilities	**105.81**	132.30

* Including excess of test production revenue of Rs. 10.73 Crores

(v) During the year the Director General of Hydrocarbons approved the start of commercial production w.e.f. 1st February 2008 from Ingoli field in lock No.CB-ONN-2000/1 in Cambay Basin, Gujarat. The revenue from sale of crude oil during test production (prior to commercial production) amounting to Rs. 39.63 Crores (including Rs. 20 Crores charged in Previous year) has been adjusted against Capital-Work-In-Progress of the above mentioned field and excess of test production revenue (Rs. 10.73 Crores) over the cost of producing property (Rs. 28.90 Crores) has been credited to Profit & Loss Account. Producing property are capitalized at Rupee one.

(vi) Share of Minimum work programme committed under various production sharing contracts in respect of E & P joint ventures is Rs. 449.72 Crores (P.Y : Rs. 534.43 Crores)

Quantitative information:

Details of Company's Share on 31.03.2008 for Block no. CB-ONN-2000/1:

(Rs. in Crores)

Particulars	Opening Stock		Production		Sales		Closing Stock	
	Qty	Value	Qty	Value	Qty	Value	Qty	Value
Crude Oil	(MT)		(MT)		(MT)		(MT)	
Year ended 31.03.08	-	-	2757.97*	-	2684.41	6.90	73.56	0.05
Year ended 31/03/07	-	-	-	-	-	-	-	-

* The Production quantity includes 322.65 MT of quantity produced during the testing period.

Details of Company's share of Proved Oil Reserves as on 31.03.2008 for Block no. CB-ONN-2000/1:

Particulars	Opening	Addition	Deletion	Production	Closing
	Qty (MT)	Qty (MT)	Qty (MT)	Qty (MT)	Qty (MT)
Crude Oil	-	742,435.32*		2,435.32	740,000

*As intimated by Gujarat State Petroleum Corporation Ltd (Operator).

Jointly controlled Entity:

GAIL (India) Limited share in assets, liabilities, income, expenses contingent liabilities and capital commitments of jointly controlled Entities as per Annexure - C

N.K. Nagpal Secretary	R.K. Goel Director (Finance)	M.R. Hingnikar Director (HR)	Dr. U.D. Choubey Chairman & Managing Director	As per our separate Report of even date For M/s Mehra Goel & Co. Chartered Accountants

R.K. Mehra
(Partner)
Membership No. 6102

Place : New Delhi
Dated : May 13, 2008

INFORMATION ABOUT BUSINESS SEGMENTS FOR FINANCIAL YEAR 2007-2008

(Annexure - A)

(Rs. in Crores)

Sl. No. Segments	Transmission Services** NATURAL GAS	LPG	Natural Gas Trading Note -1	Petro-chemicals	LPG & Liquid Hydro-carbons	GAILTEL	City Gas Note -2	Un-allocated Note -3	Total	Elimi-nation	Consoli-dated Total
1. REVENUE											
External Sales *	2,064.60	389.31	10,386.53	2,572.61	2,661.39	28.55	500.66	807.71	19,411.36	-	19,411.36
Intersegment sales	221.89	-	2,592.74	18.54	-	-	-	-	2,833.17	2,833.17	-
Total revenue	**2,286.49**	**389.31**	**12,979.27**	**2,591.15**	**2,661.39**	**28.55**	**500.66**	**807.71**	**22,244.53**	**2,833.17**	**19,411.36**
2. RESULTS											
Segment Result											
(Profit before Interest &Tax)	1,553.48	231.84	293.80	1,252.82	900.43	3.11	175.18	-	4,410.66	-	4,410.66
Unallocated expenses	-	-	-	-	-	-	-	624.72	624.72	-	624.72
Operating Profit	1,553.48	231.84	293.80	1,252.82	900.43	3.11	175.18	(624.72)	3,785.94	-	3,785.94
Interest Expenses	-	-	-	-	-	-	-	149.33	149.33	-	149.33
Interest/ Dividend Income	-	-	-	-	-	-	-	487.45	487.45	-	487.45
Provision for Taxation	-	-	-	-	-	-	-	1,341.16	1,341.16	-	1,341.16
Profit/(Loss) from Ordinary Activities	1,553.48	231.84	293.80	1,252.82	900.43	3.11	175.18	(1,627.76)	2,782.90	-	2,782.90
Extraordinary items	-	-	-	-	-	-	-	-	-	-	-
Net Profit/(Loss)	**1,553.48**	**231.84**	**293.80**	**1,252.82**	**900.43**	**3.11**	**175.18**	**(1,627.76)**	**2,782.90**	**-**	**2,782.90**
3. OTHER INFORMATION											
Segment Assets	6,812.93	1,033.99	339.43	2,274.54	1,257.67	56.57	553.04	1,663.11	13,991.28	97.02	13,894.26
Unallocated Assets	-	-	-	-	-	-	-	7,992.76	7,992.76	-	7,992.76
Total Assets	**6,812.93**	**1,033.99**	**339.43**	**2,274.54**	**1,257.67**	**56.57**	**553.04**	**9,655.87**	**21,984.04**	**97.02**	**21,887.02**
Segment Liabilities	1,396.78	45.68	107.35	203.91	222.45	19.25	172.31	77.01	2,244.74	44.15	2,200.59
Unallocated Liabilities	-	-	-	-	-	-	-	4,197.00	4,197.00	-	4,197.00
Total Liabilities	**1,396.78**	**45.68**	**107.35**	**203.91**	**222.45**	**19.25**	**172.31**	**4,274.01**	**6,441.74**	**44.15**	**6,397.59**
Cost to acquire fixed assets	1,709.89	17.28	3.30	384.21	14.96	0.80	66.70	1,579.27	3,776.41	-	3,776.41
Depreciation*	250.91	66.87	12.77	146.06	88.61	9.72	35.12	52.66	662.72	-	662.72
Non Cash expenses other than Depreciation*	(1.77)	0.13	0.78	0.25	0.14	-	0.33	294.82	294.68	-	294.68

* Sales is net of Excise Duty

** Assets & Liability of Gas Trading Business included in Gas Transmission Business

*** unallocated includes Corporate Office, Zonal Offices, GTI, E&P, Power etc.

Notes

1. Includes JV Petronet LNG Limited
2. Includes Subsidiary BCPL
3. Includes JVs IGL, BGL, MGL, CUGL, GGL, MNGL, Aavantika, TNGCL & City Gas business of GAIL
4. Includes Subsidiary GAIL (Global) Singapore Pte. Limited and Associate Company's share and RGGPL

INFORMATION ABOUT BUSINESS SEGMENTS FOR FINANCIAL YEAR 2006-2007

(Annexure - A)

(Rs. in Crores)

Sl. No. Segments	Transmission Services** NATURAL GAS	LPG	Natural Gas Trading Note -1	Petro-chemicals	LPG & Liquid Hydro-carbons	GAILTEL	City Gas Note -2	Un-Allocated Note -3	Total	Elimi-nation	Consoli-dated Total
1. REVENUE											
External Sales *	1,973.31	343.96	9,820.95	2,190.39	1,990.64	25.36	246.70	510.10	17,101.41	-	17,101.41
Intersegment sales	241.13	-	2,460.74	13.65	-	-	-	-	2,715.52	2,715.52	-
Total revenue	**2,214.44**	**343.96**	**12,281.69**	**2,204.04**	**1,990.64**	**25.36**	**246.70**	**510.10**	**19,816.93**	**2,715.52**	**17,101.41**
2. RESULTS											
Segment Result											
(Profit before Interest &Tax)	1,511.16	189.85	249.71	951.48	100.29	0.92	148.14	-	3,151.55	-	3,151.55
Unallocated expenses	-	-	-	-	-	-	-	410.31	410.31	-	410.31
Operating Profit	1,511.16	189.85	249.71	951.48	100.29	0.92	148.14	(410.31)	2,741.24	-	2,741.24
Interest Expenses	-	-	-	-	-	-	-	121.71	121.71	-	121.71
Interest/ Dividend Income	-	-	-	-	-	-	-	469.31	469.31	-	469.31
Provision for Taxation	-	-	20.29	-	-	-	50.13	813.03	883.45	-	883.45
Profit/(Loss) from Ordinary Activities	1,511.16	189.85	229.42	951.48	100.29	0.92	98.01	(875.74)	2,205.39	-	2,205.39
Extraordinary items	-	-	-	-	-	-	-	339.93	339.93	-	339.93
Net Profit/(Loss)	**1,511.16**	**189.85**	**229.42**	**951.48**	**100.29**	**0.92**	**98.01**	**(535.81)**	**2,545.32**	**-**	**2,545.32**
3. OTHER INFORMATION											
Segment Assets	4,844.36	1,088.31	320.45	2,055.66	1,250.52	68.49	613.82	(59.01)	10,182.60	-	10,182.60
Unallocated Assets	-	-	-	-	-	-	-	5,892.54	5,892.54	-	5,892.54
Total Assets	**4,844.36**	**1,088.31**	**320.45**	**2,055.66**	**1,250.52**	**68.49**	**613.82**	**5,833.53**	**16,075.14**	**-**	**16,075.14**
Segment Liabilities	1,143.23	37.36	41.40	142.82	353.52	21.04	266.26	0.41	2,006.04	-	2,006.04
Unallocated Liabilities	-	-	-	-	-	-	-	2,853.26	2,853.26	-	2,853.26
Total Liabilities	**1,143.23**	**37.36**	**41.40**	**142.82**	**353.52**	**21.04**	**266.26**	**2,853.67**	**4,859.30**	**-**	**4,859.30**
Cost to acquire fixed assets	433.90	3.76	0.46	9.91	7.53	19.96	146.75	5.51	627.78	-	627.78
Depreciation*	258.91	69.14	12.75	141.90	88.06	8.64	33.47	8.73	621.60	-	621.60
Non Cash expenses other than Depreciation*	(5.02)	0.07	(18.66)	1.30	0.48	0.88	0.08	241.98	221.11	-	221.11

* Sales is net of Excise Duty

** Assets & Liability of Gas Trading Business included in Gas Transmission Business

*** unallocated includes Corporate Office, Zonal Offices, GTI, E&P, Power etc.

Notes

1. Includes JV Petronet LNG Limited
2. Includes JVs IGL, BGL, MGL, CUGL, GGL, MNGL, Aavantika & RGPPL
3. Includes Subsidiary GAIL (Global) Singapore Pte. Limited and Associate Company's share

(Annexure - B)

RELATED PARTY DISCLOSURES

I) **Relationship**

A) **Joint Venture Companies/Associates**

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) Green Gas Limited
8) Maharashtra Natural Gas Ltd.
9) Ratnagiri Gas Power Pvt. Ltd.
10) Aavantika Gas Co Limited
11) Shell Compressed Natural Gas
12) Gujarat State Electricity Generation Ltd.
13) National Gas Company "NatGas"
14) Fayum Gas Company
15) China Gas Holdings Limited

B) **Whole-time Directors:**

1) Dr. U. D. Choubey, Chairman and Managing Director
2) Shri R. K. Goel
3) Shri M. R. Hingnikar
4) Shri Santosh Kumar
5) Shri A.K. Purwaha
6) Shri B. C. Tripathi
7) Shri P. K. Gupta
8) Shri J. Ravi Babu
9) Shri S. D. Dhiman
10) Shri A. K. Mittal
11) Shri S. C. Hatwal
12) Shri S. P. Selvan
13) Shri Om Narayan
14) Shri Shyama Sunder
15) Shri K. V. Vishwanathan
16) Shri Amit Das

C) **Unincorporated Joint Venture for Exploration & Production Activities:**

1)	NEC - OSN - 97/1	(Non-operator with participating interest: 50%, GAIL has relinquished from the Block on 11th September 2007)
2)	CB - ONN - 2000/1	(Non-operator with participating interest: 50%)
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%)

7)	AA-ONN-2003/2	(Non-operator with participating interest: 35%)
8)	CB-ONN-2003/2	(Non-operator with participating interest: 20%)
9)	AN-DWN-2003/2	(Non-operator with participating interest: 15%)
10)	A-3, Myanmar	(Non-operator with participating interest: 10%)
11)	Block 56, Oman	(Non-operator with participating interest: 25%)
12)	RJ-ONN-2004/1	(Joint operator along with GSPCL and having participating interest of 20%)
13)	KG-ONN-2004/2	(Non-operator with participating interest: 40%)
14)	MB-OSN-2004/1	(Non-operator with participating interest: 20%)
15)	MB-OSN-2004/2	(Non-operator with participating interest: 20%)
16)	RM-CBM-2005/III	(Non-operator with participating interest: 35%)
17)	TR-CBM-2005/III	(Non-operator with participating interest: 35%)
18)	MR-CBM-2005/III	(Non-operator with participating interest: 40%)

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)

		2007-08	2006-07
1)	Sales	**851.27**	479.97
2)	Amount receivable as at Balance Sheet Date for (1) above	**58.95**	27.22
3)	Purchases	**3982.96**	3458.76
4)	Amount payable as at Balance Sheet Date for (3) above	**180.00**	162.83
5)	Reimbursement for other expenditure received/receivable	**24.40**	0.12
6)	Amount receivable as at Balance Sheet Date for (5) above	**20.08**	0.08

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

		2007-08	2006-07
1)	Remuneration *	**2.36**	2.54
2)	Interest bearing outstanding loans receivable	**0.56**	0.84
3)	Interest accrued on loans given	**0.44**	0.38

* 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:**

		2007-08	2006-07
1)	Minimum work program commitment	**241.13**	299.48
2)	Survey and other expenses	**64.99**	31.04
3)	Other assets	**326.38**	327.21
4)	Amount outstanding on Balance Sheet date	**89.34**	126.11
5)	Amount written Off-Dry well expenditure	**271.73**	233.21
6)	Sale of Crude Oil	**17.62**	0.00

Share of GAIL in Assets, Liabilities, Income, Expenses, Contingent Liabilities and Capital Commitments of Jointly Controlled Entities

		Mahanagar Gas Limited		Indraprastha Gas Limited		Petronet LNG Limited		Bhagyanagar Gas Limited	
		2007-08	2006-07	**2007-08**	2006-07	**2007-08**	2006-07	**2007-08**	2006-07
1	**Loan Funds**								
i.	Secured Loans	**6.41**	11.02	-	-	**197.20**	172.90	-	-
ii.	Unsecured Loans	**5.47**	5.47	**1.54**	1.22	-	-	-	-
2	**Reserves and Surplus**	**245.02**	211.66	**112.64**	84.78	**108.57**	77.41	**0.26**	0.06
3	**Current Liabilities**	**46.92**	37.31	**17.97**	17.58	**53.59**	49.77	**3.06**	2.93
4	**Provisions**	**21.19**	37.46	**71.44**	50.96	**53.76**	11.98	**0.04**	0.01
5	**Fixed Assets**								
i.	Gross Block	**323.89**	293.27	**149.92**	138.04	**246.48**	243.22	**4.47**	3.57
ii.	Depreciation	**94.34**	77.49	**69.83**	56.22	**50.49**	37.72	**0.43**	0.24
	Net Block	**229.55**	215.78	**80.09**	81.82	**195.99**	205.50	**4.04**	3.33
iii.	CWIP	**59.88**	36.91	**13.26**	7.57	**132.67**	60.43	**0.76**	0.98
6	**Investments**	**36.47**	27.23	**24.48**	28.71	**68.42**	34.75	-	-
7	**Current Assets**								
i.	Inventories	**5.98**	5.56	**5.17**	4.68	**11.37**	26.25	-	-
ii.	Sundry Debtors	**30.91**	21.17	**5.28**	4.67	**41.62**	41.41	**0.17**	0.03
iii.	Cash and Bank Balances	**14.92**	8.66	**31.47**	9.10	**44.82**	42.56	**0.56**	0.79
iv.	Loans and Advances	**17.17**	55.53	**79.59**	55.97	**45.11**	25.62	**0.12**	0.11
v.	Other Current Assets	-	-	**1.11**	0.26	**0.52**	0.19	**0.01**	-
8	**Income**								
i.	Sales (Less ED)	**295.40**	270.19	**158.46**	138.17	**819.41**	687.58	**7.18**	4.59
ii.	Other Income	**4.30**	3.74	**4.60**	2.33	**6.70**	5.62	**0.03**	0.07
9	**Expenses**								
i.	Purchases	**116.89**	110.99	**68.25**	60.25	**695.80**	593.31	**5.82**	3.84
ii.	Manufacturing, Transmission, Distribution Administration, Selling & and other Expenses	**73.58**	60.20	**36.73**	33.81	**28.11**	27.05	**1.09**	0.77
iii.	Interest and Finance Charges	**0.77**	1.07	**0.23**	0.18	**12.80**	13.38	-	-
10	**Contingent Liabilities**	**13.11**	16.63	**0.78**	0.64	**158.30**	122.64	**0.02**	0.02
11	**Capital Commitments**	**41.28**	39.94	**14.40**	12.56	**168.92**	92.29	**0.94**	1.35

Annexure - C

(Rs. in Crores)

Green Gas Limited		Central UP Gas Ltd.		MNGL		Aavantika		RGPPL		TNGCL	
2007-08	2006-07	**2007-08**	2006-07	**2007-08**	2006-07	**2007-08**	2006-07	**2007-08**	2006-07	**2007-08**	2006-07
5.00	-	-	-	-	-	-		**2,305.08**	2,135.21	-	
-	-	-	-	-	-	-	0.02	-	0.20	**0.16**	
0.94	(0.22)	**0.92**	(0.08)	**(0.17)**	-	**(0.14)**		**(1.29)**	-	**0.90**	
3.53	7.50	**1.88**	0.65	**3.13**	0.14	**0.60**	0.29	**73.62**	121.13	**1.14**	
0.24	-	-	-	**0.03**	0.03	**0.02**		-	0.60	-	
4.64	4.46	**7.97**	5.68	**0.72**	0.10	**0.05**		**1,595.49**	76.17	**2.07**	
0.66	0.21	**0.73**	0.16	**0.01**	-	-		**46.91**	0.20	**0.73**	
3.98	4.25	**7.24**	5.52	**0.71**	0.10	**0.05**		**1,548.58**	75.97	**1.34**	
7.61	5.51	**4.07**	1.75	**6.55**	0.25	**1.70**	0.17	**1,211.18**	2,633.69	-	
-	-	-	-	-	-	-		-	-	-	
0.01	-	-	-	-	-	-		**38.43**	36.70	**0.05**	
0.57	0.18	**0.20**	0.05	-	-	-		**43.23**	-	**0.27**	
0.67	0.40	**4.09**	5.86	**3.01**	1.86	**4.56**	0.45	**31.35**	7.83	**0.93**	
0.26	0.20	**0.38**	0.29	**1.05**	0.05	**0.13**		**4.53**	2.26	**0.01**	
0.01	0.01	-	-	-	-	**0.12**	0.01	**0.14**	0.14	-	
8.04	2.15	**5.19**	1.40	-	-	-		**307.94**	-	**2.11**	
0.02	0.10	**0.39**	0.17	-	-	-		**0.02**	0.39	**0.07**	
4.23	1.25	**2.29**	0.65	-	-	-		-	-	**1.04**	
2.22	1.06	**1.71**	0.87	**0.17**	-	**0.14**		**253.34**	-	**0.74**	
0.27	-	-	-	-	-	-		**55.91**	34.65	-	
0.09	0.04	-	0.47	-	-	-		**56.66**	-	-	
6.02	7.17	-	2.58	-	1.29	-	0.23	**76.87**	121.33	-	

CONSOLIDATED CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2008

(Rs. in Crores)

		2007-08		2006-07
A CASH FLOW FROM OPERATING ACTIVITIES				
1. NET PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS		**4124.06**		3088.85
2. ADD :				
DEPRECIATION	**665.59**		621.41	
DEFERRED REVENUE EXPENSES W/OFF	**0.96**		0.02	
ADDITION TO PRELIMINARY EXP	**0.00**		(0.33)	
CAPITAL RESERVE	**(0.12)**		(0.12)	
EXCHANGE RATE VARIATION	**0.07**		(0.02)	
INTEREST EXPENDITURE	**149.33**		121.71	
DIVIDEND INCOME ON INVESTMENTS	**(211.19)**		(198.56)	
INTEREST INCOME	**(274.39)**		(254.96)	
PROVISION FOR EMPLOYEE BENEFITS	**35.71**		11.41	
PROVISION FOR GRATUITY	**0.04**		0.00	
PROVISION FOR PAY REVISION	**105.00**		0.00	
PROVISION FOR DOUBTFUL DEBTS	**1.04**		(16.68)	
OTHER PROVISIONS	**0.93**		0.06	
PROVISION / WRITE OFF OF ASSET/CWIP	**284.59**		241.87	
FOREIGN TRANSLATION RESERVE WRITE BACK	**0.00**		2.33	
PROVISION OF EXCISE DUTY ON CLOSING STOCK	-		10.59	
PROFIT/LOSS ON SALE OF ASSETS (NET)	**12.66**		(2.39)	
		770.22		536.34
3. OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES (1+2)		**4894.28**		3625.19
4. CHANGES IN WORKING CAPITAL (EXCLUDING CASH & BANK BALANCES)				
TRADE AND OTHER RECEIVABLES	**(718.83)**		(398.93)	
INVENTORIES	**(1.51)**		(131.24)	
TRADE AND OTHER PAYABLES	**715.10**		(434.26)	
		(5.24)		(964.43)
5. CASH GENERATED FROM OPERATIONS (3+4)		**4889.04**		2660.76
6. DIRECT TAXES PAID		**(1107.58)**		(917.76)
NET CASH FROM OPERATING ACTIVITIES (5+6)		**3781.46**		1743.00
BALANCE CARRIED FORWARD		**3781.46**		1743.00

CONSOLIDATED CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2008

(Rs in Crores)

		2007-08		2006-07
BALANCE BROUGHT FORWARD		**3781.46**		1743.00
B. CASH FLOW FROM INVESTING ACTIVITIES				
PURCHASE OF FIXED ASSETS	**(1606.15)**		(4822.60)	
SALE OF FIXED ASSETS	**12.43**		8.23	
REDEMPTION OF BONDS/DEBENTURES			0.00	
INVESTMENT IN OTHER COMPANIES	**(56.12)**		441.34	
INTEREST RECEIVED	**200.03**		202.41	
DIVIDEND RECEIVED	**211.19**		198.56	
NET CASH FROM INVESTING ACTIVITIES		**(1238.62)**		(3972.06)
C CASH FLOW FROM FINANCING ACTIVITIES				
PROCEEDS FROM LONG TERM BORROWINGS	**298.65**		2067.37	
REPAYMENT OF LONG TERM BORROWINGS	**(175.82)**		(500.00)	
CAPITAL SUBSIDY	**21.33**		0.00	
INTEREST PAID	**(140.41)**		(154.47)	
DIVIDEND & DIVIDEND TAX PAID	**(599.21)**		(966.12)	
NET CASH FROM FINANCING ACTIVITIES		**(595.46)**		446.78
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)		**1947.38**		(1782.28)
OPENING ADJUSTMENT FOR JV/ASSOCIATE		**(53.62)**		(19.32)
CASH AND CASH EQUIVALENTS (OPENING BALANCE)		**2738.30**		4539.88
CASH AND CASH EQUIVALENTS (CLOSING BALANCE)		**4632.06**		2738.28)

NOTES :

1. Cash & Cash Equivalents include :

		2007-08		2006-07
Cash & Bank Balances				
As per Balance Sheet		**4632.06**		2738.30
Unrealised (Gain)/ loss on foreign Exchange		**0.00**		(0.02)
Total Cash & Cash Equivalents		**4632.06**		2738.28

N.K. Nagpal	R.K. Goel	M.R. Hingnikar	Dr. U.D. Choubey	As per our separate Report of even date
Secretary	Director (Finance)	Director (HR)	Chairman & Managing Director	For M/s Mehra Goel & Co.
				Chartered Accountants

R.K. Mehra
(Partner)
Membership No. 6102

Place : New Delhi
Dated : May 13, 2008

GLOSSARY

Gas Industry specific terminologies

CBM	Coal Bed Methane
CNG	Compressed Natural Gas
DGH	Director General Hydro-carbon
DVPL	Dahej-Vijaipur Pipeline
E&P	Exploration and Production
ESA	External Safety Audits
GPU	Gas Processing Unit
GTI	GAIL Training Institute
HDPE	High Density Polyethelyene
HSE	Health Safety and Environment
HVJ	Hazira Vijaipur Jagdishpur
JLPL	Jamnagar-Loni Pipeline
LLDPE	Linear Low Density Polyethelyene
LNG	Liquified Natural Gas
LPG	Liquified Petroleum Gas
MMSCMD	Metric Million Standard Cubic Meters Per Day
MMT	Metric Million Tonne
MMTPA	Metric Million Tonne Per Annum
MOP&NG	Ministry of Petroleum and Natural Gas
MOU	Memorandum of Understanding
MTs	Metric Tonnes
MW	Mega-Watt
NELP	New Exploration & Licensing Policy
O&M	Operation and Maintenance
OLHC	Other Liquid Hydro-Carbon
PNG	Piped Natural Gas
SBPS	Special Boiling Point Solvent
TPA	Tonnes Per Annum
VSPL	Vizag-Secundarabad Pipeline

General Abbreviations

BIS	Business Information System
CSR	Corporate Social Responsibility
ERP	Enterprise Resource Planning
JVCs	Joint Venture Companies
PSU	Public Sector Unit
QC	Quality Circle
SCADA	Supervisory Control and Data Acquisition
TQM	Total Quality Management

Financial terms

BSE	Bombay Stock Exchange
CAGR	Compounded Annual Growth Rate
CAPEX	Capital Expenditure
EBIDTA	Earnings Before Interest Depreciation Tax and Amortization
ED	Excise Duty
EPS	Earnings Per Share
GDP	Gross Domestic Product
NSE	National Stock Exchange
PAT	Profit After Tax
PBIDTA	Profit Before Interest Depreciation Tax and Amortization
PBIT	Profit Before Interest and Tax
PBT	Profit Before Tax
ROCE	Return on Capital-Employed
ROIC	Return on Invested-Capital
RONW	Return on Net-Worth

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